

## CEE Property Investment

June 2011

## Hot Topics

- CEE property investment volume reaches €4.4 billion by the end of May 2011
- Investment activity is spreading, with a continued focus on prime
- Cross-border investment on the rise again
- Turbulent GOEF-sector has had a limited impact on sales in CEE; an increase is expected

## CEE Research &amp; Consulting

Jos Tromp - Director

DDI: +49 (0) 89 24 20 60 18

e: jos.tromp@cbre.com

## CEE Capital Markets

Patrick O'Gorman - Director

DDI: +44 207 182 27 23

e: patrick.ogorman@cbre.com

## OVERVIEW

- **CEE property investment volume reaches €4.4 billion through end of May 2011**

Overall property investment volumes in Central and Eastern Europe (CEE) amounted to €4.4 billion by the end of May 2011 representing an increase of 180% compared to the same period last year. In a growing number of markets liquidity has started increasing supported by growth in both the number as well as the size of the transactions.

- **Investment activity is spreading, with a continued focus on prime**

Despite investment activity spreading into a wider range of CEE markets, investor focus has remained on Poland, the Czech Republic and Russia. The Czech Republic especially saw a significant increase in investment as a result of the closure of some large portfolio transactions. Income security and quality remain high on the agenda. Consequently, an increase in liquidity in the secondary segment has not become visible thus far. Based on the still considerable yield premiums in markets such as Budapest and Bucharest - compared to Warsaw and Prague - activity is expected to increase in these markets towards the end of the year.

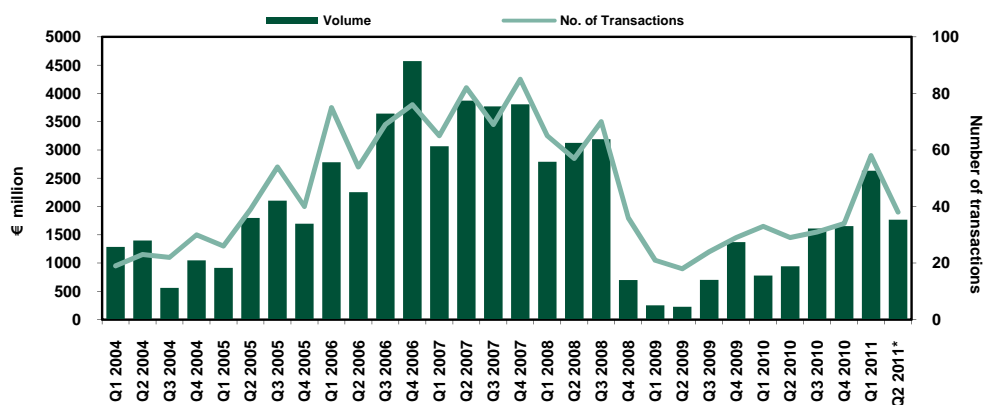
- **Cross-border investment on the rise again**

In line with an increase in cross-border investment activity, there has been an increase in the number of large transactions closing. Out of the total 2011 volume close to 60% formed part of a portfolio, marking a considerable change in recent months. Examples of sizeable transactions include the sales of the Ritz Carlton Hotel and White Square BC in Moscow as well as the VGP-portfolio in the Czech Republic. Apart from increasing Austrian interest, a more active group of UK investors was also registered in the region in search of 'value for money'. The trend of increased cross-border investment is currently applicable to Russia as well, after having an almost entirely local investor base in Q1 2011.

- **Turbulent GOEF-sector has had a limited impact on sales in CEE; an increase is expected**

On-going liquidity issues in the GOEF-sector have resulted in many GOEFs applying active asset disposal strategies. The impact of these strategies has not been strongly felt in CEE thus far. It is worth noting, however, that of the four funds currently in liquidation only two have an exposure to CEE, and even then it is fairly limited. Instead, those funds temporarily closed for redemptions are carrying out active asset sales in order to boost liquidity. This is especially the case for those few for which the maximum two-year closing period lapses in November 2011. Based on the quality of most of the properties owned by GOEFs and the demand for core product, this might push up investment activity in CEE further. In fact, DEGI International just recently completed a €200 million plus disposal of the multi-country Teil portfolio, with one office building in Prague being the first asset sold in CEE as a result of the turbulence in the sector.

## Property Investment Transaction Turnover and Number of Transactions



Source: CB Richard Ellis. \* Investment volume for Q2 2011 contains data for April and May 2011.

©2011, CB Richard Ellis, Inc.