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**EUROPEAN REAL ESTATE INDUSTRY 'HUNKERING DOWN'
Survey Reveals Industry Is Set to Face a 'Torrid Time' In The Year Ahead As Sentiment Falls Across Europe**

Prague continues to slide down the rankings of Europe's top real estate markets, according to the highly regarded real estate forecast, *Emerging Trends in Real Estate® Europe 2009*. The report, published by the Urban Land Institute (ULI) and PricewaterhouseCoopers LLP, covers 27 markets in countries throughout Europe and is based on surveys and interviews with nearly 500 of the industry's leading authorities.

Whilst Bratislava is not specifically featured in the report, the results for Prague provide some insight into the future of Bratislava's real estate market, as seen by the key players in the region. Having been knocked out of the top ten real estate markets for the first time in 2008, Prague dropped a further three spots to 15th in 2009. Buyers are looking for potential bargains, but rental markets have remained robust, so owners show more interest in riding out the storm than selling at this time. Survey results rate all property types as holds for the coming year – a substantial difference from the 2008 results, where the majority believed many properties were a buy. Prague continues to have a reasonable supply/demand equilibrium, but risk is still a concern, placing the city 18th, down from 15th in 2008.

Across Europe, investors, developers, bankers and brokers all believe that 2009 will be “a very difficult” year. Capital for real estate will continue to be in short supply in both equity and debt markets and there is real uncertainty as to when this trend will reverse. It is not yet clear whether it is holding off for pricing to improve or whether the reason is more fundamental. Indeed, the ratings for overall availability, on a scale of one to nine, are the lowest ever recorded by *Emerging Trends in Real Estate® Europe*.

Overwhelmingly, respondents report that it is virtually impossible to get new debt and it will continue to be tough to obtain debt in 2009. As a result buyers are looking to alternative strategies to keep them in a deal, such as looking for seller financing or talking to the existing lender.

The report also reveals that the current real estate capital markets crisis could turn into an occupier crisis as Europe slides deeper into recession. Economic growth has continued to decline across Europe in 2008 and this trend will continue in 2009 as European economies continue to struggle in current market conditions.

Even the fastest growing countries will face production declines through the year ahead and expectations are that it will feed through into tenant demand and a corresponding increase in vacancies with rents stalling or facing a correction.

John Forbes, real estate leader in Europe, Middle East and Africa, PricewaterhouseCoopers, remarked:

“This is going to be a tough year for many investors. For those who bought at the top of the market it could be a struggle for survival, particularly if banks become more aggressive in dealing with covenant breaches. On the other hand for those with equity to invest, there will be opportunities as the banks start to take action. Although new debt will remain in very short supply, banks may have little alternative to remaining as lenders during the restructuring of defaulting borrowers.”

William Kistler, president of ULI Europe, the Middle East, Africa and India (ULI EMEAI) pointed out that the full impact of the financial crisis is just starting to permeate the economy across Europe, as consumer spending, business confidence and property values continue to decline. “Everything is being put on hold until we start seeing signs of a bottoming out,” Kistler said. However, despite the overall gloomy conditions, opportunities remain for those who have cash to invest, he noted. “With interest rates low, and the market generally not overdeveloped, there are bargains available for those who are in a position to buy.”

Investment and development prospects fell for all of the cities ranked in the report, with overall investment prospects dropping from a rating of 5.6 (modestly good) in 2008 to 4.7 (fair) in 2009. Development prospects fell even further, from 5.6 to 4.3 (modestly poor). Risk ratings have also worsened.

Munich has emerged as the lead real estate investment market in Europe moving up three places from its 2008 rank. However, it is important to remember that although Munich has come out on top this year, its investment prospects, along with each of the other cities in the survey, have fallen in comparison with the previous year.

Survey respondents ranked Munich top of the investment market league table due to a combination of factors including: an increase in government spending, which may lead to future economic growth; the decline in unemployment; a fast growing population and increased consumer spending power. Munich also came top of the European City Risk league table. Munich is seen as having low risk because of its diverse economic base which mitigates risky investments. Indeed Germany is considered “less volatile with more long-term investors”, helping Hamburg to second place with Frankfurt and Berlin also ranking among the top ten for investment prospects in 2009.

Survey respondents ranked Istanbul third for investment prospects, falling from first place last year as investors continue to seek opportunities in the city. Istanbul secured the top place for development prospects although investors are still concerned with the risk Istanbul brings, viewing it as the eighth riskiest city in which to invest.

The retail sector has once again been awarded the top spot among property types for investment prospects, only just hanging on to the top spot with the hotel sector following closely behind. Economic development will determine just how rewarding these investments will be. Moscow is the most favored investment spot amongst the major European cities and nearly half of all respondents regard it as a ‘buy’. Munich, Warsaw, Hamburg and Istanbul also marshal investor support. Markets with the highest sell rating include Dublin, Prague, Athens and Madrid, and investors are urged to proceed with caution.

Ends

Notes to editors

The report released on Monday, February 2nd is the sixth annual European edition of *Emerging Trends in Real Estate*®. To receive a copy of the report, contact Trisha Riggs of ULI at 202-624-7086 or priggs@uli.org.

About the Urban Land Institute

The Urban Land Institute (www.uli.org) is a global nonprofit education and research institute supported by its members. Its mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. Established in 1936, the Institute has nearly 40,000 members representing all aspects of land use and development disciplines.

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