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Deloitte Real Estate Confidence Survey for Central Europe

January 2024

MAKING AN IMPACT THAT MATTERS since 1845

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Foreword

Welcome to the sixth edition of the Deloitte Real Estate Confidence Survey for Central Europe.

This report presents the most recent views and sentiments held by real-estate developers, investors and market advisers from across Central Europe on the prospects for the region's real-estate market in the months ahead. Topics covered include the challenges they will face, investment and transaction activities, debt financing and the tax climate.

In the real estate landscape, unfolding global events often cast significant distortions, altering trajectories and influencing decision-making, and set off chain reactions that resonate within the real estate industry and other sectors for many months and even years later. Global uncertainties, instability, conflicts and pandemics continue to influence prices of food, fuel, other commodities and availability of debt finance resulting in declining business activity throughout the European economy.

Recent and ongoing geopolitical events have prompted a notable shift in the behaviour of real-estate market participants influencing both their risk assessment and investment strategies. What first resulted in a slowdown of activity and waiting for what the future may bring, shifted to learning how to navigate amidst ongoing geopolitical tensions.

This report aims to encapsulate the nuances of the transformed landscape within the real estate market. Looking back in time, the market players' predictions presented in the previous editions of this report proved to be very accurate, fuelling our motivation to prepare the next editions and confirming that this report is an important voice in the discussion about the prospects of the CE real estate market. Therefore, we hope to provide an insightful overview and outlook for the year 2024 for our readers to navigate in this evolving environment.

Dominik Stojek

Partner
Real Estate Leader for Poland

About the Survey

Deloitte's Real Estate Confidence Survey for Central Europe is released annually and aims to find out how the region's real-estate professionals perceive the market. In it, we ask three groups of stakeholders, being developers, investors and market advisers, for their opinions across a range of issues.

Our aim is to give them the opportunity to express their beliefs and predictions. History shows that market developments have been correctly proven in most of the predictions in previous editions of our surveys.

Our respondents are members of management boards or senior management, team managers and specialists. Deloitte believe that the senior profile of our survey has enabled us to collect the opinions of people with proven knowledge and experience of the real-estate sector who exert impact on the market.

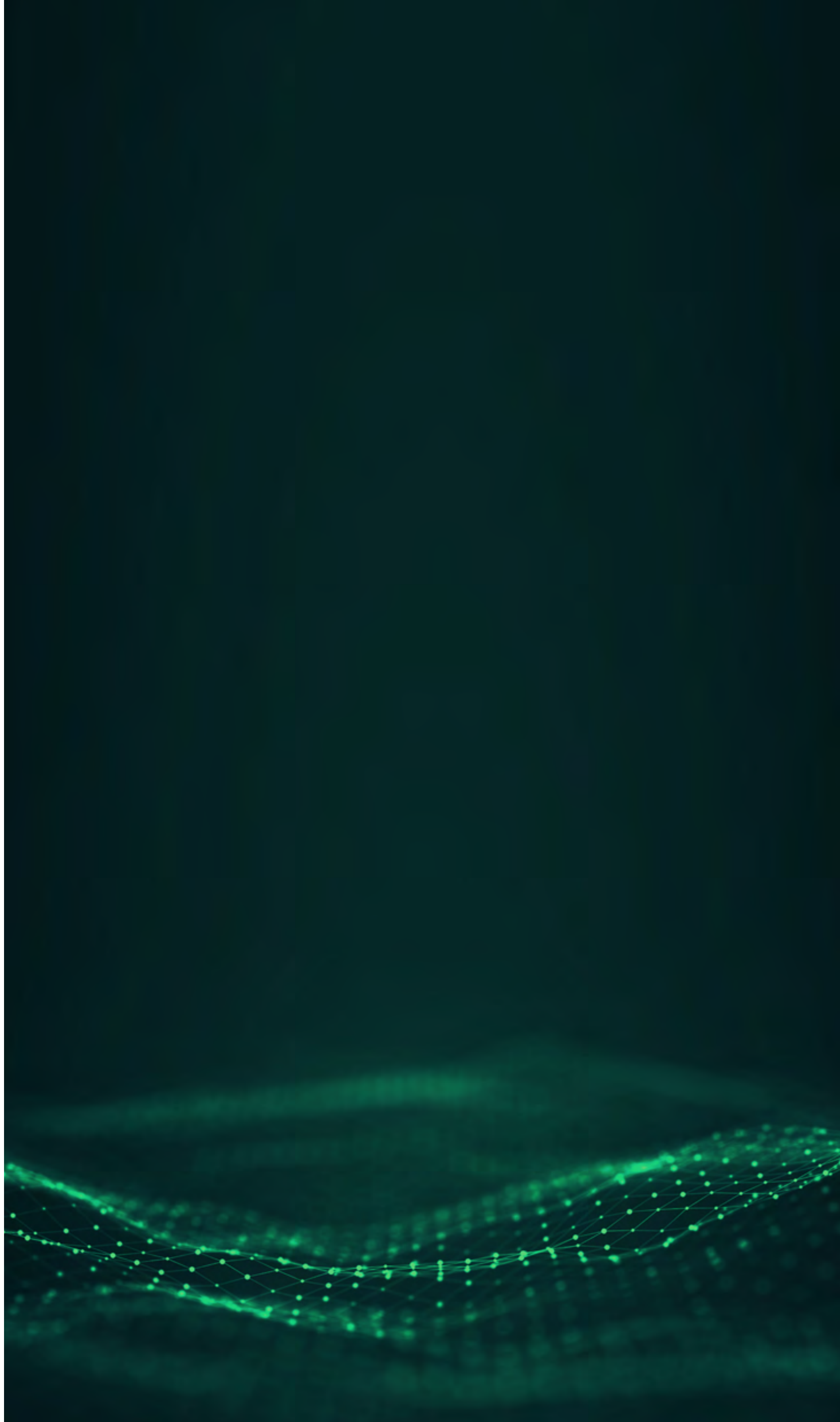
The report uniquely compares respondents' current expectations with the views we recorded in previous years and describes their predictions for the months ahead: expectations that will have at least as much influence as hard economic data on their investment decisions throughout 2024. Moreover, keeping the same structure of the survey allows us to monitor and analyse any significant changes in sentiment and outlook from edition to edition.

The first edition of the report was published at the beginning of 2019 and provided the respondents predictions for that year and since then has been repeated bi-annually and annually.

This current edition of the Confidence Survey was held in December 2023 and reflects the newest real estate market outlook and forecasts for 2024.

The questionnaire comprised of two sections. The first focused on respondents' opinions regarding the general economic conditions across CE in 2024. The second covered individual business perspectives of each participant.

We asked respondents to define their primary geographic markets. In the 2024 edition, 33% came from Poland, 24% from Czechia, 10% from Hungary and 24% of our respondents declared they operate across Central European markets.



Key findings:

Overall market activity:
As of the end of the year 2023, the Central European market appears to adapt to the disruption caused by the Russian aggression against Ukraine. The responses indicate adjustment of forecasts expecting that overall market activity will improve (increase to 40% vs. 15% last year) or remain the same (44% vs. 28%). The number of the pessimists dropped from 57% to 16%.

Yields:
Market expectations regarding the yields in CE appear to be in equilibrium with most respondents (59%) anticipating average yields to maintain at the same level, whereas 22% forecast a yield increase and 19% are of an opposite opinion.

Leading sectors:
Once more, the Industrial sector is perceived as the most attractive in terms of investment opportunities.
The Residential sector is becoming more popular, especially among developers and investors, followed by PRS.
The same refers to the Retail sector with investors. On the contrary, year 2024 does not appear to be a favourable year for the Office sector, facing the retreat of developers and investors.

Taxes:
Expectations relating to the tax climate in Central Europe are the most positive in the last 6 years, better even than in the pre-pandemic years. A majority of 82% expects the tax climate to remain the same. The number of negative sentiments decreased by 17 percentage points to a record low of 10%.

Investment volume:
Though there is a significant positive shift in market sentiment, the respondents are polarized in their opinions. Half of the respondents expect investment volumes in Central Europe to increase in the upcoming months (49% vs. 16% last year) while the second half believe it will either remain the same (32% vs. 33%) or will decrease (19% vs. 51%).

Investment product availability:
A record high 64% of respondents believe that the availability of investment products in CE will increase in the next three years, while only 8% are of the opposite opinion (a record low number of the last 6 years).

Financing:
Nearly half of participants (49%) expect availability of debt financing to remain similar in the upcoming months as it currently is. It resonates within the industry that the market might be facing yet another challenging year in respect of obtaining finance.

War in Ukraine:
There are no major changes as regards the opinion on impact of the Russian aggression in a time perspective as compared to the previous year. Around 60% forecast medium-term effects and nearly 30% long-term.

Key findings:

Developers:
Reprofiling of developers might be one of the most meaningful trends in 2024, as one in four declares to shift its focus to a new sector in upcoming months. Reprofiling resonates the strongest with office and retail developers, where respectively three in four and every second one declared to concentrate on other sectors in 2024 (mainly Mixed-use and PRS). There is much more balance as regards the challenges to be faced by the developers, with financing perceived as the biggest challenge (26%), followed by plot acquisitions (23%) and commercialisation (18%). Now nearly half of developers expect their margins to continue at the current level during 2024, however 40% of respondents are still anxious about prospect of margins deteriorating.

Investors:
The overall picture emerging from the investors' answers appears to be more optimistic than a year before. Half of them intend to focus on new investments (31%) or raising new funds (19%). One in three expects the efficiency of its portfolio to improve, two times more than those expecting it to deteriorate. The Industrial sector is still perceived as the most competitive (31%), followed by Residential (21%). However, declared investment focus differs. Though 29% of investors point to focus on the Industrial sector, one in four expects to concentrate on Retail (perceived as the last but one least competitive sector, with only 6% of votes).

Advisers:
The advisers also appear to be more optimistic though their opinions are not clear-cut. A substantial majority of advisers (55%) are now expecting that investors will actively engage in both buy and sell actions. However, nearly two-thirds of advisers hold a belief that investments will stay at the similar levels as in 2023. When it comes to the opportunities and attractiveness of the real estate sectors, more than 35% of advisory respondents selected the Industrial segment.

Country focus Czechia:
The prospects of overall market activity in Czechia are perceived better than the average for Central Europe (increase indicated by 52% in Czechia vs 40% for CE).

61% of respondents expect an increase in transaction volumes (CE average 49%) and 73% forecast an increase of investment product availability in the next three years (CE average 64%) but contrary to CE trends where pessimistic regarding the tax climate in 2024 with 48% indicating its deterioration as opposed to 10% CE average.

Country focus Poland:
Interestingly, Polish respondents present the most optimistic outlook from all geographical groups including Czechia as regards both general economic situation as well as particular aspects of the investment market. Their responses show that Polish respondents expect a substantial bounce back of the real estate market. A part of that may be attributed to the recent major changes on the local political scene.

Developers' perspective

The Development sector has been affected by numerous fluctuations over the last 6 years. At the beginning of both 2019 and 2020, developers declared that the availability of investment plots was the biggest challenge they faced. Then, during the Covid-19 pandemic, project commercialisation and project financing were recorded as the most challenging issues. At the beginning of 2022, we observed rapidly increasing construction costs which skyrocketed further after the Russian military invasion of Ukraine. As of the end of 2022, the growth in construction costs slowed down, but increasing inflation and the monetary policy of central banks led to rising interest rates.

