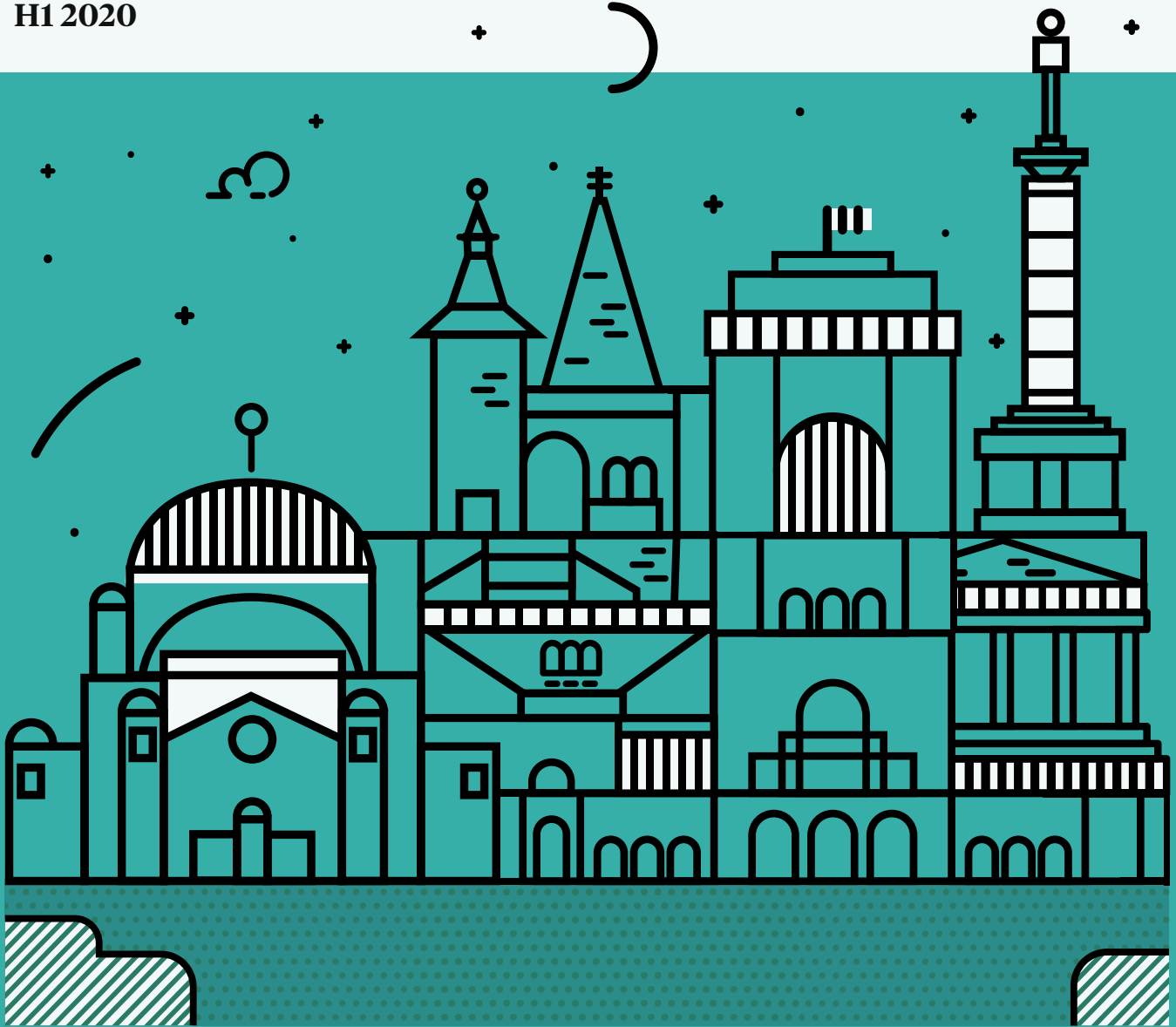
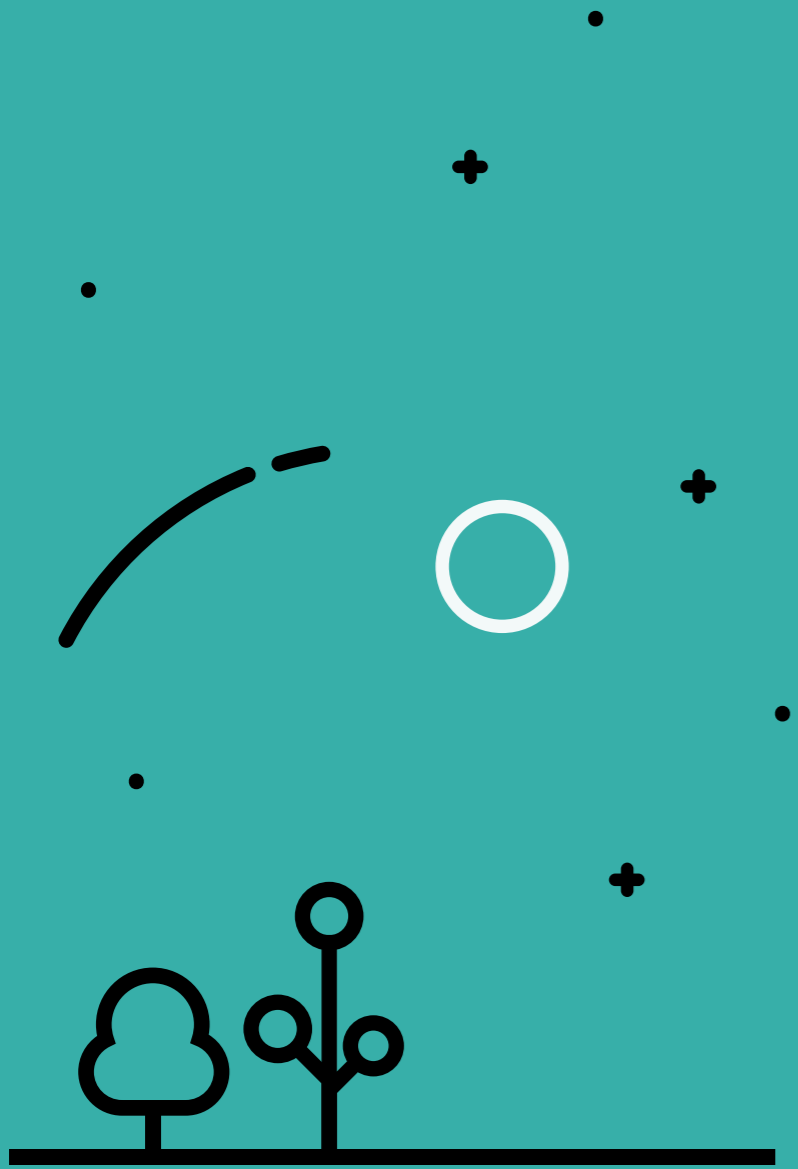


Central South-East Europe (CSEE)

Office Market Overview
H1 2020





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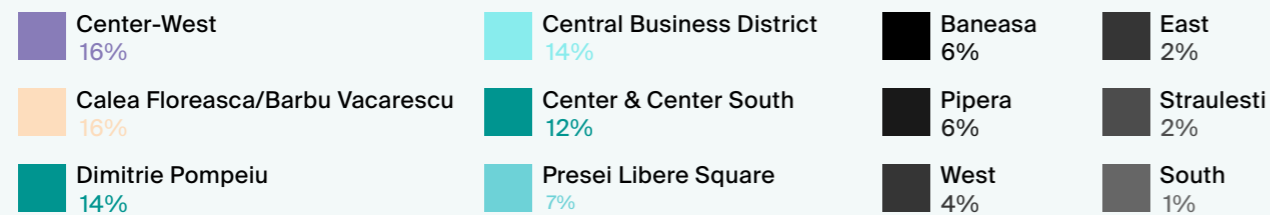
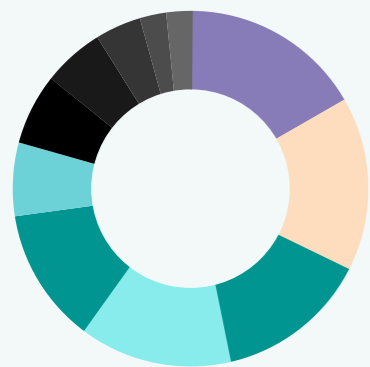
Supply ^{sq m} 105,000

H1 2020 saw class A and B supply reach approximately 105,000 sq m, representing around **50% decrease compared to same period last year**. The stock reached 3.131 million sq m.

