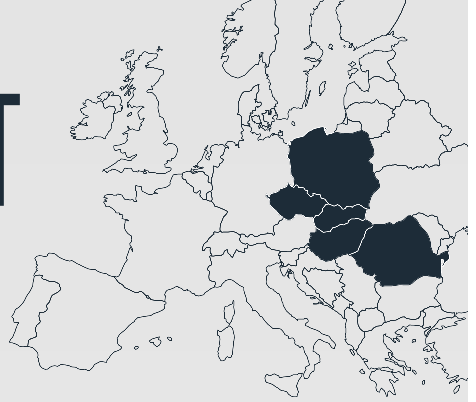
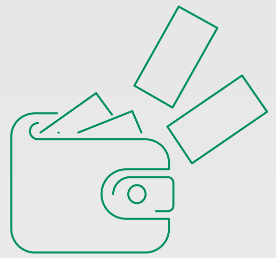
AT A GLANCE 2023

CEE INVESTMENT MARKET REPORT



Highlights

- Decline in investment volumes, indicative of investors' heightened caution amidst economic uncertainties
- Unprecedented rise in borrowing costs in 2023
- The highest proportion of the capital went into the retail & industrial sector
- The market demonstrates resilience, particularly in the logistics, spotlighting areas of growth potential.



KEY FIGURES

26% OFFICE INVESTMENT

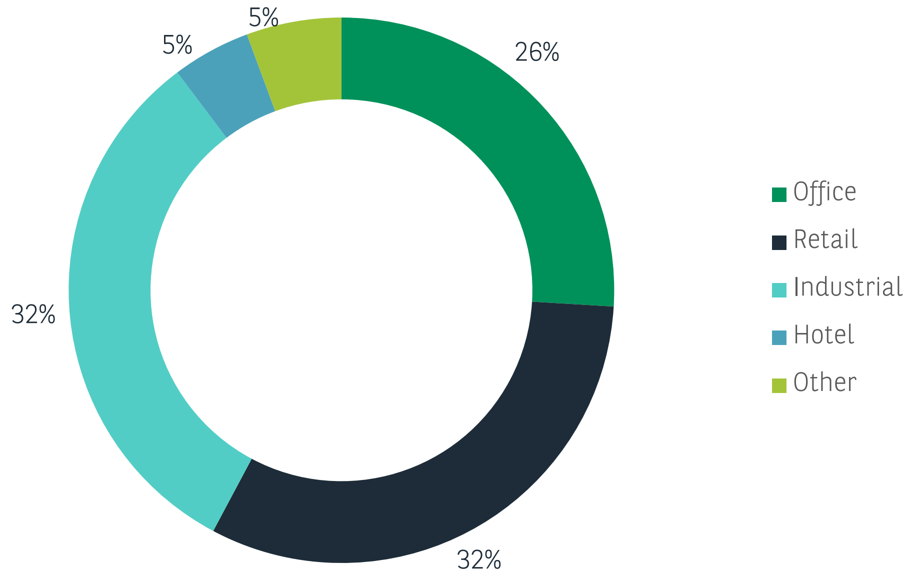
32% RETAIL INVESTMENT

ca. 4.4*bn EUR INVESTMENT VOLUME 2023 in the CEE

32% INDUSTRIAL & LOGISTICS

*data for Poland includes Residential segment, for data for other CEE countries does not include; data on the investment market in Slovakia comes from the RCA

Investment by Sector in 2023 in the CEE Region, M EUR



Source: 108 REAL ESTATE, BNP Paribas Real Estate Poland, Fortim Trusted Advisors
*excluding Residential; data on the investment market in Slovakia comes from the RCA

