# CEE H1 2022

## 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 2022 CEE Investment Overview reflecting on key changes in the market dynamics.**

## Where to find investment value in times of uncertainty ridden by war, inflation and skyrocketing interest rates?

### 1 What's HOT and what's NOT?

- **Industrial and Logistics:** the darling sector of 2021 sought-after by almost every institutional investor stays atop the shopping list of most in 2022, albeit recording lower investment volumes due a lack of available product. Demand is propelled by almost zero vacancy across the region which is driving rental growth in all geographies. Yields compressed in Czechia (CZ) & Slovakia (SK); remained stable in Poland (PL) & Romania (RO), and actually moved out in Hungary (HU). Liquidity remains very strong and RO and HU look particularly attractive today in terms of both yield and rental rate.

- **Residential sector:** is still heating up despite rising interest rates. A growing number of institutional investors view this segment as a safe bet as we enter a macroeconomic slowdown. Increased mortgage rates force a portion of the demographic to rent, driving demand for rental properties and in turn, rental rates. Many residential developers have created a second pillar of their business by keeping some projects on their books, creating special residential funds or forward selling to institutional investors.

- **Office sector:** has traditionally taken the lead in most countries, and it remains the largest volume maker (36% of total volume across CEE) in H1 2022. However, we have seen outward movement in office yields in CZ & SK, with only RO reporting yield compression y-o-y. Major institutional investors have narrowed their investment criteria as a direct result the current cost of debt and the focus on ESG, leaving space for shrewd buyers to pick-up an existing office asset at very attractive pricing. The growth in construction costs over the past years means many existing buildings are trading at or below the cost of replacement; and rental growth is forecast over the coming 12 months in most CEE office markets. These two factors offer landlords' of existing assets a huge competitive advantage and improved returns over a new-build project when setting rental rates and leasing strategies.

- **Retail sector:** has been blossoming alongside the office in terms of total volume (32% of total volume across CEE). Convenience schemes still dominate the retail investment market in Poland and investors have confidence in small retail parks. In HU, there was robust activity, and on the back of a large portfolio transaction the retail sector represented 35% of total investment volume. Investors should look towards discounters for strong performance today; when we all feel the inflation pinch the general demographic will curb unnecessary purchases and be more prudent on those that are necessary. Therefore, discounters and all those in their supply chain will typically benefit during high inflation. This means supermarkets, selected e-commerce platforms, and their supply chains. HU, RO and PL all offer very generous yields in this recession-resilient sector.

## 2 War in Ukraine and inflation replaced COVID-19 as the main drivers of uncertainty in 2022

- The transactions that proceeded from the end of 2021, moved into H1 2022, so even though the war in Ukraine and the record-breaking inflation impacted all the CEE markets, it didn't reflect in the total investment volumes in H1 2022 to a great extent.
- The industry now finds itself in a difficult macroeconomic environment with record inflation levels and a looming potential energy crisis. There are huge pressures on governments to tackle rising energy costs. This presents challenges for investors and occupiers and reinforces the rationale behind the need to have an ESG strategy for real estate. ESG and energy efficiency are distinct but interrelated clearly. Energy efficiency is a must today; it is measurable and therefore it is the first port of call in the application of an ESG strategy.
- Inflation isn't all bad news; the real estate sector has always been a great hedge against higher inflation as rental levels are adjusted accordingly. Next year investors will benefit from increased running yields as 2022 indexation is applied to passing income. Nevertheless, the combination of rising rents and increasing utilities costs may be challenging for tenants, especially in low margin businesses across all sectors.
- Again, this demonstrates there's great value in older stock. Existing income producing assets with reasonable capital value per sqm and strong tenants will be a winner for many investors in the upcoming period. They will benefit from indexed income but also flexibility to adjust their ERV if needs be.

## 3 Increased interest rates are causing financing to be more expensive

- High inflation has forced central banks across the globe to raise interest rates; High interest rates in the CEE, especially in local currencies, mean significant increases in the cost of financing development projects. Combined with the inflationary environment pushing costs of materials and labour upwards, this is a particularly challenging time for developers. We are witnessing increased prudence from developers when assessing new projects or land plot acquisitions. Also assets with local currency denominated leases will be difficult to finance in current environment without dramatically impacting the net returns and cashflow to investors.
- The higher cost of debt (in EUR as well) is pushing yields up slightly, nevertheless liquidity on the market still looks very strong and investors who can acquire with 100% equity have a significant advantage. Looking at the investment volumes, we have not seen any significant shifts so far, as there have been large transactions and portfolio sales that bolstered the H1 numbers, but we expect lower volumes and less assets on the market throughout H2 2022.

## 4 All investment volumes up 30% Y-O-Y in H1 2022

- H1 investment volumes are up by 30% reaching € 5.4 billion, however it is still a 12% drop from the €6.1 billion recorded in 2020, where Q1 2020 hadn't yet been affected by the COVID-19 pandemic.
- All the CEE countries are reporting increased volumes in the first six months of 2022. PL remains number one in attracting the largest amount of investment with € 2.9 billion in 55 deals, making H1 2022 its third best H1 period since 2016 in terms of transaction volume, followed by CZ reaching € 1.2 billion, which is 30% up y-o-y. SK climbed to ca. € 620 million, this record-breaking number is the result of large transfer of ownership in part of Penta's office portfolio - to the newly established developer Alto Real Estate (owned by Jozef Oravkin, ex-Partner of Penta).
  HU transaction volume recorded a small increase from 2021 transaction levels of € 590 million, reaching € 619 million in H1 2022. RO came close to € 320 million, taking it up a notch up from last year's € 316 million.
- Office (36%) and retail (32%) have become new champions in terms of investment volume across the CEE market, while a lack of available property in Industrial & Logistics remains the single most limiting factor for transactions across the CEE region.
- The most attractive yield spreads can be found in the retail park segment where prime yields in CZ compressed to 5.25% versus yields of 6.50%-7.25% in all other CEE countries. The RO industrial segment also offers excellent value and we forecast yield compression in this market over the coming 12 months.
- Czech investors again lead as №1 investor group by volume claiming 25% of investment activity, allocating their funds locally, as well as in SK and PL. They are followed by Hungarian investors (16%). Of particular note is the spectrum of investor origin in 2022, a truly diversified pool of capital is seeking CEE Real Estate adding to the liquidity of the region.

# CEE H1 2022

5 **Major transactions**

## Czechia

| PROPERTY NAME | CITY | SECTOR | PURCHASER | PRICE (€m) |
|---|---|---|---|---|
| Igy České Budějovice & City Park Jihlava & OC Gecko* | České Budějovice | Retail | 356.invest | 215 |
| Borislavka | Prague | Mixed | REICO | 180 (estimated) |
| Prague Logistic portfolio | Prague | Industrial | Hines European | 100 (estimated) |
| Charles Square Centre | Prague | Office | KGAL | 94 |
| Coral Office Park | Prague | Office | Mint | 90 (estimated) |
| Tesco Retail portfolio | Prague | Retail | Adventum | 61,5 |
| Hagibor Delta | Prague | Residential | Invesco | 50 (estimated) |

## Hungary

| PROPERTY NAME | CITY | SECTOR | PURCHASER | PRICE (€m) |
|---|---|---|---|---|
| Tesco SC Hungarian Portfolio | Various | Retail | Adventum | 219 (allocated) |
| Airport City Logsitic Park | Budapest | Logistics | WING | 59 (estimated) |
| Akademia Business Center | Budapest | Office | Europea Capital / ConvergenCE | 49 (estimated) |
| Freedom Palace | Budapest | Office | Groupama Gan REIM | 33 (estimated) |
| R70 Office | Budapest | Office | Epkar | 32 (estimated) |

## Poland

| PROPERTY NAME | CITY | SECTOR | PURCHASER | PRICE (€m) |
|---|---|---|---|---|
| The Warsaw Hub | Warsaw | Office | Google | 585 |
| 50% of EPP M1 Portfolio (Horse JV) | across Poland | Retail | PIMCO | 340 |
| 49% of EPP portfolio: 12 shopping centres & 3 offices (Community Properties JV) | across Poland | Retail / Office | I Group | 314 |
| Nowy Rynek D | Poznań | Office | Eastnine AB | 120 |
| Panattoni Park Gdańsk Airport | Gdańsk | Industrial | EQT Exeter | 111 |
| MidPoint 71 | Wrocław | Office | Trigea Real Estate Fund | 109 |
| 7R portfolio | Katowice, Mszczonów (Warsaw outskirts) | Industrial | CTP | 108 |
| Basecamp | Katowice, Łódź x2 | Student Housing | Xior Student Housing | 108 |

## Romania

| PROPERTY NAME | CITY | SECTOR | PURCHASER | PRICE (€m) |
|---|---|---|---|---|
| Expo Business Park | Bucharest | Office | S IMMO AG | 110-120 |
| Metav Business | Bucharest | Industrial | Alinso Group | 35-37 |
| Record Park | Cluj Napoca | Office | AYA Properties | 35 |
| One Victoriei | Bucharest | Office | Indotek | 25 |
| Vitantis Retail Park | Bucharest | Retail | Praktiker Real Estate | 16 |

