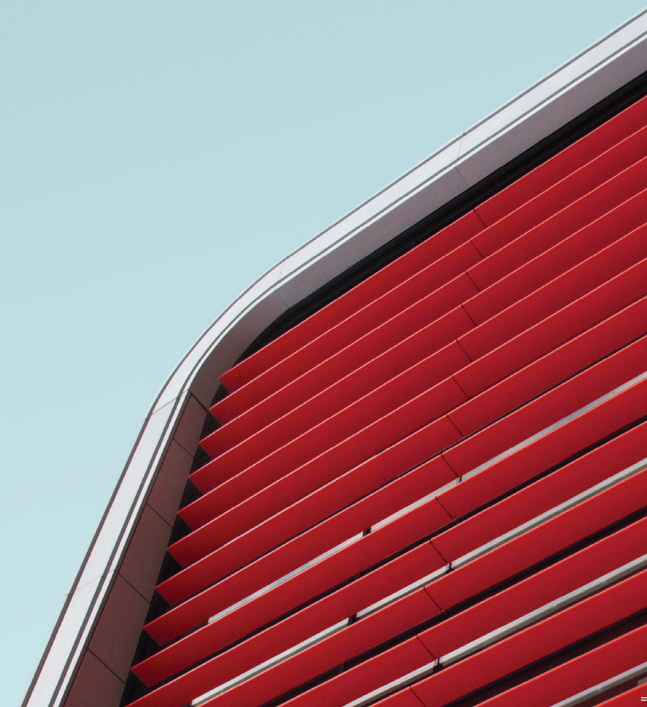


CBRE

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REAL ESTATE
INVESTMENT
2019





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EXECUTIVE SUMMARY

Real estate as a form of investment has always been high in demand. In addition to private investors, in particular the institutional investors and investors such as banks, insurance companies, pension insurance funds or international (open and/or closed) funds welcome the opportunity to add a real estate element to their investments. And these real estate investments have increased steadily over the past few years.

In an economic environment where interest rates are still very low and the returns from real estate investments are, in comparison, attractive, the rising interest in the latter is not really surprising.

An assessment of the respective local real estate markets can sometimes be quite difficult. Every market is subjected to its own technological, social and demographic changes and dynamics. Due to these challenges the real estate industry is reliant on diverse skills and experts.

This brochure offers information which primarily focuses on investment opportunities in Germany, Austria and the CEE/SEE region for 2019 and is updated once a year. It is intended to provide the institutional investor with a brief, practice-oriented overview of the individual countries in order to create a preliminary basis for possible investment decisions.

As in particular the smaller countries in the CEE region still partly offer very interesting returns and opportunities, this brochure can also act as a motivation to look at certain countries that until now have not been on the radar screen for most institutional investors.

The tax overview shows the essential aspects which are significant regarding real estate transactions in the target market. Tax legislation is currently subject to many changes, which can be traced back particularly to stricter measures on an EU and/or OECD level.

IN GENERAL

ALBANIA:

The corporate income tax rate amounts to 15 % for taxpayers with annual turnover exceeding ALL 14 million (approx. EUR 112,000). Small businesses (taxpayers with annual turnover ranged from ALL 5 million to ALL 14 million; approx. EUR 38,000 to EUR 112,000) are subject to a reduced profit tax rate of 5 %. No profit tax applies to micro-businesses with annual turnover below ALL 5 million (approx. EUR 38,000). Capital gains derived from the disposal of assets, including shares, are subject to tax at the standard rate of 15 %. The preferred local legal form in Albania is the Limited liability company Ltd (in Albanian Shpk) or joint-stock company Jsc (in Albanian Sh.a.).

The EU-Anti-Tax-Avoidance Directive is not implemented and not applicable in Albania. However, Albanian tax law includes thin-capitalization rules with respect to the deduction of interest on loans, which apply if the debt-to-equity ratio exceeds 4:1. The ratio applies to all debts owed to related and unrelated parties as well as to loans obtained from financial institutions but does not apply to banks, insurance and leasing companies.

A special Group Taxation Regime for corporate entities does not exist. So far, Albania has entered into Double Taxation Agreements with numerous countries. Real Estate Clauses are included in some Double Taxation Treaties. The implementation of the MLI is not yet planned.

AUSTRIA:

The corporate income tax rate amounts to 25 %. The marginal rate of tax is 50 % for individual persons (if income exceeds EUR 90,000) or rather 55 % (if income exceeds EUR 1 million). In Austria the preferred local legal form is the corporation (GmbH or AG), which is treated as tax intransparent. An alternative legal form is the partnership. Due to the pass-through principle, the partnership itself is not the subject of taxation but the individual partners.

The EU-Anti-Tax-Avoidance Directive is partially implemented. Furthermore, the Austrian Tax Law provides constraints regarding interest deductibility, but currently no general interest barrier is implemented. Basically Austria is obligated to implement the ATAD-interest barrier until December 31st, 2018. The EC could launch an infringement proceeding if not.

A special Group Taxation Regime for corporate entities exists. Moreover, Austria has an extensive network of Double Taxation Treaties. However, real estate clauses are not included in all Double Taxation Treaties. The MLI entered into force on July 1st, 2018.

BULGARIA:

In Bulgaria the corporate income tax rate amounts to 10 %. The preferred local legal form is the corporation (LTD or JSC). The corporation is treated as tax intransparent and is subject to 10 % CIT. Transparent legal forms of organizations are not recognized by the Bulgarian tax law, e.g. partnerships are considered as taxable entities.

As of January 1st, 2019 a new interest limitation rule as well as special rules for controlled foreign companies (CFC) are applicable implementing the EU-Anti-Tax-Avoidance Directive. The deduction of net borrowing costs is limited to 30 % of the tax-adjusted EBITDA.

The Bulgarian Tax Law provides no special Group Taxation Regime. Furthermore, Bulgaria has an extensive network of Double Taxation Treaties. However, real estate clauses are included in some Double Taxation Treaties. The MLI was signed on June 7th, 2017.

CROATIA:

The corporate income tax rate in Croatia amounts to 12 % (up to 3 million HRK, approx. EUR 400,000) or 18 % CIT (over 3 million HRK, approx. EUR 400,000). The marginal personal income tax rate is 42.48 % (applies to taxable income exceeding EUR 48,000, for person residing in Zagreb).

The preferred local legal form is the corporation (d.o.o. or d.d.), which is treated as tax intransparent. An alternative legal form is the partnership (jtd, kd, GIU). The partnership in Croatia is treated – like corporations – as tax intransparent and is subject to CIT. Legislation implementing the EU-Anti-Tax-Avoidance Directive has become effective as of January 1st, 2019.

Interest is in general deductible, if the expenses are incurred with the purpose of generating profit and between affiliated companies up to a certain percentage (currently 3.96 % per annum). As of January 1st, 2019, the deductibility of interest will be limited to 30 % of taxpayer's earnings before interest, tax, depreciation and amortization (EBITDA), or to an amount of EUR 3 million. The rules will not apply to financial institutions, to loans used for long-term public infrastructure projects and to stand-alone entities.

A special Group Taxation Regime for corporate entities does not exist. Croatia has an extensive network of Double Taxation Treaties. However, real estate clauses are included in some Double Taxation Treaties. The MLI was signed on June 7th, 2017.

CZECH REPUBLIC:

The general corporate income tax rate in Czech Republic amounts to 19 %. The profits of basic investment funds are subject to a special corporate income tax rate of

5 % (if specific conditions are met). The marginal rate of tax is 15 % for individual persons (standard rate) plus 7 % for employment and business income exceeding approx. EUR 61,000. The preferred local legal form is the corporation (s.r.o. or a.s.). An alternative legal form is the General partnership (v.o.s.) or the Limited partnership (k.s.). The legal form v.o.s. is treated as tax transparent, whereas k.s. is tax transparent with respect to the part allocated to general partners, e.g. k.s. is subject to tax on the part allocated to limited partners (CIT at the level of the Limited partnership; this part works as a s.r.o.).

The key provisions of the EU-Anti-Tax-Avoidance Directive will be implemented in Czech Tax Law. Most provisions of the directive are expected to become effective during 2019 for periods starting after the effectiveness of amendment.

The Czech Tax Law provides special provisions for tax non-deductibility, e.g., thin capitalization rules (interest on related-party loans exceeding 4-times the equity is non-deductible). Moreover, interest on loans financing share acquisitions are fully non-deductible and EBITDA test has to be implemented (net financing costs exceeding 30 % of EBITDA will be regarded as non-deductible with expected safe harbour of CZK 80 million), etc.

A special Group Taxation Regime for corporate entities does not exist. However, real estate clauses are included in some Double Taxation Treaties. The MLI was signed on June 7th, 2017. It is expected that the Czech Republic's final position will probably have fewer treaties to be covered by the MLI than the provisional one.

GERMANY:

The corporate income tax rate in Germany amounts to 15.825 % CIT (including Solidarity Surcharge) and a Trade Tax at a rate of between 7 % and 18 % depending on the municipality. The Trade Tax is only levied where there is a permanent establishment. For domestic companies the extended Trade Tax deduction can be applied for, if the companies restrict their business to the mere letting and leasing of real property. The marginal rate of tax amounts to 42 % (income exceeding EUR 65,000) or rather 45 % (exceeding EUR 250k) for individual persons. The general tax rate applies for the sale of real estate (exemption if the property was privately held for > 10 years).

The preferred local legal form is the corporation (GmbH or AG). For tax purposes the corporation is treated as tax intransparent. An alternative legal form is the partnership - namely the GmbH & Co. KG (the only general partner is a GmbH). Due to the pass-through principle, the partnership itself is not the subject of taxation but the individual partners. However, for Trade Tax purposes the partnership itself is subject to tax.

The EU-Anti-Tax-Avoidance Directive is partially implemented in German Tax Law. Moreover, the German Tax Law provides constraints regarding interest deductibility

due to the interest barrier rule. The interest barrier rule is applicable if the interest exceeds EUR 3 million per year. Various exemptions and special regulations exist in this context.

