EMEA CAPITAL MARKETS

Market Snapshot

UK

Germany

France

Netherlands

Ireland

Spain

Italy

Norway

Sweden

Denmark

Finland

Czechia

Hungary

Romania

Poland

UAE

Q2 2023

EMEA Market Overview

‘Muted’ is the word that springs to mind when describing market conditions in Q2. In many ways it was a continuation of the first quarter, with interest rate hikes hitting confidence, impeding the process of price discovery and feeding the gap between buyer and seller expectations. Nonetheless, some major deals closed over the period, as equity-rich investors continued to seek and find strategic assets.

Large portfolio and asset trades remained thin on the ground, with transactions focused on a sweet spot of between €20-€60 million. By strategy, value-add assets are most in favour with investors holding on to core assets as pricing has been forced out by interest rate expansion.

Industrial & logistics (I&L) was the stand out performer in Q2. It has re-priced faster and harder than any other sector, with values partially protected by strong rental growth.

Office investment activity remains below par across markets, but there have been some notable expectations. Colliers advised on the sale of the Sequana Tower in Paris for €460 million, Europe's largest office sale in H1 2023. Most activity in the office sector is on the core-plus or value-add side, as investors look to upgrade assets from an ESG-perspective. This is typically a retrofit exercise that increases energy efficiency, lowers emissions and improves workplace amenities, therefore offering greater downside protection by improving rentability and in some cases generating higher rents.

RISING APPETITE FOR PARTNERSHIPS

The Sequana Tower deal reflected another key facet of current investing trends, incorporating a sale and leaseback (SLB) structure. SLBs are very much on the investor horizon, particularly where they enable owners to raise capital and simplify their balance sheets. Another key trend evident over the quarter was an increasing appetite for joint ventures. Many investors we are speaking to are looking for development partners, particularly in the I&L space, enabling passive equity to step into growing platforms without the need to build a proprietary platform or asset management team.

When it comes to investor geography, European capital remains quiet and we expect that to continue for the rest of 2023. North American investors are more active, albeit on a sector-by-sector basis, but are probably net sellers overall. More dynamic signals are coming from Asia, with investors engaged and likely to become more so in Q3. The sale of Korean-owned assets in particular could be influential throughout the region in the third quarter.

With Europe’s summer holiday season in full swing and macroeconomic uncertainty persisting, activity is likely to remain sluggish at least until Q4, when refinancing pressures and fund expiries may prompt some sales. Germany could be worth watching given the likelihood of more product coming online. In Sweden there is evidence that momentum is returning with some major deals coming to fruition. Even in a relatively subdued second half, there will be no shortage of investors seeking and finding value across the region - especially if interest rates stabilise over H2 and prices settle accordingly.

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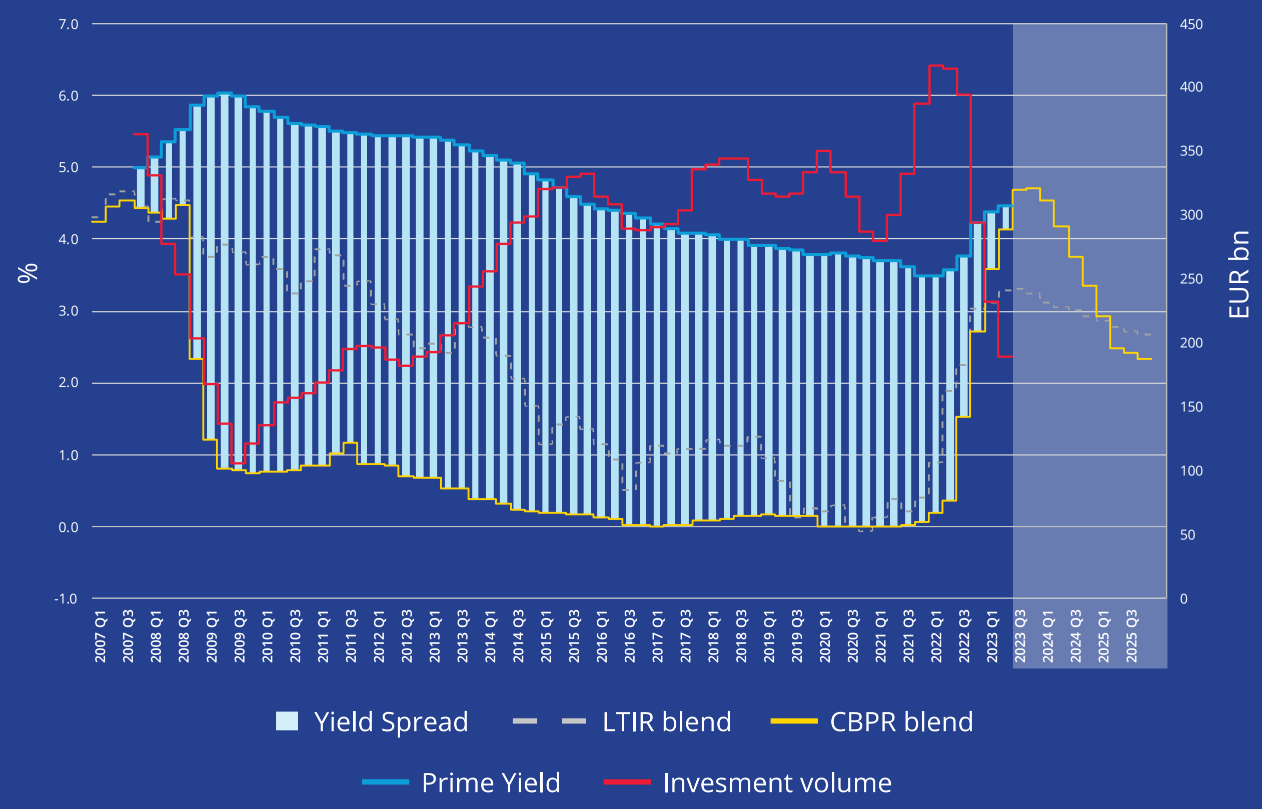
	Office	Industrial & Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↔	↓	↓	↔	↓
Upcoming Quarter Pricing Forecast	↓	↔	↔ / ↓	↔	↔ / ↓

Source: Colliers

EMEA: Investment volumes & yield spreads, all sectors



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Given ongoing economic uncertainty and an unclear interest rate path, investment activity remained very subdued in Q2. The quarterly total of £6 billion (€7 billion) was down by over 60% from a year ago and well below the five-year quarterly average of £15.3 billion.

Q3 VIEW

With UK inflation remaining stickier than many had expected, interest rates are likely to rise further. Financial markets are currently pricing in a peak base rate of 6.50%, but most forecasters expect rates to peak at a lower level.

The sharp outward yield movement experienced during the final months of 2022 has given way to greater stability for now. While the MSCI All-Property benchmark equivalent yield rose by 84 bps in Q1 2023, the Q2 2023 outward shift was only 9 bps. However, a further, although milder, outward shift in yields is expected across most asset classes.

Across most sectors, investor appetite for core assets has dissipated as wide bid / ask spreads persist. Buyers' attention has therefore turned towards value-add opportunities. Across the London office market, there is just over £2 billion under offer, of which over 50% is classed as value-add. Prime yields in the West End appear to be stable at 4.00%, but in the City, where Q2 activity was modest (sub-£1 billion), yields have continued to soften and now stand at 5.25%.

