At a glance Q4 2018

INVESTMENT MARKET IN POLAND

The Polish real estate investment sector had record year in 2018. Sustainable economic performance, wide availability of product coupled with high investor demand resulted in the unprecedented level of nearly €7.3 billion traded over 100 deals. The final result surpassed the previous year outcome by 41% and was the best ever total recorded in Poland.

OFFICE SECTOR OUTPACED RETAIL

Offices were the top performing sector in 2018, with €2.75 billion invested across 45 buildings and accounting for 38% of total turnover. Warsaw raised nearly 63% of the office investment volume. Regional office markets, however, have gained investor appetite as they offer more attractive yields and wider selection of available product. Purchasers were interested in a wide spectrum of assets, from top class properties to secondary class older buildings with substantial upgrading potential. Major transactions in Warsaw included, i.e. Warsaw Spire A (50% of shares), Warsaw Spire C, Gdańsk Business Centre C&D, Generation X, Cedet (an office complex with a retail high street component), Małachowski Square, Skylight & Lumen. The volume of ca. €1 billion traded on regional markets was similar to 2017 result, and comprised of e.g. purchase of High5ive and two buildings within Quattro Business Park in Kraków, Green2Day, West Link and Sagittarius Business House in Wrocław, Silesia Business Park C&D in Katowice, and Nowa Fabryczna in Łódź.

2018 saw also the acquisition of shares of large property companies – Revetas / Goldman Sachs purchased shares in TriGranit from TPG, while Starwood Capital Group bought from Immofinanz shares in CA Immo. Retail, attracting 34% of the overall investment value in 2018, has lost its customary leading position. A vast portion of the total retail volume of €2.5 billion was created by one portfolio deal – 28 retail assets (M1 shopping centres and stand-alone hypermarket and DIY retail warehouses) sold by Apollo Rida / Axa / Ares to a consortium formed by Redefine, Pimco and OakTree for €1 billion. A part of this portfolio was then resold to EPP. Major transaction on single asset was the purchase of Galeria Katowicka by Employees Provident Fund of Malaysia for €300 million. A considerable number of deals on small, convenience retail schemes was closed as well.

TARGETING LOGISTICS PRODUCT

For the last three years, strongly boosted by the buoyant Polish economy, e-commerce growth and globalization of trading and manufacturing, the industrial and logistics sector in Poland has boomed and thereby investor appetite for products in this segment remained very strong in 2018. A volume of €1.9 billion was traded representing a new record in this sector, and an increase by over 63% on the previous year. The overall volume was strongly fueled by portfolio transactions. Two largest deals include the purchase by Mapletree, a new Asian investor on the Polish market, two portfolios from Hillwood and Prologis for a total of ca. €580 million and Blackstone acquisition of sets of selected Goodman and Hines properties for a total of ca. €325 million. Demand for single assets, however, remains high, e.g. Amazon fulfillment centre in Szczecin was bought by BNP Paribas REIM / Vestas.

YIELDS

Prime yields across all sectors and asset classes were under pressure over 2018. Yields for best-in-class dominant shopping centres have compressed substantially and today vary from 4.25% in Warsaw to ca. 5.00% in other major markets. In the office sector yields for truly prime assets span from around 4.75% in Warsaw (a noticeable decrease by ca. 40 – 50bps from 2017), while in major regional markets oscillate between 6% and 7%. In the industrial sector prime assets are traded around 6.00% – 6.25%. There are, however, exceptional single-tenant assets, with long-term lease contracts secured, such as e-commerce distribution centres, for which prime yields oscillate around 5.20% – 5.30%.

CAPITAL FLOWS FROM THE ENTIRE WORLD

Traditionally, Polish property market succeeded in attracting capital from the US, the UK and Germany. US funds were mainly focused on industrial and logistics assets investing. German and UK capital was seen in the transactions of all main assets classes. For the last three years we have observed steadily intensifying interest from Asian investors, i.e. from Malaysia, China, Singapore and South Korea.
### Selected major transactions in Poland, 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</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</td>
<td>327.0</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</td>
<td>359.0</td>
</tr>
<tr>
<td>Industrial portfolio</td>
<td>Industrial</td>
<td>Multi-city</td>
<td>Hillwood</td>
<td>Mapletree</td>
<td>614,000</td>
<td>321.0</td>
</tr>
<tr>
<td>Wars Sawa Junior</td>
<td>Retail / Office</td>
<td>Warsaw</td>
<td>CBRE GI</td>
<td>Atrium European Real Estate</td>
<td>37,000</td>
<td>301.5</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</td>
<td>300.0</td>
</tr>
<tr>
<td>Industrial portfolio</td>
<td>Industrial</td>
<td>Multi-city</td>
<td>Prologis</td>
<td>Mapletree</td>
<td>514,000</td>
<td>260.0</td>
</tr>
<tr>
<td>Gdański Business Centre C&amp;B</td>
<td>Office</td>
<td>Warsaw</td>
<td>HB Reavis</td>
<td>Savills IM</td>
<td>52,500</td>
<td>200.0</td>
</tr>
<tr>
<td>Industrial portfolio</td>
<td>Industrial</td>
<td>Multi-city</td>
<td>Panattoni</td>
<td>ELL</td>
<td>313,000</td>
<td>196.0</td>
</tr>
<tr>
<td>Skylight &amp; Lumen</td>
<td>Office</td>
<td>Warsaw</td>
<td>Rodamce CE</td>
<td>Globalworth</td>
<td>45,500</td>
<td>190.0</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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