At a glance Q1 2016

Investment Market in Poland

With 15% y/y growth in investment volume recorded in Q1 2016, investment appetite for assets in Poland remains strong. It is primarily driven by extensive availability of capital across the CEE region, more attractive yields compared with Western markets as well as substantial availability of wide range of value-add assets. Still, there is scarcity of core products, which is pushing prime yield down.

Headlines

**ONE**

Strong start of the year with over €0.5 bn transacted.

The value of investment transactions completed in Q1 2016 reached over €500 million, which indicates a 15% increase compared with the corresponding period last year. The four largest transactions accounted for 50% of overall volume. In terms of players, US funds were the most active ones, recording 27% market share, followed by Polish and UK investors, registering around 19% each.

**TWO**

With 40% of the market share, regional office markets attract the bulk of capital.

Encouraged by strong office indicators in major agglomerations, investors continued their venture into regional markets. Investors spent over €200 million on office buildings in Tricity, Poznań and Łódź. Considering the volume of quality pipeline supply as well as sustainable occupier demand, this situation is likely to continue over the mid-term.

**THREE**

Prime yields across the sectors remained flat, however the gap with secondary assets widened.

Due to the scarcity of core assets, some compression in prime yield was recorded for Warsaw office and retail, which are currently slightly below 5.50%. While in exceptional cases investors are keen to offer around 5.50 for warehouse assets, high class industrial and logistic products oscillate around 6.00-6.25%.

Still, when analyzing some secondary deals, some upward movement can be observed. In particular this trend is noticeable for non-core offices in Warsaw, which derives from the expected short- to medium-term vacancy increase, arising from the hike in new supply.

**FOUR**

Large portfolio acquisitions will drive the market in 2016.

The investment market this year is likely to be driven by portfolio transactions and company share acquisitions, to be concluded within the next quarters. The take-over of the Echo portfolio by Redefine Properties, a newcomer to the Polish market, will not be the only large-volume deal closed this year.
Macroeconomic Snapshot

Annual GDP, in %

Source: BNP Bank, Oxford Economics, f - forecast

Annual CPI, in %

Source: GUS, NBP, f - forecast

Annual Unemployment Rate, in %

Source: BNP Bank, Oxford Economics, f - forecast

Annual Retail Sales, in %

Source: BNP Bank, Oxford Economics, f - forecast

Investment Snapshot

Annual Volume of Investment Transactions, in €m

Source: BNP Paribas Real Estate, f - forecast

Sector Split of Investment Volume, Q1 2016

Source: BNP Paribas Real Estate

Nationality of Investors, Q1 2016

Source: BNP Paribas Real Estate

Annual Prime Yields per Sector, in %

Source: BNP Paribas Real Estate, f - forecast
Top 5 Trends for 2016

- As the Warsaw office market is likely to enter into supply-demand imbalance, secondary assets may face an upward trend of yields. This trend shall not concern prime schemes, which hold up their price expectations and some yield compression may occur in both Warsaw as well as on regional office markets.
- Competition for prime assets in retail and warehouse sector continuous, which may drive the prices up for Warsaw. Until some of the core assets, which are currently in pipeline, are completed and successfully traded in regional markets, no price inflation is expected.
- In terms of sectors, retail and office are likely to lead the market volume as they did over last year; however investors will continue to search for opportunities in logistic sector.
- Availability of financing remains high, even with an increase of interest rates by an average of 0.50bps, resulting from the soon-to-be introduced banking tax.
- As lending institutions have started to raise questions regarding the mid and long term impact of Government actions over the economy, core investors have adopted a more cautious approach regarding their strategy towards Poland and focus on truly prime assets, mainly in Warsaw.

Top 5 Transactions in Poland, Q1 2016

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Sector</th>
<th>Location</th>
<th>Vendor</th>
<th>Investor</th>
<th>Area (sqm)</th>
<th>Est. lot size (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon Poznań</td>
<td>Warehouse</td>
<td>Poznań</td>
<td>Amazon</td>
<td>GLL</td>
<td>100,000</td>
<td>70.0</td>
</tr>
<tr>
<td>Alchemia, ph. 2</td>
<td>Office</td>
<td>Gdańsk</td>
<td>Torus</td>
<td>PHN</td>
<td>24,900</td>
<td>60.8</td>
</tr>
<tr>
<td>CH Krokus</td>
<td>Retail</td>
<td>Kraków</td>
<td>Valad Europe</td>
<td>Mayland</td>
<td>32,000</td>
<td>60.0</td>
</tr>
<tr>
<td>Allcon Park</td>
<td>Office</td>
<td>Gdańsk</td>
<td>Allcon Investment</td>
<td>Intel</td>
<td>27,000</td>
<td>60.0</td>
</tr>
<tr>
<td>Annopol Business Park</td>
<td>Warehouse</td>
<td>Warsaw</td>
<td>ECI</td>
<td>Hines</td>
<td>44,500</td>
<td>40.0</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate
6 BUSINESS LINES in Europe
A 360° vision

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NORTHERN IRELAND
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SERBIA
SWEDEN
SWITZERLAND
TUNISIA *
TURKEY
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* Coverage via our alliance in Morocco
** Covering Transaction, Valuation & Consulting

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