



CTP

3/2017

3
Let's Talk Business
Market insights from CTP
development pros

6
Born to Build Wild
Construction and business
news from around the region

12
CTP Art Wall
Winning entries in the
pioneering mural art
competition

14
Brave New Shopping
E-commerce is changing the
shopping world



ummer is generally a slower time for business, but at CTP we've been busy as usual. Not only with work, but also spending time with families and friends and preparing for the fast-paced fall season and all upcoming events. For market leaders like CTP, summer is also a time for developing new ideas and setting new trends.

As part of our on-going efforts to open new communication channels with our clients, during the summer we launched a new social media initiative. On LinkedIn, you can find information about our business and industry news. On Facebook, we want to put CTP closer to our tenants and their employees with new, people-focused content. In each company, the human touch and teamwork are essential to success. To see an example of the development of our digital channels, watch our "Faces" video, which can be found on our websites and Youtube channel.

In June, we celebrated 15 of our employees who have been with us for 10 years with a great outdoor party, live music, and magicians. It was a magical and memorable time, meeting both old and new faces from all over the region. It was also satisfying to see how many took part in the Doksy and Palava half-Ironman races, and I enjoyed running together with many of you at the Prague and Bratislava marathons.

During the summer we strengthened our teams in all countries, and currently the CTP platform consists of over 270 people. I'm pleased with our progress and the talented team who have helped us to get to where we are today.

As we move into autumn, the pace will be fast: CEE markets are a magnet for international investors right now; the economic mood is positive; and regional economies are showing strong GDP growth, with Romania and the Czech Republic leading the way. I believe at CTP we are well positioned and have the right people to achieve our plans.

With fall approaching, full of real estate events and awards, we look forward to meeting our clients and business partners and hope that you will have the opportunity to meet some of our new people.

In this issue, you can see that, yes, we did enjoy the summer, while still running at full speed ahead.



Remon L. Vos, FRICS
CEO

CTPark Portfolio

The CEE region is increasingly seen by international companies as the ideal location for a variety of reasons: proximity to large Western European markets, but also because of its easy accessibility by land, sea and air. E-commerce giants from both the US and China are locating here, global automotive supply chains are growing their presence, and high-tech manufacturers continue to set up shop. The CTPark Network was designed to cater to global businesses, providing premium built-to-suit solutions at strategic locations across the region. Providing premium, built-to-suit solutions, and with over 80 strategic locations in seven countries, the CTPark Network is the choice of global business in CEE.

ctp.eu



Business is booming across CEE. With projects at 28 of our parks currently under construction and nearly 108,000 m² of new construction planned to begin in Q4, the CTP pipeline of projects demonstrates clear client demand.

• Denotes construction site

CZECH REPUBLIC

- Aš
- Blatnice
- Blučina
- Bor
- Brno
- Brno South
- Čáslav
- České Velenice
- Chab
- Divišov
- Europort
- Hluboká
- Holubice
- Hranice
- Hrušky
- Humpolec
- Humpolec II
- Jihlava
- Kadaň
- Karvina
- Kvasiny
- Liberec
- Lipník N. Bečvou
- Laun
- Lysá N. Labem
- Ml. Boleslav I
- Ml. Boleslav II
- Modřice
- Nošovice
- Nový Jičín
- Okříšky
- Ostrava
- Pardubice
- Písek
- Plzeň
- Plzeň N. Lužnicí
- Píseň
- Pohořelice
- Prague Airport
- Prague East
- Prague North
- Prague West
- Přestice
- Teplice
- Teplice II
- Týniště
- Uh. Hradiště
- Zákupy
- Zatec
- Zatec II

ROMANIA

- Arad
- Bucharest
- Bucharest West
- Cluj
- Deva
- Deva II
- Pitești
- Sibiu
- Timișoara
- Timișoara II
- Turda

HUNGARY

- Budapest South
- Budapest West
- Győr
- Mór
- Tatabánya

SLOVAKIA

- Bratislava
- Nitra
- Prešov
- Trnava
- Voderady
- Žilina

POLAND

- Gdańsk
- Łódź
- Opole
- Wrocław

SLOVENIA

- Ljubljana Airport

UKRAINE

- Lviv

CAPITALS NOT CAPITULATING

Capital cities exist for a reason: they are the economic powerhouses of a country. The capital cities where CTP is active are also seeing increased industrial activity as e-commerce and manufacturers place themselves nearer to both the growing markets these cities provide, but also because of the high quality of available employees. Budapest's industrial market reported 212,750 m² of leasing activity in Q2 2017, up 64% y-o-y, and the highest quarterly volume ever recorded—resulting in a huge 420 bps drop in vacancy to 5.5%. In Bucharest, high GDP growth has been driven by consumer spending, and both the retail and industrial sectors are booming. With Romanian GDP growth out-performing the entire EU at an estimated 5.7% this year, the Bucharest industrial market experienced over 310,000 m² in industrial transactions during H1, and there are more than 250,000 m² in the pipeline slated for completion in 2017. Prague is experiencing record low vacancy rates at 4.1%, and thus developers are beginning projects on a speculative basis to soak up demand: currently, 32% of space under construction in the greater Prague area is speculative.

	① Prague	② Bratislava	③ Budapest	④ Bucharest
GDP	3.30%	3.00%	4.20%	5.60%
Industrial Production	8.10%	5.60%	3.0%	8.40%
Industrial Prime Yield	6.00%	7.50%	7.75%	8.75%
Vacancy	4.10%	2.50%	5.50%	2.0%

Let's Talk Business

SLOVAKIA

The automotive industry in Slovakia continues to boom. With the Jaguar-Land Rover plant under construction in Nitra, the market is swelling with demand from OEMs in the automotive supply chain. The logistics market is expanding to cope with the increase in the export of Slovak products and cross-border transport via Slovakia. Bratislava's southern ring road is under construction, which will increase logistics capacity around Bratislava, making it more attractive for logistics operators. Our parks are situated mainly in the western and central regions of the country and can leverage the new infrastructure as well as the large labour forces there.

