M² – Big Box CR

2011 Quick Stats

	Change from year-end 2010	Change from year-end 2009
New Supply	↑	↓
TLA*	↓	↑
Vacancy Rate	↓	↓
Prime Rents	↗	↗

* Total leasing activity

Q4 2011 Quick Stats

	Change from Q3 11	Change from Q4 10
New Supply	↓	↓
TLA *	↑	↓
Vacancy Rate	↓	↓
Prime Rents	→	↗

* Total leasing activity

Hot Topics 2011

- TLA the second strongest in the history.
- However, renegotiations made up 45% of TLA.
- Increased amount of space leased in expansions.
- Net absorption exceeded 400,000 sq m.
- Vacancy rate down by 3.6% compared to 2010 year-end.
- 19 new halls delivered to the market.

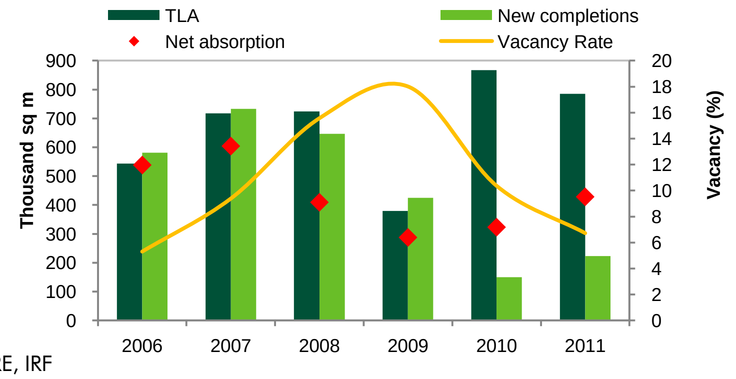
Hot Topics Q4 2011

- More than 176,500 sq m leased.
- Renegotiations accounted only for 18% of TLA
- Vacancy rate slightly decreased.
- Eight new halls completed.
- 130,000 sq m under construction.

VACANCY RATE FURTHER SIGNIFICANTLY DECREASED THROUGHOUT 2011

Year 2011 was notable for a significant decrease in total vacant space, a high share of renegotiations on total leasing activity (TLA) and revived construction activity. Almost 784,800 sq m was leased in 2011, representing a decrease of 10% y-o-y. But still, TLA was the second strongest in the history and stood significantly above the 5Y TLA average of 654,100 sq m. The importance of renegotiations significantly increased in 2011 as renegotiations made up 45% of TLA. Almost 351,000 sq m was renegotiated in 2011, representing the highest amount of space renegotiated in one year since our historical records began. Besides renegotiations, we have recorded an increased amount of space leased in expansions; approximately 101,000 sq m was leased in expansions in 2011 representing a 13% share of TLA.

Czech Industrial Market Trend



Source: CBRE, IRF

The market absorbed more than 400,000 in 2011. Net absorption thus exceeded the level of new supply for the second year in a row and therefore the vacancy rate decreased from 10.3% at 2010 year-end to 6.7% as of the end of 2011. Seven out of thirteen Czech NUTS 2 regions experienced no existing space as of the 2011 end.

Construction activity increased in 2011. 222,900 sq m in 19 halls was delivered to the market, representing a y-o-y increase of 23%. Moreover, almost 130,000 sq m was under construction scheduled for completion in 2012.

Speculative construction is still very limited. Only 11% out of 2011 new supply was completed on speculative basis. Of 130,000 sq m under construction, 70% is already preleased.

Generally, net effective rents across the Czech Republic remained stable through 2011. However in some regions with low vacancy, we monitored a slight growth of rents.

Five largest 2011 new leases

Tenant	GLA (sq m)	Industrial Park
Kompan	24,500	CTPark Brno
Loxess Bor	16,700	CTPark Bor
PST CLC	16,300	CTPark Pohorelice
AT Computers	13,600	ProLogis Park Ostrava
Schenker	13,500	CTPark Bor

Source: CBRE, IRF

Five largest 2011 new completions

Industrial Park/ Hall	GLA (sq m)
CTPark Brno Phase II/ D3	36,600
CTPark Brno Phase II/ E1	33,200
CTPark Pohorelice/ PO6	19,100
CTPark Brno Phase II/ D4	18,400
VGP Park Nyrany/ A2	13,000

Source: CBRE, IRF

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Q4 2011 = THE STRONGEST QUARTER IN TERMS OF TLA IN 2011

More than 176,500 sq m was leased in Q4 2011, representing a 15% increase q-o-q. TLA also stood 8% above the 5Y quarterly TLA average of 163,700 sq m.

