



CEE REAL ESTATE MARKET OUTLOOK

KEVIN TURPIN

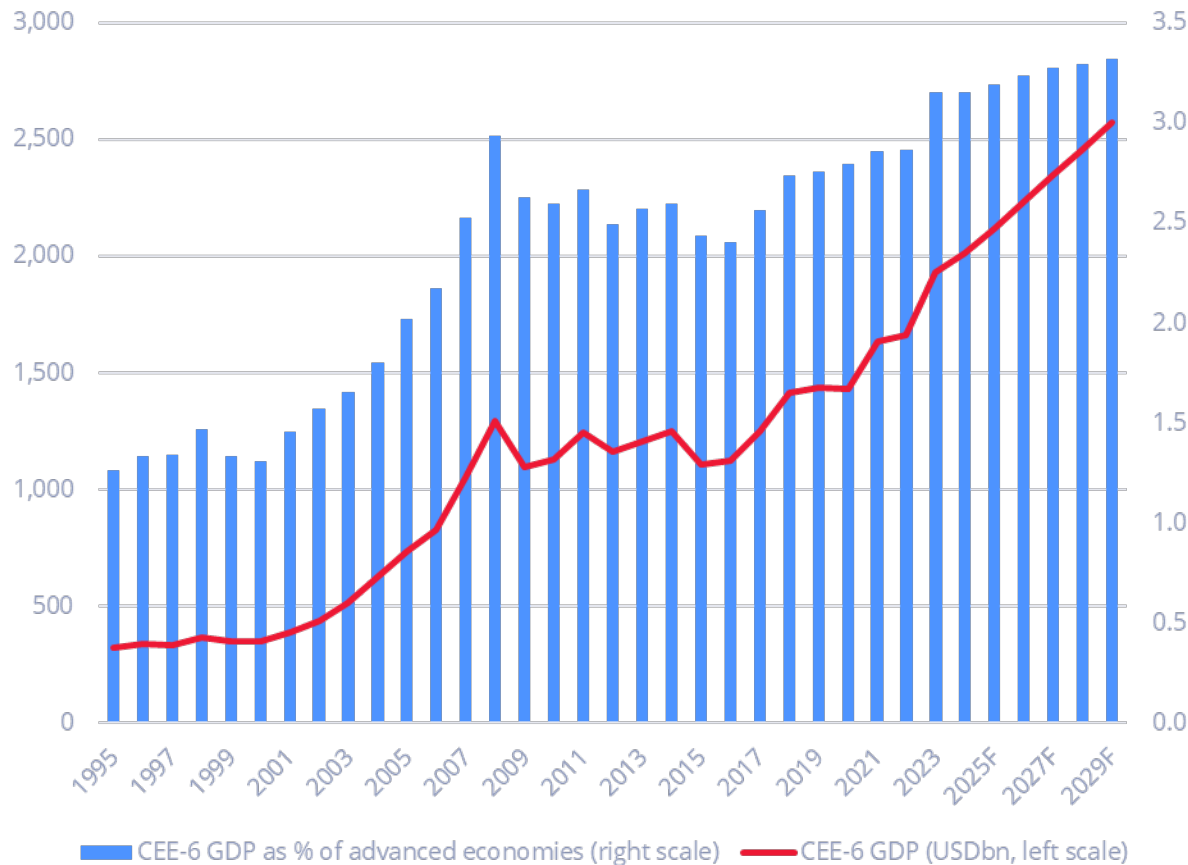
EMEA KEY ACCOUNT MANAGEMENT LEAD | INVESTORS
EMEA CAPITAL MARKETS

BUCHAREST, 23RD SEPTEMBER 2024

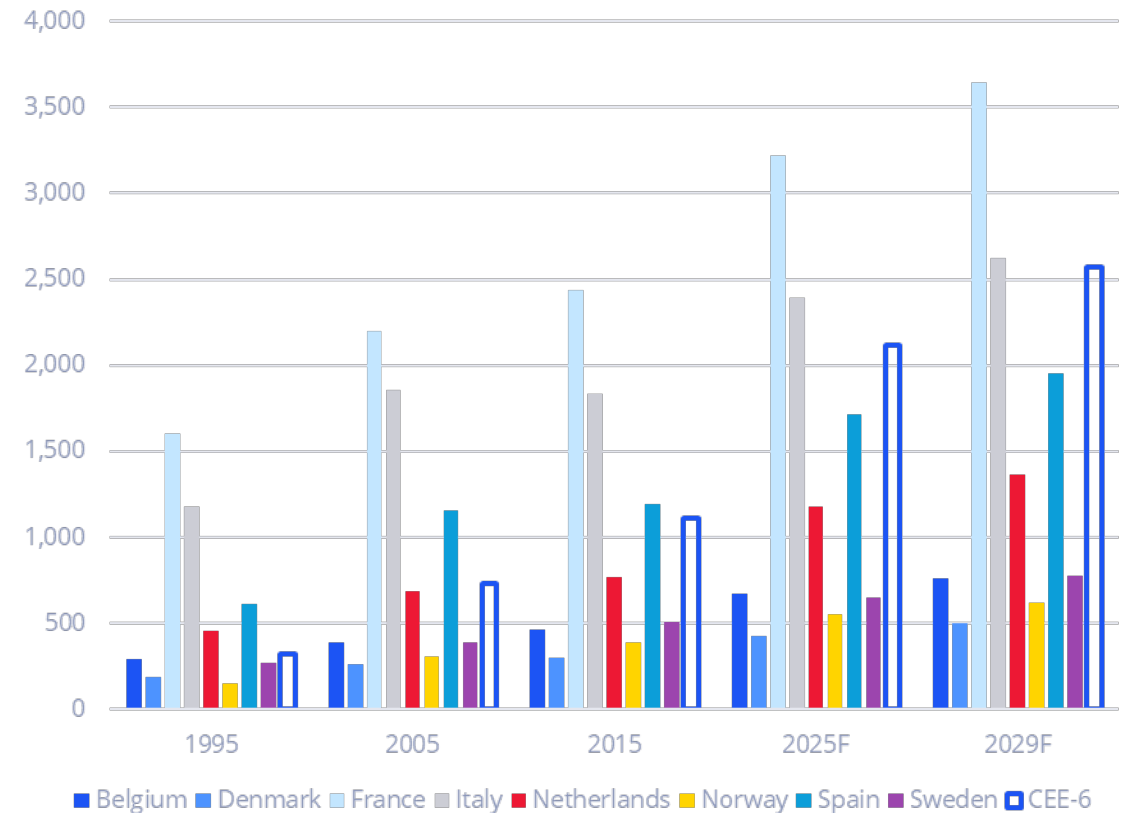


CEE economies: We've come a long way, but there's still more room to grow

Fast track GDP growth



CEE-6 GDP (USD bn) dynamic versus selected European economies



Top 10 fastest growing economies in the world in the post-pandemic period

CEE-6 economies (mostly) overachievers

3 of the CEE-6 economies in top 10 best performing economies in the world in the 2020s decade – Romania, Poland and Bulgaria – as per the IMF's World Economic Outlook forecast

Hungary barely misses the top 10 (15th spot in the world), with Slovakia also performing decently (38th spot, in the first quarter of the ranking)

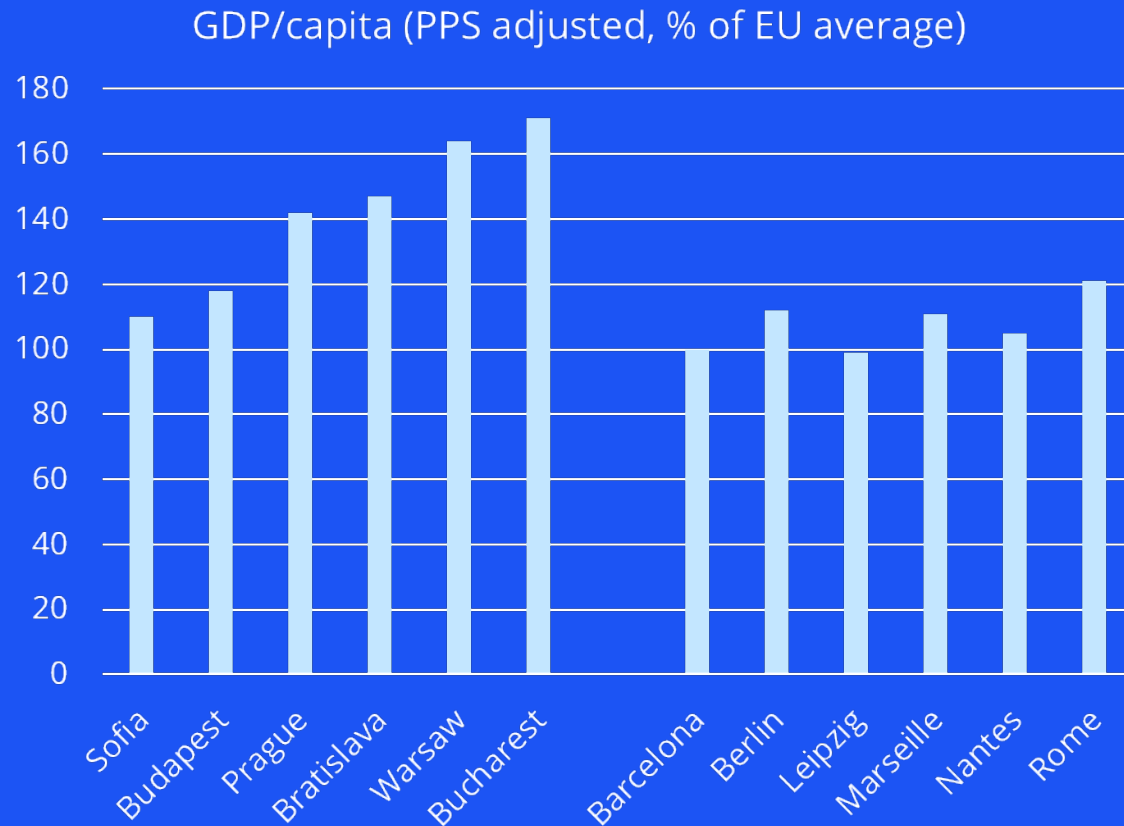
Czechia is region's laggard (bottom third of global countries), highlighting the need for deep structural reforms, though it still has the region's highest GDP/capita (to be overtaken by Poland by 2030 if trends hold)

