

2022

INVESTING IN POLAND

MAGNET FOR INVESTORS

In cooperation with



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RESEARCH



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REAL ESTATE**

Real Estate for a changing world

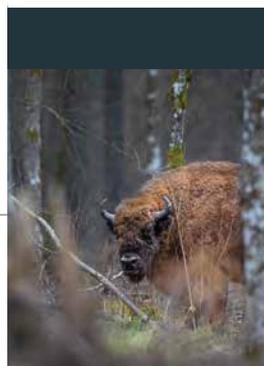
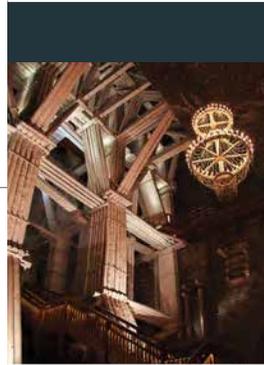
01 TIPS ABOUT POLAND

● Malbork

Białowieża ●

● Warsaw

Wieliczka ● ● Bochnia



FEW TIPS ABOUT POLAND YOU MAY HAVE NOT KNOWN

TOURISM IN POLAND

According to survey run by Polska Organizacja Turystyczna, 95% of foreign tourists associates Poland with its rich historical heritage and wants to visit it at some point. 79% of respondents considers Poland as “full of life energy”, 65% as “modern” and 60% as “ecological”. Top three reasons to visit Poland are: cities (80%), national parks (68%) and UNESCO heritage (68%). Poland is home to 17 UNESCO class monuments, 15 related to cultural heritage monuments, 2 relating to natural heritage.

TOP 3 UNESCO MONUMENTS

THE CASTLE OF TEUTONIC ORDER in Malbork

This is a 13th century castle and fortress located in Malbork. It is considered to be the largest castle in the world measured by land area. It was claimed as UNESCO heritage in 1997.

ROYAL SALT MINES in Wieliczka and Bochnia

The Royal Salt Mine in Wieliczka is considered to be one of the oldest mines in the world. It reaches the depth of 327 meters and extends horizontally (via chambers and passages) for almost 290 kilometers. It excavated from 13th century producing table salt continuously until 2007. It was claimed as UNESCO heritage in 1978 as one of the first twelve put on the list ever. In 2013 the register was extended to include also the Salt Mine in Bochnia.

Białowieża FOREST

Białowieża Forest is one of the last and largest remaining parts of the immense primeval forests that once stretched across the European Plain. The forest is home to 800 European bisons, Europe’s heaviest land animal. UNESCO’s Man and the Biosphere Program designated the Polish Biosphere Reserve Białowieża in 1976, in 1993 adding the Belarusian Biosphere Reserve Belovezhskaya Puszcza.



POLAND: MAGNET FOR INVESTORS



Erik DRUKKER
CEO

We are continuing to live in unprecedented and challenging times. Whilst precisely two years ago COVID started and has shaken the foundations of our daily life, today, we find ourselves in an even more confronting and testing environment. A war has started just on the other side of our own border, in the garden of our neighbors, war, that nobody would have thought possible only some days ago.

Our nation has amazingly united into one strong voice of opposition providing huge support and help to others, who are desperate for it. Poland is opening homes and hearts to refugees fleeing in great numbers to our country already reaching 1.5 m, meeting the basic needs and creating opportunities for a safe life in the future. Nevertheless, each war causes

earthquakes on all fronts, from human and social, through economy and business, to political turbulences. Poland will be affected too. On one hand, it will be managing the inflow of refugees, who will require more structured support and help from the government. On the other one, Poland being a part of the European and global network, will be fighting with the far-reaching economic swirl. We will be self-challenged to redesign the supply of natural resources, will experience broken supply chains, large numbers of sectors will be exposed due to outflow of workers or imposed sanctions. Not to mention the overwhelming impact on majority of the economies raising now against Russia in an economic battle.

Our country though, does have a strong foundation and Poles have the unique mindset allowing to embrace the situation and aim for a change, united as never before over the last 30 years. It also has a knowledge and experience in rebuilding the country, which Ukraine will have to face soon, needing huge support, both financial and logistical. Today, as the military invasion continues, there is naturally a lot of uncertainty around. Poland serves as the logistics corridor, through which Ukraine is being provided various types of support for its fight with its invader.

We continue to hope that democratic values and respect towards human beings will prevail and this unfortunate event will end soon. Then Poland will become a key location for Ukrainians rebuilding their livelihoods, offering infrastructure, land for needed logistics hubs, office buildings, resources and talent pool.

DEAR READER,

We started writing this report with good prospects for the coming future, based upon the data from 2021, when the markets finally started to wake up after two years of pandemic.

Given the market pipeline in January 2022, we have drafted the outlook for this year.

On the 24th February the world stopped again, as it experienced another unprecedented event – Ukraine has been invaded and the war started. This challenging situation will affect all the markets and all the sectors and will result in a long lasting consequence on economies in Europe.

Therefore, what we present is the historic data. However, we will closely monitor the current situation to deliver to you data on 2022 as soon as the situation allows us to gather solid information.

May the peace be with all of us!

Team of BNP Paribas Real Estate Poland.



03 POLAND ECONOMY



Quantifying the full economic and financial impact of the war in the Ukraine is basically impossible at this stage. Developments will largely depend on how long the war will last and what will be the political resolution of the conflict. Several economic and financial impacts can be anticipated already, however.

The attached table highlights the expected influence of the war on the direction of the Polish economy, interest rates and currency.

WAR IN UKRAINE: HOW COULD/WILL IT AFFECT THE POLISH ECONOMY?

SHORT-TERM IMPACT	Impact on GDP growth	Impact on CPI inflation	Economic environment	Impact on interest rates*	Impact on PLN rate**
Higher prices of commodities	↓	↑	Stagflation	↑↓(?)	weaker
Disruptions in global supply chains	↓	↑	Stagflation	↑↓(?)	weaker
Ukrainians residing in Poland returning to their homeland to fight	↓	↑	Stagflation	↑↓(?)	weaker
Higher risk premium and capital outflow = weaker PLN	↓	↑	Risk aversion	↑	weaker
Refugee inflow	↑	↑	Expansion	↑	↔
Lower trade with Russia, Ukraine and Belarus	↓	↓	Slowdown	↓	weaker
Greater uncertainty	↓	↓	Slowdown	↓	weaker
Banking sector	Households: Higher demand for cash and foreign currencies, weaker demand for credit. Non-financial corporates: Higher demand for funding of supplies - working-capital loans; lower FX revenues and more expensive imports - higher demand for FX credit, softer demand for investment loans.				
MEDIUM- AND LONG-TERM IMPACT	Impact on GDP growth	Impact on CPI inflation	Economic environment	Impact on interest rates*	Impact on PLN rate**
Interruptions in the supplies of energy commodities (?)	↓	↑	Stagflation	↑↓(?)	weaker
Looser fiscal policy	↑	↑	Expansion	↑	stronger (?)
Higher trade deficit (more expensive commodities, higher imports of military equipment)	↓	↑	Twin deficits	↑	weaker (?)
Second-round effects - slower growth in the EU	↓	↓	Slowdown	↓	weaker
Resolution of the rule-of-law issue with the EU - quicker launch of the Recovery Fund (?)	↑	↓	Goldilocks	↔	stronger
Refugee inflow	↑	↓	Goldilocks	↔	stronger (?)
Banking sector	Households: Lower demand for credit from Polish citizens, greater from Ukrainians. Non-financial corporates: Greater demand for investment credit - as higher labour supply incentivizes capex; solid demand for working-capital loans - though its strength will depend on the situation in the EU, especially in the industrial sector				

*The question marks indicate in which instances the impact on interest rates is not obvious

**The actual impact on PLN rate is very much reliant on the monetary policy reaction function. The question marks indicate in which instances the monetary policy response is crucial to determine the direction of travel for the FX rate.



Michał DYBUŁA

Chief Economist,
BNP Paribas Bank



Marcin KUJAWSKI

Senior Economist,
BNP Paribas Bank



Polish economy quickly recovered from the pandemic shock.

Already in Q2 2021, GDP level in Poland was higher than in the final quarter of 2019. While we expect GDP growth to remain fairly robust in the quarters to come, high inflation accompanied by rising interest rates are likely to cool down the activity momentum. **On average we see Polish economy growing by 4.5% this year, down from 5.7% recorded in 2021.** We think GDP dynamics is likely to decelerate throughout 2022, however, and in the latter half of the year we forecast growth hovering around 3.5%.

Private consumption is likely to be the primary driver of growth in Poland this year. Although quickly rising prices and tighter monetary policy will erode households real purchasing power, large pool of savings accumulated during the pandemic should underpin consumer spending. Meanwhile the outlook for investment is somewhat more clouded. Private capital spending is likely to hold strong, as decent growth in earnings should encourage firms to incur capex outlays. In turn, the prospects for public investment are more uncertain due to the ongoing clash between Poland and EU institutions over the rule-of-law. For the time being, Poland's allocation from the Next Generation EU fund has been suspended and there is no clarity when the issue might get resolved.



Disclaimer:

Economic forecasts were prepared before the February 24, 2022 and related to economic situation of Poland before the war between Ukraine and Russia.

