

Instituto Politécnico de Viseu

Escola Superior de Tecnologia e Gestão de Viseu



Aos meus queridos progenitores...

RESUMO

O estágio curricular foi realizado na Cushman & Wakefield (C&W) durante cinco meses (de 27 de abril a 30 de setembro de 2017) no âmbito do Mestrado em Finanças Empresariais do Instituto Politécnico de Viseu (IPV). A orientação foi assegurada por um supervisor da empresa, e por dois coorientadores da instituição de ensino que frequenta.

É inquestionável a importância do setor imobiliário na economia mundial. Para as grandes empresas, é altamente provável que despesas associadas a este setor, como rendas e amortizações de edifícios, ocupem a segunda posição na lista de gastos, logo após os custos suportados em capital humano. Atendendo ao número de variáveis que influenciam a oferta e a procura neste ramo de atividade, constitui um desafio constante para todos os intervenientes acompanharem as tendências de mercado e tomarem as melhores decisões (Duarte, 2014).

Tal como acontece nas inúmeras divisões que constituem uma qualquer empresa pertencente à lista da “Fortune 500”, a indústria imobiliária comercial dispõe de muitas oportunidades de consultoria técnica para os agentes que possuem uma educação profissional e especial interesse pelo ramo. Exemplos dessas consultorias especializadas incluem aconselhamento legal, contabilidade, finanças, desenvolvimento, construção e investimento. No que diz respeito à indústria imobiliária comercial, os profissionais apresentam um nível de especialização elevado e patenteiam resultados surpreendentes dentro dos seus limites de atuação (Bishop, Seruga & Seruga, 2017).

Tendo em conta a recente crise do subprime e também todas as bolhas imobiliárias, tornou-se evidente que o mercado imobiliário deixou de representar um investimento de retorno garantido (Mendes, 2014). Sendo um dos setores que mais sofreu com a última crise, as empresas desta indústria viram-se obrigadas a reinventar processos que anteriormente eram considerados viáveis (Mendes, 2014). O contacto com as diferentes áreas do mercado imobiliário comercial constitui um valor acrescentado para qualquer estudante de gestão.

A C&W destaca-se, atualmente, como um dos maiores players no mercado imobiliário internacional. A experiência profissional desta multinacional resulta de uma atividade centenária de excelência que conta hoje com mais de 43.000 agentes especializados. A integração na equipa eslovaca da C&W, constitui uma oportunidade para me familiarizar com todos os procedimentos de excelência de uma das empresas com maior credibilidade mundial.

ABSTRACT

This internship report has been prepared as a part of the Corporate Finance Master's Degree program for the Polytechnic Institute of Viseu. This report contains the facts related to a particular organization in which the student was directed to do an internship on a five-month basis. Supervisors, both from the Polytechnic and from the organization, guided the student in writing this report. I was assigned for doing an internship in Cushman & Wakefield (C&W) for the time period starting from April 27, 2017 to September 30, 2017. The title and study subject for this internship report is "Commercial Real Estate – Business development in the office department", and it was based in the C&W scope of work. This subject was chosen with the consent of my honorable supervisors. Both the primary and secondary sources of data had been used in preparing this report.

It is unquestionable the Real Estate's influence in the world economy. For big companies, it is likely for real estate to occupy the second position among the highest expenses, after human labor costs. Given the amount of variables that play influence in real estate's supply and demand and due to the constant changes that they suffer, it is a permanent challenge for all stakeholders to keep up with all market trends and taking the right decisions (Duarte, 2014).

Like the many divisions of a Fortune 500 company, the commercial real estate industry has many opportunities for those with professional educations and interests. Some professional interests may include legal counsel, accounting, finance, development, building and investing. When it comes to the commercial real estate industry, these professionals are highly specialized in their knowledge and perform amazingly well within their boundaries (Bishop, Seruga & Seruga, 2017).

Following, not only the recent subprime crisis, but all past housing price bubbles, it became noticeable that the real estate market isn't anymore a guaranteed return investment, like it used to be (Mendes, 2014). Being one of the sectors who suffered the most with the past crisis, all its companies were obligated to reinvent procedures that were once labeled as the best (IMF, 2009). Having the chance to get in touch with all different areas in the commercial real estate market provides added value to any management student.

C&W appears today as one of the best players in the international real estate market. The Enterprise's professional experience is the outcome of a centenary excellence activity that counts with more than 43.000 skilled employees. With the integration in the Slovakian C&W

team, the intern had the chance to get familiar with all the excellence methods developed by one of the most credited companies worldwide.

PALAVRAS CHAVE

estágio
mestrado
setor imobiliário
análise financeira
avaliação
yield

KEY WORDS

internship
master's degree
real estate
financial analysis
valuation
yield

ACKNOWLEDGEMENT

At first, I would like to thank the people that were directly involved in the development of my report. Professors Pedro Pinto and Pedro Reis, my academic coordinators, and Mr. Roman Gazdík, my supervisor within the company, to whom I will always feel indebted for their stimulating inspiration, kind guidance, valuable suggestions and sagacious advice during my internship period.

In an indirect way, but not less important, a special thank you for all the help provided by Ms. Cristina Dumitrache, office manager of Cushman & Wakefield Slovakia, for accepting my internship proposal and arrange me with an outstanding experience which shaped me professionally for my future. Also, to all the colleagues within the company that made me feel welcome and took a bit of their time to help me when I needed the most, the best examples are Katarína Cihová and Matúš Kirchner.

A kind reminder to all the family and friends that I left in my homeland, which have a great impact in my life by giving me strength and confidence in any of my projects, I will never forget them, wherever I go.

To finish, I would like to congratulate every Slovak for the beautiful country they inhabit, full of great natural sights and many attractions, which in a way provide me peace of mind to better pursuit my objectives.

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INTRODUCTION

The main goal of accomplishing an internship (the starting point for stepping in the labor market) is to achieve the application and improvement of all knowledge and skills gathered during the academic path, as well as the beginning of the first professional experience. Therefore, according with Costa (2010), an internship allows personal contact with the business reality, enabling a direct confrontation between theoretical subjects and their practical application.

It is intended with this internship to study the complex world associated with the real estate market, bearing in mind all the contents lectured during the corporate finance master's degree lessons.

Due to the fact that the real estate market interacts with all kind of different economical activities, this internship seeks the opportunity for personal enlightenment, in a way that it provides direct approach with the main sector areas.

The insertion in a multidisciplinary team, allows the acquisition of skills and stimulation of the entrepreneurial spirit, the fundamental characteristics for having a bright future as a commercial real estate project manager.

According with Agranovich (2015), the success in managing real estate projects it's conditioned by an accurate analysis on several case scenarios, so that costs and deadlines be kept optimized. Peiser & Hamilton (2012), go even further, defending that through this first analysis and the definition of building and selling strategies, it is possible to rationalize operational expenses and structural costs, increasing efficiency, productivity and operational flexibility.

Throughout the realization of a real estate project it is important to identify opportunities to apply the concepts that were taught during the master's degree. This is the key aspect that enables the elaboration of diagnosis that determine healthy solutions to cut off expenses, while keeping in mind the obligation to accomplish all deadlines, reducing risk and preserve the client's interests (Moura, 2016).

In a final phase, it is crucial to evaluate all strategic decisions chosen for each project. This evaluation applies for several aspects, such as, consistency, suitability, acceptability and practicability (Serra et al., 2011).

It is imperative that all selected options agree with what the company represents to the client, therefore it becomes crucial that all strategies stay consistent with the mission, values and company objectives. Another aspect to consider in real estate evaluation is to realize if the strategy is aligned with all conclusions of the strategic analysis. It will be necessary to conclude if the outcome and risk are acceptable and in which degree does the results align with the stakeholders' expectations. To assure the practicability of a project it is essential to realize if the strategy has its own means to be put in practice, if it can be financed and if the company has the capacity to operationalize the strategy (Santos, 2008).

All the methodologies developed by C&W employees were a case of study for the intern. Not only did it have the chance to get familiar with new variables to help decision making related to financial questions, but it was also able to learn new procedures on dealing with clients. A constant education guided the intern in every step of the business related with the departments it assisted.

This report is divided in three parts. The first part concerns about the characterization of the hosting entity, the intern function during the internship and a brief presentation of the city and country. It concentrates a background of the company with a contextualization regarding its history, dimension, activity sector and surrounding market.

The second part describes the most relevant activities, according with the subject of this report, developed by the intern during the internship. For every activity, there is a theoretical background contextualization preceding. This theoretical background, in its majority, are subjects lectured during the Corporate Finance lessons.

The third and last part presents a conclusion with a critical reflection about the internship activities. It also includes a working diary that keeps trace of the periodicity of the tasks, bibliography and appendix.

1. Company presentation

1.1. Brief history

Cushman & Wakefield (C&W) was founded in New York on October 31, 1917, by brothers-in-law J. Clydesdale Cushman and Bernard Wakefield, who brought a small real estate business from London with them. It did not take long for the business to grow its success in the regional New York area. Around the 1930's decade they were already market leaders and this achievement set up the conditions to start a national expansion. In 1960 the company established offices throughout the U.S., so they could provide a better service to all their clients. In 1969, knowing about the impressive company growth, Media conglomerate RCA Corp. acquired Cushman & Wakefield, but only to sell its shares some years after (1976) to the Rockefeller Group.

It was in 1990 that C&W established their presence in Europe through the acquisition of Healey & Baker, a British corporation founded in 1820 which at that time possessed a desirable market share. This European presence was increased in 1993 with the decision of entering in the Czech market. In 1994, C&W had already built several partnerships all over the world with major real estate service firms in the U.S., Europe, Asia, South America, Mexico, and Canada. In 2001, the acquisition of Cushman Realty Corporation (CRC) bolsters the company presence on the West Coast and Southwest United States.

The year of 2006 marks the establishment of the Romanian office and the purchase of C&W Mexico. In September 2015, the merger between Cushman & Wakefield and DTZ was successfully completed. The new Cushman & Wakefield draws on the best of both legacy organizations to create one of the world's largest real estate services firms.

Today Cushman & Wakefield has approximately 250 offices in 60 countries, employing more than 43.000 professionals who deliver quality services to its diversified global client base (Cushman & Wakefield, 2017a).

1.2. Strategy

In general, C&W pursues the deliverance of a quality service. It is not their purpose to be the biggest company but the most beloved one. The company main focus is to bet in a creative and innovative approach to solve the most varied problems that its clients may face in an upcoming investment.

From the contact with the company employees, it is noticeable the sense of preoccupation with adding as most value as possible to the clients' assets on a consistent basis. It is important for them to extend their market knowledge in order to present better solutions to everyday challenges (Cushman & Wakefield, 2017b).

1.3. Mission

To mobilize and deliver their vast knowledge, resources and talent throughout the world on behalf of our clients, and to enable them to make the most informed real estate decisions. (Cushman & Wakefield, 2017c.).

1.4. Vision

To be the world's preferred real estate firm, providing the most creative and innovative services on a consistent basis, to drive meaningful value to their clients. To be the best at what we do (Cushman & Wakefield, 2017c).

1.5. Real estate contextualization

In order to understand the definition of real estate, it is important to concentrate in both words separately. In the legal sense, "estate" refers to everything of value that an individual owns. Such asset can also be named as someone's "property", Business Dictionary (2017).

Property can be divided into 2 groups, personal property or real property. According to Palgrave (1908), personal property is generally considered as movable. Opposing to it, there's the other kind of property, in which it is included land, buildings and natural resources of that same land. All of these assets belong to the group of real property, or as it is mostly referred to, real estate.

Even though media often refers to "real estate market" from the perspective of residential living, real estate can be grouped into three different categories based on the use of the property: residential, commercial and industrial (Kimmons, 2017).

According with Amadeo (2017), the purpose of residential real estate is to own a property for personal usage. It is adjacent to all families that decide to have land for whichever private reason. Examples of residential real estate include undeveloped land, houses, condominiums, and townhomes. They can be occupied or not, as long as it's not meant for business purposes.

Commercial real estate consists in every property developed with a business layout. The purpose is to set all conditions to build a workplace rather than a living one. There is a huge range of examples for a commercial real estate, some of them include retailers, offices, hotels, restaurants and convenience stores (Amadeo, 2017).

According to Gilmour (2016), when a property is used for industrial purposes it is considered to be a part of the industrial real estate category. It includes the buildings used as factories, assembly plants, warehouses and logistics facilities. Industrial real estate serves a vital function in enabling industry and ensuring the efficient flow of goods from makers to markets.

1.6. Office services

C&W has been actively operating in Slovakia since 2005 and has established office since 2007. As an important part of the company, the Slovak office offers most of the services which makes

the company famous worldwide. Having a great share in the Slovak market, the regional office delivers integrated solutions to multinational corporations, financial institutions, developers, entrepreneurs, government entities and small-to-medium-size companies by actively advising, implementing and managing on behalf of landlords, tenants and investors through every stage of the real estate process (Cushman & Wakefield, 2017d).

According with the company's website, C&W concentrates its range of services in commercial and industrial real estate. The offered office core services list follows bellow:

Retail Agency – Provide expertise to commercial property owners, working to maximize asset awareness, leasing activity, rental rates, occupancy, and overall investment value.

Office Agency – Arrange strategic occupancy solutions that support and enhance the client's company bottom line by aligning real estate needs with the business strategy, financial goals and operational objectives.

The office department provides, mainly, consultancy and advisory services in three general lines:

1) Tenant representation:

The scope of services when representing a tenant include:

- Strategy development: Projecting a timeline; business review; definition of strategy.
- Identification of options: Market availability study; map of alternatives; map of competition; building fact sheets for alternatives; property viewings.
- Proposals and analysis: Request for heads and terms; financial analysis; qualitative analysis; test fits.
- Negotiations: Detailed request for proposal; presentation to clients' management.
- Project completion: Heads of terms execution; advice on lease agreement; lease abstract.
- Project management: Cost management; fit-out works supervision; reinstatement of current premises.

2) Landlord representation:

Advising to the landlord how to make the office scheme more attractive and secure more lease space through:

- Analysis of competing real estate;
- Realization of a marketing strategy;
- Analysis of the target groups and an active tenants' addressing;
- Execution of viewings;
- Assisting at negotiating contract terms;
- Regular reporting to the client.

3) Brokerage / Open market services:

Not representing landlord neither tenant.

The office department advises clients on how to save or gain money. Normally, this department intermediates on leasing deals but it is not unusual to also participate in buying-selling operations.

In one scope, we have the landlords which their main objectives are gaining as much money from the rents as possible, and to have a fully occupied building in order to increase the value of the asset.

On the other hand, the tenants wish to pay as less as possible and have their office lay out requirements fulfilled. Even though C&W makes no kind of selection regarding their clients' popularity, when it comes to tenants, it tends to make business with the most well-known companies worldwide.

Industrial Agency – Provide advisory services for occupiers, landlords and investors. C&W's logistics and industrial professionals grant local market expertise around the globe. Working with national and multinational industrial clients and provide tailor-made industrial real estate advisory services that ultimately allow clients to achieve their operational objectives.

Project Management - Plan and manage the construction process ensuring value and savings without sacrificing quality.

Business Development - Support all kind of projects, from one-time local assignments, to major development projects or significant program roll outs.

This department plays a very important role due to its responsibility of identifying business opportunities and passing them into the appropriate department. Nonetheless, many times this department finds necessary to stay involved in the business until the end.

Valuation and advisory – Offer access to real-time market data and the insights of our leasing, research, and capital markets experts. This unique model combines the best of research analytics and real estate consulting expertise.

Property management - An ownership perspective influences every aspect of services from providing property due diligence during acquisition, through day-to-day operations, to value realization through a sale or refinancing.

Capital Markets - Offer comprehensive advisory and execution services to support acquisitions, sales, investment, financing, and development. The presented solutions are tailored to meet the objectives of private and institutional owners and investors, as well as corporate owners and occupiers.

Hospitality - Cover a broad range of hotel and leisure properties and mainly focus in larger properties that are located in key gateway locations, being cities or resort destinations.

1.7. Intern position and responsibilities

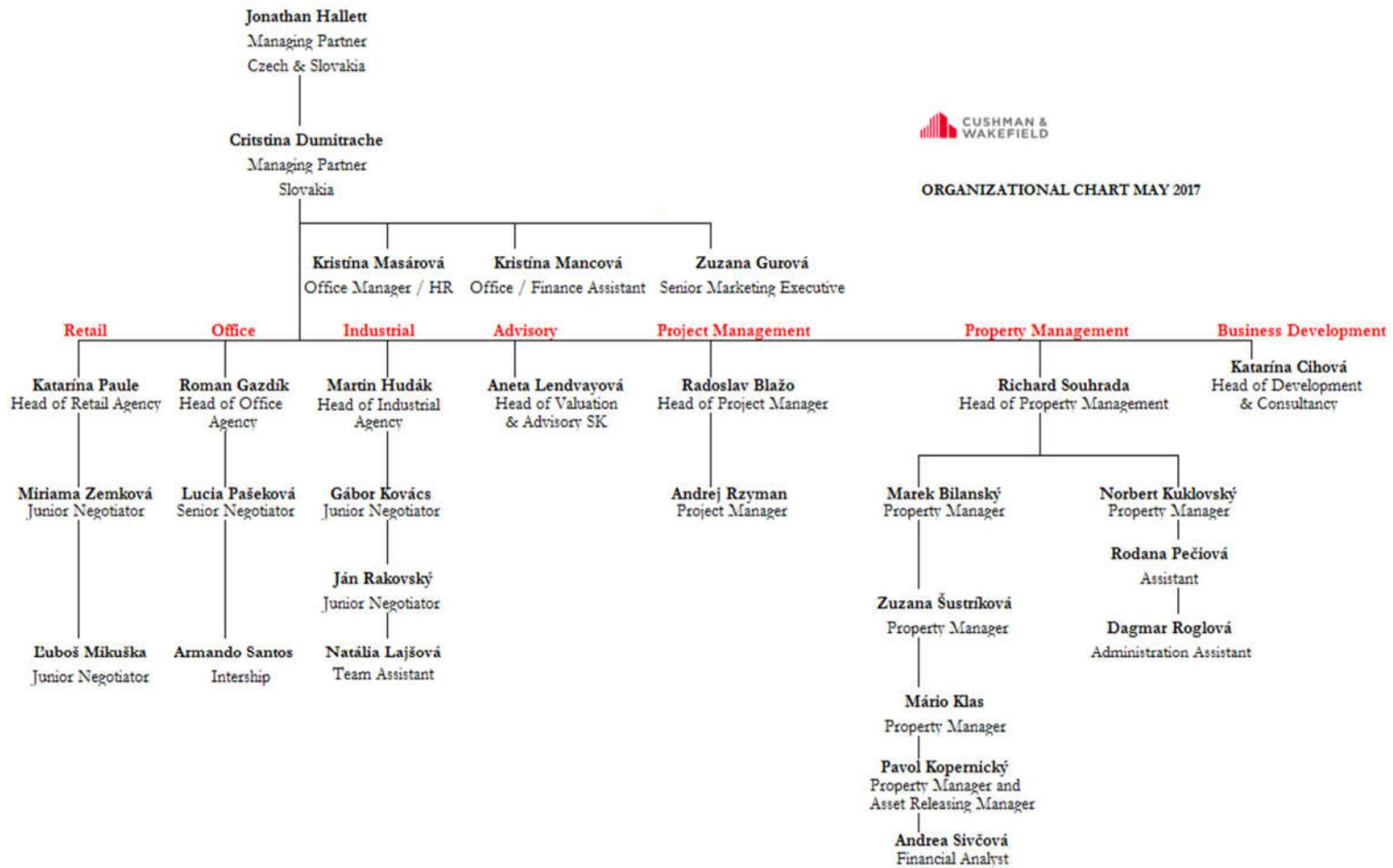
Within the company, I was placed in the Office department alongside with my supervisor, Ing. Roman Gazdík. Even though my main contact was with the office department, I was also assisting other departments whenever I could and was request to.

My main responsibilities were helping with the office department business development. Starting with definitions of strategy on how to reach out new clients, to promoting our services, there was quite a good amount of tasks on a constant basis. A very important area not only in the office department but in all real estate is the financial point of view, the one I tried to transpose and give more emphasis in the “Activities” sections, further on.

1.8. Human resources

The office organization is simple and its structure respects a division that is based in all the previously mentioned services. For a better understanding, the company’s organizational chart at May, 2017 was as follows:

Figure 1: Organizational Chart of Cushman & Wakefield Bratislava



Source: Cushman & Wakefield

Due to the geographic proximity, historic relationship and cultural resemblance between Slovakia and Czech Republic, C&W designated a common managing partner to represent both offices internationally. Locally, when it comes to Slovakia's office distribution, there's also a managing partner who works closer, and more regularly, with all employees.

Developing the company's everyday business, there's a total of 7 departments, each one with very specific tasks. As it is noticeable, the composition of the departments varies regarding the number of employees.

Giving an important and direct support to the business-related departments, the office has 3 more employees, each one with its own department. Those 3 departments are human resources, finance assistance and Marketing.

Currently, the Bratislava office counts with 28 professionals. The most appreciative aspect is that between each one it exists a great working environment, full of collaboration and mutual aid.

