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Deloitte Real Estate Confidence Survey for Central Europe

May 2022

MAKING AN IMPACT THAT MATTERS since 1845

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Foreword

Welcome to the fourth edition of the Deloitte Real Estate Confidence Survey for Central Europe. This report presents the most recent views and sentiments of developers, investors and market advisors in Central Europe relating to the prospects for the real estate market in the months ahead, spanning challenges, investment and transaction activities, debt financing and the tax climate.

The outlook seemed good at the beginning of Q1 2022, with economic recovery and the gradual easing of pandemic restrictions underway, along with market sentiment and profitability expectations returning to pre-pandemic levels. Despite increasing inflation, there was an impression of stabilisation, giving some hope of 'light at the end of the tunnel'.

Since then, however, the Russian military invasion of Ukraine has significantly impacted the expectations of market practitioners, especially regarding the mid and long-term effects on the CE economy. Now, 'uncertain' is the key word used to describe the real estate market in Central Europe in 2022.

We hope our findings might help you understand the points of view of multiple different market participants, and that you find this report a valuable tool in the volatile situation in which we find ourselves.

Dominik Stojek
Partner |
Real Estate Advisory

Deloitte Real Estate Confidence Survey for Central Europe

We launched the Deloitte Real Estate Confidence Survey for Central Europe in 2019 to find out how real estate professionals perceived the market. In it, we ask three groups of stakeholders – developers, investors and market advisors – for their opinions on a range of issues.

Our aim was to give them the opportunity to express their beliefs and predictions. History shows that most of the outcomes predicted in previous editions of our surveys have subsequently been proven correct by market developments.

The report uniquely compares current expectations with the views we recorded in previous years and describes respondents' predictions for the months ahead: expectations that will have at least as much influence as hard economic data on their investment decisions throughout 2022. Moreover, keeping the same structure of the survey allows us to monitor and analyse any significant changes in sentiment and outlook from edition to edition.

This year's release was delayed by the outbreak of Russian aggression against Ukraine. We have conducted two rounds of the survey, in January 2022 (Q1 2022) and in April 2022 (Q2 2022), allowing us to compare the views and opinions of market participants at both moments, and to focus on the impact of ongoing armed conflict on Central Europe's real estate and investment market. We were in a similar situation in 2020 with the COVID-19 pandemic outbreak. The shift in opinions we saw then, during the few weeks between the first and second rounds of the survey, showed a deterioration of respondents' expectations that is similar to the one we are seeing in 2022.

The research consists of two sections. The first focuses on respondents' views on various aspects of the general economic conditions that they expect to exist in the markets where they primarily operate as well as across Central Europe in the year ahead. The second section covers each participant's individual business perspectives on a range of issues.

Key findings:

Overall perception
The 2022 Deloitte Real Estate Confidence Survey shows that market professionals have regained their confidence after the COVID-19 pandemic. Nevertheless, Russian aggression against Ukraine has again brought more uncertainty to the market. Due to the outbreak of war, a significant share of our respondents has changed their strategy for 2022, with the majority believing that ongoing armed conflict will have mid- and long-term effects on the CE economy. The same pattern was observed in 2022 after the pandemic outbreak.

Developers
While in previous editions of our survey, developers told us project commercialisation, project financing and the availability of investment plots were the most challenging issues they faced, an increase in construction costs may become the biggest concern for the construction sector in 2022. The vast majority of respondents anticipate a decrease in the profitability of their developments.

Investors
At the beginning of 2022, most investors expected stabilisation of effectiveness across their investments. Due to the Russian invasion of Ukraine, market sentiment has worsened. Currently, nearly 30% of investors anticipate freezing their activities in the months ahead.

Advisors' opinions on their clients' expectations are generally in line with those presented by the group of investors. However, while advisors see the industrial sector as the indisputable leader in terms of both attractiveness and competition, developers and investors value it on equal terms with the PRS/residential sector.

The economic climate changed dynamically between 2020 and 2022. Whereas in 2020 none of the respondents expected economic recovery, market sentiment was improving in 2021. At the beginning of 2022, after two years of an economic rollercoaster, most respondents were anticipating stabilisation in 2022. However, the war in Ukraine has again changed the expectations of market participants.

Financing
More than 50% of respondents assume that debt financing will become less available in CE during the months ahead.

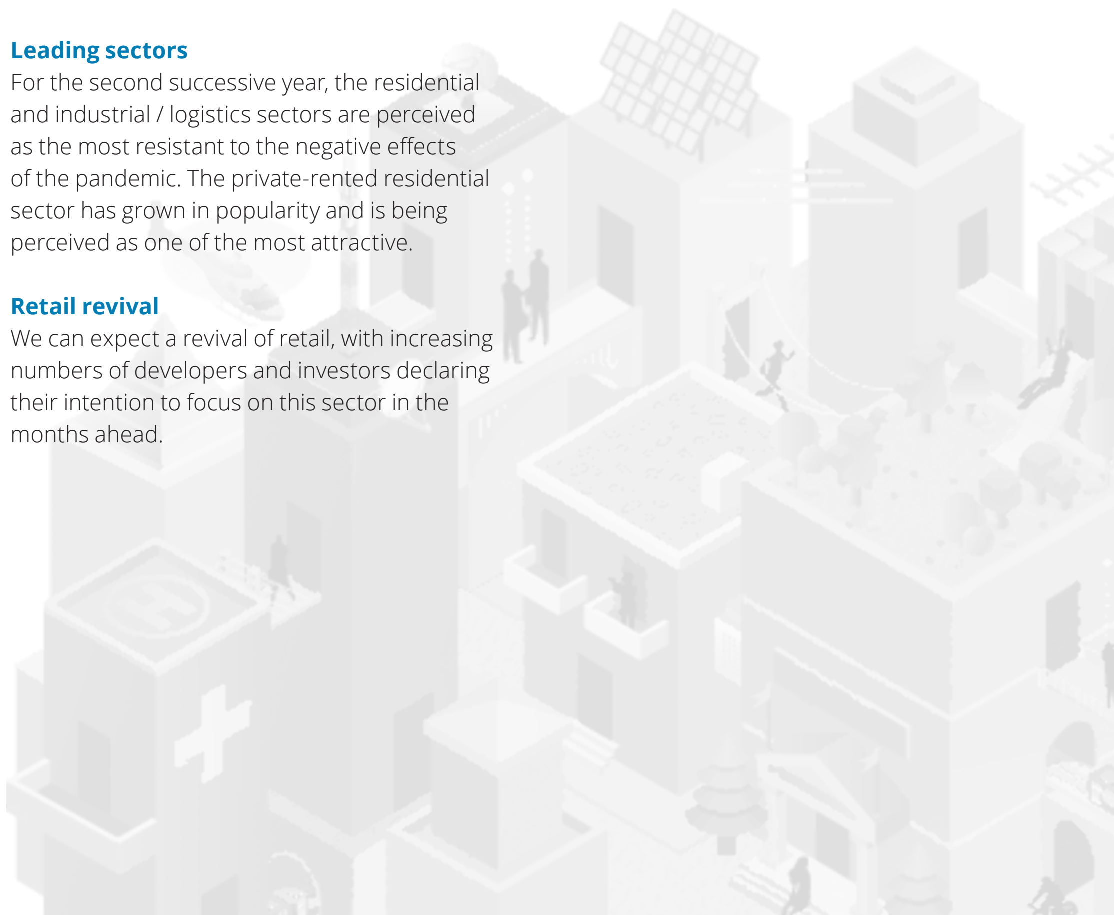
Taxes
Unlike respondents from other markets, those from Poland express an overwhelmingly negative sentiment, with the majority sharing the opinion that the tax climate will deteriorate due to the new tax regulations introduced at the beginning of 2022.

Product availability
70% of respondents believe that the availability of investment products on the market will increase or remain at the same level.

Yields
A majority of respondents believes that yields will stabilise in the months ahead. The survey in Q2 2022 revealed a decreasing share of respondents who expect yields to decrease.

Leading sectors
For the second successive year, the residential and industrial / logistics sectors are perceived as the most resistant to the negative effects of the pandemic. The private-rented residential sector has grown in popularity and is being perceived as one of the most attractive.

Retail revival
We can expect a revival of retail, with increasing numbers of developers and investors declaring their intention to focus on this sector in the months ahead.



Developers' perspective

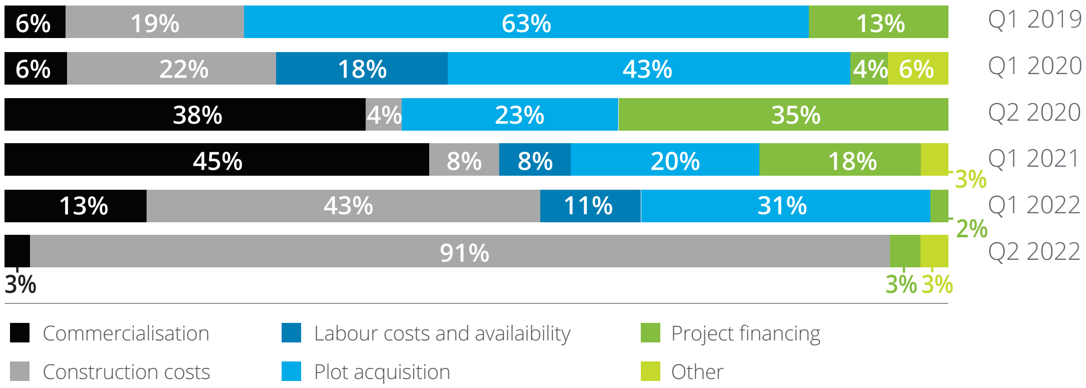
While in previous editions of our survey developers selected project commercialisation, project financing and the availability of investment plots as the most challenging issues they faced, increasing construction costs may become the biggest concern for the construction sector in 2022.

At the beginning of the year, more than 40% of respondents selected construction costs as the biggest challenge, followed by a shortage of land for development (selected by 31% of respondents). The Russian military invasion of Ukraine caused disruptions in supply chains, accelerating increases in the costs of construction materials and energy. Consequently, in Q2 2022 this rapid change in construction costs was selected by 90% of respondents, significantly ahead of all other factors.

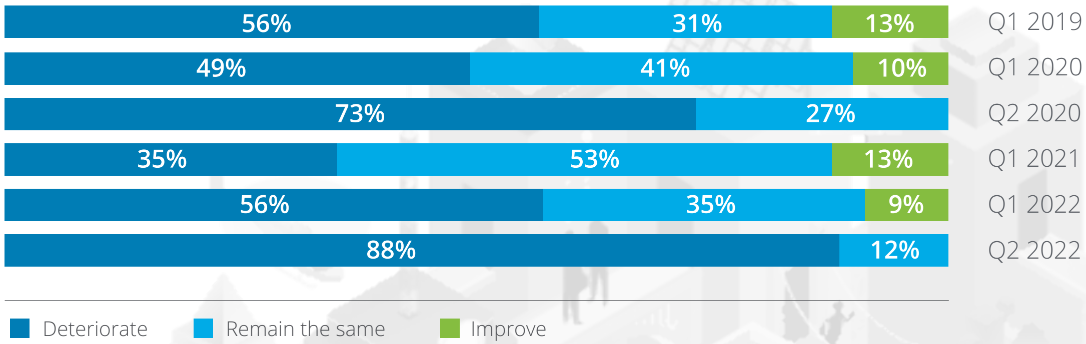
Fears of rapid increases in construction costs and inflation at a level that has not been seen for years, accompanied by market uncertainty, are reflected in the sentiment around developer's margins. In Q1 2022, more than half of respondents (56%) anticipated a deterioration in margins. By Q2 2022, nearly 90% had negative expectations and none expected any improvement.

