OVER FIVE YEARS AIR TRAFFIC IN POLAND GREW BY 69%

In 2018 Polish 14 international airports recorded increases of activity and altogether handled almost 48m passengers. The largest airport in Central Europe – Warsaw Chopin Airport served over 17.8m people what translates into 13% growth y-o-y.

WHERE YOU CAN FIND ONE OF THE LARGEST WAREHOUSES IN EUROPE?

Improving road infrastructure, good land availability and competitive labour costs have fuelled the boom in the logistics market in Poland. Only in two years the total warehouse stock grew by 40% and reached 15.7 m². Today the e-commerce giant, Amazon, operates in Poland five modern, international fulfilment centres, with further locations in the pipeline.

THE TALLEST BUILDING IN EUROPEAN UNION IS BUILT IN WARSAW

The Varso Place complex, which is under construction in the Warsaw’s Central Business District, will be composed of three office buildings, the highest of which is going to reach 310 meters. The top floors will offer restaurant and publicly available panoramic terrace.

THE RECORD VOLUME OF NEARLY €7.3BN WAS TRANSACTED IN 2018

Real estate total transaction volume reached nearly €7.3bn in 2018, surpassing the record of the previous year by 43%. For the last three years it has been observed steady intensifying interest from Asian investors, such as from Malaysia, China, Singapore and South Korea.

POLAND IS ONE OF THE TOP PERFORMERS IN TERMS OF WELL-BEING GROWTH.

According to BCG’s Sustainable Economic Development Assessment (SEDA) Poland is one of the top performing country in terms of well-being growth. Improvements of categories such as Income, Employment, Infrastructure allow to move upwards in the well-being ranking over the last decade. Poland, starting at a much lower level, has surpassed Greece and almost caught up with Italy.
POLAND

BY NUMBERS

INVESTMENT MARKET

€7.3bn

NO. 1 CAPITAL DESTINATION IN CEE

In terms of volumes invested in real estate in Central Europe

EU FUNDS

(2014-2020 BUDGET)

€75bn net

The largest beneficiary of EU funding

PROPERTY MARKET

10.4m m² OFFICE

14.6m m² RETAIL

15.7m m² WAREHOUSE

INFLUENT OF FDI

$12bn

Average of $12bn over the last four years

GDP GROWTH

3.6% 2016

4.9% 2017

5.1% 2018

TOP BPO/SSC/R&D LOCATION

1,236 centres employing 275,000 people

NUMBER OF CITIES ABOVE 400,000 INHABITANTS

8

Warsaw, Kraków, Tri-City, Łódź, Wrocław, Poznań, Szczecin, Katowice*

7

Cities with population 200-400k inhabitants

16

Cities with population 100-200k inhabitants

*conurbation


POLAND WILL CONTINUE TO BE ON THE RIGHT TRACK

Over the last five years the Polish economy grew exponentially by 22% and has enhanced its positive perception among investors.

Although we will most probably see a lower GDP growth in 2019 relative to 2018, there is pocket of positives, such as steady growth of employment and wages, inflow of new FDIs, stable industrial production and retail sales growing at a fast pace, which allow us to believe that prospects are very promising.

The Polish real estate sector enters 2019 with very strong fundamentals. In 2018 investors deployed an all – time record volume of nearly €7.3 billion. In particular, a 60% surge in logistics investments proved that investors have realized the untapped potential of the Polish market and their appetite for products is expected to remain high. Importantly, it is not only Warsaw that attracts global investors, but there is a wide pool of other regional markets across Poland, which offer a wide scope of investment opportunities.

Due to highly skilled and educated employees proficient in numerous languages, Poland has become the BPO/SSC hub in Europe, for banking, financial and ITC sectors in particular. With a steady growth in the number of BPO / SSC locations, Poland has been steadily fortifying its leading position in the region.

For a couple of years the buoyant Polish economy, e-commerce growth and globalization of trading and manufacturing has been boosting development of the industrial and logistics segment. In addition, due to a steady improvement of the road infrastructure, new logistics clusters have emerged, i.e. the western belt of Poland, along the Polish-German border, which captures interest of numerous e-commerce operators in particular.

Even the retail segment, albeit the ban on Sunday trading has generated the uncertainty in this industry, performs well due to the huge general growth of purchasing power and household spending.

The country with its strategic location connects the West with the East and provides a wide spectrum of opportunities for businesses from diversified segments – from industrial and logistics to PropTech solutions and innovations.

Poland is the place to invest.
TOP 6 REASONS TO INVEST IN POLAND

1. THE LARGEST ECONOMY IN CEE
Poland holds the leading position in the CEE region in terms of GDP. The size of national economy has doubled since Poland accessed EU in 2004. Over the last decade, GDP per capita expressed in Purchasing Power Standards climbed from 50% of EU average to 70% in 2017.*

2. STRONG DOMESTIC MARKET
Sizeable population coupled with falling unemployment and rising purchasing power which is strongly fuelled by climbing wages and growth of social benefits has propelled domestic demand. Purchasing Power in Poland has grown by 23%, compared to 2013.

3. POLYCENTRIC STRUCTURE AND WELL DEVELOPED TRANSPORT INFRASTRUCTURE
While Warsaw still remains the key business centre of the country, Poland has many strong regional clusters. Other major metropolises such as Kraków, Wrocław, Tri-City, Katowice, Poznań, Łódź, and even smaller regional cities such as Bydgoszcz, Toruń, Rzeszów and Bielsko-Biała among others, have developed business friendly environments and have attracted many foreign investors. Improved road infrastructure gives easy connections to Western and Eastern markets.

4. SKILLED LABOUR POOL AT COMPETITIVE COST
The proportion of people with higher education level reached 27% in 2018. Backed by almost 400 universities, Poland offers a large pool of skilled, talented and foreign speaking professionals for all business sectors.

