CB RICHARD ELLIS

MarketView

M² – Big Box CR

Q3 2011

Quick Stats

Change from Q2 2011

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

TLA - total leasing activity

Q3 2011 Hot Topics

- The vacancy rate decreased for the seventh consecutive quarter.
- Some regions are facing a lack of available space.
- Renegotiations are still remain strong, contributing 50% of TLA.
- 104,700 sq m of completely preleased space delivered to the market.

Q3 2011 - the expert's point of view

Filip Kozak, Head of Industrial Agency Czech Republic: "In Q3, the Czech industrial market saw the vacancy rate decrease further; some regions are facing an alarming lack of available space. However, speculative construction is still very limited. Clients' confidence in the market continues; we monitor a stable demand for warehouse space and some companies are even considering expansion."

CBRE

The first three quarters in 2011 were notable for the rapidly decreasing vacant space in modern warehouse stock, high share of renegotiations in total leasing activity (TLA) and a huge amount of space under construction, however it remains that commonly construction will not start without a pre lease in place.

Q3 2011 TLA was the weakest since Q4 2009 and reached 109,700 sq m; a decrease of 61% q-o-q and 49% y-o-y. Although the share of renegotiations in overall TLA dropped by 12 p.p. q-o-q, renegotiations still accounted for 50% of TLA.

Despite the weaker TLA, net absorption was very strong and exceeded 165,000 sq m. Net absorption was driven mainly by completely preleased new space delivered to the market and by new leases in existing space.

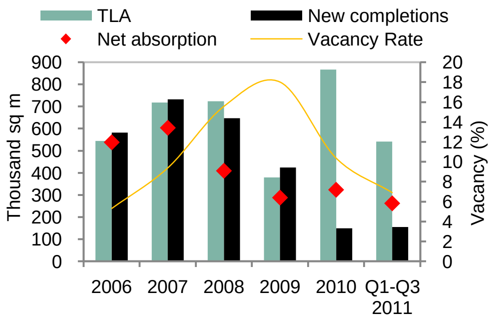
As a result of the strong net absorption, the vacancy rate further decreased to 6.9%, representing a drop of 1.7 p.p. q-o-q and 4.8 p.p. y-o-y. As of Q3 2011, 258,800 sq m of modern warehouse space was immediately available across the Czech republic, however only five halls with vacancy above 10,000 sq m were monitored.

Five new halls were completed in Q3 2011 with a total area of ca. 104,700 sq m; 100% of the space was preleased.

Eight new halls in a total of 40,300 sq m started construction in Q3 2011. Three of them are being built on speculative basis. Due to the huge amount of space completed in Q3 2011, the amount of space under construction as of Q3 2011 decreased by ca. 50,000 sq m q-o-q. There is currently 198,000 sq m in 23 halls under construction; ca. 25% is still available for prelease.

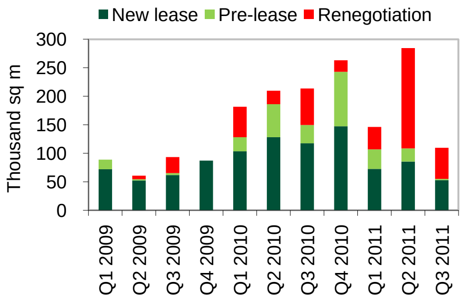
Generally, net effective rents across the Czech Republic remained stable. However in some regions with low vacancy, rents rose slightly.

Czech Republic Industrial market development



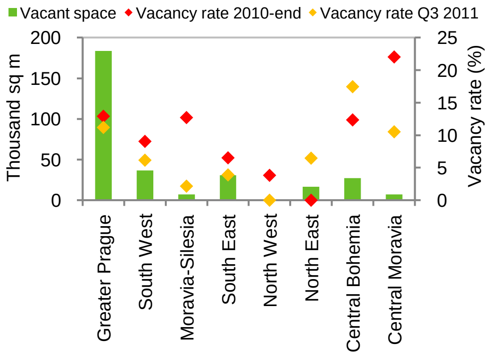
Source: CB Richard Ellis, IRF

Changing structure of TLA



Source: CB Richard Ellis, IRF

Czech Regions Performance



Source: CB Richard Ellis, IRF

Q3 2011 Indicators

	TOTAL	GREATER PRAGUE	PAN CZECH REPUBLIC
Stock (sq m)	3,757,200	1,580,800	2,176,400
Existing vacant space (sq m)	258,800	158,100	100,700
Vacancy rate	6.9%	10%	4.6%
Total leasing activity (sq m)	109,700	54,100	55,600
Net absorption (sq m)	165,700	20,900	144,800
New completions (sq m)	104,700	10,000	94,700
Space under construction (sq m)	198,800	61,600	137,200
Average net effective rents* (EUR/sq m/month)	3.50-4.50	3.50-4.00	3.50-4.50
Prime industrial yield	8.25%		

Source: CB Richard Ellis, 2011

* for unit 2,000 – 5,000 sq m

THE GREATER PRAGUE AREA

In Q3 2011, TLA in the Greater Prague market reached 54,000 sq m, representing a decrease of 72% q-o-q and 50% y-o-y. TLA was again dominated by renegotiations which accounted for 62% of TLA.