Furthermore, a special Group Taxation Regime for corporate entities is provided (Organschaft). Germany has an extensive network of Double Taxation Treaties. However, real estate clauses are not included in all Double Taxation Treaties. The MLI was signed on June 7th, 2017.

HUNGARY:

The corporate income tax rate in Hungary amounts to 9 %. The marginal rate of tax for individual persons is 15 % (flat tax rate). The preferred local legal form of organization is the corporation (Kft or Rt), which is treated as tax intransparent. A Hungarian partnership (Bt) – as alternative legal form – is subject to corporate income tax. Transparency for tax purposes is not known in Hungary.

Implementing the EU-Anti-Tax-Avoidance Directive a new legislation has become effective as of January 1st, 2019 (interest limitation rules, CFC rules, hybrid mismatch rules etc.). Interest for loans, which is financing the business activity, is deductible in general. Please note that part of net financing costs exceeding the higher from 30 % of the EBITDA (earnings before interest, tax, depreciation and amortisation of the tax year) or HUF 939,810,000 (approx. EUR 2.9 million) is not deductible. Interest between related parties has to be determined at arm's length principles.

A special Group Taxation Regime for corporate entities has become effective as of January 1st, 2019. Hungary has an extensive network of Double Taxation Treaties. However, real estate clauses are included in some Double Taxation Treaties. The MLI was signed on June 7th, 2017.

POLAND:

The corporate income tax rate in Poland amounts to 19 %. The marginal rate of tax for individual persons is 32 % (if income exceeds approx. EUR 22,000). A tax rate of 18 % applies, if the income of the individual is less than EUR 22,000. The preferred local legal form is the corporation (Polish: Sp. Z o.o. or SA), which is treated as tax intransparent. An alternative legal form in Poland is the partnership. Due to the pass-through principle, the partnership itself is not the subject of taxation, but the individual partners. It is deemed that participation in a partnership creates a permanent establishment in Poland for its partners. Partnerships similar to KGaA (Kommanditgesellschaft auf Aktien) are subject to CIT taxation (tax intransparent vehicles).

The EU-Anti-Tax-Avoidance Directive is – to a large extent – implemented. The deductibility of interest is restricted based on earning-stripping rules. Costs of immaterial services (e.g. advisory, management,

IN GENERAL

control, data processing) incurred, directly or indirectly, for the benefit of related parties or entities situated in jurisdictions with harmful tax competition may not be recognized as tax-deductible costs in the amount exceeding 5 % of EBITDA. The limitation does not apply to costs not exceeding PLN 3 million. The surplus of debt financing costs exceeding 30 % of EBITDA set according to criteria from the CIT law may not be recognized as tax-deductible costs. The limitation does not apply to the surplus not exceeding PLN 3 million and to financial enterprises. There is also a specific limitation of interest deductibility in case of debt-push-down restructurings.

Furthermore, a special Group Taxation Regime for corporate entities is provided in Polish Tax Law. Poland has an extensive network of Double Taxation Treaties. However, real estate clauses are included in many Double Taxation Treaties. The MLI entered into force on July 1st, 2018.

ROMANIA:

The corporate income tax rate in Romania amounts to 16 %. The preferred local legal forms are Limited liability companies (SRL) and joint-stock companies (SA). Those legal forms are both treated as tax intransparent. Alternative legal forms include General partnerships, Limited partnerships and partnerships limited by shares (all treated as tax intransparent).

The EU-Anti-Tax-Avoidance Directive is partially implemented (as of January 1st, 2018) into national legislation. Financing costs may be deducted up to a limit of EUR 1 million. Amounts exceeding this threshold may be deducted up to 30 % of a calculation base. The calculation base is determined as the difference between the gross accounting profit and the tax-exempt income to which expenses with corporate income tax, exceeding borrowing costs and deductible tax depreciation are added back.

A special Group Taxation Regime for corporate entities does not exist. Romania has an extensive network of Double Taxation Treaties. However, real estate clauses are included in some Double Taxation Treaties. The MLI was signed on June 7th, 2017.

SERBIA:

The corporate income tax rate in Serbia amounts to 15 %. The preferred local legal form is the Limited liability company (d.o.o.). This legal form is treated as tax intransparent. However, also partnerships are treated as tax intransparent, but they are rather unusual as legal form.

The EU-Anti-Tax-Avoidance Directive is not applicable in Serbia, as the state is no EU or EEA member. The Serbian Tax Law provides constraints regarding interest

deductibility. The first restriction is the application of a thin cap rule, if an interest-bearing loan is granted from a related party. After the first restriction is passed, the second restriction is that the interest is subject to a transfer pricing test.

A special Group Taxation Regime for corporate entities exists in national law. Furthermore, Serbia has an extensive network of Double Taxation Treaties. However, real estate clauses are included in some Double Taxation Treaties. The MLI entered into force on October 1st, 2018.

SLOVAKIA:

The corporate income tax rate in Slovakia amounts to 21 %. The income tax rate for individual persons is 19 %. In case the tax base exceeds EUR 36,256.38 (figure for 2019) a tax rate of 25 % applies to the part of the tax base exceeding EUR 36,256.38.

The preferred local legal form is the corporation (Limited liability company s.r.o. or joint-stock companies a.s.), which is treated tax intransparent. An alternative legal form is the Limited partnership or the General partnership. The Limited partnership is a combination of General partnership and Limited liability company. The part of the tax base related to limited partner is taxed at the level of the company, therefore this type of company is treated as partly tax intransparent. The General partnership is considered as tax transparent. Due to the pass-through principle, the partnership itself is not the subject of taxation but the individual partners.

The EU-Anti-Tax-Avoidance Directive is partially implemented (legislation regarding hybrid mismatches, CFC, exit taxation). Interest received from related parties is tax deductible up to 25 % of EBITDA. This restriction does not apply to banks and other financial institutions. In 2018 the European Commission stated that the Slovakian national provision with regard to the interest barrier is equally effective as the interest deductibility limitation rule provided under the EU-Anti-Tax-Avoidance Directive. Therefore, Slovakia may continue to apply the national regulation until January 1st, 2024. Interest on loans used for the purchase of shares will be treated as tax deductible in the taxable period in which shares will be sold, provided that the income from the sale of shares will not be exempt from tax. This restriction does not apply to tax-payers who are security traders.

A special Group Taxation Regime for corporate entities does not exist. Slovakia has an extensive network of Double Taxation Treaties. However, real estate clauses are included in some Double Taxation Treaties. The MLI entered into force on January 1st, 2019.

SLOVENIA:

The corporate income tax rate in Slovenia amounts to 19 %. The marginal personal income tax rate is 50 % (if income exceeds EUR 70,907.20).

The preferred local legal form is the Limited company (d.o.o.), which is treated as tax intransparent. An alternative legal form is the partnership. For taxation purposes partnerships are treated like corporations.

The EU-Anti-Tax-Avoidance Directive come into effect with January 1st, 2019. Interests received from related companies are both limited regarding their merits and their amount (maximum tax rates). Thin capitalization rules apply to interest on loans from shareholders holding directly or indirectly at any time during the tax year at least 25 % of the capital or voting rights of the tax payer. The rules do not apply if the loans do not exceed four times the value of the share capital owned by the shareholder. The debt-equity ratio is 4:1. If the loan would be also granted by a non-related entity, the thin capitalization rules do not apply.

A special Group Taxation Regime for corporate entities does not exist. Slovenia has an extensive network of Double Taxation Treaties. However, real estate clauses are included in some Double Taxation Treaties. The MLI entered into force on July 1st, 2018.

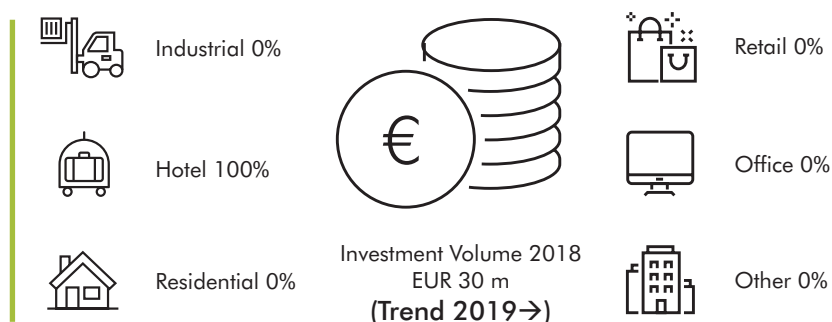


REAL ESTATE INVESTMENT MARKET ALBANIA

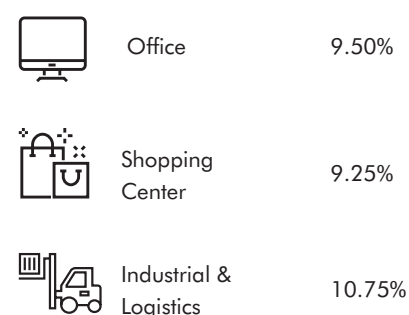
Compared to the previous years, the investment market in Albania posted an improvement in 2018, with the record of one larger scale transaction. However, the investment market in the country is still in its infancy due to the limited number of investment grade properties. The market was historically dominated by local investors, but with further development of the real estate market and government efforts in attracting foreign capital, it is expected that international investors will start recognising the potential of Albania as an investment destination as well.

The Albanian economy has been recording solid results, underpinned by export growth and rising tourist arrivals. Improving economic fundamentals and reforms in legal and administrative frameworks promise to provide an additional boost to the real estate market which has already been showing signs of improvement with several projects in the pipeline.

