

	YoY Chg.	12-Mo. Forecast
3.9% Prime Yield	▼	■
€ 1,237 M YTD Total Volume	▼	▲
€ 579 M YTD Office Volume	▼	▲
€ 360 M YTD Retail Volume	▼	■
€ 262 M YTD Industrial Volume	▼	■

(All Property Classes)

ECONOMIC INDICATORS Q4 2020

	YoY Chg.	12-Mo. Forecast
-6.9% GDP*	▼	▲
4.0% Unemployment Rate	▲	▲
-0.39% 5-Yr EUR Swap	■	▼
1.11% 10-Yr Interest Rate	▼	▲

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

ECONOMY: 2021 should see economic recovery, with GDP growth forecast at 4.1%

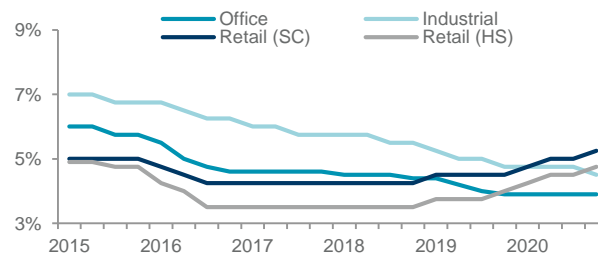
End of 2020 witnessed a sharp surge in infections and the slow start of the vaccination programme in the Czech Republic. Nevertheless, Moody's 2021 GDP growth forecast remains at 4.1%, as many experts expect the vaccination to get on track by summer, steering an economic recovery. Growth is set to continue into 2022, with GDP forecast to grow 6.8 % next year. Two main factors contribute to the positive outlook: industrial production and exports, lifted by the recovery in world trade and demand in south-east Asia. Private consumption, on the other hand, hindered by both the second wave and the containment measures, made up a large share of the fall in GDP in Q4. Retail sales fell to levels similar to the spring lockdown, and we do not expect a consumption recovery before Q2. Both headline and core CPI have converged within the 2±1% target range. With the loose labour market and the CZK appreciating, inflation should remain stable in 2021.

INVESTMENT OVERVIEW: Appetite for offices and logistiis strong, but available product limited

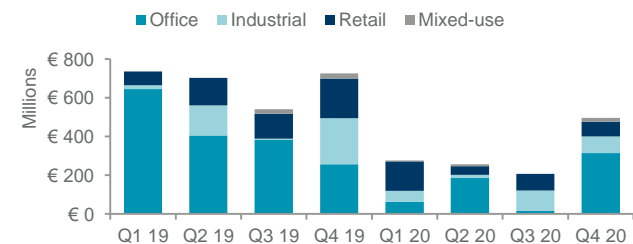
Several larger transactions negotiated during the year were successfully closed or signed at the end of 2020 (among them shopping centre Velký Špalíček in Brno, Prague office projects Churchill Square, J&T Bank and IBC or Arete industrial portfolio). The Covid-19 pandemic had limited impact on these deals, causing only minor delays in some cases. Their pricing confirmed that yields have changed neither in the office nor industrial sector. Retail assets (contrary to trends in other markets) held up as well.

Investors still focus on offices and logistics properties; they remain cautious with high-street and hotel assets. Appetite for retail is limited to opportunities with higher expected returns and investors with a local base. Both vendors and purchasers started exploring less traditional sectors, such as rental residential and alternatives (student accommodation, senior housing, healthcare etc.). While there is still a lot of capital in various forms on the market, the product's availability is limited, and yields are stable as a result. We do not expect transactional activity in 2021 to return to the high levels of 2019, although it should be higher than in 2020.

PRIME YIELD TREND



INVESTMENT SALES VOLUME BY SECTOR



INVESTMENT ACTIVITY YTD 2020

PROPERTY TYPE	YTD NO. OF TRANSACTIONS	YTD SALES VOLUME (€ MILLION)	AVG PRICE / SQ M (€)	PRIME YIELD
Office	13	579	1,700	3.90%
Industrial	10	262	900	4.50%
Retail	16	360	1,800	4.75%
Mixed-use	3	35	N/A	N/A
TOTAL	42	1,237		

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2016	2017	2018	2019	2020 ^E	2021 ^F	2022 ^F
GDP Growth	2.4%	5.4%	3.2%	2.2%	-6.2%	4.1%	6.8%
Private consumption expenditure	3.7%	4.1%	3.5%	3.0%	-5.1%	4.3%	8.2%
Unemployment rate	5.5%	4.2%	3.1%	2.9%	4.0%	3.9%	3.9%
Inflation	0.7%	2.5%	2.1%	2.9%	3.2%	1.9%	2.1%
CZK/EUR (average)	27.04	26.34	25.65	25.67	26.37	25.75	24.20
CZK/USD (average)	24.44	23.38	21.73	22.93	23.14	21.24	18.20
Interest Rates: 3-month (%)	0.3%	0.4%	1.3%	2.1%	0.9%	0.5%	0.6%
Interest Rates: 10-year bond yield (%)	0.4%	1.0%	2.0%	1.5%	1.1%	1.4%	1.6%

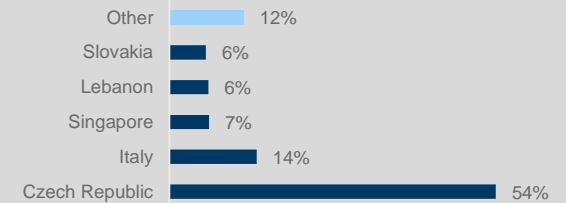
Annual % growth unless otherwise indicated. Source: Moody's Analytics, Ministry of Labour and Social Affairs

SIGNIFICANT SALES YTD 2020

PROPERTY NAME	TYPE	BUYER	SELLER	SIZE (SQ M/ROOMS)	MARKET
Churchill Square	Office	Českomoravská nemovitostní / CFH Group	Penta Investments	32,970	Prague
OD Kotva	Retail	Generali Group	PSN	33,000	Prague
Goodman portfolio	Industrial	GLP / Gazeley	Goodman	249,200	Multi-city
J&T Bank Building	Office	J&T Bank	Gramexo	15,250	Prague
City Empiria	Office	PSN	Generali Group	28,260	Prague
City West C1 + C2	Office	Českomoravská nemovitostní	CFH Group	20,417	Prague
Central Kladno	Retail	Portiva / Micronix	Crestyl	29,400	Kladno
IBC	Office	Generali Group	Mint Investments	23,900	Prague
OC Čestlice	Retail	HSTN Holding	Ahold	17,400	Central Bohemia

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

YTD 2020 ACQUISITIONS BY CAPITAL SOURCE COUNTRY



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