Arena Corner, Budapest, Hungary

Budapest office market

In the fourth quarter of 2020, 38,850 m² of new office space was delivered to the Budapest office market across four projects, bringing total modern office stock to 3,903,840 m² at the end of 2020, mainly consisting of Class A and B space.

Market statistics for 2020 continued to reflect the economic changes triggered by the COVID-19 pandemic, as the demand volume lagged behind the norm of previous years and the number of transactions declined.

In 2020, a significant drop was registered in occupier demand compared to 2019. Leasing activity slowed down, and net take-up only reached 182,600 m², while total leasing activity was 334,700 m² – approximately 50% below 2019. Net absorption in 2020 was only 63,800 m², which was also 50% of the 2019 volume.

However, the year ended on a stronger footing as demand in Q4 (86,310 m²) was 9% higher than Q3, even if the number of signed transactions dropped by 35% compared to the corresponding quarter in 2019. Renewals made up the largest share of total leasing activity with a share of 43.2%, followed by new leases in the existing stock with 31.2%.

The office vacancy rate has increased to 9.1%, representing an increase of 1.0 p.p. quarter-on-quarter and 3.5 p.p. year-on-year, as a result of weaker leasing activity and also considerable speculative new supply delivered during the year (226,500 m²).

Sources: Colliers, Budapest Research Forum

Globalworth

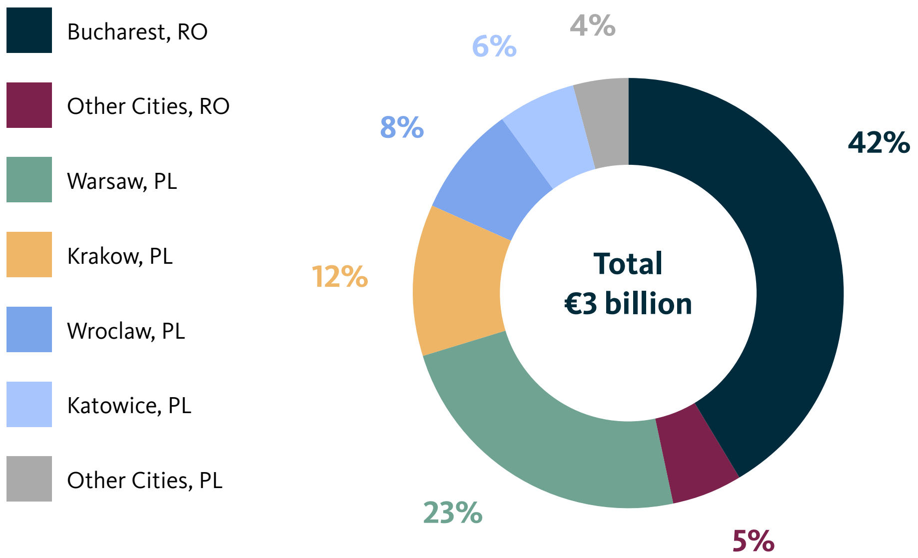
globalworth

In February 2020 **CPIPG became the largest shareholder of Globalworth, with a stake of 29.6%.**

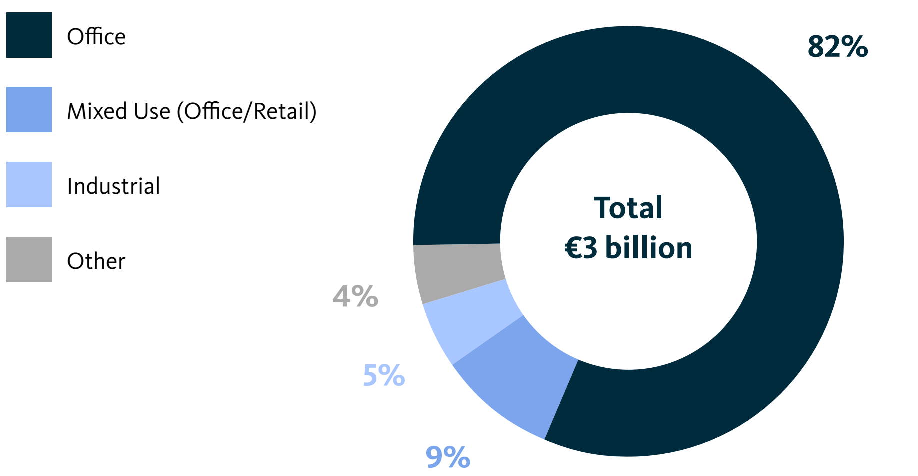
Globalworth owns an income-generating property portfolio **valued at €3 billion** consisting of high quality properties in Poland and Romania. Similar to CPIPG, Globalworth came through the pandemic relatively well, with high rental collection rates and solid leasing activity. CPIPG sees Globalworth's management team as highly experienced and effective.

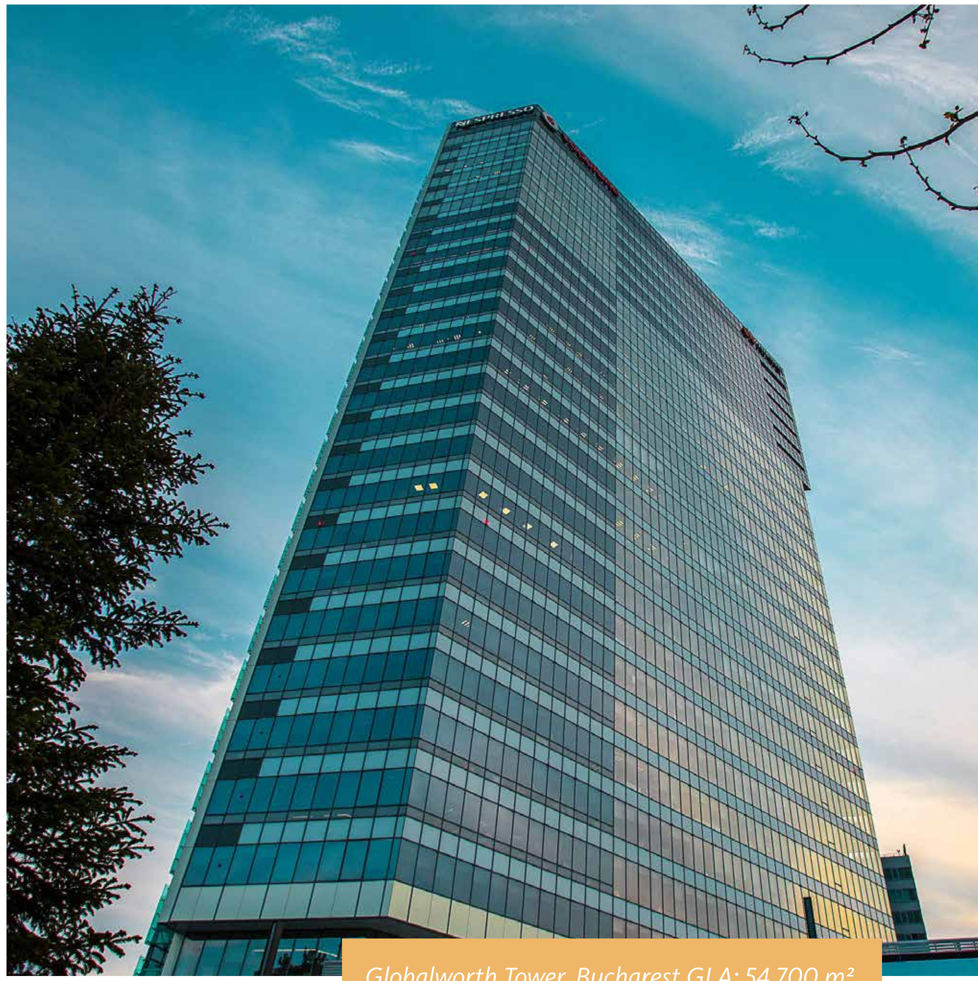
- CPIPG is the largest shareholder with a 29.6% stake
- Top-quality, modern and green office assets
- Special shareholder rights
- Current income and future upside

Globalworth assets by location (as at 31 December 2020)



Globalworth assets by type (as at 31 December 2020)





Globalworth Tower, Bucharest GLA: 54,700 m²

David Greenbaum, CFO

Globalworth at a glance (as at 31 December 2020)

