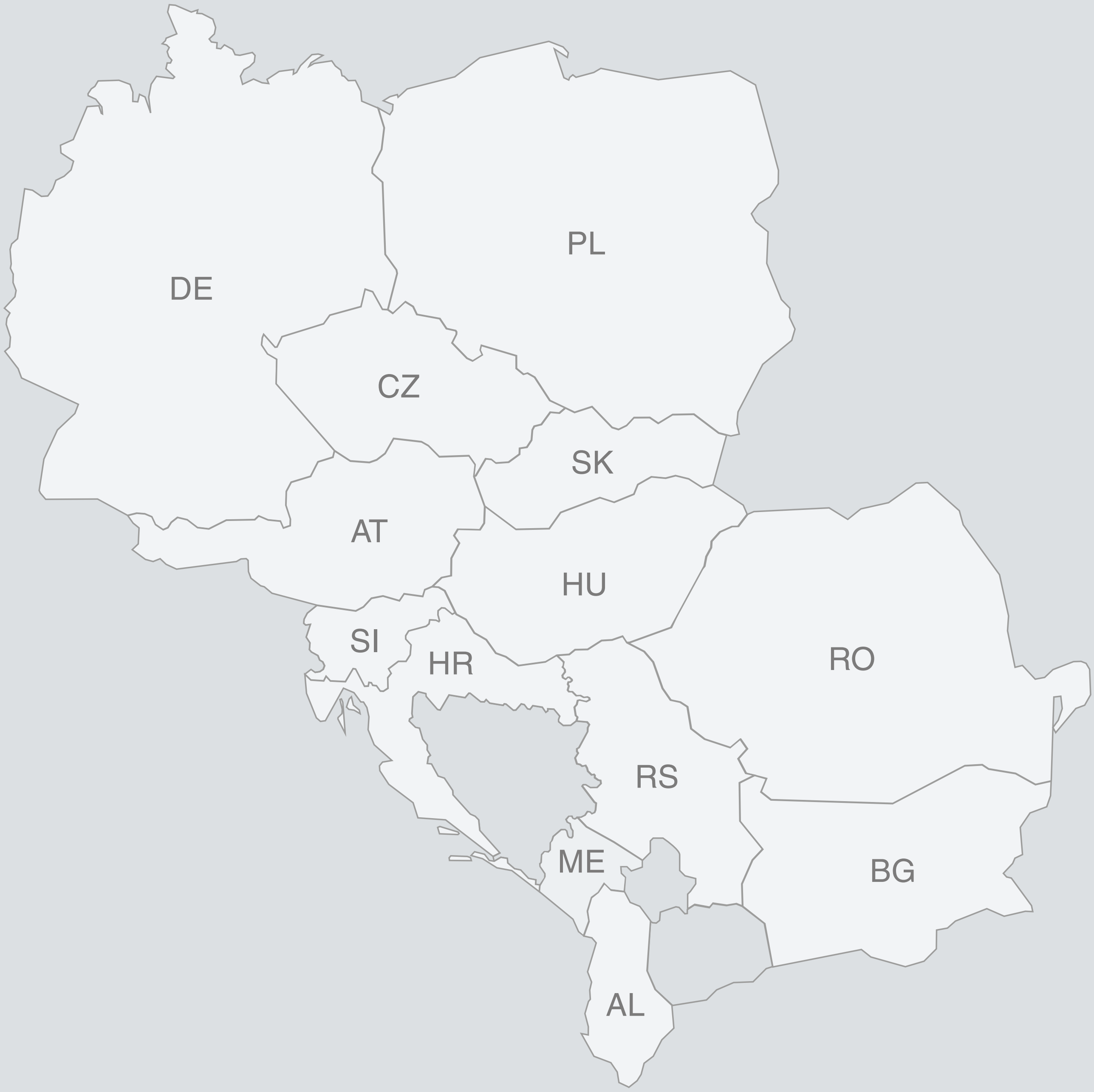
REAL ESTATE INVESTMENT

2021

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 over 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.



>>Please click on the country for further details<<

EXECUTIVE SUMMARY

Real estate as a form of investment has always been high in demand and, in addition, demand for real estate has increased steadily over the past few years. In particular, 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 investment portfolio. In an economic environment where interest rates are still very low and the returns from real estate investments are attractive in comparison to other investment opportunities, the rising interest in the latter is not surprising.

An assessment of the respective local real estate markets can sometimes be quite difficult. Every market is subject 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 2021 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 . This brochure can also act as a motivation to look at certain countries, which have not been on the radar for most institutional investors until now. In particular some smaller countries in the CEE region still offer very interesting returns and opportunities.

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

COVID-19: The COVID-19 crisis and the potential effects on the international economy are also in 2021 a challenge for real estate investors. Therefore, the brochure provides brief country-by-country information concerning COVID-19 tax-related relief measures. Please do have a close look into the online-brochure for updates (www.tpa-group.com/realestate-invest-cee).

COVID MEASURES

Albania:

The Albanian Government revealed certain first measures of their relief plan, e.g. up to 100 million USD sovereign guarantee for cash liquidity of companies reliant on bank loans for salary payments. Furthermore, businesses with a turnover of EUR 16,168 Euro – EUR 113,177 are allowed to postpone income tax payments to the second half of 2020. The Central Bank of Albania says that companies in financial distress may delay loan payment for three months without penalties. In addition, starting from January 1st, 2021 the minimal salary in Albania was increased to EUR 243 (previously EUR 210 / month).

Austria:

The Austrian National Council passed further tax relief measures to mitigate the effects of COVID-19. Under the 2nd COVID-19 Tax Measures Act, e.g., deferrals of taxes are „automatically" extended by law until June 30th, 2021 (previously March 31st, 2021). Furthermore, no late payment surcharges are payable between March 15th, 2020 and June 30th, 2021 (previously March 31st, 2021). However, no deferral interest shall be set until the end of June 2021. From July 1st, 2021 to June 30th, 2024 the deferral interest is 2 % above the applicable base interest rate.

Outstanding tax amounts can be repaid in 2 phases within the framework of a new instalment payment concept. Due to the extension of the tax deferrals, the instalment payment concept 2.0 will now also be postponed by 3 months. At least there are several programs to promote trade and industry.

Bulgaria:

In relation to the COVID-19 crisis, the Bulgarian Parliament adopted changes of the reporting deadlines in connection with Corporate Income Tax (permanent amendments):

The annual Corporate Tax Return shall be filed within the period March 1st to June 30th. The deadline for payment of the corporate tax due for the precedent year has been extended from March 31st to June 30th of the following year.

The deadline for payment of the tax on expenses (e.g. tax on private use of corporate assets, entertainment, etc.) has been also extended to June 30th.

The deadlines for filing of yearly financial statements of all traders under the meaning of the Commerce Act, non-profit legal entities, as well as any other enterprises, have been extended permanently from June 30th to September 30th of the following year.

Croatia:

Entrepreneurs whose employment suspension measure was extended by the decision of the Civil Protection Headquarters of the Republic of Croatia of January 8th, 2021 and whose income / receipts decreased by at least 60 % in January 2021 compared to January 2020 are entitled to compensation for all or part of fixed costs for January 2021. Likewise, entrepreneurs who started operating in 2020 are entitled to reimbursement of fixed costs if their decline in income / receipts in January 2021 compared to November 2020 was at least 60 %. Entrepreneurs submit a request for reimbursement of part or all of the fixed costs for January 2021 to the Ministry of Finance, Tax Administration. Also, an extension of the measures is expected.

Czech Republic:

As a result of the COVID-19 pandemic and its economic consequences, the Czech Government has introduced a few measures to support companies and individuals from the tax perspective: extraordinary tax depreciation (the possibility to depreciate specific assets in 1/2 years instead of 3/5), tax loss carryback (two years back), repeal of sanctions and penalties for late tax filings and tax payments for various taxes/periods, substantial reduction of the effective payroll tax rate and the abolishment of real estate acquisition tax (e.g., the Czech property transfer tax).

Germany:

The Ministry of Finance proclaimed measures to mitigate the effects of COVID-19 for taxpayers, e.g., reduction and repayment of tax prepayments for private individuals and companies and tax loss carry backs in 2020. Tax prepayments may be repaid or reduced upon request and late payment penalties may be reduced or waived upon request. For late payment surcharges due by March 31st, 2021, a deferral of enforcement is granted until June 30th, 2021 and an installment agreement is even possible until December 31st, 2021. Tax authorities may also defer taxes if their collection leads to significant hardship. In addition, an application can be made to reduce the trade tax assessment amount. It has to be mentioned that taxes that have already been filed, assessed or paid cannot be refunded through a deferral request. Furthermore, special prepayment for the extension of the permanent deadline for VAT 2021 (so called 1/11th) can be reduced or refunded. The filing deadline for tax declarations 2019 has been postponed to August 31st, 2021.

Hungary:

The Hungarian government decided on immediate first actions to moderate the impact of the COVID-19 pandemic on the national economy. This includes a deferral of payment regarding principal debt, interest and fees, for instance. These provisions shall apply to loans already granted on March 24th, 2020. For business entities operating in the sectors most affected by the pandemic tax incentives and exemptions are available (social contribution tax, vocational training contribution, rehabilitation contribution), as well as a wage subsidy.

Montenegro:

The Government of Montenegro has already implemented three packages of measures to support the economy and citizens affected by COVID-19 in 2020. A new package of measures was adopted in the first quarter of 2021.

Support to the economy includes, e.g. wage subsidies, postponement and rescheduling of income taxes and contributions, support for new employment, one - time business support for establishing an electronic fiscalization system, increase of the turnover limit from EUR 18,000 to EUR 30,000 as a condition for mandatory VAT registration, cost reduction for renting state-owned space, additional support measures for tourism and catering as well as for agriculture and fisheries.

Poland:

In 2020 Poland implemented regulations regarding measures to combat the negative effects of the coronavirus pandemic. The main objective of the so-called „Anti-crisis shield“ was to support the Polish economy by maintaining business liquidity and protecting employment. The Anti-Crisis Shield in its different versions provides, e.g. exemptions from social security contributions, wage subsidies, payment for demurrage to contractors and self-employed, abolition of the extension fee (charged when granting tax reliefs and deferrals of taxes and social security contributions), a continuation of the exemption from the obligation to pay the minimum CIT (income tax on commercial real estate) or the extension of the statutory deadlines and the possibility of retroactive settlement of tax losses also in 2021 until the epidemic status in Poland is resolved.

Romania:

A series of measures aimed to support the business community during the COVID-19 pandemic were introduced, e.g., incentives for cases of temporary interruption or reduction of companies activity, the extension of deadlines for the implementation of state-debt restructuring, the cancellation of ancillary tax liabilities is valid up to the end of March 2021, risk analysis for VAT registration purposes is now carried out after registration, the simplification of the procedure for the rescheduling of tax obligations due after March 16th, 2020.

Serbia:

In April 2020, the government published The Regulation on Fiscal Benefits and Direct Payments to Private Sector and Monetary Support to Citizens to mitigate the Economic Consequences of COVID-19. One of the main provision of the Regulation is, e.g., the deferral of salary tax payment and social contributions for three months. The obligation to pay taxes and social contributions is deferred until January 4th, 2021, but the payment of accumulated liabilities can be further postponed for up to 24 months without payment of interest. Furthermore, another provision is the deferral of advance payments for corporate income tax for the 2nd quarter of 2020. The liability is deferred until the submission of the final corporate income tax return for 2020 (payment of accumulated liabilities can be further postponed for up to 24 months, without payment of interest).

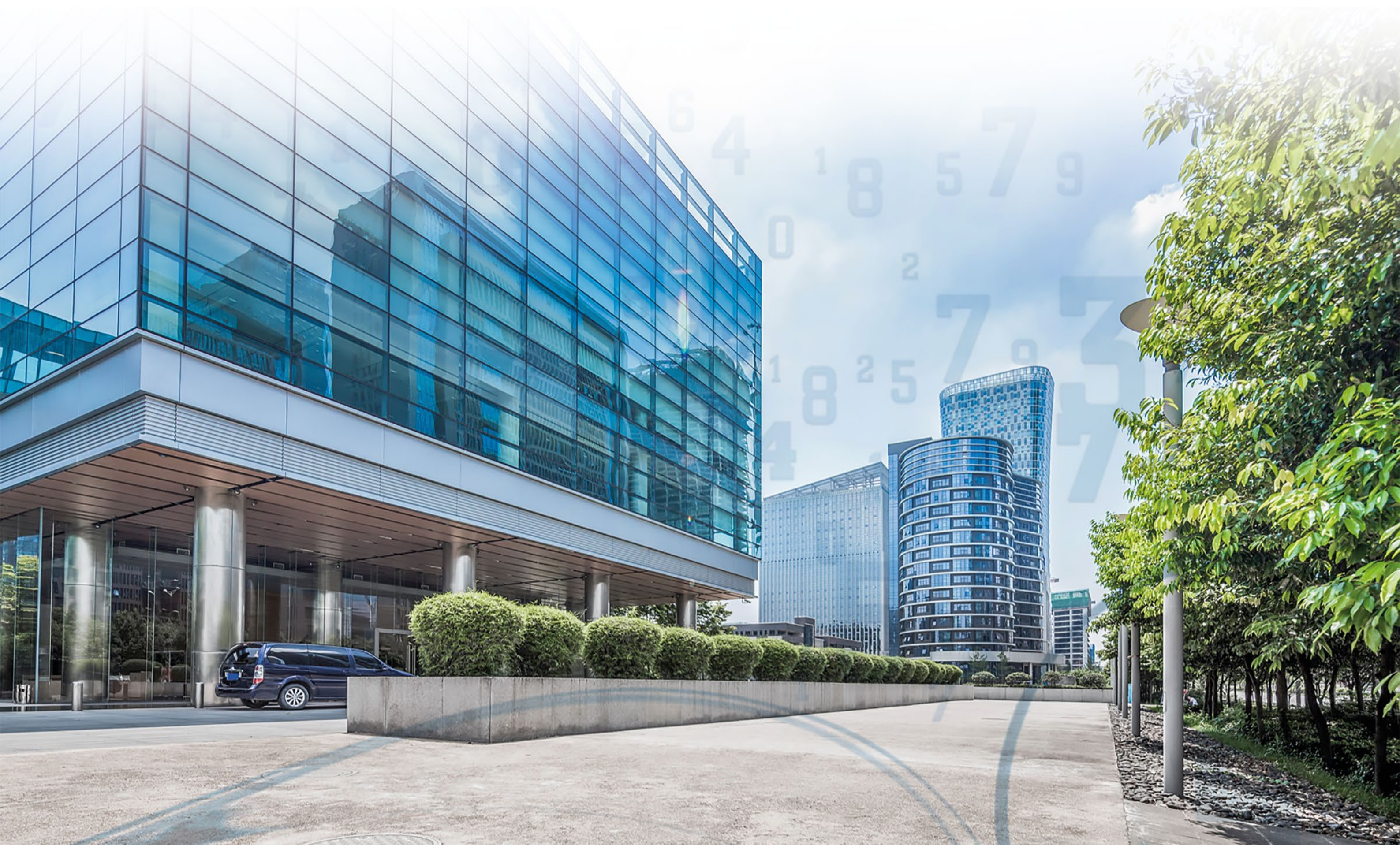
The Central Bank also adopted decisions on temporary measures for the purpose of adequate credit risk management towards banks and financial lease providers. The incentives provided refer to the reprogramming and refinancing of loans and liabilities from financial leasing, with the approval of a grace period of six months and a corresponding extension of the repayment period for all debtors (individuals and legal entities) who meet certain conditions.

Slovakia:

The Slovak National Council introduced emergency measures due to the COVID-19 pandemic in the areas of finance, employment legislation and social security in order to limit the negative impact on business. Current measures include, e.g. postponement of deadline for submission of return for real estate and local taxes, reduction in the annual interest rate on deferred tax and tax paid in instalments from 10 % to 3 %, possibility to allow deferral or payment of tax in instalments (also retroactively), waiver of late payment interest in case the tax that was due in the period from March 12th, 2020 until December 31st, 2020 and will be settled until June 30th, 2021. In addition, various state subsidy schemes were introduced, e.g. compensation of certain wage costs, rent subsidy, etc.

Slovenia:

Several laws were already passed in connection with COVID-19 with the aim of economy support. As part of the tax law measures and the Measures Act, numerous legal provisions changed, e.g. postponement of deadlines for filing tax returns, postponement of the deadlines for the publication of financial statements (postponement for 2019 in 2020; the deadlines in 2021 are not postponed yet), deferral and payment in instalments (for advance tax payments, withholding taxes, VAT). Deferrals of payments under the loan repayment measures can (among others) be applied by companies, which are part of the law on business companies (e.g. d.o.o., d.d.), Slovenian sole traders and also natural persons with their main residence in Slovenia. While for large companies the prerequisite for deferring payment is that they are threatened to go into bankruptcy, for all other applicants it is sufficient that they are unable to meet the payment obligations.



ALBANIA

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REAL ESTATE INVESTMENT MARKET ALBANIA

The historically strong economic growth in Albania slowed down in 2019, before being significantly affected by the recent pandemic and the strict containment measures implemented by the Albanian government. Nonetheless, a strong rebound is expected in the following year, mostly through electricity, tourism and construction. In addition, during the pandemic, the EU council opened accession talks with Albania, sending positive signals to the market.

During the year, the investment market in the country continued to stagnate and there were no notable large-scale transactions. Further improvement of the investment market will mostly remain reliant on the recovery of overall economic indicators and market sentiment and the continuation of government reforms, as well as an increase in construction activity and improvement in the supply of quality real estate products.

INVESTMENT VOLUME BY SECTOR 2018-2020

Industrial & Logistics	0.0%
Hotel	100.0%
Residential	0.0%
Retail	0.0%
Office	0.0%
Other	0.0%

total
€ 30 m

Investment Volume
2018-2020
EUR 30 m*

*Limited data availability for Albania.