Similarly to the surveys we ran before the pandemic, the current edition indicates that most developers (56%) are planning to develop and sell their projects. The number of developers planning to keep their assets after completion of the construction process has remained relatively stable since the beginning of 2020 (with a share of around 40%). In 2019, just 19% of respondents subscribed to this strategy, and 25% were planning to sell their projects immediately after completion.

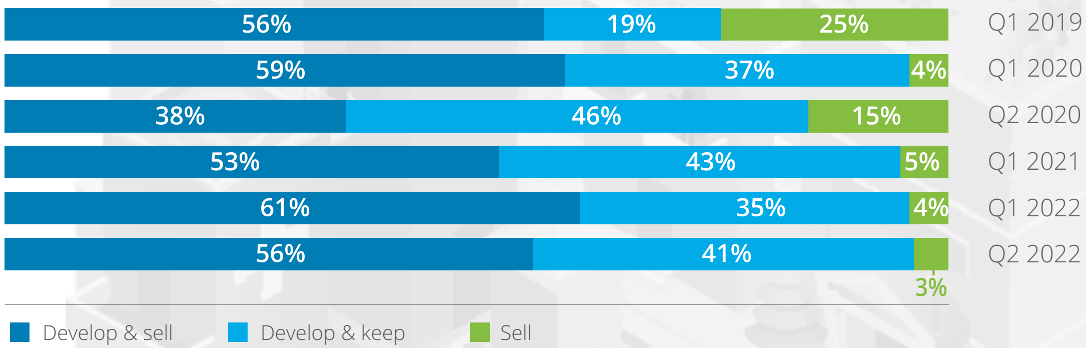
In the months ahead, I expect the biggest challenges to be:



In the months ahead, I expect margins to:



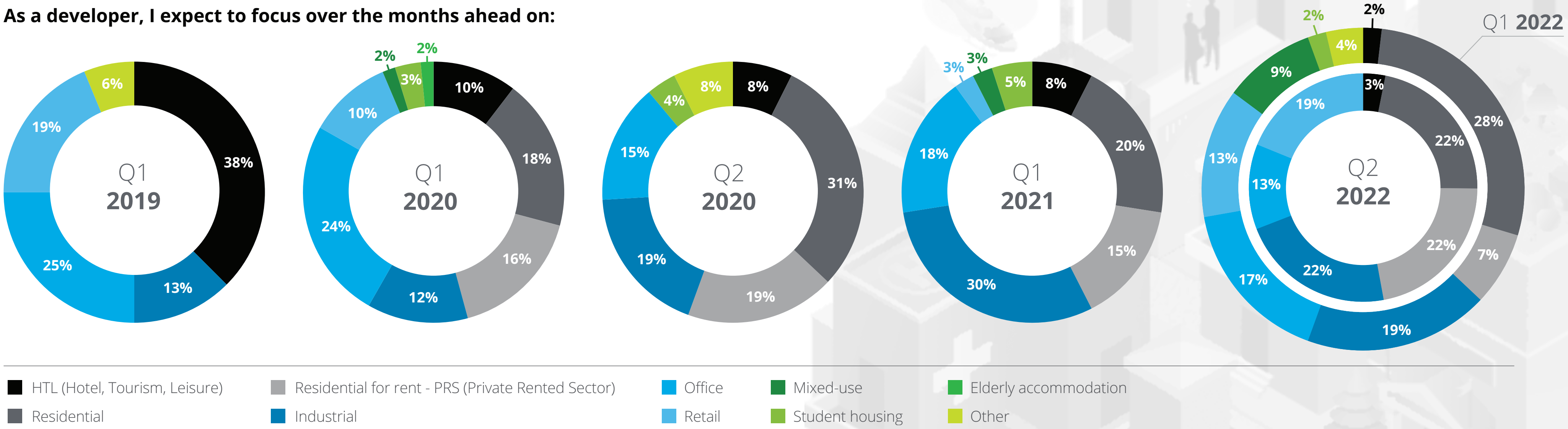
In the months ahead, I expect to:



During the pandemic outbreak, a majority of developers said they would focus on the residential and industrial sectors, which were at the same time seen to be the most competitive. The 2022 results seem to confirm this growing trend towards residential projects. These, include residential-for-rent projects (private rented sector – PRS) and student housing, are increasingly noticeable in capitals and large regional cities across Central Europe. The unprecedented influx of refugees from Ukraine is likely be one of the reasons for this strengthening interest in residential and PRS developments. In Q2 2022, the residential, private rented and industrial sectors were perceived the most attractive (each with 22% of selections) and the most competitive (with a third of respondents each selecting PRS and the industrial sector), clearly outranking all others.

Unexpectedly, however, the share of those selecting retail significantly increased this year for the first time since the pandemic outbreak (rising to 19% in Q2 2022), which is similar to pre-pandemic times. This might suggest that investors and retail chains have regained confidence and that the market is now ready to absorb new retail space. It is highly likely developers will continue to focus mainly on convenience centres and retail parks rather than conventional large-scale shopping centres, as can be observed in recent months.

As a developer, I expect to focus over the months ahead on:

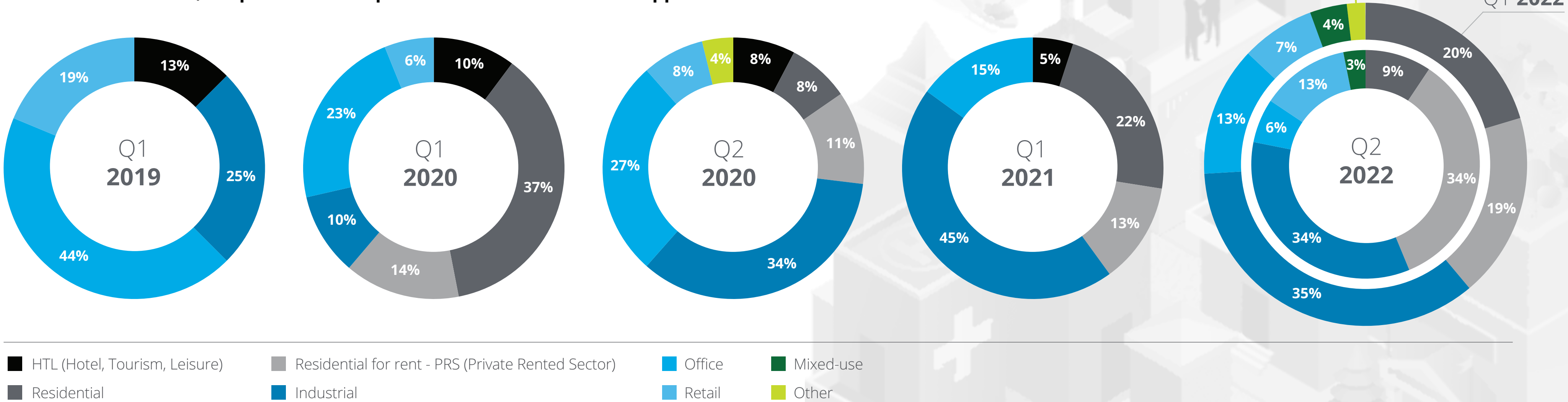


The office sector's share has been consistently shrinking year on year, according to our survey, and this trend is still visible. Now, 13% of developers are planning to focus on this sector, and 6% believe it will be the market with the highest levels of competition.

The 2022 survey also confirms the declining role of the HTL (Hotel, Tourism and Leisure) sector, with just 3% of developers intending to focus on it.

It is worth mentioning that after months of a marginal presence in the previous year, at the beginning of 2022 nearly 9% of developers said they would focus on mixed-use projects. This might be associated with the growing popularity of city-development ideas like the '15-minute city', which will certainly benefit the development of such projects in the near future.

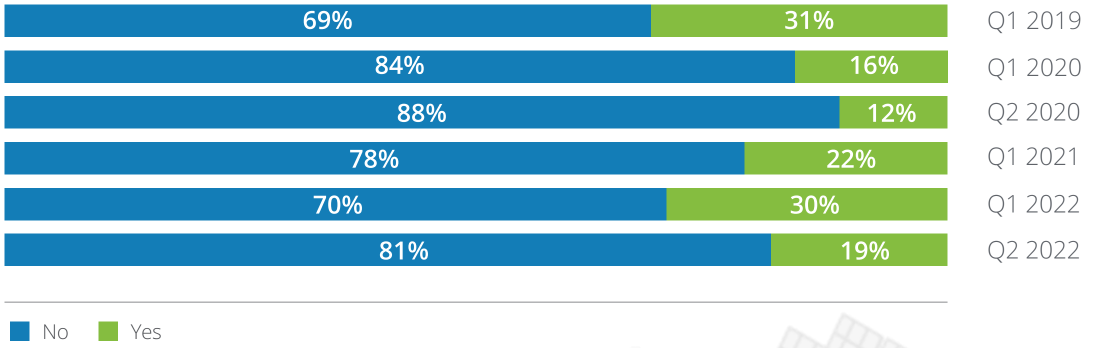
In the months ahead, I expect most competition for new investment opportunities to be in:



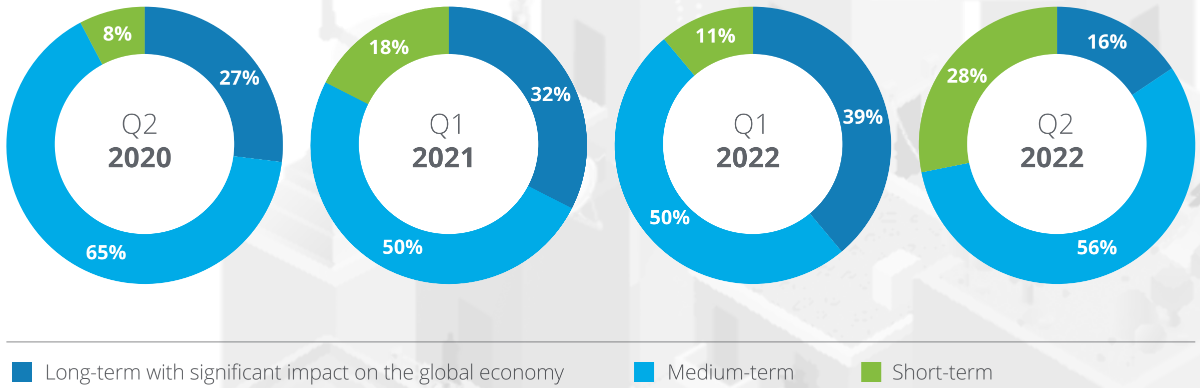
According to the results of the Deloitte Real Estate Confidence Survey in 2022, developers' interest in new markets at the beginning of the year had returned to pre-pandemic levels. However, the Russian aggression against Ukraine slightly changed the results, and the share of developers willing to expand on new markets fell accordingly from 30% to 19%.