David Vais
Senior Business
Development Manager

INTERNATIONAL CLIENT NEEDS

We are seeing strong demand for highly-specific and bespoke production solutions in the Czech Republic from both large and medium-sized companies. These production powerhouses, which previously built their own solutions, are now seeking the added flexibility and hassle-free option of operational leasing. Additionally, medium size e-commerce companies are locating their distribution centres just inside the Czech border, a strategy they've adopted from their bigger brothers such as Lidl, Weltbild, and Amazon.

Hendrik Jung
Senior Business
Development Manager

HUNGARY

Like other CEE countries, the vacancy rate continues to decrease and currently stands at 5.5%, which means further growth compared to the last quarter. Because of market pressure, headline rents for existing warehouses are almost at parity with those for new-built premises, which range between EUR 3.50 – 3.80/m²/month. This increase in requirements and low vacancy has resulted in more developers building speculatively, to satisfy clients who do not want to wait the nine months for a new built-to-suit building. The need for new construction to meet demand is so strong that there is no vacant unit above 10,000 m². In Hungary, we are experiencing increasing demand, which means both prolongations and new leases, and we expect to grow from 300,000 m² to 500,000 m² by 2018 with construction underway in Budapest, Győr, and Tatabánya.

Remon L. Vos, FRICS
CEO

ROMANIA

Romania—our strongest growth market—is expected to lead the EU again with GDP forecast at 5.7% on the year. We have around 250,000 m² currently under construction in the Bucharest market alone, with another 100,000 m² set for delivery around the country by year's end. Industrial development in Romania in 2017 is expected to set a post-crisis record of 500,000 m² of new space delivered, a 40% y-o-y increase. The overall undersupply of high-quality space, high consumer spending and relatively low labour costs vis-à-vis Western Europe attracts companies operating in retail, FMCG, e-commerce, and logistics, as well as the automotive industry, which is the primary driver of Romania's industrial market.

CTP has a strong team of property professionals on the ground in each country where we operate. This allows us to respond quickly to the local trends that are unique to each market. We asked the key players in our business development team to share some of their insights into both local and CEE trends.

CZECH REPUBLIC

The Czech industrial market is experiencing an historically low 4.1% vacancy rate for A-class properties. At CTP we registered vacancy of only 3.2% at end of Q2 2017. New supply is growing, but the market faces an on-going lack of permitted land for construction. Built-to-suit projects are driving demand, and over 575,000 m² was under construction in Q2 2017, up 34% year-on-year, nearly 75% of which was pre-leased. Due to the strong demand and low vacancy, even CTP has begun to build space speculatively at key locations, such as around Prague and near the western border with Germany.

Jaroslav Kaizer, MRICS
Business Development Director

POLAND

The industrial and warehouse market in Poland remains very strong, with total take-up in Q1 2017 having exceeded 900,000 m², more than 40% higher compared to Q4 2016. The tenant profile is dominated by logistics operators and retail chains, but an increasing share of the construction pipeline is dedicated to manufacturing occupiers coming from Western Europe and Asia. Vacancy has increased slightly from 6% to 6.1%, despite intensive development activities. On the main markets, the Lodz region is expected to remain with no vacancy until the end of 2017, with demand expected to exceed supply through Q2 2018.

Daniel Čermák
Junior Business
Development Manager

CZ



Co pro Vás mohu udělat?

Jaroslav Kaizr, MRICS
Business Development Director
jaroslav.kaizr@ctp.eu

Big Deals		
Confidential	CTPark Cheb	65,800 m²
DSV Solutions	CTPark Bucharest West	42,500 m²
NOD	CTPark Bucharest West	30,000 m²
C&A	CTPark Trnava	30,000 m²
Raben	CTPark Prague East	26,000 m²
ARCTIC	CTPark Pitesti	20,500 m²
ZF Chassis Systems	CTPark Žatec	16,000 m²

The Czech Republic—our home market—is booming: the country has attracted more investment in H1 2017 than any other CEE country—USD 2.1 billion, a whopping 50% of all investment into central Europe. In response, CTP has opened up a number of new parks in the last quarter to satisfy demand at places like Ústí nad Labem, Kadaň and Karviná in the east, and building space speculatively at strategic locations. With the D8 motorway connecting Prague-Dresden completed, companies are swarming to the capital city. For example, long-term client Raben agreed to a custom-built 26,000 m² facility at CTPark Prague East, marking our first own development at this key location on he D1.

Born to Build Wild





Čo pre Vás môžeme urobiť?

David Vais
Senior Business Development Manager
david.vais@ctp.eu

We are moving fast these days in Slovakia. Manufacturers in the auto supply chain are setting up shop close to the Jaguar-Land Rover plant. The factory is opening in Nitra in 2019, and we are already building there to handle the demand. We are rapidly signing new deals and expect the construction of nearly 90,000 m² while opening new parks in Žiar nad Hronom and Krásno nad Kysucou.

CTPARK BRATISLAVA
17,000 m² under construction with 6,000 m² pre-agreed with long-term client Grupo Antolin. The remaining 11,000 m² is being built on a speculative basis.

CTPARK NITRA
14,000 m² of speculative construction is under way, which will be ready for fit-out in Q1/2018.

CTPARK TATABÁNYA

Coloplast moves in during August at the 28,000 m² facility which is CTP's first construction project in the country; in Q3 we begin groundworks on the 17,000 m² extension for Rudolf Logistics



CTPARK GYŐR

Construction continues on the 13,000 m² factory for Dana.



HU



Mit tehetek Önért?

Dávid Huszlicska
Senior Business Development Manager
david.huszlicska@ctp.eu

We injected new energy into our Hungarian team with the addition of Dávid Huszlicska as Senior Business Development Manager. He will be busy filling space at the newly acquired ex-Nokia factory in Komárom. The Hungarian market is growing fast, and we are confident that the A-class facility will pique the interest of potential clients. Discussions with several big-name potential tenants are currently underway.

3 for 2 Special

CTPARK BUDAPEST WEST

The 16,000 m² GSI facility at CTPark Budapest West is on schedule for move-in at end Q3.