Portfolio value (GAV)	€3.0 billion
Standing properties	64
Annualised contracted rent	€183.4 million
Standing commercial occupancy	90.9%
Standing GLA	1,271.3k m²
2020 rent collection rate	99%
GLA under development	69.9k m²
Credit ratings (Moody's / S&P / Fitch)	Baa3/BBB-/BBB-

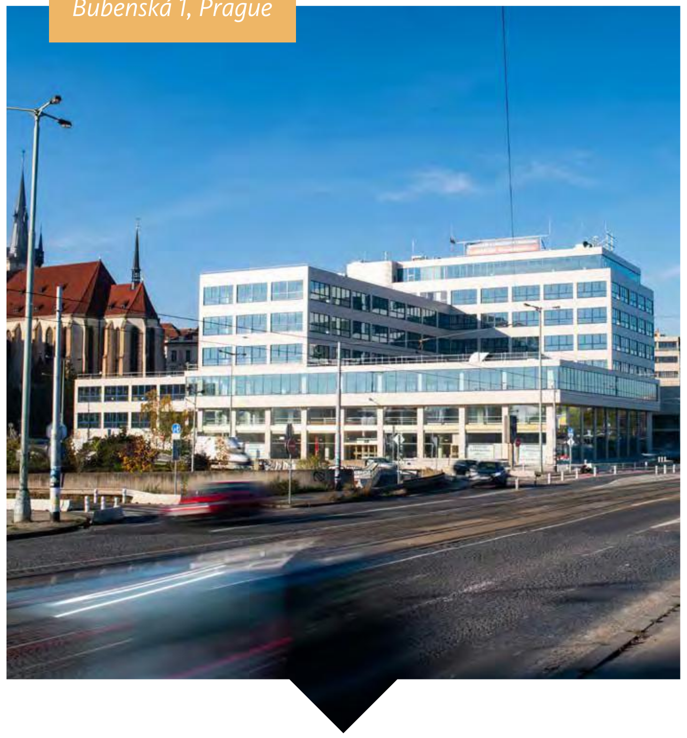
Collection rate data as of 12 March 2021

CPIPG develops properties to rent for the long term

CPIPG completed office developments and major refurbishments in the Czech Republic and Berlin in late 2020, which should support the Group's office rental income in future.

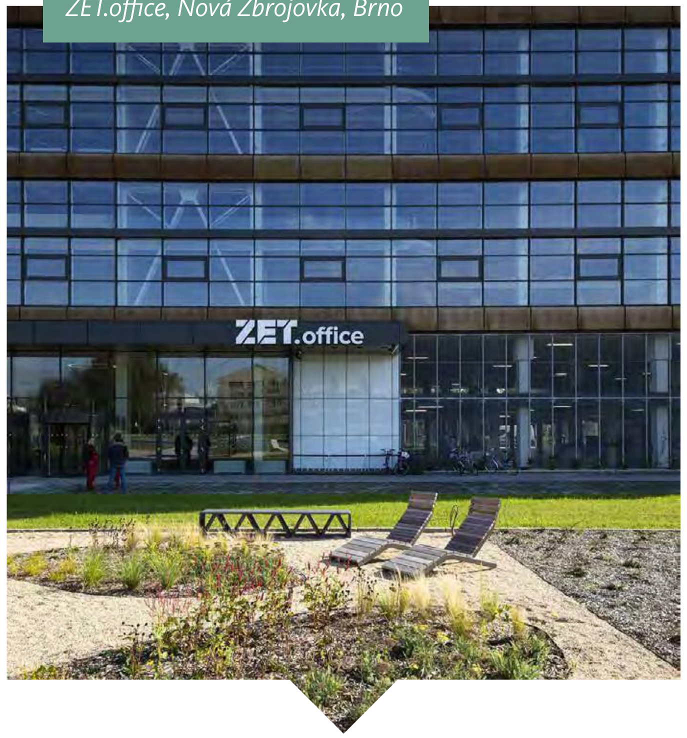
Our developments prioritise sustainability and strong green certifications where possible.

Bubenská 1, Prague



- **Bubenská 1**, is a 26,500 m² office redevelopment in Prague 7
- Built to the highest technological standards,
- The new Prague headquarters of WPP, with a lease for 18 years
- Located close to critical transportation infrastructure
- Handed over to tenants in December 2020

ZET.office, Nová Zbrojovka, Brno



- The **ZET.office** development is a 20,800 m² modern office development in Brno
- The first modern development in the disused area of the former Zbrojovka factory
- ZET.office offers modern office and co-working spaces, cafes and a fitness facility
- Leases signed with KIWI.com and Axians
- Handed over to tenants in August 2020

Prinzessinnenstraße, Berlin

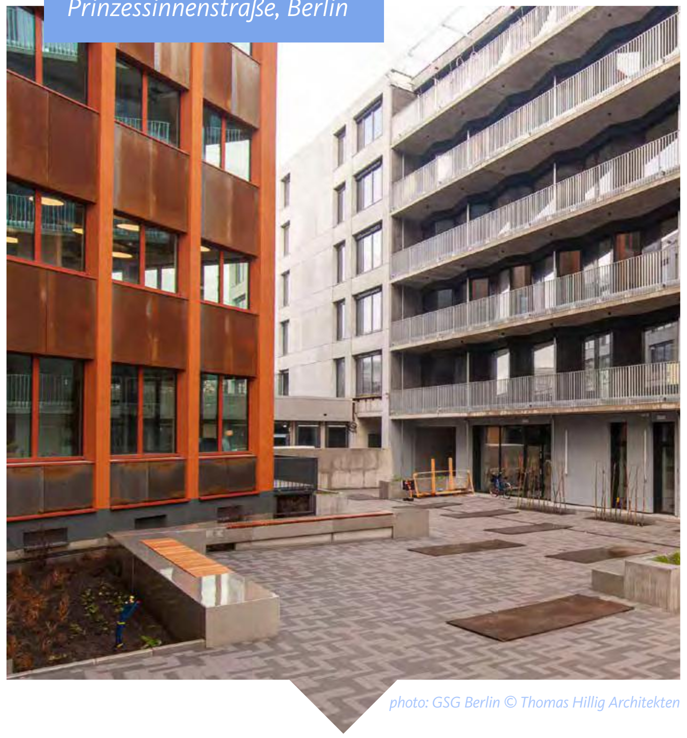


photo: GSG Berlin © Thomas Hillig Architekten

- **Prinzessinnenstraße** comprises the conversion of an existing storage building into a modern office
- Desirable location in the Franklinstraße area of Charlottenburg, close to the Spree river
- Over 8,800 m² of new GLA
- Fully let to the subsidiary of a blue-chip automotive manufacturer
- Attractive rent in line with the market
- Handed over to tenants in Q4 2020

The Benjamin, Berlin

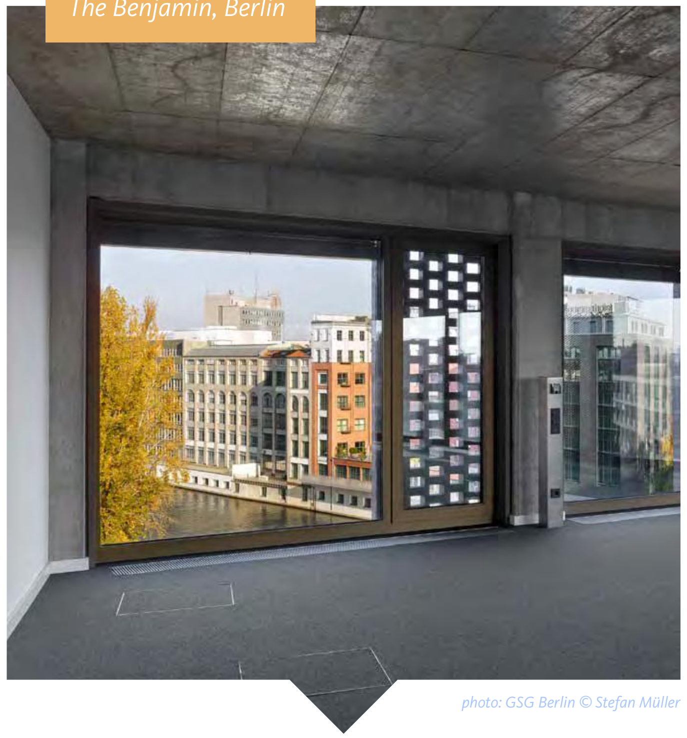


photo: GSG Berlin © Stefan Müller

- **The Benjamin**, is a new landmark building in the Franklinstraße area of Charlottenburg
- Highly attractive location, directly on the Spree river
- Over 5,000 m² of new GLA
- Fully let to Flaconi
- Attractive rent in line with the market
- Handed over to tenants in Q4 2020