Since the start of the COVID-19 pandemic, most respondents have assumed it would have medium-term effects on the economy. Until Q1 2022, approximately 30-40% of respondents thought that the pandemic would have long-term consequences and significantly impact the global economy. This has changed in the most recent edition of our survey. Now, we can see a significant shift to the opinion that the effects of the pandemic will only last for the short term, with just 16% of respondents believing in its long-term impact on the global economy. Nonetheless, more than a half of developers (56%) still expect a medium-term impact from the pandemic. This might reflect the fact that some developers have already adapted to the post-pandemic situation and do not expect COVID-19 to cause further changes in the months ahead. Most likely, it is related to the easing of pandemic restrictions across all European countries.

For the months ahead, I expect to focus on new markets:

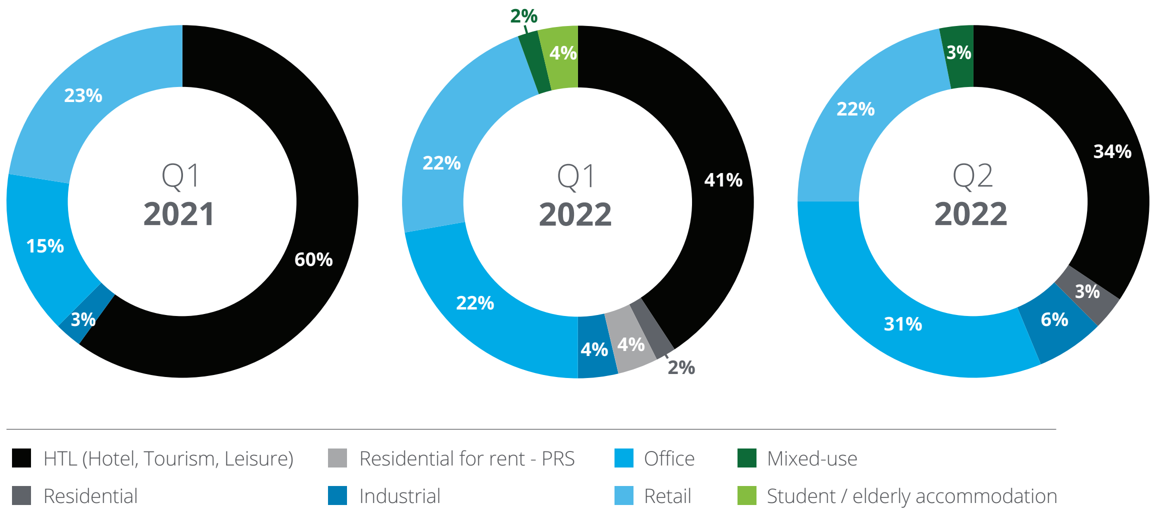


How do you assess the effects of the COVID-19 virus?



When developers consider which sectors are most impacted by the COVID-19 pandemic, the 2022 outcomes are generally in line with those of 2021. The largest impact, therefore, is still expected to be on the hotel, tourism and leisure sector in the months ahead (34%). A growing share of respondents believes that office and retail schemes will also be impacted severely (31% and 22% respectively). According to developers, the pandemic's impact on other types of business will be somewhat marginal.

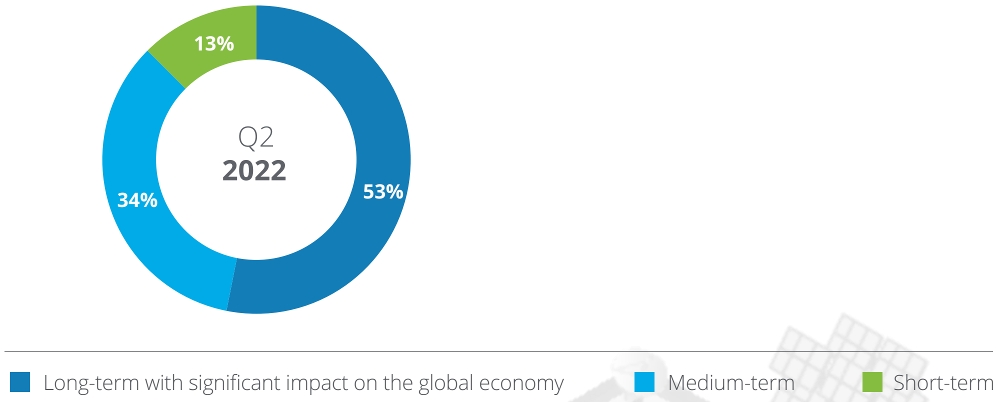
In 2022, I expect the following sector to be the most impacted by the COVID-19 pandemic:



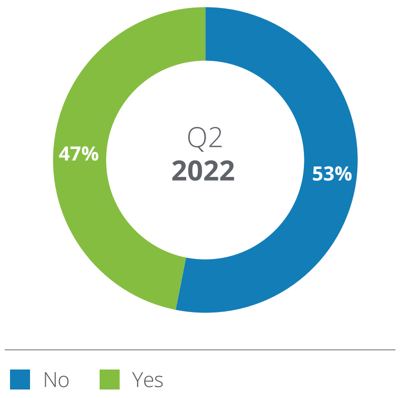
Russian aggression against Ukraine

Nearly 50% of developers state that the outbreak of war in Ukraine has changed their strategy for 2022. Also, more than 50% of respondents expect that Russian military aggression against Ukraine will have long-term effects, with a significant impact on CE economy, while 34% anticipate a medium-term impact. According to developers, all sectors are set to be equally affected by the war, with the residential sector and PRS being slightly more impacted than others (41% in total).

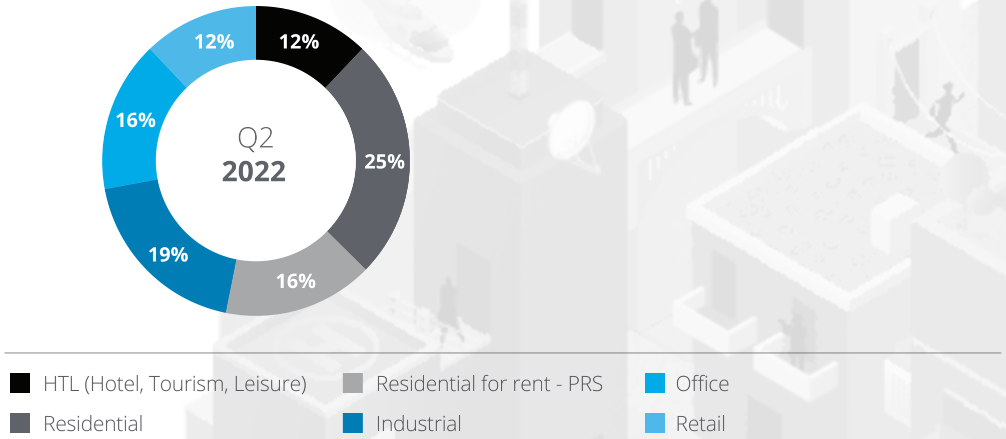
How do you assess the effects of the Russian military aggression against Ukraine?



Has the war against Ukraine changed your strategy for 2022?



In the months ahead, I expect the following sector to be most impacted by the Russian military aggression against Ukraine:



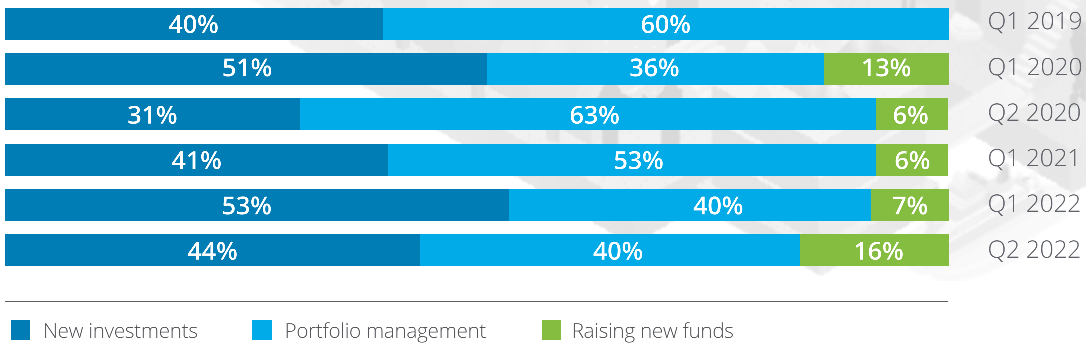
Investors

Investors' perspective

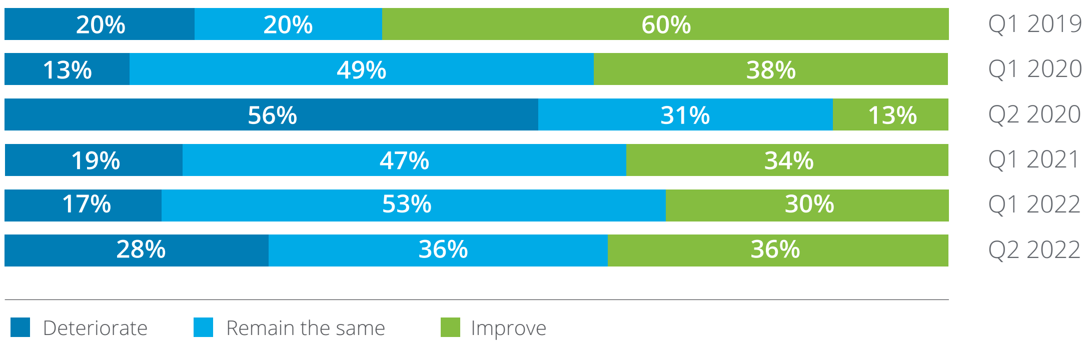
With the COVID-19 pandemic outbreak at the beginning of 2020, the minority of investors (31%) was seeking new investments, while 63% wanted to focus on managing their current portfolios. During the last two years, investors have changed their approach and sentiment in our Q1 2022 survey was far more optimistic, even compared to pre-pandemic 2019, with more than a half of investors expecting to look for new investment opportunities. The situation changed slightly in Q2 2022: currently, 44% of respondents are planning to focus on new investments, with the share of those who are going to focus solely on portfolio management remaining unchanged. However, there was a shift when it comes to investors who plan to spend most of their time seeking new funds. Their share was relatively stable (6-7%) over the last two years, but now it has more than doubled to 16%.