KEY ECONOMIC INDICATORS	2019	2020	2021	2022 ¹	2023 ¹
GDP	4.8	-2.5	5.7	4.5	3.6
CPI	2.3	3.4	5.1	8.5	6.6
Unemployment rate (%)	5.4	5.9	6.0	5.3	5.2
Current account (% of GDP)	0.5	2.9	-0.6	-1.8	-0.5
General govt budget (% of GDP)	-0.7	-7.1	-3.9	-3.3	-3.5
Policy rate (%) ²	1.50	0.10	1.75	4.50	4.50
EURPLN ²	4.25	4.56	4.59	4.55	4.50
USDPL ²	3.79	3.73	4.04	4.17	4.13

¹ forecast; ² end of period / figures are year-on-year changes unless otherwise indicated

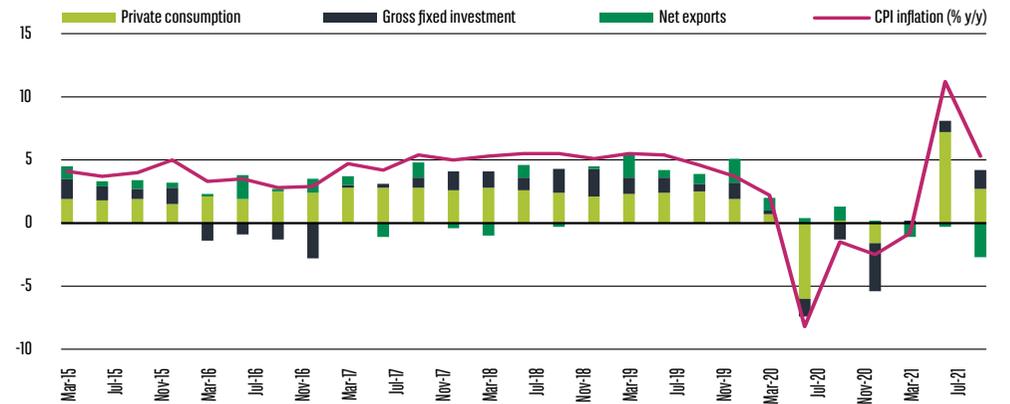
Source:
Statistics Poland (GUS), NBP, Macrobond, BNP Paribas (forecasts)

On the inflation front we see consumer price growth averaging around 8.5% this year. A combination of expensive commodities, supply bottlenecks in global value chains and tight labour market locally is likely to keep price dynamics elevated in the months ahead. Temporary tax cuts on fuel, energy and foodstuffs' will to some degree lower inflation readings in H1 2022, but they will do little to ease the underlying price pressures.

With CPI inflation visibly above the central bank's target (2.5% +/-1pp) this year and relatively sound GDP performance we expect monetary policy tightening in Poland to be continued. We see the main policy rate reaching 4.5% by the summer, and staying at this level for the next few quarters.

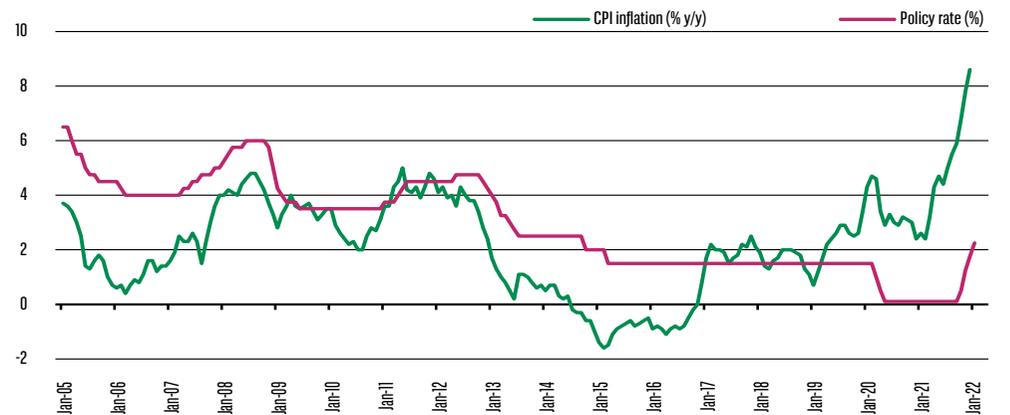


Contribution to annual GDP growth



Source: BNP Paribas Bank

Contribution to annual GDP growth



Source: BNP Paribas Bank

04 POLAND IN NUMBERS



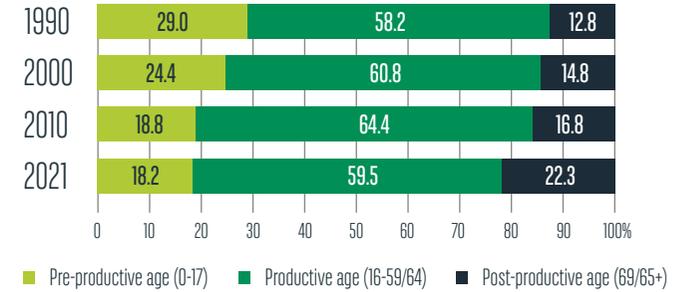
TOTAL COUNTRY AREA

31,271 ha

3 TOP UNESCO SITES



POPULATION
38 million

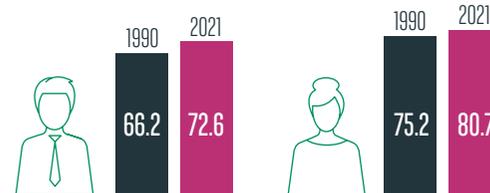


NUMBER OF CITIES (POPULATION)

6 > 400k | **8** > 200-400k | **23** > 100-200k

Source: GUS (PL) = Statistics Poland (ENG)

AVERAGE LIFE SPAN



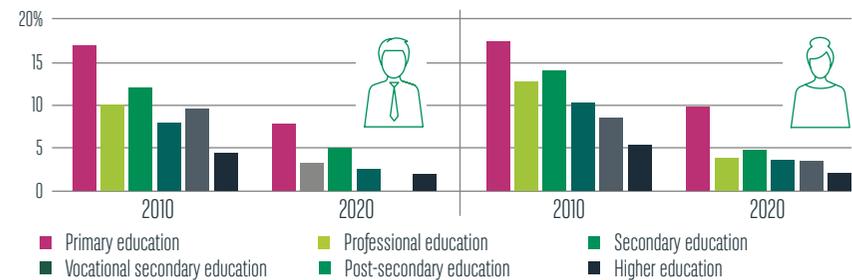
NUMBER OF STUDENTS
2020/21:

1,215 million

UNEMPLOYMENT RATE **5.4%** (as of the end of June 2021)
Source: Statistics Poland



Unemployment rate by sex and education level according to BAEI



05 TOP FIVE REASONS TO INVEST IN POLAND

1. TALENT POOL

With almost 350 universities across the country and between 300,000 – 350,000 graduates on the annual basis over the last three years, Poland offers an access to the highly qualified, skilled and foreign speaking professionals for all the business sectors. The majority of students come from Warsaw, Kraków, Wrocław and Katowice regions, which are the strongest SSC/BPO/IT/R&D business centers in Poland.

Source: GUS (PL) = Statistics Poland (ENG)

2. KEY LOCATION FOR THE BUSINESS SECTOR

For almost a decade, the business sector has been a great contributor to the Polish economy putting Poland on the top of the list for key SSC/BPO/R&D/IT locations in Europe. For the 2020 itself, a year impacted by the pandemics, the sector has been one of the pillars which helped to ease the level of recession. The sector created 13,500 new jobs which now total to over 355,000.

Source: ABSL

3. MATURING REAL ESTATE MARKET

The Polish real estate market began to develop not even 30 years ago. The pace of it though allowed to offer the occupiers and investors today a wide variety of diversified assets across all the sectors. Continued growth of the market is supported by stable demand, subject to temporary fluctuations as a result of the recent pandemic event in chosen sectors, while other are recording the record breaking transactional levels. Yields, even if are subject to changes for various sectors, are still offering investors very good return rates for prime products – from 4.2% (logistic centers with e-commerce operator) to 4.7% (prime office asset).

4. NEARSHORING INVESTMENT POTENTIAL

The COVID-19 pandemic has clearly demonstrated that plant locations in the Far East can cut off access to components during a crisis due to supply chain problems. Poland, which was a popular location for business service centers even before the pandemic, is now becoming known as a great place for production and e-commerce. Due to the proximity to Western markets, the location of investments in these industries in Poland ensures the stability and predictability of supplies. Experts indicate that this trend of nearshoring, moving production closer to the end user, will strengthen in the coming years.

5. TRANSPORT INFRASTRUCTURE

The Polish infrastructure is developing dynamically, which can be seen in the ratings of foreign investors every year. The geographical location predestines Poland to be a logistics hub in Europe. The development of the railway, road, air and sea structure is connected with the dynamic expansion of the warehouse and logistics markets.

Speaking of which...



ROAD



Transit traffic between Western and Southern Europe and the countries of the eastern part of the continent (including Estonia, Belarus, Lithuania, Latvia, Russia, Ukraine, Kazakhstan) and China runs through Poland. Poland has the 5th largest road network in the European Union. Another 1,500 km are under construction.



SEA



Poland has four main sea ports (Szczecin, Świnoujście, Gdynia and DCT Gdańsk), of which the last two have the largest share in the turnover of seaports. Further investments in sea transport are planned: construction of the Central Port in Gdańsk, the Outer Port in Gdynia and the Container Terminal in Świnoujście.



RAILWAY



The Polish rail network is the 4th longest in the European Union, and PKP Cargo is the second largest freight carrier in the EU, with 25 transshipment terminals in the country's most important locations. The importance of Poland in international rail transport is strengthened by the fact that it has a direct rail connection with the Chinese Chengdu as part of the "Belt & Road" initiative (Chinese project to reactivate the Silk Road).