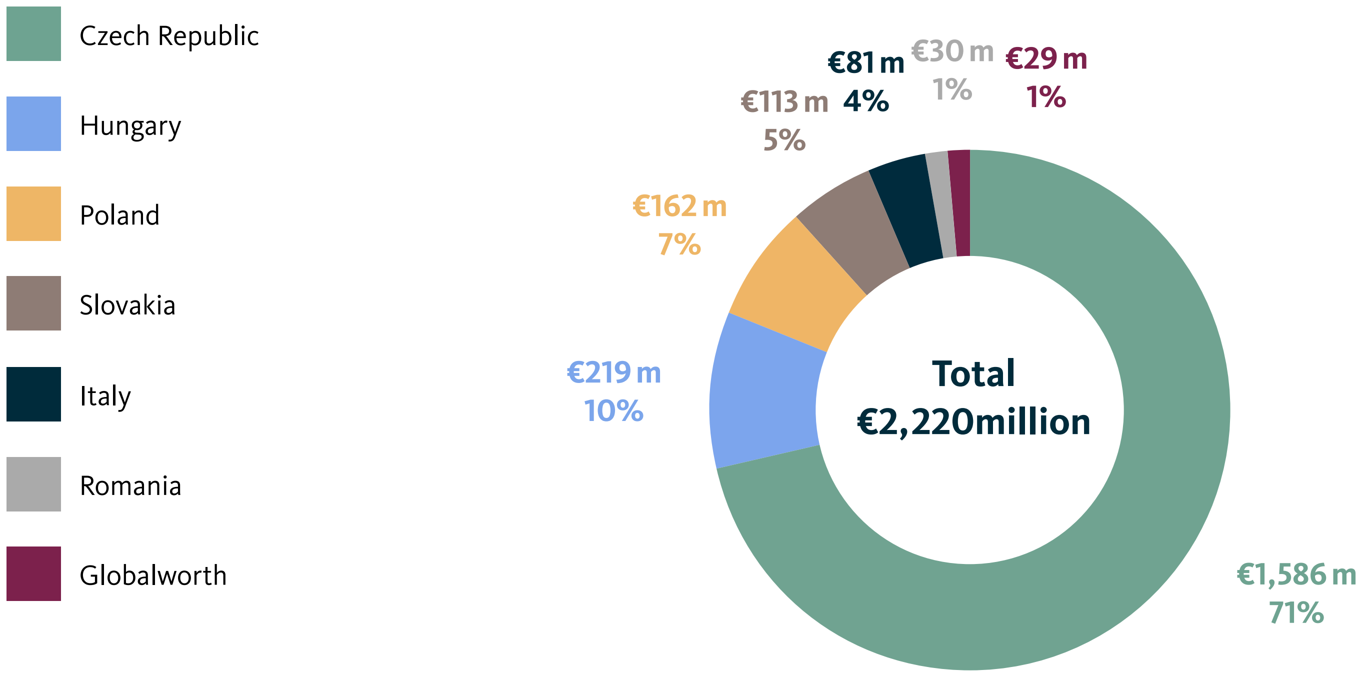
Retail

CPIPG is the **leading retail landlord in the Czech Republic** and has other CEE platforms. The portfolio in the Czech Republic is mainly focused on **dominant regional shopping centres and retail parks.** Our assets and tenants are part of people's daily lives.

CPIPG has a long track record as a retail landlord in the Czech Republic since the founding of the Group in the early 1990s. In early 2017, CPIPG's footprint significantly expanded by acquiring a retail portfolio from CBRE Global Investors, which solidified the Group's position in the local market and established a regional presence with platforms in other CEE markets, including **Poland, Hungary and Romania.**

The Czech Republic represents 71% of the Group's retail segment, and where we have a leading market share nationally. The portfolio is comprised of **14 dominant shopping centres** based in regions of the Czech Republic where competition is limited, and retail dynamics remain strong, in addition to a few high-quality, well-located retail assets in Prague. The portfolio also includes **19 resilient and well-located retail parks** spread across the country, which have performed exceptionally well during the COVID-19 pandemic. In addition, this segment includes a portfolio of **stable hypermarkets and supermarkets,** many of which are adjacent to our shopping centres and retail parks.

Retail property portfolio by country (as at 31 December 2020)



Strong support provided to tenants in our Czech shopping centres, combined with outstanding performance of our retail parks, helped to underpin a resilient performance in 2020.

Petr Brabec, Asset and Property Management Director CZ/SK

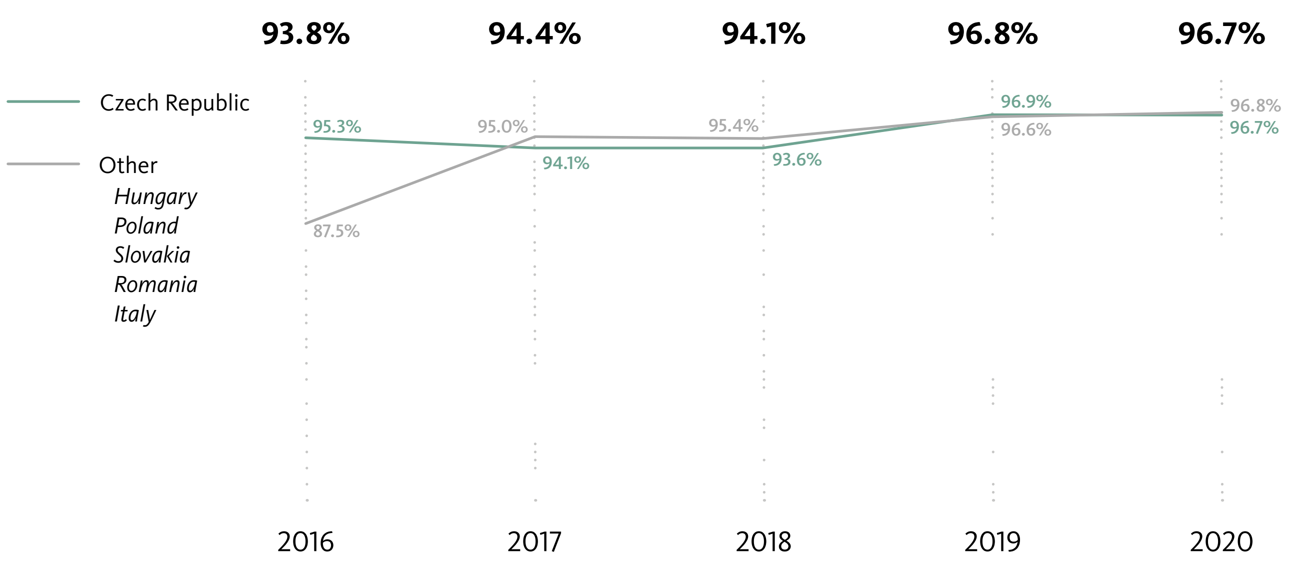
Retail segment summary

The total value of the retail segment remained relatively stable at €2.2 billion at the end of 2020. On a like-for-like basis, the portfolio experienced minor negative revaluations as a result of the impact of COVID-19, which especially impacted shopping centres and non-essential retail. However, in the Czech Republic the year-on-year valuation impact was only -2.9%, supported by the strength of the market and our portfolio.

Net rental income also decreased by 9% to €123 million in 2020, mainly due to the impact of one-time discounts provided to shopping centre tenants in the second quarter. Nevertheless, the result was resilient, supported by **limited discounts, stable like-for-like rents and occupancy, a significant portion of the portfolio remaining** open at all times, and **retail parks demonstrating exceptionally strong performance.**

Occupancy for the overall segment remained stable at the end of 2020. In the Czech Republic, unprecedented government support provided to tenants throughout the pandemic to subsidise rents and support wages has underpinned tenant quality and supported occupancy.

