



RESEARCH

AT A GLANCE Q4 2020

INVESTMENT MARKET - CZECH REPUBLIC

RECOVERY IN INVESTMENT ACTIVITY MET THE EXPECTATIONS AT THE END OF 2020

- **€2.7 billion invested in real estate in 2020**
- **Investment in office projects dominated Q4 2020**
- **Yields have remained stable at the end of the year**

INVESTMENT

The **total volume** of real estate investment in 2020 exceeded **€2.7 billion**. After weaker investment activity during the second and third quarters, there was a recovery in **Q4 2020**, with an investment volume of **€540 million**.

In Q4 2020, investments in the **office sector** predominated (58%), followed by investments in **retail properties** (18%).

At the end of 2020, two large real estate office transactions were concluded. The **Churchill Square** office complex was acquired by Českomoravská Nemovitostní and Corporate Finance House Group (CFH), it was also the largest office investment deal of the year. Furthermore, **J&T Banka** purchased an administrative building in the **Rustonka** complex, in which it has had its headquarters since 2020.

Transactions in the retail segment were mainly marked by transactions in smaller **regional retail parks**.

Czech investors completed more than half of the volume of all transactions in Q4 2020, investing mainly in office buildings. Investors from Lebanon (14%) and Italy (14%) were also evident.

Prime yields remained stable in all sectors.

The investment market was marked by **uncertainties** related to the **Covid-19** pandemic during the year. Many real estate transactions have been delayed or cancelled. There was a y-o-y **decline of 13.5%**. Almost half of the total volume of investments in 2020 went to a single transaction, the purchase of the Residomo residential portfolio.

PRIME YIELDS



4.5%



OFFICE



4.25%



HIGH STREET



5.25%



SHOPPING CENTRES



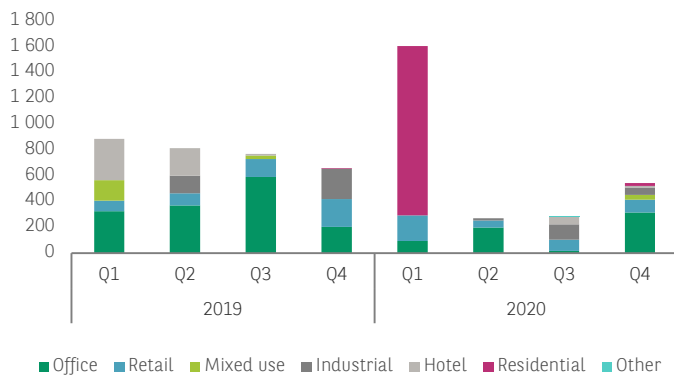
5.0%



LOGISTICS

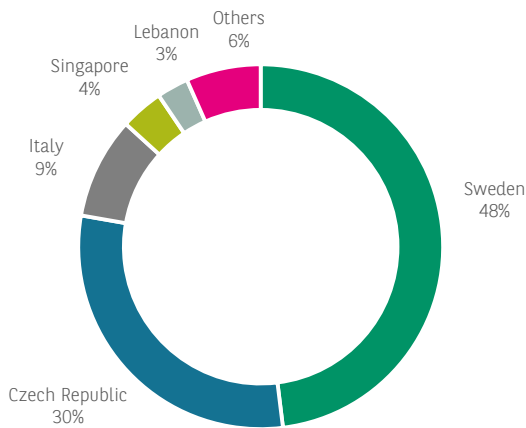


QUARTERLY INVESTMENT VOLUME (€ million)