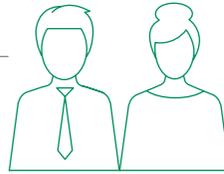


AVIATION



All major Polish cities have airports with international connections. Chopin Airport in Warsaw, airports in Katowice and Gdańsk, also play an important role as transshipment hubs. Next to them there are office and service space as part of Airport City. Due to the continuously developing air transport, even though a temporary freeze on flying during the pandemic waves, further investments are planned, such as the Central Communication Port (CPK) between Łódź and Warsaw, which will integrate air, rail and road transport.

06 POLAND LABOUR MARKET



**Marc
BURRAGE**

Managing Director
Hays Poland

HAYS Recruiting experts
worldwide

Investors who are looking for top talent, and especially for high quality workforce for moderate price, take interest in Poland.

Before the pandemic, Poland was seen by many investors primarily as a source of qualified and available workers, who additionally were paid lower salaries than in Western Europe or the US. But now, other countries elsewhere in the CEE region are cheaper in terms of running a business. Candidates in Poland are increasingly seeking high-paid work in skilled occupations. The quality of the labour force is high. As a result, existing international companies are moving more and more sophisticated operations to Poland, at the same time as newcomers continue turning up.

Polish market is mature and has a lot to offer. Apart from skilled and experienced workforce we also offer business-friendly environment, know-how, engaged local authorities, infrastructure and location in the very centre of Europe. The continuation of investors' interest in Poland can be more than expected. Companies that are looking for specific talent pool and a place to locate complex investment projects very often consider Poland. The local market attracts organizations willing to invest in manufacturing, technology, business services, R&D.

Poland is perceived as an attractive location primarily by investors from Germany, Switzerland, the US, Canada, the UK and the Nordic region.





BUSINESS PERSPECTIVE



In 2022 employers will most frequently recruit specialists in:

IT	40%
Sales	30%
Accountancy and finance	26%
Customer service	25%
Manufacturing	25%
HR	22%
Logistics	19%
Engineering	18%
Marketing and communications	17%
e-Commerce and digital	15%

It was possible to choose more than one answer.
Source: Hays Poland Salary Guide 2022

Apart from financial compensation, which factors are most important for attracting talent?*

Stability of employment	54%
Interesting projects/challenges	48%
Career opportunities	44%
Company recognition	32%
Working environment	28%
Flexible work	28%
Location	28%
Work-life balance	20%
Benefits	16%
Other	3%

* Respondents were asked to indicate the three most important factors.
Source: Hays Poland Salary Guide 2022

EMPLOYEE PERSPECTIVE



When are you considering changing job?

Within a year	43%
In 1-3 years	29%
Later than in 3 years	5%
I do not consider changing job	23%

Source: Hays Poland Salary Guide 2022

Most frequent reasons for considering a job change?*

Salary	65%
Lack of career development opportunities	42%
Nature of the work performed	19%

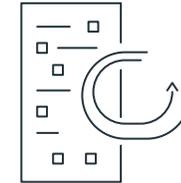
** It was possible to choose more than one answer.
Source: Hays Poland Salary Guide 2022

07 INVESTMENT MARKET



Mateusz SKUBISZEWSKI

Head of Capital Markets,
BNP Paribas Real Estate



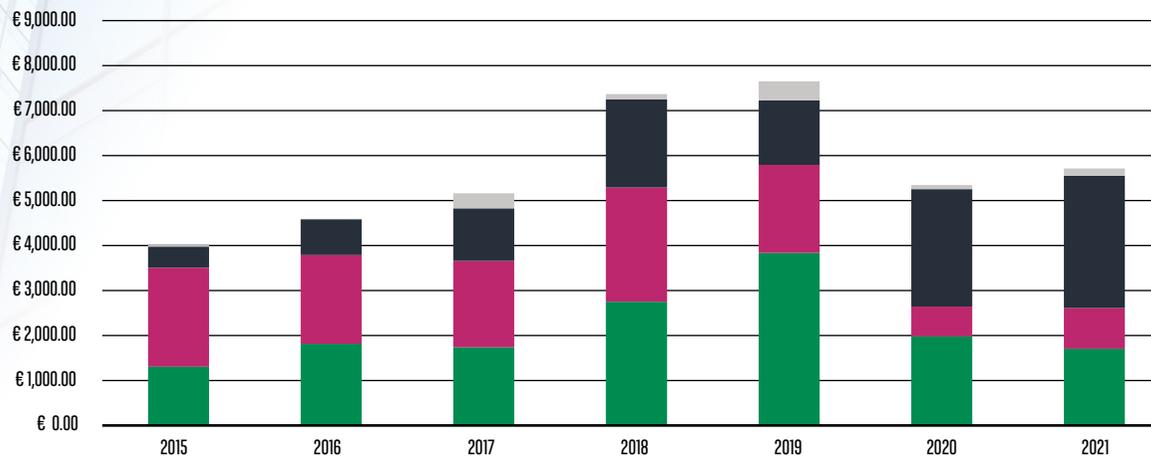
Over €5.7 billion – this is how much investors spent on commercial real estate in Poland throughout 2021, of which in the last quarter alone, the amount attained over €2.2 billion.

After the first half of 2021, which was characterized by a cautious and prudent approach to investments, reflected in additional EUR 2 billion spent, the Polish commercial real estate investment market is trying to get back into shape. Although the result achieved in 2021 is weaker by almost 25% compared to the record turnover volume recorded in 2019, but when compared to 2020 - the first year of the pandemic - there is a positive growth of about 7%.

The past year was marked by a further strengthening of the logistics and industrial sector, making up for losses by retail and the continued battle against Covid's shortage of breath in the office sector.

Taking into account the long lasting consequences of the pandemic as such as strengthening the position of Poland on the logistic map of Europe or the increasing interest in positioning the production closer to the recipient market, the investment market, especially for the logistic sector, is expected to grow further in Poland, reaching the levels before the outbreak of pandemic.

Investment volumes (bn EUR) 2015-2021





INDUSTRIAL & LOGISTICS sector surpasses its record from a year ago.

Throughout whole 2021, the main source of profit for investors in Poland was undoubtedly the logistics and industrial sector. Compared to 2020, it grew by 13%, while compared to 2019 it grew by over 100%. Investors have allocated nearly €3 billion in warehouses, logistic facilities and industrial space, which is more than a half of the total investment volume. Last year, the largest amount of money went to Exeter Property Group, the result of a portfolio sale of projects, but the largest single transaction concerned the sale of the BTS facility in Świebodzin, delivered for Amazon. With nearly 200,000m², the modern logistics centre sold for €165 million has enriched the Korean investor's portfolio.



RETAIL is getting back on its feet.

The returning to fitness retail sector, generated transactions worth nearly €900 million in total volume throughout 2021. 56 transactions were concluded, covering approx. 100 commercial properties of various types, which together contributed to a result that was 34% better than in 2020. The greatest number of transactions involved retail parks, which – after the second year in a row – constitutes a good prospect for this retail asset group. 30% of all transacted deals concerned older generation retail facilities, the vast majority of which were for the sale of properties belonging to the Tesco chain. In 2021, 17 shopping centres

were sold; 25% of the total volume was generated by two M1 sales, including Marki and a portfolio of four others located outside of Warsaw.



Demand will return for quality OFFICES.

The past year did not provide a conclusive answer to the ongoing question of when and in what shape or form employees would return to their desks for good.

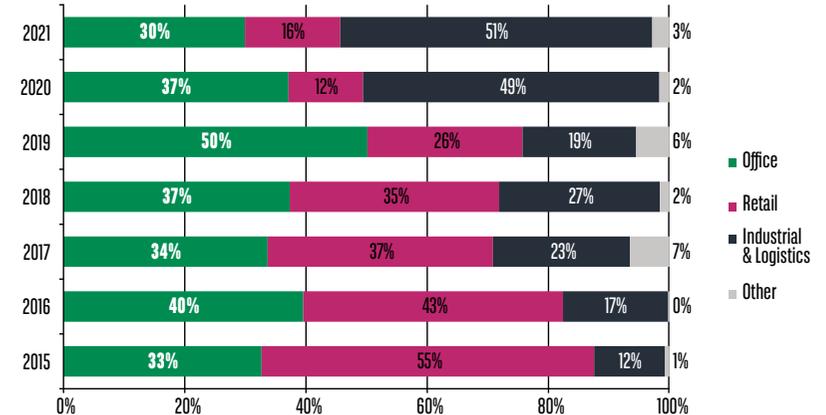
The office sector, despite a record-breaking final quarter in '21, ended the year with a balance sheet of over €1.7 billion and a loss of 14%, when compared to the 2020 result. This was due to, among others, a moderate demand and changes in its structure, optimization of space during lease renewals, the increased importance of remote work, as well as protracted transaction negotiations. Majority of money spent by investors on on projects located in Warsaw, in fact more than 70% of the overall transaction volume. The largest transactions were: the sale of the flagship Metropolitan office building, which was transferred to the American headquartered Morgan Stanley for over €240 million, and the sale of assets from the BUMA Group portfolio for around €200 million.