Occupancy rate (%)



OCCUPANCY

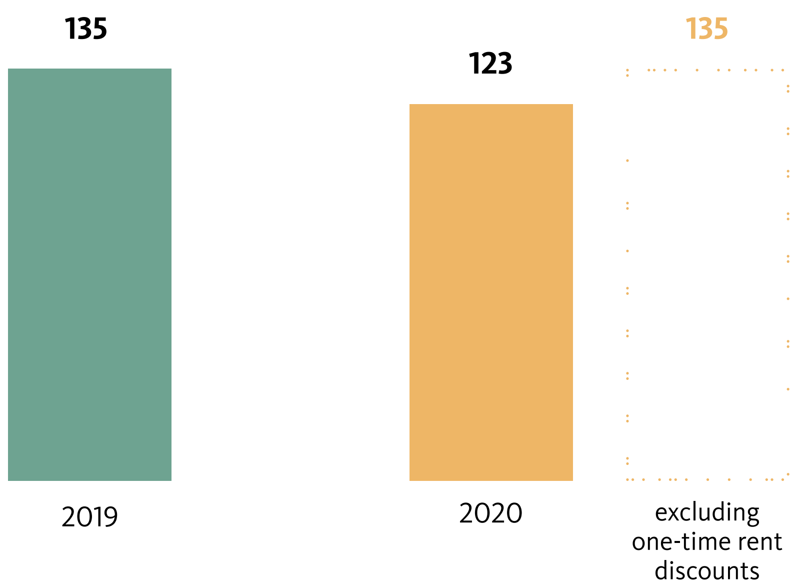
96.7%

Resilient income and valuations

Close to 90% collection rate in 2020

Stable occupancy

Net rental income (€ million)



Retail segment summary in figures

	Retail 2020				Retail 2019			
	PP value (€ million)	Occupancy (%)	GLA (m²)	No. of properties	PP value (€ million)	Occupancy (%)	GLA (in m²)	No. of properties
Czech Republic	1,586	96.7%	636,000	122	1,633	96.9%	636,000	122
Hungary	219	95.5%	139,000	7	233	96.6%	139,000	7
Poland	162	95.4%	68,000	8	166	96.8%	68,000	8
Slovakia	113	98.0%	77,000	15	119	95.1%	84,000	16
Italy	81	100.0%	12,000	3	–	–	–	–
Romania	30	100.0%	11,000	1	30	100.0%	11,000	1
Globalworth	29	–	–	–	–	–	–	–
Total	2,220	96.7%	943,000	156	2,181	96.8%	938,000	154

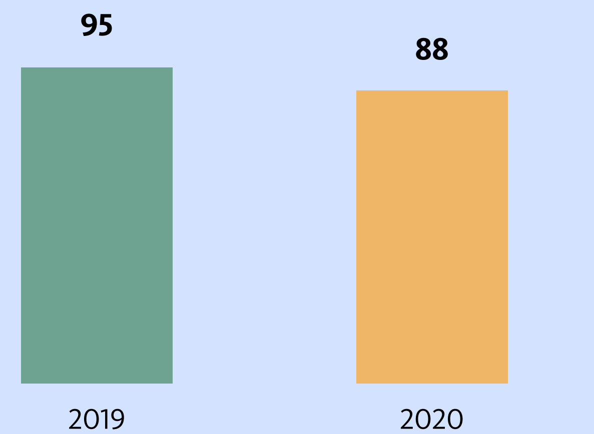
Czech Republic

96.7% occupancy

Strong government support

Limited, one-time discounts

Czech retail net rental income
(€ million)



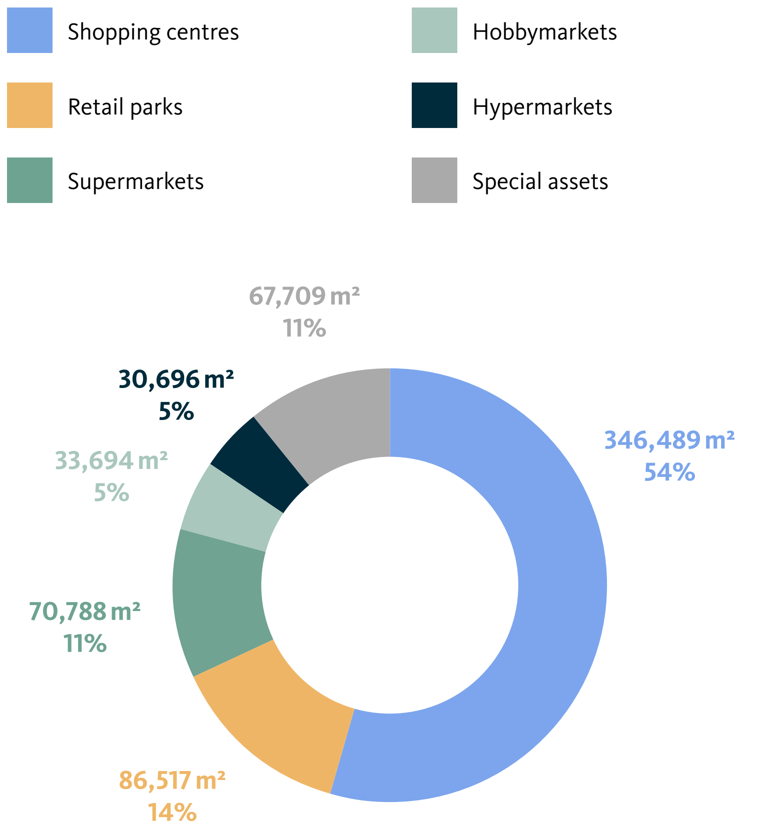
CityMarket, Brandýs nad Labem, Czech Republic

Czech Retail summary

Czech retail net rental income decreased in 2020 from €95 million to €88 million (-8%), primarily reflecting the impact of one-time discounts provided to shopping centre tenants. However, **like-for-like rents held up resiliently for the most part,** supported by **positive lease activity and an outstanding performance by retail parks.** In most cases, discounts provided to shopping centre tenants were **offset by lease extensions to improve WALTs.**

Occupancy rates remained stable at a very high level of 96.7% across the portfolio, including in shopping centres where occupancy remained at 96.5%, reducing less than 1 p.p. over the course of the year and clearly demonstrating the strength of our platform and the benefits of support measures. In addition, **occupancy in the Group's retail parks, supermarkets and hypermarkets reached 100% during the year.**

Retail assets by type (according to GLA)



Retail parks are multi-store assets with no common areas/common indoor space. Special assets include small retail assets (i.e. individual shops).

Shopping centres in the Czech Republic

Like-for-like rents in the shopping centre portfolio were resilient in 2020. The main impact on 2020 net rental income was due to one-time discounts provided to tenants, predominantly in the April to June period, where non-essential retailers were forced to close due to the COVID-19 pandemic. In response, the Czech government introduced the COVID-Nájemné ("COVID-Rents") programme to subsidise **50% of Q2 rent for tenants affected by forced closures** (in addition to other support programmes available to cover salaries and certain other costs). A precondition of the legislation was that landlords were required to provide an additional 30% discount for the same period (amounting to €7.5 million). In addition to this, to support some tenants, the Group provided selected additional discounts and lease incentives, usually in return for lease extensions. **The government extended the COVID rents programme on the same terms to support tenants for closures in Q4 2020 and also Q1 2021. However, in both cases, additional landlord discounts were not mandatory.**

Footfall and tenant sales in shopping centres declined year-on-year by approximately 33.2% and 26.1%, respectively, compared to 2019, mainly due to the impact of closures in the spring and autumn. Before the pandemic outbreak, January to February saw year-to-date footfall and tenant sales growth of 2% and 10%, respectively. Following the spring lockdown, from April onwards until autumn, the bounce-back in footfall and sales was rapid and consistent – by August, at the peak of the recovery, footfall was still down around 20% on the prior year, but **sales were in line with pre-COVID-19 levels**. However, the trend reversed beginning in September when facemasks became mandatory in shopping centres and accelerated in October when the second wave of the pandemic forced non-essential retail to close again. Although non-essential reopened again in early December, the threat of the pandemic combined with F&B elements remaining closed led to a weaker-than-expected footfall and sales over the festive period.

