

CEE Property Investment

Q3 2010

Quick Stats

	Change from	
	Q2 2010	Q3 2009
Investment Volume	↑	↑
Number of Transactions	↓	↓

Hot Topics

- Investment turnover in Q3 reached €1.5 billion in 22 transactions.
- Portfolio sales pushing up property investment volumes mainly in Poland and Russia.
- Prime yield compression restricted to Poland and Eastern Europe in Q3.

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OVERVIEW

• Portfolio sales pushing up property investment volumes mainly in Poland and Russia

The Central and Eastern European (CEE) property investment market registered 22 transactions with a total volume of over €1.5 billion in Q3 2010, close to a 60% increase on Q2 figures. Quarterly investment volume has not been this high in two years. Year-to-date turnover is close to €3.3 billion compared to the total turnover of €2.6 billion in 2009 as a whole. CEE accounted for the largest q-o-q growth in investment volume in the entire EMEA region mostly on the back of higher activity levels in Poland and Russia. These two countries together account for 75% of CEE's 2010 volume, while other CEE markets are still witnessing low levels of liquidity.

• Number of transactions slowing with average transaction size increasing

The overall increase in investment volumes hides the decrease in number of transactions taking place in CEE. This can be explained by continuing investor focus on the prime end of the market, whilst other product is generally perceived as still being too risky. The average transaction size has increased as a result and reached €70 million in Q3 due to some large single asset and portfolio sales. The largest single asset transaction this year closed in Q3 and concerned a business park changing hands in Russia for around €285 million. Furthermore, the largest portfolio transaction since 2007 was registered this quarter: Unibail-Rodamco acquired two Warsaw shopping centres for around €500 million, as part of a pan-European portfolio. The industrial segment in Poland also saw increased activity as a result of the Panattoni-portfolio being traded in Q3. Increased activity, combined with a growing average transaction size underpins the idea that certain banks are once again showing increased interest in financing in certain markets in CEE.

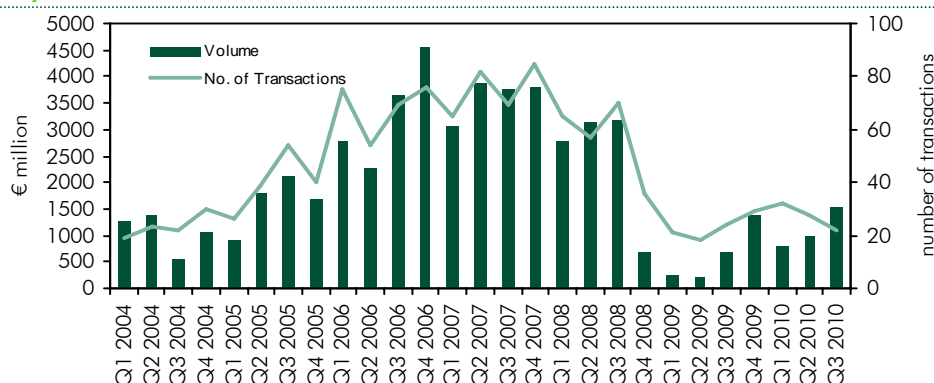
• Investor base changing

Unlike in the first two quarters of 2010, German Open-Ended Funds (GOEFs) did not close any transactions in the region in Q3. The slowing activity of the GOEFs follows the turbulence in the GOEF-sector. Conversely, other investors are increasing activity or are entering the region. The Greenwood Business Park in Moscow was the first purchase of a Chinese Sovereign Wealth Fund in CEE.

• Prime yield compression restricted to Poland and Eastern Europe in Q3

After two quarters of moderate prime yield compression across the majority of CEE countries, prime yield compression has come to a halt in most markets. Poland and Eastern Europe are the only markets where we have seen prime yield compression continuing in line with investor interest in Q3. Prime yields in Eastern Europe registered a 50-100 basis points (bps) downward movement with prime yields in Warsaw compressing by 35-50 bps, with the exception of retail where prime yields remained stable. The only market where softening prime yields have been visible is Bucharest where prime shopping centre yields increased by 25 bps on the back of deteriorating consumer sentiment following a significant VAT increase and public sector wage cuts.

Property Investment Transaction Turnover and Number of Transactions



Source: CB Richard Ellis.

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