



Colliers

Accelerating success.

H1 2021

# The CEE Investment Scene


## RETURN ON INVESTMENT

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### BUDGET VS. ACTUAL



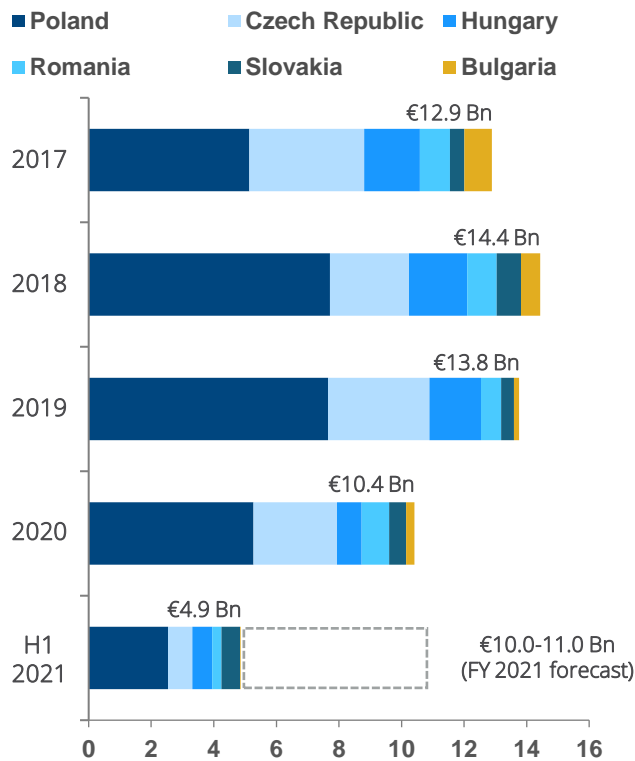
### SUMMARY BY CATEGORY



Category	Budget	Actual	Difference
Food	100	120	20
Medical	200	180	-20
Travel	150	160	10
Other	100	110	10

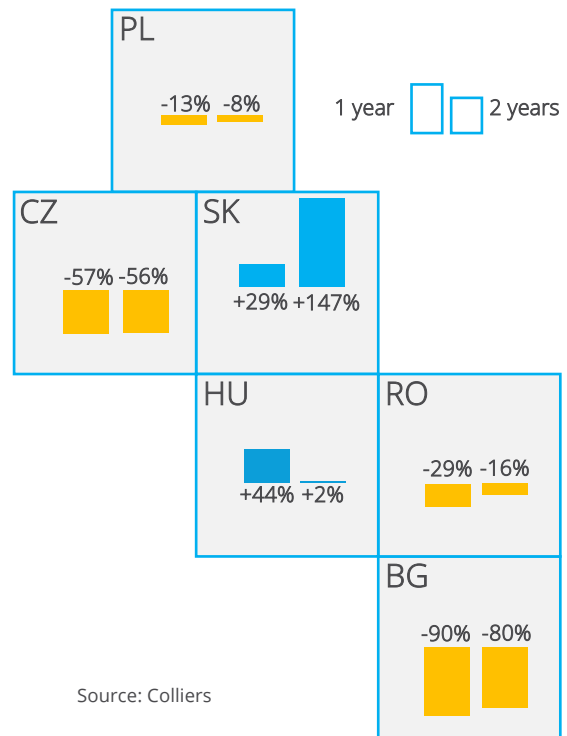
CEE INVESTMENT VOLUMES BY COUNTRY  
2017 – H1 2021 (€ BILLION)

The CEE markets continue to feel some impact on transactional activity with flow volumes down ca. 22% YoY. Poland captured more than half of all invested capital in the first of the year. Colliers estimate that year-end volumes will remain between €10.0 and 11.0 billion for 2021.



