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Deloitte Real Estate Confidence Survey for Central Europe

March 2021

MAKING AN IMPACT THAT MATTERS since 1845

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Foreword

Welcome to the third edition of the Deloitte Real Estate Confidence Survey for Central Europe. Over the last year, the lockdowns and other regulations introduced across CE markets and other European countries to protect citizens during the COVID-19 pandemic have had a major influence on the real-estate market across our region. This report presents the views and sentiments relating to the real estate market held by developers, investors and market advisers one year after the global pandemic's outbreak. It uniquely compares their current expectations with the views we recorded both immediately before the pandemic's arrival and just a few weeks later when it was at its peak. The report also describes respondents' expectations for the months ahead: expectations that will have at least as much influence as hard economic data on their investment decisions throughout 2021. The views described in this report will therefore have an important economic impact during the months to come. We hope you find it a valuable tool as CE's real-estate professionals collectively plan how to return to the market performance achieved in 2018 and 2019, before the negative impact of the pandemic.

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Deloitte Real Estate Confidence Survey for Central Europe

We launched the Deloitte Real Estate Confidence Survey for Central Europe in 2019 to find out precisely how real-estate professionals perceived the market. We wanted the survey to give them the opportunity to express their confidence or scepticism. History shows that most of the outcomes predicted in previous editions of our surveys have subsequently been proven correct by market developments.

The Deloitte Real Estate Confidence Survey for Central Europe is a review of the sentiments held by real-estate professionals across our region. In it, we ask three groups of stakeholders – developers, investors and market advisers – for their opinions on a range of issues.

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 across Central Europe in the year ahead. The second section covers each participant's individual business perspectives on a range of issues.

In the survey, we ask respondents to tell us their views on the individual countries where they operate as well as giving us a perspective across the CE region as a whole. The answers we received have allowed to present respondents' views on the Polish and Czech markets individually.

Keeping the same structure of the survey from year to year allows us to monitor and analyse any significant changes in sentiment and outlook from edition to edition, with an additional focus on the pandemic's outbreak in 2020.

Key findings:

- The 2021 Deloitte Real Estate Confidence Survey for Central Europe shows that market professionals are optimistic that the year will deliver a post-pandemic market bounce.
- After the negative sentiments expressed during the first months of the pandemic, respondents now anticipate a more positive economic climate, increasing market activity, higher transaction volumes and improved availability of debt finance. In short, the data show a return of pre-pandemic optimism levels.
- Most CE respondents believe the tax climate will improve or remain stable in the months ahead. At the same time, more than two-thirds of those who operate in Poland expect the tax climate to deteriorate in 2021.
- Around half of respondents in the first quarter of 2021 believe that yields will stabilise in the months ahead. Only one in four are predicting an increase in the next few months; this is higher than before the pandemic, but significantly lower than in Q2 of 2020.
- Most market practitioners expect the availability of investment products to increase. This view is particularly common in Poland, where over 70% supported this belief.
- The pandemic has also strengthened interest in the residential-for-rent sector (PRS). 25% of investors and 15% of developers declares that in 2021 they intent to focus on the PRS sector. Shall these declarations materialise, 2021 may appear to be a breaking point in crystalysing a new investment product category in CE.
- The outbreak of the pandemic has caused a shift in developers' views about the biggest challenges they face. Before the crisis, they saw their biggest challenges as acquiring development land, the increasing cost of building materials and construction work, and labour availability and cost. Since Q2 2020, however, commercialisation has been the main issue indicated in the survey. This view is reconfirmed in 2021.
- Fewer developers expect margins to deteriorate. At just 35%, this is the lowest result in any of our surveys to date.
- After the uncertainty that followed the pandemic outbreak, investors are again expecting heightened efficiency for their investments. These results are similar to the pre-pandemic level recorded in January 2020.
- We asked each group of stakeholders for their assessment of the effects of COVID-19 on the economy and on their own plans. In the 2021 edition, we have asked additional questions about the sectors that will be most impacted in the months ahead by the effects of the pandemic. Most respondents singled out the hotel, tourism and leisure sector, while a significant share selected the retail sector.
- Respondents believe that the residential and industrial/logistics sectors are most resistant to the negative effects of the pandemic.
- The 2020 Deloitte Real Estate Confidence Survey for Central Europe confirmed that the pandemic caused almost 81% of developers, 75% of investors and 76% of advisers to make changes to their 2020 strategies. The first group has adjusted to the new reality since then, however,as of Q1 2021, the investors' group showed only a slightly shrinking share of respondents who say the pandemic has caused them to change strategy.
- The highest shares of developers, investors and market advisers believe the pandemic will affect the global economy over the medium or longer term.

Economic environment

Economic climate, debt finance and the tax climate

Answers from 2019 and January 2020 showed that before the outbreak most respondents expected the Central European market to remain stable.

This all changed in the first quarter of 2020. During the second phase of our 2020 survey, a full 93% of our respondents were anticipating a pessimistic economic outlook. We could also see this negative sentiment in respondents' expectations for debt finance, with 75% expressing pessimistic views. The outbreak only slightly changed respondents' views on the tax climate, with slightly fewer predicting stability.

Now, after the rapid shift in sentiment that immediately followed the pandemic outbreak, we can see respondents in the 2021 edition of the survey expressing more positive sentiments for the months ahead.

During the first weeks of this year, only 24% of respondents were expecting the economic climate across Central Europe to deteriorate, which is a similar result to that from 2019. More than a third (37%) expect the economic climate to remain stable, while 39% – the highest share in all editions of this report – have positive expectations for the economy.

46%

of respondents expect market activity growth in CE

48%

of respondents expect the higher average volume of transactions in CE

We also asked our respondents to give us their views on the countries where they operate.

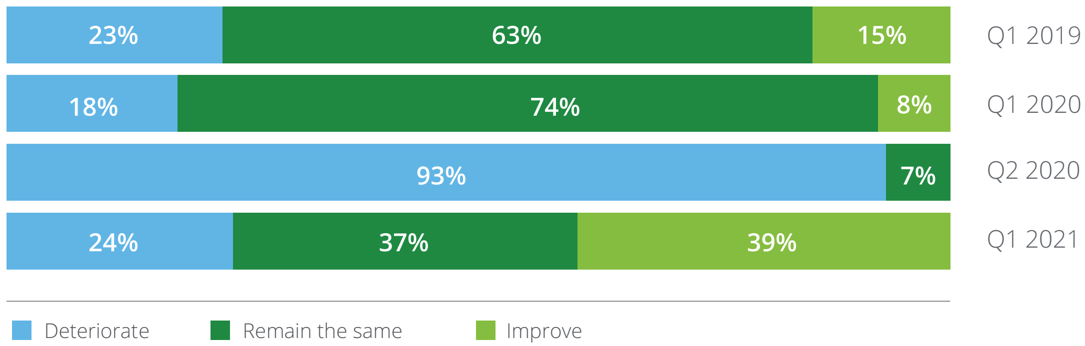
The economic predictions of respondents from Poland and the Czech Republic were largely in line with those for the CE market as a whole, but with slightly more positive answers in the Czech Republic (45%) and slightly less positive responses in Poland (36%).

An analysis of the answers from 2021 shows that a market recovery is anticipated. While multiple factors may be behind such results, we can assume that 2021's low starting point, far worse than those in all previous editions, has driven the high share of positive answers.

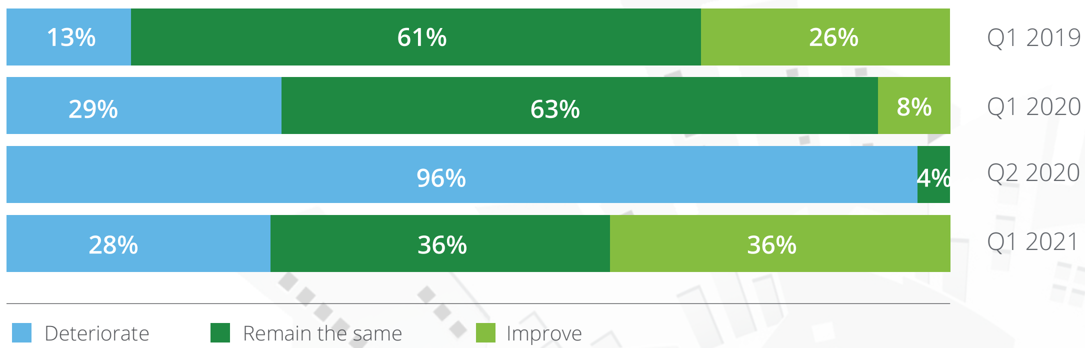
39%

of respondents expect improvement of economic climate across CE

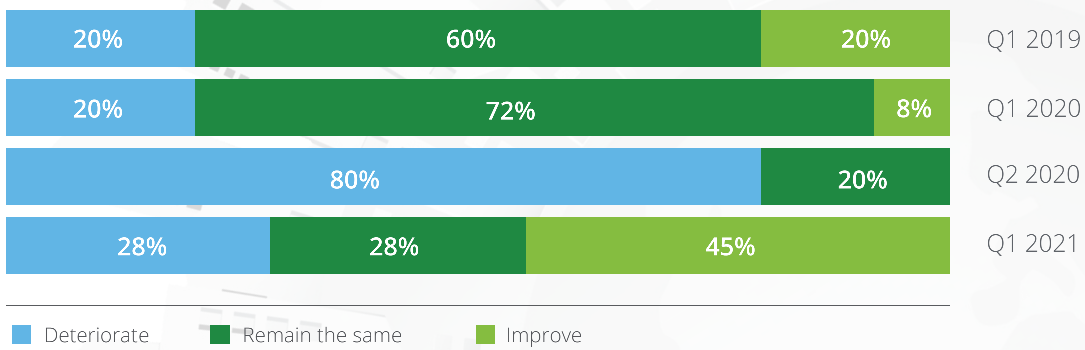
Over the next year, I expect the overall economic climate across CE to:



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



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

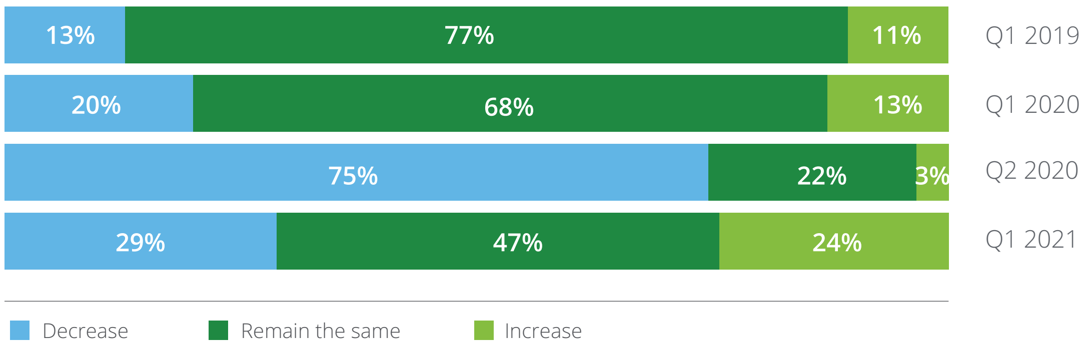


Debt finance

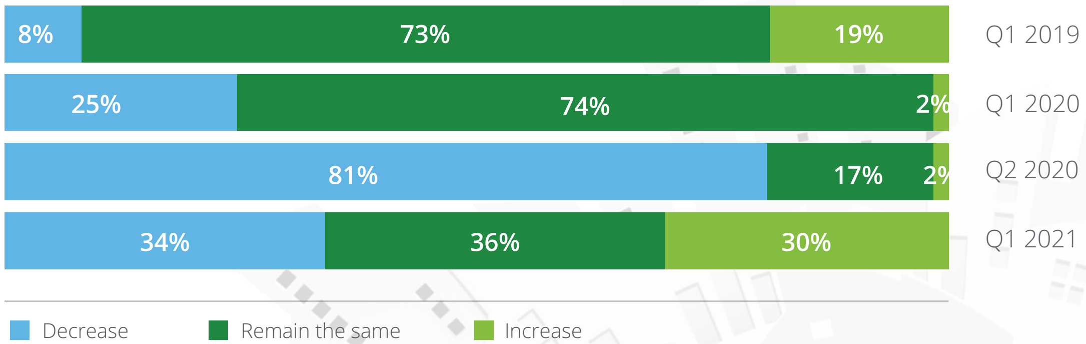
Responses around the availability of debt finance in Central Europe have evolved in a similar way over the last year to those answers about the economic climate. After negative perceptions during the first weeks of the pandemic, the respondents' view for 2021 is more positive, close to the results recorded before the pandemic. The share of respondents expressing positive sentiment has doubled to 24% in 2021. However, 29% still hold negative views.