CTPARK TRNAVA

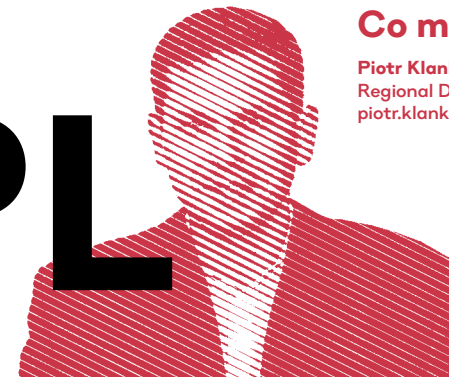
C&A required a facility with a 30,000 m² footprint, as well as an additional 33,000 m² mezzanine at CTPark Trnava.



CTPARK VODERADY

The 13,000 m² facility for Lear nears completion.

PL



Co mogę dla Ciebie zrobić?

Piotr Klank
Regional Director
piotr.klank@ctp.eu

Five great guys form the heart of CTP's Polish team now with a new Head of Finance, Lukasz Merta and Site Manager Grzegorz Krynski, who joined recently. Our first own-built buildings are nearing completion at CTPark Opole, while at the same time we are building for long-term client Raben at the park. We are searching for new locations in southern Poland, where we see strategic development opportunities. The region boasts a large pool of skilled people, strong infrastructure and excellent highway connections—it's all there!



CTPARK OPOLE

We continued to expand activities at CTPark Opole where construction of an additional 5,000 m² has commenced. IAC already requires an extension and we have begun building a new 12,000 m² facility for long-term client UFI Filters.



RO



Ce pot face pentru tine?

Radu Ciobanu
Senior Business Development Manager
radu.ciobanu@ctp.eu

We are on plan to beat our development target (again) in Romania ahead of schedule. We are doing all we can to fill the under-supplied Romanian market, which is ready to outstrip new records by the end of 2017 in terms of volume of new deliveries and leasing activity. The pace is impressive: there is nearly 400,000 m² under construction across the country, and in Q1 2018, we expect the Romanian portfolio to reach 1 million m²!

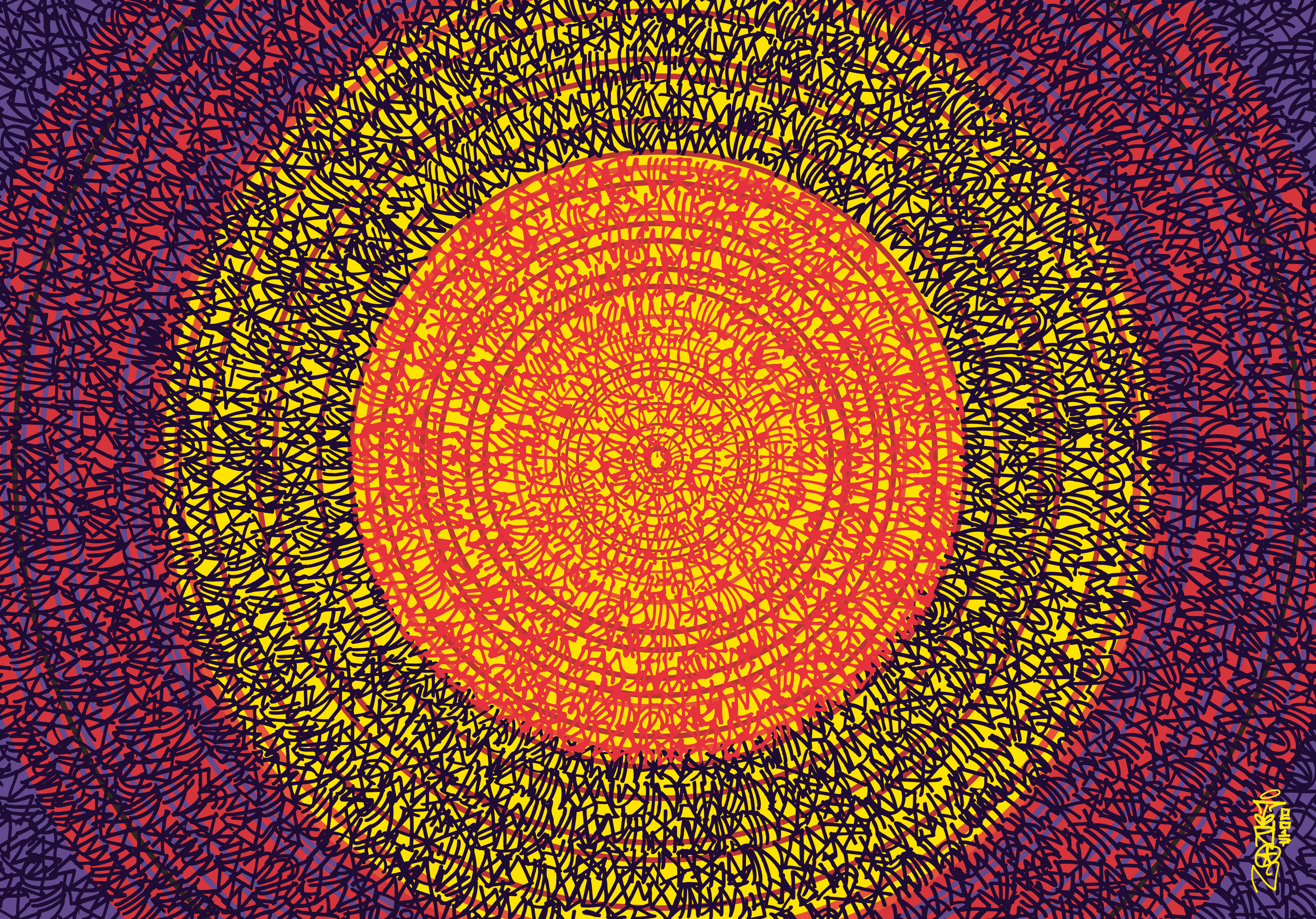


CTPARK BUCHAREST WEST

Over 160,000 m² is currently under construction, with 60,000 m² on plan for delivery in Q4 2017 and the remainder slated for delivery in Q1 2018. An additional 14,000 m² is soon to begin at this, our largest and most successful park. We recently delivered 40,000 m² to Quehenberger, Geodis, Tibbett Logistics and Simpu Prest and have expanded the park to accommodate an additional 100,000 m² of space.