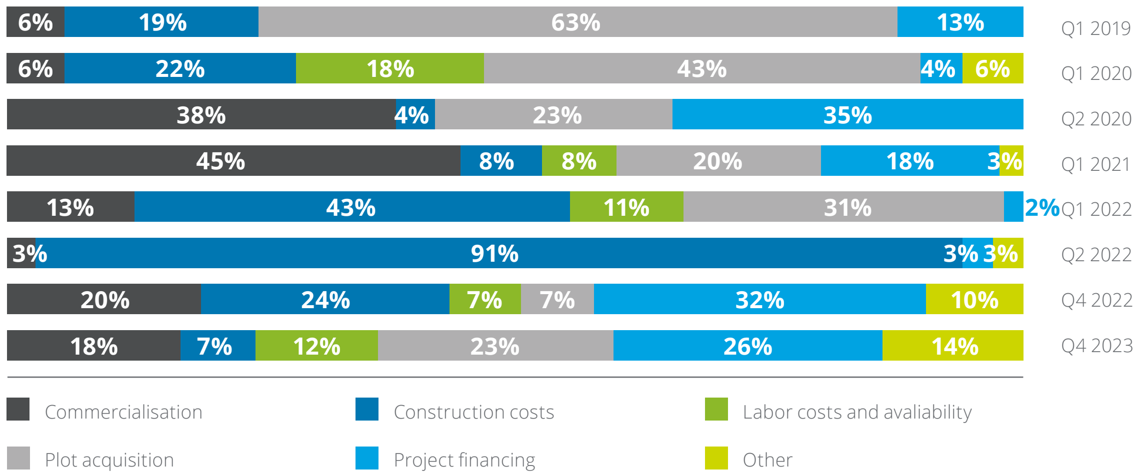
The predictions for year 2024 show a balanced proportion in major challenges expected by the developers with project financing still seen as the biggest one in the upcoming months (with 26% of responses). Noticeably, one of the main developers' aims became securing plots for times of economic rebound (23% of responses).

18% of respondents pointed to commercialisation and 12% expect labour costs and labour availability to pose a challenge. Only 7% of respondents still see construction costs as the biggest challenge.

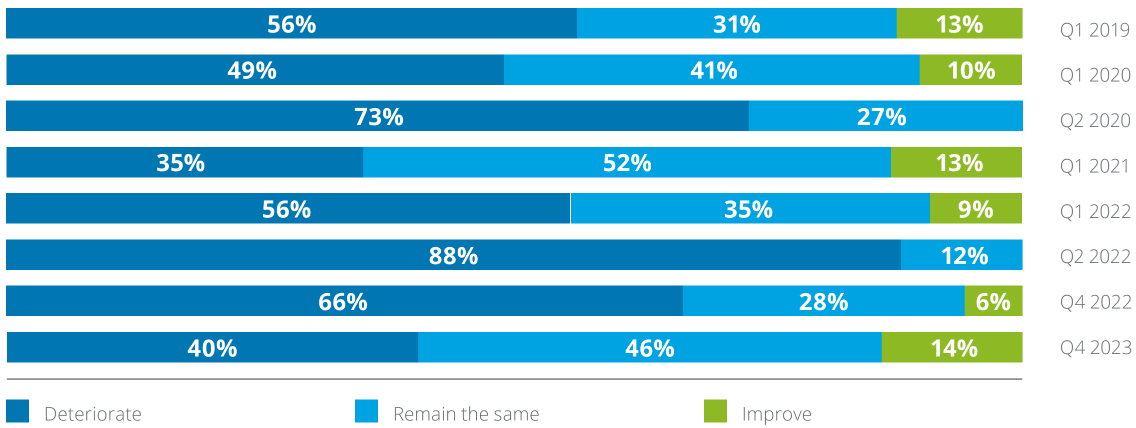
A year ago, developers braced themselves for an anticipated decrease in their margins. A significant majority of developers comprising two thirds (66%) anticipated a decline.

This year a positive shift is evident as the current outlook reveals that only 40% of developers now foresee a decrease. Nearly half of developers now express a cautious optimism, believing that their margins will remain stable in the upcoming year. The situation resembles the outcome of Q1 2022 survey with the positive bounce back after pandemics and just before the outbreak of the full-scale war in Ukraine. Furthermore, the share of those expecting an improvement in margins accounted for 14% (compared to only 6% last year), indicating a sense of revived resilience within the industry.

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



In the months ahead, I expect margins to:



Apart from the period directly following the outbreak of the Covid-19 pandemic, all editions of the survey have reported that more than 50% of developers were planning to develop and sell their projects.

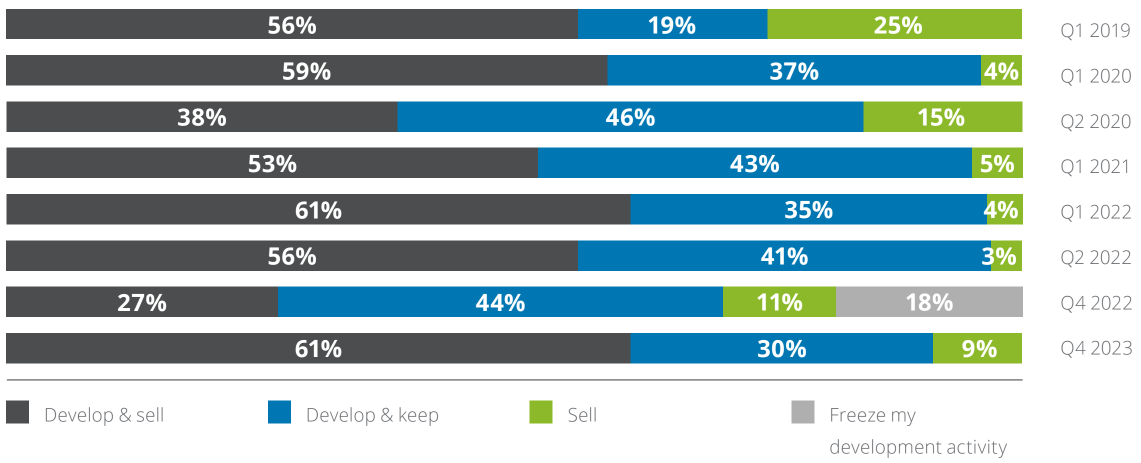
In predictions for 2023 a significant shift in their approach was seen. The proportion of developers planning to sell their projects immediately after completion more than halved, from 56% in Q2 2022 to 27% in Q4 2022. This was the lowest result since the beginning of 2019, when Deloitte carried out the first edition of the survey. The share of respondents willing to retain their assets following construction has remained relatively stable since the beginning of 2020, with a share of around 40%. 20% of participating developers harboured concerns about potentially halting their activities due to market circumstances in 2023.

This year's survey shows a remarkable reversal, with more than 60% of developers expressing a keen interest in actively pursuing development and sale initiatives, signalling a substantial shift towards a more proactive stance within the industry.

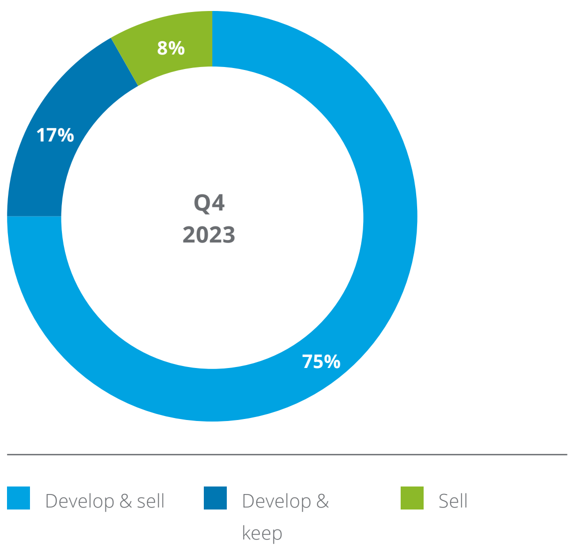
This current shift is especially visible amongst residential developers, where 75% of respondents seek to develop and sell.

Developers from other sectors, however, aim to take more reserved approach.

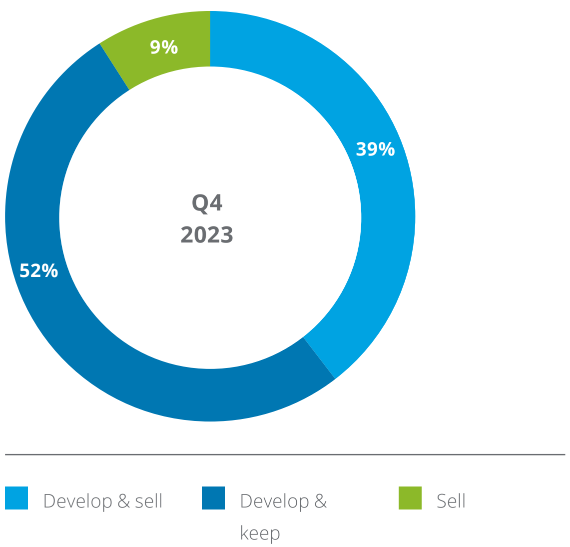
In the months ahead, I expect to:



In the months ahead, I expect to (residential developers):



In the months ahead, I expect to (commercial developers):



The participants were also asked which sector they expect to focus on in 2024 compared to their current major sector.

Based on our analysis, an increasing number of developers are pivoting their attention towards the Residential sector. They are drawn by continued demand (including Ukrainian war refugees in the region) and Governmental programs fostering new developments (in case of Poland), as expressed by 33% of respondents intending to focus on this particular sector in 2024 (compared to current 25%). This is over a 30% increase.

Industrial focus remains strong among respondents who wish to expand their operations in this field as recorded by 28% of votes (previously 23% resulting in a 22% increase).

A clear emerging trend showed a heightened interest in the Private-rented sector, represented by 7% of participants (previously 2%).

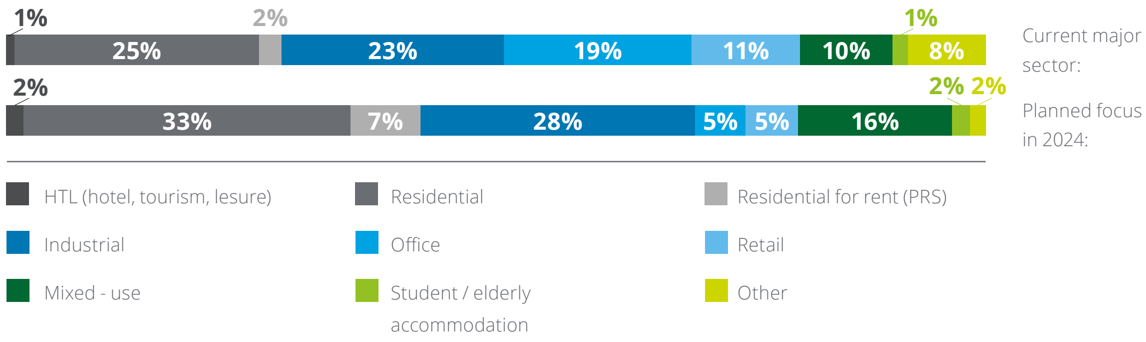
A significant decline in developers' focus on the Office sector is noticed. It is represented by 19% of participants currently developing office buildings and only 5% declaring to continue their presence in this field, meaning that only one in four intend to stick to office sector as a main area of activity. The remaining one's plan to focus in 2024 on Mixed-use, PRS and Industrial sectors.

Only slightly better perspectives are observed in Retail sector where one in two developers intend to continue its primary focus (fall from 11% to 5%).

