

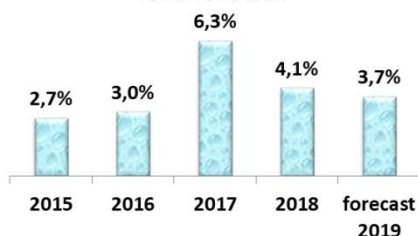
REPORT ON THE SLOVENIAN COMMERCIAL REAL ESTATE MARKET 2018



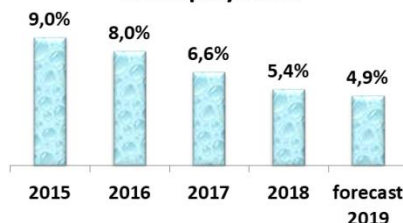
**A
BETTER WAY
IN COMMERCIAL
REAL ESTATE**

MACROECONOMIC OVERVIEW

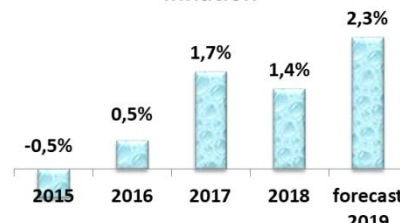
GDP Growth



Unemployment



Inflation



Economic growth

In the year 2018 Slovenia recorded a high economic growth of 4.1%. According to the UMAR forecast, relatively high economic growth will remain in 2019 and will slow in the coming years.

- Lower economic growth will mainly result from lower foreign demand and lower export growth.
- An increase in labour costs is expected
- Amid the continuation of relatively strong growth in domestic consumption, the growth of imports will ease off more slowly than the growth of exports.
- Growth is expected for all segments of investment activity,
- Growth in government consumption is also expected to strengthen

Employment

The growth of employment will under the impact of demographic change gradually ease - in spite of hiring foreign nationals.

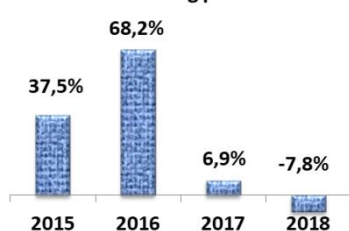
Wage growth will be strengthening in the coming years, reflecting favourable economic developments and the increasingly limited supply of skilled labour. Stronger wage growth is also expected in the general government sector, with the foreseen relaxation of the remaining cost-containment measures in the area of wages.

Inflacija

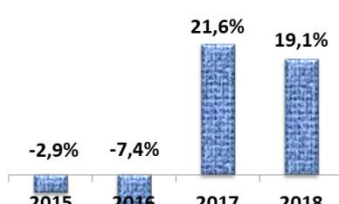
Inflation will exceed the rate of 2% slightly in the next years, mainly owing to oil price rises and a gradual strengthening of growth in prices of services.

Source: UMAR, autumn forecast 2018

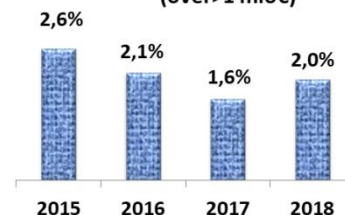
Issued building permits



Construction services value



Interest rate - business loans (over >1 mio€)



Issued building permits

After a record increase in issued building permits in 2016 (based on commercial property surface), the number of issued building permits in 2018 decreased by 7.8%. During the same period of time, the number of issued building permits for residential property increased by 11.8%.

Construction services value

In 2018 the value of construction services for non-residential buildings increased significantly by 19.1%. However, due to the decrease of building permits issued in 2018, we can expect lower growth in the value of construction services in the coming years.

Source: SURS 2019

Interest rates

Average interest rates rose in 2018, but remain at a low level. In the year 2018, fixed interest rates on new loans to corporate entities exceeding EUR 1 million amounted to between 1.7% and 2.5%, depending on loan maturity (1-10 years) and provided collateral..