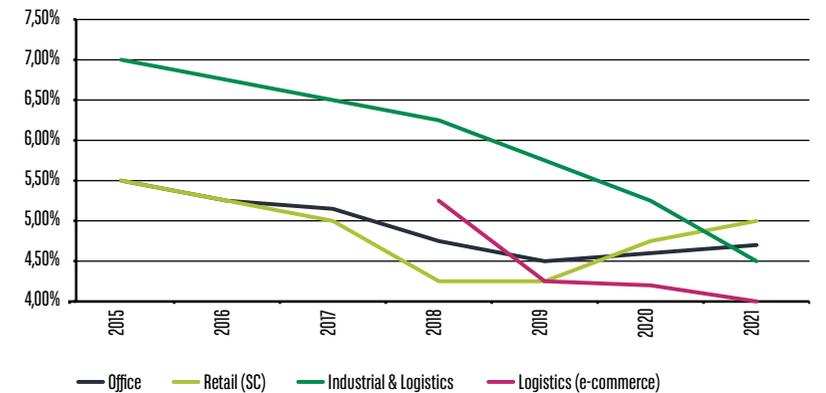
Stable capitalization rates.

The average capitalization rates for the best assets remained unchanged in the last quarter. In the case of offices, they stood at 4.7%, while warehouse & logistic facilities without an e-commerce operator were 4.5% in Warsaw

Investment Volume 2015-2021 by sectors



Prime yields



and about 4.75% in zones outside of Warsaw. Only the rates for logistics facilities with an e-commerce operator faced further yield compression, approaching a level of 4%. Over the last three months, the capitalization rates for the best retail parks have been 7%, while for shopping centres it has been estimated at 5%.

08 NEWS FROM REAL ESTATE LAW IN 2021



MORE STABILITY FOR ADMINISTRATIVE DECISIONS

An amendment to the Administrative Procedure Code introduced on 16 September 2021 limited the possibility to invalidate any administrative decision to the period of 10 years from its delivery or announcement.

In addition, a regulation was introduced whereby invalidation proceedings could not be initiated at all with respect to decisions delivered or announced more than 30 years ago, with already initiated proceedings being automatically terminated.

The above amendment was considered revolutionary for the real estate market since it greatly increased the stability of administrative decisions, including those that constitute the basis for acquiring legal title to real properties and for conducting development processes (e.g. expropriation decisions, division decisions, zoning permits, heritage protection permits etc.).

There was a previous amendment of the Construction Law, which entered into force on 19 September

2020, that introduced an even shorter time limit of five years for invalidating building permits and occupancy permits (counted from the delivery/announcement of the building permit and the finality of the occupancy permit, respectively). There are still certain doubts about whether the new regulations could also be applied to permits issued before the above provisions entered into force. However, the administration tends to accept the standpoint that the newly introduced time limit for invalidation should also be applied to such permits.

Previously, the risks related to defects leading to the invalidity of any administrative decisions could not be remedied, even despite the long time since the decisions were issued.



Błażej CZWARNOK

Advocate,
Partner in the real estate practice at Gide Warsaw



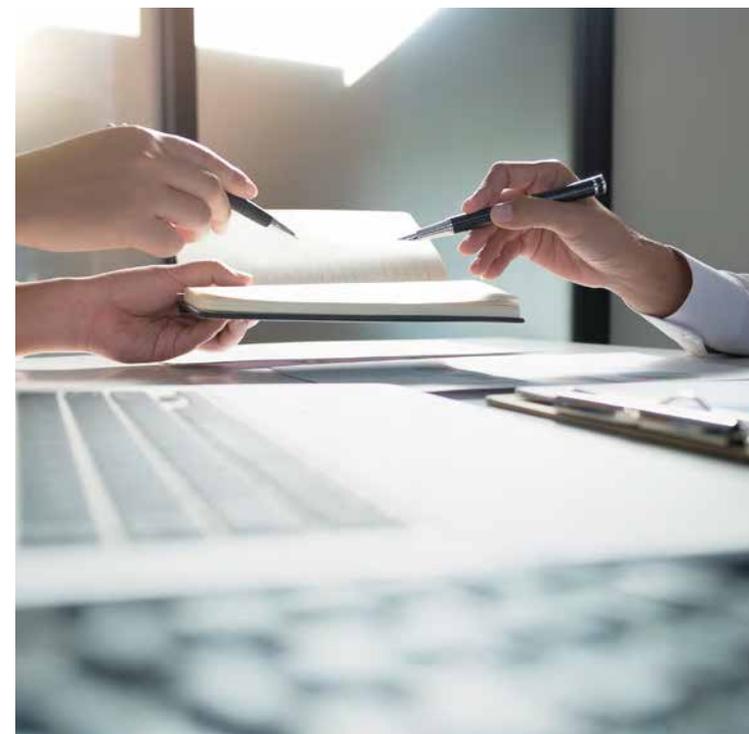
Marcin MUSZEL

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INCREASING APPLICATION OF THE “LEX DEVELOPER”

Although the Act on Facilitating the Preparation and Implementation of Residential and Ancillary Investments (known as the “Lex developer”) entered into force in 2018, its application, especially in large cities, was very limited until 2021.

Due to the insufficient supply of residential premises on the Polish market, the “Lex developer” was aimed at facilitating and boosting the development of residential investments, while imposing obligations on developers with respect to ancillary infrastructure if required in a given area (such as schools). Subject to certain requirements, the municipal councils may issue resolutions on determining the location of residential investments (the act becomes the basis for obtaining a building permit), for areas for which there is no zoning plan, or even for areas where the zoning plan does not allow for residential development. The procedure of adopting resolutions is much faster than that of adopting a zoning plan.

After a series of administrative court judgments in recent years repealing negative resolutions that refused to determine the location of investments, municipalities have now started to issue positive resolutions in greater numbers, and have started to consider the “Lex developer” as a tool that actually facilitates residential development in a procedure that requires close cooperation between the developers and the municipalities. The statistics show that the number of investments planned to be developed based on the “Lex developer” is steadily growing.



MORE FLEXIBILITY IN THE RIGHT OF PERPETUAL USUFRUCT

Since large areas of real estate in Poland are held by investors under the right of perpetual usufruct (RPU) and not owned outright (the State Treasury or local government units remain the passive owners of such real estate), it was always important that a given investment remain compliant with the terms of the RPU, in order to avoid additional fees being imposed by the owners, or even the RPU being terminated.

In 2021, we saw an increasing number of amendments to the terms of the RPU signed by the owners with RPU holders based on regulations introduced on 15 August 2019. The new law gave RPU holders the right to make a claim causing the owner to change the designation of the RPU.

Prior to this change in law, this kind of amendment was at the discretion of the owner and was associated with considerable fees that were fixed by the cities – in the case of the City of Krakow, the fee was as much as 25% of the value of the real property. Building permits were often refused if the construction authorities considered the designation of the RPU and the investment not to be compliant (but were often then granted once the investor paid the fees referred above).

The new regulations expressly forbid authorities from refusing to issue a building permit in such a case and provide investors with the right to make a claim to adjust the terms of the RPU as long as the investment is consistent with the designation in the zoning plan or a zoning permit. The investor is only obliged to pay a one-off fee for making the amendment if it results in decreasing the rate of the annual perpetual usufruct fee, and the one-off fee may not be higher than double the amount of the annual RPU fee.

The above regulations greatly reduce the risks and costs related to investments planned on real properties held under the right of perpetual usufruct.

09 NEWS FROM TAXES IN 2021



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Limited partnerships (LP) – project SPVs in a new “CIT dress”

2021 also brought significant amendments in the taxation of LPs – a very popular legal form for project companies on Polish real estate market. In 2021, all LPs lost their tax transparency and became CIT payers. Regardless of the change, due to the flexibility of cash flows and limited legal risks, LPs still remain an attractive structure to separate real estate investment projects. In addition, according to amended regulations, LPs provide the possibility of tax neutral profits transfer, as they might benefit from “participation exemption”.

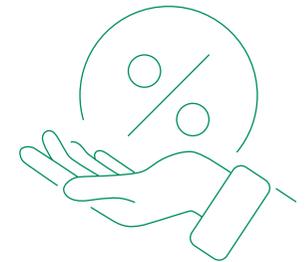
2021 was another year of the ongoing revolution in the Polish tax system, bringing new, significant amendments that also impacted the real estate market.

Real estate company (REC) – Since 1 January 2021, the new concept of an REC was introduced to Polish income tax provisions. The REC is generally an entity which (i) is obliged to prepare a balance sheet under Polish accounting law, (ii) has 50% of its assets directly or indirectly consisting of real estate located in Poland, or the rights to such real estate (with a value exceeding PLN 10 M) and (iii) is generating at least 60% of total taxable revenues from real estate activity (lease and/or sale).

The REC qualification has a serious impact on the taxation model of income derived by non-Polish investors on the disposal of their shares (or participation rights) in RECs representing at least 5% of voting rights/interest, as well as on the administrative and reporting duties of the REC and its shareholders.

Partial end of the “Covid break”
for MDR reporting

Since 2019/20, investors on the Polish real estate market have been obliged to carefully monitor their activity due to very harsh and imprecise MDR regulations resulting from Poland’s implementation of the EU DAC6 Directive. In 2020/2021, due to Covid-19, MDR reporting deadlines were suspended. In early 2021, the suspension was cancelled for most schemes (cross-border schemes), so now it concerns only local tax schemes (until Poland’s state of epidemic is ended).



“Frozen” minimum tax
on commercial buildings

The Covid full relief from minimum tax, introduced in 2020, was prolonged until the state of epidemic is ended in Poland.

