

CEE H1 2024

What's going on in Real Estate Investment?



Foreword

In the first half of 2024, **signs of increased investment activity** in real estate markets across Central and Eastern Europe (CEE) began to emerge, with total transaction volume reaching €3.4 billion - a 55% increase compared to the same period last year. The most significant growth in volume was recorded in Romania (130%) and Poland (120%), while Slovakia was the only country to see a decline, with a 54% decrease in volume.

The market sector composition saw little change, with the retail and office segments each accounting for 31% of the total volume in the region, followed by the industrial sector at 24%.

Unsurprisingly, **CEE capital remained the dominant force**, contributing 51% of the total transacted volume. **UK capital** ranked second at 16%, largely due to a significant transaction in Poland - Sona Asset Management's acquisition of a 49% stake in the CPI office portfolio. This deal was the most notable in the Polish investment market since Q3 2022.

Given the strong H1 results and ongoing transactions expected to close in the second half of the year, there is optimism across all countries that investment activity will continue to grow, potentially **doubling volumes** and pushing the annual total to as much as €6 billion.

1 Major transactions



Czechia

PROPERTY NAME	CITY	SECTOR	PURCHASER	PRICE (€m)
Arkady Pankrac	Prague	Retail	Trigea	270
Vysočanský mlýn	Prague	Residential / BTR	Mint Reziidenční Fond Sicav	Confidential (306 units)
Vaclavske namesti 42	Prague	Office	Prague City Council	140
Jungheinrich Warehouse	Chomutov	Industrial	Patria Finance (ČSOB Nemovitostní fund)	ca. 40-45
Rezidence U Šárky & Xplace Waltrovka	Prague	Residential / BTR	Arcibiskupství pražské	Confidential (111 units)

Hungary

PROPERTY NAME	CITY	SECTOR	PURCHASER	PRICE (€m)
Vörösmarty tér 1	Budapest	Retail	Indotek & Granit AM	35-40
Hotel Budapest	Budapest	Hospitality	Market Asset Management	25-30
2 Interspar retail assets	Regional cities	Retail	Unione	20-25
Faedra 22 Logistics Park	Budapest	Industrial	RIMO	15-20
OBI Fót	City in Greater Budapest Area	Retail	Erste Fund	15-20

Poland

PROPERTY NAME	CITY	SECTOR	PURCHASER	PRICE (€m)
49% in CPI office portfolio (Vulcanion)	Warsaw	Office	Sona Asset Management	447
Cromwell portfolio	Warsaw, Wrocław, Szczecin, Łódź, Toruń, Bydgoszcz	Retail	Star Capital Finance	285
Panattoni Park Poznań XI	Poznań	Industrial	EQT Exeter	ca. 91
Nowy Rynek E - Tower	Poznań	Office	Eastnine	ca. 79
Warsaw West Parks	Pruszków, Ożarów	Industrial	Hillwood	ca. 55

Romania

PROPERTY NAME	CITY	SECTOR	PURCHASER	PRICE (€m)
GW Portfolio	Bucharest, Arad, Oradea, Timisoara, Pitesti	Industrial	CTP	ca. 168
Expo Market Doraly	Bucharest	Retail	WDP	90
On-street retail portfolio	Cluj	Retail	Local investor	ca. 24
Funshop Park	Turda	Retail	BT Property	15
Tenneco	Ploiesti	Industrial	WDP	10

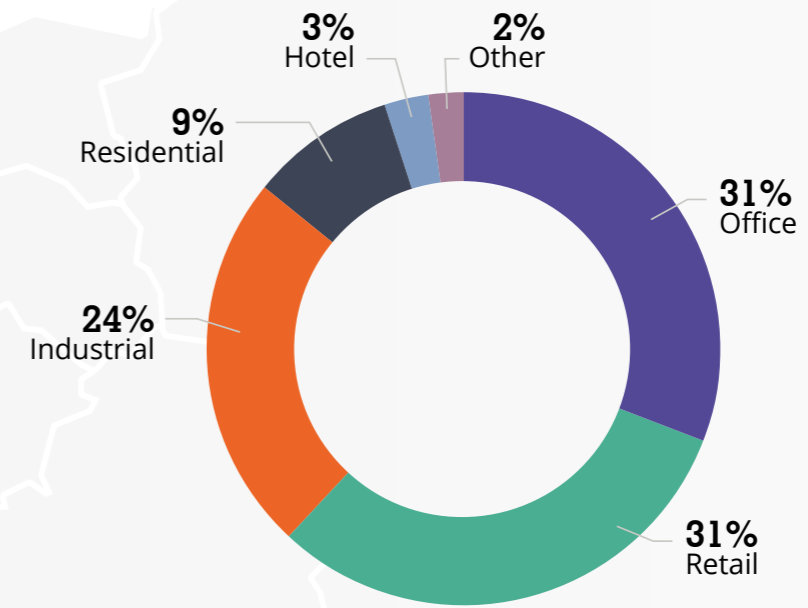
Slovakia

PROPERTY NAME	CITY	SECTOR	PURCHASER	PRICE (€m)
Garbe Green Park Piestany	Piestany	Industrial	Patria IS	Confidential
VGP Group DE/CZ/SK Industrial Portfolio JV with AREIM	Bratislava	Industrial	AREIM (in JV with VGP)	ca. 89