Source: Banka Slovenije 2019,

OFFICE MARKET

		Ljubljana			Maribor		
		2017	2018		2017	2018	
LEASE							
RECORDED DEALS							
Average rent	€/m2/month	9,8	10,9	↑	5,9	7,1	↑
Number of rental deals	number	932	830		139	110	
Surface of rental deals in total	m2	124.000	87.000	↓	8.100	6.900	↓
Deals for an infinite period	%	22%	25%		60%	52%	
Average period of rental	months	17	19		19	23	
LISTINGS							
Average listed rent	€/m2/month	10,2	10,7	↑	9,5	10,2	↑
Number of listings	number	876	662		77	84	
Listed surface in total	m2	242.000	199.000	↓	22.000	21.000	→

By far the most rental transactions happen in the office segment. In Ljubljana in 2018 average monthly rents rose by approx. 1 € / m2 or 10%, indicating that prices of commercial real estate follow the price increase of residential real estate. The same trend can be seen in Maribor, where monthly rents of office space in the same period increased by around the same amount of 1 € / m2.

At the same time in Ljubljana and Maribor, the number of concluded rental transactions is decreasing. The average lease is concluded for a relatively small space - in Ljubljana for approx. 100 m2, and even much

less in Maribor. The average period of rental is increasing.

The same trends can be observed with listings: listed prices increased while the number of listings decreased compared to 2017. Trends are identical in Ljubljana and Maribor.

On average, twice as much office space is listed than annually leased - indicating an oversupply. However this is true for older office premises only. In Ljubljana, there is still a lack of modern office space at reasonable prices in well-accessible locations.

		Ljubljana			Maribor		
		2017	2018		2017	2018	
SALES							
RECORDED DEALS							
Average sales price	€/m2	1.380	1.390	→	430	620	↑
Number of sales deals	number	177	127		38	34	
Surface of sales deals in total	m2	50.000	35.000	↓	12.800	4.900	↓
Turnover	mio.€	69,4	47,9		5,6	3,0	
LISTINGS							
Average listed price	€/m2	1.340	1.390	→	670	700	↑
Number of listings	število	247	217		47	49	
Listed surface in total	m2	98.000	92.000	↓	20.000	24.000	↑
Value of listed sales	mio.€	130,6	127,8		13,3	17,0	

The volume of transactions with office space is substantially lower compared to rentals. Apparently, companies give preference to renting premises before buying. The average size of an office space acquisition in Ljubljana is 280 m2 and is slightly higher than a comparable acquisition in Maribor.

Prices for office space in Ljubljana in 2018 were similar to prices from

2017, while prices in Maribor increased. Turnover with office space declined in both cities.

On the supply side the situation is similar: advertised prices in Ljubljana remain unchanged, in Maribor they are increasing. Office space prices in Maribor are still far behind the price level in Ljubljana.

RETAIL MARKET

		Ljubljana			Maribor		
		2017	2018		2017	2018	
LEASE							
RECORDED DEALS							
Average rent	€/m2/month	15,3	14,9	→	5,7	6,2	↑
Number of rental deals	number	162	129		24	30	
Surface of rental deals in total	m2	16.600	18.900	→	6.200	9.900	↑
Deals for an infinite period	%	61%	47%		42%	60%	
Average period of rental	months	25	29		22	32	
LISTINGS							
Average listed rent	€/m2/month	13,0	13,8	→	6,4	6,2	→
Number of listings	number	52	57		21	17	
Listed surface in total	m2	8.000	9.600	↑	3.400	2.400	↓

Based on presented data, the retail property market in Ljubljana seems to be quite stable: the average rents remain unchanged at approx. 15 €/m2. The volume of rental transactions in Ljubljana also remains relatively stable. The volume of new rentals in Maribor, however, is much lower compared to Ljubljana. Statistics for 2018 for Maribor suggest that rents for retail space increased as well as number and volume of transactions. Rents are expected to be the highest for smaller lots in major shopping centres and in the historical old city centre of Ljubljana, which can reach the price of 100, and in Maribor up to a maximum of 50 €/m2.