Stock ^{sq m} 3.131 mil

The submarket with the highest modern office stock is **Center West area** (516,000 sqm) followed by **Calea Floreasca / Barbu Vacarescu** (490,000 sq m) and **Dimitrie Pompeiu** (443,000 sq m).

STOCK BY SUBMARKET

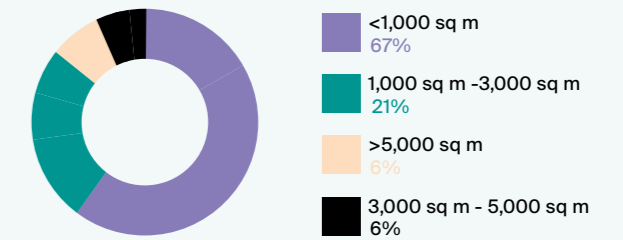


Bucharest Office Market Overview H1 2020

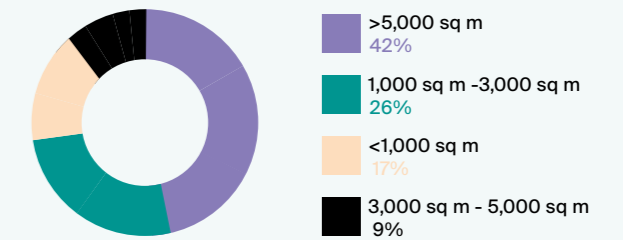
Demand ^{sq m} 100,000

Demand in Q2 2020 reached 45,000 sqm, only **50% of the level registered in Q2 2019**. Out of 45,000 sqm, 57% were renewals, 20% relocations and 17% new demand. There were **30 transactions in total**, whereas 10 were above 1,000 sqm, **the largest one being the 15,500 sqm renewal of UniCredit Bank**. Demand in the second quarter followed the same rhythm of the first quarter, respectively 50% of the level registered in the previous year. Thus, **demand in H1 2020 totaled 100,000 sqm in 66 transactions**, compared to 196,000 sqm in 110 transactions in H1 2019. The average size of the transactions decreased from 1,800 sqm in H1 2019 to 1,500 sqm in H1 2020.

DEMAND BY NUMBER OF TRANSACTIONS H1 2020



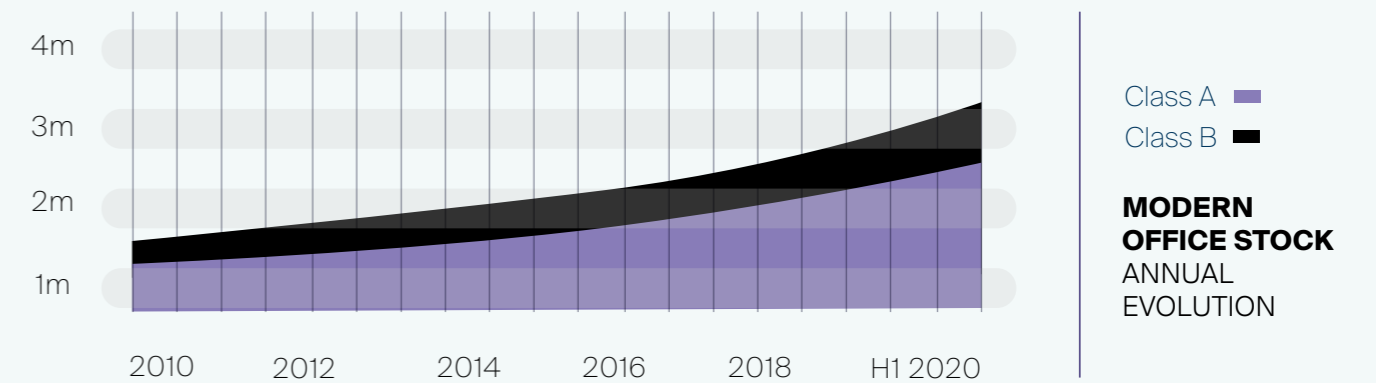
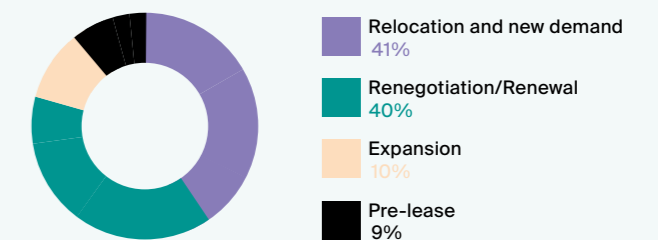
DEMAND BY LEASED AREA H1 2020

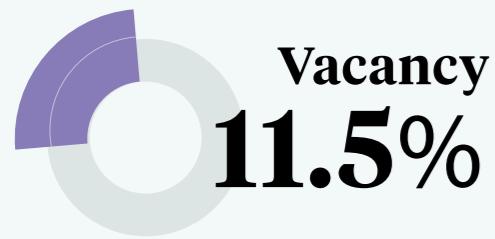


Rents ^{sq m/month} 18.5 eur

Prime headline rents have **remained stable** for the time being but we are carefully looking at the impact COVID-19 and the lockdown period will have.

DEMAND BY TYPE OF TRANSACTION H1 2020



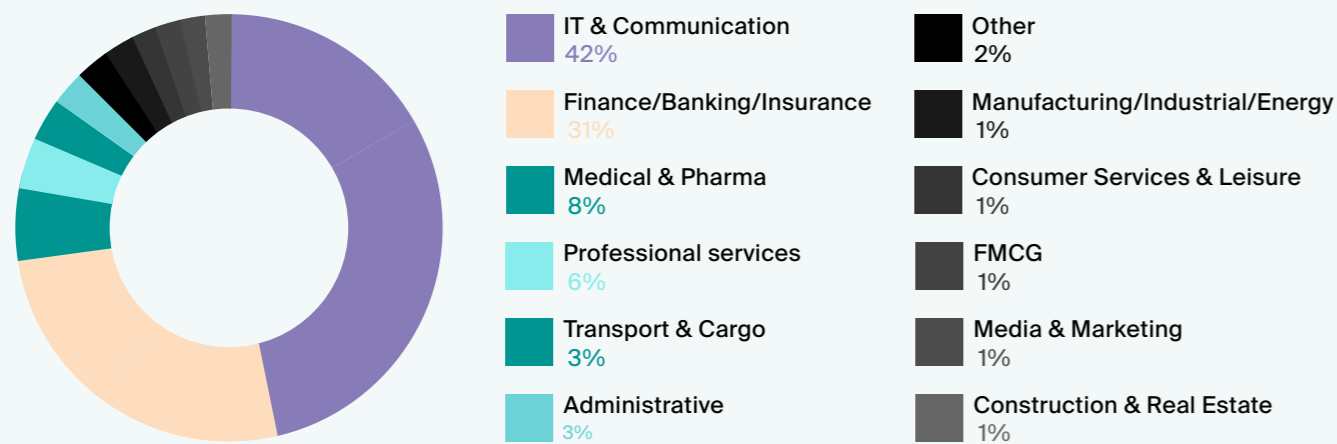


The vacancy rate for Class A and B offices witnessed a **slight increase to 11.5% from 10.5% at the end of 2019**, as both the take up and the supply registered low levels compared to the same period of last year.

