

## Investment H1 2020

	YoY Chg.	12-Mo. Forecast
<b>3.9%</b> Prime Yield	▼	▬
<b>€ 1,992 M</b> Total Volume	▼	▼
<b>€ 255 M</b> Office Volume	▼	▼
<b>€ 207 M</b> Retail Volume	▼	▼
<b>€ 73 M</b> Industrial Volume	▼	▲

(All Property Classes)

### ECONOMIC INDICATORS Q2 2020

	YoY Chg.	12-Mo. Forecast
<b>-11.8%</b> GDP*	▼	▲
<b>3.7%</b> Unemployment Rate	▲	▲
<b>-0.27%</b> 5-Yr EUR Swap	▼	▼
<b>0.75%</b> 10-Yr Interest Rate	▼	▲

\* Annual growth forecasts

Source: Oxford Economics, Czech Ministry of Labour and Social Affairs

### ECONOMY: GDP seen falling 6.6% in 2020 before recovering towards H2 and growing 7.4% in 2021

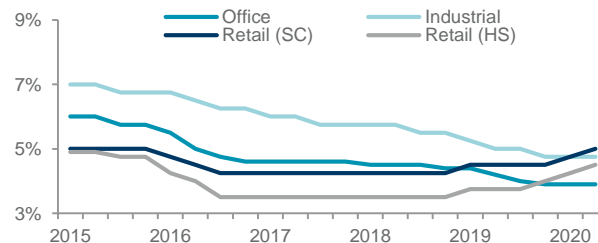
The economic cost of the imposed restrictions and the lockdown during March and April has been severe, with GDP falling 3.3% in Q1, the sharpest quarterly contraction in history. Consumption held up better than expected in Q1, but still fell 1.9% q/q. The 12.9% m/m improvement in retail sales in May was a positive sign, but sales were still 8.8% below their level a year earlier. Industry continued its dismal run in May, with production falling 24.8% y/y, a 12th consecutive month of contraction. Production is still hampered by automotive plants operating well below full capacity for both demand and health and safety reasons. The unemployment rate rose by 0.1pp to 3.7% in June. While the labor market has been relatively resilient so far, we expect to see a further increase in unemployment as the short-term work scheme winds down.

### INVESTMENT OVERVIEW: Investors on the real estate market still cautious

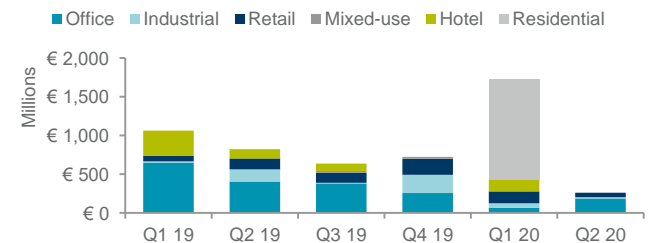
Commercial real estate sector has reacted to the pandemic already in March when many transactions slowed down or were put on hold. Few significant were still closed since then: the acquisition of the former iconic department store Kotva in Prague by real estate fund Generali or purchase of the shopping center Čestlice near Prague by the Czech investment company HSTN. The sentiment on the market is currently improving. Especially local investors have been returning to the market, looking for opportunities to allocate their capital. However, investors are still cautious and a full recovery of the market can take another two years.

New modern office buildings continue to present a product in short supply in the Czech Republic and their prices grow. Current owners keep high-quality premises for 10 years on average and new buildings come to the market in much smaller amount than required by investors, mainly due to inflexible building regulations. Prime yields therefore keep around 4%, which should not change until the end of the year. Industrial properties with long leases remain sought-after investment product, but their offer is also limited: strategic investors owning them are not interested in a sale and there is a minimum land available for construction of new warehouses in prime locations. Retail has been affected the most with the pandemic, but particularly convenient shopping centers serving for every day shopping appeared to be resistant. This is also thanks to the government support, which has been compensating the unpaid rent for the lockdown period.

### PRIME YIELD TREND



### INVESTMENT SALES VOLUME BY SECTOR



## INVESTMENT ACTIVITY

PROPERTY TYPE	NO. OF TRANSACTIONS	SALES VOLUME (€ MILLION)	PRICE / SQ M (€)	PRIME YIELD
Office	8	255	2,259	3.90%
Industrial	4	73	645	4.75%
Retail	6	207	2,669	4.50%
Hotel	2	152	N/A	N/A
Mixed-use	1	6	N/A	N/A
Residential	1	1,300	N/A	
<b>TOTAL</b>	<b>22</b>	<b>1,992</b>		

## ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2016	2017	2018	2019	2020 <sup>F</sup>	2021 <sup>F</sup>	2022 <sup>F</sup>
GDP Growth	2.5%	5.4%	3.2%	2.3%	-6.6%	7.4%	3.7%
Consumer Spending	4.1%	6.6%	5.2%	6.0%	-3.4%	7.9%	5.5%
Unemployment rate	5.5%	4.2%	3.2%	2.8%	4.1%	3.7%	3.5%
Inflation	0.7%	2.5%	2.2%	2.8%	2.6%	2.0%	1.9%
CZK/EUR (average)	27.03	26.33	25.64	25.67	26.55	25.22	24.54
CZK/USD (average)	24.44	23.38	21.73	22.93	23.83	22.22	21.46
Interest Rates: 3-month (%)	0.3%	0.8%	2.0%	2.2%	0.4%	1.1%	1.5%
Interest Rates: 10-year (%)	0.5%	1.0%	2.0%	1.6%	1.1%	1.1%	1.5%

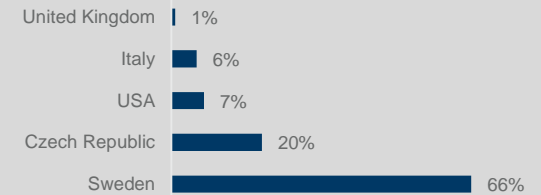
Annual % growth unless otherwise indicated. Source: Oxford Economics Ltd.

## SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	SIZE (SQ M/ROOMS)	MARKET
Residomo portfolio	Residential	Heimstaden Bostad	Residomo	43,000	Ostrava
Penta Hotels	Hotel	Aroundtown	New World Development	227	Prague
OD Kotva	Retail	Generali Group	PSN	33,000	Prague
City Empiria	Office	PSN	Generali Group	28,260	Prague
City West C1 + C2	Office	Českomoravská nemovitostní	CFH Group	20,417	Prague
OC Čestlice	Retail	HSTN Holding	Ahold	17,367	Prague

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

## TOTAL ACQUISITIONS BY CAPITAL SOURCE COUNTRY



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