CEE Investment Report 2016

Mission to Outperform

Report by:

SKANSKA JLL 大成 DENTONS

In partnership with:

ABSL

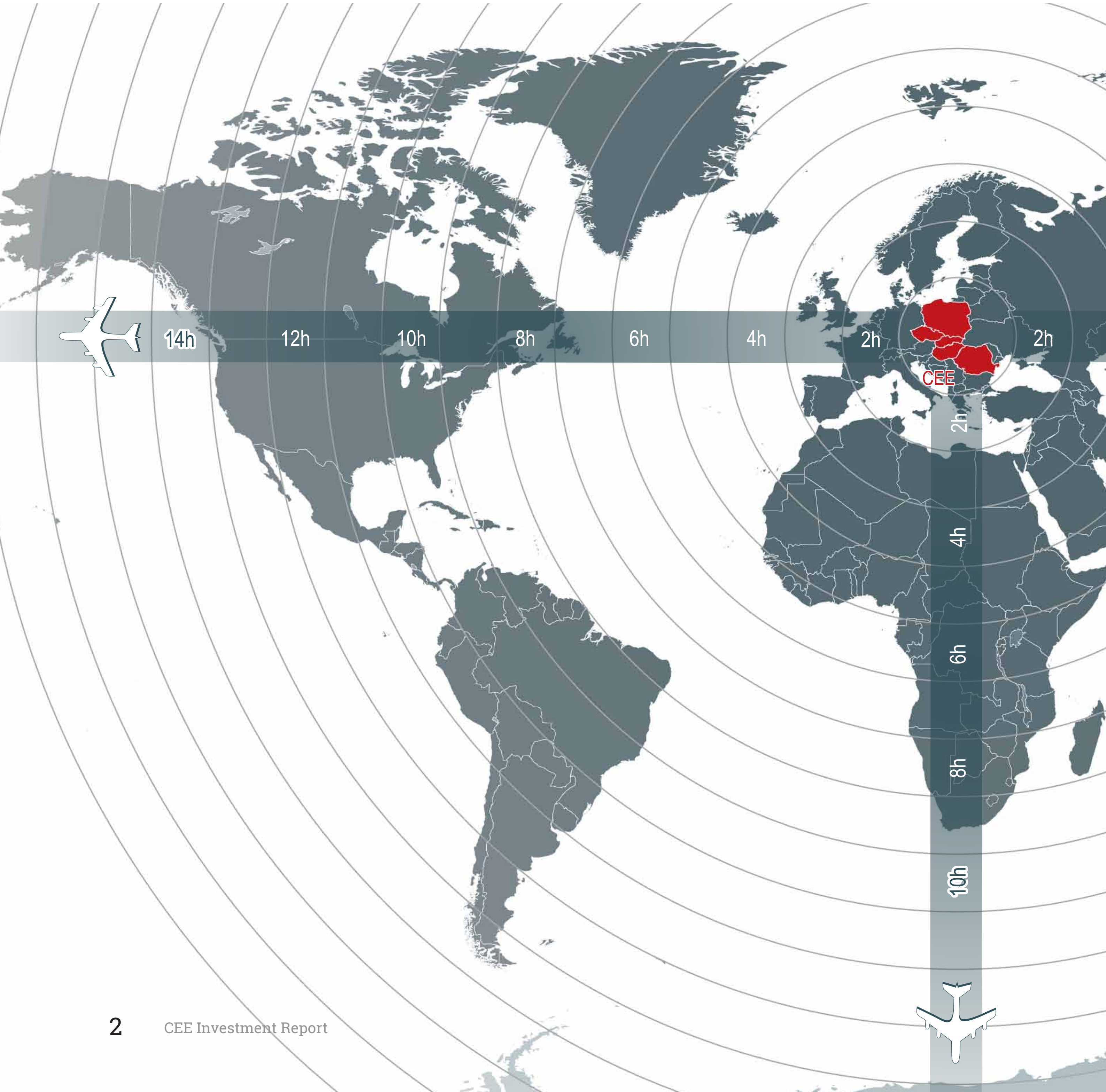
Data partner:
Fitch Ratings

About

The CEE Investment Report 2016 Mission to Outperform is a short analysis of the region's potential as an investment location, broken down by chosen countries – Poland, the Czech Republic, Romania, Hungary and Slovakia.

Skanska, JLL and Dentons in partnership with the Association of Business Service Leaders (ABSL) present this short guide on investing in Central and Eastern Europe (CEE). The author-partners have each brought their knowledge to the joint enterprise of preparing the document. Skanska, one of the leading construction and development companies in the world, is the top constructor and vendor of office buildings in CEE. JLL is the world's leading real estate consulting company. Dentons is the world's largest law firm with a team of more than 1,000 dedicated real estate lawyers across the globe. ABSL is the biggest organization in the region, associating investors from the business services sector – a significant driver of growth for CEE countries.

Special thanks to Fitch Ratings for providing data regarding the economies of CEE and chosen countries.



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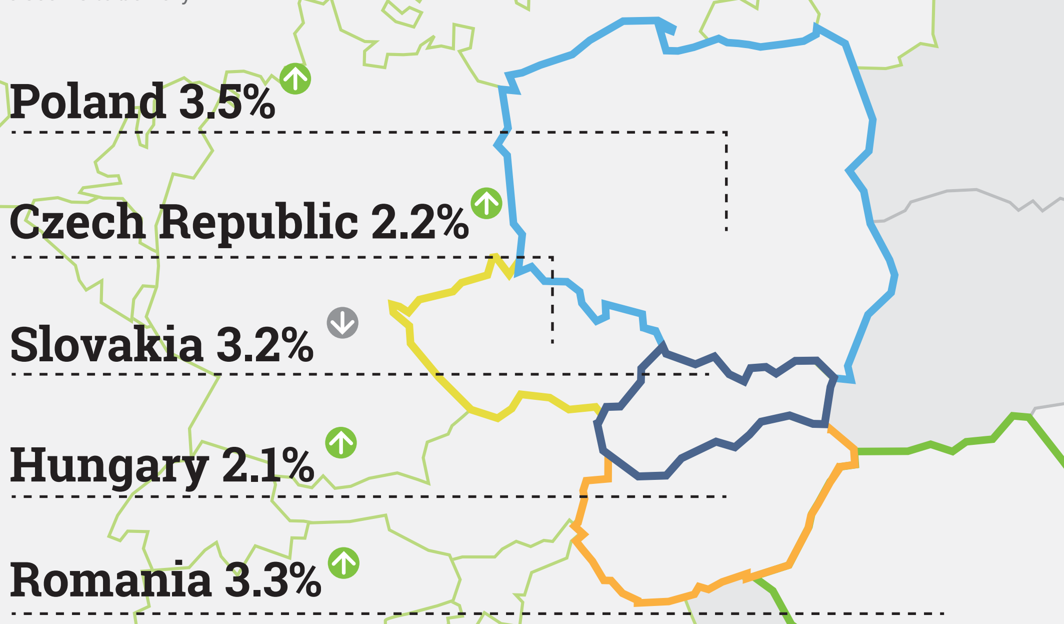
About CEE

Central and Eastern Europe (CEE), with its ca. 100 million people and strong economic indicators is a region with a strong focus on increasing its performance in terms of growth. Developing much faster than Western Europe, it is one of the growth engines of the EU economy. According to the World Bank Group, the Czech Republic, Hungary, Poland, Romania and Slovakia will remain in the group of the fastest growing economies in the EU in the coming years[1]. In 2015, GDP growth in CEE (3.1%) was nearly double that of the euro area (1.6%). According to data provided by the International Monetary Fund, the CEE countries* combined generate $1,404bn in nominal GDP, which would make them the world's 11th biggest economy, just behind Canada. According to the Centre for Eastern Studies, the V4 group is the most important trading partner for Germany (in terms of both imports and exports). This year and in 2017, economic growth should be maintained at a high pace. The long-term perspective seems to be very positive[2].

* The term CEE is most commonly used for the group of post-Soviet countries: Estonia, Latvia, Lithuania, the Czech Republic, Slovakia, Hungary, Poland, Romania, Bulgaria, Slovenia, Croatia, Albania, Bosnia-Herzegovina, Kosovo, Macedonia, Montenegro and Serbia. In some definitions eastern Germany and Austria are also included in CEE, but this report does not refer to them in any respect. In most parts of this report its authors use Poland, the Czech Republic, Romania, Hungary and Slovakia as examples of and to represent the region.

GDP growth in Europe – underlining CEE forecasts until 2020



Austria	1.1 ↓	**Finland**	1.6 ↑	**Italy**	0.9 ↑	**Norway**	2.1 ↑
Belgium	1.5 ↑	**France**	1.8 ↑	**Latvia**	4.0 ↑	**Slovenia**	1.5 ↓
Bulgaria	2.6 ↑	**Germany**	1.3 ↓	**Lithuania**	3.6 ↑	**Spain**	1.8 ↓
Denmark	2.1 ↑	**Greece**	2.4 ↑	**Luxembourg**	3.0 ↓	**Sweden**	2.2 ↓
Estonia	3.4 ↑	**Ireland**	2.7 ↓	**Netherlands**	2.0 ↑	**Switzerland**	1.8 ↑

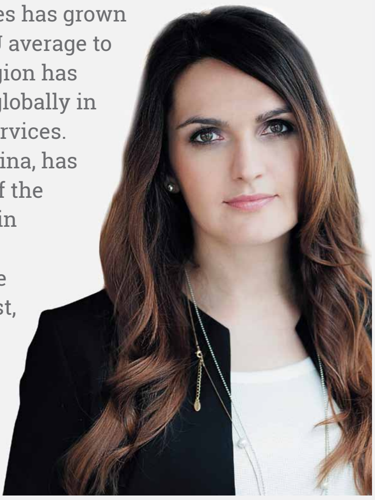
1 EU Regular Economic Report, The World Bank, 2015
2 International Monetary Fund, World Economic Outlook Database, April 2016

Partners' statement

Katarzyna Zawodna

President of Skanska CDE

CEE is a region whose mission is to outperform. Since 1989, its people have been setting ambitious goals and have achieved extraordinary economic results. During this time, GDP per capita in CEE countries has grown from 20-40% of the EU average to 50-80%. The whole region has become number one globally in advanced business services. Poland, along with China, has been a global leader of the emerging economies in terms of industrial competitiveness since 2000. Last but not least, five of the 25 safest places to live are located in CEE.



Tomasz Trzósło

Managing Director,
Poland, JLL

CEE offers 24m sqm of modern office space, typically at a discount to rents in Western Europe. Moreover, yields are higher and therefore a combination of attractive risk-adjusted pricing compared with Western Europe and the availability of institutional quality product delivered by experienced developers provide multiple investment opportunities.

Jacek Levernes

President of ABSL

The CEE region tempts investors with several qualities. First, the proximity to all markets is the key to communication. Second, conducting business here is more cost-efficient than in Western Europe. And last, CEE is full of talented and motivated young people who can push business forward.

Paweł Dębowski

Chairman, Real Estate (Europe),
Dentons

Central and Eastern Europe is viewed as Europe's "darling" by an increasing numbers of institutional investors based in Europe, including the UK, and more recently from North America, South Africa and the Far East. It is an attractive and safe region with sustained improvements in the business environment. This is particularly evident in the commercial real estate sector, where investors can tap into products that deliver profitable yields and long-term profits. TPG Real Estate and Round Hill Capital are just two of those who have entered the CEE property market in the last 12 months.

1 CEE on stable economic foundations

A | CEE's engines of growth

Economic growth:

From 2000 to 2008, GDP in CEE countries grew by 4.6% annually.[3] Poland was the only EU country that avoided a recession in 2008 and 2009. Although growth in other CEE countries slowed, the whole region is currently on the way to restoring its former rate of development, having undertaken reforms. According to Moody's, CEE-8 countries (the Czech Republic, Poland, Slovakia, Bulgaria, Romania, Slovenia, Hungary and Croatia) should be resilient to international economic and local socio-political challenges for the near future[4].