Institutional investors continue to increase their target allocations to real estate in anticipation of attractive buying opportunities, which should support liquidity and transaction volumes over the coming years.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↓	↓	↓	↓	↓
Upcoming Quarter Pricing Forecast	↓	↔ / ↓	↓	↔ / ↓	↓
When will pricing 'normalise'?	Q4 2023	Q3 2023	Q4 2023	Q4 2023	Q4 2023

Source: Colliers

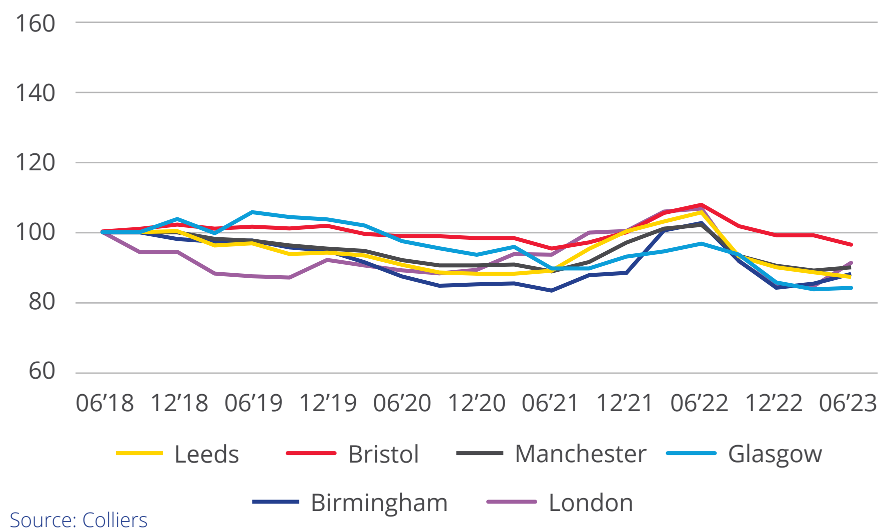
TOP THREE DEALS

£480 million / Industrial / Manchester and Heywood / Three-asset industrial portfolio acquired by **Blackstone.**

£315 million / Office / London (302,900 sq ft) / Sale of Sancroft, 10-15 Newgate Street to **Mitsui Fudosan UK.**

£175 million / Retail / Bristol (346,600 sq ft) and Kirkcaldy (325,100 sq ft) / Sale of Imperial RP and, in Scotland, Fife Central RP to **Realty Income Group.**

All sector capital value index



Source: Colliers

SECTORS TO WATCH

- Industrial
- Life Science
- BTR
- Trophy assets in prime locations

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Germany

In Q2 the investment market stabilised at a weak transaction volume of around €5 billion, similar to Q1, for a total H1 volume of less than half the 10-year average. Most segments saw renewed yield increases, with the exception of logistics and residential.

Q3 VIEW

We do not expect the market to pick up significantly by year-end, owing to several factors, including high financing costs and consequently the increasing burden of financing expiring debt (resulting in a gap of €28 billion between 2023 and 2030, amounting to 14% of TAV posted between 2018 and 2021). This will reduce the capital that would have been available for purchases. In addition, there is a rising need to finance the restructuring of existing portfolios as a result of increasing ESG and workplace compliance requirements.

Despite rising yields, the risk premium and, as a result, the attractiveness of real estate investments has declined. Institutional investors' real estate quotas are under pressure, after having risen for years. Core investors such as real estate alternative investment funds have seen significantly lower inflows.

The market is experiencing a repricing phase which is not yet complete. New pricing for logistics assets is already in place, supported by high rent expectations, as is the case for multifamily housing (stock properties). However, rising interest rates could put further pressure on yields in both these segments in the months ahead. In all segments, we now anticipate that yields will stabilise in 2024, later than previously expected.

A gradual recovery, which appears to be driven mainly by the small-volume core-plus /value-add segment of under €50 million, and drawn-out pricing negotiations mean we can expect transaction volumes to remain low in H2 relative to long-term levels. Total volume for the year is likely to come in below the €30 billion mark.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↓	↑	↑	↓	↓
Upcoming Quarter Pricing Forecast	↓	↔	↔	↓	↓
When will pricing 'normalise'?	Q1 2024	Q3 2023	Q3 2023	Q1 2024	Q1 2024

Source: Colliers

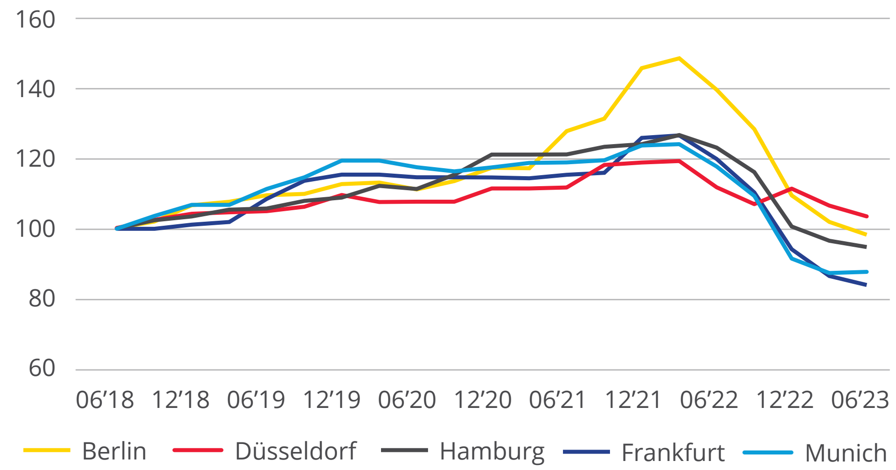
TOP THREE DEALS

>€500 million (price confidential) / Office and Retail / Berlin-Alexanderplatz / Yield confidential / 80% share takeover of MYNd (office tower development) and Galeria Kaufhof (department store) by **Commerz Real** from Signa.

€250-500 million (price confidential) / Retail / Yield confidential / 20% share takeover of eight department stores by **Signa** from Commerz Real.

>€200 million / Logistics / Hannover (100,000 sq m lettable space) / Panattoni sold a brownfield development at Logistik-Campus to **AEW Europe.**

All sector capital value index



Source: Colliers

SECTORS TO WATCH

Logistics

Multifamily

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The slowdown in investment activity that began in mid-2022 continued into the first half of 2023. €2.5 billion in transactions were recorded in Q2, a 66% year-on-year drop and down from €3.7 billion in Q1. Economic uncertainty, rising interest rates and more challenging financial conditions overall continue to weigh on investment.

Q3 VIEW

The market share of office assets (€1.5 billion) increased in Q2, due to the sale of Sequana Tower for €460 million, while the volume of regional office assets has been stable. After a strong start in Q1, the retail segment has seen a slowdown, with less than €400 million of transaction volume recorded.

Although volumes remain low, the market continues to record some transactions. Investors are still seeking ways to adjust their business models to match the new leasing market and financing conditions. Diversification is in favour in the current environment, with players preferring smaller lot size investments, which are generally easier to finance.

