At a glance Q2 2018

INVESTMENT MARKET IN POLAND

In the first half of 2018 total investment volume in Poland reached €3.3 billion, with approx. 63% of this amount traded in Q1. Although the Q2 result of €1.2 billion was slightly disappointing, in light of the impressive capital transacted between January and March this year, activity of investors on the Polish real estate market remains very high. Unceasing investor appetite for products in Poland leads us to believe that 2018 will end up with nearly €6 billion traded.

INVESTORS STAY THE COURSE, RECORD VOLUME EXPECTED

Almost €7 billion dealt over the course of the last twelve months (H2 2017 – H1 2018) confirms strong investor interest in the Polish real estate sector as a viable alternative to other financial markets of lower returns. H1 2018 investment volume more than doubled the result concluded over H1 2017. Given the number of deals closed already in July 2018 (the mid-summer month being usually silent due to the holiday season) and transactions in progress, the volume expected to be closed by the year-end would outpace last year’s record.

Continuing the trend from the recent years, investors have been interested in a wide spectrum of assets from various sizes, quality and locations. Potential buyers have been searching for prime single assets, portfolios as well as secondary and tertiary assets in major, secondary and even small local markets. The pool of RSA, US, UK and German investors established on the Polish market has now been joined by Asian funds.

LOGISTICS PRODUCT ON THE RISE

Strong investor appetite for logistics products has continued from the last year: In H1 2018 nearly €400 million came from the logistics segment, traded both on single assets (e.g. Panattoni, Formad, Segro, Hillwood, Real Management) as well as part of a wider pan-European transaction (sale of Prologis’ warehouse properties to Ares Management). The most impressive transaction in Q2 was the sale of one of Europe’s largest fully robotized Amazon fulfillment centres in Szczecin (161,500 sq m) which BNP Paribas REIM acquired on behalf of Vestas Investment Management for over € 110 million.

For the last two years, strongly boosted by the buoyant Polish economy, e-commerce growth and globalization of trading and manufacturing, the industrial sector in Poland has been booming thereby investor appetite for products in this segment is expected to remain very strong.

RETAIL DRIVES THE OUTCOME

In H1 the retail investment sector clearly dominated, accumulating nearly 60% of the volume (approx. €1.9 billion). This result was boosted by a record volume transaction of €1 billion from the Chariot portfolio of 28 retail assets (M1 shopping centres in major agglomerations and stand-alone hypermarket and DIY retail warehouses located in primary and secondary and even small local markets) closed at the beginning of 2018. A part of this portfolio was then resold to EPP, and two further tranches will be traded by the end of 2020. Other major retail deals comprise of the purchase of Galeria Katowicka by Employees Provident Fund of Malaysia for €300 million, a portfolio of three established hypermarket based shopping malls in Kraków, Łódź and Toruń by Newbridge for €110 million, and an Aura shopping and leisure mall in Olsztyn acquired by NEPI Rockcastle for nearly €65 million.

Small retail schemes such as retail parks or supermarkets drew buyers interest as well.

YIELDS

Prime yields for best-in-class dominant shopping centres in major markets currently stand at ca. 5.00%, slightly compressed by 25bps over the last four quarters. Prime office yields oscillated around 5.15% - 5.25% in Q2, and are predicted to compress softly by ca. 50-60bps over the forthcoming quarters in the case of truly prime assets. In the industrial sector prime and best performing assets, with long-term leases, are traded around 5.5%, while for multi-tenant schemes yields oscillate between 6.25%- 6.90%.

In the first half of 2018 total investment volume in Poland reached €3.3 billion, with approx. 63% of this amount traded in Q1. Although the Q2 result of €1.2 billion was slightly disappointing, in light of the impressive capital transacted between January and March this year, activity of investors on the Polish real estate market remains very high. Unceasing investor appetite for products in Poland leads us to believe that 2018 will end up with nearly €6 billion traded.
**Macroeconomic Snapshot**

**Annual GDP growth (%)**

- 2004: 3.5%
- 2005: 4.5%
- 2006: 5.0%
- 2007: 5.5%
- 2008: 4.5%
- 2009: 1.5%
- 2010: 1.5%
- 2011: 1.5%
- 2012: 1.5%
- 2013: 1.5%
- 2014: 1.5%
- 2015: 1.5%
- 2016: 1.5%
- 2017: 1.5%
- 2018: 1.5%
- 2019: 1.5%

