

Real estate transactions

Czech Republic

18 February 2015

EY

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working world



Agenda

1. 2014 – a year in review

- Office
- Retail
- Industrial
- Major deals

2. Capital trends

3. Current yields

4. 2015 outlook / trends

5. Value creation

2014 – a year in review

A return to confidence

1

Macroeconomic



- ▶ Robust recovery
- ▶ Low interest rates / yield gap
- ▶ Surplus capital (globally)

2

Regional view



- ▶ Slow growth in Eurozone
- ▶ Crisis in Russia / Ukraine
- ▶ Economic / political stability

3

Capital markets



- ▶ Equity – European & US capital
- ▶ Debt – senior debt & bonds
- ▶ NPL funds

4

Office



- ▶ Stabilised rental rates / vacancy
- ▶ Limited yield compression
- ▶ Increase in supply pipeline

5

Retail



- ▶ Some yield compression
- ▶ Premiums from prime mixed use
- ▶ Limited changes in rentals

6

Industrial / logistics

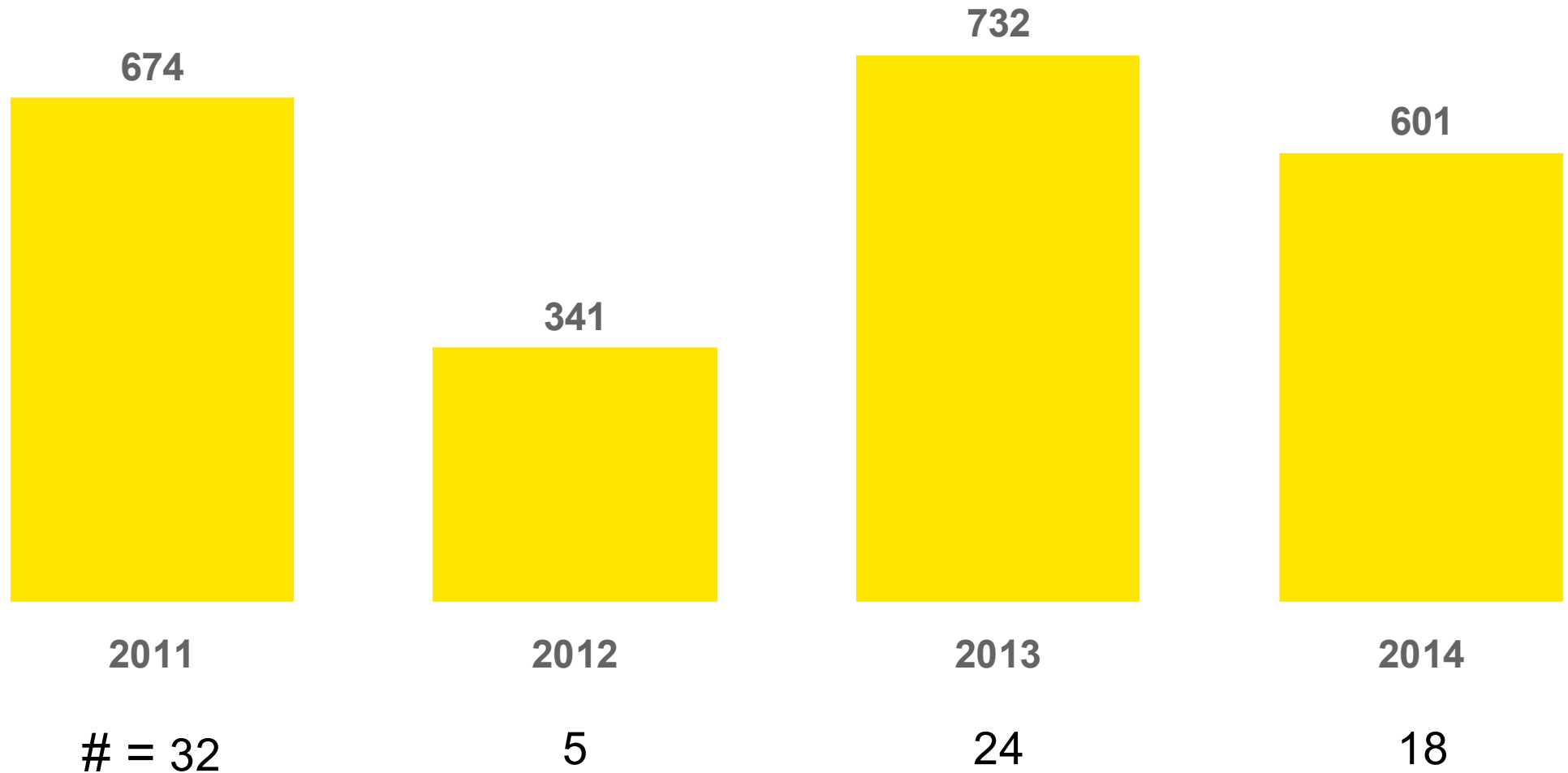


- ▶ High yield compression
- ▶ Attractive distribution hub
- ▶ Demand from e-commerce

Office market (€m and # of properties)

Decline in both volume and value of office deals in 2014

■ Volumes in €m

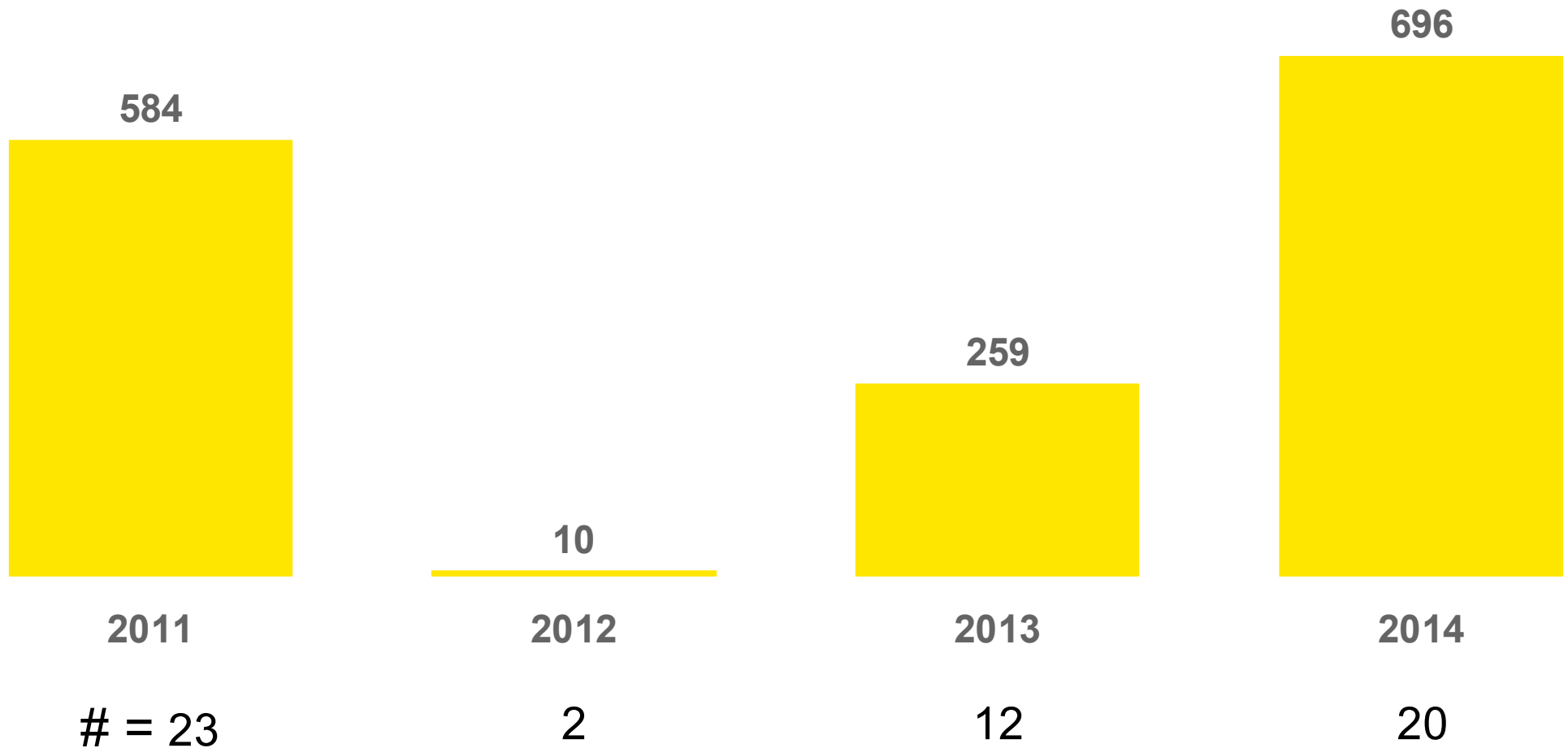


Source: Real Capital Analytics

Industrial market (€m and # of properties)

