

# AT A GLANCE

## Q3 2023

# INVESTMENT MARKET IN POLAND

## Highlights

- Real estate assets in Poland and Europe remain under pressure from global monetary policies
- Investors to significantly increase allocations to commercial property in Poland once financial markets stabilize
- Industrial and logistics assets continue to enjoy strong investor confidence
- European buyers account for 71% of the transaction volume in the year to date
- Prime yields stabilize but are still at risk of moving out



### KEY FIGURES

c.a. **1 545 m EUR**  
INVESTMENT VOLUME  
2023 YTD











**5.25%**  
OFFICE PRIME YIELD

**6.00%**  
SHOPPING CENTRE  
PRIME YIELD

**5.50 – 6.00%**  
INDUSTRIAL & LOGISTICS  
PRIME YIELD\*\*

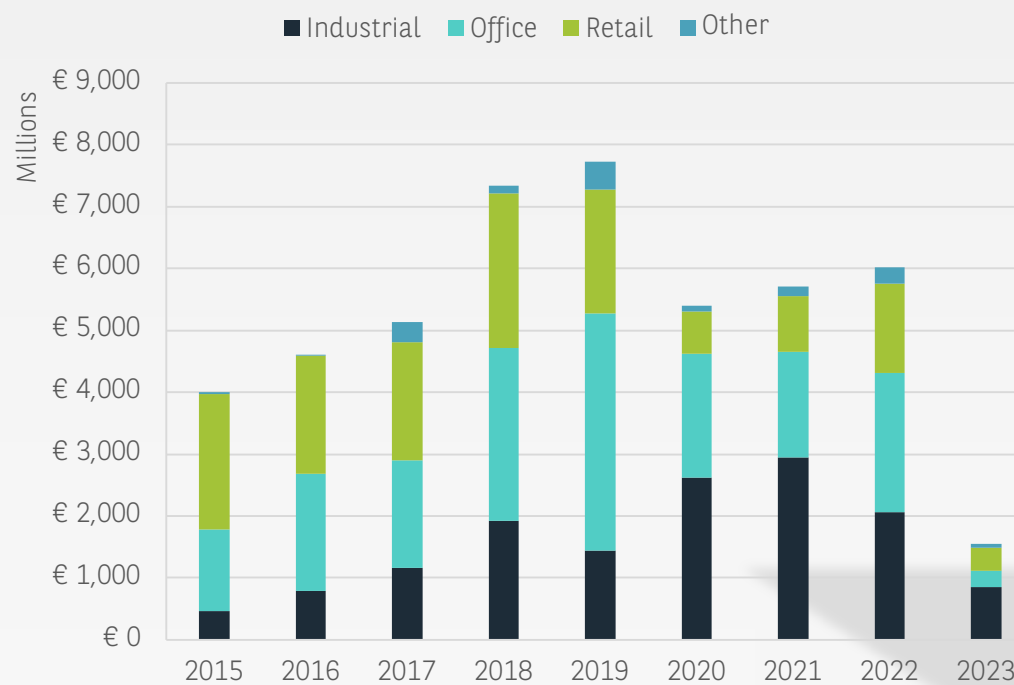
**c.a. 4.75%**  
LOGISTICS (e-commerce)  
PRIME YIELD  
\*\* Varies between Warsaw and rest of Poland

## Macroeconomic indicators and trends

		Trends
	GDP Annual (%)	0.5% 
	Inflation (% y/y)	8.2% 
	Unemployment (% y/y)	5.0% 
	NBP Reference rate	6.00% 
	FX PLN / EUR	4.54 

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

## Investment volume (in M EUR)



Source: BNP Paribas Real Estate Poland, as of the end of Q3 2023

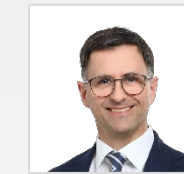
## Selected Transactions of 2023

Poland's commercial real estate investment for the period January-September 2023 exceeded EUR 1.54bn, of which 48% was transacted in the third quarter of the year. This result accounts for approximately 25% of the investment total for the same time last year. The warehouse and industrial sector has been the top performer in the year to date with a 55% share in Poland's total investment volume, followed by retail assets which accounted for nearly 25%. Due to volatile financial conditions, office transactional activity has remained subdued in comparison with previous years.