Retail space in less desirable locations which is more difficult to rent is usually advertised more aggressively – this explains why actually realized average rents exceed listed rent prices.

The biggest rent deal in Ljubljana in 2018 was concluded in BTC: 480 m2 were leased for 85 €/m2. The second largest deal was renting 2,300 m2 retail space on Brnčičeva cesta at the price of 7,8 €/m2. In Maribor the most significant deal was a showroom rental on Avtomobilska ulica, size 1,160 m2 at a price over 10 €/m2.

		Ljubljana			Maribor		
		2017	2018		2017	2018	
SALES							
RECORDED DEALS							
Average sales price	€/m2	1.500	1.620	→	330	730	↑
Number of sales deals	number	47	47		13	22	
Surface of sales deals in total	m2	5.800	4.200	↓	6.400	2.700	↓
Turnover	mio.€	8,7	6,8		2,1	2,0	
LISTINGS							
Average listed price	€/m2	2.060	2.020	→	650	830	↑
Number of listings	število	40	38		29	31	
Listed surface in total	m2	9.100	6.400	↓	6.600	5.000	↓
Value of listed sales	mio.€	18,7	13,0		4,3	4,1	

Sales and listed prices of retail space in Ljubljana remain stable, while in Maribor, due to a low number of transactions, data are less reliable. Major transactions with commercial real estate are not always covered by the subject statistics.

The largest recorded transaction in Ljubljana in 2018 was the acquisition

of 165 m2 of prime retail space on Cankarjevo nabrežje 1 at a price of 4,800 €/m2 or 790.000 €. No other major acquisitions were recorded. In Maribor, the largest deal was worth € 470,000 - 765m2 of commercial space was acquired on Jadranska cesta.

INDUSTRIAL & LOGISTICS

		Ljubljana			Maribor		
		2017	2018		2017	2018	
LEASE							
RECORDED DEALS							
Average rent	€/m2/month	3,9	5,2	↑	1,5	1,9	↑
Number of rental deals	number	72	74		63	64	
Surface of rental deals in total	m2	35.000	25.000	↓	75.000	81.000	→
Deals for an infinite period	%	21%	19%		13%	23%	
Average period of rental	months	21	16		30	11	
LISTINGS							
Average listed rent	€/m2/month	5,3	5,5	→	4,0	3,4	↓
Number of listings	number	102	84		16	15	
Listed surface in total	m2	72.000	84.000	↑	14.000	14.000	→

Rents increased also for industrial premises. In Ljubljana, rents increased by approx. 0.5 €/m2 or 10%, the same increase is observed in Maribor. Average rents in Ljubljana remain approx. three times higher than the rent of industrial premises in Maribor.

Similar to the office space segment, total listings of industrial premises decreased in Ljubljana in 2018 and slightly increased in Maribor. Due to a more favourable price level, the rental market for industrial real estate in Maribor remains much larger compared to Ljubljana. The number of transactions in Maribor is unchanged.

In 2018 there were no major changes on the supply side: in Ljubljana, the supply of industrial premises continues to exceed demand (three times more industrial areas are listed than rented annually). In Maribor, the situation is reverse: much less industrial real estate is on the market than as annually rented. In Ljubljana, the listed prices remain almost unchanged, while in Maribor the average advertised rent in 2018 is slightly lower. The largest deal in Maribor in 2018 was concluded for an industrial premises on Limbuška road, size 26.700 m2, rented at a price of 0.7 €/m2.