30% more



And the Winner Is...



CTPARK HUMPOLEC WINNER
Dzia (BE)



The Concept: Line art inspired by fauna and flora breathes life into public space with bold, anatomic bright colours, transforming geometric shapes by hand into dynamic movement. The artwork radiates diversity and creates multiple links between the building and its surroundings.

The Artist: Dzia is a Belgian artist and something of an enigma in the Antwerp area. An accomplished and multi-talented artist, Dzia's creations range from paintings to sculpture, installation and street works. His vibrant murals breath life into abandoned urban areas in his hometown of Antwerp and in cities across Europe.
dzia.be

SHORTLISTED PROPOSALS



Funk-Fu



Přemek Pondhly



Michal Rydlichowski



Karel Cettl



Ticho



Khoma



Martin Střihán



Aleš Veselý



Los Manteros

In June, CTP held the 1st annual CTP Art Wall competition, where we invited local and international artists to submit concepts to be painted on our massive CTPark walls. From over 40 entries, the two presented here emerged as the winners. CTP Art Wall aims to enrich the parks and the lives of those who work in or live near them. The paintings are now being produced, so look for them later in the year as you pass by Humpolec or fly out of Prague Airport.



View the gallery at ctpartwall.eu or search for CTP Art Wall on our Youtube channel to watch the video from the live event.



CTPARK PRAGUE AIRPORT WINNER
Michal Škapa aka Tron (CZ)



The Concept: Mandalas: concentric circles, annular rings, allows each to project their own imagination. The mandalas are inscribed with text that spirals outwards from the center in an alphabet that the author created. Latin-like in form, each character has been remodeled, inspired by German forms, the scriptures, and the signatures of Latin American writers. The motif appears four times on the wall, with a story encoded into each section referring to the four basic elements. The circles also connote engine turbines, like those found in the airplanes nearby.

The Artist: Michal Škapa belongs to a new wave of expressive Czech artists and has many achievements to his credit. He is engaged in numerous graphic activities, ranging from festival visuals, books, CD covers, web design, and typography design, while also designing posters and invitations to arts events. In addition to computer graphics, he produces drawings and airbrush works and brings his vivid imagination to bear on graffiti and visual effects. Michal is the author of the works on the cover and poster insert of this newsletter.
michalskapa.cz

SHORTLISTED PROPOSALS



Vojtěch Hlaváček



Marek Kulhavý



Radoslav Repický



Vojtěch Velický



Vladimír Strejček



Marek Ehrenberger



Lukáš Vodička

It's no secret that the prevalence of online and mobile technologies is changing the way people all over the world live, work, and shop. It's also radically changing the way businesses do business, with new consumer habits and expectations forcing many companies—not just retailers—to rethink strategies in order to prosper in this newly emergent digital landscape.

E-commerce—an expansive term describing the buying or selling of goods online—has emerged as a paradigm-shifter for retailers, distributors, manufacturers and the service industries worldwide. Since 2010, global retail e-commerce sales have maintained double-digit growth rates, and this trend is expected to accelerate as technology advances improve the security and convenience of the online shopping experience, enticing more consumers around the world to make the switch from physical to digital stores.

According to Emarketer, a leading digital research firm, in 2016 global retail e-commerce sales grew year-on-year by more than 20% to reach USD 1.9 trillion, representing around 9% of total global retail transactions. In 2017, annual growth is projected to increase by more than 23%, with retail e-commerce sales of USD 2.29 trillion—which would make 2017 the first year that e-commerce sales account for more than 10% of all retail transactions.

In comparison, since the 2008 financial crisis, traditional retail sales have managed only single-digit growth, while e-commerce sales are currently growing at four times the rate of brick-and-mortar transactions.

CLICK TO GROW, OR...

While it's safe to say that brick-and-mortar stores aren't in danger of disappearing anytime soon, it is becoming increasingly clear that e-commerce has become a major disrupter of traditional retail models. This is particularly the case in the US, where iconic retail stalwarts like Sears, Macy's and JC Penney are being forced to shutter stores across the country as they scramble to find ways to get on the digital bandwagon before it's too late.

The struggle of Sears is an illustrative example. Founded in 1886, the company's evolution has mirrored (and helped to shape) the pre-Internet American retail landscape. Somewhat ironically, Sears got its start as a pioneer in the pre-e-commerce world of long-distance mail-order catalogue shopping, and for decades was a staple anchor tenant of the American shopping mall concept. But the dual onslaught of low-cost retailer Walmart and e-retailing behemoth Amazon is taking its toll. In recent years, Sears has been forced to offset losses from its core retail business by selling its financial services unit and power tool division. Earlier this year, in a sign of the changing times, Sears signed a deal with none other than the ubiquitous Amazon to distribute its line of Kenmore-branded home appliances—the first time in the company's 131-year history that it sells products outside of its own distribution channels.

Unsurprisingly, Amazon—the e-commerce pioneer and disrupter par excellence—is the source of an even more

profound seismic shift currently underway in the American retail landscape, following its purchase of the US grocery chain Whole Foods for an eye-watering USD 13.7 billion. The news sent shock waves through the industry and is being described by many commentators as the proverbial "shot across the bow" for traditional brick and mortar businesses.

The deal, approved by US regulators in late August, could truly be the beginning of the end of retail shopping as we know it—not replacing brick and mortar stores, but transforming them into part a seamless omni-channel shopping experience driven by online applications, automation technologies and big data, as personified by the Amazon Go concept, which Amazon launched as a prototype in Seattle in 2016 as the harbinger of the shopping future.

