

Retail market Quick Stats compared to H1 2009

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

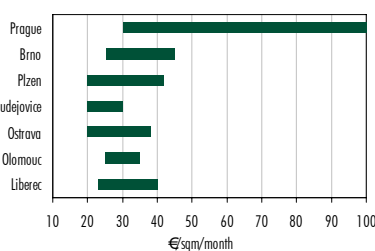
H2 2009 Hot Topics

- More than 75,000 sq m of modern SC space completed.
- New completions only in regional cities, no new SC in Prague.
- First modern SC was closed in the summer in Prague.

2009 Hot Topics

- 181,000 sq m of modern SC space completed.
- The gap in SC performance grew.
- Demand for retail space in better performing SCs stayed solid. On the other hand poorly planned SCs struggled with growing vacancy.
- Despite the economic downturn, several new brands entered Czech market.

Traditional SC Rental Range (for units ca 100 sq m)



RETAIL MARKET IN THE CZECH REPUBLIC

In 2009, the Czech retail market was affected by the continuing economic downturn. Although most retailers postponed their expansion plans, new entries to the Czech Republic were recorded, e.g. Avex Baumarkt and KappAhl opened their first stores in the Czech Republic. On the other hand, the Czech market experienced the closure of a modern shopping centre (SC) for the first time in summer 2009; Prague's Shopping Centre Stodulky was closed and will be replaced by a single unit of the furniture chain Mobilix.

The downturn in retail sales deepened the divide in SC performance. Whereas demand for retail space in better performing shopping centres was stable, poorly located shopping centres struggled with higher vacancy rates.

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

As at year end 2009, the SC stock in the Czech Republic was 2.6 mil. sq m, out of which 858,000 sq m was located in Prague. There are nearly 140 shopping centres (traditional, retail parks and outlets) across the whole Czech Republic.

• The typical Czech SC has 22,000 sq m

The average size of a traditional SC was almost 22,000 sq m at year-end 2009, while the average size of retail parks was around 14,000 sq m.

• New SCs only in regional cities

In the second half of 2009 - and for 2009 as a whole - new SCs were completed only in regional cities. The Prague retail market saw only the completed transformation of the Tesco store on Narodni trida into the department store My, which brought several new brands to the Czech market.

• Only 60,000 sq m to be completed in 2010?

Currently, only ca. 60,000 sq m of traditional SC is under construction. Galerie Harfa in Prague 8 is the biggest project forecast for completion in 2010.

Retail park developers reacted quickly to the economic downturn and postponed most planned construction. However, as the construction of a retail park can take only 6 months, new retail parks are still expected to come to the market in 2010.

• Prime rents slightly down in Prague

Retail rents are subject to regional differences and depend on the performance and location of each project. Prime rents in Prague traditional SCs decreased slightly in H2 2009 and at year-end stood at 100 EUR/sq m/month. Rents were stable in regional prime traditional shopping centres; however, secondary and more poorly located SCs saw slight decreases in rents and temporary rent abatements or incentives.

The story is slightly different in retail parks, in which a drop in rental levels was recorded, as some tenants left their premises in retail park schemes.

SC figures as at year-end 2009

	Prague	Outside of Prague
Total stock (sq m)	858,000	1,742,000
Space under construction (sq m)	50,000	10,000
Traditional SC Rents (EUR/sqm/month)	30 - 100	20 - 45
Prime retail parks rents (EUR/sqm/month)	10-12	8-10
High street Prime rent (EUR/sqm/month)	170	-
Prime SC yield	7.00%	

HIGH STREET

Whilst traditional shopping centres and retail parks make up the bulk of Czech retail space, high street shops remain popular. However, prime high street locations in the Czech Republic (mainly Prague) are limited to a few streets and there were almost no units available in the past. New tenants were willing to pay prime rent and key money. Due to the current economic climate, some tenants are willing to hand over their units, resulting in a decrease of key money. Landlords are still maintaining rental levels, though.

High street prime rents have been stable over the long term and in 2009 stood at 170 EUR/sq m/month.

OUTLOOK

- We expect 2010 to be as challenging as 2009 for all parties involved in the Czech retail market.
- As we expect only 60,000 sq m of traditional SC to be delivered to the market in 2010, developers will be focused more on their current premises.
- We believe the SC construction boom is over as almost every regional city of over 50,000 inhabitants has its own shopping centre.
- Due to the fact that 2010 is expected to be another challenging year, the gap in SC performance will likely grow.
- After the falls to prime SC rents earlier in 2009, it seems that the SC rents in strong performing SCs have stabilized for the moment. However (depending on the evolution of consumer spending), in the near future, rents could come under pressure again. At this time we do not expect rental growth in 2010.
- Despite the limited number of new SCs, a number of retailers have already announced their expansion plans for the upcoming year. DM Drogeriemarkt, Tesco Express, Kik, Takko, Euronics, Sportissimo and Kika are examples of retailers who are planning to expand in 2010. Decathlon is due to open its first store in Liberec.