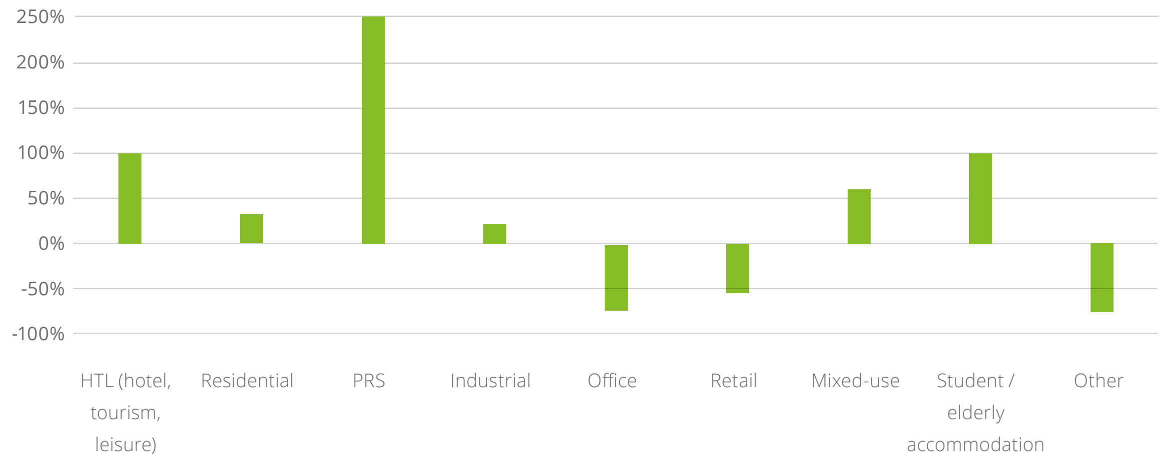
More developers intend to focus on Mixed-use sector than offices or pure retail. Up to 16% of participants aim to involve in mixed-use developments, striving to satisfy continuously evolving consumer demands.

There are no significant shifts in interest in both Student and elderly accommodation sectors as well as the HTL sector with 2%, respectively, for 2024.

Current main sector of the market vs. planned focus in 2024:



Change between current focus vs. planned focus in 2024:



More than one out of three developers (33%) anticipated that in 2024 heightened interest will be especially noticeable in the residential market. A higher level was observed only at the beginning of 2020, just before the outbreak of the COVID-19 pandemics.

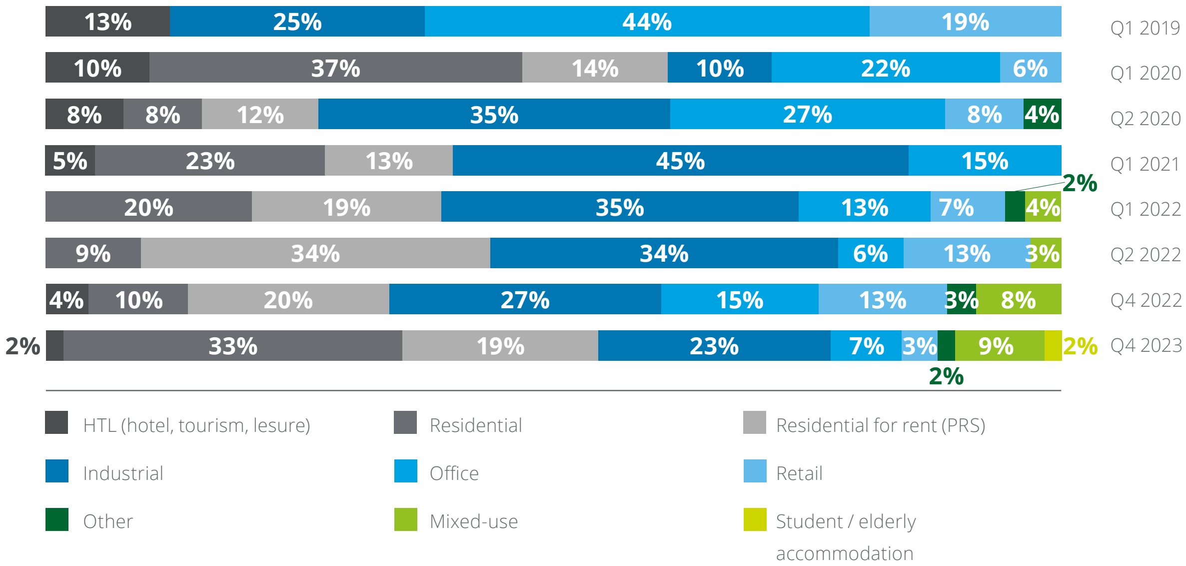
The other top sectors that developers expect to observe the most competition remained Industrial and PRS, with respectively 23% and 19% of responses.

Interestingly, for the first time in the history of our survey, more developers pointed out mixed used projects rather than on offices or retail. A slight increase was indicated in the mixed-use segment, which accounted for 9% of the developers.

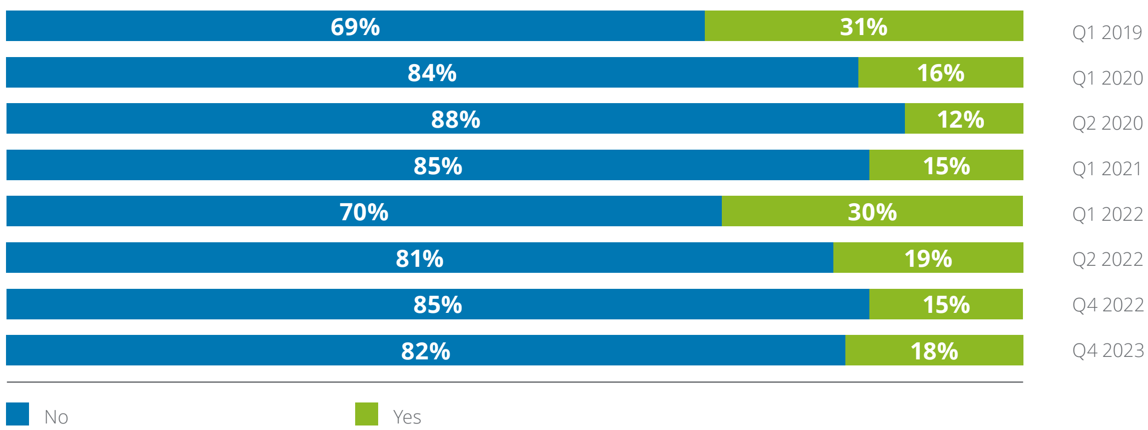
Conversely, there is a decrease in the number of developers expecting competition in the Office and Retail sectors, which observed drops of 8 percentage points concerning offices and 10 percentage points concerning the retail market compared to the forecasts for 2023.

Looking across all the years of the survey, the share of developers planning to focus on new markets has ranged between 12% at the beginning of the Covid-19 pandemic up to 30-31% at the beginning of 2019 and in January 2022. Currently, around 18% of respondents are considering focusing on new markets, while the continued trend of focusing on core markets is represented by the 82% of responding developers.

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



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



Investors' perspective

Taking into account the results of this year's survey, there is no doubt that investors have already observed a downturn in the real-estate market and in the upcoming year they plan to take a more cautious approach.

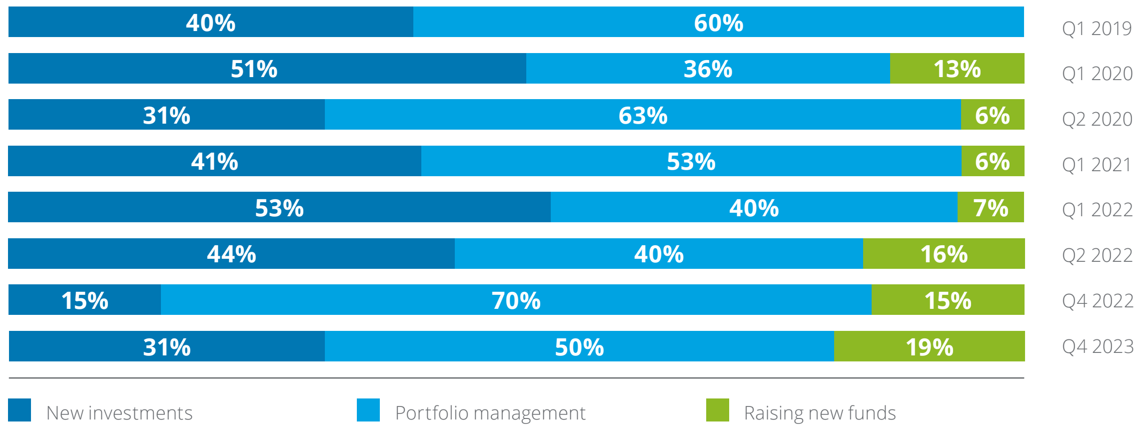
Compared to the previous year's survey, this year's findings show that fewer respondents aim to concentrate on managing their existing portfolio, however this is still representing 50%.

On the other hand, there has been a significant increase in number of the investors looking to pursue new investments. This doubled since last year and currently represents 31% of the participating investors. **Furthermore, almost one in five is planning to raise new funds that is the highest level in the last 6 years.**

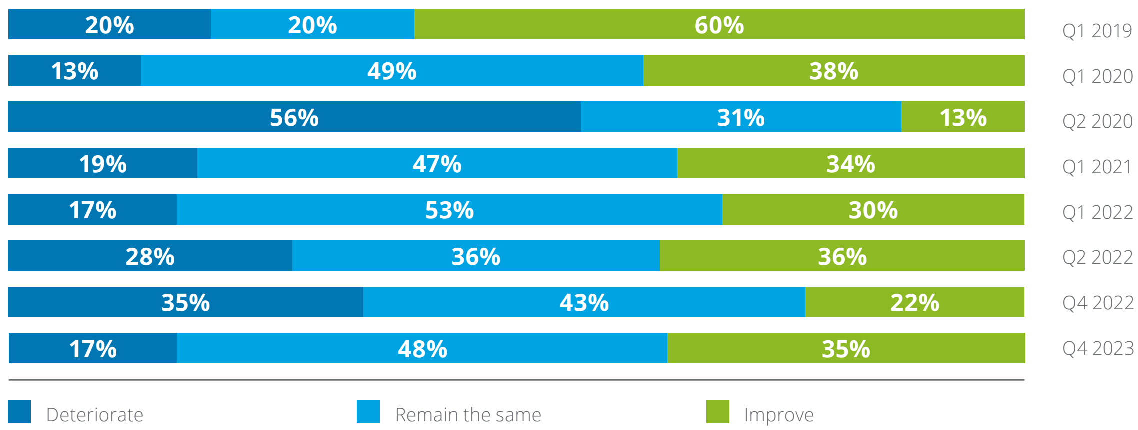
Compared to last year's market sentiment, which showed that 35% of respondents were anticipating a worse performance of their investments, the current forecast shows some optimism. More confidence is seen among investors who expect the performance of their investments to improve. Their number rose by 13 percentage points and currently accounts for more than one-third of all respondents. Market adjustment to new risks is observed in a decreased number of investors expecting their investments to decline, currently amounting to 17%.

Nevertheless, nearly half of investors anticipate that the efficiency of investments will maintain on the similar levels as recorded this year. Their cautious outlook reflects the current year's performance and indicates that the market will face the continued challenges in the upcoming months.