Factors enhancing growth:

The region benefits from EU funds, a strong and growing domestic demand, the ongoing recovery in the eurozone and low commodity prices.

A very strong advantage of the region is its well-trained, talented labor force.

Industry:

The biggest CEE countries (the Czech Republic, Poland, Hungary and Slovakia) are positioned in the world's top quintile of economies with the highest industrial competitiveness CIP index (measuring the capacity of countries to further develop their industrial sectors)[5].

Export:

Although net exports – especially in the automotive sector - represented the key source of GDP growth in 2011-12, a shift toward domestic demand is now visible, reducing the region's reliance on external factors and its exposure to macroeconomic risks.

Foreign direct investment (FDI):

is one of the strongest growth engines for CEE. However, the level of FDI is dropping slightly due to the markets maturing,

the region is experienced in advanced business services, IT and back-office operations, which are on the list of the most popular sectors for FDI in Europe[6].

Cornelius Walter

Managing Partner of McKinsey's Central Europe office

CEE countries have many strengths that have made rapid economic growth possible. These are:

- a highly educated yet affordable workforce (22% of the entire labor force have tertiary educational qualifications and almost one-third of workers aged 25 to 34 have a college degree),
- a relatively stable macroeconomic environment,
- a favorable business environment, and
- their strategic location.

The region has the potential to restore the 4.6% annual GDP growth that it averaged before the financial crisis, but it would entail raising average annual investment in capital stock to regional benchmark levels, boosting labor participation rates to EU-15 levels, and accelerating total factor productivity growth through continuing reforms.

[3] A new dawn: Reigniting growth in Central and Eastern Europe, The McKinsey Global Institute, 2013
[4] CEE-8 countries to benefit from robust economic growth in 2016, Moody's Investors Service, April 2016
[5] Industrial Development Report 2016, UNIDO, 2015
[6] EY's attractiveness survey, Europe 2015, Comeback time, EY, 2015

New sources for attracting investors:

Chinese investment in the region has been growing by 32% annually over the last decade and CEE is a strategic partner in the Chinese One Belt and One Road policy - a development strategy focused on connectivity and cooperation with Eurasia[7]. Last year, the $500m China-CEE Investment Cooperation Fund was created, which is supporting Chinese investment deployment in the 16-country region (16+1 platform).

Local enterprises:

Small and medium enterprises (SMEs) of up to 250 employees contribute up to two-thirds of the total value added generated by the private sector and up to three-quarters of employment in CEE, helping to improve market stability.

SMEs (excluding micro-companies) in the CEE region create almost as many jobs and generate nearly as much value for the economy as in Germany.

We can also observe the development of the mergers and acquisitions (M&A) market, especially in Poland, the Czech Republic and Slovakia, in particular in the real estate, IT, media and communications, industrial-chemical, commodities, BPO, financial services, energy and healthcare sectors.

Tomas Picha

Senior Director at INVESCO Real Estate for CEE

INVESCO will be a very active investor in Central Europe (with a focus on Poland and the Czech Republic) as we have more than four funds with heavy exposure to regional markets and a readiness to grow their allocation further in CE over the next 12 to 18 months. In the environment of historically low yields in Western European gateway cities and almost zero yields on other conservative asset classes including government bonds and money market derivatives, Central European real estate prices seem quite.

Naichuan Miao

Managing Director of Longmarch Partners

This year, we expect more Chinese institutional investors to go abroad for high quality assets due to policy changes. Premium cities such as London are getting increasingly expensive and continue to attract buyers. However, Chinese investors are now becoming more experienced in the international market. Those who are looking for better investment returns are already turning their attention to markets such as CEE.

The region consolidates

CEE countries are strengthening their bonds both politically and economically. Some of the common CEE initiatives worth mentioning are:

- Via Baltica and Via Carpatia – two roads linking CEE countries longitudinally
- The North Railway Corridor connecting Germany, Poland, Kaliningrad Oblast, Latvia and Lithuania, and Rail Freight Corridor No. 5 connecting the Baltic countries with the Adriatic - Poland, the Czech Republic, Slovakia, Austria, Slovenia and Italy
- LitPol - linking the electricity grids of the Baltic States (Lithuania, Latvia and Estonia) with Western Europe, as well as the Baltic Pipe project connecting Norway, Denmark and CEE through Poland, and the idea for a North–South Corridor allowing CEE countries to exchange all types of energy

[7] Emerging Europe, Central & Eastern Europe 2015|2016, Allurentis Limited 2015 with UK Trade&Investments, 2015

Fitch Ratings, 2016 Outlook[8]

Solid CEE Growth Prospects:

Fitch forecasts that economic growth will remain solid in Central and Eastern Europe in 2016. External factors should be generally supportive, with stronger growth momentum within the EU, low interest rates and quantitative easing by the ECB, subdued commodity prices and the stabilization in Russia. The turn of the EU funding cycle will be the main drag on growth.

Issuer	Rating/Outlook/RW (End of May 2016)	Rating/Outlook/RW (End-2014)
Poland	A-/Stable	A-/Stable
The Czech Republic	A+/Stable	A+/Stable
Romania	BBB-/Stable	BBB-/Stable
Hungary	BBB-/Stable	BB+/Stable
Slovakia	A+/Stable	A+/Stable

Arnaud Louis

Director,
Sovereign Group,
Fitch Ratings

What are the main threats to economic growth (and ratings) in the region and how important are they?

Given its deep integration with the German and European Union (EU) manufacturing supply chains, lower-than-expected growth in the EU is the main risk for the region. The slowdown in emerging markets could also affect the growth outlook in CEE, although exposure is mostly indirect (for example, the region could be affected through weaker German exports to China).

Weaker external demand for cars, for example, linked to the Volkswagen emissions scandal would affect the CEE region given the importance of car manufacturing. The two countries most exposed are Slovakia and the Czech Republic, where car production accounts for 25% and 19% of exports respectively. It is also significant in Hungary (14%), Romania (14%) and Poland (10%) (Eurostat, 2014).

The start of the new EU funding cycle is likely to result in a slowdown in domestic demand. 2015 was the last year to draw on funds from the 2007-13 cycle. Fitch expects that absorption of EU funds under the new 2014-20 cycle will be low in 2016 and 2017 and be ramped up gradually. In countries such as the Czech Republic and Hungary disbursements are typically very low in the first years of the EU cycle. Other countries, such as Poland have been more able to spread disbursements evenly over the cycle.

Most outlooks in the ratings are “stable”, which means that we do not expect a change in the rating in the near future.

[8] Fitch Ratings, 2016 Outlook: Emerging Europe Sovereigns Strengthening Performance, But Political, Policy and External Challenges, 14 December 2015

B Safety of doing business

Safety:

CEE economies are relatively stable and safe. Threats common in emerging economies, such as geopolitical and social risks, are not present in Central and Eastern Europe. The CEE countries are some of the safest parts of the world in terms of business operational risk.

The Czech Republic, Slovenia, Poland, Hungary and Slovakia are on the list of the 25 safest countries to live in the world, according to the Institute for Economics and Peace[9].

The migrant crisis

may be a source of some political tension among the so-called “Old Europe” and “New Europe”. However, CEE countries are not the main destinations for asylum seekers[10]. Due to their geographical location, the migration flow has mostly affected Hungary and Romania as they play the role of transit countries.

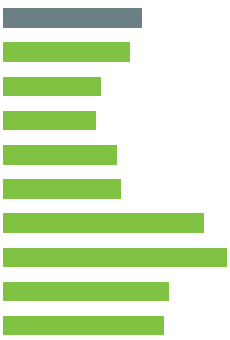
A predictable and stable policy regime

is of key importance to investors[11]. It can be a challenge for countries such as Poland or Slovakia that are undergoing political change. It is worth underlining that Victor Orban’s often criticized government is now perceived by several international investors present in the Hungarian market to be relatively stable, making them more confident in their activities in the country.

Reversing the ageing trend?

ageing population is one of the most commonly listed demographic threats in the region. However, labor market participation is still growing in CEE and the percentage of the population of working age in CEE countries is currently higher than in many western EU countries. Furthermore, many steps (such as immigration, tax breaks and financial incentives for families), already used by western countries, are yet to be implemented in CEE countries.

Working age population in %



66.35	**OECD total**
65.48	Germany
63.65	Sweden
63.62	France
64.78	Italy
64.92	UK
70.02	Poland
71.14	Slovakia
67.81	Hungary
67.3	The Czech Republic

The first signs of the reversal of the ageing trend are already visible in Poland:

1. The difference between the number of Poles arriving in and leaving Britain is diminishing.
2. Poland has already welcomed more than a million Ukrainians. More are expected, as holding a work permit qualifies one to receive PLN500 ($129) in benefits for each of one’s second and third child and so forth. The average wage in Ukraine is $168, and a minimum of $53.
3. The region is also attracting young people from western countries such as Spain and Italy looking for a job in CEE outsourcing centers.

[9] Global Peace Index (GPI) 2015, The Institute for Economics and Peace, 2016
[10] The Refugee Surge in Europe: Economic Challenges, International Monetary Fund, January 2016
[11] World Investment Report, United Nations Conference on Trade and Development, 2003

C | The labor force - a main strength of CEE

The high quality and cost effectiveness

of the labor force is the main factor attracting investors to CEE.

Every year, CEE produces ca.

1,2m

graduates.[13]

18%

of all tertiary education students in EU-28 are located in the 5 biggest CEE countries.[12]

Every year, Poland, the Czech Republic, Slovakia and Ukraine provide the market with

285,000

engineers – more than the US.[14]

Capgemini centers in Poland operate in

30 languages.

Wage rates in Poland and Hungary

are <1/3 vs. UK.[15]

In 2014, FDI projects generated more jobs in CEE than in Western Europe.

It is a long-term trend.

[12] Education and training in the EU – facts and figures, Tertiary education statistics, Eurostat, 2015
[13] McKinsey Analysis, Local Statistics Office, Business Services in Central & Eastern Europe, 2015
[14] Dziennik Gazeta Prawna, April 2016
[15] EY in: Emerging Europe, Central & Eastern Europe 2015|2016, Allurentis Limited 2015 with UK

Skills of CEE employees

Good understanding of western culture
Most CEE countries are members of the European Union.

Multinational teams
80% of service centers in CEE employ foreigners. More than 10% of staff come from abroad in nearly one-third of centers.*

English fluency
Poland ranked sixth in the world in English proficiency.**

Well-educated
Over 3m students at nearly 1,400 higher education institutions.***

Specialists using many languages
You need French, German, English, Russian, Spanish, Italian, Dutch, Swedish, Hebrew, Arabic or Chinese? CEE employees use over 40 languages according to ABSL.

Ready to increase productivity
Nearly 12% of Poles say they are prepared to substantially raise labor productivity. The EU average is 4.6%.****

People with high ambitions
Working hard, trying to shorten the distance to Western Europe in achievement and living standards.

Many scientific minds
Estonia, Poland, Slovenia, the Czech Republic and Latvia are in the top 30 countries with the best math results in the OECD's Pisa rankings.

*Business Services in Central & Eastern Europe 2015, ABSL 2015
**English Proficiency Index for non-native English speakers, Education First, 2014
***European Commission data, 2012, 2015
****A window of opportunity for Europe: Detailed analysis, McKinsey Global Institute, 2015

Talented employees for the business services sector

ABSL

With the amount of competition in today's market, it may be assumed that seeking prospective employees is an impossible task.

The CEE region proves otherwise – employment forecasts for 2017 and 2018 show significant growth in the number of employees in the business services sector: from 430,000 in Q1 2016 to over 500,000 in the next two years.

As for 2016, 200,000 people are employed in the sector in Poland, making it the leader in this field. The most direct meaning of this is that, speaking from an HR point of view, Poland can maintain a strong base of employees willing and qualified to assume positions in newly opening companies and divisions.