1.9. Royal Institution of Chartered Surveyors (RICS)

RICS is the global professional body that promotes and enforces the highest international standards in the valuation, management and development of land, real estate, construction and infrastructure. With offices covering the major political and financial centers of the world, the market presence allows the institution to influence policy and embed standards not only nationally but also in cross-governmental level, delivering a single, international standard that supports a safe marketplace for the benefit of all (RICS, 2017).

C&W develops its activity according with the real estate standards defined by RICS, respecting the principles that shape the culture of fairness and transparency that underpin all activities undertaken by its employers within whichever country they practice.

2. Country and city presentation

Located in Central Europe, Slovakia shares the status of a developed country and it's considered, by the World Bank, to have a high-income economy. Also, it is a part of the countries with very high human development and standard of living, according with the United Nations Development Program (UNDP, 2016). The country maintains a combination of market economy with a comprehensive social security system.

Slovakia joined the European Union in 2004 and the Eurozone on the 1st of January 2009, The New York Times (2009). Slovakia is also a member of the Schengen Area, NATO, the United Nations, the OECD, the WTO, CERN, the OSCE, the Council of Europe and the Visegrád Group. The Slovak economy is one of the fastest growing economies in Europe, having its real GDP grown at a 3.3% rate in 2016, The Economist Group (2017).

Although regional income inequality is high, 90% of citizens own their homes. According with Touchit (2017), Slovakia is the world's biggest per-capita car producer with a total of 1,040,000 cars manufactured in the country in 2016 alone. The car industry represents 43% of Slovakia's industrial output, and a quarter of its exports.

Figure 2: Map of Slovakia



Source: <http://www.maps-of-europe.net/maps-of-slovakia/>

Bratislava is, simultaneously, the capital and largest city in Slovakia, with a population of about 450.000. The greater metropolitan area is home to more than 650.000 people.

Bratislava is the wealthiest and most important economic region in Slovakia, despite being the smallest by area and having the second smallest population of the eight Slovak regions. The most important governmental institutions, including the Ministry of Finance and the central bank, as well as many private companies have their headquarters in Bratislava, Duchaj (2017).

In administrative terms, the city is divided by 5 districts:

Bratislava I – It is the smallest district in the city of Bratislava and it is identical with its sole borough, Bratislava's Old Town;

Bratislava II - It covers south-eastern part of Bratislava including the boroughs of Ružinov, Podunajské Biskupice and Vrakuňa;

Bratislava III – This district includes the boroughs of Nové Mesto, Rača and Vajnory;

Bratislava IV - It is the largest Bratislava district and covers the north-western parts of Bratislava, including the boroughs of Devín, Devínska Nová Ves, Dúbravka, Karlova Ves, Lamač and Záhorská Bystrica

Bratislava V - It covers southern areas of Bratislava, including the boroughs of Petržalka, Jarovce, Rusovce and Čunovo.

A representation of the city follows bellow:

Figure 3: Map of the city parts of Bratislava, Slovakia



Source: Murli, Wikipedia user.

2.1. Bratislava office market

To have a dimensional perspective about the office supply in Bratislava, now follows an overview on the Bratislava office market, conducted by the Bratislava Research Forum alongside with C&W.

This first board presents some key figures, from 2011 until the first quarter of 2017:

Figure 4: Key figures on the Bratislava Office Market

| | New Supply | Net Absorption | Vacancy | Gross Take-up | Prime Rent |
|----------------|--------------------|--------------------|---------------|--------------------|-----------------------------|
| 2017 Q1 | 35.380 sq M | 39.501 SQ M | 7.04 % | 31.068 sq M | 15.50 EUR/SQ M/M |
| 2016 Q4 | 21.215 sq m | 17.870 sq m | 6.78 % | 81.220 sq m | 15.50 EUR/sq m/m |
| 2016 total | 65.537 sq m | 97.830 sq m | 6,6 % | 233.500 sq m | 15.50 EUR/sq m/m |
| 2015 | 22.400 sq m | 42.750 sq m | 8.76 % | 220.000 sq m | 15.50 EUR/sq m/m |
| 2014 | 37.600 sq m | 114.154 sq m | 11.2 % | 221,000 sq m | 15.00 EUR/sq m/m |
| 2013 | 33.000 sq m | -69.427 sq m | 15.0 % | 91.600 sq m | 15.00 EUR/sq m/m |
| 2012 | 65.000 sq m | 33.006 sq m | 12.5 % | 102.800 sq m | 15.00 EUR/sq m/m |
| 2011 | 59.000 sq m | 51.893 sq m | 11.2 % | 99.000 sq m | 15.00 EUR/sq m/m |

Source: Bratislava Research Forum and Cushman & Wakefield

The first variable to have in account is "New supply", it expresses the office space that became available for occupancy during the specified period. In the first quarter of 2017 Bratislava's office space increased by 35.380 square meters, which demonstrates a great kick start for this year, when compared to all others. For example, 2016 registered the highest increase of new office supply (65.537 sqm), comparing with this year's first quarter, more than half was already totalized within a quarter of a year period.

Moving on to the next variable, "net absorption" indicates the way investors gauge tenant demand, measuring it also in square meters. This variable is calculated simply by subtracting the space that is no longer occupied by tenants from the total new leased space. Even though, historically, this variable presents itself positive, 2013 was a year that witnessed more tenants abandoning their office space rather than occupying it, with a negative absorption of 69.427 sqm. Nonetheless, the year after registered the highest absorption among the study presented years. The first quarter of 2017 appears positive and with good absorption signs if they continue throughout the year.

The third variable is vacancy, which represents a percentage of unoccupied leasable space existent in the office market total space. The year with more vacancy is 2013, it corresponds to the period which registered the worst net absorption. Since then, the vacancy has decreased significantly, until last year (2016), when reached its lower value since the beginning of the study (6,6%). Regarding the first quarter of 2017, vacancy increased and it's now a bit higher than 7%.

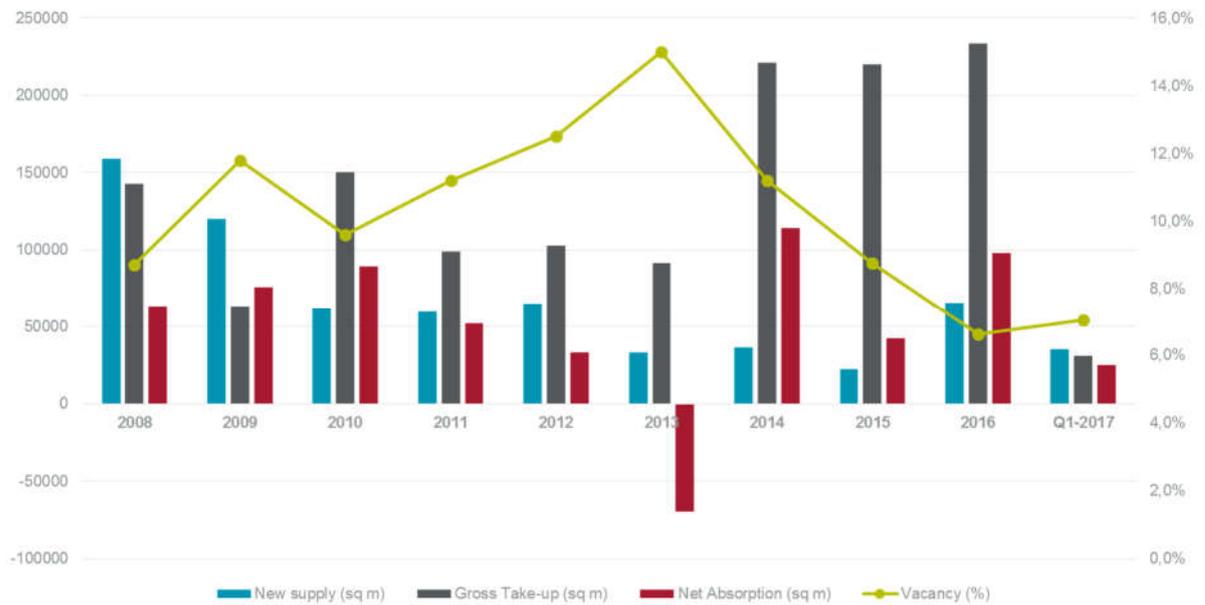
Gross take-up includes, not only the newly leased office space, but also, eventual expansions that tenants may contract and renegotiations on extending the current contract. Since 2014, this variable maintains its values above 200000 sqm, reaching its maximum in 2016 with a 233500 sqm gross take-up.

The prime rent expresses the common rent price for the most quality buildings in Bratislava. After the last increase in 2015, from 15€/sqm to 15,5€/sqm, the prime rent continues stable and showing no signs of changing for 2017.

Now follows a bar chart which disposes all previous mentioned variables annually for a better observation:

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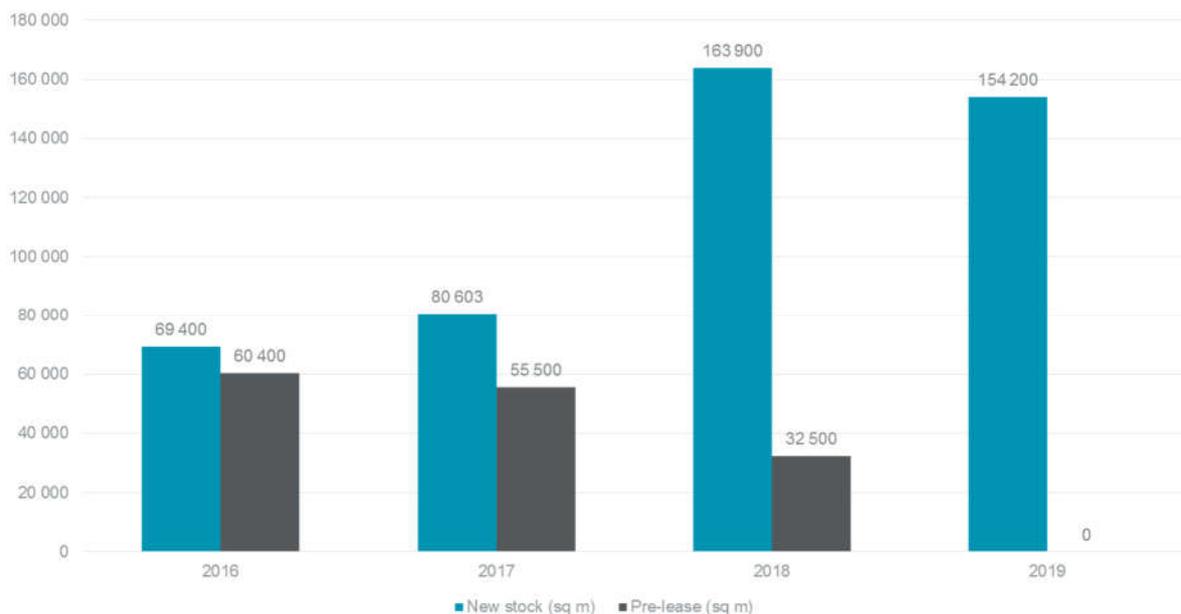
Figure 5: 2008 – Q1/2017: New supply, Gross Take-up, Net absorption and Vacancy



Source: Bratislava Research Forum and Cushman & Wakefield

The next chart presents a forecast for the next 2 years about office space supply and relative to it, the pre-lease contracts already sign, for that same space:

Figure 6: New supply forecast 2017-2019



Source: Bratislava Research Forum and Cushman & Wakefield

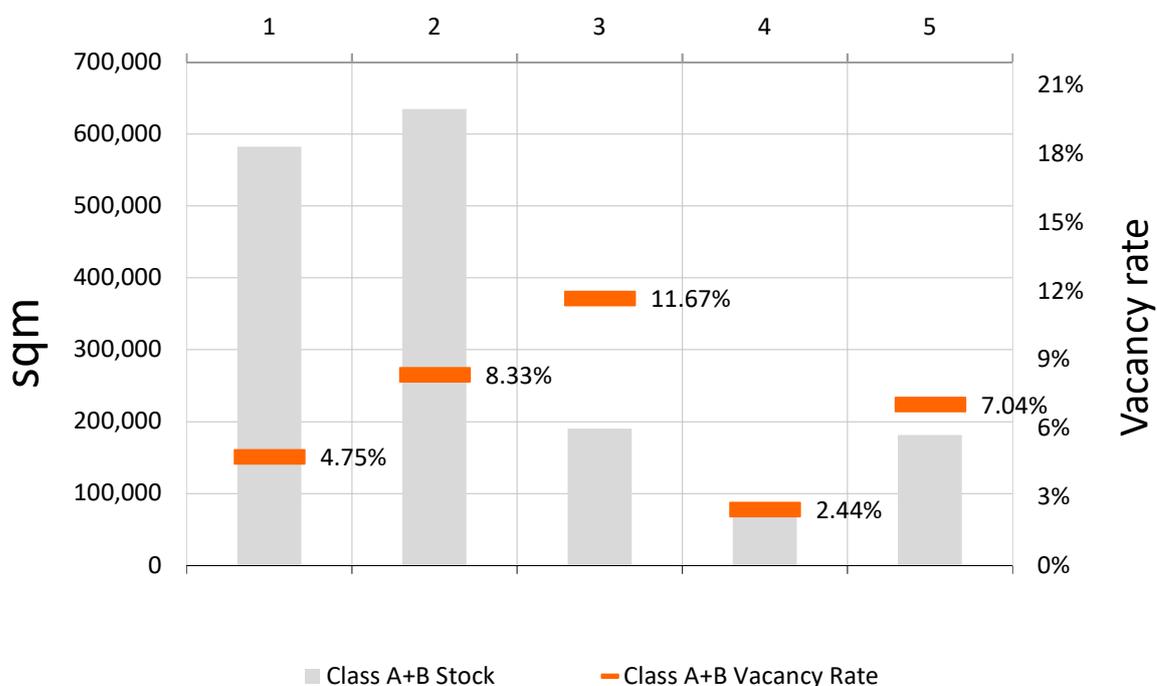
Knowing that Slovak's economy is booming at the moment, with high flows of investment, it is predictable for the office market to follow the trend. Projections for the upcoming years reveal

a significant increase in office space. 2017 appoints to have a higher supply than the previous studied years and the increment for 2018 is more than double. If reality goes as forecasted, 2018 and 2019 will be two great exceptional years for Bratislava office market.

Regarding the pre-leases, it is understandable that, the closer we are to the office inauguration, the higher the change of signing a pre-lease is. In 2016, around 87% of the office space was pre-leased. In 2017, approximately 69% of the office space is pre-leased, not forgetting, this report was conducted at the end of the first quarter 2017. The new office supply forecasted for 2018 counts already with, about 20% pre-leases and 2019 still didn't count with any pre-lease.

The next board provides information regarding the office stock and vacancy by every Bratislava district:

Figure 7: Stock and vacancy by districts 2017

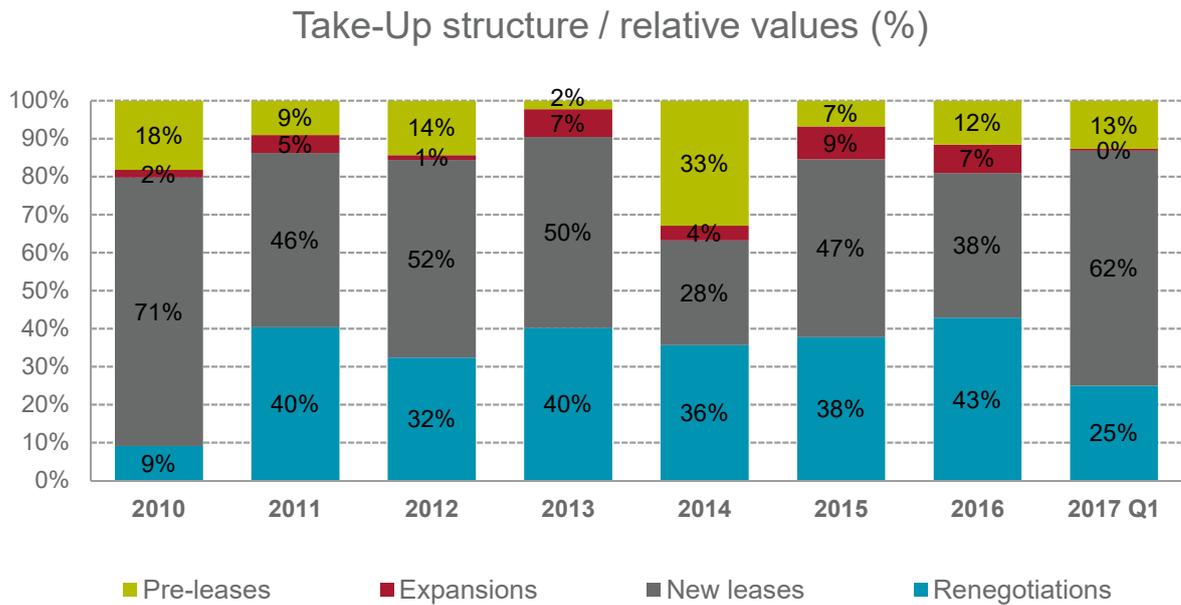


Source: Bratislava Research Forum and Cushman & Wakefield

Observing the chart, we can conclude that most of the office space gathers around the first and second district, while Bratislava 4 is the district with less office stock. Curiously, Bratislava 4 registered the lowest vacancy rate (2,44%) compared to all the others districts. Bratislava 3, the district that comes in 3rd in terms of office stock, presents the highest vacancy rate (11,67%).

Now follows a chart that demonstrates the structure of the gross take up from last years:

Figure 8: Take up Q1 - 2017



Source: Bratislava Research Forum and Cushman & Wakefield

The most common structure regarding the take-ups is, new leases having the highest percentage, followed by renegotiations, pre-leases and at last, expansions. Nevertheless, there are exceptions to this rule, in 2014 renegotiations played a bigger role in the structure and the amount of pre-leases also suppressed the new leases. 2015 witnessed a larger amount of expansions rather than pre-leases and in 2016 there were more renegotiations than new leases. This first quarter, the structure seems to be respecting the normal pattern besides not having any expansions so far.

In summary, the Bratislava office market in terms of total market size of modern stock has reached 1,67 million sqm. 57% of the space is represented by A-class office space and the most popular office markets are Bratislava 1 and Bratislava 2. The office stock will expand especially in Bratislava 1 and 2 in the next 2 years.

Regarding new supply, in 2017 has been finalized altogether 35,380 sqm of modern stock to the market. The total stock currently under construction is over 250.000 sqm, which shall be delivered over the next 2 years.

In respect of vacancy, the overall vacancy rate for Bratislava is at 7,04% (117,390 sqm). Low vacancy rates were recorded in this quarter in Bratislava IV (2.44%), I (4,75%), V (7,04%) and II (8,33%), significant vacancy still remain in Bratislava III (11,67%)- C&W estimates the vacancy to rise slightly and be oscillating around 7,5% in the upcoming months due to the new

supply already reserved by pre-lease agreements and with several expansions of Shared Service Centers.

Concerning rents, full fit-out provisions are becoming less common, as well as long rent free period which is now standardly reduced to 3 to 5 months for a 5-year contract. The landlord's contribution towards standard fit-out costs: 50 to 150 EUR/sq m for a 5-year contract. C&W believes that the level of incentives might increase slightly in 2018 as a large portion of new supply is expected in 2018.

Regarding leasing incentives, full fit-out provisions are becoming less common, as well as long rent free periods which is now standardly reduced to 3 to 5 months for a 5-year contract. Landlord's contribution towards standard fit-out costs: 50 to 150 EUR/sq. m. for a 5-year contract. C&W believes that the level of incentives might increase slightly in 2018 as a large portion of new supply is expected in 2018.

When considering the standard lease terms for A and B class office space in Bratislava, the conditions are as follow:

- Rent payment: Denominated in EUR, paid in EUR;
- Add-on factor: 0% – 12%;
- Payment frequency: Quarterly or monthly in advance;
- Lease term: 5, 7 or 10 years with tenant's prolongation option, rent free period is sometimes added to the lease term;
- Deposit: 3 months of rent and service charges, including VAT;
- Indexation: Based on Harmonized Index of Consumer Prices (HICP), from the second calendar year of the lease;
- Incentives: Rent free period of 3 to 5 months for a 5-year contract or Landlord's contribution towards standard fit-out costs: 50 to 150 EUR/sq m for a 5-year contract;
- Service charges: 2.50 – 3.90 EUR / sq m / month (common operating costs);
- Parking: 40 – 130 euro/place/month;
- VAT: 20%.

2.2. Office building classification

According with Perez (2015), when considering office space, stockholders will find that office buildings are generally classified as being either a Class A, Class B, or a Class C building. The difference between each of these classifications varies by market and class B and C buildings are generally classified relative to Class A buildings. Building classifications are used to differentiate buildings and help the reporting of market data in a manner that differentiates between building types. That said, there is no definitive formula for classifying a building, but in the general characteristics of each are as follows:

Class A buildings represent the highest quality buildings in their market. They are generally the best-looking buildings with the best construction, and possess high quality building infrastructure. Class A buildings also are well-located, have good access, and are professionally managed. As a result of this, they attract the highest quality tenants and also command the highest rents.

Class B buildings represent the next notch down. They are generally a little older, but still have good quality management and tenants. Often times, value-added investors target these buildings as investments since well-located Class B buildings can be returned to their Class A glory through renovation such as facade and common area improvements. Class B buildings should generally not be functionally obsolete and should be well maintained.