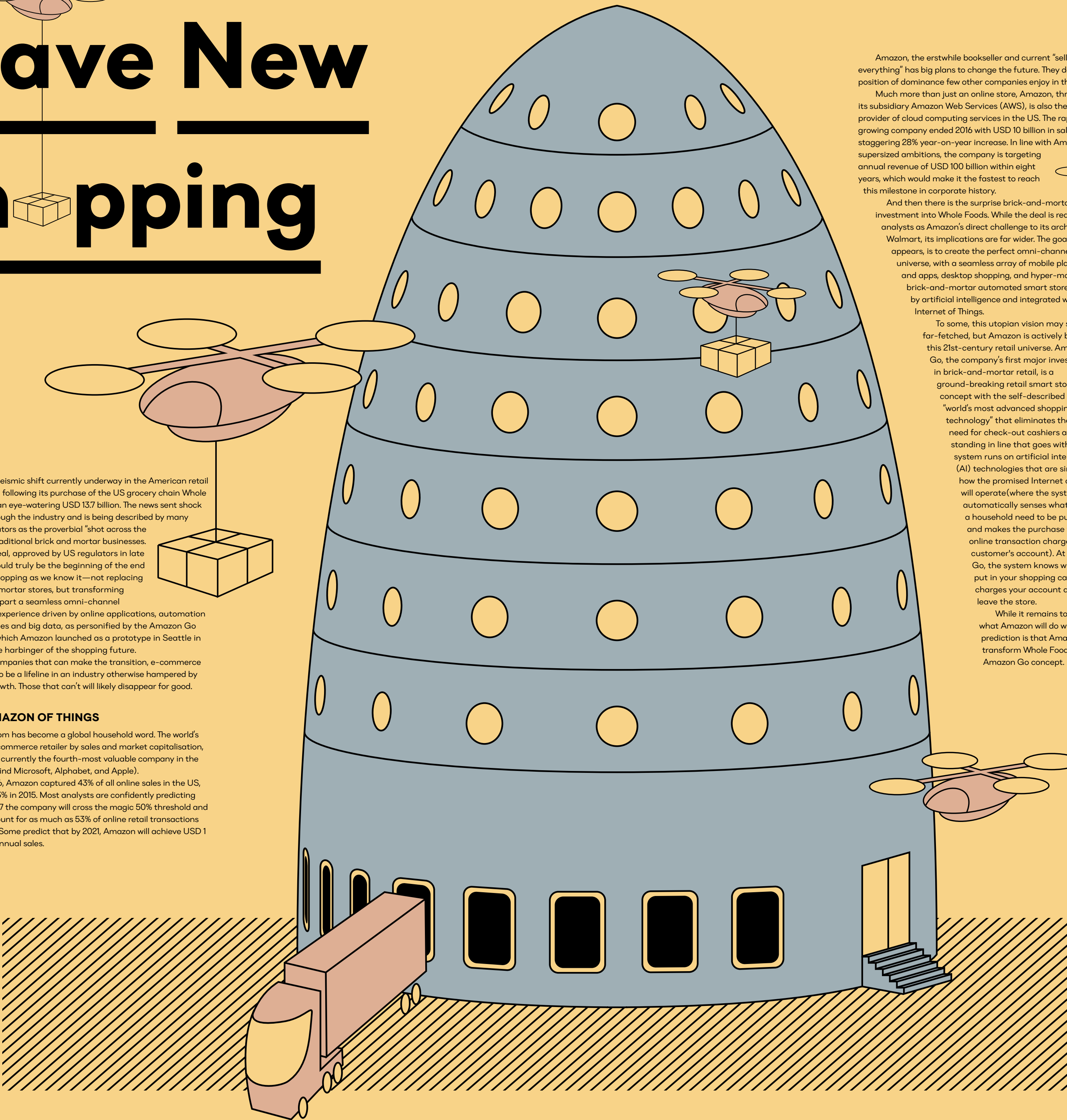
For companies that can make the transition, e-commerce promises to be a lifeline in an industry otherwise hampered by limited growth. Those that can't will likely disappear for good.

THE AMAZON OF THINGS

Amazon.com has become a global household word. The world's largest e-commerce retailer by sales and market capitalisation, Amazon is currently the fourth-most valuable company in the world (behind Microsoft, Alphabet, and Apple).

In 2016, Amazon captured 43% of all online sales in the US, up from 33% in 2015. Most analysts are confidently predicting that in 2017 the company will cross the magic 50% threshold and could account for as much as 53% of online retail transactions in the US. Some predict that by 2021, Amazon will achieve USD 1 trillion in annual sales.

Brave New Shopping



Amazon, the erstwhile bookseller and current "seller of everything" has big plans to change the future. They do so from a position of dominance few other companies enjoy in their sector.

Much more than just an online store, Amazon, through its subsidiary Amazon Web Services (AWS), is also the largest provider of cloud computing services in the US. The rapidly growing company ended 2016 with USD 10 billion in sales, a staggering 28% year-on-year increase. In line with Amazon's supersized ambitions, the company is targeting annual revenue of USD 100 billion within eight years, which would make it the fastest to reach this milestone in corporate history.

And then there is the surprise brick-and-mortar investment into Whole Foods. While the deal is read by analysts as Amazon's direct challenge to its arch rival, Walmart, its implications are far wider. The goal, it appears, is to create the perfect omni-channel retail universe, with a seamless array of mobile platforms and apps, desktop shopping, and hyper-modern brick-and-mortar automated smart stores operated by artificial intelligence and integrated with the Internet of Things.

To some, this utopian vision may seem a bit far-fetched, but Amazon is actively building this 21st-century retail universe. Amazon Go, the company's first major investment in brick-and-mortar retail, is a ground-breaking retail smart store concept with the self-described "world's most advanced shopping technology" that eliminates the need for check-out cashiers and the standing in line that goes with it. The system runs on artificial intelligence (AI) technologies that are similar to how the promised Internet of Things will operate (where the system automatically senses what items in a household need to be purchased and makes the purchase via an online transaction charged to the customer's account). At Amazon Go, the system knows what you put in your shopping cart and charges your account as you leave the store.

While it remains to be seen what Amazon will do with it, the prediction is that Amazon will transform Whole Foods into the Amazon Go concept.

