CEE H1 2023

What's going on in Real Estate Investment?

AVISON YOUNG

Czechia	12
Hungary	16
Poland	20
Romania	24
Slovakia	28

Avison Young brings its H1 2023 CEE investment overview reflecting on key changes in the market dynamics.

1 What's HOT and what's NOT?

- **Retail sector:** Dominance of the retail sector in the results of the whole region (**35%**) is mostly due to **two large transactions which took place in the CZ market** – divestment of Trei Real Estate from their CZ-SK supermarket and retail park portfolio to Plan B Investments for an estimated value of ca. €187 million (**CZ** portfolio allocation) and Pardubice Retail Fund acquisition of Palac Pardubice Shopping Center for €123 million. One of the founding companies of Pardubice Retail is Perrarus Plus, a company in the ownership of Richard Morávek, the **CZ** real estate investor and developer also owning Redstone Real Estate.

  Despite retail transactions achieving only 18% market share in **RO**, we are expecting that this particular segment will be **the investment engine in H2** which will boost the total transaction volume. In particular regional retail parks are attracting investors in **RO**.

  In **PL**, retail volume reached €175 million, marking the lowest H1 result since 2010. After several years of unquestionable dominance by retail parks and convenience schemes, the **structure of the retail investment market is undergoing a shift** in 2023 as the market witnessed a return to transactions of regular shopping centres in regional cities and acquisitions for redevelopment purposes.

  In **HU** retail transactions accounted for ca. 51% of the total volume but the numbers were low – only €58 million was transacted in total and it was built up of high street units, regional strip malls and smaller shopping centres.

- **Industrial sector:** The biggest winner of the COVID-19 pandemic **was hit most** by the transactional slowdown of 2023. The overall result of the industrial sector in H1 in the region is mostly due to **Poland's €436 million transaction volume** allocated in this segment. This result was generated in **PL** by **single-assets only** as no portfolio deals took place and none are expected in the near future. In an effort to minimize risk **investors have turned to smaller scale deals**.

  The largest transaction recorded on the **RO** property market in H1 2023 was the sale and leaseback of the FM logistics portfolio, with total pricing estimated at ca. €60-70 million

  No industrial transactions were recorded in HU and SK. In **SK**, this was partially due to investors flight to core markets, as regional **SK** is often considered secondary by institutional funds; and partially by a lack of available product on offer in the much more liquid Bratislava Region.

- **Office sector:** In terms of total volume, the office sector is shoulder to shoulder with the industrial sector recording a 28% market share across the CEE in H1 2023. There is a major focus on future rental growth as recent inflation levels and the consequent rental indexation have pushed many assets into "over-rented" territory.

  In **PL** all office deals during H1 were located in Warsaw – contrary to the trend in 2022, which favoured regional cities.

  The biggest office deals in the analysed period in CEE took place in Bratislava, SK - Pribinova 19 Bratislava Office was acquired by IAD Investments and Landererova 12 Bratislava Office was purchased by ZFP Investments – both deals are estimated to have a value of ca. €100 million each.

2

Slowdown was inevitable

- The current results may not appear very optimistic at the moment, but this is **only a temporary situation.**
- The COVID-19 pandemic significantly impacted the economy and customer behaviour, consequently affecting the real estate market and investors' activity. However, buyers relatively quickly adapted to the new circumstances and the total investment volume in CEE (Czechia, Hungary, Poland, Romania, Slovakia) exceeded €10.5 billion both in 2020 and 2021.
- In 2022, the outbreak of war in Ukraine further disrupted the market, leading to record-high inflation, increasing interest rates, and escalating investment uncertainty. Despite these challenges, investment volumes in CEE managed to exceed €11 billion, surpassing the two former years.
- But all market players were aware, **the slowdown was to hit in 2023**.
- Total transaction volume in the CEE region **decreased by 59%** (Y-O-Y). The smallest change occurred in **CZ** (38% decrease with a result of €749 million) and the biggest – in **PL** (72% decrease with a result of €801 million) and **HU** (82% decrease with a result of €114 million). The market freeze in **HU** is driven not only by global conditions, but also those specific to **HU**, which might be concerning for some investors - the tensions between HU and the EU, provider of structural funds to the country and the position of HU in the Ukraine-Russia conflict.
- **SK** with the volume of €321 million noted a decrease by 48%, and **RO** - 44% with €180 million.
- In **HU**, there are significant assets under exclusivity or under marketing, so **volumes are expected to recover** in the second half of the year bringing the yearly total above €500 million.
- In **RO**, the full year investment volume is expected to reach €600-700 million, with the **retail sector being the engine of the investment market.**

3

Good time for investments as pricing shifts

- One of the factors contributing to the decline in the number and volume of transactions in the first half of 2023 is the **ongoing process of aligning price expectations between sellers and buyers**. However, there are early indications that this situation may improve by the end of the year. At present, numerous buyers are seeking to capitalize on the market conditions by submitting bids significantly below historic property valuations, hoping to secure favourable deals.
- But many owners are not in a hurry to sell. However, this situation will change as circumstances arise, such as the need to liquidate a fund, depletion of funding or underperformance of the property.
- It is said that it is efficient to invest in times of crisis. Therefore, **the current market situation is creating great investment opportunities for equity rich investors**.
- Some investors are positioning themselves to take advantage of the current limited liquidity (and therefore lack of competition) to acquire assets at attractive price levels in the international context.
- Some owners are becoming more flexible as they need to liquidate or recapitalise funds or have taken the strategic decision to exit a market.
- In the current situation, **assets with strong fundamentals can be purchased at attractive price**.

4

Market outlook

- A key focus on investors in assessing acquisition opportunities is the **ESG related future CAPEX**. The required upgrade of older buildings is sometimes difficult to assess in the context of high construction costs. As buyers are almost always expecting higher deployments than sellers, the gap is often unreconcilable.
- There is an **abundance of opportunistic capital available for deployment**, but the cost of such equity and targeted returns are so far from current sellers' expectations that we anticipate a **longer-term stalemate leading into 2024 in some markets**. In markets where the re-pricing is now at play, volumes might show significant improvement in the second half of 2023.
- As debt finance became more restrictive and pricier, the failure rate of transactions has dramatically increased and full equity deals are the only safe option for sellers.
- While only accounting for 28% of total volume in the first semester, **the industrial sector remains the darling of investors and the most sought-after segment.** As in the past, the limited availability of product and ownership consolidation causes the relatively low transaction volumes.
- Despite the transaction slowdown and low volumes, **CEE capital remains active with a 66% share** in total investment volume generated in CEE in H1 2023. Local capital is dominating in **CZ** (81%), **HU** (69%) and **RO** (50%).
- We expect to see **greater divergence in prime yields** across geographies as we see a divergence of inflation rates across the region. Those countries who can reel in inflation via sensible monetary policy will win the battle against cap rate decompression.

CEE H1 2023

5 Major transactions

Czechia

PROPERTY NAME	CITY	SECTOR	PURCHASER	PRICE (€m)
Trei Real Estate CZ-SK Retail Park Portfolio	Various	Retail	Plan B Investments	ca. 187 (est.)
Palac Pardubice Shopping Center	Pardubice	Retail	Pardubice Retail Fund	123
Opatov BTR (50% share)	Prague	Residential	VIG / Ceska Sporitelna	ca. 85 (est.)
Arkady Pankrac (25% minority share)	Prague	Retail	G City Europe	60.5
Rohan Business Center	Prague	Office	Fio Banka fund	ca. 31.5

Hungary

PROPERTY NAME	CITY	SECTOR	PURCHASER	PRICE (€m)
3 retail assets	Regional cities	Retail	Appeninn	51 (est.)
Víziváros Office Center	Budapest	Office	FLE	35 (est.)
Hattyúház	Budapest	Office	Indotek	14.5 (est.)

Poland

PROPERTY NAME	CITY	SECTOR	PURCHASER	PRICE (€m)
Campus 39	Wrocław	Industrial	P3	139
Wola Retro	Warsaw	Office	Adventum Group	70
Panattoni warehouse	Wrocław	Industrial	confidential	56
Atrium Molo Szczecin	Szczecin	Retail	Metropol	46
My Place Office II	Warsaw	Office	Trigea Real Estate Fund	45
Panattoni warehouse	Warsaw	Industrial	confidential	42
Wiśniowy Business Park	Warsaw	Office	Indotek	40

Romania

PROPERTY NAME	CITY	SECTOR	PURCHASER	PRICE (€m)
FM Logistic Parks	Bucharest & 2 regional cities	Industrial	CTP	60-70
One Herastrau Offices	Bucharest	Office	Private investor	21
Olympia Tower	Bucharest	Office	Yellow Tree	15
Brico Depot	Iasi	Big Box Retail	Radacini Group	9

Slovakia

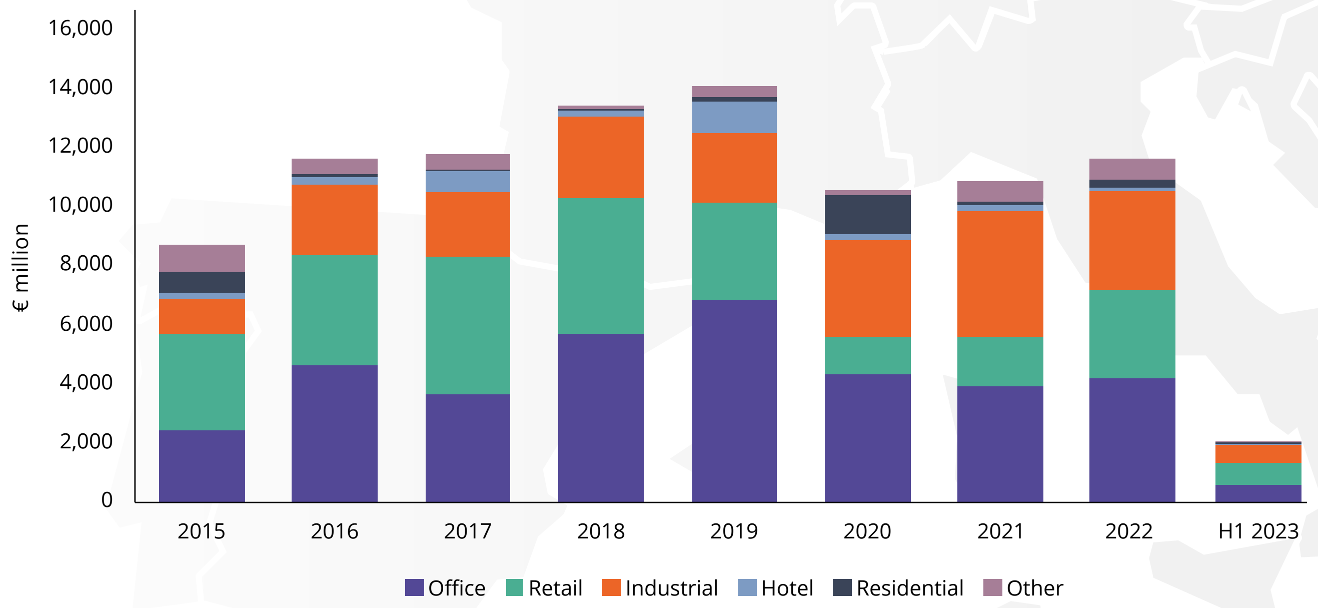
PROPERTY NAME	CITY	SECTOR	PURCHASER	PRICE (€m)
Pribinova 19	Bratislava	Office	IAD Investments	100 (est.)
Landererova 12	Bratislava	Office	ZFP Investments	100 (est.)
TREI retail portfolio (SK part)	Various	Retail	Plan B Investments	37
Retail Park Topolčany	Topolčany	Retail	ZDR	11