5. ESTABLISHED PROPERTY MARKET
Although the modern property market in Poland started to develop just 25 years ago, today it embraces a wide selection of modern assets in all sectors. A variety of projects in all categories offers plenty of opportunities for both occupiers and investors. Underpinned by solid occupier demand which translates into healthy vacancy levels, the market develops at a stable rate.

6. TOP BPO/SSC/IT/R&D LOCATION IN EUROPE
Over the course of the last six years the number of service centres in Poland increased more than 3 times, and at the beginning of 2018 reached 1,236, of which 748 were of foreign origin. At the same time, the number of jobs in the business services sector tripled and achieved 278,000 employees. ABSL forecasts that total employment in the outsourcing sector in 2020 will exceed 340,000 jobs.

*Eurostat
POLAND OVERVIEW

OVER THE PAST TWO DECADES WARSAW HAS EVOLVED RAPIDLY INTO A BUSTLING ECONOMIC CENTRE OF CENTRAL EUROPE REGION.

Numerous banks and financial services, international business and management consultancies, insurance companies, media and advertising agencies, research institutes, law firms and retail companies, among others, have been attracted by the growing economic strength, friendly business environment and thriving property market of the city, strongly fuelling further economic development of Warsaw.

Improvements in the transport infrastructure, those already carried out and those still ongoing, such as extension of ring roads and motorways, the second metro line and construction of a new bridge to the south of the city, all trigger transformation of the capital and the entire region and create new business locations. Passenger air transport, served by two airports, has been recording two-digit growths for a couple of years.

The property market in Warsaw is the most established one across the CEE capitals in all sectors. It offers the largest stock of modern office, retail and warehouse/logistics space and provides a solid occupier base for all property types. Last year Warsaw’s office stock exceeded 5.4 million sq m, with further 740,000 sq m in the construction phase and planned delivery spread evenly over the next 36 months. Best ever take-up volume recorded in 2018 coupled with diluted new supply have caused a steep drop in the vacancy rate in the office sector, which now stands at 5.5 pp less than at its peak two years ago.

Given the large consumer market, an unemployment rate at well below 2% and annual purchasing power of €13,535 per capita**, the modern retail sector in the Warsaw agglomeration flourishes. It offers a variety of retail formats with a wide representation of international and national retail

WARSAW

KEY FACTS

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<tr>
<th>OFFICE</th>
<th>RETAIL</th>
<th>LOGISTICS</th>
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<tr>
<td>Total modern stock (sq m)</td>
<td>5,461,700</td>
<td>1,986,400</td>
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<tr>
<td>Prime headline rents city centre (€/sq m/mth)</td>
<td>22.5</td>
<td>110–130</td>
</tr>
<tr>
<td>Prime yield</td>
<td>4.75%</td>
<td>4.25%</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate, as of Dec. 2018

Galeria Młociny by Echo Investment and EPP, a large shopping & leisure complex, will open in Warsaw in Q2 2019.

WARSAW

1,770,000
Population (2,597,000*)

1.5%
Unemployment rate

230,300
Students

€1,454
(6,196 PLN)
Average gross salary

*Agglomeration, 1. GUS, as of June 2018; 2. GUS, as of Dec. 2018; 3. GUS, 2017, 4. GUS; as of Nov. 2018

**GFK 2018
KRAKÓW

KRAKÓW BENEFITS FROM A PERFECT BLEND OF HISTORICAL HERITAGE AND ATTRACTIONNESS FOR INTERNATIONAL INVESTORS. Strong academic base, convenient road and air connections to Western Europe and a booming office market have all contributed to turning the city into one of the leading destinations for business services in the whole of Europe (ranked 2nd) and the 8th best location globally**, specifically for modern technology companies. The number of BPO, SSC, IT and R&D centres is increasing at a rapid pace, to 195 locations in 2018 (according to a report by ABSL***).

The office sector in Kraków, propelled by strong tenant demand, exceeded the threshold of 1 million sq m, and ranks as the second largest market in Poland, after Warsaw.

Another advantage of the city and its region, contributing to its investment attractiveness, is the presence of the Kraków Special Economic Zone which includes companies such as Brembo, Valeo, Motorola, Assa Abloy, Shell and Man among others.

In 2018 Kraków Balice International Airport, the second most important airport in Poland, hit another record serving 6.7 million passengers, 16% more than in 2017.

Offices and entertainment operators. In 2019 the market will grow even further with the delivery of a large shopping & leisure facility in the northern area of the city (Galeria Młociny).

Warsaw and its wider region, mostly in the south-west of the city, is also the key and largest location of warehouse and logistics space, reaching nearly 4 million sq m. Construction of new fast roads to the east of the city is expected to create new locations for the warehouse and logistics sector which in the future may become a bridgehead towards Eastern Europe.

Forest by HB Reavis, an office campus with 78,000 sq m of leasable space including open ground floors, a public square and green areas the size of two football pitches at the intersection of the districts of Wola, Śródmieście and Żoliborz.
## WROCŁAW

**WROCŁAW WITH ITS PICTURESQUE HISTORICAL BUILDINGS**, new architectural structures, modern office and retail properties, and natural beauty of its surroundings is one of the key regional business and tourist destinations in Central Europe.

The city’s economic development is fuelled by the convenient transport links to Western Europe, proximity to the Czech Republic and Germany, as well as its well-educated population. For longer than a decade, the stable local authorities have been investing in the development of the city’s infrastructure and enhancing the quality of its public space, as well as strongly cooperating with businesses, thus attracting numerous investors. The office sector in the city is to a great extent propelled by high interest from operators of BPO, SSC, IT and R&D centres and in mid-2018 exceeded the threshold of 1 million sq m, thus becoming the third largest market in the country.