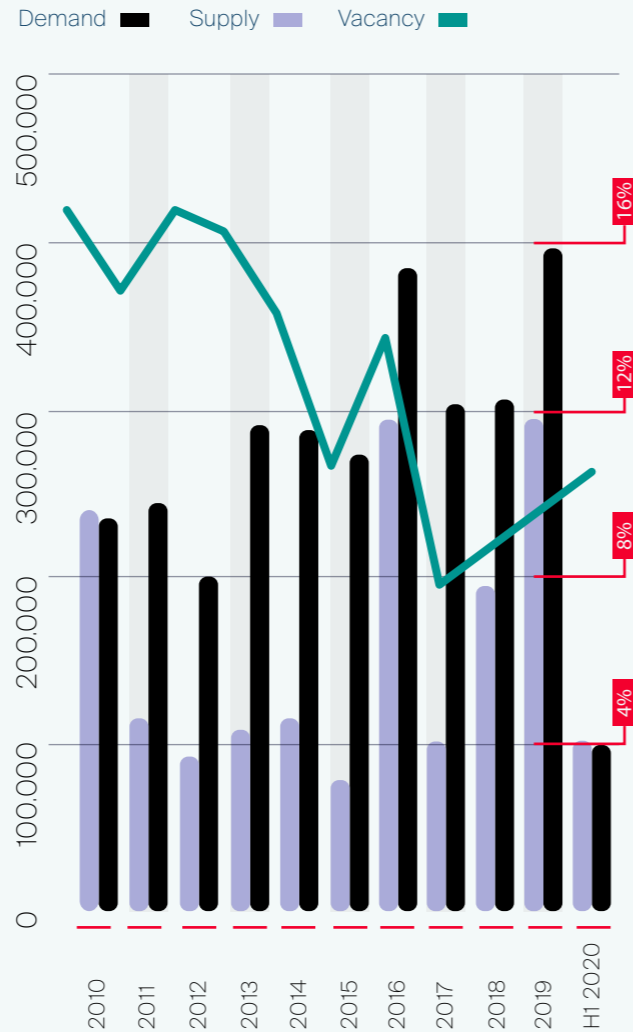


The pipeline for 2020 has reduced by ~10% compared to the estimations made at the end of 2019 and **is expected to reach ~205,000 sqm** based on the latest data. A shift in pipeline has been noticed as some projects moved their delivery date from 2021 in 2022. Thus, **the pipeline for 2021 is expected now to reach ~250,000 sqm**, significantly below the previous expectations – rather half. A similar shift may be rolled down again, from 2022 to 2023.

DEMAND BY TYPE OF TRANSACTION H1 2020



SUPPLY VS. DEMAND VS. VACANCY



There is life in the office, yet

Markets pause as corporate sentiment weakens. It is clear that COVID-19 has brought an acute slow-down in active requirements from occupiers and a notable upturn in the volume of deals postponed.

Re-occupancy in focus as lock-down measures gradually loosen. As Government's detail routes towards the gradual reopening of their economies, business attention has turned towards the re-occupancy of offices. This is far from a 'normal' return to office life. The necessary requirement to respect social distancing measures – and a 2m distance between individuals – is forcing the reconfiguration of office layouts with a 50-60 per cent reduction in office capacity in most cases.

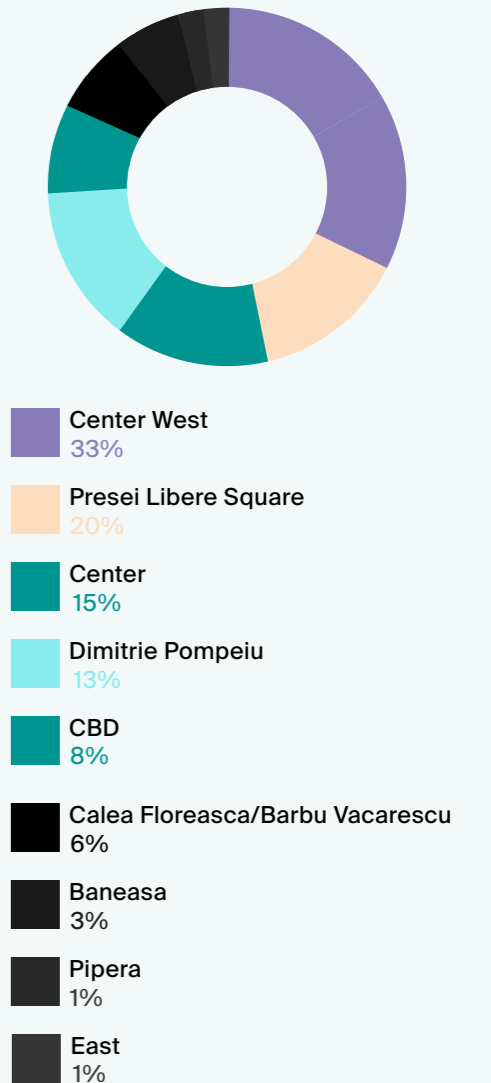
The great global workplace to continue. As re-occupancy becomes a reality for more businesses, we will move rapidly into the second phase of the great global workplace experiment. The capacity constraints within existing office portfolios will force companies to adopt hybrid workstyles with a clear distinction between staff working at home or in the office. This will be a difficult balance for business leaders to strike from both an operational and managerial perspective.

The office is central to the creation and maintenance of a corporate culture. It is essential to the innovation and creativity required to stay competitive.

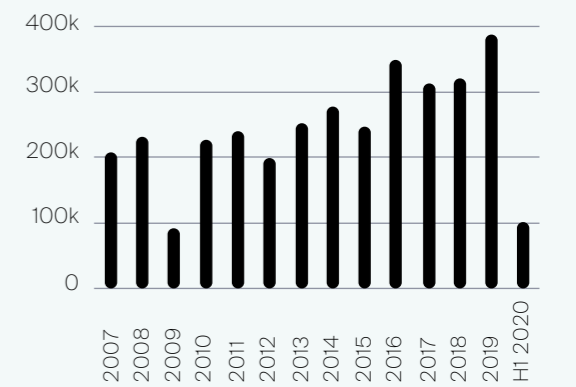
The 'death of the office'. The 20-year old death of the office narrative has reappeared with gusto over the last two months. Enforced working from home, and now the emergence of hybrid working styles that blend WFH with working in the office, have led to bold claims about how businesses could benefit from removing their second largest operating cost. This is naïve. The office is central to the creation and maintenance of a corporate culture. It is essential to the innovation and creativity required to stay competitive. It is the place where essential (and often tacit) staff development and education occurs and where social connections transform into important professional collaborations. Businesses are immeasurably weaker without recourse to an identifiable collective hub. That is not to say that the form and function of the office is beyond reconfiguration but, once again, rumors of the death of the office have been greatly exaggerated.

