

Quick Stats

Change from Q1 2010

	Greater Prague	Pan Czech Republic
New Supply	→	↑
TLA	↑	↑
Vacancy	↓	↓
Rent	→	→

TLA - total leasing activity

Hot Topics

- Total leasing activity increased by 264% y-o-y.
- Growing importance of future lease agreements.
- Vacancy rate further decreased to 15.5%.
- Construction of 46,000 sq m started.
- 98,900 sq m is currently under construction.

Q2 2010 - the expert's point of view

Filip Kozak, Head of Industrial Agency Czech Republic: 'Another strong quarter strengthened confidence in the industrial market. Only very few regions are oversupplied. The importance of built-to-suit projects will further increase.'

DEVELOPER-LED WAREHOUSING AND LOGISTICS MARKET IN THE CZECH REPUBLIC

Signs of the Industrial Market's revival which began in H2 2009 were confirmed in Q2 2010. Demand for modern industrial space increased again, and in combination with limited supply reaching the market, caused the vacancy rate to further decrease. A growing number of future lease agreements together with the start of construction of new halls were observed as well.

• Total leasing activity up 264% y-o-y

In Q2 2010, total leasing activity (TLA) reached 221,600 sq m, representing an increase of 41% q-o-q and 264% y-o-y. 89% of TLA consisted of net take-up activity (197,500 sq m) i.e. only 11% was renegotiations; a growth by 79% compared to the previous quarter. The growing importance of future lease agreements was also monitored – in Q2 2010, almost 64,000 sq m (29% of TLA) was pre-leased in the Czech Republic. The amount of space leased in the first two quarters of 2010 has already exceeded the entire 2009 year.

• One minor completion

One new pre-leased hall of 12,000 sq m in total was completed in Q2 2010.

• Growing space under construction

98,900 sq m in seven halls was under construction in this period. Almost one half of the construction began in Q2 2010. 80% of the space currently under construction is already pre-leased. There are still many industrial halls ready for construction which can be delivered in 5-7 month once a pre-lease agreement is signed.

• Net absorption reached 56,900 sq m; vacancy rate decreased to 15.5%

In Q2 2010, net absorption reached 51,100 sq m resulting in another decrease in the vacancy rate. At the end of the quarter, the vacancy rate stood at 15.5% representing a drop by 1.2 p.p. q-o-q and 2.5 p.p. y-o-y. There is currently 522,000 sq m of modern warehouse space immediately available in the Czech Republic.

• Net effective rents differ in major regions

Average net effective rents for 2,000-5,000 sq m units vary from 3 EUR/sqm/month in the Plzen region, 3.25 EUR/sqm/month in the Greater Prague area, to 3.50 EUR/sqm/month in the Ostrava region and 4 EUR/sqm/month in the Brno region.

Q2 2010 Indicators

	TOTAL	GREATER PRAGUE	PAN CZECH REPUBLIC
Stock (sq m)*	3,359,100	1,485,500	1,873,600
Existing vacant space (sq m)	522,000	249,600	272,400
Vacancy rate	15.5%	16.8%	14.5%
Total leasing activity (sq m)	221,600	76,500	145,100
Net absorption (sq m)	51,100	21,400	29,700
New completions (sq m)	12,000	0	12,000
Space under construction (sq m)	98,900	7,200	91,700
Average net effective rents** (EUR/sqm/month)	3.00-4.00	3.25	3.00-4.00
Prime industrial yield	8.75%		

Source: CB Richard Ellis, 2010

* In Q1 2010, reclassification of parks and changes in stock were made.

** for unit 2,000 – 5,000 sq m

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SUBMARKET 1 – GREATER PRAGUE

In Q2 2010, TLA in the Greater Prague Area was in line with the previous quarter and reached 76,500 sq m. Renegotiations made up 39% of total leasing activity.

Demand in Prague was mainly driven by warehousing and logistics requirements.

Q2 2010 overall Prague TLA was only 7% lower compared to the 3Y quarterly average of 82,500 sq m.

Twelve new lease agreements of an average size of 4,400 sq m were recorded in the Greater Prague Area.

There was 249,600 sq m immediately available in the Greater Prague Area in Q2 2010. The vacancy rate decreased by 1.2% q-o-q and currently stands at 16.8%.

At the end of Q2 2010, two halls of 7,200 sq m in total were under construction.

SUBMARKET 2 – PAN CZECH REPUBLIC

In Q2 2010, the activity within regional markets was very strong; double the space was leased regionally in comparison with what was leased in the Greater Prague area. TLA reached 145,100 sq m representing an increase by 75% q-o-q.