The 2000's and 2010's showed similar dynamics, with CEE-6 countries ranked in the top 25 best performing

	GDP/capita (2019, PPP terms, % of advanced economies)	GDP/capita (2029F, PPP terms, % of advanced economies)	Change in GDP/capita in percentage points, 2019-2029
Guyana	25.1	236.3	211.2
Ireland	167.2	194.5	27.2
United Arab Emirates	133.6	156.7	23.1
Taiwan	98.5	117.2	18.7
Croatia	56.4	71.2	14.7
Romania	57.8	72.4	14.6
Poland	63.9	78.3	14.5
Malta	92.5	106.9	14.4
Georgia	29.6	44.0	14.4
Bulgaria	45.0	57.5	12.6

Parts of CEE-6 are doing better than some cities in Western Europe

Busting the myth of CEE-6 poverty



- Pockets within CEE-6 (capital cities, some regional cities) offer the average inhabitant better purchasing power than in many parts of the west
- Bucharest, Warsaw ranked in top 10% of EU metropolitan regions in terms of average earnings (adjusted to prices)
- Real estate + cost of some services (think internet, health, education, childcare etc) tilt the balance for the CEE cities to a significant extent
- That said, CEE-6 capitals show a high density of high value-added employment in services, R&D etc (on par with the best Western Europe has to offer)

Cheap qualitative employees plus strategic location will continue to drive growth the CEE

The ingredients of success in the CEE



- CEE-6 are no long cheap destinations of outsourcing, however, all countries are producing high quality and high value-added services -> **all countries are ranked quite highly in Harvard's Atlas of Economic Complexity** (Czechia is ranked 6th globally, with Hungary and Slovakia in 11th and 12th spots)
- In general, top universities in the CEE-6 region show an improving trend in rankings like QS Top Universities, suggesting a qualitative flow of incoming employees
- Job creation trends also highlights a shift, as most net IT job gains over the past decade, for instance, were in France, Poland and Romania

CEE offers highest state aid limits in the EU

State aid in the European Union

State aid rules in the EU

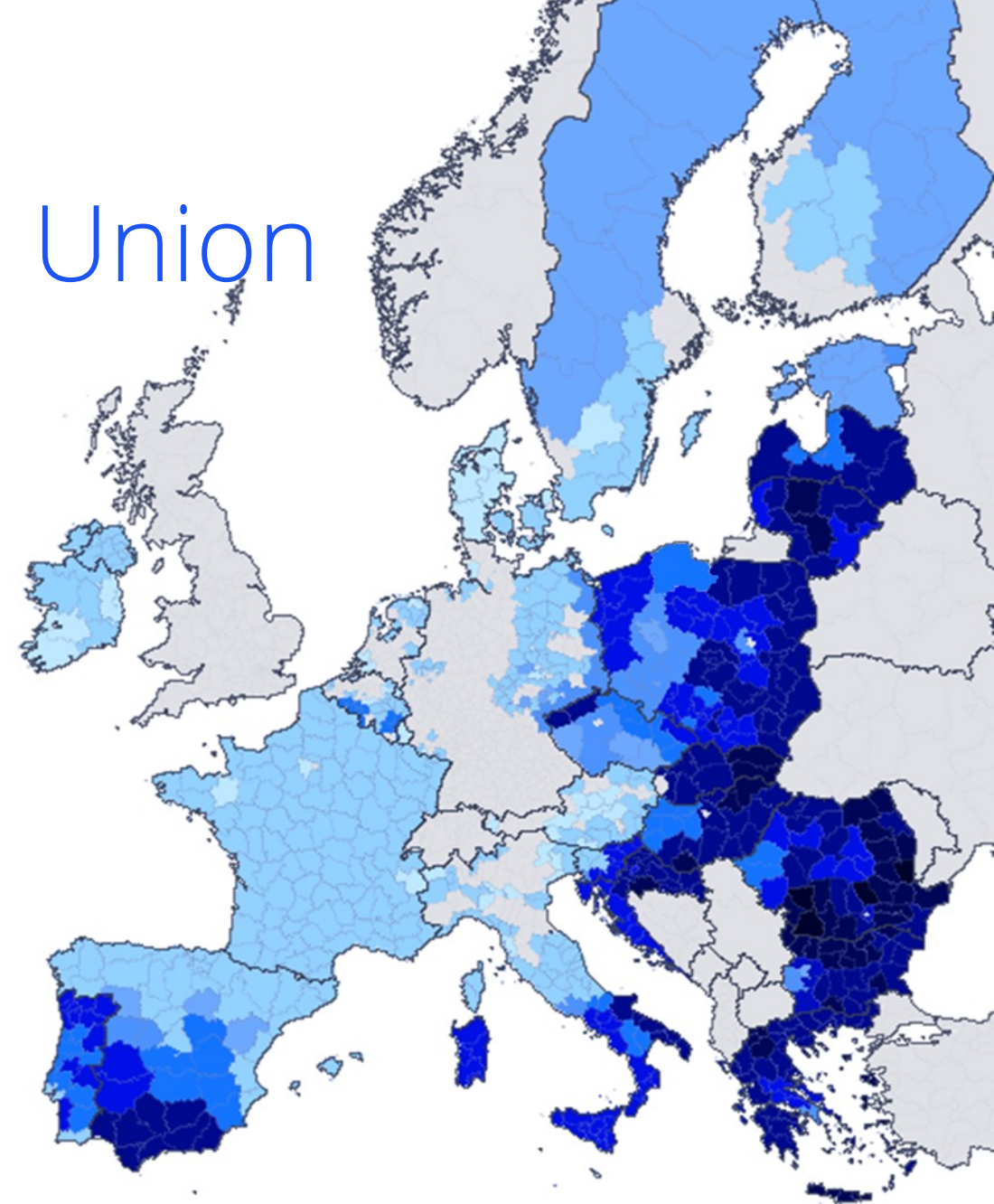
- Every 7 years EU establishes a map of regional aid intensity
- Less developed regions are allowed to provide more state aid to companies
- CEE offers highest aid in the EU (up to 70% of CAPEX)
- Generous state aid schemes across CEE countries including Corporate Tax breaks and government cash grants for manufacturing, R&D and other activities.

EU State Aid reforms in 2023:

- Maximum aid limits across the Europe have increased
- Liberalization of state aid rules
- Introduction of the European Chips Act
- Support for sectors crucial to a net-zero economy (manufacturing of batteries, solar panels, wind turbines etc.) available even in the most developed parts of Europe.

Colliers' Incentives Advisory Europe:

- Specialized services to navigate complex incentives landscape across the Europe
- Assistance with application processes and compliance with local regulations
- Strategic planning and negotiation to maximize benefits from incentive programs



No incentives



More incentives



CAPITAL FLOWS

CEE

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Investment in CEE

CEE-6 Volumes (€ Bn) by Country: 2007 – H1 2024

2023

CEE volumes down ca. **52% YoY**, the lowest result since 2012. A similar picture across Europe.

2022

CEE volumes on par with the 10-year average at ca. **€10.7 billion**.

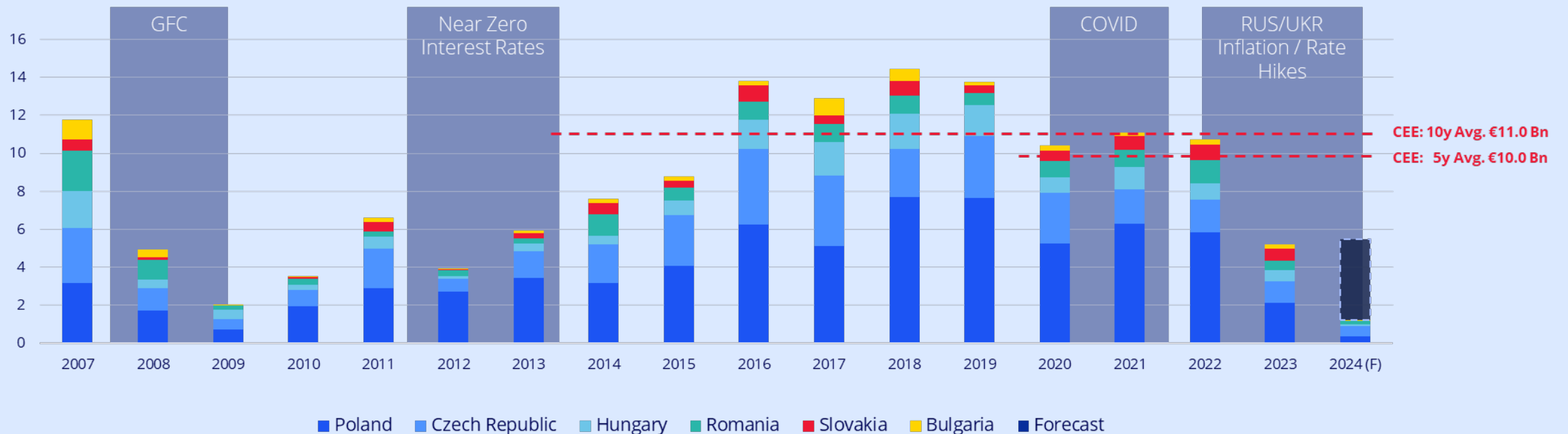
2021

CEE Volumes **-20%** (vs. 2019) – **I&L ranks #1** for the first time since 2008.

2020

CEE Volumes **-25% YoY** as the pandemic set in, affecting mainly Retail and Hospitality.

CEE Investment Markets



Volumes by Sector 2019 – 2023

CEE 10Y volumes are on average ca. 15-20% of Germany and a similar in size to Denmark / Sweden

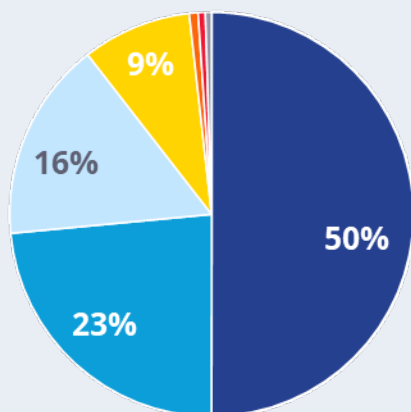
Most active sectors 2018-2023: Offices (41%), I&L (26%), Retail (24%).