Respondents from Poland and the Czech Republic have differing expectations for these two countries. Views on the Polish market are in line with the wider CE trend. We could see less pessimistic sentiments during the pandemic in Q2 2020 in the Czech Republic, with 60% of respondents expecting the availability of debt finance to remain stable and only around 30% holding pessimistic views. In Q1 2021, the share of both negative and positive views in the Czech Republic has slightly increased. However, almost half of respondents still expect the availability of debt finance to remain stable.

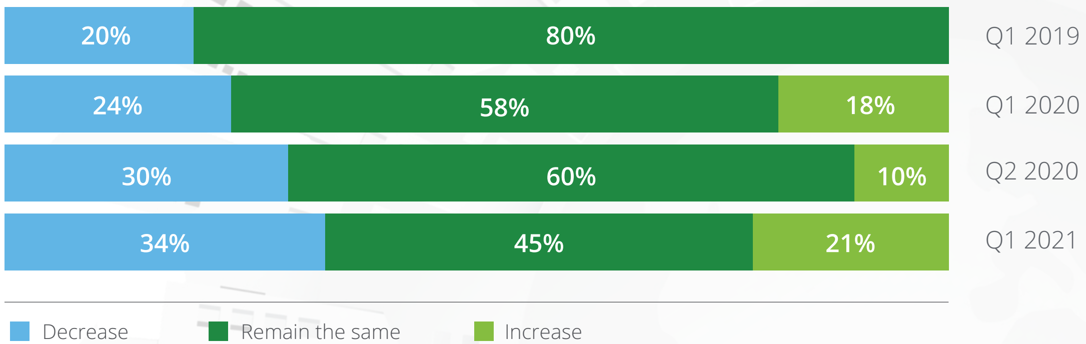
I expect the availability of debt finance in CE to



I expect the availability of debt finance in Poland to:



I expect the availability of debt finance in the Czech Republic to:



Tax climate

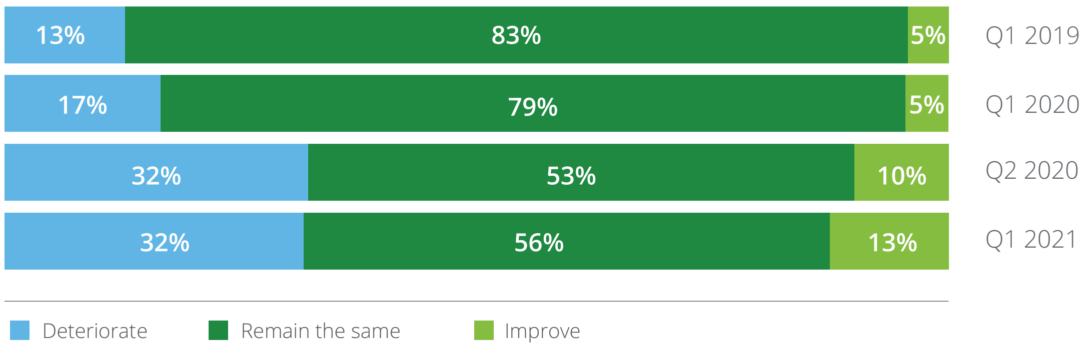
In Q1 2021, the share of all answers regarding CE's tax climate is very similar to that reported in Q2 2020, with around 32% expressing negative sentiments and 13% feeling positive (up from 10%). The results from 2021 and the second phase of 2020 are quite different to the predictions from the pre-pandemic surveys. However, the pandemic had a smaller influence on expectations for the tax climate than on those for the availability of debt finance and the economic climate. That said, the share of respondents with negative sentiments doubled between Q1 and Q2 2020, as did the share of respondents presenting positive views.

However, further analysis shows that respondents in Poland might have influenced the negative sentiment across Central Europe as a whole. Their overwhelmingly negative sentiment can be clearly seen, with nearly three-quarters (70%) in Q1 2021 predicting that the tax climate will deteriorate. By contrast, only 14% of respondents in the Czech Republic hold negative views about the tax climate.

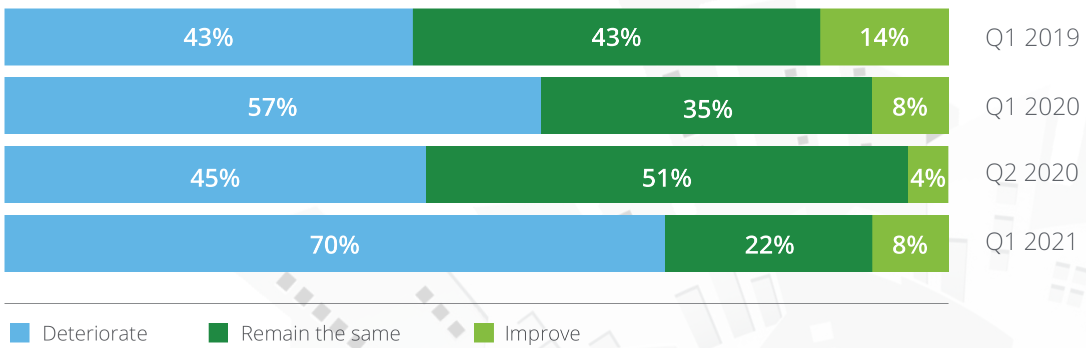
Changes to the Polish tax system have influenced market sentiment in a way that can be seen in the last two editions of this report. These changes include efforts to address uncertainties in the VAT treatment of asset transactions, changes to corporate income tax and partnership taxes, and increase in real-estate taxes and additional food taxes. Further announcements of more new taxes and levies in Poland are rumoured to be on the way.

We can deduce that the growing share of answers with a positive sentiment has possibly resulted from the publication of governmental programmes published across CE during the pandemic.

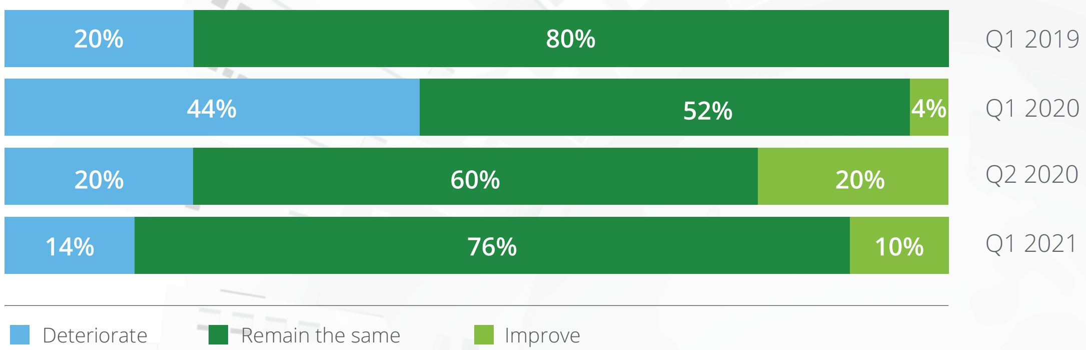
I expect the tax climate in CE to:



I expect the tax climate in Poland to:



I expect the tax climate in the Czech Republic to:



Investment market

Overall market activity

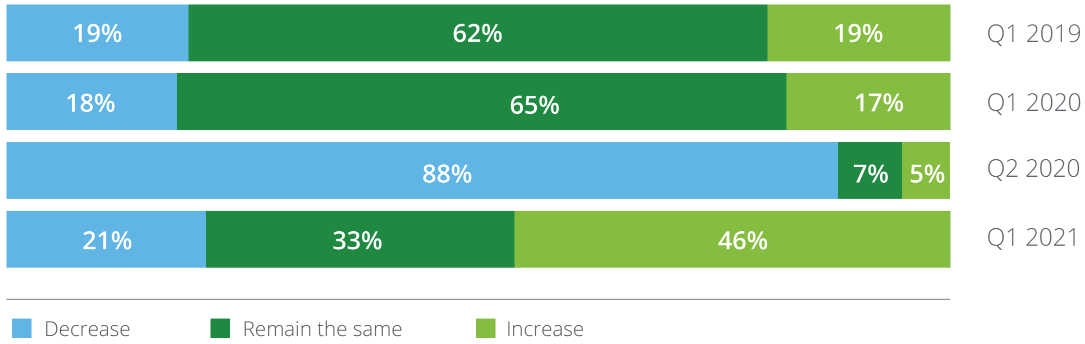
Since 2016, when the total value of real estate transactions first exceeded €10 billion, we have been seeing growing transaction volumes across CE. In 2019, the total investment volume reached almost €14 billion – the highest total recorded in CE investment market history, and slightly ahead of 2018.

In 2020 the pandemic had a negative impact on the investment volume. JLL figures show it was driven down to just over €9.7 billion. An analysis of our survey from Q2 2020 confirms that the negative impact reported corresponds to the market volumes and activity levels shown by the 2020 statistics.

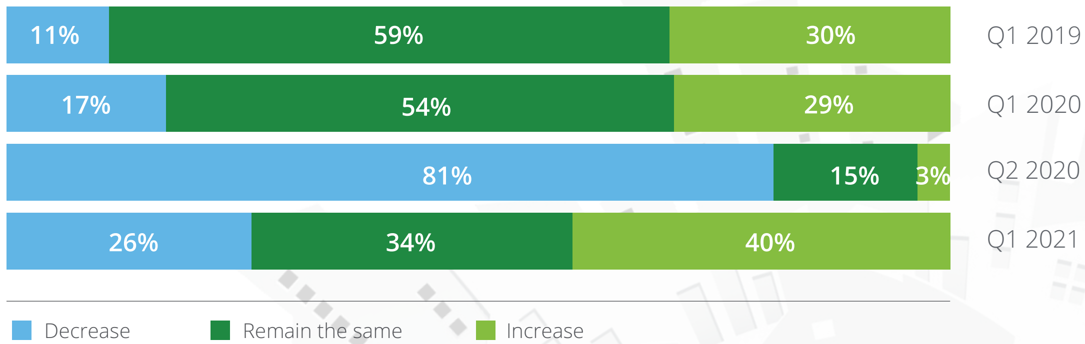
Responses from 2021 are far more optimistic those from our second 2020 survey, clearly indicating a bounce back in positive sentiment among our respondents. The survey included record results for the proportion of those with positive expectations in terms of market activity (46%) and transaction volumes (48%) across the CE region. Only around 20% predict a decrease in overall market activity. These results are close to those in the two editions of the Deloitte Real Estate Confidence survey for Central Europe from before the pandemic, when almost 20% also predicted a decrease in activity levels.

By contrast, 88% of respondents in April 2020 told us they expected market activity to decrease over the months ahead. In addition, 75% of respondents were expecting the overall volume of transactions to decrease.

