

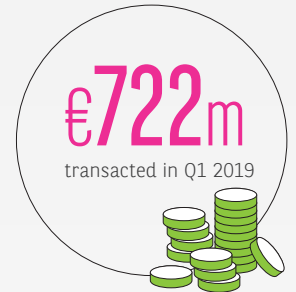


**RESEARCH**

At a glance **Q1 2019**

# INVESTMENT MARKET IN POLAND

After an intensive investment period in 2018, in particular during the second half of the year, the first quarter of 2019 was a time of respite for investors. The result of Q1 2019 may have been disappointing, but given the solid pipeline of deals pending as well as a large pool of investors interested and searching for products, this year is likely to show strong performance in terms of volume and pricing.



## OFFICES MOST WANTED, BOTH IN WARSAW AND CORE REGIONS

In Q1 2019, real estate investment volume in Poland reached approx. 722 million, a figure considerably lower than in the corresponding record-breaking period of last year, but still well above the winter quarters of 2015 to 2017.

With approximately €536 million deployed accounting for 74% of the total transaction volume, offices were the top performing sector. Investors were active in Warsaw as well as in the regional core markets. Purchasers were interested in a wide spectrum of assets, from top class properties to secondary class older buildings with substantial upside potential.

Warsaw raised around 60% of the office investment volume which equates to approx. €320 million. The largest transactions include the acquisition from Echo Investment by GLL of Biura Przy Bramie (Gatehouse Offices), the first office building of the Warsaw Brewery complex, Graffit in Mokotów by Zeus Capital Management from Hines and Atrium IBC by Strabag RE from Rockspring.

On the regional markets, a volume of over €200 million traded in Q1 2019 which was much higher than the result achieved in the same period last year; again confirming investor confidence in these markets. The acquisition of Argon (part of the Alchemia office complex in Gdańsk) by ISOC Holding for €92 million was the largest deal in this quarter in Poland. Other major transactions include the purchase of .big by Credit Suisse, Rondo Business Park by Globalworth and K1 by FLE GmbH – all assets located in Kraków.

## SOURCE OF CAPITAL

Apart from traditional sources of capital from the US, the UK and the Eurozone, the Polish property market succeeded in attracting investors from East Asia, in particular for products in the office and industrial segments. In Q1 2019, Asian buyers accounted for 22% of the volume transacted in Poland, closing two deals on prime office assets. Given the spectrum of ongoing transactions, we expect this trend to continue.

## LOGISTICS ON THE RADAR, RETAIL IN REVERSE

The very good condition of the industrial & logistics sector in Poland, driven by the fast-growing Polish economy, e-commerce growth and globalization of trade and manufacturing, keeps strong investor appetite for products in this segment. In Q1 2019 a volume of approx. €58 million was traded, representing 8% of the total investment volume.

Although the modern retail segment in Poland has solid market fundamentals and is still in good shape, investors are replicating their perspective from Western European markets and have a very selective and cautious approach towards retail assets. As a consequence, retail investment activity plummeted to a mere €38 million deployed on small-scale shopping centres and retail parks. As convenience retailing has been steadily growing in importance, the number of portfolio and single-assets transactions in this sector is expected to grow.