2014 dominated by the €521m P3 transaction (11 logistic parks)

■ Volumes in €m

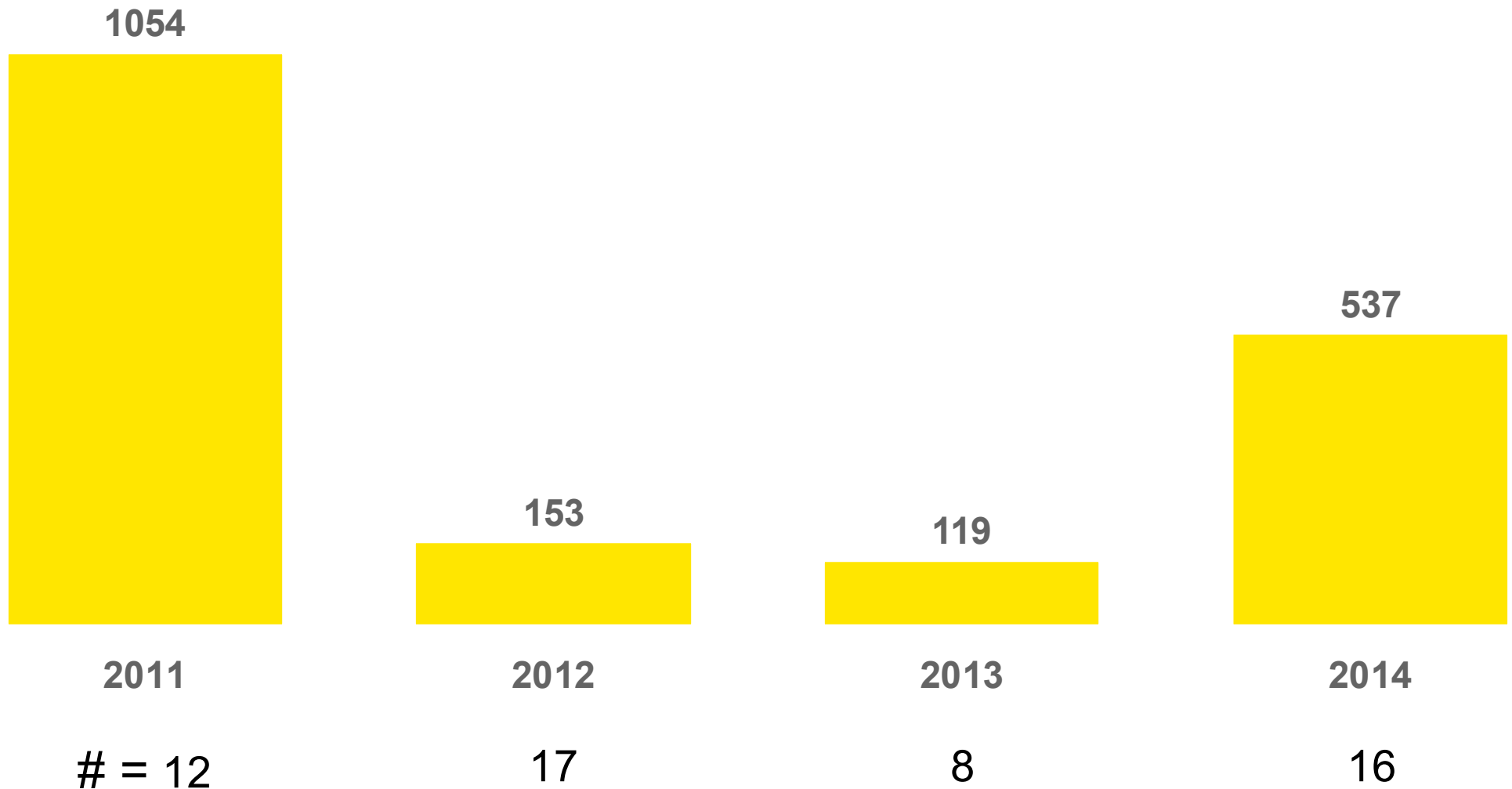


Source: Real Capital Analytics

Retail market (€m and # of properties)