The impact of the closures on footfall and sales was asymmetric across the portfolio and tenant base, with regional shopping centres (the large majority of the portfolio) faring better than shopping centres in Prague, being less exposed to footfall relating to tourism, office workers and commuters. Also, **a significant portion of the Group's retail tenant base (close to 50%) relates to essential retail that never closed.** This was especially true in the case of food retailers (4 of the Group's top 10 tenants), which **experienced robust demand in many cases.**

Although most leasing activity in shopping centres paused temporarily during lockdowns, **the Group was able to sign some significant new leases and extensions with tenants during the year.** The largest deals comprised 5-year lease extensions for tenants such as New Yorker, Cinestar, M&S, Jysk, Pepco, Terranova and Takko Fashion, some of which included increased space and rent. In the second quarter, amidst the peak of the outbreak, **we renegotiated new leases comprising 34,000 m² across the portfolio, where we managed to increase rents by 4.9% overall.**

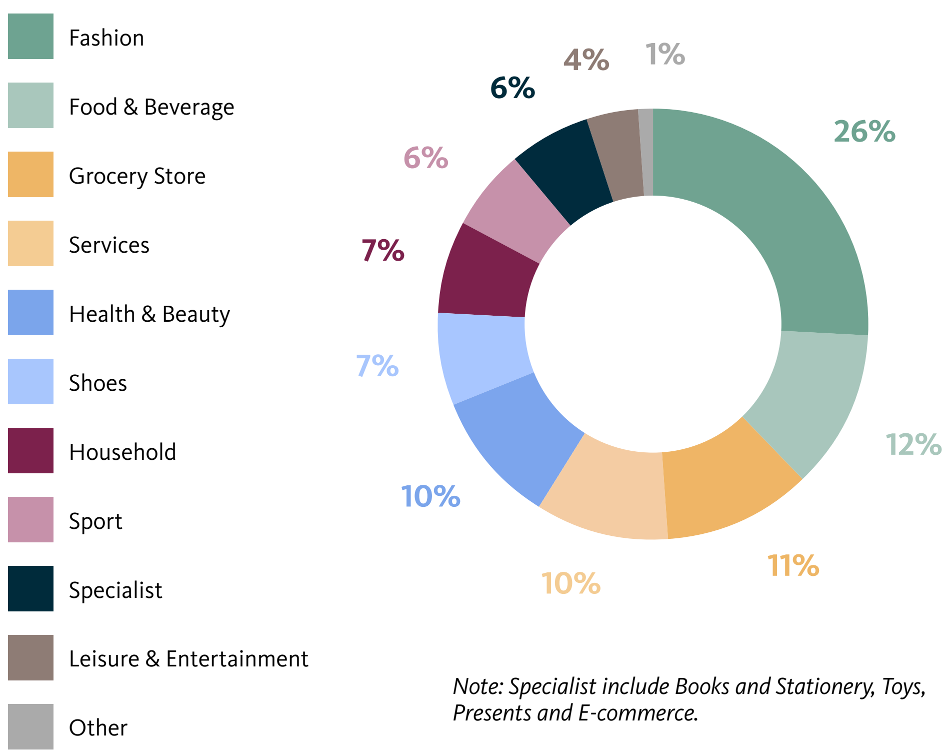
Together with the successful progress of "Project Tornado", positive leasing activity has **helped support occupancy, tenant credit quality and extend the WAULT of the shopping centre portfolio to 3.5 years.**

In general, tenant quality remains solid – in 2020, there were a few exceptional cases of retailer bankruptcies (X-Bags, TOUS and M2C Shoes) and departures (Camaieu and Promod), though in general these tenants were already facing significant challenges or had decided to exit the Czech market prior to COVID-19. However, unlike many other markets in Europe, **CPIPG's shopping centre tenants had a record year in 2019, which provided a strong foundation coming into a challenging period.**

Futurum, Hradec Králové, Czech Republic

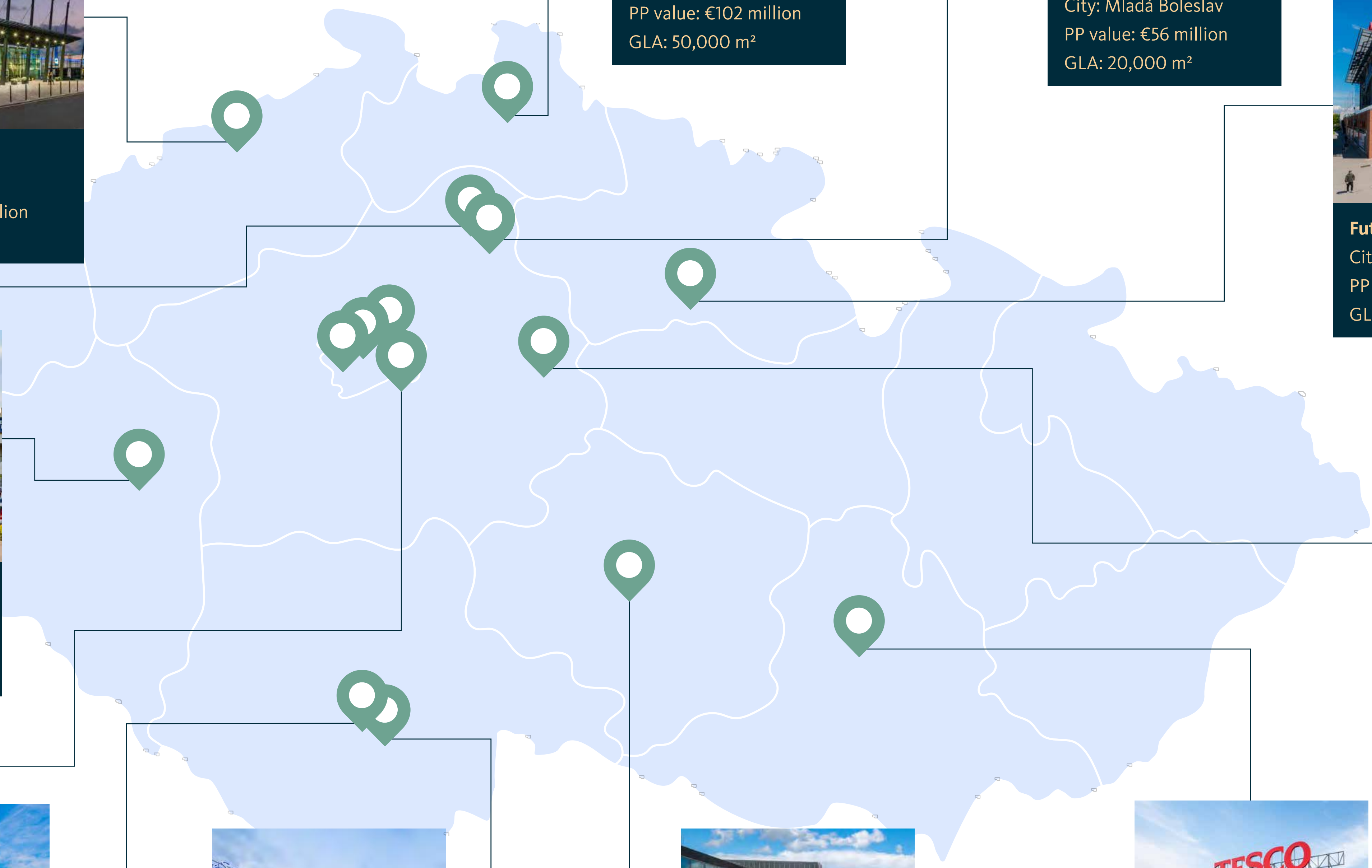
Czech Shopping Centre tenants by type

(according to headline rent)



Note: Specialist include Books and Stationery, Toys, Presents and E-commerce.

