

AT A GLANCE

Q2 2023

INVESTMENT MARKET IN POLAND

Highlights

- Commercial real estate investment volumes in Poland remain under pressure from global monetary policies
- Yields move out again but are likely to stabilize towards the end of the year
- Industrial and logistics transactions dominate as price discovery continues in the office sector
- Eurozone buyers accounted for as much as 45% of the transaction volume in H1 2023



KEY FIGURES

c.a. **801m EUR**
INVESTMENT VOLUME
2023 YTD

5.25%
OFFICE PRIME YIELD











6.50%
SHOPPING CENTRE

5.50 – 6.00%
INDUSTRIAL & LOGISTICS
PRIME YIELD**

c.a. 4.75%
LOGISTICS (e-commerce)
PRIME YIELD

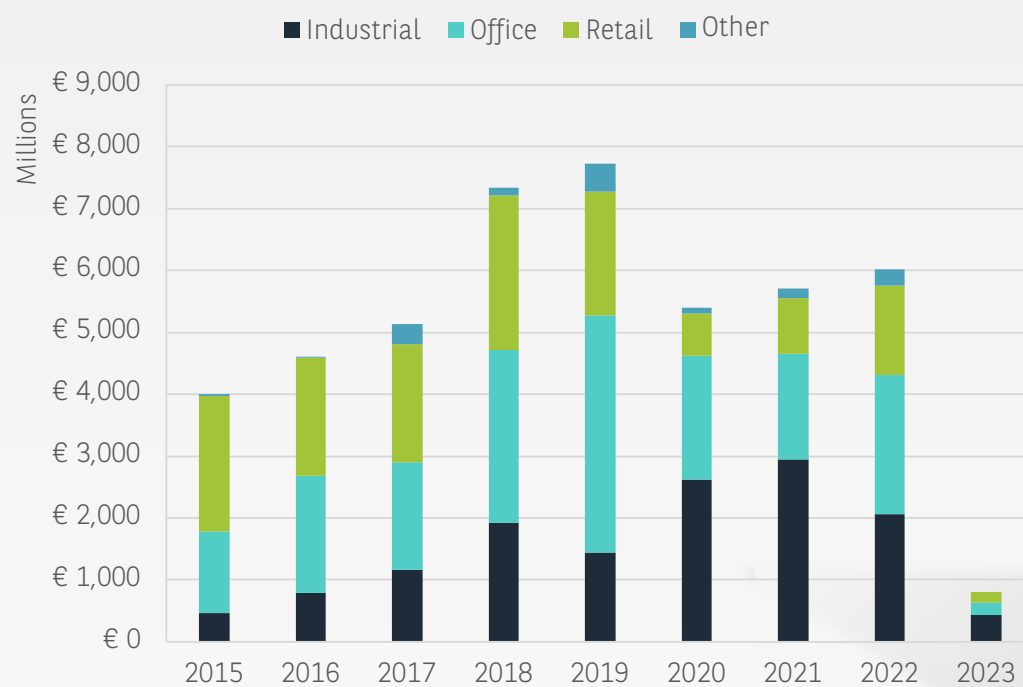
** Varies between Warsaw and rest of Poland

Macroeconomic indicators and trends

		Trends
	GDP Annual (%)	0.5% 
	Inflation (% y/y)	11.5% 
	Unemployment (% y/y)	5.0% 
	NBP Reference rate	6.75% 
	FX PLN / EUR	4.45 

Source: GUS, NBP, BNP Paribas forecast, June 2023

Investment volume (in M EUR)



Source: BNP Paribas Real Estate Poland, as of the end of Q2 2023

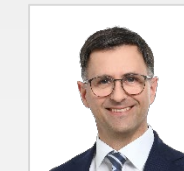
Selected Transactions of 2023

Trading volumes have notably declined across Europe, with Poland seeing a similar trend. Commercial real estate investment volumes in Poland reached nearly EUR 801m in the year to date, of which 19% was recorded in the second quarter of 2023. This is down by over 73% on the first half of 2022. Warehouse and industrial assets accounted for 54% of the quarterly investment volume, followed by offices with 24%.