10 OFFICE MARKET OVERVIEW



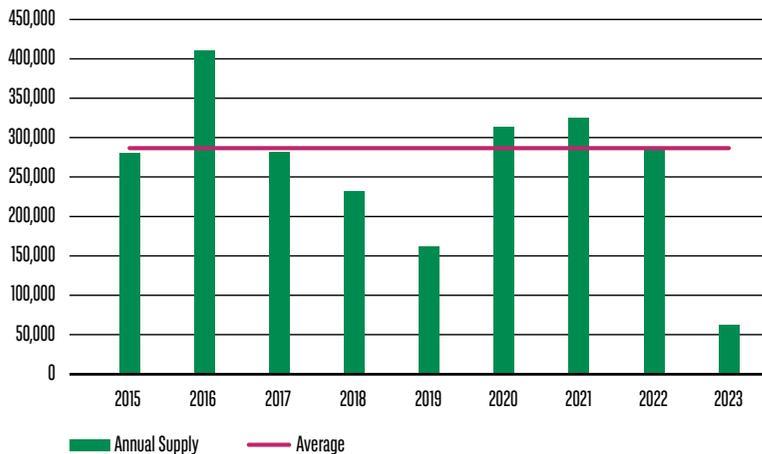
Mikołaj LASKOWSKI
Head of Office Class
Sector Poland

Warsaw is not only the capital of Poland but also a center for the Central Eastern Europe region.

For almost 30 years now it has evolved into a very modern city, attracting headquarters of international companies, banks, financial and insurance services, management consultants and legal advisors which appreciated the business environment and developing markets which fueled constant growth of the city.

Warsaw annual supply

Source: BNP Paribas Real Estate Poland



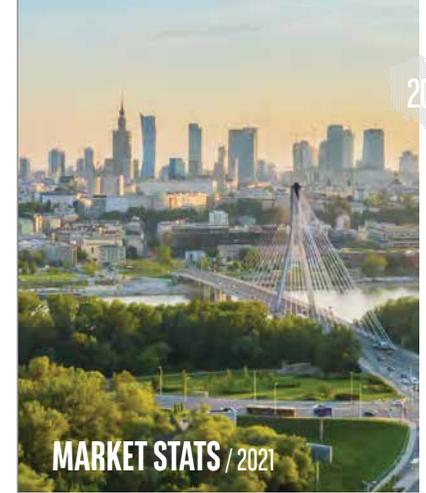
WARSAW STATS

POPULATION (2020)	1,79 M
UNEMPLOYMENT RATE (November 2021)	1.8%
AVERAGE SALARY (PLN gross, November 2021)	7,249 PLN
NUMBER OF STUDENTS (academic year 2020/2021)	256,000
NUMBER OF UNIVERSITIES (academic year 2020/2021)	69

STOCK & SUPPLY

The current modern office stock amounts in Warsaw to almost 6.1 million sqm with further 360,000 sqm in the construction phase with delivery spread between 2021 and 2022. The high dynamics of development over the last 7 years was an answer to raising demand coming from occupiers from Business Sector, IT & Products, Banking & Insurance Services.

Less than 350,000 sqm is now in the construction phase, with 82% planned for delivery by end of 2022. This is far from the record years in 2014 – 2019, where on average 460,000 sqm were being handed-over to tenants, with 2019 alone being a phenomenon with 550,000 sqm completed offices. As pandemic resulted in tenants taking hold on breath, impacting take-up levels, developers in return made a far-reaching revision of their plans. Therefore, some office projects plans have been turned into multi-functional ones to introduce more diversity and flexibility, while some have been postponed in anticipation for better times ahead. Consequently, the office market in Warsaw foresees the supply gap in years 2023-2025.



MARKET STATS / 2021

6,150,000 sqm
EXISTING STOCK

324,589 sqm
NEW SUPPLY

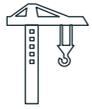
347,000 sqm
SPACE UNDER CONSTRUCTION
*delivery 2022-2023

12.7%
AVERAGE VACANCY RATE

23-24 EUR (sqm/mth)
PRIME HEADLINE RENT

646,500 sqm
GROSS DEMAND

Source: BNP Paribas Real Estate Poland



Top 5 buildings under construction

	ZONE	CITY	COMPLETION DATE	GLA OFFICE TOTAL AREA	DEVELOPER
VARSO TOWER	CBD	Warsaw	2022	66,300	HB Reavis
FOREST	Central	Warsaw	2022	51,700	HB Reavis
THE BRIDGE	Central	Warsaw	2024	47,406	Ghelamco
P180	Non-Central	Warsaw	2022	32,000	Skanska
SKYSAWA	CBD	Warsaw	2022	25,406	PHN



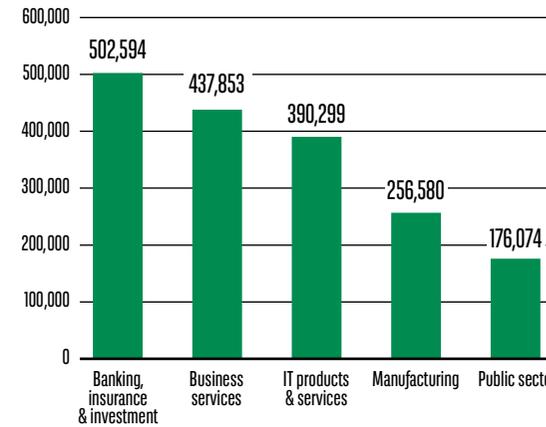
VACANCY & DEMAND

At the end of 2021, the vacancy rate in Warsaw continued its growth, with a temporary halt during Q3, eventually reaching 12.7%.

This means that nearly 780,000 sqm is still waiting for tenants. Most of the free sqm prevail in the central zone, although as ever, the highest rate is in Mokotów. The increase of the ratio was influenced by the delivery for use of the buildings that were still noting significant vacancy, as well as changing take-up structure resulting from raising volume of renewals which are very often followed by space optimization and contraction.

2021 was a year when the market experimented and evaluated various types of work styles, implemented a variety of hybrid work management methods, and finally analyzed various strategies regarding a return to office. The demand for flexibility which was an outcome of each and every analysis done, has also permeated the tenants' needs for office space. This translated into the overall leasing structure altering. In the whole of 2021, the share of lease extensions was 45%, which means +9% increase compared to 2020.

TOP 5 sectors by take-up 2018-2021

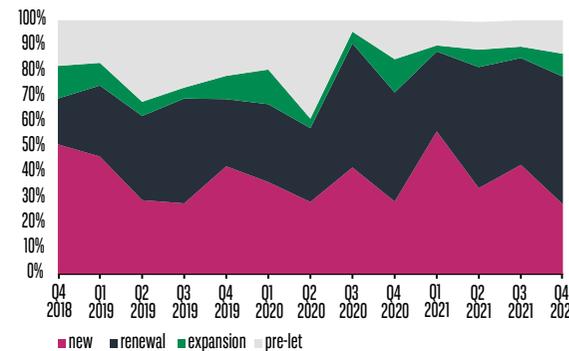


In 2022, the office market will be sensitive to remote working and returns to offices, all dependent on the further evolution of the pandemic.

For the whole of 2021, the total transaction volume amounted to 646,500 sqm, which means a 7% increase compared to the result of 2020. As usually, the last quarter of the year is the most dynamic throughout the year, also this year it brought significant number of sqm transacted as it referred to almost 40% of the annual take-up. 60% of transactions were concluded in central zones, which is justified considering the intensive development of these zones in the last year resulting in raising the quality of modern stock in central zones.

As for the rents, the prime headline have remained stable throughout 2021, reaching levels of 23-24 EUR sqm per month. Yet, the country economics have been affected by the galloping inflation, which at the end of the year reached the level of 8.5%, and the real estate sector will also be impacted by significant increases in utility costs, raise of construction material costs, an increase in tax burdens.

Take-up structure 2018-2021



Taking all the above into account as well as the supply gap that the Warsaw office market will face in 2023-2025, the point from which the headline rents and service charges are starting to raise, is only a question of time. On the other hand, the most comfortable situation for market to stimulate the stable growth is the momentum of balance between the expectations of tenants and capabilities of the landlords, towards which the market is now heading.

