

# AT A GLANCE

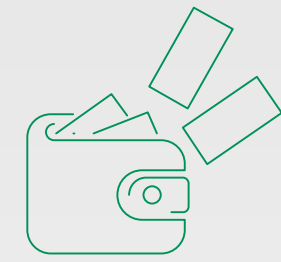
## 2022

## CEE INVESTMENT MARKET REPORT



### Highlights

- Solid result of 10.8 bn EUR despite challenging economic and geopolitical situation
- Repricing as a result of increased cost of financing
- Despite slightly lower Investment volumes expected, 2023 will present opportunities for equity-rich investors



### KEY FIGURES

36%

OFFICE INVESTMENT

26%

RETAIL INVESTMENT

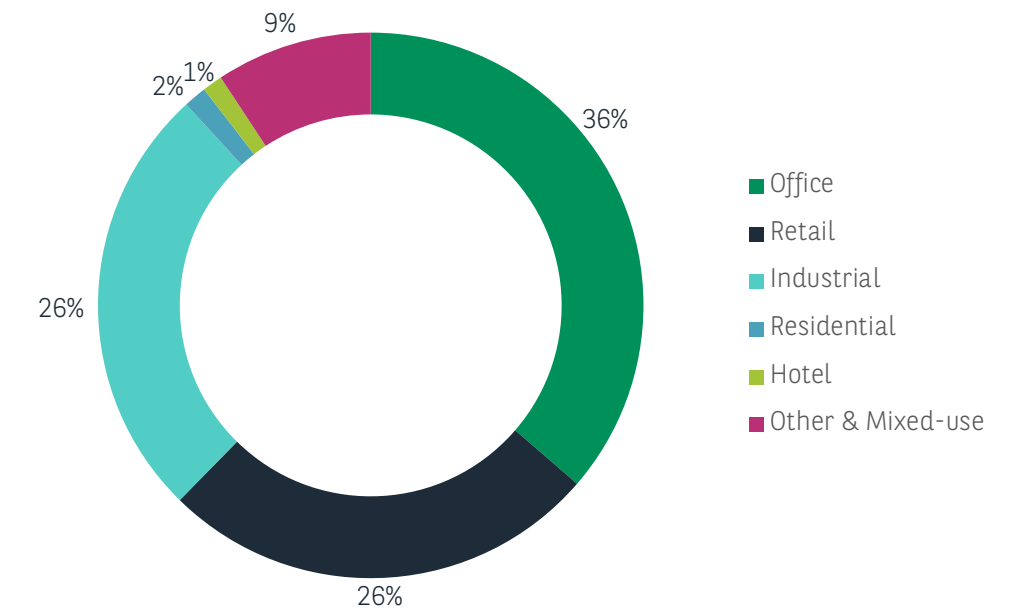
ca. 10.8 bn EUR

INVESTMENT VOLUME  
2022 in the CEE

26%

INDUSTRIAL & LOGISTICS

### Investment by Sector in 2022 in the CEE Region, million EUR



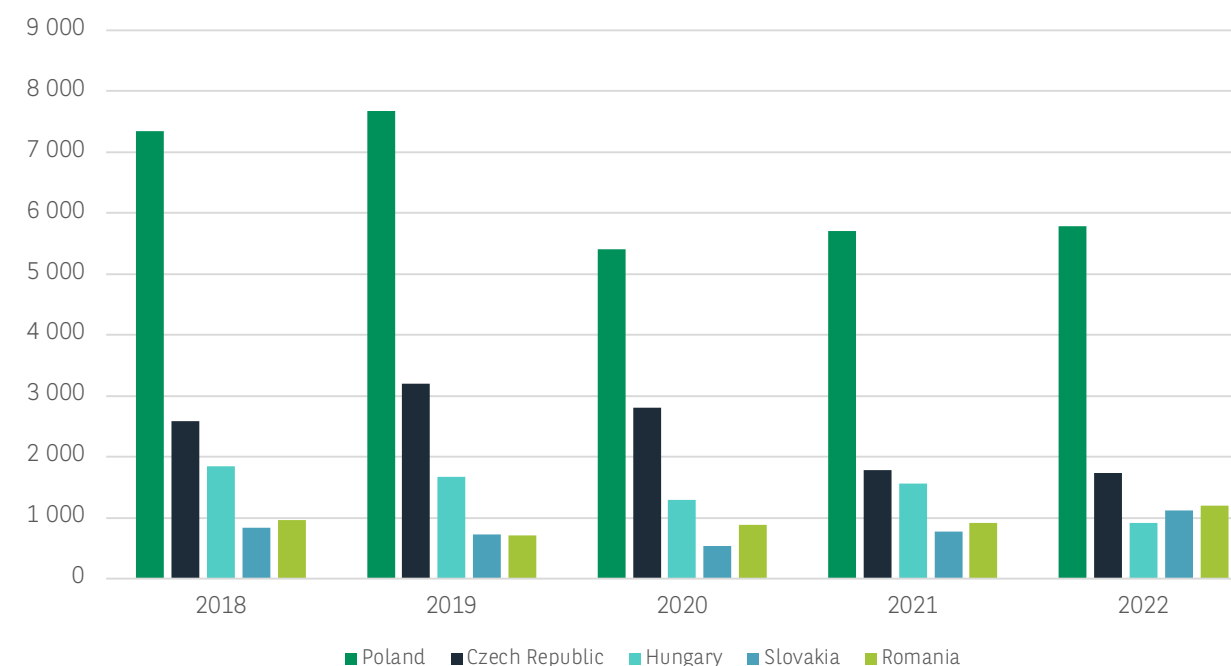
Source: IOB AGENCY, BNP Paribas Real Estate Poland, Fortim Trusted Advisors

### CEE Investment Market

The real estate investment markets in the CEE region have recorded a very strong start to the year. With the outbreak of the war in Ukraine, the sentiment of investors, particularly from Western Europe or Asia, has been impacted by the increasing uncertainty which the conflict has generated. Many investors have applied a wait-and-see approach. Nevertheless, domestic and CEE capital remained active in the region, alongside some of the more risk-averse international investors. This contributed to some very solid results, particularly in Poland, and historical records in Romania and Slovakia.

Monetary tightening aiming to combat rising levels of inflation has inflated significantly the cost of financing. All that resulted in rising yield expectations by potential buyers. Yield decompression was however relatively slow, due to a drop in investment activity in the second half of the year. Total annual Investment volume reached almost 10.8 billion EUR. Offices were the most attractive assets class among investors in the CEE region (36%), followed by retail (26%) and industrial (26%).

### Annual Investment Volumes, million EUR



Source: IOB AGENCY, BNP Paribas Real Estate Poland, Fortim Trusted Advisors

