

Mario Sander (ProLogis): We have stopped the construction of new projects

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The economic crisis also bore on Slovakia and all business subjects feel it. What is the current situation in the development of industrial properties?

Situation in the Slovak logistics market is comparable with most countries in the Central and Eastern Europe. We are witnessing the cessation of speculative projects construction across the region, which is a prudent measure regarding the current economic situation. This is important for several reasons. First, this means that it will not be implemented any new projects during 2009, with the impact in 2010. As soon as the economic situation improves in the region, it may be shown by fewer offers of spaces and fewer completed projects to choose.

Developers of industrial properties, including your company, have bought dozens of hectares of land, ready for construction. When we expect the run-up of demand and the start of new warehouses construction?

At this moment, most companies in our industry focuses in the existing portfolio lease, which still offers free spaces for rent. This means that we will start with the construction of concrete areas, when we have concrete request from a client. Beside this special option we are not planning to build speculatively.

What are options of further construction in Slovakia according to you? Last year yet optimistic studies spoke that there is the potential for 4 million m² of warehouses in Slovakia. Is it realistic according to your opinion?

The potential for further construction essentially means nothing until the moment when you have a customer who seems interested in the spaces. I subscribe to the express „demand driven by customers' interest in new areas“, which better reflects the potential of the market. Adoption of the single European currency in January this year is a signal for investors to focus in opportunities in this market. Landscape of the country in the middle of Europe makes Slovakia an ideal „gateway“ to the east or west for the transport and freight forwarding through the scope of operations from a single central Slovakia. Location of Slovakia also ensures fast and efficient access to neighbouring markets in Austria, Hungary, Czech Republic, Poland and Ukraine. I see a great potential here with regard to the premises that are ready to hire for companies, which will correctly evaluate opportunities in the present and the future, when the speculative construction returns.

So the construction of speculative warehouses will be completely stopped and developers will go only „for sure“ and build to order?

At present our industry shows a slowdown and the demand decline from tenants and also significant decrease in developer activity. So almost no developers build projects based on speculative and focus in the existing portfolio lease. In ProLogis we also focus in the existing warehouses lease in our parks across the region.

Took your company any concrete anti-crisis measures? What?

As announced already in November last year, ProLogis has adopted some prudent measures that in the

current economic situation allow us to maintain a strong financial position, to retain the funds and the leadership position in the market and protect the brand of the company. As I mentioned, it is especially the suspension of new development projects in the near future, what means that we concentrate on the lease of the existing parks?

Banks are very careful in granting credits. Which way your company will finance eventual new projects?

I have already told it. We are not about to build new storage facilities. So I cannot comment on the conditions of banks in providing funds for speculative projects.

Vacancy of storage spaces ranges around 10 percent. Has it an implication for the price of leases? What further development you expect in this direction?

Throughout the Central and Eastern Europe, most developers chose a similar strategy as our company. The report of Colliers Company says that the rate of vacancy in Slovakia is under 10% and this figure will drop even with respect to the aforementioned strategy of developers. Lack of storage spaces could also lead to increases in a rent, although at present no significant growth in prices is expected.

Logistics parks and warehouses are concentrated almost exclusively in the Bratislava region. Do you think of construction in other localities of Slovakia in the future? Which regions are attractive according to your opinion?

Bratislava as a capital city with the largest concentration of population in Slovakia will be still attractive for our customers. When we decide that it is the right time to start again with new projects construction, then of course we examine the new sites and their potential for our clients. After the end of the global financial crisis, which hit us all, we are able to revise the strategic importance of individual business sites. At this moment I can with certainty say that ProLogis will be ready to exploit the promising opportunities in Slovakia as well as in other countries in the Central and Eastern Europe.

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