

CZECH BUSINESS PROPERTIES

I/2007



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Main Topic

2006 in the industrial properties market

In order to meet the needs of industry (logistics and production halls), last year construction began on new buildings with a total area of 550 thousand m², of which roughly half are in the vicinity of Prague.

Besides the capital city, investors are interested primarily in sites near Brno, Ostrava and Plzen. Other interesting areas are those that lie near the main highways, i.e. the D1 (Prague – Brno), D5 (Prague – Plzen – Munich) and D8 (Prague – Usti nad Labem – Dresden). The occupancy of industrial sites far exceeds that of other types of properties. Most of the facilities that are now under construction are already rented. It is expected that renting out halls completed in 2007 will not be a problem.

Rents in the case of production halls with the common standard for 10 to 12 years are in the range of EUR 5-7/m² per month. The monthly rent for logistics reaches EUR 4.25-4.80/m² for large halls and is around EUR 5.5 m² for smaller warehouses.

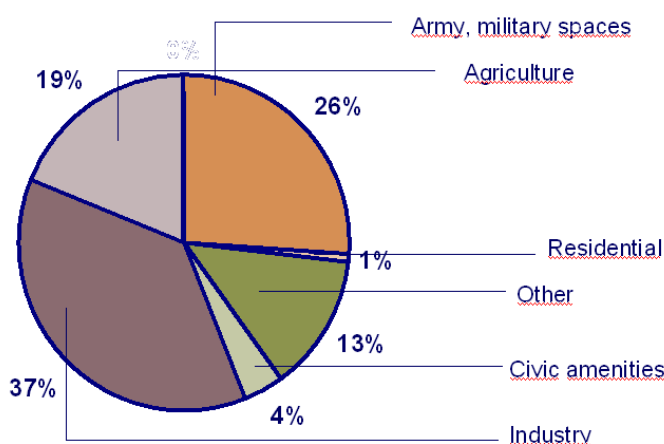
Investors and developers want to choose from among locations with technical infrastructure; a site without zoning for construction is uninteresting from their perspective. New areas for construction are quickly being exhausted and new ones will not be created. The new Building Act addresses this situation (see the Legislation section).

price was nearly CZK 352 million, though in the end the financial group J&T bid a record CZK 707 million for the entire site.

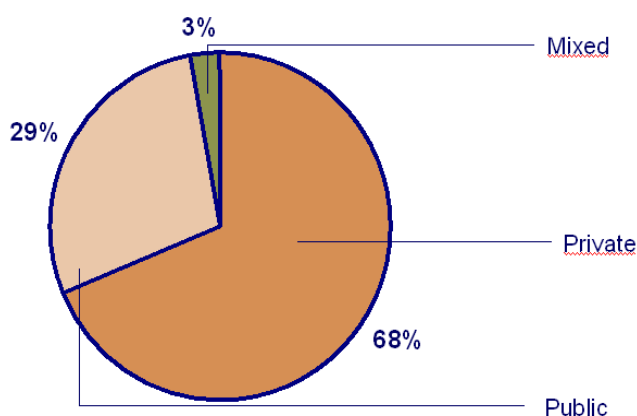
Even in **other cities of the Czech Republic** disused sites are beginning to be revitalized. A good example of this is the construction of a multipurpose complex containing 200 apartment units and commercial spaces on the site of a former dairy at Certuv ostrov in Karlovy Vary. Another interesting residential construction project is the conversion of a former brewery at Studovna in Beroun.

In cooperation with individual regions, CzechInvest is completing a **research study for locating brownfields in the Czech Republic**. The aim of this study is to find sites larger than two hectares or built-up areas larger than 500 m². The study located approximately 3,000 brownfields covering 11,000 hectares.

Graph 1: Brownfields in the CR by structure of their original use (area)



Graph 2: Brownfields in the CR by predominant type of ownership



Legislation

Influence of legislative amendments on the handling of brownfield issues


The **new Building Act** came into force on 1 January 2007, bringing a range of fundamental changes in the area of land-planning and building law. In accordance with the new Act, the focus of construction assessment and negotiation is transferred to area management. The Act focuses primarily on the use of built-up areas. Therefore, in cases when proposed construction is located in a

built-up area and in areas designated for building, it will be possible to use simplifying processes of deciding on the location of the construction. As opposed to the previous legal regulations, this also represents liberalisation of construction permission and clear privatisation of construction management.