The Q1 2022 results revealed the greatest optimism around the efficiency of investments that we have seen since the beginning of 2020. More than half of investors expected stabilisation, 30% anticipated improvement in their investments, while only 17% (down by -2% year on year) predicted deterioration. In Q2 2022, the share of investors expecting deterioration increased by 11 p.p., while the share of those expecting stabilisation fell by 17 p.p. to 36%. However, expectations of improvement did rise by 6 p.p. to 36%. But still we are far away from pre-pandemic results, when 60% of investors were optimistic about the efficiency of their investments.

During the months ahead, I expect to spend the majority of my time focusing on:



During the months ahead, I expect the efficiency of my investments to:

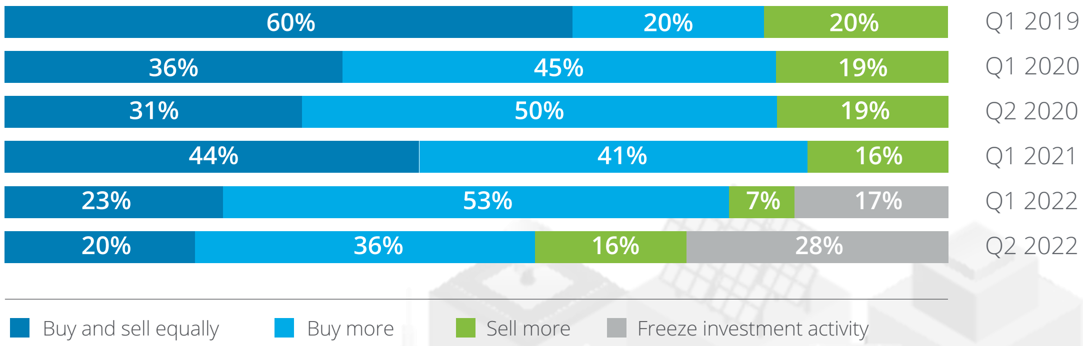


In Q1 2022, more than half the replies we received confirmed that investors were planning to buy more than they told us in 2021, while fewer anticipated selling more. However, the responses changed significantly after the war in Ukraine had started. In Q2 2022, the proportion of investors willing to buy more dropped by 17 p.p., from 53% to 36%, and the share of those planning to sell more increased from 7% to 16%.

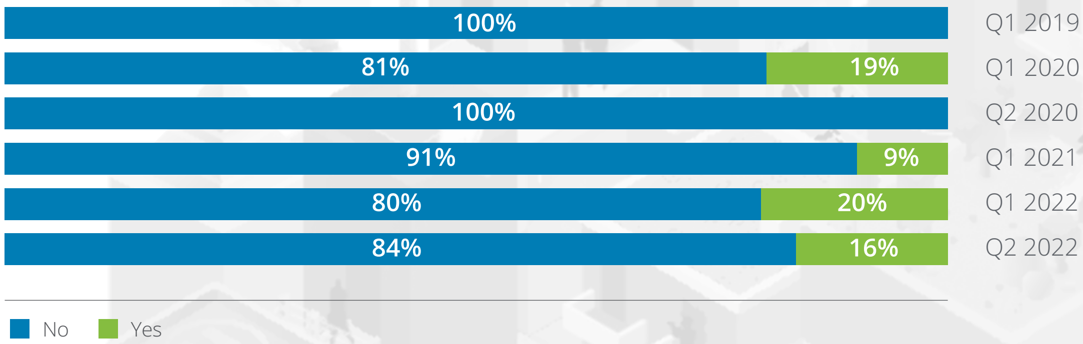
In addition to the previous year's choices, in the 2022 edition we have added a fourth option, enabling investors to say they expect to freeze activity in the year ahead. Based on the Q1 2022 responses, 17% of them expect to do so during the months ahead. By Q2 2022, the share of respondents expecting to freeze their activities had increased to 28%. This outcome reflects the uncertainty that exists across the CE real estate market. We assume that some investors may decide to choose a 'wait-and-see' strategy due to the unpredictable circumstances.

The number of investors looking for new markets in 2022 doubled year-on-year, achieving 20% (Q1 2022), a far more positive outcome than during the pandemic as well as during the previous year. The Russian aggression against Ukraine has not had a meaningful negative effect in this area.

During the months ahead, I expect to:



For the months ahead, I expect to focus on new markets:

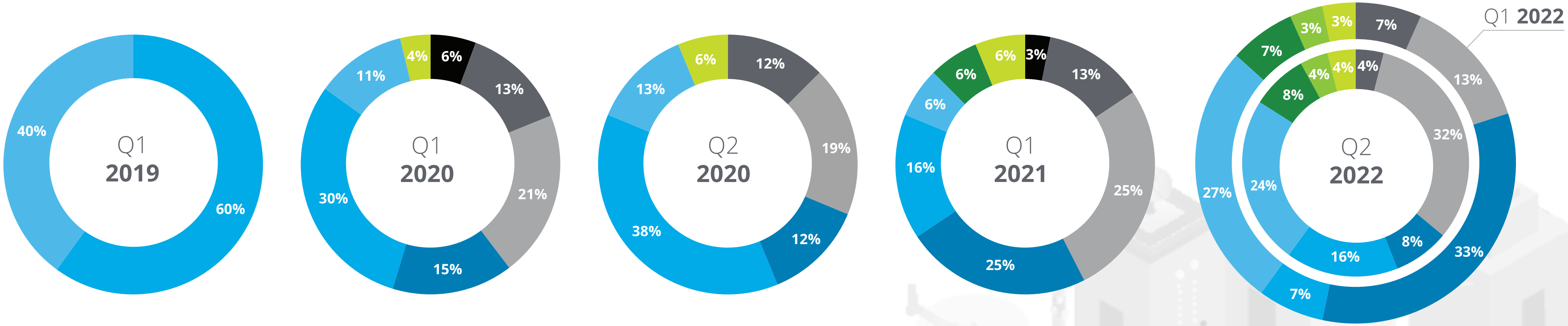


Similarly to developers, investors see the PRS and the industrial sector as the most competitive in terms of investment opportunities. In Q2 2022 the most frequent answers were assigned to the private rented and residential sectors, which in total attracted more than 40% of responses, the best score in the history of our survey. The industrial sector maintained its strong position, selected by 36% of respondents.

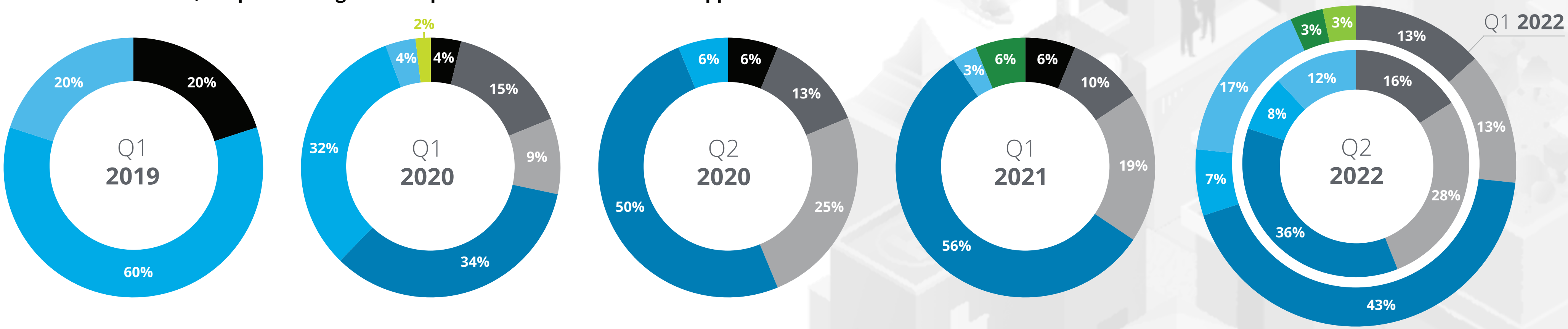
The private rented sector was also most frequently indicated as the sector to focus on (attracting 32% of responses). Surprisingly, with the fading pandemic and the gradual withdrawal of restrictions in CE countries, the retail sector has regained some support. Approximately a quarter of investors anticipate focusing more on this sector in the forthcoming months (Q2 2022). These results exceeded even pre-pandemic expectations for this sector. However, we assume that investors may be interested mainly in smaller-scale retail schemes (such as retail parks, standalone grocery stores and DIY stores) rather than conventional shopping centres.

It is worth highlighting that none of our respondents expect to focus on the HTL sector in the immediate future and interest in the office sector is still far below pre-pandemic levels.

Over the months ahead, I expect to focus more on:



In the months ahead, I expect the highest competition for new investment opportunities in:

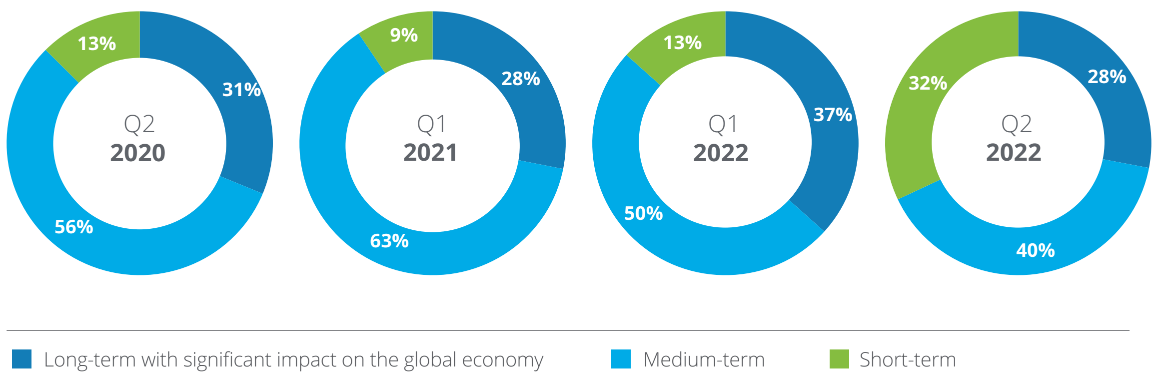


- HTL (Hotel, Tourism, Leisure)
- Residential
- Residential for rent - PRS (Private Rented Sector)
- Industrial
- Office
- Retail
- Mixed-use
- Student/elderly accommodation
- Other

