

AT A GLANCE

Q4 2023

INVESTMENT MARKET IN POLAND

Highlights

- Poland's economic outlook remains stable but the global geopolitical situation and high interest rates across Europe continue to hamper a quick recovery in commercial real estate trading.
- Despite rental growth, falling capital values caused an erosion of total rates of return for most assets in 2023.
- Investor interest in Poland under pressure from the competition of Western European markets.
- 2023 on the commercial property market was a year of investing in industrial, logistics and retail assets.



KEY FIGURES

c.a. **2.088M EUR**
INVESTMENT VOLUME 2023

PRIME YIELDS











6.00%
OFFICE

6.25%
SHOPPING CENTRES

6.00%
INDUSTRIAL & LOGISTICS

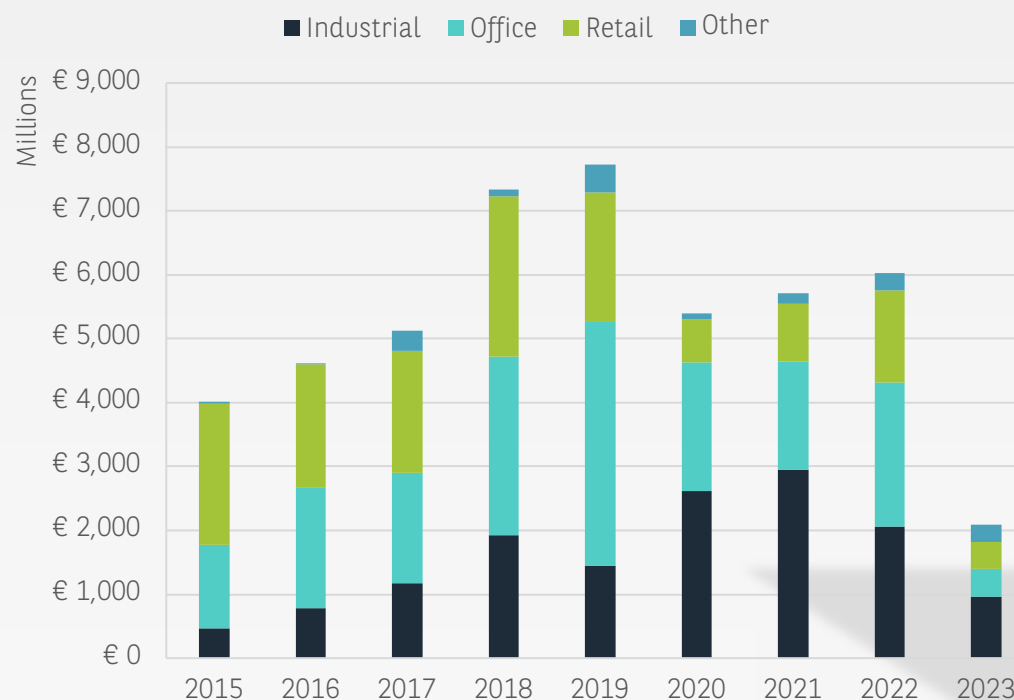
c.a. **5.25%**
LOGISTICS (e-commerce)

Macroeconomic indicators and trends

			Trends
	GDP Annual (%)	1.3%	
	Inflation (% y/y)	6.2%	
	Unemployment (% y/y)	5.0%	
	NBP Reference rate	5.75%	
	FX PLN / EUR	4.35	

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

Investment volume (in M EUR)



Source: BNP Paribas Real Estate Poland, as of the end of Q4 2023

Selected Transactions of 2023

In 2023 as a whole, Poland's commercial real estate investment volume exceeded EUR 2.09bn, of which over 18% was transacted in the fourth quarter. This result accounts for just 35% of 2022's investment total. The warehouse and industrial sector was last year's top performer with a 46% share in Poland's total investment volume, followed by retail assets which accounted for nearly 21%. Due to a mismatch of the expectations of buyers and sellers, office transactional activity was more subdued than in 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	Mokotów Nova	Office	M&A Capital	Tristan	43 700	Q4