Sharp increase in activity and deal values in 2014

■ Volumes in €m



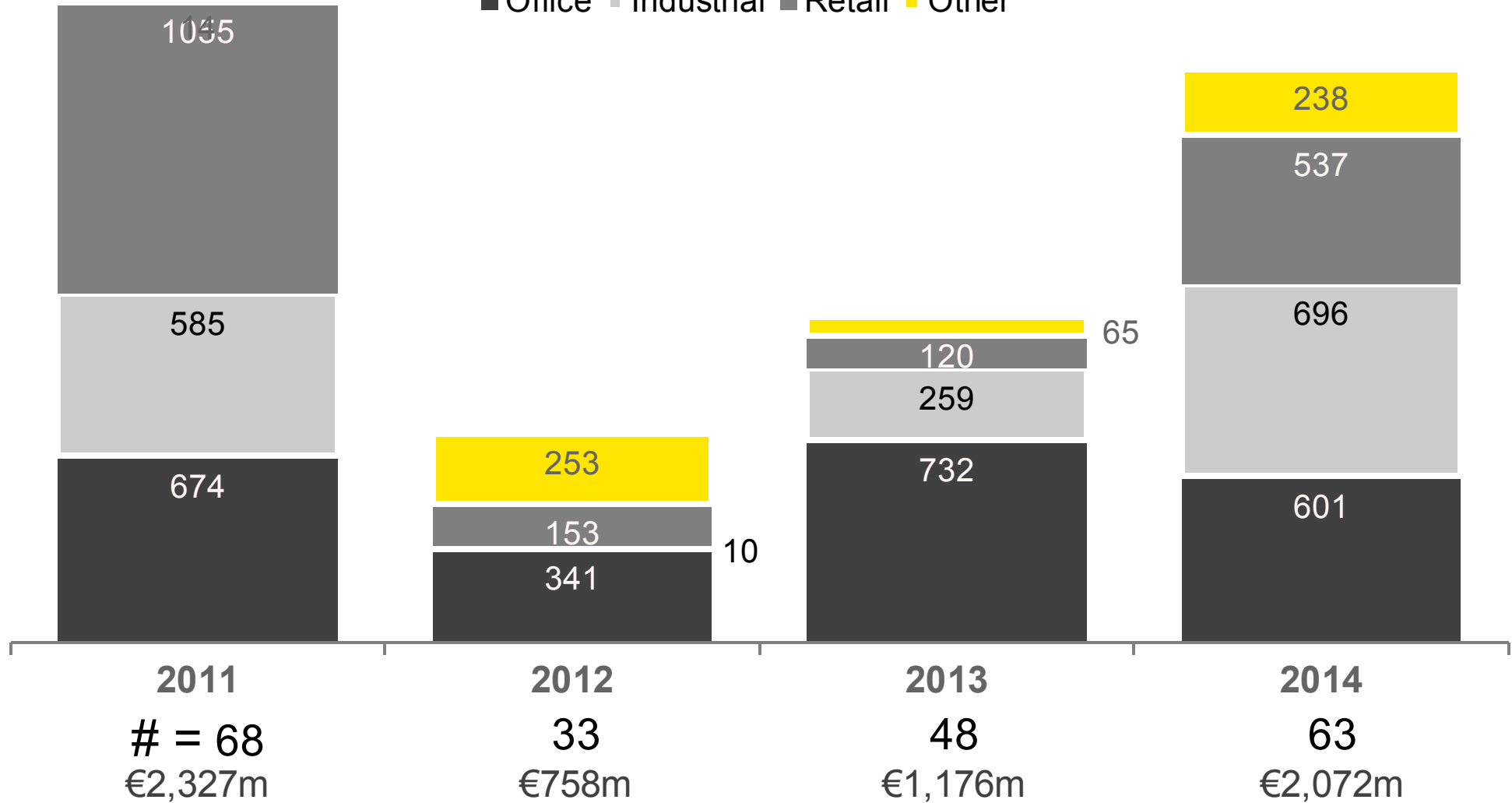
Source: Real Capital Analytics

Total market (€m and # of properties)