PRIME YIELD 2020

Office	9.25%
Shopping Center	9.50%
Industrial & Logistics	10.50%
Hotel (management contract)	10.50%

GENERAL TAX INFORMATION

- The corporate income tax rate amounts to 15 % for taxpayers with an annual turnover exceeding ALL 14 million (approx. EUR 113,177). Starting from January 1st, 2021 the tax rate for the simplified corporate income tax is reduced to 0 % for small businesses with annual turnover up to 113,177 USD. 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.). An alternative legal form is the partnership (general partnership, limited partnership), which is treated as non-transparent for tax purposes (subject to profit tax at the partnership level, the partners' profit shares are subject to withholding tax).
- The EU-ATAD I & II have not been implemented and are 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 of them. The implementation of the MLI is not yet planned.
- The DAC-6 Directive is not applicable in Albania.

FOCUS ON REAL ESTATE

Rental income – VAT	▪ The supply and rent of land and buildings is VAT-exempt. However, the lessor has the option for taxation under certain circumstances. ▪ If the purpose of a supply (goods/services) is partly appropriated for taxable supplies and partly for exempt supplies, the taxable person may not deduct input VAT in full. This 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 residual value of real estate and other structures at the beginning of the tax period is lower than 3 % of the historical cost and/or lower than 10 % of the historical cost, the residual or net book value of such assets is considered as a tax-deductible expense in that tax period.
Current operating expenses	▪ Normally the tenant bears the costs.

ACQUISITION OF REAL ESTATE

Asset Deal

Tax on transfer of ownership rights

- The transfer of the ownership title to real estate property is subject to transfer tax (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 amounts to 2 % of the sales price. The tax rate for housing constructions (not destined for touristic, industrial or public use) varies from 4 % to 8 % of the selling price per square meter based on the reference prices provided by a Council of Ministers' decision.
- Infrastructure projects are additionally subject to a tax on infrastructure impact (tax rate of 0.1 % of the investment's value, but not less than the cost of the rehabilitation of the damaged infrastructure if such costs are not included in the investment projects).

Share Deal

Tax on transfer of ownership rights

- Not applicable.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- Capital gains realized are the difference between the sales value and the tax book value of the land or building. A tax rate of 15 % is applicable (to individuals and companies).
- If an individual passes ownership for the second time, the difference between the sales value and the purchase value specified in the previous contract (tax book value) is used for purposes of calculating the capital gain.

VAT

- The sale of land and buildings (except for the construction process) is VAT-exempt, but an option for VAT can be exercised if certain requirements are met.
- A deduction of input VAT is not possible (exception: exercise of the VAT option).

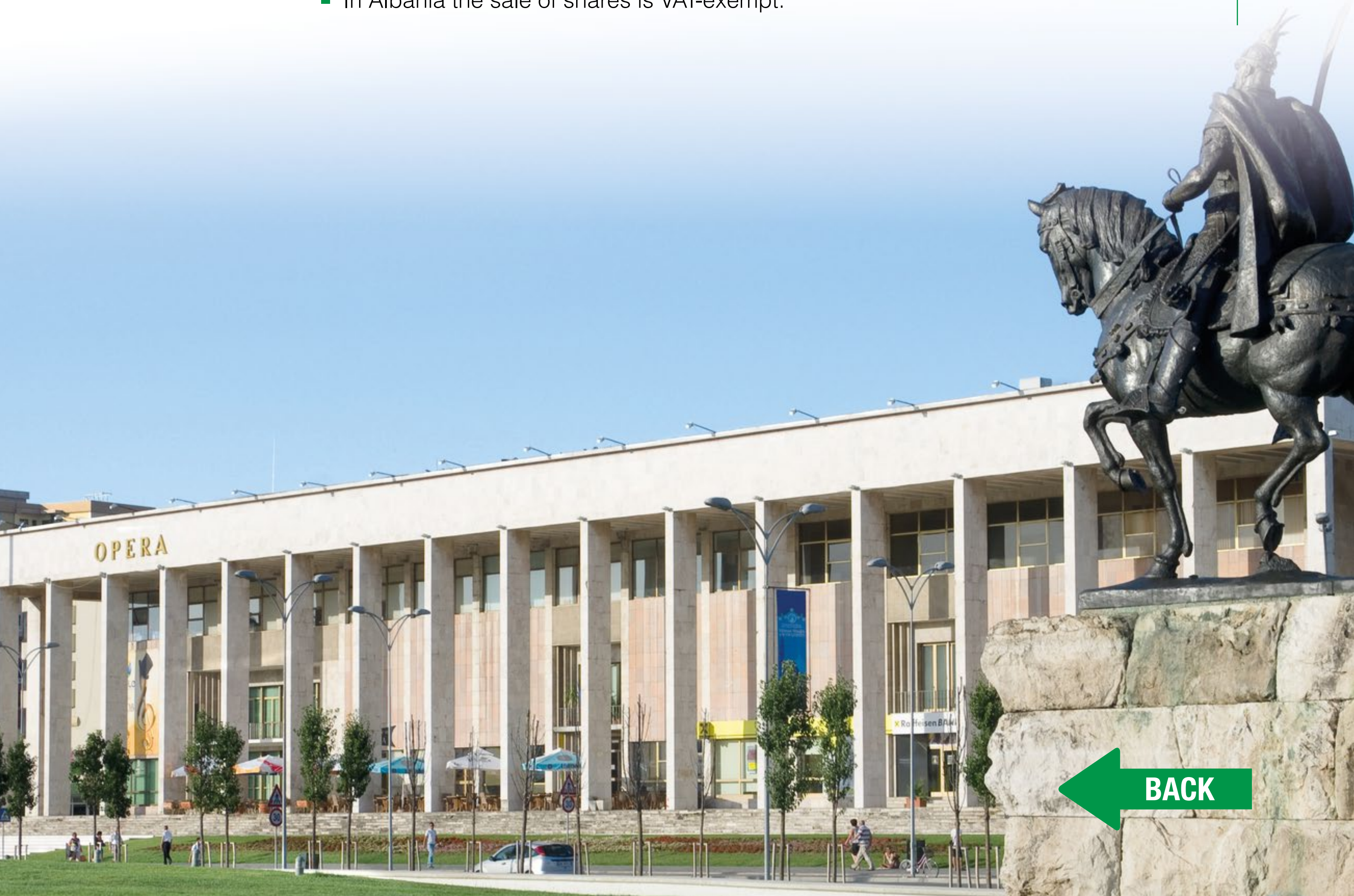
Share Deal

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 the liquidation of companies.
- The tax base is equal to the following:
  - Shares / capital participation quotas: Difference between the sales value of the shares and the nominal value or the purchase value (tax book value).
- 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

- In Albania the sale of shares is VAT-exempt.



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AUSTRIA

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REAL ESTATE INVESTMENT MARKET AUSTRIA

The institutional investment volume in Austria amounted to around EUR 3.25bn in 2020. In comparison to the previous year, this means a decline in transaction volume of around 48 %. Especially in the hotel and retail sectors, which were hit particularly hard by the Coronavirus crisis, hardly any transactions took place and yields rose heavily in the course of the year. Another factor that has led to the decline in investment activity is the limited supply of investment-ready product, as sellers were cautious about completely abandoning the widely adopted wait-and-see approach. Residential properties were the most popular asset class with a share of around 37 %, followed by office sector with around 33 % and industrial and logistics properties with around 14 %. Compared to retail or hotel properties, these asset classes continued to be more crisis-resistant as the year progressed.

Yields in Austria were seen to be relatively stable in comparison to other European markets. Particularly noteworthy here is the development of the prime yield for logistics properties, which has decreased by 40bsp compared to 2019. Office and residential properties also saw a further, albeit more moderate, decline in prime yields to around 3.35 % and 3.00 % respectively. The retail and hotel sectors, were hit particularly hard by the COVID-19 related restrictions, which has led to a significant rise in prime yields. Austria remains a popular investment location and investor demand remains high. However, a strong increase in the total volume is not expected for 2021, primarily due to limited completion of new office buildings.

INVESTMENT VOLUME BY SECTOR 2020

total
€ 3.3 bn

Sector	Share
Industrial & Logistics	13.9%
Hotel	2.5%
Residential	36.6%
Retail	5.6%
Office	33.2%
Other	8.2%

Investment Volume 2020
EUR 3.3 bn

PRIME YIELD 2020

Sector	Prime yield
Office	3.35%
Shopping Center	4.60%
Industrial & Logistics	4.40%
Hotel (lease contract)	4.25%

GENERAL TAX INFORMATION

- The corporate income tax rate amounts to 25 %. The marginal rate of tax is 50 % for individual persons (if the income exceeds EUR 90,000) or 55 % until 2025 (if the income exceeds EUR 1 million; as of 2025: 50 %).
- In Austria the preferred local legal form is the corporation (GmbH or AG), which is treated as non-transparent for tax purposes. 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-ATAD I is fully implemented. Although the Austrian tax law provides constraints regarding interest deductibility, the European Commission encouraged Austria to implement a general interest barrier. The new interest barrier came into force on January 1st, 2021 and is applicable for financial years beginning after December 31st, 2020. According to this rule, interest expenses exceeding interest income (net interest expenses) can be deducted only up to an amount of 30 % of the tax-adjusted EBITDA. This provision applies to domestic companies as well as to foreign companies (limited tax liability) due to a permanent establishment in Austria (not covered, e.g., real estate companies with only property but no permanent establishment in Austria). In order to implement EU-ATAD II into Austrian domestic law, a special regulation for reverse hybrid mismatches will be applicable as of January 1st, 2022 (not implemented yet).
- A special group taxation regime for corporate entities exists. Moreover, Austria has an extensive network of double taxation treaties. Real estate clauses are not included in all double taxation treaties. The MLI entered into force on July 1st, 2018.
- On September 19th, 2019 the “EU Reporting Obligation Act” (“EU-Meldepflichtgesetz”) was approved by the National Council. The “EU Reporting Obligation Act” implements the DAC-6 Directive into national law. The national implementation entered into force on July 1st, 2020. Relevant cross-border arrangements must already be monitored for the period starting as of June 25th, 2018 (start of reporting was in October 1st, 2020).

FOCUS ON REAL ESTATE

Rental income – VAT

- Rentals for business purposes are tax exempt without refund of input VAT. Exercising the option for VAT is possible if the tenant uses the real estate almost exclusively for supplies which qualify for input VAT deduction.
- If an option for VAT is exercised, the statutory VAT rate of 20 % is applicable. In this case, the deduction of input VAT is possible.
- Rentals for residential purposes are subject to 10 % 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. For buildings acquired or constructed after June 30th, 2020 an accelerated depreciation is provided in the first two years of depreciation:
  - In the first year 7.5 % and in the second year 5.0 % for business purposes;
  - in the first year 4.5 % and in the second year 3.0 % for residential purposes.
- Allocation to land and buildings: In general according to purchase price.

Current operating expenses

- Normally the tenant bears the costs.

VAT – input VAT correction	■ 20 years (for every year of change of the property's usage for VAT purposes 1/20 of the input VAT already claimed).
Conclusion of the rental contract (rental for business purposes)	■ Subject to a fee of 1 % of a specially calculated assessment base (a combination of the rental fee and the duration of the rental contract). ■ Normally the tenant bears the costs.

ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax & stamp duties

- Transactions resulting in transfer of ownership of land in Austria (or of rights to use land) are subject to 3.5 % real estate transfer tax of the consideration of the transaction (=purchase price incl. VAT [if purchased incl. VAT]).
- Furthermore, 1.1 % land registration fee is applicable (assessment base: Please see real estate transfer tax).

Interest on debt financing of acquisitions

- Interest on debt is deductible (special regulations on interest deductibility apply).

Share Deal

Real estate transfer tax & stamp duties

- Real estate transfer tax is avoidable. However, the risk of a consolidation of shares exists under certain conditions. In this case: 0.5 % real estate transfer tax of the land value (the value of the land is determined by the market value respectively lump sum calculation).
- No land registration fee.

Interest on debt financing of acquisitions

- Interest on debt financing of the acquisition of shares (in a partnership and company) is deductible under certain conditions.
- No land registration fee.

Other aspects

- A special group taxation regime for corporate entities exists.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- The capital gain for companies (limited or unlimited liability to tax) is subject to 25 % CIT.
- As the partnership itself is not the subject of taxation but the individual partner, capital gains of asset deals are subject of taxation on partner`s level.
- A sale by private persons is subject to 30 % real estate income tax (with exceptions).

VAT

- The sale of real estate is basically VAT-exempt (no input VAT deduction; input VAT correction is possible).
- However, the vendor can exercise the option for VAT (a VAT rate of 20 % applies; no input VAT correction in this case).

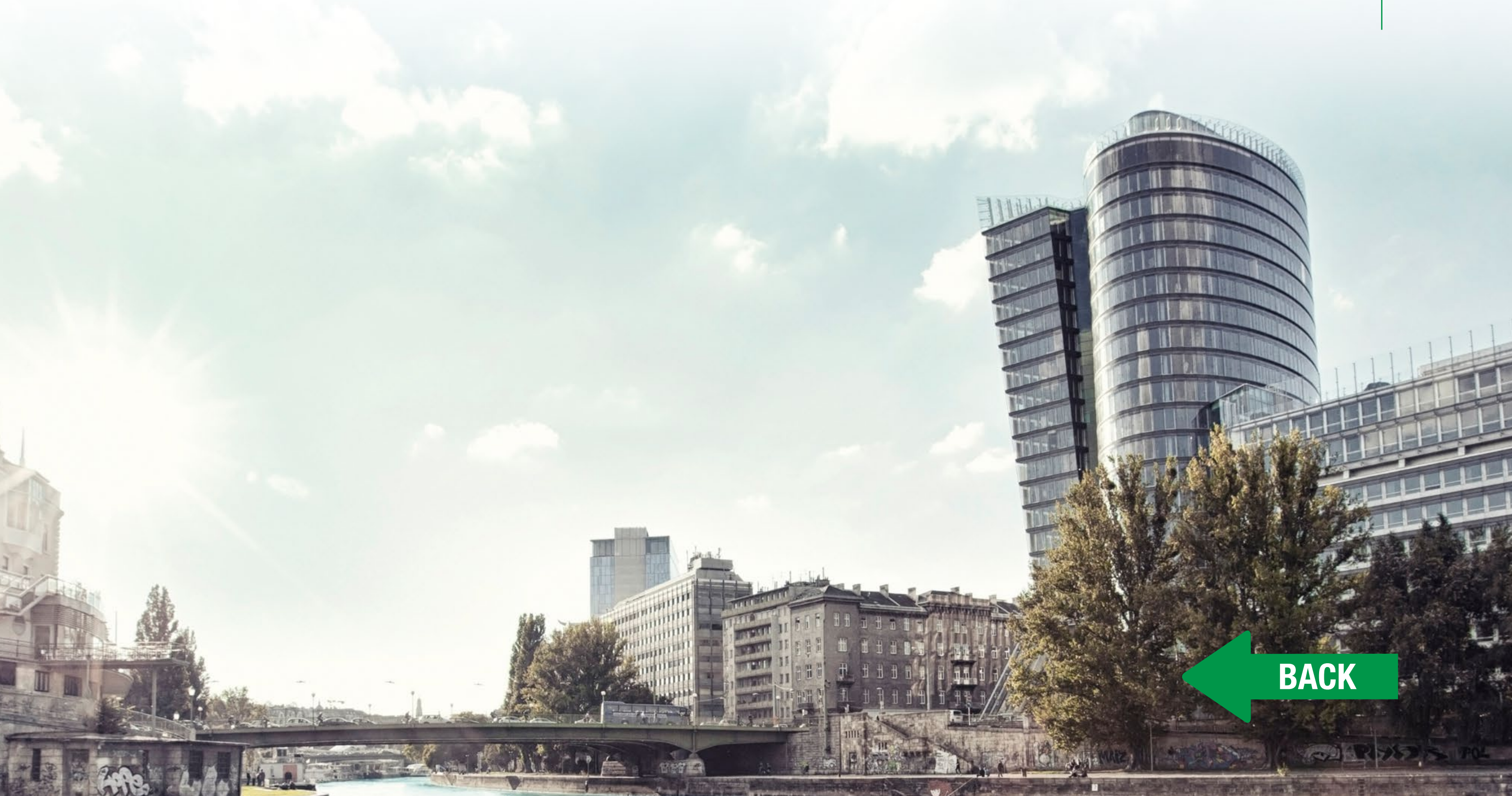
Share Deal

Income tax

- A capital gain from the sale of a domestic limited liability company (GmbH) with real estate property in Austria is not subject to tax in Austria if the double taxation treaty does not contain a real estate clause (country of the vendor’s residence is awarded the taxation right).
- Capital gain from the sale of shares in a domestic partnership: Please see the information on asset deals above.

VAT

- The sale of shares is VAT-exempt in Austria (in general, input VAT on related costs is non-deductible).



