



Hot Topics

- After a considerable slowdown in regional cities' markets in 2009, signs of a recovery were witnessed in 2010, especially in Brno.
- City-wide vacancy rates stood at 11.2% in Brno and 20% in Ostrava.
- In 2010 a very limited amount of space was delivered to the market in Brno, while no completion were recorded in Ostrava.

The Czech regional market was affected by the global economic downturn more severely than Prague. Both, office leasing activity and investment activity considerably slowed and the construction of many office projects were postponed. However, positive signs of a revival of the markets were observed and we believe this trend will continue.

BRNO OFFICE MARKET

After a considerable slowdown of the office market in 2009, Brno witnessed signs of a revival in 2010. Demand for office space significantly increased y-o-y and reached 2008 levels.

Office Stock

The amount of modern office space in Brno at the end of 2010 amounted to 343,000 sq m, of which 79% was class A quality.

New Supply

In 2010, two office projects totalling 13,700 sq m were delivered to the market – Administrativni centrum Magnum and CTPark Brno Honeywell Office Campus. At the end of 2010, 93% of new supply was leased.

Lease Transactions

Total leasing activity (TLA) bottomed out in 2009. In 2010, 48,000 sq m was leased which was in line with 2007 data and significantly higher compared to 2009. However, app. one third of TLA was made by renegotiations. The biggest deals were IBM renegotiation (13,000 sq m) in Technology Park, AVG Technologies (8,400 sq m) in Spielberk Office Centre, Ceska Sportelna (2,000 sq m) in The Campus and Miele (1,900 sq m) in Spielberk Office Centre.

Vacancy Rate

Thanks to strong total leasing activity, the vacancy rate dropped further through the year and as at 2010 year-end stood at 11.2%, which is the lowest since our records began in 2005.

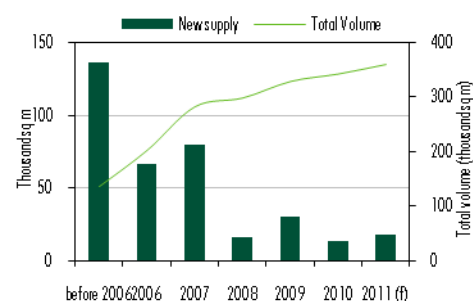
Space Under Construction

At the end of 2010, approximately 17,500 sq m of office space was under construction and planned to be delivered in 2011. The main office scheme being Spielberg Tower comprising 15,000 sq m. There are also office projects which will remain in pre-construction phases until a pre-lease is secured.

Rents

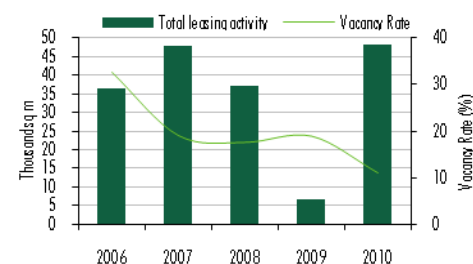
Achievable rents in A-class office buildings in Brno stood between 11 to 13 EUR/ sq m/ month. We feel that the achievable prime rent stands at 13 EUR/ sq m/ month.

Office Development in Brno



Source: CB Richard Ellis, RRF

Brno TLA and Vacancy



Source: CB Richard Ellis, RRF

Brno office indicators

2010 year-end data	
Stock* (sq m)	343,000
Space U/C (sq m)	17,500
Take-up (sq m)	35,000
New Supply (sq m)	13,700
Vacancy Rate	11.2%
Prime Rent	13.00 EUR/ sq m/ month

Source: CB Richard Ellis, RRF

*Note: Stock has been reviewed and extended within the Regional Research Forum (RRF).

Ostrava Office Market

Total office stock in Ostrava is still small in comparison to Prague or Brno. The Ostrava office market grew substantially in 2006 – 2009 following increasing interest from occupiers in the region. The primary drivers behind such interest included the availability of low cost qualified labour, government incentives and the relatively inexpensive cost of land. The recent economic downturn affected the earlier upturns in the market and Ostrava office market is still awaiting its revival.

Office Stock

At the end of Q4 2010, modern office stock in Ostrava stood at ca. 108,000 sq m. Approximately 72% of total office space was of class A quality.

New Supply

Due to the economic downturn, a lot of projects were either cancelled or postponed. As a result, there was no new projects delivered to the market in 2010.

