

Investment Q2 2021

	YoY Chg.	12-Mo. Forecast
4.0% Prime Yield	▼	■
€ 678 M YTD Total Volume	▲	▲
€ 340 M YTD Office Volume	▲	▲
€ 86 M YTD Retail Volume	▼	▲
€ 128 M YTD Industrial Volume	▲	▲

(All Property Classes)

ECONOMIC INDICATORS Q2 2021

	YoY Chg.	12-Mo. Forecast
8.8% GDP*	▲	▼
3.5% Unemployment Rate	▲	▼
0.11% 10-Yr EUR Swap	▲	▲
1.8% 10-Yr Interest Rate	▲	▲

* Annual growth forecast
Source: Moody's Analytics

ECONOMY: Domestic demand is recovering; Czech currency is getting stronger

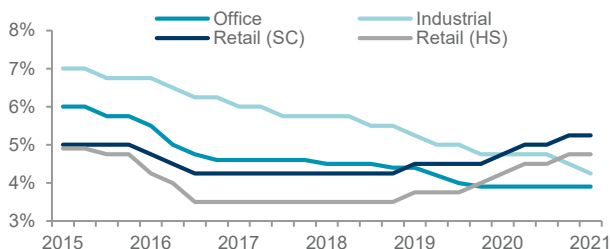
After declining by 5.8% in 2020, GDP contracted by 2.4% y-o-y in Q1 amid the ongoing virus threat and restrictions that have continued to hurt domestic demand and multinational sales. As the economy reopened during Q2, private spending and investments started to grow. This year, GDP is expected to increase by 4.1% (base scenario), driven by recovering private spending and investments, higher exports, and elevated government spending. Still, the growth and business outlook will quickly deteriorate if the virus threat escalates again, and the authorities reintroduce containment measures in autumn/winter. The inflation should average at 2.7% in 2021 pushed up by transportation costs, recovering domestic demand, and stronger wage growth. The stronger Czech crown can, however, mitigate inflationary pressures.

INVESTMENT OVERVIEW:

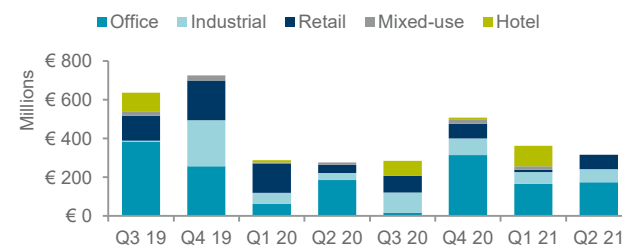
Total volume of investments in the commercial real estate reached € 678 million in the first half of 2021, which is about 20% more than in the same period last year. About the same volume is expected to be transacted by the year end, making the annual figure higher than in 2020, but still far from the levels reached before the pandemic. After a waiting-mode period, investors started to be optimistic again regarding the economic recovery, and they still possess significant amount of capital to be deployed on the market. However, the investment activity remains low particularly due to the lack of product caused by reduced development activity across all real estate sectors.

About half of the investments in H1 went to offices, with a total of 12 transactions, including Parkview, Avenir Business Park or Explora Business Centre in Prague or Nova Karolina Park in Ostrava. About a fifth of the volume was invested in industrial projects, which still represent a favorite asset class. Industrial properties thrive especially from the booming e-commerce in the F&B sector within the urban logistics. However, the offer remains very limited. Investors are also interested in the retail sector, which showed better results in May and June after the full reopening of stores. 11 retail transactions took place in H1, including shopping centre Korso Karvina and other deals in this sector are anticipated further this year. Local investors were dominant buyers in H1 with 43% share, followed by purchasers from Germany and Israel.

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	12	340	2,400	4.00%
Industrial	8	128	1,040	4.25%
Retail	11	86	1,900	4.75%
Mixed-use	3	18	n/a	n/a
Hotel	4	105	n/a	n/a
TOTAL	38	678		

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2016	2017	2018	2019	2020 ^E	2021 ^F	2022 ^F
GDP Growth	2.4%	5.4%	3.2%	3.0%	-5.8%	4.1%	6.4%
Private consumption expenditure	3.7%	4.1%	3.5%	2.6%	-6.8%	2.1%	6.1%
Unemployment rate	4.0%	2.9%	2.2%	2.0%	2.5%	3.4%	3.2%
Inflation	0.7%	2.5%	2.1%	2.9%	3.2%	2.7%	2.4%
CZK/EUR (average)	27.04	26.34	25.65	25.67	26.46	25.54	24.40
CZK/USD (average)	24.44	23.38	21.73	22.93	23.21	21.20	19.18
Interest Rates: 3-month (%)	0.3%	0.4%	1.3%	2.1%	0.9%	0.6%	1.4%
Interest Rates: 10-year bond yield (%)	0.4%	1.0%	2.0%	1.6%	1.1%	1.8%	2.0%

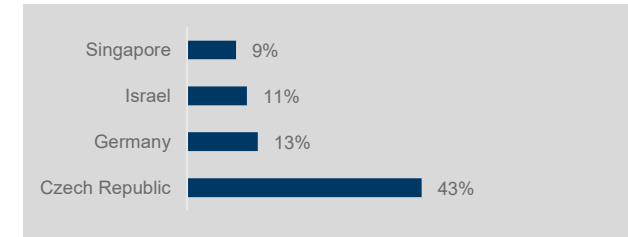
Annual % growth unless otherwise indicated. Source: Moody's Analytics

SIGNIFICANT SALES YTD 2021

PROPERTY NAME	TYPE	BUYER	SELLER	SIZE (SQ M/ROOMS)	MARKET
Nová Karolina Park	Office	RT TORAX Group	Passerinvest	30,400	Ostrava
Avenir Business Park A, D	Office	AFI Europe	Tristan Capital Partners / Mint Investments	25,600	Prague
Explora Business Centre	Office	Trigea	Golden Star Group	21,400	Prague
Parkview	Office	DEKA	Skanska Property	16,600	Prague
W Hotel Evropa Prague	Hotel	Undisclosed	Julius Meinl	165	Prague
Korso Karviná	Retail	Conseq	Bluehouse Capital	13,200	Karviná

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

YTD 2021 ACQUISITIONS BY CAPITAL SOURCE COUNTRY



MARIE BALÁČOVÁ

Head of Research

+420 234 603 740 / marie.balacova@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 53,000 employees in 400 offices and 60 countries. In 2019, the firm had revenue of \$8.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

cushmanwakefield.com