CEE Office supply slowed recently, with 10% stock growth over the past 3 years.

CEE Industrial stock on the other hand grew significantly over the past 3 years, by nearly 60%.

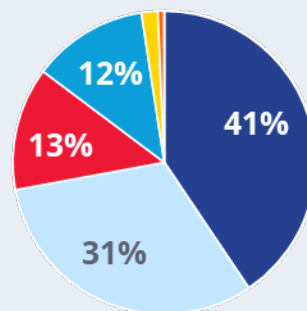
■ Office
 ■ Retail
 ■ Industrial
 ■ Hotel
 ■ Residential
 ■ Mixed use
 ■ Alternative

2019



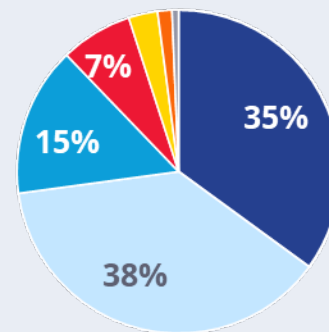
€13.8 billion

2020



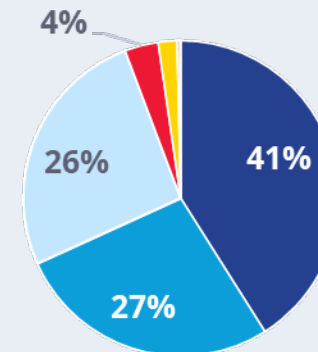
€10.4 billion

2021



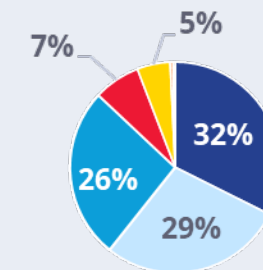
€11.1 billion

2022



€10.8 billion

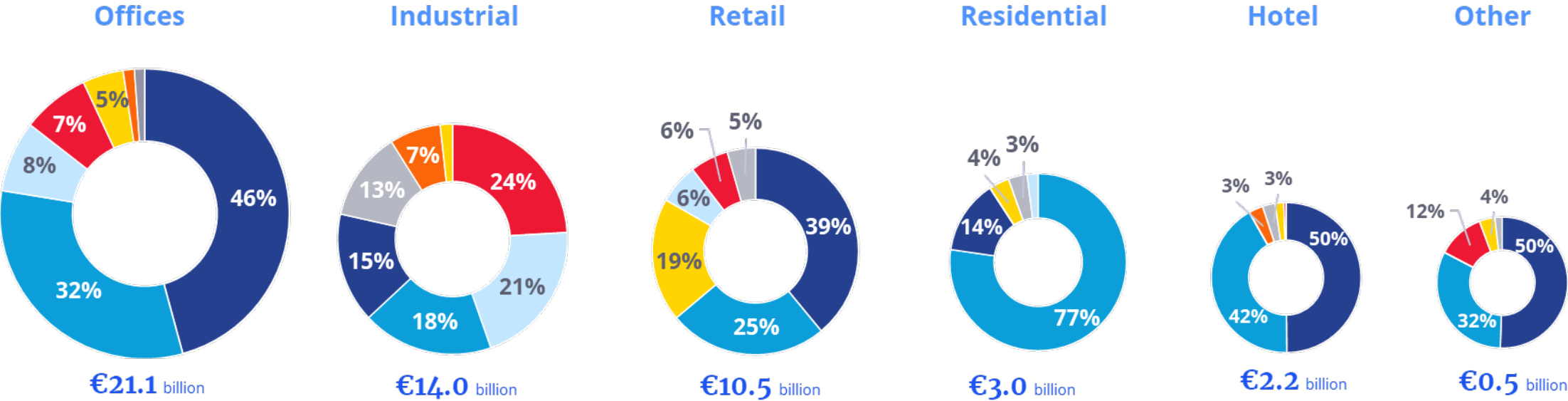
2023



€5.2 billion

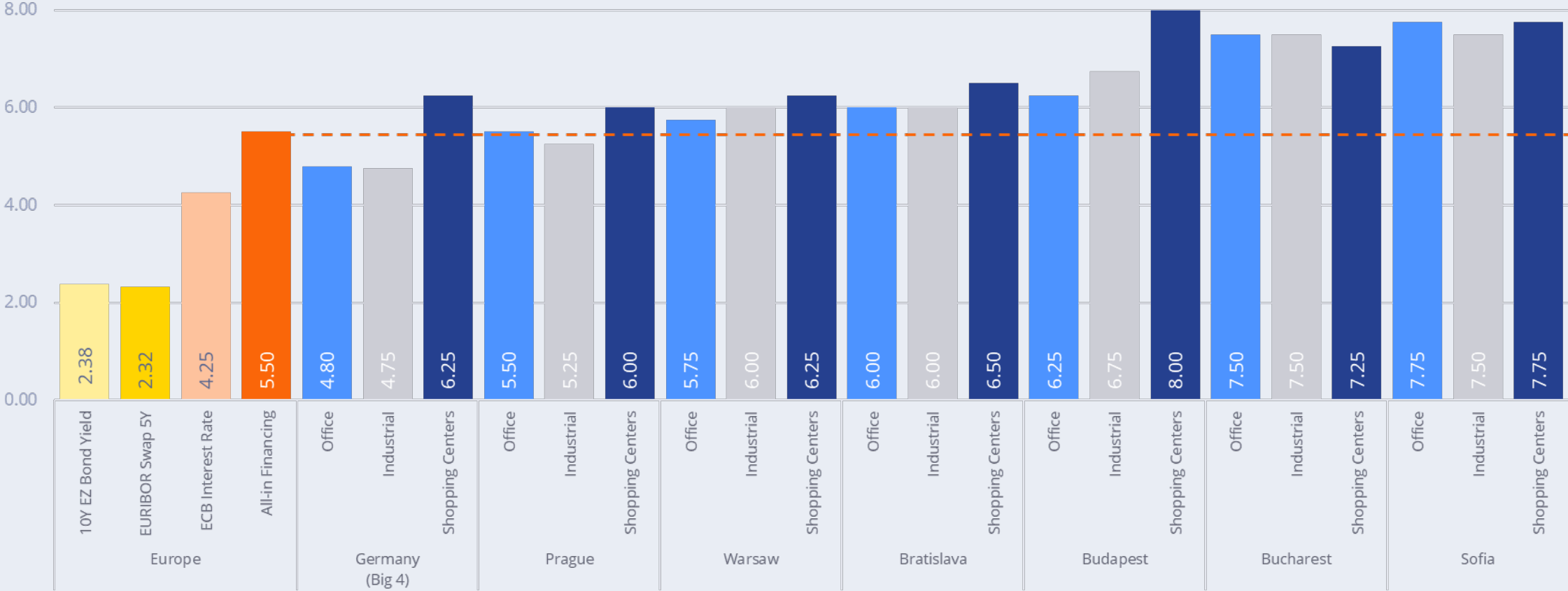
Sector Volumes by Capital Source 2019 – 2023

■ CEE ■ Europe ■ Americas ■ MEA ■ APAC ■ Global ■ Other



*based on buyer activity 2019-2023







CEE Investment Yields



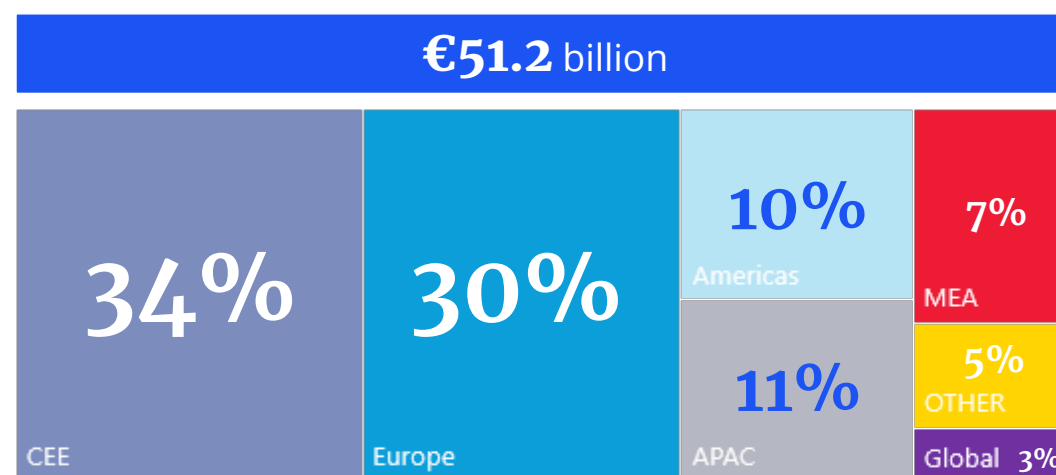
Source: Colliers, Eurostat, 2024 (Germany Big 4 Average: Berlin, Frankfurt, Hamburg, Munich)

Sources of Capital 2019 – 2023

Share of national domestic capital investing in their own markets vs. all other capital sources 2019 – 2023

Country	Domestic (National)	Domestic (Regional)	International
 Poland	2%	14%	84%
 Slovakia	26%	35%	39%
 Romania	30%	16%	54%
 Bulgaria	61%	20%	19%
 Czech Republic	46%	4%	50%
 Hungary	62%	2%	36%

Share of CEE-6 capital investing in the region vs. all major capital source regions 2019 –2023