In the months ahead, I expect to spend the majority od my time focusing on:



In the months ahead, I expect the efficiency of my investments to:



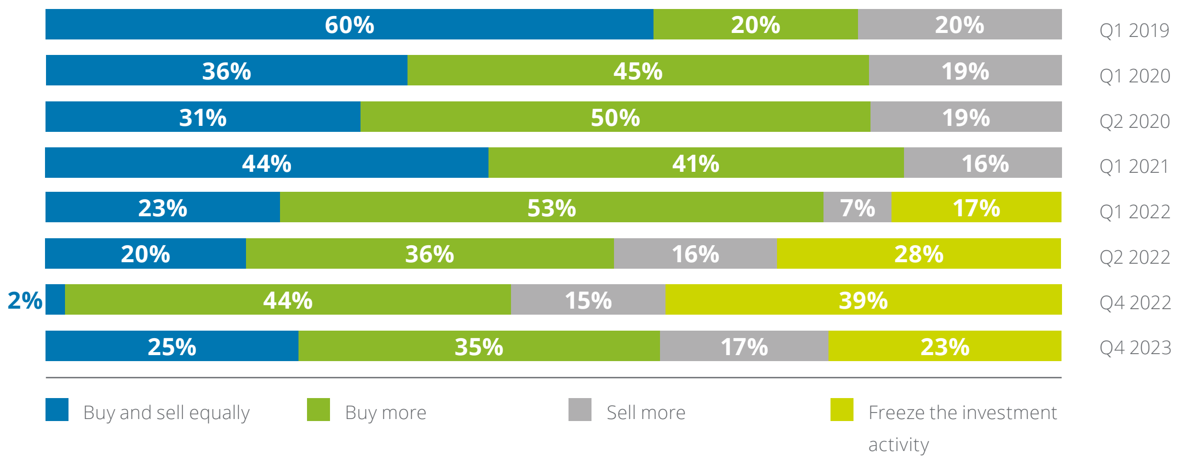
According to the replies Deloitte received in the 2023 edition of the report, the prevailing sentiment was that only 2% of investors were planning to buy and sell equally. Expectations for 2024 show that investors are now moderately more confident about engaging in buying and selling of their investments, showing a strong swing of 25% willing to actively participate in the market by both acquiring and sales. The most selected option is represented by 35% of investors who expect to buy more.

It is worth noting the considerable decline in the number of participants who predict to halt their investment activity by 16 percentage points compared to last year, but it is still one investor in four.

The above may suggest that the market is seeking a new equilibrium, with an increasing share of the investors open to accept changed pricing but still 23% of investors are restraining from actively chasing real estate transactions.

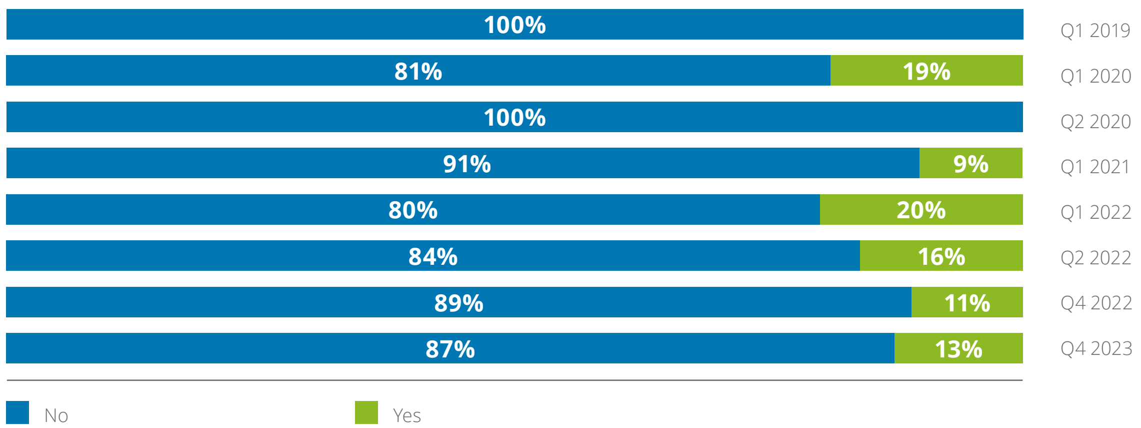
The proportion of the investors planning to focus on new markets remains the same as in the previous years and amounts to 13%.

In the months ahead, I expect to:



As of the end of 2023, around 13% of respondents said they expected to focus on new markets in the year ahead, which is within the range noted in previous editions of the survey.

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



A large proportion of investors were represented by those planning to concentrate their efforts on the Industrial sector followed surprisingly by Retail. Respectively 29% and 25% intended to focus in 2024 on these fields.

Much fewer investors will focus on office investments amounting to only 4% of responses.

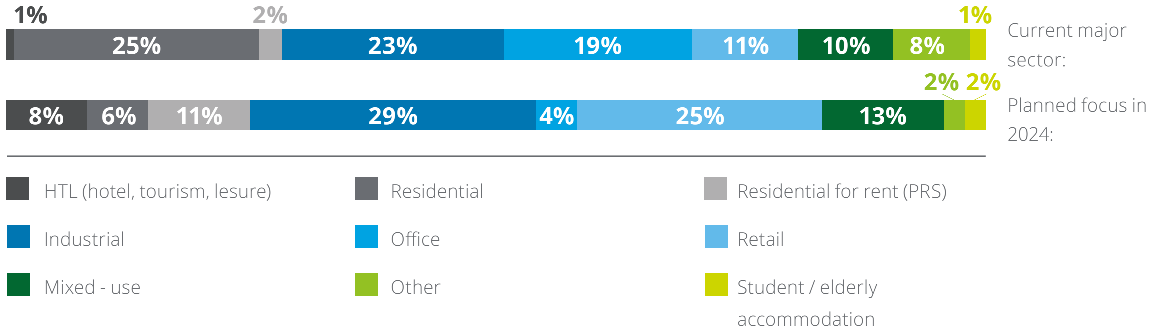
Analysis of what would be their new area of focus showed that nearly every fourth investor was for transition from the Office segment to Industrial or Hotel sector. After this the next areas of focus for them would be Mixed-use and Retail.

Only 6% of investors expressed a desire to increase their focus on the Residential market behind PRS at 11%.

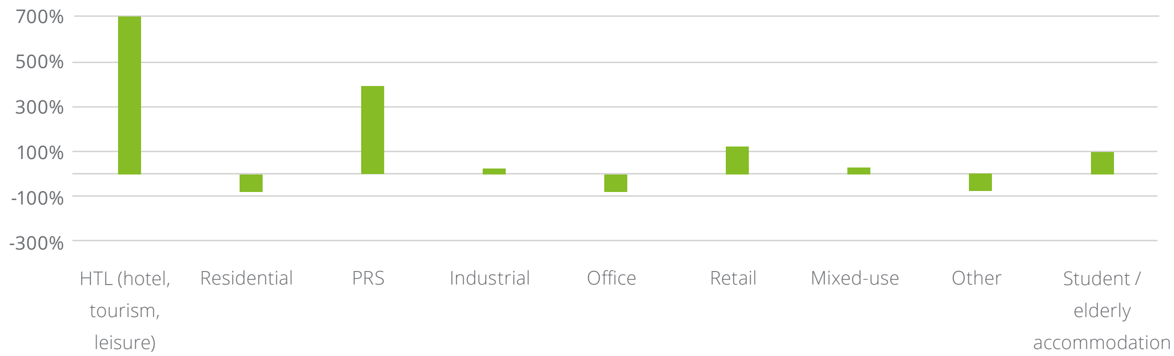
The Hotel segment was a target market to focus on by 8% of participants in 2024.

Student and elderly accommodation were still representing a mere 1-2% of current and future investor segment focus, however all investors who were present in this planned to maintain that course.

Current main sector of the investments vs. planned focus in 2024:



Change between current focus vs. planned focus in 2024:

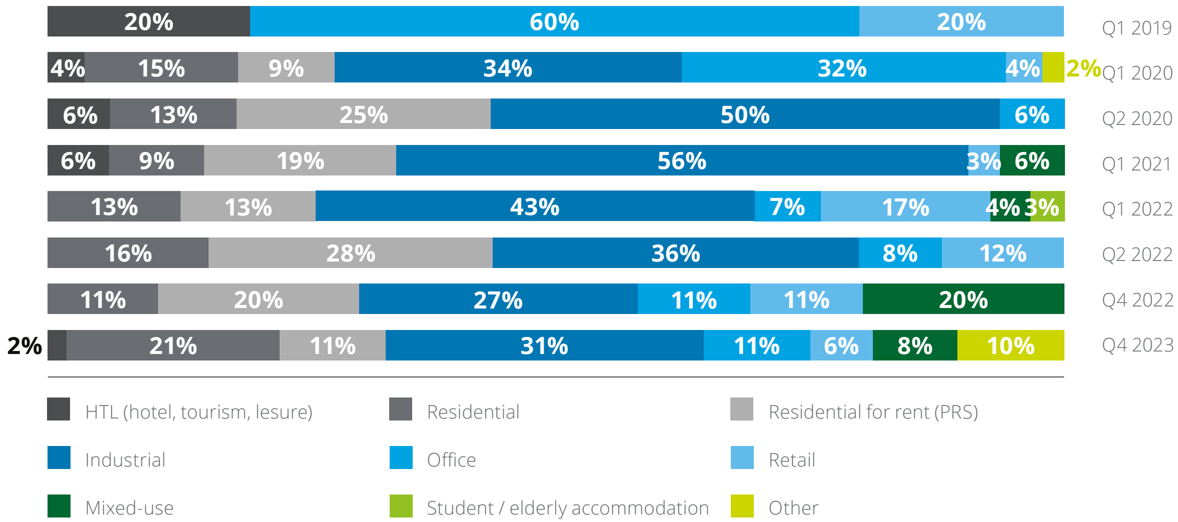


The Industrial sector, with its 31% share, is still perceived as the most competitive.

It is, however, followed by the relatively strong position of the Residential sector which experienced a bounce back from 11% to 21% of votes.

Fewer investors express their concern regarding competition on the PRS market, which for the upcoming months is expected to be competitive by 11% of participants, being the same as the Office sector.

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



Advisers' perspective

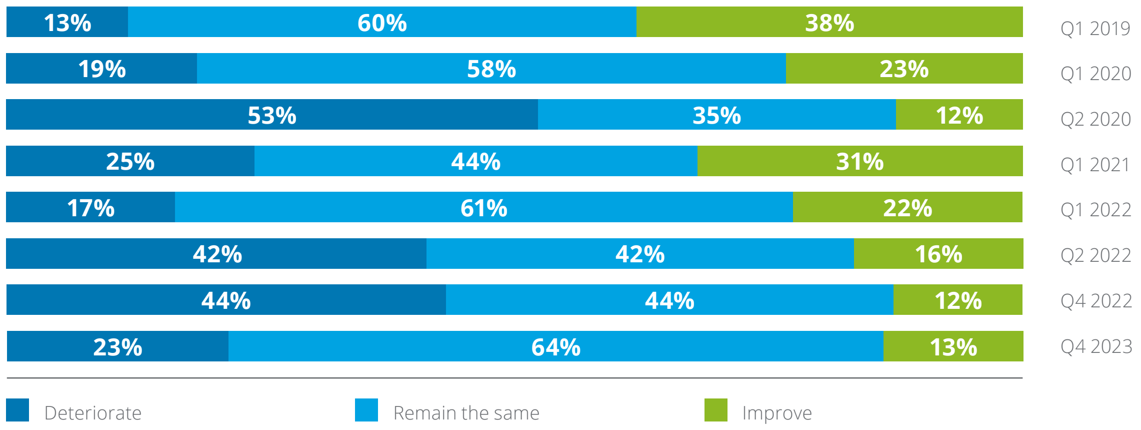
Advisers in real estate sector are displaying a more positive outlook regarding their client's investments for 2024 than a year before, though the emerging picture is not clear-cut.

