

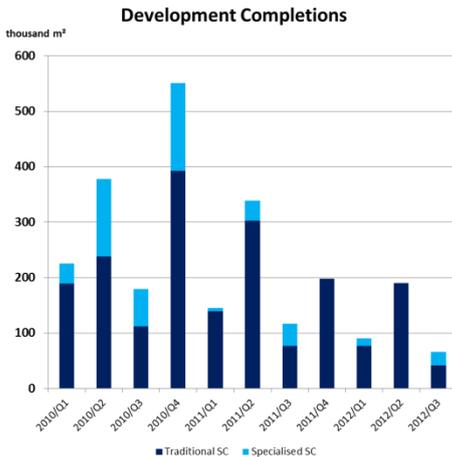
Retail Market Snapshot: Q3 2012

Key Retail Figures – Eastern Europe*

Total Shopping Centre Stock	15.41 million m ²
Traditional	13.10 million m ²
Specialised	2.31 million m ²

SUMMARY

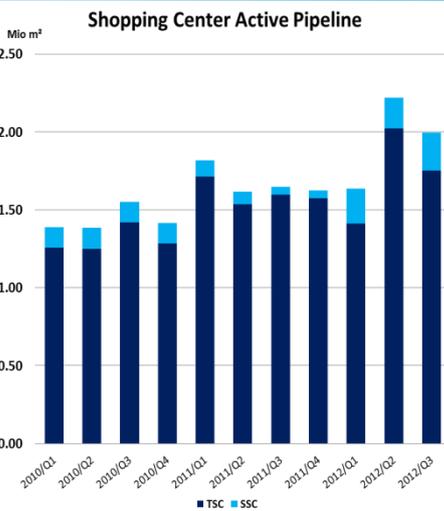
- Supply:** There has been a slowdown in completions activity across the region, which is of little surprise given the fall in economic confidence across Europe. Although new completions amounted to 346,950 m², representing a 3.4 % increase since the beginning of the year, this is much lower than was expected a year ago given the packed active pipelines of Q3 2011. Retail developers appear to be reacting to weak consumption and retail trade by postponing or re-phasing development plans until overall market conditions improve. Although the active pipeline for the region has fallen from mid 2012 highs to below 2 million m², this will add an extra 13% of space to market when completed.
- Rents:** There has been limited change in the market since mid-year. Euro equivalent rents remain highest in the Russian markets with prime high-street rents at €510 (US\$638) m²/month in Moscow and at €258 (US\$323) m²/month in St. Petersburg. At the other end of the scale we find the Sofia, Bratislava and Zagreb markets with the lowest rates at €38 m²/month, €40 m²/month and €45 m²/month respectively.
- Investment:** Only three deals were closed in Q3 2012, two of which were in the Czech Republic. Whilst this represents a significant proportionate dip in form, it will be temporary and retail will comprise a healthy proportion of deals across the region over the year. Yields have remained largely stable, with only Warsaw seeing a hardening of yields down to 6% for prime shopping centres, and 7% for prime high street locations.



Source: Colliers International

SUPPLY

- The total shopping center stock of Eastern Europe now stands at 15.41 million m². Completions added only 66,150 m² of new space to the region in Q3, which is a tremendous drop compared to completions in the third quarter of recent years. It is about half of Q3 2011 (116,700 m²) and one third of Q3 2010 (179,800 m²) levels.
- Only two markets contributed to new completions in Q3. Moscow witnessed 43,150 m² of new supply comprising 24,000 m² of 'Specialised Shopping Centre' (SSC) stock and 19,150 m² of 'Traditional Shopping Centre' (TSC) stock. The Kiev market in the Ukraine added 23,000 m² of 'Traditional Shopping Centre' (TSC) stock.
- It is interesting to see that active pipelines experienced a drop of 225,750 m² compared to the second quarter of 2012, driven solely by delayed TSC development. The active pipeline of SSC's is at the highest level recorded since 2010 - with 242,150 m² of SSC space now under active construction. This suggests a developer focus toward niche and high-volume, lower-priced product formats such as retail parks and factory outlets.

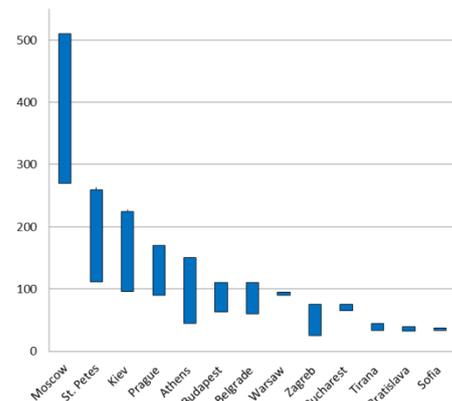


Source: Colliers International

PIPELINE

- Even though the active pipelines experienced a drop of 225,750 m² compared to Q2 2012, the 1,994,000 m² of space under active construction represents a high level of new stock to enter the market. Unsurprisingly, Moscow and Kiev are the locations driving this pipeline with 1,034,850 m² (Moscow), and 354,000 m² respectively. Sofia is another potential major supplier of space with 207,000 m² in the active pipeline. These markets represent 85% of the current pipeline figure.