6 CEE in numbers

€ 2.2 bn total volume CEE

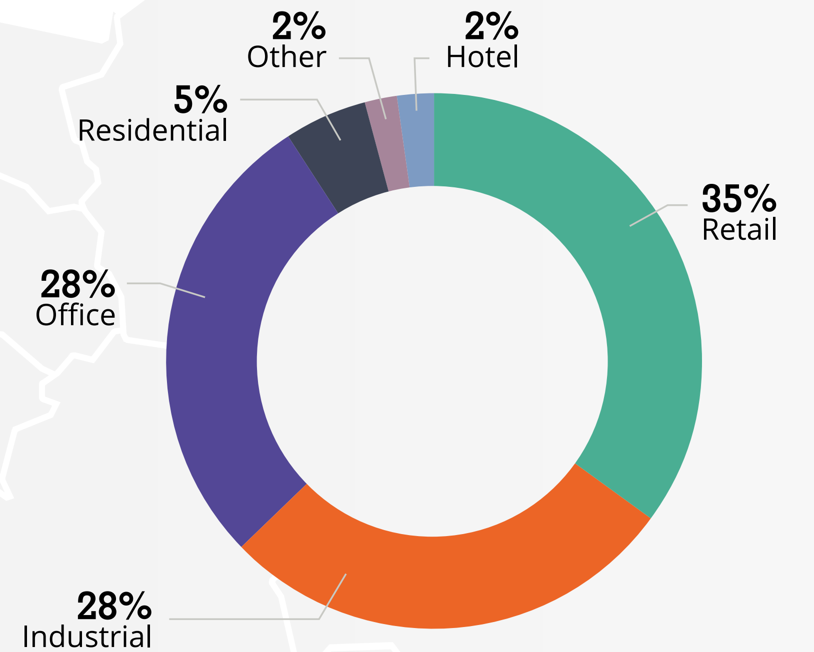
↓ **59%** Y-O-Y

Investment volume shared by sector over the years



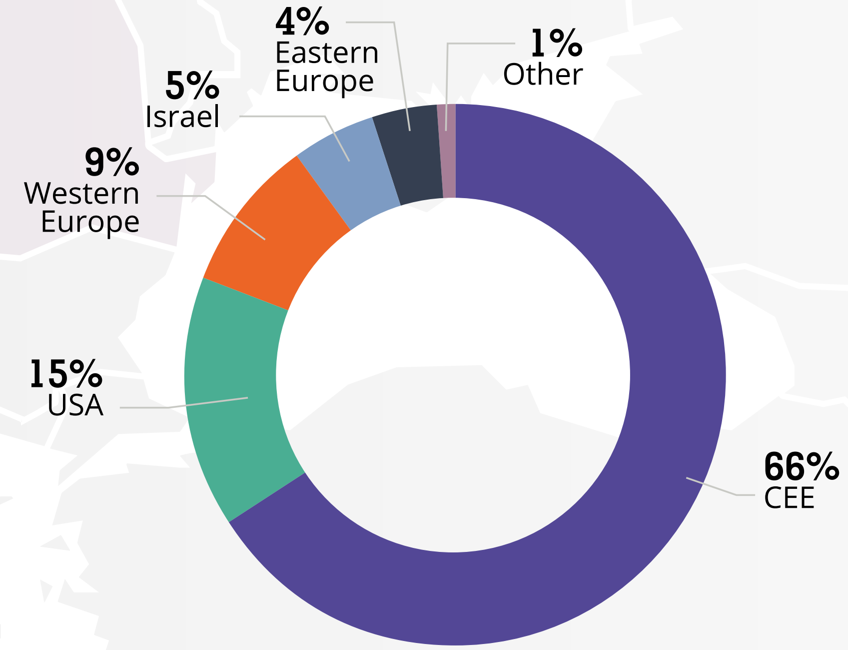
Source: Avison Young

Investment volume shared by sector (H1 2023)



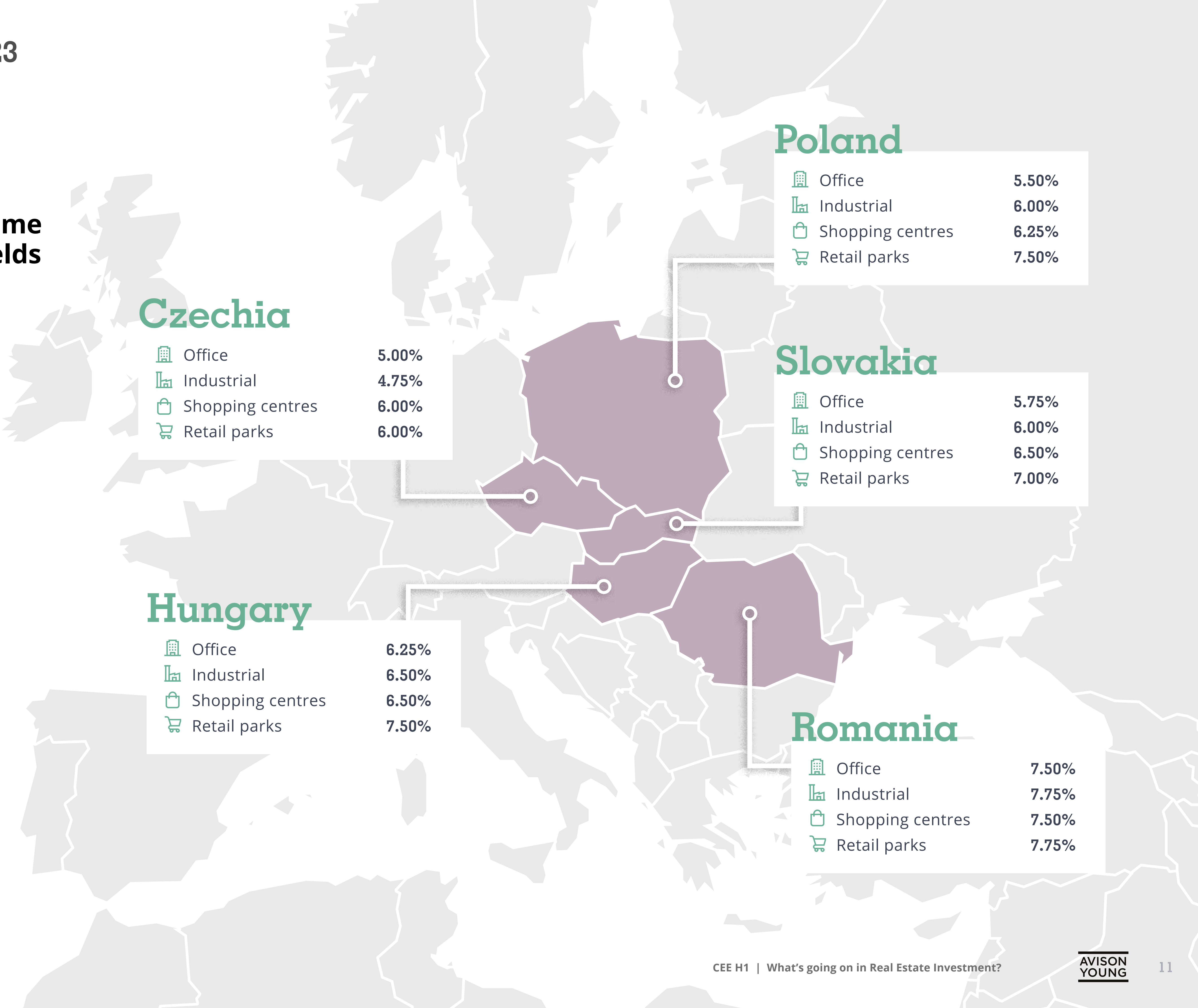
Source: Avison Young

Investor activity by origin (H1 2023)