Wrocław along with its wider region are an important manufacturing centre, academic hub and key business services destination, most notably for finance and information technology companies such as Capgemini, Hewlett Packard, Google, McKinsey, IBM, Volvo and Nokia Network.

### KEY FACTS

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<th>OFFICE</th>
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<tr>
<td>Total modern stock (sq m)</td>
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<td>882,100</td>
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<td>Prime headline rents city centre (€/sq m/mth)</td>
<td>15.0</td>
<td>50–60</td>
</tr>
<tr>
<td>Prime yield</td>
<td>6.00%</td>
<td>5.00%</td>
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Source: BNP Paribas Real Estate, as of Dec. 2018

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## TRI-CITY

**THE CITIES OF GDAŃSK, GDYNIA AND SOPOT FORM A CONURBATION KNOWN AS THE TRI-CITY.** With a population of nearly 750,000 it is the largest market in the northern Poland. The local economy, still strongly based on industries such as shipbuilding, petrochemical industries as well as food processing, has been gradually transforming into a market with a higher share of know-how based sectors such as electronics, telecommunication, IT engineering and financial services.

The region, often called the Polish Silicon Valley, enjoys strong presence of BPO/SSC and IT foreign companies including: Thomson Reuters, GE, Nordea, Sii, Sony, PwC, Intel, Bayer, ThyssenKrupp, QLOC, Amazon Development Center, Intitek, Entel Networks, DGC One, Ciklum and Luthansa Systems.

Deepwater Container Terminal (DCT) in Gdańsk is the largest container hub in the Baltic Sea, and the only facility of this type in the region having direct ocean connectivity with Asia. In May 2011 DCT started handling the world’s largest container ships such as Maersk Line’s E-type class vessels, thus becoming the only such terminal located east of the Danish Straits. DCT is very well connected to the rail and road network, thus making Tri-City an important intermodal transportation hub.

Furthermore, the tourism sector remains a key driver for the local economy due to the coastal location and its rich history.

### KEY FACTS

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<tr>
<td>Total modern stock (sq m)</td>
<td>775,000</td>
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<td>Prime headline rents city centre (€/sq m/mth)</td>
<td>15</td>
<td>45–55</td>
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<tr>
<td>Prime yield</td>
<td>7.00%</td>
<td>5.25%</td>
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Source: BNP Paribas Real Estate, as of Dec. 2018

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639,000
Population (800,000*)
1.8%
Unemployment rate
114,825
Students
€1,210
(5,156 PLN)
Average gross salary

*Agglomeration, 1. GUS, as of June 2018, 2. GUS, as of Dec. 2018, 3. GUS, 2017, 4. GUS, 2018

802,000
Population (1,043,000*)
2.5%
Unemployment rate
81,338
Students
€1,337
(5,697 PLN)
Average gross salary

*Agglomeration, 1. GUS, as of June 2018, 2. GUS, as of Dec. 2018, 3. GUS, 2017, 4. GUS, 2018
POZNAŃ

POZNAŃ BENEFITS FROM ITS LOCATION CLOSE TO THE GERMAN BORDER AND CONVENIENT TRANSPORT LINKS TO WESTERN EUROPE.

The city along with its wider region are known as an automotive cluster with companies such as Volkswagen, MAN, Solaris, Delphi Automotive Systems, Honda and Bridgestone / Firestone. Moreover, the Poznań International Fair hosts numerous world renowned exhibitions, which subsequently spur the hotel and tourism industry. Numerous companies, such as MAN, GlaxoSmithKline, Roche, Bridgestone and Mars, value the positive business aspects of Poznań and consequently choose the city for location of their BPO/SSC and R&D modern service centres.

In addition to the well-developed retail and office sectors, the warehouse and logistics segment in the region of Poznań has been steadily fortifying its market position, boosted by strong demand from the automotive sector and e-commerce operators.

ŁÓDŹ

ŁÓDŹ IS AN IMPORTANT ACADEMIC CENTRE AND INTENSIVELY DEVELOPING CITY SUPPORTED BY STRONG INDUSTRIAL TRADITIONS. Its strategic geographic location close to the major motorway junction (A2 with A1), only 130 km from Warsaw, coupled with strong efforts of the local authorities aimed at attracting investors, as well as the large supply of well-qualified staff, have strengthened the city's profile as an attractive business location.

Various types of incentives are available for investors, especially for those willing to set up business in the Łódź Special Economic Zone. Due to the influx of foreign investment, the region has become a major destination for household-appliance companies, with headquarters of Whirlpool, BSH and Indesit situated here. Additionally, the city attracts investors from banking and finance and new technology sectors such as Fujitsu Technology Solutions, Cybercom, Veolia, Infosys and ABB, which boosts the image of Łódź as a modern and vibrant municipality.

Strongly supported by the local authorities, the central area of the city is undergoing an urban renewal process aimed at reinventing the heart of Łódź as a contemporary urban cluster called “Nowe Centrum Łodzi” with modern office, residential, commercial and leisure facilities. Large investment projects implemented here included the opening of the new Łódź Fabryczna underground train station and EC1, the Centre for Culture, Art, Education and Science. Furthermore, new office and residential developments are in progress.