The structure of Q4 TLA was as follows: new leases accounted for 39%, expansions made up 22%, renegotiations accounted for 18% and preleases for 20%.

Net absorption in Q4 2011 was almost in line with new supply and therefore the vacancy rate decreased only marginally on a q-o-q basis.

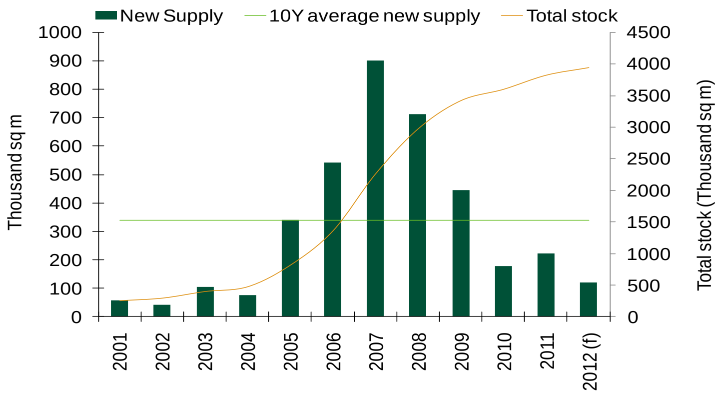
As of Q4 2011, 256,700 sq m of modern warehouse space was immediately available across the Czech Republic. The vacancy rate decreased for the eighth consecutive quarter and as of Q4 2011 stood at 6.7% (a drop of 0.2 p.p. q-o-q).

There were seventeen halls with more than 5,000 sq m immediately available space as of Q4 2011, nine were located in the Greater Prague area. As of 2010 year end, there were twenty five halls with such vacancy across the country.

Eight new halls were completed in Q4 2011. Of 73,000 sq m newly delivered space to the market, 91% was leased at the end of the period. The majority (65%) of newly completed space was located in the Southeast region.

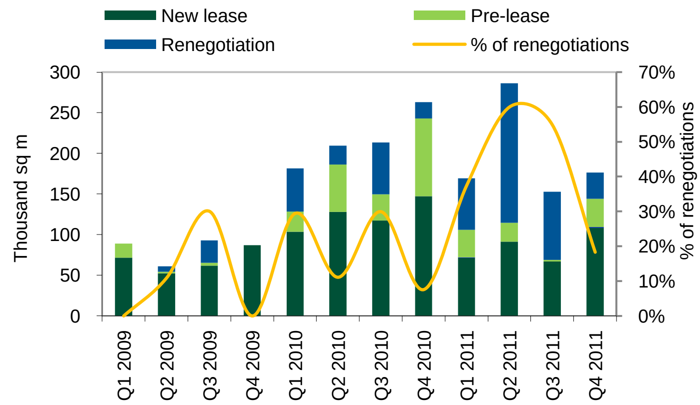
No new halls started construction in Q4 2011. Fourteen halls with an average size of 9,200 sq m were under construction at the end of period. 37% of the space under construction was located in the Greater Prague area.

Growth of Czech Industrial Stock



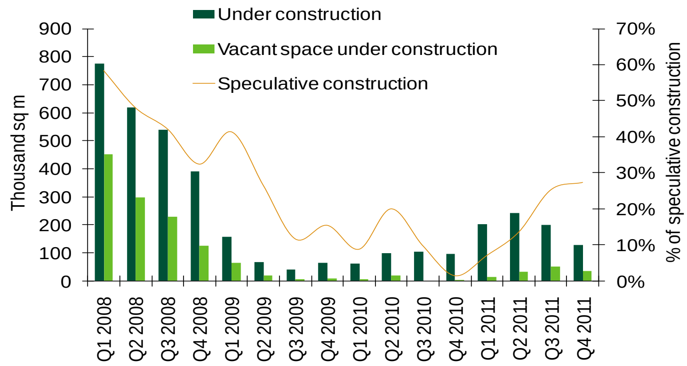
Source: CBRE, IRF

Changing Structure of TLA



Source: CBRE, IRF

Speculative space under construction



Source: CBRE, IRF

Q4 2011 Figures

	Total	Greater Prague	Pan Czech Republic
Total stock (sq m)	3,819,131	1,594,500	2,224,600
Existing vacant space (sq m)	256,700	154,000	102,700
Vacancy rate (%)	6.7%	9.7%	4.6%
New supply (sq m)	73,000	11,500	61,500
Total leasing activity (sq m)	176,500	46,000	130,500
Net absorption (sq m)	64,000	17,900	46,100
Space under construction (sq m)	128,900	47,200	81,700
Average net effective rents* (EUR/ sq m/ month)	3.50-4.50	3.50-4.00	3.50-4.50
Prime industrial yield	8.00%		