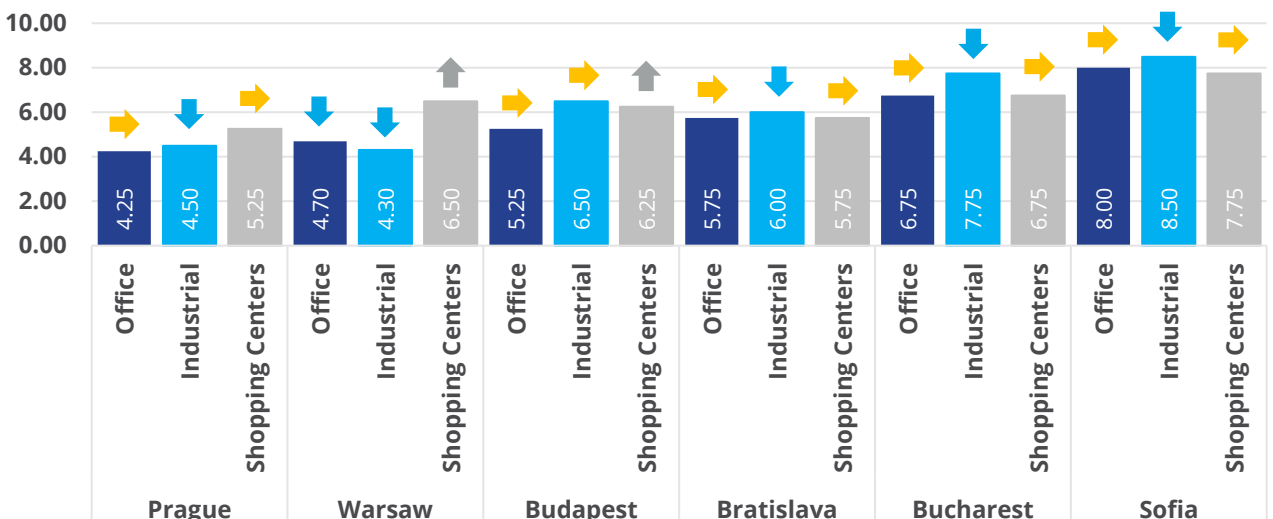
CEE INVESTMENT VOLUME GROWTH RATES  
(H1 2021 vs. H1 2020 & H1 2019)

All countries in the region recorded year on year declines in volumes compared to the same period of 2020 and 2019, except for Hungary and Slovakia. Despite the slow start, investor sentiment remains strong and suggests a pick-up in activity in H2, subject to available product and improved travel possibilities.



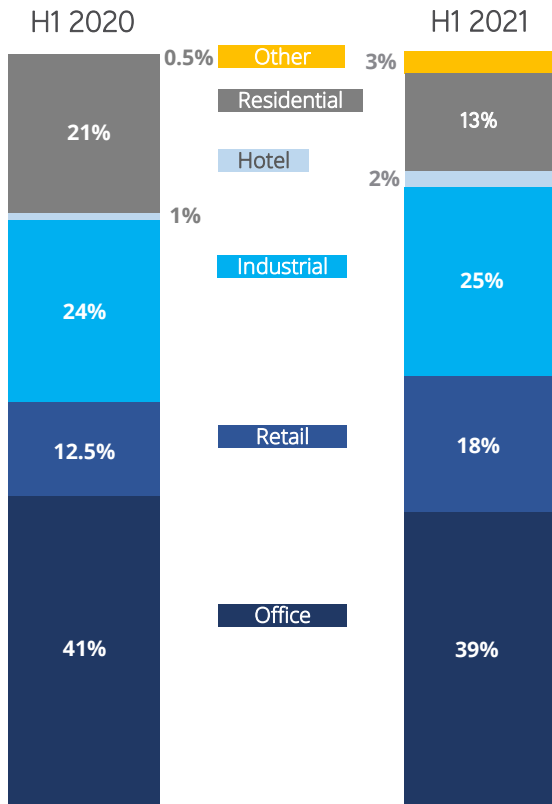
Q2 2021 PRIME YIELDS (%) & 12 MONTH FORECAST

We have recorded compression of between 25 and 200 bps in prime industrial & logistics yields since the start of the year as the sector maintains great fundamentals and strong demand. Prime office yields outside of Warsaw and Prague have also moved in slightly, by as much as 25 bps. Some further decompression has been applied in some markets in the Shopping Centre sector as it tries to recover from the operational restrictions imposed over the past 16 months.



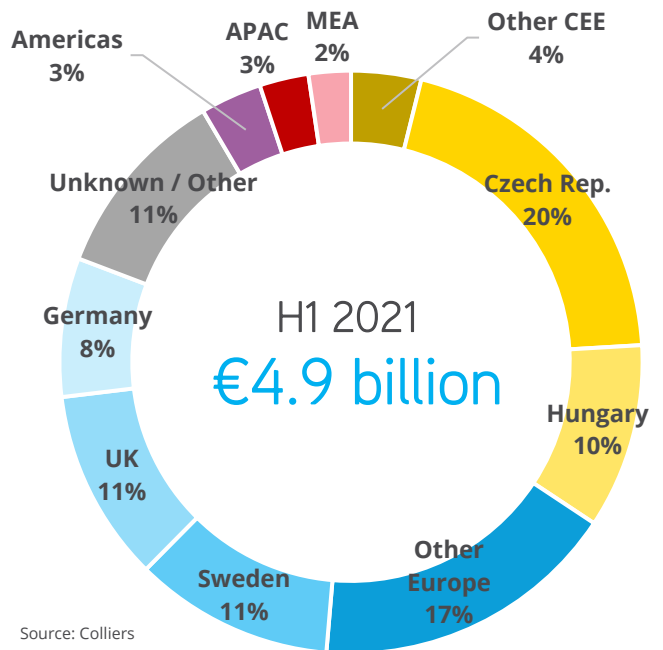
CEE FLOWS BY SECTOR (%)

The office sector again dominated in the first half of 2021. Logistics and residential continue to attract strong demand from investors but, remain to be held back only by the shortage of supply, as opposed to demand. Retail volumes continue to be supported mainly by retail parks and supermarket assets. Hotel volumes remain limited.