Only eight new lease agreements were signed with an average size of 2,600 sq m, a drop of 900 sq m compared to the previous quarter.

Despite weak TLA, net absorption reached almost 21,000 sq m. Low new supply contributed to the vacancy rate decreasing for the sixth consecutive quarter to 10%. However the differences between individual Prague submarkets increased.

At the end of Q3 2011, 61,600 sq m in seven halls was under construction. Ca. 60% of this space was already pre-leased.

THE PAN CZECH REPUBLIC MARKET

In Q3 2011, 55,600 sq m was leased in the regions, representing a slight increase of 4% q-o-q. But contrary to Greater Prague, new leases still dominate the regional TLA, comprising 62% of Q3 2011 TLA.

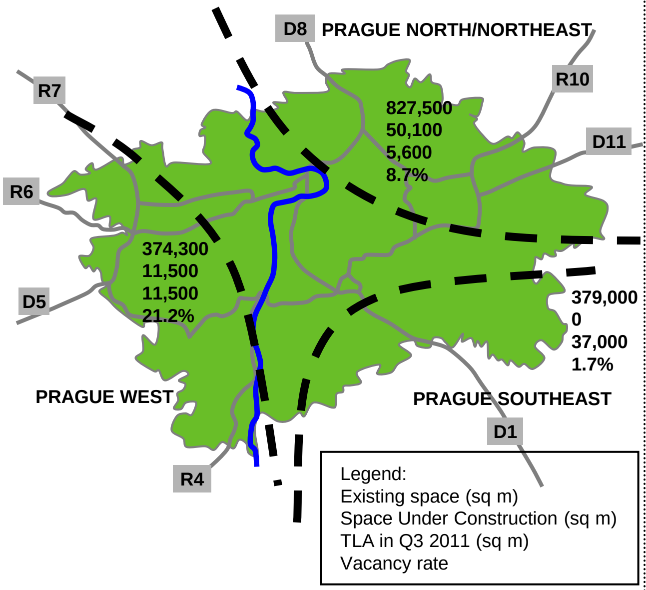
Nine new lease agreement were signed with an average size of 3,800 sq m, a drop of 3,900 sq m q-o-q.

The Southeast and Moravia-Silesia regions together accounted for 62% of overall regional TLA. As a result, the vacancy rate significantly decreased in these regions. As of Q3 2011, the vacancy rate in Moravia-Silesia dropped below 1%.

In Q3 2011, the vacancy rate further decreased to 4.2 % (a drop of 3 p.p. q-o-q). Only eight halls with immediately available space above 5,000 sq m were monitored in regions as of Q3 2011.

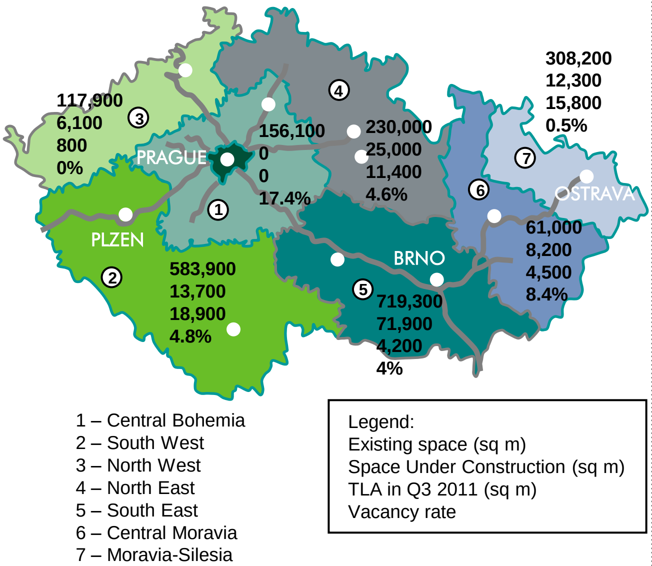
At the end of Q3 2011, 137,200 sq m in sixteen halls was under construction with ca. 80% of space preleased.

Greater Prague market data



Source: CBRE, IRF

The Pan Czech Republic market data



Source: CBRE, IRF

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Notable leasing transactions in Q3 2011

Tenant name	Sq m	Project name	Region	Type of lease
Knorr Bremse	11,400	VGPark Liberec	Northeast	lease
Vamar	8,500	Airport Logistic Park	Greater Prague	renegotiation
MOL Logistics	7,400	CTP Park Plzen	Southwest	renegotiation
Gefco	6,800	Jazlovice Logistics Centre	Prague	lease

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 singed 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.