Source: CBRE, IRF
* For unit 2,000-5,000 sq m

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DEVELOPMENT IN THE GREATER PRAGUE AREA

In 2011, 359,200 sq m was leased in the Greater Prague market area, representing a y-o-y increase of 7%. TLA was significantly dominated by renegotiations which accounted for 70% of TLA (in 2010, renegotiations made up 46% of TLA). Q4 was the weakest quarter in terms of TLA – only 46,000 was leased (a decrease of 33% q-o-q and 41% y-o-y).

Forty four new lease agreements were signed in 2011 with an average size of 2,400 sq m. Five deals exceeded 5,000 sq m. In Q4, fourteen new leases were signed with an average size of 2,100 sq m.

The market absorbed more than 130,000 sq m in 2011 and this in combination with low supply of 23,500 sq m led to a y-o-y decrease in the vacancy rate. The vacancy rate, 12.9% at 2010 year end, dropped to 9.7% at 2011 year end (a decrease for the seventh consecutive quarter). However the differences between individual Prague submarkets increased.

At the end of Q4 2011, 47,200 sq m in five halls was under construction. Ca. 70% of this space was already pre-leased.

DEVELOPMENT IN THE PAN CZECH REPUBLIC MARKET

In 2011, 425,600 sq m was leased in the regions, representing a decrease of 21% y-o-y. But still, it was the second highest amount of space leased in the regions since our records began. But contrary to the Greater Prague, new leases, expansions and preleases still dominate regional TLA, comprising 77% of TLA in 2011. Q4 represented the strongest quarter in terms of TLA in 2011 – almost 130,500 was leased (an increase of 79% q-o-q).

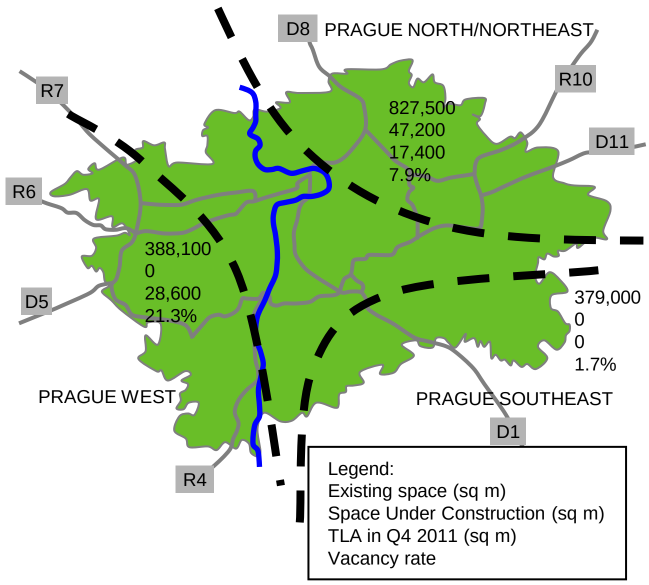
Fifty nine new lease agreements were signed with an average size of 5,500 sq m in 2011. Eleven transactions exceeded 10,000 sq m. Of the fifty nine deals in 2011, twenty one of them were leased in Q4.

The Southwest, Southeast and Moravia-Silesia regions together accounted for 79% of overall regional TLA in 2011. As a result, the vacancy rate significantly decreased in these regions on a y-o-y basis.

In Q4 2011, the vacancy rate remained stable at 4.6 % on a q-o-q basis (a drop of 4 p.p. y-o-y). As of 2011 year end, there were only eight halls with immediately available space above 5,000 sq m across the regions.

