



Silverline
Real Estate

Why you might consider making your next real estate investment in the USA



Did you know that...

Prices of residential real estate in Prague are on the same level as those in NYC?

Prices of residential real estate in Brno approximately match those in LA?

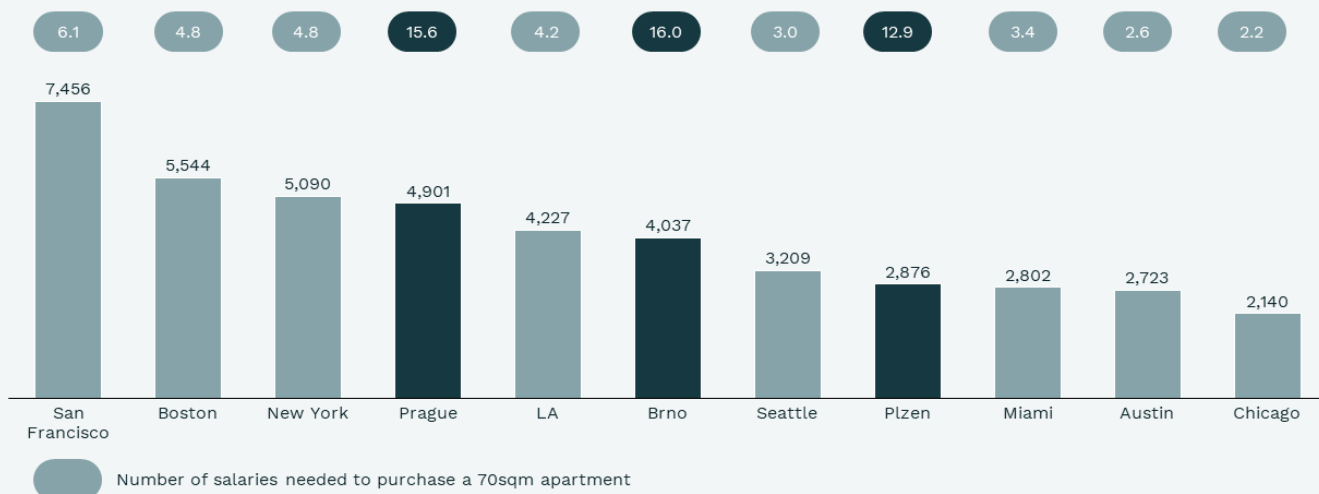
While in Prague or Brno, it takes ~16x average annual salaries to buy a 70sqm apartment, in large US cities, it is only 2-5x?

While in Prague or Brno, the residential real estate yield lies typically around 3% p.a., in Chicago or Austin, it lies around 7-8% p.a. (similar values as in Monte Negro or Kiev)?



Per sqm residential real estate prices in Prague leveled up to prices in NYC, prices in Brno approximately match those in LA.

Residential real estate prices (EUR ths./sqm; 2021 YE¹)



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¹ Includes all apartments on sale (i.e. new developments and second-hands), covering whole city (all districts)
Source: RedFin, Careerbuilder, RealtyMix, CZSO, Silverline Real Estate

“In comparison to many European countries, including the Czech Republic, the US residential real estate market offers in selected cities higher rental yields and currently also lower interest rates.”

Based on valuation multiples, it seems that while Americans love stocks, Europeans love real estate.

In such situation, would an exposure to the USA with a buy-to-let-strategy in the residential real estate market make sense for an European investor?

We have analyzed multiple factors for such move and offer a simplified summary for a ~3 min read:

Rental yields: As a reverse fraction of the valuation, real estate yields significantly differ between Europe and the USA, with a ~3-4pp positive difference in favor of USA when large (based on comparison of large cities). If leveraged, this generates extra ~10pp on RoE of a buy-to-let deal in the US.