Investors continue to seek high-quality assets, with a shift towards investments in central Paris as well as major metropolitan areas. Prime yield decompression will continue into the second half of 2023. The ongoing H1 valuation campaign should ease to clarify the new pricing of assets and to narrow the gap between seller expectations and buyer offers. In this context, we expect more activity in Q3 and especially in Q4, with volumes expected to reach €17 billion for the whole of 2023.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↓	↓	↓	↔	↓
Upcoming Quarter Pricing Forecast	↓	↓	↓	↔	↓
When will pricing 'normalise'?	Q1 2024	Q3 2023	Q3 2023	Q3 2023	Q4 2023

Source: Colliers

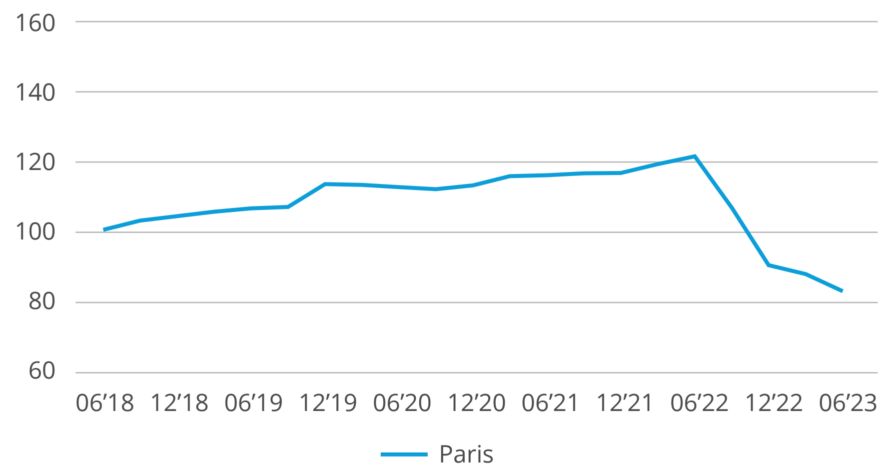
TOP THREE DEALS

€460 million / Office / Sequana Tower, Issy les Moulineaux on the Southern Loop of the river Seine (43,000 sq m) / Accor sold the property to the **Valesco Group.**

€225 million / Office and Retail / M Lyon, La Part-Dieu (30,000 sq m) / DCB International sold the property to **BlackRock.**

€200 million / Industrial / Portfolio Olympe (190,000 sq m) / CBRE IM sold the property to **Axa IM Alts.**

All sector capital value index



Source: Colliers

SECTORS TO WATCH

Logistics

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Netherlands

Transaction activity remained muted in Q2 with volumes stabilising around the Q1 level. However, the year-on-year decline was substantial and evident across all sectors. Housing associations and government bodies with access to low-cost financing accounted for a larger share of deal flows.

Q3 VIEW

As price expectations slowly adjust and initial yields stabilise, bid-ask spreads are expected to gradually narrow from Q3 onwards. Nonetheless, the investment market faces several challenges including further regulation of the private rental sector. This has led ERES, part of the Canadian CAPREIT, to reconsider its strategy, possibly leading to the sale of a housing portfolio including 6,000 units. However, the recent fall of the Dutch cabinet has made plans uncertain.

Sustained occupier demand is providing opportunities for new investments, mainly in the industrial & logistics (I&L) and private rental sectors. I&L's share of total transaction volume has risen until it became the largest contributor from 2021 to date.

Office demand is focused on prime assets and geographies. Value-add opportunities can be found in the upgrade of properties not yet compliant with modern user and energy performance requirements. For these types of assets obsolescence risks are accelerating and require capital expenditures to upgrade or redevelop to modern standards. In anticipation of future regulation, a growing number of investors are rolling out their sustainability strategies and requirements to other sectoral portfolios.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↓	↓	↓	↔	↓
Upcoming Quarter Pricing Forecast	↓	↔	↓	↔	↓
When will pricing 'normalise'?	Q4 2023	Q3 2023	Q4 2023	Q2 2023	Q4 2023

Source: Colliers

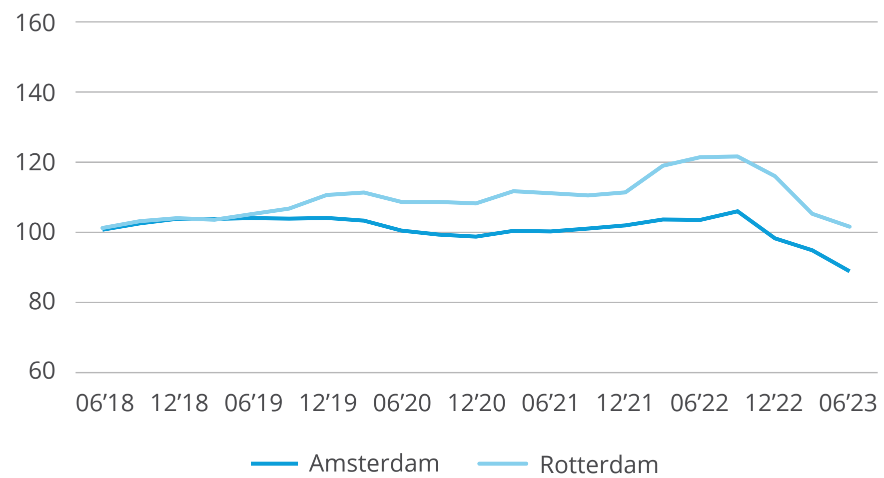
TOP DEALS

€217 million / Office / De Resident in The Hague / **The Central Government Real Estate Agency** acquired the property from Deka-Immobilien for owner-occupier purposes.

€105 million / Logistics / DSV Solutions in Venlo (103,000 sq m) / Gross Initial Yield 4.50% / **Pontegadea** acquired a logistics facility from Vestas Investment Management. The property is leased out for another 10 years to **DSV**; income is approximately 40% below market rent.

€78 million / Office / Triple A in Utrecht (20,000 sq m) / Gross Initial Yield 8.45% / **Corum** bought the Capgemini HQ from Anbang. The building was completed in 2013 and has since been fully leased to Capgemini. The remaining lease term is 10 years with a break option after five years.

All sector capital value index



Source: Colliers

SECTORS TO WATCH

Retail

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Volumes fell to €335 million across 28 transactions in Q2, from €625 million in Q1. This marked the weakest quarter since Q2 2017. The Q2 2023 total represents a decline of 74% relative to Q2 2022, largely attributable to the cost of debt and market uncertainty.

Q3 VIEW

Retail was the top performer in Q2, with 39% of turnover. This compares with an average annual turnover of 8% over the past five years, highlighting changing investor sentiment in line with greatly improved performance in occupier markets. Eyes will be on demand levels for two prime Dublin shopping centre assets – Blanchardstown Centre and The Square, Tallaght – which are both expected to come to the market later this year.

Offices accounted for just 12% of turnover across three transactions. There remains a distinct lack of quality institutional office investment product on the market, and this is unlikely to change anytime soon. ESG considerations are also impacting sentiment in relation to office investments, with both investors and occupiers gravitating towards newer, greener assets which are presently in short supply.