Piotr Dziwok

Country Chairman,
Shell companies in Poland

Royal Dutch Shell runs part of its business operations – supporting our businesses in several locations around the world, including our hubs in London and the Hague – at Shell Business Operations Kraków, one of our six global strategic business operations centers.

Since 2016, SBO has been responsible for Shell's crucial business processes and now has 2,300 highly skilled specialists on board.

Kraków's growing importance in our global chain proves that we are very happy with our decision to invest in CEE.

Marcin Nowak

Delivery Centre Director Infrastructure Services CEE,
Head of Global Distributed Smart Services
at Capgemini

Talented employees, culture, proximity to western countries and extended recruitment flexibility were our drivers for investing in both Poland and Romania.

Poland has been recognized as a proven outsourcing location, however, Romania has recently made a significant step forward in the development of human capital through successful policies in education and research. The Polish Capgemini community has reached over 6,500 employees, while the Romanian Capgemini organization is leveraged by close to 600 employees working from our Bucharest and Iasi offices. We expect our centers to grow steadily in the coming years.

D The business environment

Incentives:

The investment climate in CEE is supportive for international investors. They can expect different public incentives at a national and/or regional level, depending on the country[16].

Investment incentives in Central and Eastern European countries

	Poland	Czech Republic	Romania*	Hungary	Slovakia
Investment cash grant	+	+	+	+	+
Employment grant	+	+	+	+	+
Training grant	–	+	–	+	–
CIT relief or exemption	+	+	+	+	+
Property tax exemption	+	+	+	–	–
Exemption from other taxes	–	–	+	–	–
Real estate sold at a reduced price	–	+	+	–	+
Country specific	+	–	+	+	–

Transparency:

CEE countries are constantly improving their transparency. They significantly improved their position in JLL's Global Real Estate Transparency Index. Poland, followed by the Czech Republic and Hungary, was the top CEE improver over the last decade, moving from being semi-transparent to transparent. Romania was one of the best improvers since 2012.

Poland ranks 13th in the world in JLL's Global Real Estate Transparency Index 2016, building on its leading position as the most transparent market in the CEE region.

Innovation:

10 of 35 cities with the best rankings in the European Digital City Index (EDCi) are located in CEE[17].

Nevertheless, the region is still at the beginning of its journey to make innovation that matters worldwide.

[16] PAIiIZ, 2015
[17] The European Digital City Index, 2015
* Invest Romania, 2016

On the way to innovation

Strategies aimed at boosting innovation are high on the public agenda in CEE.

In Poland the government appointed the inter-ministerial Council for Innovation, which will allocate €16.5bn to innovative technology projects by 2020.

Slovakia is building an innovation-friendly environment, especially for SMEs. For example, it has prepared a strategy for supporting start-ups with grants, providing them with an institutional framework or even covering the living costs of young entrepreneurs.

In 2015, the V4 countries signed the Memorandum of Understanding for Regional Cooperation in the Areas of Innovation and Startups, the goal of which is to support start-ups and innovation among the V4 group and promote them internationally.

The joint Visegrad Patent Institute was established, which is expected to reduce the anticipated cost of a patent application by 25% for companies and 37% for individuals.

CEE is the perfect location for IT investment thanks to qualified specialists and solid infrastructure.

Since December 2014, we have tripled the headcount in Poland, which has become one of our key locations, along with Romania and Bulgaria. Specialists from the region serve many world-leading financial institutions and are effectively managing global technology teams and processes.

Przemek Berendt

VP Global Marketing
in Luxoft

Infrastructure:

CEE is undoubtedly in a globally strategic location, which allows companies to provide a seamless service to both their clients and their own international operations from the region. CEE's accessibility is further supported by strong, reliable and expanding transport infrastructure.

In the five countries covered in this report, there are more than 30 international airports and six sea ports (in Poland and Romania).

The CEE region is also crossed by a dense road and rail network, which interconnects with two of the main pan-European transport corridors IV and VII.

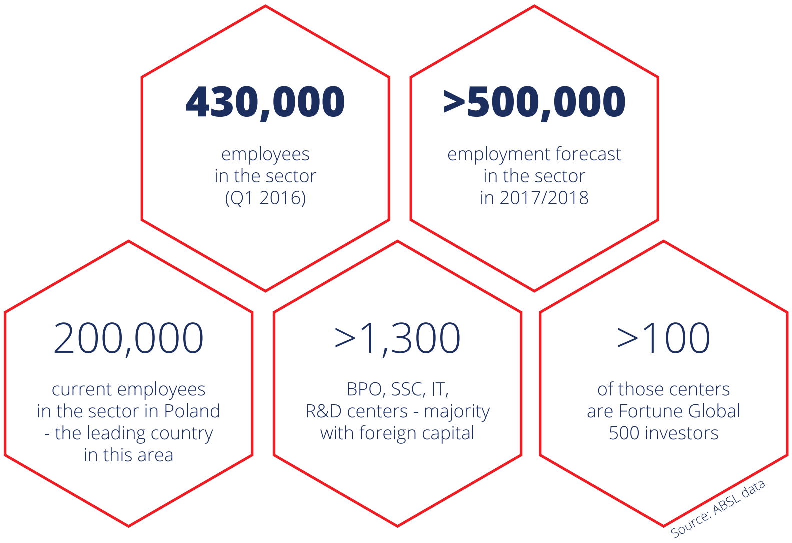
E

Business Services Sector - one of the fastest growing parts of CEE countries' economies

ABSL

In Q1 2016 business services sector employed ca. 350,000 highly qualified professionals across six major countries. Well-educated young people able speaking multiple foreign languages constitute the biggest competitive advantage of this region. Local institutions of higher education produce ca. 1m graduates annually and as many as 400,000 of them come from the 14 largest cities where business services centers are already well established. The sector builds its strength on such education specialties as economy, IT, marketing and language studies (over 40 languages used in CEE centers). Working for multi-national and multi-cultural companies gave young workforce access to trainings and possibilities to relocate between offices across the world. Through numerous interactions they effectively work in diversified teams and better understand cultural aspects important for cooperation with their business partners abroad, at the same time presenting significant skills in driving innovation through ability to challenge status quo.

KEY INFO ON THE SECTOR IN CEE

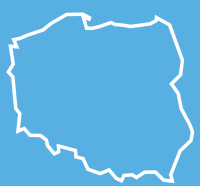


Linguistic capabilities go hand in hand with geographical and cultural proximity. Most of CEE locations can be reached from London or Zurich headquarters in less than 3 hours. Business services are provided in a EU time zone with only 6 hours ahead of US East Coast. Presence of EU legal code and regulatory environment in particular in financial services sector is highly valued by foreign investors and the external customers of outsourcing centers. Today CEE region attracts both new investors as well as enables the present ones to open their second or third locations. This trend is supported by hard data: 87% of the service centers have expanded scope of services in recent years, 89% of companies have increased the degree of process sophistication and 86% of sector's companies predict increase in employment by the end of 2016. As of Q1 2016, there are over 1,300 centers, over 100 of them being Fortune Global 500 investors. Statistics show that IT specialists are the biggest group of the sector's employees (1/3 of total). Finance-accounting processes are provided by 20% of workers, operations related to customer service - by 18% of employees. 40% of centers provide their services globally. In major CEE cities its administration authorities have developed dedicated teams to provide high quality assistance to investors during the location search process, as well as later during the build out of the center. The diversity of locations in terms of talent and associated cost of operations (costs - out) result in costs differentials of 20-40% and that still is an important factor.

Today's investors come both from European neighbors and US. Nearly nine out of ten foreign capital centers provide services for entities from Western Europe while 43% for North American companies. More conservative businesses such as pharmaceutical, heavy industry, energy or medical - more hesitant when taking the global decisions - started noticing benefits from operating in CEE locations.

Source: ABSL own study and the „Business Services in Central & Eastern Europe 2015" Report

2 Investing in selected countries


Poland

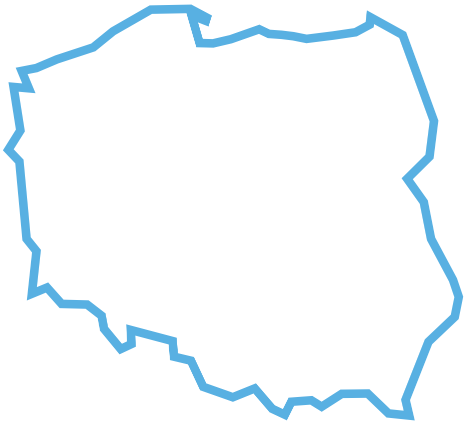

Czech Republic


Romania


Hungary


Slovakia

A | Poland



1. The economy and its stability

The Polish economy was resilient during the 2009 global economic and financial crisis, and its unceasing growth has enabled the country's level of development to get closer to that of other European countries. Being the eighth-biggest economy in the EU in terms of real GDP, Poland is on its way to achieving a standard of living comparable to that of its Western European neighbors[18].
The country is seeing an inflow of investors as it is one of the most attractive and safe business locations in the CEE region. The outlook remains favorable and GDP is expected to increase by 3.5% in both 2016 and 2017[19]. This results from robust private consumption, investment, rising disposable incomes, easy financial conditions, strong credit growth, improving external demand and accelerated absorption of EU funding. These funds will definitely boost the innovativeness of Polish economy. However, a report by McKinsey & Company[20] suggests that two scenarios are possible: a conservative one, in which Poland's GDP will grow 2.6% annually, or an aspirational scenario with 4% of growth yearly from 2015 to 2025. The main question asked today is how Poland will redefine its growth strategy and diagnose new engines of development after 2020.

2. Main drivers of growth

The growth of the Polish economy is possible mainly due to its highly-qualified workers and well-educated specialists, with excellent technical and linguistic skills, that are available in Poland and supported by the country's 430 higher education institutions.

In the biggest international education ranking to date led by the OECD, which assessed skills in reading, mathematics and science among 14 and 15-year-old students from 76 countries, Poland was placed fifth in Europe and 11th in the world, ahead of both Britain and the United States.

One of the main engines of the economy is the business services sector, which employs 200,000 specialists in Poland, making the country the sector's largest employer in CEE.

Kraków has been confirmed as the number one location in Europe for global business services

for the third consecutive year, according to Tholons' Top 100 Cities for Global Outsourcing, and again ranked ninth globally, behind the Asian giants of India and the Philippines.

According to the OECD Better Life Index, Poland is currently the second-safest country in the world, after Japan. In 2015, rates of violent crime reported in Poland were approximately 75% lower than the OECD average. It is also one of the countries with a very low risk of terrorist attacks, according to the British Ministry for Foreign Affairs. World Youth Day 2016 in Kraków and the NATO Summit in Warsaw are probably the only events that could attract any threat.

SKANSKA

[18] McKinsey & Company Report in cooperation with Forbes, 5 opportunities for Poland, October 2015
[19] European Economic Forecast for Poland, Winter 2016, European Commission, 2016

Poland
Infographics

Country	Poland
Population	38,006,000
Area	313,000 sq km
Currency	Polish złoty
GDP (nominal) per capita 2015	$12,921
GDP growth 2014/2015	3.6%
GDP (nominal) 2016	$473.50bn
Capital city	Warsaw
Capital city GDP per capita vs. EU average	102%
Other cities with population above 500,000	Kraków (762,000) Łódź (703,000) Wrocław (634,000) Poznań (545,000)

Significant foreign investments announced during the last months:

Daimler (Mercedes-Benz)

will set up a new engine production plant in Jawor for

$556m.

Zurich Insurance Group

will create a financial shared services center in Kraków.

The center will create added value for all financial operations of the Group.

Uber

will open a Center of Excellence in Kraków for

$10m.

Volkswagen

will construct a new factory in the Wielkopolska region for

$852m.

Facts you probably didn't know about Poland

Poland is probably the best location in the world for advanced outsourcing.