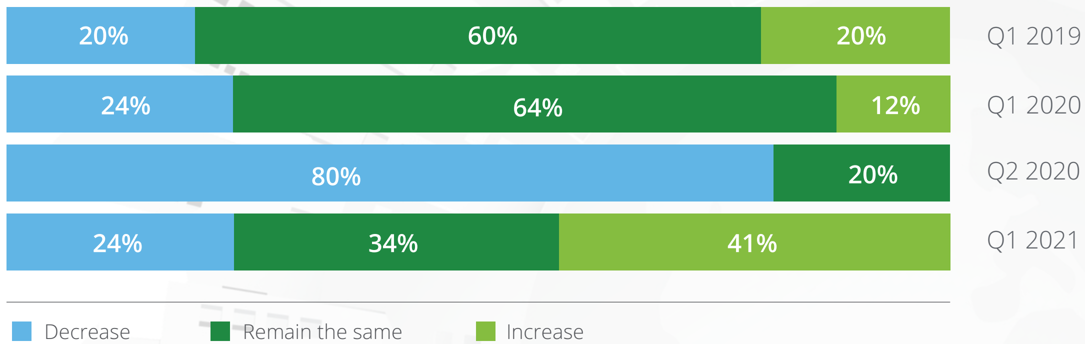
I expect overall market activity in CE to:



I expect overall market activity in Poland to:



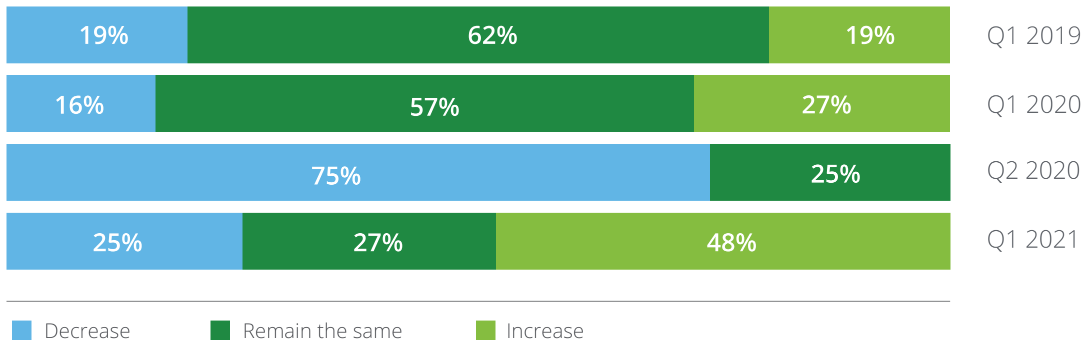
I expect overall market activity in the Czech Republic to:



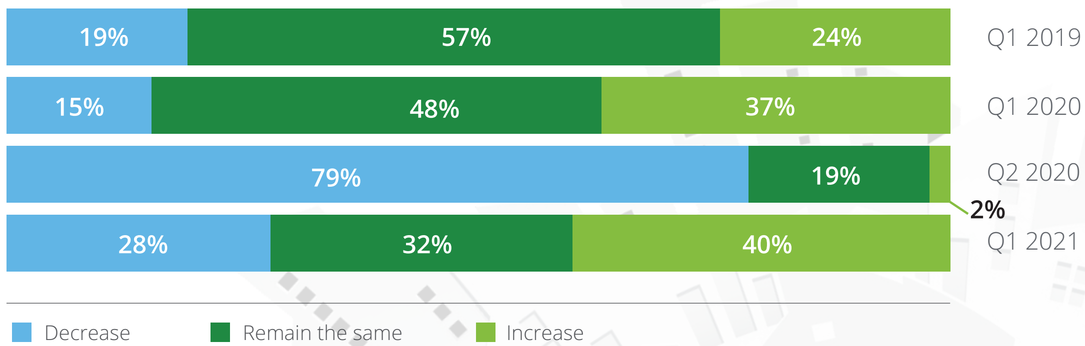
After such negative sentiment during the first months following the pandemic outbreak, respondents are now looking at the market in a more positive way.

Among those respondents who operate in Poland, identical shares of 40% feel positively about the prospects for future market activity levels and transaction volumes alike. Respondents operating in the Czech Republic were even more optimistic, with 40% and 55% feeling positive about market activity and transaction volumes.

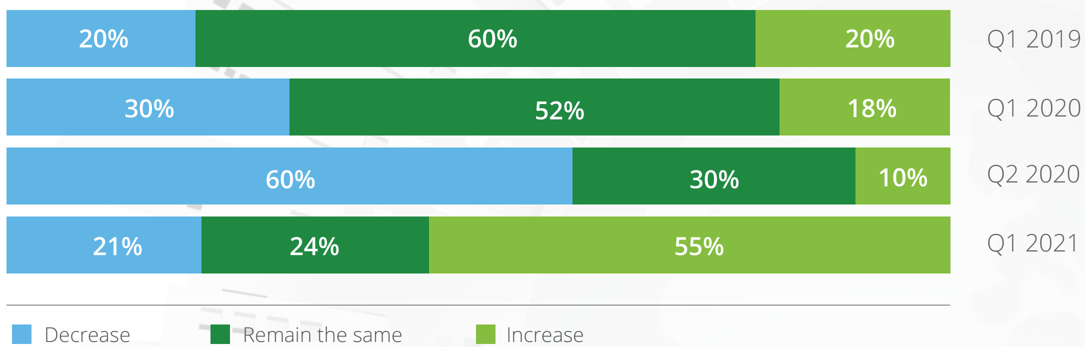
I expect the average volume of transactions in CE to:



I expect the average volume of transactions in Poland to:



I expect the average volume of transactions in the Czech Republic to:



Yields

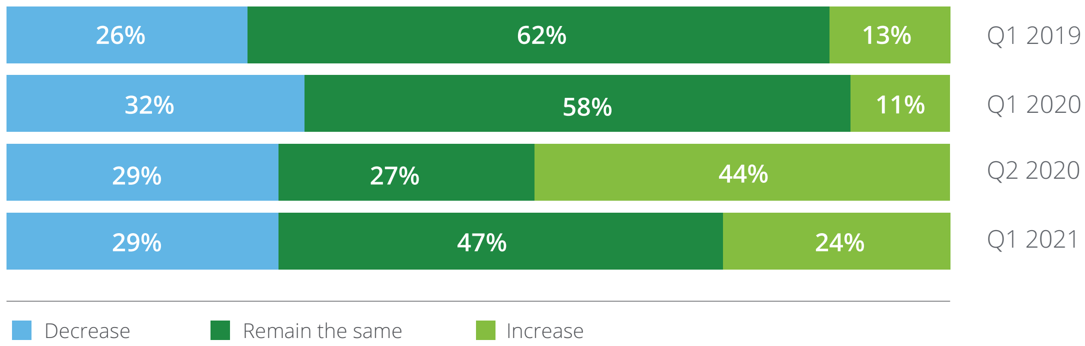
Answers from 2021 show the market anticipating a return to pre-pandemic yield levels, when the majority of respondents predicted stable yields. Currently just almost half expects so. At 29%, the share of respondents predicting a further fall in yields was similar to those in all previous surveys.

The survey in April 2020 showed a growing share of respondents who expected yields to increase (44%). In the current edition, the share of respondents predicting an increase during the months ahead has fallen to 24% (-20 pp.).

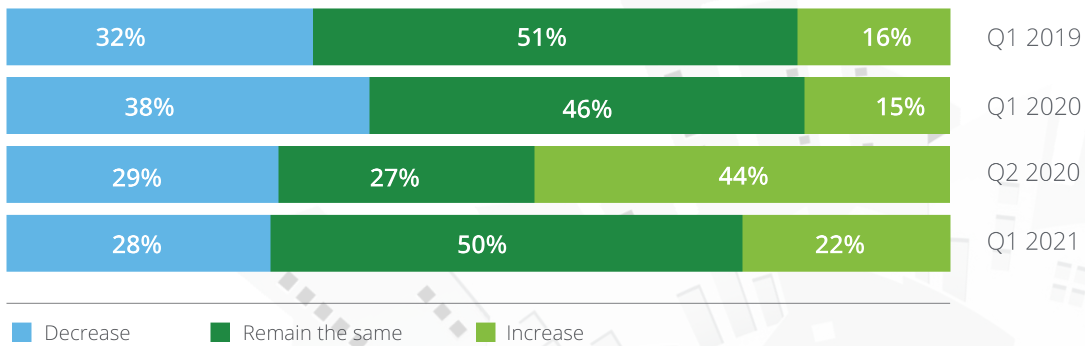
Time has proved the predictions made by respondents to our April 2020 survey to be correct. For selected sectors, this was the first time that yields have increased since the global financial crisis of 2007 to 2009.

Results in Poland and the Czech Republic are in line with expectations for the wider CE market. These include a significant fall in the share of respondents predicting an increase in yields (22% in Poland and 24% in the Czech Republic) and a largely stable share of those anticipating further decreases (28% and 34% respectively).

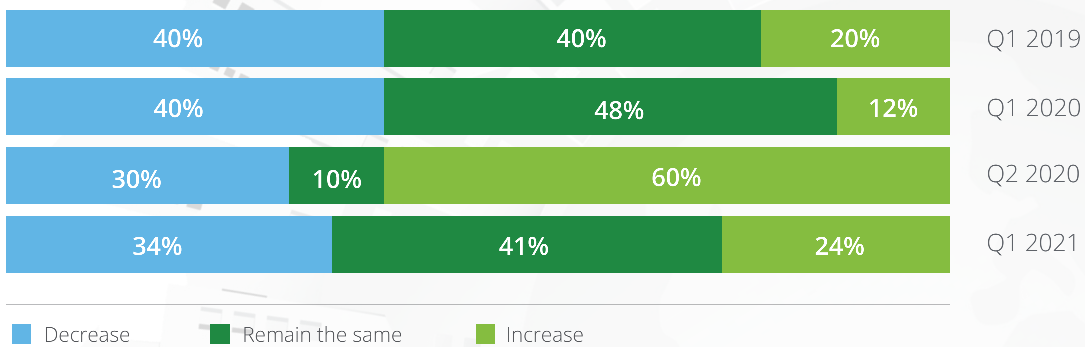
I expect average yields in the CE region to:



I expect average yields in Poland to:



I expect average yields in the Czech Republic to:



Investment opportunities

The market expects the availability of investment products to grow across the CE market as well as in individual countries.

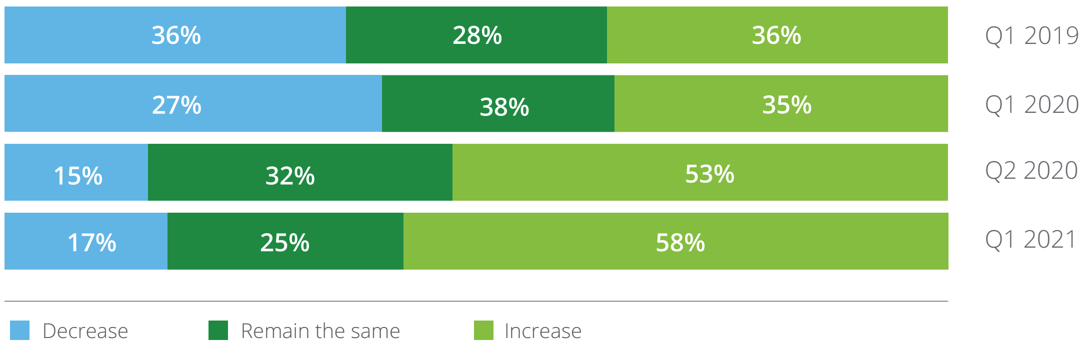
Following the pandemic's arrival in Q2 2020, a majority of respondents (53%, +18 p.p.) expected the availability of new investment products to grow during the three-year medium term. Only 15% (-12 p.p.) expected a decrease. Overall, our respondents were telling us that the new situation would force change upon the market.

This trend seems to continue in 2021. An even larger share of respondents to the 2021 survey (58%, + 5 p.p.) expects the availability of new investment products in the CE region to grow. These predictions are especially prevalent among professionals operating in Poland, where 72% of respondents believe the Polish market will offer a higher number of investment products.