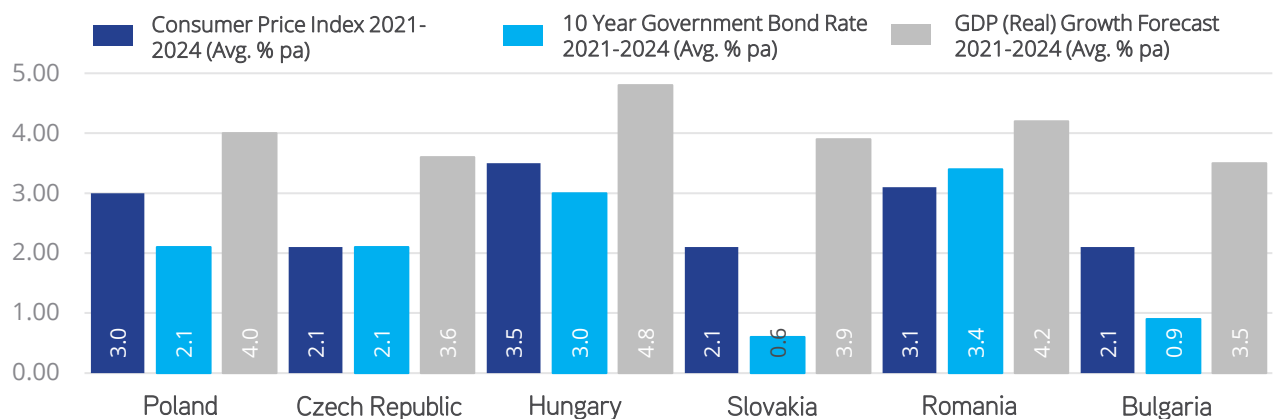
CEE FLOWS BY ORIGIN OF PURCHASER (%)

European capital has been the most active in the first half of 2021 with a 46% share of the total volumes. Nordic, UK and German capital were behind most of the activity. CEE domestic capital has again been active with acquisitions in their own markets, but also across the region. Czech and Hungarian capital continue their drive with 20% and 10% of the total regional volume, respectively. North American, Asian, Middle Eastern and African capital have all been fairly quiet so far this year but are expected to return in H2.