INVESTMENT VOLUME BY SECTOR 2018



PRIME YIELD 2018



FOCUS ON REAL ESTATE

rental income - VAT

Supply and rent of land and buildings is VAT exempt. However, the lessor has the right to select a taxable option under certain circumstances. If a supply of a good or service is used partly for purposes of taxable supplies and partly for exempt supplies, the taxable person may not deduct input VAT in full. This situation is known as 'partial exemption'.

input VAT correction – property

No input VAT correction.

depreciation - real estate

Land: No depreciation.
Buildings: Buildings (for business purposes) are depreciated separately for tax purposes using the declining-balance method at a rate of 5 %. If the remaining value of the asset at the beginning of a tax period is less than 3 % of the historic acquisition costs of such asset, the entire remaining balance is recognized as a tax-deductible expense in that tax period.

current operating expenses

Normally the tenant bears the costs of using the property for commercial purposes.

other annual taxes related to real estate

Annual Real Estate Tax is imposed annually on all completed buildings based on the area in square meters of the building for each floor of the building above and below the ground. Construction land tax is calculated based on the surface of the construction land. Annual agricultural land tax is calculated based on the area in hectares of the land.

ACQUISITION OF REAL ESTATE:

ASSET DEAL

tax on transfer of ownership rights The transfer of ownership title to real estate property is subject to transfer duty (payable by the person who transfers the ownership title). Tax payable on the transfer of the ownership title to real estate property, other than buildings, is 2 % of the sales price. For housing constructions (not destined for touristic, industrial or public use): From 4 % to 8 % of the selling price per square meter based on the reference prices provided by a Council of Ministers Decision. For infrastructure projects, the tax on infrastructure impact is 0.1 % of the value of the investment, but not less than the cost of the rehabilitation of the damaged infrastructure if such cost is not included in the investment projections.

SHARE DEAL

tax on transfer of ownership rights Not applicable.

DISPOSAL OF REAL ESTATE:

ASSET DEAL

income tax Capital gains (subject to tax) realized are the difference between the sales value and the tax book value of land or building. In cases where the individual passes ownership for the second time the difference between the sales value and the purchase value specified in the previous contract is used for purposes of calculating the capital gain.

VAT The sale of land and buildings (except for the construction process) is VAT exempt. Input VAT deduction is not possible.

SHARE DEAL

income tax Capital gains derived from the transfer of participation quotas or capital shares include income from sales of quotas owned by partners in businesses or partnerships, income from sales of shares and income from sales or liquidation of companies. The tax base is equal to the following:

Shares: Difference between the sales value of the shares and the nominal value or the purchase value.

Capital participation quotas: Difference between the sales value and the nominal value or the purchase value.

The right of taxation in the event of the sale of shares in property companies despite of the legal form is subject to differing provisions. In accordance with the OECD Model Agreement, for those countries which concluded a real estate clause, the right of taxation is assigned to the country in which the property is situated (local taxation: 15 %).

VAT Not applicable.

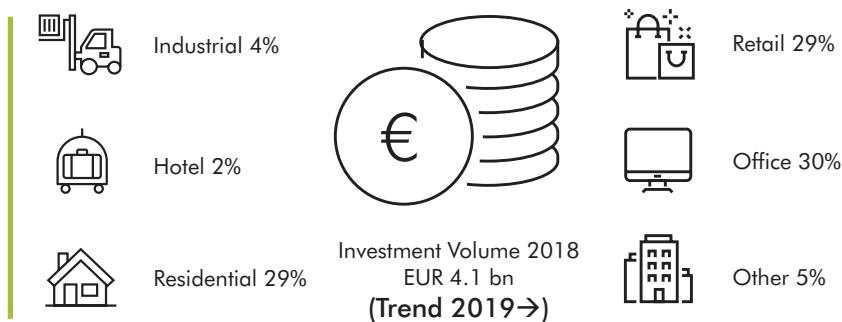


REAL ESTATE INVESTMENT MARKET AUSTRIA

In 2018 around EUR 4.1 bn was invested in Austria, representing the second highest investment volume since the beginning of our records. The prime yields reached another record low level in almost all asset classes but are likely to flatten in 2019, so further price increases are not anticipated.

The limited supply of core office properties led to high demand for residential properties. German institutional investors, in particular, showed significant interest in residential properties, so more than 50% of the German investment volume was directed into this asset class. Due to the limited office pipeline in the next two years, residential properties, now offering similar yield levels as other classic commercial properties, are likely to gain further importance.

INVESTMENT VOLUME BY SECTOR 2018



PRIME YIELD 2018



FOCUS ON REAL ESTATE

rental income - VAT

Leasing for business purposes: tax exemption without refund of input VAT (option for liability to tax is possible if the customer uses the property almost exclusively for supplies which do qualify for input VAT deduction). If an option for liability to tax is used, the statutory tax rate of 20 % is applicable. An input VAT deduction is possible. Rental property for residential purposes: 10 % VAT.

input VAT correction – property

20 years (for every year of change 1/20 of the already claimed input VAT).

depreciation - real estate

Land: only extraordinary depreciation.
Buildings: without evidence up to 2.5 % p.a.; residentially used buildings up to 1.5 % p.a.
Allocation land and buildings: if usage for business purposes (at least 80 %): entire acquisition costs / production costs without land (aliqout acquisition costs if less than 80 % usage for business purposes); if usage is less than 20 % for business purposes the property is regarded as private property; private property: 40 % of acquisition cost are considered as "land" (depending on location and quality also 20 % or 30 %).

current operating expenses

Normally the tenant bears the costs.

conclusion of the rental contract (rental for business purposes)

Subject to a fee of 1 % of a special calculated assessment base (a combination of rental fee and duration of the rental contract). Normally the tenant bears the costs.

ACQUISITION OF REAL ESTATE:

ASSET DEAL

real estate transfer tax & stamp duties 3.5 % Real Estate Transfer Tax of the return of transaction (=purchase price incl. VAT [if purchased incl. VAT]).

1.1% Land Registration Fee (assessment bases: see Property Transfer Tax).

interest on debt financing of acquisition Interest on debt is deductible (arm`s length principle).

SHARE DEAL

real estate transfer tax & stamp duties Real Estate Transfer Tax is avoidable, but under certain conditions the risk of consolidation of shares exists. In this case: 0.5 % Real Estate Transfer Tax of the land value.

No Land Registration Fee.

interest on debt financing of acquisition Interest of debt financing of acquisition of shares (in partnership and company) is deductible under certain conditions.

No Land Registration Fee.

other aspects Group Taxation is possible.

DISPOSAL OF REAL ESTATE:

ASSET DEAL

income tax (I) The capital gain for companies is (limited or unlimited liability to tax) subject to a tax rate of 25 % (corporate income tax).

income tax (II) Sale by private persons: 30 % real estate income tax (with exceptions).

VAT The sale of property is basically VAT exempt and the seller has no right to input VAT-deduction, but the vendor has the option of electing for liability to VAT at 20 % (no input VAT correction in this case).

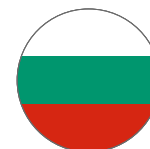
SHARE DEAL

income tax (I) A capital gain from the sale of a domestic company (GmbH, AG) with real estate property in Austria is not subject to tax in Austria, if the DTT contains no real estate clause (country of vendor`s residence).

income tax (II) Sales of shares in a domestic partnership: see Asset-Deal.

VAT The sale of shares is VAT exempt in Austria (input VAT on related costs is in general not deductible).

BULGARIA

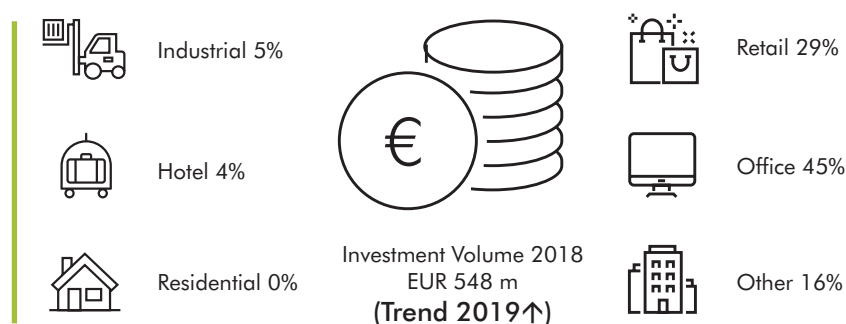


REAL ESTATE INVESTMENT MARKET BULGARIA

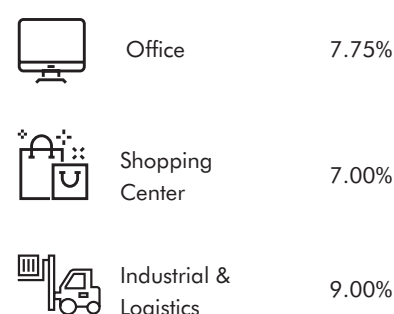
Albeit showing a decrease in the total investment volume compared to 2017, Bulgaria recorded impressive results during 2018 and kept its title as the most active investment market in the SEE region. Unlike in previous years, the most active segment was offices. The investment activity was dominated by foreign investors, with the most significant transaction of the year being Bulgaria Mall and the adjacent Infinity Tower.

Furthermore, at the end of the year 2018, the office market in Sofia recorded nearly 360,000 sq m under construction and an additional 200,000 sq m in the planning phase. Due to the growth of the office market and an increase in development activity, coupled with strong demand and the lowest vacancy level in over a decade, it is expected that investors will demonstrate greater interest in the office segment going forward.

INVESTMENT VOLUME BY SECTOR 2018



PRIME YIELD 2018



FOCUS ON REAL ESTATE

rental income - VAT

The rental income is in general subject to 20 % VAT. VAT exemption: applicable only in case of rentals to individuals for residential purposes. Option for taxable supplies of rentals to individuals. Input VAT refund based on general rules.

input VAT correction – property

20 years (for every year after the change 1/20 of the already claimed input VAT).

depreciation - real estate

Land: No depreciation and no extraordinary depreciation.
Buildings: Limited to 4 % p.a. for tax purposes.
Allocation land and buildings: No fixed allocation ratio is applicable with respect to use.
Retroactive adjustment of depreciation expenses in case of mixed use.

current operating expenses

Normally the tenant bears the costs.

conclusion of the rental contract (rental for business purposes)

No statutory fees applicable.