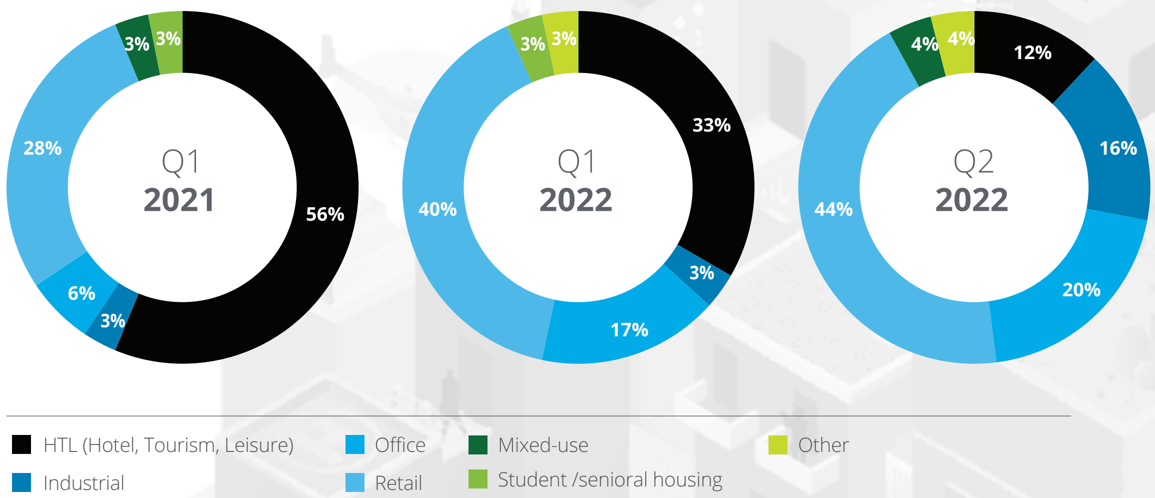
As with developers, in the current edition of the survey we asked additional questions about the influence of the pandemic on the real estate market. The investors' point of view seems to be in line with that presented by developers. Until Q1 2022, approximately 30-40% of respondents were of the opinion that the pandemic would bring long-term consequences and significantly impact the global economy. More than 50% expected medium-term effects. These views changed in the most recent edition of our survey, where we can see a significant shift towards the opinion that the effects of the pandemic will be short term. Fewer respondents believe in its long-term impact on the global economy, with 40% still anticipating a medium-term impact. We see this as a sign of the market adapting to the post-pandemic reality and returning to normality.

A majority of investors (44%) believes the retail sector will be the most heavily impacted in the months to come, while 20% of respondents selected the office sector, 16% the industrial sector and 12% the HTL sector.

How do you assess the effects of the COVID-19 virus?



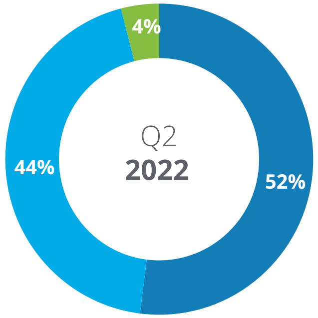
During 2022, I expect the following sector to be the most impacted by the COVID-19 pandemic:



Russian aggression against Ukraine

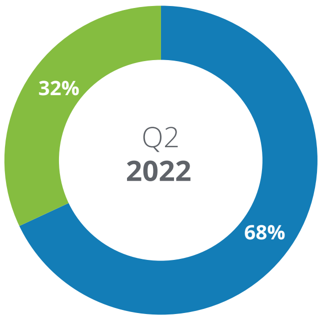
Approximately one third of investors told us they are changing their strategy for 2022 due to the ongoing armed conflict in Ukraine. Similarly to developers, the great majority expect that the war will have long-term (52%) or mid-term impacts (44%). The residential sector was most frequently selected as the one to be most impacted (in 44% of responses), followed by the industrial sector (28%). PRS was selected by 12%, and other sectors had only a marginal share.

How do you assess the effects of the Russian military aggression against Ukraine?



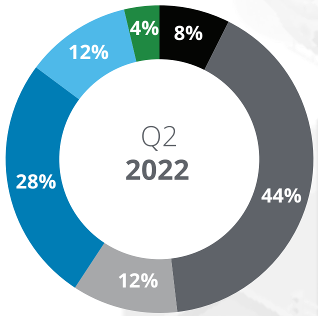
Long-term with significant impact on the global economy | Medium-term | Short-term

Has the war against Ukraine changed your strategy for 2022?



No | Yes

In the months ahead, I expect the following sector to be most impacted by the Russian military aggression against Ukraine:



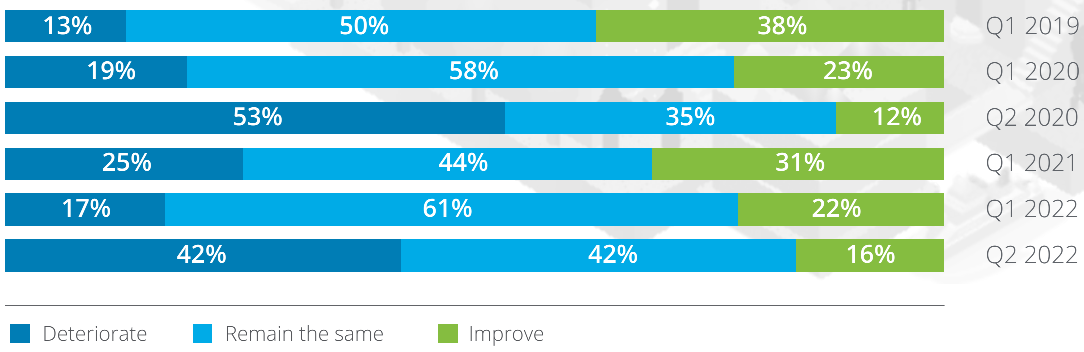
HTL (Hotel, Tourism, Leisure) | Residential for rent - PRS | Office | Mixed-use
Residential | Industrial | Retail

Advisors' perspective

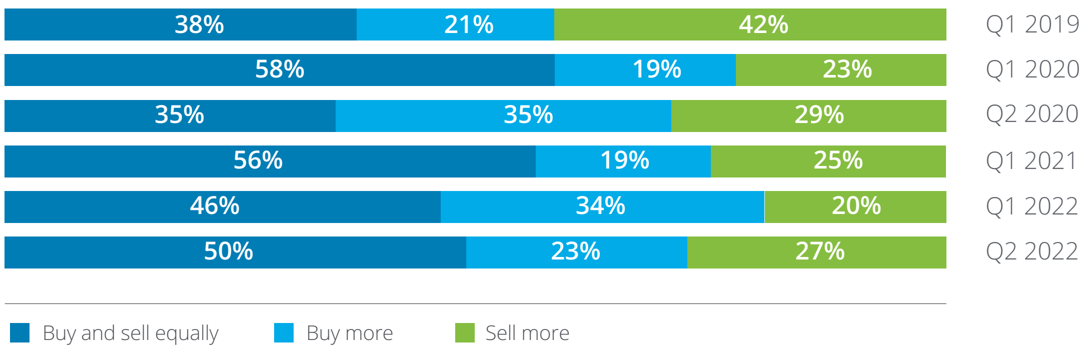
The market advisors who took part in the Deloitte Real Estate Confidence Survey 2022 are less optimistic about the efficiency of their clients' investments than at any time since the beginning of the COVID-19 pandemic. In Q2 2022, only 16% expected the efficiency of investments to improve. Two equal groups of respondents (around 42% each) expected stabilisation or deterioration. The impact of the war is easy to see, resulting in a significant deterioration in views on future prospects.

As for their expectations regarding their clients' activities, 50% of advisors expect them to buy and sell equally. A share of 23% believe clients will focus on buying assets (a fall of 11 p.p. compared with Q1 2022), while 27% expect they will sell more (an increase of 7 p.p. quarter on quarter).

During the months ahead, I expect the efficiency of my clients' investments to:



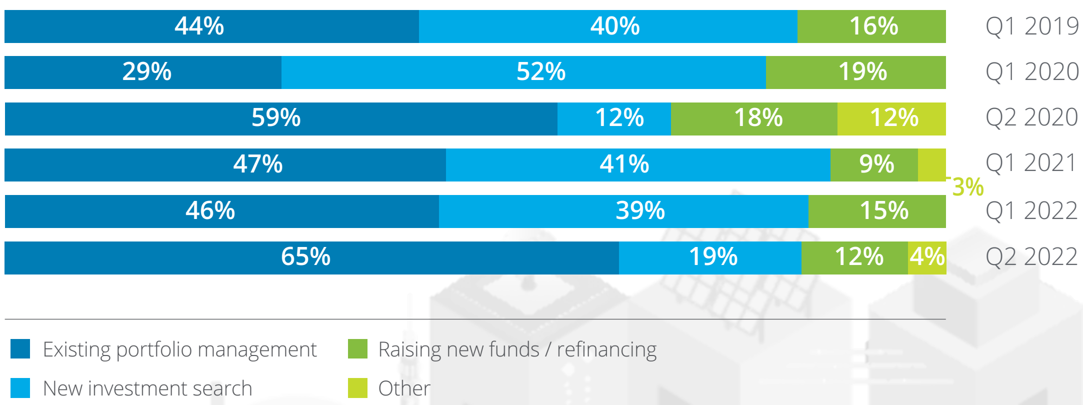
During the months ahead, I expect my clients to:



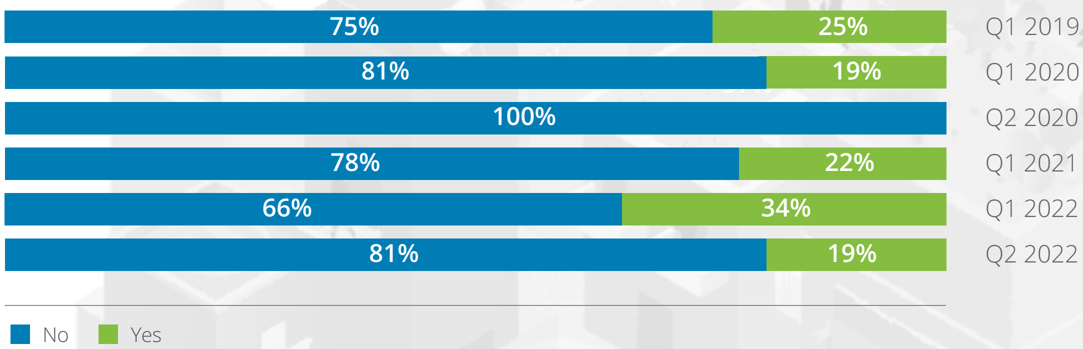
The proportion of advisors who expect their clients to focus more on portfolio management is significantly higher than that expecting their clients to focus on new investment opportunities (65% vs. 19%). Around 12% of respondents said they believed their clients had plans to raise new funds.

In terms of expansion plans, the advisors' answers are largely in line with investors' views. Just after the pandemic outbreak in 2020, 100% of respondents said that in their opinion clients were not going to focus on new markets. Since then, two years later, the number of such opinions has significantly decreased. At the beginning of 2022, more than a third of advisors told us their clients are planning to focus on new markets in the months ahead (which was the highest value in the history of our survey). But just few weeks later these results had changed: as of April 2022, some 19% of advisors were expecting their clients to be interested in focusing on new markets.

