

## PRESS RELEASE

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### **CMS European Real Estate Deal Point Study 2016: Seller-friendly contracts at record levels across Europe**

- *Strong demand for office and retail properties*
- *More agreements signed with liability caps and shorter contractual limitation periods for sellers*
- *Increase in national investors in the European real estate market*

The European property market remains seller-friendly. Ongoing strong demand for real estate against a backdrop of historically low interest rates strengthened the negotiating position of property sellers throughout Europe in 2015. That is the main finding of the CMS European Real Estate Deal Point Study 2016, which covers the European real estate transaction market. In the course of the study, international law firm CMS systematically assessed and evaluated around 1,000 real estate agreements on which it advised. The information was gathered from 14 countries in the period from the start of 2010 to the end of 2015. "The study provides an overview of current best practice in property purchase agreements and is intended to assist in preparing for contract negotiations," said Gregor Famira, partner and head of Real Estate in CEE at CMS in Vienna.

#### **Elevated demand for properties in European conurbations**

The proportion of office transactions rose further in 2015, climbing four percentage points in the past two years to reach 42% of all transactions evaluated. "In this asset class, there is elevated demand for properties in European conurbations and cities," said Dr Dirk Rodewoldt, partner and head of the international Real Estate & Construction Practice Group at CMS. The proportion of retail properties also rose year-on-year, increasing from 13 to 19% overall. Logistics properties were the only category to experience a decline, falling from 18 to 11% in 2015, although this was still significantly above the levels seen in the period 2010 to 2013. By contrast, the proportion of residential transactions was roughly the same in 2015 as in previous years, at 17%.

The number of transactions involving individual properties rose year-on-year. While the figure was 70% of all evaluated real estate transactions in 2014, it reached 78% in 2015. One reason for this rise was increased demand for core properties, which were often sold individually – even when they formed part of a real estate portfolio.

### **Hotel real estate in demand**

Outside the traditional asset classes, it was in particular hotel real estate which was in stronger demand than in the past throughout the entire European area. The percentage of real estate transactions outside the asset classes Office, Retail, Logistic and Residential increased from 7 % in 2014 to 11% in 2015.

### **Real estate agreements favour sellers**

In 65% of cases, sellers were able to negotiate an agreed liability cap in property agreements in 2015. In 2010, the proportion of deals with a contractually-agreed maximum liability was just 25%. The share of transactions with seller-friendly clauses that provide for a threshold or minimum limit for warranty or guarantee claims by the buyer (*de minimis* and basket clauses) also increased. In addition, more agreements with shorter limitation periods for the buyer's warranty or guarantee claims were signed in 2015. The results indicate that property agreements concluded in 2015 tended to favour the seller.

### **More investments by national buyers**

National investors played a bigger role again in the European real estate market in 2015. While more investments were made by foreign buyers (53%) than by national investors (47%) in 2014, the position was reversed last year. In 2015, national investors accounted for 53% of buyers across Europe, while 47% were foreign investors.

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We not only create sound legal solutions for you but also work to create pragmatic solutions, also with regards to your commercial goals. Our solutions correspond as much as possible to your company's business needs. We operate offices in Vienna, Belgrade, Bratislava, Brussels, Istanbul, Kiev, Ljubljana, Podgorica, Sarajevo, Sofia and Zagreb. All CMS offices together offer clients a team of more than 600 experienced specialists in 15 offices across the CEE/SEE region.

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