

## CEE Property Investment

March 2011

## Hot Topics

- CEE property investment volume reaches €1.2 billion in January / February 2011
- Liquidity increasing across CEE
- Union Investment and Invesco buy offices in Poland; Russian activity slows down
- Liquidity to improve further in 2011; product availability to put a brake on increases

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## OVERVIEW

- **CEE property investment volume reaches €1.2 billion in January / February 2011**

Overall property investment volumes in CEE in the first two months of 2011 reached €1.2 billion. The activity was, however, strongly influenced by the acquisition of Europolis by CA Immo. This transaction was announced in summer 2010 but was officially closed in January 2011.

- **Liquidity increasing across CEE**

On the back the Europolis acquisition, liquidity in an increasing number of markets is improving across CEE. After a long period of illiquidity, transaction activity outside of Central Europe (CE) has started to emerge again. Towards the end of 2010 transaction activity in South Eastern Europe (SEE) had already started to improve, a trend that has continued into 2011. Croatia, Bulgaria and Romania have seen institutional purchase(s) being transacted again. A recent example is a retail park sale in a Bulgarian regional city. The scheme was purchased by Europa Capital. Hungary, a Central European market hit hard by the financial crisis, is also seeing increasing investment turnover. The majority of activity, however, is still retail-led.

- **Union Investment and Invesco buy offices in Poland; Russian activity slows down**

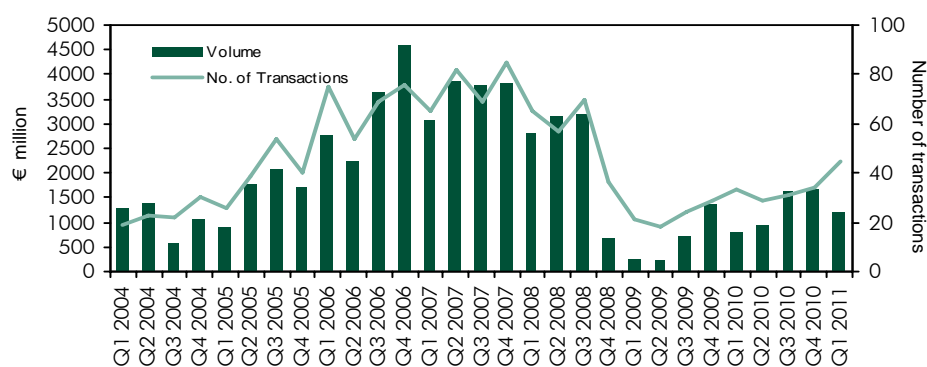
A limited number of transactions were closed in the office segment in Poland. Activity in the market, however, remains high. On the back of Poland's economic performance and the state of its property market an increasing number of investors have Poland high on their investment agenda for 2011. Besides the take over of the Europolis buildings, no transactions were closed in the Czech Republic in the first two months of 2011. Activity is expected to increase in the next few months as some sizeable transactions are closing. Product availability affects liquidity in the Czech investment market. After being one of the most liquid markets in 2010, Russia's property investment market slowed down considerably in the first two months of the year, which is typical following the winter break in January.

Apart from Union Investment buying the Zebra Tower in Warsaw, GOEFs have remained quiet in the CEE investment markets so far in 2011.

- **Liquidity to improve further in 2011; product availability to put a brake on increases**

Further increases to property investment volumes are likely in 2011, however, the availability of quality product across the region is expected to put a brake on increases. A wave of sales from the GOEF-sector in CEE is not expected due to the high book values of most properties. One-off sales may have a considerable impact on the smaller markets in the region. However, in line with CA Immo's purchase of Europolis, additional corporate acquisitions may push investment volumes up further. These future investment trends are, however, difficult to forecast.

## Property Investment Transaction Turnover and Number of Transactions



Source: CB Richard Ellis. \* Investment volume for Q1 2011 contains data for January and February 2011.

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