### Expert Comment



**Lenka Šindelářová**

Capital Markets & Business Development

### Opportunities for equity-rich investors

Prime yields have moved out during 2022. Whilst the highest increases in yields were recorded in the Czech Republic, Hungary and, to a lesser extent, Poland, Slovakia and Romania have seen marginal or no yield decompression. Further slight softening of yields is still likely this year. It is expected that markets could stabilise towards the end of the year once buyer and seller expectations align. When repricing takes place, there will be opportunities for equity-rich investors who can gauge the potential of rental growth and take advantage of lower competition in the market. Forward funding deals may be an even more attractive proposition. Nevertheless, slightly lower Investment volumes are expected in 2023 compared to the previous year, particularly in the Czech Republic, Hungary, Romania and Slovakia. The ESG has become a must-have for investors and increasing scrutiny on sustainability-related aspects of investments is to be expected in this and the coming years.

## POLAND

Poland, the largest CEE Investment market, has held strong even amidst the cooling economy and geopolitical challenges. In 2022, Polish annual investment volume totalled 5.8 billion EUR, up by 0.1bn EUR year-on-year. Offices remained the most attractive asset last year (37%), followed by industrial transactions (34%) and retail (25%). The largest deal last year was the sale of Ghelamco's The Warsaw Hub to Google for 585 million EUR. As opposed to Czech, Hungarian and Slovak markets, last year's Polish investment activity continued to be driven by international capital, mainly investors from United States, Germany and South Africa. Nevertheless, CEE capital was responsible for more than €800 million EUR investment in Poland, of which 77% was Czech capital.