Poles are ambitious. They rank 14th in the world in terms of working hours and their growth in work productivity in 2008-14 was the second-best in the OECD.[21]

The Polish constitution was the very first in Europe and second in the world. It has a strict deficit regime set out in the current version of the constitution.

Polish scientists were some of the first in the world to work on perovskites for ultra-thin and flexible photovoltaic cells.

Poland is a European hub for 3D printing. Polish company Zortrax will provide 3D printers to Dell.

[22] Economic Outlook: Statistics and Projections, OECD, 2016

An interview with Mateusz Morawiecki

Does the change in the country's ruling elite affect investor sentiment about the market and the economy? What are investors' concerns as they observe actions of the new government? Representatives of some global funds had the chance to bluntly submit their questions about Poland to Polish Deputy Prime Minister Mateusz Morawiecki and this is how he responded:

1. How do you perceive the economic situation in Poland? Analysts' forecasts for GDP growth in Poland state that in 2016 it will be stable at 3-3.5%. What is the government's current internal forecast for the next five years? What can positively or negatively impact this forecast?

Poland is one of the most dynamically growing European economies. In 2015, GDP grew by 3.6%, which was 0.3 pp higher than in 2014. We estimate that the figure is likely to be 3.8% in 2016, which would be 0.2 pp higher than in 2015. Furthermore, this GDP growth momentum is likely to be maintained in the coming years as well.

The significant advantages of the Polish economy today include the vast labor market and well-educated population. However, this attribute might gradually decrease in the long term due to low demographic growth in Poland. Nevertheless, the Polish government is intensively addressing this problem and of key importance here is its pro-family policy launched through the recently implemented "500+" program. The fundamental goal of the government's economic policy in the coming years includes improving innovation in the Polish economy and rebuilding Polish capital as well as attracting foreign capital and investment. These goals are not contradictory. Various research by Wim Naudé or Thomas Kemeny confirms that FDI is more effective when an economy is provided with sufficient resources – especially local capital – in order to absorb such investment.

In the long term, improving innovation in the economy and the strengthening of Polish companies would not only resolve the demographic trap, but it would also - due to greater saving and as a result, domestic investment - support other areas. Changes in the labor market resulting in increasing the participation of older and young people are likely to translate into income growth for Poles.

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2. In January, Standard & Poor's cut its rating for Poland from A- to BBB+, the first change since 2007, and warned that another cut could follow. Moody's and Fitch have also issued warnings. Can you comment on this? What will happen if other agencies also cut their ratings?

Besides economic factors, ratings agencies also assess political conditions in the country. As S&P explains, this was the main reason for the rating cut in January. I do not agree with the evaluation by S&P, but it is an independent entity and has the right to make its own decisions. Nevertheless, all the data indicate that our economy is in very good shape. It is worth underlining the fact that the bond issue that took place after S&P's decision was so popular among investors that we recorded a significant increase in the number wanting to buy them. Of course, ratings are important to us - the government – as well as to investors. However, the financial markets recognize how strong the fundamentals of our economy are and know that the Polish economy is one of the most stable in the world. Regardless of future decisions on Poland's rating, the reaction from markets and investors will be much calmer than in January 2016.

Mateusz Morawiecki

Deputy Prime Minister, Ministry of Development of Poland

3. What do you see as the biggest challenges for the Polish economy?

First, innovation, which I mentioned earlier. Within the global economy, Poland has to compete even more on quality and know-how and less on price and the cost of labor. Second, we need to entice attractive foreign investment. Third, we want to stimulate the growth of Polish capital as well as opportunities for overseas expansion by Polish companies. Fourth, the goal of rebuilding our industrial potential is a must. Poland must strongly support selected industries and fully benefit from their potential, foreign experience, capital and know-how. Furthermore, Poland needs to actively support the export business of Polish companies as this will help mobilize their investment mechanisms and create a beneficial climate supporting their ingenuity and expansion in foreign markets. Along with co-operation with foreign capital, we need to use experience and ideas that have worked well in both Europe and throughout the world and wisely implement them on Polish soil. For us, a strategic challenge lies in multiplying financial, social, technological and educational capital. The country has to provide companies with a positive impetus that will encourage their development and produce the conditions for creating well-paid jobs.

4. What are your ministry's major plans for 2016? What are your plans for supporting economic growth?

We are planning to commence the necessary organizational and institutional transformation leading to the establishment of The Polish Development Fund (Polski Fundusz Rozwoju). For example, it could be modeled on the German KFW and serve as a key tool for introducing a policy supporting long-term investment and economic growth. The support will include numerous areas – small and medium companies, investment, infrastructure, exports, promotion and innovation. The fund will obtain capital for investment offered by international financial institutions on favorable terms. Furthermore, it will support the export business of Polish entrepreneurs. We are also working on a package of measures aimed at different companies, such as The Business Constitution (Konstytucja Biznesu), which will fully include issues relating to the running of business activity, as well as changes in government procurement law, the withdrawal of obsolete concessions and permits as well as introducing necessary simplifications to the legal system. We will continue our work on the Start In Poland program, which will propose numerous measures enabling the commercialization of innovative solutions created by start-ups. We will also speed up the implementation of EU funds from the 2014-20 budget. The government has approved a plan according to which EU funds, which instead of being spent will be invested – we will simplify the procedures and strongly focus on the quality of projects developed in order to encourage innovation and improve the competiveness of the Polish economy.

5. What is the rationale behind the proposed tax reforms (the bank tax, the tax on retailers and income tax thresholds)? Why are you pushing them through even though they are not going to support the budget much and they send a bad signal to investors? Do you plan any future changes to legislation that would have an impact on foreign investment in Poland?

Reforms and taxes introduced by us are consistent with the best examples from the most developed economies. In France a tax on shops with a large floorspace has been collected since 1970 and its goal is to support smaller shops. Furthermore, several European countries have also introduced a bank tax. In the United Kingdom its importance to the sector is similar to its importance in Poland. We want the most dynamic and profitable sectors to participate more in the development of the Polish economy.

6. Is Poland going to remain an open and attractive country to foreign investors? How is Poland going to improve its image further as one of the best performing economies in the world and an attractive investment destination?

We wish to focus on the biggest inflow of foreign investment as possible, especially in the areas requiring modern technology and know-how. Business relations networks will be established in partnership with Polish companies and universities and will result in a strong pro-development impetus as well as making Poland more attractive in the global value chain. A great advantage that Poland has is its well-educated population – we exceed the European average for the number of people with a higher education. We have excellent IT and other specialists and we are linguistically proficient and hard-working.

7. What are the government's plans for maintaining the fiscal balance, taking into consideration the reforms that the government is planning?

Prime Minister Beata Szydło clearly declared that healthy public finances and fiscal balance are crucial to the development of Poland. Therefore, each further reform will depend on its impact on the government budget. Our goal is to maintain the budget deficit at below 3% in the coming years.

8. What are the fulfilled KPI's that you would like to present to the public regarding Polish development after one, two and four years of your ministry?

The goals that we want to fulfil in the short term by 2020 include the growth of investment to more than 25% of GDP. We also want to increase the proportion of expenditure on R&D to 2% of GDP, in particular by encouraging the private sector to undertake such investment, and thereby increase the level of investment (including foreign direct investment). Create the conditions whereby Poland's per capita GDP reaches 79% of the EU average by 2020.

B | Czech Republic

1. The economy and its stability

The Czech economy is one of the fastest growing in the EU with exceptional 4.2% GDP growth in 2015. The good performance in 2015 was fueled mainly by strong private consumption supported by falling oil prices, low inflation and strong exports benefiting from a weak koruna. It was also based on low government debt and a strong financial sector.

Declining labor costs, a stable nominal exchange rate and the positive attitude toward incoming investors are helping attract investment. EU funds are also helping the country. The economy is likely to have a slower, albeit solid, pace of growth this year. The long-term outlook for the Czech economy is stable[23] .

2. Main drivers of growth

The Czech Republic is the second most competitive economy in CEE (after Estonia) and 31st in the world (overtaking, for example, Spain and Italy in the Global Competitiveness Report). One of its strengths is its competitive labor market[24].

93% of adults have completed at least their secondary education - the highest level in the OECD[25].

Over 440,000 people study at more than 70 higher education institutions.

Prague is ranked the third-best European city in terms of human resources and lifestyle, just behind London and Paris[26].

Talented yet cost-effective specialists are attracting investment in many IT/BPO/SSC centers, which make the country one of the biggest business services investment locations in CEE.

The Czech Republic has one of the most developed, industrialized economies of the emerging democracies in CEE.

It is one of the most attractive countries in Europe for automotive R&D.

[23] Fitch Ratings, April 2016
[24] Investment in the Czech Republic, KPMG, 2015
[25] OECD average is 75%, adult population taken into account is 25-64 years, OECD Better Life Index, 2015
[26] fDi Intelligence's European Cities and Regions of the Future assessment 2016/2017, April 2016

Czech Republic
Infographics

Country	**Czech Republic**
Population	**10,538,000**
Area	**79,000 sq km**
Currency	**Czech koruna**
GDP (nominal) per capita 20155	**$17,171**
GDP growth 2014/2015	**4,2%**
GDP (nominal) 2016	**$185.27bn**
Capital city	**Prague**
Second-biggest city	**Brno (370,000)**

Significant foreign investments announced during last months:

General Electric

will create a turboprop center of excellence in Prague for

$400m.

Chinese Bank
Ping An Bank

has signed a strategic agreement with Czech J&T Finance Group SE (JTFG) to create €5bn ($5.6bn) funds aimed at both capital investment and private equity structures.

Amazon

will open a logistics center in Dobroviz for

$85m.

HTC

will build a repair center for mobile devices for

ca. $100m.

Facts you probably didn't know about Czech Republic

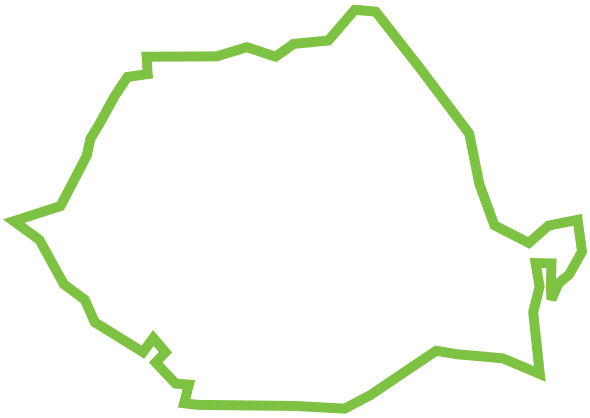
The Czech Republic is one of the 10 safest places in the world to live, according to the Institute for Economics and Peace[27].

China and the Czech Republic signed an agreement for a strategic partnership in business and investment in March 2016.

Prague is among the most developed regions in the EU, with GDP per capita greater than twice the Czech national average and an unemployment rate at half of the national level.

[27] Global Peace Index (GIP), The Institute for Economics and Peace, 2016

C | Romania



1. The economy and its stability

Since the financial crisis, GDP growth in Romania has been driven by the gradual recovery of domestic demand and strong exports. With 3.8%, the country had one of the highest growth rates in the European Union in 2015, behind Sweden, the Czech Republic and Slovakia. In 2016, a continuous acceleration of GDP to 4.2% is expected[28] and the World Bank foresees the economy growing by 4% in 2018. Nevertheless, Romania's national bank warns that this growth could be compromised in the future by possible increases in the budget deficit. The country is a significant recipient of EU-IMF financial assistance programs, which substantially support the economy.

2. Main drivers of growth

Domestic consumption and FDI have helped drive economic growth. According to the Romanian National Institute of Statistics, net investment in Romania's economy grew by 8.4% in 2015.

> The level of education remains one of Romania's strengths, especially in terms of language proficiency and sciences.

The cost-effective but talented labor force is a factor attracting outsourcing centers. The business services sector is helping drive the country's economy. According to ABSL & McKinsey data, the sector employed nearly 51,000 people in 2015.