2 CEE in numbers

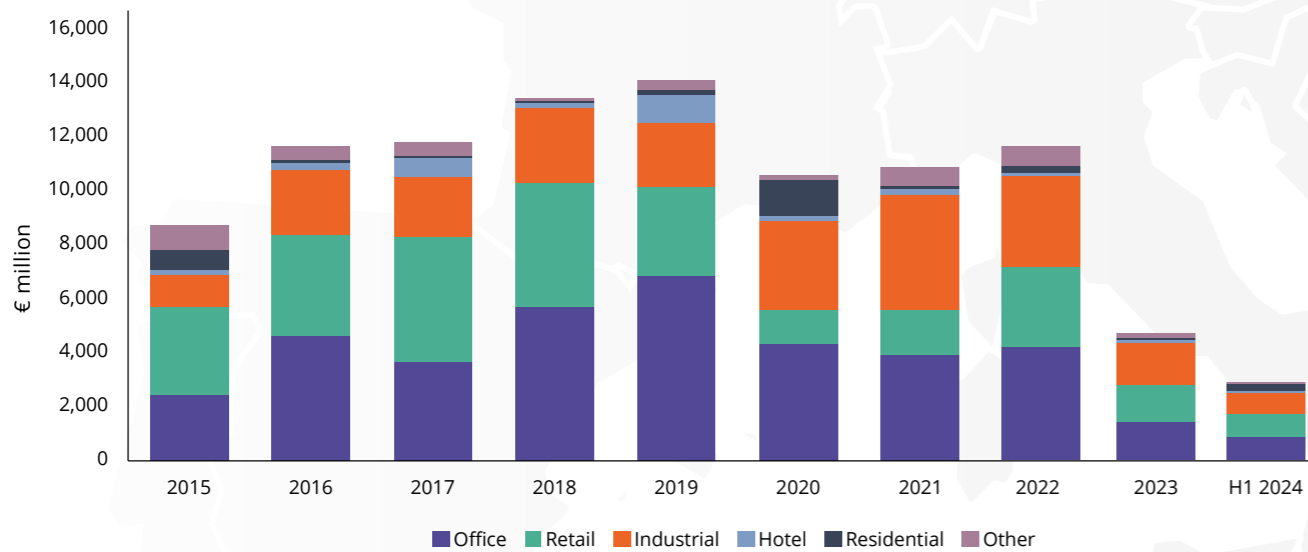
€ 3.4 bn total volume CEE **+55%** Y-O-Y

Investment volume shared by sector (H1 2024)