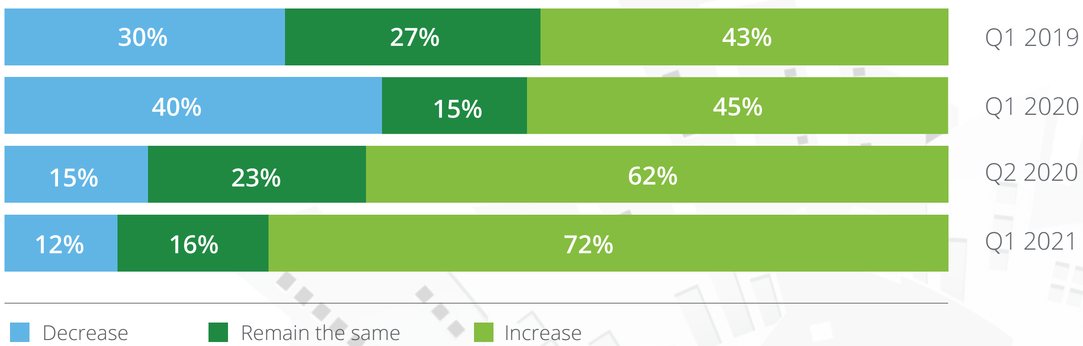
58%

of respondents expect increase of availability of investment products in CE

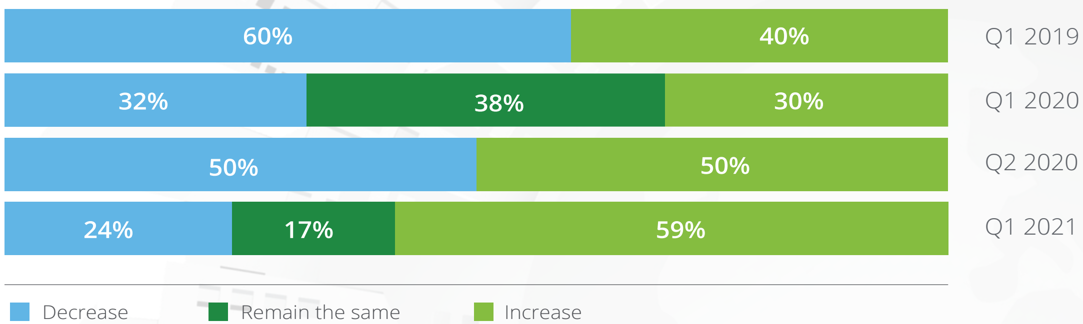
In the next three years, I expect the availability of investment products in CE to:



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



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



Developers Perspective

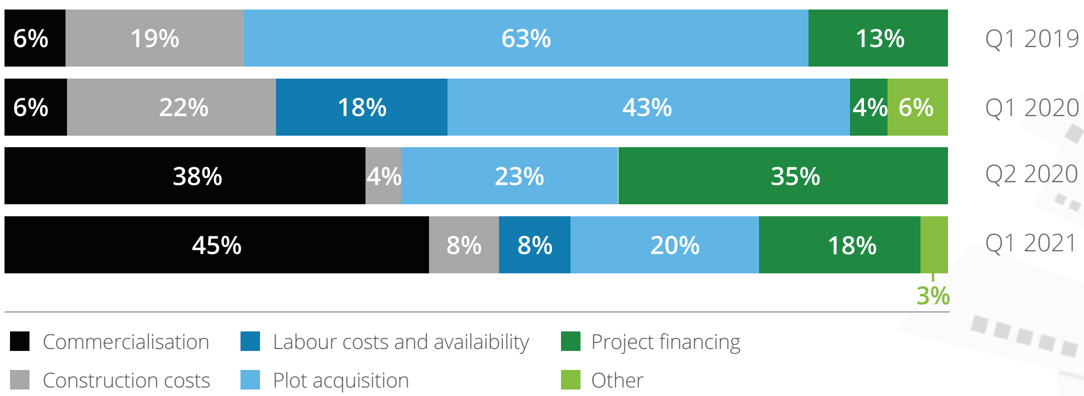
As of January 2020, the biggest challenge for developers was acquiring land for development. This finding confirmed the continuing upward trend in prices that has resulted from the shrinking availability of attractive development land. Before the pandemic, the costs of building materials and construction work were also growing. Labour availability and costs were the third most frequently mentioned challenges for developers.

With he pandemic outbreak, the share of all these factors had fallen significantly. More than two-thirds (38%) of our respondents selected commercialisation as the most challenging factor they faced. Financial factors were to be critical during the months ahead. The 35% share of respondents expected financing projects to be challenging during this period.

The survey from 2021 indicates that the issues involved with commercialising projects are a growing concern for developers. Nearly half (45%, up by 7 p.p.) of respondents see this as the biggest challenge for the months ahead. Buying plots and financing projects were the second and third most-cited challenges, both selected by around 20% of respondents.

These results indicate that after initial fears, particularly about the conservative approach of banks to project financing, developers now see commercialisation as the main cause of potential challenges. The results suggest this might be a problem across multiple market sectors. With more people working from home, large numbers of employers have decided to reduce the amount of space they lease, while a significant proportion of retail operations went online in 2020. Limited demand and high volumes of new supply from projects started before the pandemic are driving up vacancy volumes.

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



45%

of developers perceive the commercialisation of their projects as the main challenge

Before the pandemic, sentiment around developers' margins was negative. However, the growing positive trend was seen and the shareof respondents expecting margins to decrease was falling. In 2019 around 56% of respondents felt this way, and by January 2020 this figure had fallen by 7 p.p. At the same time, 10 p.p. more respondents in 2020 than in 2019 expected margins to remain unchanged. The outbreak of the pandemic stopped this trend, and developers' expectations have become significantly more negative.

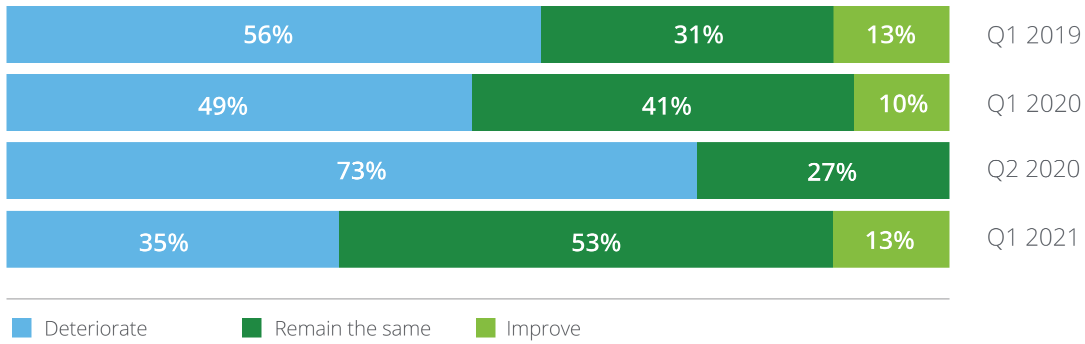
However, the 2021 survey suggests that market sentiment is once more back on the positive trend set before the pandemic. Now, only 35% expect margins to deteriorate, which is the most positive result in all editions of our survey. A growing share of 53% believe margins will remain stable. The share of developers (13%) who expect margins to increase is in line with our findings from 2019 and the pre-pandemic phase of 2020 .

Similarly to the surveys we ran before the pandemic, our 2021 survey indicates that most developers are planning to develop and sell their projects. We can also see a growing share of developers who plan to keep their assets after completing the development process.

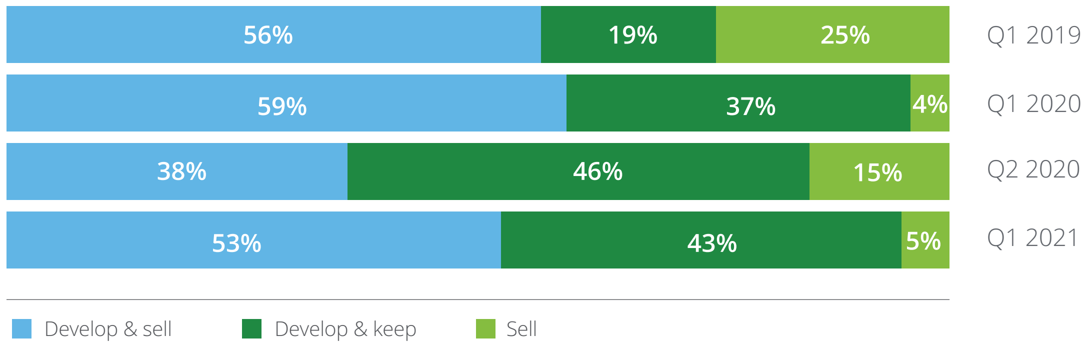
53%

of developers expect margins to be stable

In the months ahead, I expect margins to:



In the months ahead, I expect to:

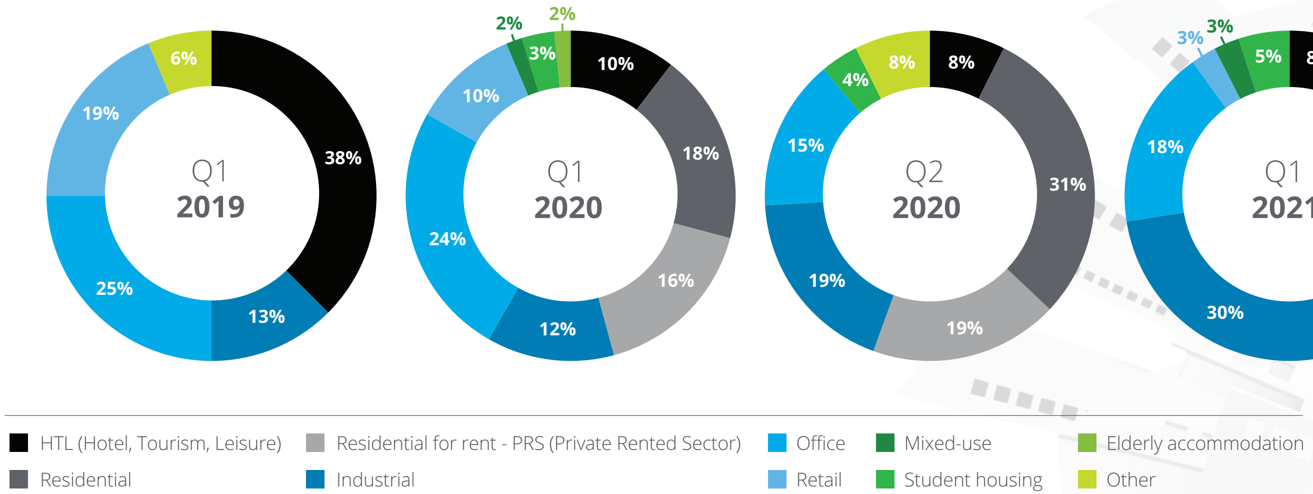


The April 2020 survey highlighted several major shifts of opinion. During the pandemic, developers saw more opportunities in the residential and industrial sectors.

When we asked developers about the sectors on which they were planning to focus in 2021, their responses showed a growing interest in the logistics and industrial sector. In the surveys before the pandemic, this sector was the primary choice for 12% and 13% respectively. After the pandemic broke out it attracted greater interest, and as of Q1 2021 around 30% of developers selected it as their first choice. Developers also believe that, after the pandemic, the office and residential sectors have both been overtaken by the industrial sector in terms of competition for investment opportunities (45% in Q1 2021). This growing competition in the industrial sector might be being driven by the role of e-commerce, which has significantly increased during the pandemic.

The residential sector, including residential for rent, is still attractive to developers. As of the first quarter of 2021, 20% of developers in our survey told us they were focusing more on residential projects, with 15% focusing on residential for rent and 5% on student housing. In addition, 23% of developers believe the greatest competition is in residential projects, with an additional 13% holding the same opinion about residential for rent. This confirms the growing trend towards residential-for-rent projects, including student housing, that is increasingly noticeable in capitals and large regional cities across Central Europe.

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



The appeal of the office sector has decreased during the pandemic, according to our survey. However, 18% of developers still plan to focus on this sector and 15% believe it will be the market with the highest levels of competition.

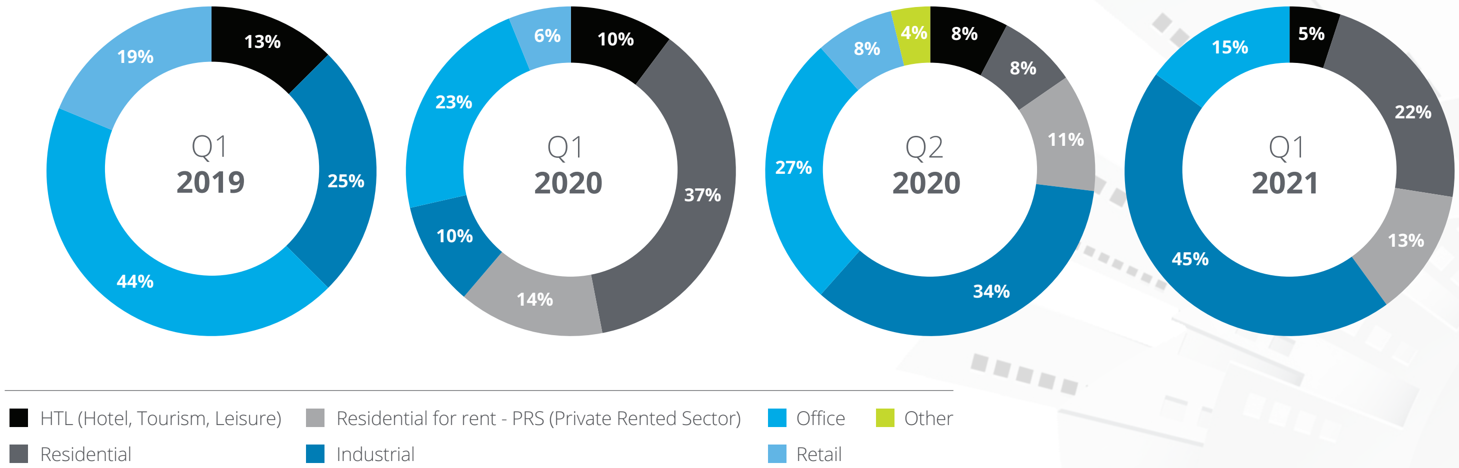
In contrast, the 2021 Deloitte Real Estate Confidence Survey for Central Europe indicates the declining role of the retail sector, with only 3% of developers telling us that their focus will be on this sector. At the same time, no respondents selected the retail sector as the most competitive for developers. This trend can be seen in the declining volume of retail schemes under construction, which is falling year-on-year.

