

P R E S S R E L E A S E

INVESTORS TARGET RUSSIA AND CENTRAL EUROPE DURING SLOW FIRST HALF FOR CEE PROPERTY INVESTMENT MARKET

CEE Investment Turnover Totals €560m During First Half of 2009

Prague, 9 July 2009 – Total investment turnover in commercial real estate in Central and Eastern Europe (CEE) totalled approximately €560 million in the first half (H1) of 2009, according to CB Richard Ellis' forthcoming report, *CEE Property Investment MarketView H1 2009*. This total was down 86% from volumes seen in H2 2008 and down 91% compared with H1 2008.

CEE H1 investment activity was concentrated in Russia (€249 million) and the core Central European (CE) markets of Poland (€114 million) and the Czech Republic (€73 million). As a result, turnover in these three countries accounted for almost 78% of CEE's H1 2009 investment volume, compared to 65% in H1 2008. Jos Tromp, Head of CEE Research & Consulting, commented: "Equity investors continue to see prime property in core Central European markets as relatively safe investments and therefore as good targets as part of strategies to diversify and seek relatively attractive returns outside their home markets. But as the amount of available core product in Central Europe is limited and agreement on pricing is still proving challenging, investment volumes remained low in the first half of 2009. The relatively high levels of activity in the Russian investment market has been driven more by local investors, significant yield movement in recent quarters, and rebounding commodity prices so far this year."

The largest share of investment activity in H1 took place in the office segment (48%), while retail was traded much less than in recent years; for example, 17% of the total H1 2009 activity was for retail properties compared to 33% of H1 2008 investment turnover in CEE. This can generally be attributed to the large lot sizes associated with core retail investments, which in the current market are more difficult to finance and involve different risk/return profiles than offices. In addition, retail is generally seen as a relatively safe bet in challenging economic times and, as a result, existing owners are less willing to sell retail schemes.

The structure of the CEE property market has distinctly changed since 2008 when foreign purchasers accounted for around 80% - 85% of all investment activity compared to about 60% in

H1 2009. Tromp explained: “The Czech Republic is an example of a market where local investors have become more active since international investment interest has weakened, whereas Poland is a market that has maintained a more international profile.”

Market activity is expected to increase in CEE in the second half of 2009. This expectation is based on continuing interest from active equity buyers, the expected reopening of several (currently) closed German Open-ended Funds, and increased activity from local buyers. In several markets across CEE there are already signs of increased activity. Pavel Schanka, Director CEE Capital Markets, commented: “In Hungary, for example, the rapid deterioration in the local economic outlook and international investors’ retreat from the market led to a correction of yields. A limited number of transactions closed in the first half of 2009 but more activity is expected later this year as investors analyse opportunities. It is critical that investors keep track of changes in the occupational markets now that the impact of the financial crisis has started to affect vacancy and rents in several markets across the region.”