CEE Investment Market

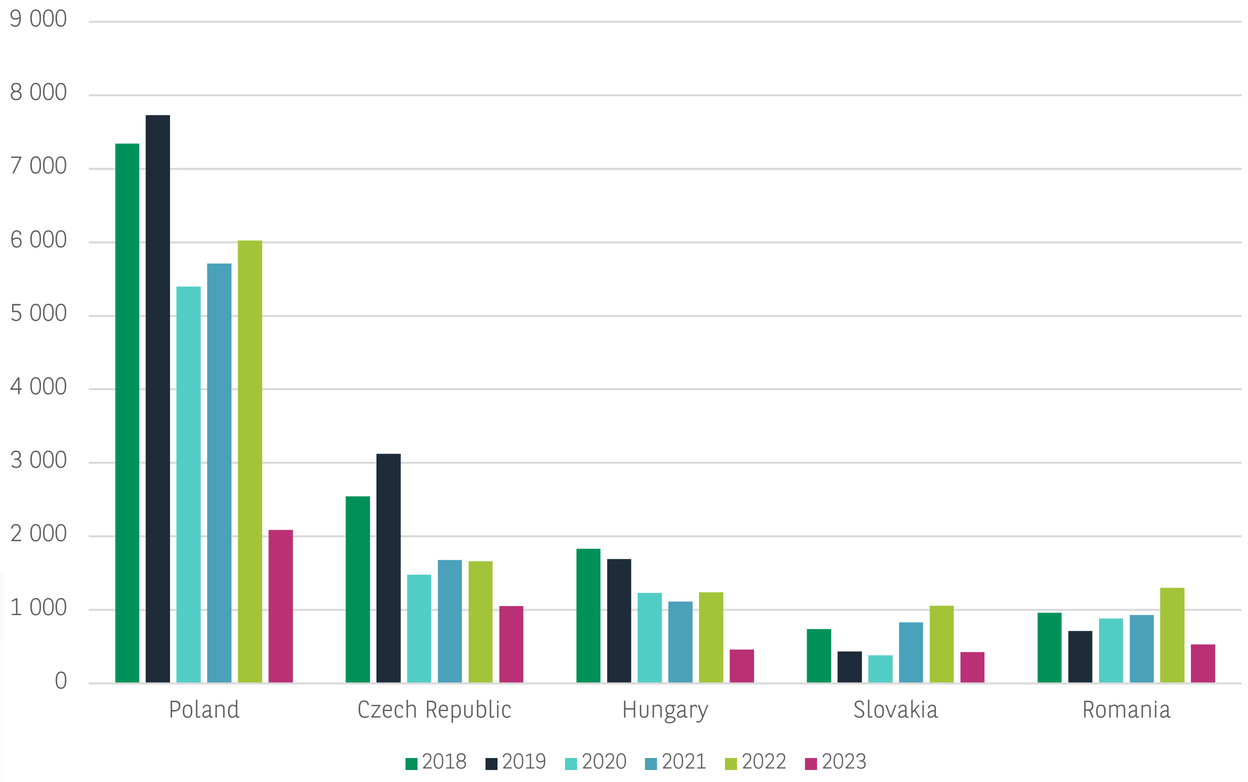
In 2023, Central Europe's commercial real estate market faced a notable decline in investment volumes, dropping by 60% year on year, the region's total investment volume accounted for €4.4 billion.

Investor sentiment was driven by rising interest rates, long-term government bond yields and challenging economic and geopolitical events experienced over the past 18 month.

In 2023, Central Europe's commercial real estate market saw a significant shift in the source of capital, with a marked increase in local investment share amidst a decrease in Western capital inflow. Despite these challenges, the market demonstrates resilience, particularly in logistics and residential sectors, spotlighting areas of growth potential.

Despite this contraction in volumes, prime yields exhibited a mixed pattern; while some markets saw a slight increase, reflecting investor demand for premium, risk-averse assets, others remained stable, underscoring the underlying resilience and ongoing appeal of prime commercial real estate in Central Europe.