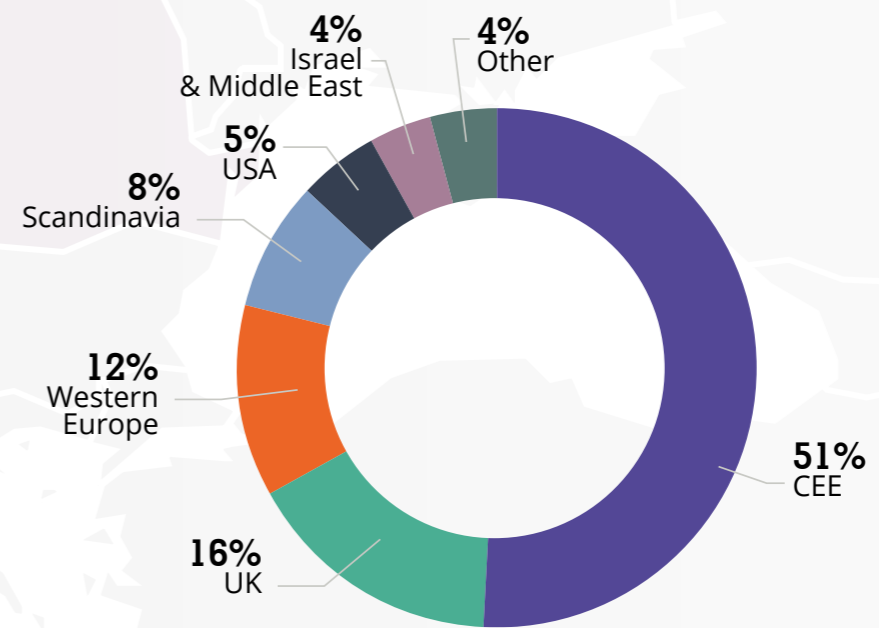
Source: Avison Young

Investment volume shared by sector over the years



Source: Avison Young

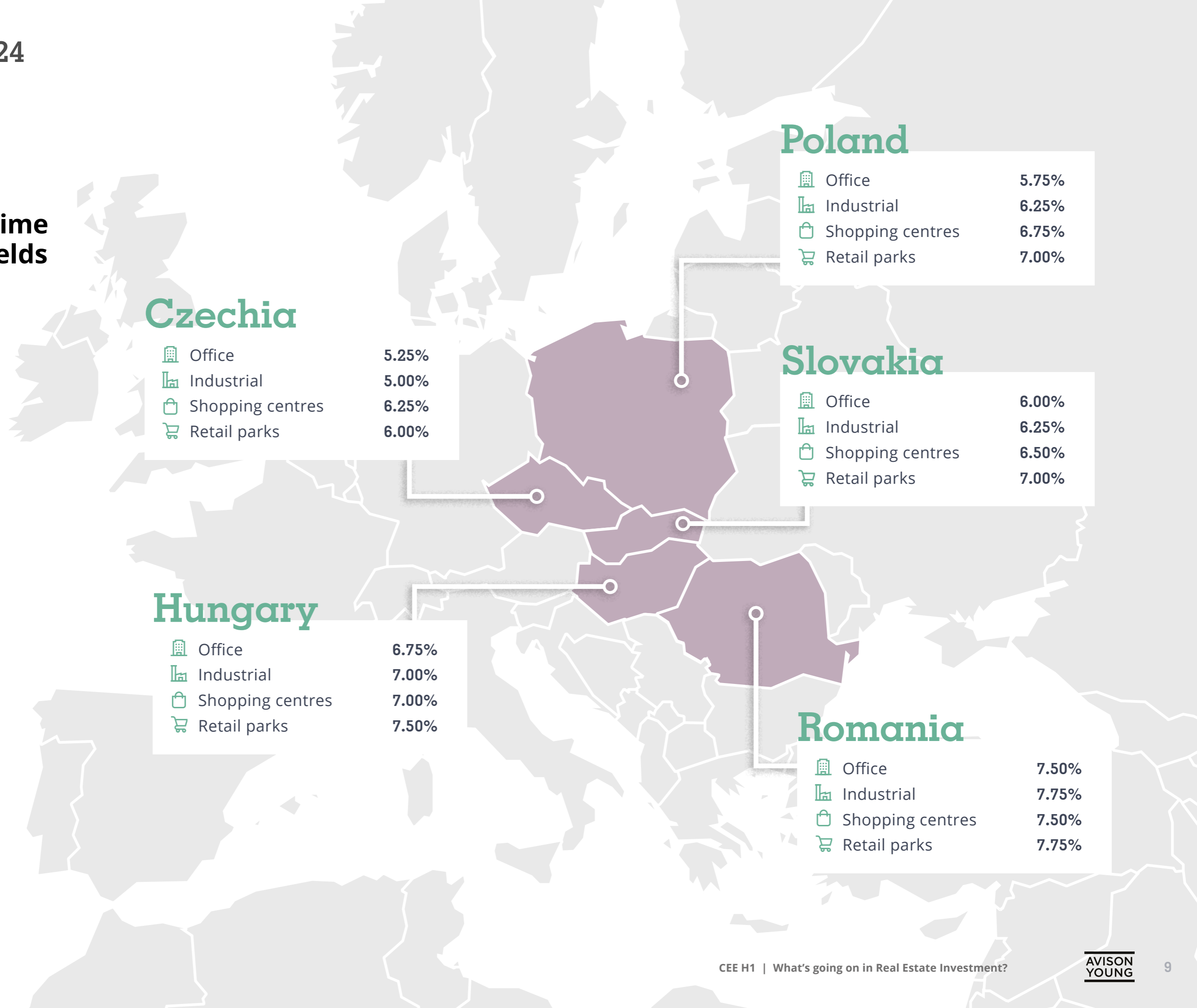
Investor activity by origin (H1 2024)



Source: Avison Young

3

Prime yields





Local market overview

Total investment volume in Czechia achieved **€875 million**, with domination of retail sector in H1 2024.

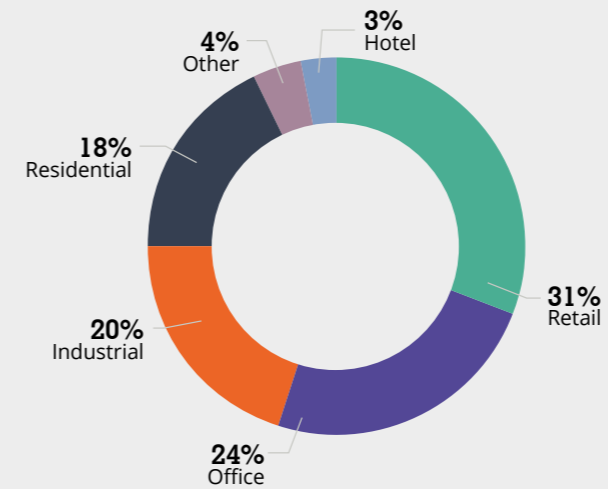
Retail parks and logistics have remained in favour throughout the recent market turbulence. However limited supply continues to limit transaction volumes.

BTR is coming through on a large scale with a number of notable transactions taking place in H1 2024, the assets are being traded to newly established BTR dedicated funds.

Sale & Leaseback transactions are likely impact total transaction volumes by year end, with a handful of predominantly manufacturing companies offering premises for sale.

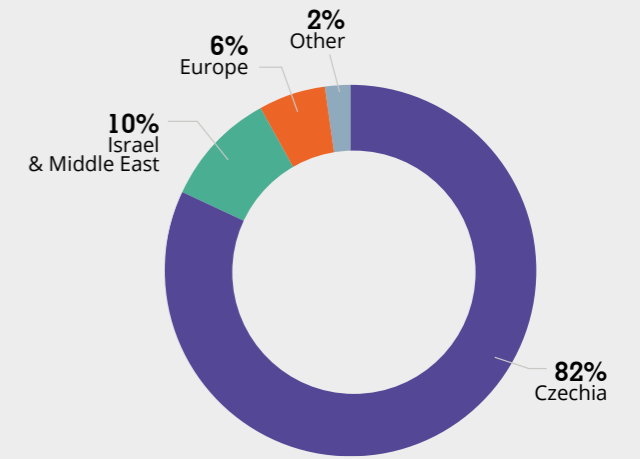
Offices are out of favour despite solid performance of the office leasing sector; vacancy rates are stable at 7.5% and rents are on the rise in core locations. However, investors are very concerned about future capex costs related to ESG and energy performance legislation combined with the global office market challenges in Western Europe and the US. Therefore, older offices and non-core locations are very difficult to trade.