Source: Avison Young

7 Prime yields



Czechia

Office	5.00%
Industrial	4.75%
Shopping centres	6.00%
Retail parks	6.00%

Poland

Office	5.50%
Industrial	6.00%
Shopping centres	6.25%
Retail parks	7.50%

Slovakia

Office	5.75%
Industrial	6.00%
Shopping centres	6.50%
Retail parks	7.00%

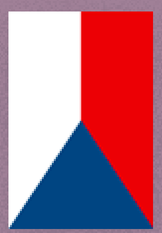
Hungary

Office	6.25%
Industrial	6.50%
Shopping centres	6.50%
Retail parks	7.50%

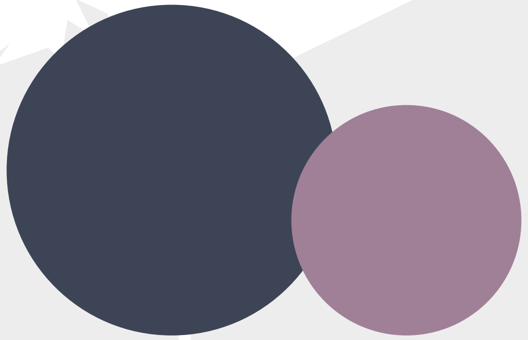
Romania

Office	7.50%
Industrial	7.75%
Shopping centres	7.50%
Retail parks	7.75%

Czechia



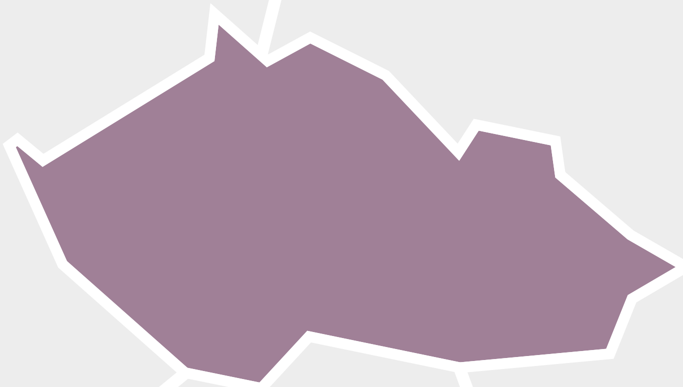
Annual labour costs



€30.5k
EU 27

€16.4k
Czechia

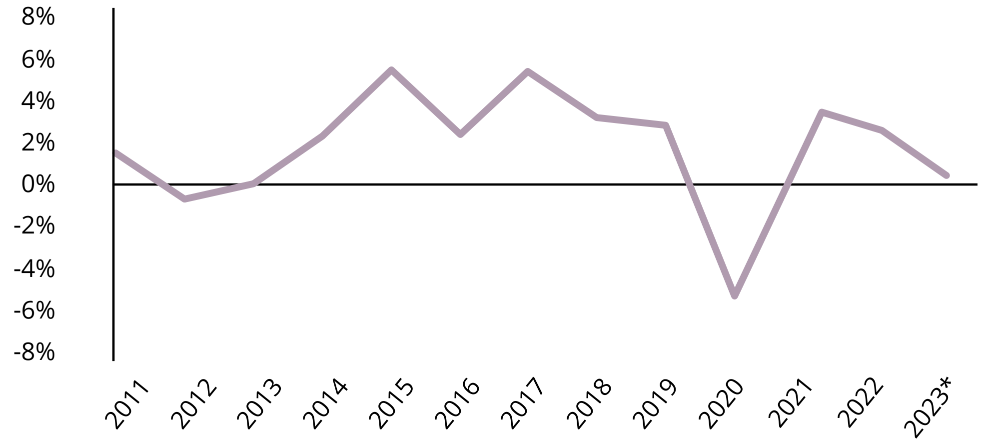
Source: Eurostat



Taxation

Type of tax	Asset deal	Share deal
Transfer tax	Transfer tax is not applicable currently due to Covid-19 related economic support packages; upon normalisation of the economic situation it is expected to return to 4% of Asset Value	0%
VAT residential	21% VAT - a reduced VAT rate of 15% will apply to the transfer of an apartment up to 120 sqm and to a house up to 350 sqm. The transfer of other real estate or land is charged at the standard rate of 21% VAT. The sale is exempt from VAT if the transfer takes place three years after acquisition or acceptance of the property.	0%
VAT commercial	The sale of buildings, flats and commercial buildings is exempt from VAT if the transfer takes place three years after acquisition or acceptance of the property. If above conditions are not met, the standard rate of 21% of VAT will be applied.	0%

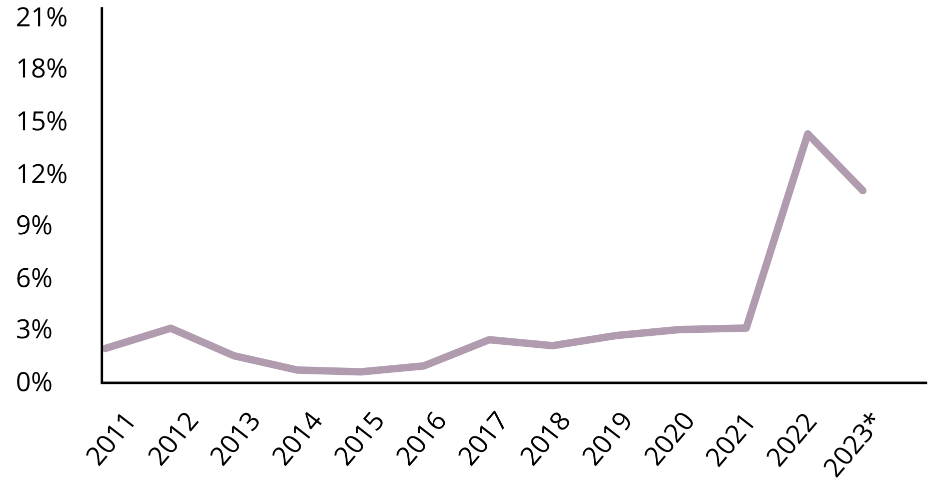
GDP rate



2.20% ↘
Y-O-Y 2023*

Source: Eurostat
* forecast

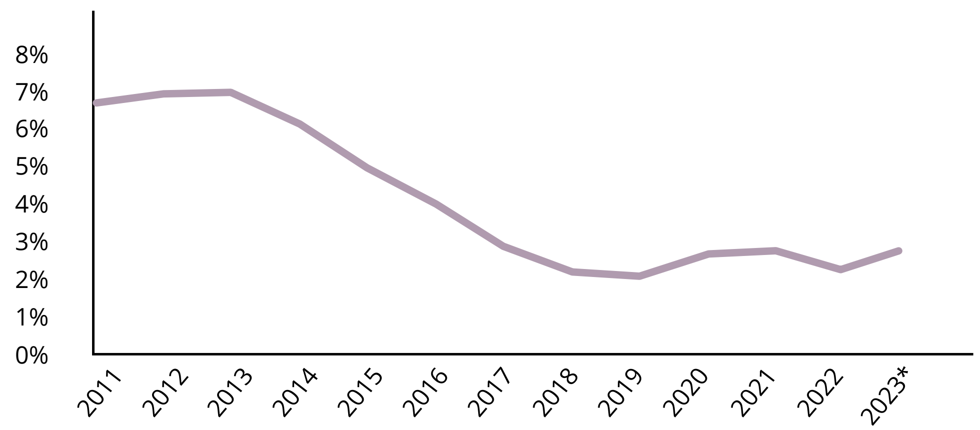
CPI (inflation) rate



2.90% ↘
Y-O-Y 2023*

Source: Eurostat
* forecast

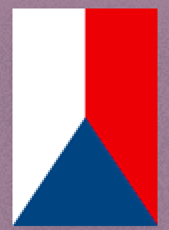
Unemployment rate



0.60% ↗
Y-O-Y 2023*

Source: Eurostat
*forecast

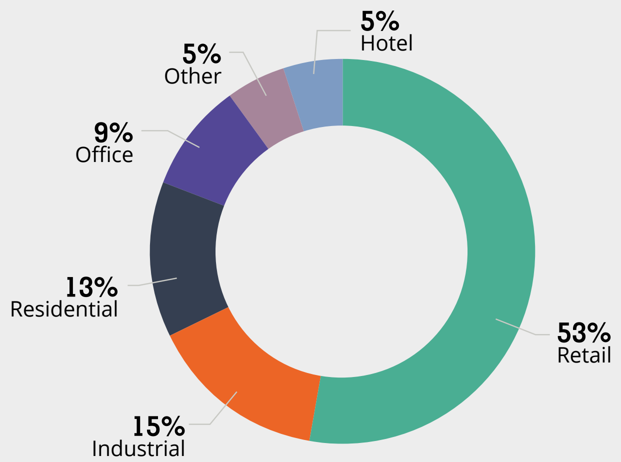
Czechia



Investment market overview

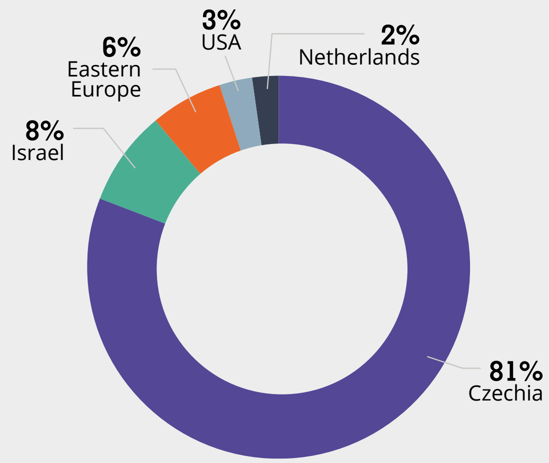
- Total investment volume in H1 2023 reached **€749 million**, which is ca. 38% decline comparing to H1 2022. This is, however, due to the fact that majority of the larger deals completed are long lasting transactions from early 2022.
- From the sector point of view, **retail transactions** counted for a major part in the total volume (**53%**).
- **Czech investors** have been continuing to affirm their domination on the local market with more than **80%** share in the total volume.
- Yields have been decompressed by the high interest rate environment, but values have been supported by high indexation of 2022 on the other side, so the overall impact has not been major. We do not register **any distress deals** on the Czech market.
- The investment outlook is being affected by ongoing high interest rates and general caution on the market, so **we expect H2 2023 to be relatively slow**. As the market is dominated by locals and since the CZK base interest rate is 6%, a major part of liquidity goes to short term deposits at banks and investors adopted a wait-and-see approach with a strategy to monitor the situation and await for either a smart deal or stabilization of the situation later this year / beginning of the following year.
- Inflation has been declining from roughly 20 percent p.a. peak in February 2023 to ca. 10 percent p.a. in June 2023, but is expected to stabilize below 5 percent p.a. by the end of 2023. **This could be one of the strong buy signals for investors for 2024**, especially if connected with an interest rate decrease from CNB and ECB.