And then there is the fixation of Amazon founder and visionary leader Jeff Bezos with the idea of home delivery by aerial drone. Once the butt of jokes, Amazon's futuristic plans for reshaping not only the stores US consumers shop in, but also the cities they live in, created a buzz of their own in June when the US Patent Office published details (complete with visualisations) of patent applications submitted by Amazon back in 2015.

The world now knows that Amazon envisions massive "beehive towers" for its dreamed of flock of drones, to be located in downtown urban areas across the US.

If the company's plans for what it describes as "multi-level fulfilment centres" comes true, they will forever alter the cityscapes where such "beehive towers" would be located, as there would be literally thousands of unmanned drones buzzing the skies above the major US metropolises.

It can be expected that Amazon will face many obstacles in its quest to take retail shopping literally to the next level—and the company's utopian vision may seem a bit farfetched to some. But if there is one thing that major disruptors like Amazon have shown—they are good at inventing the future.

ENTER THE DRAGON

The US may be the birthplace of e-commerce, but its most fertile soil is the Asia Pacific region, dominated by China, which in 2015 overtook the US to become the world's largest e-commerce market by leaps and bounds.

Chinese consumers are the undisputed global champions of online shopping, and their appetite for it shows no signs of abating anytime soon. In 2016, online retail sales in China reached USD 752 billion, a 26% annual increase and representing over 15% of all retail sales in the country. This figure towers over the world's next largest e-commerce markets—the US, with sales of over USD 450 billion, the UK (USD 110 billion) and Japan (USD 95 billion).

Analysts are projecting that in 2017 Chinese e-commerce sales will exceed USD 1 trillion and that by 2021 will account for up to 40% of all retail transactions in the country. This rapid growth is the result of many factors and mirrors the on-going growth of the retail business in the country in general, which is the main driver of growth for the industry worldwide.

Within China, growth is driven increasingly not by big-city shoppers but by residents of the country's third- and fourth-tier cities, which are often far from China's cosmopolitan shopping districts. With the spread of online connectivity and mobile technologies, Chinese consumers in rural areas and lower-tier cities have embraced online shopping with an unmatched fervour.

And like in the US, where e-commerce is dominated by Amazon, Chinese e-commerce is largely a product of Alibaba—the brain-child of Chinese entrepreneur Jack Ma.

With a model different from Amazon (it operates different portals for B2C and B2B transactions and allows for more third-party sales), and till now largely limiting itself to mainland China and select Asia Pacific markets, Alibaba is China's long-term e-commerce champion, with over 50% of all of China's enormous volume of online sales flowing through the company. In recent years, local upstart JD.com has penetrated Alibaba's market dominance, but from the global perspective, Alibaba remains king.

Earlier this year, the company signed a major strategic partnership with US toy and game producer Mattel. Under the deal, Mattel will sell its iconic brands like Barbie, Hot Wheels, and Fisher-Price via Alibaba's B2C portal, TMall, which has over 443 million active registered shoppers. Mattel and Alibaba will also work together to develop toys and games specific for the Chinese market, which is estimated to be worth some USD 7 billion annually.

E-COMMERCE IN EUROPE

Although lagging behind the explosive growth markets in North America and Asia, European e-commerce retail sales are gathering pace, in line with global trends, and Europe remains the world's number-three e-commerce market. According to data published by E-commerce Europe, the largest e-commerce trade association in Europe, turnover from European e-commerce transactions in 2016 increased 15% year-on-year to reach EUR 530 billion. The estimate for 2017 is annual growth of 14%, with turnover from European e-commerce reaching over EUR 600 billion.

Double-digit growth of e-commerce sales are forecast in Europe over the next five years, supported by data from the EU indicating that consumers are placing greater trust in online purchases, including cross-border purchases. According to the



EU Consumer Conditions Scorecard, the percentage of EU residents making online purchases has nearly doubled in a decade, from 29.7% in 2007 to 55% in 2017. While within Europe, the UK accounts for around one-third of all online sales and the volume of online transactions remains larger in more mature markets, the real growth is in the CEE region. In 2016, turnover from e-commerce sales grew, year on year, by over 30% in Romania, Slovakia, Estonia and Ukraine; and by 25% in Poland and Bulgaria.

The Czech Republic remains the leader in e-commerce sales among CEE countries and ranks among the top-five e-commerce markets across the EU. Nearly 30% of Czech companies are engaged in online transactions. In 2016, e-commerce sales reached nearly USD 4 billion, a 23% year-on-year increase and representing just over 9% of retail sales in the country, continuing the double-digit growth trend of the last several years. Local champions include Alza.cz, Mall.cz and Heureka.cz.

In Romania, a relative latecomer to the e-commerce game, the growth of online sales is increasing rapidly. Last year, e-commerce sales topped EUR 1.8 billion, representing growth of over 30%. Part of the increase is the rapid expansion of smartphone penetration in the country, which shot up from 50% of all handsets in 2015 to 70% at the end of last year.

While Amazon's march to global domination began in Europe and the company still dominates Europe's largest and most lucrative e-commerce markets—the UK, Germany and France—the currently fragmented nature of the European e-commerce landscape gives local competitors certain advantages.

DIGITAL SINGLE MARKET:
EUROPE OF THE FUTURE

The main obstacle to further e-commerce growth in Europe is, paradoxically, the lack of a truly single online market. Only around 7% of SMEs in Europe make cross-border online sales. The European Commission wants to change that and to further integrate the single market in the digital space.

As part of these new changes, mobile roaming charges have been abolished from 15 June 2017. In early 2018, the cross-border portability of online content services will guarantee that European consumers will be able to access online subscriptions when travelling to other EU countries.

The third pillar to level the playing field for consumers will come when the EU moves to prevent the unjustified geo-blocking of cross-border sales.

Underlying all of this is the EU's plan to roll out uninterrupted 700 MHz broadband 5G internet connectivity by 2025, which would support new technologies and services such as smart cars, online healthcare, e-government and high-resolution video streaming.