The lowest classification of office building and space is Class C. These are older buildings, and are located in less desirable areas and are in need of extensive renovation. Architecturally, these buildings are the least desirable and building infrastructure and technology is outdated. As a result, Class C buildings have the lowest rental rates, take the longest time to lease, and are often targeted as re-development opportunities.

The above is just a general guideline of building classifications. No formal international standard exists for classifying a building, but one of the most important things to consider about building classifications is that buildings should be viewed in context and relative to other buildings within the sub-market. A Class A building in one market may not be a Class A building in another.

The following board expresses all the factors that should or must be obeyed for a building to make part of any standard classification in the Slovak office market:

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Table 1: Bratislava building grades

| Standard Assessed factors | A | A¹ 'historical buildings in the city center | B | C |
|---|----------|---|---|----------|
| Appearance/Material/Structure | | | | |
| Complete new build or refurbished since 2000 | Must | Must | Must | Optional |
| Reasonable quality exterior | Must | Must | Must | Optional |
| High quality interior materials (common areas) | Must | Must | Must | Optional |
| Layout | | | | |
| Open plan / space flexibility | Must | Optional | Optional | Optional |
| Minimum clear floor to ceiling height 2,75m (with suspended ceiling and raised floors) | Must | Must | Must ² ² exception refurbished buildings | Optional |
| Floor depth Floor depth not more than 20m from window to window. Not more than 8m from window to floor plate core and 9m for buildings with non-regular forms and atriums. Note if this was 6m plus 2 m corridor it is 8m. | Must | Must | Preferred | Optional |
| Parking | | | | |
| Parking with covered access to the building | Must | Preferred | Preferred | Optional |
| Nearby | | Preferred | Must (if not in the building) | Optional |
| Parking ratio CC - 1:100 IC - 1:75 OC - 1:50 | Must | Preferred | Must | Optional |
| Building systems | | | | |
| Manned reception area | Must | Preferred | Optional | Optional |

2 - Country and city presentation

Table 1: Bratislava building grades (cont.)

| Standard Assessed factors | A | A¹ historical buildings in the city center | B | C |
|---|----------|--|----------------------------------|----------|
| Building systems | | | | |
| 24-hour security/CCTV | Must | Must | Must | Optional |
| Electronic card access | Must | Must | Preferred | Optional |
| HVAC Integrated system (heating/cooling) | Must | Preferred | Preferred | Optional |
| Some form of cooling/heating incl. split A/C | N/A | Must (if not integrated HVAC) | Must (if not integrated HVAC) | Optional |
| Forced Ventilation / fresh air supply | Must | Preferred | Preferred | Optional |
| Building Management System | Must | Preferred | Optional | Optional |
| Double floors / underfloor trunking (or suspended ceiling with cabling trays in exceptional cases) | Must | Preferred | Optional | Optional |
| Lift access | Must | Preferred | Must | Optional |
| Disabled access | Must | Preferred | Must | Optional |
| 2 independent energy supply sources with automatic transformer or diesel-aggregate system, UPS for emergency systems. | Must | Must | Optional | Optional |

Source: Bratislava Research Forum

HVAC – Heating, Ventilating, and Air Conditioning;

CC – City Center;

IC – Inner City;

OC – Outer City;

CCTV - Closed-circuit television;

N/A – Not Applicable.

UPS – Uninterruptible Power Supply

3. General advice on real estate management

In the current economic climate, companies face the pressure to save costs and drive value from their real estate. Taking time to align the real estate platform with the business needs, not only saves money, but ensures a more efficient and cost effective real estate strategy, Cushman & Wakefield (2009).

C&W are experts in providing advice on all aspects of real estate, from identifying and implementing property strategies to reducing costs or extracting value from leaseholds and freehold estate. Using its knowledge and track record, C&W puts together the best advices to help any entity saving costs and release value from its real estate:

The first advice is to reduce the amount of space occupied by the business. Real estate is normally the second highest cost to a business after staff costs and companies should critically review the opportunities to reduce the amount of space they occupy. Consolidating the real estate platform will result in the release of excess space for disposal, delivering cost savings for the business. Reductions in space can be achieved in a variety of ways:

- Space utilization – with many companies having occupancy levels of under 50%, a space utilization study can reveal how efficiently a company is using its buildings and identify space reduction opportunities;
- Space standards - advances in IT have enabled the size of workstations to be reduced. A re-stacking exercise provides an opportunity to increase the density of a company's occupation and release surplus space for disposal. New furniture is highly flexible, and is also very competitively priced in the current market;
- Flexible working - consider hot-desking, touch down space and remote working, which can be introduced without negatively impacting the performance of the business;
- Minimize locations – this will reduce the duplication of shared areas such as receptions and meeting rooms;
- Non-essential uses – consider the removal of cafes, break out areas or under-utilized meeting rooms as these 'nice to have' areas are often not critical to the business.

The second advice is to dispose the surplus space by identifying space that the business can vacate and dispose of. There is a real advantage in getting surplus space to the market as quickly as possible. To plan it effectively a company should:

- Look at opportunities for contractual exits, either break options or lease expiries;
- Identify properties that are easy to dispose of – a freehold will normally be easier than a leasehold.
- Consider high cost locations first and retain lower cost properties;
- Be aware that a modest amount of expenditure may be required before a property can be let;
- Consider the optimum disposal method – a single portfolio transaction may be more advantageous than a piecemeal disposal.

The third advice is extracting value by re-gearing the lease contract. As market rents fall and vacancy rates rise, landlords will become increasingly keen to attract and retain tenants. If a company's lease is coming up to either a break option or expiry, there is a fantastic opportunity to negotiate with the landlord and extract value from its continued occupation. The potential upsides that can be generated with the negotiation are lower rental payments or a rent-free period, capital receipt as a share of the upside in the investment value, agreeing options on future space or offloading surplus space, funding by the landlord of refurbishment or fit-out works and also minimizing future lease obligations, such as dilapidations.

The fourth advice is to unlock value from the freehold estate. With equity and corporate debt proving much more expensive and difficult to raise in the current economic climate, unlocking value from real estate can be a very cost efficient and available source of finance, even if property values may fall significantly. Value can be unlocked from real estate in a variety of different ways, such as through Joint Ventures or OpCo/PropCo structures, but the most common method is the structured Sale and Leaseback.

The fifth advice is to buy freeholds from distressed landlords. If the company is a well-capitalized occupier, it is possible to take advantage of distressed landlords by buying the properties they currently lease and potentially saving significant amounts in future rental payments. With only a short period to either a break option or expiry, the price to pay for the property reduces. This provides an opportunity to re-sell it on a new longer term leaseback,

generating a significant arbitrage profit between the purchase and sale prices. With loan to value covenants increasingly in breach, banks are looking to reduce their exposure to non-performing property loans. With distressed debt typically sold at a discount to the face value of the debt, a company has an opportunity to take control of buildings which it currently occupies by buying its landlord's distressed debt.

Another advice is reducing occupational costs by reviewing and identifying where savings can be made, per example:

- Facilities management (FM) - many existing FM contracts were agreed during a more buoyant business environment. Companies should review all of their FM contracts and consider whether the service level agreements are now appropriate. Contracts should allow FM costs to reduce when buildings are vacated or headcounts reduced. There may also be opportunities to either re-negotiate or competitively re-tender contracts;
- Service charges - examining service charges expenditures and challenging the landlord for any items not provided for under the lease. Occupiers have been successful in disputing expenditure where it relates to 'improvement' to the property rather than 'repair';
- Building insurance - occupiers are able to achieve savings by insuring their properties through a block policy, rather than allowing their landlord to arrange their insurance;
- Utilities - electricity, gas and water are now provided by a number of different suppliers. Occupiers with large property portfolios have considerable bulk purchasing power and should use this leverage to buy utilities at the most competitive price.

An important advice, that goes along with the worries on the earth's climate, is turning ecological. Ensuring an eco-friendly real estate will help delivering cost savings that can be achieved throughout a building's life cycle. When looking at buying or leasing a new building, considering its energy efficiency rating it's an important decision factor. The building's day to day operations also present an opportunity to cut costs, simply by switching off power to unoccupied work stations or implementing weekend 'shutdown', which will reduce energy consumption and its associated expense.

Another good advice is considering a relocation. If a company optimizes the locations from which its business operates, it might end up helping to drive down costs and create sustainable value. Business relocation may be motivated by a desire to rationalize the supply chain,

diminish corporate tax liabilities or reduce labor costs, all of which underpin a long-term cost efficient business operating platform.

The last advice is to certify that all real estate data is up to date. To be ‘ready for sale’ it is essential that all real estate data is up to date. This data includes the title documentation (any missing or incomplete documentation will delay a transaction or may lose a potential purchaser or tenant), energy performance certificates, environmental certified documents (if there is any), health and safety documents, floor plans, occupancy costs and financial information.

4. Real estate valuation

Valuation plays a big role on C&W's daily routine. C&W's qualified valuation experts deliver Market Value and Fair Value opinions for all real estate sectors (hospitality, industrial, land, office, retail, etc.), suitable for regulatory and transactional applications. Due to the connection between valuation and finance, I decided to explain in summarized way, on what ground do C&W appraisers stand when they develop they're work (Cushman & Wakefield, 2009).

Valuation is the process of developing an opinion of market value for real property. C&W respects the RICS Definition of Market Value, which is, "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. "

According with Schram (2006), real estate transactions often require appraisals because they occur infrequently and every property is unique. For this reason, whenever a property is traded or it's required to take a decision about buying or selling, to realize a valuation becomes necessary. Also, a company's administration board may agree, due to internal reasons, that is required to determine the market value of a property, especially for accounting purposes.

The entities who most often request real estate valuations are the banks, to understand the collateral value of a property, also property investors, property developers, auditors and legal experts.

The valuation process, in a first stage, passes throw a careful property inspection with the intent of finding any kind of property issue that may alternate the property value, examples of this inspection include the determination of the property areas or reviewing the current occupancy contracts. A proper valuation includes a reflection of the surrounding market reality, meaning that an appraiser needs to benchmark against evidences available in the market. Examples of evidences are, yields, rent prices, costs, marketing periods and incentives. With all these inputs, the appraiser can compare with the market reality and make its decisions regarding the value of the property.

The valuation methodology has traditionally been classified into five methods:

The first one is the investment method, which is used to value commercial and investment properties. Because it is intended to directly reflect or model the expectations and behaviors of typical market participants, this approach is generally considered the most applicable valuation technique for income-producing properties, where sufficient market data exists (Baum, Mackmin & Nunnington, 1997). According with Baum, et al. (1997), in a commercial income-producing property this approach capitalizes an income stream into a value indication. This can be done using revenue multipliers or capitalization rates applied to a Net Operating Income (NOI). Usually, an NOI has been stabilized so as not to place too much weight on a very recent event. An example of this is an unleased building which, technically, has no NOI. A stabilized NOI would assume that the building is leased at a normal rate, and to usual occupancy levels. The Net Operating Income (NOI) is gross potential income (GPI), less vacancy and collection loss (= Effective Gross Income) less operating expenses (but excluding debt service, income taxes, and/or depreciation charges applied by accountants). Alternatively, multiple years of net operating income can be valued by a discounted cash flow analysis (DCF) model. The DCF model is widely used to value larger and more expensive income-producing properties, such as large office towers or major shopping centers. This technique applies market-supported yields (or discount rates) to projected future cash flows (such as annual income figures and typically a lump reversion from the eventual sale of the property) to arrive at a present value indication (Baum, Mackmin & Nunnington, 1997).

Another method is the comparable method. This approach assumes that a prudent (or rational) individual will pay no more for a property than it would cost to purchase a comparable substitute property. The approach recognizes that a typical buyer will compare asking prices and seek to purchase the property that meets his or her wants and needs for the lowest cost. In developing the sales comparison approach, the appraiser attempts to interpret and measure the actions of parties involved in the marketplace, including buyers, sellers, and investors. Data is collected on recent sales of properties similar to the subject being valued, called "comparables". Only sold properties may be used in an appraisal and determination of a property's value, as they represent amounts actually paid or agreed upon for properties. Sources of comparable data include real estate publications, public records, buyers, sellers, real estate brokers and/or agents, appraisers, and so on. Important details of each comparable sale are described in the appraisal report (Maliene, 2000).

The Residual Calculations method follows. Which is applied for properties ripe for development or redevelopment. This method is used to value sites and results from the formula “Gross Development Value (GDV) = costs + profit + land”. To many property developers, GDV is one of the most important performance metrics that they will monitor throughout the course of a project as it helps to highlight the capital and rental value of their property or development project when all redevelopment works have been completed. In other words, it will show if a profit has been, or will be made from the development project, and at what level (Pagourtzi, Assimakopoulos, Hatzichristos & French, 2003).

A fourth method is the depreciated replacement cost method. Used for land and buildings of special character for which profit figures cannot be obtained or land and buildings for which there is no market because of their public service or heritage characteristics. It is based on the cost to replace a building, it refers to the cost of building a house or other improvement which has the same utility, but using modern design, workmanship and materials (Sayce & Plimmer, 2006).

The last method is the profit method. Used for trading properties where evidence of rates is slight, such as hotels, restaurants and old-age homes. A three-year average of operating income (derived from the profit and loss or income statement) is capitalized using an appropriate yield. It is important to note that the variables used are inherent to the property and not market-derived, therefore unless appropriate adjustments are made, the resulting value will be value-in-use or investment value, not market value (Colborne & Hall, 1993).

4.1. Yields

The yield is the income return on an investment, such as the interest or dividends received from holding a particular security. Although existing many types of yields, e.g., initial yield, reversionary yield, equivalent yield or equated yield, when it concerns real estate, the most common yield is the initial yield (an all risks yields), which can be calculated as it follows:

“Initial yield = Passing rent (Rent at the date of the transaction) / Price which was paid for the property” (Cushman & Wakefield, 2010).

The yield of an investment is tied to the risk associated with the aforementioned investment. The higher the risk is considered to be, the higher the associated yield potential, this is the reason why yields differ for different properties.

According with Garcia, (2004) Real estate appraisers determine relative risk using comparables and analyzing fundamental property issues that are disregarded by investors, for example, they try to understand if the demand for a property is sustainable, if a competing building can be constructed or if there is any risk of obsolescence. In order to obtain more information, valuers use multipliers, which are calculated from the yields. This is called Years Purchase in Perpetuity. The multiplier will demonstrate how many years it will take (at a fixed rental level) to buy a property outright. The multiplier is calculated as it follows:

$1/I$, where I is the rate of interest or yield.

For example, if an investor has paid a yield of 10%, the years of purchase would be 10, i.e. it will take 10 years to purchase the asset.

However, there are some situations where it is not accurate to rely on a simple calculation of the Initial Yield, and becomes necessary to perform some adjustments, so it demonstrates a better approximation to reality.

According with Garcia (2004), One of that situations happens when appraisers are valuing a vacant property. In this case, the initial income will not reflect the true income potential of the property, so, applying the yield methodology will therefore in effect undervalue the property. In this case, the All Risk Yield can be improved by including the upside in leasing the space (if possible).

The opposite situation occurs when trying to value an over rented property (i.e. the passing rent is higher than the market would be prepared to pay). By applying a yield to this unsustainable income, the appraiser is overvaluing the property. A way to suppress this miscalculation is by increasing the All Risks Yield, giving a better reflection of the underlying risk.

C&W values properties using a hardcore and layer approach. Market level rental incomes are valued at the core yield and over rented income at the layer yield, being the applied difference between the yields typically 150 basis points. Besides that, some additional deductions are made in the calculation to reflect explicit risks, such as, rental voids on expiry, service charge shortfalls on vacant areas, letting costs, transactions costs non-recoverable costs, etc.

5. Activities

During its daily work, the intern came across with countless tasks, requested by its superiors, that were essential for the business development of the department which the intern collaborated. As expected, not all of them were relevant for the study implicit in this report.

This chapter contains a presentation of all the activities deemed important to support the conclusions of this report. Before describing each practiced activity, a theoretical background is provided for a better analysis and to justify the intern's action upon any situation.

5.1. Data analysis

5.1.1. Theoretical background

Data analysis is the process of evaluating data using analytical and logical reasoning to examine each component of the data provided, Business Dictionary (2017). The goal is to discover useful information, suggest conclusions, and support decision-making. According with O'Neil and Schutt (2014), the data analysis process obliges the analyst to execute some steps in order to get the right conclusions from his analysis:

First, the input data must respect all requirements imposed by the entity who's ordering the analysis. This means that both population and variables are previously specified and the data may be collected from a variety of sources. After collecting all data, organizing it becomes essential to initiate the analysis. Normally this involves the construction of a table, where data is placed in rows or columns within a spreadsheet. Once organized, new problems may arise from the way data is stored, for example, it is possible that it contains errors or duplicates. Concerning this issue, it is crucial to clean data and prevent such errors from happening, Koomey (2006).

Having all data cleaned, it is possible to analyze it. As a way of exploring data all kind of techniques may be applied. For example, descriptive statistics models may be generated to help understand it. For an easy examination, data visualization processes like graphic and chart

constructions can also be used to obtain additional insight regarding the messages within data, O'Neil and Schutt (2014).

5.1.2. Practical application

In favor of completing some specific assignments proposed by my superiors, I had to resort to some data analysis procedures. For instance, in one of the assignments (made on day 1), I had to analyze data from a template that Mr. Gazdík sent me.

The mentioned template follows bellow:

Table 2: Template for the office leasing deals on the 1st Quarter of 2017

| Year | Quarter | District | Class | Sqm. | Acted for landlord | Acted for tenant |
|-------------|----------------|-----------------|--------------|-------------|---------------------------|-------------------------|
| 2017 | 1 | BA I | B | 197 | C&W | Direct |
| 2017 | 1 | BA I | A | 254 | C&W | Direct |
| 2017 | 1 | BA I | B | 70 | COMPETITOR 2 | Direct |
| 2017 | 1 | BA I | C | 180 | COMPETITOR 2 | Direct |
| 2017 | 1 | BA I | B | 120 | COMPETITOR 2 | Direct |
| 2017 | 1 | BA I | B | 415 | COMPETITOR 2 | Direct |
| 2017 | 1 | BA I | B | 35 | COMPETITOR 2 | Direct |
| 2017 | 1 | BA I | B | 1674 | COMPETITOR 3 | Direct |
| 2017 | 1 | BA I | A | 1200 | Direct | Direct |
| 2017 | 1 | BA I | A | 5500 | Direct | Direct |
| 2017 | 1 | BA I | A | 1076 | Direct | COMPETITOR 1 |
| 2017 | 1 | BA I | A | 495 | Direct | Direct |
| 2017 | 1 | BA I | A | 725 | Direct | Direct |
| 2017 | 1 | BA I | A | 880 | Direct | Direct |
| 2017 | 1 | BA I | A | 2345 | Direct | C&W |
| 2017 | 1 | BA I | A | 400 | Direct | Direct |
| 2017 | 1 | BA I | A | 700 | Direct | Direct |
| 2017 | 1 | BA I | B | 35 | Direct | Direct |
| 2017 | 1 | BA II | B | 16 | Direct | Direct |
| 2017 | 1 | BA II | B | 54 | Direct | Direct |
| 2017 | 1 | BA II | B | 273 | Direct | Direct |
| 2017 | 1 | BA II | B | 21 | Direct | Direct |
| 2017 | 1 | BA II | B | 19 | Direct | Direct |
| 2017 | 1 | BA II | B | 54 | Direct | Direct |
| 2017 | 1 | BA II | B | 20 | Direct | Direct |
| 2017 | 1 | BA II | B | 19 | Direct | Direct |
| 2017 | 1 | BA II | B | 26 | Direct | Direct |
| 2017 | 1 | BA II | B | 29 | Direct | Direct |

Table 2: Template for the office leasing deals on the 1st Quarter of 2017 (cont.)

| Year | Quarter | District | Class | Sqm. | Acted for landlord | Acted for tenant |
|-------------|----------------|-----------------|--------------|-------------|---------------------------|-------------------------|
| 2017 | 1 | BA II | B | 18 | Direct | Direct |
| 2017 | 1 | BA II | B | 192 | Direct | Direct |
| 2017 | 1 | BA II | A | 2902 | COMPETITOR 3 | Direct |
| 2017 | 1 | BA II | A | 360 | Direct | Direct |
| 2017 | 1 | BA II | A | 1445 | Direct | Direct |
| 2017 | 1 | BA II | A | 250 | Direct | Direct |
| 2017 | 1 | BA II | B | 50 | COMPETITOR 1 | Direct |
| 2017 | 1 | BA II | A | 662 | COMPETITOR 1 | Direct |
| 2017 | 1 | BA II | B | 1400 | Direct | COMPETITOR 1 |
| 2017 | 1 | BA II | A | 130 | Direct | COMPETITOR 1 |
| 2017 | 1 | BA II | B | 1475.16 | Direct | C&W |
| 2017 | 1 | BA II | B | 64.2 | Direct | Direct |
| 2017 | 1 | BA II | B | 138 | Direct | Direct |
| 2017 | 1 | BA II | B | 26.2 | Direct | Direct |
| 2017 | 1 | BA II | A | 157 | Direct | Direct |
| 2017 | 1 | BA II | B | 65 | Direct | Direct |
| 2017 | 1 | BA II | B | 25 | Direct | Direct |
| 2017 | 1 | BA III | A | 188 | Direct | C&W |
| 2017 | 1 | BA III | A | 336 | Direct | Direct |
| 2017 | 1 | BA III | A | 161 | Direct | Direct |
| 2017 | 1 | BA III | A | 1016 | COMPETITOR 1 | Direct |
| 2017 | 1 | BA III | A | 220 | Direct | Direct |
| 2017 | 1 | BA III | A | 242 | Direct | Direct |
| 2017 | 1 | BA III | A | 537 | COMPETITOR 3 | Direct |
| 2017 | 1 | BA III | B | 300 | Direct | Direct |
| 2017 | 1 | BA IV | B | 84 | Direct | Direct |
| 2017 | 1 | BA IV | A | 174 | COMPETITOR 3 | Direct |

Table 2: Template for the office leasing deals on the 1st Quarter of 2017 (cont.)

| Year | Quarter | District | Class | Sqm. | Acted for landlord | Acted for tenant |
|-------------|----------------|-----------------|--------------|-------------|---------------------------|-------------------------|
| 2017 | 1 | BA V | B | 105 | COMPETITOR 3 | Direct |
| 2017 | 1 | BA V | A | 100 | COMPETITOR 1 | Direct |
| 2017 | 1 | BA V | A | 204 | COMPETITOR 1 | Direct |
| 2017 | 1 | BA V | A | 484 | Direct | COMPETITOR 1 |
| 2017 | 1 | BA V | A | 82 | COMPETITOR 1 | Direct |
| 2017 | 1 | BA V | A | 330 | Direct | C&W |
| 2017 | 1 | BA V | A | 313 | Direct | Direct |

Source: Bratislava Research Forum

All this collected data was arranged by the building landlords and the 4-major commercial real estate agencies acting in the Slovak market. Every time a leasing deal is closed, the intervener company shares the information about that deal.