Investment volume shared by sector (H1 2023)



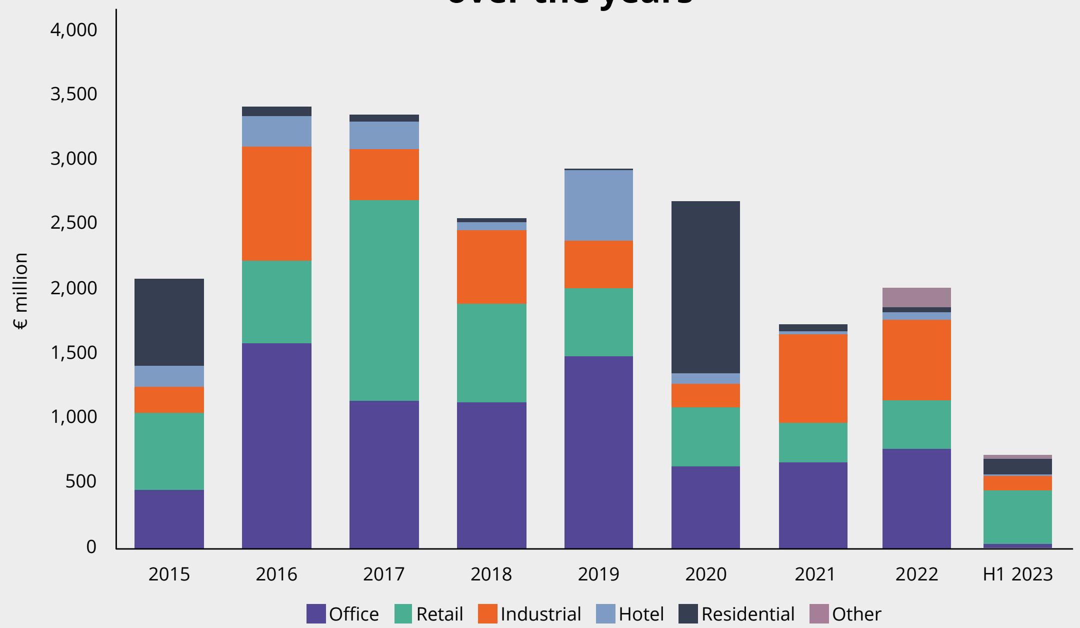
Source: Avison Young

Investor activity by origin (H1 2023)



Source: Avison Young

Investment volume shared by sector over the years



Source: Avison Young

Hungary

Annual Labour Costs

€30.5k EU 27

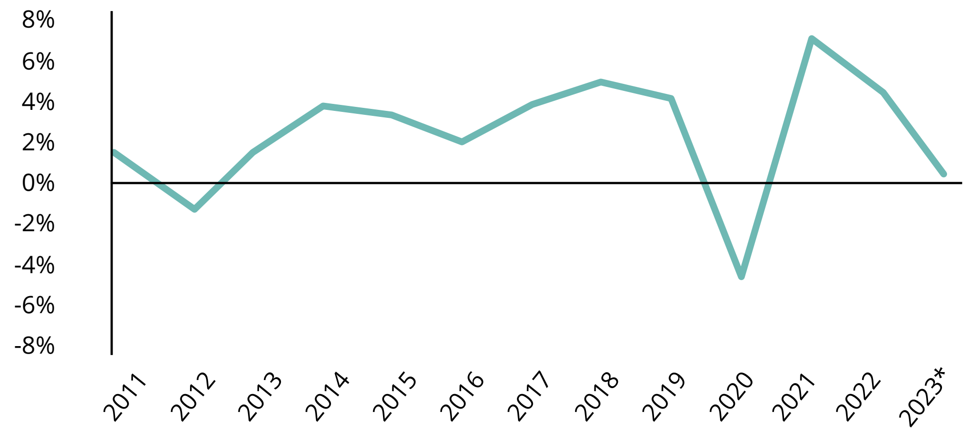
€10.7k Hungary

Source: Eurostat

Taxation

Type of tax	Asset deal / Share deal
Transfer tax	4% of the market value up to HUF 1 billion and 2% above with a tax cap at HUF 200 million per real estate. Applicable to SPV and asset deals
VAT	27% VAT - a reduced VAT rate of 5% applies on new apartments with a size below 150 sqm and new houses with a size below 300 sqm
Corporate tax	9%

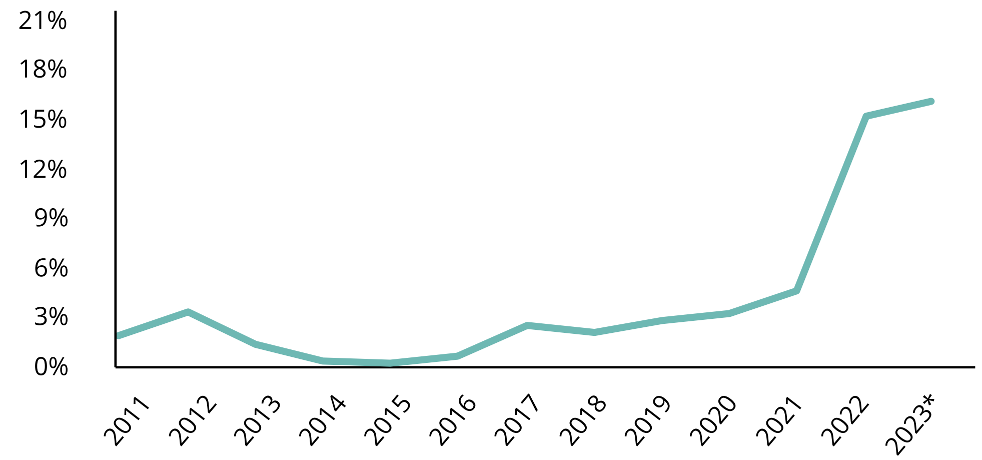
GDP rate



4.10% ↘
Y-O-Y 2023*

Source: Eurostat
*forecast

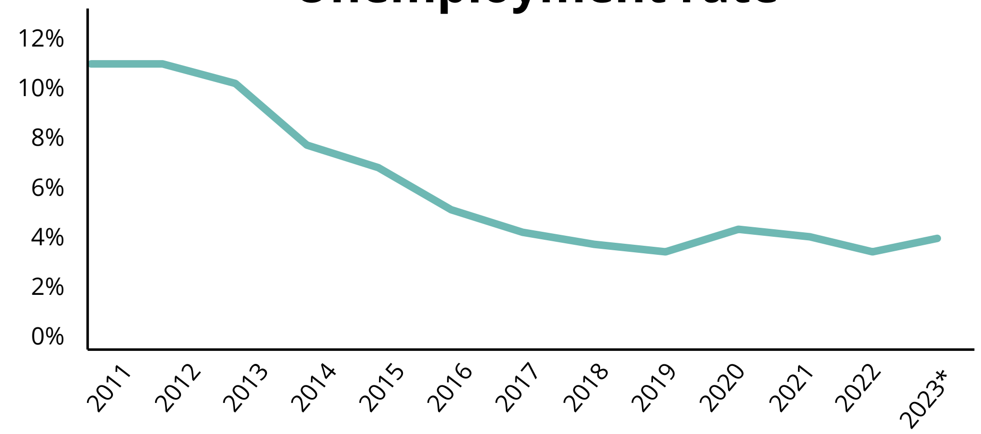
CPI (inflation) rate



1.10% ↗
Y-O-Y 2023*

Source: Eurostat
*forecast

Unemployment rate



0.60% ↗
Y-O-Y 2023*

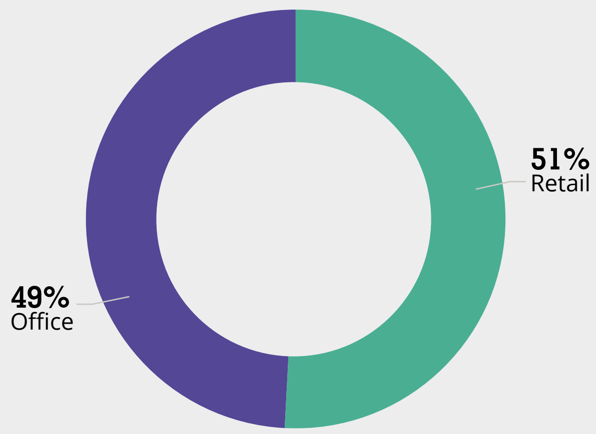
Source: Eurostat
*forecast

Hungary

Investment market overview

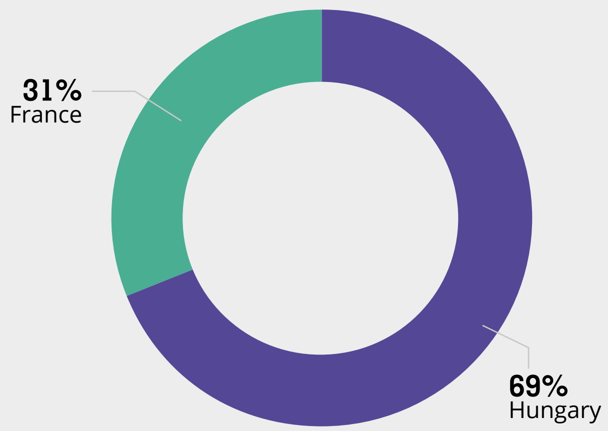
- The transactions of the first semester amounted to a mere €114 million - very far from the standard €500-700 million range. H1 2023 **volumes are 5 times lower** than H1 2022 ones and this limited activity was witnessed last during the 2010-2012 phase of the global financial crisis.
- The market freeze is driven by conditions which are not specific to Hungary such as (1) the wait-and-see attitude of the majority of investors, (2) the very constraint availability of debt, (3) the war in Ukraine. We should add to those general factors the **Hungarian specific elements concerning some investors** such as (1) the tensions between Hungary and the EU, provider of structural funds to the country and (2) the position of Hungary in the Ukraine-Russia conflict.
- Nevertheless, the current phase presents a **significant opportunity for strategic purchases** as (1) sellers are digesting the market repricing and are becoming more flexible on their expectations and (2) **market fundamentals remain strong** and assets with strong fundamentals can be acquired at attractive levels.
- On the **retail** front which represented half of the total volume, the market witnessed some transactions on **high street units as well as regional strip malls and shopping centres.** While large shopping centres are not in the focus due to difficulty of financing and mobilising large equity commitment in an illiquid phase of the market, dominant schemes of international standards in regional cities could attract interest. Prime high street retail remains sought-after by private investors for the best locations. Appeninn, the listed Hungarian real estate fund acquired 3 regional assets from Equilor, while the high street units were traded between private investors (local and international).
- In the **office** segment, which also accounted for some 50% of the total volume, the activity was limited to **older stock**. The main transaction was the acquisition by FLE of the Vizivaros Office Center from CA Immo. With this acquisition, FLE is cementing its stronghold on the Vizivaros cluster of Buda Central where they already own Residence. The other transactions included smaller assets such as Hattyúház acquired by Indotek and N97 acquired by a private hospital operator for conversion.
- The fundamental factor contributing to the decline in the number and volume of transactions in the first half of 2023 is the **ongoing process of price discovery in the new market context.** The continuous discussions indicate that the situation is improving, and that buyers and sellers are closing the price gap.
- Some investors are positioning themselves to take advantage of the current limited liquidity (and therefore lack of competition) to acquire assets at attractive price levels in the international context. Some owners are becoming more flexible as they need to liquidate or recapitalise funds or have taken the strategic decision to leave the market. As significant assets are under exclusivity or under marketing, **we expect volumes to recover in the second half of the year** bringing the yearly total above €500 million. In this context, we are incorporating a **decompression of yields** with prime yields at 6.25% for offices, 6.50% for logistics, 7.50% for retail parks and 6.50% for shopping centres.
- While **inflation** was still at 20% in June it peaked in Q1 2023 and is now **expected to fall sharply to single digit levels** by year end and around 4% by 2024. The job market remains tight with unemployment at around 4% and nominal wage growth still on the agenda (but below inflation levels). Owing to high inflation and robust GDP growth, the debt-to-GDP ratio fell to 73% in 2022 and is expected to decrease to some 71% by 2024.