• We expect high street retail to still perform very well with no significant changes in prime rents.

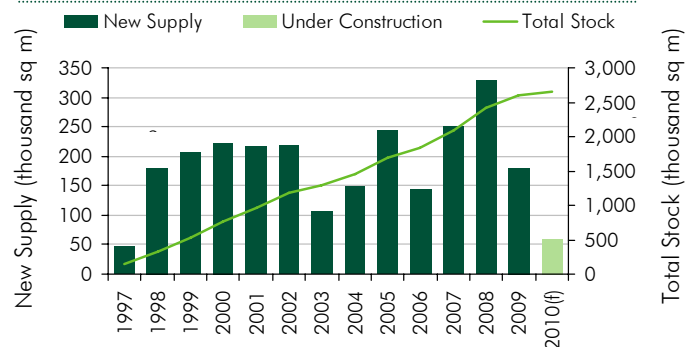
2010 Expected SC Completions

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

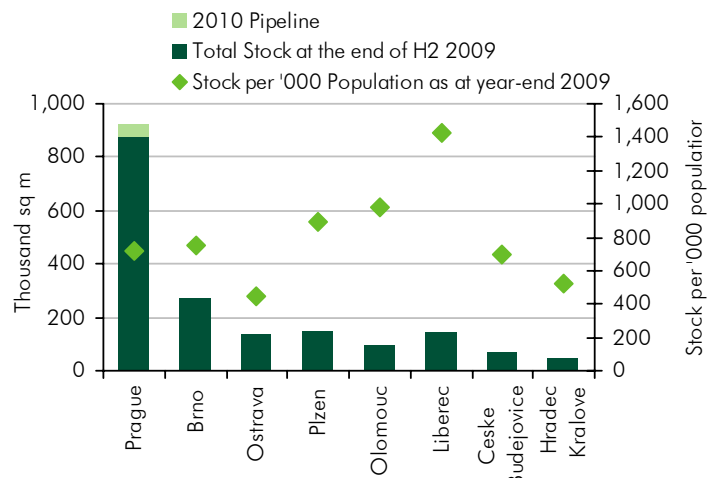
H2 2009 SC Completions

Project	Size (sq m)	Developer
Olympia Brno extension	25,000	The Somerstorn Group
Forum Usti nad Labem	22,100	MULTI Development
Area Bory Phase II (Plzen)	14,900	InterCora
Atrium Hradec Kralove	7,300	Amadeus Real
Retail Park Kladno	6,000	JS Immo

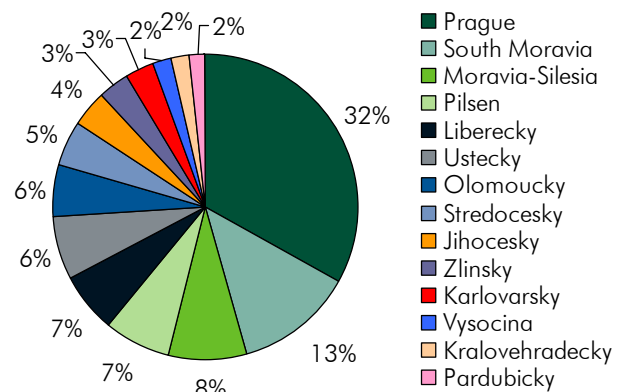
Shopping Center Development in Czech Republic



SC Stock & SC Provision Rates in major cities



Regional distribution of SC space



ECONOMIC OVERVIEW

GDP

The performance of the Czech economy in 2009 generally corresponded with the economic situation in Europe (EU-27). Like Europe as a whole, the Czech economy experienced its sharpest decline in Q1 2009 with a drop of -4.8% y-o-y and -4.4% q-o-q (-4.8% y-o-y, -2.4% q-o-q in EU-27). While Czech y-o-y economic growth was -5.5% in Q2 2009 (-4.9% in EU-27) and -4.1% in Q3 2009 (-4.3% in EU-27), the Czech economy actually grew in both Q2 2009 (+0.2% q-o-q) and Q3 2009 (+0.8% q-o-q). The downturn has been caused mainly by external factors. The fall in foreign demand hit Czech industry strongly. Industrial production contracted as industrial orders fell, construction activity decreased considerably and retail trade declined due to weak domestic demand, which was caused by the weaker labour market. On the other hand, the Czech koruna (CZK) slowly recovered from significant depreciation at the beginning of 2009 and inflationary pressures remained minimal due to low demand and low commodity prices. Although the Czech economy has already started to show signs of recovery, the level of growth in 2010 and beyond are uncertain and depend mainly on the sustainable recovery of foreign demand.