Investment volume shared by sector (H1 2024)



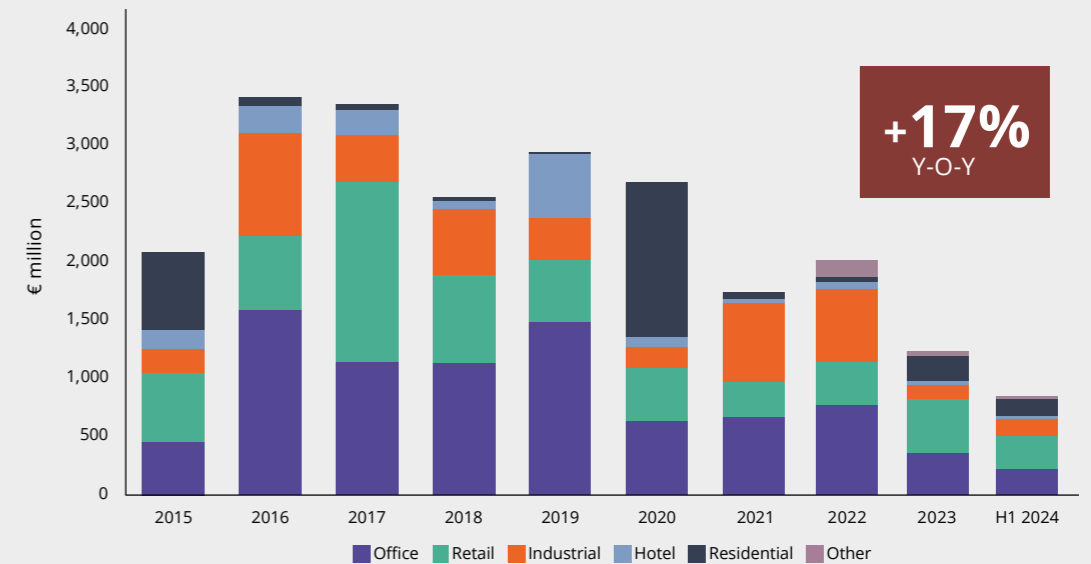
Source: Avison Young

Investor activity by origin (H1 2024)



Source: Avison Young

Investment volume shared by sector over the years



Source: Avison Young



Local market overview

Investment volume in the first half of 2024 has been disappointingly low and the market remain in hibernation mode with **less than €200 million transacted**. The volumes have stabilised with a limited 5% decrease y-o-y but we are not experiencing yet a rebound.

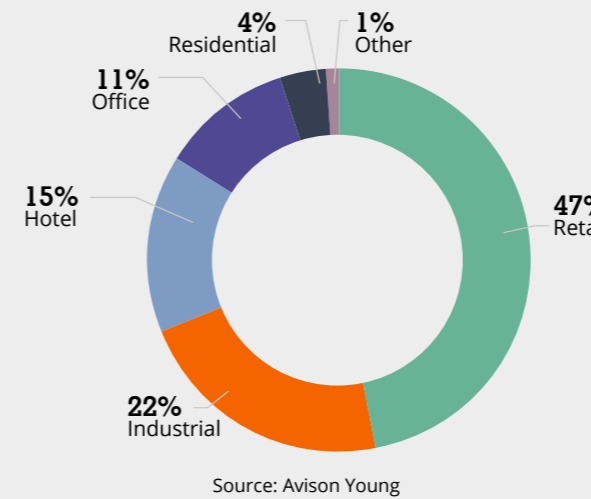
While investments remain concentrated in **Budapest** (63% of total), the degree of concentration has decreased significantly since last year (76% concentration). This can be attributed to the plummeting weight of the office asset class (11% compared to last year's 66% of total) and the reemergence of transactions in the retail and logistics segments (47% and 22% respectively).

Despite the few deals done by international buyers, **local capital remains the market maker**. In the first semester 74% of the total investment volume was done by Hungarian capital.

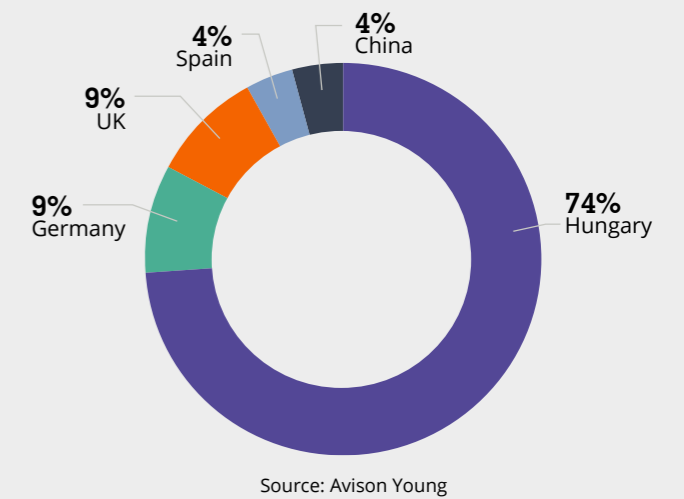
The increase in prime yields observable in 2023 has stopped due to the slowly improving investor sentiment and the stop to the tightening of lending requirements. However, as borrowing costs remain relatively high, full-equity purchases remain relevant with some buyers postponing their debt financing exercise to a later stage.

A stronger second semester can be anticipated as the situation gradually improves in term of interest rate, debt availability and general market environment. A significant number of properties in the office segment are currently in the bidding, due diligence, or contract negotiations phase and will translate into larger volumes for the second semester.