Source: GUS, NBP, f - forecast

**Annual CPI (%)**

- 2004: 3.0%
- 2005: 3.5%
- 2006: 3.0%
- 2007: 3.5%
- 2008: 3.5%
- 2009: 3.0%
- 2010: 3.0%
- 2011: 3.0%
- 2012: 3.0%
- 2013: 3.0%
- 2014: 3.0%
- 2015: 3.0%
- 2016: 3.0%
- 2017: 3.0%
- 2018: 3.0%
- 2019: 3.0%

Source: GUS, NBP, f - forecast

**Unemployment rate (%)**

- 2004: 10.5%
- 2005: 10.0%
- 2006: 9.5%
- 2007: 9.0%
- 2008: 8.5%
- 2009: 8.0%
- 2010: 7.5%
- 2011: 7.0%
- 2012: 6.5%
- 2013: 6.0%
- 2014: 5.5%
- 2015: 5.0%
- 2016: 4.5%
- 2017: 4.0%
- 2018: 3.5%
- 2019: 3.0%

Source: GUS, NBP, f - forecast

**Investment Snapshot**

**Annual prime yields per sector (%)**

- Office: 5.0%
- Retail: 6.0%
- Warehouse: 7.0%

Source: BNP Paribas Real Estate, f - forecast

**Annual sector split of investment volumes (%)**

- Office: 20%
- Retail: 30%
- Warehouse: 20%
- Other: 30%

Source: BNP Paribas Real Estate

**Annual volume of investment transactions (€ m)**

- 2004: €0
- 2005: €1,000
- 2006: €2,000
- 2007: €3,000
- 2008: €4,000
- 2009: €5,000
- 2010: €6,000
- 2011: €7,000
- 2012: €8,000
- 2013: €9,000
- 2014: €10,000
- 2015: €11,000
- 2016: €12,000
- 2017: €13,000
- 2018: €14,000
- 2019: €15,000

Source: BNP Paribas Real Estate
## Selected major transactions in Poland, H1 2018

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Sector</th>
<th>Location</th>
<th>Vendor</th>
<th>Investor</th>
<th>Size (m²)</th>
<th>Est. lot size (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chariot Portfolio</td>
<td>Retail</td>
<td>Multi-city</td>
<td>Ares / Apollo Rida / Axa</td>
<td>Chariot Top Group</td>
<td>700,000 sq m</td>
<td>1 000</td>
</tr>
<tr>
<td>TriGranit (shares)</td>
<td>Office</td>
<td>Multi-city</td>
<td>TPG</td>
<td>Revetas / Goldman Sachs</td>
<td>130,354 sq m</td>
<td>326,97</td>
</tr>
<tr>
<td>Portfolio M1 schemes (four locations)</td>
<td>Retail</td>
<td>Multi-city</td>
<td>Chariot Top Group</td>
<td>EPP</td>
<td>194,500 sq m</td>
<td>358,7</td>
</tr>
<tr>
<td>Galeria Katowicka</td>
<td>Retail</td>
<td>Katowice</td>
<td>Meyer Bergman</td>
<td>Employees Provident Fund of Malaysia (EPF)</td>
<td>48,000 sq m</td>
<td>300</td>
</tr>
<tr>
<td>Warsaw Spire A - 50% shares</td>
<td>Office</td>
<td>Warszawa</td>
<td>Ghelamco</td>
<td>Madison International Realty</td>
<td>31,500 sq m</td>
<td>175</td>
</tr>
<tr>
<td>Quattro Business Park</td>
<td>Office</td>
<td>Kraków</td>
<td>Starwood Capital Group</td>
<td>Globalworth</td>
<td>60,200 sq m</td>
<td>139,7</td>
</tr>
<tr>
<td>Portfolio - Czyżyny, Goliwier, Bielawy shopping centres</td>
<td>Retail</td>
<td>Kraków, Łódź, Toruń</td>
<td>Aerium</td>
<td>Newbridge</td>
<td>72,000 sq m</td>
<td>110</td>
</tr>
<tr>
<td>Amazon Szczecin</td>
<td>Industrial</td>
<td>Szczecin</td>
<td>BNP REIM / Vestas</td>
<td>Invesco</td>
<td>161,500 sq m</td>
<td>conf</td>
</tr>
<tr>
<td>Aura Centrum Olsztyń</td>
<td>Retail</td>
<td>Olsztyn</td>
<td>Rockspring Property Investment Managers</td>
<td>NEPI Rockcastle</td>
<td>24,200 sq m</td>
<td>64,9</td>
</tr>
<tr>
<td>Warta Tower</td>
<td>Office</td>
<td>Warszawa</td>
<td>KREH2 Sp. Z o.o. / Chmielna S.á r.l.</td>
<td>Globalworth</td>
<td>28,000 sq m</td>
<td>55</td>
</tr>
<tr>
<td>Pegaz</td>
<td>Office</td>
<td>Wrocław</td>
<td>UBM</td>
<td>Warburg - HIH</td>
<td>21,000 sq m</td>
<td>54</td>
</tr>
<tr>
<td>Prologis Portfolio (part of Pan-Euro transaction)</td>
<td>Industrial</td>
<td>Sochaczew</td>
<td>Prologis</td>
<td>Ares Management</td>
<td>101,000 sq m</td>
<td>46</td>
</tr>
<tr>
<td>Atrium Centrum</td>
<td>Office</td>
<td>Warszawa</td>
<td>Peaksdie Capital Advisors</td>
<td>CPI Property Group</td>
<td>17,600 sq m</td>
<td>43</td>
</tr>
<tr>
<td>Holiday Inn Twarda</td>
<td>Other</td>
<td>Warszawa</td>
<td>UBM</td>
<td>Union Investment</td>
<td>256 rooms</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

