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## **In 2017, CEE real estate transactions hit a record-breaking volume of EUR 13bn for the first time in history**

*Global real estate services firm Cushman & Wakefield presents a summary of a record-breaking 2017 on the commercial property market in Central and Eastern Europe*

- In 2017, all CEE countries grew at a similar rate y-o-y, thus maintaining their relative share of the overall regional volume
- Poland demonstrated its robustness to any political risk perception by growing nearly **9%** from approx. **EUR 4.6bn** to over **EUR 5bn**
- 2018 has already seen the benefit of deals that slipped from late 2017 with the investment volume in Q1 2018 likely to exceed **EUR 3bn**

According to the latest analysis prepared by the Capital Markets team of global real estate services firm Cushman & Wakefield, investment volumes in Central and Eastern Europe reached nearly EUR 13bn. All CEE countries grew at a similar rate and maintained their share of the overall regional volume. Despite political risk perceptions, Poland grew most rapidly at 9% y-o-y from approx. EUR 4.6bn to EUR 5bn, which *was the highest result recorded in the last 10 years*.

Foreign investors from North America, Asia and South Africa dominated the market, followed by German and Austrian buyers. Domestic and regional capital also increased their market share.

*Both global and local investors proved to appreciate Poland's market fundamentals and were active across all sectors and asset classes, including the emerging residential rented properties segment (also known as 'PRS', Private Rented Sector). The market diverged into two trends being limited product and high demand in the core segment and subdued appetite for secondary and tertiary assets.*

In 2017, commercial real estate investment activity in CEE reached EUR 5bn in Poland, EUR 3.3bn in the Czech Republic, EUR 1.8 bn in Hungary, EUR 1bn in Romania, EUR 876m in Bulgaria and EUR 470m in Slovakia. The lowest yields were in the Czech Republic, standing at 4.25% for retail assets, 4.6% for office and 5.75% for industrial, coupled with strong investment volumes.

Poland proved resilient despite political risk perceptions investment volumes up by around 9%: from approximately EUR 4.6bn to more than EUR 5bn. The retail sector outperformed with nearly EUR 1.9bn worth of investments, followed by approximately EUR 1.4bn in the office sector. The warehouse market accounted for almost EUR 900m, while approximately EUR 850m was invested in both the hospitality and mixed-use sectors each. Industrial and hospitality yields stood at 6.75% and 6.5%, respectively, with retail and office yields at 5% and 5.25%, respectively.

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**Total CEE investment volume in 2017 (in EUR '000)**

Sector	Bulgaria	Romania	Poland	Czech Republic	Slovakia	Hungary
Office	141,995	195,000	1,368,000	1,011,000	114,000	766,000
Retail	687,360	420,000	1,877,000	1,737,000	67,000	622,000
Industrial	8,165	185,000	1,069,000	409,000	289,000	243,000
Hospitality	9,500	191,000	367,000	230,000	0	64,500
Mixed Use	-	-	345,000	117,000	-	-
<b>Total</b>	<b>847,020</b>	<b>991,000</b>	<b>5,026,000</b>	<b>3,504,000</b>	<b>470,000</b>	<b>1,695,500</b>

*In 2017, hotels became a relevant investment product with investment volumes amounting to EUR 862m and this sector is set to attract increasing investor interest.*

**Prime yield EOY2017**

	Bulgaria	Romania	Poland	Czech Republic	Slovakia	Hungary
Office	7.75%	7.25%	5.25%	4.60%	6.25%	6%
Retail	7.50%	6.75%	5%	4.25%	5.25%	5.25%
Industrial	9.00%	8.75%	6.75%	5.75%	6.50%	7.75%
Hospitality	7.25%	7.50%	6.50%	6.25%	n/a	7%

*“The past 12 months saw the emergence of the ‘power play’ deals in the CEE region, including strategic game-changing platform and portfolio transactions, which resulted in a record-breaking volume noted in 2017. Growing demand across the region will probably result in high investment volume in Q1 2018 due to the slippage of a number of deals from 2017,” said James Chapman, Partner, Capital Markets Group, Cushman & Wakefield.*

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## 2018 OUTLOOK

*2018 is expected to be another good year for the commercial real estate investment market with a robust investment demand driven by a strong economic outlook, inflow of new capital from outside Europe, re-activation of some recently less active buyers and increased focus on alternative asset classes (e.g. PRS, student housing) and hotels.*

2018 will see a return of major European names interested in office assets due to low vacancy levels and limited new supply in the region. We expect to see new capital inflow from the US, Canada, South Africa and Europe.

*The CEE market shall witness further consolidation with a number of platform and portfolio deals. Prime yields will remain under pressure due to a solid investment demand and limited availability of assets especially in the core segment. We expect further net effective rental growth as well as yield compression in the office and logistics segments.*

In the light of excellent consumer spending growth, we'll observe value opportunity creating yield differentiation across retail sector.

*"In Q1 2018, investment volumes are likely to surpass EUR 3bn, benefiting from deals closed in late 2017," said James Chapman, Partner, Capital Markets Group, Cushman & Wakefield.*

*"The growth of local capital has proven itself across CEE, but perhaps most significantly in CR where it was responsible for over 37% of the volume of investment in 2017, with CPI, Reico and Mint all figuring strongly, as well as IAD in Slovakia. Home-grown capital is steadily on the rise now in other CEE markets, with OTP Fund and Diofa active in Hungary. Local capital as a proportional to market size may still be smaller in Poland but even here companies like PZN and PHU have re-entered the market and are bidding on core offices. So the growth, depth and maturity of local capital continues – and it is now moving cross-border," said Jeff Alson, International Partner, Capital Markets Group, Cushman & Wakefield.*

### Largest regional transactions in 2017:

- CIC's acquisition of Logikor's warehouse portfolio, which was the largest industrial transaction in Poland in 2017 (Cushman & Wakefield advised the buyer)
- Union Investment's acquisition of the Magnolia Park shopping centre in Wrocław for approximately EUR 380m, the largest retail transaction in Poland in 2017 (Cushman & Wakefield advised the buyer)
- Disposal of IKEA's retail park portfolio (Cushman & Wakefield advised the vendor)
- RREEF's acquisition of a portfolio of Fashion House outlet centres (Cushman & Wakefield advised the buyer)
- Reico's acquisition of the Galeria Słoneczna shopping centre in Radom for approximately EUR 160m, the second largest single asset transaction on the Polish retail market in 2017 (Cushman & Wakefield advised the buyer)

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- Globalworth's acquisition of a majority stake in Griffin Premium Real Estate
- Disposal of a portfolio of 11 retail properties in the Czech Republic, Poland, Romania and Hungary by CBRE Global Investors for approximately EUR 650m (Cushman & Wakefield advised the vendor)

#### **About Cushman & Wakefield**

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. Our 45,000 employees in more than 70 countries help occupiers and investors optimize the value of their real estate by combining our global perspective and deep local knowledge with an impressive platform of real estate solutions. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$6 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit [www.cushmanwakefield.pl](http://www.cushmanwakefield.pl) or follow [@CushWakeCE](https://twitter.com/CushWakeCE) on Twitter.

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