European funds remain very active in the market and accounted for 31% of Q2 spend. The majority of this is attributable to French funds such as Iroko ZEN, Remake AM and new entrant Inter Gestion REIM, which invested a combined €85.5 million across six transactions. These investors are yield driven and are active across a diverse range of asset types and locations, targeting yields of 6% plus, with further transactions expected in H2 and more new entrants to follow.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↓	↔	↓	↔	↔
Upcoming Quarter Pricing Forecast	↓	↔	↓	↔	↔
When will pricing 'normalise'?	Q4 2023	Q4 2023	Q4 2023	Q3 2023	Q4 2023

Source: Colliers

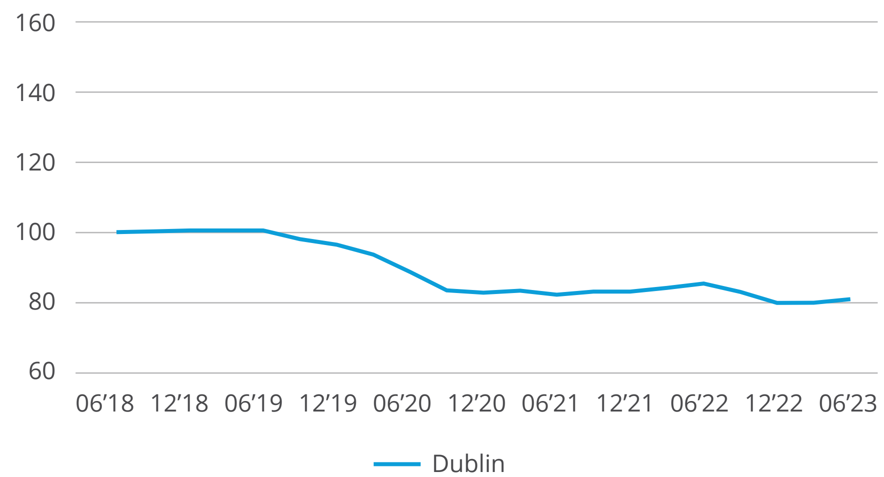
TOP THREE DEALS

€45.9 million / Retail / Limerick (16,608 sq m across 7 units) and Meath (12,803 sqm across 8 units) / Yield 8.45% / Two regional retail park assets, City East Retail Park in Limerick and Blackwater Retail Park in Meath, sold to U.S. investor **Realty Income**.

€34 million / Office / 87-88 Harcourt Street, Dublin (4,951 sq m) / Yield 6.55% / Office split between a modern office to the rear and a period Georgian office to the front. Occupied by an Irish law firm, ByrneWallace, on a 10-year lease. Sold to **Remake AM**.

€22.25 million / Industrial & Logistics / Dublin / West Portfolio, a portfolio of industrial assets across Dublin, was sold to **M7 Real Estate / Blackstone**.

All sector capital value index



Source: Colliers

SECTORS TO WATCH

Retail

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After an acceptable Q1 in terms of investment volume, Q2 suffered a significant decrease in activity with a 28% drop compared to the previous quarter and 60% year-on-year, to €2.2 billion. Total investment volume for H1 2023 was €5.1 billion, a 50% decline versus H1 2022.

Q3 VIEW

In Q2 the most active sector was hotels, accounting for 36% of total investment volume. Others sectors posted generally weak performance.

Increasing financing costs and the potential for a forthcoming change of government have significantly hindered investors' decision-making process. Combined with the gap in price and yield expectations between owners and investors, who have raised yields by 100-175 bps due to the surge in bond yields and increased risk premiums, this has weighed on sentiment and activity.

Looking ahead to the second half and early 2024, we anticipate a surge in activity driven by ample market liquidity and the end of interest rate hikes, which will instill confidence among investors and owners and bring their price and yield positions closer together. The outcome of the July 2023 elections may also influence the pace of transactions.

Interest continues to surround urban and holiday hotels within Spain's primary markets. Investors are also attracted to alternatives such as student housing, healthcare (particularly hospitals and senior housing), and data centres. The I&L sector presents opportunities with value-add products, while residential properties developed for sale and ESG-rated CBD office spaces in Madrid and Barcelona also remain attractive.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↔ / ↓	↓	↔ / ↓	↓	↔ / ↓
Upcoming Quarter Pricing Forecast	↔ / ↓	↓	↔ / ↓	↓	↔ / ↓
When will pricing 'normalise'?	Q1 2024	Q4 2023	Q1 2024	Q2 2024	Q4 2024

Source: Colliers

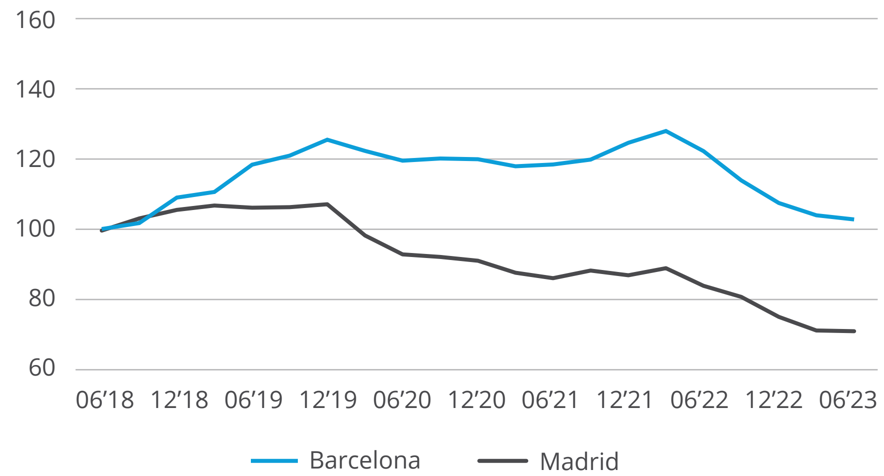
TOP THREE DEALS

€200 million / Hotel / Barcelona / The Saudi Arabia-based **Olayan Group**, owner of 50% of the Ritz in Madrid, acquired the Mandarin Oriental hotel.

€66 million / Residential / Valencia / **Savills IM** acquired a build-to-rent building with 209 units from Neinor Homes.

€31 million / Office / Barcelona / **Zurich Group** acquired the Binar office building from Belgian developer Codic.

All sector capital value index



Source: Colliers

SECTORS TO WATCH

- Logistics
- Hotels
- Alternatives

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Investment volumes in the first half of 2023 remained low at €2 billion, marking a continuation of the slowdown which started in Q4 2022. Interest rate increases have started to impact the market, with sellers so far largely unwilling to take into account the changing conditions.

Q3 VIEW

We expect low transaction volumes over the next quarter as summer is usually a slower period, though activity should pick up in September as companies act to meet annual targets.

Investment volumes will remain low relative to recent years, due to economic and geopolitical uncertainty, slowing growth, inflation and rising interest rates. However, the market is correcting to fit conditions; over the past six months, yields have increased strongly across all asset classes.

Q2 saw many industrial & logistics transactions, mainly in northern Italy. Office deals are still centred around core products, with two important deals closed in Milan – both assets refurbished and rented with new leases. Recent deals and some ongoing market processes suggest increasing dynamism and the start of a shift towards alignment of supply and demand.

Yield movements will support adaptation to new market conditions and feed into investment volumes. Investor interest remains high across all asset classes; however, more risky assets will struggle to secure buyers. There is also increasing interest in the private rented sector and student housing that we expect to gradually gain momentum.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↓	↓	↔	↓	↓
Upcoming Quarter Pricing Forecast	↓	↔	↔	↓	↓
When will pricing 'normalise'?	Q4 2023	Q2 2023	Q2 2023	Q4 2023	Q4 2023

Source: Colliers

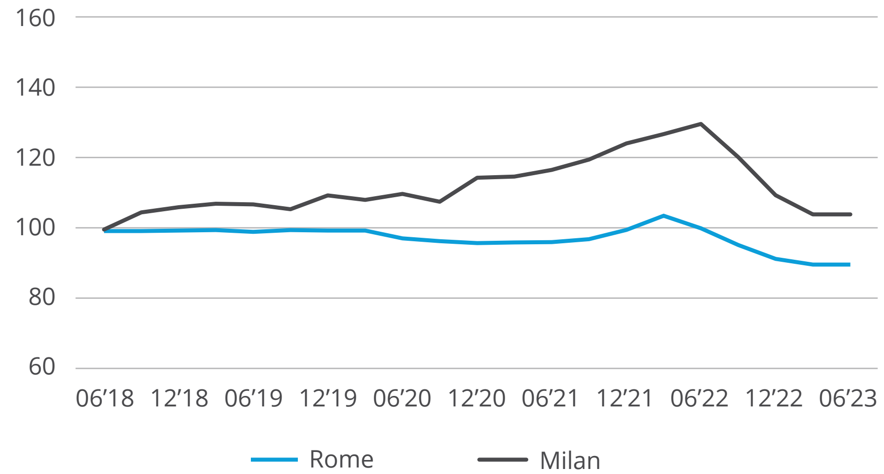
TOP THREE DEALS

€92 million / Office / Milan / Yield 3.95% / Bought by **Radian.**

€72.4 million / Industrial & Logistics / Brescia / Yield 5% / Bought by **JP Morgan.**