KEY FACTS

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<th>POZNAŃ</th>
<th>OFFICE</th>
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<td>Total modern stock (sq m)</td>
<td>479,100</td>
<td>888,300</td>
<td>2,030,200</td>
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<td>Prime headline rents city centre (€/sq m/mth)</td>
<td>15</td>
<td>50–60</td>
<td>2.8–3.5</td>
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<tr>
<td>Prime yield</td>
<td>7.00%</td>
<td>5.50%</td>
<td>6.25%</td>
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Source: BNP Paribas Real Estate, as of Dec. 2018
*Agglomeration, 1. GUS, as of June 2018, 2. GUS, as of Dec. 2018, 3. GUS, 2017, 4. GUS, 2018

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<th>ŁÓDŹ</th>
<th>OFFICE</th>
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<td>Prime headline rents city centre (€/sq m/mth)</td>
<td>14.0</td>
<td>45–55</td>
<td>2.5–3.7</td>
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<tr>
<td>Prime yield</td>
<td>7.00%</td>
<td>5.50%</td>
<td>6.25%</td>
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Source: BNP Paribas Real Estate, as of Dec. 2018
*Agglomeration, 1. GUS, as of June 2018, 2. GUS, as of Dec. 2018, 3. GUS, 2017, 4. GUS, 2018
KATOWICE

KATOWICE IS THE ADMINISTRATIVE, ECONOMIC AND CULTURAL HEART OF THE UPPER SILESIA REGION WHICH IS THE SECOND LARGEST URBAN ZONE IN POLAND, inhabited by nearly 2.2 million residents, thus forming a large consumer market and providing a wide pool of qualified professionals. The area is composed of a number of cities and towns, tightly connected by extensive transport infrastructure and business relations. Due to its location at the junction of main transport routes, i.e. the A4 and A1 motorways, the region is conveniently accessible from most parts of Poland and Western and Southern Europe.

The economy of the region, strongly led by coal mining and heavy industry in the past, has been transforming into a busy destination for companies from the high technology sector (IBM, Rockwell Automation and Yamazaki Mazak) and BPO / SSC service centres (e.g. Capgemini, Ericsson, Accenture, Arvato Bertelsmann and Knauf).

Given the region's strategic location and efficient road network, it is the second largest, after Warsaw I & II, industrial hub in the country, and at the same time one of the major Central European warehouse & logistics clusters. The region has attracted huge Amazon distribution centres and is a highly popular location for operators from the automotive sector.

OFFICE RETAIL LOGISTICS

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<td>Total modern stock (sq m)</td>
<td>519,300</td>
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<td>Prime headline rents city centre (€/sq m/mth)</td>
<td>14.50</td>
<td>50–60</td>
<td>2.7–3.4</td>
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<td>Prime yield</td>
<td>7.50%</td>
<td>5.50%</td>
<td>6.50%</td>
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Source: BNP Paribas Real Estate, as of Dec. 2018

KEY FACTS

Population1 (2.13m*) | 1.6% | 295,000
Unemployment rate2 | 94,251
Students3 | €1,331
Average gross salary4 | (5,672 PLN)

*Agglomeration, 1. GUS, as of June 2018, 2. GUS, as of Dec. 2018, 3. GUS, 2017, 4. GUS, 2018

SZCZECIN

OWNING TO ITS PERFECT LOCATION CLOSE TO THE GERMAN BORDER and good transport links with Western Europe and Scandinavia, Szczecin has gained recognition as a business destination of large potential and has subsequently attracted substantial foreign investment.

Its convenient location and coastal landscape of outstanding natural beauty are strong points which every year attract visitors from Germany and Scandinavia, thus boosting the local economy.

The local authorities support new technology sectors, develop the region's infrastructure and encourage cooperation between the business sector and academic institutions. Technopark Pomerania, a business incubator, has been supporting growth of innovative companies, ICT start-ups and SMEs since 2000.

The city offers a favourable blend of skilled professionals, affordable labour costs and well-developed infrastructure, thus attracting numerous service centres, ICT, R&D and biotechnology companies such as DGS Business Services, Tieto Poland, Arvato Polska, BrightOne, Consileon, Diebold Nixdorf, Coloplast Business Centre, READ-GENE, Avid Technology and Aply.

The R&D centres to be found in the region, including the ICT cluster in Western Pomerania and the “Green Chemistry” cluster, deal with implementation and support of innovative activities.

The warehouse and logistics markets is buoyant as a result of e-commerce growth, and has been becoming a hot location for e-commerce giants, such as Amazon and Zalando, which operate their distribution centres there to serve online customers from European markets.

OFFICE RETAIL LOGISTICS

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<th>OFFICE</th>
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<td>Total modern stock (sq m)</td>
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<td>393,300</td>
<td>618,800</td>
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<td>13.5</td>
<td>40–50</td>
<td>3.0–3.8</td>
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<td>Prime yield</td>
<td>8.00%</td>
<td>6.00%</td>
<td>6.50%</td>
</tr>
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Source: BNP Paribas Real Estate, as of Dec. 2018

KEY FACTS

Population1 (558,000*) | 2.5% | 403,000
Unemployment rate2 | 35,043
Students3 | €1,176
Average gross salary4 | (5,012 PLN)

*Agglomeration, 1. GUS, as of June 2018, 2. GUS, as of Dec. 2018, 3. GUS, 2017, 4. GUS, 2018
The Polish real estate investment sector had a record-breaking year in 2018. Wide availability of product coupled with high investor demand resulted in the unprecedented level of nearly €7.3 billion, the volume surpassing the previous year’s outcome by 40%.

Offices were the top performing sector in 2018, with €2.75 billion invested, which accounted 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 upside potential. Major transactions in Warsaw included Warsaw Spire A (a share of 50% of shares), Warsaw Spire C, Gdanski Business Centre C&D, Generation X, Cedet, Matalkowski Square, Skylight & Lumen. The volume of approx. €1 billion traded on the regional markets was similar to the 2017 result, and comprised of the purchase of e.g. 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.

Retail attracted 34% of the overall investment value in 2018. 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. The largest transaction on a 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 were closed as well.

The industrial and logistics sector in Poland has boomed for the last three years, and thereby investor appetite for products in this segment remained very strong in 2018. A volume of over €1.9 billion was traded representing a new record-breaking result in this sector and an increase by over 60% on 2017. The overall volume was strongly fuelled by portfolio transactions such as two portfolios of over 1.1 million sq m purchased from Hillwood and Prologis by Mapletree for a total of €581 million and industrial assets bought by Blackstone from Goodman and Hines for a total of €325 million.