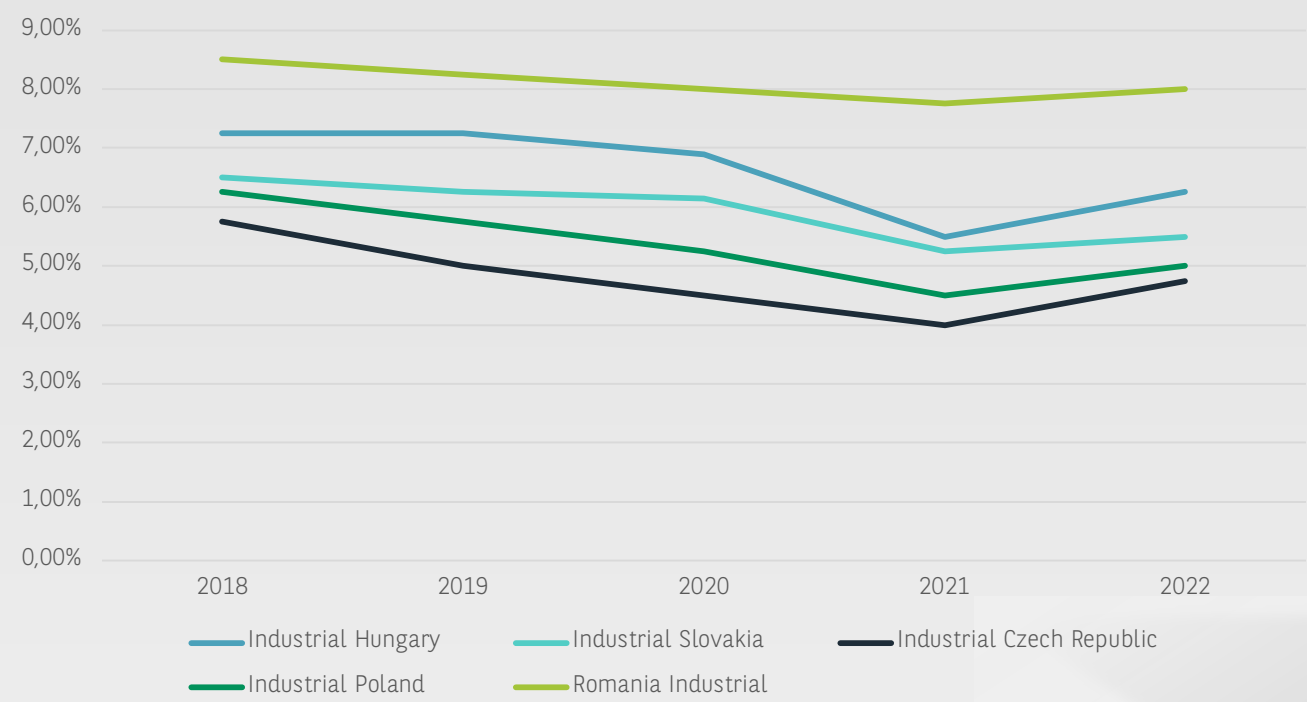
## CZECH REPUBLIC

After a strong start to the year, the Czech Investment market saw a significant slowdown in investment activity, particularly in the second half of 2022. Total annual investment volumes in 2022 reached €1.73 billion EUR (2.5% down y/y). Offices together with office-led mixed-use assets (46%) dominated, mainly due to several large transactions in Q1 2022. Industrial transactions were more prominent in the second half of the year, their annual share reached 24% same as retail. Czech buyers stood behind 66% of domestic transactions, and Czech buyers also remained very active in Poland and Slovakia.

## SLOVAKIA

The Slovakia recorded the highest annual increase within the CEE region last year, with investment exceeding 1.1 billion EUR, up by 47%. The increase was mainly attributed to the transfer of a part of the Penta Real Estate portfolio to Alto Real Estate of a former shareholder Jozef Oravkin. Retail dominated the investment volume due to major retail deals such as the acquisition of the 27% stake in Aupark Bratislava by Wood & Co, Optima Košice shopping centre by a JV of Slovak developers and portfolio of MAX shopping centres acquired by Supernova, major office acquisitions included Blumental Offices by ZFP Investments, Klingerka Office Building by Erste Realitna Renta and Pradiareň by RSJ.