Volumes and value in 2014 close to 2011 levels

Volumes in €m

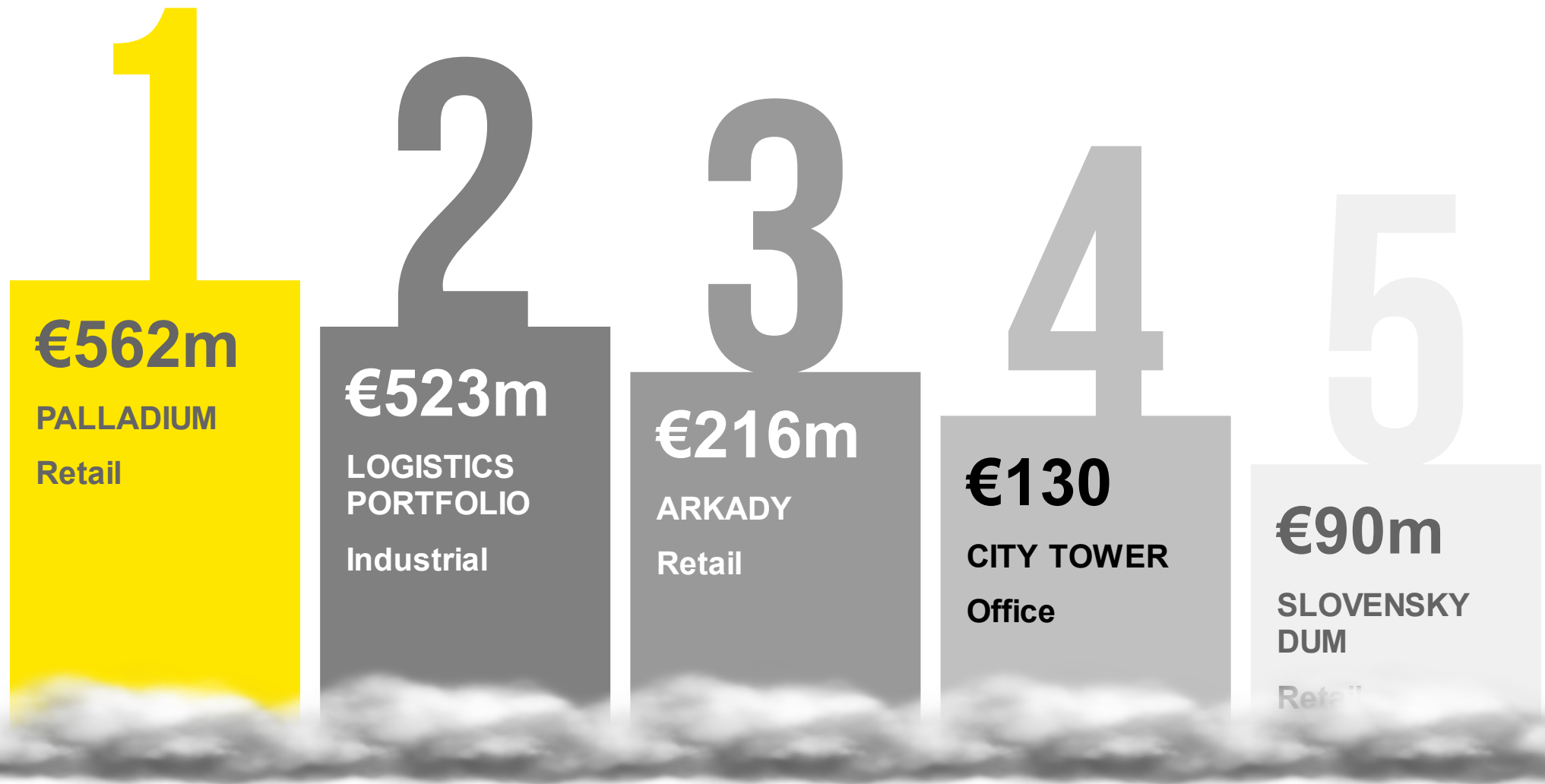
■ Office ■ Industrial ■ Retail ■ Other



Source: Real Capital Analytics

Major deals in 2014 (inc. closed in Q1 2015)