Traditionally, the Polish property market has succeeded in attracting capital from the US, the UK and Germany. For the last three years, we have observed a steadily intensifying interest from Asian investors, i.e. from Malaysia, China, Singapore and South Korea.

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 approx. 5.00% in other major markets. In the office sector, prime yields span from around 4.75% in Warsaw to 6%–7% in major regional markets. In the industrial sector, outstanding prime and best performing assets with long-term lease contracts with e-commerce operators are traded at around 5.25%, while in the case of prime industrial properties of other type prime yields oscillate around 6.25%–6.50%.
Office Market Overview

In 2018, the office sector in Poland continued to show strong momentum in Warsaw as well as smaller regional markets.

 Tenant demand, spurred by growing employment, extensions of occupied space and relocations to better quality premises, remained unflagging. Overall gross take-up in Poland exceeded 1.5 million sq m, of which net take-up constituted approx. 73%. In Warsaw gross take-up reached 858,000 sq m, up 30% on the 10-year average and was the best ever total recorded in the city. More interestingly, Warsaw ranked among European office markets with highest net take-up results, outpaced only by London, Paris, Munich, Berlin and Frankfurt.

At the end of 2018 the office market in Poland reached nearly 10.4 million sq m, of which 53% is located in Warsaw. The second largest market in the country is Kraków (above 1 million sq m), followed by Wrocław with the 1 million sq m threshold exceeded in 2018. As far as schemes under construction – with delivery scheduled over the next three years – are concerned, there are 740,000 sq m in Warsaw and 930,000 sq m in the eight regional markets, of which 50% will be delivered in the two leading regional markets.

In Warsaw tenant demand is strongly fuelled by professional services, followed by IT products & services, banking & insurance & investment and manufacturing sectors, while in the regional markets it is principally fostered by sustainable development of the BPO/SSC/ICT sectors. According to ABSL, the number of service centres in Poland reached 1,236 in 2018, 15% more than in 2017.

Diluted new supply coupled with buoyant occupier activity have led to a steep drop in the vacancy rate both in Warsaw and the regional markets. At the end of 2018 the vacancy rate in Warsaw dropped to 8.7%, now standing at 3 pp less than in 2017, and to 8.4% on average in the regional locations (from approx. 10% recorded a year ago). In the course of 2018 an uptick in prime rents for best-in-class assets in Warsaw City Centre cluster has been registered, and today they oscillate between €258 and €270/sq m/annum. As a consequence of dropping vacancy rate coupled with limited new supply, the market bounced back to the tenant-landlord equilibrium. Prime headline rents in regional markets vary between €180/sq m/annum in most developed markets (such as Kraków, Wrocław and Tri-City) and €156-168/sq m/annum in smaller regions.

In the course of 2018, due to the improving occupancy rate, the gap between headline and effective rents has continued to close, with a further contribution in the form of a substantial increase of construction and fit-out costs recorded in the last two years.
Retail Market Overview

The retail industry in Poland benefits from solid economic fundamentals.

The significant increase in purchasing power (+23% over the last five years), steadily growing retail sales (+22% over the last three years), unemployment rate at its historically low, raising salaries and the positive attitude of consumers all underpin good performance of the retail sector. Poland provides a wide spectrum of opportunities for all participants of the retail sector. Across the country there is a plethora of locations – from eight key cities to around 60 small towns with 15–20 thousand of residents. The modern retail sector with over 14.6 million sq m of GLA across all formats offers a wide range of opportunities for brands of various selection, profile and positioning. Shopping centres vary from most modern leisure-driven shopping malls in large agglomerations to small strip malls in towns with approx. 15–20 thousand of residents. Outlet centres operate in major big cities as well as in smaller markets with a population of 200–400 thousand of inhabitants. Retail parks account for approx. 8% of the country’s retail space and vary from large Ikea-driven complexes to small neighbourhood destinations in small markets.

The retail sector in Poland has reached a stage of maturity, hence the pace of growth of the market has slowed down considerably. Subdued new supply of 2017–2018 and limited pipeline indicate an inescapable upheaval in traditional retailing.Remodelling and refurbishment of older schemes, usually aimed at inclusion of new retail concepts as well as F&B and leisure facilities, have become one of the major triggers of the market development.

In 2018 more than 30 new brands and retail concepts entered Poland, e.g. Bebe, Kocca, Hunkemoller, Hummel, Fit/One and Orangethory Fitness. Discount chains such as TEDI, Dealz and Action are growing quickly. IKEA opened its new compact store in Warsaw’s Blue City, while Primark will enter the stage in 2019. Prime shopping centres benefit strongly from their leading market position and keep prime rents stable at €110–130 / sq m / month in Warsaw and between €45 and €60 in other major agglomerations. Rental conditions in lower class schemes have been tightening since customers’ shift towards convenience retailing, predominantly in neighbourhood discount stores.

Vacancy rate in shopping centres located on the main markets has been oscillating around a healthy 3–4% in recent years. Although the e-commerce has been steadily growing in value, its negative impact on stationary retailing is eroded by the stellar growth in private consumption in general. Despite the ban on Sunday trading effective from March 2018, the results do not yet reflect major inflictions on performance of shopping centres.
Over the last 3 years a growing popularity of Built-to-Suit (BTS) schemes has been observed in Poland. Investors value building parameters tailored to their specific needs. The best example are the giants operating in the e-commerce sector, e.g. Amazon and Zalando, which locate their modern, international distribution centres in Poland. These schemes are among the largest warehouse buildings both in Europe and globally.