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BULGARIA

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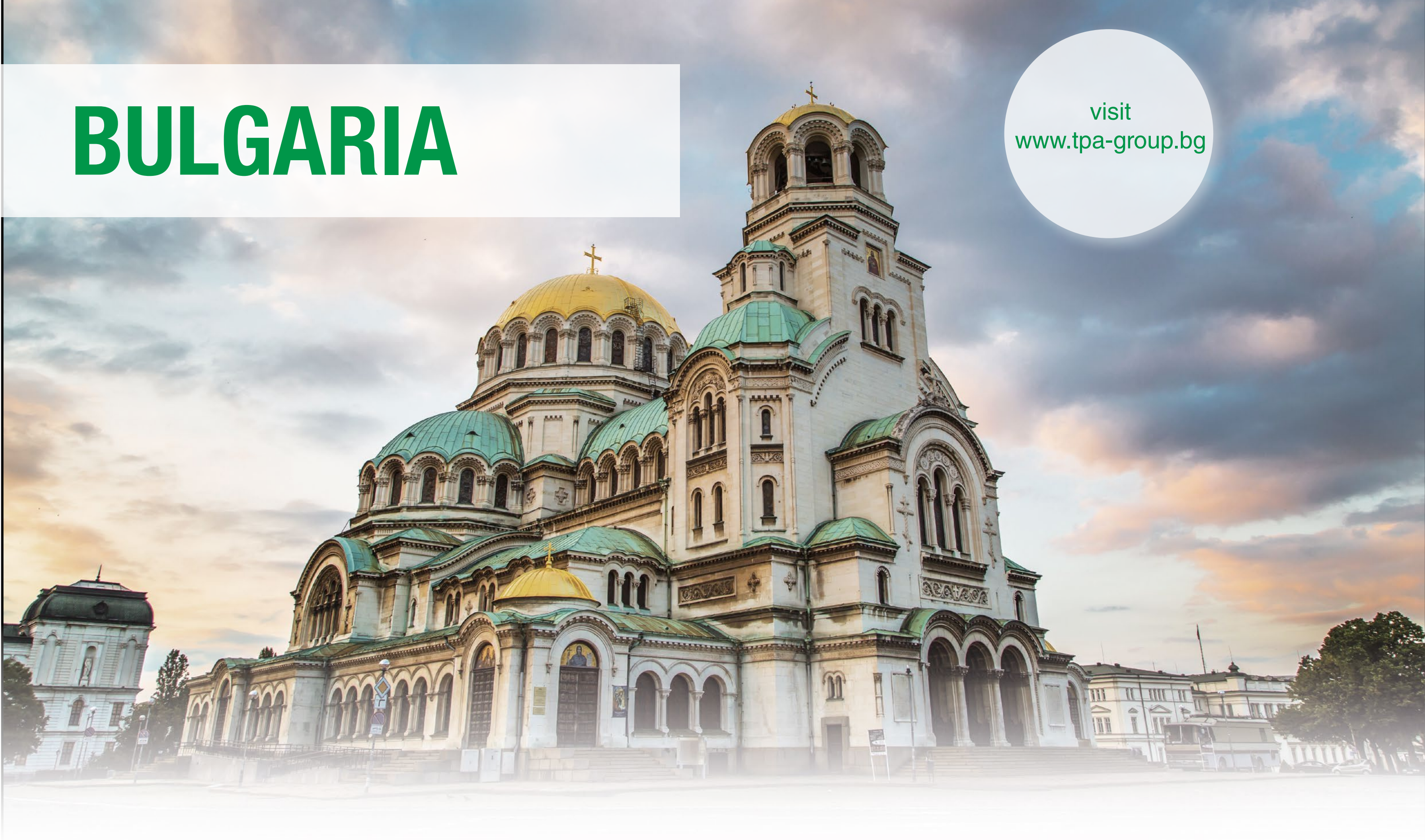


REAL ESTATE INVESTMENT MARKET BULGARIA

During the previous years, Bulgaria has been an important investment destination of the region, due to the continuously strong construction activity in the country and an increasing offer of quality investment grade properties. In 2020, investment levels remained at a similar level as the one recorded in the previous year, with mixed use properties accounting for the majority share, followed by office, which has been the fastest growing segment in the country. The highest share of the overall investment volume during the year was attributed to the share acquisition in cross country GTC portfolio, including one major office and one mixed use project in Sofia.

Having in mind the growing supply and vast investment opportunities, along with the normalization of activities and return to the offices, investor interest is expected to intensify towards the office segment, including the growing industrial market.

INVESTMENT VOLUME BY SECTOR 2020

Industrial & Logistics	0.0%
Hotel	0.0%
Residential	0.0%
Retail	8.6%
Office	34.2%
Mixed-use	57.2%

total
€ 139 m

Investment Volume 2020
EUR 139 m

PRIME YIELD 2020

Office	7.75%
Shopping Center	7.25%
Industrial & Logistics	9.00%
Hotel (management contract)	8.25%

GENERAL TAX INFORMATION

- 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 non-transparent for tax purposes and is subject to 10 % CIT. Transparent legal forms of organizations are not recognized by Bulgarian tax law, e.g. partnerships are considered as tax non-transparent.
- As of January 1st, 2019, a new interest limitation rule as well as special rules for controlled foreign companies (CFC) are applicable, which implement the EU-ATAD I. At the same time, Bulgaria has preserved the thin capitalization rule. As such, the deduction of interest expenses (net borrowing costs) is limited to 30 % of the tax-adjusted EBITDA if the taxpayer's borrowing costs are higher than the BGN equivalent of EUR 3 million.
- The Bulgarian tax law provides no special group taxation regime.
- Furthermore, Bulgaria has an extensive network of double taxation treaties. Real estate clauses are included in some of them. The MLI was signed on June 7th, 2017 (not yet in force). The MLI partially modifies the tax treaty between Bulgaria and Austria.
- The national law for the implementation of DAC-6 Directive was published on December 31st, 2019 in the Official Gazette (start of reporting in July 1st, 2020). Reports will retrospectively cover relevant arrangements between June 25th, 2018 and July 1st, 2020.

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 of the property's usage for VAT purposes 1/20 of the input VAT already claimed).
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 usage. ■ Retroactive adjustment of depreciation expenses in case of mixed use based on the actual ratio of the usage.
Current operating expenses	■ Normally the tenant bears the costs.
Conclusion of rental contracts (rental for business purposes)	■ No statutory fees are applicable.

ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax

- The sale or exchange of immovable property is subject to a transfer tax. The real estate transfer tax rate varies from 0.1 % to 3 % (depending on the relevant municipality). The assessment base of the real estate transfer tax is the sales price or the “tax value” (if the “tax value” is higher than the sales price).

Interest on debt financing of acquisitions

- The interest is tax-deductible according to the general rules of the CIT-Act (thin-capitalization regulations are applicable).

Share Deal

Real estate transfer tax

- A real estate transfer tax is not applicable.

Interest on debt financing of acquisitions

- Interest is tax-deductible according to the general rules of the CIT-Act (thin-capitalization regulations are applicable as well as a limitation of the net borrowing costs). The definition of “borrowing costs” is aligned with the relevant provisions of the EU-ATAD.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- The capital gain of companies is subject to a CIT rate of 10 %, whereas a sale by private persons is subject to 10 % income tax (with exceptions). Gains on the disposal of two immovable property per year are exempt if the immovable property has been owned for more than 5 years.

VAT

- The sale of real estate is basically subject to 20 % VAT. Furthermore, exceptions for the sale of non-regulated land and old real estate (over 60 months) are applicable.
- A retroactive VAT adjustment is applicable if the purpose of use of the real estate (e.g. from business to private use) changes, a disposal without VAT credit (e.g. donation) or a non-VAT-able sale of the property is effected. The adjustment can be applied up to 20 years as of the year of the acquisition.

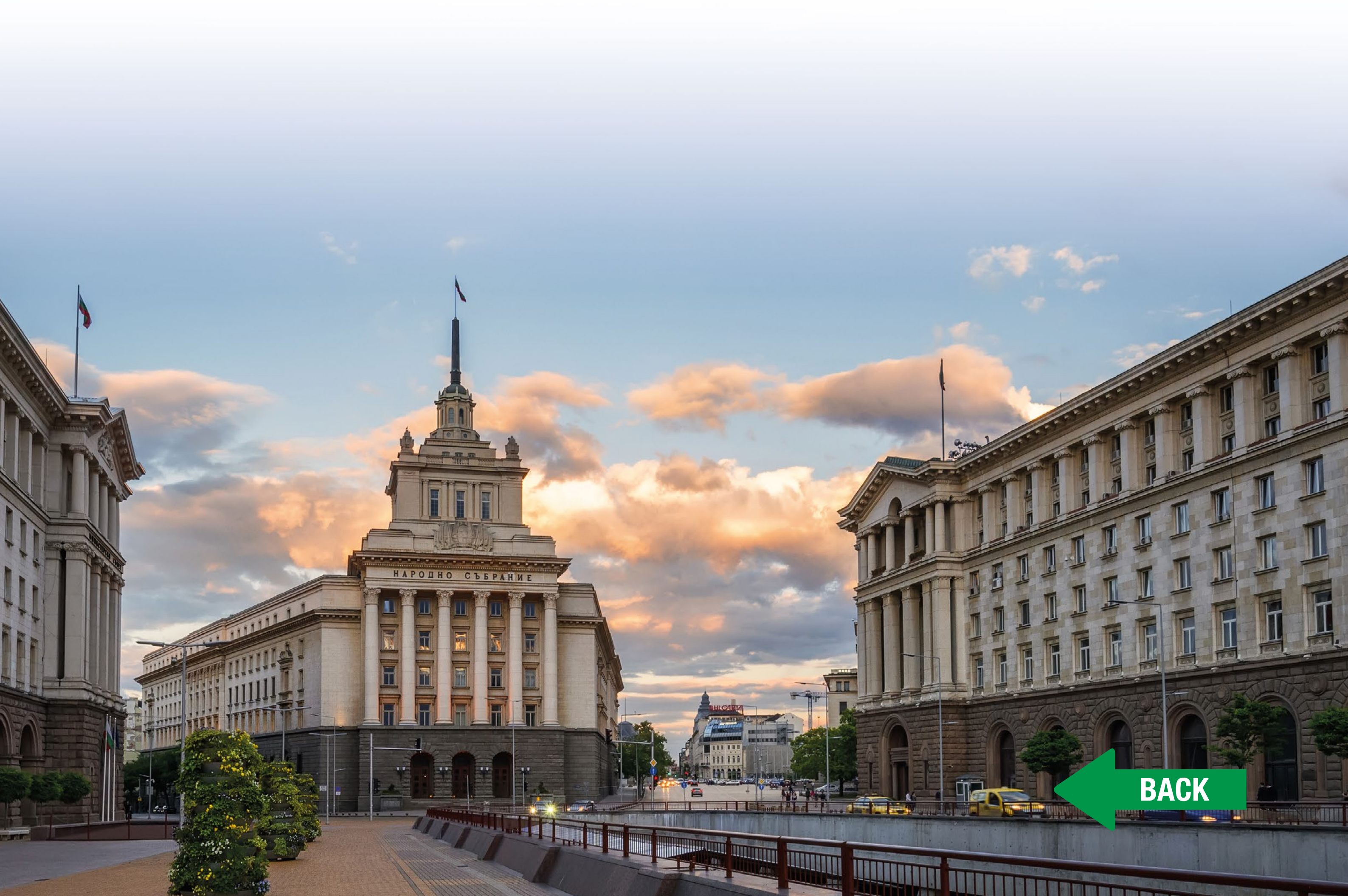
Share Deal

Income tax

- A capital gain from the sale of a domestic company (LTD, JSC) or a partnership with real estate in Bulgaria is subject to 10 % CIT in Bulgaria if the double taxation treaty does not provide a different treatment. A national exemption applies only to the gains from the sale of shares on a regulated market - stock exchange (for publicly traded companies).

VAT

- In Bulgaria VAT is not applicable to the sale of shares.



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CROATIA

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REAL ESTATE INVESTMENT MARKET CROATIA

While the ongoing pandemic significantly affected the Croatian economy due to the country's reliance on tourism, the investment volumes remained solid during 2020, noting an increase compared to the year before. Investments were largely distributed among the office, retail and mixed real estate segments, with retail accounting for the highest share of activity mostly due to a retail portfolio transaction by LCN which acquired five standalone properties throughout the country. Among the larger transactions in the office segment were the Matrix office building which was part of a large GTC portfolio share acquisition and Zagreb Tower which was acquired by S Immo.

In addition, following a period of stagnation, the logistics market in the country improved its investment volume with a notable transaction by Croatia's AZ pension funds, which acquired a distribution warehouse in Zagreb. With its resilience and improving pipeline, the logistics market is expected to draw more attention from both local and international investors.

INVESTMENT VOLUME BY SECTOR 2020

Industrial & Logistics	9.0%
Hotel	3.4%
Residential	0.0%
Retail	35.0%
Office	25.2%
Mixed-use	27.4%

total € 234 m

Investment Volume 2020
EUR 234 m

PRIME YIELD 2020

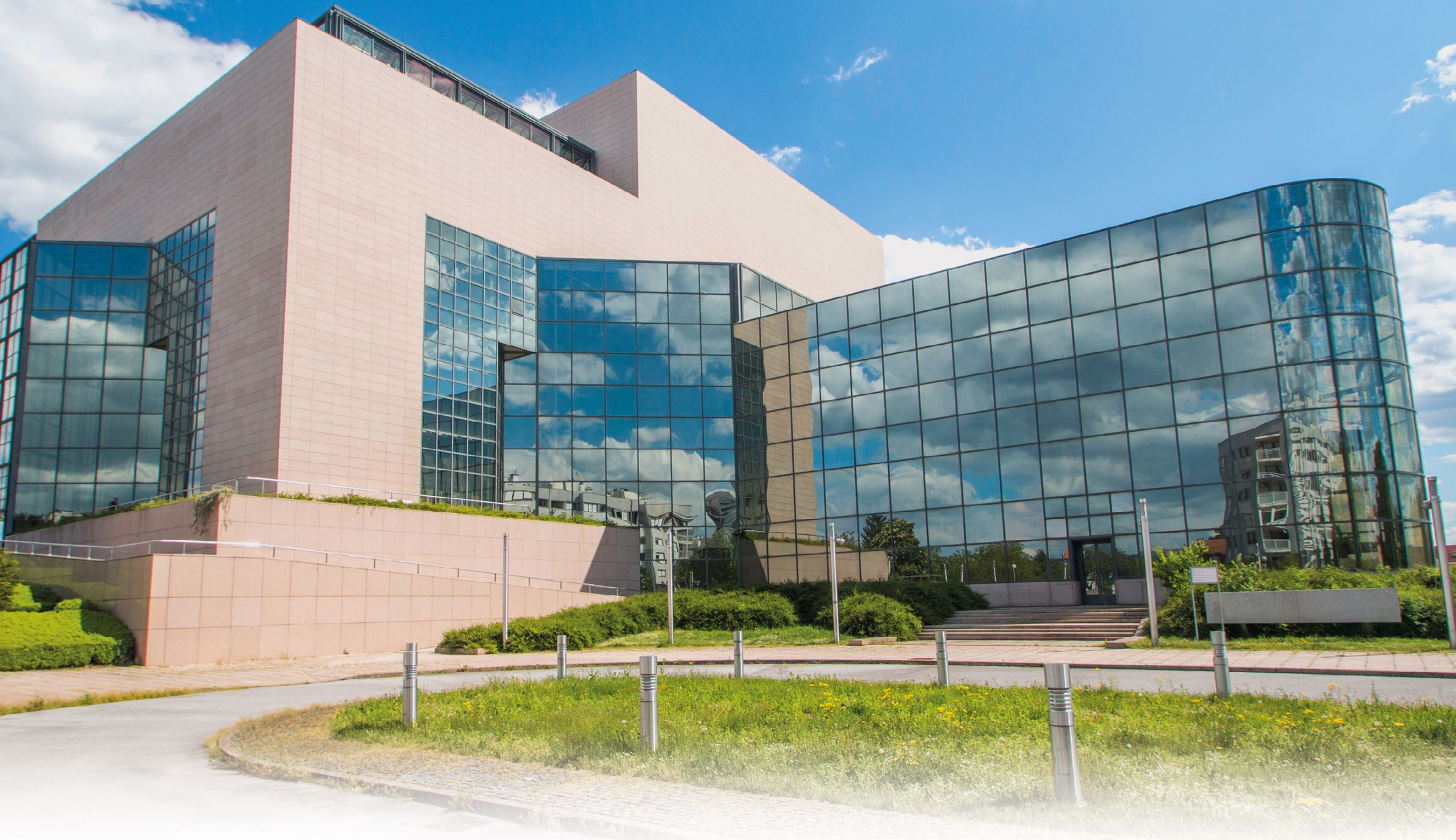
Office	8.00%
Shopping Center	7.25%
Industrial & Logistics	8.75%
Hotel (management contract)	8.25%

GENERAL TAX INFORMATION

- The corporate income tax rate in Croatia amounts to 10 % (up to 7.5 million HRK, approx. EUR 1 million) or 18 % CIT (over 7.5 million HRK, approx. EUR 1 million).
- The marginal personal income tax rate is 35.40 % (applies to taxable income of person residing in Zagreb, which exceeds EUR 48,000).
- The preferred local legal form is the corporation (d.o.o.), which is treated as non-transparent for tax-purposes. An alternative legal form is the corporation (d.d.) or the partnership (jtd, kd, GIU). The partnership in Croatia is treated - like corporations - as non-transparent for tax purposes and is subject to CIT.
- Legislation implementing the EU-ATAD has become effective as of January 1st, 2019. In general, interest is deductible if the expenses are incurred with the purpose of generating profit and between affiliated companies up to a certain percentage (currently 3.00 % per annum). As of January 1st, 2019, the deduction of excessive borrowing costs from the taxable base is limited if the borrowing costs in a financial year exceed EUR 3 million and the borrowing costs exceed 30 % of the tax-adjusted EBITDA. 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. Real estate clauses are included in some of them. The MLI was signed on June 7th, 2017 and will enter into force on June 1st, 2021. The MLI partially modifies the tax treaty between Croatia and Austria.
- On December 11th, 2019 Croatia published a national law implementing the DAC-6 Directive in the Official Gazette no. 121/2019. The directive applies from January 1st, 2021.

FOCUS ON REAL ESTATE

Rental income – VAT	■ Renting of immovable property by the entrepreneur is subject to VAT. ■ Exception: Renting for residential purposes is tax-exempt.
Input VAT correction – property	■ If the conditions relevant for input VAT deduction change within ten years after the acquisition/building, input VAT must be corrected for the period after the change. ■ The annual amount of input VAT correction is 1/10 of the VAT amount calculated for the real estate.
Depreciation – real estate	■ Land: No depreciation. ■ Buildings and other properties: 5 % for tax purposes (it can be doubled). The same rules apply for buildings used for residential (rented to individual persons) and business purposes.
Current operating expenses	■ Normally the tenant bears the costs.
Conclusion of rental contracts (rental for business purposes)	■ No statutory fees are applicable.



ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax

- The object of taxation is the transfer of real estate, which is not subject to VAT. A real estate transfer tax rate of 3 % is applicable. The immovable property transfer tax is payable by the purchaser of the property.
- The basis of assessment is the market value, which under certain circumstances may be determined by the tax authorities.
- The transfer of immovable property‘s ownership as a part of structural changes (e.g. mergers, demergers, capital contribution) is exempt from the real estate transfer tax. These transfers are also not subject to VAT.

Interest on debt financing of acquisitions

- Interest on debt financing of acquisitions is deductible if 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. The maximum tax-deductible rate of interest paid to a non-resident related party is 3.00 % per annum for the year 2021. Additionally, interest and other borrowing costs related to borrowings received from abroad will be tax-deductible up to EUR 3 million or 30 % of the tax-adjusted EBITDA, whichever is higher. However, this rule is not applicable to financial institutions and standalone taxpayers.

Share Deal

Real estate transfer tax

- Real estate transfer tax is not applicable.

Interest on debt financing of acquisitions

- Please see the information provided above for an asset deal.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- Capital gains realized by a Croatian corporation subject to CIT are included in the taxable income and are taxed at a rate of 10 % or 18 % CIT (18 % for turnover above 7.5 million HRK; approx. EUR 1 million).

VAT

- Subject to a VAT rate of 25 % if the 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 the option to apply for an exemption or for VAT taxation of such a supply depending on the VAT status of the purchaser.

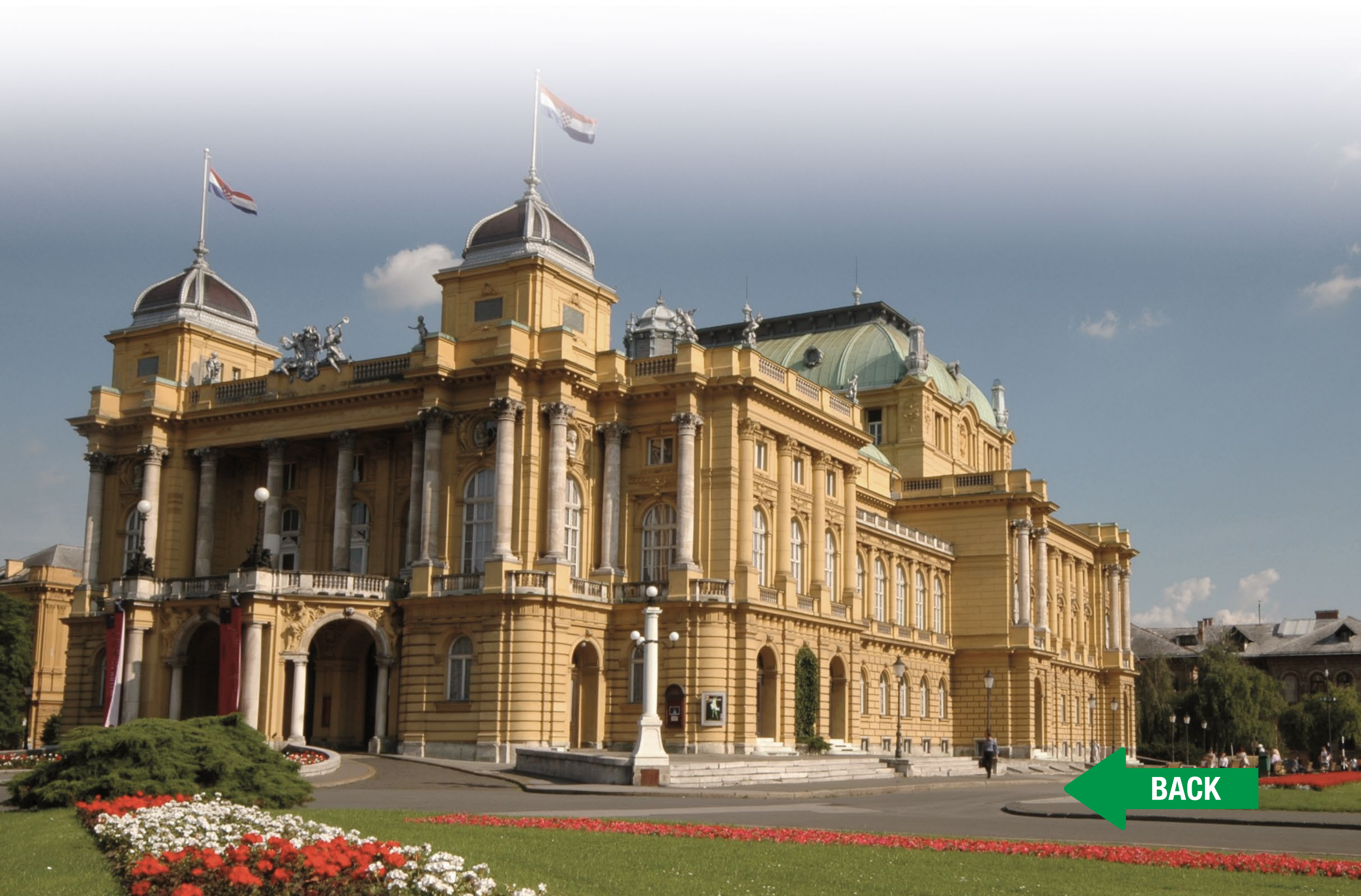
Share Deal

Income tax

- Sale of shares in a limited liability company: Capital gains realized by a Croatian corporation subject to CIT are included in the taxable income and are subject to a tax rate of 10 % or 18 % for enterprises with an annual revenue over HRK 7.5 million (approx. EUR 1 million). If a seller is not a Croatian tax resident, capital gain is not subject to tax in Croatia, except the foreign seller has a permanent establishment in Croatia.

VAT

- In Croatia the sale of shares is VAT-exempt.



CZECH REPUBLIC

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REAL ESTATE INVESTMENT MARKET CZECH REPUBLIC

Czech commercial real estate investment volumes decreased y-o-y by approx. 16 %, reaching EUR 2.66bn in 2020. Almost the exact same level of decrease was experienced throughout Europe, as total investment volumes in Europe went down by 17 % from the 2019 level. This was mainly triggered by the outbreak of the COVID-19 pandemic. Despite the lower investment volumes in 2020, we have seen that the investors' appetite for quality assets with good covenants and sustainable incomes remains strong. The volumes mainly remain limited due to a lack of product on the market, not necessarily a lack of demand.

Since the onset of the pandemic, secure prime assets in core locations have only seen limited movement in yields, if any. Notably, prime office yields in Prague have experienced no change, while some challenges are ahead in the office sector starting in 2021. Considering the amount of equity targeting the stable, long term logistics sector and the investors' appetite for multifamily assets, we expect stabilization or slight compression in these segments. Yields in centralized hotels and prime retail assets are expected to stabilize with the introduction of mass vaccination in 2021. In general, investors are more sensitive to the fundamentals such as location and income sustainability, though highly sought after assets, such as prime offices, retail parks or logistics assets, are to continue to trade at prime yields.

INVESTMENT VOLUME BY SECTOR 2020

Industrial & Logistics	8.9%
Hotel	2.7%
Residential	49.8%
Retail	15.1%
Office	21.8%
Other	1.7%

total
€ 2.7 bn

Investment Volume 2020
EUR 2.7 bn

PRIME YIELD 2020

Office	4.25%
Shopping Center	5.75%
Industrial & Logistics	5.00%
Hotel (lease contract)	5.50%

GENERAL TAX INFORMATION

- The general corporate income tax rate in the Czech Republic amounts to 19 %. The profits of basic investment funds are subject to a special CIT rate of 5 % (if specific conditions are met). The marginal rate of tax is 15 % for individual persons (standard rate); 23 % if the employment and business income exceed approx. EUR 66k. As of 2021, the tax rate is newly applied on gross wages not increased by the social and health insurance paid by the employer, i.e. the tax rate is effectively lower.
- 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, i.e. k.s. is subject to tax on the part allocated to the limited partners (CIT at the level of the limited partnership, this part is treated like a s.r.o.).
- The provisions of the EU-ATAD I & II have been already implemented into the Czech tax law (e.g. EBITDA test, hybrid instruments test, exit tax, CFC rules). Most provisions of the directives are effective as of 2020.
- The Czech tax law provides special provisions for tax non-deductibility of interest, e.g. thin capitalization rules (interest on the part of related-party loans exceeding 4-times the equity is non-deductible). For tax years starting on April 1st, 2019 and later, the deductibility of "exceeding borrowing costs" in excess of 30 % of tax-adjusted EBITDA is not possible under the provisions implementing the EU-ATAD I. The interest limitation does not apply for "exceeding borrowing costs" of up to CZK 80 million (approx. EUR 3 million). "Exceeding borrowing costs" is the amount by which the deductible borrowing costs of a taxpayer exceed taxable interest and other comparable revenues under the Czech tax law.
- No special group taxation regime for corporate entities exists. Real estate clauses are included in some double taxation treaties. The MLI was signed on June 7th, 2017 and will enter into force for the Czech Republic on September 1st, 2020. The MLI partially modifies the tax treaty between Czech Republic and Austria.
- The Czech implementation of the mandatory disclosure rules (implementation of DAC-6) came into force in 2020 with first reports to be filed by January 30th, 2021. The reporting obligation is also applied retrospectively for arrangements as of the date that DAC-6 came into force (June 25th, 2018).

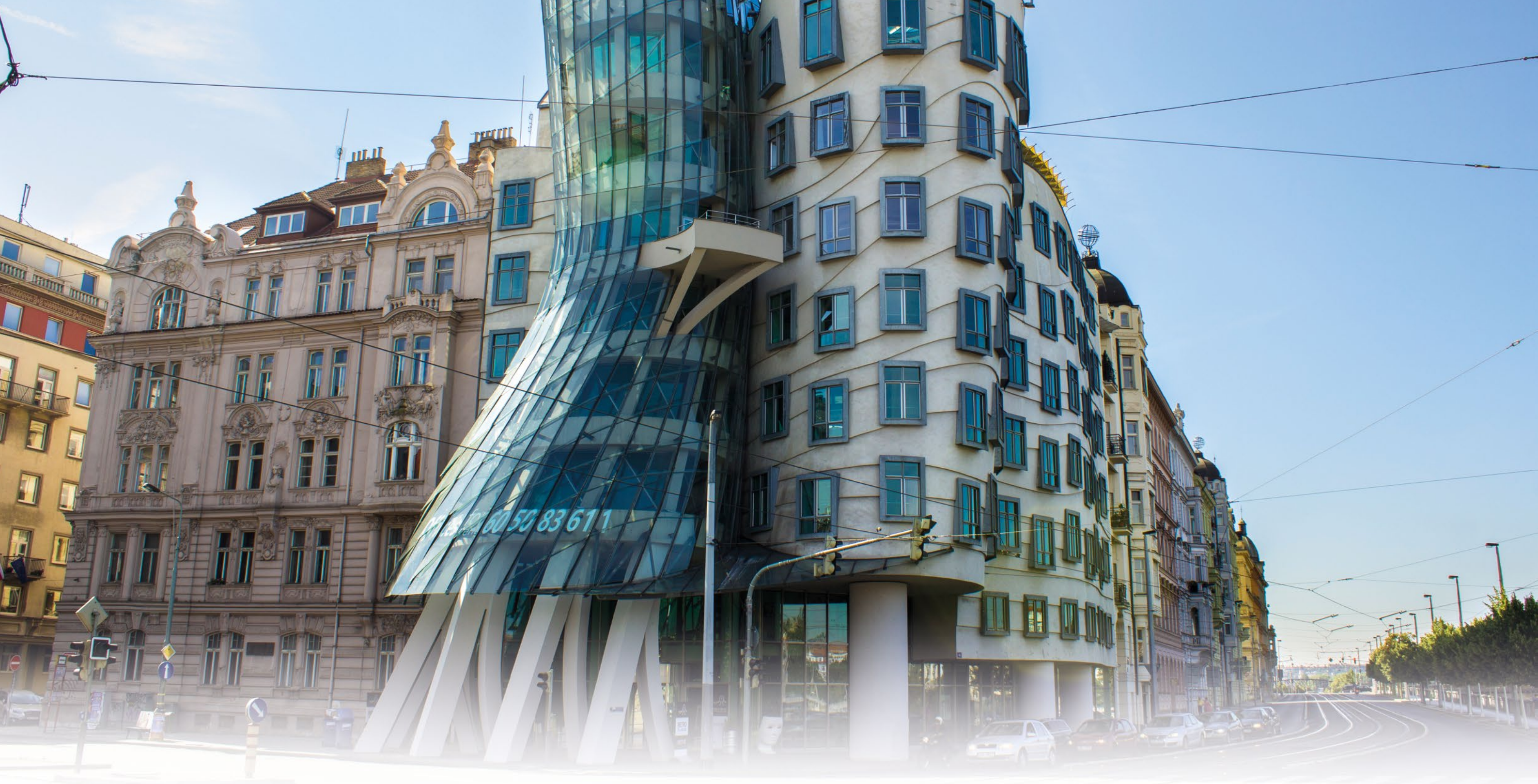
FOCUS ON REAL ESTATE

Rental income – VAT	▪ Lease of residential and office premises: VAT-exempt. ▪ The lessor may opt for VAT if the lessee is a Czech VAT payer and the premises are used for business purposes. ▪ As of 2021 the option to VAT is not allowed for the lease of residential premises.

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:
	  ▪ Factories, warehouses etc.: 3.4 %.
	  ▪ Office buildings, department stores with a sales area exceeding 2,000 m^2, business centres, hotels etc.: 2 %.
	▪ 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: 6.7 %.

Current operating expenses	▪ Normally the tenant bears the costs.
Conclusion of rental contracts (rental for business purposes)	▪ No statutory fees are applicable.



ACQUISITION OF REAL ESTATE

Asset Deal

Real estate acquisition tax & stamp duties

- Real estate acquisition tax (formerly 4 %) was abolished in 2020 for all transactions with their legal force from December 1st, 2019 onwards.
- The entry into the cadaster is subject to a fee of CZK 2k (approx. EUR 80).

Interest on debt financing of acquisitions

- Interest on debt financing of an acquisition may be capitalized into the asset value (depending on the purchaser's choice) until the relevant asset is put into use. So, this interest is tax deductible through the depreciation of the asset. After putting the asset into use, the interest arising on the loan is expensed and the tax deductibility follows the general limitations of tax deductibility of interest costs.

Share Deal

Real estate acquisition tax & stamp duties

- Not subject to any real estate transfer tax.
- Not directly linked with any fee for entry into the cadaster (legal owner does not change); however, subsequent transactions (e.g. mergers) may give rise to such an obligation (fees as above for the asset deal of EUR 80 apply).
- The change in the business register is subject to various fees, notary fees etc.

Interest on debt financing of acquisitions

- Interest on financing of investment acquisitions (shares in a subsidiary) are generally non-deductible.
- Interest on loans drawn in the six months preceding the investment acquisition are deemed as connected with the investment and are non-deductible (unless proven otherwise).

Other aspects

- No group taxation regime.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- The profit on the sale of real estate (income reduced by the tax residual value of the asset and sale-related costs) is subject to standard income tax. An exemption is only applicable to individuals if certain conditions are met (e.g. the asset is not 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 the first use (with the exception of a transfer of a going concern including real estate which is outside the scope of VAT).
- An option for taxation for the seller instead of an exemption (approval of the buyer required if the buyer is a VAT payer) is possible. In the case of a taxable sale for VAT purposes, a VAT rate of 21 % (exception: so-called welfare housing at 15 % VAT) is applicable.
- Reverse charge mechanism may be triggered in certain situations.

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 (taxed in the general tax base of the seller at the applicable income tax rate, i.e. at 15 % / 23 % for individuals and 19 % for legal persons), unless the conditions for an exemption (see below) or for the application of a double taxation treaty are met.
- Exemptions are applicable, if a share of at least 10 % is held for more than 12 months (further formal criteria have to be met). The exemption is primarily applicable to Czech tax residents selling a share in a subsidiary (the scope could be extended to tax residents of other EU/EEA member states; not applicable for residents of non-member states).
- Exemption for individuals: 3- or 5-year-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). The general partner‘s share cannot be directly sold.

VAT

- In the Czech Republic the sale of shares is VAT-exempt (no input VAT deduction).

BACK

GERMANY

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REAL ESTATE INVESTMENT MARKET GERMANY

With an overall transaction volume of a good EUR 79.27bn in 2020, the result fell 5.5 % short of the previous year's figure but was nevertheless the second best since records began. There is still a great deal of capital and willingness to invest. The huge pressure on many investors to invest and the ultra low yields of alternative investment options will keep investors keen on the asset class of real estate, with a growing number of new market participants being registered as wanting their capital to find a home in Germany.

Generally speaking, the lists of bidders on the German real estate investment market are long, and sustained yield compression remains the consequence of excess demand. In tandem with the start to economic recovery that we anticipate in 2021, Germany as an investment location has the potential to emerge robust from the year 2020. Both the metropolises and the B cities will benefit from the growing commitment of international investors since economic and business fundamentals will develop more positively again. German markets. Strong investment momentum driven by domestic and international investors can be anticipated in 2021 as well. We estimate a transaction volume of at least EUR 70bn in 2021. Abundant liquidity will ensure that yields soften further in 2021.