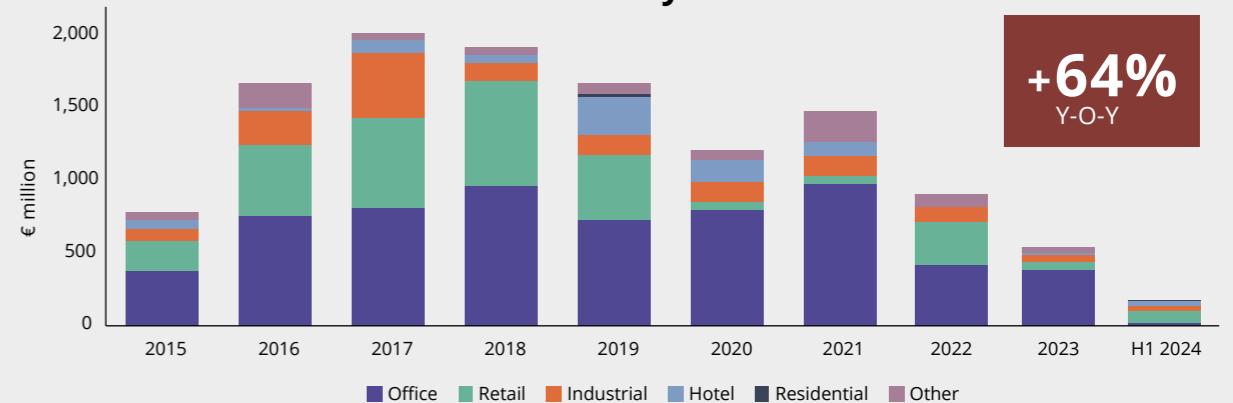
Investment volume shared by sector (H1 2024)



Investor activity by origin (H1 2024)



Investment volume shared by sector over the years





Local market overview

Q2 2024 showed the eagerly awaited **signs of the market acceleration**, which allow to look to the future with greater optimism. The market finally noticed decline of interest rates, which may anticipate further decrease.

By the end of H1 2024, the investment market rebounded, achieving a **transaction volume of €1.8 billion**, which is double the year-over-year figure. The two largest transactions, involving the CPI and Cromwell portfolios, concluded in Q2, accounted for 45% of this result.

The **office** investment market finally saw several deals in **regional cities**, after domination of Warsaw. Most deals occurring are still due to **value-add and opportunistic assets**, indicating a strong domination of investors who are prudent in their approach and seek out opportunities without overpaying for assets.

The **retail** sector represented nearly 30% of the transaction volume in the first half of 2024, primarily driven by the significant sale of the Cromwell 6 shopping centres portfolio, acquired for €285 million. In H1 the retail investment market was **predominantly composed of gallery transactions**. However, **retail parks** accounted for 21% of the volume and constituted 50% of closed deals.

Industrial sector keeps awaiting large deals. In 2024, a slowdown on the warehouse market is still visible. In H1 2024, industrial sector saw 12 closed deals, totalling €294 million, which is a **drop by 33% y-o-y**. The

decrease of investment volume is mainly due to the lack of large portfolio transactions, resulting from - among others - still high financing costs and ongoing process of pricing adjustments between vendors and purchasers.

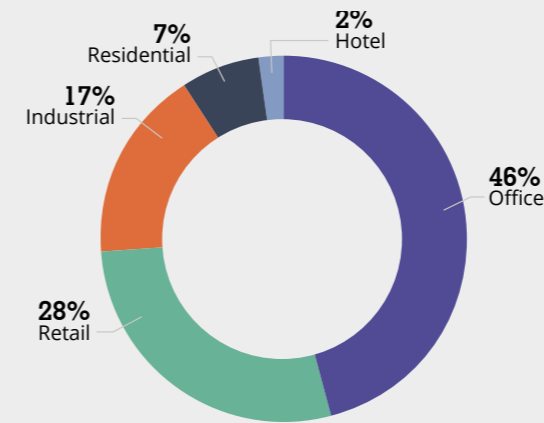
The **hospitality sector has regained attractiveness** and 5 residential transactions were closed in Warsaw.

PRS market recorded 5 transactions closed in H1 2024 which amounted to approx. €130 m. All acquired properties are located in Warsaw.

Poland still remains as **economically stable and strong market**, providing good conditions for real estate investment. This is well seen by European market players and so we have already welcomed newcomers to Poland.

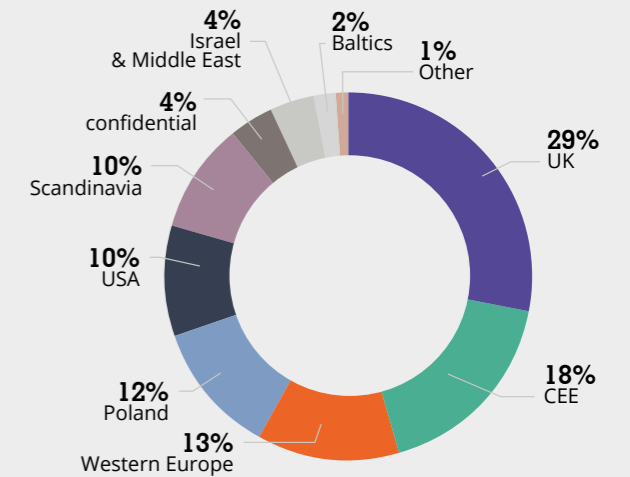
Based on our own projects and discussions with other market participants, we observe that numerous properties across various sectors are currently in the bidding, due diligence, or even finalization phase. We remain optimistic about the number of transactions and hope that the investment volume in 2024 will significantly surpass that of 2023, signalling growth in the subsequent years.

