MarketView Czech Retail

H1 2010

Retail market Quick Stats
compared to H2 2009

	Greater Prague	Pan Czech Republic
New Supply	↑	↓
Prime Rents	↑	→
Prime Yields	↓	↓

H1 2010 Hot Topics

- The gap in SC performance further grew.
- 21,000 sq m completed.
- Another 100,000 sq m will be completed by 2010 year end.
- Prime rents slightly down in Prague.

Q2 2010 - the expert's point of view

Tomáš Beránek, Retail Agency Czech Republic: 'The economic situation of the past 18 months has resulted in substantial slowdown of retail development. Strong tenants are taking advantage of the current market to secure favourable terms in new leases.'

RETAIL MARKET IN THE CZECH REPUBLIC

Retail development was significantly affected by the global economic downturn and although the latest retail sales statistics are positive, 2010 is expected to be another challenging year for all parties involved in the Czech retail market. The downturn in retail sales resulted in a slowdown of construction activity and increased the gap between strongly performing and underperforming shopping centres (SC). Moreover, some tenants decided to reduce their premises or totally leave the Czech market.

However, strong tenants took advantage of the market situation and some retailers announced expansion plans, e.g. IKEA, Lindex, DM drogerie or Amrest. There were still new entries in H1 2010 (e.g. Hooters, Oilily, Högl), and other international retailers have already declared their intention to enter the Czech market (e.g. Desigual, Decathlon).

2.6 mil. sq m of modern SC space in the CR

As at H1 2010, the SC stock in the Czech Republic stood at 2.6 mil. sq m, out of which 33% was located in Prague. 1.9 mil. sq m was located in almost 90 traditional SCs and 660,000 sq m in nearly 50 retail parks.

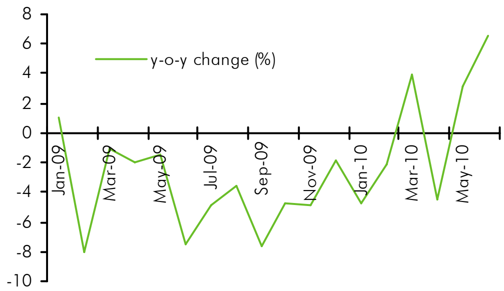
SC's provision rate vary between regions

The saturation of the SC market differs. The most saturated city is Liberec with more than 1,400 sq m of SC per 1,000 inhabitants. By contrast, Ostrava has only ca. 450 sq m. In Prague, there is 720 sq m of SC space per 1,000 inhabitants.

Only 21,000 sq m completed

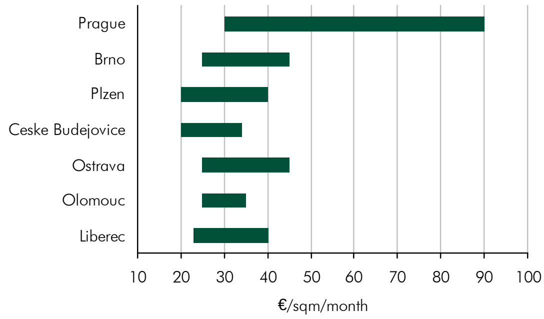
In terms of completions, the Czech SC market was calm in H1 2010. In Prague, the first SC since 2008 was completed; Van Graaf opened its store in June 2010. In the regions, only Retail park Jihlava was added to the market.

Development of retail sales

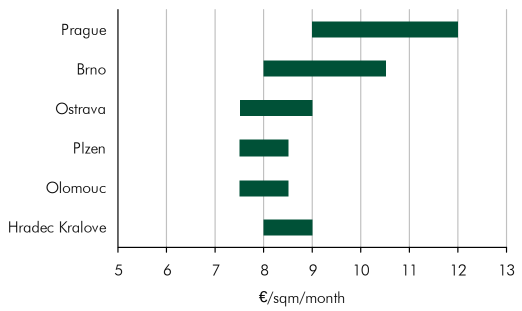


Source: CSO

Prime SC rental range*



Prime Retail parks rental range**



SC figures as at H1 2010 end

	Prague	Outside of Prague
Total stock (sq m)	870,000	1,730,000
Space under construction (sq m)	49,200	109,000
Traditional SC rents* (EUR/sqm/month)	30 - 90	20 - 45
Prime retail parks rents** (EUR/sqm/month)	9 - 12	7.50 -10.50
High street Prime rent* (EUR/sqm/month)	170	70
Prime SC yield	6.85%	7.15%

Source: CB Richard Ellis
Note: *For traditional SCs and high street, prime rents are for units of 100-150 sq m.
** For retail parks, prime rents are for units of 300-500 sq m.