Annual Investment Volumes, million EUR



Source: 108 REAL ESTATE, BNP Paribas Real Estate Poland, Fortim Trusted Advisors; RCA (for Slovakia)

Expert Comment

Samuel Duah
Head of Real Estate Economics, Research & Insights

Road to Recovery & A New Cycle Begins

Although our data has shown a mixed start to the year, relative calm appears to have descended on the European economy. Despite the technical and shallow recession recorded in several European economies, the prevailing mood is one of cautious optimism; forward-looking indicators such as the Purchasing Managers Indices (PMI) points to a pick-up in activities through 2024. Headline inflation is falling considerably and will likely reach target by the middle of the year. This paves the way for cuts in policy rates later in the year, but there is uncertainty about the pace of these cuts and the long-term rate, as central banks walk a tightrope. This means that the recovery in the European commercial real estate market will be slow and controlled, in 2024. We see the start of a new cycle; one that will have income and good asset management as the driver of performance. Investment activity could rise by 20% in 2024, after a tumultuous 2023. On the occupational side, slower economic growth with continued emphasis on cost control suggests subdued demand overall. However, competition for the best building, in the right location - that is also ESG compliant - remains strong as ever. We expect to see good rental growth in prime segment across Europe, driven by lack of supply.

POLAND

Despite maintaining a stable volume of investment in Poland for three difficult years, in 2023 an inevitable and expected slowdown was registered. In 2023 Polish annual investment volume exceeded EUR 2.09 billion, which accounts for just 35% of 2022's investment total. The warehouse and industrial sector was last year's top performer, with a 46% share in Poland's total investment volume, followed by retail assets which accounted for nearly 21%. Due to a mismatch of the expectations of buyers and sellers, office transactional activity was more subdued than in previous years. The largest deal last year was the merger and acquisition of 7R shares by NREP for 200 million EUR. An increased presence of investors from Central and Eastern Europe, especially from the Czech Republic was observed, as well as an increase in the share of Scandinavian capital.

CZECH REPUBLIC

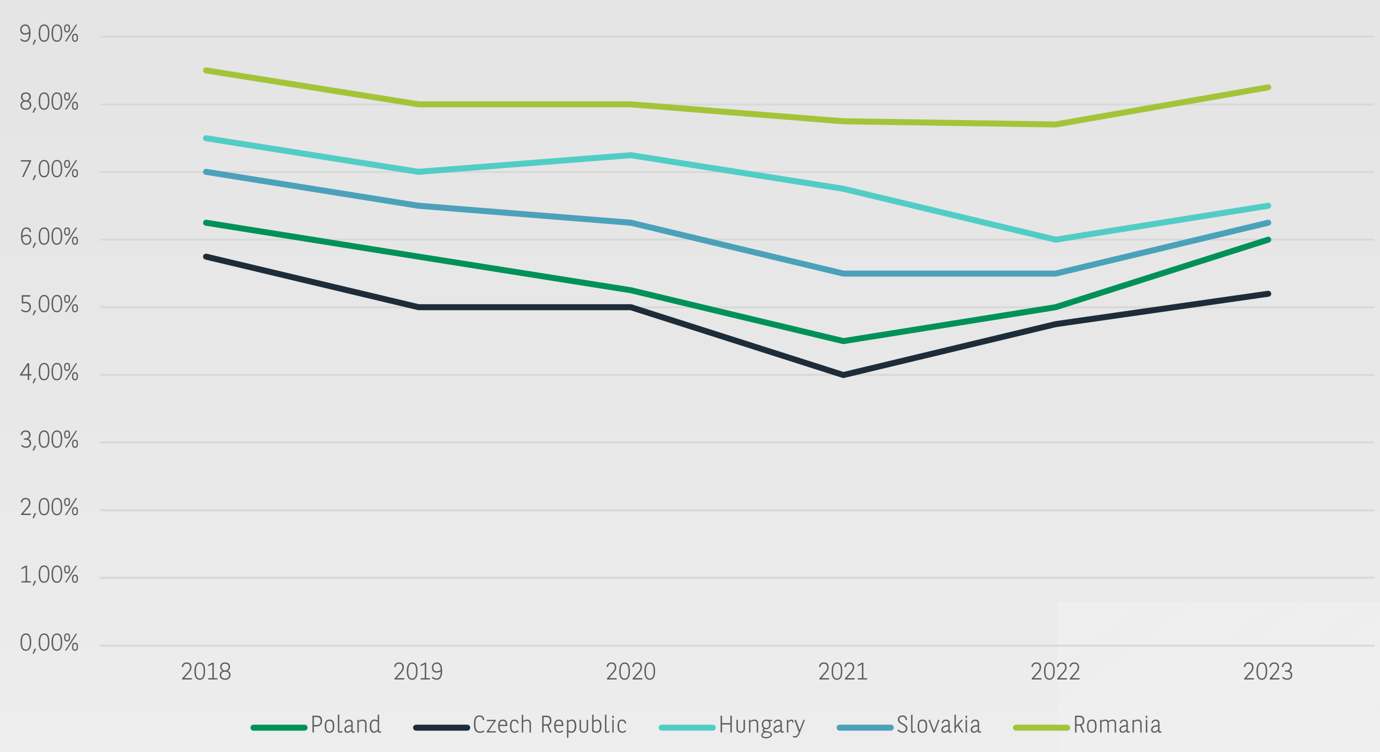
In the Czech Republic, the total investment volume in 2023 was approx. €1.05 billion, which represents a decrease of 37% compared to last year. Retail was the most dominant sector (48%) throughout 2023, which was an interesting change to what we have seen in recent years. Retail assets had already experienced a downward price shift pre-pandemic, so retail prices appeared to be more marked-to-market compared to other sectors. Domestic investors continue to be the most active buyers responsible for more than 70% of the total investment volume.