## Slovakia

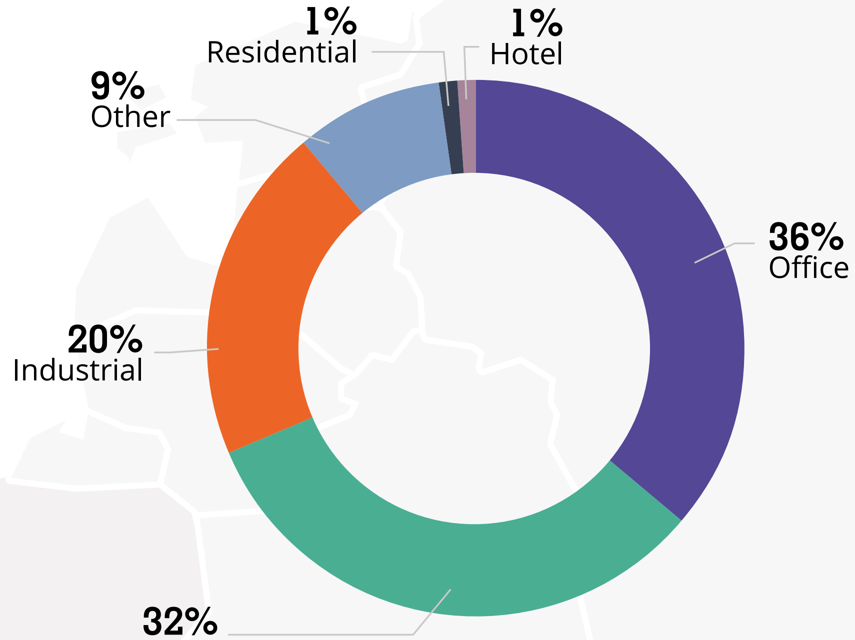
| PROPERTY NAME | CITY | SECTOR | PURCHASER | PRICE (€m) |
|---|---|---|---|---|
| Penta Real Estate SK Office Portfolio 2022 (3 assets) | Bratislava | Mixed use | Alto Real Estate | 300 (estimated) |
| Optima Shopping Centre | Košice | Retail | Slovak JV | 118 |
| Pradiaren | Bratislava | Office | RSJ Group | 70 |
| Booster Precision Components | Beluša | Industrial | Arete Invest | 10 |
| Billa Distribution Centre | Senec | Industrial | EQT Exeter Property Group | confidential |

# 6 CEE in numbers

**€ 5.4 bn** total volume CEE

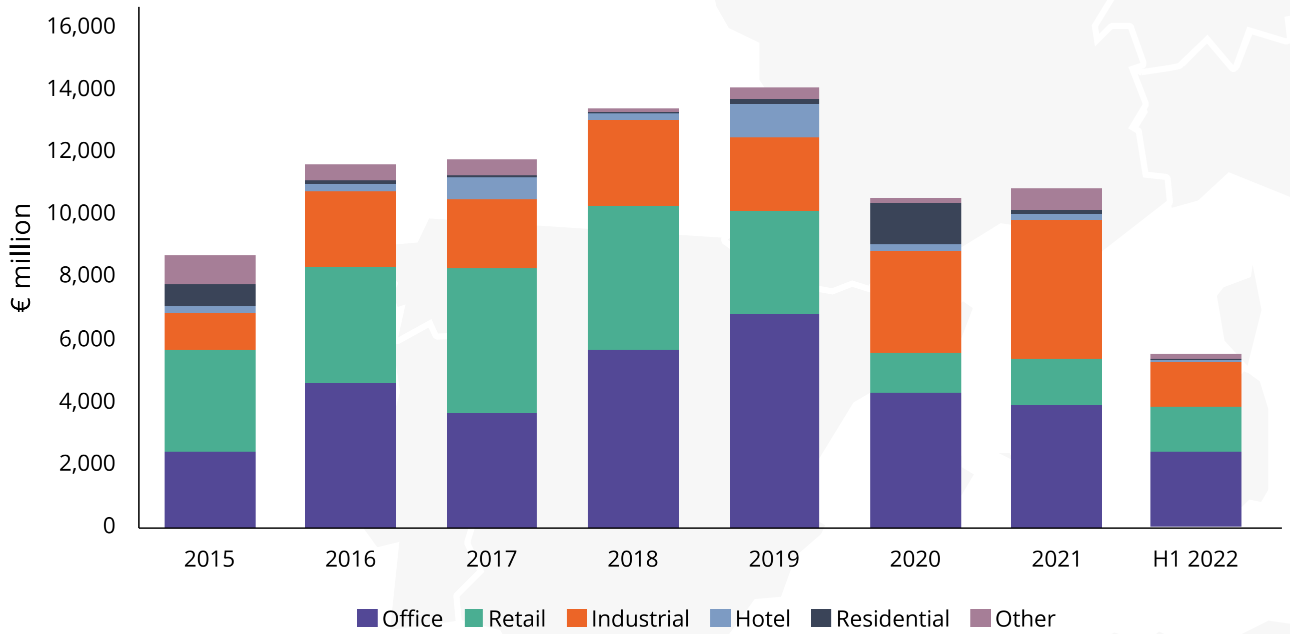
**+30%** Y-O-Y

## Investment volume shared by sector (H1 2022)



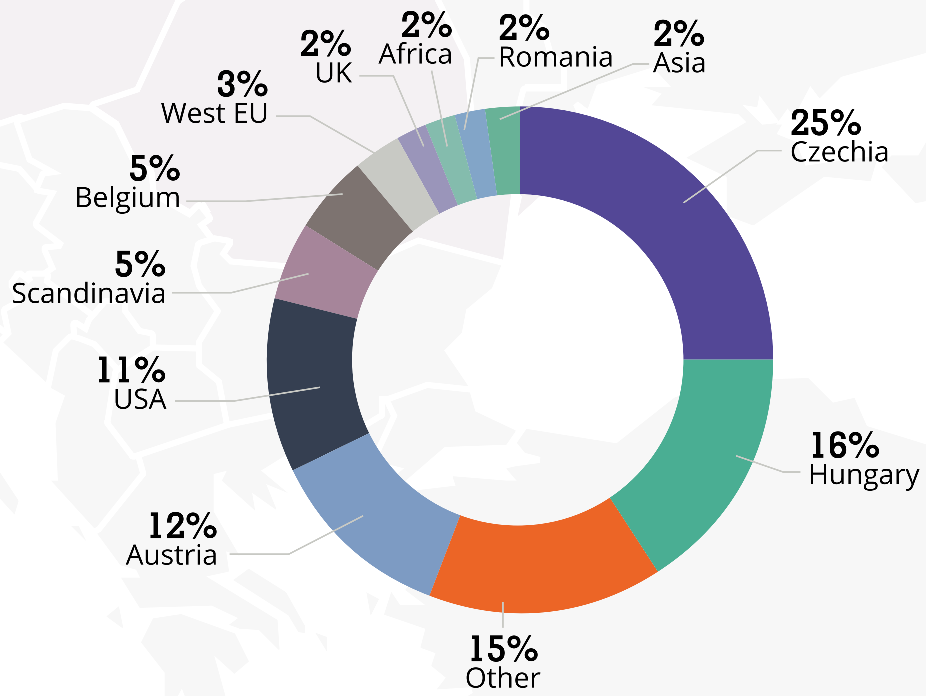

Source: Avison Young

## Investment volume shared by sector over the years




Source: Avison Young

## Investor activity by origin (H1 2022)




Source: Avison Young





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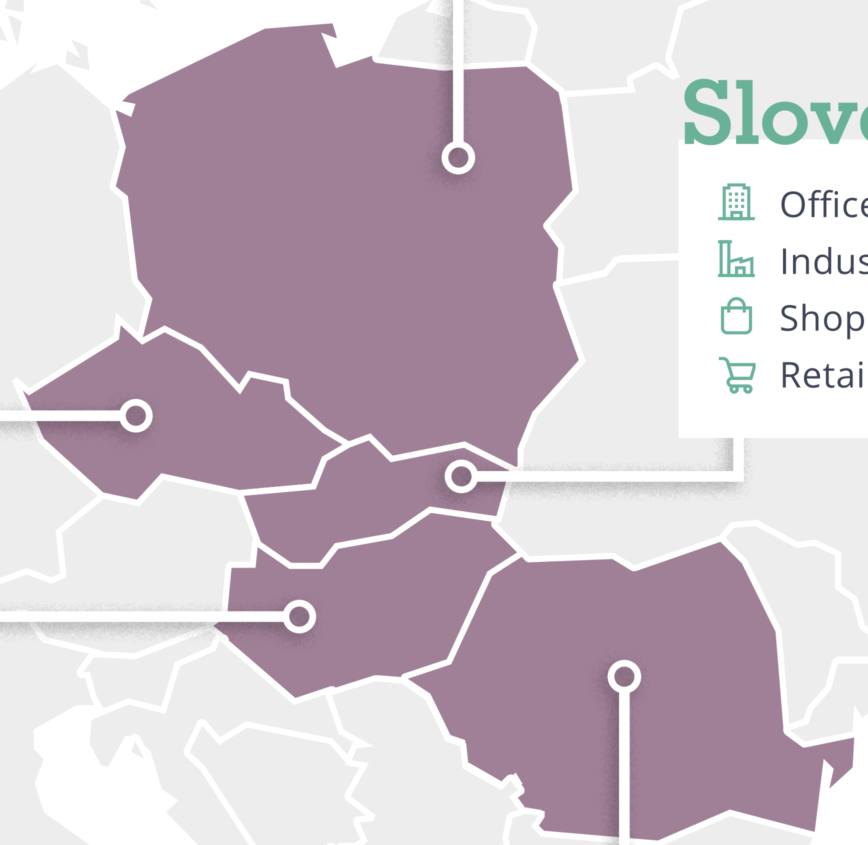
# 7 Prime yields



## Czechia

| | |
|---|---|
| Office | 4.25% |
| Industrial | 4.00% |
| High street | 4.25% |
| Shopping centres | 5.25% |
| Retail parks | 5.25% |

## Poland

| | |
|---|---|
| Office | 4.50% |
| Industrial | 4.75% |
| Shopping centres | 5.75% |
| Retail parks | 6.80% |

## Slovakia

| | |
|---|---|
| Office | 5.00% |
| Industrial | 5.25% |
| Shopping centres | 6.00% |
| Retail parks | 6.50% |