ACQUISITION OF REAL ESTATE:

ASSET DEAL

property transfer tax 0.1 % to 3 % property transfer tax; assessment base: sales price or tax value (if tax value is higher than the sales price).

interest on debt financing of acquisition Interest is tax deductible according to general rules of the Corporate Income Tax Act (thin-capitalization regulations are applicable).

SHARE DEAL

property transfer tax Property Transfer Tax is not applicable.

interest on debt financing of acquisition Interest is tax deductible according to general rules of the Corporate Income Tax Act (thin-capitalization regulations are applicable). Debt-push-down interest is non-deductible.

DISPOSAL OF REAL ESTATE:

ASSET DEAL

income tax The capital gain for companies is subject to a tax rate of 10 % CIT. Sale by private persons: 10 % income tax with exceptions (e.g. exempt sale of 2 real estate properties in case of ownership of more than 5 years).

VAT The sale of property is basically subject to 20 % VAT. Exceptions for sale of non-regulated land and old buildings (over 60 months). Retroactive VAT adjustment is applicable.

SHARE DEAL

income tax A capital gain from the sale of a domestic company with real estate property in Bulgaria is subject to 10 % CIT in Bulgaria, if the DTT does not provide different treatment.

VAT The sale of shares is tax exempt in Bulgaria.

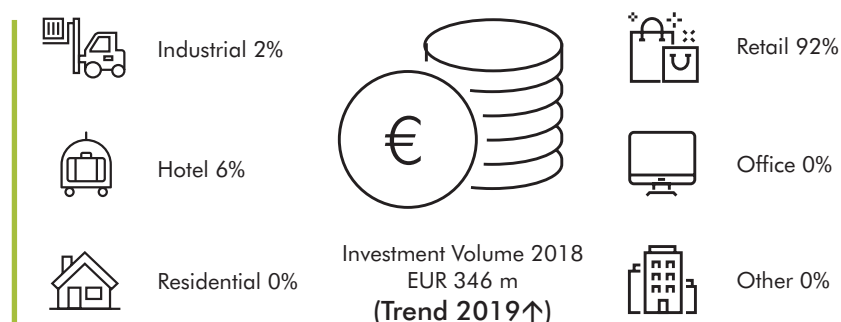


REAL ESTATE INVESTMENT MARKET CROATIA

The investment market in 2018 was driven by retail and hotel transactions which accounted for more than 95 % of the total investment volume. The market was dominated by foreign investors, while domestic investors accounted for only a small share of the total transaction volume. The most significant transaction of the year was the acquisition of the 90 % stake in two major shopping centres in Zagreb, namely City Centre One East and City Centre One West by the South African investment company Hystead Limited.

As a result of the expanding tourism industry and the intensified development of hotels throughout the country, investors have recognized the potential of income-producing properties along the coast and are expected to become more active in this segment. Historically, investors have shown interest for established hotels as well as outdated properties in need of renovation, and this trend is expected to continue.

INVESTMENT VOLUME BY SECTOR 2018



PRIME YIELD 2018



FOCUS ON REAL ESTATE

rental income - VAT	Renting of immovable property is subject to VAT. Exception: Renting for residential purposes is tax exempt.
input VAT correction – property	If conditions relevant for input VAT deduction change within ten years after acquisition/building, input VAT correction has to be made for the period after the change. The annual amount of input VAT correction is 1/10 of the VAT amount calculated for real estate.
depreciation - real estate	Land: No depreciation. Buildings and other properties: 5 % for tax purposes (it can be doubled). There is no difference if the building is used for residential (rented to individual persons) or business purposes.
current operating expenses	Normally the tenant bears the costs.
conclusion of the rental contract (rental for business purposes)	No statutory fees applicable.

ACQUISITION OF REAL ESTATE:

ASSET DEAL

transfer tax Objects of taxation: Transfer of real estate which is not subject to VAT. Basis of assessment: The basis of assessment is the market value, which under certain circumstances may be determined by the Tax Authorities. Tax rate: 3 %. Possible exceptions: Transfer of real estate made as a contribution to the capital of a company; transfer of real estate owned by a company as part of a merger, division or restructuring process.

interest on debt financing of acquisition Deductible – provided the expenses are incurred with the purpose of generating profit. Thin capitalization rules and maximum tax deductible interest rate should be considered as follows: Interest on debt from a foreign shareholder holding 25 % or more of the company's share capital or voting rights, is non-deductible for the amount of the loan exceeding four times the shareholder's share in the equity of the borrower at any time during the tax period. Maximum tax deductible rate of interest paid to a non-resident related party is 3.96 % per annum. Additionally, interest and other borrowing costs related to borrowings received from abroad will be tax deductible up to EUR 3 million or 30 % of EBITDA, whichever is lower. However, this rule is not applicable for financial institutions and standalone taxpayers.

SHARE DEAL

transfer tax No Transfer Tax.

interest on debt financing of acquisition Please see Asset Deal.

DISPOSAL OF REAL ESTATE:

ASSET DEAL

income tax Capital gains realized by a Croatian corporation subject to corporate income tax are included in the taxable income and taxed at a rate of 12 % or 18 % CIT (18 % for turnover above 3 million HRK; approx. EUR 400,000)

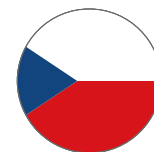
VAT Subject to a VAT rate of 25 %, if property (building and associated land, and/or construction land) is not used within two years from the date of acquisition or construction. If more than 2 years have passed from the date of the first occupation (or use) until the date of the next supply, the seller (taxable person) has an option to apply for exemption or VAT taxation of such supply depending on VAT status of a purchaser.

SHARE DEAL

income tax Sale of shares in a Limited liability company: No special capital gains-tax is applicable. If a seller is not a Croatian tax resident, there are no tax consequences in Croatia. Capital gains realized by a Croatian corporation subject to corporate income tax are included in the taxable income and taxed at a rate of 12 % or 18 % for enterprises with annual revenue below HRK 3 million (approx. EUR 400,000).

VAT VAT exempt.

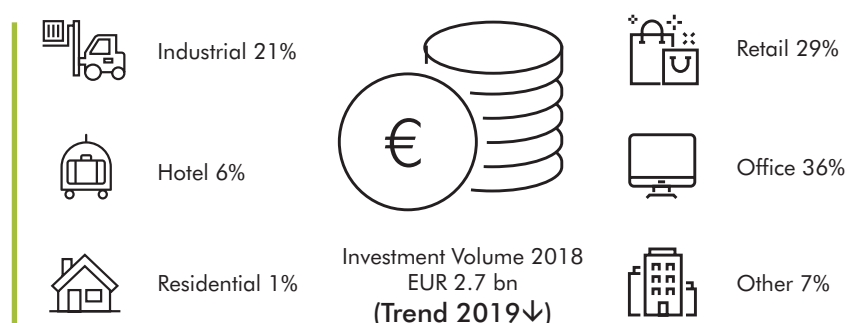
CZECH REPUBLIC



REAL ESTATE INVESTMENT MARKET CZECH REPUBLIC

The Czech investment market was the most popular among Czech investors, standing behind 61 % of the total capital invested. 2018 was dominated by the office sector (EUR 960 million) with 28 transactions (7 were above EUR 50 million) representing a 53 % share of transaction volumes. The largest transaction was the sale of a part of the CTP industrial portfolio to DEKA Immobilien, being one of their first industrial acquisitions. Whilst the investment volume decreased in 2018 compared to the previous year (EUR 3.56 billion), we attribute these falling volumes to a lack of supply, rather than a lack of investor demand.

INVESTMENT VOLUME BY SECTOR 2018



PRIME YIELD 2018



FOCUS ON REAL ESTATE

rental income - VAT

Lease of residential and office premises: VAT exempt. The lessor may opt for the application of VAT if the lessee is a Czech VAT payer and the premises are used for business purposes.

input VAT correction – property

Period for input VAT corrections:
- real estate property: 10 years (including structural improvement)
- other long-term assets: 5 years

depreciation - real estate

Land: Neither ordinary nor extraordinary depreciation.
Buildings and other properties: (1) factories, warehouses etc.: 30 years; (2) office buildings, department stores, business centres, hotels etc.: 50 years. Special depreciation for tenants and other users (e.g. sub-tenants) who make structural improvements at their expense: depreciation of the cost of improvements (depreciation spread over the depreciation period of the underlying building). Depreciation of structural improvements of immovable historic monuments: 15 years.

current operating expenses

Normally the tenant bears the costs.

conclusion of the rental contract (rental for business purposes)

No statutory fees applicable.

ACQUISITION OF REAL ESTATE:

ASSET DEAL

real estate transfer tax & stamp duties 4 % Real Estate Acquisition Tax (REAT) upon a change of ownership to a property or a building right under the civil law (change of the registered owner in the cadastre) for a consideration.

Basis of assessment: acquisition value less costs of expert opinions; four methods for determination of the acquisition value, e.g. purchase price if it is higher than the reference value (reference value is often calculated as 75 % of the value as per the expert's opinion).

No REAT:

- first transfer of new family houses and apartments within 5 years after completion of construction,
- transfer of property in the course of mergers and demergers.

Fee for entry into the cadastre of CZK 1k.

interest on debt financing of acquisition Interest on debt financing of acquisition may be capitalized into the asset value (depending on the purchaser's choice) up to the moment of putting the relevant asset into use. Afterwards, the interest is expensed and the tax deductibility follows the general limitations of tax deductibility of interest costs as above (see interest deductibility).

other aspects For VAT, please see disposal of real estate.