	ASSET	ASSET CLASS	PURCHASER	SELLER	SIZE (SQM)	QTR
1	7R Shares	Industrial & Logistics	NREP	7R	580,000	Q3
2	Campus 39	Industrial & Logistics	P3	Panattoni	186,300	Q1
3	Park Handlowy Matarnia	Retail	Frey	Ingka Centers	55,500	Q3
4	Panattoni Portfolio	Industrial & Logistics	EQT Exeter	Panattoni	135,000	Q3
5	7R Łódź & Szczecin	Industrial & Logistics	P3	7R	95,900	Q3

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 economies, the Polish commercial property market remains trapped by high interest rates and global inflation trends. Bond prices continue to fall amid a mixed picture about the US inflation rate. US 10-year bond yields have risen nearly sixfold since mid-2020 and are currently close to 5%. As a result, the prospect of global stabilization and a recovery in commercial property trading is receding. Despite this, in terms of transactional activity the third quarter of 2023 was better than the second, with the total transaction volume exceeding EUR 741m, an almost fourfold increase from the previous quarter. Although Poland's investment volume for the year to date remains significantly lower in comparison with the same period last year, investors planning capital allocations in the coming years expressed strong interest in the Polish market at EXPO REAL in Munich. The outlook for the market remains positive, but concrete acquisition decisions and new transactions are unlikely to be seen until early next year. Although industrial assets continue to feature prominently on investors' radars, retail parks are also popular on account of attractive pricing and high market liquidity.

## Expert Comment



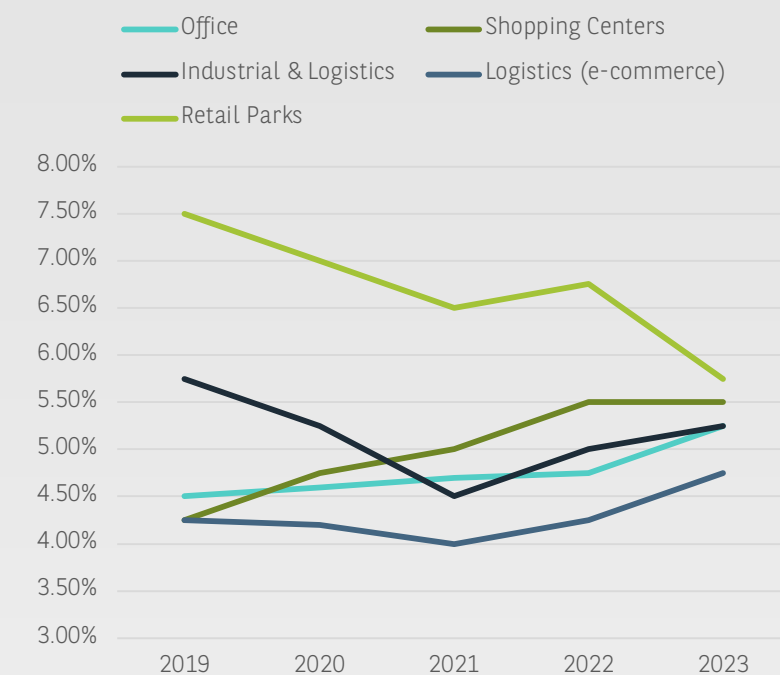
**Marta Gorońska-Wiercioch**

Associate Director, Capital Markets

Due to high financing costs, commercial property yields have been correcting across Poland in recent quarters but not far enough to attract global investors. Most of them are not anticipating any cuts in European interest rates soon which are likely to remain unchanged or to edge up in the coming quarter. The recent interest rate cut in Poland in contrast to the European Central Bank's policy will not improve the market situation because most investment loans are denominated in the euro. Meanwhile, due to the economic turmoil across Europe, the European Central Bank is increasingly reassessing such loans. As a result, banks are likely to tighten up their approach to project risk and profitability assessment. However, the long-term fundamentals of the Polish economy remain strong as Poland's public debt-to-GDP ratio remains at 49%, well below the eurozone average of 91%. In addition, Poland was ranked fifth in Europe last year for the total number of cross-border greenfield projects as it benefits from the nearshoring policies of international companies and their positive impact on the Polish market.