Dr. Lee Elliott Partner, Global Head of Occupier Research

DEMAND BY SUBMARKET H1 2020



TOTAL TAKE-UP EVOLUTION



New Deliveries

Q1

BudaPart Gate - 18,160 sq m (South Buda);

Budapest One - 27,400 sq m (South Buda);

Lánchíd Palota - 5,120 sq m (CBD) - it has been purchased by an end user and therefore been added to the owner-occupied stock.

Q2

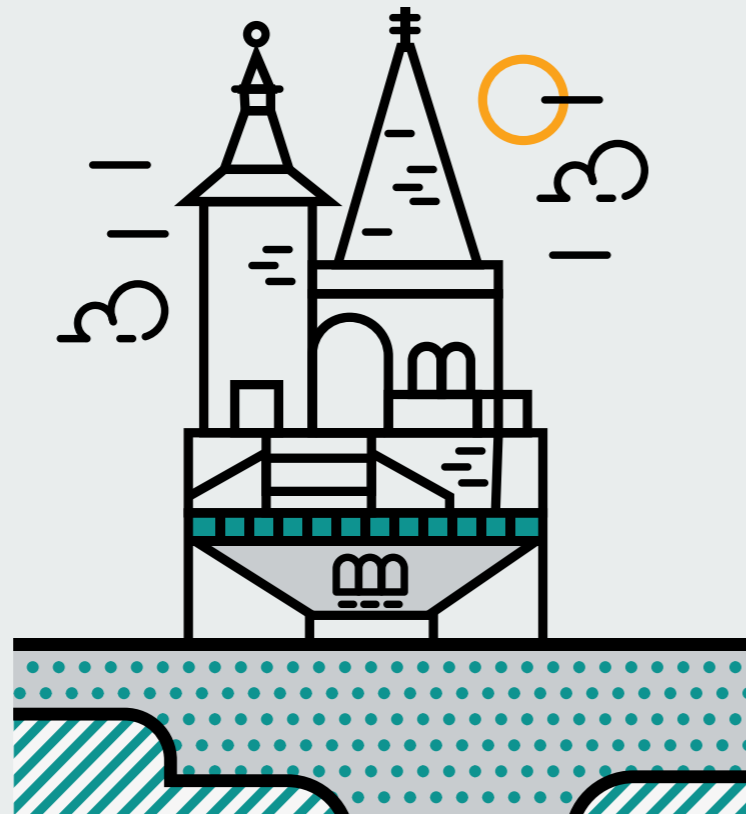
Agora Tower - 34,500 sq m (Váci Corridor);

Váci Greens F - 25,050 sq m (Váci Corridor);

1st phase of Arena Business Campus - 20,400 sq m (Non-Central Pest);

Kálmán Imre 20 - 2,300 sq m (CBD);

New HQ of Market Zrt. - 5,500 sq m (North Buda) - owner-occupied.



Budapest Office Market Overview

H1 2020

Overview

Despite to a strong end in 2019, the Budapest office market is inevitably showing effects reflecting economic restrictions triggered by the COVID-19 pandemic in the second quarter of 2020. The total leasing activity decreased, as we experienced a significantly lower number of transactions.

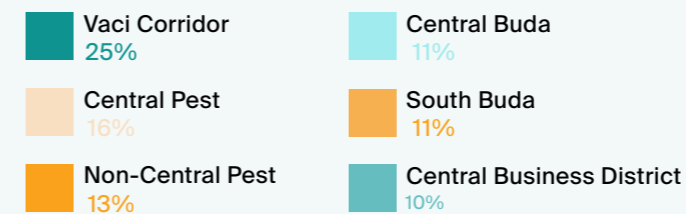
Supply 133,310

The first half of 2020 saw 133,310 sq m of class A office space delivered to the Budapest office market, representing a **robust increase compared to the same period last year** (a total of 32,000 sq m).

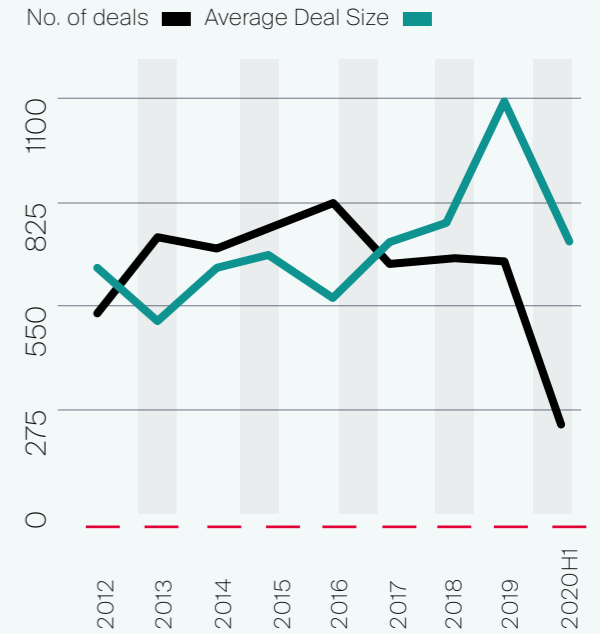
In terms of stock by submarkets, at the end of H1 2020, **Váci Corridor stays on top with a total office stock of just over 950,000 sq m**, followed by Central Pest with approximately 622,000 sq m and Non-Central Pest with 500,000 sq m.

Stock 3.817 mil

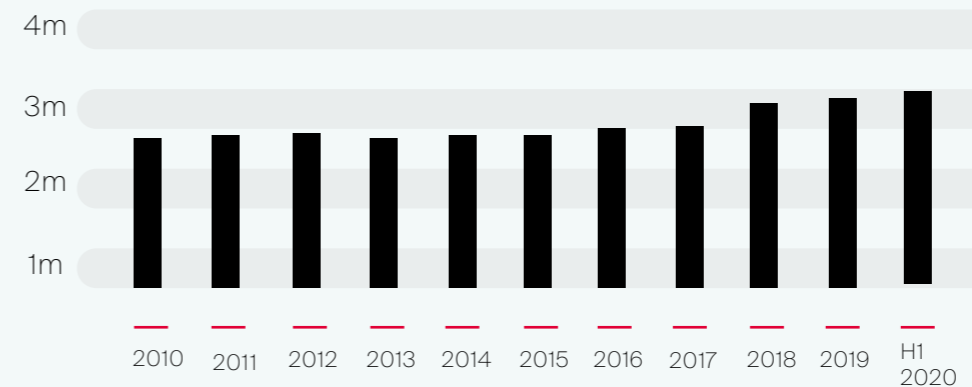
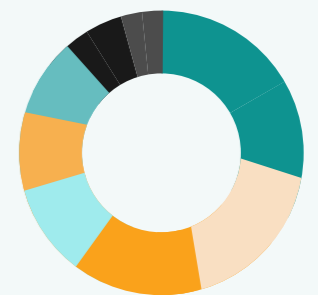
The total modern office stock currently adds up to 3,817,305 sq m, consisting of **3,204,915 sq m of 'A and B' speculative office space**, as well as **612,390 sq m owner-occupied space**.



TOTAL DEALS VS. AVERAGE DEAL SIZE



STOCK BY SUBMARKET



Class A+B
MODERN OFFICE STOCK ANNUAL EVOLUTION

Demand sq m 167,500

The total demand amounted to 167,500 sq m during the first half of 2020, representing a **30% decrease compared to the same period last year** (243,370 sq m total demand). Leasing activity weakened towards the end of H1 2020, reflecting the economic restrictions triggered by the Covid-19 pandemic.

