

Investment Q1 2021

	YoY Chg.	12-Mo. Forecast
3.9% Prime Yield	▼	■
€ 257 M YTD Total Volume	▼	▲
€ 166 M YTD Office Volume	▲	▲
€ 12 M YTD Retail Volume	▼	▲
€ 61 M YTD Industrial Volume	▲	▲

(All Property Classes)

ECONOMIC INDICATORS Q1 2021

	YoY Chg.	12-Mo. Forecast
-2.1% GDP*	▼	▲
4.2% Unemployment Rate	▲	▲
-0.39% 5-Yr EUR Swap	■	▼
1.46% 10-Yr Interest Rate	■	▲

* Annual growth forecast
Source: Moody's Analytics, Czech Ministry of Labour and Social Affairs

ECONOMY: Economic recovery delayed with the fourth wave of pandemic in Q1

The Czech economy has struggled through Q1, challenged by a severe wave of Covid-19 that necessitated further stringent restrictions, which remained in place throughout the quarter. Infection rates have now been falling steadily for several weeks as the measures curb the spread. However, the pandemic is far from contained, with only 18% of the population vaccinated so far. Yet, the economy has become more resilient to the restrictions. As industrial production and exports managed to offset consumer spending and investment weakness, Moody's Analytics estimates that GDP could grow by 4.4% in 2021, followed by 6.4% growth in 2022. This view is more optimistic than other experts' opinions, which stay cautious, primarily due to the high level of uncertainty regarding releasing all restrictions and the speed of vaccination. The situation will also depend on the willingness of households to spend the excess savings. However, these are unevenly distributed towards the wealthier families and will probably only be allocated gradually.

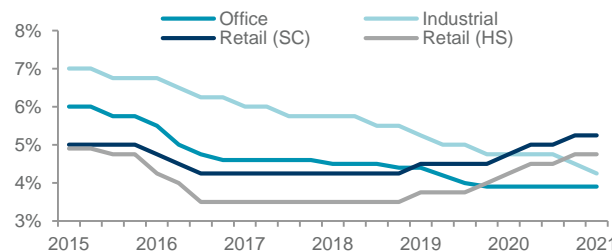
INVESTMENT OVERVIEW:

The office sector does not reflect any significant structural changes in the occupational market with several signs of expansion plans of corporate companies in Prague. Particularly the investors from the West are still waiting to see how the market will develop and how much the work from home schemes will affect the market. The local and regional players are still keen to invest, but projects with larger lot sizes (above 50 mils. EUR) can be challenging.

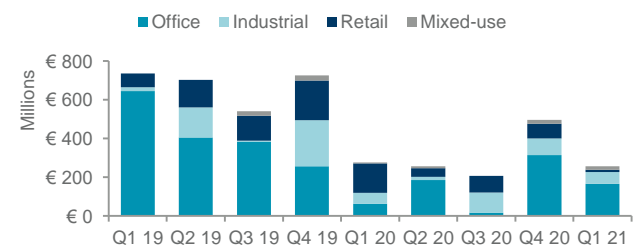
The pricing of the industrial sector is sharper than ever, taking into account the current investors' sentiment, especially in prime locations and long WAULTs. Western funds are the main driving force, explicitly focusing on the industrial sector.

The attitude towards the retail market improves across all property types, food-anchored retail schemes being the favourite market segment. High street retail struggles with the more extended and deep impact of the pandemic, even if occupiers' activity stays solid recently. Local and regional funds remain active, but more value-add Western capital can be expected soon, too.

PRIME YIELD TREND



INVESTMENT SALES VOLUME BY SECTOR



INVESTMENT ACTIVITY YTD 2021

PROPERTY TYPE	YTD NO. OF TRANSACTIONS	YTD SALES VOLUME (€ MILLION)	AVG PRICE / SQ M (€)	PRIME YIELD
Office	4	166	2,790	3.90%
Industrial	2	61	953	4.25%
Retail	2	12	1,788	4.75%
Mixed-use	2	18	N/A	N/A
TOTAL	10	257		

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2016	2017	2018	2019	2020 ^E	2021 ^F	2022 ^F
GDP Growth	2.4%	5.4%	3.2%	2.2%	-5.6%	4.4%	6.4%
Private consumption expenditure	3.7%	4.1%	3.5%	3.0%	-5.2%	6.1%	9.8%
Unemployment rate	5.5%	4.2%	3.1%	2.9%	4.0%	4.5%	4.0%
Inflation	0.7%	2.5%	2.1%	2.9%	3.1%	2.0%	2.1%
CZK/EUR (average)	27.04	26.34	25.65	25.67	26.46	25.88	24.57
CZK/USD (average)	24.44	23.38	21.73	22.93	23.21	21.24	18.67
Interest Rates: 3-month (%)	0.3%	0.4%	1.3%	2.1%	0.9%	0.4%	1.0%
Interest Rates: 10-year bond yield (%)	0.4%	1.0%	2.0%	1.5%	1.1%	1.8%	2.0%

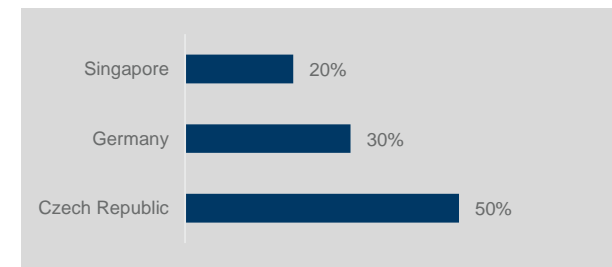
Annual % growth unless otherwise indicated. Source: Moody's Analytics, Ministry of Labour and Social Affairs

SIGNIFICANT SALES YTD 2021

PROPERTY NAME	TYPE	BUYER	SELLER	SIZE (SQ M/ROOMS)	MARKET
Nová Karolina Park	Office	RT TORAX Group	Passerinvest	30,400	Moravia-Silesia
Industrial Park Červený Kostelec	Industrial	Expandia	Czech Private Investor	28,000	Hradec Králové
Arete Portfolio 2020	Industrial	Cromwell	Arete Invest	49,450	Multi-city
Parkview	Office	DEKA	Skanska Property	16,600	Prague

Closed transactions over € 10 million. Source: Real Capital Analytics, Cushman & Wakefield Research

YTD 2021 ACQUISITIONS BY CAPITAL SOURCE COUNTRY



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