A further driver of the Romanian economy is, as in other CEE countries, the automotive industry, being one of its largest export sectors. The construction sector also contributed to the higher economic growth in 2015 as a positive response to the demand for infrastructure.

> Romania's overall tax burden is comparatively low.

The new Fiscal Code and Fiscal Procedure Code, which came into force on 1 January 2016, introduced several incentives for companies and individual investors, combined with a reduction of the standard VAT rate. It should help further accelerate growth and increase investment. Nearly 70% of Romanian CFOs stress that the tax changes should positively affect their business[29].

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[28] European Economic Forecast, EC, May 2016
[29] Deloitte Central Europe CFO Survey, 2016

Romania
Infographics

Country	Romania
Population	19,871,000
Area	238,000 sq km
Currency	Romanian leu
GDP (nominal) per capita 2015	$9,570
GDP growth 2014/2015	3,8%
GDP (nominal) 2016	$181.94bn
Capital city	Bucharest
Second biggest city	Iasi (309,000)

Significant foreign investments announced during last months:

Ford Motor Co

is building an SUV vehicle production facility in Craiova for

$228m.

Prolyte

opened a new aluminum structures factory in Olt County for

$4.4m.

Chinese group CEFC China Energy Company Limited

will buy a 51% stake in oil & gas group KMG International (the company having most of its business in Romania) for

$680m.

Webhelp

is to open its new customer care center in Iasi.

The French group has another five customer care centers in Romania (in Bucharest, Galati and Ploiesti) employing over

2,000 people

Facts you probably didn’t know about Romania

Timisoara, in western Romania, was the first city in Europe to have electric street lighting in the 19th century.

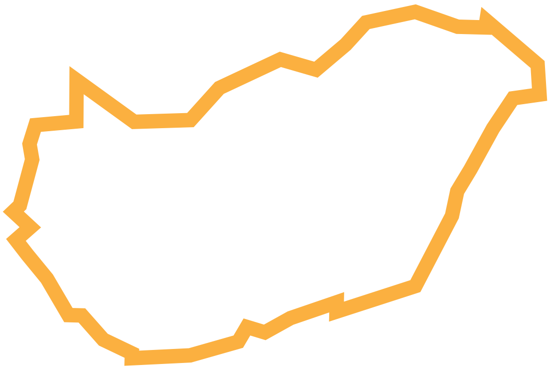
The Romanian engineer Aurel Persu proposed that automobiles should have the aerodynamic shape of a falling water drop.

The Romanian language originates directly from Latin and is similar to Italian.

Romania boasts the world’s largest, heaviest and most expensive civil administration building on the planet - Bucharest’s Palace of the Parliament.

Nine Romanian cities are among the top 15 cities with the highest Internet download speed in the world.

D Hungary



1. The economy and its stability

In 2015, Hungarian GDP grew by 2.9%. The Hungarian government forecasts that GDP growth will remain above 3% in the period of 2018-20 due to public investment, among other things[30]. Hungary is a major beneficiary of the European Structural and Investment Funds and may receive ca. $22bn in the period 2014-20. Domestic demand is expected to remain the main driver of economic growth in the coming years, with a shift from investment to private consumption.

2. Main drivers of growth

Hungary is one of the most attractive destinations for FDI in CEE. Although there was a significant slowdown during the crisis, the country currently has a higher level of investment than in 2008. The automotive sector employs over 100,000 people and has been a key driver of economic growth and investment. Another strength is the talented and developing, yet cost-effective labor force.

Statistically, wage rates in Hungary are less than a third of those in the UK[31].

The business services sector is the main driver of employment growth in Hungary. The country is benefiting from its location as a transition economy focused on exporting to the European market. This is the reason why Hungary was classified in the top quintile of the Competitive Industrial Performance (CIP) index.[32] Although changes in taxation and introducing several new items modifying the tax base for corporate income tax (CIT) were broadly criticized in the international arena, according to the last Doing Business Report,

Hungary has made paying taxes easier since 2010 and has in general reduced costs to all companies.

Several investors are now seeing the stability that Victor Orban's government has provided as an advantage. According to the Index of Economic Freedom 2016,

the regulatory regime is positive for innovative business and enables its formation and operation[33].

The country is actively discussing the migrant issue with the European Commission. A national referendum is planned this year on whether to accept the EU decision on mandatory quotas for accepting migrants.

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[30] Hungary economic forecast summary, OECD, November 2015
[31] Emerging Europe, Central & Eastern Europe 2015|2016, Allurentis Limited 2015 with UK Trade&Investments, 2015
[32] Industrial Development Report 2016, UNIDO, 2015
[33] Index of Economy Freedom 2016, The Wall Street Journal and The Heritage Foundation, 2016

Hungary
Infographics

Country	Hungary
Population	9,856,000
Area	93,000 sq km
Currency	Hungarian forint
GDP (nominal) per capita 2015	$12,853
GDP growth 2014/2015	2,9%
GDP (nominal) 2016	$117.73bn
Capital city	Budapest
Second biggest city	Debrecen (204,000)

Significant foreign investments announced during last months:

UNICEF

is to open its Global Shared Services Center in Budapest, attracted by the highly-qualified workforce, robust infrastructure and relatively low cost of doing business.

Alumetal

will build a plant in Hungary supplying automotive industry companies such as Volkswagen, Nemak and Federal-Mogul.

Daimler (Mercedes Benz)

will build a car plant in Kecskemet for

$660m.

German firm ThyssenKrupp

is building a new auto parts facility for

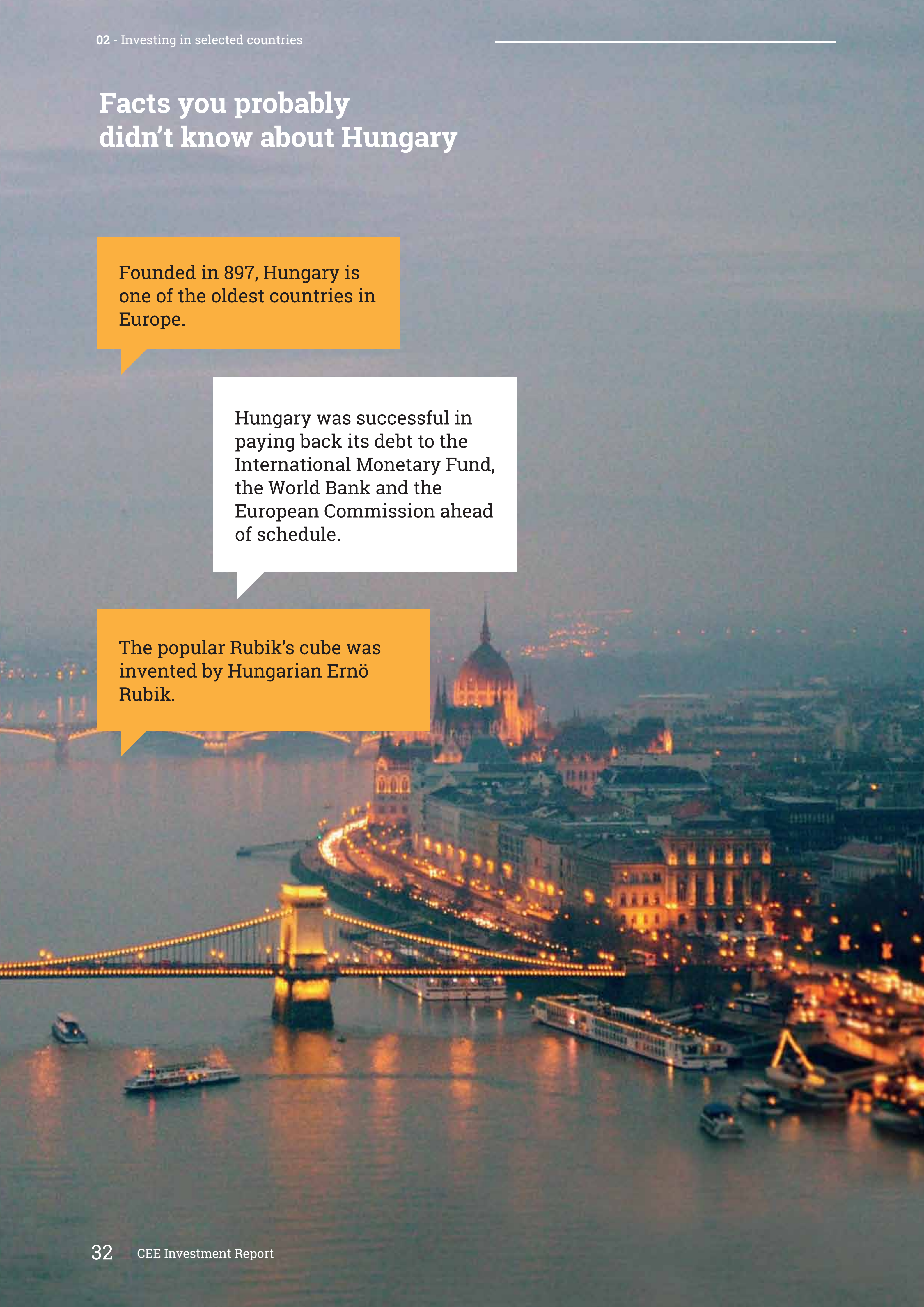
$110m.

Facts you probably didn't know about Hungary

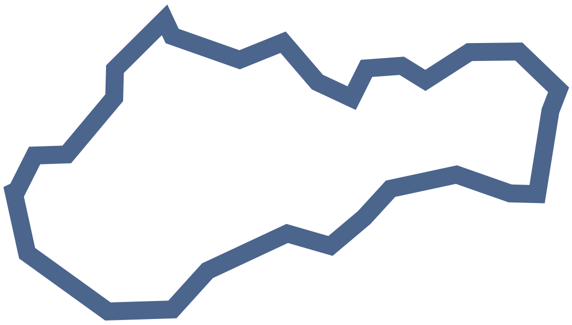
Founded in 897, Hungary is one of the oldest countries in Europe.

Hungary was successful in paying back its debt to the International Monetary Fund, the World Bank and the European Commission ahead of schedule.

The popular Rubik's cube was invented by Hungarian Ernö Rubik.



E | Slovakia



1. The economy and its stability

Slovakia is a high-income economy and one of the best performing in Europe. According to the European Commission, real GDP growth increased by 3.5% in 2015. Although Slovakia did not avoid the recession in 2009, its recovery from the crisis was one of the fastest in the EU. Growth is currently fueled mainly by strong domestic demand and strong exports. Support from EU funds is also an important factor, which will also help the economy in the coming years. Slovakia will receive $15.69bn of European Union funding during the period 2014–20. Other supportive factors are a low-inflation environment, reduced oil prices and loosened monetary policy by the European Central Bank (ECB). Prospects are positive, with growth of 3–3.5% expected for two to three years and around 3% in 2020[34].

2. Main drivers of growth

> Slovakia has a stable and flexible eurozone market-based economy.

Although it is a relatively small country, Slovakia is one of the most attractive destinations for FDI in Europe because of its openness to foreign trade and investment. As in many CEE countries, industry, in particular automotive, is one of the main driving forces of the economy (exports account for more than 90% of the country's GDP), which is both a strength and a risk as it makes Slovakia vulnerable to the fortunes of the German economy and other importers of Slovakian goods and services. At the end of 2015, Jaguar Land Rover announced that it will open a $1.6bn factory in Slovakia in 2018.

A Slovakian asset is its talented and productive workforce. It is one of the youngest countries in the EU, with the lowest old-age dependency ratio of EU countries (19.0 %). More than 220,000 people study at nearly 40 higher education institutions.

> Specialists outperform those from their neighboring countries in productivity worked per hour[35].

Another advantage for investors is the favorable tax environment.

> The main VAT rate is 20%. Lower rates in the EU are found only in Luxembourg, Malta, Cyprus and Germany.