I expect my clients to spend most time focusing on:



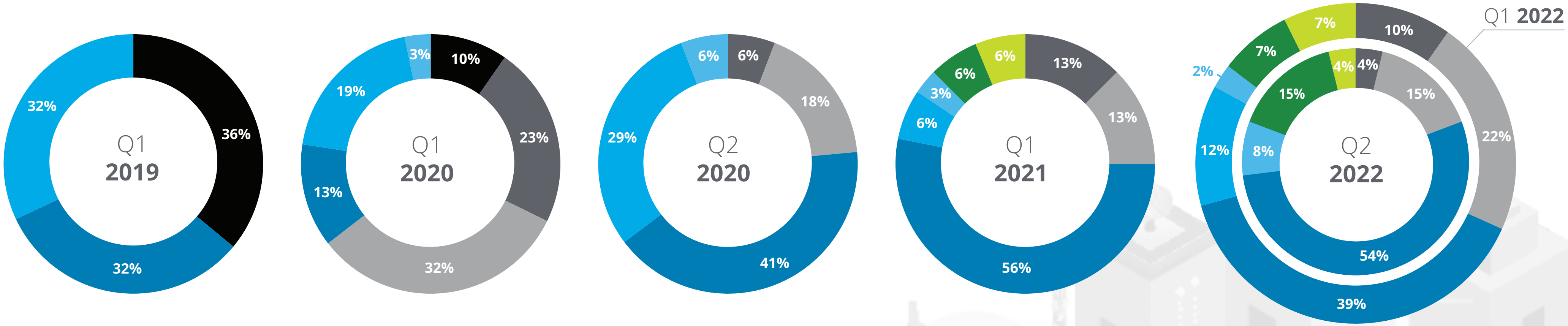
I expect my clients to focus on new markets in the months ahead:



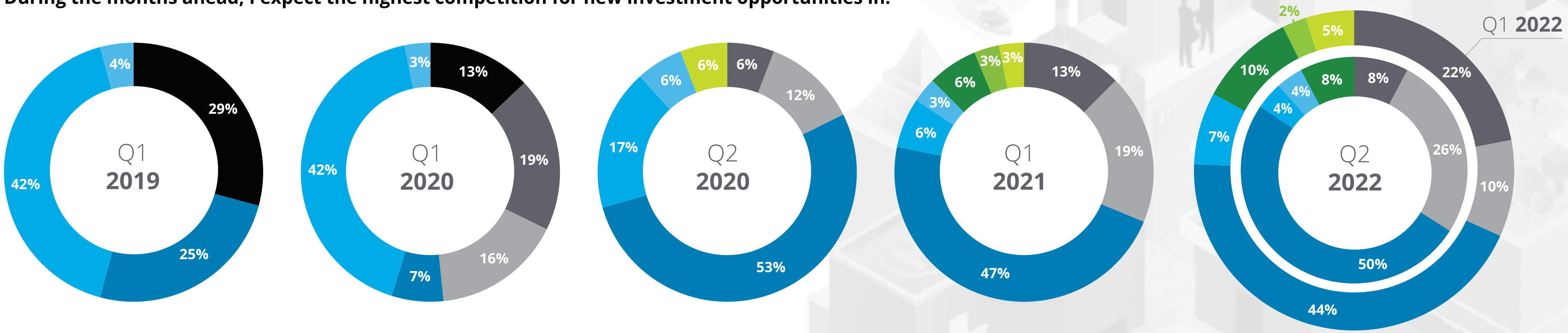
Among advisors, the industrial sector is still a clear leader in terms of attractiveness. The 2022 results put more emphasis on the residential for rent sector (PRS) and mixed-use schemes, giving them each a 15% share of total responses. As with other groups of respondents, the return of interest in the retail sector is worth noticing, although it had a significantly higher share in responses among developers and investors.

As with other respondents, advisors predict the highest levels of future competition will take place in the industrial sector in 2022 (54%). The residential sector, including residential for rent, was in second place, with a total of 35% of advisors expecting this sector to see the greatest competition across the CE region.

During the months ahead, I expect my clients to focus more on:



During the months ahead, I expect the highest competition for new investment opportunities in:

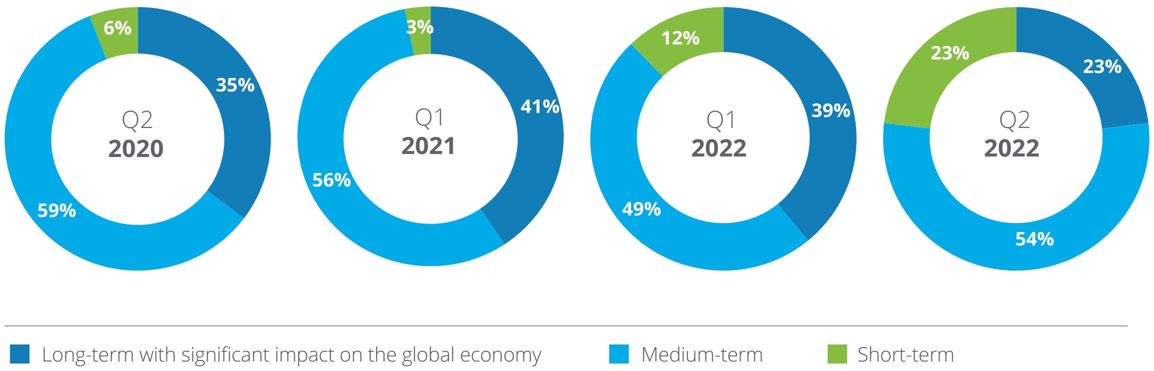


HTL (Hotel, Tourism, Leisure) | Residential for rent - PRS (Private Rented Sector) | Office | Mixed-use | Other
Residential | Industrial | Retail | Student /elderly accommodation

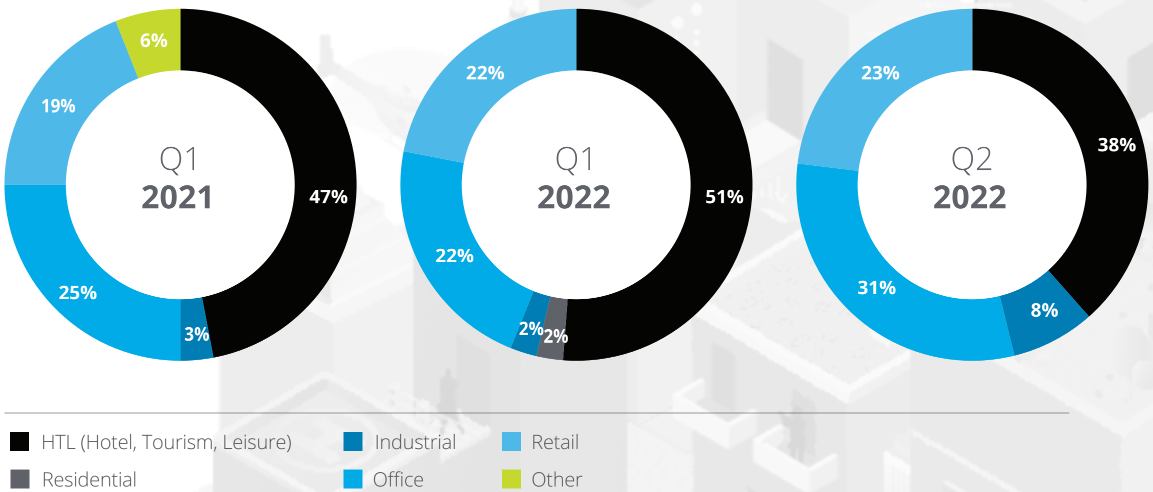
Around 50% of advisors believe that the effects of the COVID-19 outbreak will influence the market over the medium term, while the share of those who believe that the effects will be visible for the long term is systematically decreasing. The results are comparable to those presented in the section on developers and investors.

According to advisors, the sectors that will be most impacted by the COVID-19 pandemic are hotel, tourism and leisure (38% of responses), office (31%) and retail (23%).

How do you assess the effects of the COVID-19 virus?



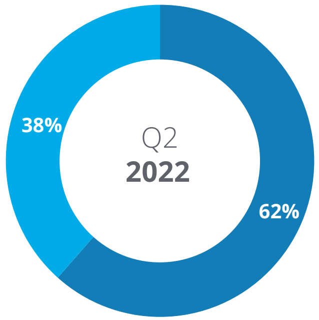
During 2022, I expect the following sector to be the most impacted by the COVID-19 pandemic:



Russian aggression against Ukraine

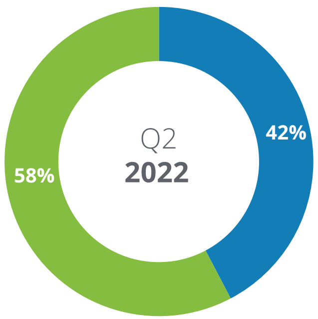
More than half (58%) of advisors told us the war against Ukraine has made them change their strategy for 2022. Over 60% expect Russian military aggression against Ukraine to have long-term effects with significant impact on the CE economy, which the remaining 38% expect a medium-term impact. Hotels are identified as the sector that will be most impacted (35% of responses), followed by residential (27%).

How do you assess the effects of the Russian military aggression against Ukraine?



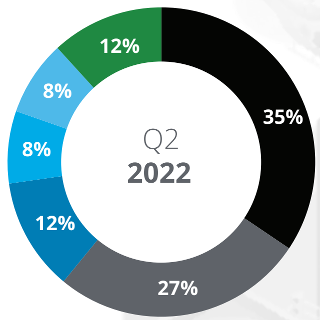
Long-term with significant impact on the global economy | Medium-term | Short-term

Has the war against Ukraine changed your strategy for 2022?



No | Yes

In the months ahead, I expect the following sector to be most impacted by the Russian military aggression against Ukraine:



HTL (Hotel, Tourism, Leisure) | Residential for rent - PRS | Office | Mixed-use
Residential | Industrial | Retail

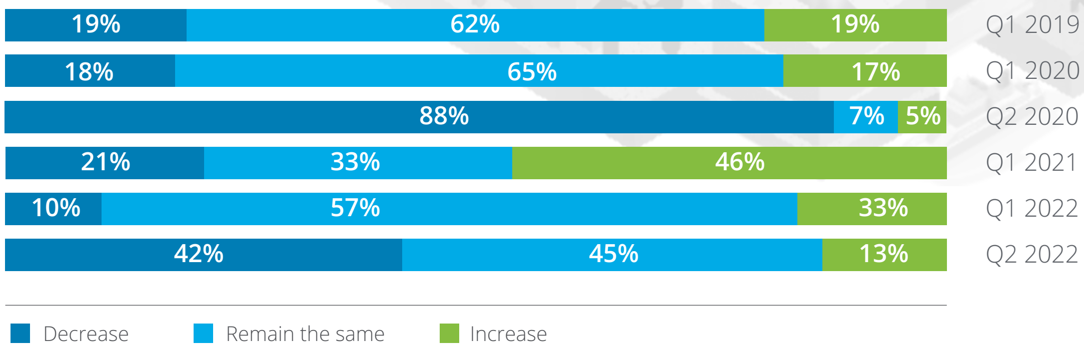
Investment market

Overall market activity

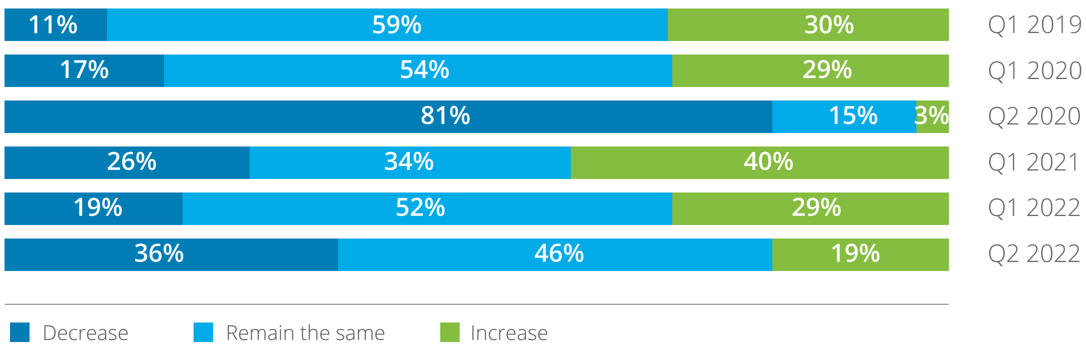
After years of constant growth, the total investment volume across the CE market as a whole reached almost €14 billion in 2019 – the highest amount recorded in the history of the CE investment market. The pandemic then had a negative impact on the investment volume. The figures show it was driven down to just over €9.7 billion in 2020. Responses from 2021 were far more optimistic, clearly indicating a bounce back in positive sentiment among respondents. In fact, the investment volume was over 10% higher than a year before and totalled around 11 billion in 2021.