## Prime Industrial Yields, %



Source: I08 AGENCY, BNP Paribas Real Estate Poland, Fortim Trusted Advisors

## HUNGARY

The Hungarian investment market recorded a 42% annual drop in investment activity in 2022 to more than 900 million EUR including development transactions. Office transactions led the annual investment volumes (33%), followed by retail (30%) and industrial (17%). The largest transaction of the year was the sale of the Tesco portfolio to Adventum Penta. Hungarian investors stood behind more than half of the transactions in the country. The largest office deal was the sale of Green Court Offices to Groupama REIM.

## ROMANIA

In 2022, Romania experienced a significant increase in investment, reaching historical levels of 1.2 billion EUR, placing third behind Poland and the Czech Republic in terms of total investment. The growth in Romania was driven primarily by office and retail portfolio transactions in the second half of the year. The largest deal was the sale of an office portfolio by CA Immo to Pavál Holding Properties, owned by Dedeman Group, which is a significant player in the Romanian real estate market. Additionally, MAS Real Estate acquired a 60% stake in a retail park portfolio, contributing to the overall increase in investment in Romania. These transactions suggest that Romania's real estate market is growing and that investors are increasingly interested in the country's commercial properties.

## Prime Yields, %

	POLAND		CZECH REPUBLIC		HUNGARY		SLOVAKIA		ROMANIA	
Q4 2022	Prime yield	Annual change	Prime yield	Annual change	Prime yield	Annual change	Prime yield	Annual change	Prime yield	Annual change
Office	4,75%	+5 bps	4,75%	+75bps	5,75%	+75bps	5,50%	+20 bps	6,75%	0 bps
Retail SC	5,50%	+50 bps	5,25%	+50 bps	6,50%	+25 bps	6,25%	+25 bps	7,75%	0 bps
Industrial	5,00%	+50 bps	4,75%	+75 bps	6,25%	+75 bps	5,50%	+25 bps	8,00%	+25 bps

Source: I08 AGENCY, BNP Paribas Real Estate Poland, Fortim Trusted Advisors

## Expert Comment



Marcell Szotyori-Nagy

Head of Capital Markets CEE, I08 AGENCY

## Industrial and logistics assets remain a hot asset class

**Demand for industrial investment is fuelled by strong occupational markets and rental growth.** Low supply of product is limiting higher industrial investment volumes. Nearshoring of production to Europe has resulted in increased demand for industrial space in the CEE region both for lease as well as for owner-occupation. Industrial sale & leaseback transactions are also a favoured option offering long-term secured stable income streams. Within the retail sector, particularly convenience retail is highly sought-after. Retail parks and convenience retail centres have proven solid performance even in the times of economic downturn or covid. Offices are leading in terms of traded volumes, demand for core assets remains high, nevertheless the sector is facing structural changes.