SHARE DEAL

real estate transfer tax & stamp duties No REAT for the acquisition of shares in a property-owning company; no REAT on mergers. No land registration fee.

interest on debt financing of acquisition Interest on financing of investment acquisition (shares in a subsidiary) are generally non-deductible. Interest on loans drawn in the six months preceding the investment acquisition are treated as connected with the investment and are not deductible (unless proven otherwise). The standard tests apply for holding companies as well (see interest deductibility).

other aspects No group taxation.

DISPOSAL OF REAL ESTATE:

ASSET DEAL

income tax Profit on the sale (income reduced by the tax residual value of the asset and sale related costs) is subject to standard income tax. Exemption only in case of individuals if certain conditions are met (e.g. asset not being held for business purposes).

VAT VAT exemption for:

- revenue from the sale of land which is neither considered as building land nor built-on land (forming a functional unit with a building);
- revenue from the sale of buildings after 5 years after the initial commissioning, commissioning after significant reconstruction or after first use (with the exception of a transfer of a going concern including real estate which is outside the scope of VAT). Option to taxation for the seller instead of exemption (approval of the buyer required if the buyer is a VAT payer). In case of a taxable sale for VAT purposes: 21 % VAT (exception: so-called welfare housing 15 % VAT).

Reverse-charge mechanism may be triggered in certain situations.

real estate acquisition tax (REAT) The transfer is subject to REAT payable by the purchaser (as described above in acquisition of real estate).

SHARE DEAL

income tax Sale of shares in a limited liability company: The gain on the sale (income reduced by the tax residual value of shares and sale related costs) is taxable income, unless the conditions for exemption (see below) or for DTT application are met (i.e. if the relevant DTT gives right to taxation only to the country of the seller and the seller is a foreign entity). Exemption for owners-corporations if the share of 10 % is held for more than 12-months (further formal criteria have to be met); exemption for individuals: 3 or 5 years holding period test if further conditions are met. Transfer of interest in a partnership: The sale of the share of the limited partner in a Limited partnership follows basically the same rules as the sale of shares in standard corporations (however, the exemption above cannot be applied).

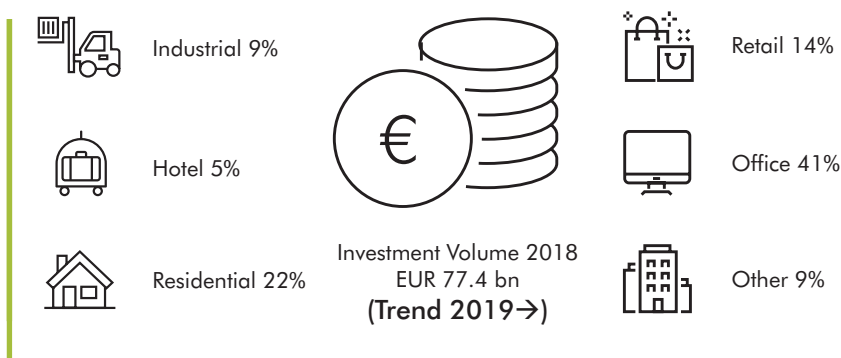
VAT VAT exemption for the sale of shares; no deduction of input VAT.



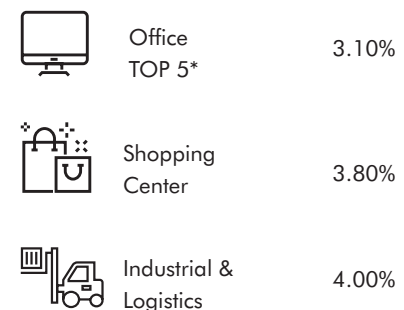
REAL ESTATE INVESTMENT MARKET GERMANY

The German real estate market continues to be one of the most important target markets for domestic and foreign investors due to the promising macroeconomic fundamentals and the persistently low level of interest rates and is regarded as a safe haven, especially in politically uncertain times. Market dynamics are primarily limited by product availability. Strong performance in the rental markets ensures sustained high demand, especially for office, logistics and residential properties. Yield compression is continuing selectively and moderately, causing investors to increase their risk acceptance for example towards more management-intensive properties in secondary locations or project developments. Transaction activity - irrespective of speculation about the possible effects of a turnaround in interest rates - will continue at a high level in 2019, limited only by the lack of products suitable for investment.

INVESTMENT VOLUME BY SECTOR 2018



PRIME YIELD 2018



* average of Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Munich

FOCUS ON REAL ESTATE

rental income - VAT

Rent from residential buildings is VAT-exempt. The landlord can opt for VAT, if and to the extent the building is rented to tenants that use it for VAT-able business. I.e. no option for rentals to banks, insurances and public authorities. A VAT rate of 19 % will apply in this case. To the extent the building is rented-out with VAT, the input tax (e.g. for repair, maintenance and construction) can be deducted.

input VAT correction – property

10 years (for every year of change 1/10 of the already claimed input VAT).

depreciation - real estate

Land: No depreciation.
Buildings: Without evidence up to 2.5 % p.a.; however residentially used buildings 2 % p.a.
Allocation land and buildings: 20 % to 40 % proportion in land or rather evidence in business assets.

current operating expenses

Normally the tenant bears the costs.

conclusion of the rental contract (rental for business purposes)

No statutory fees applicable.

ACQUISITION OF REAL ESTATE:

ASSET DEAL

real estate transfer tax & stamp duties 3.5 % – 6.5 % Real Estate Transfer Tax (RETT) of the net purchase price; rate depending on federal state, where the property is located.

Approx. 1 % land registration and notary fees.

interest on debt financing of acquisition Interest on debt is deductible (arm's-length principle and interest barrier rule).

SHARE DEAL

real estate transfer tax & stamp duties RETT is avoidable, if less than 95 % of the shares are acquired (under review by the legislator; changes expected). Tax rate is from 3.5 % to 6.5 % depending on the federal state of the property holding company. Note: threshold will be reduced to 90 % and 10 years in the course of 2019. No land registration fee, but registration in the company register.

interest on debt financing of acquisition Interest on debt financing of acquisition of shares (in partnership and company) are deductible under certain conditions.

other aspects Group Taxation is possible.

DISPOSAL OF REAL ESTATE:

ASSET DEAL

income tax The capital gain for companies (limited or unlimited liability to tax) is subject to a tax rate of 15.825 % (Corporate Income Tax incl. Solidarity Surcharge) plus 7 % – 18 % (depending on municipality) Trade Tax. Trade Tax can be avoided by foreign companies subject to limited tax, i.e. having no PE in Germany, and if the business is restricted to the mere letting and leasing. Sale by private persons: income tax at normal rates, plus Trade Tax; no tax if the property was held privately for more than 10 years.

VAT The sale of property is basically exempt from VAT and the seller has no right of input VAT-deduction, but the option for the application of the statutory tax rate of 19 % is possible, if the property was used for VAT-able business before (no input VAT correction is possible in such a case).

SHARE DEAL

income tax (I) A capital gain from the sale of a domestic company with real estate property in Germany is not subject to tax in Germany, if the DTT contains no real estate clause (country of residence of the vendor). Otherwise the German CIT and Trade Tax will be levied on 5 % of the capital gain. As of 2019 the sales of shares by foreign-based shareholders of foreign-based companies primarily holding real estate in Germany will be – according to a German draft tax bill – subject to tax. Nevertheless, 95 % of the capital gain is tax exempt. The capital gain of a company is only subject to tax, if the shares can be allocated to the foreign company's fixed establishment in Germany, or if sec. 8b (7) or (8) CITA is exceptionally not applicable.

income tax (II) Taxation of the sale of shares in a domestic partnership: see Asset-Deal.

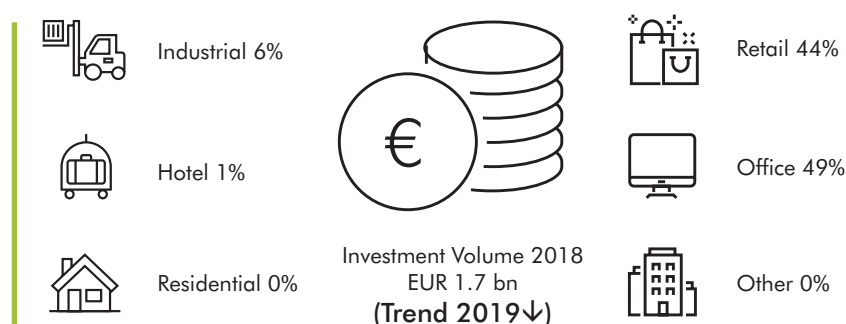
VAT The sale of shares is VAT-exempt in Germany (input VAT is not deductible).



REAL ESTATE INVESTMENT MARKET HUNGARY

After the initial low investment volume in the first half of the year, the second half of the year 2018 compensated with a rally that produced a record high biannual investment turnover in terms of volume. The strong upswing was driven by a handful of large-ticket transactions, yet activity in the small-cap segment was also buoyant. This raised the total 2018 investment volume to EUR 1.7 bn, marking it the third highest on record – down by 6 % y-o-y but considerably higher than expected earlier in the year. Looking ahead, occupational market fundamentals and investor appetite remain solid for 2019, supported by lax monetary conditions. The increased development pipeline for offices and hotels is set to ease the short tradeable product supply and help boost volumes. CBRE expects a somewhat more conservative 2019 investment volume in the range of EUR 1.3 – 1.5 bn based on the current outlook.

INVESTMENT VOLUME BY SECTOR 2018



PRIME YIELD 2018



FOCUS ON REAL ESTATE

rental income - VAT	Renting of residential and business immovable property is VAT exempt. The lessor can opt for tax liability. Opting for residential and business immovable property can be carried out independently from each other.
input VAT correction – property	20 years (for every year of change 1/20 of the already claimed input VAT).
depreciation - real estate	Land: In general no depreciation. Extraordinary depreciation is possible. Buildings and other properties: durable construction: 2 % (concrete, reinforced concrete, brick, etc.); medium-life construction: 3 % (light steel and other metals, etc.); lightweight construction: 6 % (planks, etc.); rental property: 5 %.
current operating expenses	Normally the tenant bears the costs.
conclusion of the rental contract (rental for business purposes)	No statutory fees applicable.