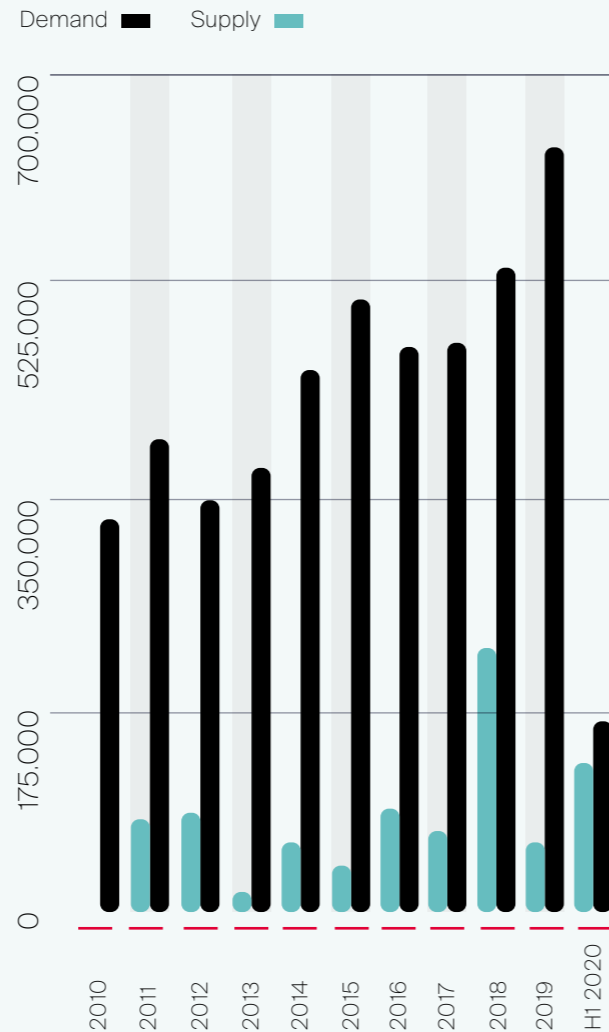
The number of transactions concluded in the first six months of 2020 **has dropped by almost 35% compared to the same period of last year**, with 232 office agreements in total (360 in 2019H1). The average deal size amounted to 723 sq m, which jumped back to the figure measured in 2018.

Key transactions

Key transactions included an **8,000 sq m pre-lease in South Buda** and a **7,450 sq m pre-lease in Váci Greens E**, while the largest new transaction was concluded for **4,730 sq m in South Buda**. The largest renewal was registered in **Park Átrium at 6,300 sq m**.

Size (sq m)	Submarket	Building	Type of transaction
8,000	South Buda	Budapest One	Pre-lease
7,450	Váci Corridor	Váci Greens E	Pre-lease
6,300	Central Pest	Park Átrium	Renewal
4,790	Váci Corridor	West End City Center	Renewal
4,730	South Buda	Budapest One	New Lease

SUPPLY VS. DEMAND



Forecast sq m 89,000

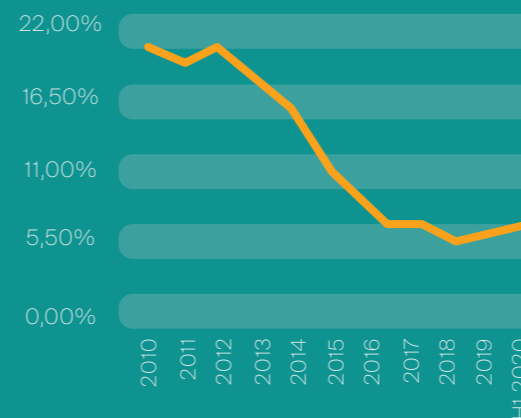
until the end of 2020, new supply

We are expecting approximately **89,000 sq m until the end of 2020**, out of which 59% is already pre-let. While a delay in delivering new schemes was expected due to one of the many implications of the Covid-19 pandemic, development **constructions have been able to go ahead as scheduled** and no project cancellations have been announced.

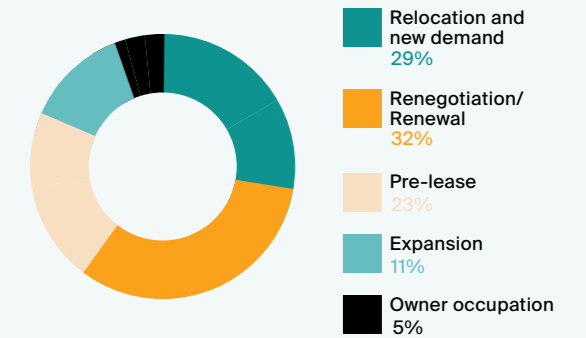
We believe the Covid-19 pandemic will bring new trends to the Budapest office market, including more sublease options coming up as companies are expected to downsize their office space. **We expect more and more renegotiations and more flexible landlord-terms.**

Tenants are keen to introduce risk-minimising measures, which – with an effective strategy and experienced advisor – might bring early savings. Several businesses reported that they **are carrying out extensive researches to examine the possibilities of working from home permanently**. Despite, the aforementioned recently improving trend, the Hungarian office market is well positioned for a recovery in office leasing.

VACANCY RATE 2010 - H1 2020



DEMAND BY TYPE OF TRANSACTION H1 2020



Rents sq m/month 25 eur

Average rent: 13.50 eur / sq m
Prime rent 25.00 eur / sq m

Based on headline rents in the current availability, **only a minimal rent correction has been registered**, mainly in category B office schemes.

Vacancy % 7.3%

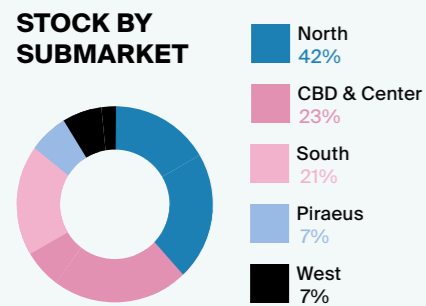
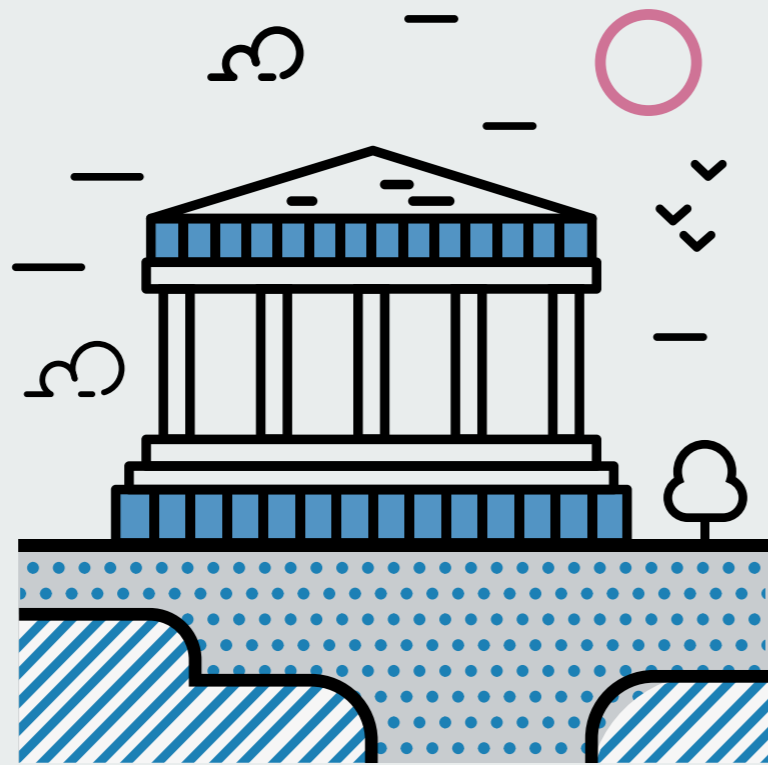
Due to the significant amount of new supply and the relatively low demand, **the vacancy rate for class A and B offices increased by 1.1 p year-on-year**, standing at 7.3% in the first half of 2020.