MAJOR DEALS IN THE CEE REGION, 2022

COUNTRY	YEAR	Q	SECTOR	BUILDING	SIZE (SQM)	PURCHASER	PRICE (MIL. EUR)
Poland	2022	Q1	Office	Warsaw Hub	101,000	Google	500+
Poland	2022	Q3	Industrial	Project Danica	629,135	CBRE Inv.Management (ex. CBRE Global Investors)	500+
Poland	2022	Q1	Retail	50% of M1 Portfolio (Horse JV)	206,324	PIMCO	300+
Poland	2022	Q1	Retail	49% of EPP retail portfolio: (Community Properties JV)	263,194	I Group	300+
Poland	2022	Q3	Office	Generation Park	47,600	Hansa Invest	200+
Poland	2022	Q4	Retail	Forum Gdansk	63,637	NEPI	200+
Poland	2022	Q4	Retail	Atrium Copernicus	48,100	NEPI Rockcastle	100+
Poland	2022	Q1	Office	Towarowa 22 (70% shares)	NA	AFI Group	100+
Poland	2022	Q4	Industrial	VidaXL	138,159	Garbe Group Union Investment	100+
Poland	2022	Q2	Office	Nowy Rynek D	37,220	Eastnine AB	100+
Czech Republic	2022	Q1	Retail	IGY České Budějovice, City Park Jihlava	53,058	365.Invest	200+
Czech Republic	2022	Q1	Mixed use	Centrum Bořislavka	40,001	REICO	200+
Czech Republic	2022	Q1	Industrial	4 asset portfolio	65,960	Hines European Core Fund (HECF)	100+
Czech Republic	2022	Q3	Office	BB Centrum Gamma	31,150	Passerinvest Group	50-100
Czech Republic	2022	Q1	Office	Coral Office Park	35,300	Mint Investments	50-100
Czech Republic	2022	Q1	Mixed use	Charles Square Centre	19,803	KGAL	50-100
Czech Republic	2022	Q4	industrial	Logport Prague West	38,000	Invesco	50-100
Czech Republic	2022	Q1	Office	BB Centrum E (ČEZ Building)	15,730	RSBC	50-100
Czech Republic	2022	Q2	Retail	Chrudim RP bez Tesca, Karlovy Vary Fontána, Ostrava OC Galerie, Opava OC Silesia	54,384	Adventum Penta	50-100
Czech Republic	2022	Q4	Industrial	Ostrava Multimodal Logistics Park Hall 2	51,000	Exeter Property Group	50-100
Slovakia	2022	Q4	Retail	Aupark Bratislava (27%)		Wood & Co	100+
Slovakia	2022	Q2	Retail	MAX Shopping Centres in Trnava, Trenčín, Nitra, Poprad	60,000	Supernova	100+
Slovakia	2022	Q2	Retail	Optima Košice	47,100	Undisclosed	100+
Slovakia	2022	Q3	Office	Blumental	21,597	ZFP Investments	50-100
Slovakia	2022	Q3	Office	Klingerka Office Building	11,470	Erste Realitná Renta	25-50
Slovakia	2022	Q2	Office	Pradiareň 1900	15,500	RSJ Investments	25-50
Slovakia	2022	Q2	Industrial	Sihot Park	161,000	Exeter Property Group	25-50
Hungary	2022	Q2	Retail	Tesco portfolio	273,000	Adventum	200+
Hungary	2022	Q4	Office	Green Court Offices	18,800	Groupama REIM	50-100
Hungary	2022	Q1	Logistics	Airport City	52,000	WING	50-100
Hungary	2022	Q1	Office	Akademia Business Center	12,700	Europa Capital (in partnersip with Convergence)	25-100
Hungary	2022	Q3	Office	Krisztina Plaza (74%)	16,700	REPRO I. Property Zrt.	25-100
Hungary	2022	Q1	Office	R70	19,000	Épkar	25-100
Hungary	2022	Q2	Office	Freedom Palace	6,540	Groupama REIM	25-100
Romania	2022	Q4	Office	CA Immo Portofolio	65,000	Dedeman (Paval Holding)	300+
Romania	2022	Q2	Retail	Value Center	132,000	MAS RE	100+
Romania	2022	Q2	Office	Expo Business Park	40,600	S Immo AG	100+
Romania	2022	Q4	Office	U Center	32 000	Dedeman	50-100
Romania	2022	Q3	Office	MIRO	23000	Hill Properties	50-100
Romania	2022	Q2	Industrial	Metav Business Park	188 699	Alinso Group	25-50
Romania	2022	Q1	Office	Record Park Offices	15 000	AYA Properties	25-50
Romania	2022	Q3	Office	One Victoriei Plaza	12 000	One United Properties	25-50
Romania	2022	Q4	Retail	Ploiești Shopping City	N/A	NEPI	25-50
Romania	2022	Q2	Retail	Cora	20 000	Studium Green	25-50

Source: I08 AGENCY, BNP Paribas Real Estate, Fortim Trusted Advisors

Expert Comment



Mateusz Skubiszewski  
Head of Capital Markets Poland

Strength lies in the fundamentals

The Polish commercial property has lost none of its appeal to investors despite geopolitical turbulence and economic challenges, including the prospect of an energy crisis. The 2022 transaction volume result illustrates the Polish market’s strong resilience to shocks and investor confidence in the long-term stability of Poland’s economic fundamentals. Investors have recognized rental growth across the country while discounting a wide range of risks in their financial forecasts. As a result, prime yields for almost all asset classes moved out in late 2022, indicating that investors are taking account of the possibility that pessimistic scenarios might materialize. At the same time, the yield growth trend, especially for office and industrial assets, appears to be strongly constrained by falling supply levels and high new development costs. Looking ahead, the Polish economy and the property investment market are expected to be significantly driven by EU funds to be received by Poland for investments. These amounts will be a vital boost to better economic growth, leading to a market recovery and an increase in total commercial property investment volumes. The Polish commercial property market continues to be targeted by investment funds, particularly from the United States, Germany, South Africa and CEE. It was capital from these regions that dominated the market in 2022 amid a growing inflow of capital from other countries.