For this analysis, there were some aspects regarding the input data. The main goal was to determine the office leasing market share on the 1st quarter of 2017, disclose which company made more deals during this period and if C&W is keeping up with its competitors.

The template contains useful information which had helped us in our study. It informs about the district where the office is located, the amount of sq. meters involved in the contract and if the intervener agency was representing the tenant or landlord.

It is important to mention that not all leasing contracts occur with an intermediate agency. Many of the contracts are closed directly between the landlord and the client that later becomes a tenant.

At this stage, we have all data collected and the next step is to organize and clean it. We decided to start with a division by type of representation:

Table 3: Landlord representation in Bratislava by district, leased space and deal count

| | BA 1 | | BA 2 | | BA 3 | | BA 4 | | BA 5 | | Total sqm | % | Total count | % |
|----------------|--------|-------|----------|-------|-------|-------|------|-------|-------|-------|-----------|--------|-------------|--------|
| | sqm | count | sqm | count | sqm | count | sqm | count | sqm | count | | | | |
| C&W | 451 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 451 | 1.45% | 2 | 3.23% |
| Comp. 1 | 0 | 0 | 712 | 2 | 1,016 | 1 | 0 | 0 | 386 | 3 | 2,114 | 6.80% | 6 | 9.68% |
| Comp. 2 | 820 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 820 | 2.64% | 5 | 8.06% |
| Comp. 3 | 1,674 | 1 | 2,902 | 1 | 537 | 1 | 174 | 1 | 105 | 1 | 5,392 | 17.36% | 5 | 8.06% |
| Direct | 13,356 | 10 | 6,276.56 | 24 | 1,447 | 6 | 84 | 1 | 1,127 | 3 | 22,290.56 | 71.75% | 44 | 70.97% |
| Total | 16,301 | 18 | 9,890.56 | 27 | 3,000 | 8 | 258 | 2 | 1,618 | 7 | 31,068 | 100% | 62 | 100% |

Source: Own construction based on C&W data

BA – Bratislava

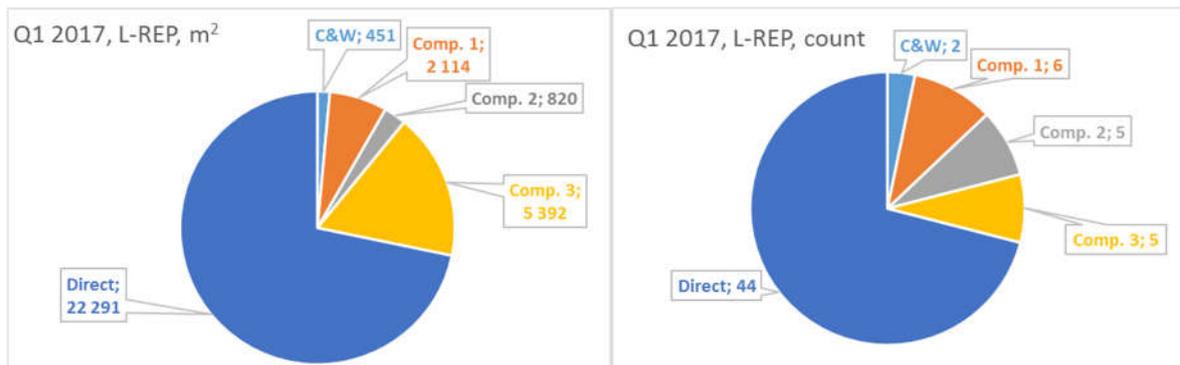
In this first table, we can observe the leasing deals distribution regarding its Landlord representation. Additionally, there is the possibility of perceiving the geographical dispersion of these deals.

An organized table of this kind enables the viewer to draw its conclusions. For instance, we can realize that, when it comes to landlord representation, Competitor 1 holds the greater amount of deals (6), while Competitor 3 leased more space (5392 sqm).

Apart from the agencies results, it is noticeable the huge existing gap between the direct deals and the ones with a company intermediation. Around 71% of deals were made without landlord representation which correspond to approximately 72% of the leased office space.

For a better observation of the count deals and square meters involved, I constructed two pie charts, one for each situation:

Figure 9: Pie Charts on Landlord Representation



Source: Own construction based on C&W data

L-Rep – Landlord Representation

In a geographical perspective, when it comes to leased space, Bratislava I district comes in first place (16301 sqm) while in Bratislava II were closed more deals (24).

Table 4: Tenant representation in Bratislava by district, leased space and deal count

| | BA 1 | | BA 2 | | BA 3 | | BA 4 | | BA 5 | | Total sqm | % | Total count | % |
|----------------|--------|-------|----------|-------|-------|-------|------|-------|-------|-------|-----------|--------|-------------|--------|
| | sqm | count | sqm | count | sqm | count | sqm | count | sqm | count | | | | |
| C&W | 2,345 | 1 | 1,475.16 | 1 | 188 | 1 | 0 | 0 | 330 | 1 | 43,38.16 | 13.96% | 4 | 6.45% |
| Comp. 1 | 1,076 | 1 | 1,530 | 2 | 0 | 0 | 0 | 0 | 484 | 1 | 3,090 | 9.95% | 4 | 6.45% |
| Comp. 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% | 0 | 0.00% |
| Comp. 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% | 0 | 0.00% |
| Direct | 12,880 | 16 | 6,885.4 | 24 | 2,812 | 7 | 258 | 2 | 804 | 5 | 23,639.4 | 76.09% | 54 | 87.10% |
| Total | 16,301 | 18 | 9,890.56 | 27 | 3,000 | 8 | 258 | 2 | 1,618 | 7 | 31,068 | 100% | 62 | 100% |

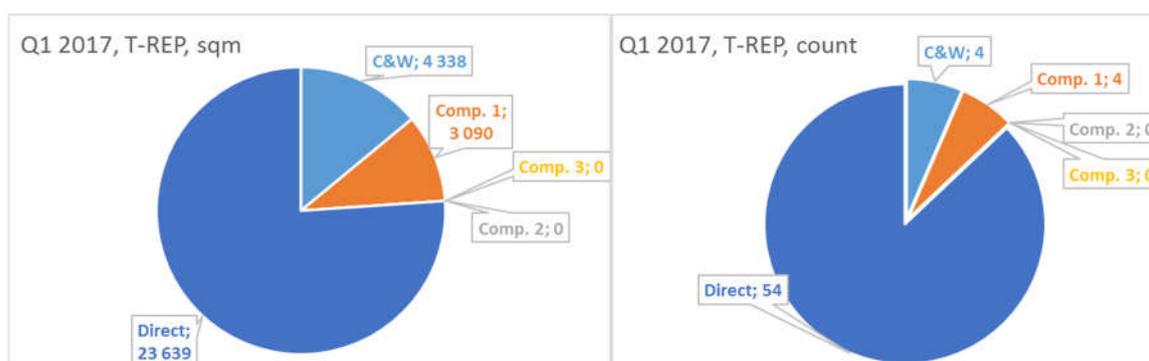
Source: Own Construction based on C&W data

Moving on into tenant representation, the agencies intervention is even smaller. Only C&W and Competitor 1 represented tenants during the 1st quarter of 2017, each one with 4 deals. Regarding space, C&W took the lead with a total of 4338 sqm against 3090 from Competitor 1.

Still, most of the tenants leased their space without any company intervention. About 87% of leasing deals were made directly which corresponds to 76% of total leased space.

One more time, to help examination, it is possible to find below the pie charts for each study variable:

Figure 10: Pie charts on Tenant Representation



Source: Own Construction based on C&W data

In order to present an insight of the whole distribution, regardless of the geographical dispersion, I built a new table that gathers landlord and tenant representation and I removed the district dispersion:

Table 5: Office leasing business provided by C&W and competitors in number and in square meters. 1st Quarter 2017

| Total Distribution | | | | |
|--------------------|-----------|--------|-------------|--------|
| | Total sqm | % | Total count | % |
| C&W | 4,789 | 15.42% | 6 | 9.68% |
| CBRE | 5,204 | 16.75% | 10 | 16.13% |
| Colliers | 820 | 2.64% | 5 | 8.06% |
| JLL | 5,392 | 17.36% | 5 | 8.06% |
| Direct | 14,862 | 47.84% | 36 | 58.06% |
| | 31,068 | 100% | 62 | 100% |

Source: own construction based on C&W data

When I was merging both of the first two tables into this new one, I came upon a necessary correction. Basically, every time a direct deal happens in both ends (landlord and tenant),

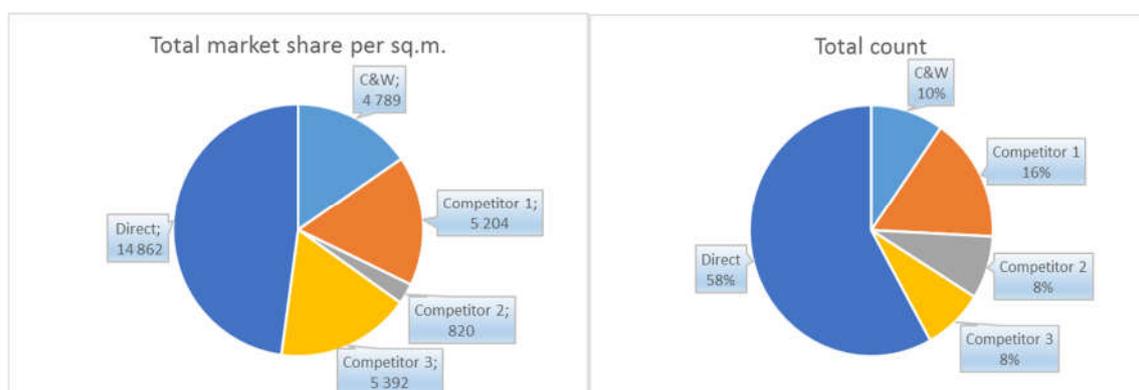
without any agency intervention, it can be only counted as one deal. This is an example of “data cleaning” and it is an obligatory procedure, in this case, to prevent a counting duplication.

Analyzing this final table, the conclusion taken is that Competitor 1 was involved in a greater amount of deals (10) and even though Competitor 3 was involved only in 5, they managed to lease more space than any other agency (5392 sqm).

The Bratislava office leasing market in the 1st quarter of 2017 shows that more than half of the leasing contracts (58,06%) were closed with no agency intervention, this amount corresponds to 47,84% of the leased space.

Once again, for better perception of the results, it follows two pie charts, one for each variable:

Figure 11: Pie charts on Total Market Share per square meter and Total Count 1st Quarter 2017



Source: Own construction based on C&W data

5.2. Marketing – promotion

5.2.1. Theoretical background

In general, marketing is the study and management of exchanging relationships, Hunt (1976). Every action made by a company in order to acquire and maintain a relationship with a customer is considered marketing.

The marketing concept proposes a philosophy to be driven by companies regarding their business orientation. It states that the key for an organization to achieve its goals consists in anticipating the needs of consumers and to satisfy them more effectively than its competitors, Kotler (2001).

Regardless of the activities that a marketing executive may develop, the most important aspect is to keep increasing value and client's satisfaction, Paliwoda & Ryans (2008). In the pursuance of this aspect, the Marketing Mix 7P's model tries to set the tools for a service firm to achieve its objectives, Kotler (2001).

The 7 P's model came to modify the previous and more known 4 P's model. Although being commonly used in the service industry, this model is generally accepted for adding a much-needed additional layer when explaining the Marketing mix.

The 4 basis principles present in the initial Marketing mix model were: Product, Price, Place, and Promotion:

Figure 12: The marketing mix 4 'P's



Source: <https://www.professionalacademy.com/blogs-and-advice/marketing-theories---the-marketing-mix---from-4-p-s-to-7-p-s>

Promotion – it consists on a range of communication tools that aim to promote either the product, brand or company. One of these tools can be, for example, advertising.

Further, with the evolution of the Marketing principles, another 3 components were added (Physical evidence, people and place) in 1981 by Booms & Bitner, resulting in the mentioned 7 P's marketing model:

Figure 13: The extended 7 'P's



Source: <https://www.professionalacademy.com/blogs-and-advice/marketing-theories---the-marketing-mix---from-4-p-s-to-7-p-s>

5.2.2. Practical application

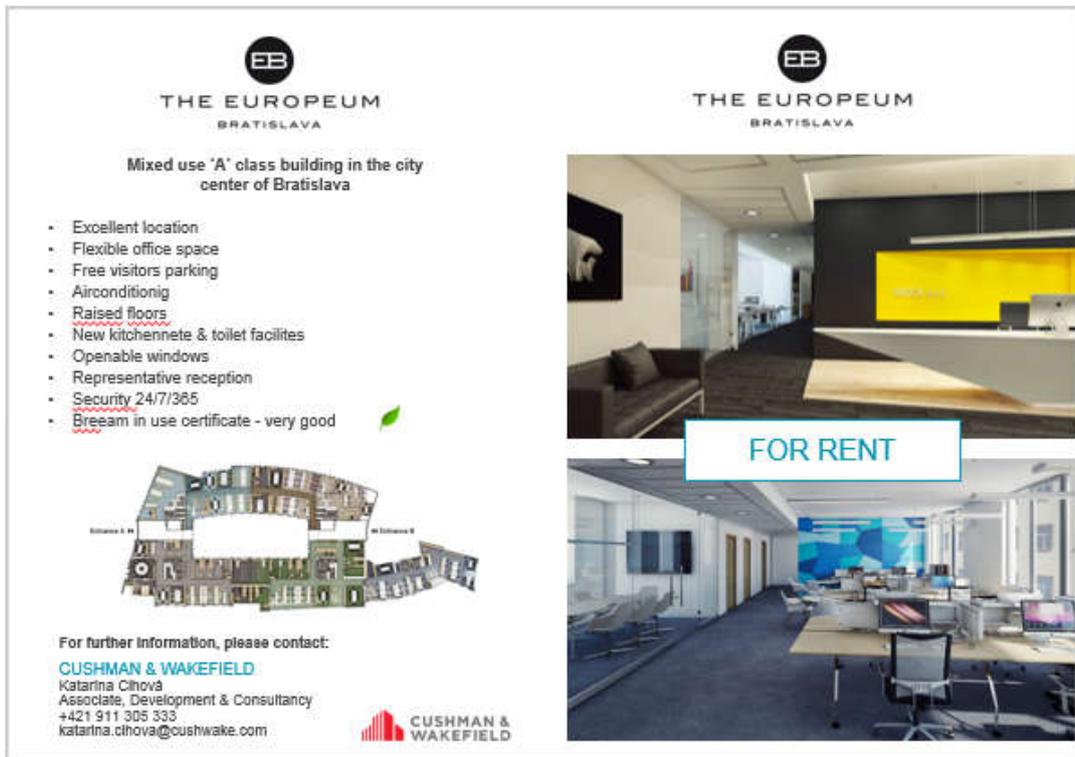
One of the buildings that is currently on C&W's property management list had some vacant offices. Having an exclusive agreement with the landlord to manage its building, it is of great importance to keep all office space occupied.

To keep the landlord's trust, we had to come up with a way for promoting the leasing opportunities to possible clients. Answering to one request from Ms. Katarína Cíhova, I was responsible for designing a flyer that would advertise the available offices.

The following step, after building the flyer, would be mailing it on every surrounding office buildings. The objective was to reach companies that were thinking to relocate their space into someplace new.

The resulting flyer follows bellow:

Figure 14: Teasing flyer for one of Cushman & Wakefield's exclusive mandate buildings



Source: Own construction based on C&W data

This was an advertising example with the objective to reach out for new clients. We can call this the 1st phase in C&W's promotion process since is our starting point.

Naturally, C&W's means of promoting its image will trigger the interest of many possible clients. Several contacts are established regularly in the pursuance of making business, and at that moment, C&W employees must be ready to promptly present them with the best solutions.

To present these solutions, C&W needs to constantly update its instruction list. It's a never-ending job which requires the establishment of regular contact with the landlords, not only to know if currently there is vacant office space but also when will the present contracts expire. Knowing about the expire date of the leasing contracts allows us to work in advance with the clients that will relocate their space in the future.

To complete the instruction list, another aspect was very important: adding building photos. Besides already existing standard building pictures taken after construction, for example, it gives C&W good image being able to take better ones and present them in our instruction list to the clients.

This list is basically a series of slides put together, each one showing information of each available building from which C&W has an agreement with the landlord to find tenants. One example of the slide follows below:

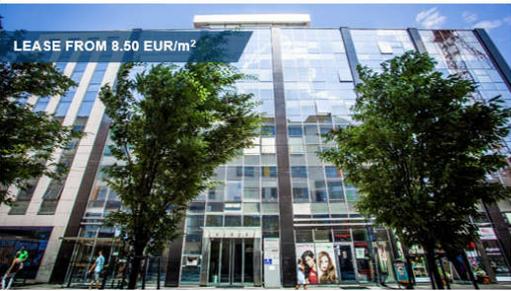
Figure 15: Example of a building presentation on the Cushman & Wakefield instruction list



FOR LEASE

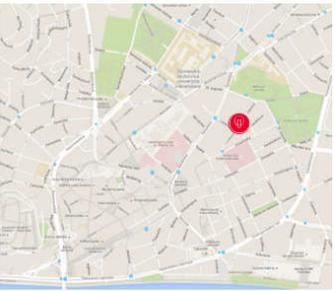
BRATISLAVA CITY CENTRE

Cintorínska 3 A/B Bratislava 1



LEASE FROM 8.50 EUR/m²





| <p>Description</p> <ul style="list-style-type: none"> Total size: 4,900 m² Constructed: 2001/2006 Flexible offices at the edge of business district in the proximity of main shopping area and the historical city center with easy parking for clients and guests | <p>Popis</p> <ul style="list-style-type: none"> Celková veľkosť: 4 900 m² Postavené: 2001/2006 Flexibilné kancelárie na okraji business zóny, neďaleko hlavnej nákupnej časti a historického centra mesta s ľahkým parkovaním pre klientov aj návštevy | <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Floor</th> <th>Use</th> <th>Area m²</th> <th>Other</th> <th>Free</th> </tr> <tr> <th>Podlažie</th> <th>Využitie</th> <th>Plocha m²</th> <th>Iné</th> <th>Voľné</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Office</td> <td>0</td> <td>Cint. 3B</td> <td>Now / teraz.</td> </tr> <tr> <td>2.</td> <td>Office</td> <td></td> <td>Cint. 3B</td> <td>Now / teraz.</td> </tr> </tbody> </table> | Floor | Use | Area m ² | Other | Free | Podlažie | Využitie | Plocha m ² | Iné | Voľné | 1. | Office | 0 | Cint. 3B | Now / teraz. | 2. | Office | | Cint. 3B | Now / teraz. |
|---|---|---|----------|--------------|---------------------|-------|------|----------|----------|-----------------------|-----|-------|----|--------|---|----------|--------------|----|--------|--|----------|--------------|
| Floor | Use | Area m ² | Other | Free | | | | | | | | | | | | | | | | | | |
| Podlažie | Využitie | Plocha m ² | Iné | Voľné | | | | | | | | | | | | | | | | | | |
| 1. | Office | 0 | Cint. 3B | Now / teraz. | | | | | | | | | | | | | | | | | | |
| 2. | Office | | Cint. 3B | Now / teraz. | | | | | | | | | | | | | | | | | | |

Lease Terms

Office rent: 8.50 - 10.50 EUR/m²/month

Service charges: 3.80 EUR/m²/month (including own energy consumption)

Parking inside 100.00 EUR/space/month

Parking outside 80.00 EUR/space/month

Storage: 4.00 EUR/m²/month

Lease length: 3 - 5 years

*to all prices is charged applicable VAT

Podmienky prenájmu

Kancelárie: 8,50 - 10,50 EUR/m²/mesiac

Poplatky za služby: 3,80 EUR/m²/mesiac (vrátane vlastnej spotreby energií)

Parkovanie dnu: 100,00 EUR/miesto/mesiac

Parkovanie von: 80,00 EUR/miesto/mesiac

Sklad: 4,00 EUR/m²/mesiac

Dĺžka prenájmu: 3 - 5 rokov

*ku všetkým cenám sa účtuje príslušná DPH

Technical Specification

- 4-pipe fan coil air - conditioning
- Raised floor
- Floor covering- carpet
- Openable windows
- Blinds
- Flexible layout
- 24/7 access
- Power back-up

Technická špecifikácia

- Klimatizácia - 4 trubkový fancoil
- Zdvojená podlaha
- Povrch podlahy- koberec
- Otváracie okna
- Rolety
- Flexibilné rozmiestenie
- 24/7 prístup
- Záložný agregát

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T: +421 259 200 333

Source: Own construction based on C&W data

5.3. Strategy - strategic planning

5.3.1. Theoretical background

There is no universal agreed definition for strategy but generally it involves setting goals, determining the actions to achieve the goals and mobilizing resources to execute the actions. Defining strategy includes processes of formulation and implementation and strategic planning helps to coordinate both.