Regional shopping centre footprint in the Czech Republic



Nisa
City: Liberec
PP value: €102 million
GLA: 50,000 m²

Olympia Mladá Boleslav
City: Mladá Boleslav
PP value: €56 million
GLA: 20,000 m²

Olympia Teplice
City: Teplice
PP value: €61 million
GLA: 29,000 m²

Futurum Hradec Králové
City: Hradec Králové
PP value: €125 million
GLA: 39,000 m²

Bondy
City: Mladá Boleslav
PP value: €60 million
GLA: 21,000 m²

Olympia Plzeň
City: Plzeň
PP value: €152 million
GLA: 41,000 m²

Futurum Kolín
PP value: €32 million
GLA: 10,000 m²

Spektrum
City: Čestlice
PP value: €17 million
GLA: 7,000 m²

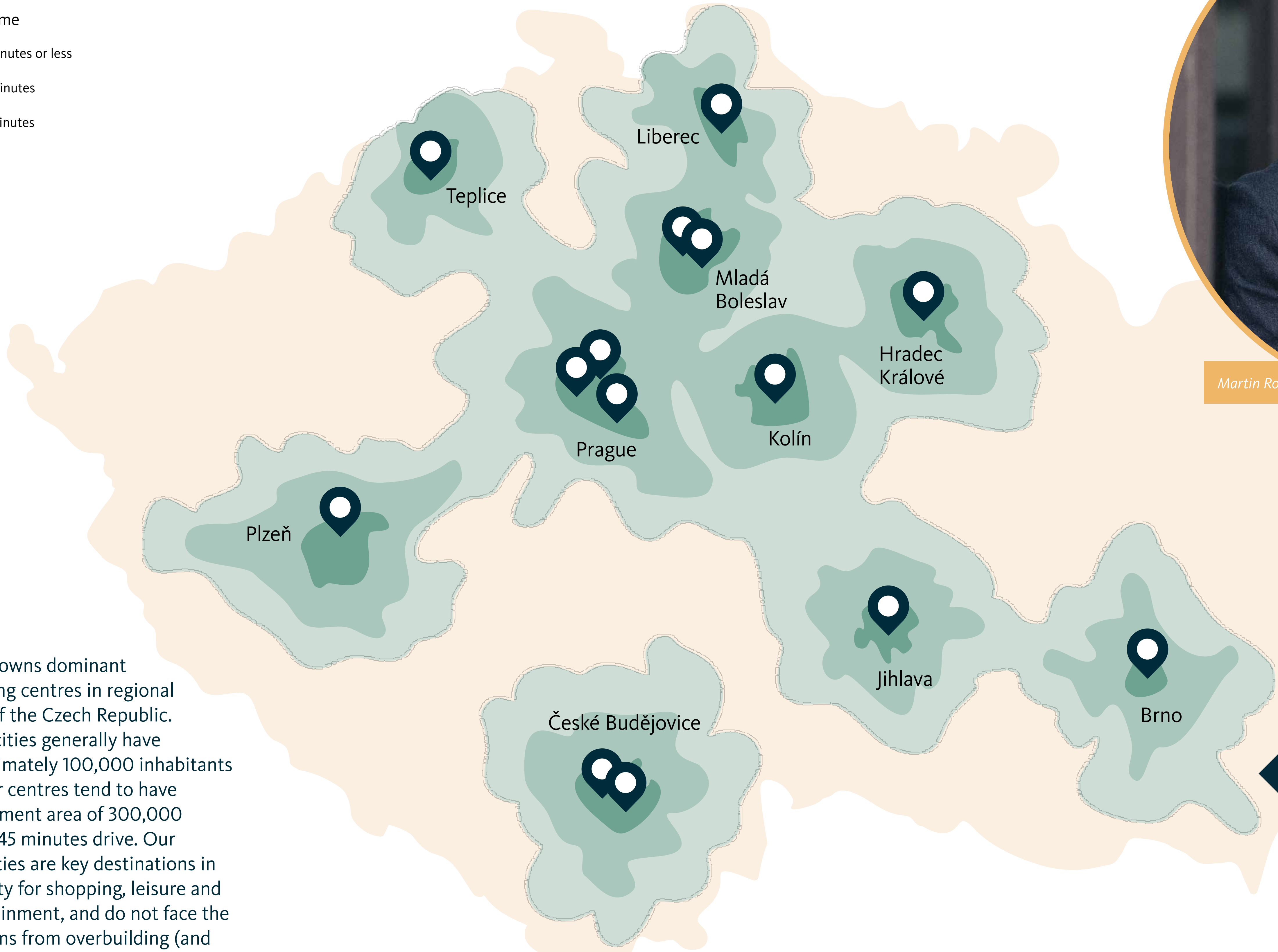
Géčko
City: České Budějovice
PP value: €33 million
GLA: 12,000 m²

IGY I
City: České Budějovice
PP value: €73 million
GLA: 26,000 m²

Citypark
City: Jihlava
PP value: €110 million
GLA: 28,000 m²

Královo Pole
City: Brno
PP value: €66 million
GLA: 27,000 m²

Catchment of regional shopping centres in the Czech Republic



Martin Rozhoň, Head of Shopping Centres Asset Management CZ

14%

Market share in Czech Republic shopping centres

CPIPG owns dominant shopping centres in regional cities of the Czech Republic. These cities generally have approximately 100,000 inhabitants and our centres tend to have a catchment area of 300,000 within 45 minutes drive. Our properties are key destinations in each city for shopping, leisure and entertainment, and do not face the problems from overbuilding (and high street / big box retail) seen in many Western European countries and the USA.

**GfK for CPIPG, 2021*

CityMarket Retail Park, čáslav, Czech Republic

100% occupancy

Increase in tenant turnovers

Stable platforms

Retail parks

The discount-focused and convenience-oriented retail park format proved its resilience in 2020 when most physical retail faced severe challenges.

During the spring lockdown in the Czech Republic, Retails Park became a safe haven, partly because the accessible store formats were able to enact social distancing measures while remaining operational relatively more easily than shopping centres – which meant that after the spring lockdown, retail parks were able to remain operational for the remainder of the year, even when other non-essential retail was forced to close. As a result, **almost all retail park tenants reported higher year-to-date turnovers compared to 2019.**

Retail parks have proven to be a sustainable and safe choice for specific tenants to expand their business. The **robust leasing activity in 2020** demonstrated this – as of November 2020, **100% occupancy was achieved in retails parks (also in retail parks in Slovakia) for the first time.** Despite various phases of restrictions, demand from tenants to take up space in retail parks remained strong, enabling the Group to secure a number of new leases (e.g. new brands such as PEPCO), extensions and rental increases. As at the end of Q3 **the Group managed to raise headline rents across a series of renegotiated contracts by 11%** on average.

Top-performing tenants were pharmacies such as DM Drogerie Markt, Rossmann and Teta Drogerie, which **recorded a significant turnover increase across many stores in 2020.** The robust performance was also demonstrated by household, electronics, mixed fashion and accessories stores, which on average maintained pre-COVID-19 turnover levels, and even in some retail parks achieved 5-10% year-on-year increases. Only segments like fashion, shoe stores and leisure saw turnover drops, but in a range of approximately 10-15% only.

Hypermarkets and supermarkets

Hypermarkets and supermarkets also represent a **very stable part of the Group's retail segment,** which was clearly demonstrated during the COVID-19 pandemic.

Even though this segment was still partly affected by government restrictions around social distancing and hygiene measures, **turnovers of hypermarkets and supermarkets grew compared to 2019, by 5.7% and 6.1%,** respectively. This can be attributed to essential retail continuing to operate throughout the year despite lockdowns, also leading to certain periods of the year punctuated by heightened activity due to panic-buying.

Shopping trends also adapted to the pandemic as shoppers decreased the frequency of supermarket/hypermarket visits but **increased average basket sizes per visit.** According to research by Nielsen IQ based on shopper behaviour in the Czech Republic during 2020, the volume of transactions decreased by 8% in hypermarkets and even 19% in supermarkets; however, the **average shopping basket increased by around 15%**. An increase in e-commerce also occurred; however, the share remains relatively low compared to, e.g. Western European markets. For example, Tesco disclosed that e-commerce turnover stabilised at a level of around 5% of total turnover.

In light of the buoyant activity during the year, the portfolio was 100% occupied. In addition, leasing activity with hypermarkets and supermarkets tenants continued apace in 2020 – with primarily lease prolongations signed with tenants such as Tesco, Albert and Kaufland.