The market sentiment in the first weeks of 2022 indicated that a majority of respondents were anticipating stabilisation and were somewhat more optimistic about the months ahead. Only about 10% predicted a decrease in overall market activity.

I expect the overall market activity in CE to:



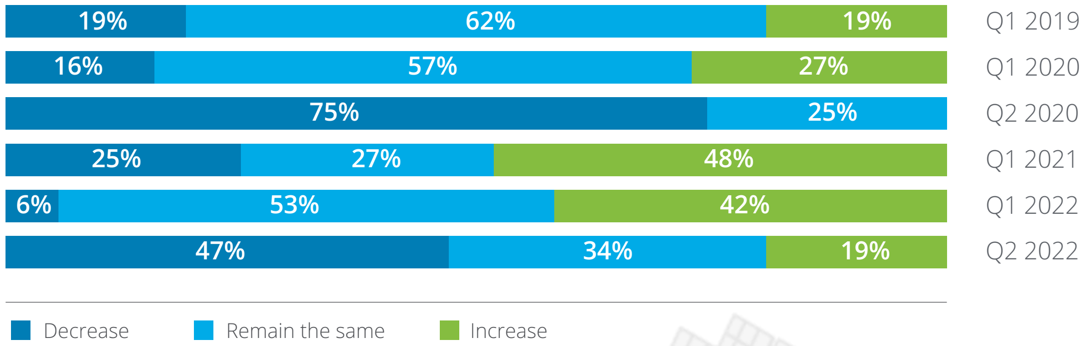
I expect overall market activity in Poland to:



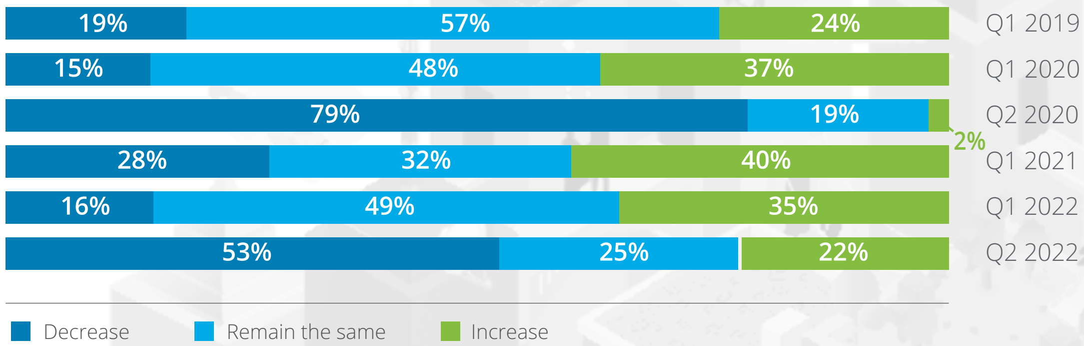
However, responses gathered in Q2 2022 edition of our survey revealed a less optimistic view. Then, 42% of respondents expected that overall market activity in CE would fall (compared to 10% in Q1 2022), with 45% expecting stabilisation (down from 57% in the previous quarter) and only 13% anticipating an increase (compared with 33% in Q1 2022). The results for Poland are a little less pessimistic: 36% of respondents predict a decrease, 46% believe that market activity will remain unchanged, and 18% expect an increase.

We can also see a significant shift in expectations regarding the average volume of transactions, with half of respondents expecting it to decrease. Expectations regarding transaction volume remain similar in Poland and in CE as a whole.

I expect the average volume of transactions in CE to:



I expect the average volume of transactions in Poland to:

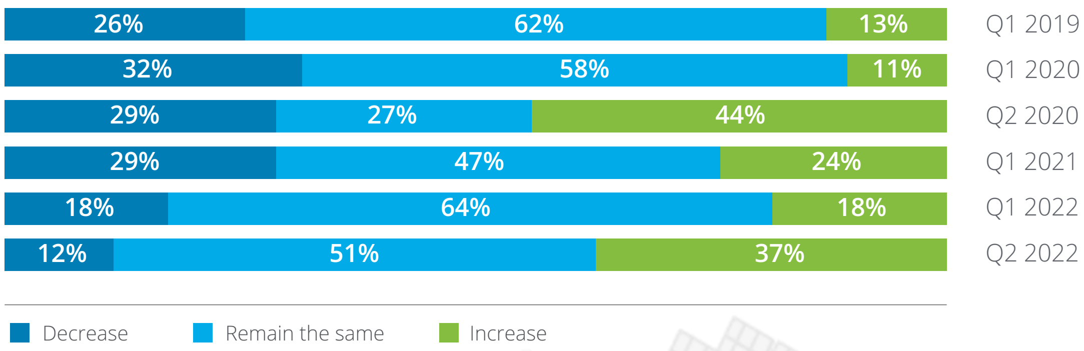


Yields

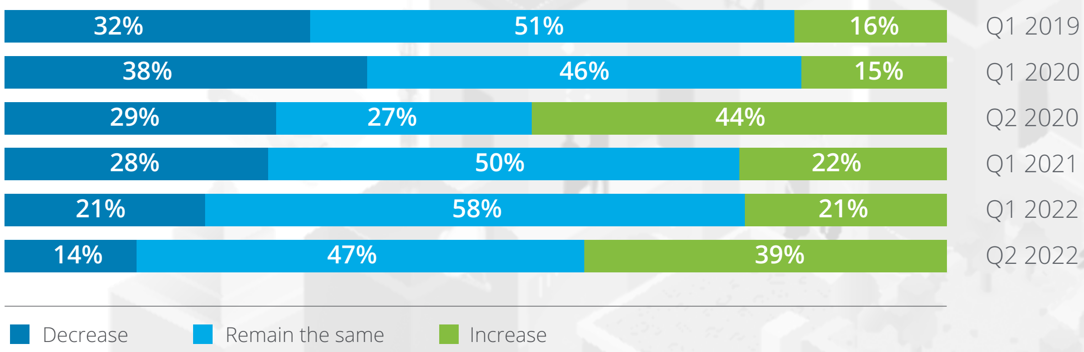
Answers from the beginning of 2022 showed the market was in equilibrium, with a majority of respondents expecting yields to remain stable and around 20% each expecting them to increase or decrease. These results were also applicable in Poland.

The survey in Q2 2022 revealed a decreasing share of respondents expecting yields to decrease, with the share of those who believe they will increase doubling in both CE and in Poland.

I expect average yields in the CE region to:



I expect average yields in Poland to:



Investment opportunities

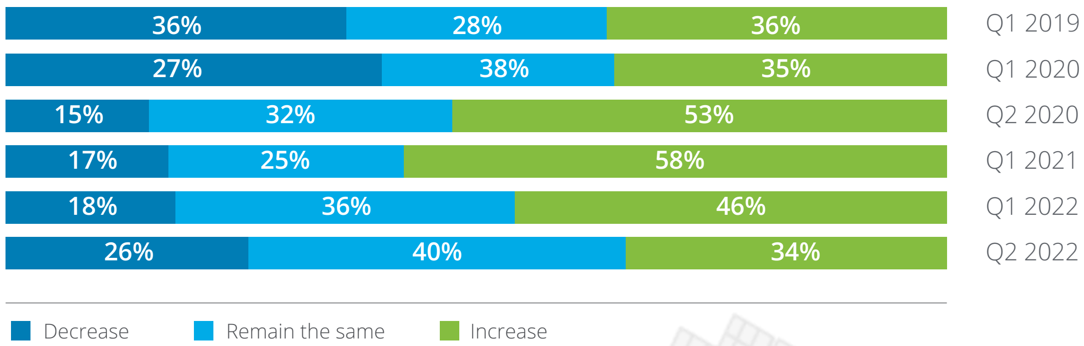
While respondents expect the availability of investment products to grow or remain the same across the CE market and in individual countries in the next three years, the results from 2022 are slightly more pessimistic than those from 2021.

Almost

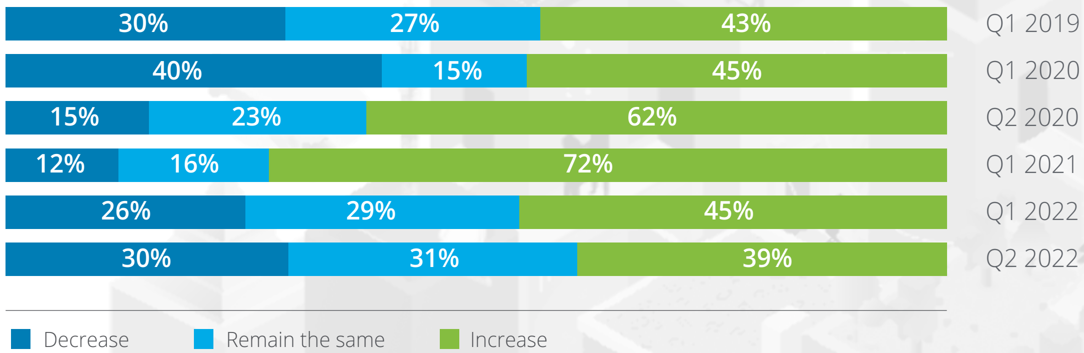
75%

of respondents believe the CE market will offer a higher or comparable amount of investment products in the three years to come, and some 70% of respondents had the same expectation for the wider Polish market.