## Prime Yields

Annual Prime Yields per Sector, in %



Source: BNP Paribas Real Estate Poland, as of the end of Q3 2023

As yet, global financial markets have not regained stability that would allow the European commercial property market to ensure a balance between what buyers and sellers want. At its last meeting the Governing Council of the European Central Bank decided to raise its interest rate on refinancing operations by another 0.25 pp to 4.5%. German 10-year bond yields continue to trend upwards, rising by nearly 0.6 pp year-on-year. Despite this, prime commercial property yields in Poland remained unchanged over the quarter and are expected to stabilize or slightly soften in the coming quarters.

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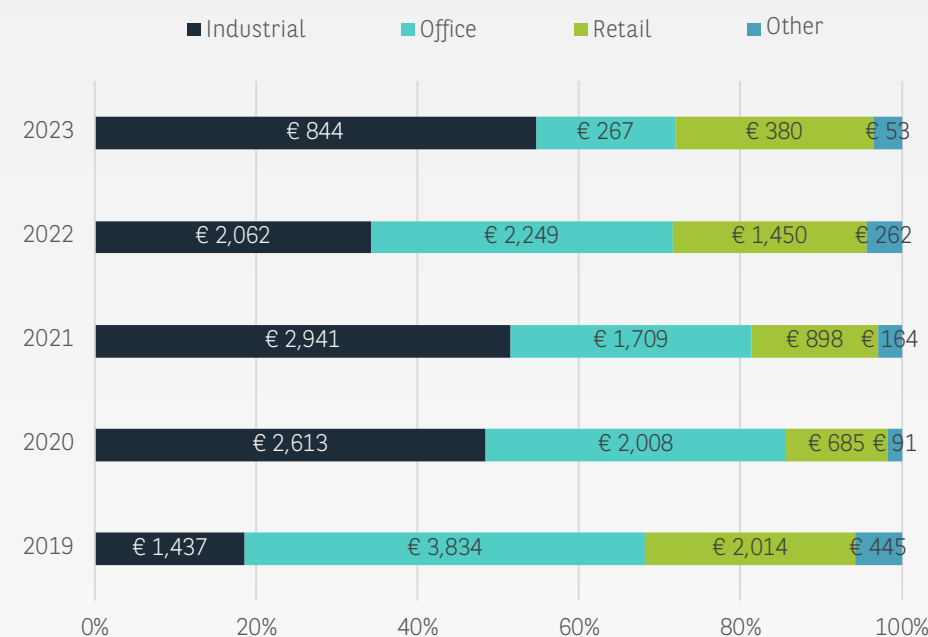


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## Sector split

Annual Sector Split of Investment Volumes, M EUR



Source: BNP Paribas Real Estate Poland, as of the end of Q3 2023

## Office

Of all asset classes, offices proved least resilient to rapidly softening yields. Only 10 office buildings changed hands (partially or fully) in the year to date, with the total investment volume in excess of EUR 267m, an increase of just over 14% year-on-year. The largest office transaction of the third quarter of 2023 was the acquisition of the Warta Tower by Cornerstone Investment Management from Globalworth for over EUR 63m

## Retail

Poland's retail investment for January-September 2023 was close to EUR 380m, with the average scheme size of approximately 18,600 sqm. Nearly 74% of all transactions were for assets under EUR 20m, mostly retail parks in smaller cities. The biggest deal was French-based Frey's acquisition of the Matarnia Retail Park in Gdansk for almost EUR 103m from the Czech vendor Ingka Centers.

## Industrial & Logistics

Industrial and logistics assets remain the top-performing sector with its total investment volume in the year to date amounting to more than EUR 842m, of which 48% was attributable to deals closed in the third quarter of 2023. In terms of the number of transactions, the most active player on the sell side was Panattoni, followed by 7R. The largest transaction of the surveyed period was NREP's acquisition of an 80% stake in the Polish real estate developer 7R for approximately EUR 200m.