Pan Czech Republic demand was driven by the manufacturing sector which took advantage of favourable labour market conditions as well as low rents on existing premises.

Q2 2010 regional TLA doubled the 3Y quarterly average TLA of 71,790 sq m.

Regional markets were active across the whole country in this period; Plzen region took the highest share on overall regional TLA (54%) once again.

All regional deals were new leases (either on existing or planned space).

Seventeen deals of an average size of 8,500 sq m were signed in the Pan Czech Republic in Q2 2010.

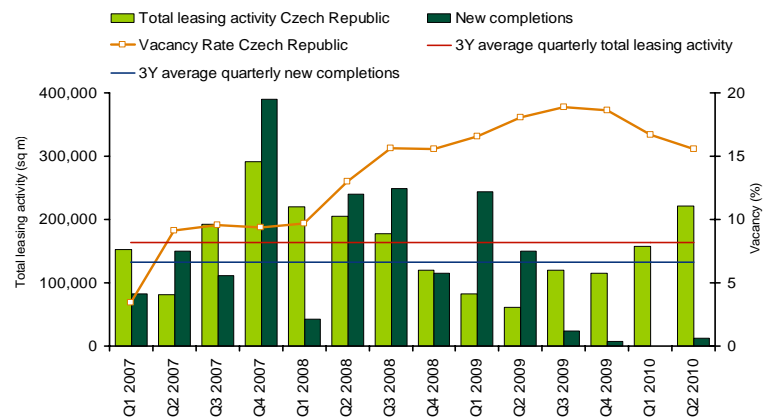
As net absorption reached almost 30,000 sq m, the vacancy rate decreased for the fourth consecutive quarter and at the end of Q2 2010 stood at 14.5% (a drop by 1% q-o-q).

At the end of Q2 2010, 91,700 sq m in five halls was under construction of which more than 80% was already pre-leased.

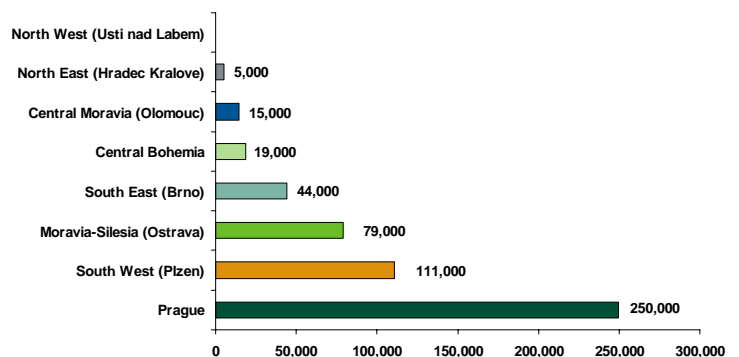
Selected industrial transactions in Q2 2010

Tenant name	Sq m	Project name	Region	Type of lease
Lear	19,200	Panattoni D5 Logistic Park	South West	Expansion
Sony DADC	18,000	ProLogis Park Stenovice	North East	New lease
Pressol	11,300	CTPark Bor	South West	New lease
Vamar	8,300	Airport Logistics Park	Greater Prague	New Lease
PAL	5,300	PointPark Prague D8	Greater Prague	New lease

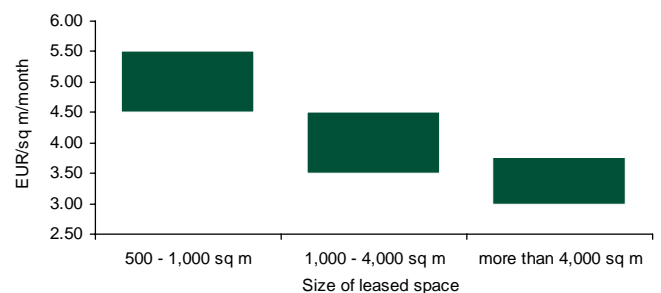
Czech Republic Industrial market development