Investment volume shared by sector (H1 2024)



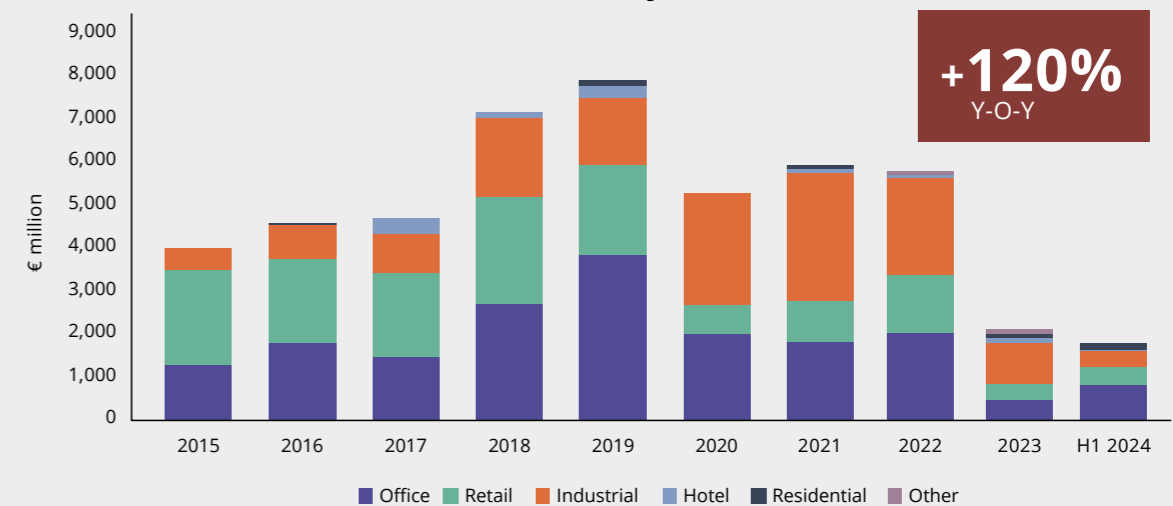
Source: Avison Young

Investor activity by origin (H1 2024)



Source: Avison Young

Investment volume shared by sector over the years



Source: Avison Young



Local market overview

In the first half of 2024, investment volume reached approximately **€419 million**, driven by two **significant transactions involving industrial assets**, which accounted for around 62% of the semester's transactional activity. This marks a substantial increase compared to the same period last year (€179 million), **demonstrating renewed investor interest in Romanian assets**. Although there hasn't been a notable influx of new investors, the existing ones show remarkable resilience and sustained interest in high-performing assets and/or portfolios.

In H1, the **retail** sector (including Expo Market Doraly) contributed 47%, while **industrial** assets generated an additional 44% to the semester's investment activity. It is noteworthy that investments in **office** assets contributed only 3%, coming from just one building.

In H1 2024, a total of 17 transactions were sealed, with an **average transaction value of approximately €24 million**, up from €13 million reported in H1 2023. After months of negotiations, CTP purchased an industrial portfolio from Globalworth for €168.2 million. This portfolio includes 270,000 sqm GLA and a 30-hectare landbank across six key locations in Romania.

In H1 2024, **Bucharest** contributed approximately 42% to the investment volume, a slight increase from 38% compared to the same period last year. As long as investors continue to prefer retail and industrial parks, Bucharest's contribution is expected to remain within the 30-40% range. For H2 2024, a mild increase in the capital city's contribution to the yearly investment volume is anticipated, driven by the expected completion of several large transactions involving office assets in Bucharest.

Investors have been increasingly **shifting their focus from office assets to industrial portfolios and retail-driven products** due to the resilience of these types of assets to various factors such as the pandemic, political instability, and economic instability, just to name a few.

In H1 2024, there has been a significant **resurgence of the foreign capital** in the investment market, with foreign investors contributing approximately 74% to the total investment volume. The local capital has shown a strong preference for retail assets too, particularly focusing on both big-box retail and on-street retail units.

Investment transactions concluded in the first semester have started at least 12-18 months ago, with investors taking advantage of low competition as well competitive selling prices driven by yield decompression in Romania for all categories of assets.

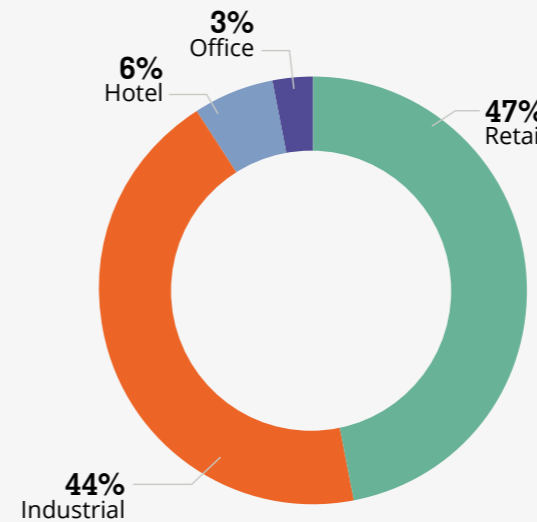
Despite the opaque **residential investment market**, we assume that the high-end residential sector is still performing well, considering the large number of residential projects either authorized or under construction. Family-type investors are looking to enrich their rental portfolios through the acquisition of residential units developed in the northern part of Bucharest in locations such as Straulesti, Sisesti, Jandarmerie and Fabrica de Glucoza, as well as in high-end boutique projects located in the Aviatorilor, Kiseleff, and Primaverii neighborhoods.

With a couple of transactions already signed at the beginning of H2 2024, including the sale of The Landmark and the Globalvision & Globalworth industrial portfolio, it is anticipated that the full-year 2024 investment volume may easily **exceed €700-800 million**.

With no major institutional investors entering the local market, the diversification of the investor base in the real estate industry reflects a significant trend of attracting new players eager to diversify their portfolios by investing in real estate assets. Moving forward, it is anticipated that this trend will continue both in Bucharest and top Romanian regional cities, where a new breed of local high-net-worth individuals will emerge, seeking to acquire high-performing real estate assets.