ASSET	ASSET CLASS	PURCHASER	SELLER	SIZE (SQM)	QTR
1 Campus 39	Industrial & Logistics	P3	Panattoni	186,300	Q1
2 Wola Retro	Office	Adventum International	Develia	25,900	Q2
3 Panattoni Wrocław	Industrial & Logistics	Confidential	Panattoni	72,000	Q1
4 Atrium Molo Szczecin	Retail	Confidential	Atrium/G City	27,500	Q1
5 My Place Office II	Office	Trigea Real Estate Fund	Echo Investment	17,200	Q1

Source: BNP Paribas Real Estate Poland, as of the end of Q2 2023

Expert Comment



Mateusz Skubiszewski

Head of Capital Markets
BNP Paribas Real Estate

Similarly to most European commercial property markets, Poland also faced changing financing conditions and a tight economic environment throughout the first two quarters of 2023. The total transaction volume for the year to date reached almost EUR 801m, accounting for just 26% of the figure recorded in the same period last year. This data reflects notable pressure from interest rate hikes across Europe and rising treasury bond yields. This is one of the main reasons why investors remain very cautious about putting money into property, especially office assets, focusing instead only on value-add projects allowing for above-average returns through repositioning or repurposing. The European Central Bank has indicated in its forecasts and policy statements that its interest rate hike cycle is very unlikely to end soon. According to macroeconomic projections, headline inflation will average 5.4% in 2023 before falling back to 3.0% in 2024. As a result, the current economic trend for commercial real estate is unlikely to reverse until early 2024. Most importantly, trading in the Polish market is expected to be boosted significantly by a recovery in new office supply that is unlikely to take place until yields for most asset classes finally stabilize. Green shoots of a trend reversal are likely to emerge on the other side of the Atlantic as the latest US economic data is indicating that July could see interest rates raised in this phase of the cycle for the last or penultimate time. Nevertheless, Poland's commercial real estate investment volumes for the second half of 2023 will remain well below levels seen in recent years.

Expert Comment



Marta Gorońska-Wiercioch

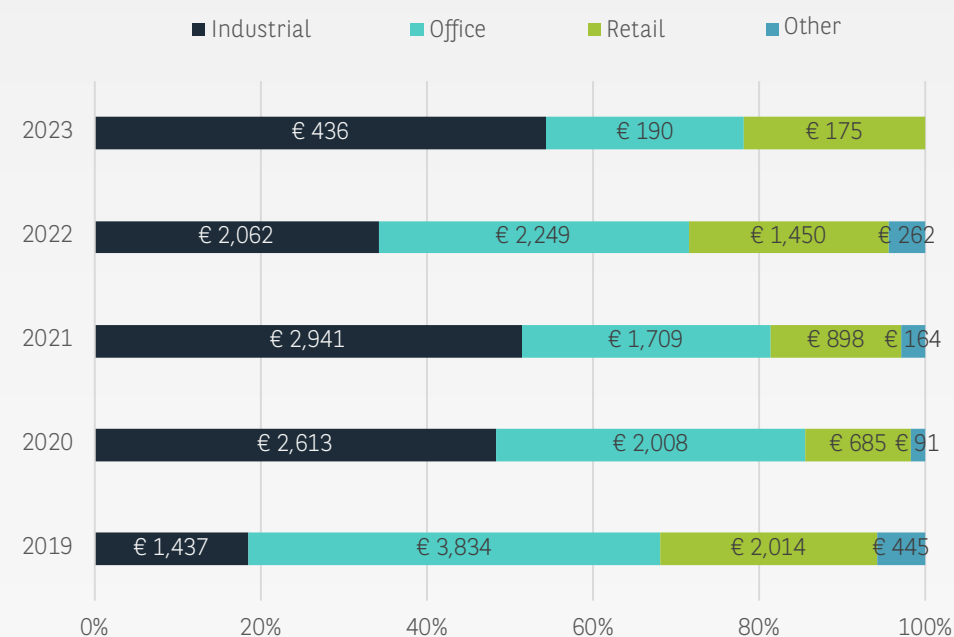
Associate Director, Capital Markets

A mismatch of pricing expectations of vendors and buyers has led to a notable price gap with a knock-on effect on the market.

Despite rental growth, property owners are struggling to maintain capital values and to exit investments with good returns due to the rapid growth in yields. At the same time, the availability of loans for investment financing or refinancing remains significantly constrained. Banks have grown very cautious and selective about projects they wish to support and are increasingly reporting heightened ESG requirements, especially for new financing. BREEAM or LEED certification alone is not enough – investors are required to attach ever more complex sets of data to loan applications. The industrial and logistics market remains one of the key beneficiaries of the reconfiguration of global supply chains, which is a promise of a faster return to high transaction volumes than in the case of other assets. We expect prices for most asset classes to stabilize by the end of the calendar year, which should improve the chances of a swift price discovery and become a catalyst for new transactions.

