

AT A GLANCE

Q3 2022

INVESTMENT MARKET IN POLAND

Highlights

- Promising investment volumes despite incurring challenges
- Industrial & logistic assets back in the game
- Repricing evident in the transacted deals
- Since the beginning of the war, more CEE and Nordic capital is inflowing to Poland



KEY FIGURES

c.a. **4.2bn EUR**
INVESTMENT VOLUME
2022 YTD

4.50%
OFFICE PRIME YIELD

5.25%
SHOPPING CENTRE*
* Estimated yield in the prime shopping center segment

4.75 – 5.15%
INDUSTRIAL & LOGISTICS
PRIME YIELD**

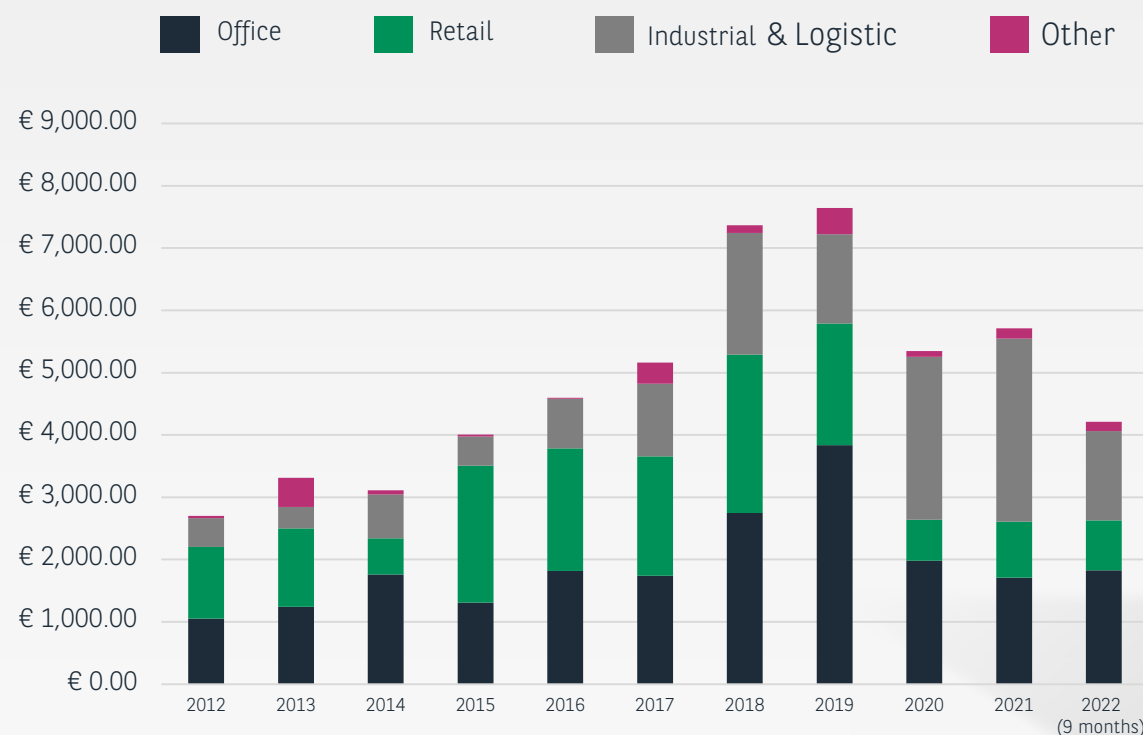
c.a. 4.00%
LOGISTICS (e-commerce)
PRIME YIELD
** Varies between Warsaw and rest of Poland

Macroeconomic indicators forecast

	End of 2022	Trends
GDP Annual (%)	3.5%	↘
Inflation (% y/y)	14.2%	↗
Unemployment (% y/y)	5.3%	↗
NBP Reference rate	8.0%	↗
FX PLN / EUR	5.00	↗

Source: GUS, NBP, Eurostat, BNP Paribas forecast, September 2022

Investment volume (in M EUR)



Source: BNP Paribas Real Estate Poland, as of the end of Q3 2022

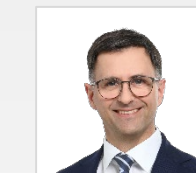
Selected Transactions of 2022

The third quarter of 2022 brought in additional 1.44 bn EUR of real estate investment. Quarterly result is 6% lower than Q3 2021, yet the overall year-to-date result is close to 20% higher than the corresponding period last year. Warehouse & logistic assets recorded the biggest share of the quarterly investment volume (59%).