The **highest vacancy rate** in Budapest is still recorded **in the periphery with a rate of above 30%**. North Buda has taken over the title of the lowest vacancy, standing at 2.8%.

Supply

The first half of 2020 did not register any deliveries, **a few new projects announced for 2020 being expected** in the second half of the year.

The low level of new deliveries is related also to the fact that the pandemic has affected the level of pre-leases and the developers have slowed down the pace of development. Thus **the total stock of modern office spaces remains at 2.4 mil sqm** as of H1 2020.



Athens Office Market Overview

H1 2020

Stock sq m 2.4 mil

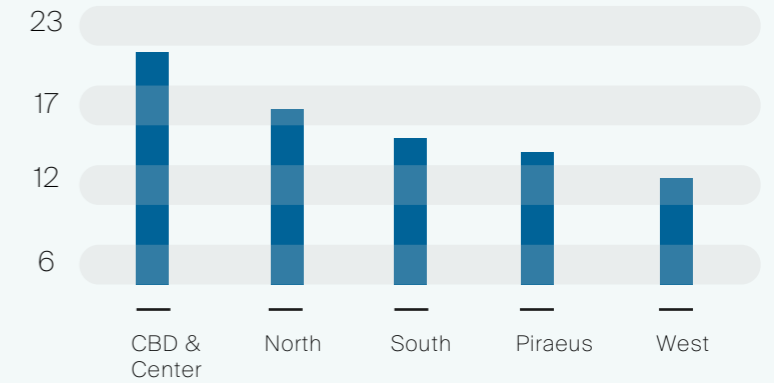
The submarket with the **highest office stock is North** (1.0 mil sqm) followed by CBD and Center with 0.55 mil sqm in total.

Prime headline average rent

22.5 eur sq m/month

The rental prices did not appear to have a significant change. However, **landlords have been more willing into giving incentives** to current and prospect tenants.

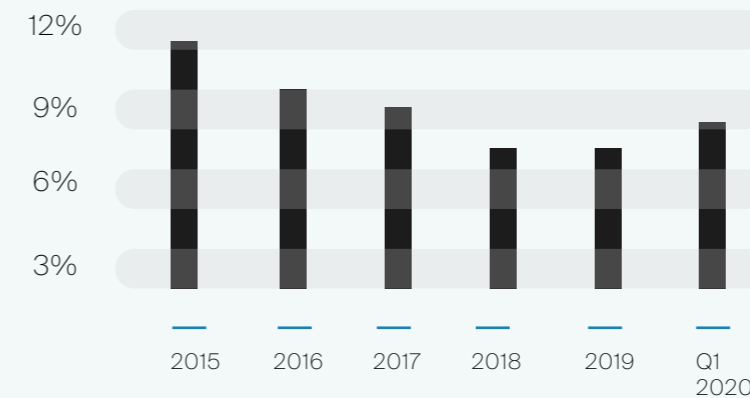
PRIME AVERAGE RENT eur/sq m/month



Demand class A

Demand in Class A office buildings **remained high and even increased since the pandemic highlighted even more the need for buildings** with high technical specification that can create a safe environment for the tenants. The demand for large scale projects is prominent since the tenants desire more flexibility in surface and amenities.

VACANCY RATE



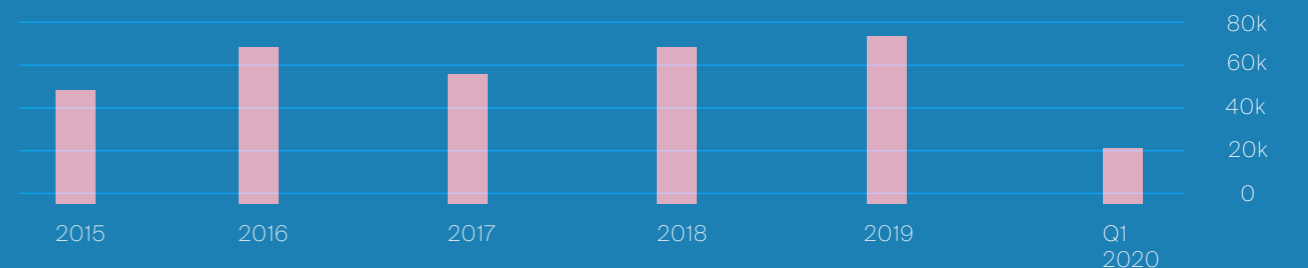
The vacancy rate for Class A and B offices **increased to 8.7% from 8%** at the end of 2019. Prime vacancy remained relatively stable.

Forecast

80,000 sq m

Currently **80,000 sq m of offices are under construction in Athens**. The Hellinikon Project started in June by demolishing buildings of the former Hellinikon Airport that was used for 2004 Olympic Games and it was abandoned for more than 15 years. **The project will be 3 times the size of Monaco** with office and residential buildings, hotels, marinas, a metropolitan park etc.

TAKE UP sq m



Stock and Supply ^{sq m} 2.2 mil office stock

In between the Bucharest and Belgrade office markets, lies Sofia with now 2.2 mil sqm of office stock, out of which, roughly **50% of this accounts for class A-like premises.**

Having this said, there is evidently potential for new developments, which would allow tenants to upgrade their space tech specifications at good rental levels. This along with the yearly consistent demand, account for the **almost 400,000 sqm of projects in pipeline in the Sofia Office Market**, in the following 3 years. Building 3 of Garitage Park, a landmark mix use project in the city is a notable delivery of 2020, which was also mainly pre-let to multinational companies.

The pipeline of projects has few CBD deliveries, yet mainly Tsarigradsko Schosse locations, along with Paradise Center areas.



Sofia Office Market Overview

H1 2020

Overview: starting from a good place

Before diving into the Covid 19 impact on demand, or future supply, it is worth mentioning that **Sofia is a relevant up and coming office market, with good quality supply, zero vacancy rate** in the CBD for the past years, **and a healthy 10% vacancy overall.** The city has witnessed consistent demand from companies, mainly IT, in the past years, around 170,000 sqm / year, and the deliveries of 2020 are partially pre-let. This would describe it as **steady and optimistic market.**