Retail and Industrial provided the largest transactions

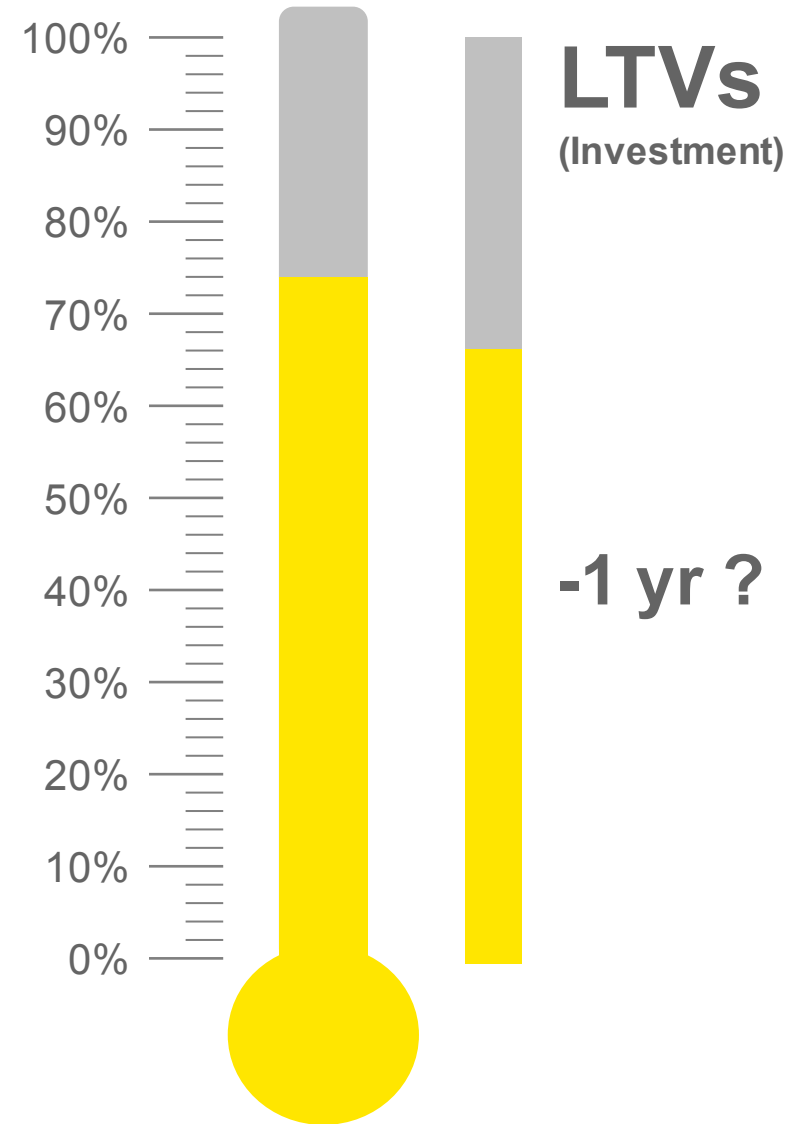


Capital trends

Too much capital chasing too few deals ?