INVESTMENT VOLUME BY SECTOR 2020

Industrial & Logistics	9.6%
Hotel	2.4%
Residential	25.3%
Retail	15.5%
Office	34.9%
Other	12.3%

total € 79.3 bn

Investment Volume 2020
EUR 79.3 bn

PRIME YIELD 2020

Office*	2.77%
Shopping Center	5.00%
Industrial & Logistics	3.40%
Hotel (lease contract)	4.25%

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

GENERAL TAX INFORMATION

- The corporate income tax rate in Germany amounts to 15.825 % CIT (including solidarity surcharge). Depending on the municipality of the permanent establishment a trade tax at a rate of between 7 % and 18 % is additionally levied. Domestic companies can apply for an extended trade tax deduction if the companies restrict their business to the mere letting and leasing of real estate property. The marginal personal tax rate amounts to 42 % (income exceeding EUR 57,052) or 45 % (income exceeding EUR 270,000) for individual persons. The general tax rate also applies to capital gains resulting from the sale of real estate (exemption if the property was privately held for more than 10 years).
- The preferred local legal form is the corporation (GmbH or AG). For tax purposes the corporation is treated as tax non-transparent. 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 corporate tax but the individual partners. However, for trade tax and VAT purposes the partnership itself is subject to tax.
- The EU-ATAD I & II are only partially implemented in German tax law. However, the German tax law provides constraints regarding interest deductibility due to the interest limitation rule. The interest limitation rule is applicable if the interest exceeds EUR 3 million per year. Various exemptions and special regulations have been implemented in this context since the year 2008.
- Furthermore, a special group taxation regime for corporate entities is provided (“Organschaft”).
- Germany has an extensive network of double taxation treaties. Real estate clauses are not included in all double taxation treaties. The MLI might partially modify the tax treaty between Germany and Austria.
- The Bill on the implementation of the DAC-6 Directive was published in the Official Gazette of December 30th, 2019 (start of reporting on July 1st, 2020).

FOCUS ON REAL ESTATE

Rental income – VAT	▪ Rentals for residential purposes are VAT-exempt. Exercising the option for VAT is possible if the tenant uses the real estate exclusively for VAT-able supplies. No option for VAT for rentals to banks, insurances and public authorities (VAT rate of 19 %). ▪ To the extent the building is rented-out with VAT, input VAT (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: 3.0 % for business assets p.a. ▪ Residentially used buildings 2 % p.a. (or 2.5 % for buildings constructed prior to January 1st, 1925). ▪ Allocation land and buildings: According to the corresponding fair market values (e.g. land according to the price per sqm).
Current operating expenses	▪ Normally the tenant bears the costs.
Conclusion of rental contracts (rental for business purposes)	▪ No statutory fees are applicable.

ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax & stamp duties

- A real estate transfer tax ("RETT") of 3.5 % - 6.5 % (tax assessment base: net purchase price) is applicable. The real estate tax rate depends on the federal state, in which the real estate property is situated (location of the real estate).
  The RETT is borne by the seller and the buyer (and typically paid by the buyer).
- The transfer is subject to a land registration fee and notary fees (together roughly 2,5 %).

Interest on debt financing of acquisitions

- Interest on debt is deductible (arm's-length principle and interest limitation rule).

Share Deal

Real estate transfer tax & stamp duties

- The RETT is avoidable if less than 95 % of the shares are acquired (under review by the legislator; changes are expected, e.g. lowering of the 95%-trigger threshold to 90 %). Please note that a tax reform is still pending.
- The tax rate ranges from 3.5 % to 6.5 % of a specifically calculated value (usually a bit lower than the fair market value) depending on the federal state of the property holding company.
- The transfer is not subject to a land registration fee, although the registration in the company register is necessary.

Interest on debt financing of acquisitions

- Interest on debt financing of an acquisition of shares (in a partnership and corporate entity) is deductible under certain conditions.

Other aspects

- A group taxation is possible ("Organschaft").

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- The capital gain of companies (limited or unlimited liability to tax) is subject to a tax rate of 15.825 % (CIT incl. solidarity surcharge) plus 7 % - 18 % trade tax (depending on the municipality). Foreign companies (subject to limited tax in Germany) are not subject to trade tax if they have no permanent establishment in Germany and their only business is letting and leasing.
- Sale by private persons: Subject to income tax at normal rates (plus trade tax if letting is carried out in a business context). If the real estate privately held for more than 10 years is sold, private persons are not subject to income tax.

VAT

- The sale of real estate is basically VAT-exempt. The seller can opt for VAT (a statutory VAT rate of 19 % is applicable) if the buyer is an entrepreneur.

Share Deal

Income tax (I)

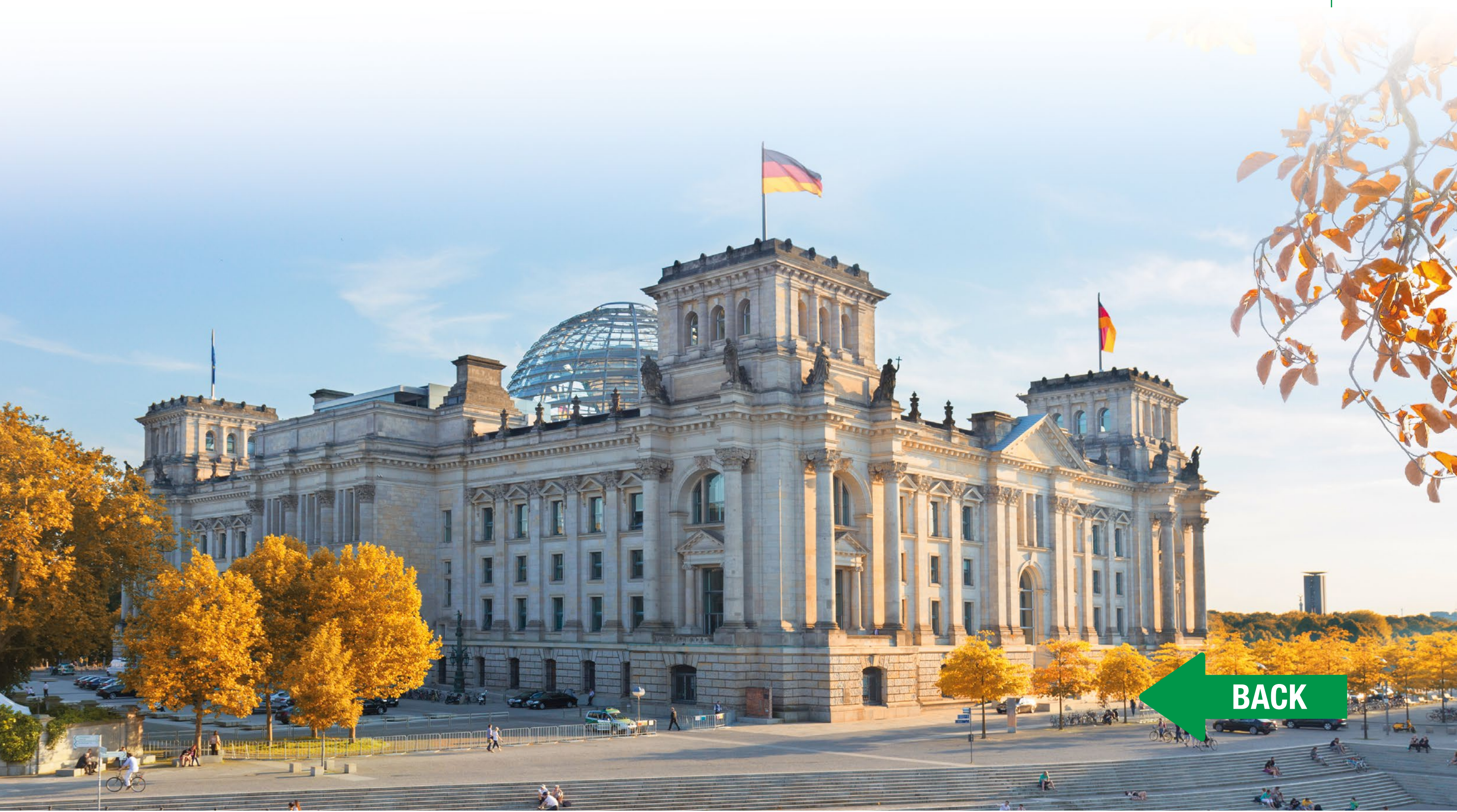
- A capital gain from the sale of a domestic limited liable company with real estate property in Germany is subject to tax in Germany. German CIT (15,825 %) is levied on the capital gain in the amount of 5 % (participation exemption at the rate of 95 %) if the seller is a foreign company (a national seller is also subject to trade tax).
- According to a German court decision the capital gain is only subject to tax if the shares (in the sold corporation) can be allocated to the vendor‘s fixed establishment in Germany. As the vendor usually has no PE in Germany, Germany has no right of taxation in case of foreign selling companies.
- If the relevant double taxation treaty does not contain a real estate clause, the capital gain is taxable in the jurisdiction of the seller.

Income tax (II)

- Taxation of the sale of shares in a domestic partnership: See Asset-Deal.

VAT

- In Germany the sale of shares is VAT-exempt (input VAT is non-deductible).



BACK

HUNGARY

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REAL ESTATE INVESTMENT MARKET HUNGARY

The CRE investment volume in Hungary amounted to EUR 1.02 bn in 2020, down by 40 % y-o-y, rounding out the year at the lower end of our earlier forecast range. This proved to be a clear dip from the past four years' historically high activity, but it remained above the cyclical average since 2010. The dominance of the office sector became even more pronounced during the year, with 61 % of the total investment volume, followed by hotels and industrial assets with 17 % and 14 %, each. The retail sector saw the largest fallout as only 7 % of the volume flowed into such assets in lack of large shopping center deals. While Hungarian investors continued to be active on the local market, their consistently increasing share over the preceding four years saw a rebalancing, as the share of domestic vs. foreign investors split evenly in 2020. market. Investor sentiment undoubtedly took a hit in the wake of the COVID-19 outbreak and the ensuing economic uncertainty, which was reflected in our prime yield shifts between 25 and 75bps depending on sector as of Q1 2020.

Pricing for core offices and industrial assets were expected to pick up in 2021, while those of retail and hotel assets will take longer to rebound. The outlook for 2021 is generally positive, as several ongoing transactions are expected to provide reassurance on the market in the early half of the year. The office sector is set to remain as the backbone of the market and the appetite for industrial opportunities looks strong but continues to be met by a shortage of available investment product.

INVESTMENT VOLUME BY SECTOR 2020

total
€ 1.0 bn

Sector	Share
Industrial & Logistics	14.3%
Hotel	17.2%
Residential	0.0%
Retail	7.3%
Office	61.2%
Other	0.0%

Investment Volume 2020
EUR 1.0 bn

PRIME YIELD 2020

Sector	Prime yield
Office	5.75%
Shopping Center	6.25%
Industrial & Logistics	7.25%
Hotel (lease contract)	6.25%

GENERAL TAX INFORMATION

- The corporate income tax rate in Hungary amounts to 9 %. The marginal rate of tax for individual persons is 15 % (flat rate).
- The preferred local legal form of an organization is the corporation (Kft or Rt), which is treated as non-transparent for tax purposes. A Hungarian partnership (Bt) - as an alternative legal form - is subject to CIT. Transparency for tax purposes is not known in Hungary.
- A new legislation has become effective as of January 1st, 2019 (interest limitation rules, CFC rules, hybrid mismatch rules etc.), which implements the EU-ATAD I. In general, interest for loans financing business activities is deductible. Based on the new legislation, the interest expense is tax deductible if the net financing cost does not exceed HUF 939,810,000 (approximately EUR 3,000,000; tax-exempt amount) or the net financing cost does not exceed 30 % of the company's tax-adjusted EBITDA. The interest limitation rule applies to interest payments in relation to transactions with related parties and/or third parties. Interest between related parties must be determined based on the arm's length principle.
- 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. Real estate clauses are included in some of them. The MLI was signed on June 7th, 2017 (not yet in force). The MLI partially modifies the tax treaty between Hungary and Austria.
- Hungary implemented the DAC-6 Directive by way of Law LXXII of 2019. Under the Hungarian DAC-6 provision, taxpayers and intermediaries are required to report relevant cross-border arrangements. The provision became effective on January 1st, 2021 instead of July 1st, 2020 (by reason of the pandemic). Reports must retroactively cover arrangements implemented after June 25th, 2018.

FOCUS ON REAL ESTATE

Rental income – VAT	■ Renting of residential and immovable business property is VAT-exempt. ■ The lessor can opt for VAT liability. ■ The option for VAT can be exercised for residential and immovable business property.
Input VAT correction – property	■ 20 years (for every year of change of the property's usage for VAT purposes 1/20 of the input VAT already claimed).
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 rental contracts (rental for business purposes)	■ No statutory fees are applicable.

ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax & stamp duties

- Acquisitions are subject to real estate transfer tax.
- The tax base is the market value without deduction of financing debts.
- The tax rate is 4 % for amounts of up to EUR 3.3 million (2 % for the exceeding part). Tax cap: EUR 700k per real estate.
- There are some insignificant fees for the registration of ownership in the land registry.

Interest on debt financing of acquisitions

- According to the provisions to be applied as of 2019, net borrowing costs are non-deductible for tax purposes if they exceed 30 % of the tax-adjusted EBITDA or a threshold of HUF 939,810,000 (EUR 3 million).

Other aspects

- The lease of real estate is subject to local business tax (tax base: sales revenues minus material costs minus mediated services minus cost of sales). The tax rate depends on the local government (max. 2 %, in Budapest 2 %).

Share Deal

Real estate transfer tax & stamp duties

- An acquisition is only subject to real estate transfer tax if the consolidated shares owned by related parties reach or exceed 75 %.
- The tax base is the market value without deduction of financing debts. The tax rate is 4 % for amounts of up to EUR 3.3 million, 2 % for the exceeding part; the tax cap amounts to EUR 700k per real estate.

Interest on debt financing of acquisitions

- Please see the information provided on an asset deal.

Other aspects

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

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 9 % (CIT). A tax exemption is not applicable.
- Sale by private persons: 15 % income tax (with exceptions).

VAT

- The revenue from the sale of real estate property is VAT-exempt. The seller can opt for tax liability (27 %). The VAT option has to be made via reporting to the tax authority. The report has to be submitted until the end of a calendar year.
- Exception: The 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.
- The VAT rate for new flats will be reduced (5 % instead of 27 %) under certain circumstances:
  - A VAT rate of 5 % is applicable for the sale of residential properties with a maximum floor space of 150 sqm within two years from the occupancy permit until the end of 2022.
  - A VAT rate of 5 % is applicable for the sale of residential properties with a maximum floor space of 150 sqm within two years from the occupancy permit until the end of 2026 if the final building permit is issued until the end of 2022.

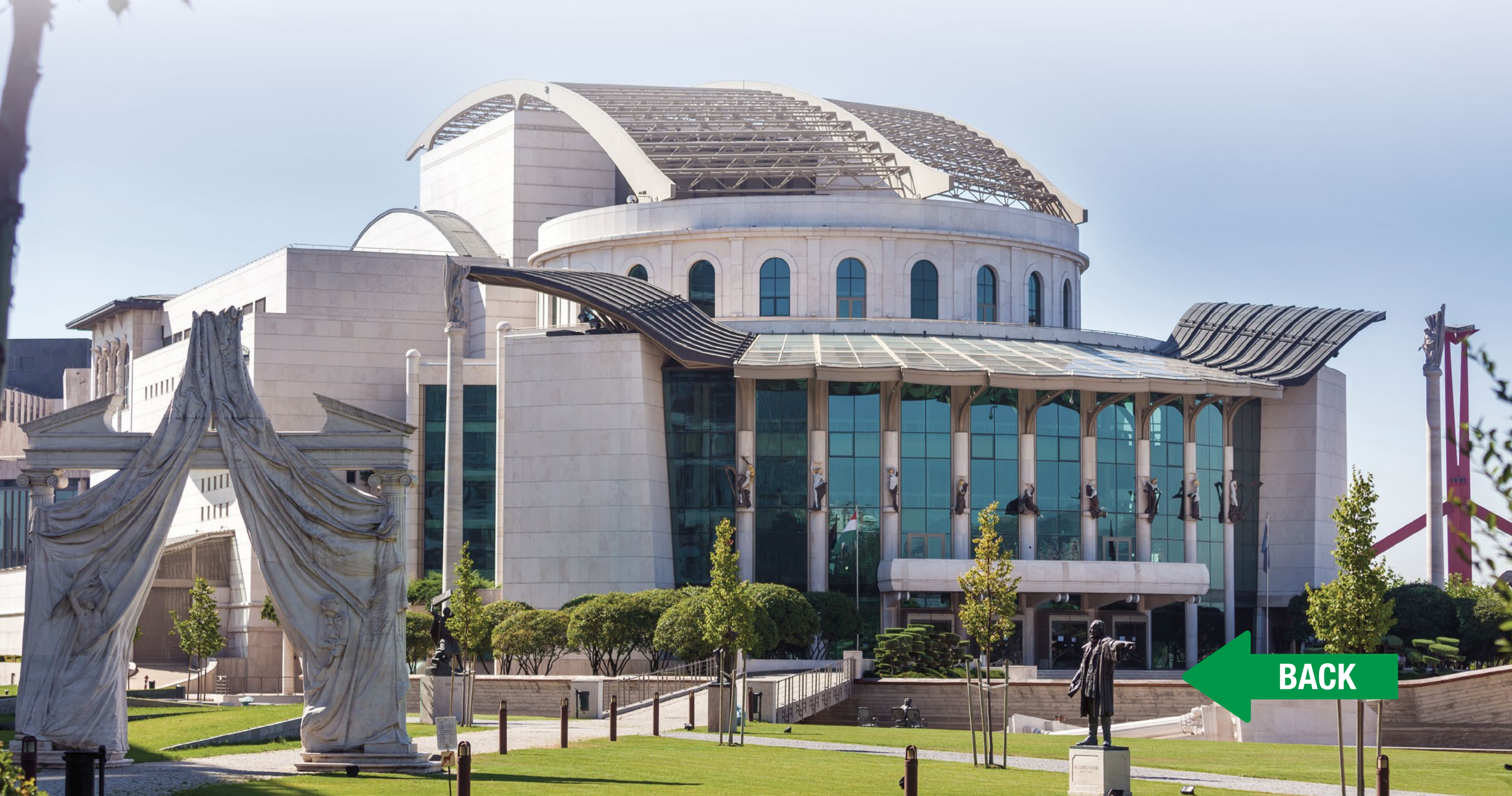
Share Deal

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 the double taxation treaty does not contain a real estate clause (the country of the vendor‘s residence is awarded the taxation right).
- Otherwise the capital gain is subject to 9 % CIT in case of companies and 15 % income tax applies to 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 is tax-exempt after a holding period of 1 year. The local tax exemption can only be exercised by Hungarian tax payers.