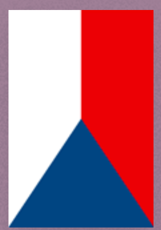
## Hungary

| | |
|---|---|
| Office | 5.25% |
| Industrial | 5.50% |
| High street | 5.50% |
| Shopping centres | 6.25% |
| Retail parks | 7.00% |

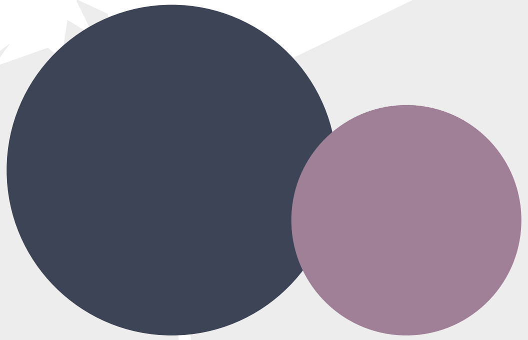
## Romania

| | |
|---|---|
| Office | 6.75% |
| Industrial | 7.50% |
| Retail parks | 7.00-7.25% |
| Shopping centeres | 6.75% |

# Czechia



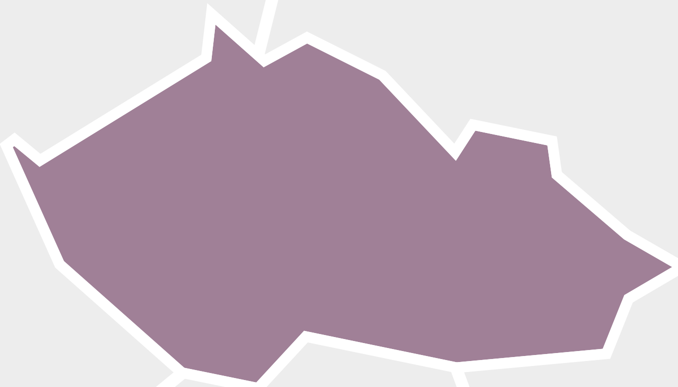
## Annual labour costs



**€ 29.1 k**
EU 27

**€ 14.1 k**
Czechia

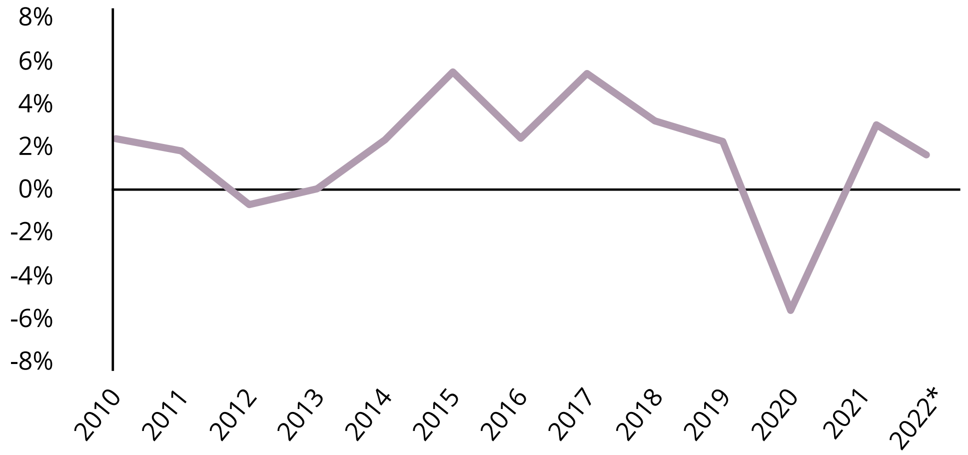
Source: Eurostat



## Taxation

| Type of tax | Asset deal | Share deal |
|---|---|---|
| Transfer tax | Transfer tax is not applicable currently due to COVID-19 related econimc support packages; upon normalisation of the economic situation it is expected to return to 4% of Asset Value | Transfer tax is not applicable |
| VAT | 21% VAT - a reduced VAT rate of 15% will apply to the transfer of an apartment up to 120 sq m and to a house up to 350 sqm. The transfer of other real estate or land ischjarged 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. | VAT is not applicable |
| | 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.<br><br>If above conditions are not met, the standard rate of 21% of VAT will be applied. | VAT is not applicable |