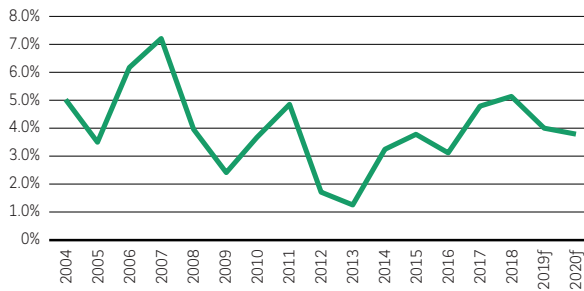
## FURTHER SOFT YIELDS COMPRESSION FOR TRULY SELECTED ASSETS

After a substantial compression over the course of 2018, in Q1 2019 prime yields have remained flat across most sectors and asset classes. For best-in-class dominant shopping centres, prime yields vary from 4.25% in Warsaw to ca. 5.00% in other major markets. In the office sector, yields for truly prime assets in Warsaw have been remaining stable since the end of 2018 and oscillate around 4.75%. At the same time Q1 2019 has brought a noticeable decrease, by approx. 50 bps in prime yields in the major regional markets where they compressed to around 5.50% - 6.00%. In the industrial sector, outstanding prime and best performing long-leased assets with e-commerce operators secured are traded around 5.25%, while for multi-tenant schemes prime yields oscillate around 6.25% - 6.50%.

We expect to see soft yield compression during the year for truly prime assets in the office and industrial & logistics segments.

# Macroeconomic Snapshot

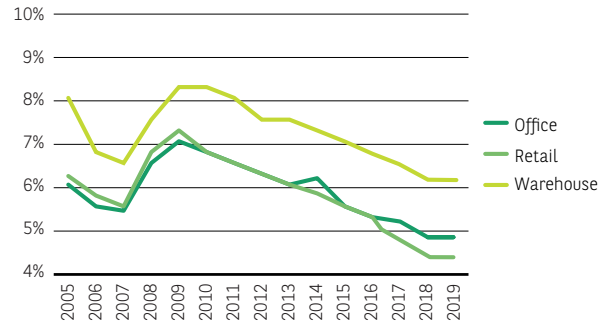
Annual GDP growth (%)



Source: GUS, NBP, f - forecast

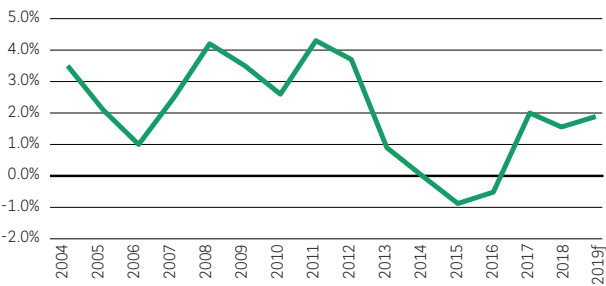
# Investment Snapshot

Prime yields per sector (%)



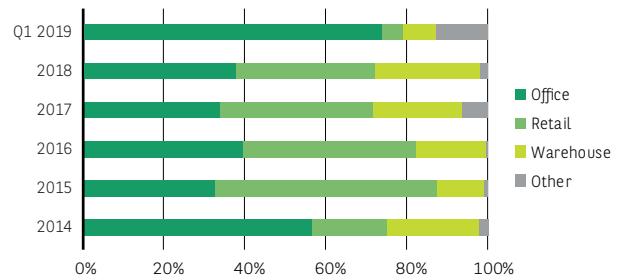
Source: BNP Paribas Real Estate, f - forecast

Annual CPI (%)



Source: GUS, NBP, f - forecast

Sector split of investment volumes (%)



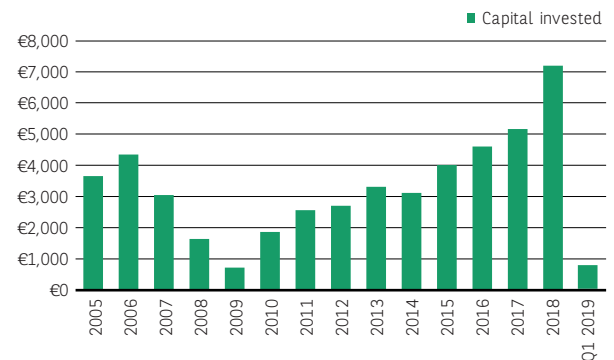
Source: BNP Paribas Real Estate

Unemployment rate (%)



Source: BNP Paribas, Oxford Economics, f - forecast

Volume of investment transactions (€ m)



