

**Investment activity in commercial property in EMEA region expected rebound to reach EUR 100 billion in Q4**

**Warsaw, 23 October 2020** – According to the latest insights from Colliers International,investment activity in commercial property in EMEA region is expected to rebound to reach **EUR 100 billion in Q4,** following a robust turn-around in larger, post-COVID deals in Q3. This would take investment volumes for the whole year to around **€270 billion, only 14 per cent down on activity in 2019**, provided smoother waters prevail and the market isn’t further shocked by external geo-political or macro-economic factors.

The publication of *Prevail & Prosper*, Colliers’ latest world class report on capital flows and CRE hotspots across EMEA looks at how the investment market is responding to the ways in which cities and sectors have reacted to the pandemic. It also explores how different city markets and capital destinations are positioned to benefit from the ongoing economic and investment market recovery that has picked up speed in Q3 2020.

Highlights from ***Prevail & Prosper*** include:

* **95 per cent** **of investors expect the market to recover in 12 months’ time** according to Colliers’ investor survey.
* **German, Swiss and French** capital has been particularly active within EMEA, sustaining high inter-regional flows year-on-year.
* **German and Nordic markets benefit from the most stable** **macro and political environments,** and their mid-sized cities with alternative commuting solutions, low lease break risks and tight supply-demand conditions put them at the top of the core league table.
* **London and Paris will not face diminished long-term economic positions** despite several market uncertainties. This presents a great opportunity to buy into deep, core markets undergoing a price correction. London and UK regional cities are also attractive debt placement destinations, currently standing at significant premiums to other major European cities, due to limited competition.
* **Logistics and residential investment** have proven to be the most resilient sectors, sustaining high levels of investment. Colliers estimates over EUR3 billion of logistic portfolios alone has been introduced to the market this September, some of which have already closed, with values increasing by up to 20 per cent for core assets.
* **Office investment volumes** declined during Q2 and Q3, and pricing levels have started to adjust due to the uncertainty over perceptions of the future role of the workplace. As of September, while core asset pricing has moved by a few percentage points, values for core-plus and Value-Add offices have declined by up to 20 per cent on active deals. The office’s vital role in driving revenue and economic output will not change, and our analysis of economic **density vs rents** on a spatial basis supports limited movement in long-term office rents and values.
* **Retail and hospitality sectors** will face extreme challenges and many smaller operators will not prevail in their current form, let alone prosper, as the market adjusts over the next 12-18 months. 2019 RevPAR levels for hotels have been severely impaired by the pandemic and are not likely to return to pre-COVID levels until the end of 2022 at the earliest.

**Richard Divall, Head of Cross Border Capital Markets, EMEA explained:**

“Over Q3, sentiment and liquidity in the markets has improved, with larger transactions happening throughout Europe. As we enter the final quarter of the year, we are expecting to see a spike in volumes, as investors look to deploy some of their ‘dry powder’ and sellers become more confident with the depth of buyers and liquidity in the markets.

“Property sectors such as logistics, affordable residential, science parks and healthcare continue to attract more demand with investors taking caution and becoming highly selective in the other sectors. Of course, the market is still fragile, and external factors could send the market back into turbulence, including the US Election in November, and a second wave of the pandemic in Europe. However, if this can be avoided and smooth waters prevail, we could see investment volumes reach over €100 billion in Q4, doubling those of Q3 and Q2.”

**The view of Poland in the report**

European national economies are diverse - other sectors drive them to different degrees. Italy, Spain, Portugal, France and the United Kingdom have been severely affected by the closure of borders in the second quarter, because the tourism sector is an important part of their economy. Poland has suffered a little in this aspect.

In the autumn, the return of people to their offices and the opening of schools has inevitably increased the number of infections throughout Europe. However, this must be seen in the context of the changes that have taken place since March. Although the number of infections is increasing compared with the first wave, the number of tests has also increased - four times on average. Comparing these figures with the first wave, we see that most EU countries have mastered the pandemic. For countries such as the United Kingdom, Spain, the Netherlands and France, which are applying new protection measures, the situation appears to be safe. The exceptions to this rule are Poland, the Czech Republic and Hungary, where the rates of the second wave are much higher than the first. The reason for these figures is that there were few cases in the spring, thanks to the immediate lockdown in March.