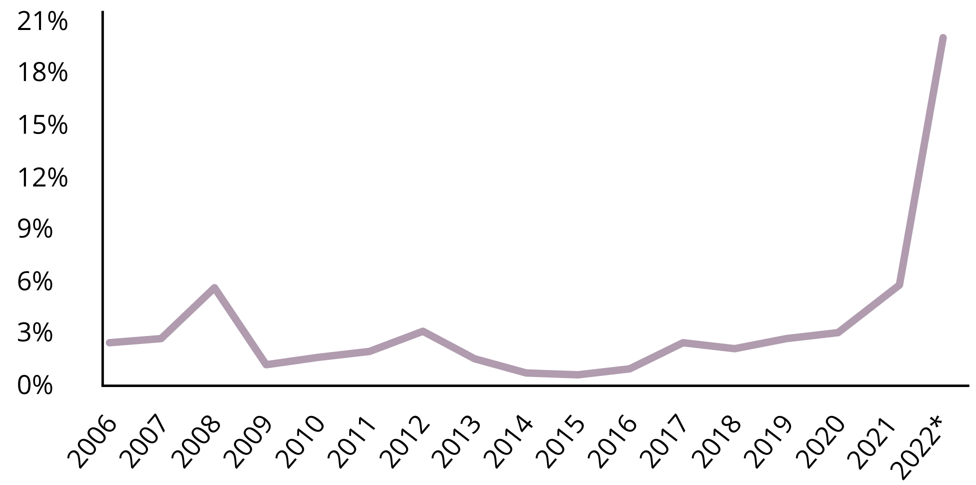
## GDP rate




**0.80% ↘**
2022*

Source: CNB (Czech National Bank)
* prediction

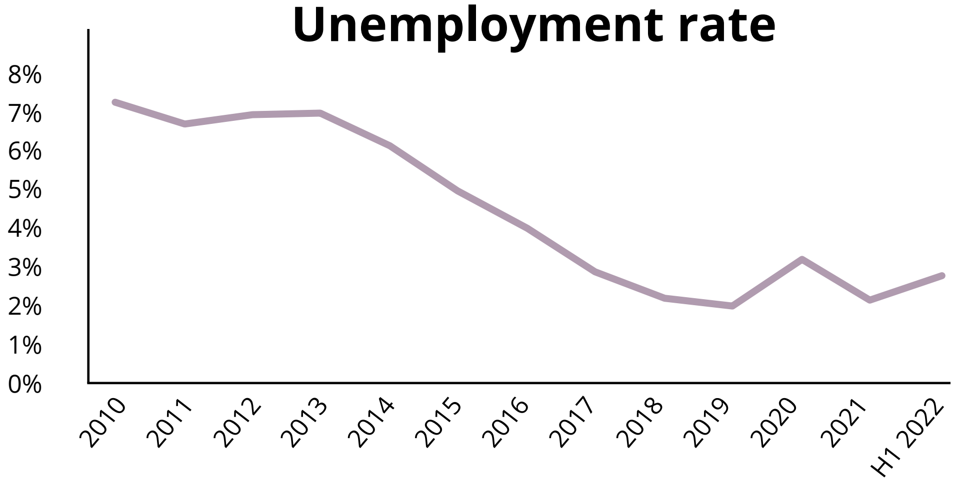
## CPI (inflation) rate




**17.20% ↗**
2022*

Source: CSU, CNB
* prediction

## Unemployment rate




**2.50% ↗**
H1 2022

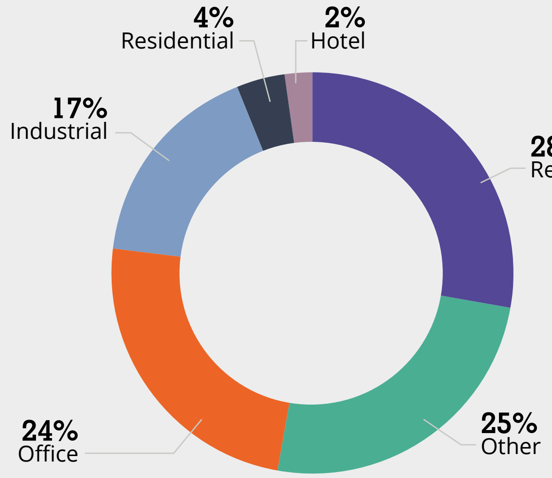
Source: CSU

Czechia

# Investment market overview

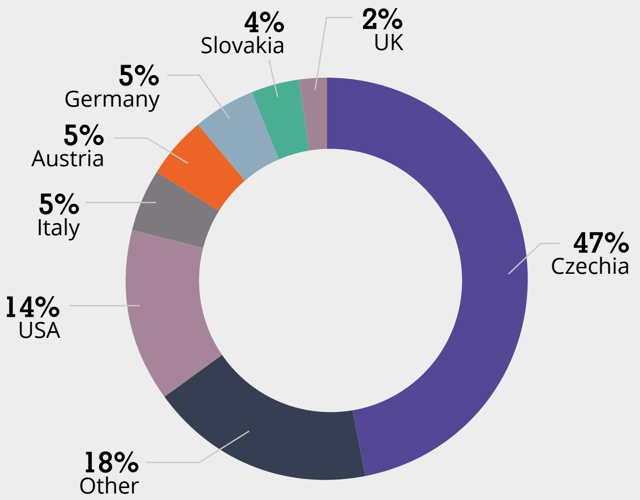
- H1 2022 total investment volume in real estate reached **almost € 1.2 billion**, up by 30% compared to the previous quarter and 52% compared to the same period last year.
- Despite the fact that the impact of the COVID-19 pandemic was still evident last year at this time, with highly limited transactions in retail and hospitality, in H1 2022 the **retail and mixed used** sectors led the volume of transactions by **28% and 25%** respectively.
- The war in Ukraine has replaced COVID-19 as the main driver for steep inflation and soaring interest rates increasing materials and labour costs, and halting transactions across the whole CRE market.
- Investment volumes were marked by the purchase of a **Shopping Centre portfolio** comprising IGY Ceske Budejovice, City Park Jihlava and OC Gecko Ceske Budejovice by the Slovak investor 365.invest, the sale of **four Czech assets from the TESCO retail portfolio** to Adventum Investment Fund Management and the sale of **Borislavka Office & Retail Centre**, a mixed-use property in Prague to REICO.
- Czech buyers took the **largest share of transactions** accounting for **47% of total investment volumes**, there were also some significant transactions made by **US investors**.
- In terms of pricing, we see **prime office yields and high street yields shifting upwards;** industrial and logistics yields as well as shopping centres yields remaining stable at 4.00% and 5.25% respectively.
- We expect to see investment volumes further decreasing in the second half of the year due to the rising uncertainties and caution around interest rates further impacting valuations.
- **Liquidity remains strong** as there is a large volume of equity available for real estate and an ongoing a lack of suitable high-quality product available to buy. As such sellers still maintain Q4 2021 pricing expectations. Yet buyers are more careful, financing costs have greatly increased and the economic headwinds show turbulent times on the horizon. These factors are causing reluctance to offer property and a sense of anticipated inactivity on the market. We expect to continue to see a sit-and-wait approach prevalent among investors until the end of 2022.
- For the same reasons, development has become increasingly challenging; unrestricted cost growth means greater uncertainty in Profit-on-Cost, resulting in increased caution from developers when considering land acquisitions.
- **Investor appetite has remained unchanged for premium logistics, residential and office assets.** The industrial sector continues to be very attractive, marked by the Hines transaction of a Prague Logistics Portfolio in Q1 2022. Demand is propelled by the lack of product and almost zero vacancy, as well as ascending rental rates particularly around Prague.
- Rental growth in the prime industrial sector has reached new heights and there are no longer rental rates under € 4.00 available on the market.
- The residential investment sector recorded the purchase of Hagibor Delta by Invesco US, **cementing the expectation of this market segment to become a new pillar** of the investment market as an increasing number of funds allocate equity to PRS and BTR assets.

## Investment volume shared by sector (H1 2022)



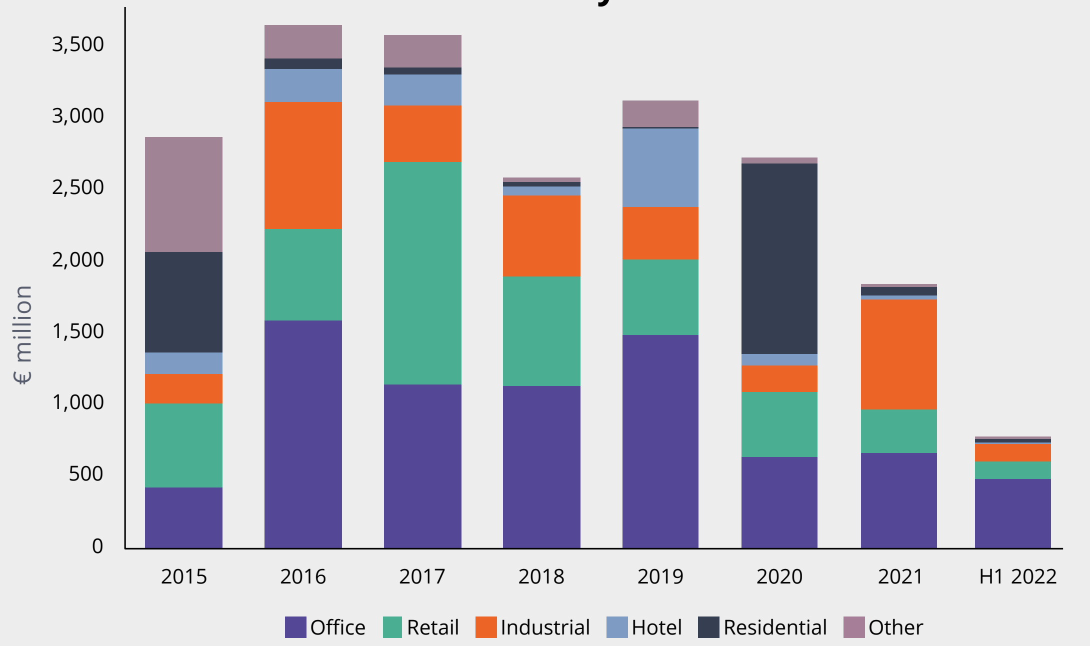

Source: Avison Young

## Investor activity by origin (H1 2022)




Source: Avison Young

## Investment volume shared by sector over the years




Source: Avison Young





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# Hungary

## Annual Labour Costs

€ 29.1 k
EU 27

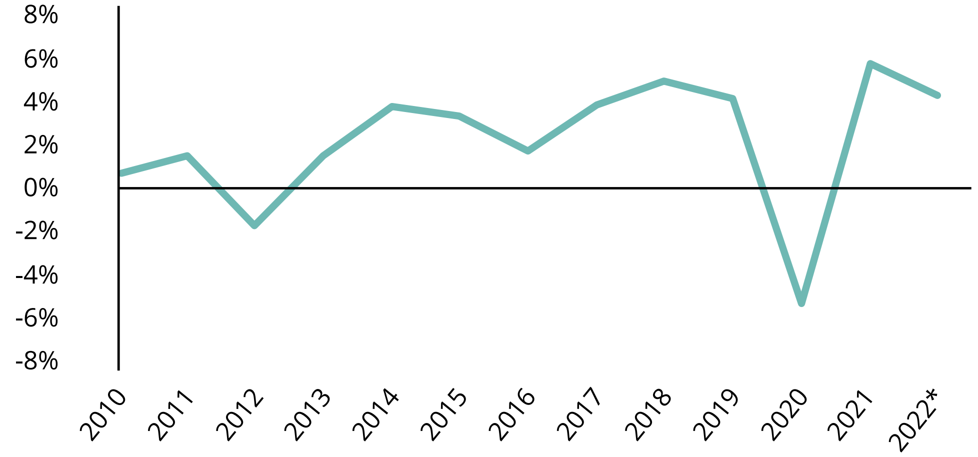
€ 9.9 k
Hungary

Source: Eurostat

## Taxation

| Type of tax | Asset deal / Share deal |
|---|---|
| Transfer tax | 4% of the market value up to HUF 1 bn 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% |

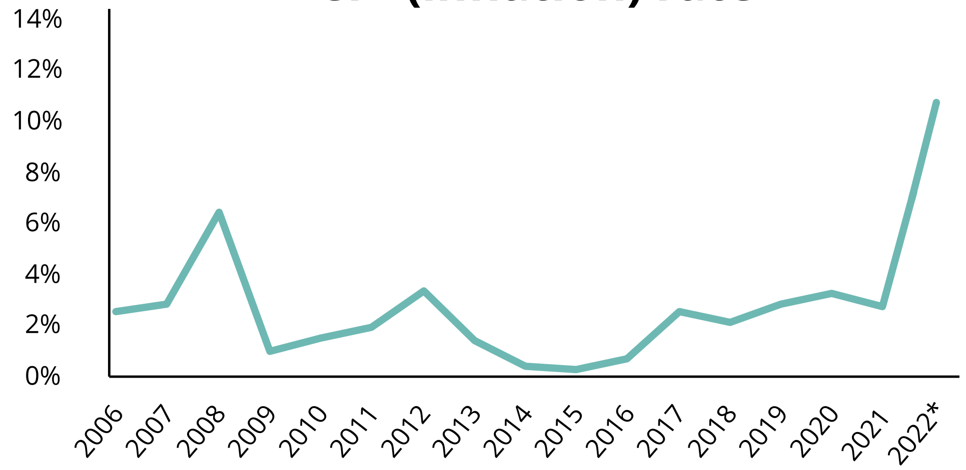
## GDP rate




**5.20%** ↘
2022*

Source: Eurostat
*state on 26-07-2022

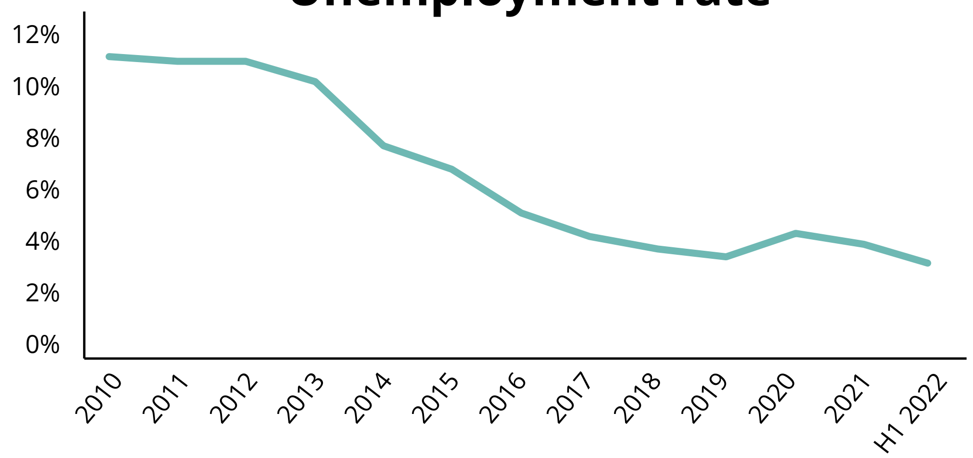
## CPI (inflation) rate




**11.80%** ↗
2022*

Source: Eurostat
*state on 26-07-2022

## Unemployment rate




**3.40%** ↘
H1 2022

Source: Eurostat

# Hungary

## Investment market overview

- Despite the return of high inflation, raising interest rates and the unresolve situation of the Russian-Ukrainian war, **the H1 2022 total transaction volume was in line with 2021 transaction level, reaching € 619 million**. Nevertheless, the number of deals reduced, and the volume was achieved on the back of **a large portfolio transaction in the retail sector which represented 35% of the total volume.**

- The above-mentioned notable transaction was the disposal and partial lease back of a Tesco Retail Portfolio acquired by Adventum Investment Fund Management. **The portfolio consists of 13 assets in Hungary and 4 assets in Czechia.** The Hungarian section of the portfolio represents 273,400 sqm and a price allocation of some € 219 million.