Another sector that developers tell us has suffered during the pandemic is hotel, leisure and tourism. We can see a continuing fall in the proportion of responses highlighting potential competition in this sector, down by 3 p.p. from the last survey to just 5% this time.

45%

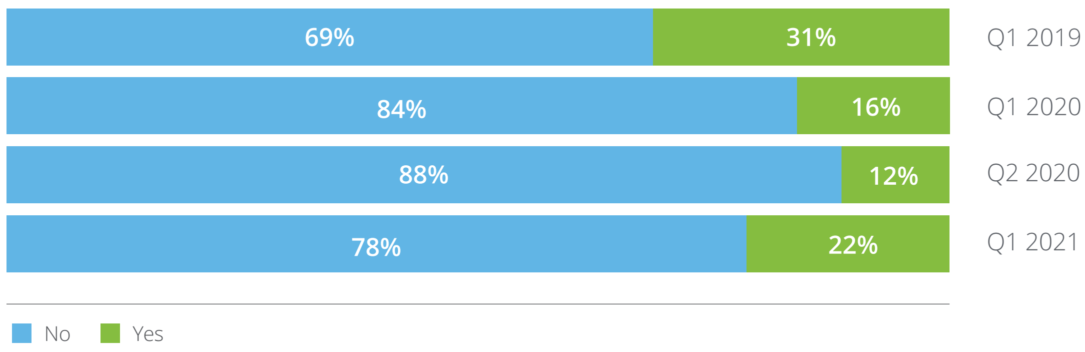
of developers expect the most competition in industrial sector

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



During the first weeks of the pandemic, almost 9 out of every 10 developers said they were not planning to focus on new markets this year. According to the 2021 edition of the Deloitte Real Estate Confidence Survey, for Central Europe developers are now less conservative, with the share who are open to focusing on new markets growing by 10 p.p. to 22%.

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



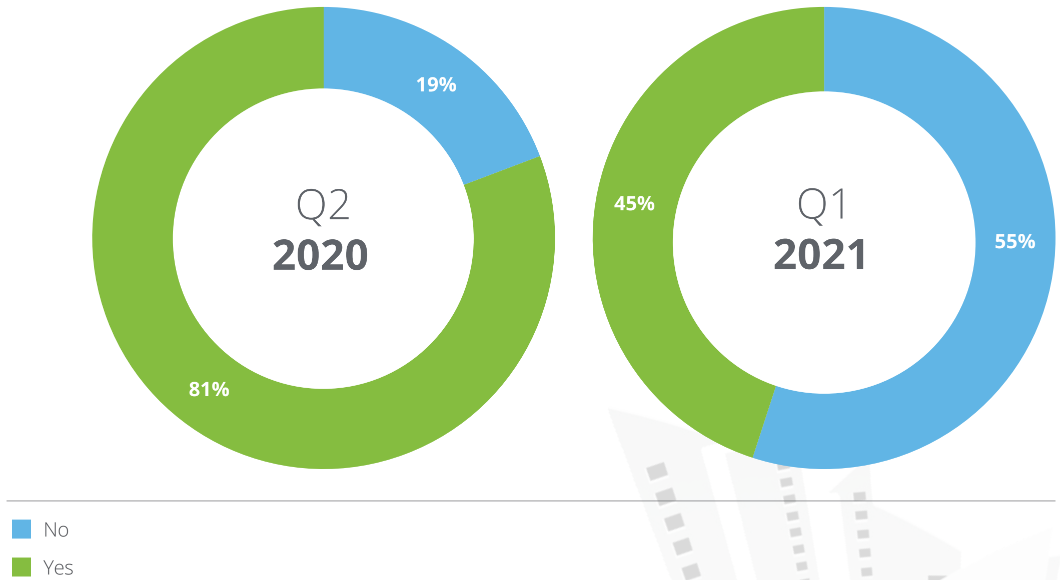
In April 2020, more than 80% of developers confirmed that COVID-19 had changed their strategy for the future. By early 2021, only 45% were telling us that the pandemic will change their strategy for the months ahead. While we might conclude that this shows how developers have adapted to the pandemic, it might also indicate that the market is trying to return to normality.

In addition, just after the pandemic broke out, two-thirds of developers expected that the crisis would influence the market over the medium term and around a quarter that the effects would be long term. In the Q1 2021 survey, we can see that more developers expect the crisis to have either a short-term (+10 p.p.) or a long-term impact (+6 p.p.). Fewer are expecting the impact to last over the medium term (-15 p.p.).

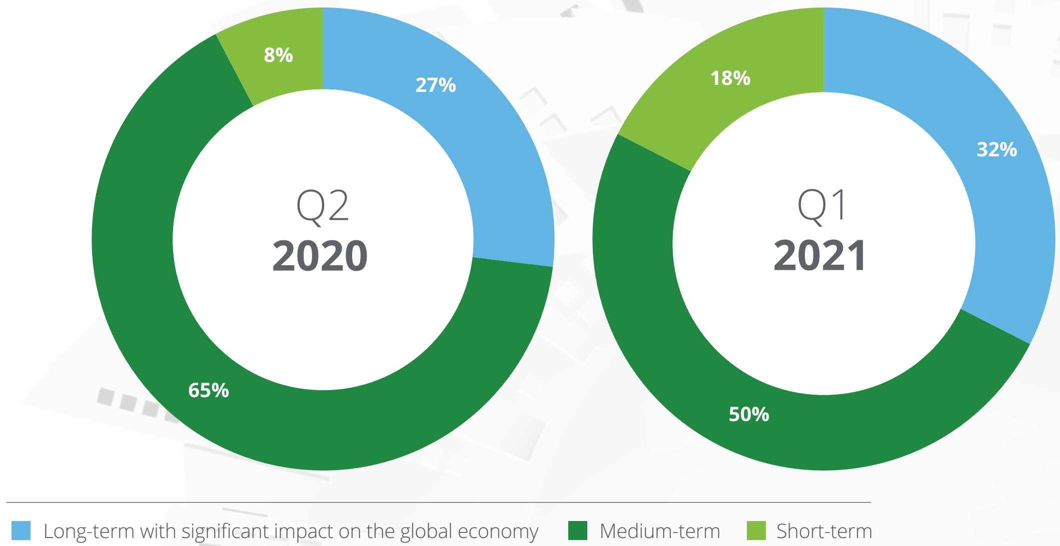
45%

of developers believe the COVID-19 pandemic will impact their strategy

Has the outbreak of the COVID-19 virus changed your strategy for this year?



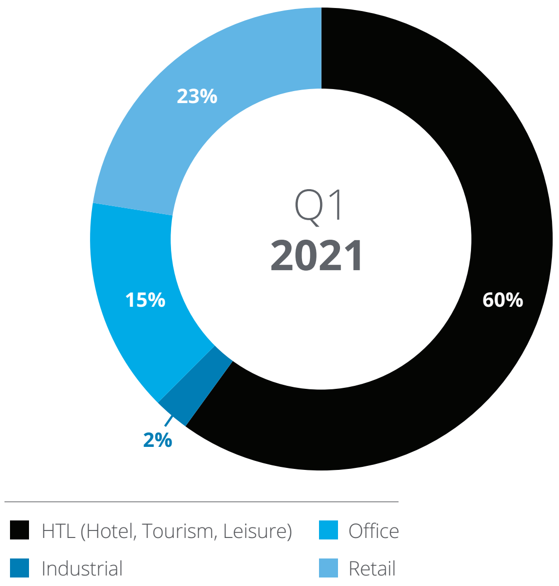
How do you assess the effects of the COVID-19 virus?



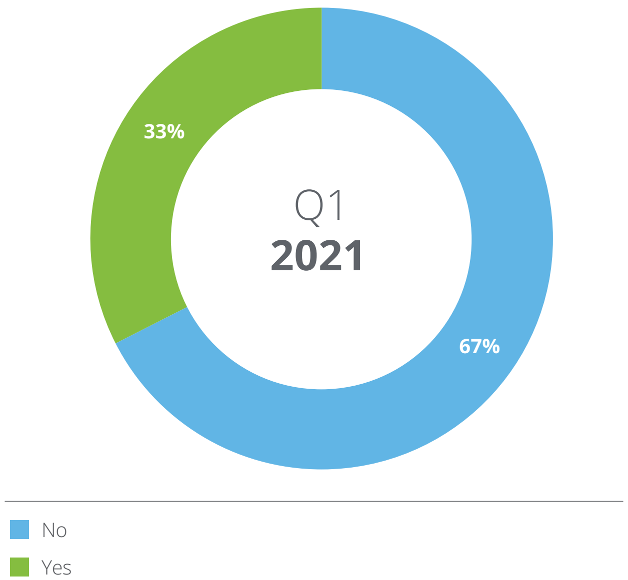
In 2021, we have asked additional questions regarding the pandemic's influence on the real estate market. Most developers believe the largest impact will be on the hotel, tourism and leisure sector in the months ahead (60%). Almost a quarter expect retail to be the most impacted sector, while 15% selected the office sector. Developers believe that commercialisation will be the key challenge facing them during 2021.

More than two-thirds of developers are not planning to change their sector or market focus due to the COVID-19 pandemic.

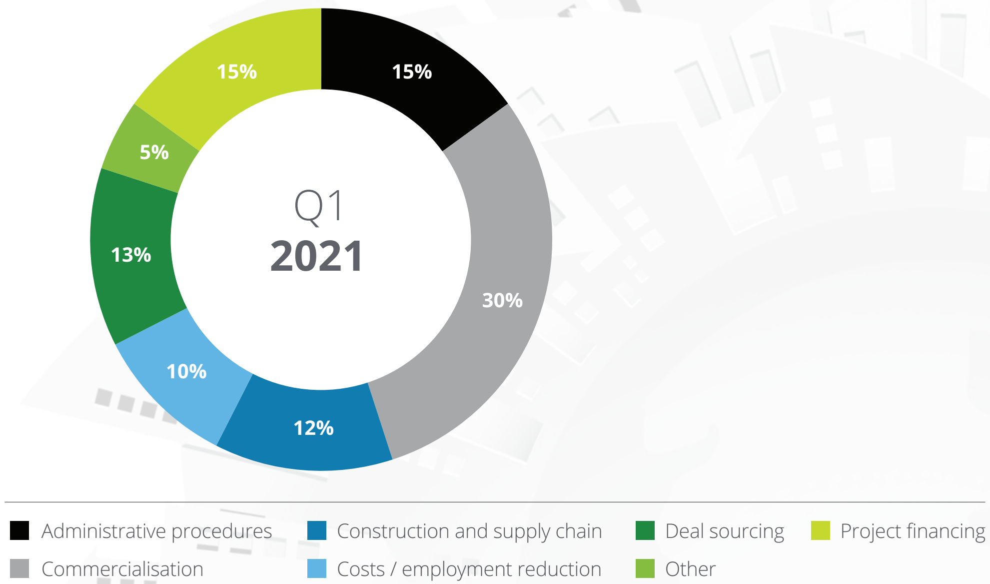
In 2021, I expect the following sector to be the most impacted by the COVID-19 pandemic:



I expect COVID-19 to cause a shift in my organisation's focus



In 2021, I expect my organisation to deal with the following key issues:



Investors

Investors' perspective

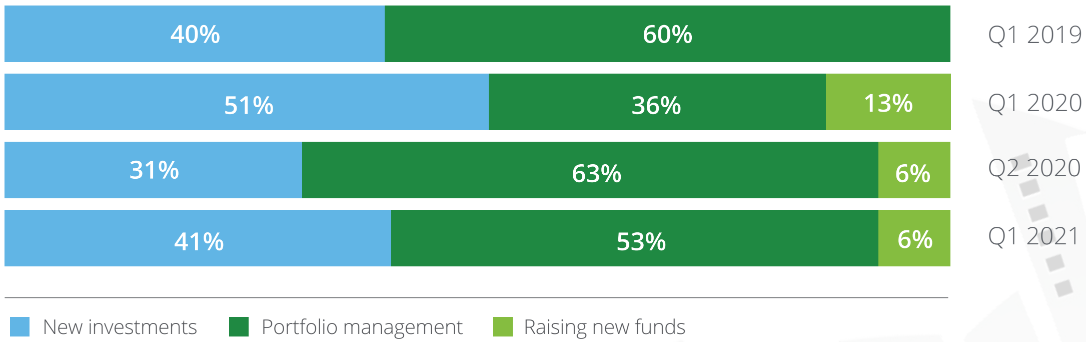
In Q1 2020, before the pandemic, a slight majority (51%) of investors were seeking new investments, while 36% wanted to focus on managing their current portfolios. The remaining 13% were expecting to focus on raising new funds. The pandemic changed investors' plans, and in April 2020 we saw a significant increase in the proportion focusing on portfolio management (63%, +27 p.p.). At the same time, there was a 20 p.p. decline in investors who were planning to launch new investments.