Investment volume shared by sector
(H1 2023)



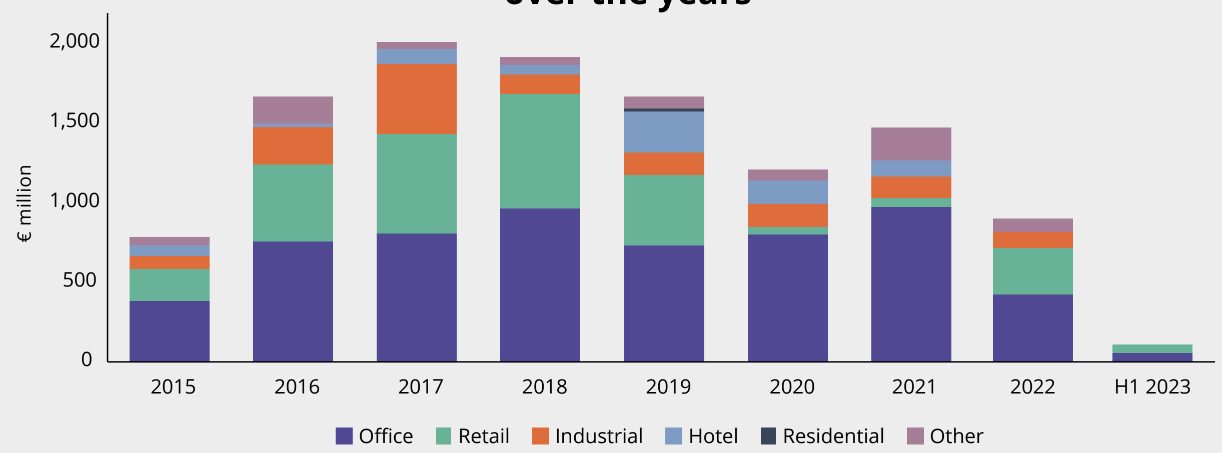
Source: Avison Young

Investor activity by origin
(H1 2023)



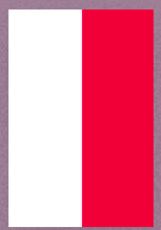
Source: Avison Young

Investment volume shared by sector
over the years

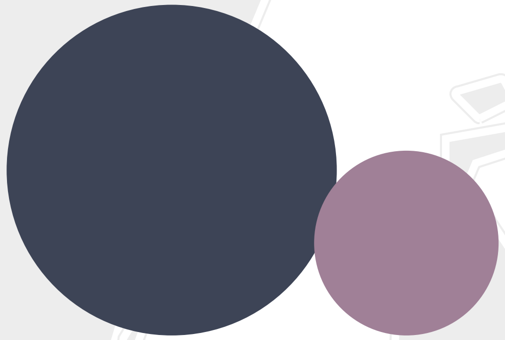


Source: Avison Young

Poland



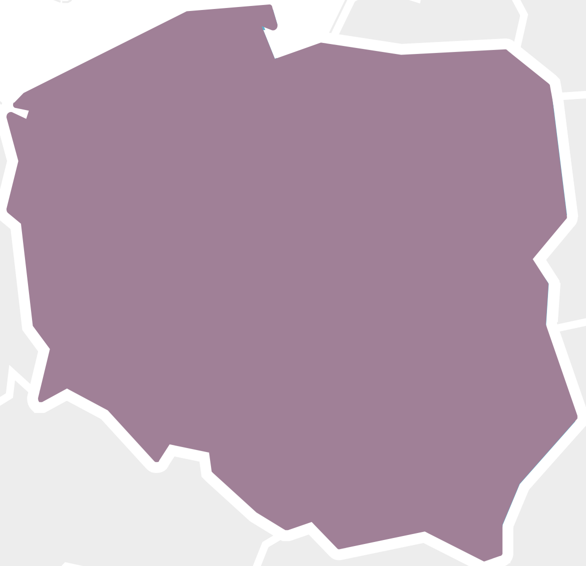
Annual Labour Costs



€30.5k
EU 27

€12.5k
Poland

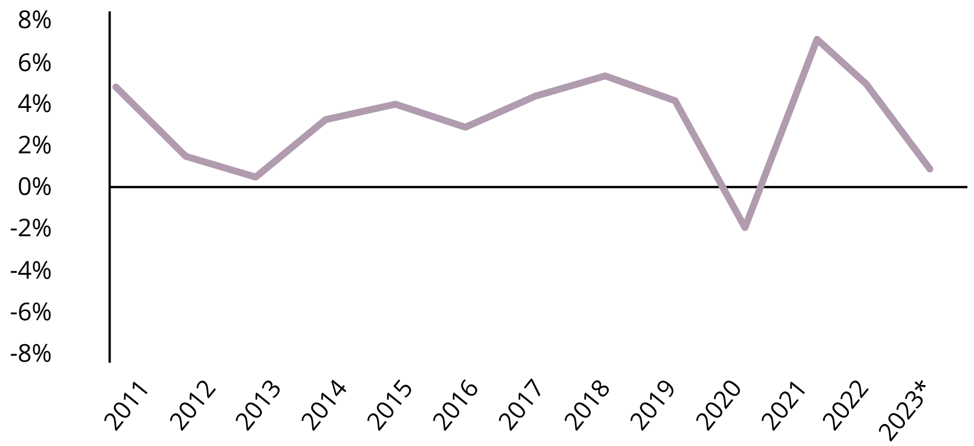
Source: Eurostat



Taxation

Type of tax	Asset deal	Share deal
Transfer tax	0%	0%
VAT	23% VAT - commercial properties 8% VAT - residential properties Possibility of VAT exemption	0%
Tax on civil law transactions	If the sale is VAT-exempt: • 2% of the market value of the property • 1% if there are different types of rights sold • paid by the buyer	• 1% of the market value of the shares • paid by the buyer