Strategic planning is a systematic organization's process of conceiving its desired future (goals) while defining its strategy and decisions on allocating its resources to pursue that strategy in order to achieve its goals, Mintzeberg, Lampel, Quinn & Ghoshal (1996). The plan may also include control mechanisms for guiding the implementation of the strategy and supervise if it's succeeding.

This kind of planning gained importance within corporations around 1960s and remains an essential aspect when dealing with strategic management. When executing the plans, strategists involve as much parties and research sources in their analysis as possible, Mintzeberg, Lampel, Quinn & Ghoshal (1996).

Since strategic planning is a process, it contains inputs, activities, outputs and outcomes. Like all processes, it has constraints and is typically iterative. It is strategic planning that provides inputs for strategic thinking which will guide the formation of strategy. In the end, the result will show the organization's strategy, which includes a diagnosis of the environment and competitive situation, the objectives to accomplish and key initiatives or action plans for achieving those goals, Rumelt (2011).

When dealing with inputs, we must consider gathering data from a great variety of sources. It can be by interviewing the executives, studying the industries, reviewing the available documents on the market, etc. Inputs help supporting and understanding the competitive environment and its opportunities and risk.

In order to develop a common understanding regarding the competitive environment and what the organization's response to that environment should be, the strategist may arrange several activities, betting mostly on communication among the company leaders and personnel, Drucker (1954).

The output of strategic planning can be considered the strategic plan itself. It includes the guideline which describes the strategy and how to implement it Rumelt (2011).

While the planning process generates outputs, the implementation of the strategy will generate outcomes. It is almost certain for the outcome to differ from the designed goals but what will determine the failure or success of the strategic plan it's how approximate they are. Unintended outcomes may also arrive and attending to them is a key aspect for having a learning process while developing and executing the strategic plan.

According with Porter (1980), the formulation of competitive strategy includes the consideration of four key elements:

- Company strengths and weaknesses;
- Personal values of the key implementers (i.e., management and the board);
- Industry opportunities and threats;
- Broader societal expectations.

The first two elements refer to the company's internal environment, while the last ones relate to the external environment and all of the elements are considered throughout the strategic planning process, Porter (1980).

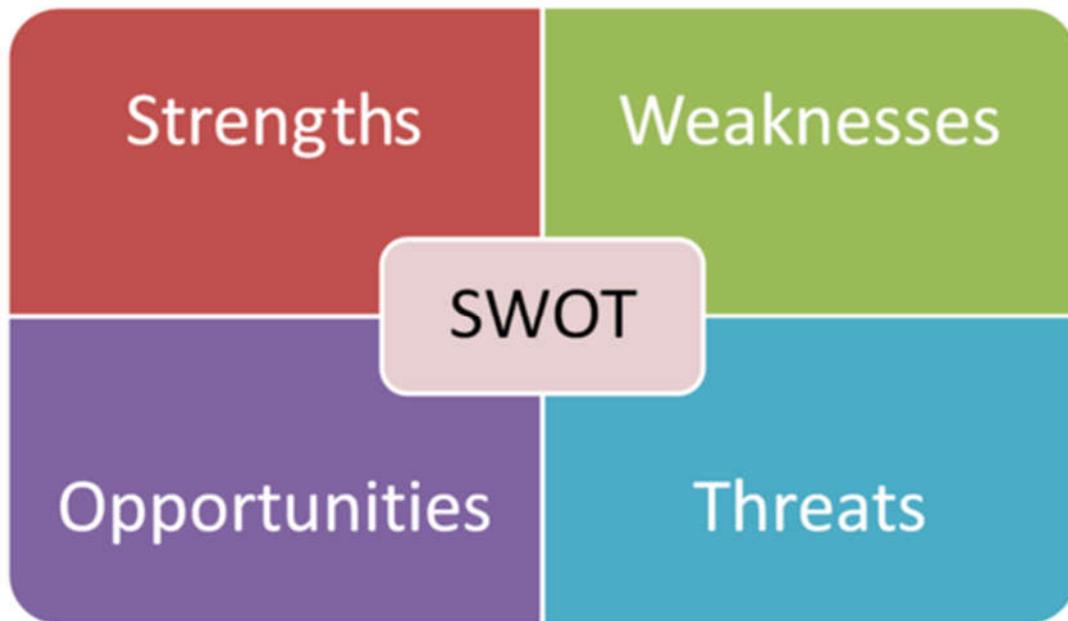
A variety of analytical tools and techniques are used in strategic planning. These were developed by companies and management consulting firms to help provide a framework for strategic planning.

A tool example is the SWOT analysis, which is the process of identifying an organization's strengths, weaknesses, opportunities and threats. It's an analytic framework that assesses what an entity (company, business, person, asset) should and shouldn't pursue for both internal (strengths and weaknesses) and external factors (opportunities and threats). By reviewing the environmental data, the SWOT analysis determines which obstacles must be overcome or minimized so at the end the company can fulfil its goals. It also helps understanding the current firm position and where it may be positioned in the future, Osita, Onyebuchi & Justina (2014).

Normally, the SWOT analysis is presented as a square divided in four areas, each one making one quadrant. This kind of presentation provides a quick overview of the company position. Even though the different points present under a particular area may not be of equal importance, it is of great importance to perceive how the number of opportunities measures to the number of threats, and so forth, Osita, Onyebuchi & Justina (2014).

It is crucial for the entity who's using the SWOT analysis to be as more realistic about the positive and negative aspects as possible. Knowing that much of the information present in the SWOT analysis is subjective, it is recommended to build it short and simple to avoid any kind of complexity and over-analysis.

Figure 16: Swot Analysis



Source: <https://research-methodology.net/theory/strategy/swot-analysis/>

Strengths – All the positive attributes in which an entity excels. These attributes have the power to differentiate the entity from the competition.

Weaknesses – Business aspects that detract from the value it offers or place it at a competitive disadvantage. It is necessary to enhance these areas in order to compete with the competitors.

Opportunities - Refers to favorable external factors that a business can use to give it a competitive advantage.

Threats - External factors beyond the business control that could place its strategy at risk. Even with no control, a business can benefit by having contingency plans to address them if they should occur.

The advantage of building a SWOT analysis is providing guidance in business planning meetings. It ends up being a powerful tool due to the possibility of having everyone discussing openly about the strengths and weaknesses of the business and then moving on to defining the opportunities and threats.

5.3.2. Practical application

I had the privilege to help and learn with the retail team about strategic planning in one assignment. The objective was presenting to a landlord our plan on how to occupy the retail space of its building. The building was part of C&W's exclusive mandates, meaning that we were representing the landlord. Our responsibility was to keep the building in its full leasing capacity and consequently, maintain the landlord's trust in C&W's services.

To support the plan, several studies were conducted. We took advantage of the company's vast client network to gather important input data and we made a prediction for which kind of business would suit the most to lease the available spaces dispersed around the building.

Besides attending the space dimensions, we also organized a research on the building premises to take note of the existing establishments. The research was important has a competition study for the new retailers and to support our decision on which businesses should we seek to occupy the empty divisions.

Another aspect we covered was the Estimated Rental Value (ERV) for each division to be leased. The ERV is an important factor for a landlord or investor to consider when deciding to purchase a piece of investment real estate. It represents the open market rent value that a property can reasonably expect to attain based on market and property characteristics, such as: property condition, amenities, location and local market conditions. ERV mostly applies to a property's vacant space that is expected to be absorbed over the period that the estimated rental value refers to.

In an undersupplied market, in which demand exceeds supply, vacancy rate decreases and rents rise. In this case, the estimated rental value may exceed the passing rent. This can be influenced by factors such as, the moment when lease contracts are signed or which market conditions and rent levels were prevailing at that time.

On the other hand, in an oversupplied market, in which supply exceeds demand, vacancy rate increases and rents decline causing the ERV to be lower than the passing rent. When analyzing the profitability of a rental property, an investor must consider the ERV as well as the cash flow or the money that is left over after all expenses are paid out, Rental4Income (2017).

In our study case, the ERV for every rental space ended up shorter than the landlords quoting rent, the main reason for this to happen is due to the high construction happening in Bratislava.

Lots of projects within a year period will be completed, causing an increase on retail space supply.

At last, we included an own developed SWOT analysis, which presented our concerns on weak points and threats that we think it should be overcome in order to have a higher leasing rate. Evaluating the SWOT analysis at a final stage, we notice that the weaknesses outnumber the strengths but on the other hand, there are more opportunities than threats.

We decided to arrange the output of our plan in a slide format so the landlord would understand it better. The resulting slide follows below:

Figure 17: Strategic planning for one of Cushman & Wakefield's exclusive mandate buildings



Source: Own construction based on C&W data

5.4. Financial analysis

5.4.1. Theoretical background

Financial analysis consists in a process of assessing on the viability, stability and profitability of businesses, projects, budgets and other finance-related entities to determine their performance. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid or profitable enough to warrant a monetary investment. It is performed by professionals who prepare reports by focusing on a company's income statements, balance sheets and cash flow statements. These reports are usually presented to top management as one of their bases in making business decisions. Financial analysis may determine if a business will:

- Continue or discontinue its main operation or part of its business;
- Make or purchase certain materials in the manufacture of its product;
- Acquire or rent/lease certain machineries and equipment in the production of its goods;
- Issue stocks or negotiate for a bank loan to increase its working capital;
- Make decisions regarding investing or lending capital;
- Make other decisions that allow management to make an informed selection on various alternatives in the conduct of its business.

According with Arnold & Shockley (2002), financial analysis can help the decision making in both corporate finance and investment finance scopes. In corporate finance, the analysis is conducted internally, using such ratios as net present value (NPV) and internal rate of return (IRR) to find projects worth executing. A key area of corporate financial analysis involves extrapolating a company's past performance, such as gross revenue or profit margin, into an estimate of the company's future performance. This allows the business to forecast budgets and make decisions based on past trends, such as inventory levels.

In investment finance, an outside financial analyst conducts financial analysis for investment purposes. Analysts can either conduct a top-down or bottom-up investment approach. A top-down approach first looks for macroeconomic opportunities, such as high-performing sectors, and then drills down to find the best companies within that sector. A bottom-up approach, on

the other hand, looks at a specific company and conducts similar ratio analysis to corporate financial analysis, looking at past performance and expected future performance as investment indicators, Gallagher & Andrew (2007).

According with Hofstrand (2016), A cash flow statement is one of the most important financial statements for a project or business. It shows the net amount of cash and cash-equivalents moving into and out of a business.

A positive cash flow indicates that the company's liquid assets are increasing, enabling it to settle debts, reinvest in its business, return money to shareholders, pay expenses and provide a buffer against future financial challenges. A Negative cash flow indicates that the company's liquid assets are decreasing. Net cash flow is distinguished from net income, which includes accounts receivable and other items for which payment has not actually been received. Cash flow is used to assess the quality of a company's income, that is, how liquid it is, which can indicate whether the company is positioned to remain solvent. The cash flow statement provides indication whether the company's income is weak, leading to a not sustainable situation in the long term, or opposite. Lack of cash is one of the biggest reasons for businesses to fail, even very profitable companies can become insolvent if they do not have the cash and cash-equivalents to settle short-term liabilities, Helfert (2001).

According with Luft (2012), there are 3 major cash flow categories included in the statement: operating cash flow, investing cash flow and financing cash flow. The first one relates to the company's day-to-day operations. Investing cash flows relate to its investments in businesses through acquisition, in long-term assets. Financing cash flows records transactions related to a company's investors and creditors.

5.4.2. Practical application:

To promptly present a quality solution to our services demand, every time one of our client companies is interested in representation on their search for new office space, C&W presents an initial financial analysis regarding the building choices considered to better match the client's requests.

It follows a financial analysis example developed for one of C&W's clients. The process is very similar for every client and the results are presented in a spreadsheet.

The analysis begins with the determination of some leasing assumptions and it takes on consideration every expense related to the new lease space during the agreed length of the contract:

Table 6: Leasing Assumptions for the Financial Analysis

| Assumptions | |
|--|------------|
| Exchange rate (CZK/€) | N/A |
| Workstations - new lease | 105 |
| Indexation - rent (% p.a.) | 1.00% |
| Indexation - operating costs (% p.a.) | 0.00 |
| Discount rate / cost of capital (% p.a.) | 0.00 |
| Beginning of analysis | 01/01/2018 |
| Analysis term | 01/06/2023 |
| Lease term (Months) | 65 |

Source: Own construction based on C&W data

According with the information provided by the client, the company requests 105 workstations for their employees.

The indexation is an adjustment made to the value of the rent according to a predetermined index. C&W choose a 1% index rate for this period, basing its decision in the historic results of the Consumer Price Index (CPI).

The lease commencement is at 01/01/2018 and the term is at 01/06/2023, meaning that the lease contract lasts 65 months.

Naturally, the client wants to compare our options with the current obligations of its contract. The analysis includes a board with these obligations to make a conditions comparison:

Table 7: Current leasing obligations

| Existing Obligations | |
|---|------------|
| Rent (€/month) | 26,998.97 |
| Operating costs (€/month) | 6,678.76 |
| Reinstatement costs - existing lease (€) | 0.00 |
| Penalty (€) | 0.00 |
| Existing lease termination | 31/12/2017 |
| Existing lease - net area (sq m) | 1,879.17 |
| Existing lease - add-on factor (%) | 1.71 |
| Existing lease - gross rentable area (sq m) | 1,911.30 |
| Existing lease - workstations | 105 |

Source: Own construction based on C&W data

All variables included on the board are important when considering a relocation. Rent, operating costs and renting area are crucial terms to make the final decision. Nonetheless, the client's existing contract has some other advantages, such as, non-existing reinstatement costs or penalty.

Reinstatement costs consists in every necessary expense to leave the premises as they were before the allocation of the current tenant. The term reinstatement indicates to repair, reconstruct or renew assets to a condition equal to but not better than when new. Some landlords may demand a tenant participation in the costs of this process, Cran (2016).

Penalty is a fee applied to the tenant in case he wishes to terminate the lease earlier than what was stipulated in the contract. This fee was the mechanism found by the landlords to prevent tenants from backing down from a contract.

When considering the leasing area, there are two measures to have in account, the net leasable area and gross leasable area. The first one respects to the floor space that may be rented to tenants in a building, it excludes non-leasable space such as common areas and other utility areas. Gross leasable area is still the space that can be used by the tenants but it includes certain common areas, elevators, common bathrooms, stairwells, and other portions of the building that the tenants do not occupy, but can use.

The add-on factor represents the resulting percentage obtained when dividing the number of usable square meters (gross leasable area) by the number of rentable square meters (net leasable area) in a commercial real estate lease. In commercial real estate, the lease cost is calculated based on the gross leasing area, which includes areas that are not usable, like a fraction of shared

common areas and all of the space that is occupied by structural components. The add-on factor is important because the unusable space is also included in the lease price and for the same amount of usable space, a building with a lower add-on factor will cost the tenant less than a building with a higher add-on factor.

C&W presented 5 building options to the client and gathered all the important information to be compared between the options. The following boards demonstrate an overview, regarding terms and expenses, to all 5 options. The first board concerns about the premises conditions and we can see it as an indicator of quantities, which later multiplied by unit prices, will result on total costs:

Table 8: Premises measurements for each building

| Premises | Building 1 | Building 2 | Building 3 | Building 4 | Building 5 |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net rentable area (m ²) | 1,397.48 | 450.72 | 1,500.00 | 1,500.00 | 1,500.00 |
| Add-on factor for common areas (%) | 0.02 | 0.01 | 0.02 | 0.01 | 0.05 |
| Gross rentable area (m ²) | 1,424.87 | 455.44 | 1,567.50 | 1,641.00 | 1,567.50 |
| Terraces (m ²) | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 |
| Retail (m ²) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Storage (m ²) | 191.58 | 72.17 | 0.00 | 0.00 | 0.00 |
| Parking spaces - underground | 46.00 | 12.00 | 25.00 | 32.00 | 69.00 |
| Parking spaces - surface | 7.00 | 8.00 | 34.00 | 0.00 | 0.00 |
| Signage | 0.00 | 0.00 | 1.00 | 0.00 | 0.00 |

Source: Own construction based on C&W data

Has described before, it's the gross rentable area that will determine the office lease price. All the other items will influence the price if the client decides to include it. The last item, signage, describes the possibility of displaying commercial signs installed on the building for advertising purpose. Only building 3 gives that possibility.

Knowing about conditions of the premises, we can now present the "Opex". Opex is an abbreviation for operating expenditure and it's a result of the ongoing costs a company pays to run its business. The next board indicates the monthly leasing price for a unit present in the premises conditions board. If the last figure expressed the quantities, this one demonstrate the unitary price:

Table 9: Opex costs for each building

| Rent | Building 1 | Building 2 | Building 3 | Building 4 | Building 5 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Offices (€/m²/month) | 9.76 | 9.76 | 13.95 | 14.05 | 14.10 |
| Terrace (€/m ² /month) | 0.00 | 0.00 | 0.00 | 0.00 | 7.00 |
| Retail (€/m ² /month) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Storage (€/m ² /month) | 5.89 | 5.30 | 0.00 | 0.00 | 0.00 |
| Parking - underground (€/space/month) | 100.28 | 100.28 | 120.00 | 190.00 | 125.00 |
| Parking – surface (€/space/month) | 100.28 | 107.10 | 120.00 | 0.00 | 0.00 |
| Signage (€/month) | 0.00 | 0.00 | 8.33 | 0.00 | 300.00 |
| First indexation (year) | 2019 | 2019 | 2019 | 2019 | 2019 |
| Payments | Quarterly | Quarterly | Quarterly | Quarterly | Quarterly |
| RENT FREE PERIODS | | | | | |
| Offices (months) | 0.00 | 0.00 | 12.00 | 5.00 | 7.00 |
| Parking - underground (months) | 0.00 | 0.00 | 12.00 | 0.00 | 0.00 |
| OPERATING COSTS | | | | | |
| Office opex (€/m²/month) | 3.77 | 2.87 | 3.80 | 3.90 | 4.30 |
| Payments | Quarterly | Quarterly | Quarterly | Quarterly | Quarterly |

Source: Own construction based on C&W data

As it is noticeable, when it comes to area pricing, the values concern a square meter per month. Regarding parking spaces, the values indicate the price for having one space per month and so on.

Since the beginning of the analysis is on the 1st of January 2018, the indexation will take effect in 2019. Every landlord establishes a quarterly payment, meaning that every 3 months a payment will occur.

Relating to rent free periods, some landlords may decide to offer free leasing months in order to encourage a prospective tenant to sign a new lease. It is particularly common in times of economic difficulty or in case a building having low demand. In this study, buildings number 3, 4 and 5 offer some rent-free period. Building 3 goes up to 1 year of free rent, not only the office rent but also the underground parking lot.

The last section indicates in a summarized way the operating costs, per square, meter per month. The payment periodicity is also quarterly like the rent.

Having covered all the opex, the next step is to present capex. Capex is the abbreviation for Capital Expenditure and it represents the funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment. The following board exposes all the capex expenses:

Table 10: Capex costs for each building

| Fit-Out Costs | Building 1 | Building 2 | Building 3 | Building 4 | Building 5 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total costs to build space (€/m ² of net area) | 37.00 | 45.00 | 42.00 | 50.00 | 34.00 |
| Landlord's contribution (€/m ² of net area) | 31.00 | 36.00 | 39.00 | 41.50 | 34.00 |
| Tenant's costs (€/m² of net area) | 6.00 | 9.00 | 3.00 | 8.50 | 0.00 |
| Other Costs | | | | | |
| Relocation costs (€/person) | 200.00 | 215.00 | 50.00 | 50.00 | 50.00 |
| IT costs (€/person) | 1,000.00 | 1,000.00 | 1,000.00 | 1,000.00 | 1,000.00 |
| Furniture (€/person) | 800.00 | 800.00 | 800.00 | 800.00 | 800.00 |
| C&W fee (€) | 15,262.49 | 5,165.81 | 23,000.00 | 23,000.00 | 23,000.00 |
| Future reinstatement costs (€/m ² of net area) | 0.00 | 0.00 | 80.00 | 0.00 | 0.00 |

Source: Own construction based on C&W data

In this case, capex is essentially composed by the fit-out costs, which is the process of making interior spaces suitable for occupation. It is often used in relation to office developments where the base construction is completed by the developer, and the final fit out by the occupant.

