

King Sturge: commercial real estate market to grow

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According to King Sturge estimates, the volume of commercial property transactions may be up to EUR 700 mill. - ie. approximately CZK 18 bill. - next year. Investors will spend EUR 600 mill. - ie. roughly EUR 34 mill. - more than last year, on commercial property in the CR before the end of this year. King Sturge analysts said this at a meeting with journalists. According to experts, several transactions will be concluded before the end of this year therefore the figures for 2010 will be approximately at the last year's level. This year's statistics don't include yet, for example, the sale of Intercontinental hotel to the American investment group Westmont Hospitality for approx. EUR 110 mill. Although this year's investments will amount to 600 million EUR in the end, this will still be less than in the years before the financial crisis. The annual volumes exceeded one billion EUR then.

Foreign investors will find their way back to the domestic market next year, according to King Sturge. Especially German funds have reduced their activities, they have limited their purchases mainly due to the future uncertainty regarding legal conditions of their business. Domestic investors - particularly the billionaire Radovan Vitek's CPI group - reigned in the real estate transactions this year, unlike in previous years. It was involved in 48 % of this year's total transactions.

After several years there might also be sales of storage areas in 2011. In particular, there could be the sale of 80 % share in six of the total 19 logistics parks owned by VGP in the Czech Republic. The buyer should be the European Property Investors Special Opportunities fund, VGP announced on Monday [ie. 7th Dec.]. According to Kovařinský, the transaction value may reach up to 300 million EUR, ie. roughly 7.5 billion CZK.

In 2011 the demand will be traditionally for office buildings with long-term leases in popular locations. Private investors will enter also smaller and middle-sized projects, both office and residential. Shopping centres in Prague and in the regions will attract buyers. Taking over a project by the financing bank and selling it to other interested parties may also take place, says King Sturge.

Czech Republic and real estate investments

Year	Volume of investments in millions of EUR
2005	1700
2006	1850
2007	2700
2008	1100
2009	566
2010*	600
2011*	600 - 700

- estimate

Source: King Sturge

