At a glance Q1 2017

Investment Market in Poland

The first quarter of 2017 closed with a transaction volume of €475 million, which is slightly lower than the corresponding period of last year. However, on a 12-month rolling basis, the market recorded an increase by 12.5%, reaching €4.58bn.

With a solid pipeline of deals pending and a number of investors interested in a cross section of assets types, 2017 is likely to show strong performance in terms of weight of capital and property values.

1. HOTELS RIDE THE WAVE
The hospitality sector in Poland is thriving, spurred by an increasing number of leisure and business tourists. It is recording record-high occupancy rates in top locations, which encourages investors to look into this sector class.

In the first three months of the year the hospitality sector attracted an unprecedented volume of investment reaching €240m and accounted for 47% of overall market share. Considering the current strong interest, this trend is likely to continue in the mid-term horizon.

2. WARSAW REMAINS THE TOP TARGET FOR CORE AND CORE PLUS INVESTORS, WHILE SECONDARY CITIES OFFER HIGHER YIELDS
Six investment transactions sealed in Q1 2017 accounted for 47% of the overall volume of investment. With a slight compression in the prime yield curve, in spite of worrying signals on the occupier market and with vacancy on the rise, investors are confident about the prospects within the Capital.

Regional markets continue attracting both conservative as well as more opportunistic players, who are looking for assets with value-add angle.

3. PLETHORA OF INVESTOR NATIONALITIES
When analyzing the source of money allocated in Poland, it is difficult to determine the dominant player. In Q1 2017 the capital flew in from Australia, USA, UK, Czech Republic, Qatar and Poland. In the next quarters, we also expect investors from Germany, South Africa and Thailand to be active.

4. REITS ARE GETTING REAL
The government is working on new REIT legislation, allowing for direct investment of Poles, which is planned to be adopted in 2017 and implemented in 2018.

With the successful IPO of Griffin Premium REIT on the Warsaw Stock Exchange, the chances to activate Polish capital to invest in real estate market have significantly increased. The total value of this IPO amounted approx. €118 million. Shareholders include institutional and retail investors in Poland as well as international institutional investors such as EBRD.

In total, the value of cash and short-term deposits of Poles is 556bn PLN. Some of it may be invested in REITs.
Top 5 Trends for 2016

- The Polish economy maintains the momentum, recording solid pace of GDP growth in 2016 at 2.8% and expected to reach 3.5-3.7% by the year-end and strengthening of labour market which spurs consumption. These fundamentals are one of the key reasons why investors continue eyeing investment opportunities across all asset classes and maturity as well as locations.
- Due to solid competition, pressure on prime yields continues, however Poland is still 1.50-2.00 p.p. discounted compared with Western countries. BNP Paribas RE has also recorded a widening yield gap between top and secondary assets.
- There is an increasing number of asset management companies conducting acquisitions on behalf of Asian capital.
- Due to lack of prime assets available for purchase in industrial & logistics sector, forward funding transactions shall become more frequent.
- Valuation of industrial & logistics assets is becoming more sophisticated, especially in case of schemes occupied by e-commerce. There are different approaches regarding calculation of NOI from mezzanine and capex.

Top 5 Transactions in Poland, Q1 2017

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Sector</th>
<th>Location</th>
<th>Vendor</th>
<th>Investor</th>
<th>Size</th>
<th>Est. lot size (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ogrody Shopping Centre</td>
<td>Retail</td>
<td>Elblag</td>
<td>CBRE Global Investors</td>
<td>CPI Property Group</td>
<td>41,500 sqm</td>
<td>91</td>
</tr>
<tr>
<td>Sheraton Kraków</td>
<td>Hotel</td>
<td>Kraków</td>
<td>Algonquin</td>
<td>Invesco</td>
<td>232 rooms</td>
<td>70</td>
</tr>
<tr>
<td>Radisson Blu Hotel Warsaw</td>
<td>Hotel</td>
<td>Warsaw</td>
<td>LHI</td>
<td>Europa Capital / Rezidor Hotel Group</td>
<td>311 rooms</td>
<td>60</td>
</tr>
<tr>
<td>Westin</td>
<td>Hotel</td>
<td>Warsaw</td>
<td>Skanska</td>
<td>Al. Sraiya Hotels &amp; Hospitality Group</td>
<td>361 rooms</td>
<td>56</td>
</tr>
<tr>
<td>Prosta Office Center &amp; Trinity Park II</td>
<td>Office</td>
<td>Warsaw</td>
<td>CBRE Global Investors</td>
<td>Cromwell / Goldman Sachs</td>
<td>46,970 sqm</td>
<td>78</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

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6 BUSINESS LINES in Europe

A 360° vision

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MOROCCO
NORTHERN IRELAND
NORWAY
RUSSIA

* Coverage via our alliance in Morocco
** Covering Transaction, Valuation & Consulting

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