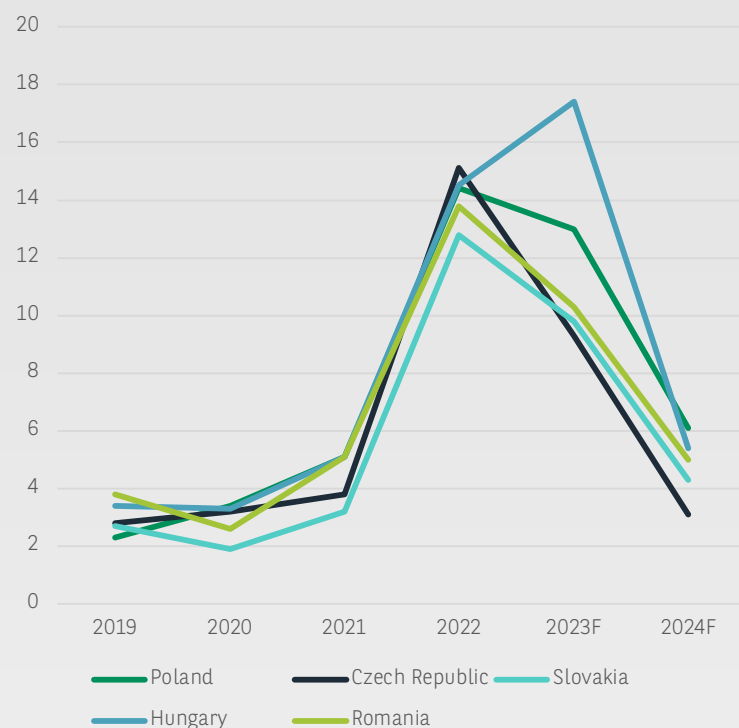


## ECONOMIC OVERVIEW

The CEE region has seen some unprecedented challenges in the past year. Following post-covid recovery, the Russian invasion in Ukraine at the end of February 2022 has resulted in increased uncertainty. The CEE region, and particularly Poland, Czech Republic and Slovakia, has had to deal with an immediate wave of refugee immigration, followed by soaring energy prices and persistent supply-chain bottlenecks. All of these factors have coincided to push inflation up to levels not seen for decades.

Although inflation is expected to slow, it will remain elevated this year. Combined with lacklustre economic growth, stagflation will be hard to avoid according to the most recent Consensus forecasts. The national banks have kept interest rates at 6.75% in Poland, 7% in the Czech Republic and 13% in Hungary respectively, while in Slovakia Euro-interest rates apply. The ECB raised the base rate most recently at the beginning of February by 50 bps to 2.5%. Further interest rate hikes by the ECB are expected to follow later this year to help curb inflation.