In the next three years, I expect the availability of investment products in CE to:



In the next three years, I expect the availability of investment products in Poland to:



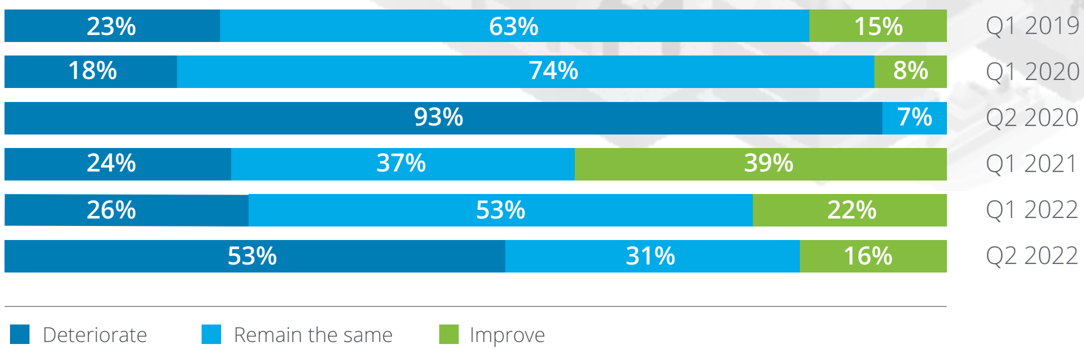
Economic environment

Economic climate, debt finance and tax climate

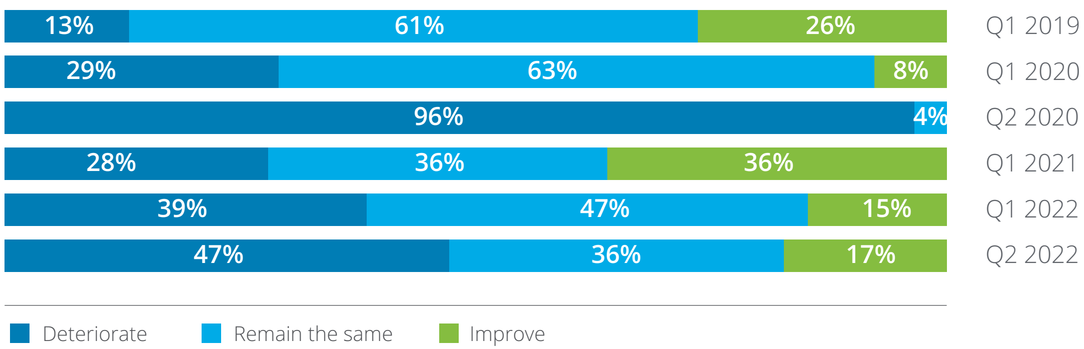
The outbreak of the COVID-19 pandemic had a heavy impact on the CE economy as well as upon wider society. This was visible in our Q2 2020 survey, where we could see a dramatic collapse in economic expectations. In 2021 and Q1 2022, there was a rapid bounce back in respondents' opinions, with only approximately 25% taking a pessimistic view. However, the Russian aggression against Ukraine has had a strong negative impact on the sentiment of market participants. As of Q2 2022, more than 50% of respondents believe the economic climate in CE, and therefore the availability of financing as well, is going to deteriorate.

The economic predictions of respondents from Poland were largely in line with those for the CE market as a whole. The most visible change in comparison to the previous editions impacted the tax climate in Poland. Due to the new Polski Ład regulations, eight out of ten respondents held negative views.

Over the next year, I expect the overall economic climate across CE to:



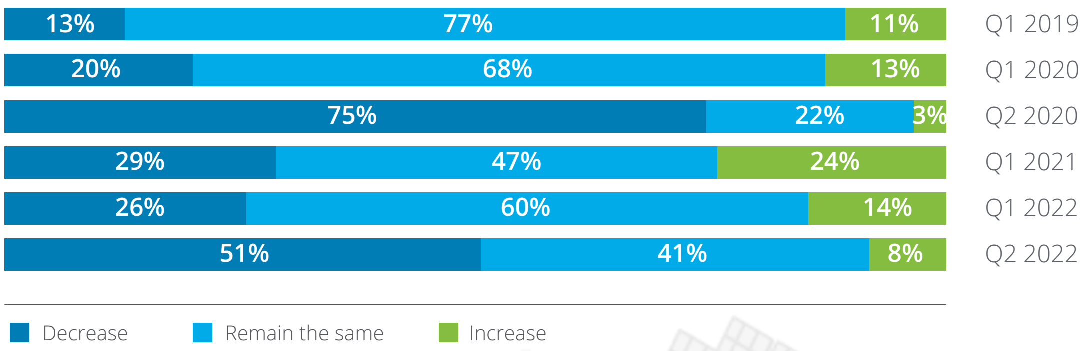
Over the next year, I expect the overall economic climate in Poland to:



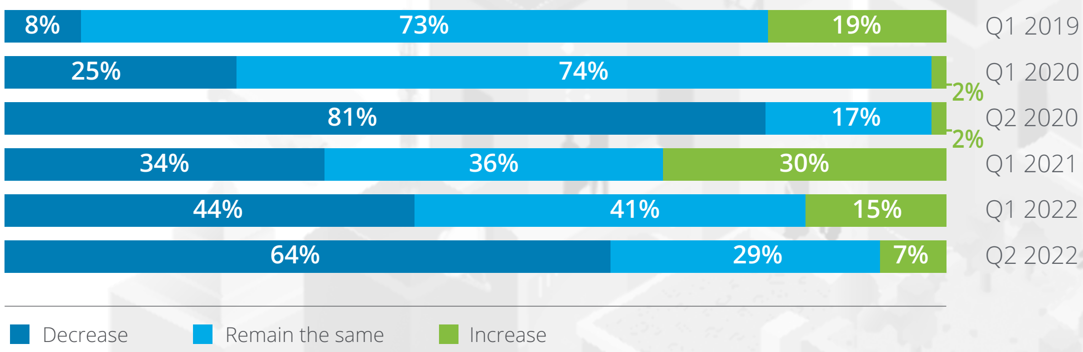
Debt finance

Responses around the availability of debt finance in Central Europe have evolved in a similar way over the last year to those concerning the economic climate. After negative perceptions in 2020 and a rapid change of perspective in 2021, respondents' views at the beginning of 2022 were stable and close to those recorded before the pandemic. However, responses in April 2022 were far more pessimistic, with more than 50% expecting the availability of debt finance in CE to deteriorate. In Poland, the proportion was even higher (64%) due to the rapid rise in interest rates and increasing levels of uncertainty in the market.

I expect the availability of debt finance in CE to:



I expect the availability of debt finance in Poland to:



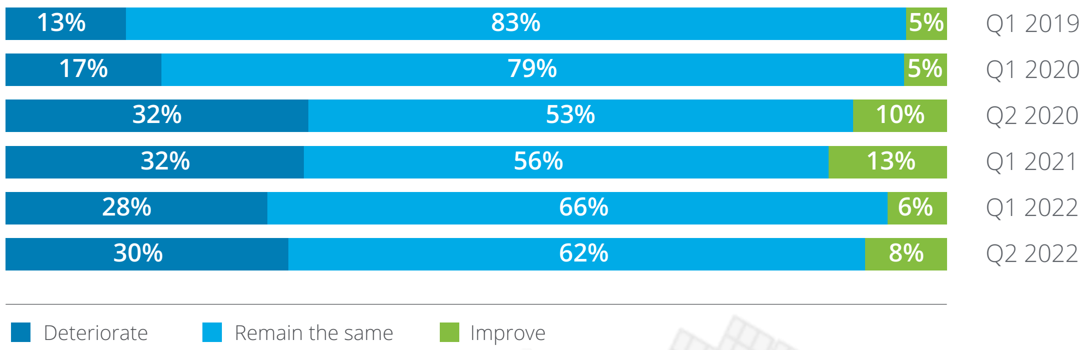
Tax climate

In 2022, the share of all answers regarding CE's tax climate is similar to those reported in 2020 and 2021, with around 30% expressing negative sentiments and 8% feeling positive.

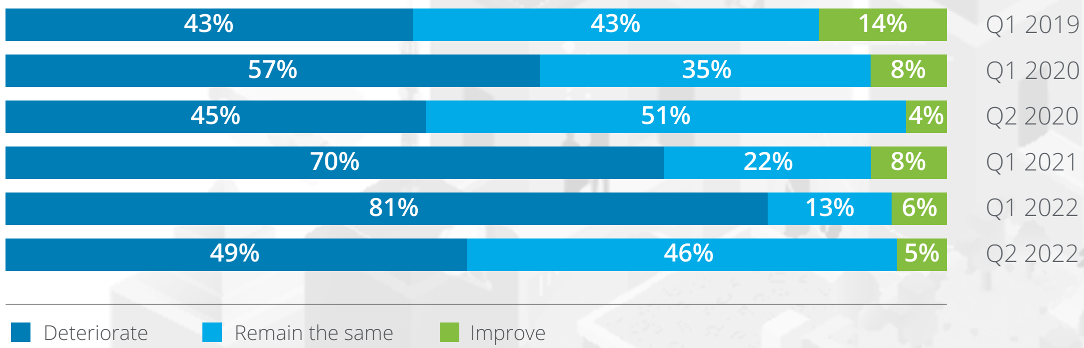
The overwhelmingly negative sentiment of Polish respondents can be clearly seen, with 81% in Q1 2022 predicting that the tax climate will deteriorate. This is the consequence of the almost uniformly poor perception of the new Polski Ład tax regulations introduced at the beginning of 2022. The situation had not changed by Q2 2022, when 95% of respondents believed that the tax climate would either remain the same (46%) or deteriorate (49%).

Frequent changes to the Polish tax system influence market sentiment. Respondents widely hold the entrenched opinion that the Polish tax environment is deteriorating year-on-year.

I expect the tax climate in CE to:



I expect the tax climate in Poland to:



Methodology

The Deloitte Real Estate Confidence Survey for Central Europe is released annually. The first edition of the report was published in 2019. Due to fast-changing circumstances, research for the second edition was held in two rounds during the first half of 2020: in January 2020 (also referred to in this report as Q1 2020), before the COVID-19 pandemic; and in April 2020 (also referred to as Q2 2020).

The third edition of the Confidence Survey took place in first quarter of 2021 and was published by its end. The current fourth edition of the survey again took place in two rounds: in December 2021 - January 2022 and in April 2022, which was associated with the outbreak of Russian aggression against Ukraine. The second round included additional questions regarding the impact on the CE real estate market of the ongoing military conflict .

Our respondents are members of management boards or senior management, team managers and specialists. We believe that the senior profile of our sample has enabled us to collect the opinions of people with proven knowledge and experience of the real estate sector who exert impact on the market.

The questionnaire consisted of two sections. The first focused on respondents' opinions regarding particular aspects of the general economic conditions across CE in 2022. The second covered the individual business perspectives of each participant.

We asked respondents to define their primary geographic markets. In the 2022 edition, 71% indicated Poland. The survey also includes respondents operating in the Czech Republic, Hungary and Romania. A share of 10% of our respondents told us they operate across the whole CE market.

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