Sector split

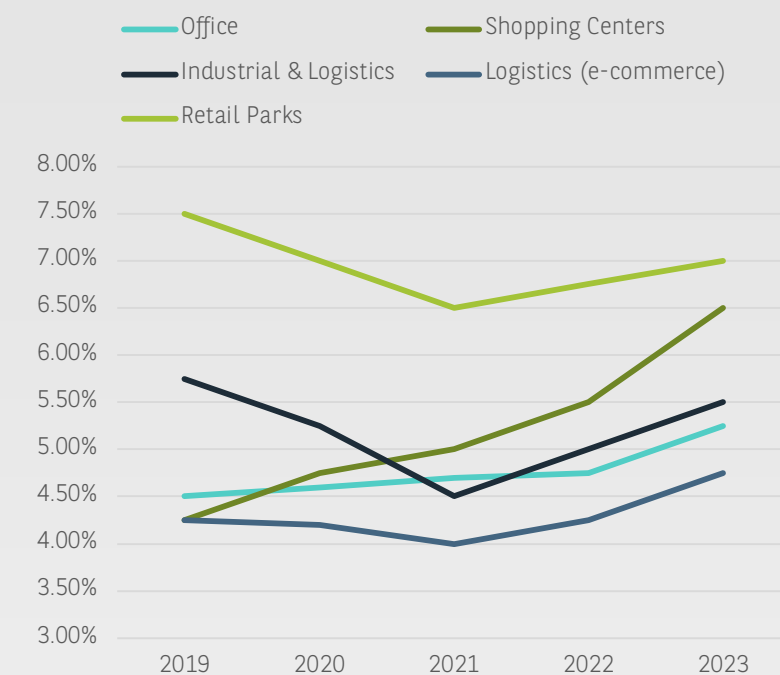
Annual Sector Split of Investment Volumes, in %, M EUR



Source: BNP Paribas Real Estate Poland, as of the end of Q2 2023

Prime Yields

Annual Prime Yields per Sector, in %



Source: BNP Paribas Real Estate Poland, as of the end of Q2 2023

Office

As in the case of other asset classes, the office sector is also rather unlikely to repeat its very strong performance from 2022. In the first half of 2023, only eight office buildings changed hands, accounting for 53% of all the transactions finalised in the same period in 2022. The office investment volume in the year to date reached EUR 190m, which was four times lower than the figure posted in the first six months of 2022, excluding last year's remarkable deal: Google's acquisition of The Warsaw Hub for EUR 585m. All transactions were completed on the Warsaw office market, the largest being the acquisition of Wola Retro by Adventum International for almost EUR 70m.

Retail

The retail sector was dominated by low-value deals, with an average transaction size amounting to EUR 23m. The largest was the acquisition of the Matarnia Retail Park in Gdansk for EUR 105m by French real estate investor Frey. In the second quarter of 2023, retail showed an equally poor performance as last year, with the total transaction volume in the year to date climbing to just under EUR 175m, accounting for 22% of the figure for the first half of 2022. Investment activity continues to centre on retail parks, with the average size of retail schemes sold in the first six months of the year exceeding 20,000 sqm.

Industrial & Logistics

Industrial and logistics assets remain the strongest performing market sector with its total investment volume in the year to date amounting to more than EUR 436m, of which as much as 92% was attributable to transactions finalised in the first quarter of 2023. The most active market player on the sell side in the first half of the year was Panattoni, which closed deals accounting for 81% of the total investment volume. The largest transaction of the first six months was P3's acquisition of Campus in Wrocław (185,000 sqm) for EUR 138.5m, with an average market deal size in excess of EUR 31m.



Rising bond yields across global markets continue to create upward pressure on real estate yields. Prime yields moved out on average by 1 pp year-on-year, with the strongest growth of 1.5 pp recorded for shopping centres. This trend could be reversed by putting a quick end to the interest rate tightening cycle across Europe – a move not expected until late 2023. Fortunately, investor confidence in the Polish economy remains strong, which is an additional stabilising factor for Poland. According to the latest data from the National Bank of Poland, foreign direct investment (FDI) in Poland rose by 3.8% in 2022 to EUR 25.43bn.

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