As of Q1 2021, we can see indications of a slight return to pre-pandemic sentiments. More than 40% of investors tell us their focus is on new investments (+10 p.p. over Q2 2020). Over the same period, there has been a 10 p.p. decline in those planning to focus on portfolio management .

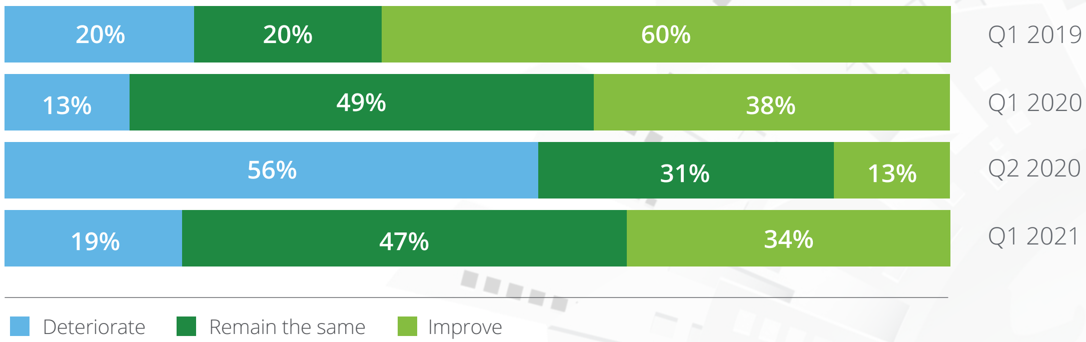
In 2020's second research round, more than half of investors were expecting the efficiency of their investments to deteriorate after the pandemic. This was significant shift compared to 2019 and Q1 2020, when 20% and 13% of investors respectively expected the efficiency of their investments to deteriorate. During the first weeks of the pandemic, only 13% told us they expected the efficiency of their investment to improve, compared to 38% immediately before the outbreak and 60% in 2019.

In 2021, sentiment is again similar to during the pre-pandemic levels. Only 19% of investors are predicting that their investments will deteriorate, while 34% have a positive outlook on the future 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:

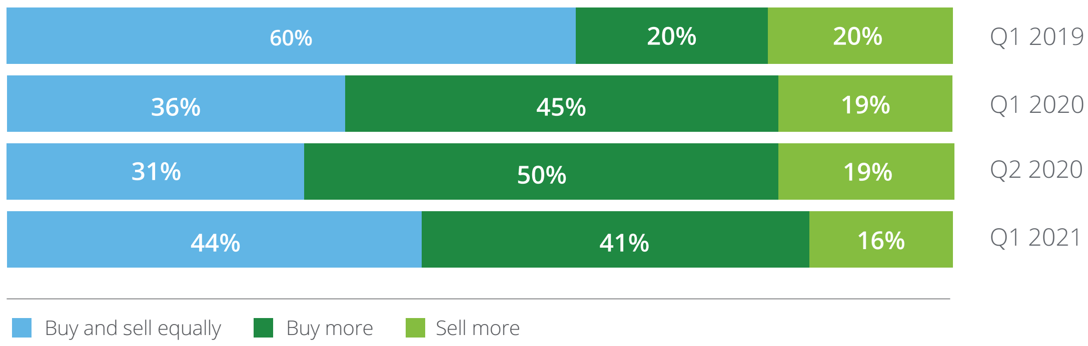


Half of the replies we received in Q2 2020 confirmed that investors were planning to buy more in the months ahead (5 p.p. higher than in Q1 2020). More than 30% were planning to buy and sell equally (down from 35% in January), and an unchanged proportion of around 19% was planning to sell more.

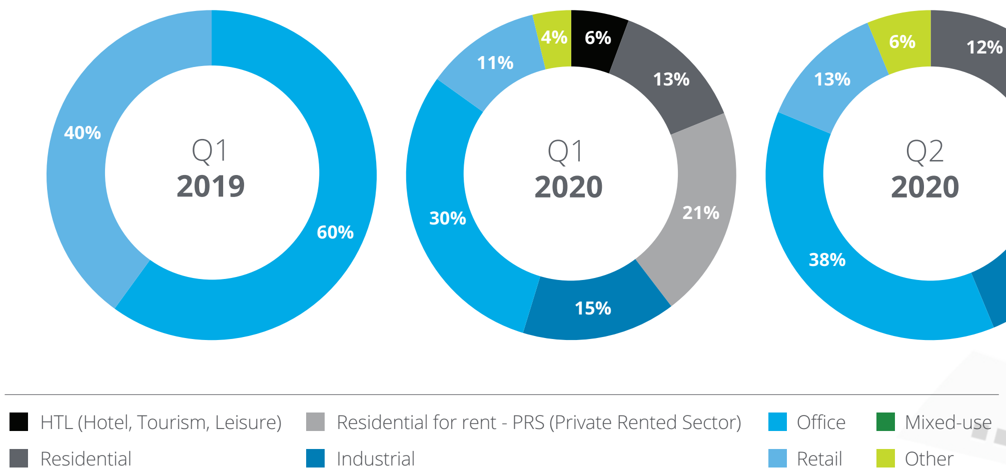
In 2021, more investors expect to buy and sell equally (+13 p.p.), while 9 p.p. fewer anticipate buying more.

The pandemic has significantly changed investors' perceptions in terms of sector. In 2021, only 16% are planning to focus on the office market (down by 14 p.p. since Q1 2020). We can see a growing focus on the industrial sector, with 25% of investors expecting to concentrate on this market (+10 p.p. year on year).

During the months ahead, I expect to:



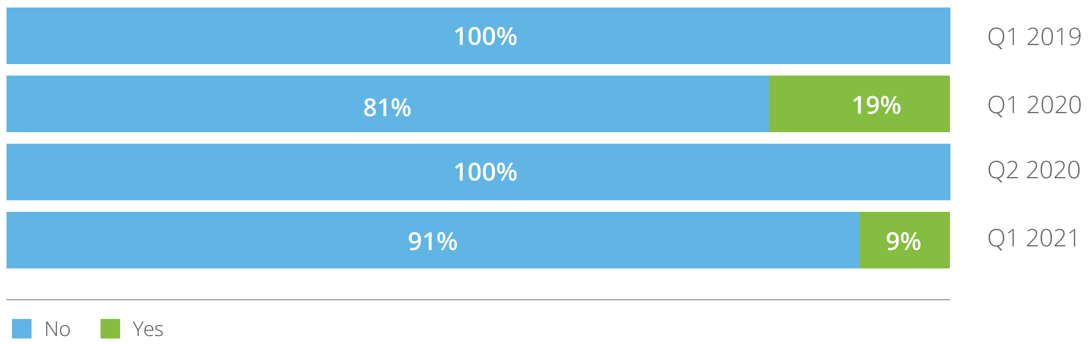
Over the months ahead, I expect to focus more on:



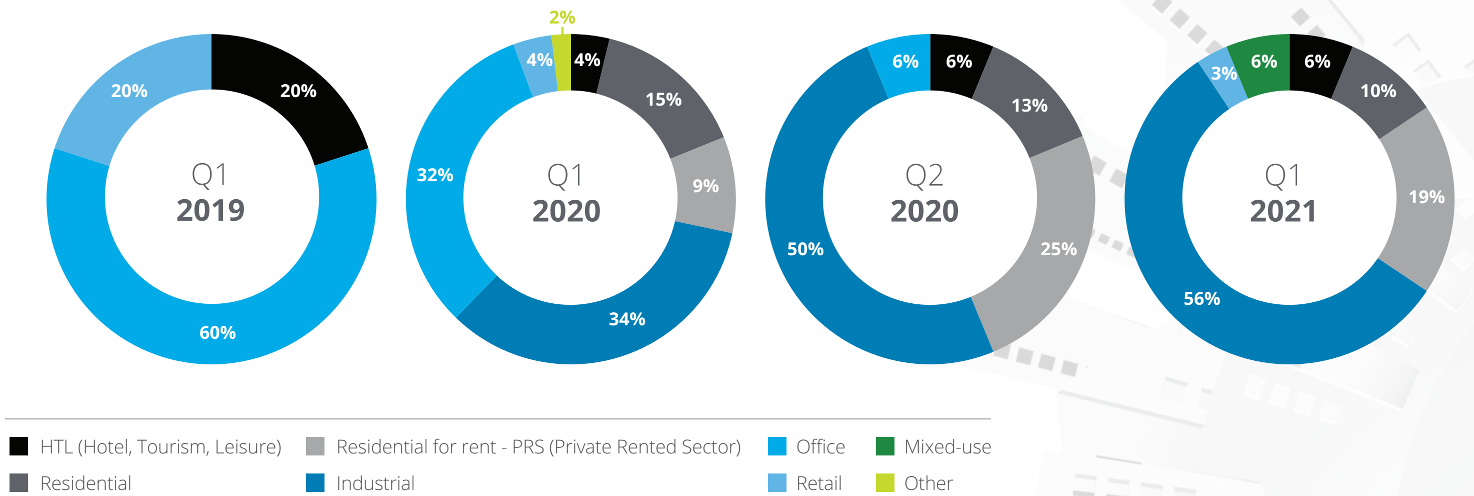
The pandemic has also strengthened interest in the industrial sector, particularly in terms of investor attitudes to the sectors presenting the highest levels of competition for new investment opportunities. In the Q1 2021 survey, 56% of investors (again around half of those responding) expect this to be the most competitive sector in months to come. The residential-for-rent sector increased even more strongly, nearly tripling from 6% immediately before the pandemic to 16% in Q1 2021. It is worth noticing that in Q1 2021, 6% of investors selected mixed-use projects as those presenting the greatest competition for opportunities.

Before the crisis, in Q1 2020 around 19% of investors were looking for new markets. During the pandemic, all respondents told us they had no plans to focus on new markets this year. In Q1 2021, 9% of investors are once more open to focusing on new markets. Similarly to the last report, we conclude that global uncertainty is causing investors to seek opportunities in markets that they know and understand opinion.

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



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



56%

of investors expect the most competition in industrial sector

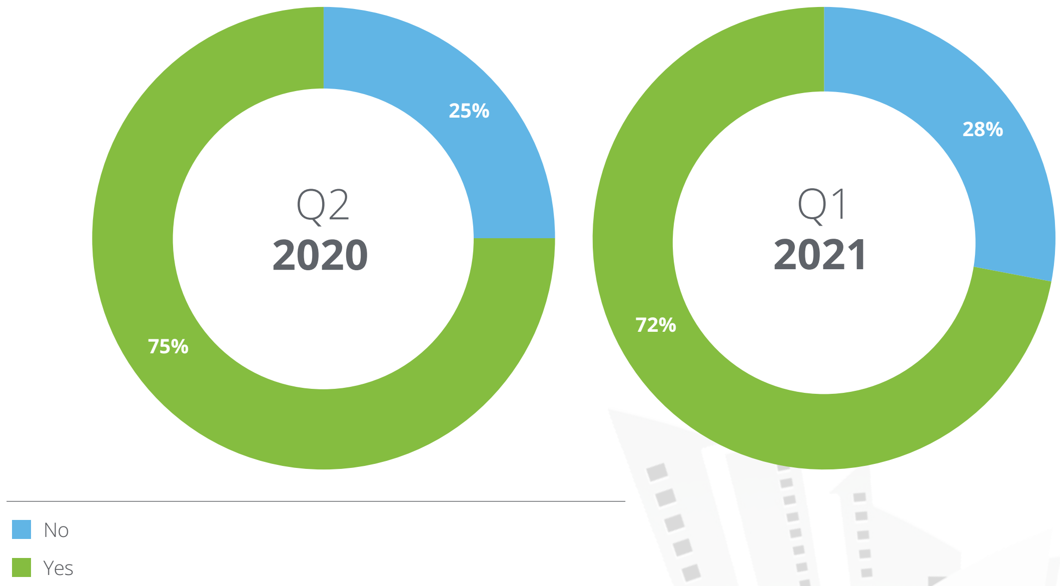
Just after the pandemic broke out, three-quarters of investors confirmed that the situation had influenced their strategy for the months ahead. In the first weeks of 2021, a similar percentage of investors told us that the pandemic will change their strategy for the months to come.