VAT

- In Hungary the sale of shares is VAT-exempt (input VAT is non-deductible).



BACK

MONTENEGRO

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REAL ESTATE INVESTMENT MARKET MONTENEGRO

Unlike in the previous years, when the investment activity in Montenegro was mostly dominated by the hotel segment, the ongoing pandemic significantly affected tourism in the country, putting on hold any major investment decisions within the hotel sector. While the hotel segment recorded a decrease in overall investment activity, the office market recorded an improvement, with the acquisition of an office building in Podgorica by Montenegro's Property Administration, which will be used by the country's statistical office and several other government institutions.

While the country's economy registered a sharp decline during the previous year, a strong rebound is expected in 2021, with more positive prospects expected in the following years, assuming continuation of travel and normalisation of tourist visits in the country. With the improvement in tourism, investment activity on the market is also expected to pick up, with hotels driving overall investment volumes.

INVESTMENT VOLUME BY SECTOR 2020

Industrial & Logistics	0.0%
Hotel	0.0%
Residential	0.0%
Retail	0.0%
Office	100.0%
Other	0.0%

total €9m

Investment Volume 2020
EUR 9 m*

*Limited data availability for Montenegro.

PRIME YIELD 2020

Office	9.00%
Shopping Center	9.00%
Industrial & Logistics	10.25%
Hotel (management contract)	9.25%

GENERAL TAX INFORMATION

- The CIT rate amounts to 9 %. A withholding tax of 9 % is levied on the employment income.
- A newly established legal entity performing an activity in economically underdeveloped municipalities is enabled to reduce corporate income tax and tax on income on natural persons in the first eight years in the amount of 100 %. The total amount of tax exemption for a period of eight years may not exceed EUR 200k.
- The preferred local legal form is the limited liability company (d.o.o.). This legal form is treated as non-transparent for tax purposes. Also, partnerships (o.d., k.d.) are treated as non-transparent for tax purposes. However, they are rarely used as legal forms.
- The EU-ATAD I & II are not applicable in Montenegro as the state is no EU or EEA member.
- A special group taxation regime for corporate entities exists.
- Moreover, Montenegro has an extensive network of double taxation treaties. Real estate clauses are included in some of them. The MLI entered into force on October 1st, 2018 and partially modifies the tax treaty between Montenegro and Austria.
- The DAC-6 Directive is not applicable in Montenegro as the state is no EU or EEA member.

FOCUS ON REAL ESTATE

Rental income – VAT	▪ The rental income is subject to 21 % VAT. ▪ Renting apartments to individuals for residential purposes is VAT-exempt without the right of input VAT deduction (no option for VAT).
Input VAT correction – property	▪ The period for input VAT correction is 10 years since the first use of property (after acquisition of property). ▪ The period for input VAT correction is also 10 years since the investment in construction structures was terminated.

Depreciation – real estate	▪ Land: No depreciation.
	▪ Real estate:
	  ▪ Tax depreciation rate of 5 %.
	  ▪ Assessment base: Fair value - acquisition price of the real estate or accounting depreciation rate (if lower).

Current operating expenses	▪ In general, the tenant bears the costs.
Conclusion of rental contracts (rental for business purposes)	▪ No statutory fees are applicable.

ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax & stamp duties

- The following transfers with consideration are subject to real estate transfer tax (if the transfer is not subject to VAT):
  - Ownership of immovable property,
  - rights of use of construction land,
  - renting 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.
- If the transfer is subject to VAT, real estate transfer tax is not applicable.
- The transfer of immovable property's ownership as a part of structural changes (e.g. mergers, demergers, capital contribution) is exempt from the real estate transfer tax.
- The basis of assessment is the agreed sales price, which may be reassessed by the tax authorities if it is below the market value.
- A tax rate of 3 % is applicable.

Interest on debt financing of acquisitions

- Interest on debt is deductible under the same conditions as interest payable on other types of borrowing made in the course of business.

Share Deal

Real estate transfer tax

- Real estate transfer tax is not applicable.

Interest on debt financing of acquisitions

- Please see the information provided for an asset deal.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- Taxation of legal entities: 9 % CIT on capital gain for resident and non-resident companies (capital gains could be offset with capital losses).
- Taxation of individual persons: 9 % capital gains tax (paid by the seller of the real estate). Tax exemption and tax refund are possible (under certain circumstances).

Real estate transfer tax / VAT

- The first transfer of is subject to 21 % VAT. The second and every subsequent transfer of real estate is subject to 3 % real estate transfer tax.

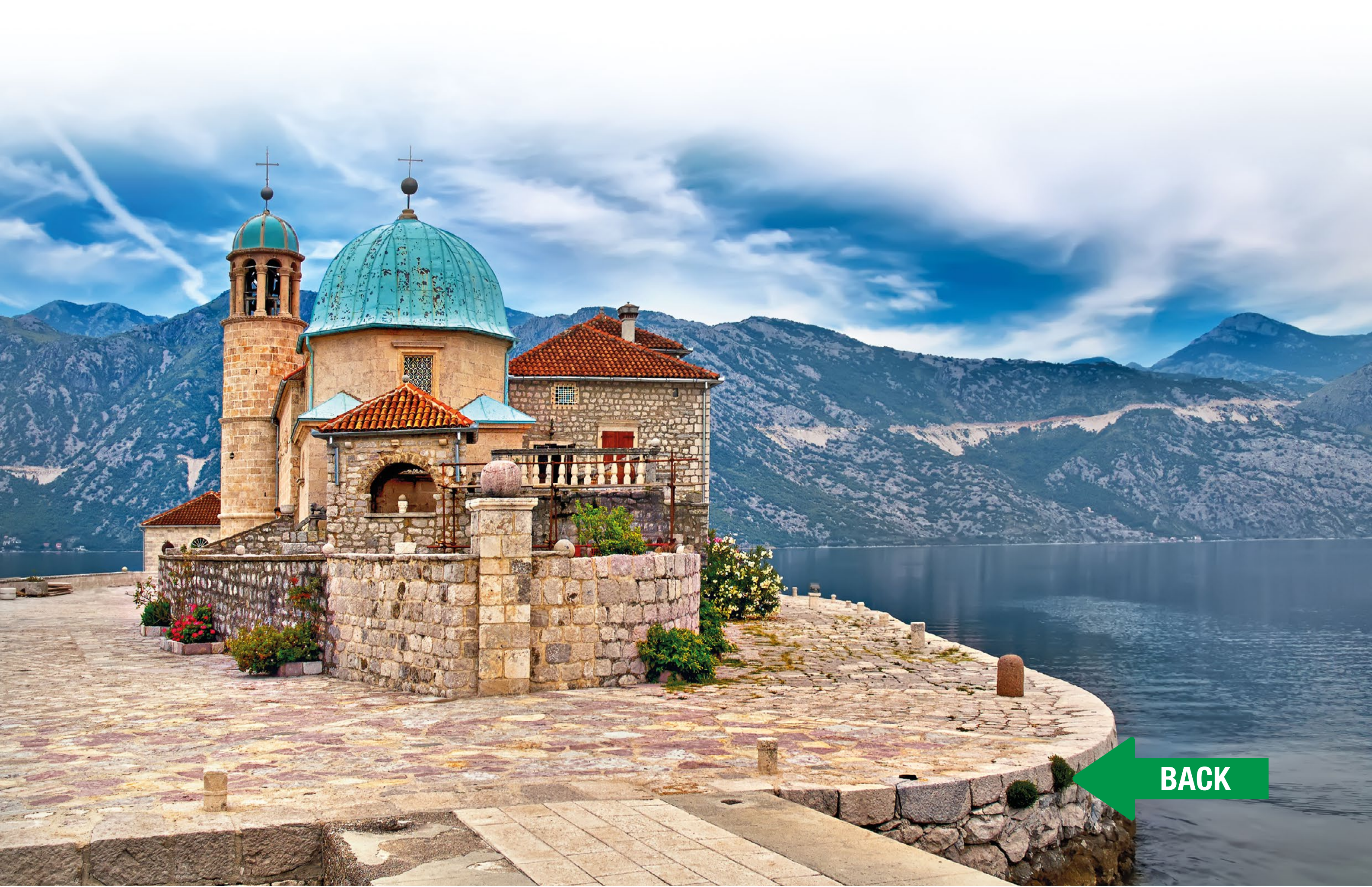
Share Deal

Income tax

- The capital gain is subject to 9 % CIT if 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 Montenegro is not subject to tax in Montenegro if the double taxation treaty does not contain a real estate clause (the vendor's country of residence has the taxation right).
- Otherwise 9 % CIT on capital gain if the seller is a non-resident company (also depending on double taxation treaty's provisions).

VAT

- The sale of shares is VAT-exempt in Montenegro (input VAT is non-deductible).



BACK

POLAND

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REAL ESTATE INVESTMENT MARKET POLAND

In 2020, changing investors' sentiment was directly influenced by the COVID-19 pandemic. This resulted in significant shift from the normal distribution of investment volume by asset class. Out of EUR 5.27bn invested in 2020, EUR 2.61bn (50 %) was in the industrial sector. Investments in the office sector amounted to EUR 1.98bn (38 %) and EUR 658m (13 %) of value changed owners in the retail sector. Less than 1 % of total volume was allocated in the residential sector. The above dynamic can be explained by a few different factors. The situation of the pandemic amplified the threat of substitution faced by retail schemes the emergence of e-commerce and revealed their vulnerability. Office sector investment might also be slightly restrained because many employers are considering partial remote working possibilities for their employees, a trend which is not likely to be sustained. Contrary to offices, the industrial sector has flourished in Poland, supported by the phenomenon of e-commerce that fuels high level investment into logistics real estate.

Throughout the course of 2020, upward pressure on yields caused a shift by 35bps of the prime office yield in Warsaw that settled at a level of 4.60 %. The negative impact of the pandemic was felt by the retail sector again which decompressed by 75bps to a value of 5.75 %, whereas strong demand for logistics properties decreased the prime industrial yields by 25bsp to 5.50 % by the end of 2020. The recovery of the Polish investment market will be highly associated with the economic performance of the country in the next few months.

INVESTMENT VOLUME BY SECTOR 2020

Industrial & Logistics	49.6%
Hotel	0.0%
Residential	0.3%
Retail	12.5%
Office	37.6%
Other	0.0%

total
€ 5.3 bn

Investment Volume 2020
EUR 5.3 bn

PRIME YIELD 2020

Office	4.60%
Shopping Center	5.75%
Industrial & Logistics	5.50%
Hotel (lease contract)	6.00%

GENERAL TAX INFORMATION

- The basic corporate income tax rate in Poland amounts to 19% (for small taxpayer a tax rate of 9% is applicable under certain conditions). The marginal tax rate for individual persons is 32% (if the income exceeds approx. EUR 22,000). A tax rate of 17% applies if the income of the individual is lower than EUR 22,000.
- The preferred local legal form is the corporation (Polish: Sp. z o.o. or SA), which is treated as non-transparent for tax purposes. An alternative legal form in Poland is the partnership. Due to the pass-through principle, the partnership itself is not the subject of income taxation, but its partners. It is deemed that a participation in a partnership creates a permanent establishment ("PE") in Poland for its partners (every partner has a PE in Poland). Partnerships similar to KG ("Kommanditgesellschaft") and KGaA ("Kommanditgesellschaft auf Aktien") are subject to CIT taxation (non-transparent vehicles for tax purposes), whereas non-transparency of the KG has been introduced in January 2021.
- The EU-ATAD I & II have been implemented to a large extent. The deductibility of interest is restricted based on earning-stripping rules. Costs of immaterial services (e.g. advisory, management) 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 the EBITDA. The limitation does not apply to costs not exceeding PLN 3 million. The surplus of debt financing costs exceeding 30% of the tax-adjusted EBITDA according to criteria of 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.
- Furthermore, a special group taxation regime for corporate entities is provided by Polish tax law. Poland has an extensive network of double taxation treaties. As of 2019 Poland has modified its rules on due care procedure required for the beneficial WHT rate or exemptions and is gradually moving from tax relief at source to the collect & refund withholding regime. Real estate clauses are included in many double taxation treaties. The MLI entered into force on July 1st, 2018 and partially modifies the tax treaty between Poland and Austria.
- In 2019 Poland implemented mandatory disclosure rules based on the DAC-6 Directive in a broader manner than required by the EU-Directive.
- In 2021 new reporting obligations has been imposed on real estate companies owning assets located in Poland.

FOCUS ON REAL ESTATE

Rental income – VAT	▪ Renting is generally subject to VAT (regardless of the tenant`s VAT status). However, an exception would be the long-term lease of residential property, which is VAT-exempt. ▪ In case of a VAT exemption, no option for VAT taxation is possible.
Input VAT correction – property	▪ 10 years (1/10 of the already deducted input VAT for every year of change of the property's usage for VAT purposes). ▪ 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 buildings. ▪ Depreciation rates may be increased or decreased in certain cases.
Current operating expenses	▪ Normally the tenant bears these costs.
Conclusion of rental contracts (rental for business purposes)	▪ No statutory fees are applicable.

ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax
- No real estate transfer tax.

Tax on civil law transactions
- The sale of real estate is basically VAT-exempt (e.g. obligatory VAT exemption for the sale of land not destined for development), but in some cases the seller and the vendor can exercise the option for VAT (various requirements to be met). The rates vary from 8 % (residential) to 23 % (commercial) VAT.
- The tax on civil law transactions - provided that VAT is not applicable - varies from 1 % (different types of rights) to 2 % (real estate property) of the market value of the assets (paid by the buyer).

Interest on debt financing of acquisitions
- Generally, deductible (subject to general EU restrictions). The statutory limit for tax deductibility of interest in Poland is PLN 3 million or 30 % of the tax-adjusted EBITDA per year. There have been some court verdicts issued, allowing to calculate the limit as PLN 3 million plus 30 % of tax-adjusted EBITDA.
- In the case of debt-push down scenarios, interest is not deductible for tax purposes.

Enterprise Deal

Real estate transfer tax & stamp duties
- No real estate transfer tax.

VAT & tax on civil law transactions
- The transaction is not subject to VAT. In this case the tax on civil law transactions is paid by the buyer (tax rate of 2 % of the market value). The tax rates amount to 1 % of the purchase price (market value) for the sale of other property items (like receivables), respectively.

Interest on debt financing of acquisitions
- Please see the information on asset deals above.

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

Share Deal

Real estate transfer tax & stamp duties
- No real estate transfer tax.

VAT & tax on civil law transactions
- The transaction is not subject to VAT. In this case tax on civil law transactions at the rate of 1 % of the market value of the shares is paid by the buyer.

Interest on debt financing of acquisitions
- Please see the information on asset deals above.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- The capital gain of companies is subject to a tax rate of 19 % (CIT).

VAT

- The sale of real estate is basically VAT-exempt. However, in certain cases the seller and the vendor can exercise the option for VAT (various requirements have to be met).
- The VAT rates vary from 8 % (residential) to 23 % (commercial).
- Obligatory VAT exemption for the sale of undeveloped land without the purpose of development.

Enterprise Deal

Income tax

- The income is subject to CIT taxation at the basic rate of 19 %.

VAT

- The transaction is not subject to VAT.

Share Deal

Income tax

- Sale of shares in a joint-stock corporation / limited liability company: Income subject to CIT taxation constitutes a separate source of income, which must not be set off against other sources.
- Sale of shares in a partnership: Generally, all rights and obligations of a partner in a partnership must only be transferred to another person if such a transfer is provided for in the articles of association. The income from the sale of shares in a tax transparent partnership is subject to standard CIT taxation (deemed as a sale of PE).
- As of 2021 the seller's capital gain realized on the sale of shares in a real estate company is taxed in the hands of this real estate company, acting as a tax remitter.

VAT

- In Poland VAT is in general not applicable to the sale of shares.