The **new Bankruptcy Act** and methods of handling bankruptcy should also contribute to preventing the origination of brownfields. The aim of this Act is to accelerate the disproportionately long bankruptcy proceedings and to further preserve the operation of indebted enterprises. Bankruptcy has hitherto been handled primarily by selling off debtors' assets and liquidation of companies.

EU structural funds

Grants for construction of business properties

 Within the Operational Programme Enterprise and Innovation a new programme called PROPERTIES is being prepared for the period 2007-2013. The announcement of this programme together with the receipt of the first applications for support is planned for the first half of 2007. The total allocation of financial resources in this programme is set at CZK 16 billion. The basic parameters of projects in the area of real estate, which can be financed with contributions from structural funds, will be similar to those in the past period. It will thus be possible to obtain grants not only for projects involving construction of new industrial zones and rental halls, but primarily for renovation of derelict buildings and regeneration of brownfields. The draft of the text of the new programme is already available at www.czechinvest.org. The general regulations of the programme will be accompanied by individual annual calls for submission of applications which precisely define the parameters of eligible projects.

In the period 2004-2006 CzechInvest, as the implementation agency for administration of the Operational Programme Industry and Enterprise, distributed CZK 2.1 billion to projects that fulfilled the criteria of the REAL ESTATE programme. You can find the distribution of supported projects in the Real Estate programme according to individual type in the table below. Of the total number of 114 supported projects, 83 were implemented by commercial entities and 31 by cities and regions.

Supported projects

Type of project		Number of projects	Grant amount (CZK '000)
Industrial zone	construction	10	183,130
	development	16	183,196
	regeneration	10	137,994
Business property	construction	20	985,230
	renovation	48	580,342
Preparation of project documentation		10	37,680
Total		114	2,107,572

Source: CzechInvest, 20 January 2007

Status of business properties in regions

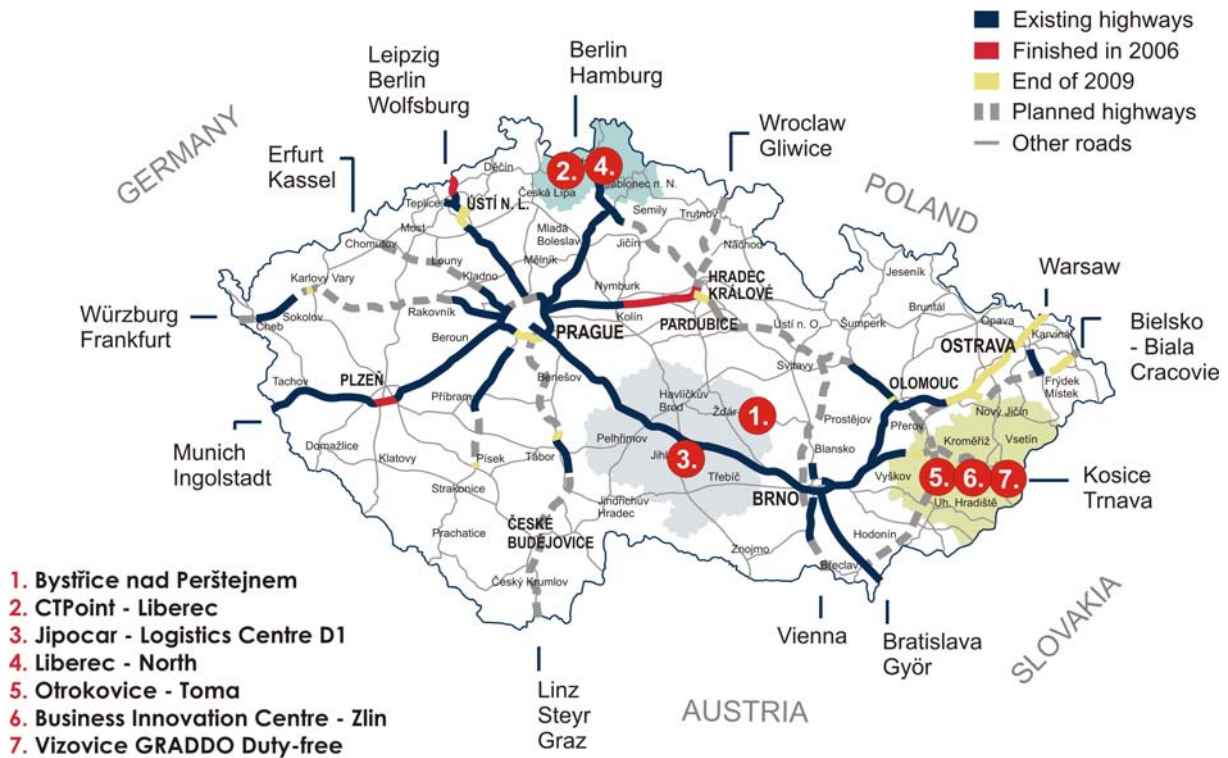
CzechInvest administers an extensive **database of business properties** from which it prepares for investors – at no cost – offers of industrial properties, offices spaces and spaces for research and development.