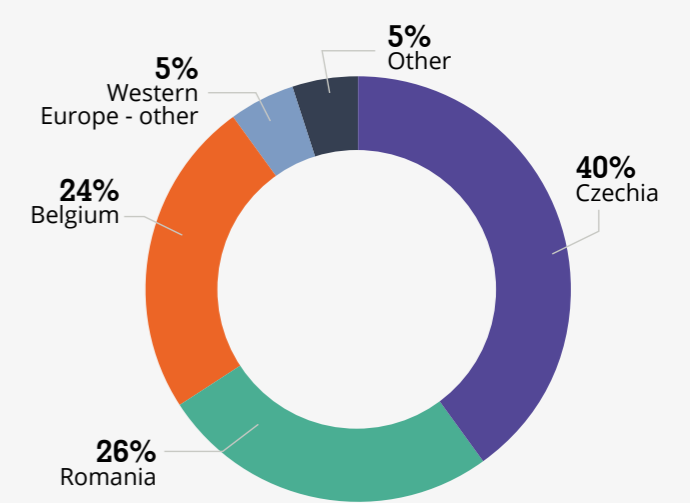
The real estate investment market still exhibits **significant growth potential**, as numerous institutional-grade assets remain under the control of local developers who are reluctant to pursue an exit.

Investment volume shared by sector (H1 2024)



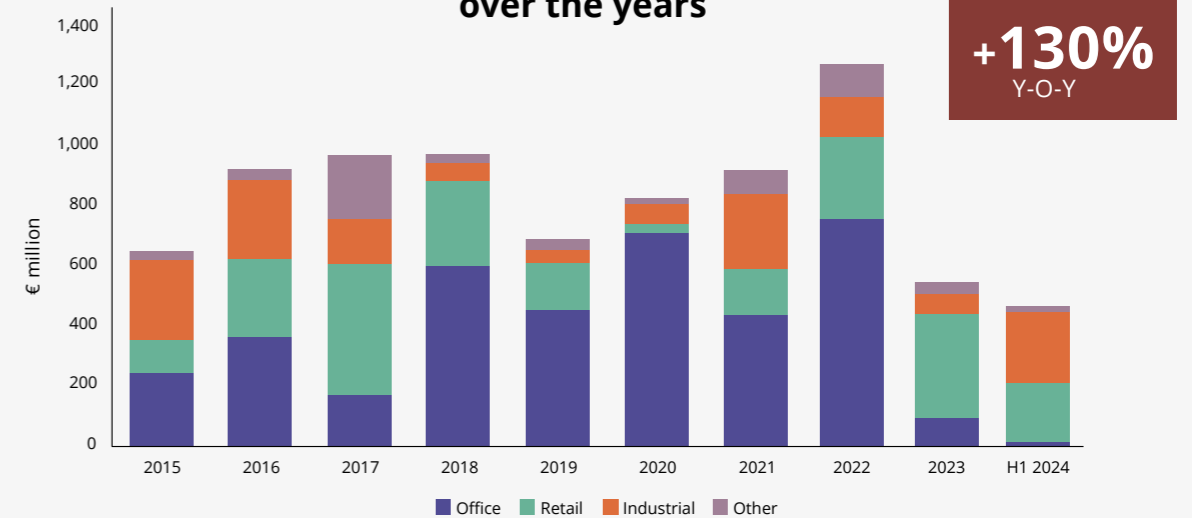
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Investor activity by origin (H1 2024)

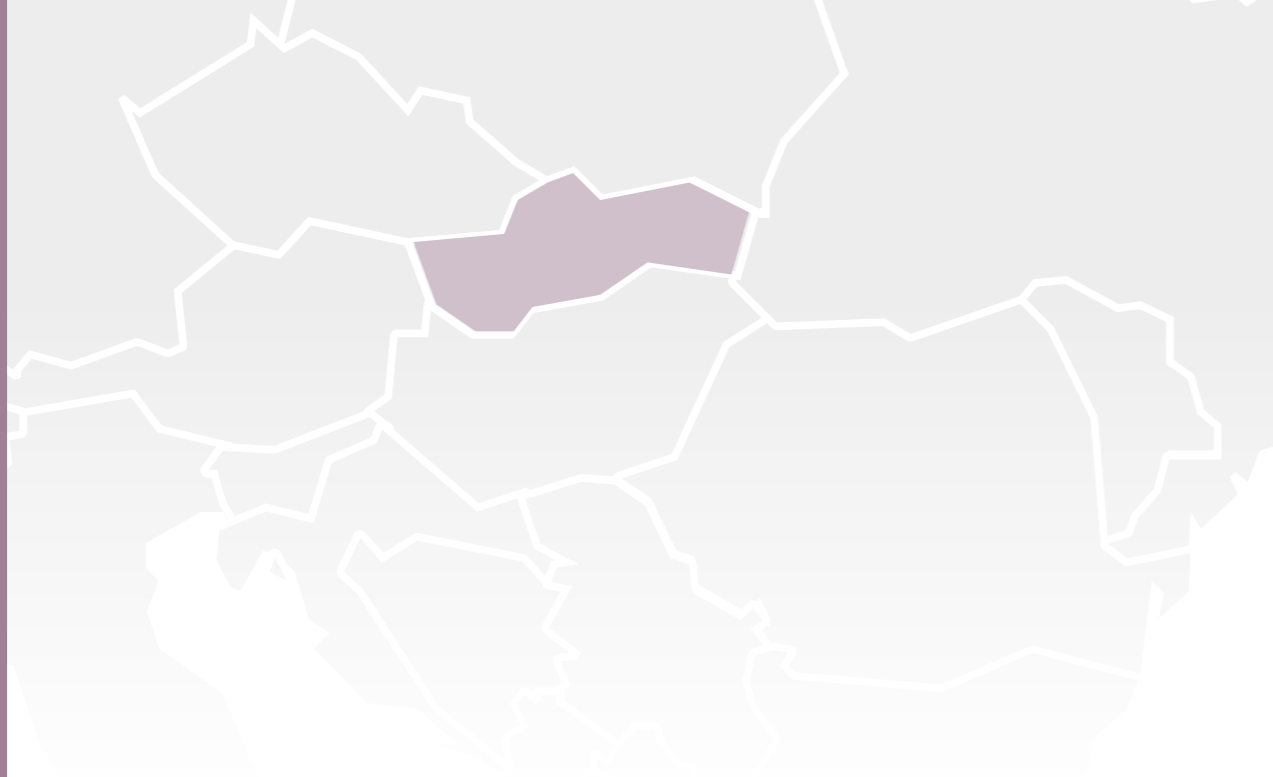
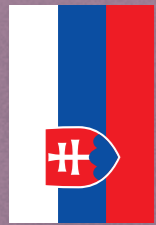


