

	YoY Chg	12-Mo. Forecast
4.0% Prime Yield	▲	—
€676M Total Volume	▼	▼
€244M Office Volume	▼	▼
€187M Retail Volume	▼	▼
€238M Industrial Volume	▼	▲

(All Property Classes)

ECONOMIC INDICATORS
Q4 2019

	YoY Chg	12-Mo. Forecast
2.5% GDP Growth	▼	▼
2.7% Czech Republic Unemployment Rate	▼	▲
-0.14% 5-Yr EUR Swap	▼	▼
1.6% 10-Yr Interest Rate	▼	▲

Source: Oxford Economics

ECONOMY: Labour shortages continue to be a potential downside risk

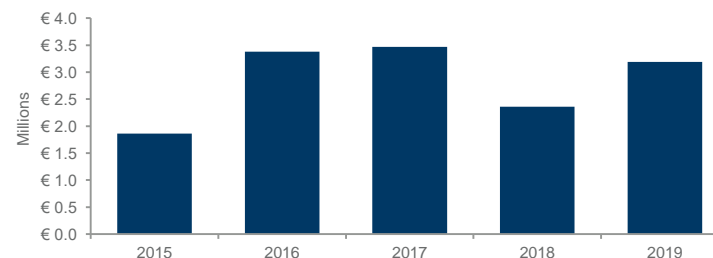
The GDP growth forecast has again fallen, this time to 2.5% for 2019 and 1.8% for 2020, mainly due to a weaker growth in Q3 and continued industrial decline in Q4. With the clouded outlook for global trade and uncertainty weighing on investments, we expected the slowdown to continue this year before a modest pick-up in growth to 2.1% in 2021. Whereas industry and investment recorded decline in the last months as a result of the uncertainty on global markets and a weaker German economy, the labour market is in its best condition in the Czech Republic. Looking at the labour force, the Czech Republic has reached a record low unemployment rate of 2.7% as of December. We expect the labour market to gradually cool as employment gains decelerate, but for the time being, labour shortages continue to be a potential downside risk.

INVESTMENT OVERVIEW: Investment in commercial real estate exceeded €3 billion

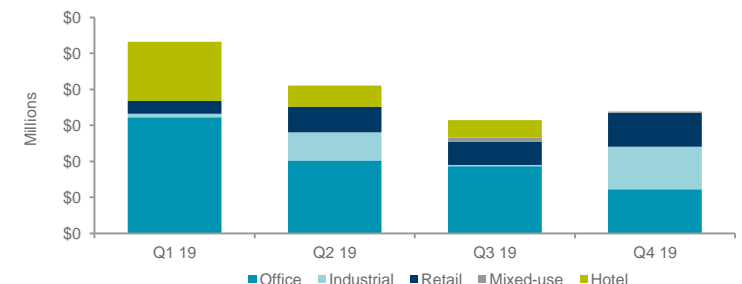
More than €3 billion were invested in real estate in the Czech Republic in 2019, which is 35% more than in previous year. The office sector dominated investors' activity with a 52% share in the total volume. Several large hotel transactions were also recorded. The office market however faces lack of product, which is so significant that the local investors seek for opportunities in retail and locations outside Prague, such as Pilsen, Olomouc or Bratislava. Meanwhile, as the office sector is increasingly attractive for all investors' group, including Western and local institutional funds, Korean capital or integrated real estate groups, pricing is sharpening.

The situation in other sectors varies. The highly attractive industrial market sees its limits in missing the right investment opportunities for most buyers: assets for sale are either part of a larger portfolio with inaccessible lot sizes, with low quality (short WAULTS) or in non-core locations. Retail on the other hand meets an increasing interest from local investors looking for cash returns, as this sector is stabilized and the sentiment is not as negative as in Western Europe. While few mid- to large-size shopping centres and retail parks are expected to be traded in 2020, high-street retail is currently in decline, since the traditional investors in this sector, Western funds, recently tend to have a pessimistic sentiment about retail in general.

INVESTMENT SALES VOLUME



INVESTMENT SALES VOLUME BY SECTOR



Source: Real Capital Analytics



INVESTMENT ACTIVITY

PROPERTY TYPE	PROPERTIES SOLD	SALES VOLUME (€ MILLION)	PRICE / SQ M	PRIME YIELD
Office	13	244	€2,255	3.90%
Industrial	4	238	€611	4.75%
Retail	9	187	€1,159	4.00%
Hotel	0	0	N/A	N/A
Mixed-use	1	8	N/A	N/A
TOTAL	27	676		

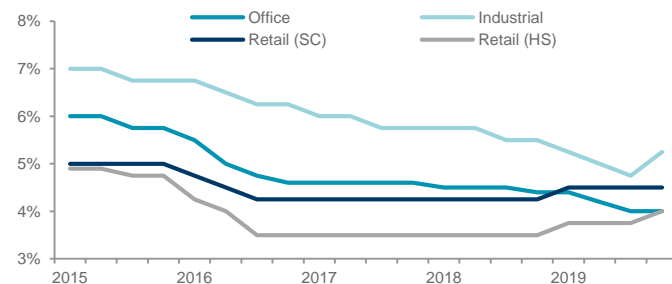
SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SQ M	MARKET
Amazon Dobroviz	Industrial	Samsung Securities	AEW	125,000	Prague
Galerie Butovice	Retail	Investika	Cromwell	51,000	Prague
Praga Studios	Office	CBRE GI	Skanska	11,168	Prague
VGP Portfolio	Industrial	Allianz RE	VGP		Multi-city
Lighthouse	Office	Star Capital Finance	DEKA	27,500	Prague
Green Line Kačerov	Office	Wood & Company	Karimpol	16,326	Prague

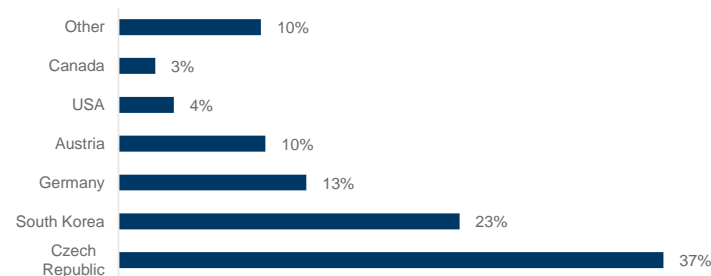
Sources: Real Capital Analytics, Cushman & Wakefield Research Closed transactions over \$10 million

*Sq m includes office, industrial and retail.

PRIME YIELD TREND



TOTAL ACQUISITIONS BY CAPITAL SOURCE COUNTRY



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