



Čau!

In the last year we successfully continued the development of our business in Czechia – we divested River Garden II/III offices as well as multimodal logistics centre, Lovosice, our latest logistic project in Czechia. We also acquired a new building, Merkuria, that should be our key tool for the revitalisation of the Holesovice neighbourhood nearby in Prague.

Our ambitious office project at Vinohradská Street, an energy efficient and modern poly-functional building in the heart of Prague, is designed to meet the requirements of BREEAM and WELL certificate and will stand out through its roof terraces and superb city views.

Our clients are responding to a competitive labour market by firstly creating new types of jobs; but more importantly investing into offices and workspaces that create a tangible lifestyle. Effectively, we're providing a point of difference from their competitors.

We're proud to be considered by our clients as the company that pushes boundaries to create new, non-traditional, innovative solutions and services, and delivers outstanding fit-out solutions.

The upcoming year is set to be a busy one. As our permits work their way through the legislative system, we will scale up our operations and work to bring our developments to fruition.

We also can't wait to open first two HubHub co-working spaces in Prague near the end of 2018. Equally, we intend to continue our upward trend by creating solutions and services that surpass our clients' imagination of what's possible – before they even give us the brief for a new innovation.

Petr Herman

Country CEO

CZECHIA

THE ECONOMY

It's been another strong year for the economy. GDP growth stands at 2.4%, inflation at 2.5% and unemployment at 3.3%, the lowest in the EU.

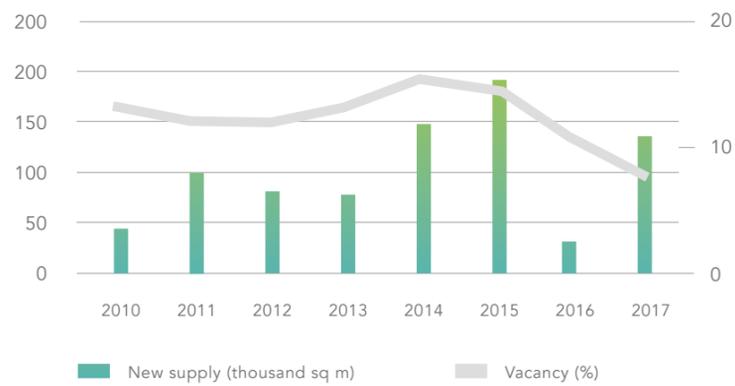
The parliamentary elections in autumn did not result in the forming of any government coalition up to now, so the country could go back to the polls in coming months. However, the result would probably not affect the economic outlook.

The government has little debt, so everything does seem to point to continued growth. Probably the most pressing concern is the country's strategy for developing and maximising the considerable human capital here. Mortgage loans should also be keenly monitored if growth is to last.



THE MARKET

Prague

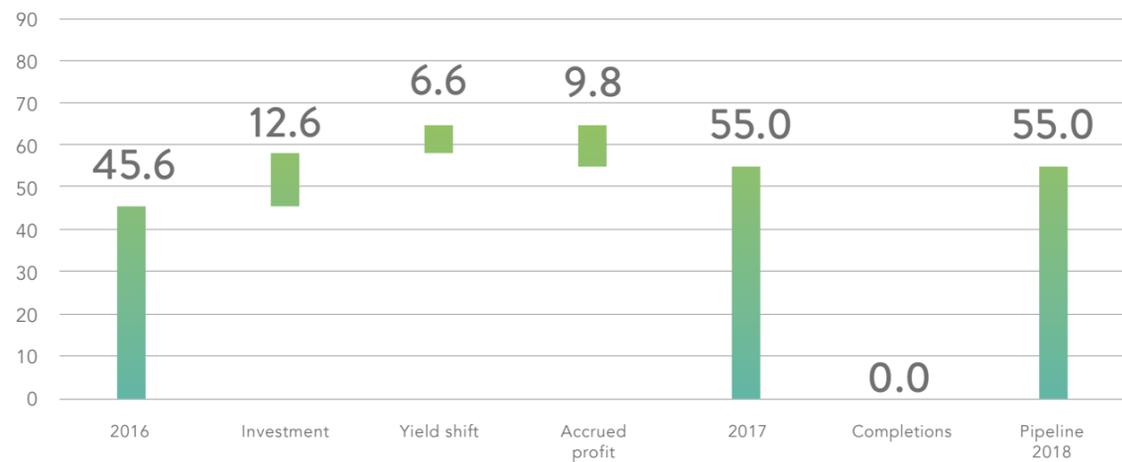


Source: CBRE, JLL

The real estate market has a very positive outlook in Czechia. Economic growth has created a good environment for sophisticated office space.

In practice, virtually all developers are focusing on lifestyle features; with sustainability, green spaces and amenities high on clients' lists of priorities. The big issue, however, revolves around permits. A large legislative backlog has built up, stalling essential infrastructure projects as well as commercial developments. It's not just a problem for the capital either; numerous developments around the country are waiting to be green lit.

Changes in Czech development property value (€m)



OUR PERFORMANCE

We're well established in Czechia, thanks to successes like the award-winning River Garden and Aupark (recently second in Best of Realty, HB Reavis's first success in the competition).

As one of the top names in office development, we continue to grow by focusing on delivering modern designs, WELL and BREEAM certificates, and bespoke tailoring for each client. Between our outstanding interiors and fit out services, and our transformation to WaaS provider, we believe we have a clear point of difference from the crowd.

Right now, we're focusing on getting the last few permits for our Vinohradska Street project, which progressed substantially during 2017. We're also pleased to say that our Radlicka offices in Prague 5, and Merkuria complex in the city's fast-developing Holesovice district, are now in the planning phase.

HB Reavis development Czechia	GLA sq m	Valuation				ERV	GDV	Value change	Investment
		2014	2015	2016	2017				
Projects in preparation	190,796	18.8	18.9	45.6	55.0	36.4	596.3	9.3	12.6
Total 2017	190,796	18.8	18.9	45.6	55.0	36.4	596.3	9.3	12.6
Total Pipeline for 2018	190,796	18.8	18.9	45.6	55.0	36.4	596.3	9.3	12.6

Projects in Preparation

Vinohradská Prague

The acquisition of an existing older office scheme with an excellent location at Vinohradská Street, just opposite the National Museum, was completed in August 2014. The plan was to redevelop it into a landmark office scheme with 22,600 sq m of GLA.



During 2017, we continued to work on optimising its concept and design through a challenging permit process. Although not always easy, we achieved some positive outcomes that will allow us to progress the process. We believe construction could start during the first quarter of 2019.



Radlicka Prague

During 2017 we continued to work on the concept and design of our fifth office project in Prague – Radlicka. The plot is well located in Prague’s Smichov at one of most important arteries in the south-west of the city. We acquired it in March 2016 for €6.9m, and have faced some challenges during the permit process. However, we aim to deliver up to 30,000 sq m of top class office GLA in two phases, the first with, of around 17,700 sq m, in mid-2021.



Merkuria office Prague

Merkuria – our new project of planned 17,700 sq m of Grade-A offices and more than 1,700 sq m of retail space – will be a key element for the revitalisation of Holesovice, one of Prague’s fastest growing districts.

Together with the vibrant location, its easy transport links, non-corporate feel and freedom to grow, it will bring a remarkable experience to clients and local residents. The building focuses on making life easier and will help to support a healthy lifestyle by, for example, high quality food and beverage providers on the ground floor, that is uniquely connected with the piazzeta.

We believe the new, fresh concept of a significantly-different work environment will attract the best talent and brighten up the previously industrial Holesovice.