The country attracts companies from the business services sector, a sector that is predicted to be one of the engines of employment growth in the country to 2025[36].

SKANSKA

[34] Slovakia GDP Annual Growth Rate Forecast 2016-2020, Trading Economics, April 2016
[35] OECD, Labour productivity and utilization, 2016
[36] Slovakia: Skills forecasts up to 2025, cedefop, 2015

Slovakia
Infographics

Country	**Slovakia**
Population	**5,421,000**
Area	**49,000 sq km**
Currency	**euro**
GDP (nominal) per capita 2015	**$16,138**
GDP growth 2014/2015	**3,6%**
GDP (nominal) 2016	**$89.78bn**
Capital city	**Bratislava**
Second biggest city	**Košice (237,000)**

Significant foreign investments announced during last months:

Jaguar Land Rover

is building a plant in Nitra for

$1.6bn.

Brazilian producer of compressors, Embraco

started building its first shared service center in the world in Košice, investing

€5m

and employing 150 people.

RKN Global

will open a new plant producing secure IDs and e-cards and screening technologies in Banska Bystrica for

$101m.

Miratech

is to open a new

R&D

center in Košice.

Special thanks to:
SARIO I Slovak Investment and Trade Development Agency

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Facts you probably didn’t know about Slovakia

Slovakia may be the first country in the world to build a hi-tech Hyperloop railway that could connect Bratislava with Vienna and Budapest, with journey times of only 20 minutes.

The Slovak language is sometimes called “the Slavic Esperanto”. It is regarded as the language most comprehensible to speakers of other Slavic languages.

90% of Slovaks have completed at least their secondary education. This is the highest score in the EU, along with Poles, Czechs and Slovenes.

Slovakia has the world’s highest number of castles and chateaux per capita (425 chateaux and 180 castles).

Andy Warhol’s parents came from Slovakia.

3 The real estate investment market in focus

A | Why invest in real estate in CEE?

The current upturn in the economic situation in Europe, featuring high demand for commercial properties, has probably been the longest-lasting positive cycle in recent decades.

Strategically positioned in the heart of Europe, Poland, the Czech Republic, Romania, Hungary and Slovakia are setting year-on-year records in their respective commercial real estate investment volumes. CEE is perceived as an attractive and safe region by a growing number of institutional property investors, who are ramping up their risk curve in search of yields. Core Western European markets offer a limited stock of trophy assets so investors are increasingly tempted by CEE products, which present profitable yields and long-term profits.

Expanding economies and lower real estate prices, when compared to Western Europe, are luring potential buyers. In the last two years, we have observed significant and still increasing international capital inflows into the local CEE markets, predominantly due to German private insurance and pension funds, US pension funds and university endowments, as well as capital related to public insurance, originating from institutions primarily from Singapore and China, which manage the pension funds of their citizens and seek greater returns.

With the UK's vote on 23rd June 2016 in favor of withdrawal from the European Union, only time will tell whether "Brexit" will really change this course and how far it will impact the economic situation and the commercial sector across Europe. Having said that it is likely that CEE may benefit from the UK's exit as some financial services will have to leave London and seek new hubs in the EU. Some of them may relocate to CEE countries.

Real estate offers competitive risk-adjusted returns, highly tangible asset values and attractive income streams. Investing in real estate, as opposed to allocating money in stocks or bonds, offers diversification potential. Adding real estate to a platform of diversified assets can lower portfolio volatility and provide a higher return per unit of risk. It offers returns that cannot be achieved with a similar risk level in bonds. For example, if a pension fund is to choose between saving in a 0.6% deposit account or buying real estate and obtaining an unleveraged profit of 4–6% (and if a bank loan is taken, the rate of return would be even higher), it will attempt to invest its money in real estate. Illiquidity can be a concern for some investors, but there are ways to gain exposure to real estate so that it is reduced, if not brought on a par with that of traditional asset classes. Central and Eastern Europe should not be treated as a monolithic bloc - investors should be aware that each country differs in ways that affect investment decisions.

In the last few years, Poland and the Czech Republic have contributed the most to a remarkable total investment volume across CEE and this trend is continuing in 2016.

Of the core CEE countries, Poland emerged as the regional pacesetter, with a market characterized by considerable stability and increasing liquidity. The legal safety of transactions and attractiveness of properties have made Poland a popular investment market. However, the last 18 months saw also the Czech market witness an increased number of investment enquiries, showing growing confidence from investors in the country. In addition, Hungary, for the first time since the credit crunch, observed a sharp market rebound that started in the second half of 2015 and continues until now. With the transaction volume in the first six months of 2016 already exceeding that of the whole of last year, Budapest is becoming the go-to destination and the region's standout performer. Romania and Slovakia are also catching up and their investment volumes year-on-year are above expectations.

大成 DENTONS

Richard Betts

Publisher
PropertyEU

Europe, with its many countries and different markets, often at different stages of their cycles, can be a daunting place to approach, especially for investors from outside Europe. This is certainly true of the countries and markets of Central and Eastern Europe which diverge strongly in terms of maturity and transparency. But Europe as a whole – including CEE - remains a powerful magnet. And one thing that has become very clear from our latest series of Investment Briefings around Europe is that real estate has never been a more solid or liquid investment than at this point in history.

B | Market data

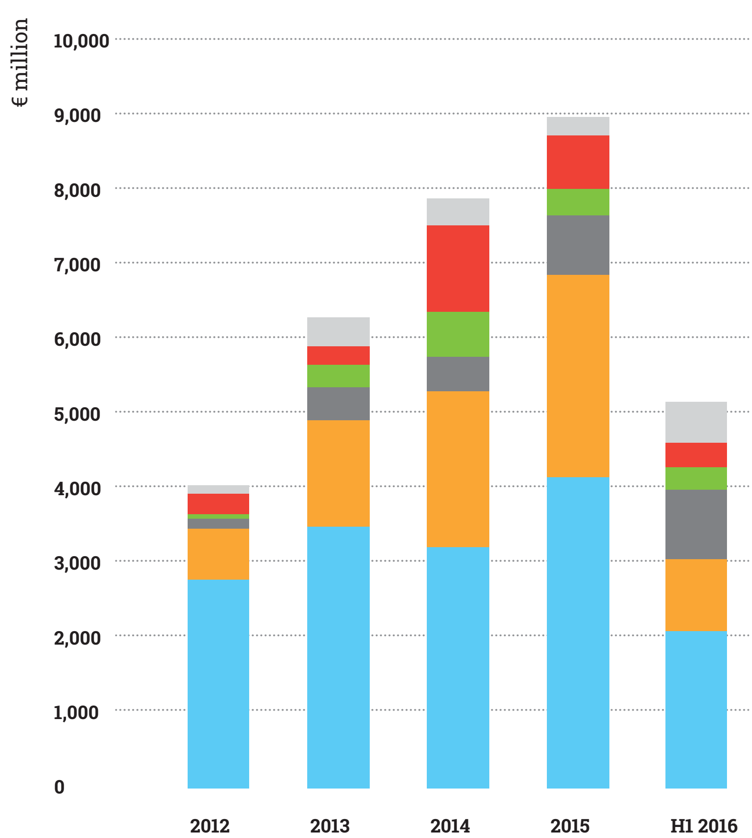
At ca. €5.1bn, H1 2016 represented a 69% increase over the same period of 2015 and is CEE's best H1 regional investment result since 2007 (€5.7bn). We have again recorded solid appetite for the Polish market but have also seen renewed interest in Hungary and the SEE region with the remaining markets also posting healthy volumes.

The CEE first half breakdown saw Poland pull in an impressive volume share of 40%, followed by the Czech Republic with 18.5%, Hungary (18%), SEE (other CEE) markets (10.5%), Romania (7%) and Slovakia (6%). Retail accounted for 51% of the total transaction volume, worth over €2.6bn. Offices were the second most popular sector registering 30% and €1.55bn, followed by industrial with 13% and €676m.

Offices continued to be the region's institutional asset of choice, but on an individual and combined bases do not tend to match the large transaction values that the retail segment attracts. As core European markets continue to become increasingly tight, the CEE region will attract further capital and re-pricing. Prime office yields, for example, have dipped in recent quarters, but have not yet reached their pre-crisis lows. Further compression is expected, albeit at a much slower pace than seen in the previous year. We expect 2016's regional investment volume to better 2015's performance (€8.9bn) and come in at between €10.5bn and €11.5bn.

JLL

CEE: Investment Volumes by Countries 2012 - H1 2016



Source: JLL CEE Capital Markets, August 2016
Volumes include development transactions.

Stuart Jordan

Head of CEE Capital Markets, JLL

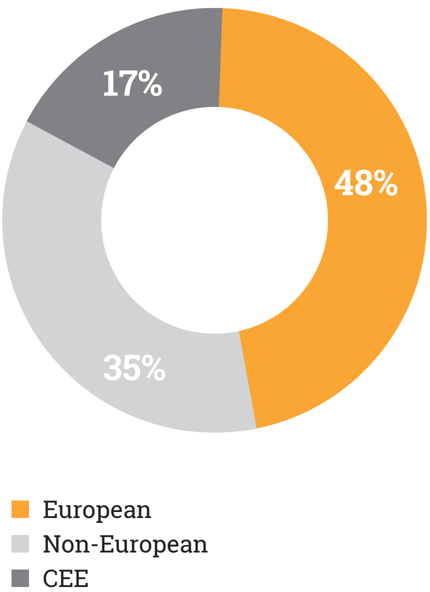
The CEE region is especially attractive to investors, who have the opportunity to enter four capital city markets as well as strong regional city markets. The geographical diversification that comes through such allows investors to gain the confidence of assembling a balanced risk portfolio across the region, entirely focused on one asset type. The construction quality in the office sector is generally excellent and investors have confidence in the sustainability, operational viability and longevity of real estate, just as they would in Western Europe. Throughout market cycles since 2000, the office sector has constantly represented the foundation on which real estate investment trading within the CEE region takes place.

Location	Office stock (sqm) Q2 2016	Gross take-up in H1 2016 (sqm) * = Estimate	Vacancy rate (Q2 2016) * = Estimate	Office space under construction (sqm) Q2 2016	Prime headline rents in EUR/sqm/ month, Q2 2016	Prime yields forecast (end 2017 - %)
Warsaw	4,988,400	360,100	15.40%	545,000	21-23.5 Central 11-18 Non-Central	5.00%
Kraków	832,900	110,100	6.00%	303,000	13.60-14.50	6.00%
Wrocław	757,100	52,500	10.10%	181,400	14.00-14.50	6.00%
Tricity	629,300	36,700	13.50%	132,100	12.75-13.50	6.75%
Katowice	404,400	20,900	14.30%	66,700	12.40-13.50	7.25%
Poznań	395,700	26,300	13.30%	43,300	13.90-14.40	6.75%
Łódź	347,200	17,900	9.70%	109,600	11.50-12.90	7.25%
Budapest	3,297,360	213,580	10.30%	300,740	22.00	6.50%
Bucharest	2,456,000	189,000	12.80%	420,000	18.50	7.50%
Cluj-Napoca	210,000	5,300	*7 - 8%	32,000	13.00-14.00	8.50%
Iasi	165,000	18,900	*7 - 8%	13,000	12.00-14.00	8.50%
Timisoara	120,000	21,300	*5 - 6%	57,000	12.00-14.00	8.50%
Prague	3,224,754	205,141	12.30%	196,176	19.50	5.00%
Brno	483,964	32,484	11.80%	75,258	13.00	7.00%
Ostrava	208,366	4,185	20.30%	11,000	11.50	7.50%
Bratislava	1,547,998	117,625	7.40%	178,189	15.00	6.75%
Kosice	202,325	*5,000	*7.50%	12,000	11.00	7.50%

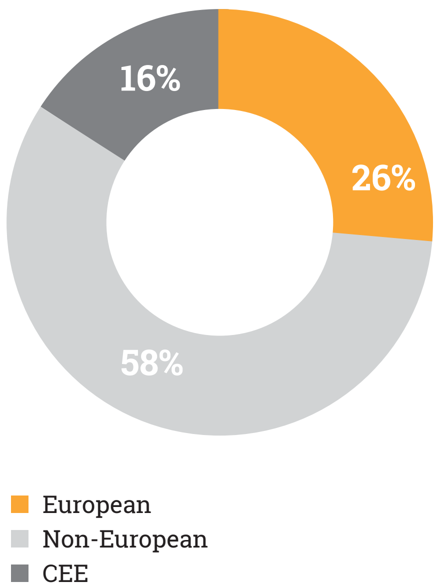
Source: JLL, Q2 2016

CEE Investment Market: Buyer Origin 2015 / H1 2016

2015 Volumes:
CEE Regional Capital: €1.42 billion
European Capital: €4.09 billion
Non-European Capital: €3.04 billion



H1 2016 Volumes:
CEE Regional Capital: €797 million
European Capital: €1.34 billion
Non-European Capital: €2.94 billion



Source: JLL, Q2 2016

C Addressing investors' needs

Adrian Karczewicz, Head of Divestments CEE at Skanska CDE, asks Kirsten Felden, Senior Investment Manager at Union Investment Real Estate, about the fund's experience in terms of acquisitions of commercial real estate assets in CEE countries.