Immediately available space by location



Rental levels** in the Czech Republic

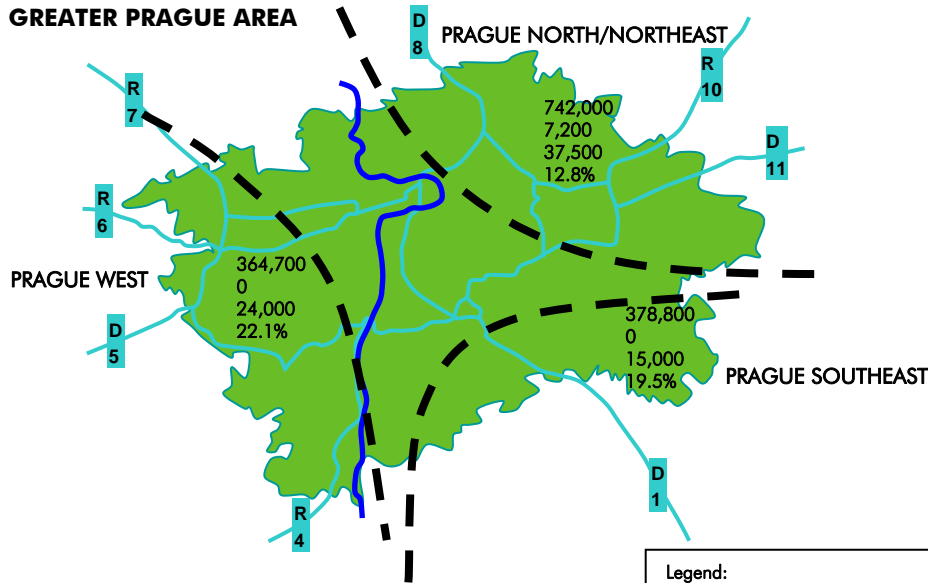


** average net effective rents

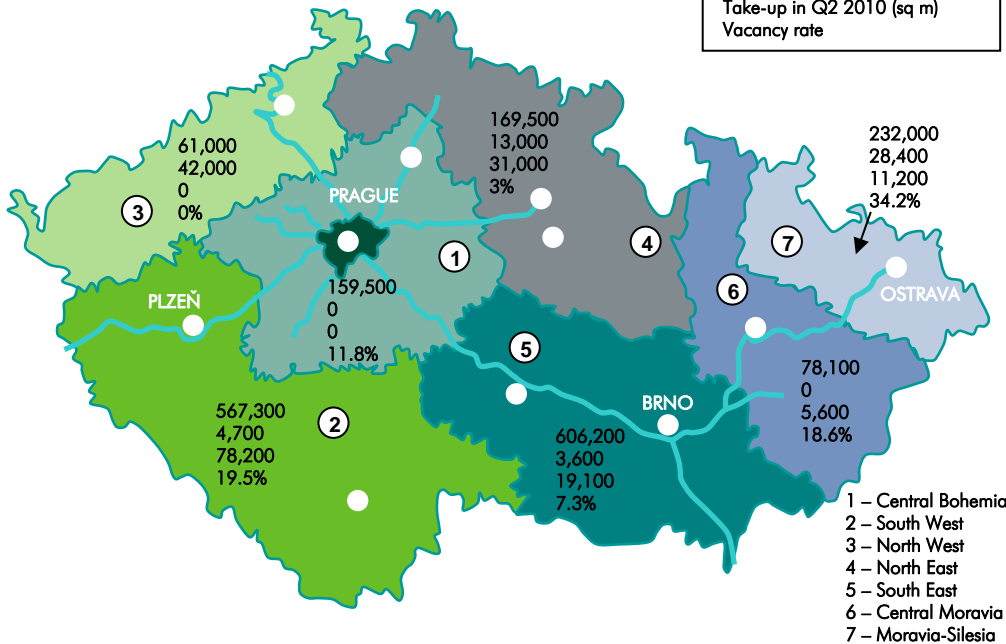
Warehouse & Logistics Space in Greater Prague and Czech Republic in Q2 2010

For More information regarding the MarketView, please contact:

THE GREATER PRAGUE AREA



THE CZECH REPUBLIC



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Definitions

STOCK – warehousing space in modern, Class-A, developer-led schemes

VACANCY RATE – a ratio of vacant warehouse space to total stock

TOTAL LEASING ACTIVITY (TLA) – net warehouse space that has been leased in a given period (does not include temporary deals, which are less than 1 year); defining moment is the signature of legally binding document such as future agreement/lease agreement

NET TAKE-UP – net warehouse space that has been leased in a given period, includes leases, future lease agreements and sub-leases; renegotiations are not included

UNDER CONSTRUCTION – developer-led warehouse space currently being built

NET ABSORPTION – the change in occupied stock within a market during the survey period; the main factors that cause the net absorption and take-up to be different are lease extensions, pre-leases signed in previous survey period, tenants moving between existing premises or tenants leaving the industrial market.

NET EFFECTIVE RENTS - Net effective rent is the rent calculated based on all incentives offered in the contract (such as rent-free periods, cash incentives or fit-out contribution). It represents the sum that a tenant is really paying for a sq m of leased warehouse space with all incentives taken into account.

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