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100,000 sq m projected for H2 2010

Currently 100,000 sq m of SC space is under construction with expected completion in H2 2010. Galerie Harfa in Prague 9 (42,000 sq m) and the extension of Forum Liberec (22,000 sq m) are the biggest forecasted projects.
As for other planned completions, besides the extension of Fashion Arena outlet in Prague (7,200 sq m) and the finalization of SC Chomutovka (10,000 sq m) there are also smaller retail schemes planned for completion in H2 2010 e.g. in Znojmo, Ceska Lipa or Sokolov.

SC Prime rents slightly down in Prague

Retail rents are subject to regional differences and depend on the performance and location of each project. Through H1 2010 Prime Prague traditional SC rents further decreased and at a half-year-end stood at 90 EUR/sq m/month, representing a drop of 10 EUR compared to H2 2009. Rents were stable in regional prime traditional shopping centres; however, the rental gap between strongly performing and underperforming SCs grew. Ostrava was the only city with notable rental growth - prime rents increased to 45 EUR/sq m/month.
Retail parks Prime rents range between 8-12 EUR/sq m/month and highly depend on retail park performance.

PRAGUE HIGH STREET

Despite the downturn in retail sales, high street shops have remained popular and high street locations still perform very well.

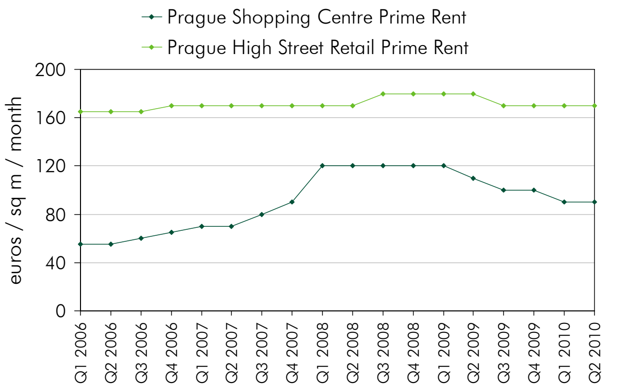
High street prime rents have been stable over the long term and in H1 2010 stood at 170 EUR/sq m/month. The downturn was reflected in the drop in key money paid and in higher turnover of tenants resulting in some new retailers opening stores on high street.

Developers plan to further develop Prague High Street by new premises.

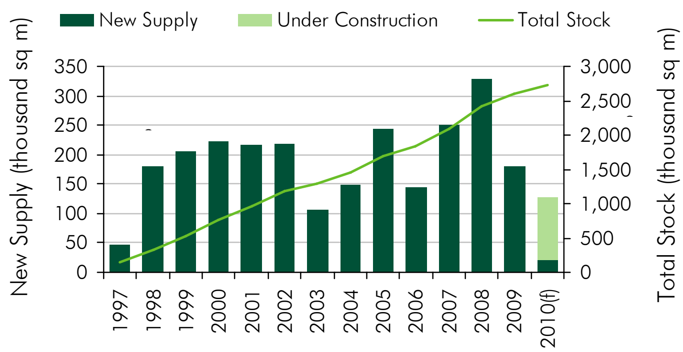
Selected SC completions expected in H2 2010

Project name	Size (sq m)	Developer
Galerie Harfa	42,000	Lighthouse Group
Chomutovka	10,000	Spectrum Stores
Fashion Arena Phase II	7,200	TK Development

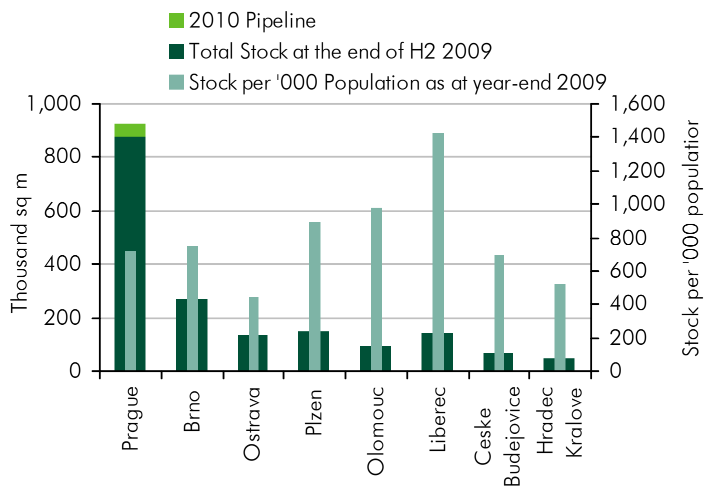
Prime SC and High Street rents development