34% vs. 66%

of Domestic (CEE-6) vs. International Capital sources are split ca. 34% vs. 66%

56%

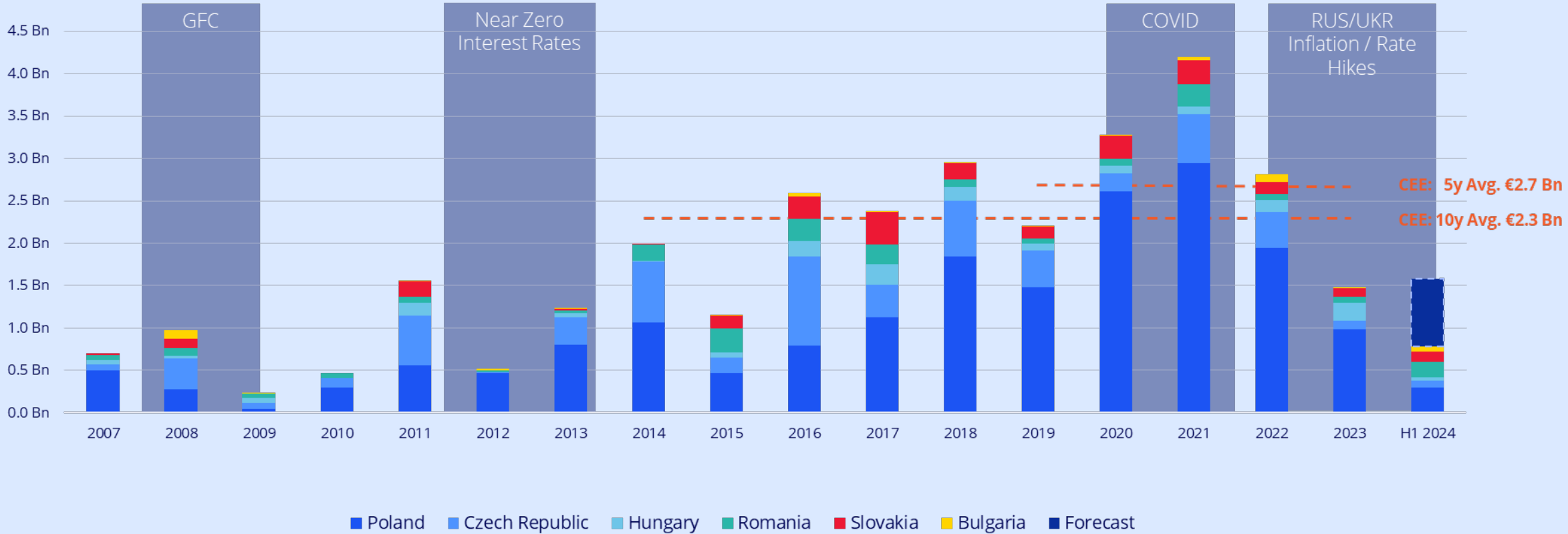
Share of CEE Capital in 2023 volumes reached ca. 56%

Invest in CEE

CEE-6 Industrial Volumes (€ Bn)







by Country: 2015 – H1 2024

CEE Investment Markets – Industrial sector

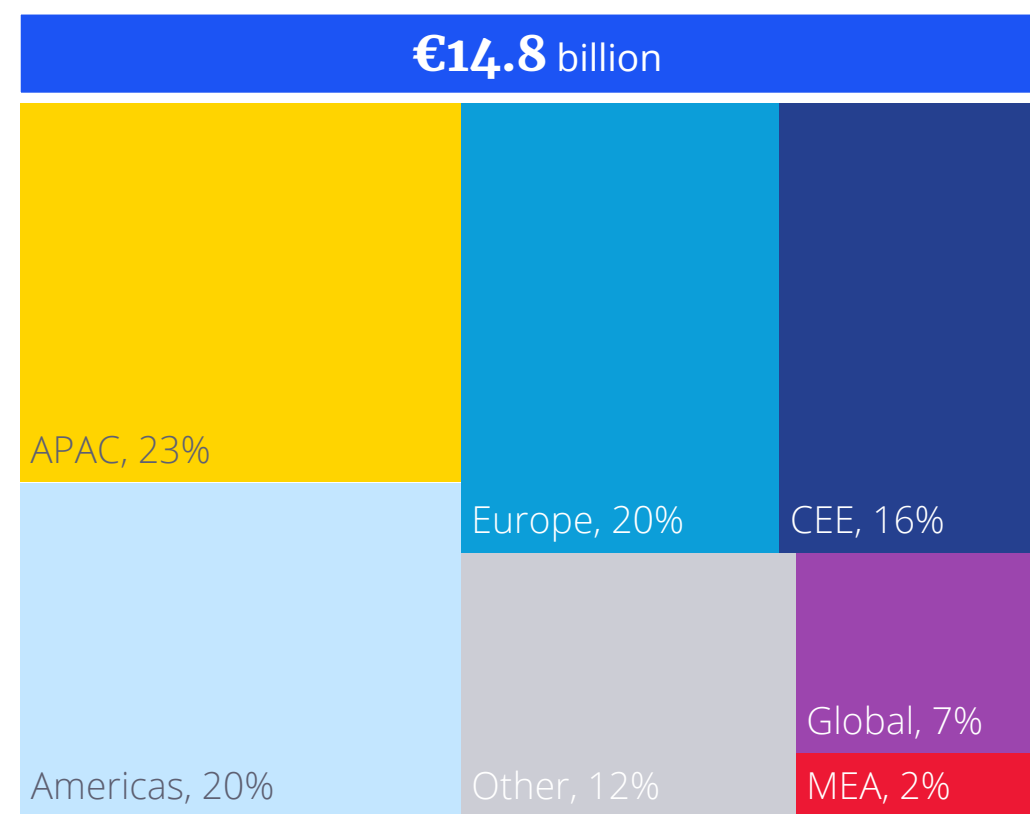


Sources of Capital Industrial 2019 – H1 2024

Share of national domestic capital investing in their own markets vs. all other capital sources 2019 – H1 2024

Country	Domestic (National)	Domestic (Regional)	International
 Poland	>1%	5%	95%
 Slovakia	4%	26%	70%
 Romania	7%	70%	23%
 Czech Republic	18%	51%	31%
 Hungary	29%	10%	61%
 Czech Republic	31%	0%	69%

Share of CEE-6 capital investing in the region vs. all major capital source regions 2019 – H1 2024





MARKET TRENDS

CEE

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Major players on the CEE industrial market

