

Czech Investment Market

Q2 2023

The sector indicators are compiled quarterly from a detailed and exhaustive study prepared by experts in the Knight Frank Czech Republic office and are based on real data and market trends.

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Investment into CRE continues slowing down as yields move out at lower pace than the growth of interest rates

- Prime yields have moved out in both office sector and shopping centres, while other segments remained unchanged. However, the current cost of financing suggests that the yields will have to continue moving out in order to attract potential investors

Czech Investment Market

During Q2 2023 the total investment volume reached some €320 million, indicating a slowdown in comparison with the previous quarter. This was mainly thanks to a single large retail deal, the purchase of Palác Pardubice by a local retail fund for approximately €120 million, i.e. more than a third of quarterly investment volumes.

First year half investment volumes have reached €891 million, with

retail share of 54%, which is unusually high as retail is currently not in the primary focus of many investors. Another strong retail deal of the quarter was the purchase of the remaining 25% share in Arkády Pankrác in Prague by G City Europe (former Atrium Real Estate) for an estimated amount in the excess of €60 million. In year-on-year comparison, the mid-year results indicate 35% lower investment volumes.

Overview

Prime Yields

Offices – 5.25%
Shopping centres – 6.25%
Industrial & logistics – 5.00%

Top 3 investment deals (price estimates)

€123.8 mio

Atrium Palác Pardubice
Buyer: Pardubice Retail Fund SICAV

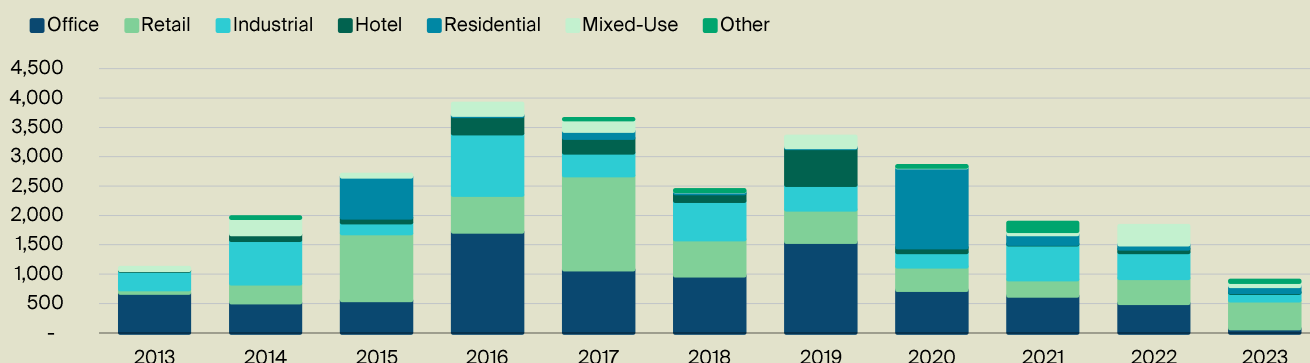
€77 mio

Opatov II – 50% forward purchase
Buyer: Dostupné bydlení České spořitelny & Kooperativa pojišťovna

>€60 mio

Arkády Pankrác (25%)
Buyer: G City Europe

Czech commercial real estate investment volumes
sector split in € millions



Source: Knight Frank

INVESTMENT MARKET - CONTINUED

Local investors confirm their dominance on domestic market; in H1 2023 their share on total investment was 80%. Other capital did not exceed 10% share.

While Czech National Bank kept interest rates unchanged, ECB increased its base rate to the 4% level, which pushes the prime yields further up. Many properties, especially in the prime segment, become non-financeable by bank loans and thus local buyers with substantial own equity and better local market knowledge step in.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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Industrial Agency

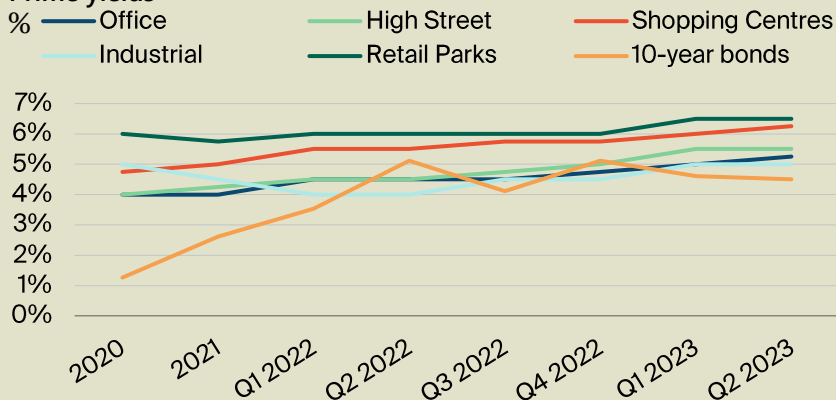
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Over the past 30 years, Czech investors have accumulated significant wealth. In order to diversify their portfolios, many successful businesspeople have chosen to invest in real estate.

In addition, concerns about the future size of pensions have led many citizens to make conservative investments in real estate funds. They believe that their investments will appreciate in value over the long term and beat inflation.

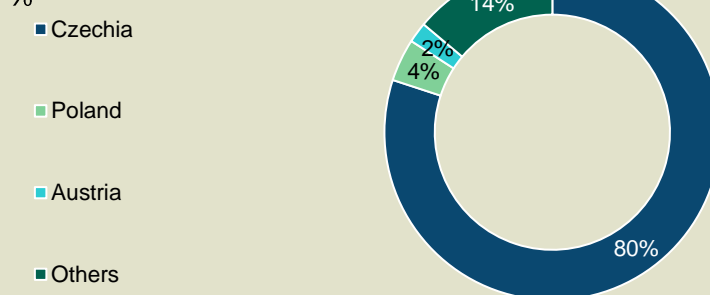
As international institutional investors are not currently active in the Czech market, Czech real estate funds are able to complete larger transactions that were previously only available to foreign investors.

Prime yields



Source: Knight Frank Research

Capital origin



Source: Knight Frank Research

European prime office yields. Q2 2023

London City	5.25%	↑
Dublin	5.00%	=
London WE	4.00%	↑
Amsterdam	4.50%	=
Warsaw	5.25%	↑
Berlin	3.85%	↑
Paris	3.50%	↑

Source: Knight Frank Research.* Q2 2023.