

YoY Chg. 12-Mo. Forecast

3.75%

Prime Yield (IND)



€ 1,076 M

YTD Total Volume



€ 337 M

YTD Office Volume



€ 337 M

YTD Retail Volume



€ 174 M

YTD Industrial Volume



(The total volume includes only office, retail, industrial and mixed-use properties.)

ECONOMIC INDICATORS Q2 2022

4.0%

GDP*

YoY Chg.

12-Mo. Forecast



2.4%

Unemployment Rate



2.3%

10-Yr EUR Swap



4.4%

10-Yr Interest Rate



* Annual growth forecast
Source: Moody's Analytics

ECONOMY: Czechia's recovery facing ongoing challenges

The Czech economy grew in the first quarter, but the drag from last summer persists, and the output level remains below the pre-pandemic peak. According to Moody's Analytics, GDP growth will reach 3.4% this year, followed by slightly weaker performance of 2.8% in 2023. Czechia's economy is tied to the auto sector, which is currently experiencing a slowdown in production owing to the global supply crunch and issues in logistics worldwide.

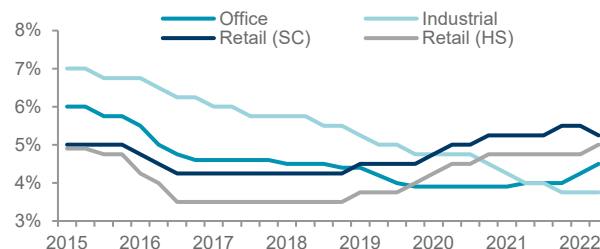
Despite the problems of industrial production, the unemployment rate is holding steady and is retreating further after an increase in the first quarter. Inflation breached the single digits in the first quarter, coming in at 14.6% year over year in June. The energy was the most significant contributor to the high inflation rate. The consumer price index growth is forecasted to reach 15.3% in 2022 and mitigate to 5.3% in the following year. After holding out in March and April, the central bank again tightened its monetary belt by increasing the policy rate to 5.75% in May and 7.00% in June. The central bank should ease rates as inflation winds down later in the year.

INVESTMENT OVERVIEW: Transaction activity slowed down again in Q2

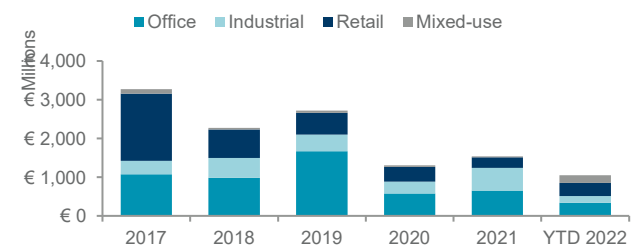
The total volume of investments in the traditional real estate sectors accounted for €170 million in Q2 2022, totalling €1.1 billion in H1, almost double the volume reached in the same period last year. Two retail portfolio transactions were closed in the last quarter, with the Tesco portfolio including four smaller shopping centres across the Czech regions and KPD retail park portfolio.

The significant activity in H1 2022 in the Czech Republic was reflective of the 2021 market as most of the closed deals were completions from the previous year. Due to the constant flux in all key price-creating parameters, such as interest rates, inflation, rental growth, operating costs, and construction costs, we expect the activity on the market to slow down significantly in H2, and only the deals done in 2023 will be indicative of the new pricing environment.

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	7	337	4,200	4.50%
Industrial	9	174	1,400	3.75%
Retail	7	337	2,200	4.50%
Mixed-use	1	205	n/a	n/a
TOTAL	24	1,076		

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2018	2019	2020	2021	2022 ^F	2023 ^F	2024 ^F
GDP growth (PPP)	3.2%	3.0%	-5.5%	3.5%	3.4%	2.8%	4.7%
Private consumption expenditure	3.5%	2.6%	-7.2%	4.0%	2.6%	-0.7%	2.8%
Unemployment rate	2.2%	2.0%	2.5%	2.8%	2.4%	2.3%	2.4%
Inflation	2.2%	2.8%	3.2%	3.8%	15.3%	5.3%	1.8%
CZK/EUR (average)	25.66	25.67	26.46	25.65	24.70	25.01	24.08
CZK/USD (average)	21.74	22.93	23.21	21.68	23.33	22.34	21.48
Interest Rates: 3-month (%)	1.3%	2.1%	0.9%	1.1%	6.3%	5.9%	3.4%
Interest Rates: 10-year bond yield (%)	2.0%	1.5%	1.1%	1.9%	4.2%	4.6%	4.1%

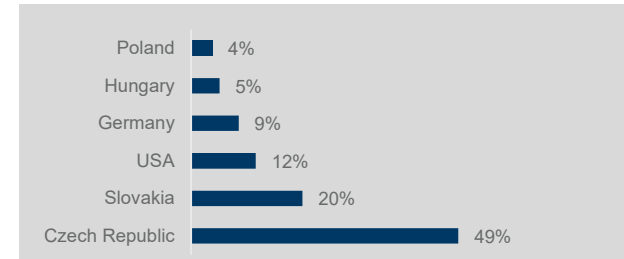
Annual % growth unless otherwise indicated. Source: Moody's Analytics

SIGNIFICANT SALES Q2 2022

PROPERTY NAME	TYPE	BUYER	SELLER	SIZE (SQ M/ROOMS)	MARKET
Tesco SC portfolio	Retail	Adventum	Tesco	54,700	Multiple
Concens Logistics Portfolio	Industrial	Exeter	J&T Real Estate/Concens	13,500	Ostrava
KPD retail park portfolio	Retail	ZDR Investments	KPD Group/Exafin	9,500	Multiple
Bělehradská 128	Office	Anero	Komerční banka	5,200	Prague
ŘSD HQ	Office	Passerinvest	Czech private investor	n/a	Brno
Rhenus Nučice	Industrial	Jet Investment	Rhenus	n/a	Prague-West

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

YTD 2022 ACQUISITIONS BY CAPITAL SOURCE COUNTRY



MARIE BALÁČOVÁ

Head of Data & Analytics

+420 605 440 693 / marie.balacova@cushwake.com

MICHAL SOTÁK

Head of Capital Markets

+420 733 126 973 / michal.sotak@cushwake.com

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