Most investors believed in Q2 2020 that the pandemic's impact would continue to affect the market for the medium term. By Q1 2021, this group had not changed its opinion. In this year edition, around 63% expected impact over the medium term, while a further 28% anticipated some significant long-term impact on the economy.

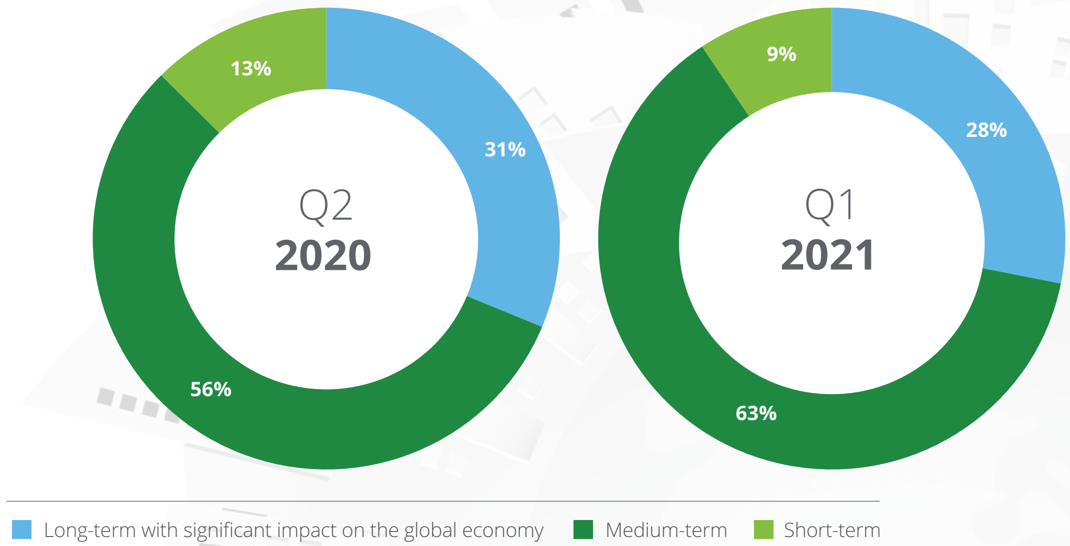
72%

of investors believe the COVID-19 pandemic will impact their strategy

Has the outbreak of the COVID-19 virus changed your strategy for the next year?



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

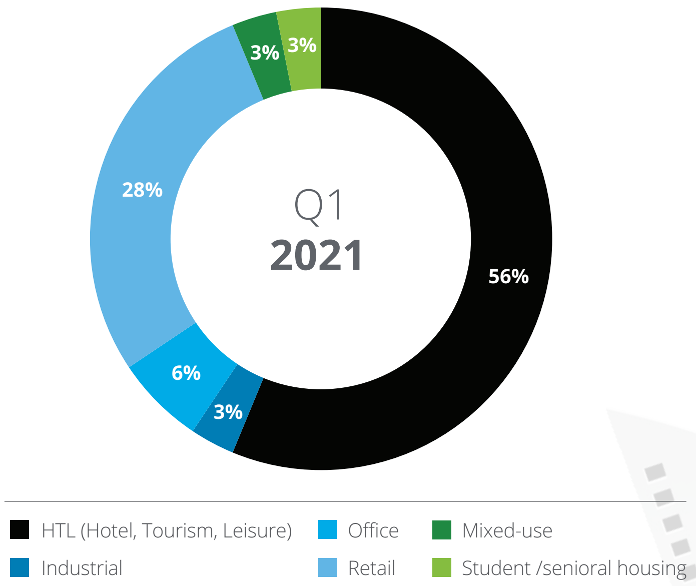


As with developers, in the current edition of the survey we asked additional questions about the influence of the pandemic on the real estate market. Most investors (56%) believe the hotel, tourism and leisure sector will be most heavily impacted in the months to come, while 28% see retail as the sector likely to be most impacted in the near future. Only 6% of investors (compared to 15% of developers) selected office sector.

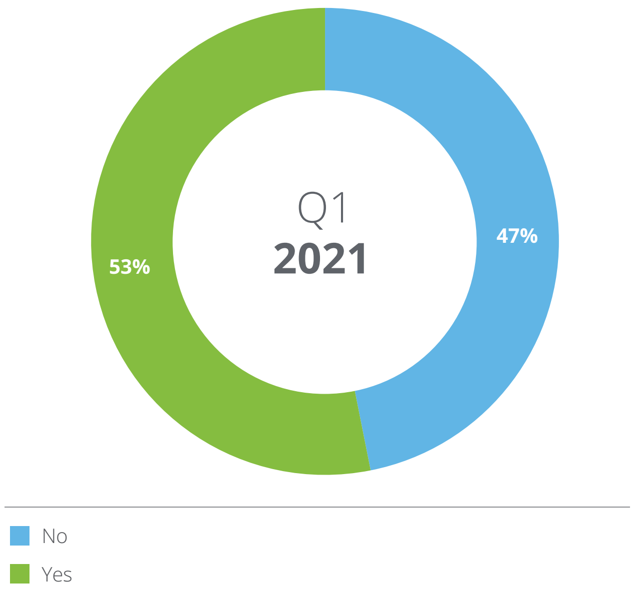
Again, commercialisation was seen as the key issue that investors will have to deal with during 2021. In addition, slightly more than half of investors are planning to shift their sector or market focus as a result of the COVID-19 pandemic.

These answers mostly correspond with those given by developers.

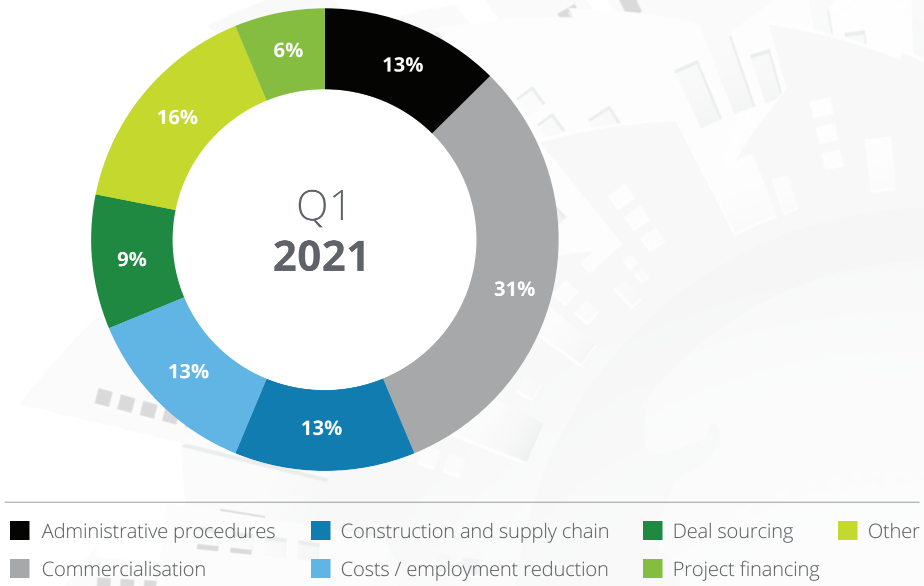
In 2021, I expect the following sector to be the most impacted by the COVID-19 pandemic:



I expect my organisation will shift its sectoral focus due to the COVID-19 pandemic



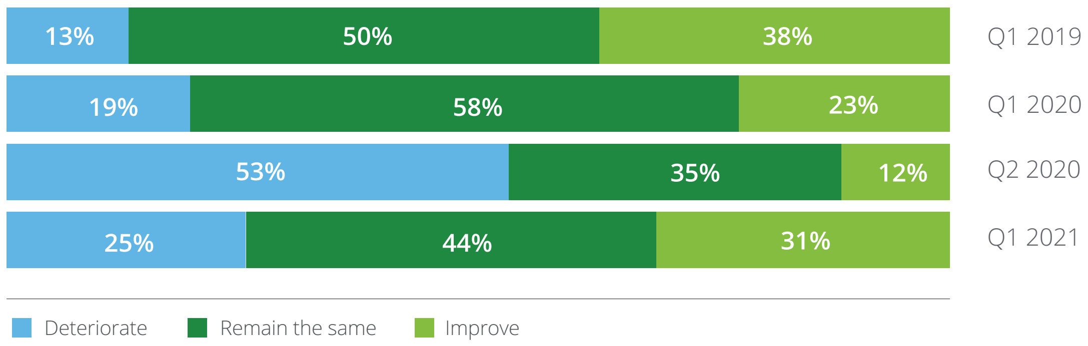
In 2021, I expect my organisation to deal with the following key issues:



Advisers' Perspective

Market advisers who took part in Deloitte Real Estate Confidence Survey for Central Europe 2021 are more optimistic about the efficiency of their clients' investments than they were in Q2 2020 following the outbreak of the pandemic. In the latest survey, 44% predicted no change, 25% expected deterioration, and 31% anticipated improvement in the efficiency of investments .

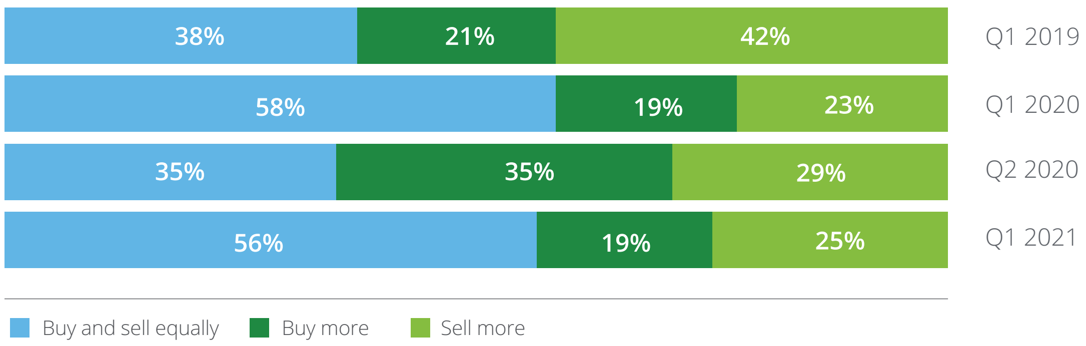
During the months ahead, I expect the efficiency of my clients' investments to:



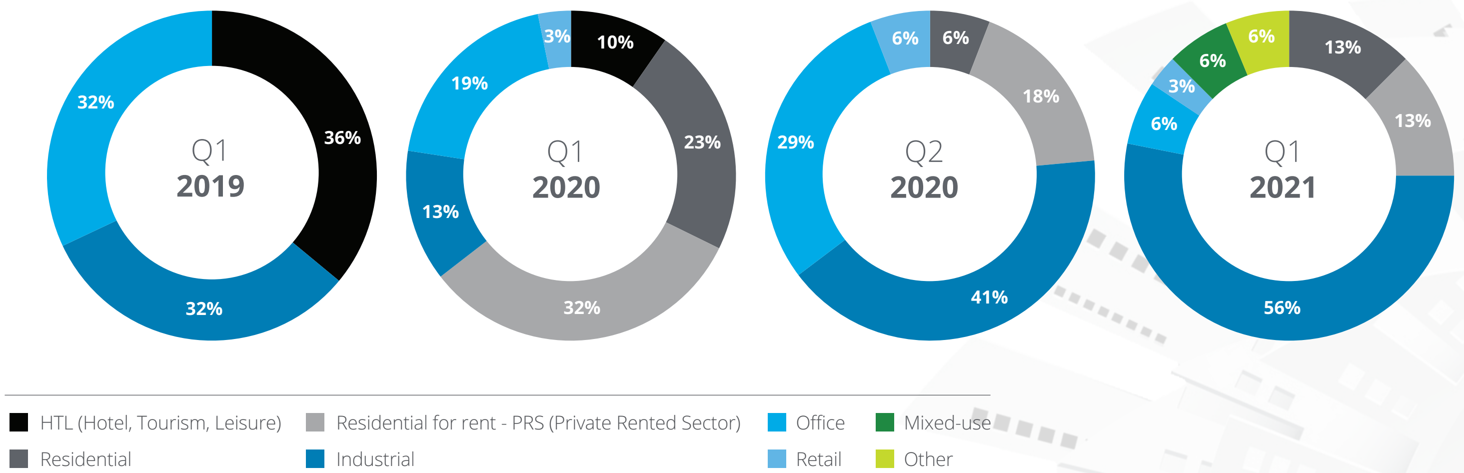
As for their expectations regarding the activities of their clients, most advisers expect them to buy and sell equally (56%). A share of 25% expect clients to focus on selling assets, while 19% believe they will buy more. These results are very similar to those from the first quarter of 2020, immediately before the pandemic.