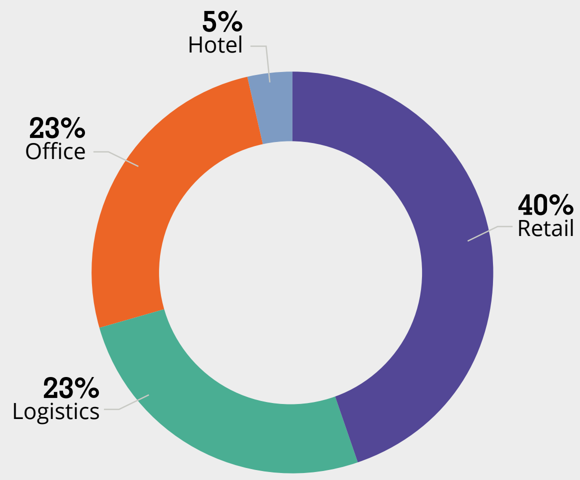
- **Investors' appetite remains very strong for industrial assets** and a number of transactions were recorded in Greater Budapest and the regions. The most significant deal within the sector was the acquisition by WING of the Airport City Logistic Park from CPI.

- As a consequence of the robust activity in retail and logistics, **the office segment only accounted for 23% of the total volume**, falling short of the usual 60%+ share. Two noteworthy CBD prime assets transacted: Akademia Business Center was acquired by Europa Capital and their local partner ConvergenCE from DWS. Following the relocation of Raiffeisen to their new HQ, the prime asset with frontage to the Danube offered a significant value-add opportunity. In the same vicinity, a fund managed by Groupama Gan REIM entered the Hungarian market with the acquisition of the historical Freedom Palace sold by the French SCC group.

- Despite the few high-profile deals closed by international buyers, the weight of **local capital remained dominant with circa 70%** of the activity driven by local investors.

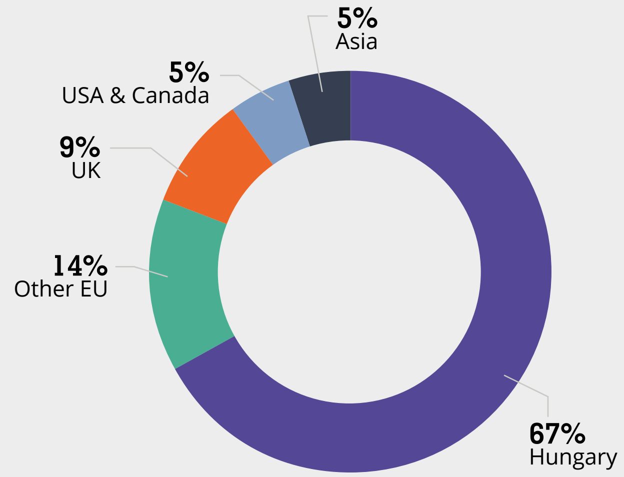
- In terms of pricing, we see prime office yields stable at 5.25%; industrial and logistics yields at 5.50% and high street retail and shopping centres yields at 5.50% and 6.25% respectively. Based on the pipeline of transactions we expect the 2022 annual volume to remain in line with the last year's volume of ca. € 1.2 billion.