Boosting cross-border e-commerce is one of the cornerstones of the EU strategy, hand in hand with strengthening consumer rights and data protection. Among plans are the introduction of harmonised digital contract rules—thus removing one of the main reasons why companies will geo-block sales to consumers in other member states. The European Commission also calls for the development of more affordable cross-border parcel delivery systems and simplified VAT procedures for cross-border sales.

THE LOGISTICS REVOLUTION

The worldwide movement of consumers to digital shopping platforms is, unsurprisingly, having a profound impact on the distribution and logistics sector. Worldwide, the sharp spike in online sales has spurred demand not only for new warehousing, but for new logistics models that employ high-tech solutions to meet the constant flow of goods ordered online.

According to a report compiled by CBRE, online retail operations require up to three times' more warehousing space than brick-and-mortar shops. According to CBRE's findings, for each USD 1 billion in online sales, an additional 1 million m² of warehousing is required.

Another change to traditional logistics wrought by e-commerce is the surge in reverse logistics—the massive flow of returns that appears to be the new-normal in terms of online consumer habits. Unable to touch and feel products in-store, online shoppers will typically order several items with the intention of returning at least some of them. The numbers tell the story: traditional retailers tend to see returns of no more than 8%, but in the online world, return rates from 15% to as high as 30% are normal. In 2016, an estimated USD 29 billion of goods were returned in the US alone.

Most distribution centres are set up to distribute goods to market, not receive returns. This massive increase in the reverse flow of goods is forcing online retailers and their 3PL partners to invest in custom-built warehousing and distribution centres, with the technology backbone to track orders and centralise data.

While some of the major retailers with established distribution channels will choose to invest in upgrades to their own networks, the CBRE report finds that outsourcing is becoming the preferred solution for most companies that do not already have large-scale distribution networks in place. Under this arrangement, the retailer handles the inventory, while the 3PL handles the flow of goods and returns.

Regardless of a company's strategy, the need for an e-commerce solution is becoming increasingly acute for a growing number of businesses. Technological and market forces are coming to bring about a sea change to global supply chains and is expected to act as a catalyst of growth for the sector over the coming years.

Changes to the warehouses of the future include an array of high-tech solutions, including artificial intelligence (Amazon is close to launching robot warehouse workers that can pick and pack faster and with more accuracy than human beings) and drone technology, which could see distribution centres built vertically, with smart drones doing the picking and packing.

It remains to be seen to what extent the utopian visions harboured by the likes of Amazon and other e-commerce giants will materialise. Will drones be flying your next pair of hiking boots, together with your weekly groceries, directly to your door? Will shopping become a seamless (and cashless) mix of app-driven and data-mined online and in-store experiences?

Will Amazon really be the only store in the world? Amidst the speed of change, one thing is certain: change is going to come.

E-commerce Clients in the CTPark Network	
Romania	
Altex	
NOD	
e-mag	
Czech Republic	
Kosik.cz/Mall.cz	
Pro:Direct	
Alfa.cz/TS Bohemia	
Weltbild	
Lidl	
4PX	
Primark	
Loxess	
DM Drogeriemarkt	
Allyouneed	
Slovakia	
C&A	

CEE markets: In 2016, turnover from e-commerce sales grew y-o-y by over 30% in Romania, Slovakia, Estonia and Ukraine; and by 25% in Poland and Bulgaria.

USD 2.29 trillion
global e-commerce sales, 2017

USD 1 trillion
Chinese e-commerce sales, 2017

10%
E-commerce % of global retail sales, 2017

40%
E-commerce % of Chinese retail sales, projected 2021

55%
% of EU residents making online purchases/year, 2017

30%
% of CZ companies with online sales presence

8%
Return rate in traditional retail

15–30%
E-commerce return rates

USD 1 billion : 1 million m²
Ratio of sales to warehouse space required for e-commerce logistics

Picture: E-commerce fulfillment centre at CTPark Plzeň. One of the many locations where a traditional retailer has opened a new kind of facility, with higher clear height, allowing for higher racking and greater mezzanine space.

This

i
s

summer

my

Good news: summer is finally over! And we are all equal again: no need to be jealous of colleagues enjoying a better vacation than yours. But, before all the memories fade away, we wanted to share the great, spectacular and unforgettable moments from this amazing summer of 2017.

David Chládek
Regional Director

You don't wanna
know what David
is doing...

Radek Vlček
Project Manager

Sorry, we were not able to come up with anything funny for this one.

László Madas
Project Manager

When in Milan, do as the Milanese do.

Radka & Pavel Musil
Chief Controller &
Fleet Maintenance

This is the first time we've actually seen them together.

Pavla Bumbálková
Project Manager

"...and when you grow up, this will be covered by Mommy's projects."

Zoltán Mezei
CFO for Hungary

Zoltán gets to know the financial team on teambuilding in Thailand...

Michal Földeš
Corporate Lawyer

Michal lands it at the end of his pole dancing show.

Stanislav Pagáč
Regional Director

Apparently someone did not read the mail properly again: we asked for a SUMMER holiday picture!

Csaba Hegedüs
Business Development
Manager

Tsunami survival training while Kayaking at Lake Balaton.

Marek Zeman
Project Manager

**Marek, hold on,
your wife is the
one in the hat!**

Tereza Vaňurová
Junior Project Manager

That funny tower
is positioned quite
suggestively, would you
not say....?

Martina Štraufová
Consolidation Specialist

Looks like someone
just fell in love?

Ana Dumitrache
Co-Country Head of Romania

Known for lack of discipline, both child and mom request 2 beers each on long weekend in Prague. Dad does not look happy.

Július Hájek
Head of Marketing

Will the real Julius
please stand up? Smoke
& Mirror games in
Flachau, Austria.

Martin Kunz
Junior Accountant

Smiling just before he realised he is lost in the mountain rocks.

Pavína Ibrahimová
Senior Lawyer

Smiling just before they realised they lost Martin Kunz in the mountains.

Tom Kostelac
Marketing Director

I shot the sheriff...



