Central Europe: real estate investment growing

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Investment activity continues to grow in Central Europe in the first half of 2011, and this is in major markets, namely Poland, Czech Republic, Slovakia, Hungary and Romania. So far EUR 2.09 billion have been invested there. This increase compared to EUR 1.83 billion in the second half of 2010 indicates that total investment in the region could reach of EUR 4.8 billion by the end of this year. Poland dominates these investments, though it was the only market where the volume of transactions in the first half of 2011 decreased compared to the previous half (from EUR 1.27 billion in the second half of 2010 to EUR 875 million in the first half of 2011). In contrast, the Czech and Hungarian markets significantly recovered in the same period – the volume of transactions in the CR increased from EUR 295 million to 744 million and from EUR 78 million to 233 million in Hungary. Transaction activity, however, remains below the five-year average in all Central European markets. “The volume of investment in 2011 exceeds the most optimistic predictions made in January. Several major transactions in the field of retail, office and industrial space have been announced to take place in the Czech Republic and Slovakia in the summer. Domestic investors continue to buy, the significant increase in activity, however, was mainly caused by the return of foreign investors,” said James Chapman, of Cushman & Wakefield. “The rate of return of premium properties in the Czech Republic has fallen over the past nine months by about 0.75%. As a result, more opportunities appear in the market. This will allow investors to have a wider choice, although the fight for the best spaces will remain hard. The best news for the Czech market is that investors see no substantial reason for the difference in prices compared with Western Europe,” James Chapman said.

In the first half of 2011, portfolio transactions have prevailed in the Czech Republic; they were made on all markets, and their share was more than 60% of all deals. The acquisition of Europolis by CA Immo reached EUR 850 million. Other transactions include VGP / AEW Europe joint venture in the industrial space market amounting to EUR 300 million and the acquisition of retail portfolio of Family Centers in the Republic and Slovakia by the CPI worth EUR 63 million. 69 properties were traded in total in the Czech Republic in the first half of 2011.

Investors’ appetite within the sector has shifted toward office premises, however, Cushman & Wakefield believe this is a short-term trend and will be soon outweighed by interest in retail real estate. The volume of retail transactions in the first half of 2011 declined to EUR 623 million versus EUR 1.12 billion in the 2nd half of 2010. The volume of transactions in the field of office space increased from EUR 466 to 947 million. There was also a significant increase in the volume of transactions in the logistics – from EUR 128 to 511 million, primarily due to the VGP transaction.

Apart from the CA Immo transaction, the highest amounts were invested in CEE real estate markets in the first half of 2011 by AEW Europe, Atrium, Deka, Union, Invesco, Pradera and ECE. CPI remains the most important investor in the Czech and Slovak markets, Erste in the Hungarian market.

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