Retail parks and stand alone retail in the Czech Republic

Retail parks

Stand-alone supermarkets,
hypermarkets and hobby markets

Pavel Jirásek, Head of Retail Warehouse & Logistics Asset Management CZ/SK

Recent developments and refurbishments

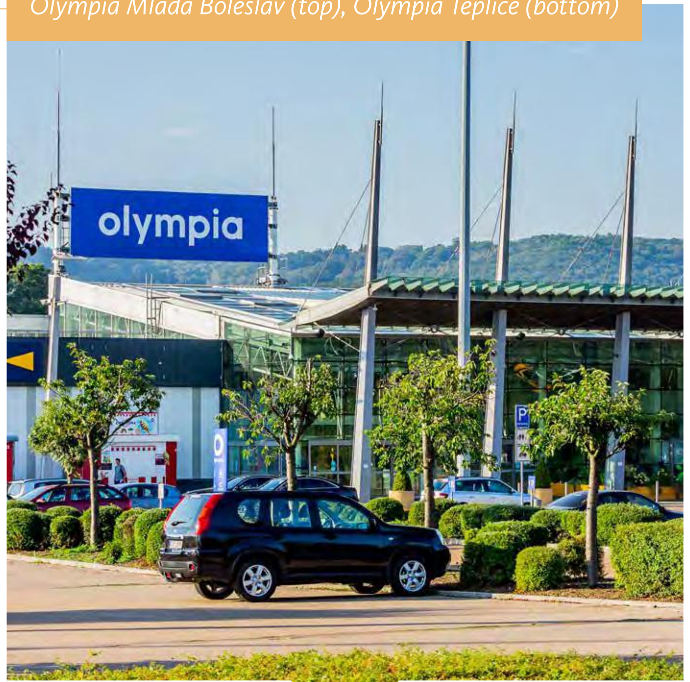
Spektrum shopping centre in Čestlice, the Czech Republic, represents one of very few recent new developments in the Czech retail market. Spektrum is a brand-new, modern strip mall comprising over 20 units and 6,700 m², which will boast tenants such as BILLA grocery store, Costa Coffee, Bageterie Boulevard, dm-drogerie markt, an EquiZoo pet shop spread over two floors and a Sparky's toyshop.

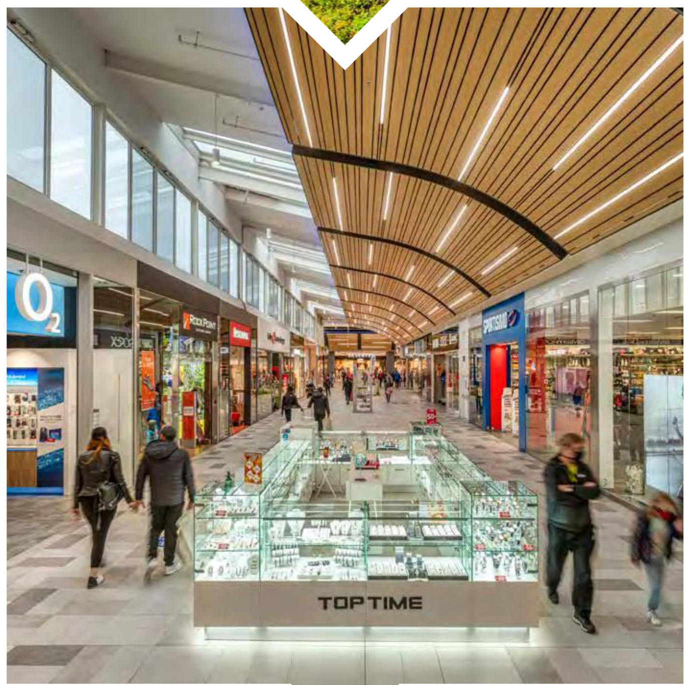
The property opened towards the end of March 2021 with an occupancy of 96%.

Spektrum ribbon cutting, March 25, 2021

Spektrum Redevelopment, Čestlice, Czech Republic

Olympia Mladá Boleslav (top), Olympia Teplice (bottom)





olympia

The refurbishments of Olympia shopping centres in Mlada Boleslav and Teplice were also completed by the end of Q3 2020.

IGY Centrum, České Budějovice, Czech Republic

Czech retail market overview

Before the outbreak of the COVID-19 pandemic in March 2020, retail spending in the Czech Republic grew by 8.6% year-on-year in the first two months of the year. In the first lockdown (April–May was the peak), year-on-year footfall in shopping centres dropped by 50–80% compared to around 60% for tenant sales. After reopening, footfall rapidly increased to at least 80% of prior-year levels, and average tenant sales reached close to prior-year levels in June, at which point vacancy rates remained relatively stable around the 4–6% level.

After a more normalised summer, severe restrictions were imposed again in the autumn caused by the second and third waves of the pandemic and closed for almost 1.5 months between October 22 – December 2. They operated with restrictions for a few weeks before closing again from December 27. Across the entire year, footfall in shopping centres was down by approximately 25%, with the highest drops above 60% during the lockdowns.

Overall retail sales (including e-commerce) dropped by 0.2% year-on-year during the first eleven months of 2020. Nevertheless, some segments recorded positive results in 2020 (January–November), such as pharmaceutical goods (+3.4%), electronics (+2.0%) and household equipment (+1.2%). E-commerce saw one of the highest increases in history, with an average 27.5% growth between January and November.

Despite a small handful of bankruptcies in the local market, Czech retail is not fundamentally challenged for the future. Over-supply is not an issue (given only a 0.9% increase in total stock year-on-year, only two small shopping centres under construction), and some sectors performed well despite store closures. However, prime shopping centres in Prague and high street were most affected due to the drop in tourism, with landlords offering tenants more flexible conditions and competitive rents to preserve occupancy. Meanwhile, retail parks proved to be more resistant to the challenges.

By the end of the year, prime rents remained stable compared to Q3 2020 and stood at €145 / m² / month for shopping centres and €230 / m² / month on the high street, representing decreases around 3.3% and 2.1% over the prior year, respectively. Year-on-year, Czech prime shopping centre yields expanded around 100 basis points and approximately 75 basis points for the high street.

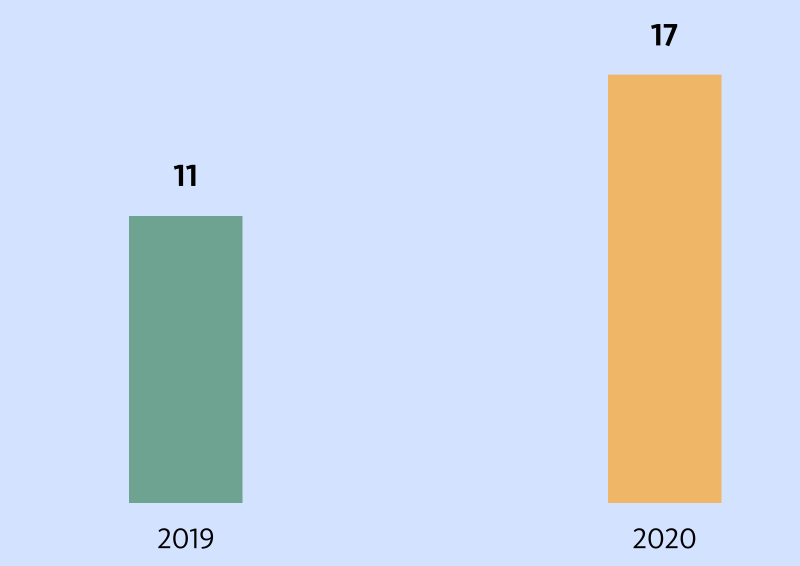
The retail investment market was clearly less active than in previous years. However, transactions still took place, and in the second half of 2020, six transactions were recorded amounting to €165 million, representing a decrease of 26% compared with H1 2020.

Sources: Cushman & Wakefield, CBRE, JLL, Cushman & Wakefield, CBRE, Czech Statistical Office

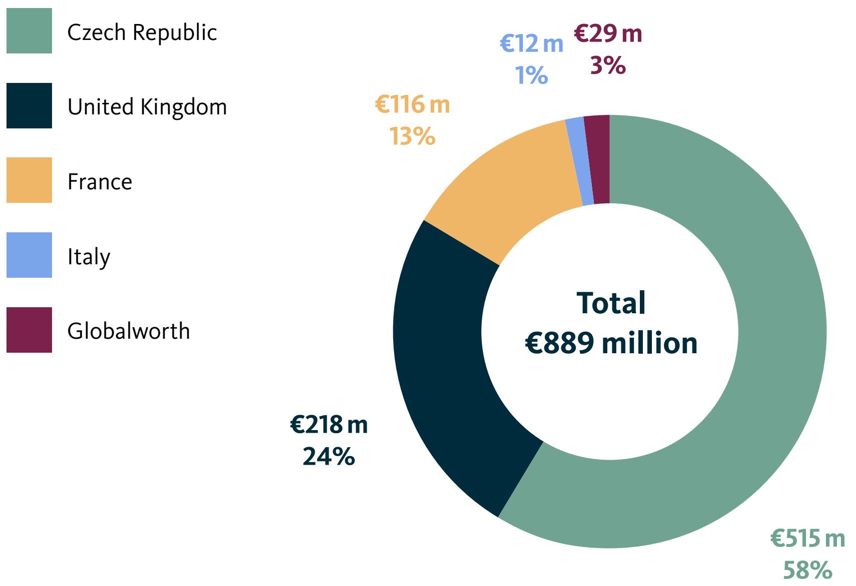
Residential

CPIPG has extensive residential experience in the Czech Republic and makes selective investments in the UK and other locations.