Source: BNP Paribas Real Estate Poland, as of the end of Q4 2023

Expert Comment



Mateusz Skubiszewski

Head of Capital Markets
BNP Paribas Real Estate Poland

2023 saw a marked fall in liquidity for the commercial real estate investment market in Poland. The transaction volume reached EUR 2.09bn – a level last seen in 2010. This was the result of the tightening of monetary policies and strong yield decompression across Europe. Consequently, some investment funds froze allocations to commercial real estate and managers decided to rebalance portfolios to include alternative assets. In addition, with property prices falling in Poland relatively less sharply than in some Western European markets, the Polish market became less price competitive. Poland appears to have fallen victim to its own success, as a result of which Polish assets remain more resilient to external shocks compared to those in other countries and are therefore less attractive to investors during an economic downturn. By the end of 2023 most European bond yields were on a downward trend, but the outbreak of the conflict in the Middle East, which is a major oil supplier, and the fear of rising energy prices and renewed inflation worries were unfavorable for the market. Consequently, the European economic outlook remains uncertain, and the specter of interest rate hikes is still looming. However, 2024 economic forecasts for Poland look promising. After a weak 2023, Poland's GDP is expected to rise by 4% this year and the average annual inflation to be around 5% (down by 6.6 pp relative to last year). This, however, may be not enough to ensure a quick rebound in commercial investment volumes in 2024 due to the strong connections between the Polish market and the European investment market.

Expert Comment



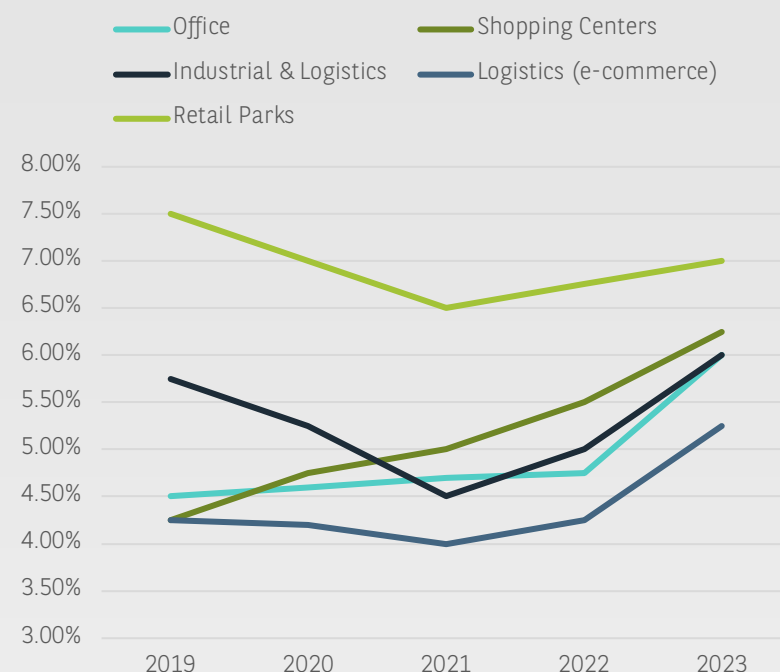
Marta Gorońska-Wiercioch

Associate Director, Capital Markets

Given the pace and scale of real estate asset repricing in late 2022 and early 2023, it appears the worst is behind us. However, the delta between buyers' and sellers' expectations remains wide, which was clearly reflected in last year's office investment that accounted for only 21% of the total transaction volume compared to the 2020-2022 average of nearly 35%. In contrast to previous years, there were no prime office deals, with opportunistic purchases of older buildings dominating investment activity. Looking ahead, CRE loans maturing in the next three years are likely to be a major challenge facing the European market. The debt financing gap for the European property market in 2024-2026 is estimated at over EUR 90bn, of which over 45% will be for the office sector. In Poland, where the leasing market remains stable and relatively less repricing has taken place compared to other European countries, most investors and the banking system are unlikely to experience difficulties with refinancing CRE loans. A significant fall in interest rate swap costs in late 2023 bodes well for a recovery in investment activity. Eurozone interest rates are expected to be gradually lowered throughout 2024, which should stimulate investor interest in commercial real estate.