Source: BNP Paribas Real Estate

## Selected major transactions in Poland, Q1 2019

Scheme	Sector	Location	Vendor	Investor	Size (m <sup>2</sup> /rooms)	Est. lot size (€m)
Argon (Alchemia)	Retail	Gdańsk	Torus	ISOC Holding Inc	38,000	92
Sheraton	Office	Warsaw	Benson Elliot Capital Management LLP / Walton Street Capital / Schroders Hotels	Patron Capital	350	90
Europlex, Irydion, Wiśniowy Business Park A, Millenium	Retail	Warsaw, Katowice	Lone star	LRC Group	52,000	90
Browary Warszawskie (Gatehouse Offices)	Industrial	Warsaw	Echo Investment	GLL Real Estate	15,700	76.8
Graffit	Retail / Office	Warsaw	Hines	Zeus CM	18,600	50
Atrium International	Retail	Warsaw	Rockspring / Patrizia Immobilien AG	Strabag Real Estate	12,400	38
.big	Industrial	Kraków	Ghelamco	Credit Suisse	10,750	33
Rondo Business Park	Office	Kraków	Credit Suisse Property Dynamic	Globalworth Poland Real Estate	17,800	32.6
Riverside	Industrial	Warsaw	Artemis Acquisition Poland	CEREIT	12,600	30.3
K1	Office	Kraków	PGIM Real Estate	FLE	14,000	28

Source: BNP Paribas Real Estate

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# 6 BUSINESS LINES in Europe

## A 360° vision

### Main locations\*

#### EUROPE

##### FRANCE

Headquarters  
167, Quai de la Bataille  
de Stalingrad  
92867 Issy-les-Moulineaux  
Tel.: +33 1 55 65 20 04

##### BELGIUM

Avenue Louise 235  
1050 Brussels  
Tel.: +32 2 290 59 59

##### CZECH REPUBLIC

Ovocný trh 8  
110 00 Prague 1  
Tel.: +420 224 835 000

##### GERMANY

Goetheplatz 4  
60311 Frankfurt  
Tel.: +49 69 2 98 99 0

##### HUNGARY

117-119 Váci ut.  
A Building  
1123 Budapest  
Tel.: +36 1 487 5501

##### IRELAND

20 Merrion Road,  
Ballsbridge, Dublin 4  
Tel.: +353 1 66 11 233

##### ITALY

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20124 Milano  
Tel.: +39 02 58 33 141

##### LUXEMBOURG

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1855 Luxembourg  
Tel.: +352 34 94 84  
Investment Management  
Tel.: +352 26 26 06 06

##### NETHERLANDS

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1083 HP Amsterdam  
Tel.: +31 20 305 97 20

##### POLAND

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00-854 Warsaw  
Tel.: +48 22 653 44 00

##### ROMANIA

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Tel.: +40 21 312 7000

##### SPAIN

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Tel.: +34 91 454 96 00

##### UNITED KINGDOM

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Tel.: +44 20 7338 4000

### MIDDLE EAST / ASIA

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Building n° 1, 7th Floor  
P.O. Box 7233, Dubai  
Tel.: +971 44 248 277

#### HONG KONG

63rd/F, Two International  
Finance Centre,  
8 Finance Street, Central  
Hong Kong  
Tel.: +852 2909 8888

### Alliances\*

#### ALGERIA

#### AUSTRIA

#### CYPRUS

#### DENMARK

#### ESTONIA

#### FINLAND

#### GREECE

#### HUNGARY \*\*

#### IVORY COAST

#### JERSEY

#### LATVIA

#### LITHUANIA

#### MOROCCO

#### NORTHERN IRELAND

#### NORWAY

#### PORTUGAL

#### SERBIA

#### SWEDEN

#### SWITZERLAND

#### TUNISIA

#### USA

\* June 2018

\*\* Coverage In Transaction, Valuation & Consulting



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