Capex still includes other variables to its calculation associated with the relocation and office installations, like IT and furniture costs. The fee related to C&W's service it's different for each building because it's either calculated as a percentage of the first monthly payment or it's a fixed fee, depending on the association with the landlord. Building 3 to 5 belong to the same landlord and was established a fixed fee of 23.000€, while building 1 and 2 work with 75% of a monthly rent payment.

Building 3 is the only option which includes reinstatement costs, meaning that at the end, if the client goes with this offer, it will be necessary to make a payment in order to leave the office space ready for the next tenant.

After knowing every assumption, condition and cost, we are now eligible to study the resulting cash flows for each building. The projection is made for all 65 months and the result will show the total cost for each choice. We began the first projection for building 1:

Table 11: Projected Cash Flows for building 1

| Description | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | TOTAL |
|-------------------------------|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| NEW LEASE OPEX | Rent | 244,199.80 | 246,641.80 | 249,108.22 | 251,599.30 | 254,115.29 | 106,940.19 | 1,352,604.59 |
| | Office | 166,880.85 | 168,549.65 | 170,235.15 | 171,937.50 | 173,656.88 | 73,080.60 | 924,340.63 |
| | Storage | 13,540.87 | 13,676.28 | 13,813.05 | 13,951.18 | 14,090.69 | 5,929.83 | 75,001.90 |
| | Parking - underground | 55,354.56 | 55,908.11 | 56,467.19 | 57,031.86 | 57,602.18 | 24,240.92 | 306,604.80 |
| | Parking - surface | 8,423.52 | 8,507.76 | 8,592.83 | 8,678.76 | 8,765.55 | 3,688.84 | 46,657.25 |
| | Operating Costs | 64,461.15 | 64,461.15 | 64,461.15 | 64,461.15 | 64,461.15 | 26,858.81 | 349,164.54 |
| | Office | 64,461.15 | 64,461.15 | 64,461.15 | 64,461.15 | 64,461.15 | 26,858.81 | 349,164.54 |
| NEW LEASE CAPEX OPEX | Fit-Out Costs | 8,384.88 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 8,384.88 |
| | Total costs | 51,706.76 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 51,706.76 |
| | Landlord's contribution | -43,321.88 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -43,321.88 |
| | Tenant's costs | 8,384.88 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 8,384.88 |
| | Other Costs | 225,262.49 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 225,262.49 |
| | Relocation costs | 21,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 21,000.00 |
| | IT costs | 105,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 105,000.00 |
| | Furniture | 84,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 84,000.00 |
| | Other up-front payment | 15,262.49 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 15,262.49 |
| Total Opex | 308,660.95 | 311,102.94 | 313,569.36 | 316,060.44 | 318,576.44 | 133,799.00 | 1,701,769.13 | |
| Total Opex and Capex | 542,308.31 | 311,102.94 | 313,569.36 | 316,060.44 | 318,576.44 | 133,799.00 | 1,935,416.50 | |
| Total Costs | 542,308.31 | 311,102.94 | 313,569.36 | 316,060.44 | 318,576.44 | 133,799.00 | 1,935,416.50 | |

Source: Own construction based on C&W data

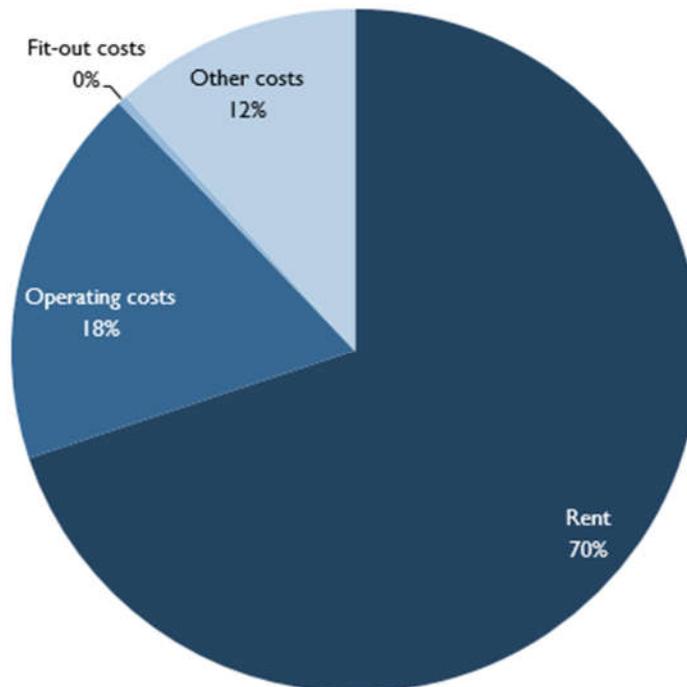
Relating to the first choice, starting the analysis with the opex, the indexation influence is noteworthy on the office rent. Every following year, each office rent component is updated by one percent. The landlord doesn't grant free rent periods for this building so there's no price rebate. The operating costs maintain exactly the same since there's no indexation affection for this variable.

Moving on to capex, the fit-out costs are highly covered by the landlord, which represents a great incentive to occupy the office. Some landlords may use free rent periods for encouragement, others prefer having a higher participation on fit-out expenses. Apart from the fit-out costs, there's still a big investment to be made due to the relocation.

Knowing the previous lease will be terminated on the 31st of December 2017, all the existing obligations will be liquidated during the period of this analysis. At the end, we can calculate all cash flows for each year and estimate the total cost for this office allocation.

An abbreviated table and a pie chart were built for a better visualization:

Figure 18: Pie chart for Building 1



Source: Own construction based on C&W data

Table 12: Split costs for building 1

| Description | Value |
|----------------------|---------------------|
| Rent | 1,352,604.59 |
| Operating costs | 349,164.54 |
| Fit-out costs | 8,384.88 |
| Other costs | 225,262.49 |
| Existing obligations | 0.00 |
| TOTAL | 1,935,416.50 |

Source: Own construction based on C&W data

Building 1 is the second cheapest choice available in the analysis, besides sharing the same office rent price as building 2, when it comes to operating costs, there is a considerable price gap, from 2,87€ (building 2) to 3,77€ (building 1), which can also be observed by the weight gap on the same rubric. Even though is not the choice with highest operating costs, it's the one that presents more weight regarding to this variable.

With the first building analysis complete, we can follow to the second one:

Table 13: Projected Cash Flows for building 2

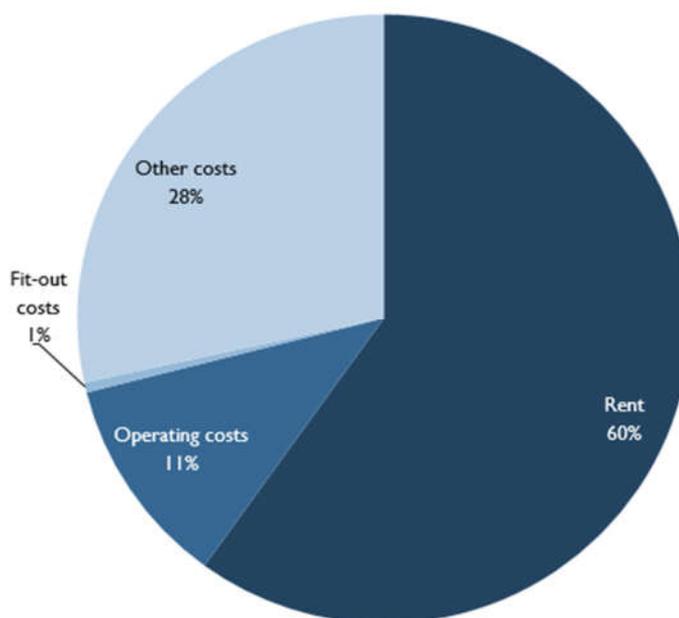
| Description | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | TOTAL |
|-----------------------------|--------------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| NEW LEASE OPEX | Rent | 82,652.95 | 83,479.48 | 84,314.28 | 85,157.42 | 86,008.99 | 36,195.45 | 457,808.57 |
| | Office | 53,341.02 | 53,874.43 | 54,413.17 | 54,957.31 | 55,506.88 | 23,359.15 | 295,451.96 |
| | Storage | 4,590.01 | 4,635.91 | 4,682.27 | 4,729.09 | 4,776.38 | 2,010.06 | 25,423.74 |
| | Parking - underground | 14,440.32 | 14,584.72 | 14,730.57 | 14,877.88 | 15,026.65 | 6,323.72 | 79,983.86 |
| | Parking - surface | 10,281.60 | 10,384.42 | 10,488.26 | 10,593.14 | 10,699.07 | 4,502.53 | 56,949.02 |
| | Rent Free Periods | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Operating Costs | 15,685.32 | 15,685.32 | 15,685.32 | 15,685.32 | 15,685.32 | 6,535.55 | 84,962.15 |
| | Office | 15,685.32 | 15,685.32 | 15,685.32 | 15,685.32 | 15,685.32 | 6,535.55 | 84,962.15 |
| NEW LEASE CAPEX | Fit-Out Costs | 4,056.48 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4,056.48 |
| | Total costs | 20,282.40 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 20,282.40 |
| | Landlord's contribution | -16,225.92 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -16,225.92 |
| | Tenant's costs | 4,056.48 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4,056.48 |
| | Other Costs | 216,740.81 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 216,740.81 |
| | Relocation costs | 22,575.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 22,575.00 |
| | IT costs | 105,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 105,000.00 |
| | Furniture | 84,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 84,000.00 |
| Other up-front payment | 5,165.81 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5,165.81 | |
| Total Opex | 98,338.27 | 99,164.80 | 99,999.60 | 100,842.74 | 101,694.31 | 42,731.00 | 542,770.73 | |
| Total Opex and Capex | 319,135.56 | 99,164.80 | 99,999.60 | 100,842.74 | 101,694.31 | 42,731.00 | 763,568.02 | |
| Total Costs | 319,135.56 | 99,164.80 | 99,999.60 | 100,842.74 | 101,694.31 | 42,731.00 | 763,568.02 | |

Source: own construction based on C&W data

Being similar to the first building option, this second one adds nothing new to the analysis besides differences in results. The indexation keeps doing its work, there’s no rent-free periods and the landlord participation on the fit-out costs is still large. Since the price is the same, the great difference in total costs from this choice to the first lays on the lesser area available. While the first building had 1.424,87 square meters of gross rentable area, this one only grants 455,44.

Now follows the summarized table and pie chart:

Figure 19: Pie Chart for building 2



Source: Own construction based on C&W data

Table 14: Split costs for building 2

| Description | Value |
|----------------------|------------|
| Rent | 457,808.57 |
| Operating costs | 84,962.15 |
| Fit-out costs | 4,056.48 |
| Other costs | 216,740.81 |
| Existing obligations | 0.00 |
| TOTAL | 763,568.02 |

Source: Own construction based on C&W data

Logically, in every case, rents will represent the biggest slice when considering total costs. Particularly, in building 2 the rents and operating costs will have less weight when comparing to other buildings due to its shorter value.

The analysis continues to building 3:

Table 15: Projected Cash Flows for Building 3

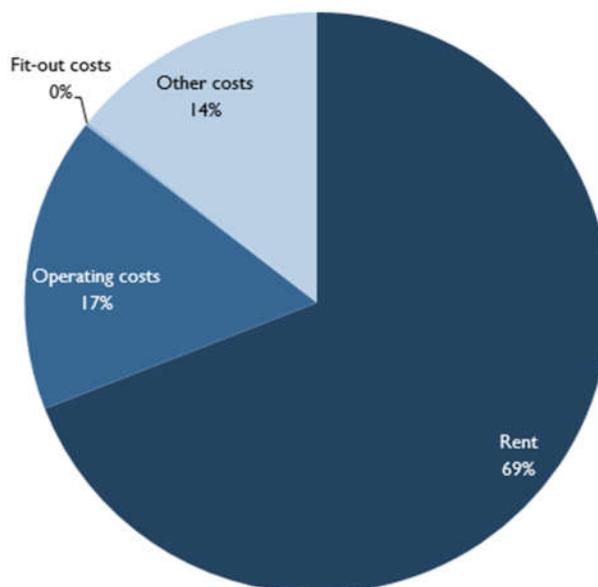
| Description | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | TOTAL | |
|---------------------------------|----------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|--------------------|
| NEW LEASE OPEX | Rent | 347,459.50 | 350,934.10 | 354,443.44 | 357,987.87 | 361,567.75 | 152,159.76 | 1,924,552.41 | |
| | Office | 262,399.50 | 265,023.50 | 267,673.73 | 270,350.47 | 273,053.97 | 114,910.21 | 1,453,411.38 | |
| | Parking - underground | 36,000.00 | 36,360.00 | 36,723.60 | 37,090.84 | 37,461.74 | 15,765.15 | 199,401.33 | |
| | Parking - surface | 48,960.00 | 49,449.60 | 49,944.10 | 50,443.54 | 50,947.97 | 21,440.61 | 271,185.81 | |
| | Signage | 100.00 | 101.00 | 102.01 | 103.03 | 104.06 | 43.79 | 553.89 | |
| | Rent Free Periods | -298,399.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -298,399.50 |
| | Office | -262,399.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -262,399.50 | |
| | Parking - underground | -36,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -36,000.00 | |
| | Operating Costs | 71,478.00 | 71,478.00 | 71,478.00 | 71,478.00 | 71,478.00 | 29,782.50 | 387,172.50 | |
| | Office | 71,478.00 | 71,478.00 | 71,478.00 | 71,478.00 | 71,478.00 | 29,782.50 | 387,172.50 | |
| NEW LEASE CAPEX | Fit-Out Costs | 4,500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4,500.00 | |
| | Total costs | 63,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 63,000.00 | |
| | Landlord's contribution | -58,500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -58,500.00 | |
| | Tenant's costs | 4,500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4,500.00 | |
| | Other Costs | 217,250.00 | 0.00 | 0.00 | 0.00 | 0.00 | 120,000.00 | 337,250.00 | |
| | Relocation costs | 5,250.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5,250.00 | |
| | IT costs | 105,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 105,000.00 | |
| | Furniture | 84,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 84,000.00 | |
| | Other up-front payment | 23,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 23,000.00 | |
| | Future reinstatement costs | | | | | | 120,000.00 | 120,000.00 | |
| Total Opex and New Capex | 342,288.00 | 422,412.10 | 425,921.44 | 429,465.87 | 433,045.75 | 301,942.26 | 2,355,075.41 | | |
| Total Costs | 342,288.00 | 422,412.10 | 425,921.44 | 429,465.87 | 433,045.75 | 301,942.26 | 2,355,075.41 | | |

Source: Own construction based on C&W data

Building 3 is the one which includes more variables. For example, it is the only one to include signage as a renting option, the landlord provides 12 months’ rent free for both office and underground parking but it also demands a reinstatement participation from the client at the end of the contract.

We can now observe the pie chart and summarized table:

Figure 20: Pie Chart for building 3



Source: Own construction based on C&W data

Table 16: Split costs for building 3

| Description | Value |
|----------------------|--------------|
| Rent | 1,626,152.91 |
| Operating costs | 387,172.50 |
| Fit-out costs | 4,500.00 |
| Other costs | 337,250.00 |
| Existing obligations | 0.00 |
| TOTAL | 2,355,075.41 |

Source: Own construction based on C&W data

It is perceptible the weight loss from rents and the increase of the other costs from result of the free year rent period and the reinstatement obligation.

Building 4 is next on the analysis list:

Table 17: Projected Cash Flows for building 4

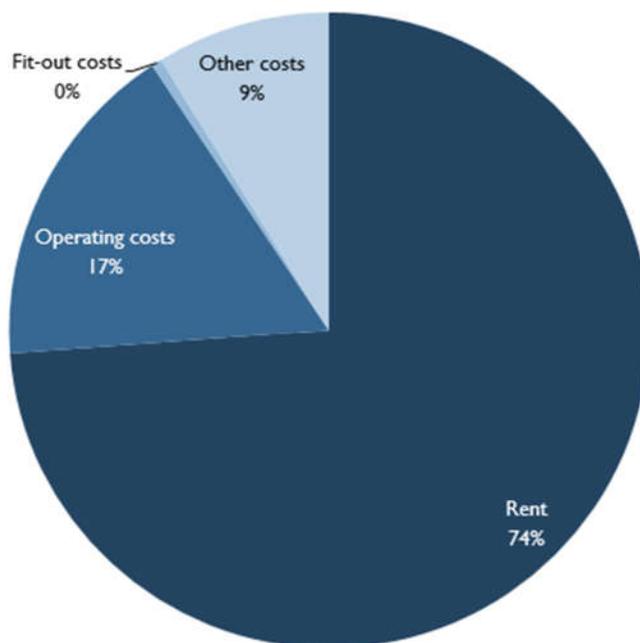
| Description | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | TOTAL |
|-----------------------------|--------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| NEW LEASE OPEX | Rent | 349,558.80 | 353,054.39 | 356,584.93 | 360,150.78 | 363,752.29 | 153,079.09 | 1,936,180.28 |
| | Office | 276,598.80 | 279,364.79 | 282,158.44 | 284,980.02 | 287,829.82 | 121,128.38 | 1,532,060.25 |
| | Parking - underground | 72,960.00 | 73,689.60 | 74,426.50 | 75,170.76 | 75,922.47 | 31,950.71 | 404,120.03 |
| | Rent Free Periods | -115,249.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -115,249.50 |
| | Office | -115,249.50 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -115,249.50 |
| | Operating Costs | 76,798.80 | 76,798.80 | 76,798.80 | 76,798.80 | 76,798.80 | 31,999.50 | 415,993.50 |
| | Office | 76,798.80 | 76,798.80 | 76,798.80 | 76,798.80 | 76,798.80 | 31,999.50 | 415,993.50 |
| NEW LEASE CAPEX | Fit-Out Costs | 12,750.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 12,750.00 |
| | Total costs | 75,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 75,000.00 |
| | Landlord's contribution | -62,250.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -62,250.00 |
| | Tenant's costs | 12,750.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 12,750.00 |
| | Other Costs | 217,250.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 217,250.00 |
| | Relocation costs | 5,250.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5,250.00 |
| | IT costs | 105,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 105,000.00 |
| | Furniture | 84,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 84,000.00 |
| | Other up-front payment | 23,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 23,000.00 |
| Future reinstatement costs | | | | | | 0.00 | 0.00 | |
| Total Opex | 311,108.10 | 429,853.19 | 433,383.73 | 436,949.58 | 440,551.09 | 185,078.59 | 2,236,924.28 | |
| Total Opex and Capex | 541,108.10 | 429,853.19 | 433,383.73 | 436,949.58 | 440,551.09 | 185,078.59 | 2,466,924.28 | |
| Total Costs | 541,108.10 | 429,853.19 | 433,383.73 | 436,949.58 | 440,551.09 | 185,078.59 | 2,466,924.28 | |

Source: Own construction based on C&W data

In this case, the landlord also provides free renting period for 5 months and covers 83% of the fit-out costs. There’s also no reinstatement obligation for the tenant. All the other expenses keep their similarity to the other options.

Pie chart and summarized table follow below:

Figure 21: Pie Chart for Building 4



Source: Own construction based on C&W data

Table 18: Split costs for building 4

| Description | Value |
|----------------------|---------------------|
| Rent | 1,820,930.78 |
| Operating costs | 415,993.50 |
| Fit-out costs | 12,750.00 |
| Relocation costs | 217,250.00 |
| Existing obligations | 0.00 |
| TOTAL | 2,466,924.28 |

Source: Own construction based on C&W data

Building 4 is the second most expensive choice available in the analysis. Even with a 5-month free rent period, this building presents the biggest rent weight when compared to the first 3 buildings.