Oooooooooooooo
oooooooooooooooo

David Vais
Senior Business
Development Manager

David posing with his trophy rabbit while on safari in the Tatra mountains. Could have chosen somethnig a little more dangerous

Nina Hradečná
Senior Lawyer

Banking with Banksy
on the left bank.

Karol Škorík
Project Manager

Letting off steam doing a little time travel at Slovakian steam train museum.

Vacations are not the only way we know how to relax: CTP likes to sponsor our employee's healthy lifestyles and community spirit. Spring and summer were full of competitions and outdoor events where our people participated or competed.

Team CTP Shows
Community
Spirit

Ondřej Tomáš
Technology Designer

Michal Filděš
Corporate Lawyer

Jakub Heráik
Junior Invoicing Clerk

Janka Zemanovičová
Executive Assistant for
Business Development

Karel Smejkal
Construction Director

David Chládek
Regional Director

Swim, Bike & Run

CTP is a long-term sponsor of the half-marathon races Doksy and Pálava Race, where only the fittest survive. Team CTP did well on both the individual times and as teams. Our own Karel Smejkal and Petr Janáček came in third in their relay category at Pálava!

Banging Heads
Under the Blast
Furnaces

CTP sponsored this year's Colours of Ostrava four-day music festival held in the town's famous repurposed steelworks. While headlined by big names like Midnight Oil, Jamiroquai and Norah Jones, Colours is best known for showcasing new, up-and-coming and indie talent. Thanks to Ostrava native Petra Pivarová for pulling it all together for those of our team and clients who met us there.

Jamiroquai

This year, CTP sponsored any of our employees who wanted to participate in the four cities half marathon challenge. Organised by our own Pavlína Ibrahimová, CTP fielded minimally 10 people in both the Prague and Bratislava races. Upcoming are the Budapest and Bucharest half-marathons taking place on the 10th of September and 8th of October respectively.

Half-way Through...

Stefan de Goeij
Head of Property
Management

David Vais
Senior Business
Development Manager

Michal Feleman
M&A Manager

Miroslav Havel
Project Manager

Remon L. Vos
CEO

Jiří Krátký
Design & Purchase
Manager

Zsófia Prokop
Office Manager

Pavlína Ibrahimová
Senior Lawyer

Flóra Badacsonyi
Financial Manager

Jaroslav Kaizr
Business Development
Director

CTPark Plzeň: A Big Success Story

CTPark Plzeň is an outstanding example of a CTPark. Started in 2004 at the sought-after location of Bory Fields just outside Plzeň city, CTPark Plzeň includes almost all of our unique building types, and is home to a wide variety of businesses representing high-tech manufacturing, e-commerce and warehousing, the aerospace industry as well as smaller domestic companies. At present the park is almost full, with more of our successful CTBox units planned for development. Part of the park's success is due to its strategic location near the city centre, with on-site public transport and easy access to the E50/D5 motorway connecting Germany to Prague. The park is ideal for companies locating high-tech, R&D and product development centres in the region.



CTPark Plzeň Facts	
Total Park Size	42 ha
Available built	0 m²
Planned construction	2,607 m²
Available skilled labour, onsite public transport, central location/ easy accessibility, new four-lane connection to E50/D5, high level of FDI in the area, university city with technical schools, low-wage area, Prague airport – 90 km, German border – 75 km	

Selected Clients

- Adestra
- Asteelflash
- Autocora
- DHL
- Exova
- Fridanair
- Izopol
- Lear
- MD Electronic
- MOL
- PPL
- SCS
- Lidl

CTBox (450–800 m²)

The three-in-one functionality of the CTBox concept provides showroom, warehousing and office space in one efficient unit, perfect for startups and SMEs.

CTFlex (1,150–3,000 m²)

CTFlex buildings are multi-purpose facilities ideal for line-manufacturing, R&D, or businesses with high seasonal variation due to its flexible design.

CTSpace (3,000–20,000 m²)

Premium-quality, modern warehouses to accommodate the storage, distribution and supply-chain needs of global business.

CTFit (From 5,000 m²)

CTP specialises in customised, built-to-suit properties and fit-outs to meet even the most demanding, industry-specific requirements.

WHO IS NEW AT CTP?



Zoltán Mezei
CFO for Hungary

Zoltán joined CTP Hungary in July as new CFO following his experience as deputy CFO at an automotive manufacturer. Zoltán loves both accounting and taxation as much as triathlons and his motorcycle riding.

Dávid Huszlicska
Senior Business Developer,
Hungary

Július Hájek
Head of Marketing

Lukasz Merta
Head of Finance

Grzegorz Krynski
Site Manager

Pavel Baumruk
Head of IT

Ferenc Gondi
Corporate Lawyer

Iuliana Busca
Junior Business Developer

Andrea Poláččáková
Insurance Specialist

Luiza-Monica Cirlig
Financial Controller

Lucian Balasa
Property Manager

Florin Ionescu
Property Manager

Ludovít Urban
Facility Manager

Tibor Mórítz
Facility Manager

Michaela Čálková
Office Manager

Elena-Madalina Manolache-Patachi
Office Manager

Tereza Borýsková
Receptionist

UPCOMING EVENTS

Expo Real 2017 4–6 October 2017, Munich
CTP will be making a big splash at EXPO REAL, the international trade fair for real estate and investment. EXPO REAL has played host to the whole sector for three days every year since 1998.
Find us at **stand B1.141**

Thirsty Thursday Prague September 7, Prague, Czech Republic (invitation only)
CEDES 2017 September 7, Bratislava, Slovakia
CEDEM 2017 September 14, Prague, Czech Republic
CEE Property Forum September 19, Vienna, Austria
Real Estate & Supply Chain Leaders Forum October 12–13, Hamburg, Germany
CEE Automotive Forum October 16, Prague, Czech Republic
ABSL 5th annual conference October 18, Brno, Czech Republic
Thirsty Thursday Bucharest November 9, Bucharest, Romania (invitation only)
CIJ Awards CZ November 30, Prague, Czech Republic
CIJ Awards RO December 7, Bucharest, Romania
MIPIM 2018 March 13–16, Cannes, France