CzechInvest's database currently includes approximately **200 industrial locations** (70 sites, 130 industrial zones) covering a total of 3,390 hectares, of which 2,017 hectares are available for further investment. In order to meet the needs of investors, we are also formulating offers of approximately 100 office spaces and 20 spaces for research and development. In each issue we focus in detail on

three regions of the Czech Republic, providing you with information on interesting locations for your investment.

Closer familiarisation with the Vysocina, Zlin and Liberec regions

Highway Network in the Czech Republic



Offer in the Vysocina region by size of offered locations

Vysocina region			
Area of offered properties (ha)	Number	Vacant area (ha)	Total area (ha)
< 2	3	2.28	36.25
2-10	8	35.12	88.48
10-30	3	43.5	93.5
30-100	1	38	61.5
Σ	15	118.91	279.73

Jipocar – Logistics Centre D1

3 planned hall projects (5, 9, 14 thousand m²)

Technical infrastructure: all in zone

Transportation infrastructure:

- expressway 1 km
- international airport 120 km
- railway station 1 km



Completely prepared zone for all types of investments:

Bystrice nad Pernštejnem

Vacant area: 38 ha

Total area: 61.5 ha

Technical infrastructure: all in zone

Transportation infrastructure:

- expressway 35 km
- international airport 60 km
- railway station 0.1 km



Offer in the Zlin region by size of offered locations

Zlin region			
Area of offered properties (ha)	Number	Vacant area (ha)	Total area (ha)
< 2	2	0.51	2.12
2-10	3	20.18	20.18
10-30	3	45.28	132.28
Σ	8	65.97	154.59

Zone offering sufficient capacity of technical infrastructure satisfying the higher demands of investors:

Otrokovice – Toma

Vacant area:	11 ha
Total area:	98 ha
Technical infrastructure:	all in zone
Transportation infrastructure:	
- expressway	32 km
- international airport	80 km
- railway station	3 km

Vizovice – GRADDO FREE ZONE

Vacant area:	5 000 m ² (2 halls)
Technical infrastructure:	all in zone
Transportation infrastructure:	
- expressway	40 km
- international airport	100 km
- railway station	1 km

Business innovation centre:

- located in a newly renovated building in the Svit Zlin industrial complex; full operation of the centre will commence in March 2007.

Vacant area:

- business incubator: 225 m² of the total 507 m² (for start-up firms conducting quality business projects with an innovation character)

- science and technology park: 459 m² of the total 866 m² (for firms seeking space for research and development, innovation-oriented firms)

Transportation infrastructure:

- expressway	43 km
- international airport	95 km
- railway station	1 km



Offer in the Liberec region by size of offered locations

Liberec region

Area of offered properties (ha)	Number	Vacant area (ha)	Total area (ha)
< 2	5	1.66	2.87
2-10	1	6.42	6.42
10-30	1	20.20	20.20
30 - 100	1	43	75
Σ	8	71.27	113.51

CTPoint – Liberec hall

Vacant area: 15 000m² (under construction, expected completion in H1 2007)

Technical infrastructure: all in zone

Transportation infrastructure:

- expressway 1 km
- international airport 100 km
- railway station 2 km

The newest prepared industrial zone in the immediate vicinity of the R7 expressway R7, available in Q1 2007:

Liberec - North

Vacant area: 43 ha

Total area: 75 ha

Technical infrastructure: all in zone

Transportation infrastructure:

- expressway 20 km
- international airport 120 km
- railway station 2 km



Events

Visit us at the MIPIM trade fair

CzechInvest will actively participate in the prestigious 18th annual MIPIM international trade fair focused on the real estate market and investment opportunities, to be held in Cannes, France, 13 – 16 March 2007. During the entire period of the trade fair, you will be able to visit us at CzechInvest's stand no. 05.29, where our agency's representatives will provide you with information on the business-properties market and investment opportunities in the Czech Republic.

Contact:

CzechInvest
Stepanska 15
120 00 Prague 2
Czech Republic

Tel: 296 342 551
Fax: 296 342 552
E-mail: regions@czechinvest.org
www.czechinvest.org
www.czechinvest.org/nemovitosti



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