

Czech Investment Market

Q4 2023

A regular investment market update
on the Czech real estate market

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The final months of 2023 have shown limited investment activity, also in cumulative terms annual investment volumes were lowest in the last ten years. We are however aware of several large deals that have not closed yet and will be finalized in the beginning of 2024. Despite a decline in activity, repricing in the Czech investment market was still very modest, yields moved out only by 50 to 75 bps year-on-year, which is far less than in some western European markets.

- While the Czech National Bank has already started to decrease interest rates, ECB rates are likely to remain elevated at least until mid-2024.

CZECH INVESTMENT MARKET

In Q4 2023 real estate investment volumes totaled €154 million, representing a 57% decrease year-on-year and a 49% drop quarter-on-quarter.

In 2023 annual investment volumes amounted to €1.36 billion, down by 25% y-o-y, lowest since 2013. In 2022 €1.8 bn were transacted and the 5-year average was €2.46 bn. Czech investors accounted for more than 80% of deals in 2023.

While they were also very active in the previous years, their share then ranged only at 40-60%.






Retail had a 41% share on total annual investment volume, followed by offices (22%), that used to be traditionally the most demanded sector. The share of residential deals has risen to 12% last year confirming the attractiveness of the sector.

In Q4 office transactions dominated with 68%, followed by 28% share of residential deals.

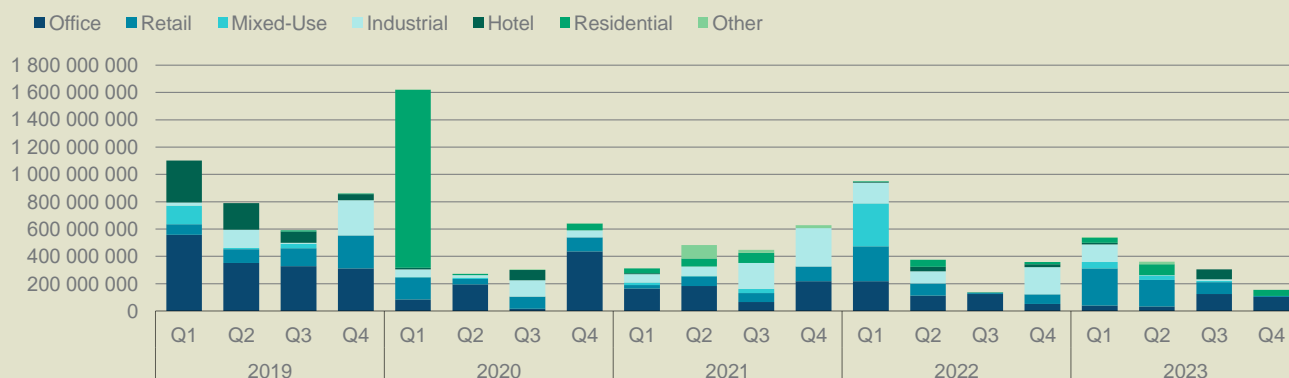
Overview

Q4 2023

Prime Yields

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

Investment volume €



Source: Knight Frank Research

INVESTMENT MARKET

Major deals closed in the last three months of 2023 included the sale of the 25% share in the Churchill Square complex acquired by ČMN from CFH. This year a final 25% share should be acquired.

Mint residential fund acquired a residential project in Prague 9 Poděbradská in a forward purchase. Additionally, City Point office building, that was previously owned by Amundi Czech Republic, was acquired by WorkLounge.

In December the Czech National Bank decreased the base interest rate by 25 bps to 6.75%. This happened for the first time since May 2020. Latest inflation figures from November reached 7.3%.

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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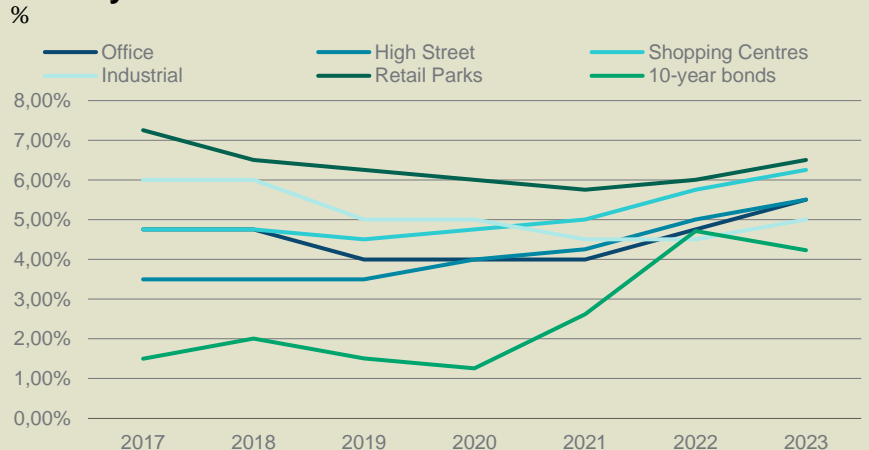
Investment

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- Prime yields remained broadly stable in Q4 2023 except a slight decompression in office yields by 25 bps. For this year, some selective decompression may still be expected. Further development of yields will depend on the development of interest rates.

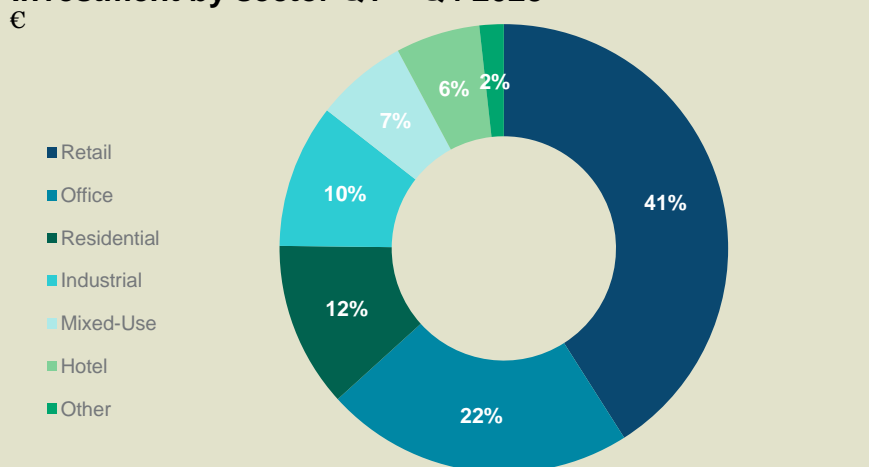
In the first half of the year 2024 investment activity will still remain subdued. It is imperative for both sellers and buyers to further synchronize their expectations to facilitate more resilient investment activity. Nonetheless, there is a substantial pool of capital waiting in the sidelines ready to seize selective investment opportunities. Especially in the segment of trophy assets demand still remains high. Residential and hotels are also very attractive asset classes.

Prime yields



Source: Knight Frank Research

Investment by sector Q1 - Q4 2023



Source: Knight Frank Research