*20%



*8%



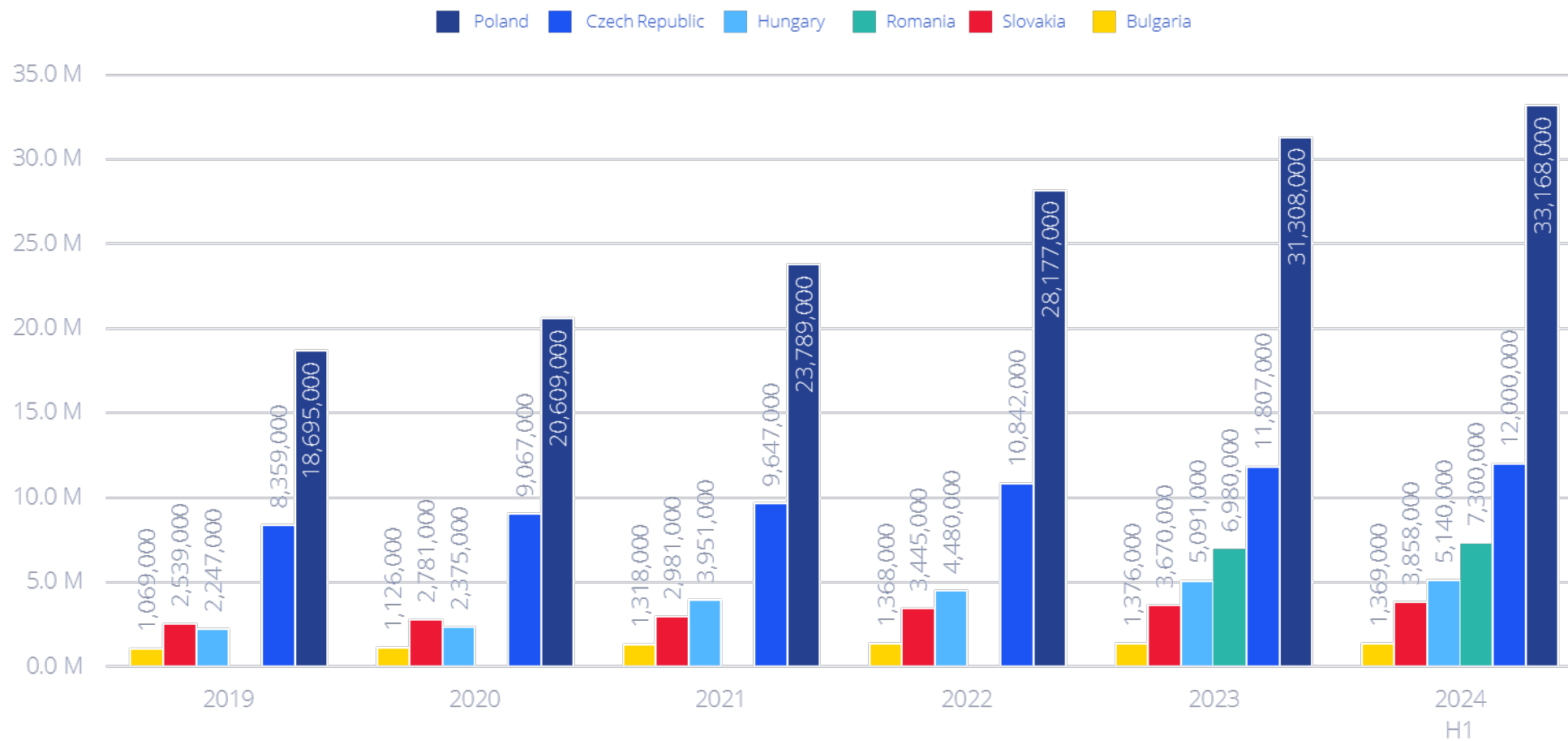
*5%



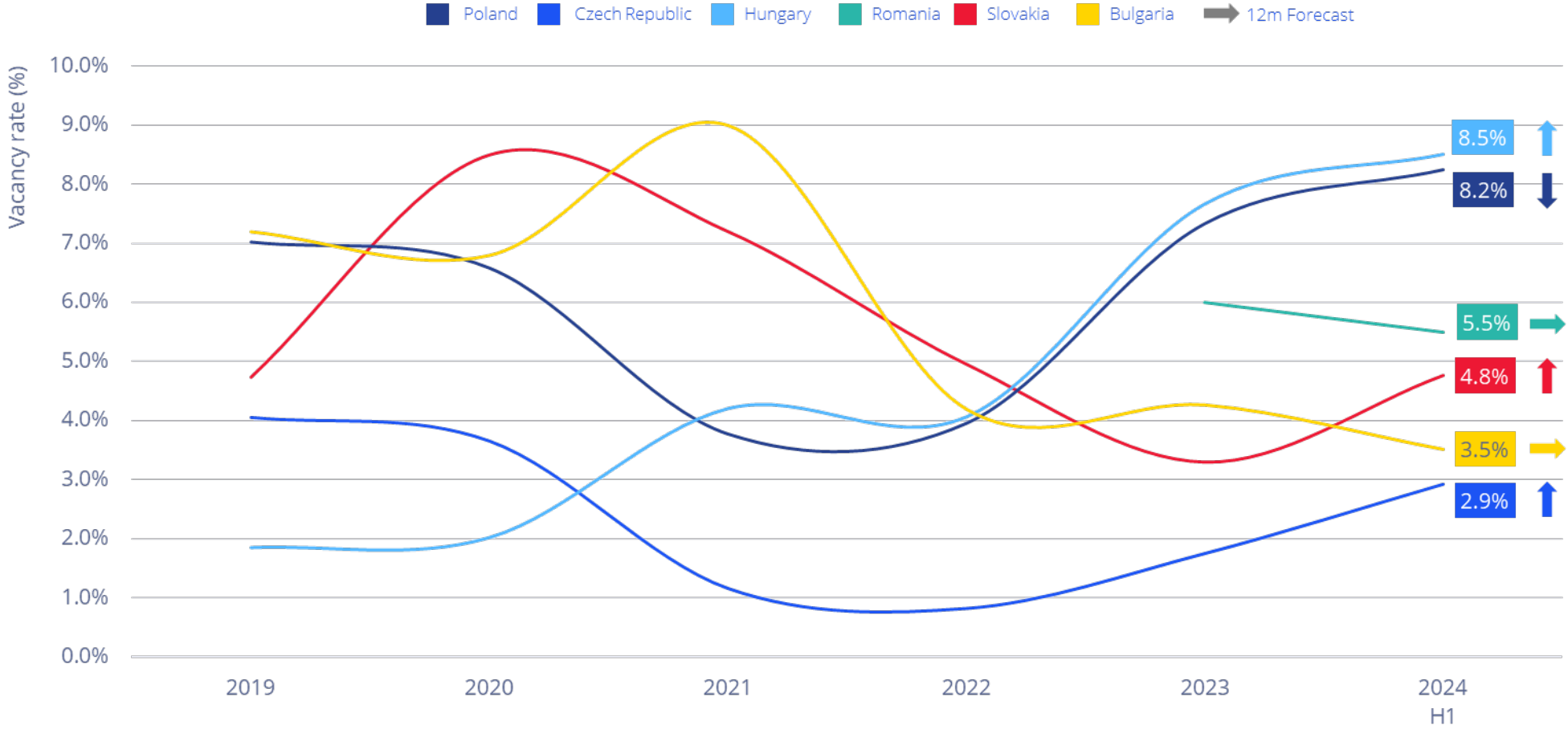
Owners, developers and investors into industrial space,