## AUTHOR

Patrycja Dzikowska Head of Research & Consultancy, CEE, patrycja.dzikowska@realestate.bnpparibas

## CONTACTS

Marcin Klammer Chief Executive Officer, Central & Eastern Europe, marcin.klammer@bnpparibas.com

Dr. Piotr Goździewicz MRICS Director, Capital Markets, Central & Eastern Europe, piotr.gozdziewicz@realestate.bnpparibas

Mateusz Skubiszewski MRICS Director, Capital Markets, Central & Eastern Europe, mateusz.skubiszewski@realestate.bnpparibas

BNP Paribas Real Estate Poland Sp. z o.o.

al. Jana Pawła II 25, 00-854 Warsaw

Tel. +48 22 653 44 00

All rights reserved. At a Glance is protected in its entirety by copyright. No part of this publication may be reproduced, translated, transmitted, or stored in a retrieval system in any form or by any means, without the prior permission in writing of BNP Paribas Real Estate.
6 BUSINESS LINES in Europe
A 360° vision

Main locations*
EUROPE
FRANCE
Headquarters
167, Quai de la Bataille de Stalingrad
92867 Issy-les-Moulineaux
Tel.: +33 1 55 65 20 04
BELGIUM
Avenue Louise 215
1050 Brussels
Tel.: +32 2 290 59 59
CZECH REPUBLIC
Ovocný trh 8
110 00 Prague 1
Tel.: +420 224 835 000
GERMANY
Goetheplatz 4
60311 Frankfurt
Tel.: +49 69 298 99 0
HUNGARY
117-119 Vaci ut.
A Building
1123 Budapest,
Tel.: +36 1 487 5501
IRELAND
20 Merrion Road,
Ballsbridge, Dublin 4
Tel.: +353 1 66 11 233
ITALY
Piazza Lina Bo Bardi, 3
20124 Milano
Tel.: +39 02 58 33 141
LUXEMBOURG
Avenida Kennedy 44
1855 Luxembourg
Tel.: +352 22 97 57 0
NETHERLANDS
Antonie Salomonstraat 54
1083 HP Amsterdam
Tel.: +31 20 305 97 20
POLAND
Al. Jana Pawła II 25
Atrium Tower
00-854 Warsaw
Tel.: +48 22 653 44 00
ROMANIA
Bulevardul Aron Manuc
Street n°40-44
Bucharest 011605
Tel.: +40 21 312 7000
SPAIN
E/ El Milagro Vargas, 4
28043 Madrid
Tel.: +34 91 454 96 00
UNITED KINGDOM
5 Aldermanbury Square
London EC2V 7BP
Tel.: +44 20 7338 4000
MIDDLE EAST / ASIA
DUBAI
Emaar Square,
Building n°6, 7th Floor
P.O. Box 7233, Dubai
Tel.: +971 4 248 277
HONG KONG
1/F, 106 Finance Centre,
8 Finance Street, Central,
Hong Kong
Tel.: +852 3059 8888

Alliances*
ALGERIA
NORTHERN IRELAND
AUSTRIA
NORWAY
CYPRUS
PORTUGAL
DENMARK
SERBIA
ESTONIA
SWEDEN
FINLAND
SWITZERLAND
GREECE
TUNISIA
HUNGARY **
USA
IVORY COAST
JERSEY
LATVIA
LITHUANIA
MOROCCO

* June 2018
** Coverage In Transaction, Valuation & Consulting

www.realestate.bnpparibas.com