€24.6 million / Office / Milan / Yield 7.1% / Bought by **Corum AM/Corum Origin.**

All sector capital value index



Source: Colliers

SECTORS TO WATCH

- Office
- Residential

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Transaction volume totalled €983.7 million in Q2, down 68% versus Q2 2022, and €2.14 billion for the first half of 2023, a 64% decline compared to the same period last year. This represents the weakest first half since 2014.

Q3 VIEW

Rising interest rates continue to fuel a spread between buyers and sellers despite significant capital being available. However sellers are gradually feeling the impact of rising financing costs and are adjusting to the new price regime. This could potentially lead to rising deal flows over the next quarter and towards the end of the year.

Listed property companies are expected to remain net sellers in order to improve liquidity and uphold credit ratings. Property syndicates are likely to focus on solving financing issues around existing assets, rather than being active parties on the transaction market.

Lenders remain cautious and have limited access to debt financing for new or smaller clients to a minimum. Existing clients and clients of scale also face increasing financing challenges but see preferential treatment from banks. On the other hand, equity capital remains available – for the right assets and at the right price.

Assets with potential for additional value creation have been the most sought-after segment so far this year, a trend which is expected to persist going forward. Pure cash flow properties are not likely to obtain favorable pricing and will remain challenging to finance.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↓	↓	↓	↓	↓
Upcoming Quarter Pricing Forecast	↓	↓	↓	↓	↓
When will pricing 'normalise'?	Q1 2024	Q1 2024	Q1 2024	Q1 2024	Q1 2024

Source: Colliers

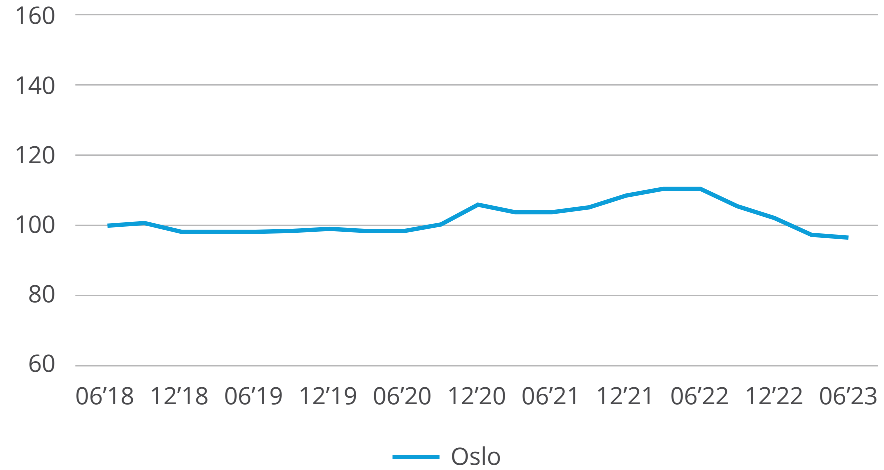
TOP THREE DEALS

€134.1 million / Logistics / Greater Oslo region (106,000 sq m) / **AXA IM** acquired two logistics facilities from Fabritius.

€134.1 million / Office / Oslo CBD (23,400 sq m) / **NREP** acquired two centrally located office buildings from listed company Entra.

€130.7 million / Residential / Bergen and Greater Oslo / **Union Residential Development** acquired 100% of the shares in residential developer Bonava Norway. The transaction includes 350 units under development and a land bank of another 3,600 units.

All sector capital value index



Source: Colliers

SECTORS TO WATCH

Value-add projects

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Q2 transaction volume reached €2.16 billion, resulting in a total volume of €3.69 billion for H1. This was 65% lower than same period last year and the slowest H1 in 10 years. Yields continued to adjust across all sectors, but slowly, and the price gap between buyers and sellers remains.

Q3 VIEW

There are cautious expectations of a gradual recovery in transaction activity in Q3, but from very low levels. Plenty of capital remains on the sidelines, including multiple domestic and pan-Nordic property funds with new equity, but price adjustment is proceeding slowly, and bid-ask spreads will most likely persist. Certain institutions (including new market entrant public pension fund AP7), strong private entities and foreign investors, taking advantage of the weak currency, remain active on the buy-side.

The Swedish listed property sector has fallen more than 50% from the November 2021 peak, and is currently trading at a 45-50% discount to NAV. This puts listed companies clearly on the sell-side, and further turbulence is expected before the situation stabilises.

Upward yield pressure is expected in all segments, only to some extent compensated by inflation-driven rent adjustments. Faster price normalisation is likely in the logistics segment, partly due to a more international investor universe, while the pressured residential sector will need longer to fully recover. However, increased transaction activity is expected around newly produced rentals, and public stimulus could come to the table to promote building activity as population growth remains strong.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↓	↓	↓	↓	↓
Upcoming Quarter Pricing Forecast	↔ / ↓	↓	↓	↓	↓
When will pricing 'normalise'?	Q1 2024	Q2 2024	Q2 2024	Q2 2024	Q2 2024

Source: Colliers

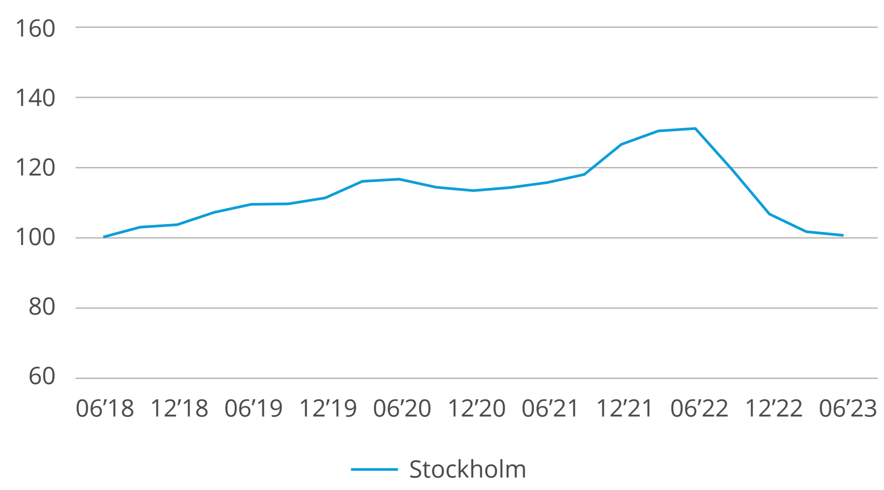
TOP THREE DEALS

€643 million / Mixed-use / Stockholm / **AP7** acquired 33% of the Urban Escape complex in Stockholm CBD from AMF Fastigheter.

€426 million / Alternatives (Care homes) / Various locations / **Altura (NREP)** acquired a geographically diverse portfolio of care homes and pre-schools from Vectura.