Source: BNP Paribas Real Estate Poland



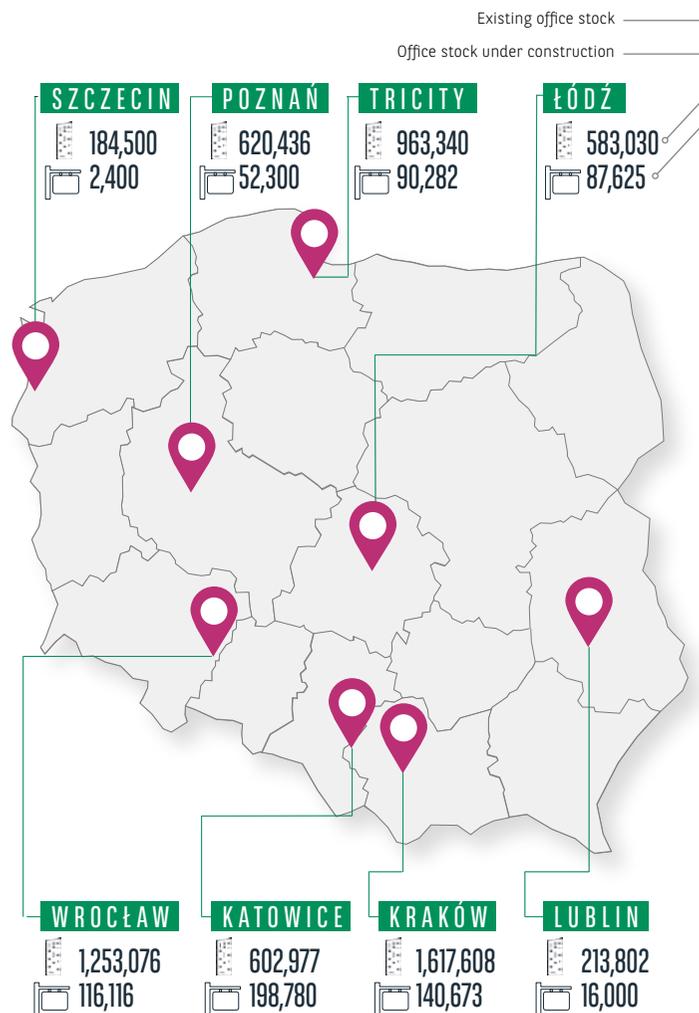
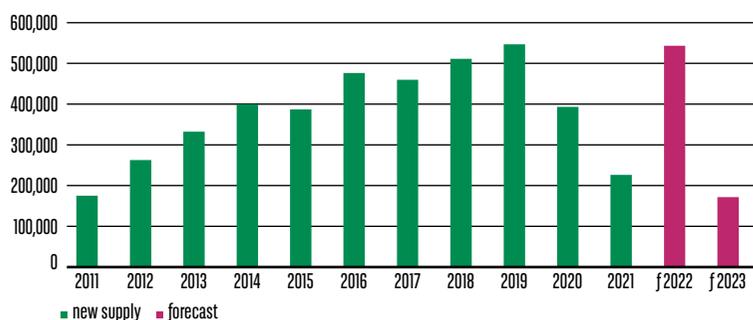
Regional office market comprises of 8 key cities located across Poland, among which there are: **Kraków, Wrocław, Tricity conurbation, Poznań, Katowice, Łódź, Lublin and Szczecin.**

The access via highways and express routes, increasing supply of modern office buildings, strong academic base resulting in rich talent pool around certain specialties, raised the regional cities to the position of important centers for the business service sector. The cities differ among each other when it comes to stock, demand structures and pace of development. One factor though remains common. All of them are offering well educated talent pool, speaking at least two languages, class A standard office spaces and competitive rents in central location.

As at the end of 2021, the volume of office space in the regions broke the threshold of 6 million sqm, thanks to the last quarter delivery of 79,000 sqm. Work is underway on the construction of over 715,000 sqm of offices, of which 550,000 is planned for delivery by the end of 2022. The remaining area have the prospect of delivery in 2023.

Annual supply 2015-2021

Source: BNP Paribas Real Estate Poland



Source: BNP Paribas Real Estate Poland

Further on, the individual regional cities may face a similar challenge to what Warsaw is having to deal with today – a supply gap. The mechanisms responsible for its coming are quite similar. A limited demand with changing take-up structure, the growing popularity of “flex” spaces, the still uncertain return of employees to offices and, finally, the ever increasing construction and fit-out costs, cause developers to be very cautious when



MARKET STATS / 2021

6.03 M sqm
EXISTING STOCK

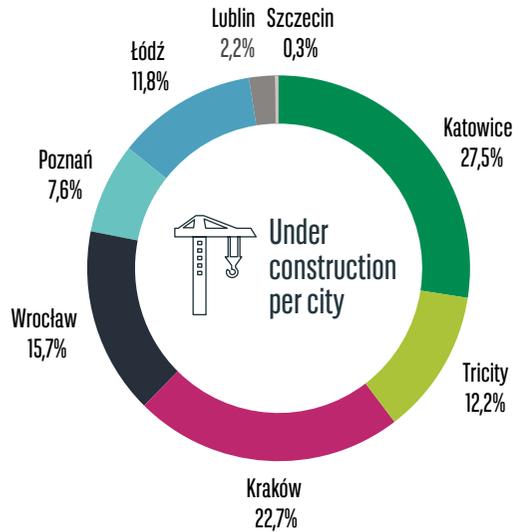
226,314 sqm
NEW SUPPLY

715,000 sqm
SPACE UNDER CONSTRUCTION

14.1%
AVERAGE VACANCY RATE

594,500 sqm
GROSS DEMAND

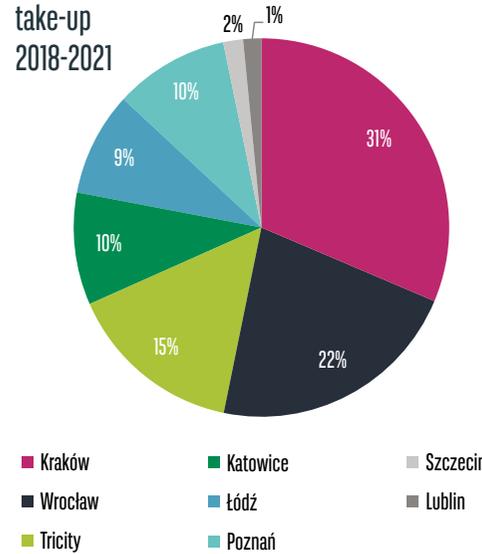
Source: BNP Paribas Real Estate Poland



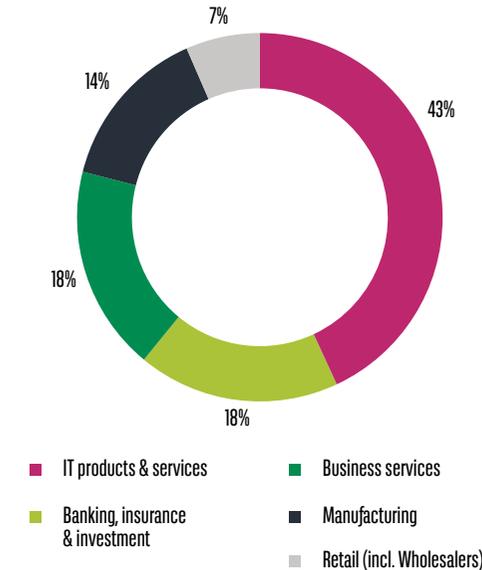
kicking-off new office projects. Should the supply gap materialize, this will inevitably lead to rent level increase. This will happen in parallel to service charge increases, being a response to media, utilities and all other building maintenance categories getting more expensive.

Over the last two years, the office markets in the regional cities went through the same challenges as offices in Warsaw. Tenants there, mainly from the SSC/BPO/R&D and IT sectors, were carefully analyzing the future spatial needs and even more than ever expecting widely understood flexibility (contractual, spacious or financial). Nevertheless, the annual take-up result amounted to 595,000 sqm transacted, which translates into small, but still an increase by 2% year-on-year. Quarterly analysis of the take-up throughout the last two years revealed though that the structure of the demand changes. In 2020 60% of all leasing deals included new ones, expansions and pre-lets. This ratio changed in 2021 by 5%, which means that 45% tenants have decided to renew the current contracts, potentially optimize the space, allow for more flexibility and avoid fit-out costs which constitute the major CAPEX costs while relocating.

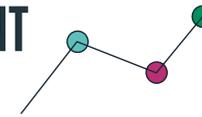
Regional cities take-up 2018-2021



Regional take-up by top sectors 2018-2021



INVESTMENT SUMMARY

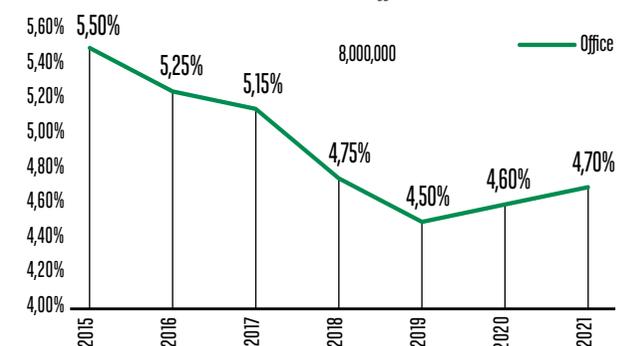


THE PAST YEAR DID NOT PROVIDE A CONCLUSIVE ANSWER TO THE ONGOING QUESTION OF WHEN AND IN WHAT SHAPE OR FORM EMPLOYEES WOULD RETURN TO THEIR DESKS FOR GOOD.

Despite this, the investment market in this sector has not come to a halt, in fact, the forecasts for 2022 seem optimistic.

This sector, despite a record-breaking final quarter in '21, finally ended the year with a balance sheet of over €1.7 billion and a loss of 14%, when compared to the 2020 result. Majority of investors' money were spent on projects located in Warsaw, in fact more than 70% of the overall transaction volume. In total, throughout 2021, more than 40 purchase and sale agreements were concluded for more than 60 office buildings. The largest transactions were: the sale of the flagship Metropolitan office building, which was transferred to the American headquartered Morgan Stanley for over €240 million, and the sale of assets from the BUMA Group portfolio for around €200 million.

Office Annual Prime Yield



11 RETAIL MARKET OVERVIEW



Fabrice PAUMELLE

Head of Retail Class
Sector Poland



Despite the pandemic triumph of e-commerce, customers are not giving up on shopping in brick-and-mortar shops.

Brands that want to benefit from the synergy of these channels, implement innovative formats and compete for customers' attention with technology and environmentally friendly products. However, retail parks and convenience centres continue to enjoy popularity among investors and developers.