The fifth and last choice of the analysis follows next:

Table 19: Projected Cash Flows for building 5

| Description | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | TOTAL |
|-----------------------------|--------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| NEW LEASE OPEX | Rent | 377,121.00 | 380,892.21 | 384,701.13 | 388,548.14 | 392,433.62 | 165,149.15 | 2,088,845.26 |
| | Office | 265,221.00 | 267,873.21 | 270,551.94 | 273,257.46 | 275,990.04 | 116,145.81 | 1,469,039.46 |
| | Terrace | 8,400.00 | 8,484.00 | 8,568.84 | 8,654.53 | 8,741.07 | 3,678.54 | 46,526.98 |
| | Retail | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Storage | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Parking - underground | 103,500.00 | 104,535.00 | 105,580.35 | 106,636.15 | 107,702.52 | 45,324.81 | 573,278.83 |
| | Rent Free Periods | -154,712.25 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -154,712.25 |
| | Office | -154,712.25 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -154,712.25 |
| | Operating Costs | 80,883.00 | 80,883.00 | 80,883.00 | 80,883.00 | 80,883.00 | 33,701.25 | 438,116.25 |
| Office | 80,883.00 | 80,883.00 | 80,883.00 | 80,883.00 | 80,883.00 | 33,701.25 | 438,116.25 | |
| NEW LEASE CAPEX | Fit-Out Costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Total costs | 51,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 51,000.00 |
| | Landlord's contribution | -51,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -51,000.00 |
| | Other Costs | 217,250.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 217,250.00 |
| | Relocation costs | 5,250.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5,250.00 |
| | IT costs | 105,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 105,000.00 |
| | Furniture | 84,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 84,000.00 |
| Other up-front payment | 23,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 23,000.00 | |
| Total Opex | 303,291.75 | 461,775.21 | 465,584.13 | 469,431.14 | 473,316.62 | 198,850.40 | 2,372,249.26 | |
| Total Opex and Capex | 520,541.75 | 461,775.21 | 465,584.13 | 469,431.14 | 473,316.62 | 198,850.40 | 2,589,499.26 | |
| Total Costs | 520,541.75 | 461,775.21 | 465,584.13 | 469,431.14 | 473,316.62 | 198,850.40 | 2,589,499.26 | |

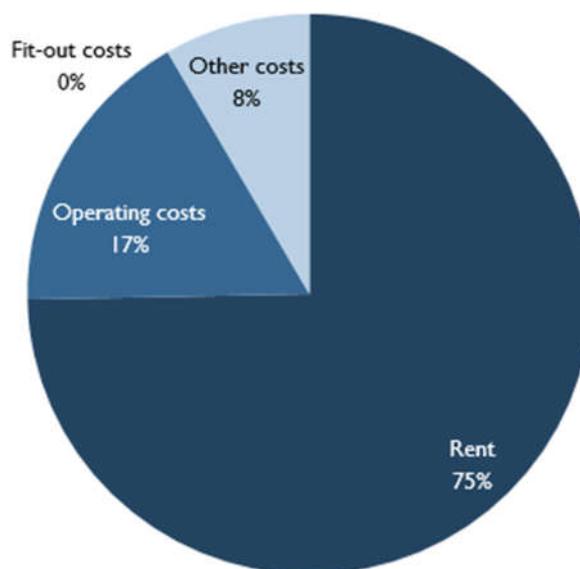
Source: Own construction based on C&W data

Building 5 is simultaneously the choice with higher office renting price and operating costs. This fact influences the total costs and makes building 5 the most expensive choice of the analysis, despite having less gross rentable area than building 4.

The landlord gives a good contribution with first year expenses by providing a 7-month rent free period and paying all the fit-out investment expenses.

Pie chart and summarized table follow bellow:

Figure 22: Pie chart for building 5



Source: Own construction based on C&W data

Table 20: Split costs for building 5

| Description | Value |
|----------------------|--------------|
| Rent | 1,934,133.01 |
| Operating costs | 438,116.25 |
| Fit-out costs | 0.00 |
| Relocation costs | 217,250.00 |
| Existing obligations | 0.00 |
| TOTAL | 2,589,499.26 |

Source: Own construction based on C&W data

As previously mentioned, building 5 presents itself as most expensive due to its high rent and operating costs. Observing the pie chart, we can conclude that it's the choice which rent occupies the biggest "slice" when comparing with all the others. C&W summarized the most important information about every building and exposed it for an easier visualization:

Table 21: Summarized table for all choices in the Financial Analysis

| Option | Area | New lease capex | New lease opex - effective | | New lease costs | Total costs (opex, capex) without indexation | |
|-----------------------|----------------|-----------------|----------------------------|---|------------------------|--|-----------------|
| | | | Monthly opex, effective | Monthly opex, effective | | Monthly costs | |
| | m ² | Total | Total, without indexation | per m ² , without indexation | total, with indexation | per m ² | per workstation |
| Existing lease | 1,911.30 | | 33,677.73 | 17.62 | 2,228,663.06 | 17.62 | 320.74 |
| Option 1 | 1,424.87 | 233,647.37 | 25,721.75 | 18.05 | 1,935,416.50 | 20.57 | 279.20 |
| Option 2 | 455.44 | 220,797.29 | 8,194.86 | 17.99 | 763,568.02 | 25.45 | 110.40 |
| Option 3 | 1,567.50 | 341,750.00 | 30,320.70 | 19.34 | 2,355,075.41 | 22.70 | 338.84 |
| Option 4 | 1,641.00 | 230,000.00 | 33,756.73 | 20.57 | 2,466,924.28 | 22.73 | 355.19 |
| Option 5 | 1,567.50 | 217,250.00 | 35,786.81 | 22.83 | 2,589,499.26 | 24.96 | 372.66 |

Source: Own construction based on C&W data

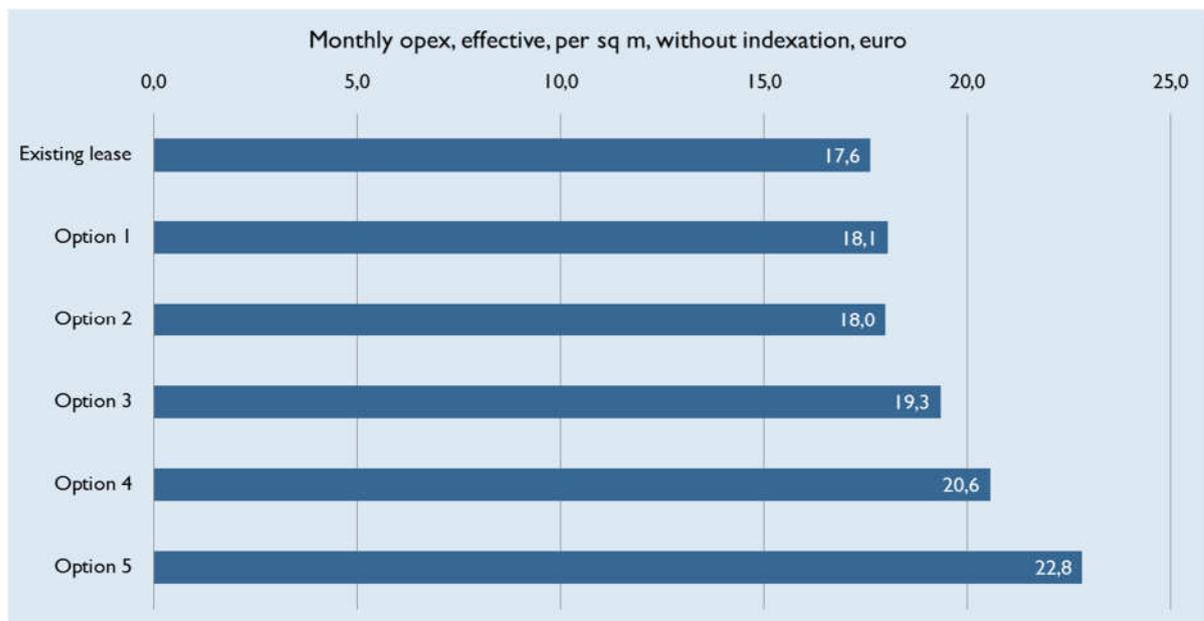
From left to right, we can compare between each option, starting with gross rentable area and new lease capex. The existing lease doesn't present a capex value because the investment was made at the beginning of that leasing period.

The next field presents the effective new lease opex. Effective because it includes the effect of the rent-free period, if it wouldn't, the nomination would be "nominal new lease opex". The exposed values demonstrate monthly opex and monthly opex per square meter without indexation results.

The next column gives the total lease costs with indexation which is the result of every cash flow as observed previously. The final column shows the monthly costs without indexation per square meter and workstation.

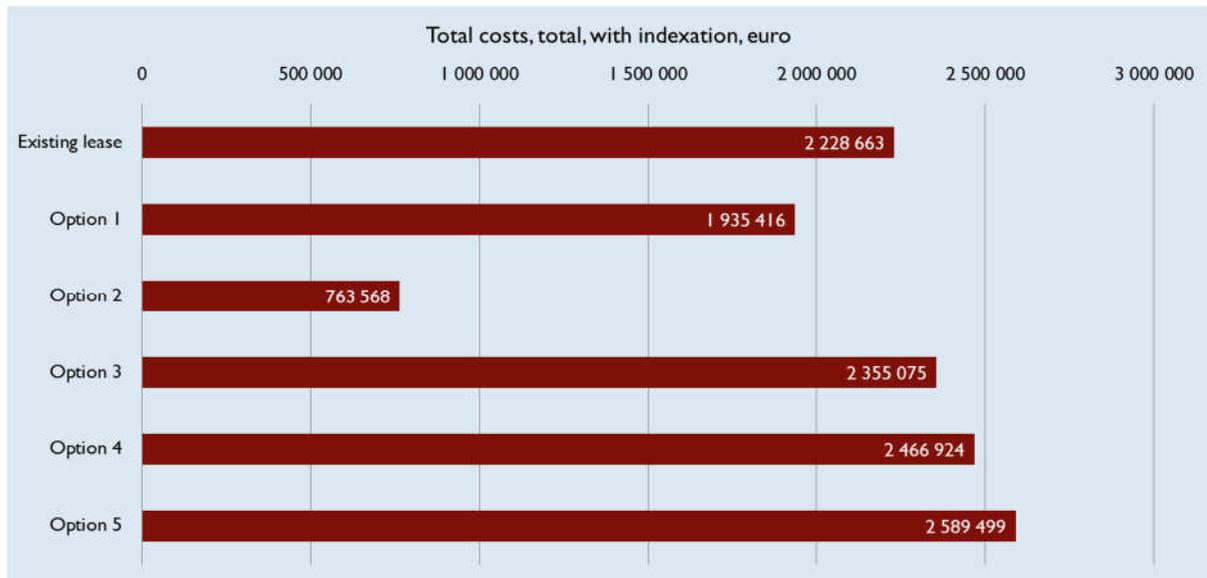
Now follows a bar chart demonstration of the penultimate and last columns present on the generalized board:

Figure 23: Monthly opex per square meter without indexation



Source: Own construction based on C&W data

Figure 24: Total costs with indexation



Source: Own construction based on C&W data

Both charts corroborate the permit that the last option represents the most expensive building in the analysis. Also, with the first chart, we can conclude that the existing lease costs less per square meter than any other new option.

5.5. Capital investment

5.5.1. Theoretical background

Despite sharing the same goal, there are two different types of capital investment. The first one refers to money used by a business to purchase capital assets (lands, machinery, buildings). Secondly, it can refer to money invested in a business venture with an expectation of income, which will later be recovered through earnings generated by the business over a certain period of time, Ward (2013).

There are many ways for a company to seek capital investment. The most desired funding option would be from the company's own operating cash flow, but it is likely that it will not be enough to satisfy the required investment amount. In that case, resorting to an outside source becomes necessary, it can either be in the form of debt financing, from a financial institution, or equity financing, e.g., angel investors, Ward (2013).

The most common reasons which lead a company to make capital investments are:

- Acquisition of additional capital assets with the intention of expanding the business. This new capital will enable the company to increase production or create new products;
- Improve the business equipment by betting on the most recent technology. This will allow to increase efficiency and reduce costs;
- Replacement of assets which are totally depreciated and can no longer contribute to the normal business operations.

When dealing with an asset purchase, a company can rely in two basic structures:

1. Acquisition of the business assets from the operating corporation (Asset deal);
2. Acquisition of the operating corporation shares from the corporation's shareholders (Share deal).

The commercial considerations will determine which structure suits the most for the investor. Aspects like taxes, licensing, liability, flexibility, and capital gains all contribute for the final decision, Nourse (2015).

Once the investment is assured, the investing company can create a Special Purpose Vehicle (SPV) with the intention of preserving its asset from being affected from the rest of the company's financial pressure, such as bankruptcy. An SPV is a legal entity created for one very limited, particular risk. Generally, they represent the subsidiary of a larger corporation and its task is to isolate risk. This isolation assures outside investors that the company's assets are duly protected.

Since the powers of an SPV are limited to the specific purpose for which it was created, when the purpose is attained, the SPV should be terminated. Once created, it must be managed and owned separately from the company, as an independent entity, responsible for managing its funds, decisions, and risk capital, Blossom (2015).

Capital investment and real estate end up getting along when the investment plans pass through the necessity of buying or leasing properties for productive use.

Once more, the real estate company's involvement in a capital investment process is by intermediation. Having knowledge of the market, it is easier for an agency to deal with research and move on to an explicit transaction.

It is crucial to understand the conditions of an investment. Commercial property investors tend to pay attention to important variables when they analyze property sales reports. Now follows some of those variables:

- **Weighted Average Lease Expiry (WALE)** – This term is typically used in any commercial investment property with two or more tenants. It is calculated across all the tenants in a property and is weighted by either the tenant’s leasable area or income against the total combined area or total income. The outcome of this calculation will express, in average, the remaining years until the current contracts with tenants expire.

$$\text{WALE} = \sum yn * \left(\frac{tn}{T}\right),$$

Where:

n – Tenant

y – Lease term remaining years

t – Tenancy area of the building / tenancy income of the building

T – Total leasable area / Total income

According with Webber (2016), the WALE turns out to be a very helpful tool due to all information that can provide for the investors. For example, if a property has a WALE of more than 5 years, it indicates that there may be limited short to medium terms vacancies in the building. In comparison to a WALE of one to five years, the indication is that it exists an increased risk of multiple vacancies in a short to medium term.

Buildings with a low WALE and short lease periods have a high turnover of tenants. This factor leads to higher leasing expenses such as, leasing agent fees, loss of income through vacancy, advertising and refurbishments. These potential expenses can affect significantly on the financial performance of the commercial buildings. Typically, high WALE buildings have larger corporate tenants who commit to a longer period of lease, while low WALE buildings tend to be occupied by small to medium businesses who commit to no longer than 3 to 5 years (Webber, 2016).

In case there is a major tenant who occupies a large proportion of a commercial building, the subsequent WALE will become very sensitive to the lease term of this tenant due to its high weight. If, for example, a tenant occupies 80% of the total tenancy area and has a 20-year lease contract, the resulting WALE will be high, even though the remaining tenants may only

continue for another 2 years. As a result of great occupancy, the major tenant, in a commercial building, negotiates its payment at a lower leasing rate than the other minor tenants. This fact will create a weight difference when comparing incomes with area on WALE. Meaning that, generally, the WALE based on income will be lower than the one on area based, Prosper Group (2014).

- Net Operating Income (NOI) – Calculation used to analyze real estate investments that generate income. It equals all revenue from the property minus all reasonably operating expenses. Besides rents, a commercial building may also generate other kind of revenues, like parking or other services, such as, vending and laundry machines. Operating expenses are required for maintenance of the building, examples of these expenses are, insurance, property management fees, utilities, property taxes, security, repairs and janitorial fees. The NOI figure excludes taxes, interest payment on loans, capital expenditures, depreciation and amortizations, Kimmons, J. (2017);

- Passing income - The amount of rental income generated from the current tenancy agreement at the current date, date of valuation or sale date, Property Words (2017);

- Gross initial Yield – It represents the annualized rents of a property, before deduction of taxes and expenses, expressed as percentage of the property or sale value.

5.5.2. Practical application

An example of a capital investment that I accompanied and had the chance to learn the procedures, thanks to my colleague Katarína Cihová, is related in this section. In this case we were representing an Owner which intended to sell one of its assets.

There were some steps to obey before closing the contract with an investor. The fact that in this case the agency intervention passed through all this steps, doesn't mean that it is a generalized process for all similar transactions.

The transaction initiated with C&W receiving a notification from an owner which exposed its intention of selling an asset located in Liptovský Mikuláš (northern Slovakia). This asset consists in a shopping mall with adjacent parking spaces and land plots. Attached to the

shopping mall lot there's also a fuel station. The main tenant is a well-known grocery and general merchandise retailer who leases all space.

Knowing the owner would get in contact with more agencies, in this early stage, our job was to convince him in choosing C&W's services for this deal. For a real estate agency, this is the first step to intermediate in a capital investment operation. It is usually known as "a pitch" and it is the moment when all agencies compete for the owner representation.

Besides discussing the C&W's intermediation fee, another debated aspect was how much entities we could reach with our market knowledge and within that group, how many did we expected to be interested in buying the asset. We also presented a detailed list of all C&W's services when involved in an asset sale process:

Figure 25: Cushman and Wakefield scope of services in a Capital Investment process

| Scope of services | |
|--|--|
| <p>Preparation for sale</p> <p>All buyers expect a fully prepared sale process. This is critical for improving execution certainty.</p> <ul style="list-style-type: none"> • Vendor due diligence including market research on competing off and open market investment products; • Identify and minimize pricing risks; • Support make-up of the income stream; • Virtual data room (optional); • Preparation of marketing documents and investment memorandum. | <p>Provide complete information pack</p> <p>We will ensure the reliability of offers and significantly increase the surety of completion by professional releasing all required information in a controlled manner.</p> <ul style="list-style-type: none"> • A detailed investment memorandum document is essential to the process; • Full information should be released under a non-disclosure agreement; • Consider staged release of certain documents such as SPA; • Disclosure but also guidance to investors where opportunity exists. |
| <p>Commence a coordinated marketing campaign</p> <p>The benefit of ensuring a clear message is given to the potential investors can not be underestimated.</p> <ul style="list-style-type: none"> • Follow up marketing to set out clear intention and timeframe; • Personal meetings to introduce the asset and sale process; • Managing inquires and questions from the investors; • Regular reporting to the owner on the sale process; • Presentations by core C&W transaction team. | <p>Structure of offers</p> <p>We will ensure that the bidding maintains structure and a high level of competition.</p> <ul style="list-style-type: none"> • Offers requested to take all information into account; • Interviews and revised offers ensure best possible conditions; • Detailed Letter of Intent (LOI) before full due-diligence is entered into. |
| | <p>Efficient due diligence</p> <ul style="list-style-type: none"> • If desired C&W will oversee and monitor the virtual data room to guarantee efficiency. |

Source: Cushman&Wakefield

In the end, having all topics discussed and given some time for the owner to consider every offer, our conditions pleased him the most and C&W was the selected agency.

Knowing about the owner's decision, it was now time to start working on the marketing campaign and find some possible investors. Besides getting in touch with all contacts, we also sent a teasing flyer with limited information regarding the asset. The flyer summarized about the occupying tenant, which was the hypermarket chain; the expiry of the leasing contract; Net

Operating Income (not specifying how its calculated); total land area; leasable area; amount of parking lots and asset location.

Eventually, some of the investors we reached showed they're interest and ask for more technical and financial information regarding the asset. Since most of this information is confidential, it became necessary for the investor to sign a Non-Disclosure Agreement (NDA).

An NDA is a contract entered by two or more parties, in which some or all parties agree that certain types of information that pass from one party to the other will remain confidential. The main objective for this kind of agreements is to protect sensitive information from disclosure to others, Radack (1994).

Posteriorly, having the agreement signed, we could present the investment memorandum (IM) to the investors. This memorandum states the objectives and terms of the investment. Generally, it includes the company's financial statements, description of the business operations, among other items.

The IM we presented to all interested investors was a prolongation of the initial teasing flyer. It contained an introduction of the asset vendor (owner) and some calculations regarding the financial statements, such as:

- Passing income – Annual rent income of the asset;
- WALE – In this case, knowing that there's only one tenant, the contracted leasing term matches the WALE calculation;
- NOI – Unlike the initial flyer, which just presented the NOI value, the IM also shows the exact calculation:

“NOI = Rental incomes (Hypermarket) + Rental incomes (Gas station) – Property taxes – Insurance”

In this particular case, the contract establishes that the tenant is responsible for all maintenance including technology and revision, which leads to a hassle-free investment;

- Initial Gross Yield – Passing income / Asset value.

If the investor keeps its interest, after the memorandum, the next step is to write a letter of intent (LOI). This kind of letter is used in most major business transactions and it formalizes the main points of a proposed deal or confirms that a certain course of action is going to be taken. Normally, it does not constitute a definitive contract but signifies a genuine interest in reaching

the final agreement subject to due diligence, additional information, or fulfillment of certain conditions.

In this case, the LOI written by C&W, representing the vendor, summarized the terms and conditions to follow in case a contract between the two parties were to be closed. It also contained a scheduled plan which dated all the future steps. The described conditions included:

- Subject of the sale – Hypermarket property;
- SPV - Current SPV controlled by the vendor which will be sold in the transaction;
- Purchase price;
- Lease terms – Explaining who's the current tenant, lease term, which costs are associated to the landlord and the current annual rent;
- Financing – Clarifying that the purchaser has enough sources for financing the purchase, specifying which bank will grant the funds and informing that the financing process will not cause any delay on the contract timeline.
- Transaction costs – Stating that the purchaser will be responsible for property expenses, such as, insurance, survey and transfer taxes;
- Investigation period – Determining the deadline for all technical and legal due diligence executed by the purchaser (30 days after the contract period);
- Contract closing – Determining when will the closing happen (within 10 days after the investigation period);
- Contract period – Stating that both parties recognize that the LOI is a non-binding expression of interest and a basis to proceed to a formal purchase contract. Also in this section, the vendor agrees to allow a period of 10 days from the acceptance of the LOI to prepare a binding sale and purchase contract. The vendor will not negotiate with another party during this period.

Having accepted all conditions exposed in the LOI, the purchaser could start with the due diligence process. This process consists in an investigation or audit of a potential investment. The objective is to confirm all the facts stated by the seller party and the inspecting elements are all the purchaser may find reasonable, such as reviewing all financial records. Due diligence is a specific care that a party should take before entering into a transaction with another one.

Sellers can also perform due diligence analysis on buyers in order to realize about their purchase ability. During this period, both seller and buyer are obliged to provide all due diligence information considered necessary.