ACQUISITION OF REAL ESTATE:

ASSET DEAL

real estate transfer tax & stamp duties Acquisition is subject to real estate transfer tax. Tax base is the market value without deduction of financing debts. Tax rate is 4 % up to EUR 3.3 million, 2 % for the exceeding part, Cap of tax is EUR 700k per real estate.

There are some insignificant fees for registration of ownership in the land registry.

interest on debt financing of acquisition According to the provisions to be applicable from 2019, net borrowing costs are non-deductible if they exceed 30 % of earnings before interest, tax, depreciation and amortization (EBITDA) or a threshold of HUF 939,810,000 (EUR 3 million). The interest limitation rule applies to both interest payments in relation to transactions with related parties and/or third parties.

other aspects Real estate lease activity is subject to local business tax. Tax base is sales revenues minus material costs minus mediated services minus cost of sales. The tax rate depends on local government, max. 2 %, in Budapest 2 %.

SHARE DEAL

real estate transfer tax & stamp duties Acquisition is subject to real estate transfer tax, only if the consolidated shares owned by related parties reaches or exceeds 75 %. Tax base is the market value without deduction of financing debts. Tax rate is 4 % up to EUR 3.3 million, 2 % for the exceeding part, Cap of tax is EUR 700k per real estate.

interest on debt financing of acquisition Please see Asset Deal.

other aspects Local business tax (see Asset Deal) is also applicable at the level of the company purchased.

DISPOSAL OF REAL ESTATE:

ASSET DEAL

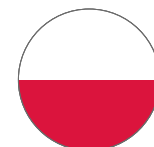
income tax The capital gain for companies is (limited or unlimited liability to tax) subject to a tax rate of 9 % (corporate income tax). No tax exemptions. Sale by private persons: 15 % income tax (with exceptions). No trade tax.

VAT Revenues from the sale of real estate property are VAT exempt: The seller can opt for tax liability (27%). Exception: Sale of building plots and of land with buildings without permit of use or with permit of use not older than 2 years is always taxable. Until the end of 2019 the sale of residential real estate with permit of use not older than 2 years is under certain conditions subject to 5 % VAT.

SHARE DEAL

income tax A capital gain from the sale of a domestic company with real estate property in Hungary is not subject to tax in Hungary, if there is a DTT and it does not contain a real estate clause (country of residence of the vendor). Otherwise the capital gain is subject to 9 % CIT in case of companies, 15 % income tax in case of private individuals. Local tax exemption: If a Hungarian company reports the acquisition of shares in a Hungarian or foreign company to the tax authority, the capital gain after a holding period of 1 year is tax exempt.

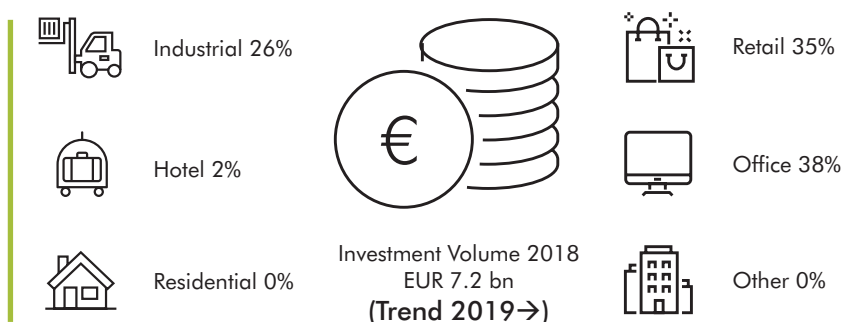
VAT The sale of shares is VAT exempt (input VAT is not deductible).



REAL ESTATE INVESTMENT MARKET POLAND

The Polish investment market is breaking new records annually. Whereas at the end of 2017 the total investment volume in Poland equalled EUR 5 billion, the 2018 full-year result exceeded EUR 7.2 billion. Looking at the sectors, offices finished the year as the sector with highest investment volume in Poland at EUR 2.75 billion representing a 56 % y-o-y increase. The second place was taken by retail with EUR 2.5 billion. (29 % y-o-y increase) at the end of 2018. The industrial investment volume was twice as large as in the previous year with EUR 1.84 billion. The investment volume in the hotel sector was 65 % lower at the end of 2018 than in the previous year and amounted to EUR 119 million. In the coming years, many projects especially offices in the Warsaw City Centre will be delivered, which could increase the share of market capital in total turnover. Furthermore, there is an increasing interest in alternative sectors such as residential, student or senior housing, which will become more prevalent in the next few years.

INVESTMENT VOLUME BY SECTOR 2018



PRIME YIELD 2018



FOCUS ON REAL ESTATE

rental income - VAT

Renting is generally subject to VAT with the exception of renting of residential property (and solely for residential purposes), which is VAT exempt. In case of VAT exemption no option for VAT is possible.

input VAT correction – property

10 years (for every year of change 1/10 of the already deducted input VAT). This applies also to the acquirer of property purchased as part of an enterprise or an organized part thereof.

depreciation - real estate

Land: No depreciation. Buildings and other properties: depreciation rates: 1.5 % – 10 %, with a basic rate of 2.5 % for commercial buildings and 1.5 % for residential ones. In certain cases, depreciation rates may be increased even by a factor of 1.4.

current operating expenses

Normally the tenant bears the costs.

conclusion of the rental contract (rental for business purposes)

No statutory fees applicable.

ACQUISITION OF REAL ESTATE:

ASSET DEAL

tax on civil law transactions The acquisition of real estate is liable to the tax on civil law transactions (paid by the buyer) provided that the sale is VAT exempt. Sale of property or beneficial interest therein: 2 %. Basis of assessment: Market value. Transactions subject to 8 % or 23 % VAT rates are not subject to the tax on civil law transactions.

interest on debt financing of acquisition Generally deductible (subject to general restrictions).

other aspects In December 2018 the Ministry of Finance issued formal clarifications on how to distinguish between asset deals and enterprise deals in real estate business, which may be helpful for a case by case analysis.

ENTERPRISE DEAL

tax on civil law transactions The acquisition of real estate business structured as an enterprise or part of an enterprise is liable to the tax on civil law transactions (paid by the buyer), because it remains out of VAT scope. Sale of property or beneficial interest therein: 2 %, sale of other property rights: 1 %. Basis of assessment: market value.

interest on debt financing of acquisition Generally deductible (subject to general restrictions).

other aspects Please see Asset Deal.

SHARE DEAL

tax on civil law transactions 1 % of tax on civil law transactions is levied on the sale of shares in Polish companies. Paid by the buyer.

interest on debt financing of acquisition Generally deductible (subject to general restrictions); in the case of debt-push-down scenarios no interest deductible.

DISPOSAL OF REAL ESTATE:

ASSET DEAL

income tax / VAT Liable either to VAT or to the tax on civil law transactions (if VAT exempt). In the case of a VAT exemption opting in for VAT liability is possible (various requirements to be met). Obligatory VAT exemption: sale of land not destined for development.

tax on civil law transactions Tax on Civil Law transactions is levied alternatively to VAT (if no VAT imposed). Sales (exchange) of land, movable assets, hereditary beneficial interests: 2 %; sales (ex-change) of other property interests (e.g. shares): 1 %; basis of assessment: fair market value of the goods / property rights (when sold / exchanged).

ENTERPRISE DEAL

income tax / VAT Liable to the tax on civil law transactions (paid by the buyer) because it remains out of VAT scope.

tax on civil law transactions Tax on Civil Law transactions is levied. Sale (exchange) of land, movable assets, hereditary beneficial interests: 2 %; sale (ex-change) of other property interests (e.g. lease receivables): 1 %; basis of assessment: fair market value of the goods / property rights (when sold / exchanged).

SHARE DEAL

income tax / VAT (I) Sale of shares in a joint-stock corporation: Income subject to CIT taxation constitutes a separate source of income which may not be set-off against other sources. (II) Sale of shares in a limited liability company: Income subject to CIT taxation constitutes a separate source of income which may not be set-off against other sources. Sale of interest in a partnership: Generally, all rights and obligations of a partner in a partnership may be transferred to another person only if the articles of association provide so. The income from sale of ownership interest in a Limited partnership is subject to standard CIT taxation.

tax on civil law transactions Sale (exchange) of other property interests (e.g. shares): 1 % (paid by the buyer).

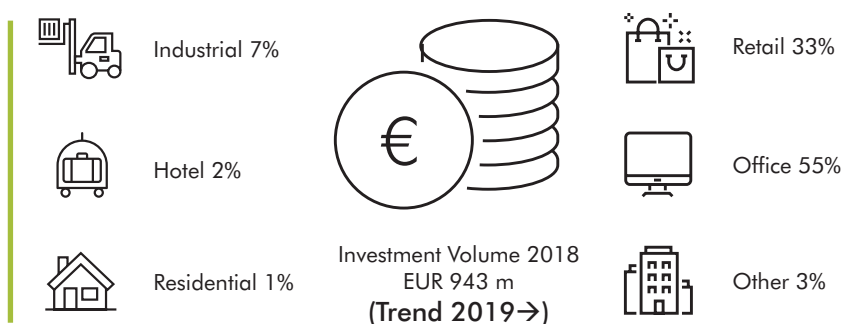


REAL ESTATE INVESTMENT MARKET ROMANIA

In Romania 2018 total investment volume accounted for approximately EUR 943 million, a value similar to the one registered in 2017.