SLOVAKIA

The Slovakia recorded the second highest annual decrease within the CEE region last year, with investment exceeding €429 milion, down by 60%. However, one should remember that in 2022 Slovakia recorded the highest annual increase within the CEE region last year, with investment exceeding 1.1 billion EUR. So, it is worth to relate it to the five-year average annual volumes, where the decline stands at a more moderate levels. Office sector dominated the investment volume in 2023, due to major office deal – acquisition of Pribinova 19 in Bratislava, by IAD Investments. Retail assets came second, with 36% of the total investment volume and Industrial sector accounted for remaining 25%.

*Data on the investment market in Slovakia comes from the RCA

Prime Industrial Yields, %



Source: 108 REAL ESTATE, BNP Paribas Real Estate Poland, Fortim Trusted Advisors

Prime Yields, %

	POLAND		CZECH REPUBLIC		HUNGARY		SLOVAKIA		ROMANIA	
Q4 2023	Prime yield	Annual change	Prime yield	Annual change	Prime yield	Annual change	Prime yield	Annual change	Prime yield	Annual change
Office	6.00%	+125 bps	5.25%	+50 bps	6.50%	+100 bps	6,25%	+75 bps	8.00%	+125 bps
Retail SC	6.25%	+75 bps	6.00%	+25 bps	6.50%	+25 bps	6,50%	+25 bps	8.00%	+25 bps
Industrial	6.00%	+100 bps	5.20%	+45 bps	6.50%	+50 bps	6,25%	+75 bps	8.25%	+25 bps

Source: 108 REAL ESTATE, BNP Paribas Real Estate Poland, Fortim Trusted Advisors

HUNGARY

The Hungarian investment market recorded €461 million investment volume including development transactions, which means 63% annual drop in terms of investment activity in 2023. Office transactions led the annual investment volumes (51%), followed by hotel (22%) and retail (10%) sectors. The largest deal of the year was the sale of Sofitel Hotel to the Hungarian BDPST Group. Hungarian investors stood behind almost 80% of the transactions in the country. The largest office deal was the sale of H2Offices to Erste Property Fund.

ROMANIA

In 2023, Romania experienced a slowdown in investment, reaching only € 531 million, 23 transactions being recorded, an investment volume 59% below 2022 level. The biggest transaction came from the retail sector: LCP Part of M Core bought Mitiska Romanian Portfolio, for about EUR 219 million. The Mitiska sell portfolio includes 26 retail parks, with a total of 133,560 sqm, located in smaller cities or suburban areas, near Bucharest. The retail sector is also the first in the top of attracted investments, with a total of EUR 283.3 million. The second place in terms of attracted investment volume is the office sector, with EUR 104.5 million, placed in 12 office buildings across the country. The largest office investment was made by a private investor in One Herastrau Office building, with a leasable area of 8 074 sqm, with EUR 21 million. The industrial sector attracted 8 investors and a total of EUR 98.8 million.