	ASSET	ASSET CLASS	PURCHASER	SELLER	SIZE	QUARTER
1	The Warsaw Hub	Office	Google	Ghelamco	101,000	Q1
2	Portfolio Danica	Industrial & Logistics	CBRE IM	Hillwood	629,135	Q3
3	Generation Park Y	Office	Hansa Invest	Ghelamco	47,600	Q3
4	Nowy Rynek D	Office	Eastnine	Skanska	37,200	Q2
5	Panattoni Park Gdańsk Airport	Industrial & Logistics	Exeter Group	Panattoni	102,850	Q2

Source: BNP Paribas Real Estate Poland, as of the end of Q3 2022

Expert Comment



Mateusz Skubiszewski

Head of Capital Markets

Ray of light or silence before the storm?

The challenging economic and geopolitical environment generating a variety of risks also for the investment market have not disappeared, yet, the investors seem to have accepted them. This is proved by the quarterly investment volume, better than expected. The year-to-date result is almost 20% higher than result in the same corresponding period of 2021, although the quarterly numbers are 6% less than Q3 2021. Industrial & logistic assets are back in the game, as we anticipated before. The weaker numbers in the first half of the year resulted more from the lack of products and needed price adjustment – as a consequence of raising financing costs – rather than from dropping attractiveness of the Polish market. Office sector regained its trust among the investors once buildings started to fill in again. In the retail sector, there are early signs that bigger retail schemes may be soon traded between the investors, adding up the retail volumes, built up today mainly from retail parks and convenient centers. Definitely, an interesting quarter ahead of us, confirming the direction of the real estate market for the next year.

Expert Comment



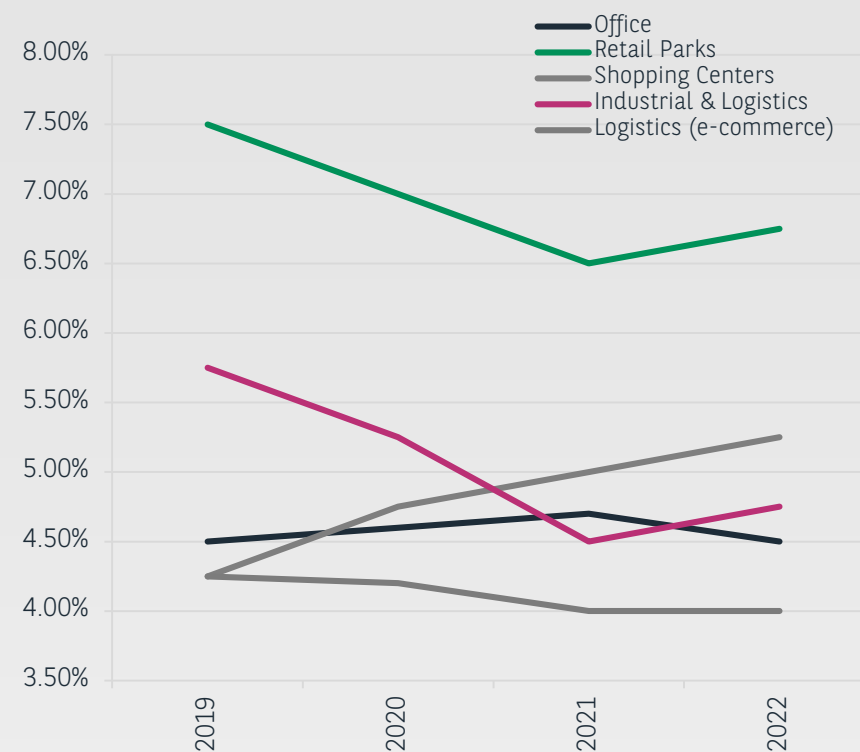
Marta Gorońska-Wiercioch

Associate Director, Capital Markets

The Russian aggression starting the war in the Eastern Europe has put its mark on the investment capital structure. For many years we have seen the inflow of the capital from North America, South Africa, Asia and Western Europe as investors benefitted from the value of money offered by Polish investment market. After February 24, Poland, considered a next-door country to the ongoing military conflict, have been significantly impacted with the 'wait & see' approach taken by western investors. As much as US money keeps coming in, there's been a gap after German or Asian investors withdrew. This has been partially covered by the investors coming from CEE and Nordic countries, who year-to-date have invested over 18% of all the capital coming to Poland.