Lease Transactions

The 2010 total leasing activity (TLA) in Ostrava were driven by A-class, new built office premises, in which 98% of transactions took place. TLA in 2010 reached 13,300 sq m, representing a decrease of 20% y-o-y. It is important to say, that renegotiations made up 75% of total leasing activity in the given period.

Vacancy Rate

As at Q4 2010, 21,600 sq m, representing 20% of modern office space, was immediately available in Ostrava. There was little difference in the vacancy rate between A-class and B-class buildings.

Rents

Achievable rents in A-class office buildings in Ostrava stood between 10 to 12 EUR/ sq m/ month, where we feel that achievable prime rent stands at 12 EUR/ sq m/ month.

Forecast for 2011

The only building which was under construction at the end of 2010 and is planned for completion in 2011 is Administrativni budova Biskupska.

CTP is due to start construction of the Tieto Office project (22,000 sq m) as they secured prelease for 70% of the building at the beginning of 2011.

The start date of the construction of other projects will also depend on securing preleases.

Ostrava office indicators

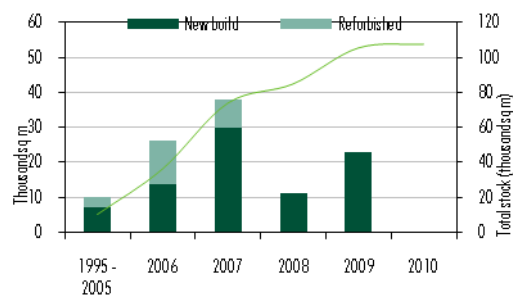
2010 year-end data	
Stock (sq m)	108,000 sq m
Space U/C (sq m)	3,400 sq m
Take-up in 2010 (sq m)	13,400 sq m
New Supply (sq m)	0 sq m
Vacancy Rate	20%
Prime Rent	12.00 EUR/ sq m/ month

Source: CB Richard Ellis

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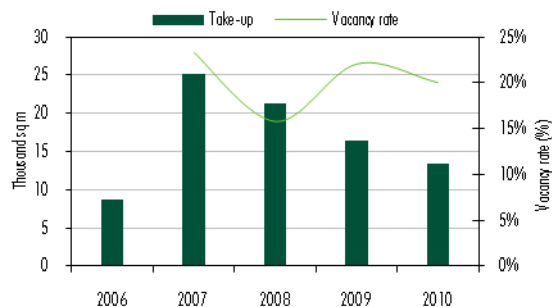
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Office Development in Ostrava



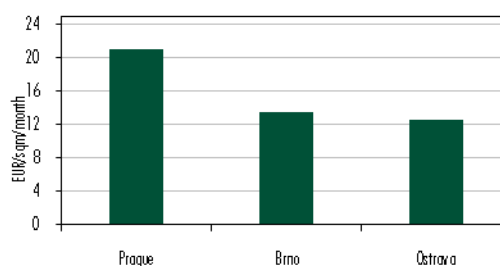
Source: CB Richard Ellis

Ostrava TLA and Vacancy



Source: CB Richard Ellis

Prime Office Rent Comparison



Source: CB Richard Ellis

Definitions

Stock – modern office space in class A and B buildings;

Vacancy Rate – a ratio of vacant office space to total stock;

Total Leasing Activity – office space that has been leased in a given period, includes leases, pre-leases, sub-leases and renegotiations

Net Take-up – office space that has been leased in a given period, includes leases, pre-leases and sub-leases

Prime Rent – typical 'achievable' open market headline rent (can be hypothetical) for a unit of standard size commensurate with demand in each location, of highest quality and specification and in the best location in a market at the survey date. It does not need to be identical to any of the transactions, particularly if the deal flow is very limited or made up of unusual one-off deals;

Service Charge – includes all applicable services and utility costs, excluding directly measured electricity consumption.

Sublease – space currently leased by a tenant, who needs to dispose of such space in order to lower its occupancy costs.

For more information regarding the MarketView, please contact:

CZECH REPUBLIC BUSINESS TEAM

Richard Curran

Managing Director

CB Richard Ellis

Namesti Republiky 1,

110 00 Praha 1

t: +420 221 711 026

e: richard.curran@cbre.com

Jana Novotna

Head of Research

CB Richard Ellis

Namesti Republiky 1,

110 00 Praha 1

t: +420 221 711 037

e: jana.novotna@cbre.com

Jan Lovetinsky

Head of Office Agency

CB Richard Ellis

Namesti Republiky 1,

110 00 Praha 1

t: +420 221 711 042

e: jan.lovetinsky@cbre.com

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