ROMANIA

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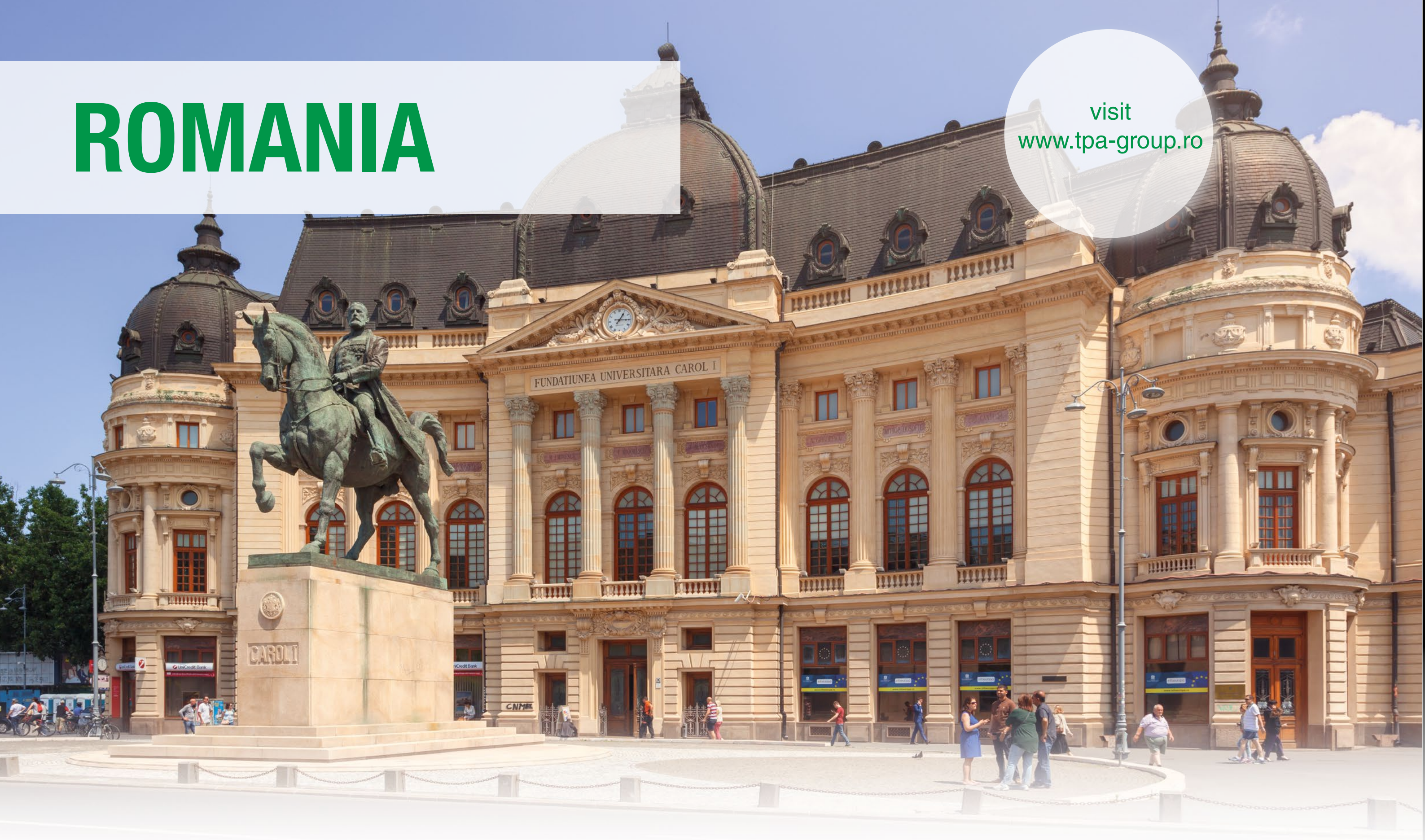


REAL ESTATE INVESTMENT MARKET ROMANIA

Romania's total investment volume accounted for EUR 589m at the end of the year, a value almost half of that registered in the record year 2019 but similar with that of 2015, a starting growth year. Capitalizing on the momentum gained in the previous year, 68 % of the total investment transaction volume happened during the first six months of 2020. Only 6 % of the total investment volume was distributed towards regional cities, while Bucharest attracted the overwhelming majority. Investors seemed to be more focused on the capital city in 2020, as demand became strongly polarized. With 76 % of the yearly volume, office projects continued to be the most sought after type of properties, a trend established for three years in a row now. Prime yields remained stable for the office and industrial sectors, meaning 7.00 % for office and 7.75 % for industrial. The retail segment was the most affected during the year and saw 50bps of yield decompression ending the year at 7.00 %.

With the real estate market slowly adjusting after the COVID-19 impact and trying to identify the new directions to follow, forecasts for 2021 are cautiously positive, as a major office deal already closed and a significant number of office and industrial transactions are in the final stages of negotiation. Finally, also the retail sector, especially certain subsegments which are deemed more secure, continue to attract interest and some transactions may materialize in this sector as well.

INVESTMENT VOLUME BY SECTOR 2020

total €589 m

Investment Volume 2020
EUR 589 m

Industrial & Logistics	12.1%
Hotel	1.6%
Residential	0.0%
Retail	4.4%
Office	76.1%
Other	5.8%

PRIME YIELD 2020

Office	7.00%
Shopping Center	7.00%
Industrial & Logistics	7.75%
Hotel (lease contract)	7.75%

GENERAL TAX INFORMATION

- 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).
- Both legal forms are treated as non-transparent for tax purposes. Alternative legal forms are general partnerships, limited partnerships and partnerships limited by shares (all treated as non-transparent for tax purposes).
- The EU-ATAD I & II were fully implemented into national legislation. The interest limitation rule states that exceeding borrowing costs which are higher than the threshold of EUR 1 million are deductible in the period in which they are incurred up to 30 % of the company‘s tax-adjusted EBITDA. The surplus of debt financing costs exceeding 30 % of the tax-adjusted EBITDA may not be recognized as tax-deductible costs (but will be carried forward).
- A special group taxation regime for corporate tax payers is implemented (starting in 2021).
- Romania has an extensive network of double taxation treaties. Real estate clauses are included in some of them. The MLI was signed on June 7th, 2017 (not yet in force). The MLI partially modifies the tax treaty between Romania and Austria.
- The DAC-6 Directive was implemented by the Romanian Ministry of Finance; thus, all relevant cross-border arrangements must be monitored for the period starting as of June 25th, 2018. The reporting deadlines were set as follows:
  - February 28th, 2021: for cross-border arrangements subject to reporting for the period June 25th, 2018 - June 30th, 2020;
  - January 1st, 2021: for cross-border arrangements subject to reporting for the period July 1st, 2020 - December 31st, 2020;
  - April 30th, 2021: for the first report to be submitted by intermediaries for certain types of arrangements.

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 (5 % per year).

Depreciation – real estate	- Land: No depreciation.
	- Buildings: Subject to straight-line depreciation:
	  - Industrial buildings, office buildings, hotels: 1.7 % - 2.5 % per year.
	  - Commercial buildings used for warehousing and distribution: 2 % - 3 % per year.
	  - Lightweight construction: 4 % - 6 % per year.

Current operating expenses	- Normally the tenant bears the costs.
Conclusion of rental contracts (rental for business purposes)	- No statutory fees are applicable.

ACQUISITION OF REAL ESTATE

Asset Deal	Fees & stamp duties ■ The ownership transfer of real estate 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 to the transfer of real estate.
Share Deal	Interest on debt financing of acquisitions ■ Under Romanian law, expenses which are linked to non-taxable income are non-deductible (in this case, interest is incurred for generating non-taxable revenues).

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- Sale of immovable property by legal entities: 16 % CIT is applicable to the taxable gain (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 revenue exceeding RON 450,000 (revenue below this limit is non-taxable; approx. EUR 95,000).
- Tax exemptions may apply to donations between close relatives and between spouses as well as to inheritances under certain conditions.

VAT

- The sale of new real estate property and land suitable for real estate property is subject to VAT.
- Real estate is considered as new if it is sold in the year of commissioning (or of substantial transformation) or by December 31st of the following year.
- However, sales of new real estate and land suitable for real estate concluded between taxable persons registered for VAT purposes in Romania are subject to reverse charge.
- The sale of other categories of real estate (e.g. old real estate) and land is VAT-exempt without credit (but the seller may opt to charge VAT; no significant requirements for VAT option).

Share Deal

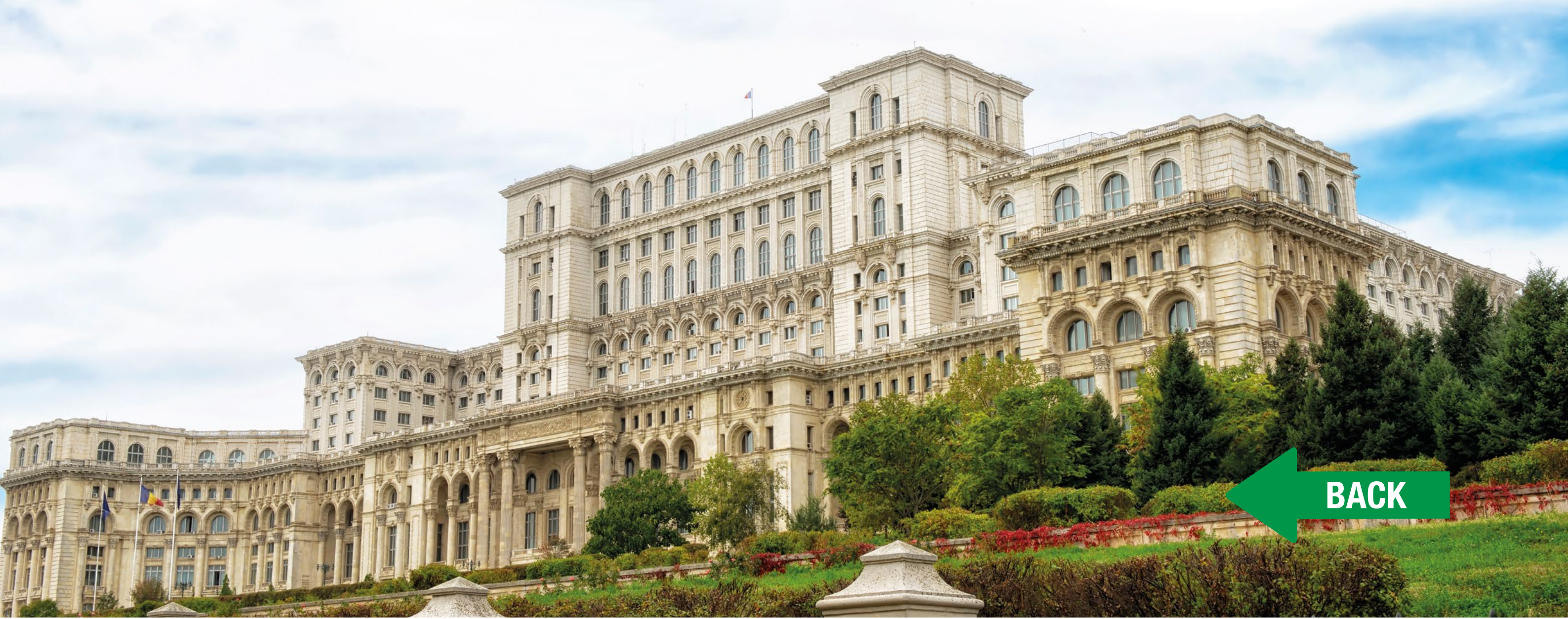
Income tax

- Legal entities are subject to 16 % CIT.
- Exception: If the seller holds 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. The local legislation stipulates that this participation exemption applies to:
  - Romanian companies selling shares in other companies;
  - foreign companies selling shares in Romanian companies.

  In case a foreign company is involved as buyer/seller, the exemption is granted provided there is a tax treaty in effect with its home country (specific requirement in the local law).
- Capital gains from the sale of shares in a Romanian company/partnership (general/limited/limited by shares) owning real estate property in Romania are not subject to tax in Romania at all if the applicable double taxation treaty contains no real estate clause and the right of taxation is assigned to the country of the vendor's residence.

VAT

- In Romania the sale of shares is VAT-exempt.



BACK

SERBIA

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REAL ESTATE INVESTMENT MARKET SERBIA

Despite the ongoing market disruptions, Serbia recorded an improvement in overall investment volumes in 2020, compared to the previous year. Considering the overall transaction volume, the investment market was dominated by the office segment, mostly due to the large acquisition by a Hungarian equity fund which acquired the majority share in Polish company GTC, with a portfolio comprising office and retail buildings and complexes across the region. Another major share was attributed to retail, where retail parks have mostly kept the focus of investors in the recent period.

In addition to office and retail, the logistics market also recorded an increased share of investment activity, as it stood out as the most resilient segment to the crisis. With an improving supply and increase in the number of quality products, this market segment is expected to continue attracting investor interest in the period to come.

INVESTMENT VOLUME BY SECTOR 2020

Industrial & Logistics	12.2%
Hotel	1.1%
Residential	0.0%
Retail	28.2%
Office	58.5%
Other	0.0%

total € 370 m

Investment Volume 2020
EUR 370 m

PRIME YIELD 2020

Office	8.50%
Shopping Center	8.25%
Industrial & Logistics	9.25%
Hotel (management contract)	8.75%

GENERAL TAX INFORMATION

- The corporate income tax rate in Serbia amounts to 15 % (flat rate). A withholding tax of 10 % is levied on employment income (flat rates from 10 % to 20 % for other income categories). The preferred local legal form is the limited liability company (d.o.o.). This legal form is treated as non-transparent for tax purposes. Also partnerships (o.d., k.d.) are treated as non-transparent for tax purposes. However, they are rarely used as legal forms.
- The EU-ATAD I & II are not applicable in Serbia as the state is no EU or EEA member.
- The Serbian tax law provides constraints regarding interest deductibility. If an interest-bearing loan is granted from a related party, a thin cap rule (debt-to-equity ratio) is applicable. The amount of interest and other expenses deductible for tax purposes (related to the loan) must not exceed a debt-to-equity ratio of 4:1. After the first restriction (thin cap rule) is passed, the second restriction is a transfer pricing test. Both restrictions are only applicable if the loan is granted from a related party.
- A special group taxation regime for corporate entities exists in Serbian law.
- Furthermore, Serbia has an extensive network of double taxation treaties. Real estate clauses are included in some of them. The MLI entered into force on October 1st, 2018. The MLI partially modifies the tax treaty between Serbia and Austria.
- The DAC-6 Directive is not applicable in Serbia as the state is no EU or EEA member.

FOCUS ON REAL ESTATE

Rental income – VAT	■ Subject to 20 % VAT. ■ Exception: Renting apartments to individuals for residential purposes is VAT-exempt without the right of input VAT deduction (no option for VAT).
Input VAT correction – property	■ The period for input VAT corrections is 10 years since the first use of property (after acquisition of property). The period for input VAT corrections is also 10 years since the investment in construction structures was terminated.
Depreciation – real estate	■ Land: No depreciation. ■ Real estate: ▪ Tax depreciation rate of 2.5 %. ▪ Assessment base: Acquisition price of the real estate or accounting depreciation rate (if lower).
Current operating expenses	■ In general, the tenant bears the costs.
Conclusion of rental contracts (rental for business purposes)	■ No statutory fees are applicable.

ACQUISITION OF REAL ESTATE

Asset Deal	Real estate transfer tax
	■ The following transfers with consideration (if the transfer is not subject to VAT) are subject to real estate transfer tax:
	  ■ Ownership of immovable property,
	  ■ rights of use of construction land,
	  ■ renting 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.
	■ If the transfer is subject to VAT, real estate transfer tax is not applicable.
	■ The basis of assessment is the agreed sales price, which may be reassessed by the tax authorities if it is below the market value.
	■ A tax rate of 2.5 % is applicable.
	
	Interest on debt financing of acquisitions
	■ Deductible under the same conditions as interest payable on other types of borrowing made in the course of business.

Share Deal	Real estate transfer tax ■ Not applicable. Interest on debt financing of acquisitions ■ Please see the information provided for an 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 persons: 15 % capital gains tax (paid by the seller of the real estate). Tax exemption and tax refund are possible (under certain circumstances).

Real estate transfer tax / VAT

- The first transfer of buildings and economically separable units used for business purposes (e.g. office spaces) is subject to 20 % VAT. The first transfer of residential buildings (and such economically separable units) is subject to 10 % VAT.
  The second and every subsequent transfer of real estate can be either:
  - Subject to VAT - provided that both parties of the transaction agree to apply for VAT and the buyer is allowed to fully recover the VAT charged on the transfer as input VAT, or
  - subject to 2.5 % real estate transfer tax (unless VAT does not apply).

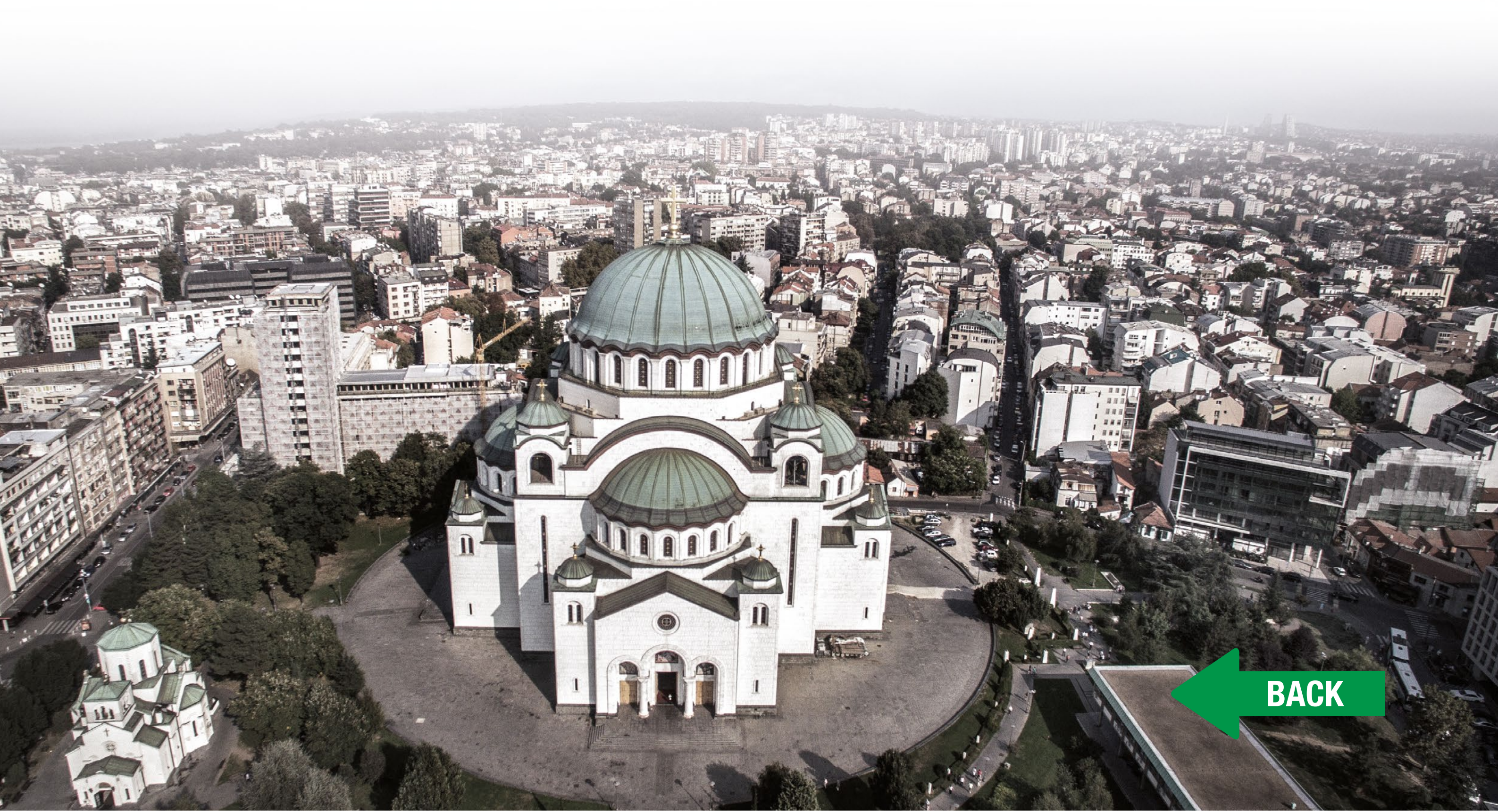
Share Deal

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 double taxation treaty does not contain a real estate clause (the vendor‘s country of residence has the taxation right). Otherwise 20 % CIT on capital gain in case the seller is a non-resident company (also depending on double taxation treaty‘s provisions).