1. Adrian Karczewicz: Why do you invest in Central and Eastern Europe? How do you assess the investment attractiveness of the region?

Kirsten Felden: We entered the CEE market when it was picking up in 2005. Since then, Union Investment has acquired several real estate assets in the region – particularly in Poland and the Czech Republic – due to the attractiveness of these markets. When we started to invest in CEE 10 years ago, we could not foresee the region making such great progress in terms of growth, market maturity and quality. The region is more dynamic than Western Europe, and being a fast growing market is an important advantage in the case of real estate investment.

2. What are the strengths and weaknesses of this part of Europe?

There is a lot of potential in the CEE region and economic growth is driving the tenant as well as the industrial and construction markets. Of course, the Western European real estate sector is more mature and developed and has more product to offer, but in CEE there is still a need and demand for shopping centers, modern class-A office buildings and logistics infrastructure. In France, Germany or the UK we can observe oversupply, while the CEE real estate market is not as saturated so it is constantly growing. However, the CEE markets also feature some weaknesses, for example, the absence of the euro. From an investor's point of view, it is always better to avoid currency risk with investments. It concerns mostly retail tenants, because their turnover is mainly in PLN and less office tenants where some of their income is in EUR.
The market, although it is growing, is still relatively small and not as liquid as its western counterparts. This means that investors need to catch the opportunity to buy a good product to provide a certain return.

3. What was your first transaction in CEE? Do you remember your impression when you conducted your first deal in the region?

When we entered CEE in 2004, we were not yet familiar with the market and that seemed to be our biggest challenge at that time. That's why we were looking for a trustworthy partner to work with. We formed a joint venture with CA Immo. and we bought a portfolio of seven assets in Hungary and the Czech Republic consisting of logistics, commercial and retail products. The first project that we acquired in Poland was the Radisson Hotel in Kraków in 2004 and the first single office transaction was Horizon Plaza in Mokotów, Warsaw in 2010.

4. Has the investment climate changed since then?

From our perspective, CEE cities such as Warsaw and Prague have changed dramatically and the investment climate has remained strong for the last 10 years. The region is still attractive to investors. We are happy to see that in the last decade the number of developers has increased. The biggest change is that participants in the market are more and more experienced and are better prepared to conclude transactions. Large developers such as Skanska are improving their products so the asset offer is also becoming much more innovative. Poland is a good example because it is now on almost every investor's buying list. Over time, we can see that Poland and the Czech Republic are becoming more equal partners in the EU - their real estate markets have matured and become more transparent.

5. What are the indicators that CEE is becoming a more and more transparent market?

The research and analysis provided by real estate agents and developers is sometimes better and more accessible than in western countries. This is another advantage of a dynamic market – local market players are all very ambitious and eager to achieve more. A saturated market does not show this kind of dynamic.

6. What would you advise an investor who is approaching the CEE region for the first time seeking opportunities?

I can definitely recommend visiting cities in the CEE region, for example, Warsaw in order to recognize its potential, estimate the dynamics, get an overview of market analysis, and look for a professional partner and good product.

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7. Last year you bought the Dominikański office complex in Wrocław, Poland. Why did you choose that particular asset?

The location was important – we have identified that Polish secondary cites such as Kraków and Wrocław will be interesting to our fund, especially in the office segment. We decided to go for the best CBD location and a good product. That is why we chose Dominikański. The concept of the building and its quality were great, as well as the advanced leasing process. Skanska is also a very professional company to rely on. It has a special unit responsible for general construction works within the company structure and it works to the investor's benefit. The developer also has a good relationship with the city authorities and attractive tenants had been found, and all these factors together influenced our final decision.

9. How do you perceive the potential and performance of the real estate investment assets that you already have in your portfolio?

The performance depends on various factors – often assets perform well when we have bought at the right moment in the cycle or when we were identifying a market gap or relied on the right tenant for stability. In Warsaw, for example, we bought the Hilton Hampton Hotel in the CBD and it performs excellently. It has great guest approval and very high occupancy, which indicates that there is a specific need in this market segment and that this investment fits the market. Shopping centers in Poland are also a good choice. CEE commercial real estate is performing well and nobody can afford not to consider the CEE region.

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8. What are your investment strategy and success factors?

Our company stands for long-term investment strategies. We are an institutional investor according to German investment law and we have high ethical standards. We are not only looking for profit. We also want to offer sustainable solutions for citizens, for tenants and for the future of cities where we invest. Of course, we are keen on cash flow and we always aim for the performance of our fund to be stable and secure. We are expanding our portfolio every year. Investments in CEE countries such as Poland and the Czech Republic fit this approach.

Kirsten Felden

Senior Investment Manager at Union Investment Real Estate

Adrian Karczewicz,

Head of Divestments CEE at Skanska CDE

Investing in real estate in Poland

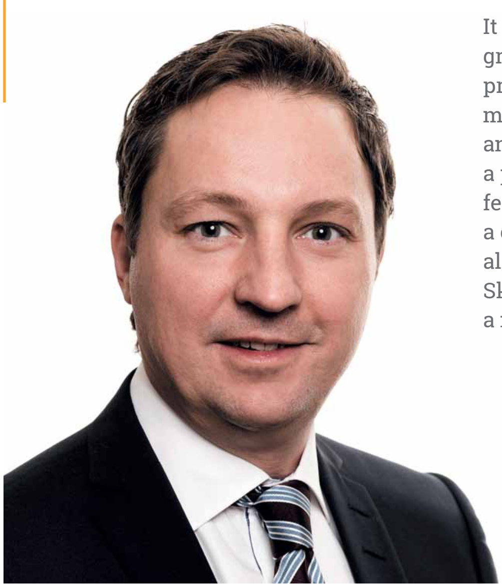
1. Real Estate Transaction market

Polish office investment volumes reached €1.27bn in 2015, the third-highest year on record. The key observation was the continued investment in the regional city markets, surpassing the volume registered in Warsaw for the first time. The limited offer of product in Warsaw, combined with the maturity of the top six regional cities, resulted in strong investor interest and activity. The most notable deals included the acquisition of the Dominikański building by Union Investment, NIAM's portfolio purchase of Silesia Business Park buildings A & B in Katowice and Kapelanka 42A as well as Axis in Kraków, all from Skanska. Also of note was TPG's purchase of B4B Bonarka in Kraków via the TriGranit platform. Such portfolio and platform transactions have emerged as a desired, scalable method of market entry. Additionally, Reino Partners acquired Alchemia I in Gdańsk from Torus and PHN bought Andersia BC in Poznań from Von der Heyden Group. While regional city activity in 2015 was led by the trading of core product, 2016 opened with three value-added acquisitions by Benson Elliot with Sharow Capital in the cities Łódź, Gdańsk and Poznań, illustrating a deepening investor pool in these markets. 2016 will continue to see regional city transactions, however, the weighting will shift back to Warsaw. Record net absorption (279,000 sqm) in 2015 and falling vacancy are providing clear indicators to investors that the bottom of the rental cycle has been reached. Core product such as Prime Corporate Center (Golub GetHouse) and Gdański BC (HB Reavis) are set to close in H1 2016 and schemes such as Warsaw Spire (Ghelamco), Atrium 2 (Skanska) and Q22 (Echo) should trade in H2 2016. Prime Warsaw office yields currently stand at 5.25%, with further compression expected by year-end. A key driver of yield compression and the strong sentiment is the weight of capital trying to secure prime opportunities in Warsaw, coupled with optimal financing conditions and attractive capital values. Polish office volumes in 2016 are likely to eclipse the historic record in 2006 of €2.25bn.

JLL

Fredrik Jonsson

CIO at Niam



Niam finds Poland to be one of the most, if not the most, interesting investment markets in Europe.

It is a large market, that has a maturing and healthy economy with growth, a fair budget balance, and low levels of inflation and public and private debt. On the asset side there is quality stock and supply of modern, state-of-the-art buildings, numerous big international tenants and a vast, relatively inexpensive but well-educated workforce, all in a professional, competitive market. So when considering future demand, few markets have more potential. Poland has the features to become a core institutional investment market, beyond the extent to which it already is today. When it comes to quality of development and build, Skanska has a long track record and continues to prove itself as a market leader.

2. Investors' key takeaways:

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» It is a stable and relatively mature market, chosen by numerous international corporations as the base for their logistics, outsourcing, accounting and legal centers.

» The investment market is spreading to regional cities.

» There is growing demand from global investors for platform transactions to initiate their presence in Poland; Polish assets being added to the Western European asset basket.

» Residential, hotel and warehouse sector investments are on the rise.

» Investment land for office and retail development has regained its vigor.

Real estate transaction market

Joseph de Leo

Senior Partner at Benson Elliot Capital Management LLP

Polish office investment volumes reached €1.27bn in 2015, the third-highest year on record. The key observation was the continued investment in the regional city markets, surpassing the volume registered in Warsaw for the first time. The limited offer of product in Warsaw, combined with the maturity of the top six regional cities, resulted in strong investor interest and activity. The most notable deals included the acquisition of the Dominikański building by Union Investment, NIAM's portfolio purchase of Silesia BP buildings A & B in Katowice and Kapelanka 42A in Kraków, all from Skanska. Also of note was TPG's purchase of B4B Bonarka in Kraków via the TriGranit platform. Such portfolio and platform transactions have emerged as a desired, scalable method of market entry. Additionally, Reino Partners acquired Alchemia I in Gdańsk from Torus and PHN bought Andersia BC in Poznań from Von der Heyden Group. While regional city activity in 2015 was led by the trading of core product, 2016 opened with three value-added acquisitions by Benson Elliot with Sharow Capital in the cities Łódź, Gdańsk and Poznań, illustrating a deepening investor pool in these markets. 2016 will continue to see regional city transactions, however,the weighting will shift back to Warsaw. Record net absorption (279,000 sqm) in 2015 andfallingvacancy are providingclear indicators to investors that the bottom of the rental cycle has been reached. Core product such as Prime Corporate Center (Golub GetHouse) and Gdański BC (HB Reavis) are set to close in H1 2016 and schemes such as Warsaw Spire (Ghelamco), Atrium 2 (Skanska) and Q22 (Echo) should trade in H2 2016. Prime Warsaw office yields currently stand at 5.25%, with further compression expected by year-end. A key driver ofyield compression and the strong sentiment is the weight of capital trying to secure prime opportunities in Warsaw, coupled with optimal financing conditions and attractive capital values. Polish office volumes in 2016 are likely to eclipse the historic record in 2006 of €2.25bn.