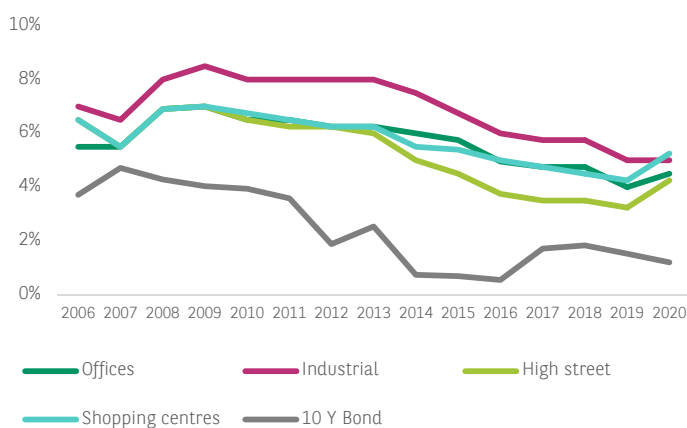
Source: BNP Paribas Real Estate

INVESTMENT VOLUME BY SOURCE OF CAPITAL IN Q1-Q4 2020 (%)



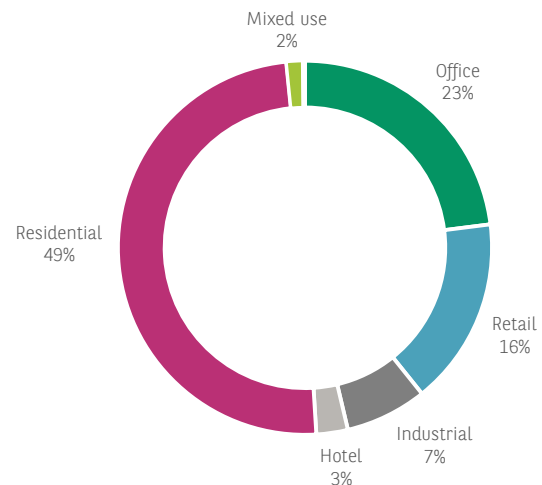
Source: BNP Paribas Real Estate

DEVELOPMENT OF YIELDS (%)



Source: BNP Paribas Real Estate

INVESTMENT VOLUME BY SECTOR IN Q1-Q4 2020 (%)



Source: BNP Paribas Real Estate

MAJOR INVESTMENT TRANSACTIONS IN Q4 2020

PROPERTY	INVESTOR	PRICE (€m)
Churchill Square I & II	Českomoravská Nemovitostní / CFH	152
J&T Banka HQ	J&T Banka	78
IBC	Generali Group	70

ECONOMIC OVERVIEW

- The Czech **economy contracted by 5% y-o-y in Q3 2020**. Compared to previous quarter, thanks to the easing of restrictive government measures in the spring, the GDP grew by 6.9%. Higher household consumption and a positive development of the foreign trade balance contributed to the economic recovery.
- The **unemployment** rate rose to 4% in December 2020, according to the latest available Eurostat data, the Czech Republic still remains the lowest unemployment in the EU.
- In 2020, **inflation** averaged 3.2%, which was 0.4 percentage points more than last year. Prices of food and non-alcoholic beverages, alcoholic beverages, tobacco and housing prices had the largest impact on price increases. This was the highest average annual inflation rate since 2012.
- In response to the Covid-19 pandemic, the **Czech National Bank** responded by reducing the main 2-week repo rate; since May 2020, it has held the rate at 0.25%. The Bank Board does **not plan any rate changes** in the near future.
- Forecasts** of economic development for the next period are affected by a considerable amount of **uncertainty**. The spread of coronavirus is still not under control and the effectiveness of restrictive government measures cannot be determined with confidence. With the onset of the second wave of the pandemic at the beginning of **Q4 2020**, a further y-o-y economic downturn is expected; the Czech National Bank (CNB) forecasts a **decline** of up to **8.8%**. Overall, in 2020 the CNB predicts a decline in GDP of 7.2%.

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ALLIANCES

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LATVIA | LITHUANIA | NORTHERN IRELAND | NORWAY | PORTUGAL | ROMANIA | SWEDEN
SWITZERLAND | USA

* Coverage In Transaction, Valuation & Consulting