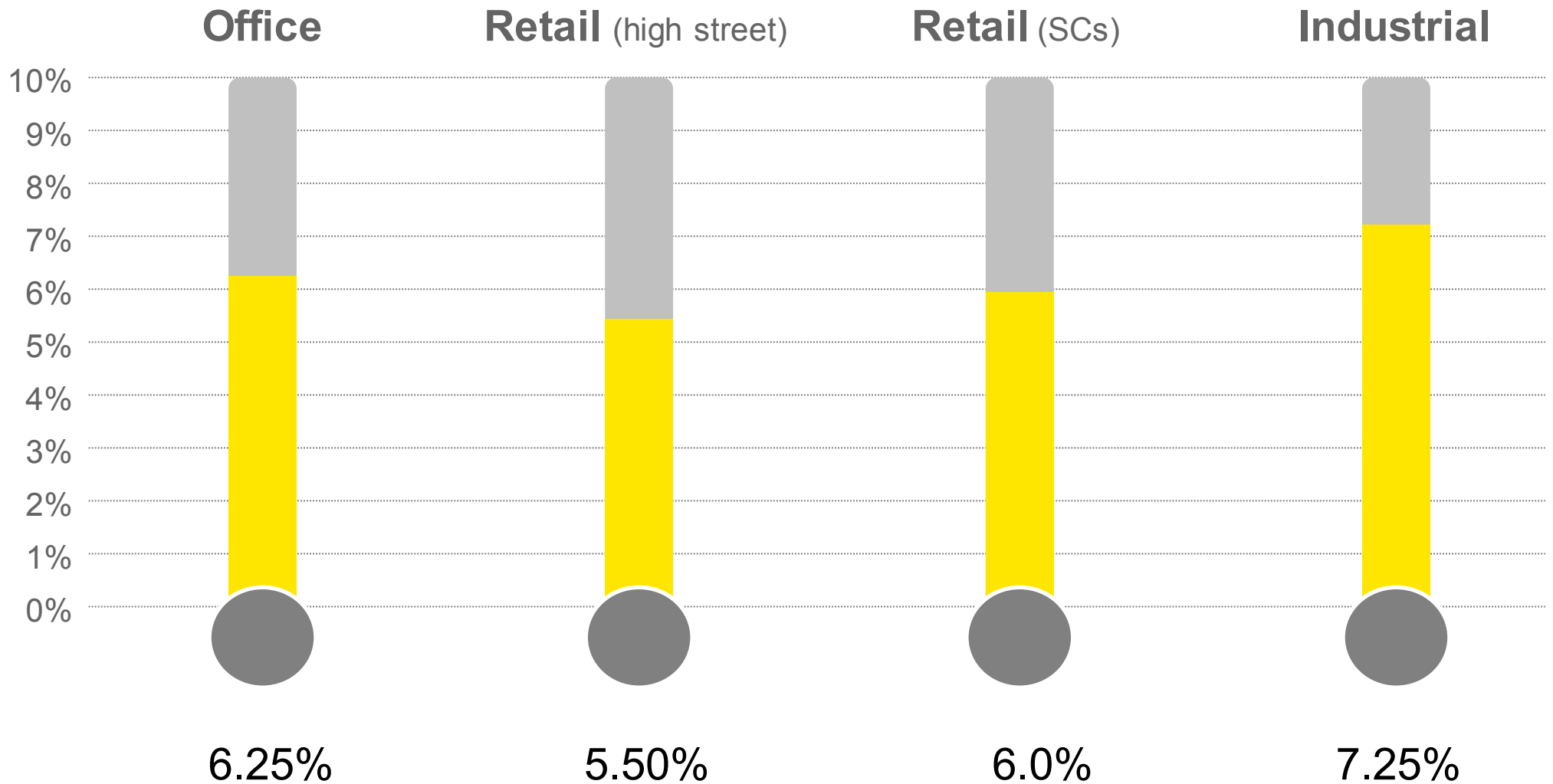
Reasons for concern

- ▶ High confidence driven by strong availability of capital (both equity and debt)
- ▶ Income return from real estate remains attractive compared to other asset classes
- ▶ Scarcity of acquisition opportunities driving high price tags
- ▶ Greater liquidity and need to deploy capital increasing both prime and secondary values
- ▶ Growth in value exceeding occupier levels – rental growth still elusive (market disconnect)
- ▶ Debt market rebounded too far and too fast ?



Current yields (prime, Prague)

By segment



2015 outlook / trends

Some improvement, but let's not get too optimistic ...

1

Macroeconomic



- ▶ Modest GDP growth expected
- ▶ Supportive monetary policy
- ▶ Threats from Eurozone ?