Source: Avison Young

Investment volume shared by sector over the years



Source: Avison Young



Local market overview

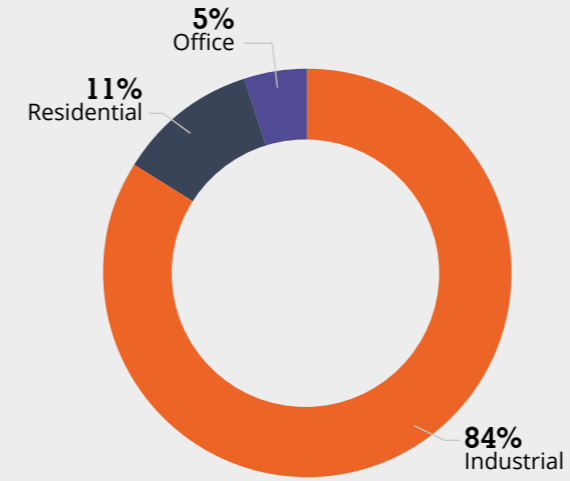
In H1 2024, total volume of property investment market in Slovakia reached **only €149 million**.

Industrial continues to be the winner in the Slovak investment market. The market has high **quality assets and tenants**, and the country benefits from relatively low cost of labour and excellent highway network leading into Western Europe.

Retail parks are also on the list of many domestic and international investors targeting Slovak real estate.

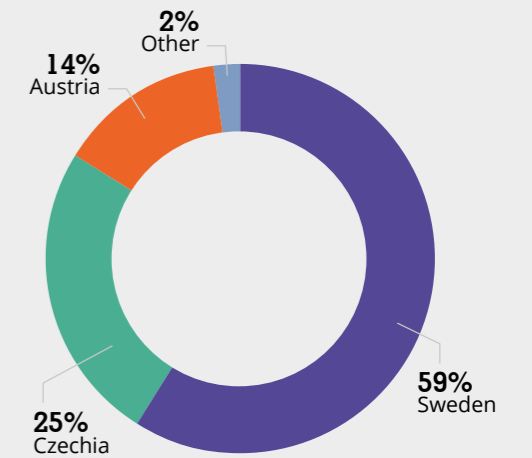
As with many markets, the **office sector is suffering from liquidity**, particularly older stock. However the office leasing sector is performing very well with rental growth projected in modern, sustainable buildings.

Investment volume shared by sector (H1 2024)



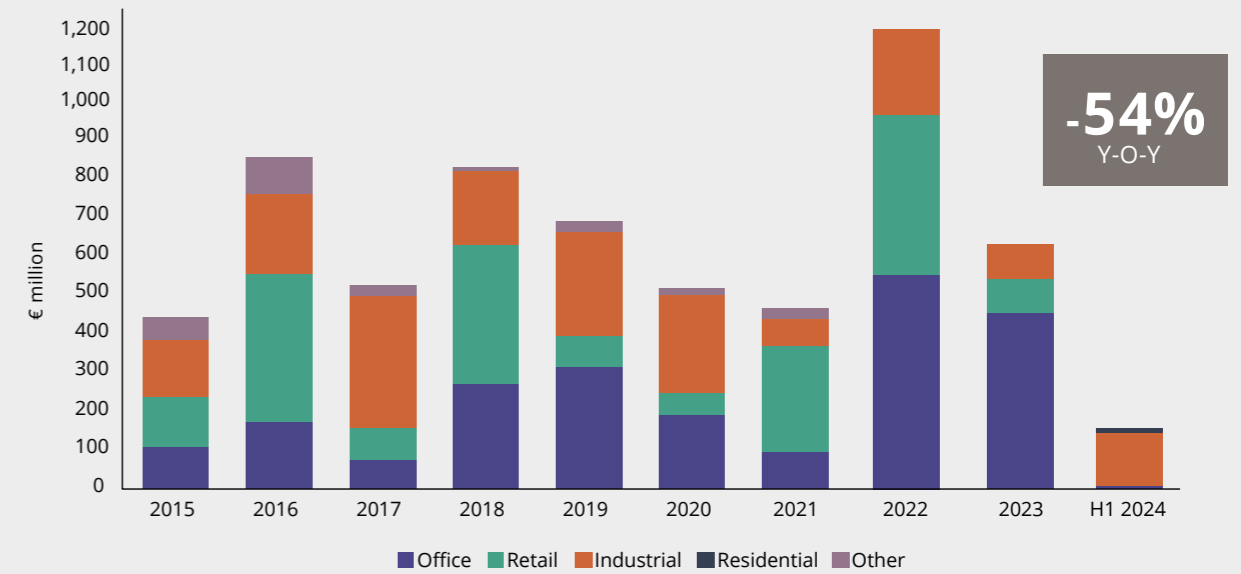
Source: Avison Young

Investor activity by origin (H1 2024)



Source: Avison Young

Investment volume shared by sector over the years



Source: Avison Young

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