		Ljubljana			Maribor		
		2017	2018		2017	2018	
SALES							
RECORDED DEALS							
Average sales price	€/m2	580	540	↓	160	140	↓
Number of sales deals	number	19	23		12	17	
Surface of sales deals in total	m2	9.000	33.000	↑	59.000	40.000	↓
Turnover	mio.€	5,1	18,0		9,6	5,8	
LISTINGS							
Average listed price	€/m2	710	900	↑	380	430	↑
Number of listings	number	46	29		21	16	
Listed surface in total	m2	32.000	26.000	↓	28.000	18.000	↓
Value of listed sales	mio.€	22,7	23,6		10,8	7,6	

The number of transactions with industrial premises is relatively small. In addition not all transactions are recorded, the statistics presented is therefore rather incomplete and less reliable. Statistics shows a moderate decline in prices of industrial premises in Ljubljana, as well as in Maribor. The largest recorded deal in Ljubljana was the acquisition of the industrial complex Mladinska knjiga on the Dunajska cesta in Ljubljana, size 11,900 m2 for approx. 300 €/m2. Transaction volume with industrial premises is

probably higher in Maribor compared to Ljubljana, due to a considerably lower price level. However, Ljubljana is still lacking modern logistics facilities.

The number of listings of industrial premises declined sharply in 2018, while the average listed prices were higher. This applies to Ljubljana as well as to Maribor, indicating that in 2018, the prices of industrial real estate aligned with the market.

LARGEST TRANSACTIONS

	Predmet nakupa	City	Building surface	Land surface	Seller	Buyer	Sales price excl. VAT [€]	Date
Office	Tivoli center	Ljubljana	8.000	-	VB Nepremičnine	KD Skladi	13.000.000	apr.18
	Stekleni dvori - south	Ljubljana	8.700	-	Centrice	KD Skladi	12.700.000	jul.18
	NPU Dimičeva	Ljubljana	10.600	-	HETA	Delta Team	7.300.000	dec.18
	Par of object, Trubarjeva	Ljubljana	2.560	-	-	CGS	6.738.000	okt.18
	Stekleni dvori - North	Ljubljana	4.700	-	KD Skladi	n.a.	5.738.000	apr.18
	Poslovni objekt Miklošičeva	Ljubljana	4.400	-	AHA Skupina, v steč.	Elements Skladi	5.248.000	jan.18
	Nama, Slovenska	Ljubljana	1.900	-	Republika Slovenija	Banka Slovenije	3.800.000	feb.18
Retail	Shopping malls 10x	Slovenija	109.000	-	Mercator	Supernova Holding	116.600.000	okt.18
	Shopin malls 3x	Maribor, Krško, Ptuj	22.000	-	MID Group	Immofinanz AG	90.500.000*	nov.18
	Shopping mall - Arcadia	Domžale	11.000	-	MID Group	KD Skladi	16.200.000	okt.18
	Shopping mall	Slov. Bistrica	3.385	-	CP Nepremičnine	Lidl	4.500.000-5.000.000	feb.18
	Shopping mall - Velenjka	Velenje	31.000	-	WG Projektiranje	Erste Bank	-	dec.18
Industrial & logistics	Former Litostroj	Ljubljana	-	73.000	Litostroj Jeklo (DUTB)	LTH Castings/Ulitki	11.500.000	nov.18
	Logistic center Goodyear	Kranj	17.900	30.800	Immorent Epsilon	Mlado	5.200.000	jul.18
	Industrial complex, Celovška	Ljubljana	2.800	13.400	A1 nepremičnine	Davidov hram	5.030.000	nov.18
	Industrial building, Tržaška	Ljubljana	8.700	17.000	Semenarna	Geoprodukt	4.500.000-5.000.000	okt.18
	Industrial building, Limbuška	Maribor	31.000	53.800	Pololes pohištvo, v steč.	Gorenje	3.675.000	jun.18
	Mladinska knjiga, Dunajska	Ljubljana	11.900	4.900	Elsner	Glen	3.650.000	apr.18
	Industrial building, Brnčičeva	Ljubljana	5.450	3.400	Nep Trade	n.a.	3.494.000	maj.18
	Industrial building	Pivka	8.700	32.100	Verde Proizvodnja	RZ Pellets	3.178.000	feb.18
Hotels	San Simon Resort	Izola	406ležišč	-	Hoteli Bernardin	KAD/Modra zavaroval.	ca.10.000.000	nov.18
	Hotel, Šumi	Ljubljana	151 sob	-	KD Kvart	Brtrprule	9.000.000	sep.18
	City Hotel	Ljubljana	204 sob	-	Elephant Group	Družini Tatič/Sikima	n.p.	apr.18
Car parks	Car park Šentpeter	Ljubljana	472 PM	-	Reitenburg	List Slopark	14.550.000	feb.18
	Car park City	Maribor	810 PM	-	F City	GMG Naložbe	4.500.000	jun.18
	Car park Modri Kvadrat	Ljubljana	396 PM	-	Parks 1	Nakamoto investicije	n.p.	apr.18
Other	Marina Portorož	Portorož	-	-	DZS	Avantura Holding/Glen	ca.21.000.000	okt.18
	Arena Bonifika, part of building	Koper	7.300	-	-	n.a.	3.809.000	apr.18
	Golf court Cubo	Smlednik	1.800	41.900	Sberbank	Cubo Golf	3.739.000	apr.18
	Residential house Golovec	Ljubljana	900	3.100	Fizična oseba	Fizična oseba	3.142.500	jul.18
Land plots	Land plot, Šmartinska	Ljubljana	-	12.700	Imobilia GBK	Kostak	4.130.000	maj.18
	Land plot, business park Brnik	Brnik	-	57.600	Raiffeisen Leasing	Iskra mehanizmi	4.034.000	nov.18
	Land plot, Šmartinska	Ljubljana	-	6.200	Zavarovalnica Triglav	Trgograd	3.771.000	jul.18
	Land plot, Celovških dvorih	Ljubljana	-	7.000	DUTB	Corwin	2.700.000	mar.18