Expert Comment

Nicolae Ciobanu

Managing Partner - Head of Advisory, Fortim Trusted Advisors

Venturing into a transformative era, the rapid evolution of retail parks has opened significant doors over the past two years. A pivotal moment materialized with the acquisition of Mitiska's portfolio, featuring 26 units and reaching an impressive EUR 219 million value in 2023. Looking ahead to 2024, a strategic shift awaits us in the realm of luxury retail. With a remarkable 12% growth in 2023, the Romanian luxury segment now stands at an estimated EUR 1.9 billion. To stay competitive with global online platforms, Romanian luxury "Brick-and-mortar" retailers are innovating, offering luxurious facilities to craft an immersive shopping experience. Casting our vision to 2024-2025, the focus intensifies on data-center developments, radiating with unparalleled allure. Already marked by a balance between supply and demand, this segment positions itself as the epicenter of technological advancement and the future of retail landscapes. The journey ahead is not just promising; it is transformative, and we stand poised at the intersection of innovation and opportunity.

MAJOR DEALS IN THE CEE REGION, 2023

COUNTRY	YEAR	Q	SECTOR	BUILDING	SIZE (SQM)	PURCHASER	PRICE (M EUR)
Poland	2023	Q3	Industrial	7R shares (80%)	580,000	NREP	200+
Poland	2023	Q1	Industrial	Panattoni Campus 39	186,300	P3	100+
Poland	2023	Q3	Retail	Matarnia Retail Park, Gdansk	55,500	Frey	100+
Poland	2023	Q3	Industrial	Panattoni Portfolio (Wola Rakowa, Swadzim, Żory)	135,000	EQT Exeter	50-100
Poland	2023	Q4	Office	Mokotów Nova	43,700	M&A Capital	50-100
Poland	2023	Q3	Industrial	7R Łódź & Szczecin	95,900	P3	50-100
Poland	2023	Q2	Office	Wola Retro	25,900	Adventum International	50-100
Poland	2023	Q4	Hotel	Warsaw HUB	21,900	Corum XL	50-100
Poland	2023	Q3	Office	Warta Tower	33,700	Globalworth	50-100
Poland	2023	Q1	Industrial	Panattoni Wrocław	72,000	Confidential	50-100
Czech Republic	2023	Q2	Retail	Palác Pardubice	26,255	Redstone	100+
Czech Republic	2023	Q3	Mix-use	Na Příkopě 33	16,000	Trinity Bank	50-100
Czech Republic	2023	Q3	Mix-use	ČKD Howden	53,000	Kaprain	50-100
Czech Republic	2023	Q2	Retail	Arkády Pankrác 25% share	39,957	G City Europe	50-100
Czech Republic	2023	Q1	Industrial	Liberec Industrial Agrotechnology Park	39,000	CB Property Investors	50-100
Czech Republic	2023	Q1	Retail	Baumax Orlice/Hradec Králové	23,500	Merkury Market	50-100
Czech Republic	2023	Q1	Industrial	Karlovarská Business Park 90% stake	19,500	Accolade	50-100
Czech Republic	2023	Q3	Office	Zirkon Karlín	10,000	Lincoln/Upvest	50-100
Czech Republic	2023	Q3	Retail	Retail Park Trutnov	23,000	Fidurock	50-100
Slovakia	2023	Q4	Industrial	Trencin Industrial Park	120,000	BHM Group (CZ)	100+
Slovakia	2023	Q1	Retail	SK Retail	na	Plan B Investments AS	50-100
Slovakia	2023	Q2	Office	Pribinova 19	28,000	IAD Investments	50-100
Slovakia	2023	Q2	Office	L12	23,330	J&T Real Estate	50-100
Slovakia	2023	Q1	Retail	Topolcany Retail Park	9,000	na	0-25
Hungary	2023	Q1	Hotel	Sofitel	350 rooms	BDPST Group	100+
Hungary	2023	Q2	Office	H2Offices	26,820	Erste Ingatlan Alap	50-100
Hungary	2023	Q2	Office	Óbuda Gate	25,150	ATQ Property Zrt	50-100
Hungary	2023	Q3	Office	Roseville	15,500	Unknown	25-50
Hungary	2023	Q2	Office	Víziváros Office Center	14,200	FLE SICAV FIS real estate fund	25-50
Hungary	2023	Q1	Retail	Kanizsa Centrum Bevásárlóközpont	20,779	Appeninn Holding Nyrt.	25-50
Hungary	2023	Q3	Industrial	Electrolux production facility in Nyíregyháza	68,000	Qvantum heat pump production	0-25
Romania	2023	Q4	Retail	Shopping Park - Mitiska	132,000	LCP Part of M Core	200+
Romania	2023	Q1	Industrial	Industrial Parks: Timisoara, Dambovita, Dragomiresti	98,000	CTP	50-100
Romania	2023	Q1	Office	One Herastrau Office	8,074	Ivezti - Mikalai Vaskaboinikau	0-25
Romania	2023	Q3	Retail	Liberty Center	25,000	Jumbo	0-25
Romania	2023	Q1	Office	Olympia Tower	14,380	Yellow Tree	0-25
Romania	2023	Q1	Office	Construdava	9,238	IGSU/ Raed Arafat	0-25
Romania	2023	Q4	Office	Avrig 3-5	9,200	Universitatea de Medicina si Farmacie Carol Davila Bucuresti	0-25
Romania	2023	Q1	Office	Nova Building	6,931	Global Vision	0-25
Romania	2023	Q2	Retail	50% din parcurile de retail Family Miroslava si Bucium	na	W&E Assets	0-25
Romania	2023	Q3	Industrial	SFC production facility	20,666	WDP	0-25

