

# P R E S S   R E L E A S E

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## **PROPERTY INVESTMENT ACTIVITY IN CEE TRIPLES ON THE SAME PERIOD LAST YEAR**

### **Total Investment Volume in the Region Reached €4.4 billion By the End of May 2011**

**Prague, 15 June 2011** – Real estate investment turnover in Central and Eastern Europe (CEE) reached €4.4 billion in the first five months of 2011, according to new research by CB Richard Ellis (CBRE). This figure indicates an increase of 180% of the year-to-date investment volume compared to the same period in 2010. In a growing number of CEE markets liquidity has started to increase supported by growth in both the number as well as the size of the transactions.

Despite investment activity spreading into a wider range of CEE markets, investor focus has remained on Poland, the Czech Republic and Russia. The Czech Republic saw the most significant increase in investment as a result of the closing of some large portfolio transactions, with a continued focus on income security and prime properties. Consequently, an increase in liquidity in the secondary segment has not become visible thus far.

Patrick O’Gorman, Director at CEE Capital Markets, CB Richard Ellis, commented: “Property investment volumes were largely driven by activity in the core CEE markets. Specific retail assets and city centre offices have seen the most demand from investors in Poland and Czech Republic, mainly due to the high rental growth prospects.”

In line with an increase in cross-border property investment activity, the number of large transactions closing has increased. Out of the total 2011 volume close to 60% formed part of a portfolio, marking a considerable change that has occurred in recent months. Sizeable transactions include the sales of

the Ritz Carlton Hotel and White Square BC in Moscow, as well as the VGP-portfolio in the Czech Republic.

Patrick O’Gorman added: “Apart from increasing Austrian interest, a more active group of United Kingdom investors, in search of ‘value for money’, also registered in the region. This trend of increased cross-border investment is currently applicable to Russia as well, after having an almost entirely local investor base in the first quarter of 2011.”

Ongoing liquidity issues in the German Open Ended Funds (GOEF) sector has resulted in many GOEFs applying active asset disposal strategies. The impact of these strategies has not been strongly felt in CEE thus far. It is worth noting, however, that of the four funds currently in liquidation only two have an exposure to CEE, and even then it is limited. Instead, those funds temporarily closed for redemptions are carrying out active asset sales in order to boost liquidity. This is especially the case for the small amount of funds for which the maximum two-year closing period lapses in November 2011.

Gábor Borbély, Senior Analyst at CEE Research and Consultancy, CB Richard Ellis, commented: “Based on the quality of most of the properties owned by GOEFs and the demand for core product, this might push up property investment activity in CEE further. In fact, DEGI International just recently completed a €200 million plus disposal of the multi-country Teil portfolio, with one office building in Prague being the first asset sold in CEE as a result of the turbulence in the sector.”

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