Demand ^{sq m} 41,000

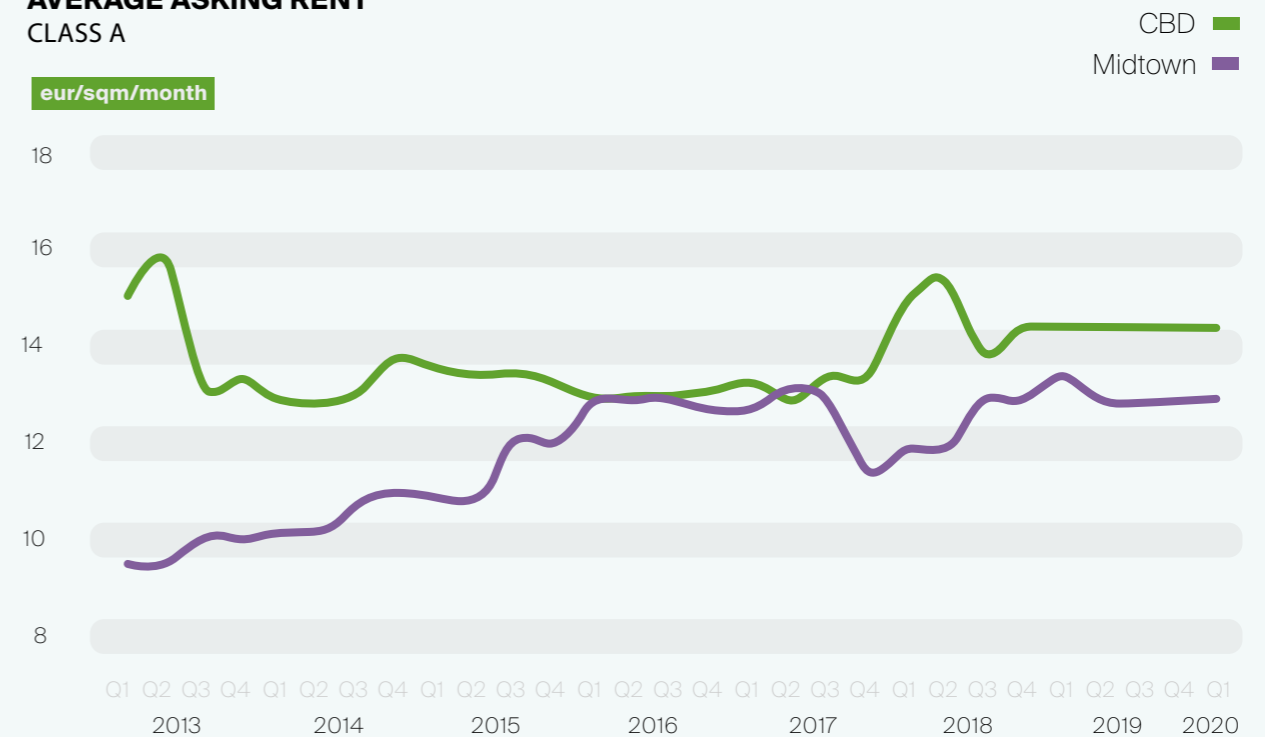
Amid lockdown and health concerns, companies have focused on business continuity, mainly addressing real estate affairs in cases of previously held advanced discussions, and soon to be expiry dates. Either way, **the Q1 2020 activity reached 26,000 sq m leased, 40% less than the previous year,** and as mentined earlier, below the 5 year average. **The second quarter followed with 15,000 sqm leased.** As the market is adjusting to the new normal, come H2 2020, leasing discussions are expected to pick up, and take which ever form is best suitable for each company.

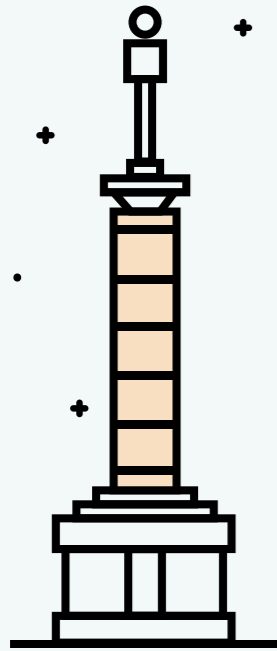
Rental levels and Vacancy ^{sq m/month} 15 eur

The vacancy of 10% is not expected to increase in 2020, given that **the main deliveries are partly pre-leased.** However, come 2021, **we may see an increase, as well as a pressure on rents,** which currently remain at 15 eur/sqm/month in the CBD, and between 12-14 eur/sqm/month outside de CBD, the stable levels of the past years.

AVERAGE ASKING RENT CLASS A

eur/sqm/month

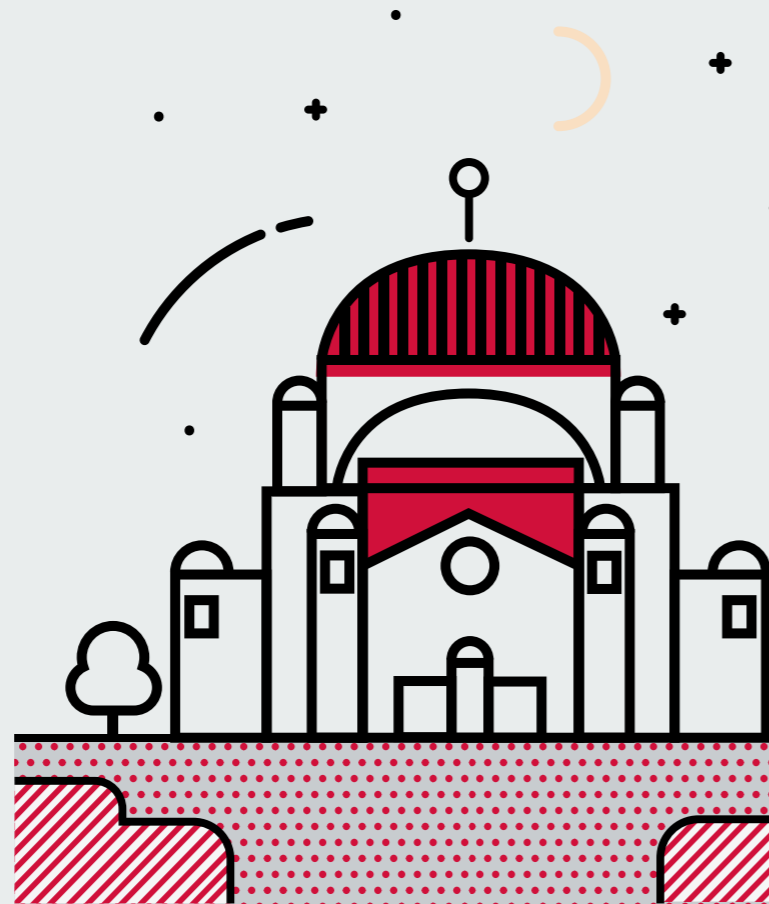




Overview

Serbian real-estate market underwent **rapid growth over the last years, and positioned itself as one of the most attractive investment destinations in SEE region.** The office property market is focused on Belgrade, while secondary cities office stock is mostly owner-occupied.

Office market in Belgrade started off year 2020 with solid indicators of continuing growth, new developments undergoing construction led by **increased demand from companies entering the market or expanding.** However, due to COVID-19 strong restrictions, total leasing activity slowed down as of beginning of March, triggering delays in several hand-overs and a postponed transactions.



Belgrade Office Market Overview

H1 2020

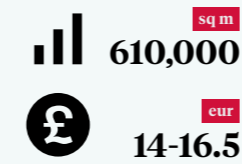
Stock ^{sq m}
860,000

BELGRADE OFFICE SUB-MARKETS

- Stock
- Rent/ sq m/ month

In H1 2020, the total modern office stock added up to 860,000 sq m, comprising class A and class B office stock and owner-occupied stock. **The majority of stock remains in the New Belgrade sub-market, which is considered the most attractive part of town for occupiers,** followed by City Center and Central Area.