Nearly two-thirds of them currently hold a belief that investments will maintain a current trajectory, signalling it might take some time for the market to recover. **A considerable reduction in the number of advisers who anticipate worse performance of their clients' investments shows that they assume the weakest period has passed, though still one in four believe the year 2024 will be more difficult than the previous one, which was one of the worst years in the last decade.** 13% of advisers expecting improvement in their clients' investments does not seem to be overly optimistic.

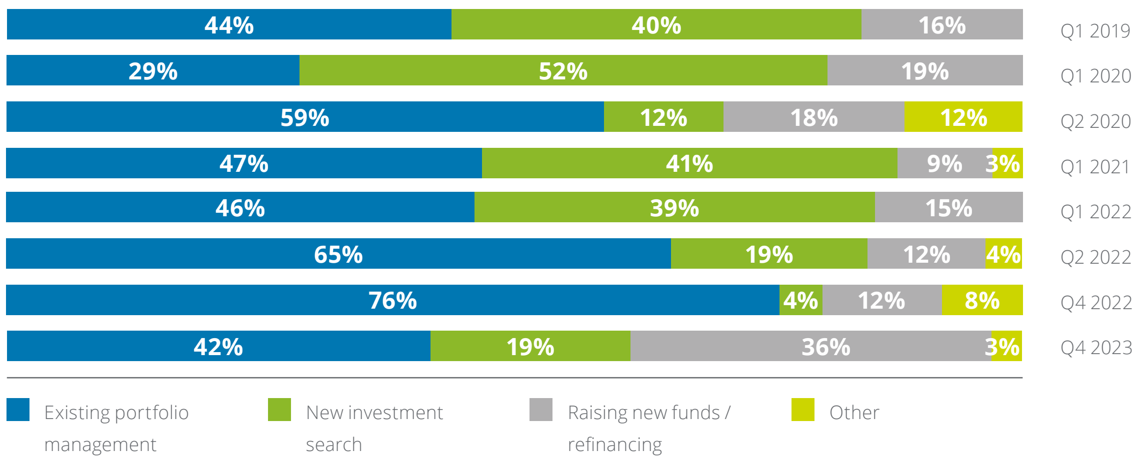
In terms of plans for the months ahead, advisers' expectations are in line with those of investors and both point to focus on existing portfolio management. While half of investors expected to focus its activities on current portfolios, nearly 42% of advisers expressed a similar opinion.

More than a third of advisory respondents said they believed their clients had plans to raise new funds, however, less than 20% of the investors themselves had a similar aim. On the other hand, advisers were more conservative than investors as regards searching for new investments, i.e. 19% whereas 31% of investors declared such plans.

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



In the months ahead, I expect my clients to spend most time focusing on:



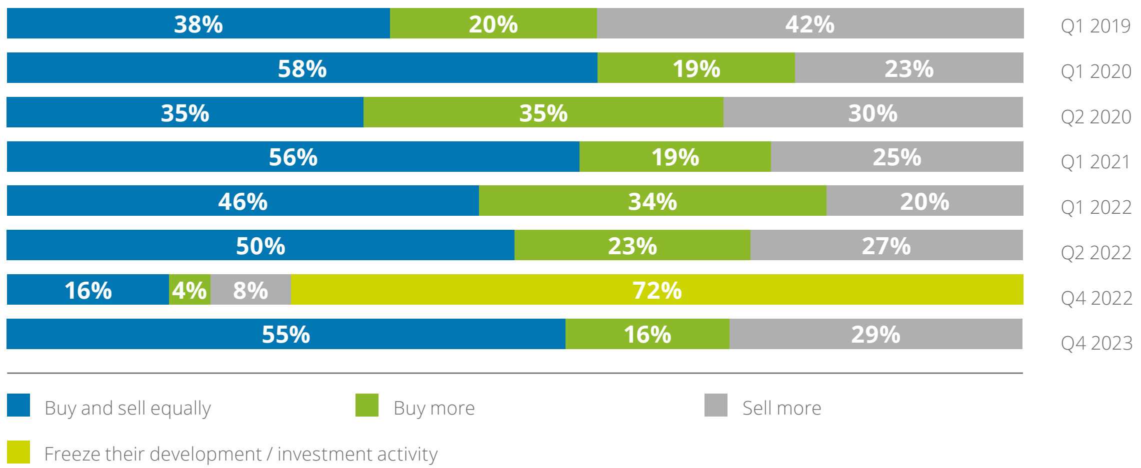
As shown in the chart, a staggering majority of 72% of advisers expected their clients to freeze their activities in 2023.

In contrast in 2024, a substantial majority, represented by more than a half of advisers, are now expecting that investors will actively engage in both buy and sell actions.

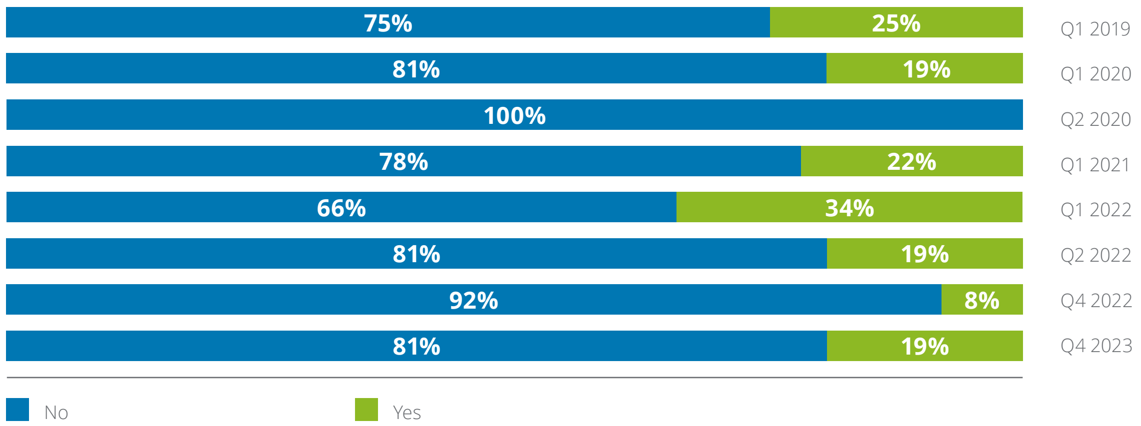
Nearly 30% expect they will at least sell more and 16% forecasts their clients will buy more. Interestingly, none of the advisers expect their clients to freeze investment activity in 2024 (as opposed to 72%! last year).

When it comes to expansion plans, the advisers' answers are again largely in line with investors views. At the end of 2023 more than 80% of advisers were expecting their clients to keep their focus on existing markets. It corresponded with 87% of investors who share similar views on core market focus of their activities.

In the months ahead, I expect my clients to spend most time focusing on:



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



In the advisers' opinion, the Industrial sector will maintain the leading position as the top industry to focus on in 2024, with 23% of responses.

There are a few striking findings that arise from the advisers' point of view. The Retail segment regained a strong representation, expected to be a major focus area for investors and developers by almost 20% of advisers (close to 2.5 times more than last year).

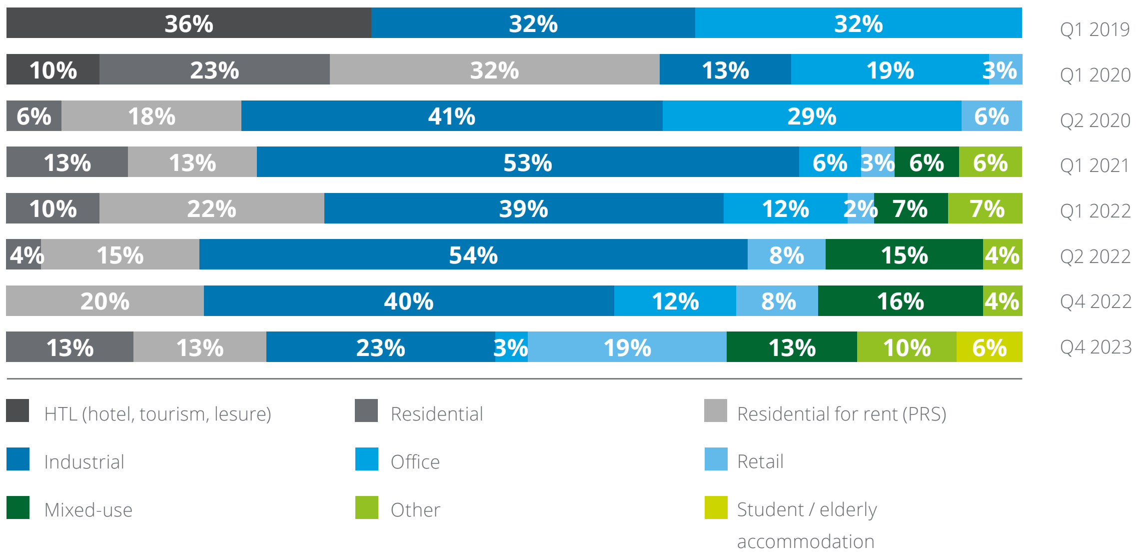
Furthermore, the advisers expect a rise of Residential focus among their clients, which now accounted for 13% and received the same number of votes as Mixed use and PRS sectors.

Furthermore, the Office sector once more was considered less of a focus area, declared by the smallest group of advisers (3%).

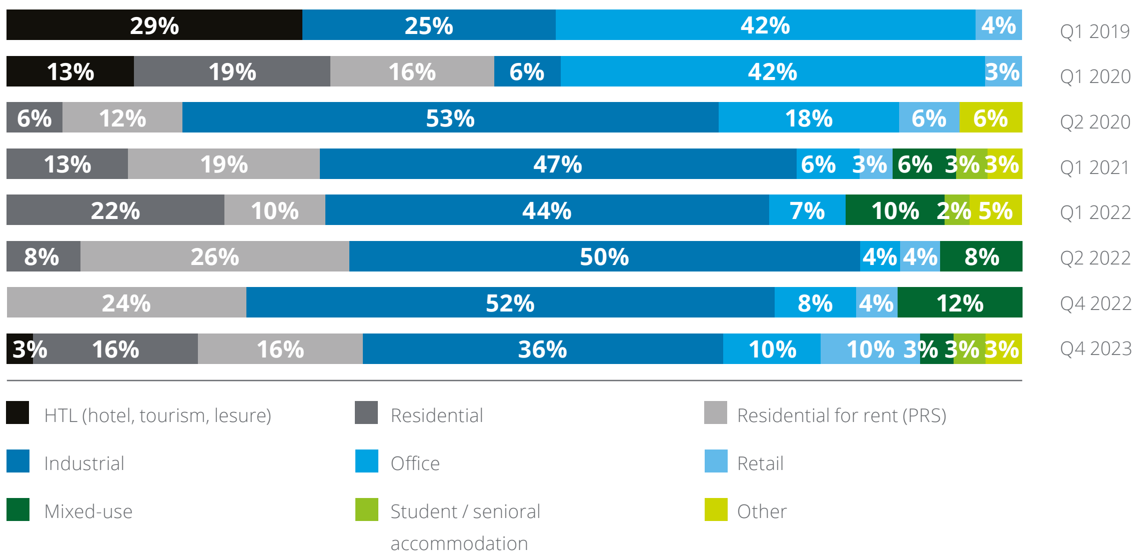
The distribution of sentiment is quite similar when it comes to the competition for investment opportunities, with the highest share going to the Industrial sector selected by more than 35% of respondents.