### Investment volume shared by sector (H1 2022)



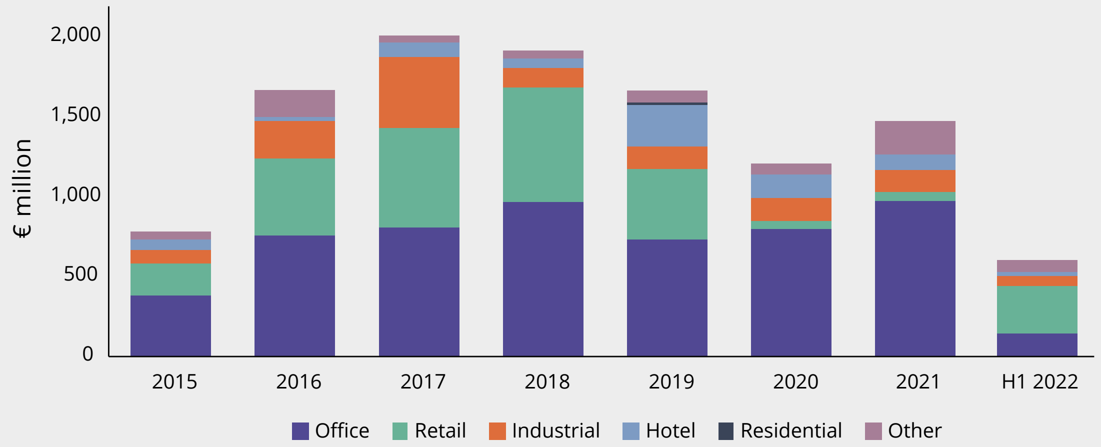

Source: Avison Young

### Investor activity by origin (H1 2022)



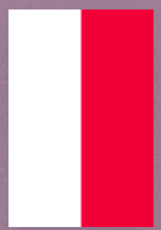

Source: Avison Young

### Investment volume shared by sector over the years

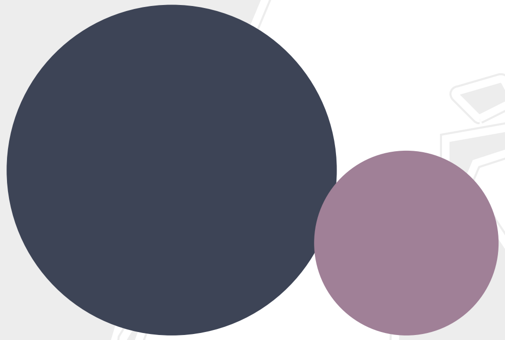



Source: Avison Young

# Poland



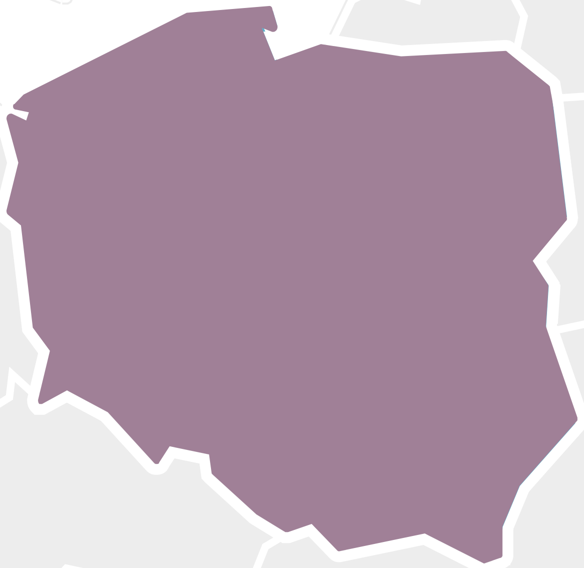
## Annual Labour Costs



**€ 29.1 k**
EU 27

**€11.5 k**
Poland

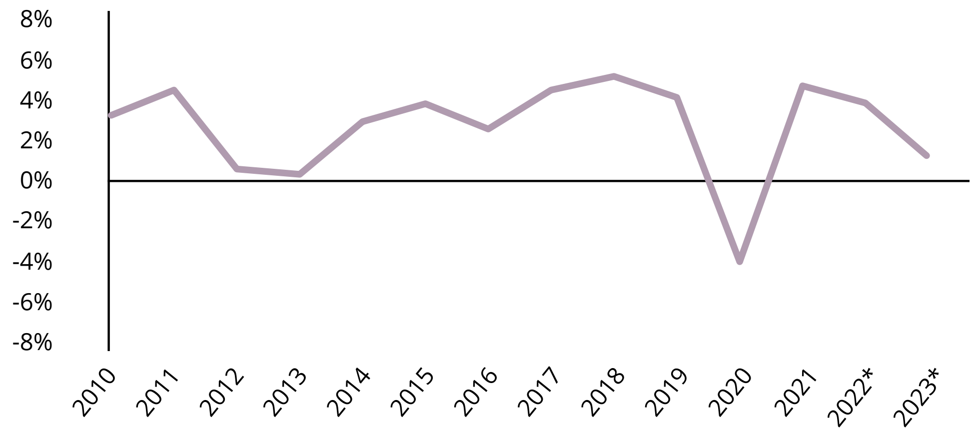
Source: Eurostat



## Taxation

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

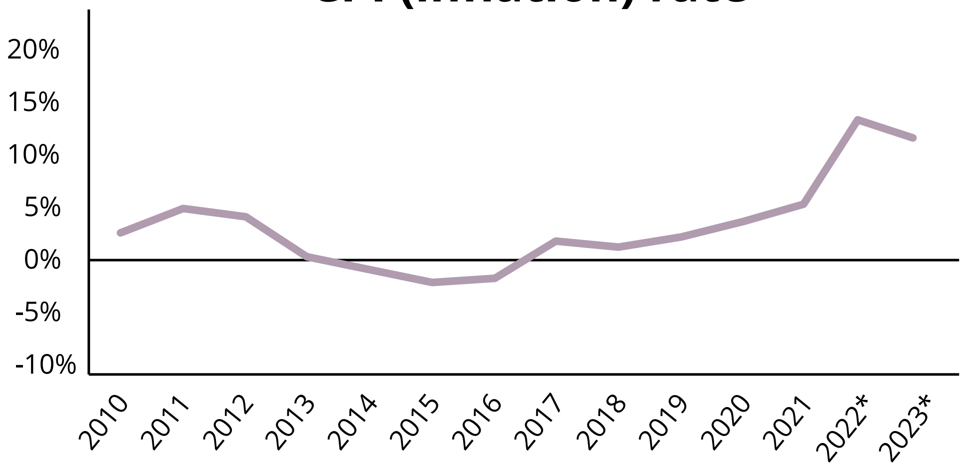
## GDP rate




**4.70% ↘**
2022*

Source: GUS, NBP
* prediction

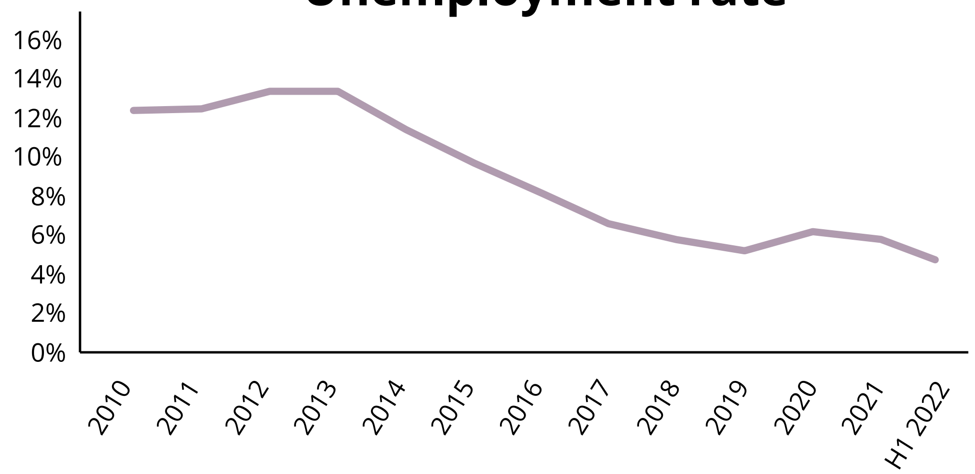
## CPI (inflation) rate




**14.20% ↗**
2022

Source: GUS, NBP
* prediction

## Unemployment rate




**5.10% ↘**
H1 2022

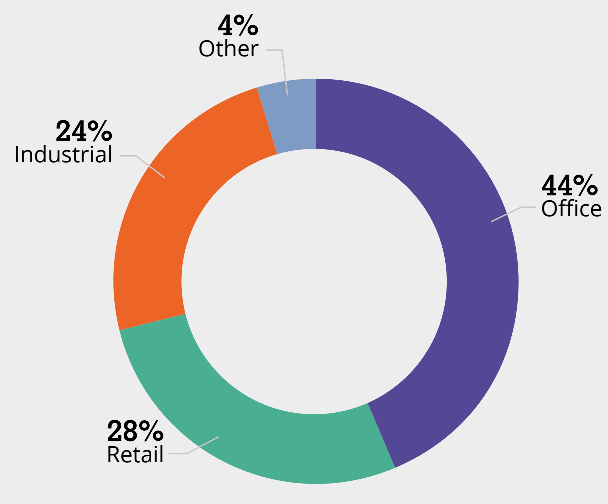
Source: GUS

# Poland

# Investment market overview

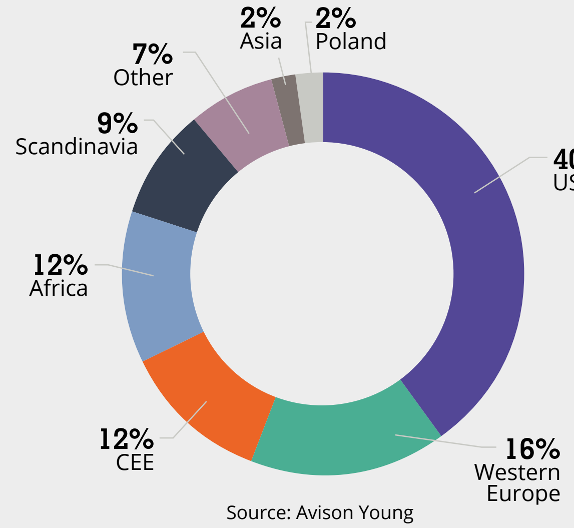
- **With € 2.9 billion** in 55 transactions **H1 2022 was the third best H1 period since 2016** in terms of investment transaction volume.
- Office sector took the lead with **44%** of the total investment volume. 11 out of 14 transactions concerned offices located in **regional cities**, with the predominance of core and core+ assets.
- Unsurprisingly, **convenience schemes** are still dominating the reail invetsment market in Poland. However, due to **extraordinary results** recorded at the begining of the year, H1 2022 with € 797 million transacted looks fairly well. The **continuous downtrend** in retail investment volume is not surprising, as investors keep their strong confidence in small retail parks.
- **Warehouse investment market** in Poland, after records broken in 2021, is about to **stabilize**. The decrease of share in total investment volume to **24%** in H1 2022 is more the consequence of the **limited product availability** accompanied by **rising financing costs**, rather than limited investors' appetite for warehouses in Poland.
- The outbreak of the **war in Ukraine** influences Polish economy, demography as well as the **housing market.** The decrease in the sale of apartments and good rental prospects support the **development of institutional rental (PRS)** in Poland and will increase the involvement of funds.
- Upcoming months will be shaped by repercussions of **very high inflation**, monetary policy as well as general geopolitical situation.

## Investment volume shared by sector (H1 2022)



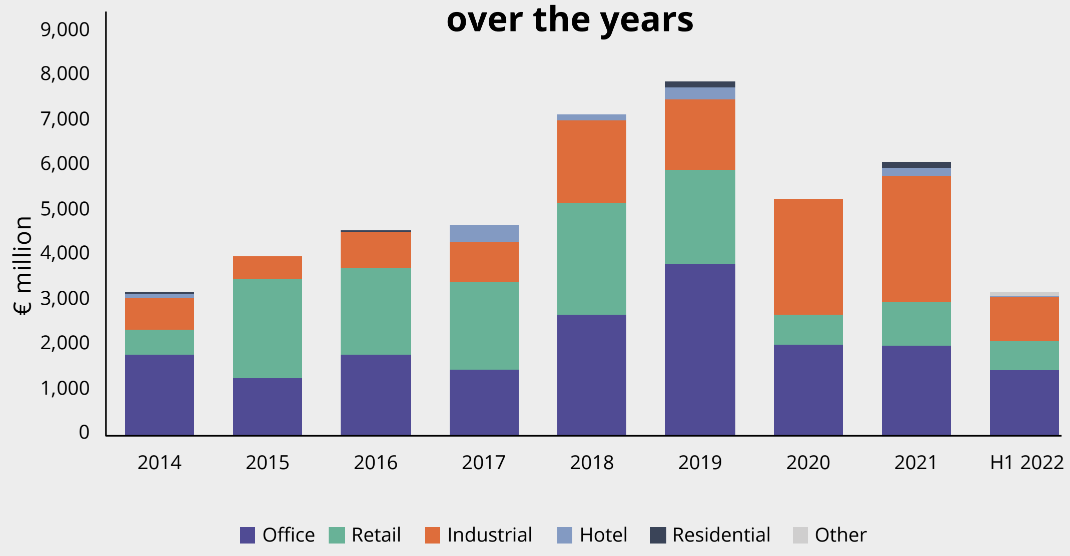

Source: Avison Young

## Investor activity by origin (H1 2022)




Source: Avison Young

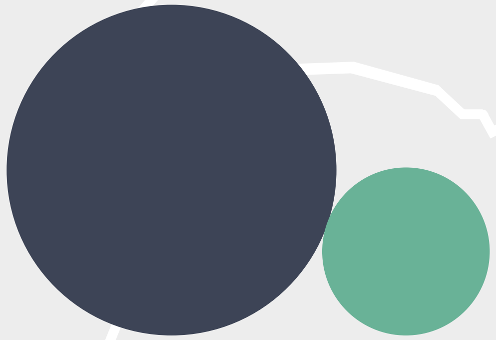
## Investment volume shared by sector over the years




Source: Avison Young

# Romania

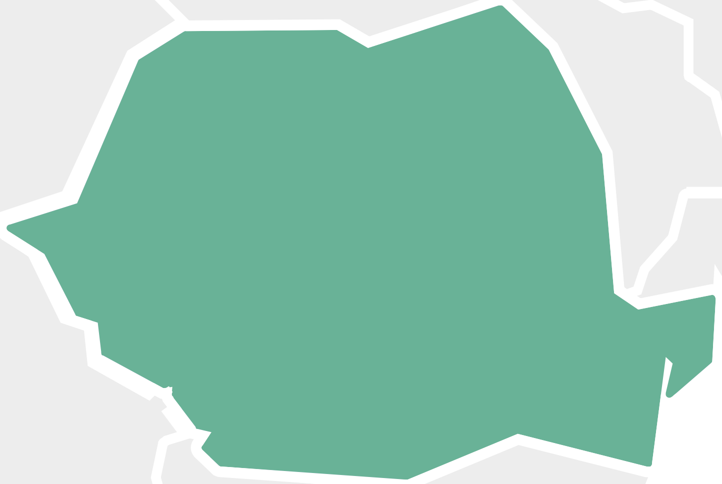
## Annual Labour Costs



**€ 29.1 k**
EU 27

**€ 8.5 k**
Romania

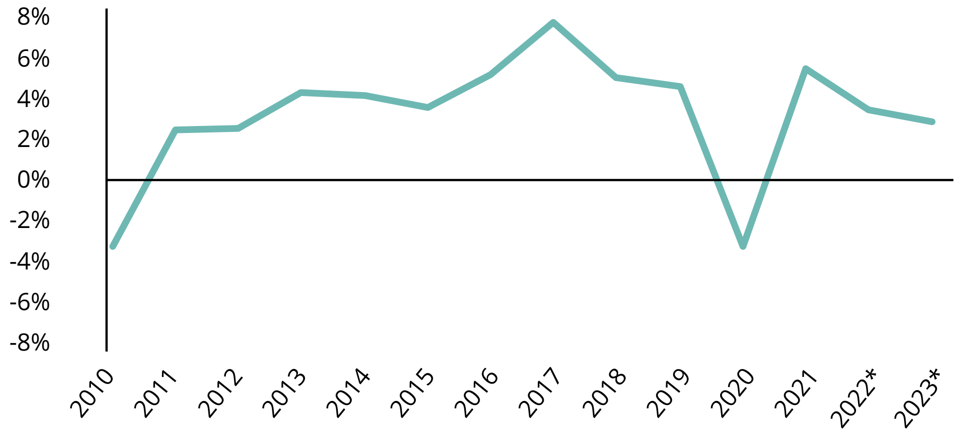
Source: Eurostat



## Taxation

| Type of tax | Asset deal | Share deal |
|---|---|---|
| Transfer tax | Transfer tax is not applicable | Transfer tax is not applicable |
| VAT | 19%<br>5% for social housing | VAT is not applicable |