Retail Rents Range (HS & TSC)



*Traditional Shopping Centre rents are depicted at the bottom range of the bar, high-street rents are depicted at the top end of the bar

Source: Colliers International

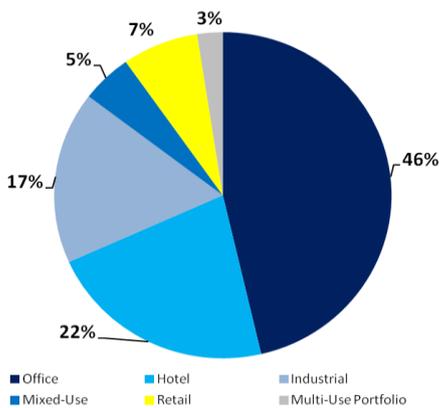
RENTS

- High- Street:** There was very limited rental change across the main markets, with only narrow changes recorded in Moscow and Kiev. Moscow witnessed an increase from US\$608 to US\$638 m²/month. Kiev has seen a drop in rents from US\$300 to US\$280 m²/month.
- Traditional Shopping Centres (TSC):** A similar picture has emerged in the TSC market, where prime rents remained fairly stable across the board compared to Q2 2012. Again, only Moscow has posted an increase in rents from US\$322 to US\$327 m²/month, whilst Kiev rents have fallen from US\$130 to US\$120 m²/month.
- Specialised Shopping Centres (SSC):** Rents in the Specialised Shopping Centre (SSC) market remained largely the same, although rents in both Bucharest and Warsaw posted a marginal increase of €2 m²/month over the quarter to €13 m²/month and €12 m²/month, respectively.

RETAIL INVESTMENT TRENDS

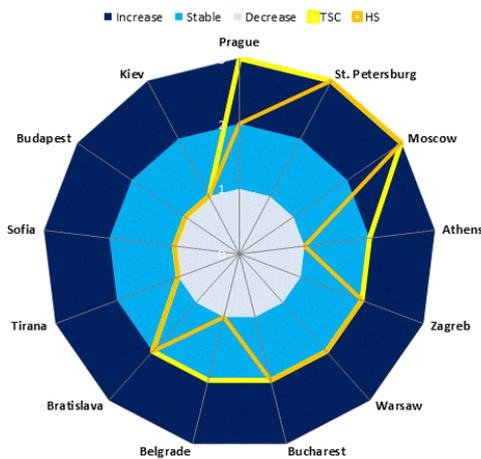
- Although retail has been a significant feature of investment transactions in Eastern Europe during 2011 and over the year to mid 2012, Q3 saw a major proportionate fall in activity. Only three retail investment deals were closed out of a total of 41 deals recorded, representing ca. 7% of deals done and less than 3% by € volume.
- Considering retail historically accounts for around 40% of all transactions by € volume this is quite a dip in form. Especially when one considers that by mid 2012 retail had accounted for over 50% of all deals during the year, albeit this figure was warped by the official recording of the US\$1.1 billion Galeria shopping centre transaction in St Petersburg in Q1 2012. That said, given the numbers of deals in motion across the market set to close in Q4, we suspect this dip is only temporary and retail will comprise a healthy proportion of deals across the region over the year.
- One of the three deals recorded in Q3 was for the Smile shopping centre in St Petersburg. The two other retail deals which were recorded as closed were in the Czech Republic, one of which was the TREI Supermarket Portfolio acquired by CPI. Colliers helped close the sale of this 10,900 m² food retail property portfolio, advising TREI Real Estate, the property arm of German family-owned Tengelmann Group, on the sale to Czech real estate company CPI Group.
- In terms of prime yields, there has been no change in the vast majority of markets and no significant change is expected over the next 12 months. Only in Warsaw were yields recorded to have hardened over the year and were down to 6% for prime shopping centres, and 7% for prime high street locations.

Q3 Deals by Sector



Source: Colliers International

Retail Rent Trends



*TSC – refers to prime Traditional Shopping Centre rents
 HS – refers to prime high-street rents

Source: Colliers International

MARKET PROGNOSIS - RENTS

- Over the next 12 months, differing fortunes are forecast for the major cities of Eastern Europe with regards to rents

High Street Market:

- **Increasing Rents:** Only three markets are expected to witness any rental growth – notably St. Petersburg and Moscow.
- **Decreasing Rents:** Athens, Belgrade, Tirana, Sofia, Budapest and Kiev all expect to witness a slight decline in prime rental rates.
- Rents in the remaining cities analysed are expected to remain stable.

Traditional Shopping Centre market.

- **Increasing Rents:** Only three markets are expected to witness any rental growth – notably Prague, St. Petersburg and Moscow.
- **Decreasing Rents:** Tirana, Sofia, Budapest and Kiev all expect to witness a slight decline in prime rental rates.
- Rents in the remaining cities analysed are expected to remain stable.

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KEY DEFINITIONS & CONTENT:

Locations: Whilst the analysis of investment trends relates to markets nationwide, the analysis of supply, pipelines and rental activity is made with specific regard to the following cities across the Eastern European region - Moscow, St Petersburg, Warsaw, Budapest, Prague, Kiev, Bucharest, Bratislava, Zagreb, Sofia, Belgrade, Tirana and Athens.

Shopping Centre Stock: This is split into two categories as per International Council of Shopping Centre (ICSC) definitions. **Traditional Shopping Centres (TSC)** include retail properties that are planned, built and managed as a single entity, comprising units and “communal” areas with a minimum gross leasable area (GLA) of 5,000 m². **Specialised Shopping Centres (SSC)** include Retail Parks, Factory Outlet Centres and Theme-Oriented Centres - specific, purpose-built retail schemes that are typically open-air with a minimum gross leasable area (GLA) of 5,000 m².

Prime Headline Rent: Represents the top open-market tier of rent that could be expected for a unit of standard size commensurate with demand, of the highest quality and specification in the best location in the market at the survey date.