The Residential sector was expected by the advisers to represent second highest competition field, at the same level as PRS.

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



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



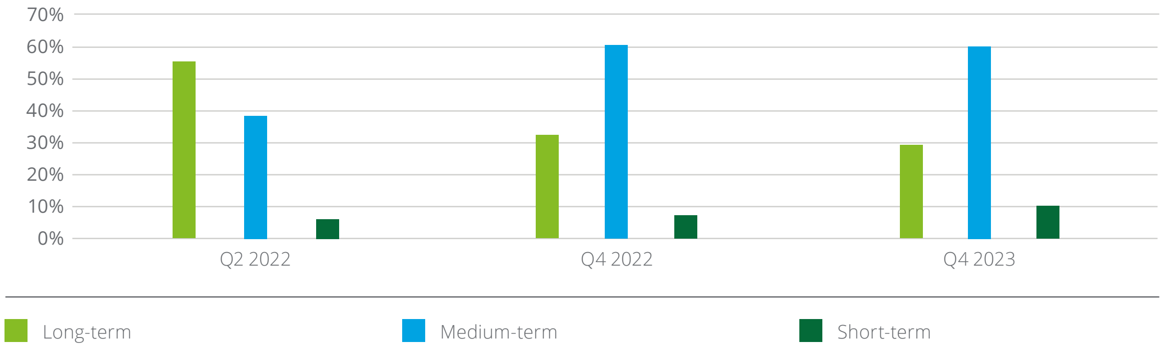
Russian aggression against Ukraine

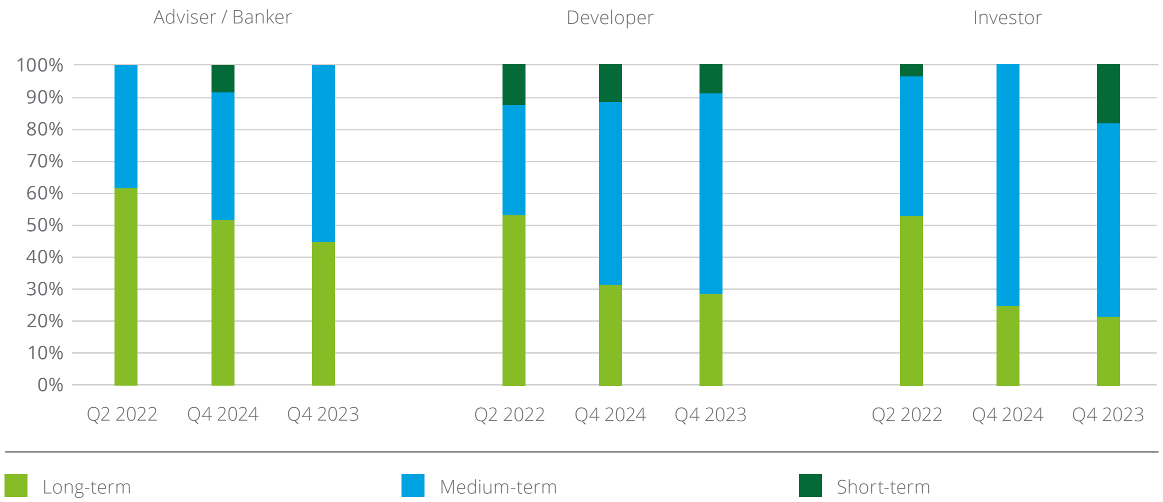
Immediately after the outbreak of Russian military aggression against Ukraine, more than 50% of respondents expected it to have long-term effects, with a significant impact on Central European economy. By the end of 2022, these proportions had reversed, with 61% expecting a medium-term effect and 32% anticipating a long-term impact.

At the end of 2023, participants shared similar views over the future impact of the Russian aggression. 60% of votes were cast on the medium-term effects while nearly 30% reflected a belief that it will cause long-term influence. Only 10% of the respondents were optimistic enough to assume a short-term impact.

Both developers and advisers shared a stronger belief that Russian aggression impacts in 2024 will be medium-term rather than long-term. The opinion that this conflict will impact the real estate market over medium-term, increased from 58% to 63% for developers and from 40% to 55% for advisers. Investors appeared to be more optimistic, more often selecting a short-term opinion. For both advisers and developers votes predicting a short-term resolution declined, ranging from 0% and 9% of votes.

How do you assess the effects of the Russian military aggression against Ukranie?





Deloitte received responses suggesting that all real estate sectors might be influenced by the conflict in Ukraine. The conflict has notably affected perception within real estate market, particularly highlighting the anticipated impact on the Industrial and Residential sectors.

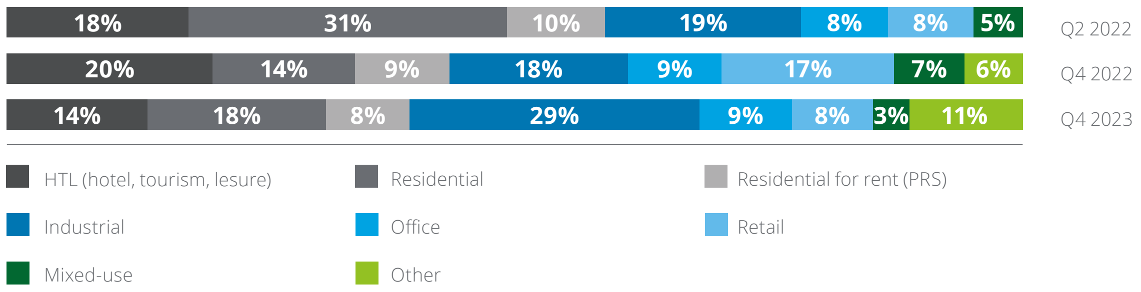
The Industrial segment impact is reflected by an increased number of participants and expressed by nearly 30% of respondents.

Concerns within the Residential sector were expressed by 18% of participants. The war has profoundly affected housing markets due availability and affordability of the living spaces. Thousands of refugees have sought shelter which triggered a surge in demand.

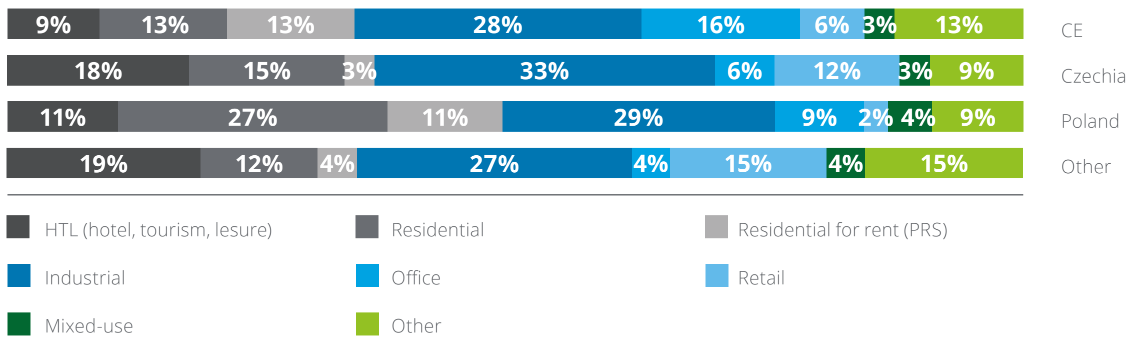
Concerns from PRS and Office sectors remain stable at the level of 8-9%.

Fewer survey participants expressed their concern about Hotel and Retail segments.

In the months ahead, I expect the the following sector to be the most impacted by the Russian military agression against Ukraine:



Sectors to be the most impacted by the Russian military agression against Ukraine, by country of main geographical focus (Q4 2023):



Overall market activity

In December 2022, market sentiment was at its worst since the outbreak of the Covid-19 pandemic. More than half of respondents expected a decrease in overall market activity across the region in the year ahead.

The December 2023 results showed a modest improvement of the outlook on the real estate, reflected in fewer participants expecting the market to deteriorate (16% compared to over half of respondents a year before).

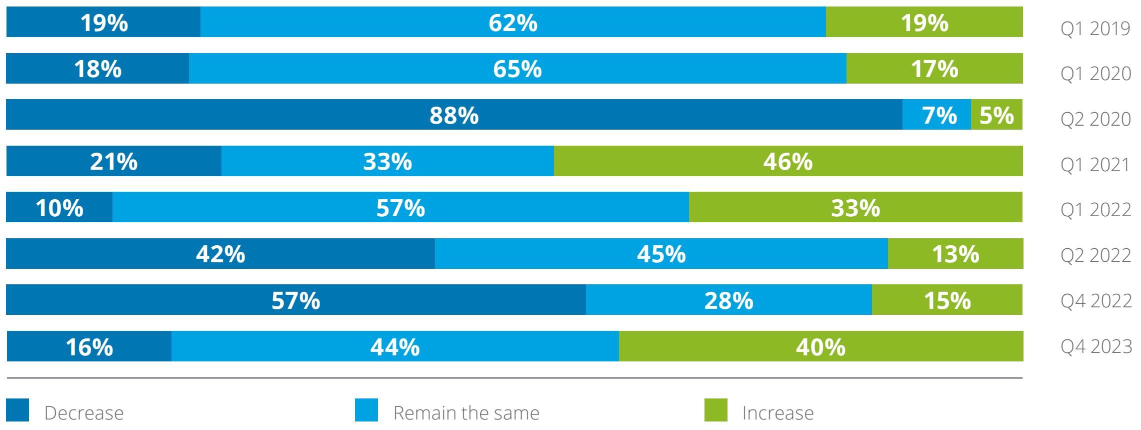
Now respondents believe that market activity will remain the same (44%) or it will improve (40%).

This change in the perception of risk has brought a growing sense that the real estate situation has already reached its low point and in 2024 the market shall start to recover.

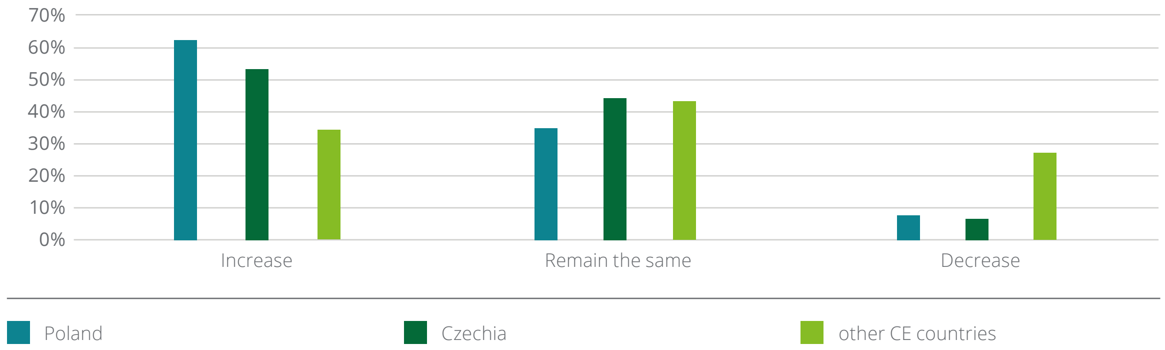
The results across Central Europe are generally more reserved than the outlook shared about the Polish market situation. Majority of respondents believe that Polish market activity will improve (almost two-thirds of respondents). Only 7% anticipate the situation in Poland will deteriorate.

Similarly, forecasts about the Czechia situation are in line with the expectations concerning Poland. Again, more than 50% of responses claim that markets will improve and more than 40% suggest markets will continue this trajectory. Only 6% share pessimistic predictions about market activity general decline.