€113 million / Residential / Southern Sweden (Skåne) and Stockholm / **Stjernplan** acquired a residential portfolio from Trianon.

All sector capital value index



Source: Colliers

SECTORS TO WATCH

- Logistics
- Office
- Residential
- Hotel
- Retail

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Q2 saw transaction volumes of €950 million, less than 50% of the volume in Q2 2022. Investors remain reluctant to commit and are still waiting for the market to stabilise.

Q3 VIEW

The gap between buyers and sellers is expected to persist into Q3. As a result, we expect transaction volumes for Q3 to be significantly lower than in the corresponding quarters of 2022 and 2021, much as was the case with Q2.

In Q1 we had expected yields to stay stable into the second quarter. However, there has been an increase in yields across all segments in Q2. The prime yield for offices has edged upwards from 3.50% in Q1 to 3.75% in Q2, while the yield for prime industrial & logistics (I&L) properties rose from 4.50% to 4.75%. Despite the current uncertainty, we expect yields to remain stable across all segments going into Q3.

Demand for I&L remains high, driven by companies relocating their supply chains. Particularly notable is the demand for up-to-date I&L properties in Greater Copenhagen and in the Triangle Region of southern Jutland.

Transaction activity is expected to pick up in the second half of 2023, driven by the need for capital placement, but transaction volume in H2 is nevertheless expected to be lower than in the corresponding halves of 2022 and 2021. In Q2 64% of investors were international, which shows they are still highly active in Denmark.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↓	↓	↓	↓	↓
Upcoming Quarter Pricing Forecast	↔ / ↓	↔	↔ / ↓	↔	↔
When will pricing 'normalise'?	Q1 2024	Q3 2023	Q1 2024	Q1 2024	Q3 2023

Source: Colliers

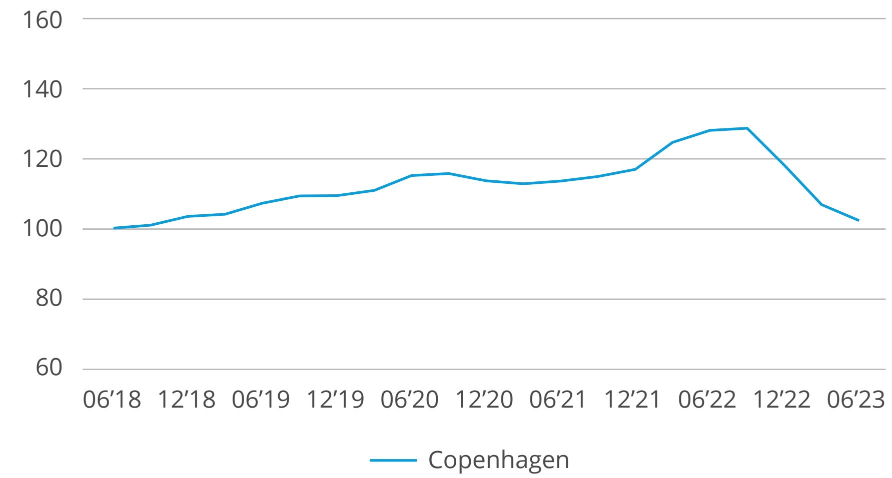
TOP THREE DEALS

Approximately **€75 million** / Residential / Aalborg / **Home DK Holding** acquired a portfolio of properties totalling 174 units. The seller was Steinbeck A/S.

€35 million / Residential / Copenhagen (11,500 sq m) / **PensionDanmark** acquired a residential property in Copenhagen from By & Havn.

€29 million / Retail and Residential / Greater Copenhagen (5,000 sq m) / **KFI** acquired a retail/residential property from Dades ApS.

All sector capital value index



Source: Colliers

SECTORS TO WATCH

- Light industrial
- Logistics

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Finland

Q2 transaction volume reached €1.1 billion, half the volume of the same quarter in 2022. Yield requirements continue to increase significantly in almost all sectors, and market development is being hampered by the limited availability of financing as well as interest rate hikes.

Q3 VIEW

Following a historically slow start in Q1, transaction activity rose in Q2 and we expect volumes to continue increasing moderately. Bid-ask spreads are unclear due to low transaction volumes. Until rates stabilise, there will continue to be pressure to reduce price levels.

Investors are looking for less risky assets as the overall economic outlook for this year is negative and interest rates continue to increase, while inflation remains high but is slowly softening. There is better potential for public services properties than other assets due to reforms to Finnish healthcare and welfare services. There has been a large increase in transaction volumes of public services properties, as municipalities have conducted sales and leasebacks on hospitals, health centres, nursing homes and fire stations all over the country. The lease agreements are often long and are tied to an index, which provides good protection from inflation and makes these properties attractive to investors.

The lightly regulated Finnish residential rental market remains attractive for investors, as do modern logistics and light industrial assets.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↔	↔	↑	↔	↔
Upcoming Quarter Pricing Forecast	↓	↔	↔	↔	↔
When will pricing 'normalise'?	Q4 2023	Q4 2023	Q1 2024	Q3 2023	Later

Source: Colliers

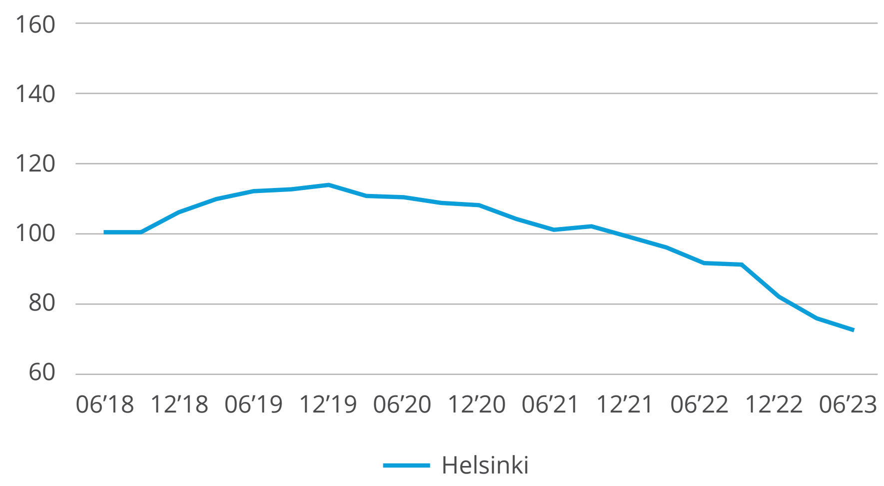
TOP THREE DEALS

€141 million / Residential / 30 properties and 1,200 residential apartments in 12 cities across Finland.

€70 million / Care portfolio across Finland.

€80 million / Office / Keilaniemi, Espoo / **Tietoevry** headquarters.

All sector capital value index



Source: Colliers

SECTORS TO WATCH

- Logistics
- Office
- Residential
- Hotel
- Retail

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Czechia

The second quarter continued in a similar fashion to the previous and, indeed, to the second quarter of 2022. There was high activity among domestic investors around opportunistic assets, and a lack of core opportunities. Total investment volume was just under €300 million and significant repricing is still unsupported by any evidence.

Q3 VIEW

The third quarter will probably be without significant surprises and will continue in a similar fashion as recent ones. Pricing moves are visible but cautious, and while most professionals agree on a downward trend, there is no evidence of any significant drops. Interest rates remain high, which does not help investors model financing to their desired outcomes. As a result, a process of value realignment is still underway, and the market needs more time to find new benchmarks.