Prime Yields

Annual Prime Yields per Sector, in %



Source: BNP Paribas Real Estate Poland, as of the end of Q3 2022

Repricing is a fact.

Taking into account the volume of industrial & logistic assets sold this quarter, this is where the repricing is mostly visible. From 4.75% to 5.15% – this is how much investors bid today, subject to the location. By 0.25 pp has risen the yield for retail parks as well as the expected rate in the shopping center segment. Continuously increasing cost of financing as a consequence of raising interest rates (Poland, Europe, US) will put more pressure on further decompression of yields, also in Poland.

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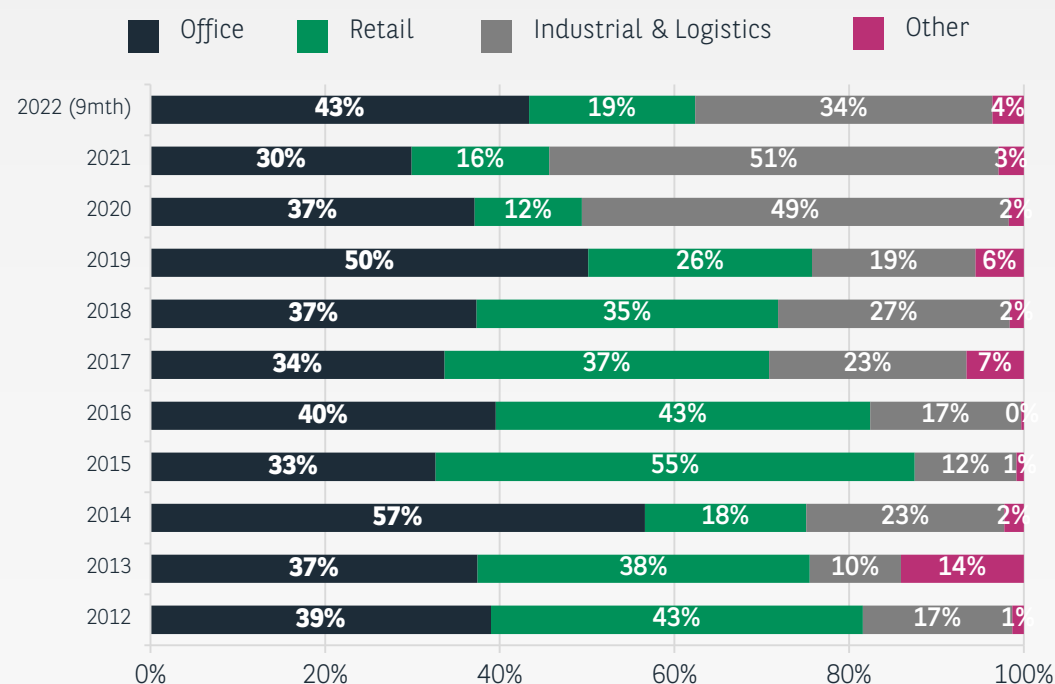
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Sector split

Annual Sector Split of Investment Volumes, in %



Source: BNP Paribas Real Estate Poland, as of the end of Q3 2022

Office

Investors regain trust in office products which is evidenced by the increasing volumes recorded in 2022. 43% of the investment volume year-to-date belongs to office sector. In Q3 the most spectacular was the final sale of Generation Park Y developed by Skanska to Hansa Invest for over 285 m EUR, which transaction was initiated as forward funding back in 2020.

Retail

The retail investment volumes this year, if we exclude the share deal of EPP portfolios, are built up from the sales of smaller retail formats (retail parks and convenient centers), which confirms their strong position strengthened during pandemic times. Yet, there are already first signs, like pre-sale of Matarnia Retail Park or Galeria Andrychów, that investors are considering again the purchase of bigger schemes.

Industrial & Logistics

The last quarter proved that investors' interest in warehouse & logistic assets is holding strong, despite relatively weaker results in the first half of the year. The sector generated 59% of the quarterly volume, out of which over 62% was a portfolio deal. 14 assets with GLA totaling to over 629,000 sqm have been sold by Hillwood to CBRE Investment Management. The rest of deals, apart from one BTS project in Gniezno, were done on the projects developed by Panattoni Europe.