2

Regional view



- ▶ Slow growth in Eurozone
- ▶ Crisis in Russia / Ukraine
- ▶ Peer comparison

3

Capital markets



- ▶ Continuing surplus of capital (motivating sellers to divest !)
- ▶ Continuing low interest

4

Office



- ▶ Yield compression (prime)
- ▶ Stable pricing expected
- ▶ New office stock / vacancies

5

Retail



- ▶ Large deals pending / pipeline
- ▶ Mixed use prime assets
- ▶ Focus on regional assets

6

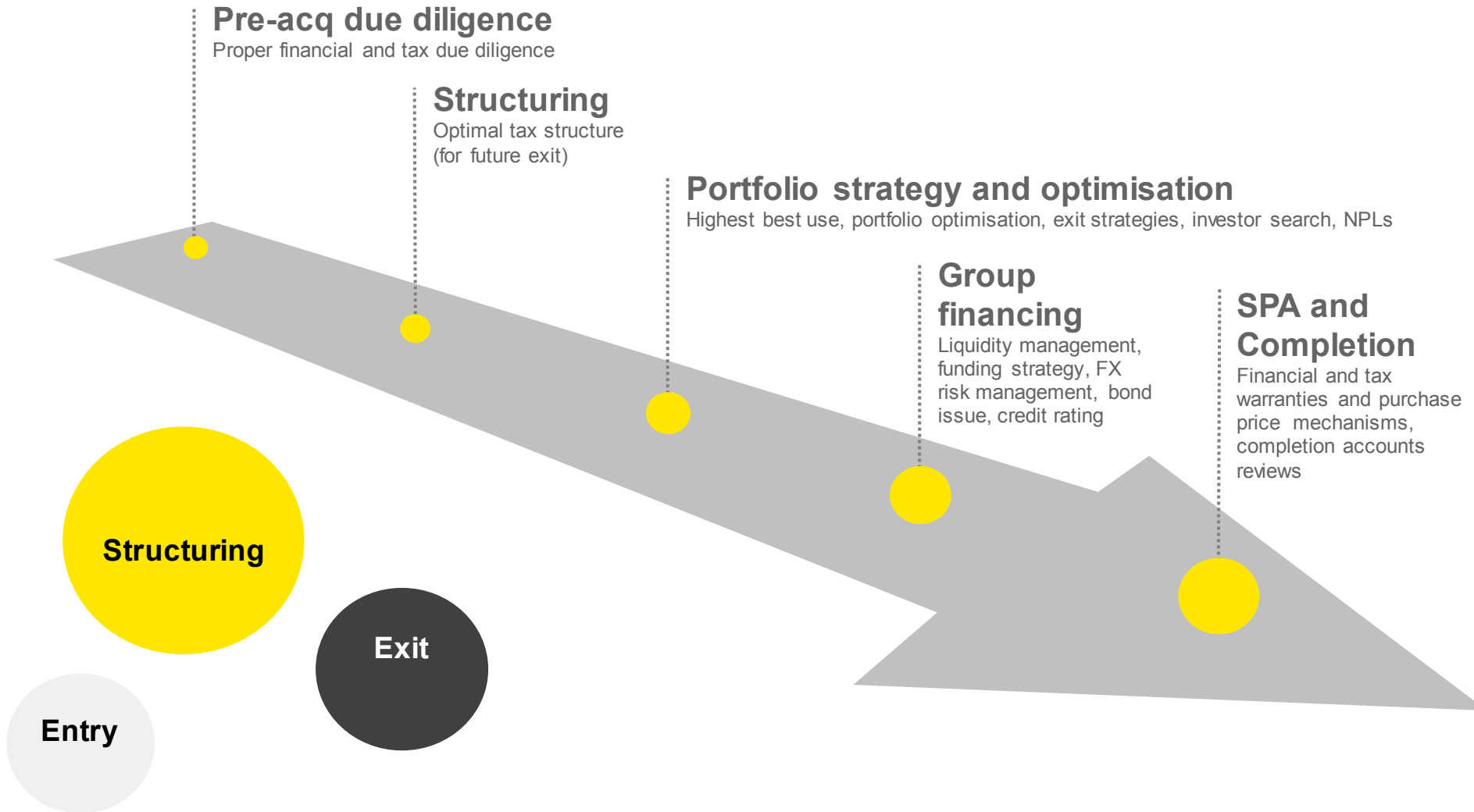
Industrial / logistics



- ▶ Limited opportunities (and yield compression) remaining
- ▶ Eurozone threats

Value creation (or how to avoid value erosion)

Where we (advisors !) can make a difference



Thank you for your attention – any questions ?



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