Prime Yields

Annual Prime Yields per Sector, in %



Source: BNP Paribas Real Estate Poland, as of the end of Q4 2023

In 2023, prime net yields in Poland moved out by 1 pp on average. The strongest decompression of 1.25 pp was reported for prime offices while shopping centres proved most resilient to the changing economic environment, with yields softening by 0.75 pp to 6.25%. The expectation on global financial markets is for a clear change in monetary policy trends. At its recent meeting the Governing Council of the European Central Bank kept its interest rate on refinancing operations unchanged at 4.5%.

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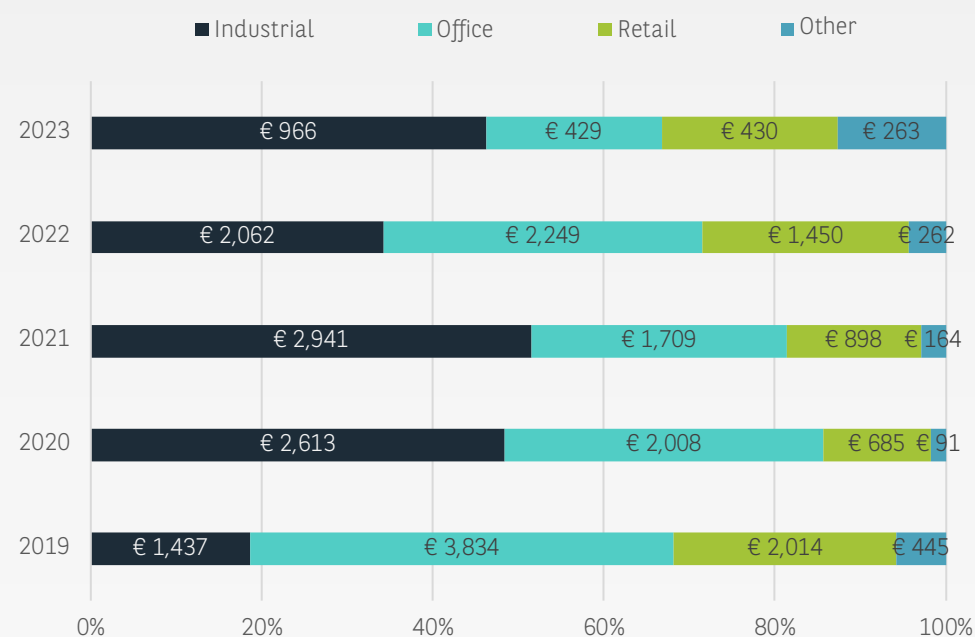


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Sector split

Annual Sector Split of Investment Volumes, M EUR



Source: BNP Paribas Real Estate Poland, as of the end of Q4 2023

Office

Of all asset classes, offices which have been one of the strongest market drivers, proved least resilient to rapidly softening yields. In 2023, only 18 office buildings changed hands (either partially or fully), with the total investment volume of nearly EUR 430m, more than a fivefold decrease year-on-year. The largest transaction of the fourth quarter and of 2023 as a whole, was the acquisition of Mokotów Nova by M&A Capital for approximately EUR 75m from the UK-based Tristan Capital.

Retail

2023's retail investment volume surpassed EUR 430m. The average scheme size was 14,500 sqm, down by 7,500 sqm over the year. Over 74% of all transactions were for assets under EUR 20m, an indication of investors' focus on smaller retail formats in regional cities. The biggest deal of 2023 was French-based Frey's acquisition of the Matarnia Retail Park in Gdansk for almost EUR 103m from Sweden's Ingka Centers. The fourth quarter of 2023 proved relatively weak for the retail sector, with the largest transaction being the sale of Galeria Tarnovia for EUR 12.5m.

Industrial & Logistics

In 2023, transactional activity was dominated by industrial and logistics properties, with this sector's investment volume amounting to almost EUR 966m, constituting around 46% of last year's total. The fourth quarter saw seven transactions take place, the largest being the acquisition of Panattoni Park Janki II in Peçice by GLP for approximately EUR 31m. However, last year's headline deal was NREP's acquisition of an 80% stake in the Polish real estate developer 7R for around EUR 200m. In 2023, the most active market player on the sell side was Panattoni, which accounted for over 54% of the total investment volume, followed by 7R in second place.