Source: 108 REAL ESTATE, BNP Paribas Real Estate, Fortim Trusted Advisors; na=not available information; RCA (for Slovakia)

Expert Comment

Mateusz Skubiszewski
Head of Capital Markets Poland

Pressure from the geopolitical backdrop

2023 saw a marked fall in liquidity for the commercial real estate investment market in Poland. The transaction volume reached EUR 2.09bn (including Residential) – a level last seen in 2010. This was the result of the tightening of monetary policies and strong yield decompression across Europe. Consequently, some investment funds froze allocations to commercial real estate and managers decided to rebalance portfolios to include alternative assets. In addition, with property prices falling in Poland relatively less sharply than in some Western European markets, the Polish market became less price competitive. Poland appears to have fallen victim to its own success, as a result of which Polish assets remain more resilient to external shocks compared to those in other countries and are therefore less attractive to investors during an economic downturn. By the end of 2023 most European bond yields were on a downward trend, but the outbreak of the conflict in the Middle East, which is a major oil supplier, and the fear of rising energy prices and renewed inflation worries were unfavorable for the market. Consequently, the European economic outlook remains uncertain, and the specter of interest rate hikes is still looming. However, 2024 economic forecasts for Poland look promising. After a weak 2023, Poland's GDP is expected to rise by 4% this year and the average annual inflation to be around 5% (down by 6.6 pp relative to last year). This, however, may be not enough to ensure a quick rebound in commercial investment volumes in 2024 due to the strong connections between the Polish market and the European investment market.