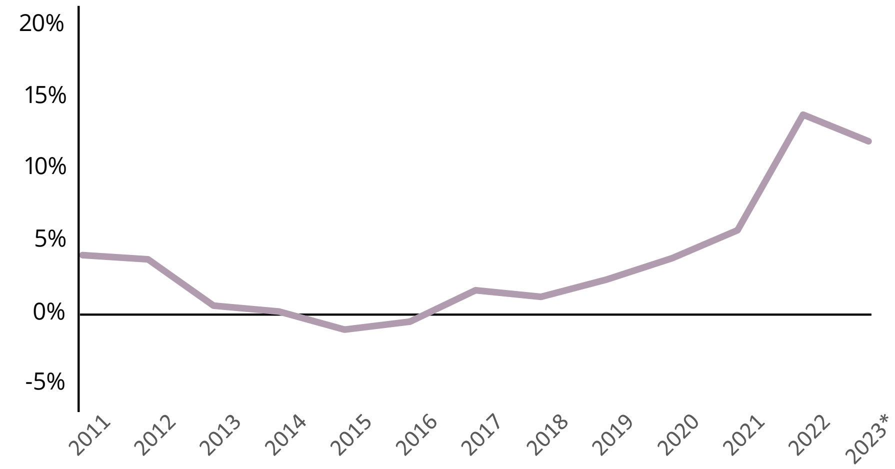
GDP rate



4.40% ↘
Y-O-Y 2023*

Source: Eurostat
*forecast

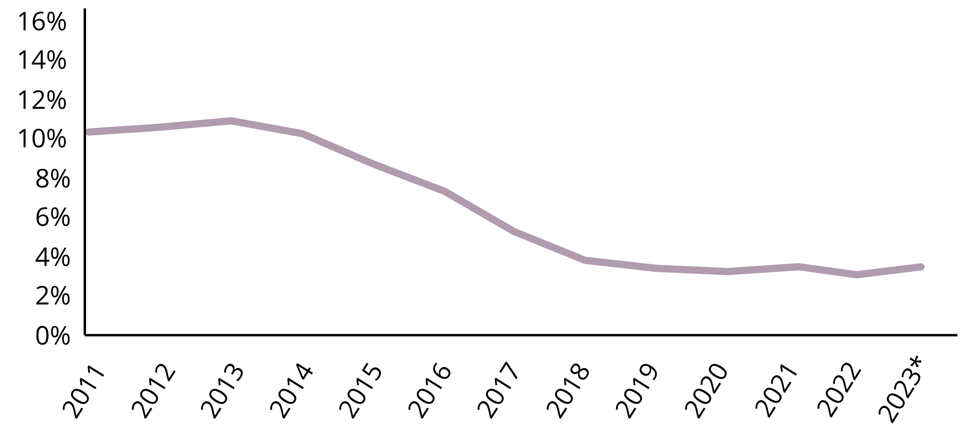
CPI (inflation) rate



1.50% ↘
Y-O-Y 2023*

Source: Eurostat
*forecast

Unemployment rate



0.40% ↗
Y-O-Y 2023*

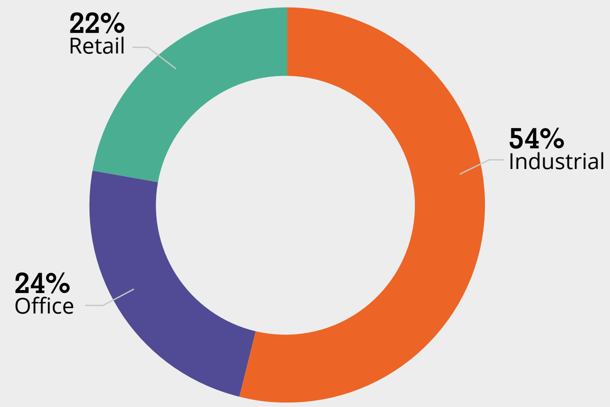
Source: Eurostat
*forecast

Poland

Investment market overview

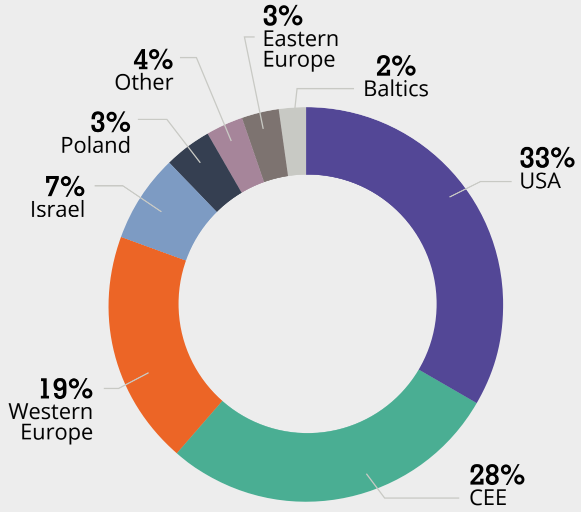
- With **€801 million in 33 transactions** H1 2023 was the first H1 period since 2015 with transaction volume below €1 billion. The current results may not appear very optimistic at the moment, but this is only a temporary situation. **Polish real estate market has a solid foundation**, and investors have proven to be highly adaptable, as evidenced by the results achieved in previous challenging years.
- The **industrial** investment market was significantly impacted by the pricing clash in 2022. However, there was a slight improvement in H1 2023. Warehouses, with €436 million transacted accounted for **54%** of the total investment volume during this period. H1 2023 did not witness **any portfolio deals**. To minimize risk, investors are currently focusing on small-scale projects.
- In H1 2023, the **office** investment volume amounted to a modest €190 million, accounting for **24%** of the total investment market in Poland during that period. In contrast to the previous year, where 50% of the office sector's transaction volume was attributed to regional markets, the **focus** of investors in 2023 has **shifted to the capital city.** The transaction structure consisted of a mix of **core+ and opportunistic assets.** Over 95% of the invested capital originated from companies based in CEE, the Baltics and Poland.
- The **retail** investment volume in H1 2023 reached €175 million, marking the lowest H1 result since 2010. After several years of unquestionable dominance by retail parks and convenience schemes, the structure of the retail investment market is undergoing a shift in 2023. During the beginning of the year, the market witnessed some transactions of **regular shopping centres in regional cities and acquisitions for redevelopment purposes.** In Q2, the closed deals primarily involved retail warehouses.
- One of the factors contributing to the decline in the number and volume of transactions in the first half of 2023 is the **ongoing process of aligning price expectations** between sellers and buyers. However, there are early indications that this situation may improve by the end of the year. We anticipate that **opportunistic and value-add assets will dominate** the commercial real estate marketing Poland across all sectors during the second half of the year.
- Nevertheless, the current moment presents a **significant opportunity for strategic purchases.** Market prices are becoming increasingly favourable, and there are prospects for financing to be cheaper next year. Moreover, rental rates in Poland have not yet experienced a significant surge, while the solid economy continues to sustain cash flows.

Investment volume shared by sector
(H1 2023)



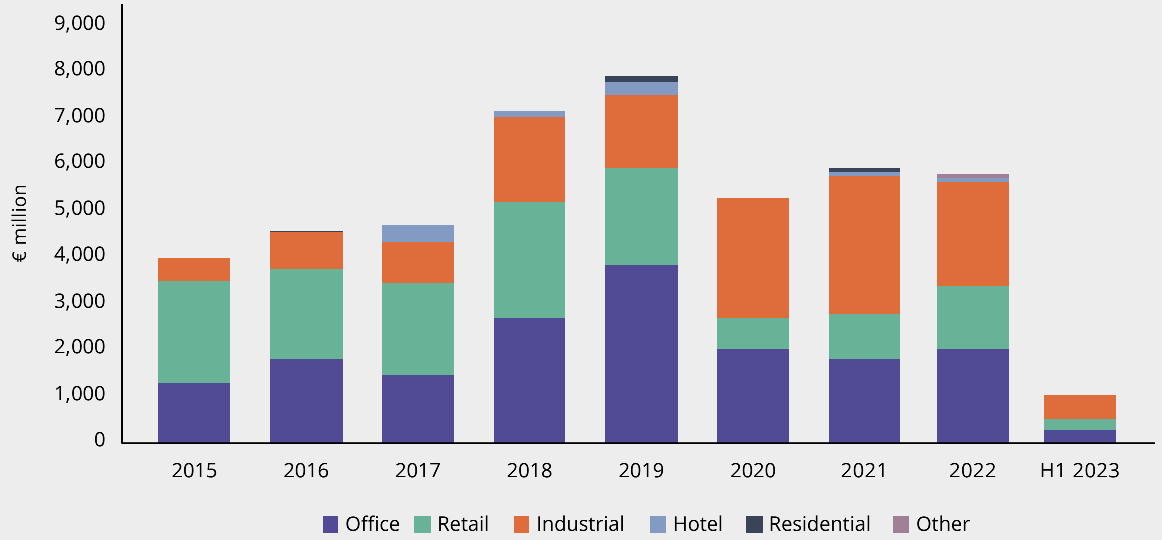
Source: Avison Young

Investor activity by origin
(H1 2023)



Source: Avison Young

Investment volume shared by sector
over the years

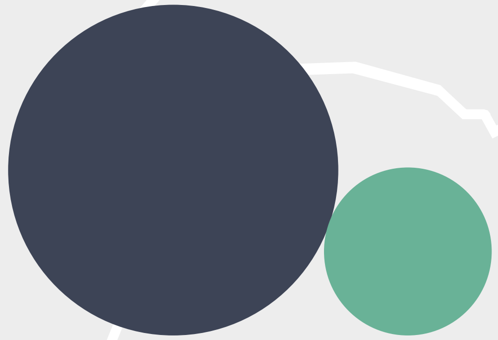


Source: Avison Young

AVISON YOUNG

Romania

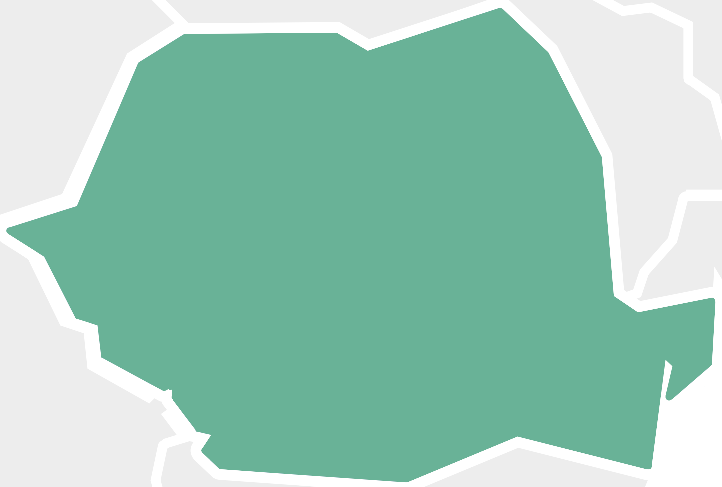
Annual Labour Costs



€30.5k
EU 27

€9.5k
Romania

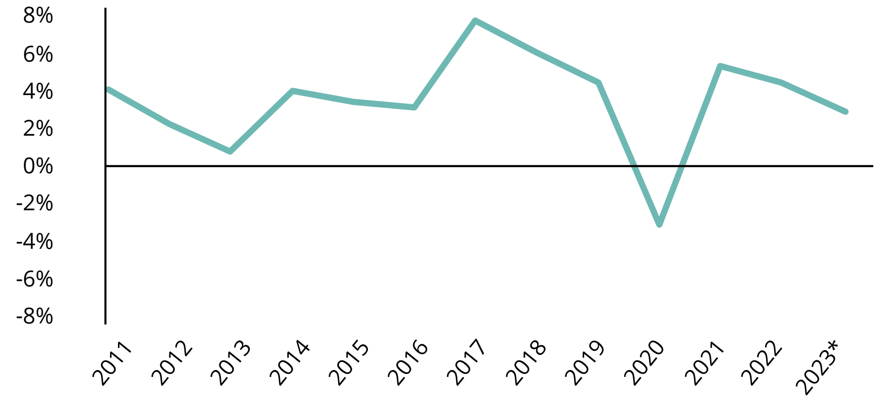
Source: Eurostat



Taxation

Type of tax	Asset deal	Share deal
Transfer tax	Transfer tax is not applicable	Transfer tax is not applicable
VAT	19% 5% for social housing	VAT is not applicable
Tax on civil law transactions	Notary fee: 5,080 RON plus 0.44 percent of the real estate value exceeding RON 600,001 Land book fee: for registration in the Land Book, equal to 0.5 percent of the purchase price for legal entities	~€200 must be paid to register the transfer of the shares with the Commercial Registry