Group residential net rental income
(€ million)



Residential property portfolio by country



Czech Republic

The majority of the portfolio relates to CPI BYTY in the Czech Republic, where the Group is the second-largest residential property owner in the country. CPI BYTY's portfolio is very resilient and well-diversified between Prague and the Czech Republic regions.

Despite only representing around 5% of our property portfolio, the Czech residential portfolio's value to the Group during the pandemic has been much greater, with nearly **100% collection rates**. Residential demand remains strong across the Czech Republic, leading to generally higher valuations and rents.

The portfolio's value increased by 9.0% to €515 million given the strength of the residential real estate sector generally, the strong dynamics of the Czech residential market, and the improving occupancy, quality and rental income generation of the portfolio overall.

Net rental income grew significantly in 2020 compared to 2019, **increasing by 29% to €15 million,** driven by a 1.2% increase in gross rental income due to increasing occupancy and like-for-like rental growth, combined with a significant reduction of property operating expenses.

This performance represents a continuation of the trajectory that the portfolio has been on in recent years, with occupancy having consistently increased year-on-year across the portfolio, together with growth in like-for-like rents from historically below-market levels, and steadily falling refurbishment costs, following significant improvements made to the portfolio in recent years.

Occupancy improved from 90.7% at the end of 2019 to 92.9% at the end of 2020, with solid improvements recorded across all regions (especially the Ústecký region), with the exception of Prague, which fell by 1.3 p.p. Improvements in occupancy continue to be driven by significant investments made to improve the overall quality of the assets. In 2020, the total refurbishment of 351 units was completed. In addition, CPI BYTY has been making selective disposals of dilapidated or vacant units. Around 270 apartments in the Třinec portfolio will be disposed in the near-term, which were postponed due to the COVID-19 pandemic.

Average market rents in our regions are still significantly higher than the rents we charge in our portfolio. The trajectory of rental income improvement in recent years has primarily been due to the continued uptick in occupancy. Still, there continues to be significant potential for improvement in like-for-like rents in the future.

Receivables remain low across all regions, despite the impact of COVID-19, with collection rates in recent months close to 100%. Historically, tenant default rates have remained below 1%, demonstrating the resilience of the portfolio.

UK

CPIPG acquired our first residential property in the UK during 2018, followed by two properties in 2019. During Q4 2020, the Group completed two small acquisitions that will complement the existing UK residential platform, both located in London – St. Mark's Court, 24 apartments situated in St. John's Wood, and Metrogate House, three terraced properties located in South Kensington. The purchase prices for both St. Mark's Court and Metrogate House were below £1,000 per square foot, representing exceptional value for these locations. CPIPG intends to refurbish both properties over time.

The value of the UK residential portfolio increased in 2020 to €218 million, mainly due to the aforementioned acquisitions but also the impact of positive like-for-like revaluations. Net rental income increased to €2.3 million primarily due to the full-year contribution of rental income from West Village, acquired during 2019.

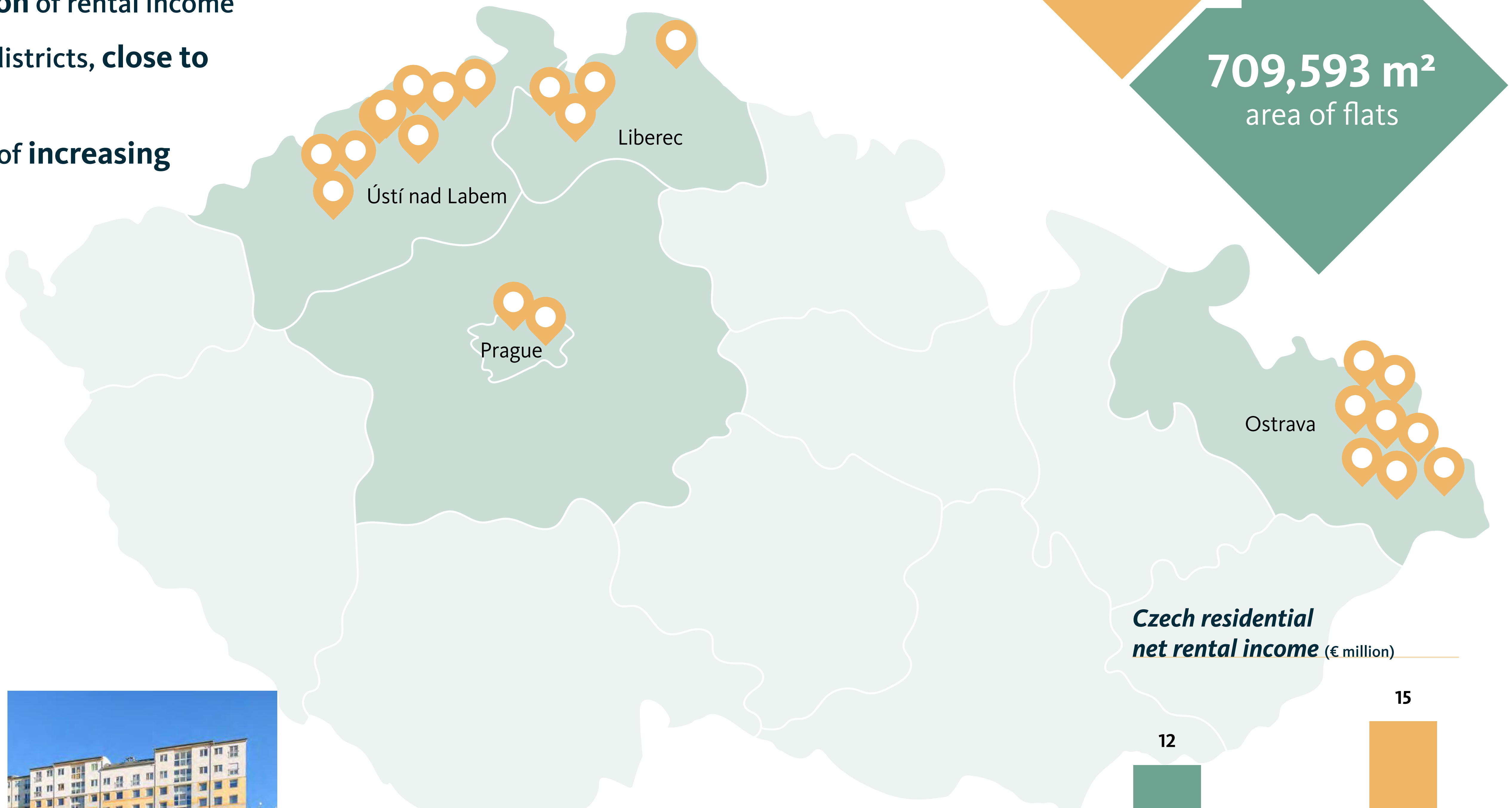
CPI BYTY's leading regional platforms

- Long term rental strategy with **significant upside potential**
- **High diversification** of rental income
- Located in popular districts, **close to city centres**
- Strong track record of **increasing occupancy**

= cca 500 units

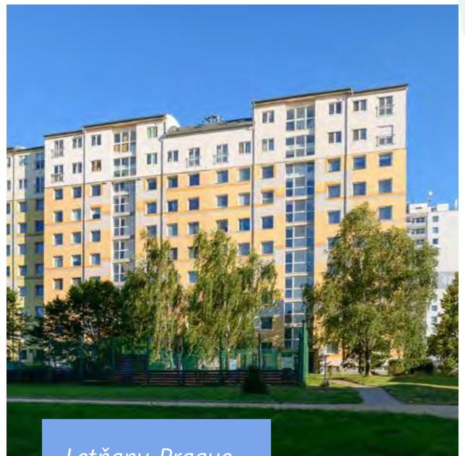
11,866 units in **14** cities

709,593 m² area of flats




Český Těšín, Ostrava


Neštěmice, Ústí nad Labem


Letňany, Prague

Czech residential net rental income (€ million)