*The price includes 8 malls in Slovenia, Croatia and Serbia with a total area of 68.000m2
Vir: Trgoskop, Land register, daily press, GURS, internal sources.

In 2018, many large real estate transactions were carried out. The Biggest transactions happened in the retail sector: sale & lease back of 10 Mercator shopping centres by Supernova Holding for the price of 116 million € stands out. Followed by the acquisitions of 8 shopping centres by the Immofinanz Group and the purchase of the Arcadia Shopping Centre by KD Skladi.

Apart from that, in 2018 Slovenian real estate funds headed by KD Skladi were actively investing in several cash generating properties. For the first time IT/Crypto companies appeared in the market – investing their cash surpluses in real estate (Mlado, Brtrprule, Nakamoto, ...). Popular in 2018

were also car park acquisitions in Ljubljana and Maribor.

Significant investors were also foreign companies (such as Supernova Holding, Immofinanz, Elements Funds, List Slopark, Corwin, Cubo Golf), which mainly acquired investment property and less undeveloped projects. Acquisitions of undeveloped land by foreign investors were relatively rare.

Some companies also purchased real estate (primarily industrial) for their own use, such as LTH Castings / Castings, Geaprodukt, Gorenje, etc.

The largest recorded transaction of a residential unit was the sale of a luxury residential house on Golovec/Ljubljana for over 3 million €.

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SOURCES AND CALCULATION METHODOLOGY:

- „Recorded deals“ are summarised according to the record of the real estate market through the application „Trgoskop“.
- All deals are consolidated, incomparable deals are excluded.
- Only the transactions on the open market, including the voluntary public auctions, are taken into consideration.
- All comparable rental deals are included in the statistics: with and without operating costs, furnished and unfurnished.
- All values are without VAT.
- Recorded „contractual surfaces“ are taken into consideration. In the office market statistics parking areas, archives, warehouses and other secondary surfaces are adjusted (multiplier 0,5).
- Indirect sales of real estates through sale of company shares are not included (are not subject of the real estate market record).
- Listings are summarised from published listings from the property web site www.nepremicnine.net.
- Possible multiple/recurrent advertisements of the same real estate are not excluded.

Information, contained in this report, are obtained from sources, which we consider as reliable. RE/MAX Commercial cannot assume responsibility for their regularity. We advise the users of this report to consult experts before taking a decision on the basis of this report.

LJUBLJANA, MARCH 2019

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