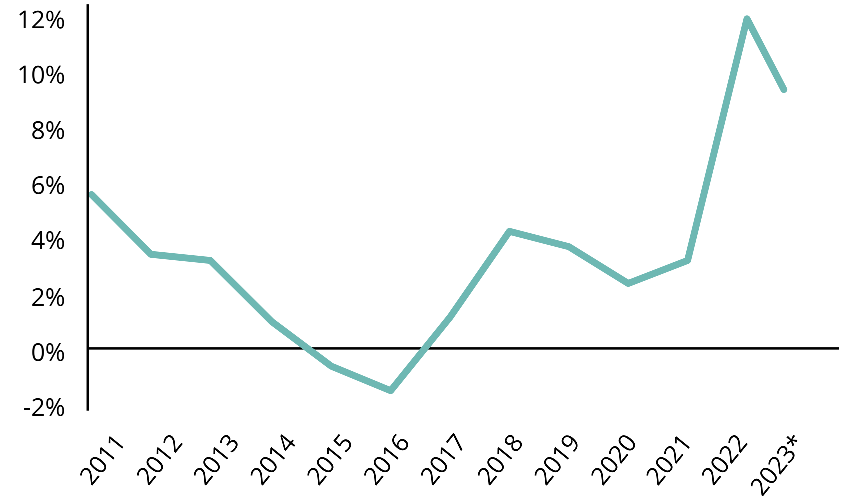
GDP rate



1.50% ↘
Y-O-Y 2023*

Source: Eurostat
*forecast

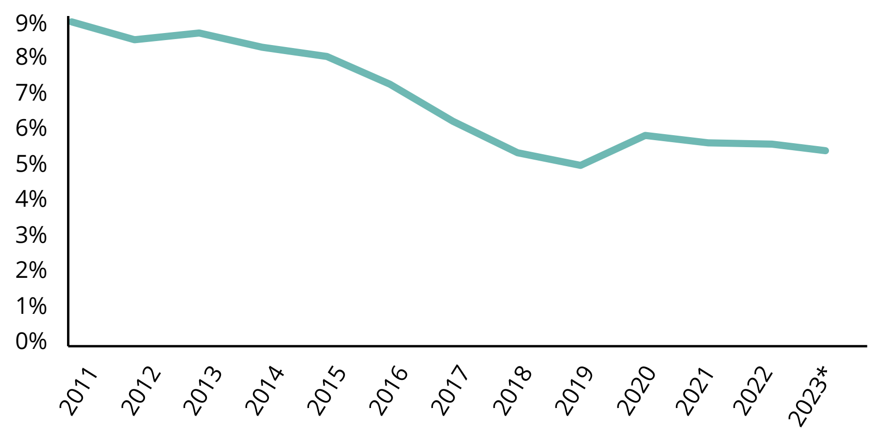
CPI (inflation) rate



2.30% ↘
Y-O-Y 2023*

Source: Eurostat
*forecast

Unemployment rate



0.20% ↘
Y-O-Y 2023*

Source: Eurostat
*forecast

Romania

Investment market overview

- Investment activity slowed down in H1 2023, with ca. **€180 million** transacted in assets throughout Romania, representing a ca. **40% decrease** compared to the similar period of last year. Even though 2022 has ended exceptionally in terms of transacted volumes, the decline of the market had already been forecasted and was further accelerated by the current global economic downturn.

- In previous years, the second half of the year has typically exhibited stronger performance, and it is anticipated that this trend will continue in 2023. Accordingly, the full year investment **volume is expected to reach €600-700 million**, with the **retail** sector being the **engine of the investment market**.

- To date, both **office** and **industrial** sectors, each generated 36% of the semester's volume, while the **retail** sector contributed with only 18%. The difference was captured in transactions recorded in the hospitality sector. Approximately **18** investment **transactions** were completed in Romania in H1 2023, with an average transaction value of around €13 million. The largest investment transaction is represented by the sale & lease back of FM Logistic portfolio, with a combined GLA of ca. 100,000 sqm, for an amount ranging between €60-70 million.

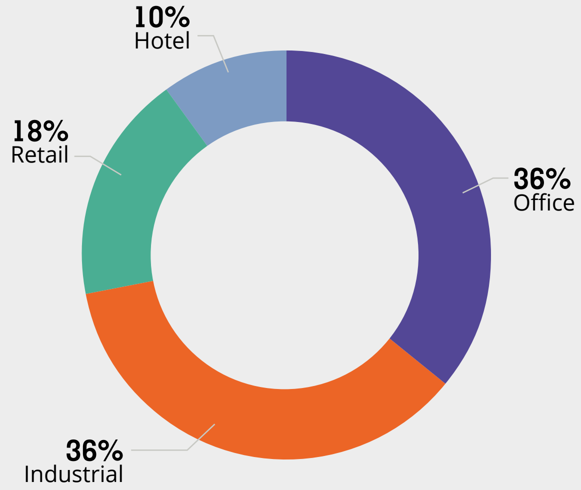
- Unlike last year, **Bucharest** generated **only 38%** of the investment volume. This **trend is expected to continue in H2 2023** and is even anticipated to intensify, with a significant increase in transactions involving retail parks, most of which developed outside the capital city. Moving forward, investors may consider transactions with retail and industrial assets outside Bucharest, while the capital city may further generate investment volumes involving office premises.

- Despite the lack of evidence, **yields have increased** by at least 25-50 bps for all commercial properties. The process has started in Q1 and remained unchanged in Q2, as there were very few institutional transactions in Romania throughout H1 2023. Accordingly, prime office yields are in the region of 7.50%, while industrial yields are quoted at 7.75%.

- As the office pipeline in Bucharest is scarce, office **investors may turn their attention towards the top regional cities,** where they could find a more diversified offer, including brand new office developments. If the interest in the capital city continues, there could be potential opportunities for acquiring office assets that have not completed a full investment cycle, especially those involving local capital. Additionally, there are still opportunities in the retail sector, particularly in retail parks, as well as in sale and leaseback transactions within both the retail and industrial sectors but may not occur at the same scale as previously anticipated in recent times.

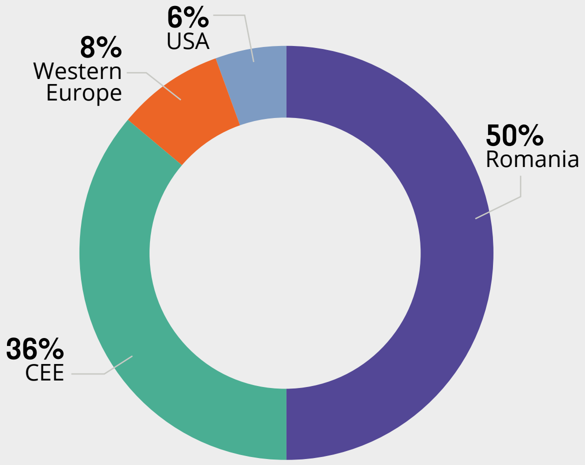
- Nevertheless, **optimism persists** in the Romanian investment sector due to the ongoing infrastructure projects. These projects are expected to stimulate the **development of East Romania**, making it a region that will increasingly attract investors' attention in the coming years.

Investment volume shared by sector (H1 2023)



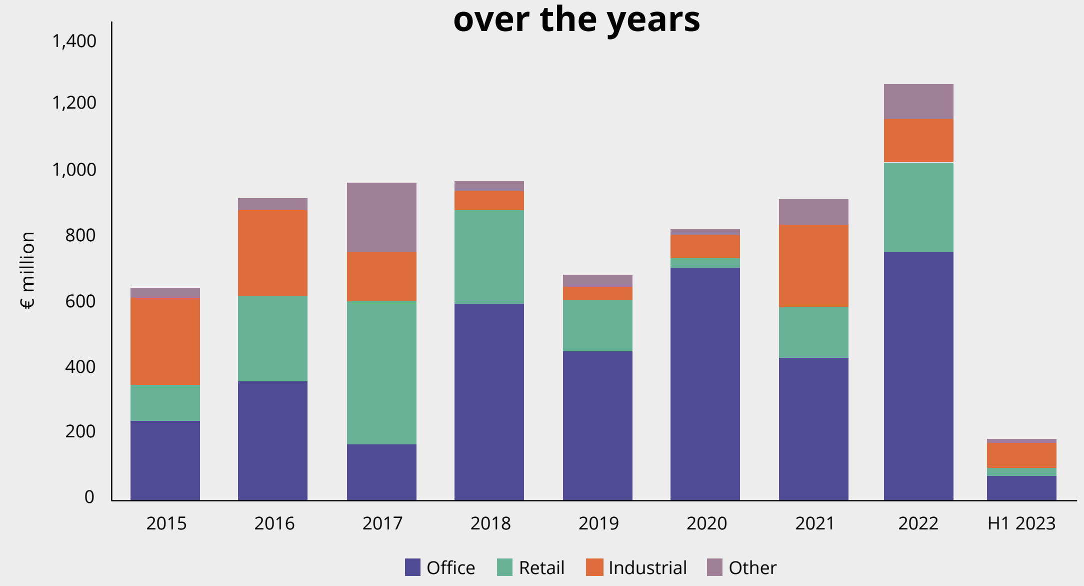
Source: Avison Young

Investor activity by origin (H1 2023)



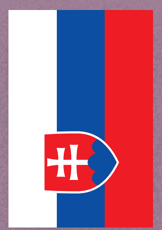
Source: Avison Young

Investment volume shared by sector over the years

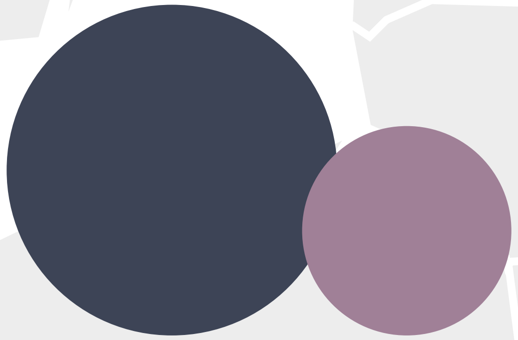


Source: Avison Young

Slovakia



Annual Labour Costs



€30.5k EU 27

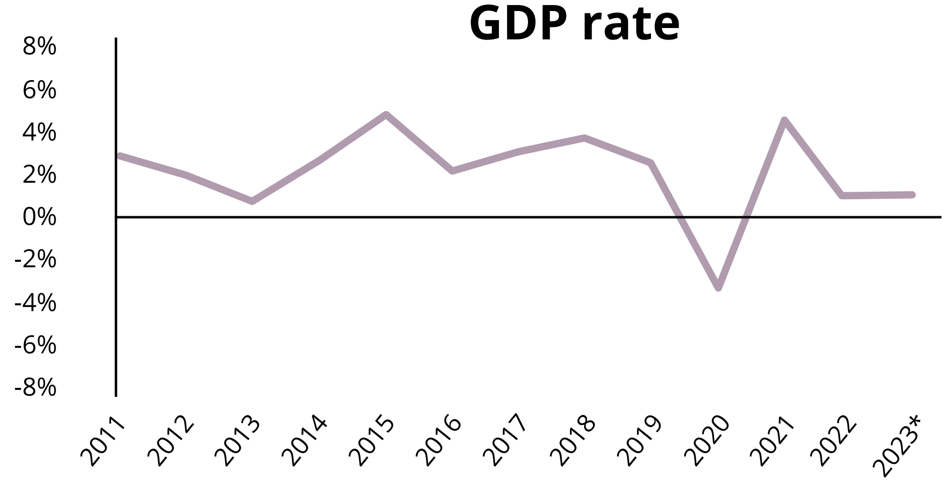
€15.6k Slovakia

Source: Eurostat

Taxation

Type of tax	Asset deal	Share deal
Transfer tax	0%	0%
VAT	The transfer of buildings within 5 years from their construction (issuance of first use approval/permit) are subject to 20 % VAT. The supply of real estate is exempted after meeting the special conditions. These conditions are following: the supply is exempted after 5 years of issuing the occupancy permit of the real estate. If there is no occupancy permit to be issued, the supply is exempted after 5 years since the first usage of the real estate.	0%