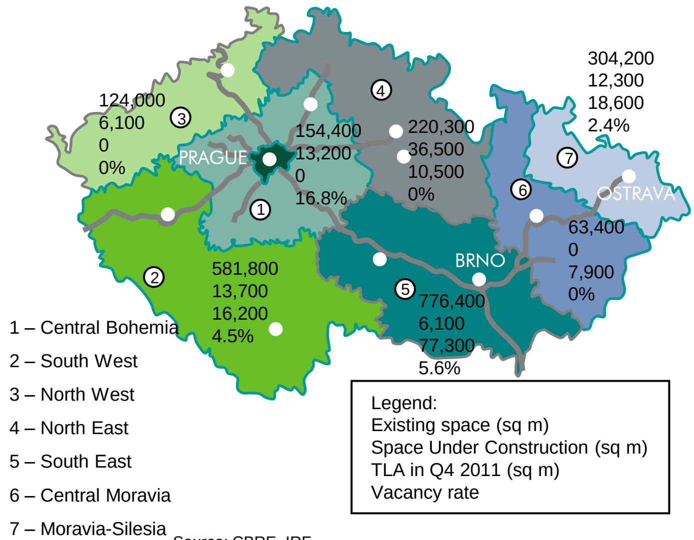
At the end of Q4 2011, 81,700 sq m in five halls was under construction with ca. 75% of space preleased.

Greater Prague Q4 2011 market data



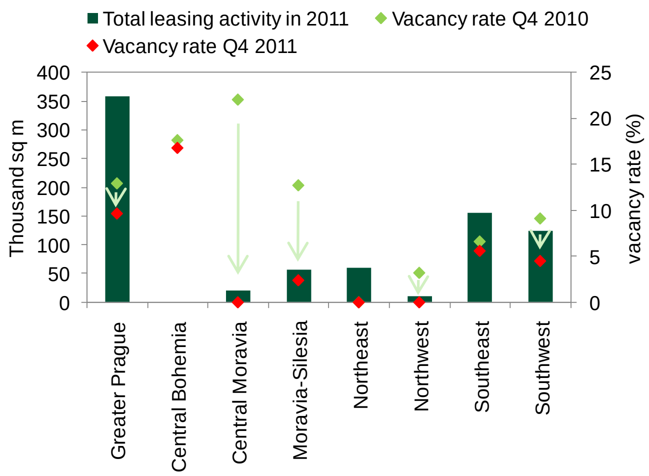
Source: CBRE, IRF

The Pan Czech Republic Q4 2011 market data



Source: CBRE, IRF

2011 Regions' Performance



Source: CBRE, IRF

2011 SHORT ECONOMIC OVERVIEW

In 2011, Standard & Poor's upgraded the Czech Republic's credit rating by two levels from A to AA-reflecting the country's "prudently managed and balanced economy". This is in stark contrast to the wider trend of credit ratings being downgraded for many major global economies.

	Moody's	S&P	Fitch-IBC
Long-term Foreign Currency Credit Rating	A1	AA-	A+

GDP y-o-y growth corresponds with development in the Eurozone. With the exception of two quarters in 2009, since 2004 Czech GDP has grown faster y-o-y when compared to the Eurozone as a whole and this trend is expected to continue in the next three years. In 2011 as a whole Czech GDP is predicted to grow by 1.8% y-o-y and be above the Eurozone GDP growth of 1.6%. Moreover, according to Oxford Economics the Czech Republic is forecasted to outperform the Eurozone as well as many other Western European countries in the next three years. After a slowdown in GPD growth in 2012, the Czech economy is predicted to grow by 1.6% y-o-y in 2013 and 2.7% y-o-y in 2014.

In December 2011, consumer prices increased by 0.4% month-on-month. This growth was primary driven by a price rise in food and non-alcoholic baverages which was the highest in 2011 (with the exception of May). The average inflation rate reached 1.9% in 2011 and stood below the CPI level in the Eurozone which exceeded 2.6%.

The Czech Republic has the lowest unemployment rate within Central European countries and has remained one of the lowest levels of unemployment within the EU-27 countries. The unemployment rate in the Czech Republic is expected to stay at 8.6% at the end of the year 2011, whereas unemployment rate in the Eurozone should exceed 10%. Moreover, further decreases in unemployment are expected.

Key Economic Indicators

	2008	2009	2010	2011f	2012f
GDP growth (% real change pa)	2.3	-4.0	2.2	1.8	0.1
Unemployment rate (avg. in %)	5.4	8.1	9	8.6	8.7
Inflation (CPI), y-o-y avg. (%)	3.6	1.0	2.3	1.9	2.6
Consumption, private (real y/y, change, %)	3.5	-0.1	0.1	-0.8	-0.6
Average wages (nominal y/y change, %)	7.8	3.3	2	2.6	3.1
Interest rate, short term (3 month, %)	4	2.2	1.3	1.2	1.2
EUR/CZK exchange rate	25	26.5	25.3	24.6	26.3

Source: Oxford Economics, January 2012

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.

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