While the lack of core and core+ assets persists, institutional investors will focus on future-proofing their portfolios, optimising performance and occasionally divesting some older and worse-performing assets. This opens a door for local investors, including HNWIs with an opportunistic approach. Some of these investors are even keen to deploy capital to more unconventional assets like student/senior housing, healthcare assets or retail warehousing and showrooms.

There could be some distressed assets coming from unhealthy matured bond emitters, but these are only likely to be projects or plots.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↔	↓	↔	↓	↔
Upcoming Quarter Pricing Forecast	↓	↓	↔	↔	↔
When will pricing 'normalise'?	Q4 2023	Q4 2023	Q4 2023	Q4 2023	Q4 2023

Source: Colliers

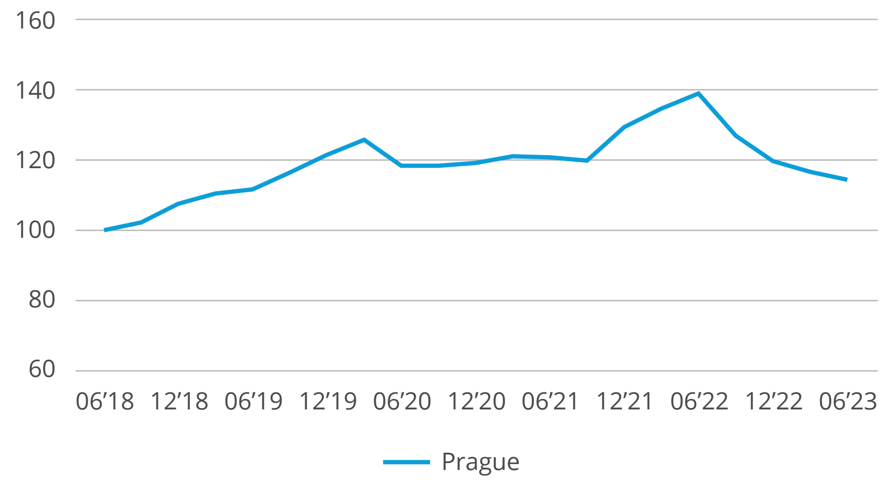
TOP THREE DEALS

€124 million / Retail / Pardubice / G City Europe closed the disposal of the Palác Pardubice shopping centre together with a neighbouring plot for further expansion or new development. The new owner, Czech-based **Redside** group, has previously announced extensive development plans in the city of Pardubice.

€65 million / Retail / Prague / **G City Europe** acquired the remaining 25% share of Arkády Pankrác Shopping Centre from ECE and is now the exclusive owner of this established centre in Prague 4.

€33 million / Office / Prague / Recently established **FIO Bank Investment** fund made its first acquisition and bought Rohan Business Centre, located in one of the most sought-after submarkets in Prague. The seller was REICO.

All sector capital value index



Source: Colliers

SECTORS TO WATCH

Industrial & Logistics

Office

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Hungary

Low levels of activity persisted into the second quarter of 2023 due to rising interest rates, pricing discrepancies, and differences in yield expectations between sellers and buyers. Non-confidential investments amounted to one office deal and two smaller retail transactions totalling €42.6 million, only 52% of the value of those recorded in Q2 2022.

Q3 VIEW

Investors will remain active, and there is a possibility of increased flexibility on the seller side which could result in price reductions. However, we expect large foreign institutional investors to exercise more caution in their acquisitions, and to take longer to make decisions.

Demand for higher-grade office buildings, especially those that fulfill ESG criteria, and industrial & logistics assets is expected to be significant, particularly after the summer break. It is crucial however that ECB reference rates do not rise significantly for the remainder of the year, as this would greatly impact the ability to finalise deals.

Overall, yields for prime offices in Q3 are projected to be around 6.25% to 6.35%.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↔	↔	↓	↓	↔ / ↓
Upcoming Quarter Pricing Forecast	↔	↔	↓	↓	↔
When will pricing 'normalise'?	Q3 2023	Q3 2023	Q2 2024	Q2 2024	Q4 2023

Source: Colliers

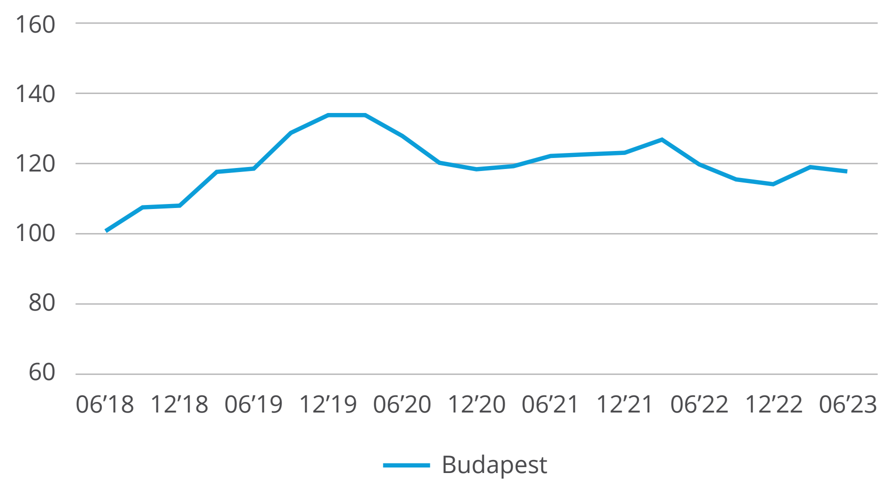
TOP THREE DEALS

€35.5 million / Office / Budapest (14,200 sq m) / Víziváros Office Center sold by CA IMMO to **FLE.**

€5.5 million / Retail / Budapest (420 sq m) / Váci str. 2 acquired by Hungarian private buyer from Austrian private seller.

€1.6 million / Retail / Budapest (230 sq m) / Andrassy 37 acquired by Hungarian private buyer from German private seller.

All sector capital value index



Source: Colliers

SECTORS TO WATCH

- Prime, Core Office
- Industrial & Logistics

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Romania

Q2 proved a lackluster quarter, with just under €50 million in transactions, down from over €250 million in Q2 2022. The decline was largely due to a lack of any major deals closing, while office prices remained slightly under pressure.

Q3 VIEW

The market is feeling the pressure of higher interest rates, which drove a deeper wedge between the expectations of sellers and buyers. It is unlikely that more alignment will be achieved over the next quarter. That said, we continue to see buyer interest in local assets, with ongoing deals attracting both existing investors and those not yet present in Romania.

Several large deals are currently in the pipeline, including some big-ticket, Grade A office buildings that should provide signs of where yields are settling. That said, it is clear that upside pressure on yields persists across various types of assets, though for some asset classes, like industrial or hotels, the recovery of market conditions, rents or average daily rates should offer more comfort going forward.

Local sentiment will remain to a significant extent dependent on what is taking place in core European markets. Any improvement or deterioration in dealmaking activity elsewhere is likely to carry over into the Romanian market sooner or later.