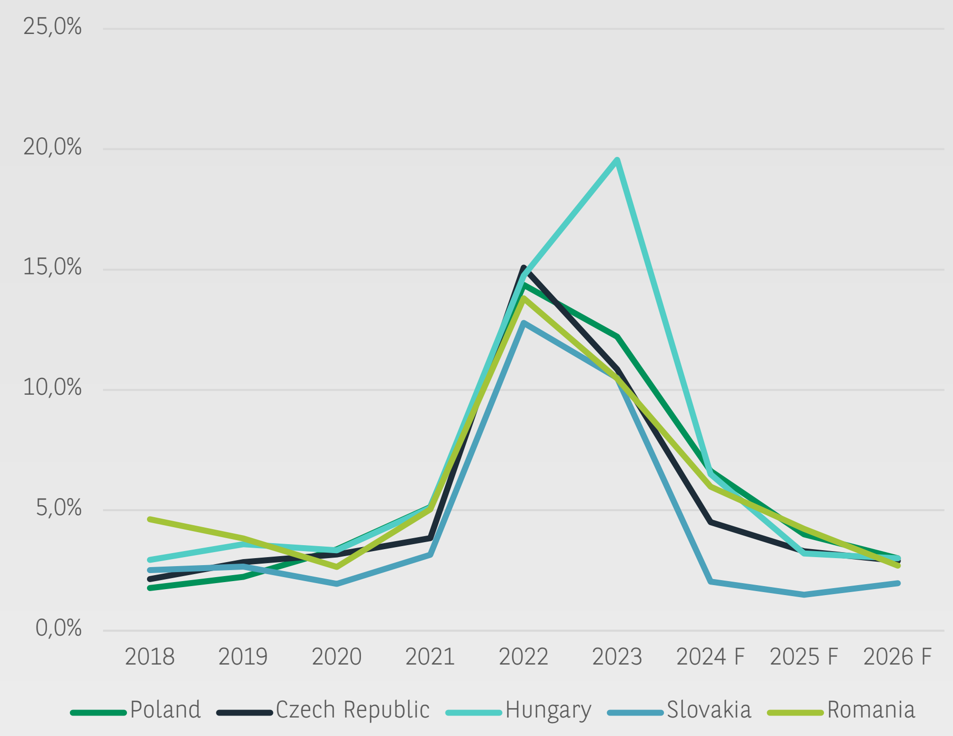
ECONOMIC OVERVIEW

The global investment market faced an unprecedented rise in borrowing costs in 2023, coupled with the possibility of a recession in major economies. This combination significantly reduced investor activity in the commercial real estate market.

Inflation is diverging more and more within the region, calling for a different approach by central banks. In addition, growth prospects and fiscal policy look different, making a unified picture of the region even more complicated.

From the investment market perspective, much will depend on the ECB policy, as the majority of investment assets are financed through Euro-denominated loans.

CPI Inflation, %



Source: BNP Paribas Real Estate Research

Following a deceleration in 2023, there is expected to be a resurgence in Poland's economic growth in 2024 and 2025. Despite the challenges in 2023, the **Czech Republic** remains one of the most stable markets in Central and Eastern Europe due to its conservative fiscal and monetary policies.

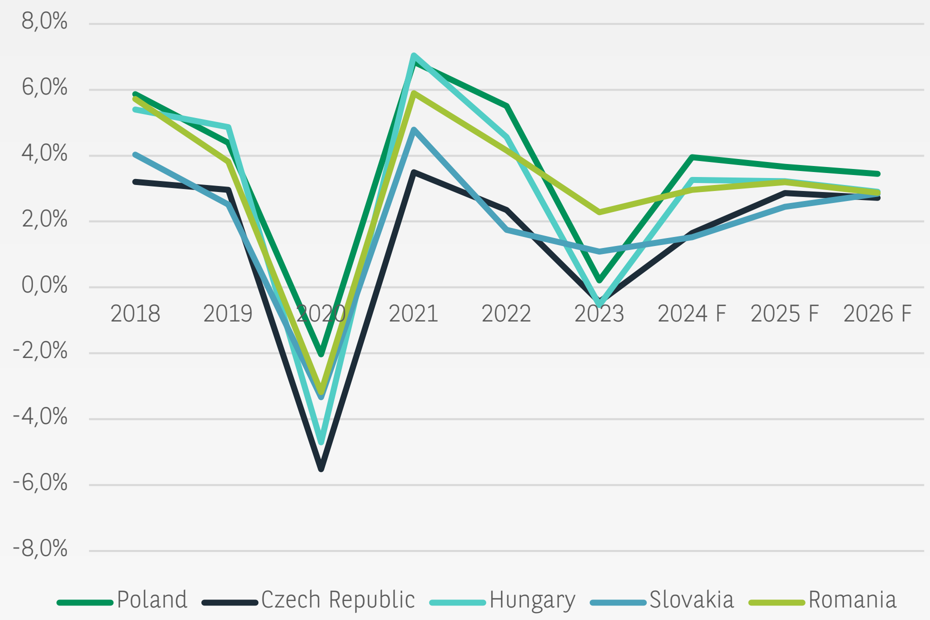
After experiencing robust economic growth in 2022 in **Hungary**, the anticipated economic slowdown occurred in 2023. During the first three quarters of the year, GDP growth entered modestly negative territory. Although the average annual inflation rate had been in double digits, it began a significant decline from October, reaching 5.5% on a year-on-year basis by December 2023.