*Approximate share of built-up, owned space as % of stock at H1 2024

CEE I&L Stock Evolution

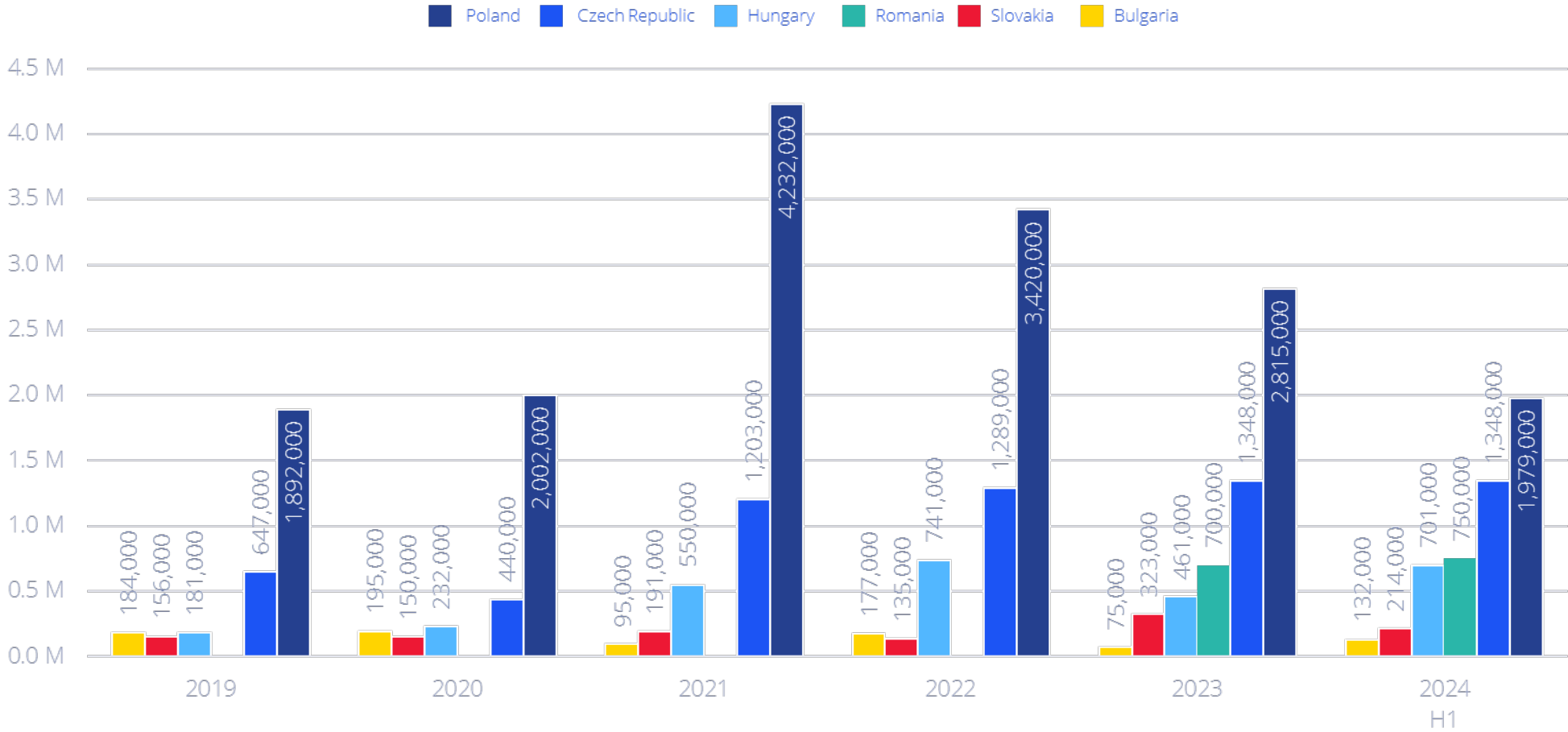


CEE I&L Vacancy Rate



Source: Colliers

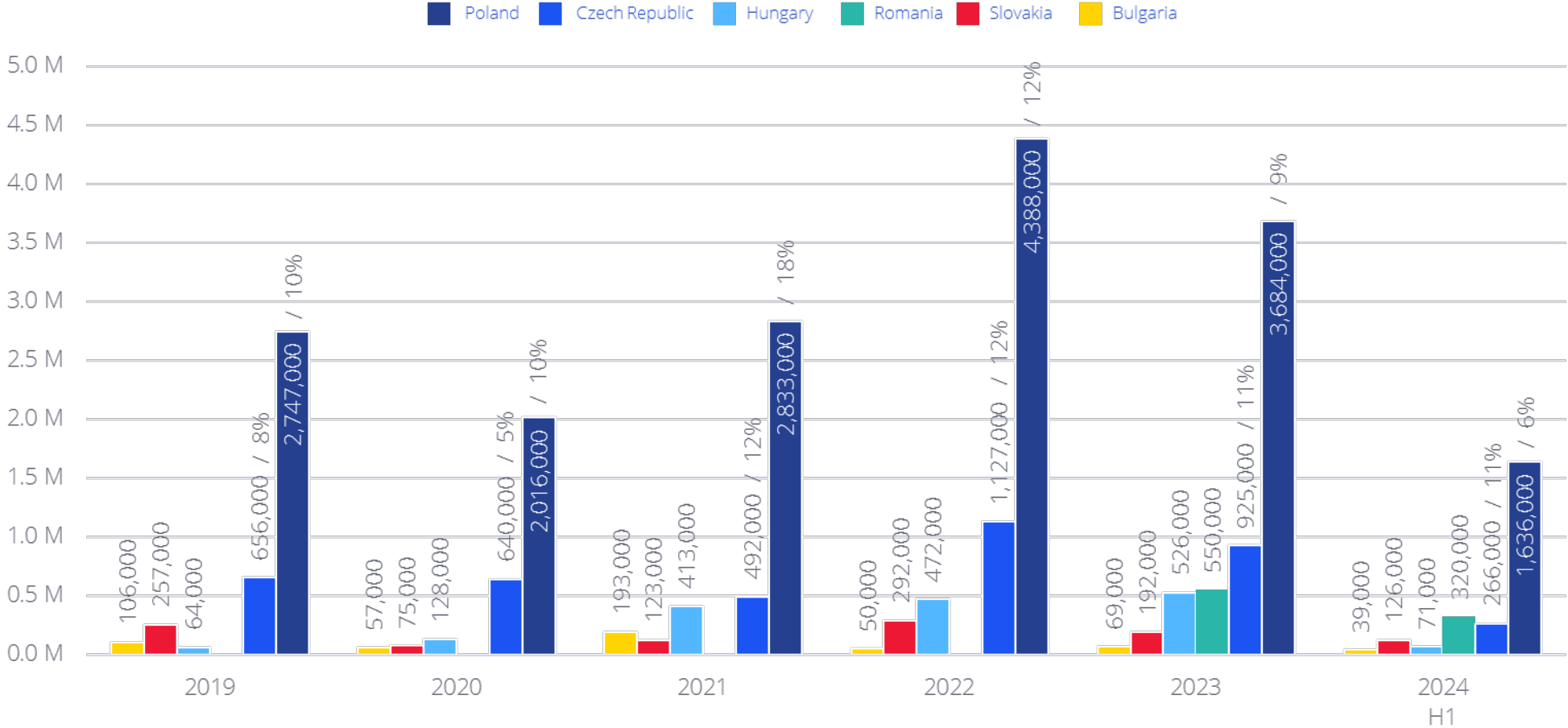
CEE I&L Stock Under Construction



Source: Colliers

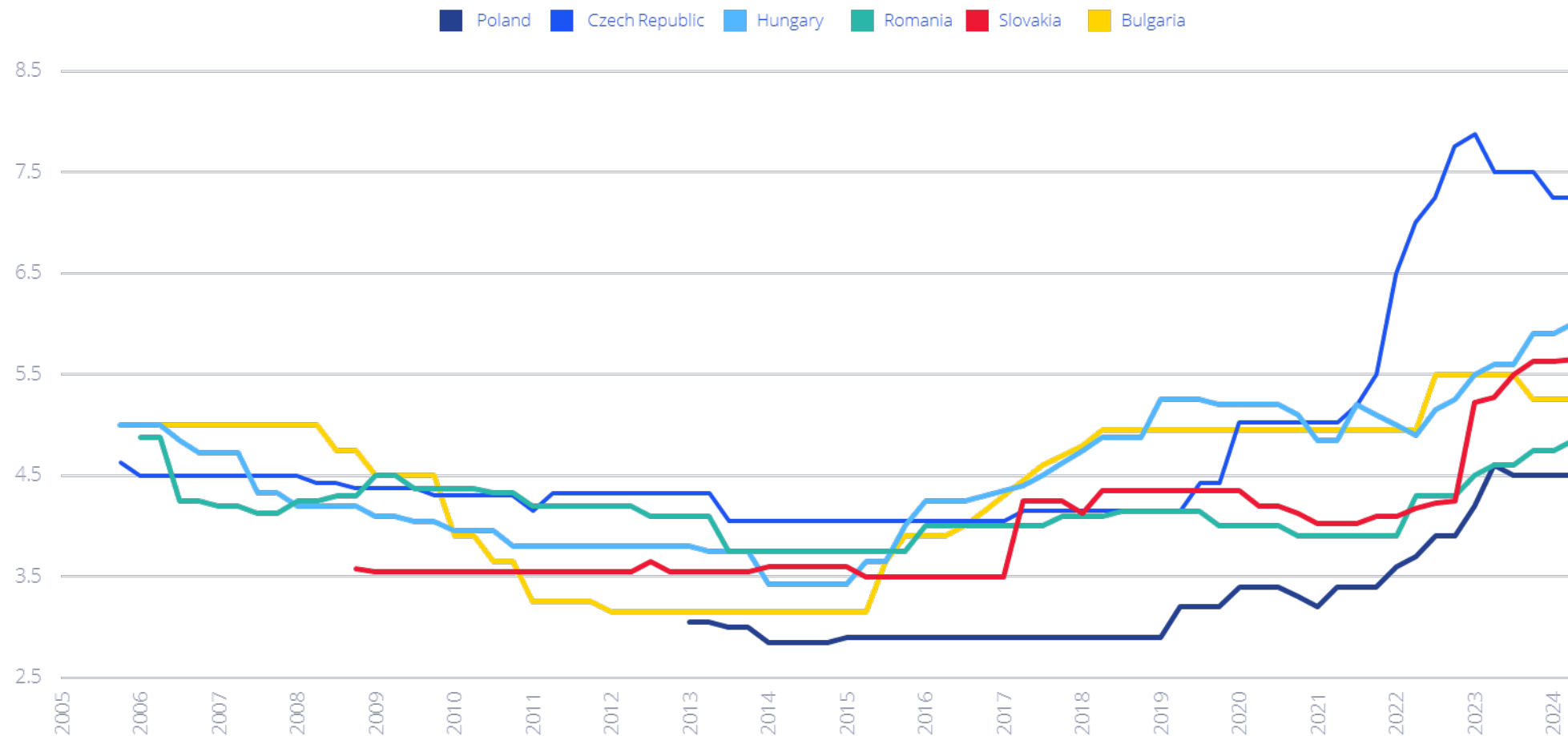
CEE I&L New Supply Development

10% average annual growth in CEE (as % of existing space)

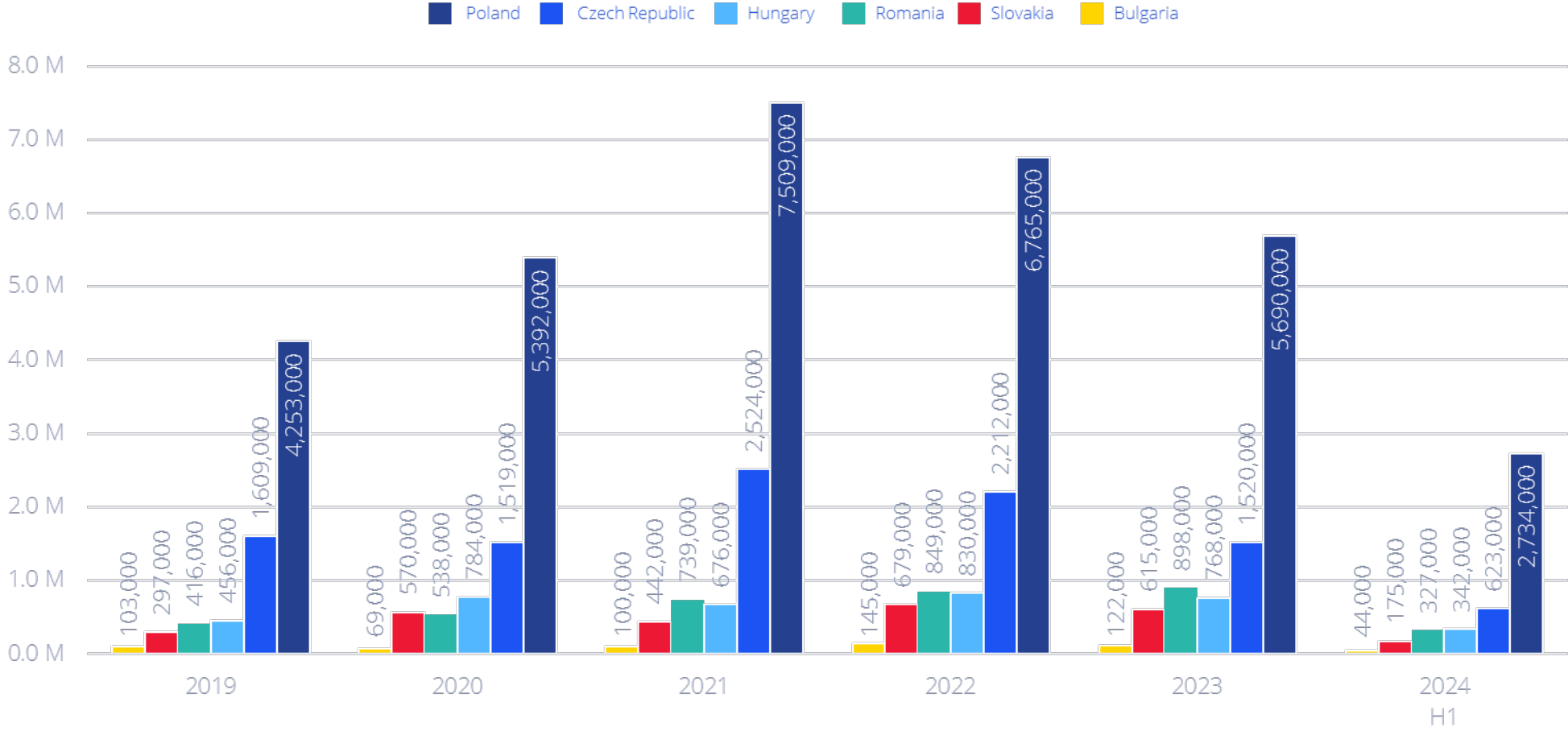


Source: Colliers

CEE I&L Prime Rental Development (€ / sqm / month)

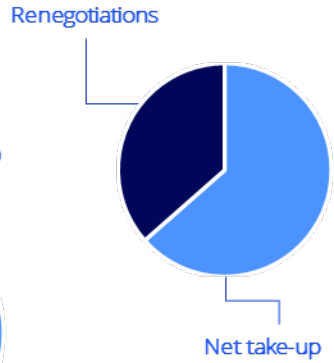
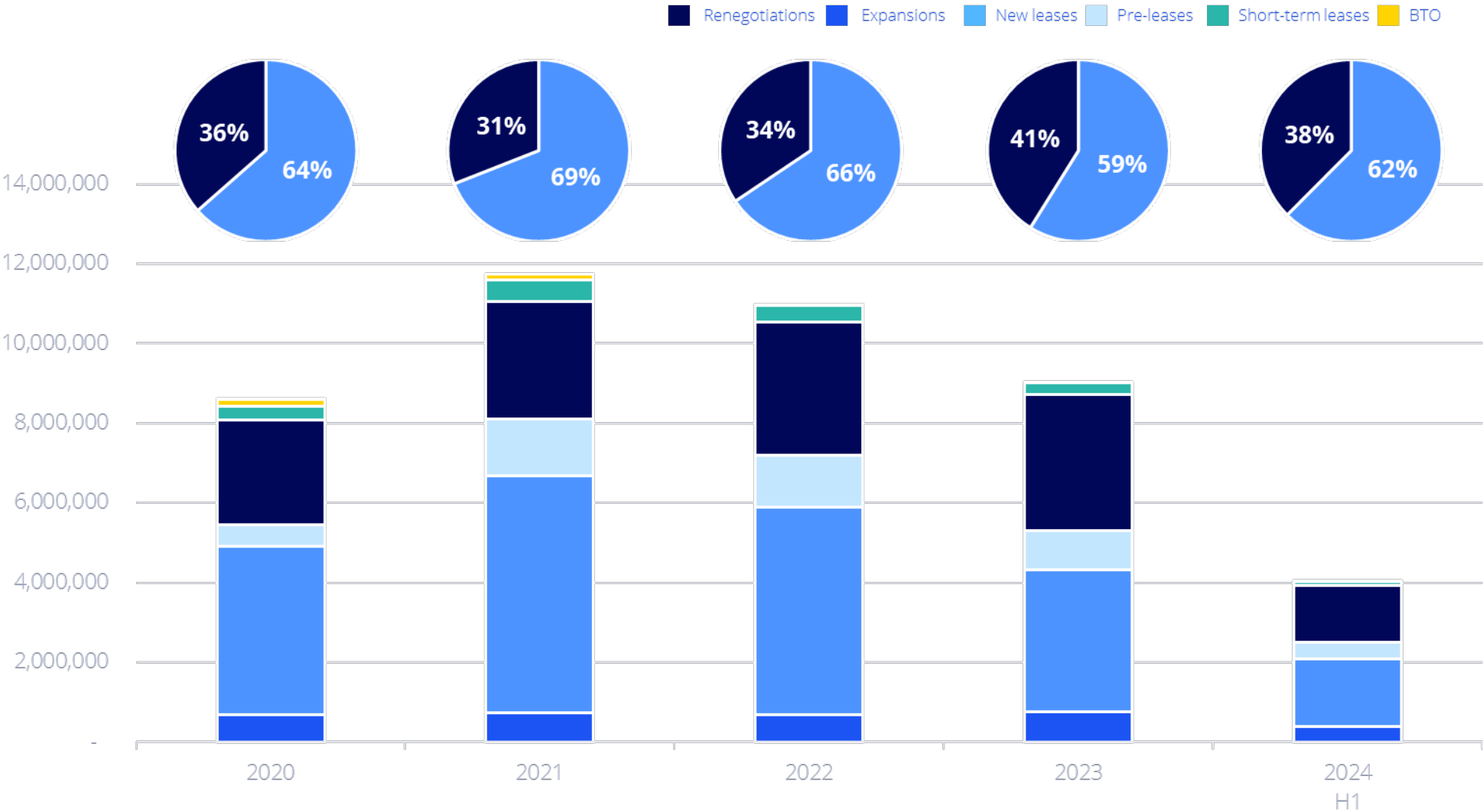