## GDP rate




**3.90% ↘**
2022*

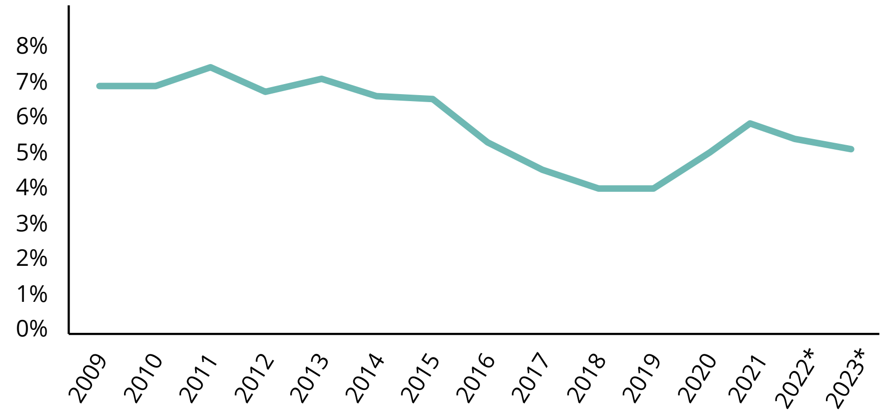
Source: European Forecast Summer 2022 European Comission
* prediction

## CPI (inflation) rate


**11.10% ↗**
2022*

Source: European Forecast Summer 2022 European Comission
* prediction

## Unemployment rate




**5.50% ↘**
2022*

Source: European Economic Forecast, Spring 2022
* prediction

# Romania

## Investment market overview

- **With an investment volume in H1 2022 close to € 320 million**, last year's scenario is about to be replicated in Romania in 2022, as numerous investment transactions are being postponed from H1 into H2. This creates an investment environment in which FY volume might reach again a level close to the € 1 billion threshold.

- **The office assets remain the most appealing investment product**, as they attracted **ca. 70%** of the H1 2022 investment volume, followed by industrial parks which attracted 17% of the semester's activity. The local market has recorded 8 transactions with office assets, the largest being represented by the sale of Expo Business Park, a renowned business park anchored by ING Bank's headquarter in Romania.

- The investor's interest remains for **assets located in Bucharest, where close to 80% of the capital was attracted.** This is slightly higher than the level in 2021 (72%) due to availability in Bucharest of office buildings either well-tenanted or well-located compared to other top regional cities. Worth mentioning is the sale of Record Park in Cluj Napoca, developed by Speedwell and purchased by Aya Properties Fund for an amount estimated at € 35 million, in a transaction involving Belgium partners.

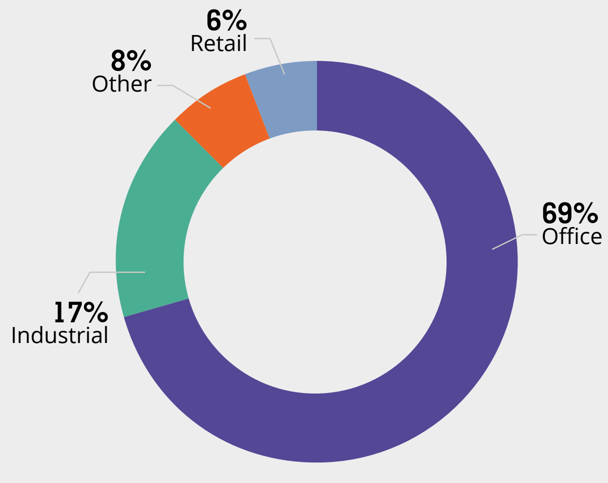
- **Foreign capital dominates the local investment market**, generating **ca. 89%** of the capital flow. Although the **local capital** is still low, it registered a **year-on-year increase from 8% to 11%.** With very few exceptions, local investors are rather looking to value-add investment opportunities and increase value by retrofitting the assets rather than purchasing income producing assets.

- Looking forward, in the second half of the year, we are expecting the completion of transactions that will elevate the volume to a **level close to € 1 billion**, consisting either in the sale of various existing assets such as office buildings, retail and industrial parks or shares in various portfolios held by major CEE investment funds.

- **Untapped opportunities reside in the residential sector.** With a few exceptions, such as Revetas which expressed interest in buying the residential portfolio of the local developer Maurer Group, there are very few institutional transactions in the Romanian residential market. Once the market will evolve into a renting residential market we should expect to see more buy-to-let investors in Romania as well.

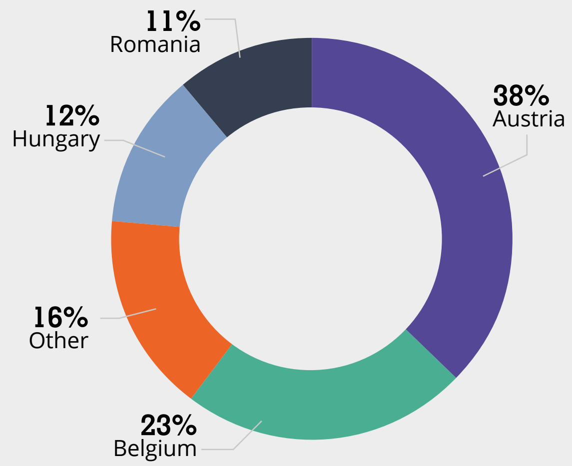
- **Yields have remained unchanged** over the last semester but yield compression might be generated by availability and transaction of prime assets. However, y-o-y yields have compressed between 25-50 bps depending on the asset type.