In the months ahead, I expect the overall market activity across CE to:



In the months ahead, I expect overall market activity in my country to:



A significant shift in sentiment has been observed when it comes to the expectations of investment volumes in Central European countries since last report.

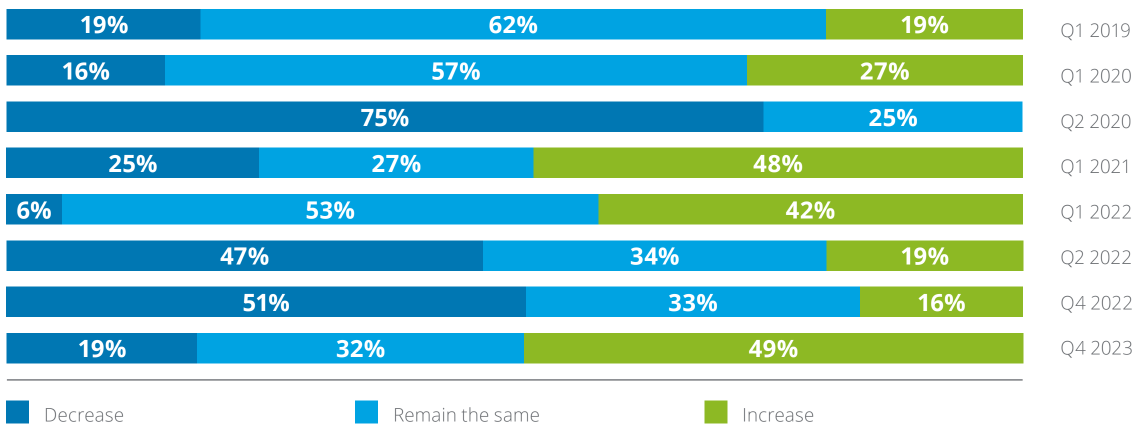
Nearly half of investors now hold a belief that investment volumes are poised to increase. This is a contrast to the previous year when a significant portion anticipated a decline (51% to be exact).

This change indicates a modest newfound optimism and more favourable perception of the market's potential for growth.

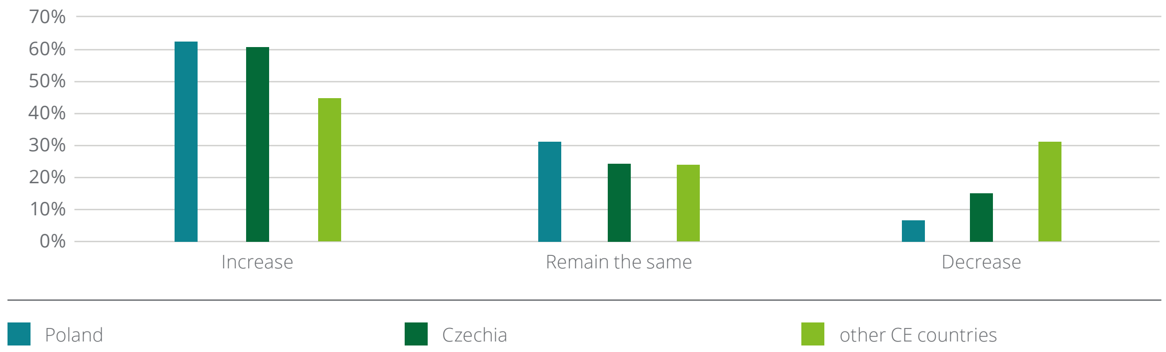
When it comes to a country level, 62% of respondents in Poland and 61% in Czechia expect an increase in investment volumes and respectively 31% and 24% forecast stable investment levels in subsequent months.

Pessimistic answers that assume a decrease in levels are given by 7% and 15% of respondents, respectively.

In the months ahead, I expect the investment volume in CE to:



In the months ahead, I expect the investment volume of transactions in my country to:



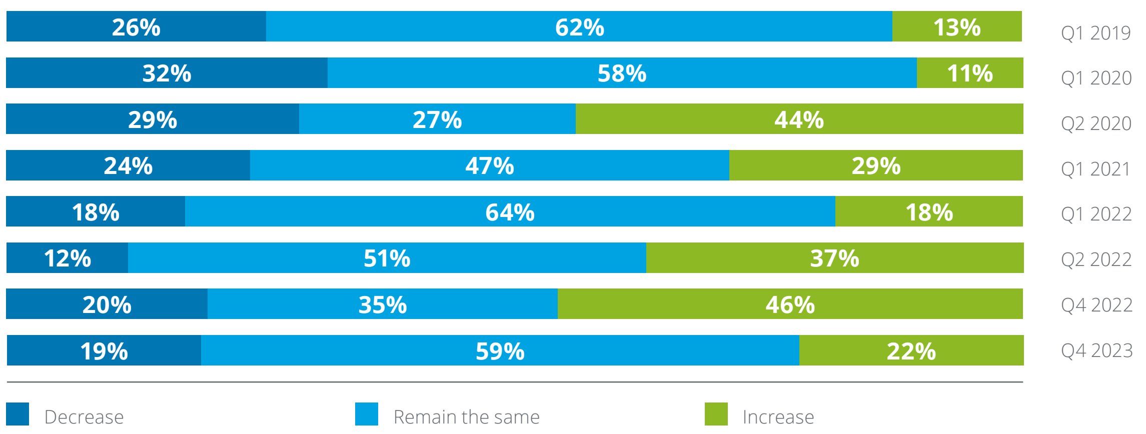
Yields

Answers from Q4 2022 showed that nearly half of respondents in CE expected average yields to increase, the highest share in the last 6 years.

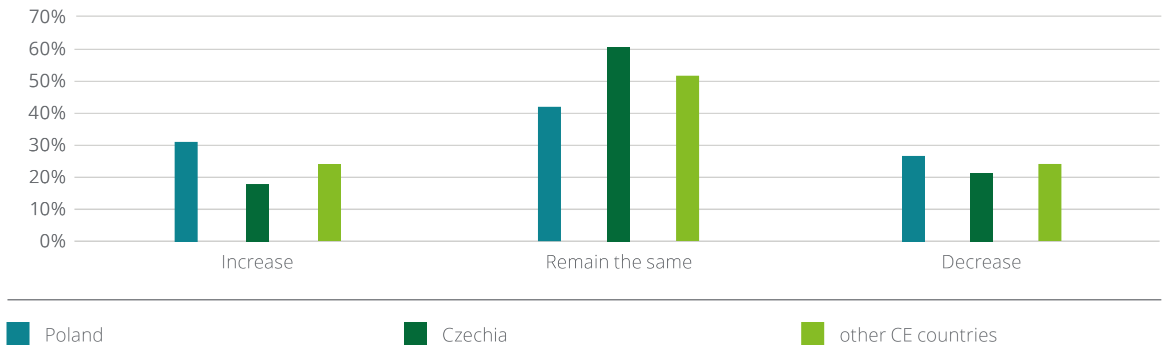
Q4 2023 answers show that fewer respondents (22% to be exact) expect yields to increase. The majority of participants predict they will maintain at a similar level, reached during the previous year. In line with general Central European forecasts are those for Czechia, where over 60% of participants share the view that yields will remain the same.

In Poland 42% of responses share the assumption that yields will remain the same, however almost a third expect an increase in yields.

In the months ahead, I expect average yields in the CE region to:



In the months ahead, I expect the average yields in my country to:

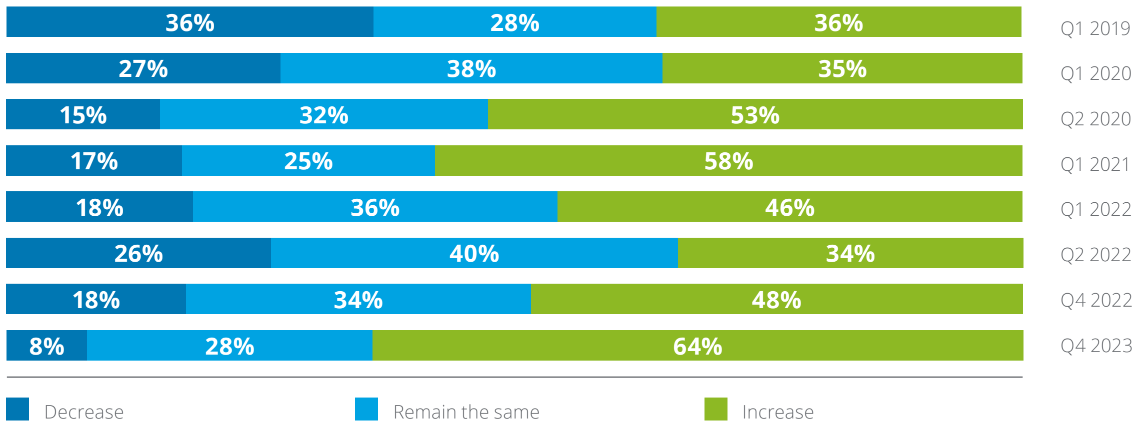


Investment opportunities

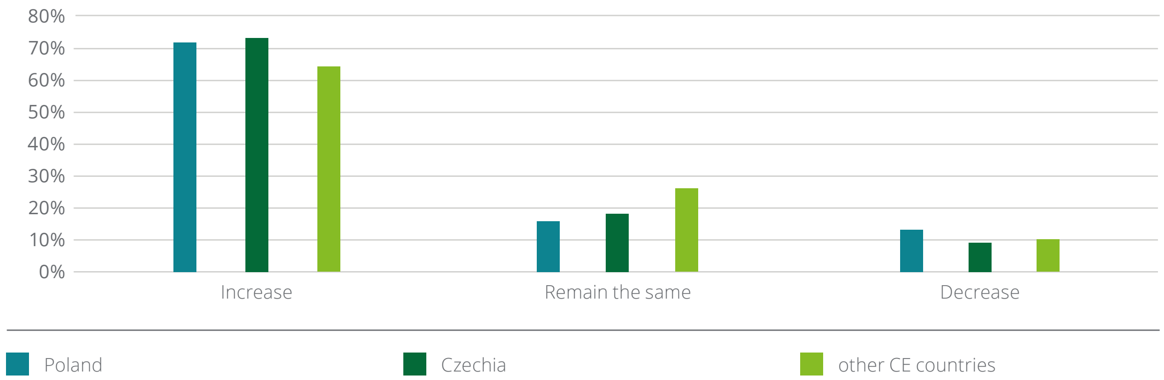
Despite an unstable environment, in the last 6 years there have never been so many optimists as regards the availability of investment products and so few pessimists.

The results of the 2023 questionnaire show that within next 3 years 64% of respondents foresee an increase in availability of investment products in Central Europe. The results for Poland and Czechia are even more optimistic than those presented for the Central Europe region as a whole, with 71% and 74%, respectively.

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



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



Economic environment

The outbreak of the Covid-19 pandemic has had a heavy impact on the CE economy. This was visible in our Q2 2020 survey, where we could see a dramatic collapse in economic expectations. In 2021 and Q1 2022, there was a rapid bounce back in respondents' opinions, with only around 25% taking a pessimistic view.

However, the Russian aggression against Ukraine, followed by rapidly increasing prices, actions taken by monetary authorities restricting the availability of debt finance, declining industrial activity, and a worsening economic situation across society, had a strong negative impact on the sentiment of market participants.

As of December 2022, more than 60% of respondents believed the region's economic climate was set to deteriorate with only 10% anticipating an improvement.

For the year 2024, a shift in the overall perception of economic climate is observed, marked with a more optimistic change in sentiment compared to previous years.