77 % of the total investment transactions were concluded in Bucharest, while only 23 % were signed nationwide. For four years in a row, the office sector has continued to dominate the transactional volume with 55 % of the total. The retail sector is positioned at a considerable distance with 33 %, while segments like industrial, hotels and others together represented 12 % of the total investment volume. Romanian investors were the most active on the 2018 investment market representing a quarter of the total investment volume, followed by South Africans with a share of 18 %. 2019 is shaping up to be a year with similar transactional activity as large mandates are in different stages of negotiation. With a mild downward pressure recorded at year end on prime yields it is expected that there will be slight compression, especially on prime office yields

INVESTMENT VOLUME BY SECTOR 2018



PRIME YIELD 2018



FOCUS ON REAL ESTATE

rental income - VAT	Renting of immovable property is VAT exempt without input VAT deduction (no difference between residential and office buildings). The lessor can opt to charge VAT.
input VAT correction – property	The period for adjustment of input VAT is 20 years.
depreciation - real estate	Land: No depreciation. Buildings: subject to straight line depreciation: industrial buildings, office buildings, hotels: 1.67 % – 2.5 %. Commercial buildings used for warehousing and distribution: 2.08 % – 3.13 %. Lightweight construction: 4.17 % – 6.25 %.
current operating expenses	Normally the tenant bears the costs.
conclusion of the rental contract (rental for business purposes)	No statutory fees applicable.

ACQUISITION OF REAL ESTATE:

ASSET DEAL

fees & stamp duties The transfer of ownership of real estate properties is subject to fees for registration in the Real Estate Register as follows: transfer to companies: 0.5 % of the property's value. Transfer to individuals: 0.15 % of the property's value.

Notary fees may also apply on the transfer of real estate properties.

interest on debt financing of acquisition Interest is tax deductible according to general rules of the Corporate Income Tax Act.

SHARE DEAL

interest on debt financing of acquisition There is a significant risk of non-deductibility as the interest is incurred for obtaining non-taxable revenues (i.e. dividends).

DISPOSAL OF REAL ESTATE:

ASSET DEAL

income tax Sale of immovable property by legal entities: 16 % corporate income tax applicable on the taxable gains (i.e. sales price less fiscal value – e.g. the acquisition or construction value). Sale of real estate properties by individuals: 3 % income tax on the revenues exceeding RON 450,000 (revenues below this limit are non-taxable; approx. EUR 95,000). Tax exemptions may apply in case of donations between close relatives and between spouses, inheritances under certain conditions.

VAT The sale of old real estate property and land not zoned for building is VAT exempt without credit (seller may opt to charge VAT). The sale of new buildings and land zoned for building is subject to VAT. Buildings are considered to be new if they are sold in the year of commissioning or by 31 December of the following year. However, the sale of buildings and land between taxable persons registered for VAT purposes in Romania is subject to reverse charge.

SHARE DEAL

income tax Legal entities are subject to 16 % corporate income tax. Exception: As long as the seller has held at least 10 % of the shares for an uninterrupted period of at least 1 year, the capital gains are exempt from tax, under certain conditions (national and international intercorporate privilege, provided there is a DTT). Capital gains from sale of shares in a Romanian company owning real estate property in Romania are not subject to tax in Romania at all, if the applicable DTT contains no real estate clause and the right of taxation is assigned to the country of residence of the vendor.

VAT Exempt from VAT.

SERBIA

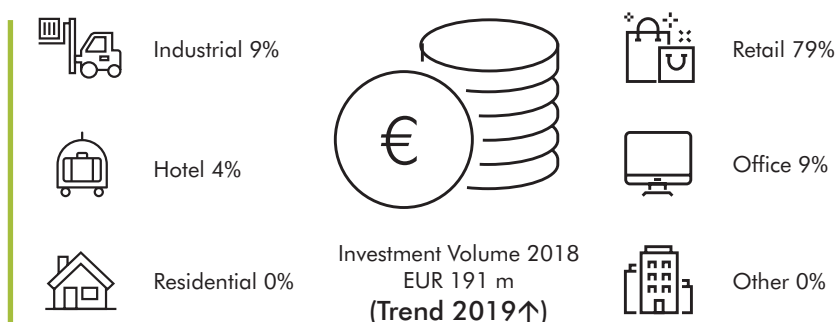


REAL ESTATE INVESTMENT MARKET SERBIA

The investment market in Serbia recorded strong results during 2018, with an increase of nearly 30 % year-on-year. Unlike previous years, the market was dominated by domestic investors, with the most notable transaction of the year being the acquisition of Mercator shopping centre by the local company MPC Group. Another notable transaction was the acquisition of the Stop Shop retail parks in Subotica, Smederevo and Belgrade by the Austrian investor Immofinanz. The office market was largely subject to changes of ownership relating to smaller scale office buildings requiring renovation within the city centre.

With further development and significant construction activity on the office market, stable rents and strong demand, investors are expected to become more active in this segment of the market. Furthermore, with increasing levels of development within the industrial market, investment activity is expected to grow in this sector as well.

INVESTMENT VOLUME BY SECTOR 2018



PRIME YIELD 2018



FOCUS ON REAL ESTATE

rental income - VAT	Subject to 20 % VAT. Exception: renting for residential purposes is VAT exempt without the right of input VAT deduction (no option for VAT).
input VAT correction – property	Period for input VAT corrections: 10 years since the first use of property or 10 years since the completion of investments in property.
depreciation - real estate	Land: no depreciation. Buildings: 2.5 % (assessment base: acquisition price of the building).
current operating expenses	Generally the tenant bears the costs.
conclusion of the rental contract (rental for business purposes)	No statutory fees applicable.

ACQUISITION OF REAL ESTATE:

ASSET DEAL

property transfer tax Transfer with consideration (if transfers are not subject to VAT): Ownership of immovable property, rights of use over construction land, rent of construction land in public ownership for a period longer than 1 year or for an indefinite time period for the purpose of constructing buildings. Basis of assessment is the agreed sales price, which may be reassessed by the Tax Authorities if it is below the market level. Tax rate of 2.5 %.

interest on debt financing of acquisition Deductible under the same conditions as interest payable on other types of borrowing made in the course of business (considering restrictions in relation to intercompany loans).

SHARE DEAL

property transfer tax Not applicable.

interest on debt financing of acquisition Please see asset deal.

DISPOSAL OF REAL ESTATE:

ASSET DEAL

income tax Taxation of legal entities: 15 % CIT on capital gain in case the seller is a resident company (capital gains could be offset with capital losses). 20 % CIT on capital gain in case the seller is a non-resident company. Taxation of individual person: 15 % capital gain tax (paid by the seller of the real estate). A tax exemption and tax refund is possible (under certain circumstances).

transfer tax / VAT First transfer of buildings and economically separable units is subject to 20 % VAT. First transfer of residential buildings and economically separable units is subject to 10 % VAT. Second and every subsequent transfer of real estate can be either: subject to VAT, provided that both parties in the transaction agreed to apply VAT and the buyer is allowed to fully recover VAT charged on the transfer as input VAT or subject to 2.5 % transfer tax (unless VAT does not apply).

SHARE DEAL

income tax 15 % CIT on capital gain in case the seller is a resident company (capital gains could be offset with capital losses). A capital gain from the sale of a domestic company with real estate property in Serbia is not subject to tax in Serbia, if the DTT contains no real estate clause (country of residence of the vendor). Otherwise, 20 % CIT on capital gain in case the seller is a non-resident company.

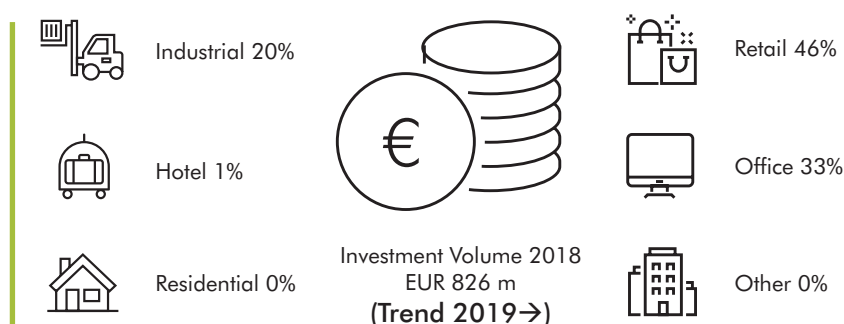
transfer tax / VAT Exempt from VAT (input VAT is not deductible).



REAL ESTATE INVESTMENT MARKET SLOVAKIA

The investment volume in 2018 caught up with the record volume of 2016 with a historically record number of 26 transactions in 2018. The most dominant sector was retail where three major regional A class shopping centres were transacted, followed by the office sector. The industrial sector was less dominant after a record industrial volume being transacted in 2017. In terms of demand the buyers remain mostly local with 2/3 of volume represented by Czech and Slovak real-estate funds and private investors. The outlook for 2019 remains positive and we estimate a volume worth EUR 1 billion to be transacted in 2019 thanks to larger transactions and strong investor appetite reflecting the very attractive yields offered in comparison with CEE neighbours. A spread of 100 - 150 bps over Czech and Polish yields persists mostly caused by the lower liquidity of the market. We expect new players on the market, particularly within the office segment, to play a key role thanks to vast new fully leased stock with attractive WAULTs exceeding 5 years. There is only limited space for further yield compression and we estimate yield stabilisation with further compression of max. 25 bps in the case of office and industrial yields.

INVESTMENT VOLUME BY SECTOR 2018



PRIME YIELD 2018



FOCUS ON REAL ESTATE

rental income - VAT

Renting of immovable property is VAT exempt. The lessor can opt for tax liability (VAT rate is 20%). If the lessor rents the immovable property exempt from VAT the input VAT cannot be claimed. Renting of accommodation facilities, renting of premises and sites for parking of vehicles, renting of permanently installed equipment and machinery are subject to a VAT rate of 20 % and cannot be exempt from VAT.

input VAT correction – property depreciation - real estate

The period for adjustment of input VAT is 20 years.

Land: No depreciation. The loss from sale of land is tax non-deductible.
Buildings: office buildings, hotels, museums, etc.: tax depreciation over 40 years. The loss from the sale of a building which is depreciated 40 years is tax non-deductible.
Factories, warehouses, engineering buildings: tax depreciation over 20 years; pre-fabricated buildings, etc.: tax depreciation over 12 years. In case immovable property is rented, tax depreciation is limited (limitation by the whole revenue from the rent, if revenues from rent are below yearly tax depreciation of the property).

current operating expenses

Normally the tenant bears the costs.

conclusion of the rental contract (rental for business purposes)

No statutory fees applicable.