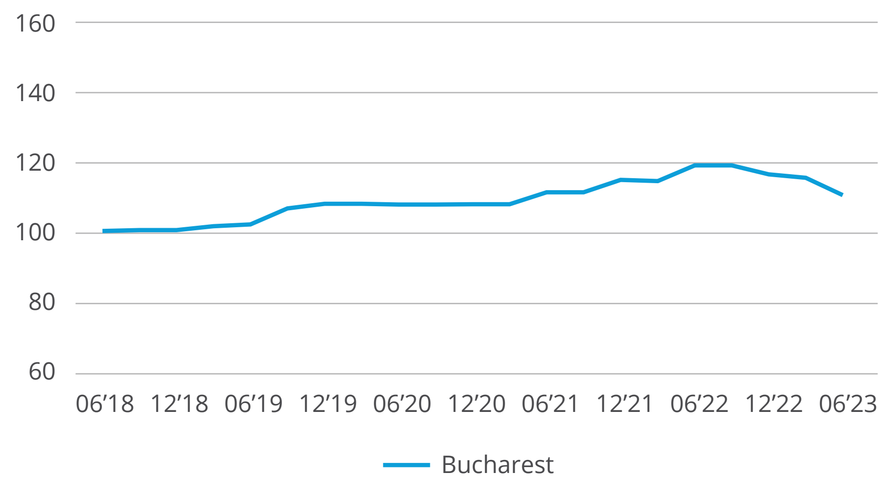
	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↓	↔	↔	↔	↔
Upcoming Quarter Pricing Forecast	↔ / ↓	↑ / ↔	↔	↔	↔
When will pricing 'normalise'?	Q4 2023	Q4 2023	Q4 2023	Q4 2023	Q4 2023

Source: Colliers

TOP DEAL

Estimated **€15 million** / Retail / Iași / Sale of half of the Iulius Group Family Market Miroslava and Bucium, two retail assets located in the northeast of Romania, to **W&E Assets**, a company controlled by U.S. entrepreneur Daniel Cocanougher.

All sector capital value index



Source: Colliers

SECTORS TO WATCH

- Industrial
- Office

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Poland

Q2 marked one of Poland's lowest-ever quarters in terms of activity. Total investment volume amounted to €150 million, taking the cumulative H1 figure to only €801 million. Pricing discovery with downward corrections has continued across all asset classes.

Q3 VIEW

The pricing discovery trend is expected to continue in Q3 with little activity over the summer period. A handful of office and logistics deals are expected to close by the end of the quarter, while interest in retail assets is picking up slightly.

Given the lack of liquidity and reference transactions, participants are facing difficulty in establishing market pricing as the bid-ask gap prevails. Interest in logistics is slowly picking up, while offices are a discussion point as the market awaits H1 net absorption figures. Most established investors are waiting on the sidelines, waiting for pricing to stabilise and market sentiment to change, which creates a rare opportunity for regional buyers (CEE and the Baltic States) to compete for prime product at softer pricing.

Bank lending is available but financing processes remain drawn out. A number of debt deals were nevertheless announced in the logistics space in Q2, pointing to some activity continuing.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↓	↓	↔	↑	N/A
Upcoming Quarter Pricing Forecast	↓	↓	↔	↑	N/A
When will pricing 'normalise'?	Q4 2023	Q4 2023	Q4 2023	Q4 2023	Q2 2024

Source: Colliers

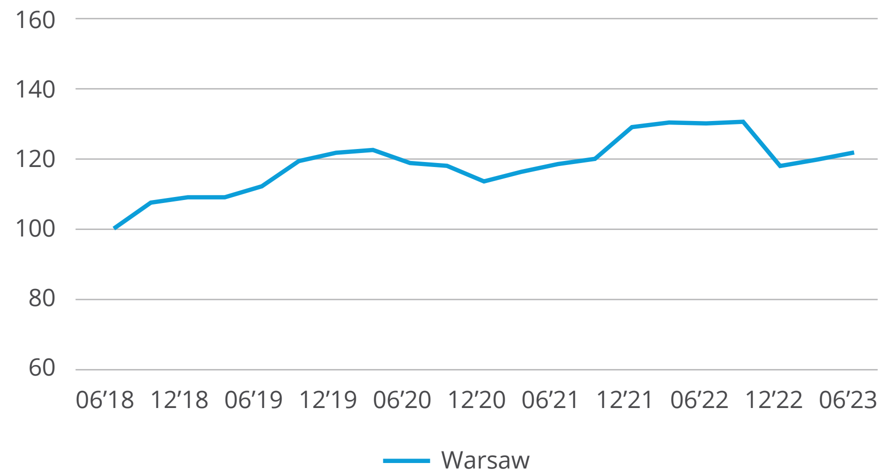
TOP THREE DEALS

€70 million / Office / Warsaw / 8% / Class A building acquired by Hungarian fund **Adventum** from Develia.

€26 million / Logistics / Uniejów / Yield <5.5% / K-Flex BTS, 20-year lease closed by **LCN Capital Partners.**

€20 million / Retail / Warsaw and Czeladz / Reported yield 7.25% / Portfolio of 3 assets acquired from 3W by **Leadcrest Capital Partners.**

All sector capital value index



Source: Colliers

SECTORS TO WATCH

Logistics

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UAE

Large deal announcements remained thin on the ground in the main markets of Dubai and Abu Dhabi in the second quarter, although a healthy volume of smaller transactions were completed. Limited availability of investment grade assets across core sectors remains a key challenge for the UAE market, and across the wider MENA region.

Q3 VIEW

A number of high-profile assets in the hospitality space are under offer, and are expected to change hands in the second half of the year. Appetite remains very strong among both regional and international investors for hospitality assets, particularly those in the five-star space in Dubai and Ras Al Khaimah.

Investor demand for multifamily is also high, notably in Dubai, with occupier demand and rents increasing. The private rental market has been disrupted by the rise of short-stay occupiers and operators, as Dubai has firmly established itself as a hub for remote workers. There are a number of investors/operators chasing high quality residential blocks in both primary and secondary areas of the UAE's cities, and more collaborations are expected between developers and operator-backed investors over the second half.

	Office	Logistics	Residential	Retail	Hotel
Last Quarter Pricing Direction	↔	↔	↑	↔	↑
Upcoming Quarter Pricing Forecast	↔	↔	↔	↔	↔
When will pricing 'normalise'?	N/A	N/A	N/A	N/A	N/A

Source: Colliers

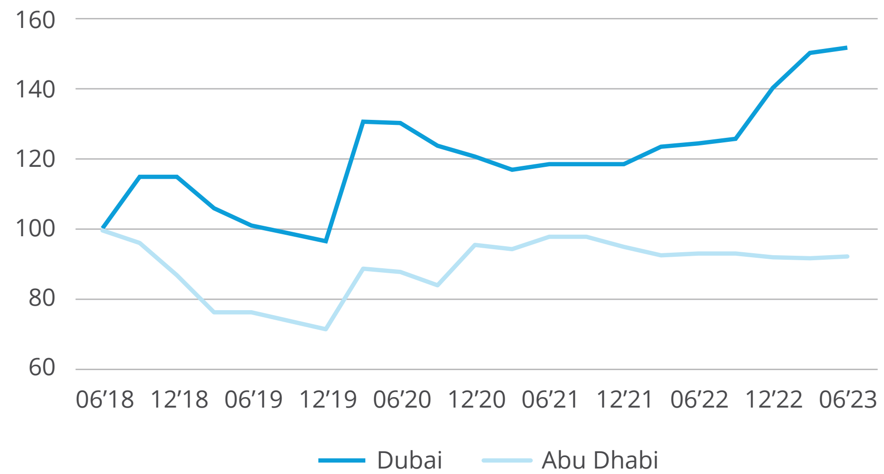
TOP THREE DEALS

€42 million / Hotel (Shell and Core) / Dubai / Dubai Marina.

€8.75 million / Office / Dubai / Investment, Burj Khalifa.

€4.75 million / Office / Dubai / Investment, Opus Tower.

Office capital value index



Source: Colliers

SECTORS TO WATCH

- Hospitality
- Multifamily

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