At the end of 2018 further 1.9 million sq m were under construction. The high development activity is particularly noticeable in western and southern parts of Poland along main high speed roads. These locations create favourable conditions for companies interested in operating not only in Poland but also wishing to open distribution centres covering countries from the entire Central Europe Region (Denmark, Germany, the Czech Republic, Austria, Hungary).

In the last months of 2018 an uptick in rental levels was observed, which reflects the limited availability of warehouse space and an increase in construction costs.

**WHY POLAND?**

- Central location
- Competitive labour costs
- High availability of land
- Schengen area
- Developing transport infrastructure
- Convenient road accessibility

**ABILITY TO COVER MARKETS IN WESTERN EUROPE WITH COSTS OF CENTRAL AND EASTERN EUROPE**
POLAND: RAINY CLOUDS OR SUNSHINE?

T he past year brought a pleasant surprise. Poland’s GDP rose in 2018 by approx. 5%, marking the fastest expansion since 2011. Strong growth underpinned the labour market. The unemployment rate fell to an all-time low and wages have been accelerating swiftly. As a result, household spending continued to grow at a healthy pace, and so did consumer and mortgage loans. But, as much as overall GDP and consumption numbers were excellent news, signs of an approaching slowdown have started to emerge. Leading indicators, particularly on industrial confidence, have fallen – some of them quite sharply, as of late. Moreover, the soft patch in business surveys has been foreshadowed by cyclical components of GDP, such as exports and corporate investments, which were relatively weak already for most of 2018. Their weakness could explain why credit growth for Polish non-financial enterprises was rather muted, despite the stellar headline GDP numbers.

In market economies GDP moves in cycles. The repetitive patterns are usually driven by the abovementioned factors, namely exports and corporate investments in particular. Global trade growth has been slowing already since last spring, curtailing new investment plans for businesses worldwide. Moreover, the extremely accommodative monetary stance of the world’s main central banks has been gradually tightened with interest rate hikes in the US and the winding down of the ECB’s QE programme. However, even the very slow and gradual and carefully announced normalisation of monetary policies was sufficient to push up risk premiums across countries and asset classes, making funding investments – and not only on financial markets, but also in real economy sectors, more expensive.

A less supportive external environment, including rising uncertainty as to global growth prospects, was the main reason behind weaker numbers on Polish exports – which now account for more than 50% of the country’s GDP and broadly stagnant corporate investments last year. A challenging external backdrop also sets the outlook for 2019. We are likely to see weaker GDP growth in Poland. How much weaker, however? It is hard to give a precise figure. The difficulty in predicting the pace of economic growth, but perhaps more importantly, the story behind one particular GDP number stems from an unusually large set of plausible risk scenarios. Those may, or may not, materialize, but their outcome would produce alternative scenarios for the global economy, for Europe and for Poland.

TO NAME JUST A FEW OF THOSE SCENARIOS:

- will we see a fully-fledged trade war (the US vs. China, the US vs. the Rest of the World), or not;
- will the UK leave the EU in an orderly way (with a transition deal), or not, or will there be no Brexit at all;
- will social tensions lead to major loosening of fiscal discipline in France, or not;
- will the fiscal stance in France affect policies in other Eurozone countries, including Italy;
- will populist parties emerge as winners of the European Parliament election in May, and could the results of this election undermine the current European consensus...

The main near-term threats to the Polish economy are foreign as opposed to home-made. This has good reasons. During the post-crisis period Poland managed to reduce or even remove several macroeconomic imbalances, such as fiscal and current account deficits, as well as public debt and inflation, which were seen as actual or potential domestic risks few years ago. This makes Poland more resilient to potential shocks from abroad, but still not fully immune to certain contagion from them.

Using extreme risk scenarios as working assumptions makes little sense. Considering, however, some risks materializing, while some fading off, the scale of the slowdown in Poland in 2019 is likely to be moderate. GDP growth should remain within a 3-4% range, presumably with a stronger first and weaker second half of the year. So while we will probably see more rainy clouds in the economy than in 2018, there should still be a lot of sunshine.

The important issue, however, is not the weather but the climate. Cyclical swings are natural phenomena in market economies, but their long-term prospects, which matter more, are shaped by the climate for doing and innovating business. Here the challenges for Poland are, without doubt, bigger. They include the demographic change and an ageing society with obvious negative implications for public finances and the labour market. Businesses in Poland, similarly to their competitors from abroad, have to increasingly invest into new, less labour-intensive production technology to retain their competitive edge. Energy, the prices of which soared last year, is another hot topic. How to meet energy needs of an expanding economy, how to further improve the country’s energy efficiency and, at the same time, make energy production more environment-friendly are all questions which have to be addressed now to sustain Poland’s growth potential in a long-run perspective.

ECONOMIC OVERVIEW AND OUTLOOK

PRZEMEK GDAŃSKI
President of the Management Board
Bank BNP Paribas, Poland

President of the
Management Board
Bank BNP Paribas, Poland
FREEHOLD TITLE
- Full legal and unlimited title to the land and buildings developed on it.
- A sale agreement must be drawn up as a notarial deed. A real estate sale agreement concluded in any other form is null and void.
- Transfer of ownership must be registered in the Land and Mortgage Register, which is maintained by the courts.

LEASEHOLD TITLE
- Allows for short- and long-term use of the land/buildings/premises.
- Form of tenancy agreement or lease agreement exist.

THE SYSTEM OF LAND AND MORTGAGE REGISTERS
means that purchasing real estate in Poland is safe and transparent for buyers. In this way, the potential purchaser is able to thoroughly examine the property before its acquisition and assess whether the transaction involves unnecessary risk.