Germany and the Nordic region, especially Norway, Denmark and Sweden look the most appealing countries based on these metrics. Tech-centric Ireland also benefits from many positive factors. The big economies of France and the UK have a positive balance of economic conditions, but the next six months remain uncertain in terms of the management of the pandemic. It will become financially challenging to buoy the economy for any extended period of time, especially in France. The Benelux and core CEE markets of Poland and Czechia look in a good position, provided they can weather the large second COVID-19 wave. Belgium will be more challenged if it needs to continue funding the economy, given its reliance on the EU recovery fund to maintain targeted stimulus measures until end 2020. At the other end of the spectrum, Spain and Italy have some difficult years ahead, but this distress will create multiple opportunities for investors engaging in the riskier end of the spectrum.

“The Polish investment market has remained strong through the lockdown and the ongoing pandemic. Whilst the end of year volumes are expected to be lower this year, office and logistics sectors in particular continue to perform and we see a continued strong inflow of capital into Poland’s key markets, however transactions understandably take longer to complete”, said **Piotr Mirowski**, Senior Partner, Director of Investment Services at Colliers International.

**Author of *Prevail & Prosper,* Damian Harrington, Head of EMEA research at Colliers Intonational** **concluded:**

“On the whole, activity across the region has been positive from an investment perspective – in relative terms – with overall H1 volumes only down by 10 per cent year-on-year. The anticipated rebound in Q4 would take EMEA to only 14 percent down year on year. While the second half of 2020 heralds the start of a recovery from the sharp lockdown-induced economic slump of Q2, the way in which markets are achieving a new normality continues to differ significantly by sector and by location.

“Depending on what side of the fence you sit, the market presents a bitter-sweet picture – bitter; if you’re holding a problematic asset in the wrong location, or sweet; for those with a war chest looking to seize opportunities or those able to sell logistics assets and portfolios at a premium.

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**About Colliers International**

*Colliers International (NASDAQ, TSX: CIGI) is a leading real estate professional services and investment management company. With operations in 68 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to maximize the value of property for real estate occupiers, owners and investors. For more than 25 years, our experienced leadership, owning approximately 40% of our equity, has delivered compound annual investment returns of almost 20% for shareholders. In 2019, corporate revenues were more than $3.0 billion ($3.5 billion including affiliates), with $33 billion of assets under management in our investment management segment. Learn more about how we accelerate success at* [corporate.colliers.com](https://corporate.colliers.com/en), Twitter [@Colliers](https://twitter.com/colliers?lang=en) or [LinkedIn](https://www.linkedin.com/company/colliers-international/).

*Colliers International has been active in the Polish market since 1997 and operates through offices in Warsaw, Kraków, Wrocław, Poznań, Gdańsk, Katowice and Łódź with 300 employees in total. The company has been often honored for its achievements by industry organizations such as Eurobuild, CIJ Journal, CEE Quality Awards and the International Property Awards. Colliers’ distinctions include the “Outsourcing Star”, given in recognition of its status as one of the most active real estate advisors in the outsourcing sector; and the “Gazele Biznesu” for being one of the most dynamically developing companies in Poland. More about Colliers International in Poland at* [*Colliers.pl*](https://www2.colliers.com/en-PL) *and our* [*LinkedIn*](https://www.linkedin.com/company/colliers-international/?viewAsMember=true)*,* [*Instagram*](http://instagram.com/colliers_pl)*,* [*YouTube*](https://www.youtube.com/user/ColliersPL) *and* [*Facebook*](https://www.facebook.com/collierspl) *pages.*

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| Sylwia SkubiszewskaMobile +48 666 819 228Email: sylwia.skubiszewska@colliers.com | Małgorzata CiechanowskaMobile: +48 882 014 424 Email: malgorzata.ciechanowska@colliers.com |
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