The share of e-commerce in total retail sales volume increased from 8.4% in October to 10.2% in December, bringing the annualized ratio to 9.1%. Even though e-commerce is increasing, offline retail continues to attract customers and sales in both channels are growing.

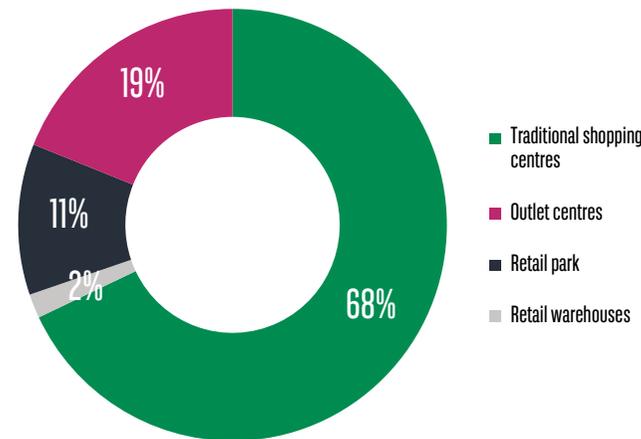
Eleven new international chains entered the Polish market last year, including fashion brands (Yargici, Karl Lagerfeld, Zadig & Voltaire, BIMBA Y LOLA), cosmetics brands (such as Rituals) and the first company-owned LEGO store. After good response to the

ECONOMIC FORECAST FOR 2022

		TREND	CHANGE Y/Y
GDP	4.5%	↓	↓
UNEMPLOYMENT RATE	5.3%	↓	↓
PRIVATE CONSUMPTION	5.0%	↓	↓
WAGES IN ENTERPRISE SECTOR	7.6%	↑	↑
INFLATION (CPI)	8.5%	↑	↑

Source: BNP Paribas, as the end of June 2021

Retail formats as of end of 2021



Source: BNP Paribas Real Estate Poland

opening of Primark stores in Warsaw (in 2020) and Poznań (in 2021), the chain announced their plans for a new branch in Krakow. Moreover, in 2022 German drugstore chain, dm – Drogerie Markt, will finally open its long-awaited first store in Poland.



2022

MARKET STATS / 2021

nearly **15.4 M sqm**
EXISTING RETAIL SPACE

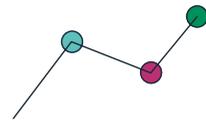
165,000 sqm
NEW SUPPLY

290,000 sqm
SPACE UNDER CONSTRUCTION
(to be delivered to the market by the end of 2022)

93%
AVERAGE SHOPPING CENTRE FOOTFALL
(PRCH: December 2021, as regards figures for 2019; Monday-Saturday)

9.1%
ANNUALIZED SHARE OF ONLINE SALES IN TOTAL RETAIL SALES
(Statistics Poland: December 2021)

Source: BNP Paribas Real Estate Poland



INVESTMENT SUMMARY

RETAIL PARKS PROVED TO BE MORE RESISTANT TO THE NEGATIVE EFFECTS OF THE COVID-19 PANDEMIC THAN SHOPPING CENTERS.

Since the beginning of the pandemic, they have had higher footfall than shopping centers, by an average of several percentage points. In some periods of 2020, footfall in retail parks was even higher than in the previous year. At the same time, the structure of tenants in retail parks allowed for their functioning to a large extent during the lockdown as many retail park tenants were not subject to operating restrictions. Despite the on-going pandemic, the segment of retail parks and everyday shopping centers continues to expand.

The mixed-use type segment is also developing, within which to market additional retail space is added. Combining various commercial functions, modern design elements with historic architecture creates new urban spaces.

of transactions. In 2020, there were no transactions with large shopping centers, in 2021 there were 12 transactions with large shopping facilities, located in very good locations, in the largest cities.

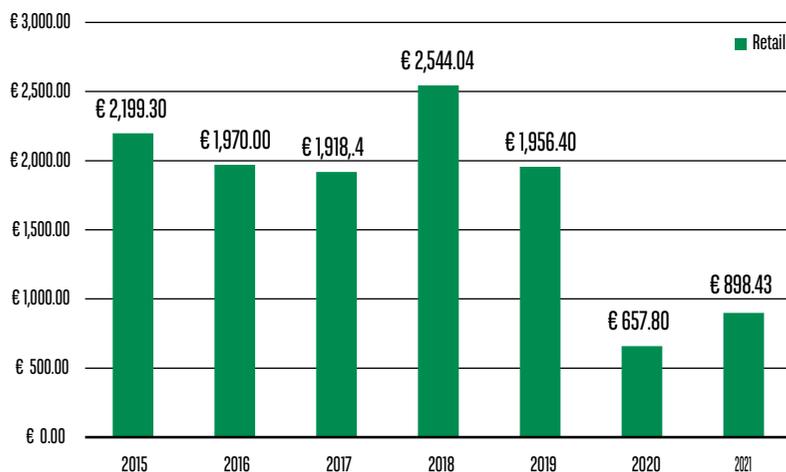
Retail parks, shopping centers, grocery stores and DIY stores remain the target of investors. They also reflect the trend of locality and convenience in shopping that has intensified during the pandemic. The investment market is also driven by the supply of investment products fueled by Tesco's impending exit from Poland. The projected structure of new supply in 2021 reflects the trend of locality and convenient shopping that has intensified during the pandemic.

2021 brought a 37% increase in the investment volume of transactions in the retail sector when compared to 2020 by generating nearly 900,000 m EUR. It has also brought the change in the structure

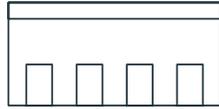
In 2021, investors concluded the most transactions – about 20 in the retail park segment, for a total value of approximately EUR 97 million. The good prospects for this asset class are evidenced by the fact that nearly 70% of new retail schemes are retail parks and convenience centers. About 30 percent of all transactions in 2021 concerned older generation commercial facilities, most of which, almost 75%, were the sale of real estate properties by the Tesco chain withdrawing from Poland. In 2021, 17 shopping centers were sold, of which two transactions: the sale of M1 Marki purchased by Redefine and the last tranche of the sale of the M1 portfolio property (Olsztyn, Tychy, Opole, Kielce) to EPP, generated over 25% of the total transaction volume in the retail sector in 2021.

Retail Investment Volume 2015-2021

Source: BNP Paribas Real Estate Poland



12 INDUSTRIAL MARKET OVERVIEW



The market of modern warehouse space in Poland in 2021 saw spectacular gains, becoming the big winner of the pandemic time and is still not slowing down.



Tomasz ARENT

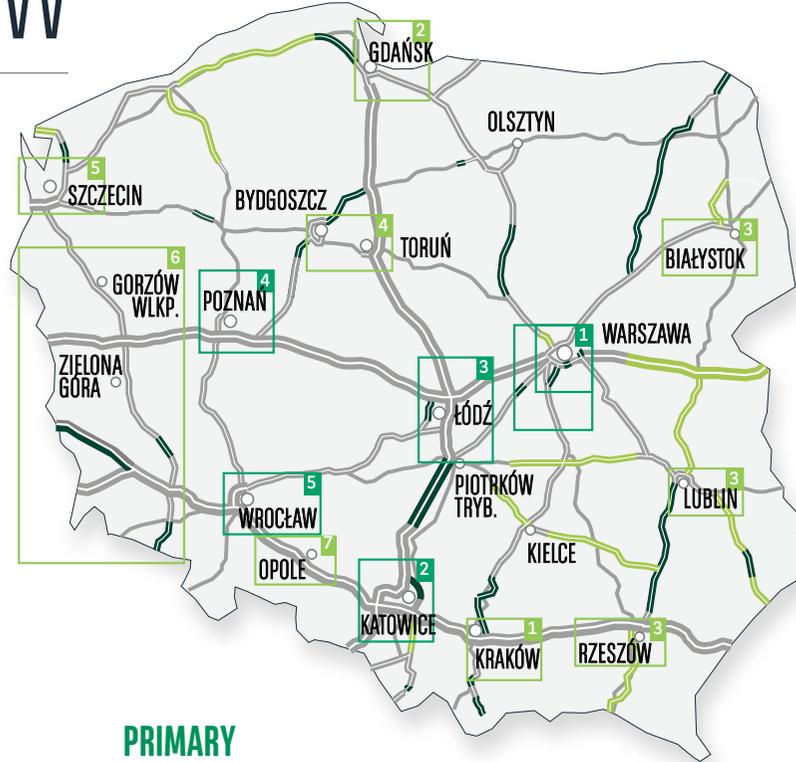
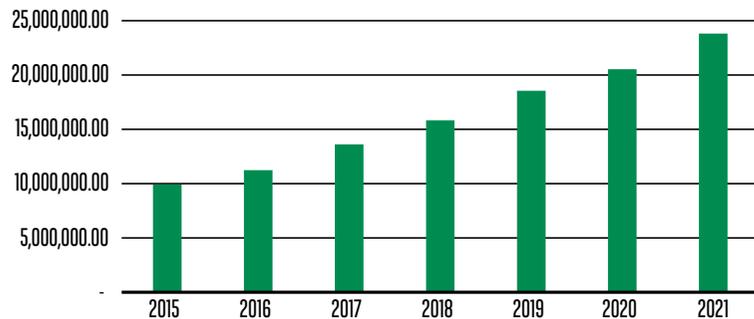
Head of Industrial Class Sector Poland

Both the supply and demand for warehouses in Poland have achieved record results in the history of the market.