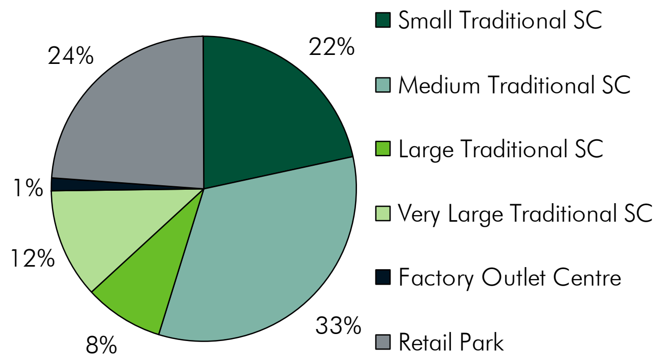
Shopping Center Development in Czech Republic



SC Stock & SC Provision Rates in major cities



SC stock according to type



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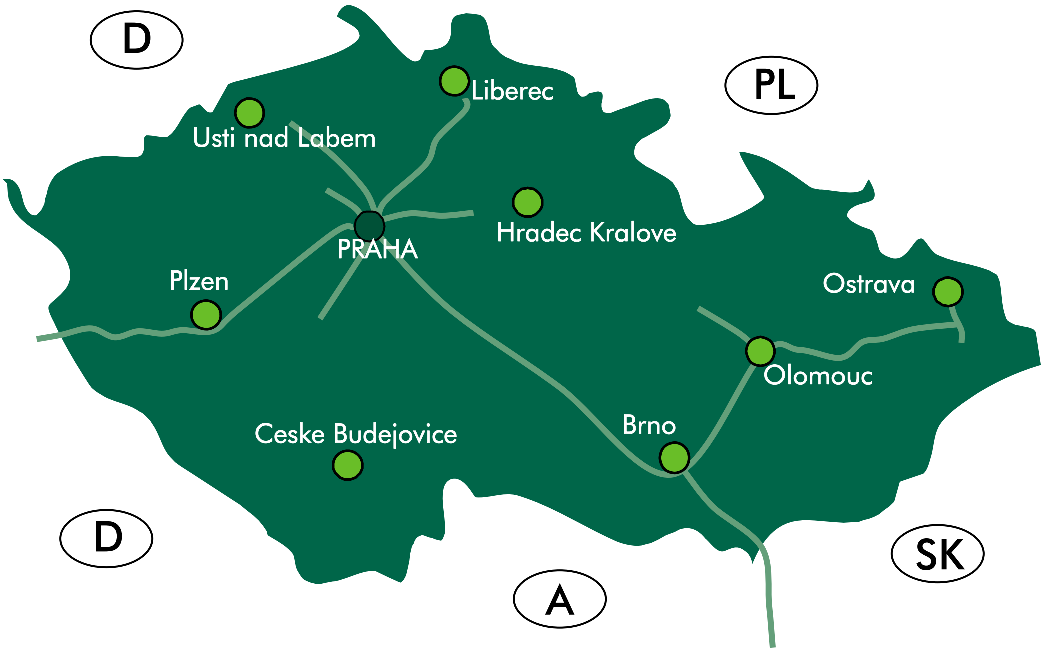

Definitions

SHOPPING CENTRE STOCK – modern shopping centre (SC) space with a Gross Leasable Area of more than 5,000 sq m; based on ICSC definitions
Shopping centre stock is made up from traditional SCs and specialized SCs (incl. Retail parks, Factory outlet centres and Theme-oriented centres)

SC SIZE – Small Traditional SC (5,000 – 19,999 sq m of GLA), Medium Traditional SC (20,000 – 39,999 sq m of GLA), Large Traditional SC (40,000 – 79,999 sq m of GLA), Very Large Traditional SC (GLA of 80,000 sq m and above); based on ICSC definitions

PRIME RENT – typical 'achievable' open market headline rent (can be hypothetical) for a unit of a 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. For traditional SCs and high street, prime rents are for units of 100-150 sq m; for retail parks, prime rents are for units of 300-500 sq m.

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