ACQUISITION OF REAL ESTATE:

ASSET DEAL

property transfer tax & stamp duties No Property Transfer Tax.

interest on debt financing of acquisition Treated as tax deductible if the loan was used to acquire assets, which generate taxable income. In case of loans received from related parties, the thin-capitalisation rule applies, i.e. threshold for tax deductible interest is calculated as 25 % from EBITDA.

other aspects Subject to local development tax is a building construction in the municipality for which has been issued a valid building permission. The levy rate is in the amount of EUR 3 to EUR 35/m² of realized floor area (selected types of buildings are not subject to development tax).

SHARE DEAL

property transfer tax & stamp duties No Property Transfer Tax.

interest on debt financing of acquisition Treated as tax deductible at the time of further sale of shares under the condition the sale of shares will not be exempt from tax.

DISPOSAL OF REAL ESTATE:

ASSET DEAL

income tax The capital gain for companies is subject to a tax rate of 21 %. For private individuals the capital gain from sale of immovable property is exempt from income tax after 5 years from its acquisition or disposal from business property, otherwise a tax rate of 19 % / 25 % applies.

VAT Sale of buildings including building lots is VAT exempt if the sale takes place 5 years after:

- (i) the first commissioning approving use of the building, or 5 years after the start of the first use of the building, or
- (ii) the commissioning approving use of the building which approve the change of usage of building/change of conditions of usage of building, if the costs for works exceed 40 % of value of building before start of such works. In this case the seller cannot opt for tax liability.

The sale of land other than building lots is always VAT exempt (no option for VAT).

SHARE DEAL

income tax A capital gain from sale of interest in a Slovak company with real estate property in Slovakia is not subject to tax in Slovakia, if the applicable DTT contains no real estate clause and the right of taxation is assigned to the country of residence of the vendor (subject to 21 % CIT if real estate clause in DTT). Sale of interest in a Slovak company being a partnership: The direct sale of an ownership interest in a General partnership is legally not possible (usually retirement of a partner and entry of a new partner). The direct sale of an ownership interest in a Limited partnership is possible only by its limited partner. The capital gain resulting from the retirement of a general partner is subject to tax in Slovakia (21 % if the seller is a corporation).

VAT The sale of ownership interest is VAT exempt. No input VAT deduction.

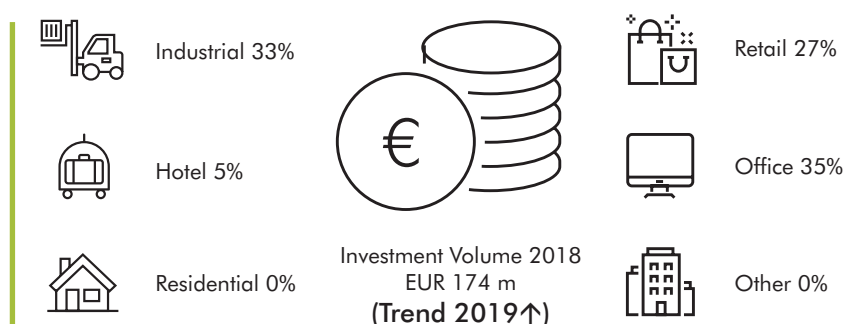


REAL ESTATE INVESTMENT MARKET SLOVENIA

Following a slowdown in 2017, the Slovenian investment market recorded strong results during 2018. Compared to previous years when the market was mainly driven by acquisitions of retail schemes, in 2018 investors shifted their focus towards office projects predominantly located in the capital, due to high occupancy rates and strong rental levels. Domestic investors dominated the market, either independently, or through joint ventures with foreign investors.

As the majority of the most attractive office schemes were subject to changes of ownership during 2018, investors are expected to shift their focus towards the retail segment, most notably retail parks. Retail schemes already promise to dominate the investment market in 2019, as evidenced by a large investment transaction involving ten retail assets which is expected to be closed at the beginning of the year.

INVESTMENT VOLUME BY SECTOR 2018



PRIME YIELD 2018



FOCUS ON REAL ESTATE

rental income - VAT	Renting of immovable property is VAT exempt. Both parties can jointly opt for tax liability (VAT rate of 22 %). Exception: Leasing of plant and machinery (22 %).
input VAT correction – property	The correction period for input VAT on real estate is 20 years.
depreciation - real estate	Land: No depreciation (extraordinary depreciation is possible). Buildings and other properties: 3 %; individual building units: 6 %. Depreciation over a shorter useful life is permitted for financial accounting purposes but not allowable for tax purposes.
current operating expenses	Normally the tenant bears the costs according to the contract.
conclusion of the rental contract (rental for business purposes)	The conclusion of the contract is not subject to any fee.

ACQUISITION OF REAL ESTATE:

ASSET DEAL

land transfer tax & fees The transfer of real estate is subject to a transfer tax of 2 % of the purchase price. Further subjects to Transfer Tax: finance leasing, granting of Building Law.

SHARE DEAL

land transfer tax & fees No transfer tax.

interest on debt financing of acquisition Interest on debt financing of acquisition of shares (in partnership and company) are tax deductible. There is an exemption in the year of profit distribution by 5 % of the distributed amount.

DISPOSAL OF REAL ESTATE:

ASSET DEAL

income tax The gain for a legal entity is subject to a tax rate of 19 % CIT. Sale by individual person: The tax rate is 25 %. For speculative gains the tax rate is reduced for each 5-years period the underlying asset is held. After 5 years the tax rate will be 15 %, after 10 years 10 % and after 15 years 5 %, so that the tax rate after 20 years will be zero.

VAT The sale of real estate is – except sale of building land – VAT exempt (input VAT is not deductible). The sale of real estate is subject to VAT if the sale was effected

- a) before the object or parts of the object were moved in for the first time or used or
- b) prior to the expiration of 2 years after the first-time occupancy of the object. An option for VAT (VAT rate of 22 %) of real estate sales is possible, if both contract parties (as entrepreneurs) are subject to VAT. The option for VAT should be made prior to the sale by joint declaration. In case of option for VAT the tax liability will be transferred to the recipient. VAT for residential property under social policy is 9.5 % for certain portions.

SHARE DEAL

income tax Capital gain by a local legal entity: As a general rule taxable (general corporate income tax rate). A reduction of the tax basis by 50 % for capital gains from the sale of business companies (corporations and partnerships) is possible (capital gains reduction). A minimum shareholding of 8 % and a 6 months' holding period are required. During the holding period the company must have had at least one full-time employee (40 hrs/week). The right of taxation in the event of sale of interest in property companies is assigned to the country in which the property is situated.

VAT Exempt from VAT.

ABOUT CBRE

»BUILD ON ADVANTAGE« is our principle. And many customers around the world trust in this. They benefit from our global network and know-how and also our local expertise. As a world leader in the area of commercial real estate, we offer a wide range of integrated services. Consultancy, leasing of office, commercial and retail space; management and expansion of shopping centers; project management, technical consultation and architecture; commercial real estate management and funding services; real estate valuation, sale and purchasing consultation; real estate market research, studies and analyses, maintenance and optimisation of property for owner occupiers. All from a single source!

CBRE has been active in Austria since 1991 and also looks after the CEE region from Vienna. Around 2500 members of staff advise property owners, investors, tenants and users about real estate. Our interdisciplinary team provides thorough services for projects and we are the only company in the market to offer an all-in-one solution in this field. Well-renowned customers rely on our integrity, high data security and many years of experience.

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ABOUT TPA

TPA was founded in Langenlois in 1979 and is today one of the leading tax advisory, accounting and audit companies in Austria. TPA employs approx. 650 enthusiastic and qualified people in twelve branches in Austria.

In addition to Austria, the TPA Group is active in ten other countries of Central and South-Eastern Europe: in Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia and Slovenia.

In total, the Group has more than 1,500 employees at 30 locations. The special competences of the TPA experts are, among other things, in the areas of labour, social and pension law, real estate, business start-ups, transformations of companies and successor models, as well as in the determination of the legal form.

Within the Baker Tilly International Network, the TPA Group and Baker Tilly in Germany form the Baker Tilly Europe Alliance. The Baker Tilly International Network includes 126 independent member firms with 746 offices in 145 countries and ranks among the "Top Ten" of the Advisory and Audit networks active across the world.

Whatever the request, TPA offers its clients a comprehensive service, reliability and creativity and delivers competent solutions promptly.

TPA's work is based on highly specialised qualifications, experience gained over many years and personal on-site support of its clients.

As a forward-looking service provider with great commitment, TPA considers itself as the partner of its clients and takes responsibility.

TPA produces comprehensible solutions and accompany its clients in their realisation.

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An independent member of Baker Tilly Europe Alliance

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Andreas joined CBRE in 1991 as Managing Director of the newly founded office in Austria. In this role, he has first established the Vienna office and later the CBRE network in Central and Eastern Europe. He manages and coordinates the offices in the region. Andreas has extensive real estate knowledge, particularly in the investment market. He combines this experience with a particular focus on every client's business needs.



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Gerald is a specialist for real estate taxation, real estate fund taxation and M&A transactions in real estate with many years of experience. He is also specialized in due diligence review, Group Taxation Regime and restructuring.

He advises national and international real estate companies.

OUR EXPERTISE

Our strength in providing efficient transnational advice is outstanding and impressive. Thanks to our strong local roots, we have been able to develop an in-depth understanding of the respective tax-based and also cultural peculiarities. We have been supporting our clients for

decades as they expand into new markets. When it comes to providing advice, it's not just that 'they do things differently' in other countries, but that there are different cultures, markets, laws, languages and much more to consider.



CBRE TPA 2019