VAT

- The sale of shares is VAT-exempt in Serbia (input VAT is non-deductible).



SLOVAKIA

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REAL ESTATE INVESTMENT MARKET SLOVAKIA

The total investment transaction volume in 2020 reached 516m and was spread among 17 transactions. The first half of 2020, with almost 90 % of the total transacted volume, reflects the COVID-19 situation on the market throughout 2020. The pandemic outbreak in March 2020 negatively influenced construction processes, with speculative construction being postponed (if not withdrawn), too. In general, the dominance of the office and industrial segments continued during 2020, followed by the retail segment. The industrial segment dominated with a share of 49 % of total investment volume, closely followed by the office segment with 38 % and the highly affected retail segment with only 11 %. HORECA (hotel, restaurants and catering services), as the most affected segment, accounted for about 3 % of total investment volume. In terms of year on year comparison of investment volume, we recorded a decrease of 24 %.

In 2020 the prime office yield even fell to 5.50 % for the office properties. A partial correction will potentially occur within secondary real estate, but also at secondary locations. The condition of retail is currently far from ideal; however, retail parks, which are less demanding on hygiene measures in times of pandemic, may be an interesting investment product in the coming months. With the increasing e-commerce penetration rate on the retail sales, we also expect strong demand for industrial & logistics.

INVESTMENT VOLUME BY SECTOR 2020

Industrial & Logistics	48.6%
Hotel	2.9%
Residential	0.0%
Retail	10.9%
Office	37.6%
Other	0.0%

total €516 m

Investment Volume 2020
EUR 516 m

PRIME YIELD 2020

Office	5.50%
Shopping Center	6.00%
Industrial & Logistics	6.15%
Hotel (lease contract)	7.00%

GENERAL TAX INFORMATION

- The corporate income tax rate in Slovakia amounts to 21 % and the taxable income of individual persons is subject to a tax rate of 19 %. If the tax base of individual persons exceeds EUR 37,981.94, a tax rate of 25 % applies to the tax base above this limit. In addition, as of 2021 a tax rate of 15 % shall apply to "micro-taxpayers" with taxable income / revenue below EUR 49.790 (with certain exceptions, e.g. not applicable to taxpayers considered as related parties).
- The preferred local legal form is the corporation (limited liability company s.r.o. or joint-stock company a.s.), which is treated as non-transparent for tax purposes. An alternative legal form is the general partnership (considered as tax-transparent) or the limited partnership, which is a combination of a general partnership and a limited liability company and is treated as partly non-transparent for tax purposes. The limited partnership is transparent for tax purposes as regards the taxation of the general partner, therefore, profit received by a general partner is taxed according to that partner's tax status. In contrast, the limited partnership is treated as non-transparent for tax purposes as regards the profit shares of the limited partners (subject to CIT at the level of the limited partnership).
- The EU-ATAD I & II are implemented (legislation relating to hybrid mismatches; CFC rules are also applicable to individuals under certain circumstances as of January 1st, 2022; exit taxation). Interest expense from related parties is tax-deductible up to 25 % of the tax-adjusted EBITDA. In 2018 the European Commission stated that Slovak national provision with regard to the interest limitation rule is equally effective as the limitations on the deductibility of interest provided under the EU-ATAD I. Therefore, Slovakia may continue to apply the national regulation until January 1st, 2024. Interest on financing of acquisition of investment are treated as tax deductible at the time of further sale of shares under the condition the sale of shares will not be tax-exempt.
- There is no special group taxation regime for corporate entities applicable in Slovakia. Slovakia has an extensive network of double taxation treaties. Real estate clauses are included in some of them. The MLI entered into force on January 1st, 2019. The MLI partially modifies the tax treaty between Slovakia and Austria.
- On September 11th, 2019, the parliament approved the draft law implementing the DAC-6 Directive. The Law entered into force on July 1st, 2020.

FOCUS ON REAL ESTATE

Rental income – VAT	▪ Rentals of immovable property are VAT-exempt. The lessor can opt for tax liability (a VAT rate of 20 % is applicable). The option for VAT is not available as regards rental of a flat, family house or a house with several apartments. ▪ Input VAT cannot be deducted in respect of VAT exempt rents. ▪ Accommodation services, renting of premises and sites for vehicle parking, renting of permanently installed equipment and machinery are subject to a VAT rate of 20 % (no VAT-exemption).
Input VAT correction – property	▪ The period for adjustment of input VAT is 20 years.

Depreciation – real estate

- Land: No depreciation. The loss from the sale of land is non-deductible for tax purposes.
- Buildings:
  - Office buildings, hotels, museums, etc.: Tax depreciation of 2.5 %. The loss from the sale of a building depreciated with 2.5 % is non-deductible for tax purposes.
  - Factories, warehouses, engineering buildings: Tax depreciation of 5 %.
  - Pre-fabricated buildings, etc.: Tax depreciation of 8.33 %.
  - In case the immovable property is rented, the tax depreciation is limited (limitation of tax depreciation up to the amount of the rental revenue).

Current operating expenses

- Normally the tenant bears the costs.

Conclusion of rental contracts (rental for business purposes)

- No statutory fees are applicable.

ACQUISITION OF REAL ESTATE

Asset Deal

Real estate transfer tax
- No real estate transfer tax.

Interest on debt financing of acquisitions
- Treated as tax-deductible if the loan was used for the acquisition of assets, which generate taxable income.
- Based on the thin capitalization rules, interest expense on loans from related parties exceeding 25 % of the company's EBITDA is non-deductible for tax purposes.

Other aspects
- A building construction in the municipality, for which a valid building permission has been issued, is subject to local development tax. The levy rate ranges between EUR 3 to EUR 35/m^2 of the floor area (selected types of buildings are not subject to development tax).

Share Deal

Real estate transfer tax
- No real estate transfer tax.

Interest on debt financing of acquisitions
- Interest on financing of acquisitions is treated as tax-deductible only if the subsequent sale of shares is not tax-exempt (for tax exemption various conditions have to be met).
- Based on the thin capitalization rules, interest expense on loans from related parties exceeding 25 % of the company's EBITDA is non-deductible for tax purposes.

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 the sale of immovable property is exempt from income tax after 5 years from its acquisition (in case the immovable property was not included in business assets), otherwise a tax rate of 19 % / 25 % applies.

VAT

- The sale of buildings, including building lots, is VAT-exempt if the sale takes place 5 years after:
  - (a) the first commissioning approving the use of the building, or 5 years after the start of the first use of the building, or
  - (b) the commissioning approving the use of the building, which approves the change in purpose of use of the building / the change of conditions of usage of the building, if the costs for construction work exceed 40 % of the building's value before the start of such work.
- In case the transaction is realised 5 years after the events defined in (a) or (b), the seller can opt for tax liability, whereas the domestic reverse charge VAT procedure applies if both sides are Slovak VAT payers. If a residential building, a flat, or an apartment is sold 5 years after the events defined in (a) or (b), no option for VAT is possible.
- The sale of a building (including building lots) within 5 years after the events defined in (a) or (b) is subject to a VAT rate of 20 % and cannot be exempt from VAT.
- The sale of land other than building lots is always VAT-exempt (no option for VAT).

Share Deal

Income tax

- A capital gain from the sale of shares in a Slovak company with real estate property in Slovakia is not subject to tax in Slovakia if the applicable double taxation treaty does not contain a real estate clause and the right of taxation is assigned to the country of the vendor's residence (subject to 21 % CIT if the double taxation treaty contains a real estate clause).
- Sale of shares 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 general partner [=seller] is a corporation).
- The capital gain from the sale of shares is tax-exempt if the seller is a
  - Slovak company or
  - a foreign company with a permanent establishment in Slovakia, whereas the following conditions have to be met:
    - Ownership of at least 10 % of shares for at least 24 months from the date of acquisition.
    - The seller performs substantial functions in the territory of Slovakia, manages and bears the risks associated with the ownership of the shares and has adequate personnel resources and material equipment to perform these functions.
    - The seller keeps its accounting evidence according to double-entry accounting standards or IFRS standards.

VAT

- In Slovakia the sale of shares is VAT-exempt (no input VAT deduction).

BACK

SLOVENIA

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REAL ESTATE INVESTMENT MARKET SLOVENIA

During the past several years, Slovenia stood out as one of the most popular destinations in the region of Southeast Europe, in terms of real estate investments. Following the very strong performance of the market in 2019, which noted record volumes of investment activity, the investment volume recorded a decrease in 2020, with few transactions completed. Market activity was evenly distributed among the office, retail and industrial segment, with the industrial market recording an improvement compared to the previous year.

One of the most active segments of the market in the recent period in terms of new supply was the industrial market, which has recorded an increase of investor interest due to the segment's resilience to the recent crisis. Therefore, more activity in the near period can be noted within the industrial segment, while other sectors may be bolstered by an increase in construction activity.

INVESTMENT VOLUME BY SECTOR 2020

total
€ 26 m

Sector	Share
Industrial & Logistics	32.2%
Hotel	0.0%
Residential	0.0%
Retail	36.0%
Office	31.8%
Other	0.0%

Investment Volume 2020
EUR 26 m

PRIME YIELD 2020

Office	8.00%
Shopping Center	7.25%
Industrial & Logistics	8.75%
Hotel (management contract)	8.00%

GENERAL TAX INFORMATION

- The corporate income tax rate in Slovenia amounts to 19%. The marginal personal income tax rate is 50% (if the income exceeds EUR 72,000).
- The preferred local legal form is the limited company (d.o.o.), which is treated as tax non-transparent. An alternative legal form is the partnership. For taxation purposes partnerships are treated like corporations.
- The EU-ATAD I & II (partially) have been in force since January 1st, 2019. In 2020 provisions regarding the elimination or neutralization of hybrid mismatches in connection with international tax structures were adopted. Interest 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 least 25% of the capital or voting rights of the tax payer at any time during the tax year. 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. The interest limitation rule of the EU-ATAD has not been transposed into domestic legislation so far.
- A special group taxation regime for corporate entities does not exist. Slovenia has an extensive network of double taxation treaties. Real estate clauses are included in some of them. The MLI entered into force on July 1st, 2018. The MLI partially modifies the tax treaty between Slovenia and Austria.
- On May 28th, 2019 the Slovenian National Assembly approved the Act amending the Tax Procedure Act (ZDavP-2L) implementing the DAC-6 Directive. The rules implementing the DAC-6 will be in force as of July 1st, 2020. The reporting obligation will start on the same day and will also be applied retrospectively to the date DAC-6 came into force (June 25th, 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 to the VAT option: Leasing of plant and machinery.
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 possible for tax purposes.
Current operating expenses	▪ Normally the tenant bears the costs.
Conclusion of rental contracts (rental for business purposes)	▪ The conclusion of a contract is not subject to any statutory fee.

ACQUISITION OF REAL ESTATE

Asset Deal	Real estate transfer tax ▪ The transfer of real estate is subject to a transfer tax of 2 % of the purchase price.
Share Deal	Real estate transfer tax ▪ No real estate transfer tax. Interest on debt financing of acquisitions ▪ Interest on debt financing of an acquisition of shares (in a partnership and company) are tax-deductible. There is an exemption in the year of profit distribution with regard to 5 % of the distributed amount.

DISPOSAL OF REAL ESTATE

Asset Deal

Income tax

- A legal entity's gain is subject to a tax rate of 19 % CIT.
- Sale by individual person: The tax rate is 27.50 %. For speculative gains the tax rate is reduced for each 5-year period that the underlying asset is held. After 5 years the tax rate will be 20 % (after 10 years 15 %, after 15 years 10 %, zero after 20 years).

VAT

- The sale of real estate is - except the sale of building land - VAT-exempt (input VAT is non-deductible). The sale of real estate is subject to VAT if the sale was effected
  - before the object or parts of the object were moved in for the first time or used, or
  - 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 exercised prior to the sale by joint declaration.
- The VAT rate for residential property under social policy amounts to 9.5 % (if certain requirements are fulfilled).

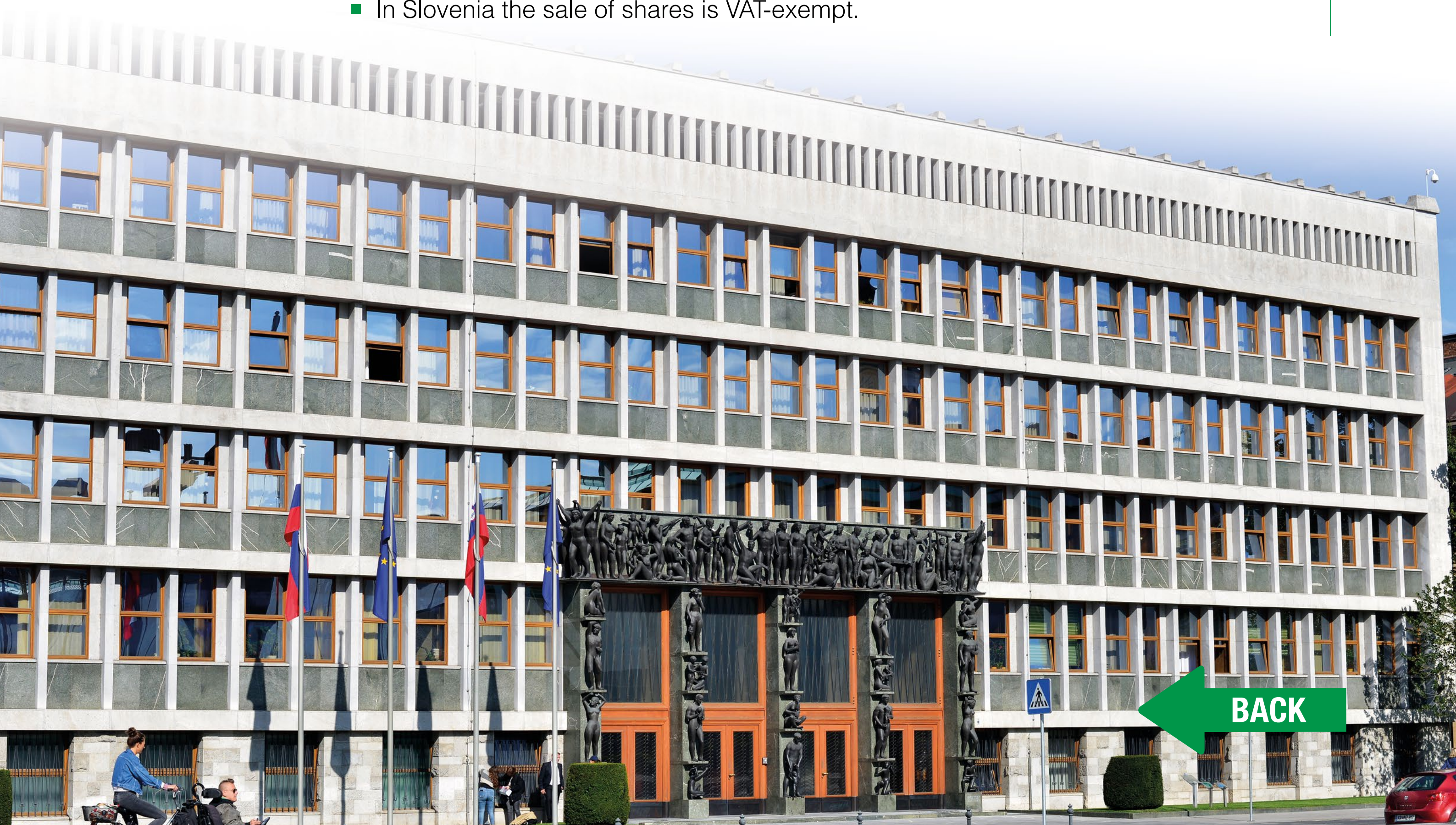
Share Deal

Income tax

- Capital gain by a local legal entity: As a general rule taxable (general CIT rate).
- A reduction of the tax assessment base by 50 % for capital gains from the sale of business companies (corporations and partnerships) is possible (capital gains reduction; applicable to a corporate resident entity or a permanent establishment of a non-resident entity). A minimum shareholding of 8 % and a 6-month holding period are required. During the holding period the company must have at least one full-time employee (40 hrs/week).
- Capital gains from the sale of shares in a company owning real estate property in Slovenia are not subject to tax in Slovenia if the applicable double taxation treaty contains no real estate clause. Otherwise, a CIT rate of 19 % is applicable.

VAT

- In Slovenia the sale of shares is VAT-exempt.



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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 1600 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. 700 enthusiastic and qualified people in fourteen branches in Austria.

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

In total, the Group has more than 1,700 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 123 independent member firms with 740 offices in 148 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.

TPAs work is based on highly specialised qualifications, experience gained over many years and personal onsite support of its clients.

As a forward-looking service provider with great commitment, TPA considers themselves partners of its clients and take responsibility for its quality and success. TPA produces comprehensible solutions and accompany its clients in their realisation.

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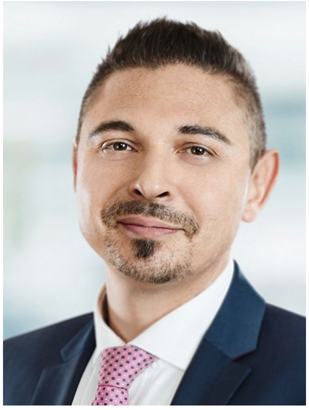
Andreas joined CBRE in 1991 as Managing Director of the newly founded office in Austria. In this role, he has first established the Vienna office and later the CBRE network in Central and Eastern Europe. He manages and coordinates the offices in the region. Andreas has extensive real estate knowledge,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



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