The pandemic has significantly changed advisers' perceptions of the sectors on which their clients will concentrate. In 2021, only 6% believe their clients will focus on the office market (-13 p.p. from Q1 2020). We can see a growing focus on the industrial sector, with 53% of advisers expecting their clients to focus on this market (+10 p.p.).

During the months ahead, I expect my clients to:

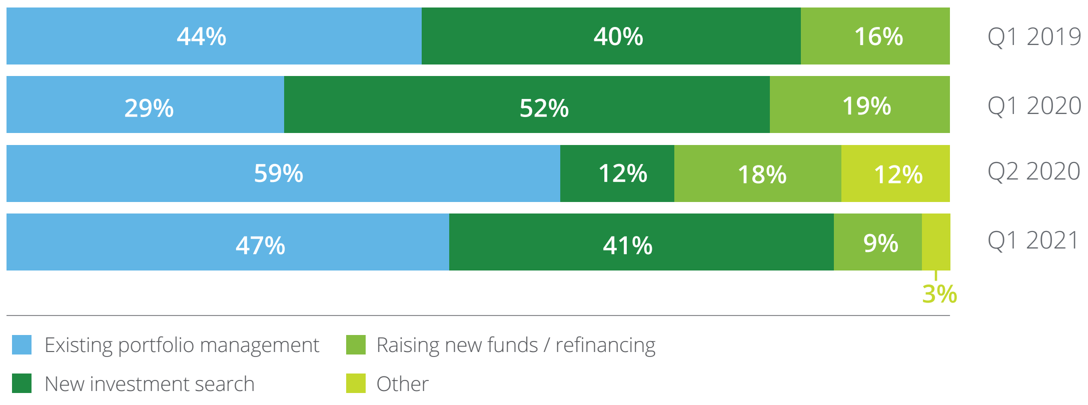


During the months ahead, I expect my clients to focus more on:

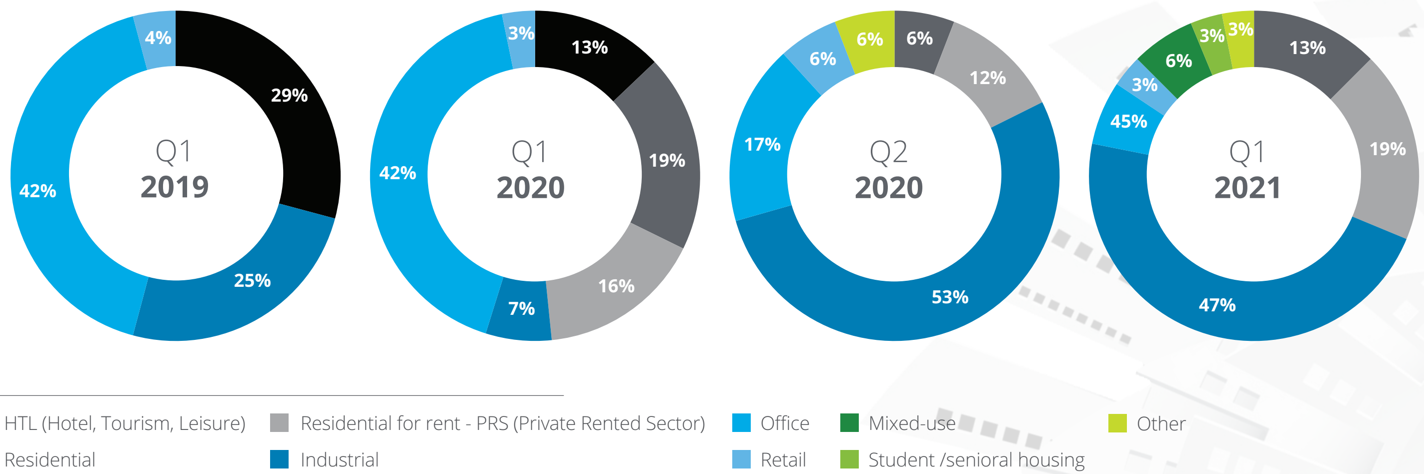


Similarly to other groups of respondents, advisers expect to see the highest levels of future competition taking place in the industrial sector. In both surveys published after the pandemic broke out, this is the sector selected by around half of all advisers. The residential sector, including residential for rent, was in second place, with around 30% of market advisers expecting this sector to see the greatest competition across the CE region in the months ahead. Similarly to respondents from the investors group, around 6% of advisers selected mixed-use projects as likely to be the most competitive.

I expect my clients to spend the most time focusing on:



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

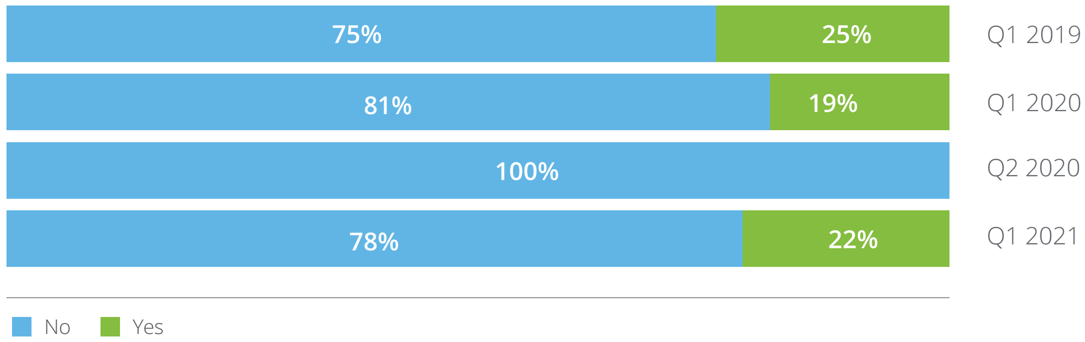


47%

of advisers expect the most competition in industrial sector

Advisers' answers are largely in line with investors' views on the potential new markets to focus on. Before the crisis, in Q1 2020, around 19% of advisers were expecting their clients to seek new markets in the near future. As among investors, in the second phase of the 2020 survey all our adviser respondents confirmed that they had no plans to focus on new markets. As the current edition from Q1 2021 shows, around 22% of advisers once again believe their clients will try to focus on new markets.

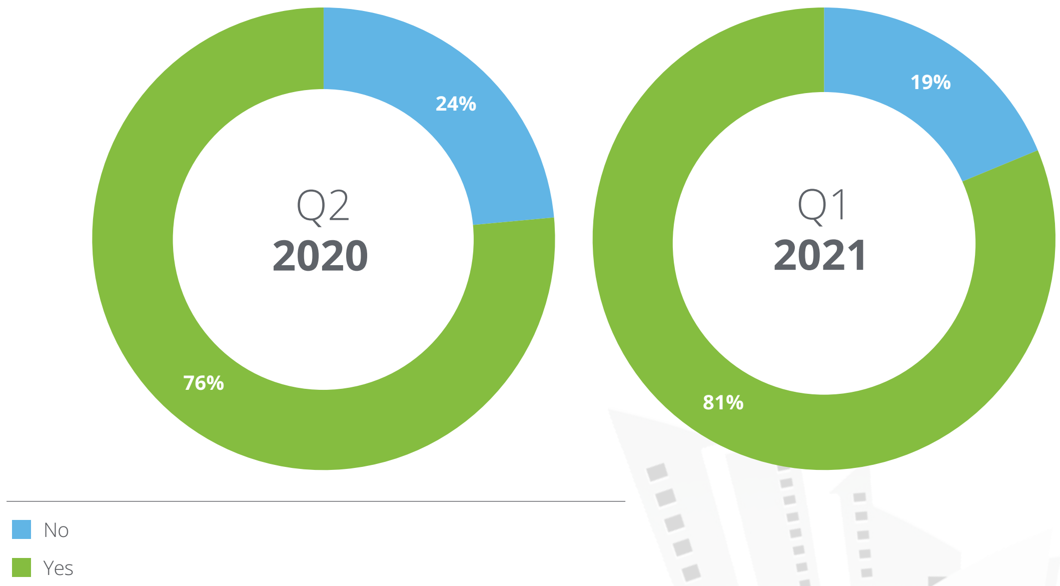
I expect my clients to focus on new markets in the months ahead:



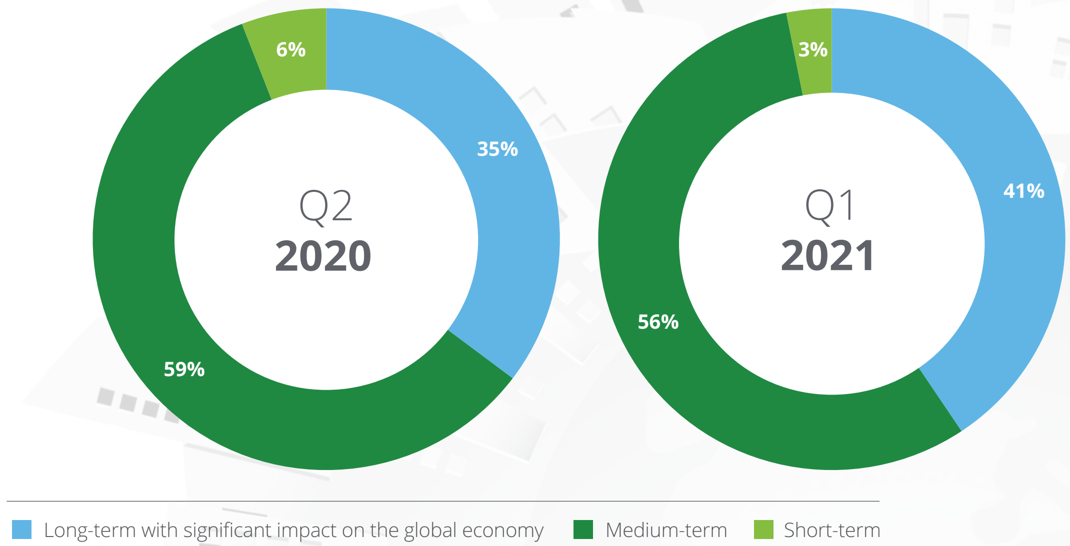
Advisers are the only group still to be strongly indicating that the pandemic continues to influence their strategy. As of the first quarter of 2021, 81% confirmed that the effects of the COVID-19 outbreak will influence their plans over the months ahead. By way of comparison, three-quarters of advisers gave this answer in the first weeks after the pandemic outbreak.

Similarly to other groups, most advisers believed during Q2 2020 and Q1 2021 that the pandemic's impact would affect the market over the medium term. A relatively high share of advisers is pessimistic, predicting a significant long-term impact on the economy. This option was selected in the current survey by 41% of advisers, which is 9 p.p. higher than among developers and 13 p.p. more than among investors.

Has the outbreak of the COVID-19 virus changed your strategy for next year?



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



81%

of advisers believe the COVID-19 pandemic will impact their strategy

Methodology

The first edition of the Deloitte Real Estate Confidence Survey for Central Europe 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 current edition of the survey took place in January and February 2021.

Of our respondents in Q1 2021, 57% were members of the management board or senior management, 23% were team managers and 20% were specialists. We believe that the senior profile of the 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 2021. The second covered the individual business perspectives of each participant.

We asked respondents to define their primary geographic markets. In the 2021 edition, 48% selected Poland and 28% the Czech Republic. The survey also includes respondents from Hungary and Romania. A share of 12% of our respondents told us they operate across the whole CE market.

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