CEE I&L Gross Demand



Source: Colliers

CEE I&L Demand by Type of Lease

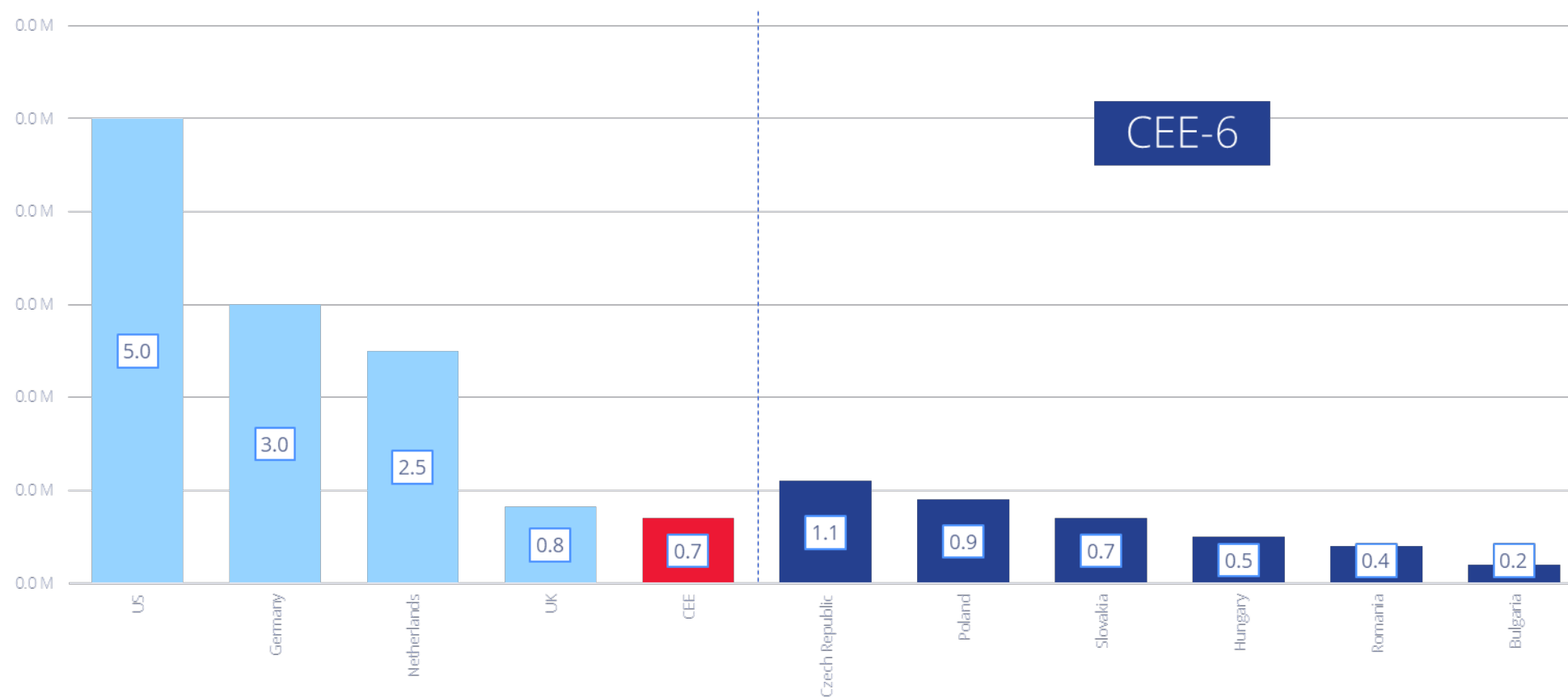


CEE I&L National market data

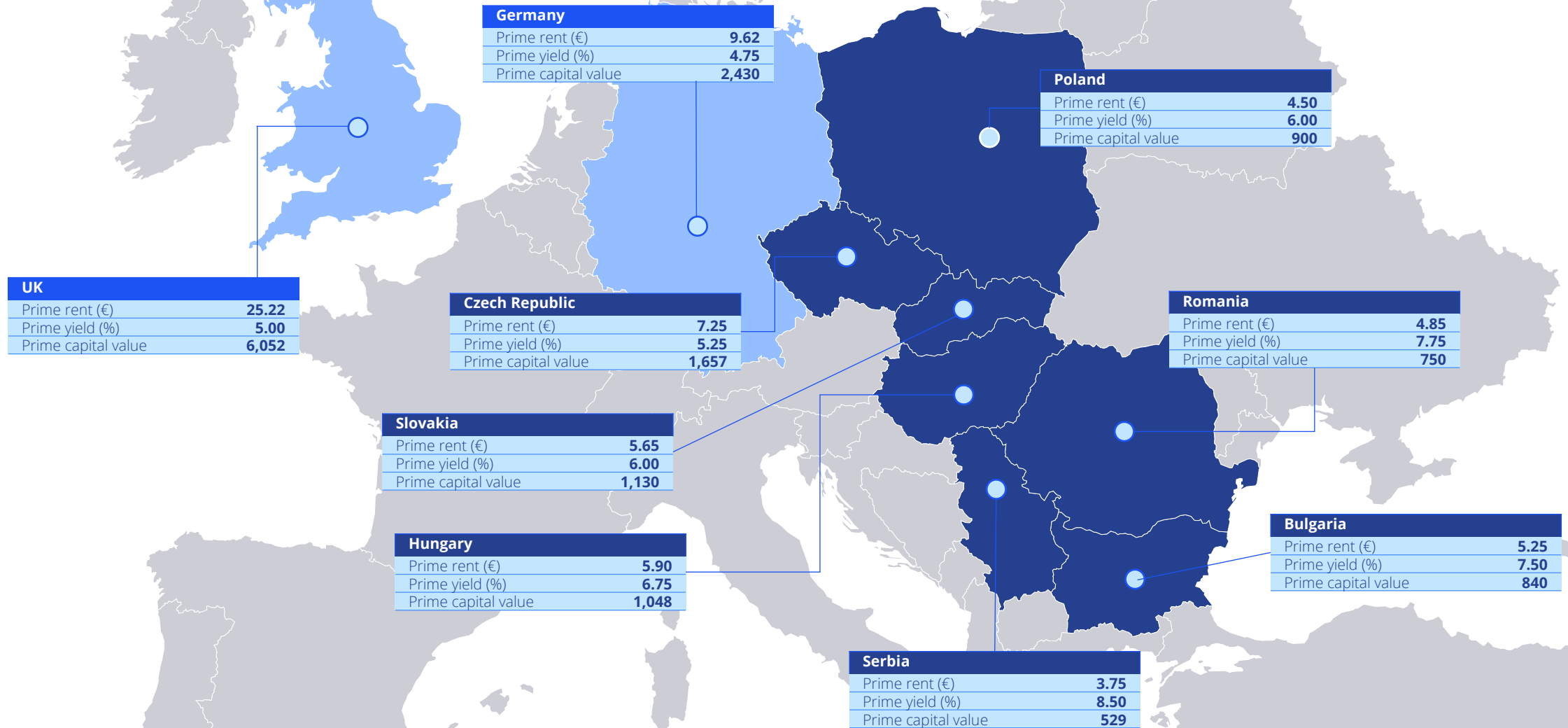
CEE (sqm million)	Stock	Vacancy (% forecast)	Under construction	Gross Take-Up (H1 2024)	New Supply (H1 2024)
Poland	33.2	8.2% ▼	2.0	2.7	0.9
Czech Republic	12.0	2.9% ▲	1.3	0.6	0.3
Romania	7.3	5.5% ▶	0.8	0.2	0.3
Hungary	5.2	8.5% ▲	0.7	0.2	0.1
Slovakia	3.9	4.8% ▲	0.2	0.2	0.1
Bulgaria	1.4	3.5% ▶	0.1	0.1	<0.1
Serbia	0.7	5.0% ▼	0.3	0.3	N/A
CEE Total	63.7	-	5.4	4.3	1.8