Legal tips

- **Types of real estate interest:** Freehold, perpetual usufruct right and condominium ownership are key legal titles to real estate.
- **Acquisition of real estate assets:** Citizens and entities from the European Economic Area are free to purchase real estate in Poland, except for agricultural and forest land. Non-EEA foreigners usually need official consent to acquire property. Acquisition from a public entity is generally only through a tender.
- **Restrictions on agricultural and forest land:** As of 1 May 2016. In principle, only individual farmers, the State Treasury, and local government and religious organizations can acquire agricultural land. As regards forest land, State Forests has a buyout or pre-emption right.
- **First refusal right:** State and local authorities have special rights of first refusal for particular types of properties.
- **Investment vehicles:** Generally, Polish limited liability companies subject to 19% CIT or CIT transparent limited partnerships are used as investment vehicles.
- **Special Economic Zones:** Administratively separated areas designated for running businesses on preferential terms – tax relief, parcels of land with all services.
- **GAAR:** The tax General Anti-avoidance Rule is likely to take effect 1 July 2016 and can have an impact on investment structures.
- **New Banking Tax Act:** Effective from 1 February 2016. A new levy on the assets of certain financial institutions, including domestic banks and insurance companies as well as Polish branches of foreign banks and insurance companies. It does not cover investment or pension funds.

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Investing in real estate in the Czech Republic

1. Real Estate Transaction market

JLL

With the level of capital forcing itself into the real estate sector continuing to increase, it is no surprise that 2016 is expected to show healthy investment activity across all property sectors and all along the value curve. Core, defensive, commercial assets remain the most actively sought after, especially where long leases are involved, meaning that pricing is likely to reach an all-time low in terms of capitalization rates. With excellent country-level GDP growth and low unemployment, confidence within the Czech consumer base is reflected in retail spending, giving extra drive to retail performance and thereby investor appetite. Further consolidation is expected among the main developers and investors in the industrial sector as land availability and excellent occupational fundamentals drive take-up, rents and the health of the sector. Investor attention is beginning to turn toward the residential sector and alternatives, although the market in general remains embryonic in terms of specialism, product and familiarity. The stability in office rents and the return of what is expected to be a landlord-friendly leasing cycle, with rents having bottomed out and incentives shrinking alongside limited new supply, the office sector remains the institutional investors' market of choice and a main focus of attention. Total office investment volumes in 2015 reached €457m, with notable transactions including the acquisition of Corso Court in Prague from Skanska by Invesco and the sale of the Raiffeisen Building in Prague 4 by DAWM to Amundi Real Estate. Prime office yields in Prague currently stand at 5.50%, with further compression expected by year-end.

2. Investors' key takeaways:

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- The property market is currently booming, with excellent opportunities for investors.
- Office transactions are primarily in Prague.
- E-commerce and mega-sized schemes are expected to be the main drivers of industrial market demand.
- The retail sector is experiencing continued high investor demand, with single and portfolio transactions taking place across the country, including regional cities: Liberec, Brno, Hradec Kralove and Usti nad Labem.

Legal tips

- **New Civil Code:** Effective from January 2014. Superficies solo cedit principle now applies - buildings and other structures located on and connected to the land now form part of the land.
- **Types of real estate interest:** The most common are freehold, condominium ownership and building rights.
- **Acquisition of real estate:** Foreigners are free to buy real estate, including agricultural and forest land. Citizens and entities from outside the EU, European Economic Area and Switzerland cannot directly acquire state-owned agricultural land.
- **Asset deals:** The New Civil Code provides for accession of debts and liabilities related to the asset being sold, therefore financial due diligence is required in connection with asset deals.
- **Land register:** The Land Register enjoys “public warranty” that (when doing asset deals) offers stronger protection than the previous good faith principle. The legal interpretation of various aspects under the new Civil Code is unclear and no court decisions provide guidance as yet.
- **Investment vehicles:** Limited liability companies, investment funds and branches are the most commonly used vehicles for investing in the property market.
- **Corporate income tax:** 19% CIT applies to entities investing in real estate. Investment funds are subject to 5% CIT.
- **Sale exit:** Complicated regulations on the sale of real estate and VAT exemptions, reverse charge mechanism.

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Investing in real estate in Romania

1. Real Estate Transaction market

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According to Oxford Economics, Romania is forecast to be the fastest growing economy in CEE in 2016. Consequently, occupier market activity is accelerating, with take-up totalling almost 100,000 sqm in Bucharest in Q1 2016, the strongest first quarter ever registered. Romania's flourishing economy has also drawn the attention of property investors. The office investment volume in 2015 in Romania was estimated at €242m, representing 36% of the of the overall commercial property investment volume. In Q1 2016, the office investment volume stood at €95mn. All of the office properties transacted were in Bucharest. Romania's modern office market is mostly concentrated in Bucharest, but the pipeline in large secondary cities such as Cluj-Napoca, Timisoara and Iasi is strong.

The largest office transaction registered in 2015 was the acquisition of Floreasca Park by GLL from Portland Trust. The most active buyers in 2015 were GLL and Globalworth, the two investors accounting for 73% of the transaction volume. More core investors looking to secure properties with stable, long-term income in a steadily growing economy are coming in as they see the opportunity to improve their returns. Prime office yields are at 7.50%. Yields have compressed by 25 bps since the start of 2015 and are expected to compress further in 2016, albeit at a slower pace. Prospects for 2016 are positive given the projected economic growth of the country, and also the availability of quality product and the still significant yield spread between Romania and Poland or the Czech Republic.

2. Investors' key takeaways:

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» The industrial sector is white hot, especially logistics. M&A and property development centers around Bucharest, but activity is increasing in regional cities - Arad, Deva, Ploiesti and Constanta.

» Residential development in Bucharest and secondary cities is picking up steam, notwithstanding a new law that limits recourse against certain borrowers under retail mortgage loans.

» Office development continues apace, although largely in Bucharest.

» Financing terms for development loans remain tight, and margins are high relative to some other countries in the region.

Legal tips

- **New Codes:** The New Civil Code was enacted in 2011. The New Code of Civil Procedure has been in force since 2013. The New Insolvency Code was enacted in 2014.
- **Acquisition of real estate:** Land may be owned, used and transferred freely in Romania. Exceptions include agricultural land located outside city limits and forestry.
- **Investment vehicles:** Creating a new company or purchasing a shelf company are the two most common ways for foreign investors to set up.
- **Title:** There is a relatively high level of title problems. Properties confiscated in 1945-89 may be subject to restitution. Title due diligence is advisable.
- **Title insurance:** Title insurance is a useful tool for mitigating certain risks.
- **Cadastral issues:** Cadastral overlapping may impact development. An incoming system should in time map all properties and solve cadastral issues.
- **Pre-emption rights:** These affect sales of extra-urban agricultural and forestry land.
- **Green buildings and green leases:** Although leases in "green buildings" have the same legal regime as leases in standard buildings, the owner of a green building can enjoy grants and state support for developing the building and, in some cities, reduced property tax.

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Investing in real estate in Hungary

1. Real Estate Transaction market

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The increasing weight of capital targeting Hungarian assets was already apparent at the beginning of 2015 and was reinforced throughout the year. Offices remain the most liquid asset class, representing roughly 50% of all commercial transactions in 2015. The most important transactions were portfolios and platforms, including office assets such as the AEW Europe portfolio (MOM Park offices, WEBC and EMKE) and the TriGranit platform (Millennium City Center offices), while the largest single office asset transaction in 2015 was the sale of Duna Tower (acquired by GTC/Lonestar) and Infopark E (acquired by Diófa). In Q1 2016, we witnessed the closing of Office Garden II (acquired by Erste Fund), Váci Corner (acquired by Zeus Capital) and Infopark G (acquired by Diófa). Based on the very active market and strong pipeline, the annual 2016 office GTC/Lonestar) and Infopark E (acquired by Diófa). In Q1 2016, we witnessed the closing of Office Garden II (acquired by Erste Fund), Váci Corner (acquired by Zeus Capital) and Infopark G (acquired by Diófa). Based on the very active market and strong pipeline, the annual 2016 office

2. Investors' key takeaways:

DENTONS

- There has been strong economic growth in the last 12-18 months and investors are increasingly seeing Hungary as one of the go-to destinations this year.
- A credit rating upgrade is expected in 2016, positively impacting the economy.
- Office take-up increased in 2015, the construction pipeline is limited.
- Strong consumer demand and turnover rates suggest upward movement in the Budapest retail sector.
- Industrial development is driven by high foreign inflow into regional industrial hotspots and this trend is set to continue.

Legal tips

DENTONS

- **New Civil Code:** Effective from March 2014, with an increased commercial emphasis, and several new and radically reformed legal structures.
- **Types of real estate interest:** The most common are ownership, co-ownership and condominium ownership.
- **Acquisition of real estate:** Foreigners from the European Economic Area are free to buy real estate in Hungary, even agricultural or forest land, on the same terms as Hungarian citizens, but beware of eligibility criteria.
- **Land register:** Legal presumption on correctness of registered rights (former owners can challenge).
- **Sale and purchase agreements:** Countersigned by a Hungarian attorney or in a public deed made by a Hungarian notary public. Failure to meet formal requirements may result in invalid ownership transfer.
- **Construction contracts:** Values over €5m require engaging a fund manager prior to commencement of works, who will also act as escrow agent.
- **Acquisition of ownership in a real estate company:** Acquisition of real estate or at least 75% ownership in a real estate holding company is subject to real estate transfer tax (2%-4%, up to a maximum of HUF200m).
- **Asset vs. share sale exit:** Since share deals have become subject to real estate transfer tax, share sales are no longer preferred on such a basis, the advantages and disadvantages should be assessed on a case-by-case basis.

Investing in real estate in Slovakia

1. Real Estate Transaction market

JLL

The improving economy and strong market confidence was reflected in the real estate investment market in 2015, with the industrial market currently being the most active. Slovakia has become an established, attractive investment destination, mainly due to the availability of financing, interesting portfolio offerings, favorable market conditions and attractive pricing when compared to other core CEE markets. In total there were some notable office investment transactions in 2015. Lakeside Park, a 26,000 sqm office scheme, was purchased by TPG through the acquisition of the TriGranit business platform. Forum Business Center, an 18,500 sqm prime office building leased to T-com in Bratislava's CBD, was sold by HB Reavis to REICO IS CS. Furthermore, Westend Tower, a class-B office building in Bratislava was acquired by CTP as part of a mixed portfolio mainly focused on industrial properties. The total office investment volume in 2015 reached approximately €93m of a total €412m. The number of deals outperformed 2014 and we are very positive about the investment climate in 2016. International players now have a dominant role in the investment market, although they are currently more active in the industrial and retail sectors than in offices. There remains a gap in pricing expectations between vendors and bidders, but it is narrowing. Despite the market situation in other parts of CEE, yields on prime office assets stand at slightly below 7.00%.

2. Investors' key takeaways:

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- » Political and economic stability and the euro create an ideal investment environment.
- » Office transactions are primarily in Bratislava, and the vacancy rate is decreasing.
- » The real estate transaction volume is increasing; foreign investment funds are acquiring properties in the retail and office sectors.
- » There is continued strong demand for leasing industrial space from the automotive sector.

Legal tips

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- **Civil Code:** Superficies solo cedit principle does not apply. Buildings and other structures located on and connected to the land do not form part of the land (the building owner might not own the land).
- **Types of real estate interest:** The most common are freehold, condominium ownership and easements.
- **Acquisition of real estate:** Foreigners from the European Economic Area are free to buy real estate in Slovakia except for agricultural land – strict rules apply.
- **Asset deals:** By law, a tenant can terminate its lease if the property owner changes.
- **Land register:** The good faith principle applies. Holding real estate in good faith for ten years guarantees good title to the property.
- **Investment vehicles:** A limited liability company is the most common vehicle for investing in real estate.
- **Corporate income tax:** 22% CIT applies to entities investing in Slovakia and no tax applies on profits distributed to shareholders.

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