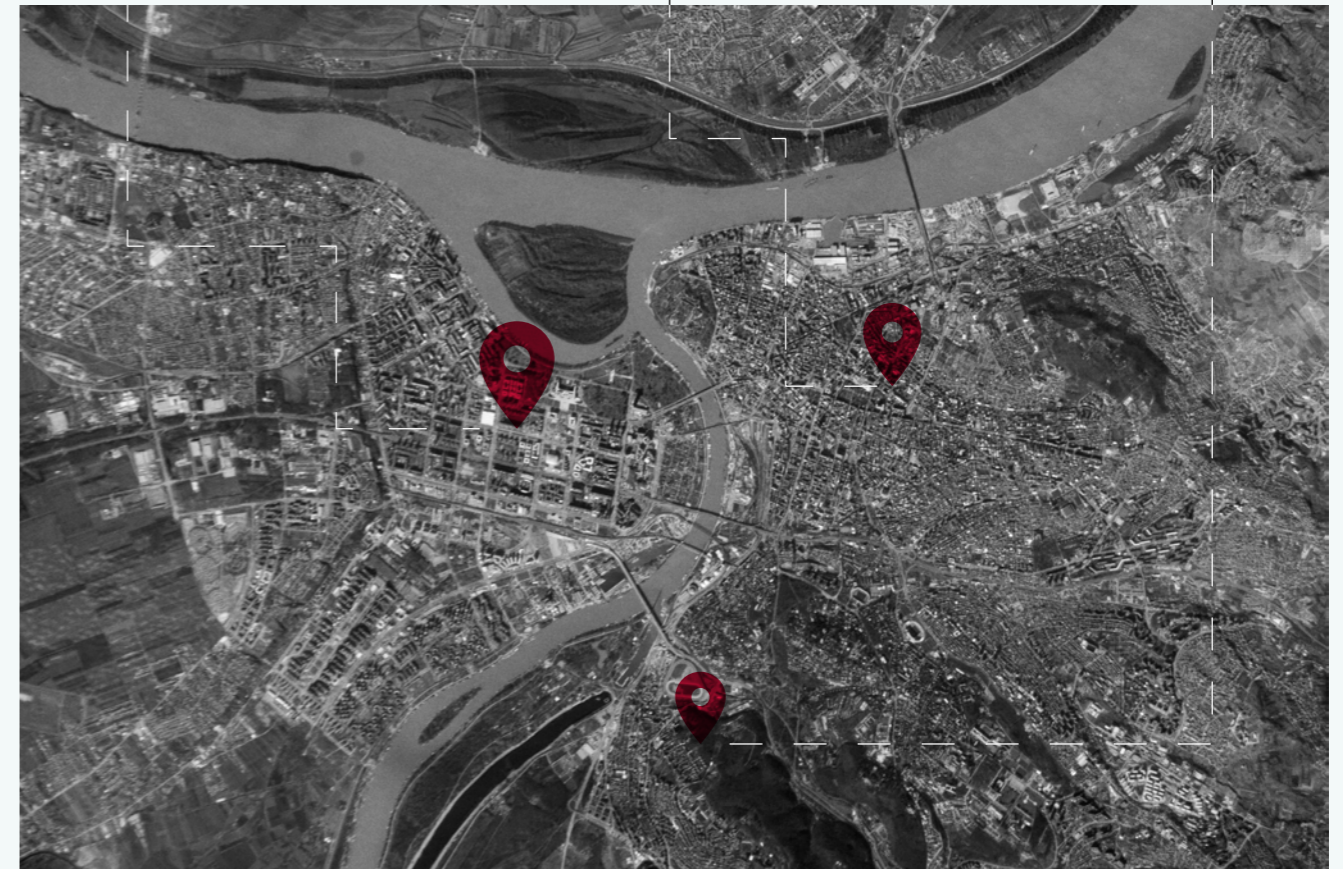
New Belgrade

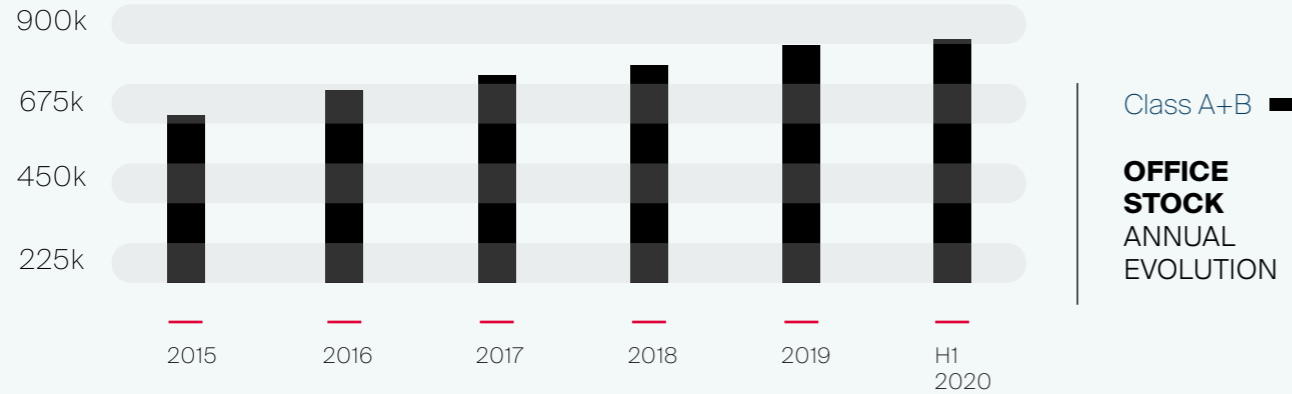


City Center



Central Area



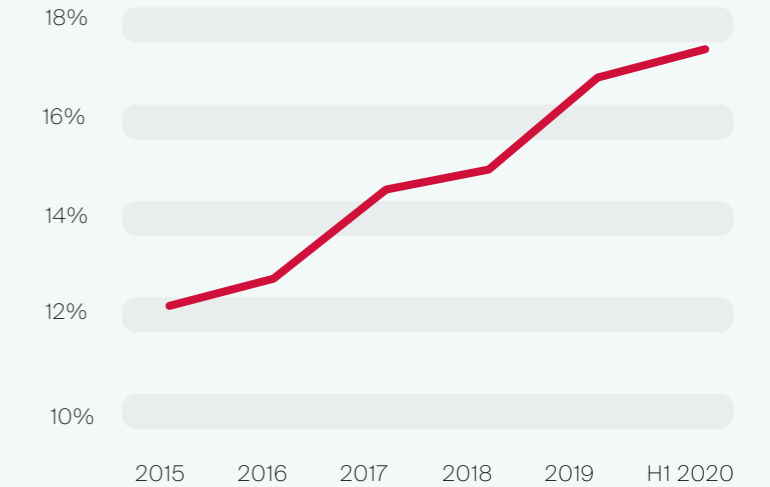


Rents ^{sq m/month} 14-16 eur

Average rent: 14-16 eur / sq m
Prime rent 25.00 eur / sq m

Overall, **rents remained stable in the first half of 2020**. Prime asking rents for grade A office buildings in New Belgrade vary from EUR 14 to EUR 16 /sqm monthly, while grade B rental levels range between EUR 8 to EUR 12 /sqm monthly. Service charge vary from EUR 3 /sqm to EUR 4.5 /sqm monthly and the add on factor is between 5%-12%.

PRIME OFFICE RENT ANNUAL EVOLUTION



Supply ^{sq m} 20,000

In the first half of 2020, **AFI Europe finalized the construction of a new 13,700 sq m office building** in the campus Belgrade Airport City. Several small scale deliveries completed the supply, reaching approx. 20,000 sq m.

PIPELINE OFFICE PROJECTS 2020

Project	Developer
Green Heart	GTC
Business Garden	AFI Europe
Airport City Belgrade	AFI Europe
USCE Tower 2	MPC
Sirius Offices 2	ErsteGroup
Navigator 2	MPC

Demand ^{sq m} 25,500

The total demand amounted to 25,500 sq m during the first half of 2020, representing **a 40% decrease compared to the same period last year**. New leases accounted for 60% out of the total take-up, underpinned by relocations and expansions.

More than 80% of all transactions were closed in New Belgrade, recognized as the CBD area. **The most active sector was IT**, followed by consumer goods and professional services.



Vacancy rate for class A and B offices **remained low, standing at 3%** in the first half of 2020.



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