PERPETUAL USUFRUCT
- The right of perpetual usufruct is an indirect right that falls between ownership and other limited property rights.
- Perpetual usufruct may be established only on lands owned by the State or local government units.
- Unlike ownership, perpetual usufruct allows for the use of real estate within the limits defined by the terms of the agreement or decision issued by the State.
- A perpetual usufructuary does not hold ownership rights to buildings erected on the land. Land is handed over for perpetual usufruct for a period of 99 years; however, it is permissible to conclude an agreement for a shorter period of at least 40 years. The perpetual usufructuary is obliged to pay an annual fee.
- An agreement for perpetual usufruct, similarly to an agreement for the sale of real estate, must be concluded in the form of a notarial deed.
- For real estate intended for housing purposes, as of 1 January 2019, the right of perpetual usufruct has been transformed into the right of ownership.

KEY LEGAL TERMS

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LAND REGISTER:
IN POLAND, ALL INFORMATION CONCERNING THE LEGAL STATUS OF REAL ESTATE can be found in the Land and Mortgage Register, which are publicly available online or in court offices.

EACH PROPERTY
must have its own file in the Land and Mortgage Register.

EACH FILE IN THE LAND AND MORTGAGE REGISTER is divided into four parts concerning different types of information on real estate.
- a. The first part holds geodetic and address data related to the real estate.
- b. The second section, we can check information about property owners and perpetual usufructuaries.
- c. The third section contains data on encumbrances on the real estate, such as easements of land (i.e. who can pass through the plot), as well as pre-emption rights.
- d. The fourth part contains information on any mortgages established on the property. It should be carefully analysed when purchasing real estate.

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## COMPARISON OF LAND AND MORTGAGE REGISTERS

### POLAND

<table>
<thead>
<tr>
<th>NAME</th>
<th>The Polish Land and Mortgage Register (Rejestr Ksiąg Wieczystych) (&quot;LMR&quot;) is a public register that enjoys good faith.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCOPE OF INFORMATION</td>
<td>On the basis of the LMR and a land register/cadastral map (maintained by the local authorities), a buyer can confirm the seller’s ownership of a certain piece of land as well as discover the existence of encumbrances on the land (e.g. mortgages (compulsory or contractual), land charges, pre-emption rights, rights of way, etc.).</td>
</tr>
<tr>
<td>BENEFITS</td>
<td>To benefit from a right registered in the LMR, the buyer has to prove that he acted with due diligence and good faith in the process of the transaction.</td>
</tr>
<tr>
<td>ACCESS TO THE LMR ARCHIVES</td>
<td>Access to the LMR archives is restricted. To do so, the relevant person must first contact the LMR court office in the district in which the property is located and show a power of attorney from the owner or perpetual usufructuary or have a legitimate interest in consulting it.</td>
</tr>
<tr>
<td>ONLINE VERSION</td>
<td>AVAILABLE</td>
</tr>
</tbody>
</table>

### GERMANY

<table>
<thead>
<tr>
<th>NAME</th>
<th>SIMILAR TO THE POLISH LMR SYSTEM</th>
<th>The German land register (Grundbuch) is a public register that enjoys good faith.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCOPE OF INFORMATION</td>
<td>SIMILAR TO THE POLISH LMR SYSTEM</td>
<td>On the basis of the land register and a cadastral map (maintained by the local authorities), a buyer can confirm the seller’s ownership of a certain piece of land as well as find out if there are any encumbrances on the land (e.g. mortgages (compulsory or contractual), land charges, pre-emption rights, rights of way, etc.).</td>
</tr>
<tr>
<td>BENEFITS</td>
<td>SIMILAR TO THE POLISH LMR SYSTEM</td>
<td>Because the land register enjoys good faith, a buyer will become the owner of the property even if it transpires that the seller is not the correct owner, as long as the seller appears to be the owner in the land register, an objection to the correctness has not been entered, and the inaccuracy of the land register is not known to the purchaser.</td>
</tr>
<tr>
<td>ACCESS TO THE LMR ARCHIVES</td>
<td>RESTRICTED ACCESS</td>
<td>The land register may be accessed only by persons who can show a legitimate interest in consulting it (as specified above). To do so, they must first contact the land registry court in the district in which the property is located. Those persons may also apply for excerpts from the land register.</td>
</tr>
<tr>
<td>ONLINE VERSION</td>
<td>AVAILABLE, SUBJECT TO NOTES PROVIDED BELOW</td>
<td>The specific form is sent by mail to the competent land register. However in 2019, notaries will have access to the online version of the LMR.</td>
</tr>
</tbody>
</table>

### FRANCE

<table>
<thead>
<tr>
<th>NAME</th>
<th>SIMILAR TO THE POLISH LMR SYSTEM</th>
<th>The French land register (Fichier Immobilier) is a public register that enjoys good faith.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCOPE OF INFORMATION</td>
<td>SIMILAR TO THE POLISH LMR SYSTEM</td>
<td>On the basis of the land register and the cadastral map, a buyer can confirm the seller’s ownership of the land and check if there are any encumbrances on the land (e.g. mortgages, land charges, pre-emption rights, rights of way, etc.).</td>
</tr>
<tr>
<td>BENEFITS</td>
<td>SIMILAR TO THE POLISH LMR SYSTEM</td>
<td>The LMR not only ensures that the plot of land or right has been transferred to the seller and has not already been transferred to another party, but also, in the event of purchase by two different persons, resolves the conflict by determining which of the two will be able to assert their title against the seller, as a third party.</td>
</tr>
<tr>
<td>ACCESS TO THE LMR ARCHIVES</td>
<td>FREE ACCESS</td>
<td>Access to the LMR is not limited and can be made by any person which completes a specific form.</td>
</tr>
<tr>
<td>ONLINE VERSION</td>
<td>NOT AVAILABLE</td>
<td>The specific form is sent by mail to the competent land register. However in 2019, notaries will have access to the online version of the LMR.</td>
</tr>
</tbody>
</table>
SHARE DEAL

The subject of the transaction is the sale of shares in the share capital of an SPV, as opposed to its assets, which remain part of the SPV. The SPV remains the party to all previously executed agreements, including lease agreements, and therefore a separate assignment of such agreements is not necessary. In fact, there is no need for an investor to obtain new concessions, licences or administrative permits.