CEE I&L Stock per Capita



I&L Value comparison





ctp

Colliers

SPOTLIGHT

ROMANIA

ROBERT MIKLO

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CEE INVESTMENT SERVICES

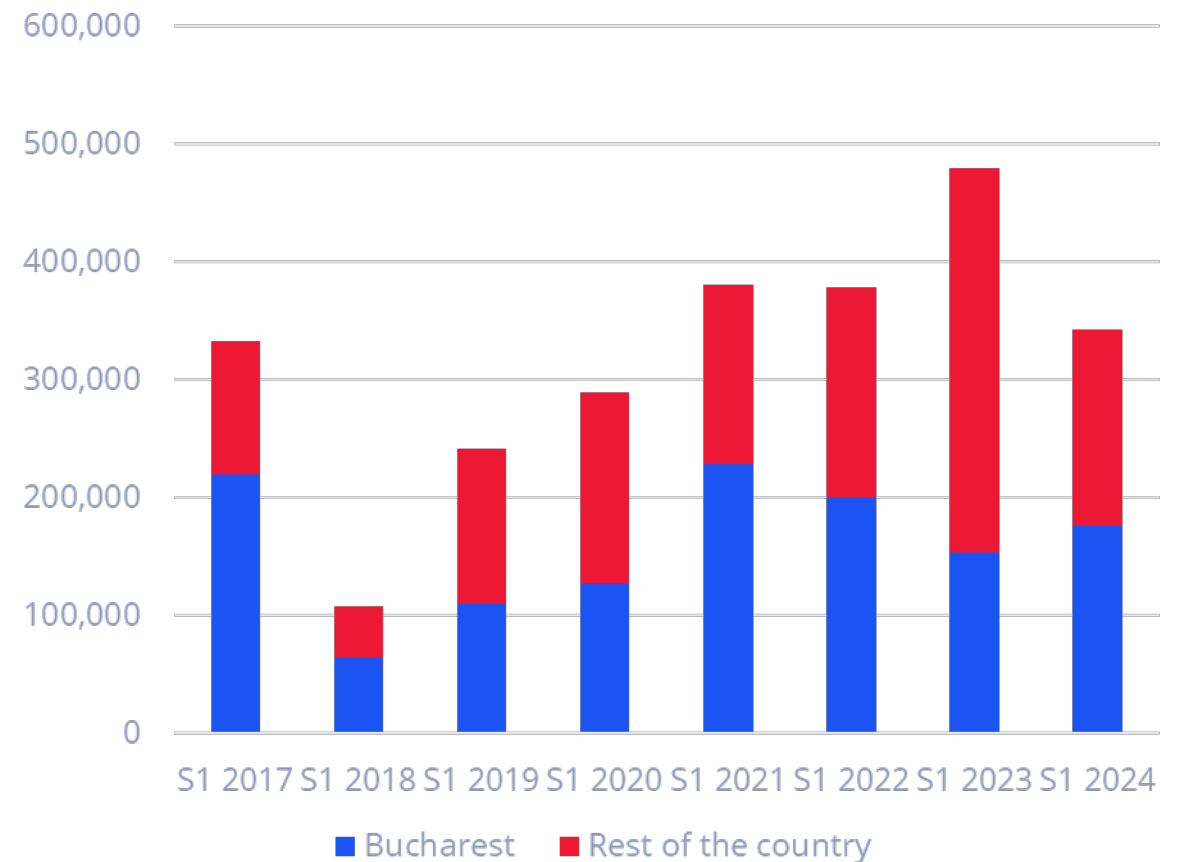
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Romanian industrial market

A new reality

- Gross take-up flirting with at least 0.7-0.8 million sqm/year every year since 2020 vs FY levels 0.3-0.4 million sqm in most years before 2019 (reported figures, not including direct unreported deals)
- Recent trends: nearshoring/reshoring, logistics activity exploring outside Bucharest increasingly more, a growing trend of production

Industrial and logistics leasing activity has shifted in a new paradigm post-pandemic



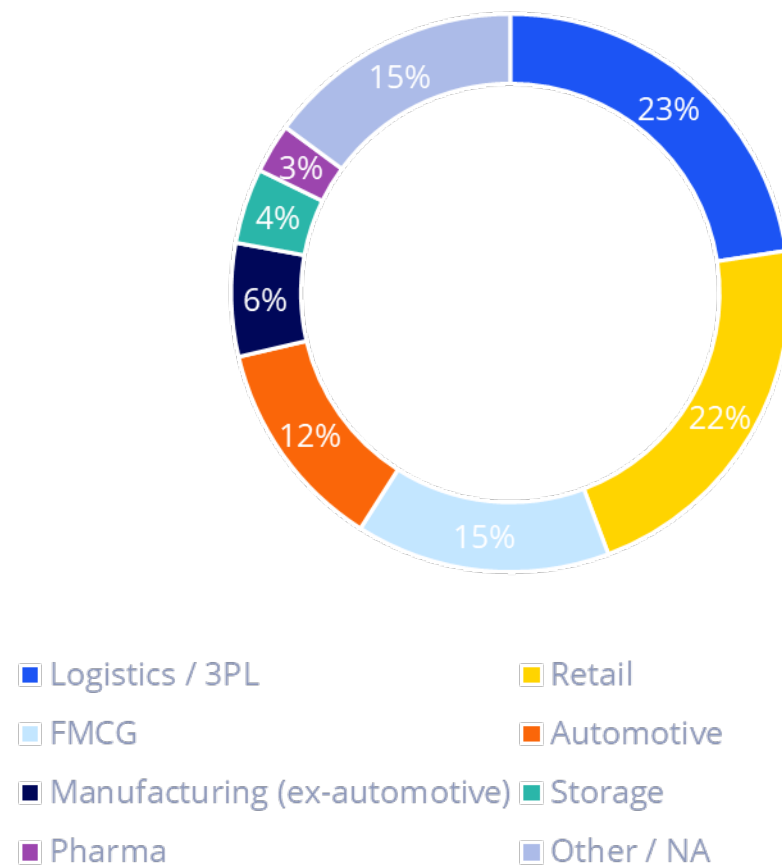
Romanian industrial market

Tenant profile – who's leasing?

- 3PL operators make up the bulk of lion's share of leasing activity, but are closely followed by retail and FMCG companies; in recent years, logistics starting to give way more to retailers and manufacturing/automotive
- Average deal size decreasing in recent years (from ~12k sqm in 2017-2019 towards ~7k sqm post-pandemic) even as dealmaking activity rising as a whole
- Biggest deals on record (for a single property, non-portfolio) are Quehenberger Logistics near Bucharest (2021, 102,000 sqm), H&M near Ploiesti (2022, 87,000 sqm) LPP near Bucharest (2022, 85,000 sqm) and Carrefour near Bucharest (2020, 85,000 sqm)

(first 3 deals mentioned earlier are signed by CTP)

Tenant profile based on 2017-2024 leasing (%/total)



Romanian industrial market

Ambitious highway extension plan to open new areas for I&L

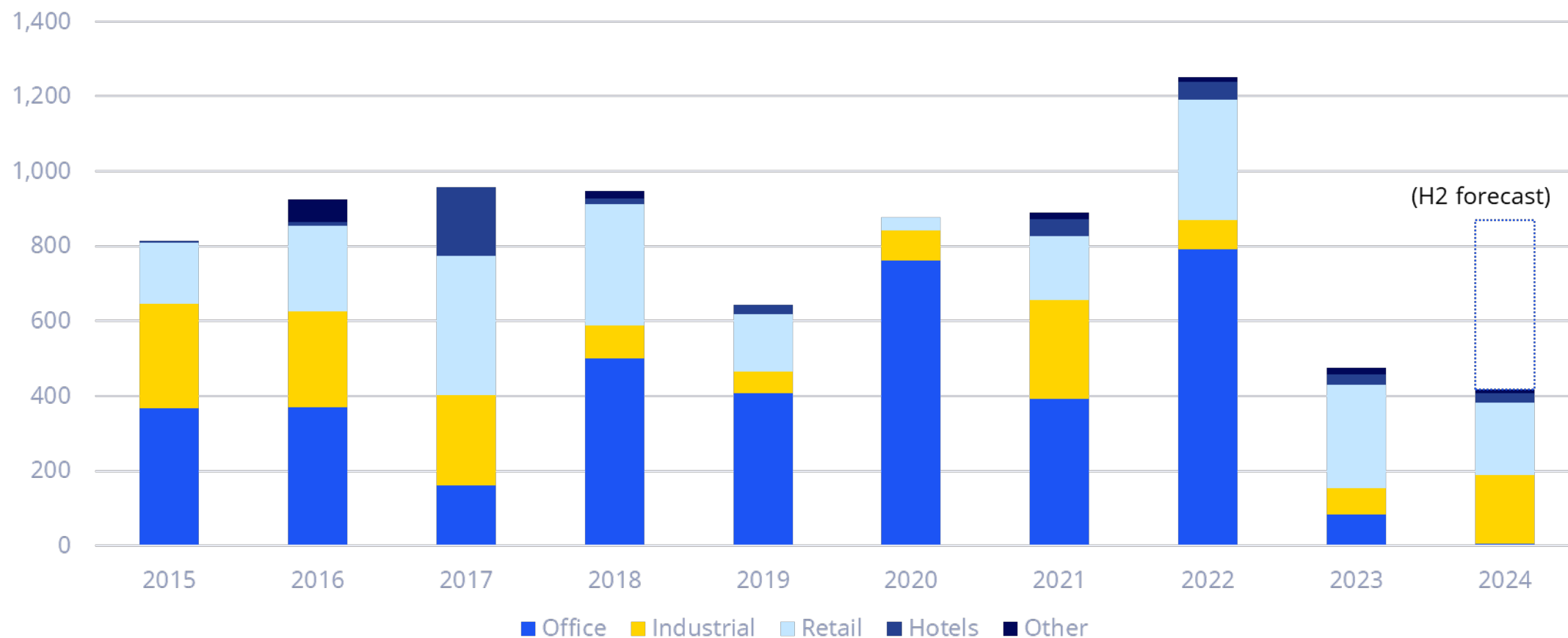


- Major infrastructure revolution underway: 1,100 km of high-speed roads existing, c.800 km under construction, c.400 km in advanced stages of auctioning, many more planned
- Investments also underway for railways (but these are somewhat delayed)
- Reaching 2,000 km of highways would still mean Romania is below where Poland, Hungary or Czechia are now, so much more work needs doing

Romanian investment market

Investment picking up in 2024, I&L much more prevalent

Commercial real estate transactional activity (€ million) picking up sharply in 2024





Thank you!

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