ECONOMICS

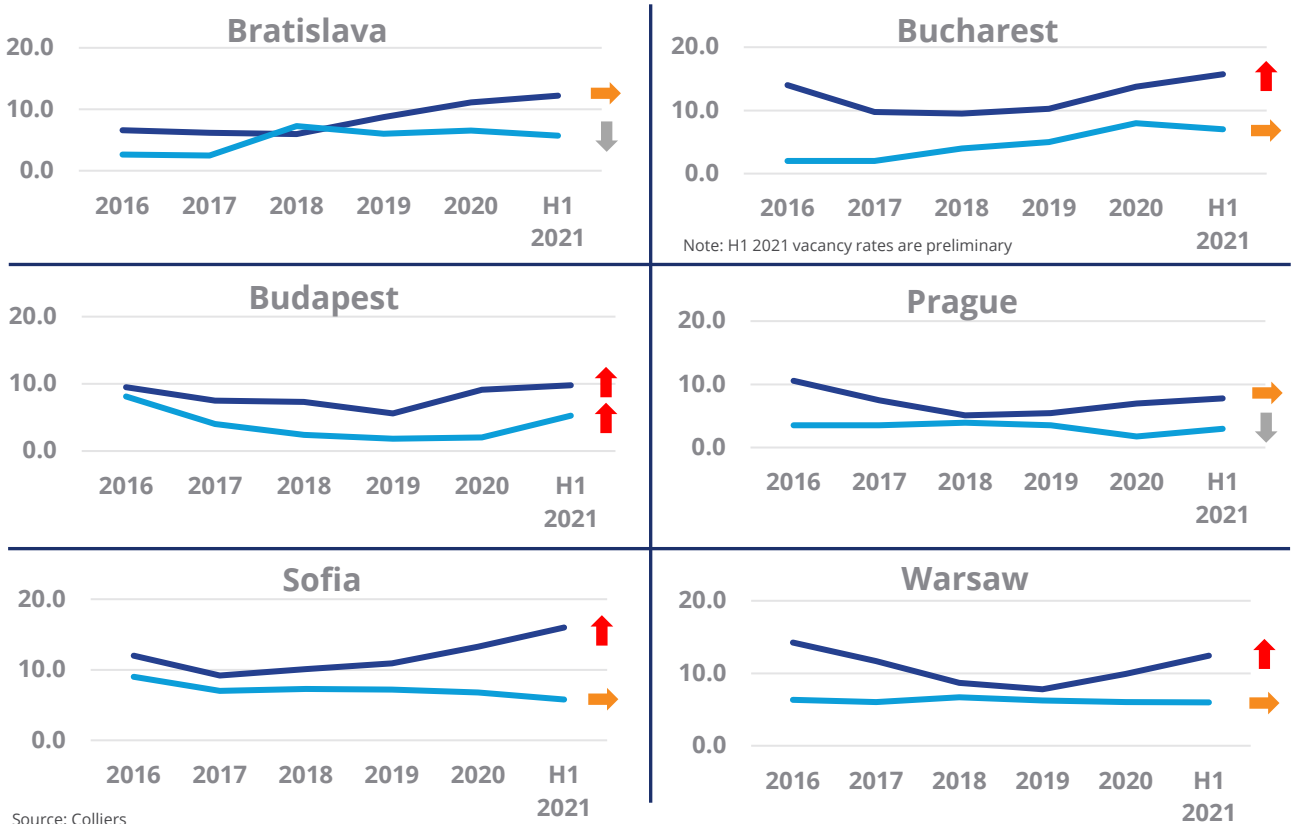
With higher inflation rearing its head again, global markets are still unsure whether or not it is here to stay. Major central banks, like the Fed or ECB, are still arguing that the increased CPI is transitory and once supply constrains ease, it will drop back down to more normal levels; but if higher inflation does prove sticky and that it is here to stay for many years (in the US, core CPI stood recently hit its highest level since the early 1990s, of 4.5%), this means there may be quite a lot of growth in store for real estate values in general, since this asset category is viewed as a good hedge against higher inflation. And since CEE commercial real estate yields maintain a quite healthy gap to those in more developed countries, we could anticipate a renewed downward trend for yields in the region.



Source: Oxford Economics

OFFICE & INDUSTRIAL VACANCY (%) 2016-H1 2021 & 12MTH OUTLOOK FOR CEE CAPITALS

■ Office ■ Industrial



Source: Colliers

Office vacancy rates in many markets across the region have crept into double digits over the past 2 years and continue to rise as construction commenced pre-pandemic continues to be delivered and future supply pipelines are slowly adjusting. Together with a wait-and-see approach from many occupiers As a result we have some downward pressure on rents and upward pressure on tenant incentives.

On the contrary, industrial & logistics vacancy rates have mostly declined, now averaging at between 5-6%, as the sector enjoys good levels of demand that often outstrips possibilities, particularly in the most sought-after locations. Rents have remained reasonably stable, with average rates across the region in the range of €4.3 per sqm /month and developers/landlords in strong negotiating positions and preferring, build-to-suit where possible in many markets, as opposed to speculative development.

RENTAL LEVELS H1 2021, RENTAL GROWTH YOY AND COLLIERS 12 MONTH FORECASTS

	OFFICE PRIME RENT (€/SQM/MONTH)	OFFICE PRIME RENT GROWTH (% YOY)	OFFICE PRIME RENT 12M FORECAST	LOGISTICS PRIME RENT (€/SQM/MONTH)	LOGISTICS PRIME RENT GROWTH (% YOY)	LOGISTICS PRIME RENT 12M FORECAST	SHOPPING CENTRE PRIME RENT (€/SQM/MONTH)	SHOPPING CENTRE PRIME RENT GROWTH (% YOY)	SHOPPING CENTRE PRIME RENT 12M FORECAST
<b>Bratislava</b>	15.50	-8.8%	↓	3.75	-3.8%	↑	50.00	-9.1%	→
<b>Bucharest</b>	18.00	0.0%	→	3.90	-2.5%	→	70.00	0.0%	→
<b>Budapest</b>	23.00	-4.2%	→	4.70	-4.1%	→	75.00	-6.3%	↓
<b>Prague</b>	22.50	-2.2%	→	4.85	0.0%	↑	120.0	-7.7%	↓
<b>Sofia</b>	13.00	-13.3%	→	5.20	0.0%	→	50.00	0.0%	→
<b>Warsaw</b>	24.50	-5.8%	↓	3.20	3.2%	→	120.00	0.0%	↓

Source: Colliers

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