

Czech Investment Market



Q1 2024

A regular investment market update on the Czech real estate market

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Anticipated cuts in the euro rates have potential to reignite investment activity towards the end of this year. A considerable pool of domestic capital, both private and institutional is waiting to seize suitable investment opportunities. International capital remains absent from the market. However, its interest could be triggered by some of the currently launching transactions in top locations. Despite the positive signals, investment activity may remain subdued for the large part of the year.

- Predictions anticipate a first possible euro-rate cut in June by 25 basis points, according to estimates year-end rates could reach 3.50-3.75%.

Overview

Q1 2024

Prime Yields

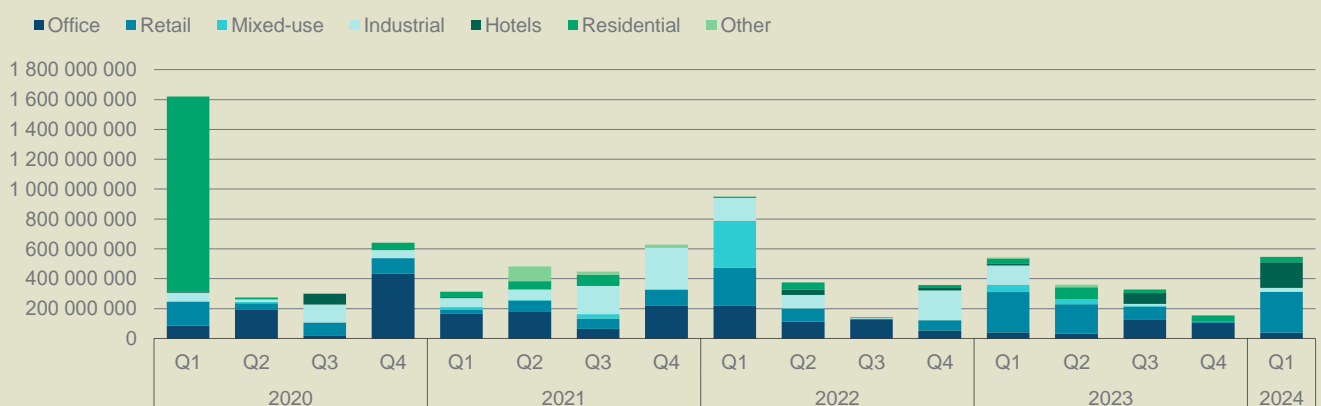
Offices	5.50%
Shopping Centres	6.25%
Retail Parks	6.50%
High Streets	5.50%
Industrial & Logistics	5.00%

CZECH INVESTMENT MARKET

In Q1 2024 real estate investment volumes totaled almost €550 million, similar to Q1 2023 levels, but two and half times more than in Q4 2023. The result was markedly positively influenced by two significant deals, the completion of the Arkády Pankrác sale to Trigea and the joint venture of CPI and Best Hotel Properties, into which CPI placed 8 hotels. If we were to exclude these two transactions, the quarterly volume would plummet to just a fifth of its current figure.

In Q1 2024 all deals were sealed by Czech buyers. Retail claimed a 50% stake in the quarterly volume, with transactions including retail parks and supermarkets in addition to Arkády Pankrác. Hotels had a 32% share primarily attributed to the aforementioned JV. Offices and residential each captured 7%, while industrial had a 4% share on investment volume. In the residential segment we have seen several forward purchase BTR transactions.

Investment volume



Source: Knight Frank Research

INVESTMENT MARKET

Arkády Pankrác and JV of CPI and BHP were the largest deals in Q1 2024. The sole office transaction was the sale of the Olympic Garden building in Prague 1, which was facilitated by Knight Frank.

Built-to-rent institutional residential projects remain attractive to investors, however, the developer and investor price expectations remained largely not aligned. The company XPlace is an active buyer, having ventured into residential projects in Waltrovka and U Šárky.

The Czech National Bank has been consistently reducing the interest rate since December, with cuts in subsequent meetings. Most recently, in March, they lowered the base rate by 50 basis points to 5.75%.

We are passionate about answering your questions. If you've got one about our research or you would like some property advice, we would love to hear from you.



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- Prime yields remained at the same level in Q1 2024 as in the preceding quarter. In 2024 we may still expect some decompression in prime office and industrial yields. Prime retail yields should remain stable.

Total annual investment volume could oscillate around €1.5-1.8 billion in 2024. Last year's investment totalled €1.38 billion. There is a larger number of transactions both of single assets and portfolios in early stages, it remains therefore to be seen whether they can be closed before year-end.

With decreasing interest rates on savings accounts, there may be a renewed influx of capital into domestic real estate funds.