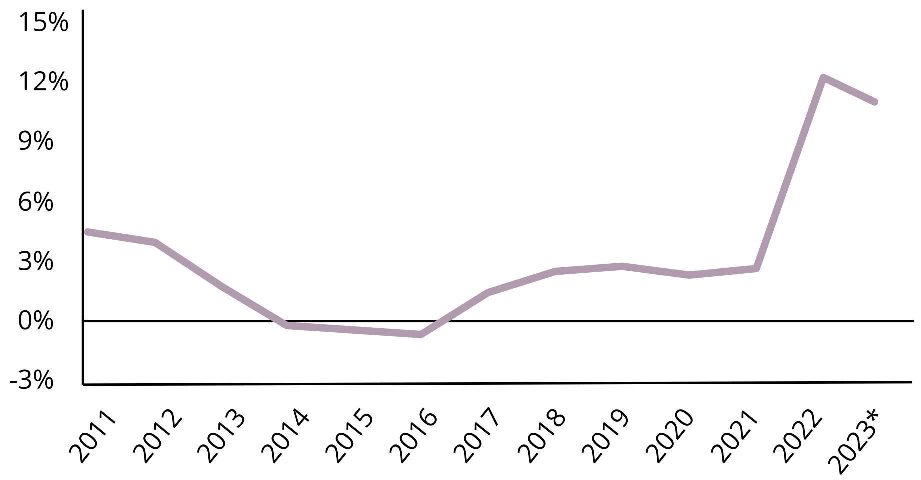
GDP rate



Source: Eurostat
*forecast

0% Y-O-Y 2023*

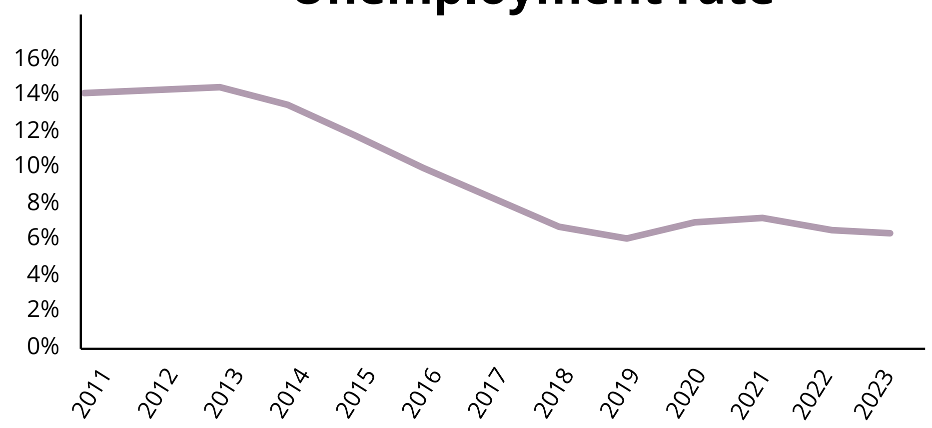
CPI (inflation) rate



Source: Eurostat
*forecast

1.20% Y-O-Y 2023*

Unemployment rate



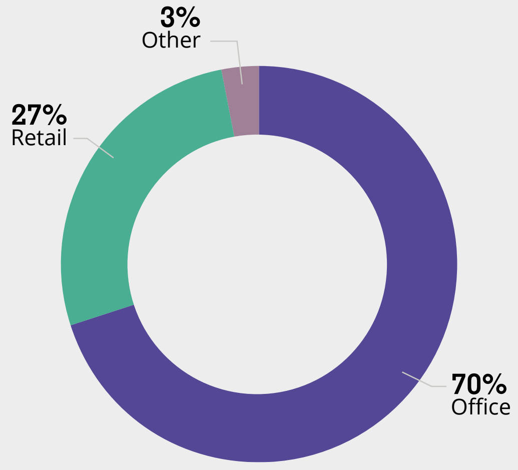
Source: Eurostat
*forecast

0.30% Y-O-Y 2023*

Investment market overview

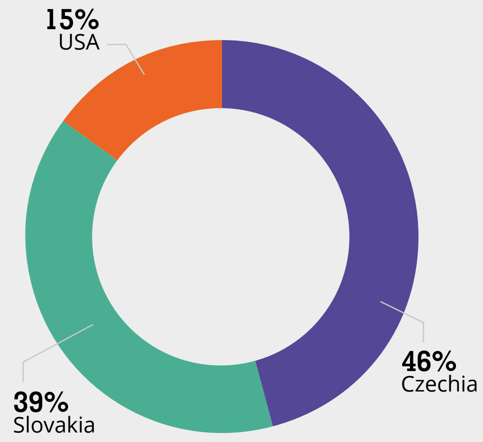
- The total volume of transactions in commercial real estate in Slovakia for the first half of the year was **€321 million**, representing ca. **48% year-on-year decline**. The slowdown in investments is mainly due to the increase in prime yields into the 6% territory by the end of Q2 2023, reflecting the rise in interest rates across Europe.
- The largest portion of the volume has been transacted in the **office sector** (**70%**), followed by retail (27%) and hotels (3%).
- In terms of investors origin, the investment market has been dominated by **Czech** (46%) and **Slovak** (39%) **investors**. Only 1 out of total 8 deals involved foreign capital outside the CEE region (USA).
- The most significant transactions in the period were the office buildings Pribinova 19 and Landererova 12, both previously owned by JTRE and bought by Slovak investment fund IAD Investments, and Czech investment fund ZFP Investments, respectively. Both are core properties with transaction volume estimated around €100 million each.
- Yields increased in all segments, reflecting the rise in interest rates. However, the **market remains liquid**. Thanks to high inflation combined with a rise in market rents, values per square meter remain pretty stable in the industrial sector and office segment with a widening spread between core and core+ products. Retail has been hit more significantly in the shopping centre segment due to high inflation across economy.

Investment volume shared by sector (H1 2023)



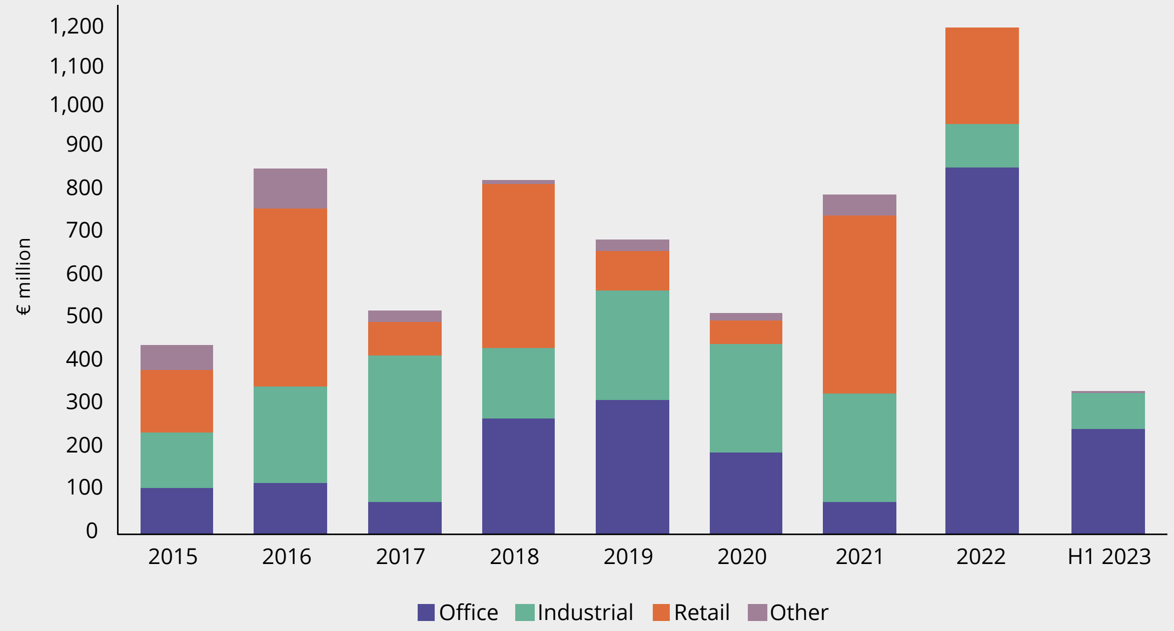
Source: Avison Young

Investor activity by origin (H1 2023)



Source: Avison Young

Investment volume shared by sector over the years



Source: Avison Young

Czechia & Slovakia

Ryan Wray MRICS
Principal, Managing Director - Czechia
ryan.wray@avisonyoung.com
+420 725 816 176

Hungary

Benjamin Perez-Ellischewitz MRICS
Principal, Capital Markets Group - Hungary
benjamin.perez-ellischewitz@avisonyoung.com
+36 70 333 1818

Poland

Michał Ćwikliński MRICS
Principal, Managing Director - Poland
michal.cwiklinski@avisonyoung.com
+48 605 163 351

Romania

David Canta
Principal, Managing Director - Romania
david.canta@avisonyoung.com
+40 727 737 894