The year 2021 was marked by very good results on the demand and supply sides. The amount of space under construction exceeded 4.6 million sqm, which is the best result in the history of the market. During all the quarters of 2021 there were added over 3.0 m sqm to the stock, thus the total market resources reached the level of 23.8 million sqm. Despite the high volume of new supply, the available space enjoyed a phenomenal interest among tenants, which has put the vacancy ratio to the historical level of 3.9%.

Annual Supply 2015-2021

Source: BNP Paribas, as the end of June 2021



PRIMARY HUBS:

1. Warsaw I & II
2. Upper Silesia
3. Central Poland
4. Poznań
5. Lower Silesia

SECONDARY HUBS:

1. Kraków
2. Tricity
3. East
4. Bydgoszcz / Toruń
5. Szczecin
6. West
7. Opole

Source: BNP Paribas Real Estate Poland, GUS (PL)=Statistics Poland (ENG), Eurostat



MARKET STATS / 2021

23,8 M sqm
EXISTING STOCK

3.0 M sqm
NEW SUPPLY

4.6 M sqm
SPACE UNDER CONSTRUCTION

0.93 M sqm VACANT STOCK
3.9% AVERAGE VACANCY RATE

3.40 - 5.25
PRIME HEADLINE RENT
(EUR/sqm/month)

7.3 M sqm
GROSS DEMAND

5.6 M sqm
NET DEMAND

Source: BNP Paribas Real Estate Poland

One of the most important accelerators of the warehouse market development are e-commerce services. At the turn of September and October, AliExpress, a platform belonging to the Alibaba Group, opened the first logistics center in Poland at Panattoni Park Łódź West. On the other hand, another Amazon distribution center was opened in Świebodzin, which is currently the second largest logistics facility on the Polish industrial and logistics space market. The biggest transaction was the acquisition of 146,000 sqm by Zalando in Panattoni BTS Zalando Bydgoszcz which will open its facilities in 2022.

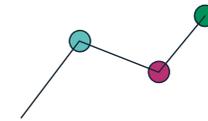
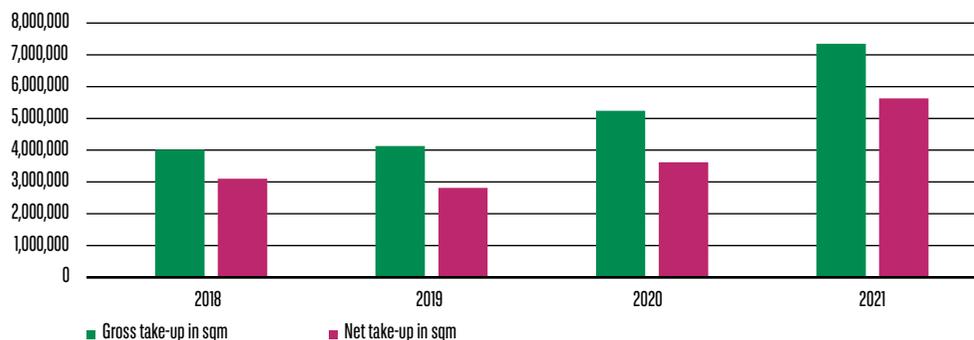
The development of the e-commerce sector is inextricably linked with the development of courier services. In 2021, the number of logistic operators of parcel machine networks increased significantly. The first machines were set up by Allegro, which also purchased X-press Couriers, which specializes in same

day delivery. Courier companies are particularly interested in last mile logistics facilities, located close to large urban agglomerations. Developers are noticing this need and are delivering more and more objects of this type to the market.

The COVID-19 pandemic and the trends that caused it (nearshoring) contributed to the growing interest of developers in expanding their warehouse portfolio in Poland. Companies are increasingly choosing to locate their production closer to their home country or sales region, as the location of production centers in Asian regions began to be perceived as relatively risky. After last years' experience, the aim is to shorten the supply chains, and thus, more production is transferred to Europe. This is a great opportunity for Poland, which is perceived as an attractive business location, due to the availability of highly qualified employees with relatively low labor costs.

Industrial & Logistic take-up 2018-2021

Source: BNP Paribas Real Estate Poland



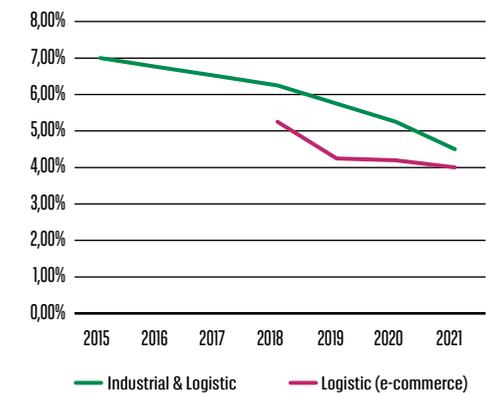
INVESTMENT SUMMARY

DURING THE FINAL QUARTER, AS WELL AS THROUGHOUT 2021, THE MAIN SOURCE OF PROFIT FOR INVESTORS IN POLAND WAS UNDOUBTEDLY THE LOGISTICS AND INDUSTRIAL SECTOR, WHICH IS CONTINUING TO SURPASS ITS OWN RECORDS.

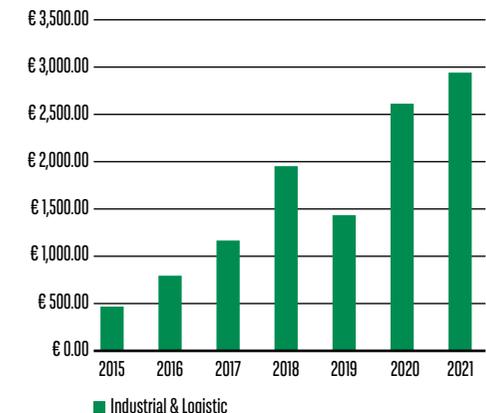
Compared to 2020, it grew by 13%. Investors have invested nearly 3 bn EUR in warehouses, logistic facilities and industrial space, which is more than half of the total investment volume.

Among all commercial real estate markets, the warehouse market was the least affected by the negative effects of the COVID-19 pandemic, and therefore in 2021 it enjoyed the greatest interest from investors who carried out several spectacular transactions. In 2021 the largest amount of money went to Exeter Property Group, the result of a portfolio sale of projects, but the largest single transaction concerned the sale of the BTS facility in Świebodzin, delivered for Amazon. With nearly 200,000 sqm, the modern logistics centre sold for 165 m EUR and enriched the portfolio of a Korean investor.

Industrial & Logistic Annual Prime Yield



Industrial Investment Volume 2015-2021



Source: BNP Paribas Real Estate Poland

13 HOT ISSUES IN POLAND

INFLATION

 Poland's annual inflation climbed to 8.6 percent in December of 2021 from 7.8 percent in November, matching preliminary estimates.

It was the highest inflation rate since November of 2000, driven by prices of food and non-alcoholic beverages (8.6 percent vs 6.4 percent in November) and housing and utilities (11.2 percent vs 10.7 percent). Prices also rose for recreation and culture (6.2 percent vs 5.7 percent) and alcoholic beverages and tobacco (2.5 percent vs 2.2 percent). Meanwhile prices eased for transport (22.7 percent vs 24.1 percent). On a monthly basis. Consumer prices rose 0.9 percent, in line with preliminary estimates and slowing from a 1 percent rise in November.

INCREASING COSTS



Apart from the risk of ongoing inflation, in 2022 we can expect further increases in construction costs, land prices, rents and service charges and pressure on wages.

All sectors are facing their struggles, one remains common though for all of them. Increasing costs will boost the upward trend for rents and service charges. Limited availability of land for industrial purposes will put pressure on the land pricing. Shortage of diversified classes of employees will be the driving force for wages and salaries, which – as in the vicious circle – will impact further rents and service charges.

ESG



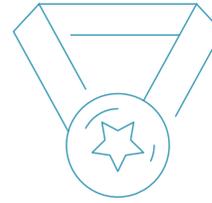
2022 year on the real estate market will probably also be the time when the real impact of the ESG strategy on the real estate market will begin to be clearly visible.

As a result of the so-called European Union taxonomy, i.e. changes to the regulations on non-financial reporting in the field of sustainable development and the entry into force of the CSRD directive, and also due to the preferences of tenants, the importance of ESG on the market is growing. This term means not only care for the environment, but also for people. It will be visible, among others in the real estate market, where developers who want to

stand out, in addition to investing in energy efficiency, will also start to focus on the second ESG pillar, i.e. the human aspect.



14 COMMERCIAL REAL ESTATE MARKET TOP 3



THE LARGEST SHOPPING CENTRE IN POLAND

Manufactura in Łódź is currently the largest shopping center in Poland with an area of 110,000 sqm. There are over 250 shops, museums, cinemas and discos. This shopping centre was built on the site of the former factory complex of Izrael Poznański, to which it owes its unique architecture.



THE LARGEST WAREHOUSE IN POLAND

Panattoni Central European Hub – the largest logistics complex in Poland – over 360,000 sqm. The perfect location in Central Poland with access to the intersection of the European east-west and north-south routes, as well as within administrative city limits, will facilitate the tenants’ domestic and international logistics

THE TALLEST OFFICE BUILDING IN POLAND AND IN UE

Polish skyscraper Varso Tower will be the tallest building not only in Warsaw but also in the European Union, reaching 310 meters in height and will be put into use in the middle of the 2022 year.



KEY FIGURES



BNP PARIBAS
REAL ESTATE



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