Capital gains: Both Europe and USA are experiencing an episode of high inflation, incentivizing investors to place capital in assets like real estate. Differences between the real GDP growth rates (representing increase of purchasing power) are rather low, with expected growth rates of ~2.5-2.6% on both sides of Atlantic (Czech Republic with 3.6%; all average

growth rates over period 2022-26 as per IMF WEO 2021). Given the already very high valuations in Europe, USA surely has more space for capital gains on residential real estate over next 3-5 years from the perspective of local purchasing power. As a slight downside to the otherwise strong US case, noted might be higher volatility of the US real estate prices, also due to significantly higher mobility of workforce which translates to material price differences between large US cities (e.g. real estate prices in San Francisco being 3-4x of prices in Chicago).

Interest rates: Both ECB and FED are keeping interest rates very low (0.25% p.a.; resp. 0-0.25% p.a.), yet some independent central banks, mainly in the CEE regions (e.g. Czech National Bank or central bank in Hungary) have already executed upon significant IR hikes (base rates currently at 3-4% p.a.), making the borrowing costs in the USA cheaper vis-à-vis the non-EUR denominated loans in CEE by at least 200bps. Risk-appetite of financial institutions expressed in loan-to-value for a commercial mortgages is comparable on both sides of the Atlantic, typically lying within 60-75%.

Costs: Comparable property management costs, with slightly higher property tax in the USA compared to those in CEE region, yet with very minor impact on returns for investors.

All in all, in its current shape, US market seems to be more attractive, due to both higher rental yields and lower interest rates (if compared e.g. to the Czech Republic). In the buy-to-let strategy, US residential real estate market is thus superior not only to the Czech residential real estate market, but also to the industrial, office or retail real estate asset classes (with prime yields typically at 4-5% p.a.).

Expected RoEs of investments in selected US cities are significantly higher than RoEs of comparable investments in large Czech cities.

Comparative economics of an investment into a renovated, rented apartment in city center

	Prague	Chicago	Austin
Purchase price (EUR ths.)	286.7	139.0	181.0
Monthly rent (EUR ths.)	0.7	1.05	1.02
Loan-to-value of debt financing ¹ (%)	65%	65%	65%
Interest rate on loan ¹ (% p.a.)	6.0%	4.0%	4.0%
Expected capital gain ² (% p.a.)	7.6%	6.2%	6.2%
Expected return on equity ³ (%)	19.1%	36.3%	29.7%

Rigorous selection of micro-location and asset type with highest expected combination of capital gain & rental yield can **further uplift RoE by 5-15pp**

Silverline Real Estate is a Qualified Investor Fund obsessed with finding sweet-spot segments for its investors in markets with robust legal frameworks in real estate, namely Europe and North America.





Constantly, we are reviewing performance of selected markets, segments and assessing opportunities within to deliver double-digit returns for our investors.

Why to invest in residential real estate development and why with Silverline Real Estate?

Why residential real estate development?

 <p>Secure investment with very limited risks: i) land as collateral for investments ii) consistently strong demand, often coupled with insufficient supply iii) liquid nature of assets</p>	 <p>Capital gains in well-selected markets & segments >5% p.a. and thus typically outreaching other real estate segments¹, also due to scarcity of land in central locations</p>
<p>Highly profitable niche opportunities in asset acquisition (such as mispriced assets), typically not existing in other real estate segments¹</p> 	<p>Development generates superior margin of 10-15% p.a. in comparison to pure realization of rental yields with 3-6% p.a. across other real estate segments¹</p> 

Why Silverline Real Estate²?

 <p>Secure investment into RE with robust value retention (land plots, apartments in centers of major cities), coupled with strong track-record of the fund managers in real estate</p>	 <p>Extraordinarily strong, internal capability to identify high growth markets & segments and speedily assess opportunities economically and technically, coupled with well developed broker ecosystem</p>
<p>Superior returns offered: Each of the two stock classes² offers best-in-class value proposition to investors within Czech market; Tax-free for private individuals³</p> 	<p>Exceptional commitment: co-investment of 15+% secured by founders' capital commitments of founders EUR ~3 mn</p> 



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NAV = net asset value
1. Industrial/ office/ retail
2. i) preferred return stock class ii) preferred & performance-based return stock class
3. If investment is deployed for 3 or more years
Source: Silverline Real Estate

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