Labour Market

The Czech labour market deteriorated throughout 2009 and the registered unemployment rate as measured by the International Labour Organisation (ILO) reached 7.4% in Q3 2009. The labour market will probably continue to weaken in 2010, although at a slower pace than in 2009. Despite the substantial growth in the unemployment rate, the Czech Republic's unemployment rate remained among the lowest in the EU-27.

Inflation

Inflation at the end of October dropped by 0.2% y-o-y and reached its lowest point since 2003. The forecast average inflation rate in 2009 is 0.8% y-o-y and is expected to remain at a low level also in 2010.

Retail sales

In 2009, retail sales behaved in line with EU27 trends and in November were down by 2.9% m-o-m, while in EU27 0.8% m-o-m. In 2009 as a whole, the Czech Republic performed well compared to most CEE countries and through 2009 retail sales stayed relatively flat with the biggest m-o-m drop by 3.1% in May.

Interest Rates

The Czech National Bank (CNB) cut its interest rates in December 2009 for the fourth time in the last 12 months. The 2W Repo rate currently stands at its historical minimum of 1%. With this rate decrease, the CNB brought the 2W Repo Rate into line with the ECB main rate, which has remained at 1% for the last few months.

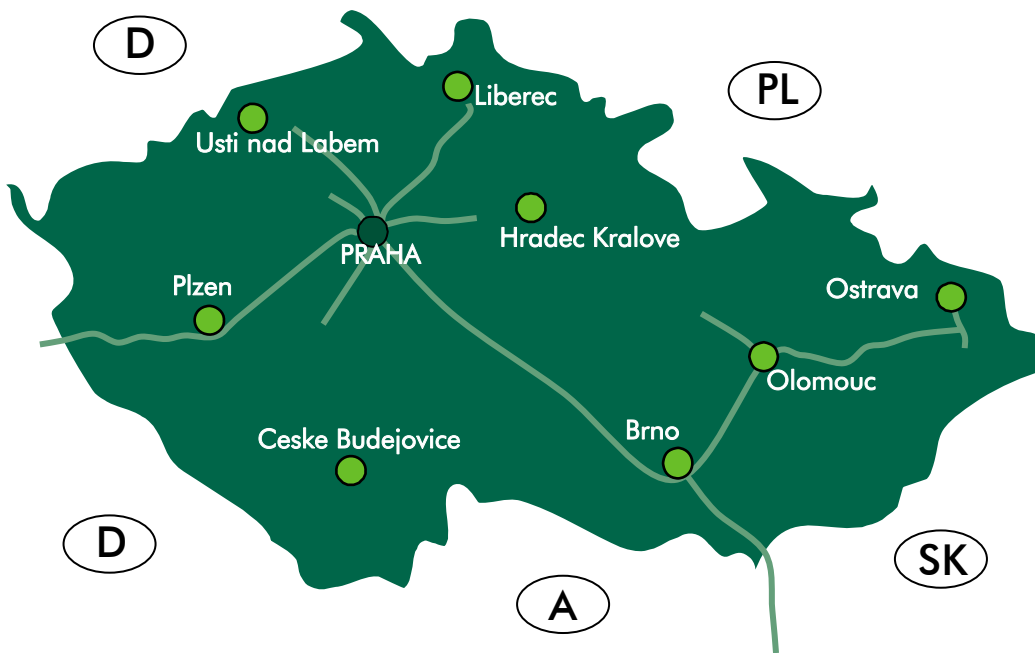
Budget Deficit

The Czech economy is now encountering a problem of high budget deficit, which is estimated to have reached 6.6-6.9% of GDP (CZK 192,4 billion) for 2009, in comparison with a planned deficit of 1.5% of GDP (CZK 38,1 billion). However, the situation is similar in other European countries.

Key Economic Indicators

	2006	2007	2008	2009*	2010*
GDP growth (% real change pa)	6.1	6.1	2.7	-4.2	1.4
Recorded unemployment rate (%)	7.7	6.6	5.5	8.1	9.6
Inflation (CPI), y-o-y avg. (%)	2.5	2.8	6.3	0.8	2.2
Current-account balance/GDP	-3.1	-3.2	-3.1	-1.5	-2.1

*predictions, UniCredit Bank CZ, Czech National Bank.
Sources: Czech Statistical Office, Czech Ministry of Finance, UniCredit Bank, Czech Ministry of Labour and Social Affairs



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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