### Investment volume shared by sector (H1 2022)



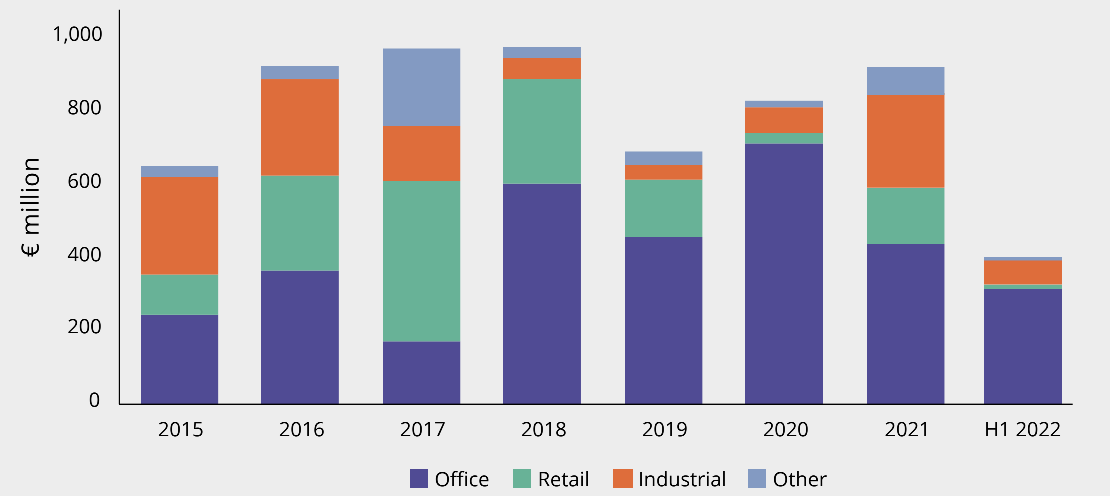

Source: Avison Young

### Investor activity by origin (H1 2022)



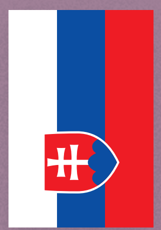

Source: Avison Young

### Investment volume shared by sector over the years

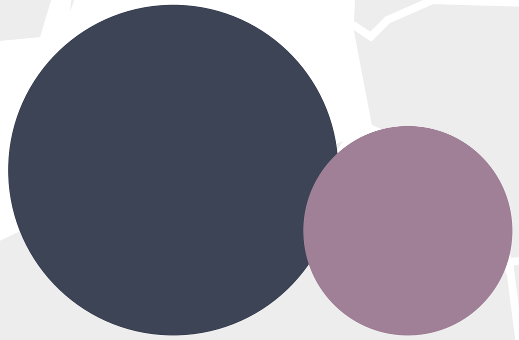



Source: Avison Young

# Slovakia



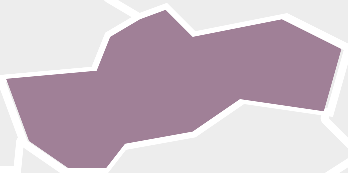
## Annual Labour Costs



**€ 29.1 k**
EU 27

**€ 14.2 k**
Slovakia

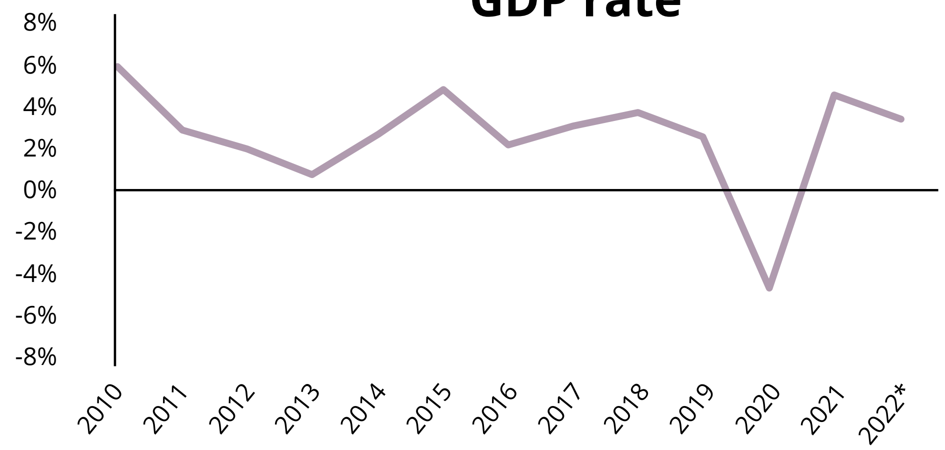
Source: Eurostat



## Taxation

| Type of tax | Asset deal | Share deal |
|---|---|---|
| Transfer tax | Transfer tax is not applicable | Transfer tax is not applicable |
| 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. | VAT is not applicable |
| | 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. If above conditions are not met, the standard rate of 21% of VAT will be applied. | VAT is not applicable |

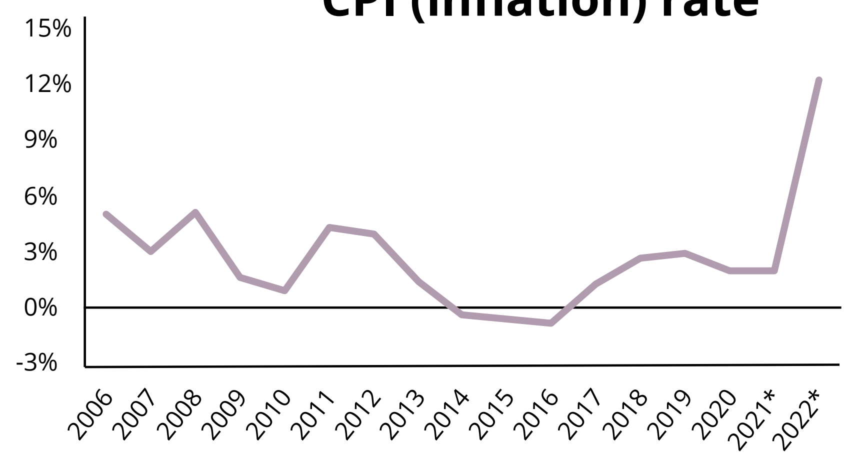
## GDP rate




**3.50%** ↘
2022*

Source: SU SR, NBS
* prediction

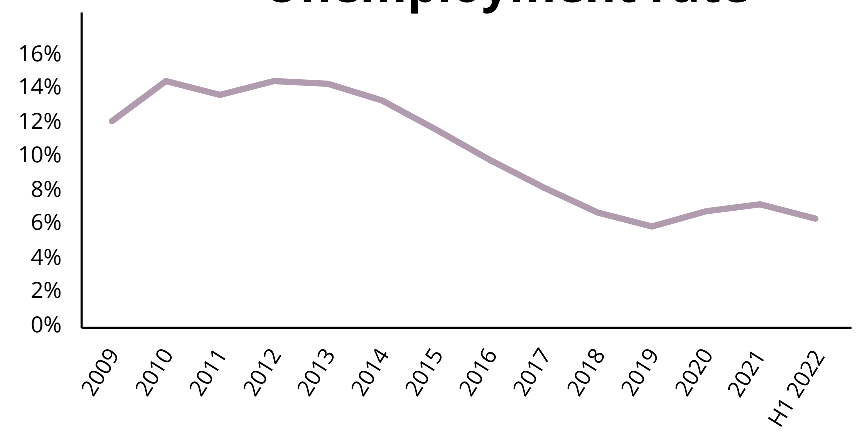
## CPI (inflation) rate




**12.60%** ↗
2022*

Source: SU SR, NBS
* prediction

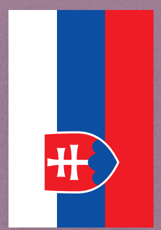
## Unemployment rate




**6.30%** ↘
H1 2022

Source: SU SR

# Slovakia



# Investment market overview

- **In H1 2022 Slovakia's total investment volume reached almost € 620 million.** This **record-breaking number** is the result of a significant transfer of ownership in part Penta's office portfolio to the newly established developer Alto Real Estate. The portfolio sale included Jurkovičova Tepláreň, Sky Park Offices and Digital Park – one the largest office buildings on the market.

- The Alto transaction made the **office sector stand out with a 70% share of total investment volume**, followed by retail with 24% share. In the retail sector Atrium Optima Shopping Centre in Košice was sold for € 118 million to a joint venture of two Slovak private investors; whilst Blackstone exited from a portfolio of 4 regional shopping malls to the Austrian Supernova Privatstiftung.

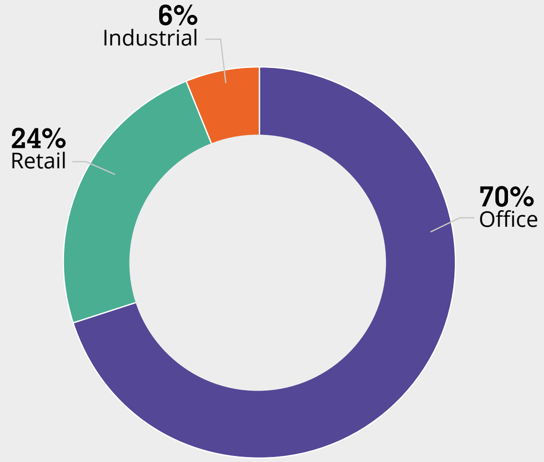
- **Domestic capital dominated the market with a 70% share** of the investment volume (Slovak and Czech investors generating ca 60% and 10% respectively), followed by Austrian and Swedish investors covering the residual 30%.

- **I&L transactions amounted only to 6%**, due to the lack of suitable opportunities rather than investor appetite. There were two industrial transactions recorded in H1; the acquisition of Billa's distribution warehouse by the Swedish investment fund EQT Exeter and a transaction in Beluša, sold to the Czech investment and development group Arete Invest.

- Shopping centre yields remained stable at 6.00% and 5.25% for industrial buildings, however, the yields across all other sectors compressed to 6.50% for retail parks, and 5.00% for office, reaching their historical minimum.

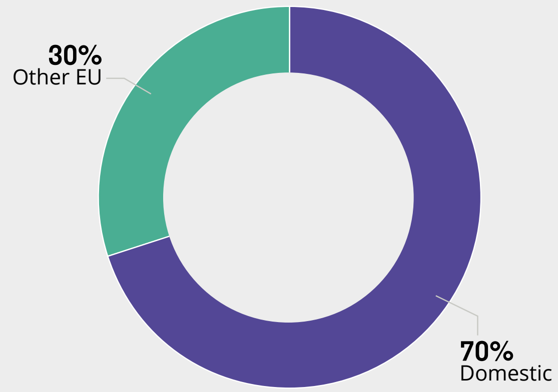
- **The record numbers in investment volume in H1** testify that despite the Ukrainian conflict and the soaring inflation, the market has been active with domestic investors capitalising on the current climate to secure opportunities in the office and the retail sector.

## Investment volume shared by sector (H1 2022)



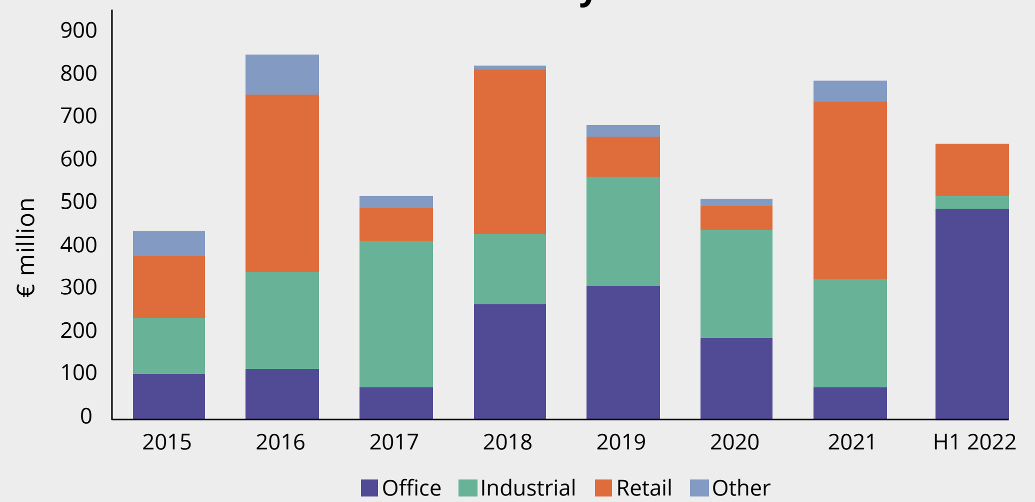

Source: Avison Young

## Investor activity by origin (H1 2022)




Source: Avison Young

## Investment volume shared by sector over the years




Source: Avison Young

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