The growth of real GDP in 2023 in **Romania** slowed to 2.2% due to high inflation, tight financial conditions, and lower external demand.

Despite a period of subdued economic growth in 2023 in **Slovakia**, there is a promising upward trend for the coming years, with a growth rate projected to exceed 2% in 2025.

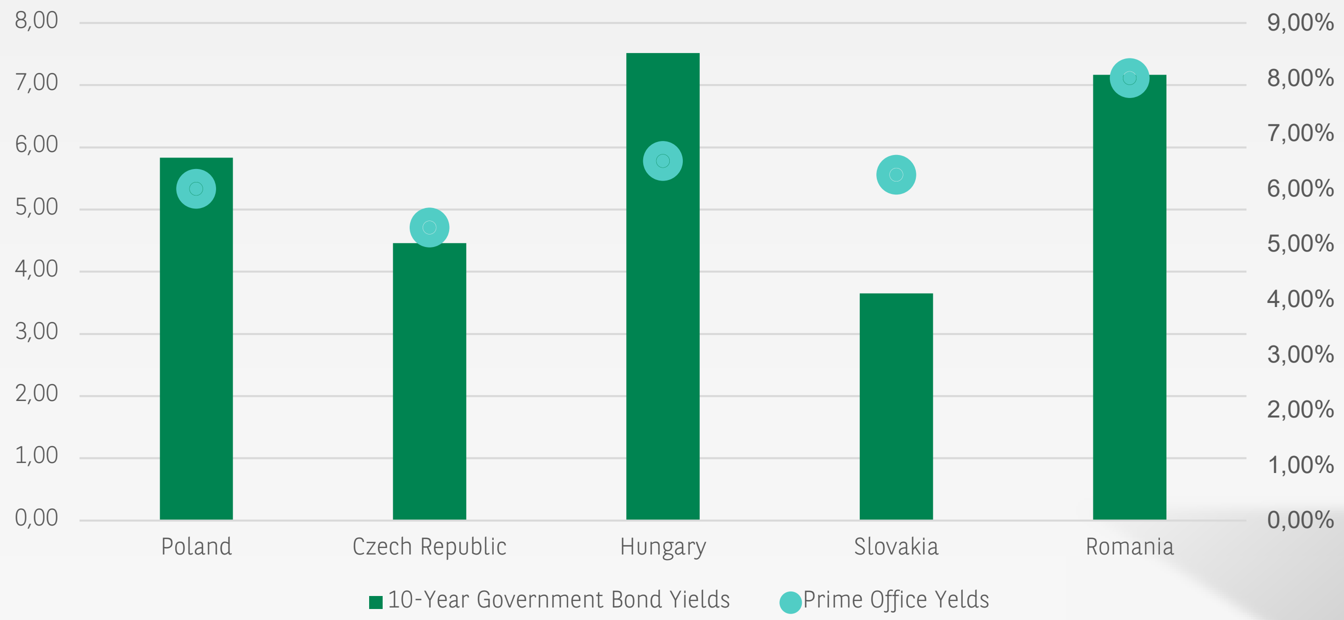
GDP Growth

GDP, %



Source: BNP Paribas Real Estate Research

10-Year Government Bond Yields & Prime Office Yields



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