

CZECH REPUBLIC Retail Market Snapshot

Third Quarter | 2017



MARKET INDICATORS

Market Outlook

- Prime Rents: Prime rents are stable although slight growth is expected in H2 2017. ▼
- Prime Yields: Yields are forecast to remain stable over the whole year. ►
- Supply: New openings are expected to be delivered before the year's end. ▼
- Demand: Continuous high demand for prime retail locations. ►

Prime Retail Rents - September 2017

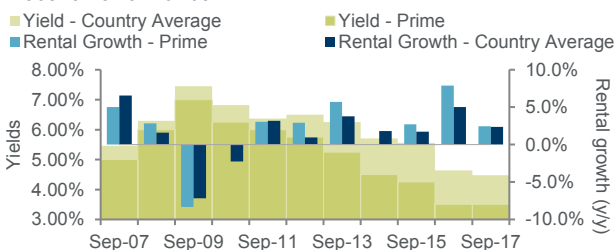
| HIGH STREET SHOPS | € | € | US\$ | GROWTH % | |
|--------------------------------------|-------------|-------------|-------------|----------|-------------|
| | SQ.M MTH | SQ.M YR | SQ.FT YR | 1YR | 5YR CAGR |
| Prague (Na Příkopě) | 210 | 2,520 | 278 | 2.4 | 3.7 |
| Brno (Svobody Sq.) | 70 | 840 | 93 | 0.0 | 0.0 |
| OUT OF TOWN RETAIL (RETAIL PARKS) | € | € | US\$ | GROWTH % | |
| | SQ.M YR | SQ.FT YR | SQ.FT YR | 1YR | 5YR CAGR |
| Prague | 10.50 | 126 | 13.9 | 5.0 | 1.0 |
| Brno | 9.00 | 108 | 11.9 | 5.9 | 1.8 |

Prime Retail Yields - September 2017

| HIGH STREET SHOPS (FIGURES ARE GROSS, %) | CURRENT | LAST | LAST | 10 YEAR | |
|--|---------|------|------|---------|------|
| | Q | Q | Y | HIGH | LOW |
| Prague (Na Příkopě) | 3.50 | 3.50 | 3.50 | 7.00 | 3.50 |
| Brno (Svobody Sq.) | 6.75 | 7.00 | 7.25 | 8.50 | 6.50 |
| OUT OF TOWN RETAIL (RETAIL PARKS) (FIGURES ARE GROSS, %) | CURRENT | LAST | LAST | 10 YEAR | |
| | Q | Q | Y | HIGH | LOW |
| Prague | 6.00 | 6.50 | 6.50 | 8.25 | 6.00 |
| Brno | 6.75 | 7.00 | 7.50 | 9.00 | 6.40 |
| SHOPPING CENTRES (FIGURES ARE GROSS, %) | CURRENT | LAST | LAST | 10 YEAR | |
| | Q | Q | Y | HIGH | LOW |
| Country prime | 4.25 | 4.25 | 4.25 | 6.75 | 4.25 |

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent Performance



Overview

Good performance in the Czech economy together with an increasing minimum wage continues to support positive development of all the indicators in the retail market. The third quarter of 2017 experienced slight growth in prime rents, while prime yields further sharpened. No significant changes are expected until the end of the year.

Occupier focus

With positive sentiment across the market, large shopping centres are again growing and try to attract new tenants. The market consolidates, as the established retailers continue to record turnover growth.

Two major openings are expected in the next quarter including the 35,000 sq.m extension of Centrum Chodov in Prague and the 9,250 sq.m extension of IGY Centrum Ceske Budejovice. Both projects are characterized by enlargement of F&B areas, creating social points and entertainment centres (movie theatres), which corresponds with the current trend.

The impact of the fast-growing e-commerce is two-way: most retailers try to keep up with the trend and improve their e-shops, on the other hand, traditional online sellers are now opening their stores and show rooms in shopping centres and high-streets.

Investment focus

Several large transactions occurred in during Q3 2017: SC Královo Pole and OD Tesco in Brno and Arkáda SC in Prostějov. The number of investment opportunities is very low and investors are now considering smaller projects, redevelopments and location outside the Czech Republic.

Outlook

Polarisation between prime and secondary schemes continues. Wage-growth may lead to accelerated growth in the retail market.