During its inspection, the analyst may come upon a red flag, which is an indicator of potential problems in the investment, or it can also find that the results of the investigation demonstrate a weaker performance of the property, when compared to its objectives. In case this happens, either the contract will be terminated or a different purchase value may be negotiated, this time, considering all the discovered problems.

Since in this case no red flags were found, the due diligence process ran smoothly for both parties and an agreement was made. The capital investment ended up with the contract being closed between the two parties.

6. Conclusions

C&W line of work has proven its success by becoming one of the leader companies in commercial real estate over its one hundred years of existence. This position allows the company to take advantage of future drivers of growth, and continue to provide ideas and solutions to the most complex real estate problems of today and tomorrow. Hence, there's no reason to believe that C&W will lose any of its stability in the future. By staying true to their mission, C&W remains dedicated to integrity and committed to cutting-edge ideas.

The fact that C&W offers a great variety of services that are complementary to the daily development of all departments, enables each one to work together as a bigger team and attain higher results. If we think about the office department, the consultancy services provided to clients, when allocating tenants in to new office space, are an opportunity to offer further C&W services that concern to other departments, such as, project management or financial. This aspect turns out to benefit both C&W and its clients. The former in a way that generates more business and consequently increases profit, and the latter, in a way that it can save more time by finding every commodity in the same place.

The office department is one of the most important within the Bratislava agency, it contributes with a great amount of business and revenues. Throughout the years, this department has stood by its yearly objectives and proved to be one of the most efficient when dealing with all the competitors. The main aspects that contribute to this success is by keeping a large client's data base, with regular updates, in order to reach out for new clients. After this first introduction, C&W strives to develop a relation based on trust with its clients. The intention is to advise them, while having their success in consideration, rather than C&W's. Meaning that, the objective is not to force the client in signing a contract with the highest possible underlying value. Instead, C&W takes its decisions while having in its concern what is best for client business needs. This conduct has proven to be an efficient way to maintain trust in C&W's services by its clients and consequently, increase the chances of them to continue choosing C&W as their working agency. Also, it is likely that C&W gets good reviews and free publicity, increasing the possibility of attracting more business.

Besides the good current state, the future also looks bright for the office department. In the next two years, there will be a record high in Bratislava's new office supply, considering the past

ten years. This is a great opportunity to allocate big multinational companies that invest in Slovakia. The European Commission forecasts a stable growth for the Slovak's economy, with a reduction of unemployment and public debt, which increases the optimism, not only for the office market, but also for C&W.

Like I was expecting, this internship turned out to be a fulfilling experience. It allowed me to develop my skills as a professional by having the possibility to experience how an entrepreneurial career is developed in a multinational enterprise level. Big companies can provide its workers with the best available tools so they can better succeed in their daily tasks.

C&W is constantly promoting good values among its employees. Aspects such as, good image, posture, organization, scheduling, all contribute in the education of the professional worker that makes part of the company's biggest asset: human capital. It is easy to understand the importance given to the employees' formation, the company's profit relies mostly on the relation with the clients. All the investment in perfectionism of presentation serves as a way to make sure that all agents excel, not only at creating a professional relation with the clients, based on trust, but also at succeeding during negotiations. The best way to notice this fact is by analyzing the great importance given to the marketing department. The bigger the company, the higher costs will present on marketing. C&W is no different and the marketing sector keeps on delivering a great added value to the company, by promoting conferences, workshops, lectures and team building sessions. This factor proves to be important when considering the workers' morale that lead them on achieving higher objectives.

All the variables related to commercial real estate that I got the chance to learn have enlightened me in a sense of financial adaptation to this different reality. The best example was understanding the usage of different yields in the process of real estate appraisal. Yield is a common concept among finance students, but I could find a much wider usage of this variable when considering a real estate investment. Also, the financial analysis provided to each client before signing a new lease contract induced me on a better contextualization of all the inherent costs in real estate. By constructing a detailed cash-flow analysis, C&W can help the client on making better decisions by having in account where it can reduce expenses.

For a last year student, about to enter the job market, having the chance to sit next to professionals and learn with their methodologies, not only gave me a direct education, but also motivated me in pursuing higher achievements in my career. A student can only consider that its professional life has started once he gets the opportunity to practice the concepts it

developed during its lectures. Due to the great diversity of activities experienced in this internship, I could get a glimpse on the many stages of a leasing operation while dealing with the office department clients. As a finance student, I was not disappointed with the number of tasks that can be inserted in my field of studies.

I can happily conclude that I leave this internship with a better attitude and a concrete idea on how to apply many of the introduced topics during my Master's.

ANNEX 1 - WORKING DIARY

Day 1:

Upon my arrival, I got a cheerful welcome by my new office colleagues/manager and I was settled in a desk next to my supervisor (Mr. Roman Gazdík).

In order to get an insight about the company's services and the department divisions, Mr. Gazdík scheduled a brief meeting where he explained the main aspects about the fields of work and the general assignments of most of the employees.

Mr. Roman sent me a template which contained all data regarding the office leasing deals that happened on the 1st quarter of 2017, either by landlord or tenant representation, through all 5 Bratislava districts. This gathered data was provided by the 4 major competitive companies acting in the city (C&W, Competitor 1, Competitor 2 and Competitor 3). Every time a deal is made the intervener company shares publicly the information about the transaction.

With this template, I was able to complete my first assignment proposed by Mr. Gazdík, the objective was to organize all data and create a chart for better comparison between companies. This chart summarized the amount of leased contracts accomplished by each company and the amount of square meters involved in that transaction.

Once the chart was completed, we came to understand that Competitor 3 is the company who leased more space (5392 sqm), while Competitor 1 was the one who was involved in the greater amount of deals (10).

Day 3:

During the day, I went along with one of my colleagues (Ms. Katarina Cihová – Head of Development & Consultancy) to visit a branch office of a polish company who was recently installed in Slovakia (Bratislava III). This company is well positioned in the European market of office furniture with 15 production plants in 6 different countries around Europe, in which Slovakia is not included.

The branch office had, among other things, several self-built products (desks, chairs, phone booths, etc), all disposed in a circular way so the manager could make us a presentation in which he explained the company's business model and how were they keeping up with the latest trends.

The solutions for everyday day office problems, regarding furniture, presented by the company's office manager, happened to coincide with the demands imposed by many C&W's possible and present clients. Noticing this fact, me and my colleague agreed that it would be profitable for both companies to keep a close contact in case any client had a particular demand relating with furniture.

The first goal of our visit was to realize if this company had any intentions of expanding their presence in the Slovak market, either by opening their first plant or inaugurating a retail store in the country.

Since expanding wasn't a short-term plan, we came to an agreement with the company's office manager to maintain contact and give each other mutual help. The deal included that each company would exchange possible clients and to contact every time that a problem would arise regarding specialties of the other company.

On our way back to the office, me and Ms. Katarina made a quick stop in one of the buildings that is currently on the C&W's property management list. This building is part of an asset portfolio belonging to a landlord who trusts C&W with its landlord representation services.

The mentioned building it's classified as a mixed use "A" class building, meaning that it shares the position of one of the highest quality buildings existing in the Slovak market. Some of the main quality factors which the building benefits include central localization, good access, sufficient parking, close shopping units, among others.

Besides presenting all building conditions, Ms. Katarina guided me throw all vacant office spaces and gave me an insight about possible increases of occupancy by the companies already installed in the building.

With the objective of having a completely occupied building, Ms. Katarina trusted me with a new assignment. The task was to develop a flyer that would advertise the building so it could be mailed to all surrounding premises.

Day 4:

Mr. Gazdík had a scheduled office presentation today with the responsible of a German pharmaceutical. The company was already established in Bratislava and their purpose was to relocate their offices. In the interest of acquiring experience in office presentation, I was invited to accompany Mr. Gazdík.

The building was located in the far East side of town, specifically on Ružinov, Bratislava II district. Due to long distance and poor access, it is a greater challenge for C&W to lease the vacant offices, having in account that most of the buildings managed are labeled as "Class A" buildings, while this one is just "Class B".

The possible client had no problems with the available space or facilities, however, there was one important need for his business in particular, the inclusion of glass partitions. Since its need could be easily settled, the possible client was satisfied with the building offer and agreed to contact Mr. Gazdík in a near future with the decision about advancing to a negotiation.

Day 5:

Updates on the vacant office spaces were received by Mr. Gazdík in the morning, alongside with the adjustments in price/sq. meter imposed by the building landlords. These updates are received regularly and it is important to copy them to the office's instruction list.

The instruction list is a type of catalogue that gathers all the information regarding the offices managed by C&W. Most relevant for possible clients is knowing if there is any available office, if so, in which conditions. Lease terms (price, service charges, and contract length), small office description and technical specification can all be found in the instruction list that is presented to all interested companies.

Respecting Mr. Gazdík request, I proceeded to overwrite all updated information received by the landlords.

Day 8:

The director of the Slovak branch representing the German Pharmaceutical got in contact with Mr. Gazdík today. The proposed office for their expansion project pleased the administration board and a new presentation was scheduled, this time with the director itself.

The importance of this meeting was huge, knowing that, there were many good offers from all C&W's competitors to get this client account. Also, this was the last meeting before their final decision, if they advance for negotiations or not. It was crucial for C&W to promptly present solutions for all their requirements.

Mr. Radoslav (Head of Project Management) joined me and Mr. Gazdík in this presentation. Being a building technician, Radoslav could easily clarify all the aspects regarding the office

refurbishment and installations. He presented the office plan and an estimated budget of 100.000€ to completely renew the office space according with the requisites.

Once again, when leaving, the director appeared to keep interested about the office and he promised to contact us with the decision in a near future.

Day 9:

Today I was responsible for taking pictures of some of the buildings included in the instruction list, around Bratislava. C&W makes a study and keeps a record of the buildings which they consider there is a high chance of finding leasing clients. Although there isn't a management contract established between C&W and the landlords of these buildings

It is intended for these photos to appear on the instruction list, after basic edition developed back in the office. Of the 283 C&W's selected buildings, I gathered pictures of 20.

Day 13:

Today, I and the office team went along to a building presentation. This building remains unoccupied since 2007 and the current landlord decided to refurbish, find tenants to occupy all offices and then sell it.

During the viewing, we were guided through the model floors while the landlord representative was introducing us with images that showed how the building would look like once the refurbishment process was finished.

It's always fruitful for C&W to be on top of these landlord plans, a well renovated building gives a valuable increment to the company possible offers and, therefore, increases the market recognition.

It is within landlord's interest to have as most leased space as possible. Having an occupied building adds much more value once you think about selling the asset, so on the other hand, it is also good for the landlord to have an agency promoting it to its clients.

Day 14:

My colleague, Ms. Lucia Pašeková, had two scheduled office presentations with two different clients and I was asked to go along. For each client, a different building was presented, but there was one common aspect, both belong to C&W property management list.

Having a direct link with the landlords, it turns out to be more profitable for C&W to give preference to its managing buildings. For example, it improves the relation with landlords and our general image. These are important factors that could lead the company to further landlord representation contracts.

Regarding the clients, in one case we had to schedule another presentation to view different buildings. It seemed that this client intended to lease an "A" class building and the presented building was "B" class.

In the other case, the leasing price of C&W's managing building was higher than the current one which the client was paying. There were no further developments in this case.

Day 15:

Another scheduled client presentation today for Ms. Lucia. This client was looking for something different than usual. Normally, companies seek empty offices to lease and build the intended fit-out. In this case, the client was looking for a fully furnished office, including all the utilities like Wi-Fi, phones and receptionist.

Attending the client's request, there is one of C&W's contacts who specializes in this kind of business. It's a company that owes office space and they lease it with all the previous utilities included. The leasing price covers every of this expenses and the tenant doesn't have to worry with any of them.

The presented offices were all being managed by this company so the presentation was held by their manager. After visiting all offices, the agreement with the client was to wait for its decision.

A representative of a marketing multinational company called Mr. Gazdík gave us notice that it's company is looking for a 600 sqm office space to relocate their facilities. Knowing that it's a big company and they require the best conditions, we choose 4 of the most recent, top quality available buildings in Bratislava.

The task for now was to call the landlords and arrange a presentation with the company representatives so they could evaluate our choices.

Day 16:

Another meeting with the German pharmaceutical was held, this time to present more office plants from other buildings. There were still some aspects to correct in the plants, the most

important one was related to the office space, they required 1200 sqm and in the plants was marked 1500.

After a brief discussion about what should be settled, back in the office, our project management team wrote an e-mail and sent to the Landlords detailing every aspect to be corrected.

Day 17:

The day has come to attend the office presentation with the marketing company. All 4 choices were introduced to the representative and now we wait for their decision on which office space they prefer.

Day 18:

An IT company informed C&W about their plans for establishing their presence in Košice (east Slovakia). In order to provide them with information about the buildings we work with, it was necessary to update our Košice instruction list. Phone calls were made and e-mails were sent and once completed, we sent all details to the company.

Day 19:

There were new presentations with the client to whom we introduced one of the C&W's managing properties on "day 14". This time we took an afternoon and viewed 4 different buildings.

The client pledged to make a selection of the buildings which were more interesting, talk with its partner and schedule new viewings, this time with the partner.

Day 20:

An e-mail from the marketing company was received today informing us about one of their selected offices. They also asked if we can start projecting the office plans to present them to present them. Our project management team will send the plant in few days.

Day 21:

A prestigious law firm operating in Central and Eastern Europe contacted the office team today. They notified their intention of buying office space in Bratislava and gave their preferences, 2000 sqm space located in city center.

We began the selection process regarding the buildings we thought it would match the client's preferences. Also, we got in touch with the landlords, pointing out the ones who are interested in selling office space.

Day 22:

One of our competitors arranged a presentation to promote a nearly finished building in Košice. There is an exclusive management agreement between them and the landlord so it is their interest to give all the competitors notice about the new facility.

It is common for agencies to present the buildings they manage to their competitors, it ends up being fruitful in case any of them discover a client willing to occupy the space. Surely the outcome is not the same as if they would find the client themselves, the one who discovers is entitled to receive a certain fee, but not to find any client at all is something to avoid at all costs.

Day 23:

The day has come to meet with a representative of the law firm, the gathering took place in their Bratislava office and we delivered a brochure with the buildings we considered best for their purpose. Once again, this brochure contained some of the instruction list slides.

The representative informed us that the administration board will evaluate the offices and contact posteriorly, in order to schedule viewings for the offices they prefer.

Day 24:

One of our "tenant representation" clients is a well-known transnational consumer goods company. Their leasing contract is coming to an end and they would like to understand if it is profitable to relocate their office space.

The task for today was to research the most suitable buildings, matching the company's demands. First, we discussed what aspects they would like to change from their current office and we pointed out their preferences. Secondly, we went through the office list looking for the best options.

Day 25:

Complementing the research work made yesterday for the transnational company, today we had to summarize the information of the previous contract so it can be compared to possible new ones.

To evaluate the new choices, we also prepared a financial analysis for each building. This analysis provides a calculation of the total costs involved in the leasing deal during its duration.

Day 26:

To advertise our office landlord representation services, we designed a new brochure which contained some of the C&W greatest recent deals regarding that matter. We highlighted aspects like the buildings we manage, involved square meters and the landlords feedback on C&W services.

Day 27:

Today I was working alongside with the retail team in a poster which contained C&W's strategy on how to occupy a building's retail space. C&W has an exclusive mandate agreement with the landlord and it's within its responsibility to lease as much space as possible. Being in the company's interest to keep representing the landlord, we paid a good effort in producing a good strategy.

Day 28:

While reviewing the long C&W contact list, I had two tasks, update it and try to find new clients. Many of the company contacts saved in the list are outdated, so trying them, one by one, was a good way to realize if they are still available or not. If not, I had to search for a working contact, call and ask if in a near future, that company, is thinking about relocating.

Day 29:

Today I was checking with landlords about current vacancies on their buildings and demanding renting price for future leases.

There was a briefing with the office team today, we were reviewing the status we reached in every possible deal. Each member of the office team makes is own list with the clients it reached and exposes comments on which stage they are. Also, each member gives a certain percentage for how close they think they are in closing the deal.

In this meeting, we also discuss between ourselves the things we think we could change in order to achieve better results in every segment, from informatics organization to self-behavior.

Day 30:

Regarding C&W's website, we were receiving some notifications about which entities were visiting and what were they're comments about new offices. We seized the opportunity to call those entities and realize if we could give provide personal help to their demands and hope it would turn into new deals in the future.

Day 31:

I was helping with the preparation of a financial analysis to a client who was interested in relocating its office. We had to gather all variables produced by the leasing conditions and prepare the annual cash flows for several building choices, so the client could compare and make a choice that meets his preferences.

Day 32:

Today I was preparing brochures that advertise recent buildings, detailing its characteristics so I could send them to possible clients and companies that are thinking about investing in Bratislava. I was also calling some possible clients.

Day 33:

A long-term task started today. I am responsible for updating C&W's office guide website. This website consists in a map that serves as a guide for every office available in Bratislava, Košice and Žilina. The updating process involves several phases, like uploading non-present buildings and correct the current available space and renting price for each one. According to the list there are about 210 buildings to check on the website, meaning that this task is expected to last for weeks.

Day 34:

A financial institution will open their office space in Bratislava and we scheduled the building viewings for today. Three different buildings were reviewed with a representative of the institution and a second round of viewings was appointed, this time with the administrative board of the institution.

Day 35:

C&W received notice of an owner who wished to sell one of its assets, a supermarket located in Liptovský Mikulaš (Centre of Slovakia). Regarding this business opportunity, I was helping, today, the business development team with the development of a teasing brochure which

detailed all the involvement of C&W in a process of this kind. This brochure would be our offer to compete with all others in the pitch phase and being able to be the chosen agency to represent the owner in this asset sale.

Day 36:

I had my first company trip today to Košice city, located in east Slovakia. The purpose of trip was to get pictures of the open market buildings to upload in C&W's webpage and get information of tenants that currently occupy those buildings.

Day 37:

I was out, near one of C&W's exclusive mandate buildings checking all the surrounding establishments and pointing out their location. The objective of this study was giving fundament to our strategy towards the landlord. According with the existing amenities in the area, we will try to attract missing businesses or the ones that will find less competition.

Day 39:

The second phase of building viewings with the administrative board of the financial institution was today. We were viewing the previously presented buildings and now we have to wait for their decision.

Day 40:

Another day spent with the retail team working on the strategy plan for the landlord of one of the exclave mandate buildings. This time we built a SWOT analysis to give better support to our strategy. We conducted a survey on the internal and external building factors to come up with the strengths, weaknesses, opportunities and threats.

Day 41:

The template which contained all data regarding the office leasing deals that happened during the second quarter of 2017 came out and with it I could prepare a corresponding chart which organized all the information by number of deals and square meters involved in each deal.

We got to the conclusion that, in the second quarter, competitor 1 was the one involved in more deals (14) and leased more space (15.842 square meters). C&W was involved in 5 deals and leased 1.557 square meters.

Day 42:

We knew recently about the asset owner decision on which agency would represent him in the selling process. Today, I was working alongside with the business development department on a teasing flyer that would promote the asset to possible investors. We included basic information about the asset provided by the owner, but we didn't disclose some information considered confidential. We are keeping the technical aspects for investors who decide to know more about the asset and are willing to sign a non-disclosure agreement.

Day 43:

The presentation with the exclusive mandate building landlord was today and we were presenting the strategy developed by us. The landlord enjoyed the presentation and we ended up in good terms for an extension of the landlord representation contract. From now on, it's time to implement the strategy and get as much tenants as possible.

Day 44:

Once again, I was helping with a financial analysis, this time on 3 offices in different buildings. Once completed we send the financial analysis to the interested client so it could evaluate the best choice.

Day 45:

The C&W's Czech office had a scheduled visit to the Slovak's office and for this visit was organized a daily program. The objective was to discover the current state of the Bratislava office market and get to know the future office projects. During the day both teams attended two presentations in two of the most recent buildings in Bratislava, and took the opportunity to view the buildings.

Day 46:

The business development department received an e-mail from the representative of a Swiss multinational pharmaceutical company. The company is about to relocate their office facilities and the newly selected building doesn't include so much parking space in their premises, compared to the old one.

They requested from C&W to develop a commute analysis for every worker in their office to understand if it's time beneficial for the workers in terms of travelling by public transport to

the new premises, compensating the fact that many workers wouldn't be able to travel by car anymore.

At this time, the representative of the company was asking for a service proposal offer to be sent, so they could evaluate if they take the service from us. I was working with my colleague, creating a brochure, which included, a description of the required service, an example of a commute analysis, the service price and a small presentation of the C&W employers who will be working in the analysis.

Day 47:

There were already some interested investors on the asset C&W was working to sell. I was helping with the development of an Investment Memorandum (IM) by adding the technical and financial aspects of the asset in the initial flyer. This IM can only be sent in the future to the investors that sign the NDA.

Day 48:

We started gathering all the information for the commute analysis today. The human resources department of the pharmaceutical company sent us a list of all the employees' addresses. According with their list, we were selecting the employees who commute daily to their office and point out how long they take to arrive.

Day 49:

Having the IM prepared and ready to be send, I was working on contacting every interested investor in order to receive their signed NDA and store it in C&W's shared folder. I was also sending the IM to all the investors which already provided us with the NDA.

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