## CPI Inflation, %

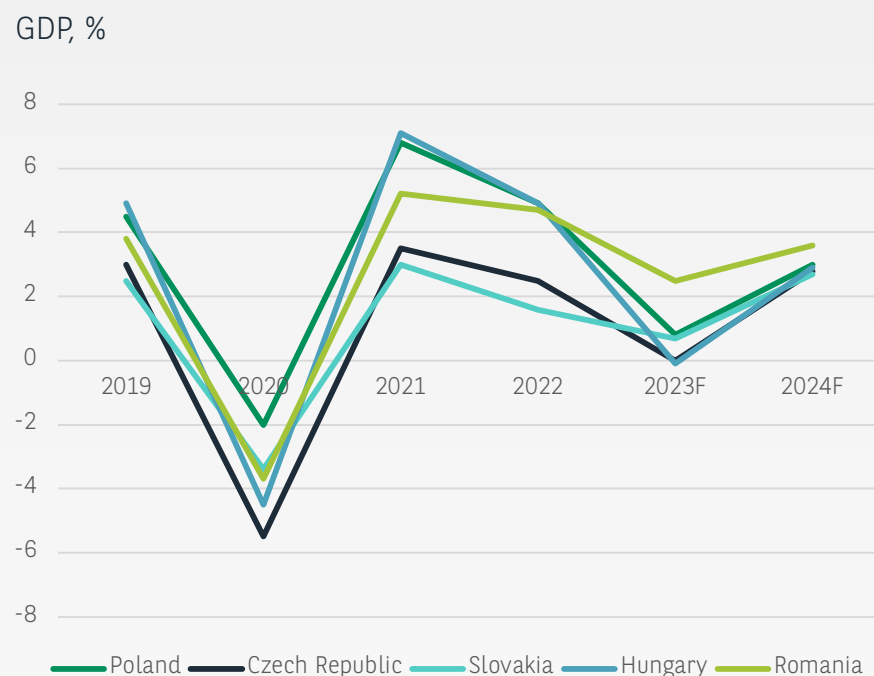


Source: Consensus Forecasts

Poland's GDP should rise by 0.8% this year compared to 4.9% in 2022, with GDP in Slovakia predicted to grow by 0.7%. The Czech economy is forecast to stagnate this year, while Hungary is likely to contract by -0.1%. Alongside weaker domestic demand, reduced purchasing power and high inflation, the economic growth prospects of export-oriented CEE countries will be impacted by lagging growth in the Eurozone.

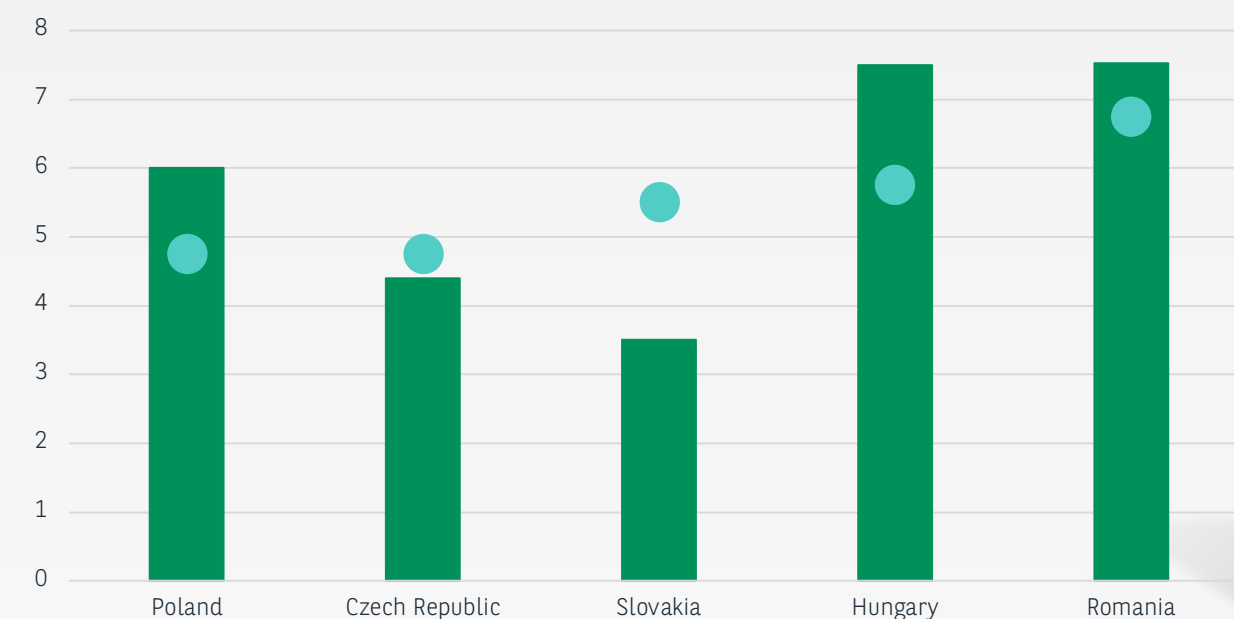
As opposed to its other CEE peers, Romanian GDP is forecast to expand by 2.5% this year. Growth should be driven mainly by EU cohesion and recovery funding, with the receipt of 10 billion EUR on an annual basis. As a response to rising inflation, the Romanian National Bank increased the base interest rate by 25bps to 7% in January this year. CPI is forecast to decline from 13.8% to 7.2% in 2023 according to Consensus forecasts.

## GDP Growth



Source: Consensus Forecast

## 10-Year Government Bond Yields & Prime Office Yields



Source: Consensus Forecast

## AT A GLANCE

2022

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