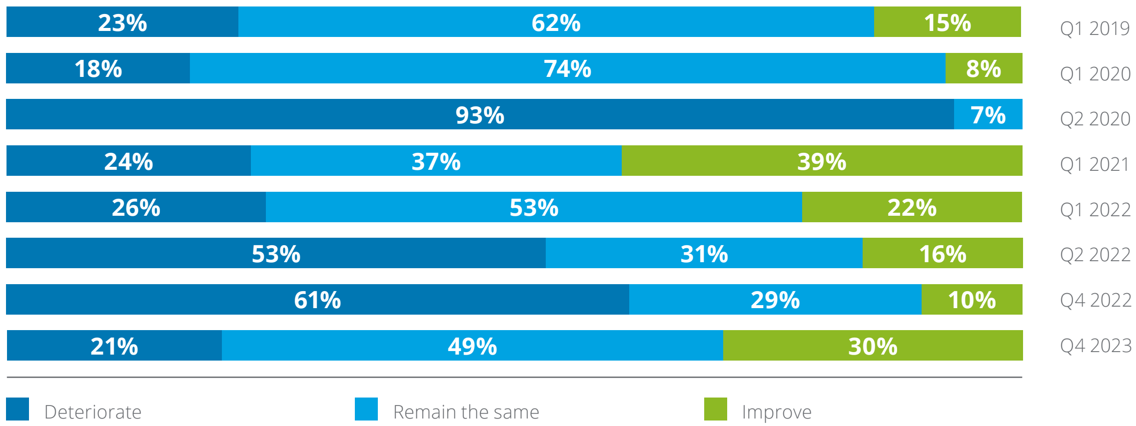
In comparison to last year, when over 60% anticipated a decline, a decline this year it is only forecasted by approximately 21% of respondents. Moreover, a notable change in confidence is recorded, with approximately one-third of participants expressing an optimistic prediction in market improvement. Nearly half of respondents hold the view that the economic climate will stay similar to how it currently is.

The economic predictions of respondents from the countries that Deloitte analysed in detail are less conservative than those for Central Europe as a whole.

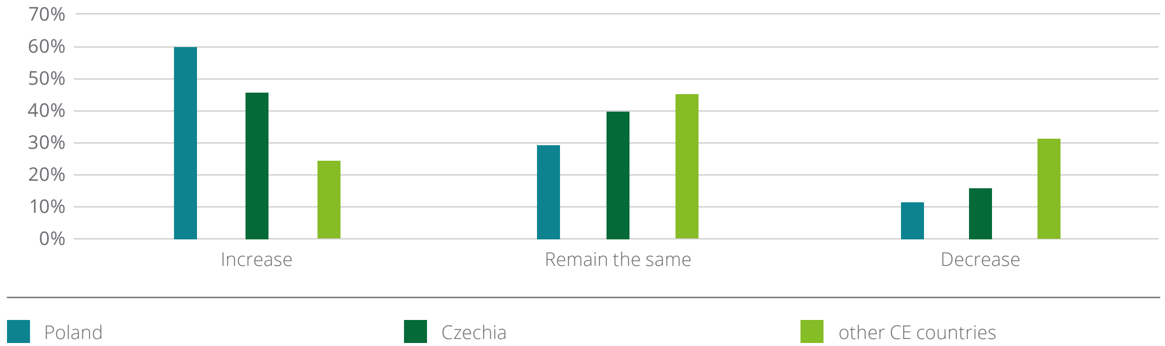
For Poland 60% of votes reflected a general expectation of improvement, however still nearly 30% forecasts a continued course of current economic climate.

In respect of Czechia, 45% of respondents expect an improvement, but on the other hand nearly 40% assume continued market conditions.

In the months ahead, I expect overall economic climate in CE to:



In the months ahead, I expect overall economic climate in my country to:



Debt finance

Responses around the availability of debt finance in Central Europe have evolved in a similar way over the last year to those concerning the economic climate.

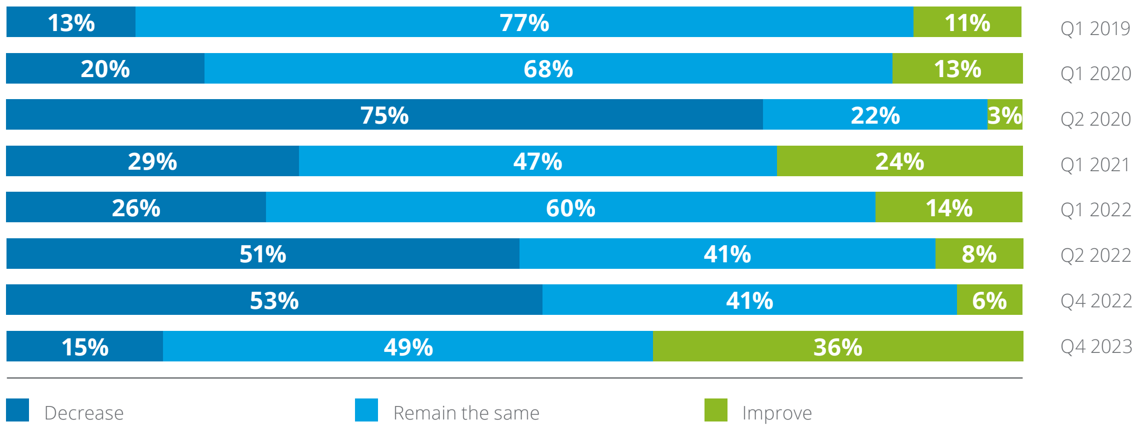
After negative perceptions in 2020 and a fast change of perspective in 2021, respondents' views at the beginning of 2022 were stable and close to those recorded before the pandemic.

However, by the end of 2022, due to the rapid rise in interest rates and increasing levels of uncertainty in the market, more than 50% of respondents expected the availability of debt finance in the region to deteriorate, while approximately 40% predicted it will not change.

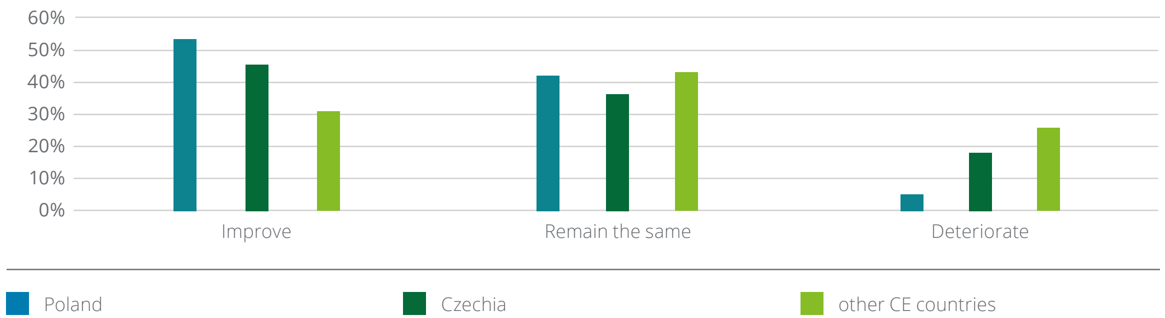
Current outlook for the year 2024 shows a similar view to the economic climate. Nearly two-third of respondents represent the expectation that debt finance availability will not increase and in the upcoming months will remain at the same level (49%) or even deteriorate (15%). Only one-third of participants believes in an improvement.

The expectations of respondents from Czechia and Poland are more optimistic to those from across Central Europe as a whole, especially in case of Poland, where a slight majority of participants (53%) claim to foresee an increase of debt finance availability. For Czechia the number amounts to 45%.

In the months ahead, I expect the availability of debt finance in CE to:



In the months ahead, I expect the availability of debt finance in my country to:

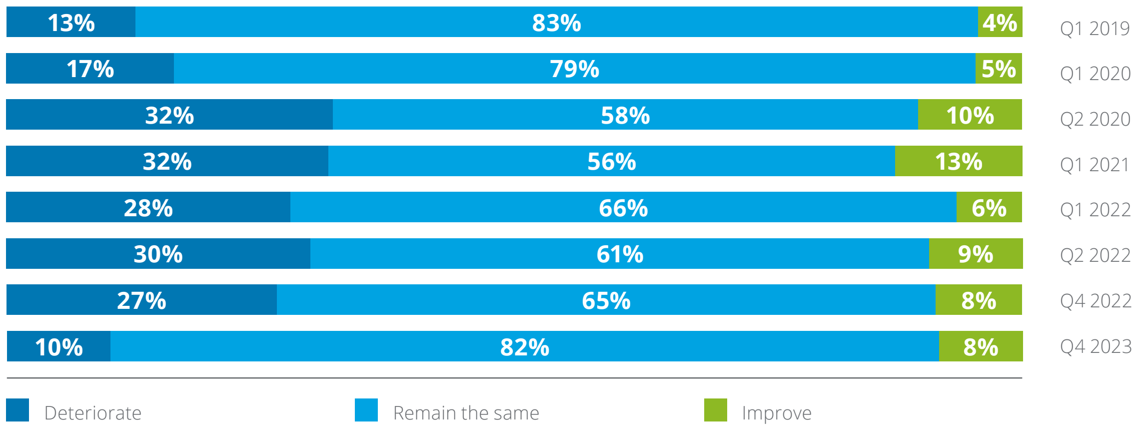


Tax climate

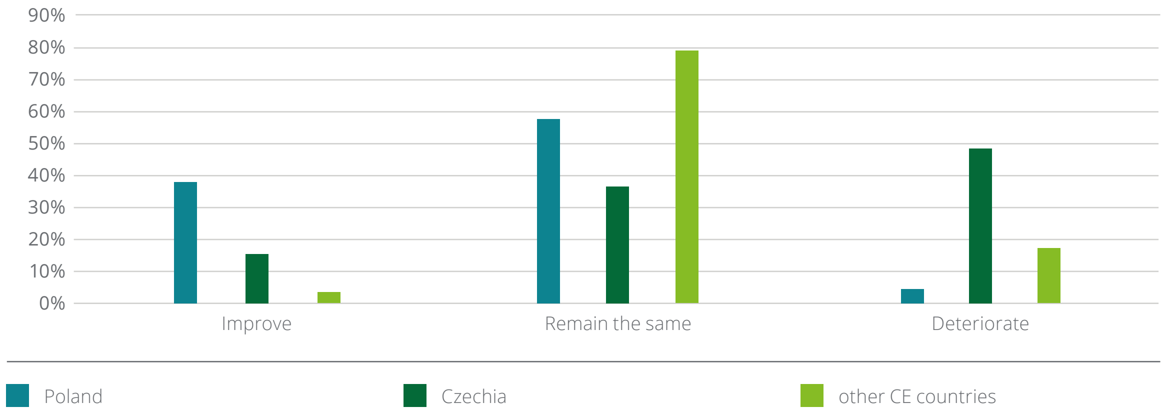
For the year 2024, the majority of answers regarding the tax climate in Central Europe pointed to the “remain the same” option, similarly to that recorded in the pre-pandemic years. Compared to the last years it expanded and now accounts for more than 80% of all votes. The number of negative sentiments decreased by 17 percentage points to the record low level of 10%, reflecting 8% of the positive expectations. This indicates that participants expect stability in tax policies across the region.

More polarized expectations can be observed on a country level. In Czechia nearly half of respondents expected less favourable conditions, whereas in Poland a much higher number of respondents than in CE expects an improved tax climate in the upcoming months. Nearly 40% of respondents believe that the tax climate conditions would improve which, given the survey was conducted in December 2023, could be related to the recent major changes on the local political scene.

In the months ahead, I expect the tax climate in CE to:



In the months ahead, I expect the tax climate in my country to:



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