In general, the buyer becomes the shareholder of an SPV from the moment the final sale agreement is concluded; however, the parties may specify a different moment for the transfer of shares.

The share purchase agreement should be executed in writing with signatures notarised by a notary public. This may be subject to some corporate consents.

ASSET DEAL

In an asset deal, each asset is transferred as a single component, in particular a real property. These assets do not constitute an organised business that could immediately be operated by the buyer, and the buyer will not automatically be a party to previously executed agreements. Such agreements should be either assigned or terminated; however, the buyer of leased property replaces the seller (current landlord) and becomes the new landlord by virtue of law.

The buyer is not liable for the seller’s obligations, unless they are secured by a mortgage. The buyer’s liability is limited to the value of the mortgage (if the value of the mortgage is lower than the property) or to the value of the property (if the value of the property is lower than the value of the mortgage).

Under both an asset deal and sale of an enterprise or part thereof as a going concern, if a real property is held by an enterprise under the right of ownership, its acquisition is effective as of the date of execution of the sale agreement. If real property is held by the en-
Under the Polish Civil Code, an enterprise is an organised group of tangible and intangible components designed to carry out a business activity. An enterprise consists of (the list is not exclusive): the name of the enterprise, ownership of immovable or movable property, rights under lease agreements and tenancy agreements, receivables (for example receivables arising from lease agreements), cash, licences, permits, patents and business secrets.

Sale of an enterprise which consists of real property as well as sale of real estate should be executed in the form of a notarial deed in order to be effective. Under Polish law, a notarial deed may only be prepared in Polish.

Sale of an enterprise as well as sale of real estate is subject to corporate consents that should be obtained prior to the transaction. These types of acquisition may also be subject to a pre-emption right, which allows the acquisition to be conducted only after a relevant authority fails to exercise its pre-emption right within a specified period. The pre-emption right concerns real properties such as agricultural or forest land (as an example). Also, if a transaction involves a foreign company as the purchaser, consent from the minister competent for administrative affairs may be required.

The buyer of an enterprise is liable jointly and severally with the seller for the seller's obligations related to the enterprise (unless the buyer acting with due diligence was not aware of such obligations). In practice, the diligence of the buyer may be proven by the fact of the performance of all necessary investigations (financial, commercial, legal etc.). The buyer's liability is limited to the value of the acquired enterprise according to its condition at the time of the acquisition, and according to the prices applicable at the time of satisfying the creditor. The buyer of an enterprise is liable jointly and severally with the seller for the seller's obligations related to the enterprise (unless the buyer acting with due diligence was not aware of such obligations). In practice, the diligence of the buyer may be proven by the fact of the performance of all necessary investigations (financial, commercial, legal etc.).
**TRANSACTIONS TAXES**

In Poland a purchase of real estate may be subject to either VAT or tax on civil law actions (“CLAT”).

CLAT applies to transactions that are either out of the scope of VAT (e.g. when the transaction involves the transfer of a going concern) or are exempt from VAT.

Real estate transactions are considered a transfer of a going concern if, in addition to real estate, the transaction involves e.g. the transfer of assets or real estate management agreements or transfer of cash receivables connected with the real estate.

Sale of undeveloped real estate is exempt from VAT if the land sold is not designated for construction purposes (either under the local zoning plan or an administrative decision), otherwise such transactions are subject to VAT.

Generally, the sale of developed real estate is exempt from VAT if it is made before or during its first occupation or within 2 years from its first occupation. Parties may opt out of this exemption.

Transactions that are not covered by this exemption may be further exempt from VAT if the purchaser had the right to deduct input VAT on the real estate and has not made improvements to the real estate that would exceed 30% of its initial value for income tax depreciation purposes. Parties cannot opt out of this exemption.

The standard VAT rate is 23%. As a rule, VAT is recoverable by the buyer.

CLAT is payable only by the buyer, the tax rate is 2% and the tax is unrecoverable.

**OTHER TAXES**

Ownership of buildings is subject to a 0.035% tax levied on their initial value – so-called “minimal CIT”. This tax is paid each month. The tax-free amount is PLN 10,000,000 (approx. EUR 2,331,000). Certain types of buildings are exempt from the tax, e.g. certain residential buildings. The tax is deductible from monthly CIT tax advances; however, if the “minimal CIT” is lower than the CIT advances, the advances are set at the value of the “minimal CIT”.

Profit on sales of real estate is subject to the standard 19% CIT rate.

Real estate tax in Poland applies to land, buildings and structures. The tax on land and buildings is levied based on their surface area while the tax on structures is levied based on their initial value. The rates of real estate tax are determined by local governments.

Agricultural real estate is subject to agricultural tax and privately owned forests are subject to a forest tax.
INVESTMENT MODEL IN THE HOTEL SECTOR IN POLAND

Variety of investment models

At present, there is no typical investment model for the Polish market. Transactions vary from share deals to asset acquisitions, depending on the preferences of the parties to the transaction. However, there is greater demand for transactions involving lease agreements than the simple management agreement model. This is because some investors prefer not to be involved in the day-to-day operation of hotels.

New challenges for Polish Hotel and Leisure lawyers

Hotel-related transactions are different to office and retail transactions and create new challenges for advisors. In the asset structure, the acquisition of a hotel is a complex undertaking, and includes a significant number of employees to be taken over and contracts to be assigned. In particular, the parties will need to assign a management agreement with an international hotel brand, if one has been contracted to manage the hotel, which is one of the most challenging parts of this kind of transaction. International brands are particularly sensitive to problems with a hotel’s day-to-day operations, as finances and reputation may be at risk.

Taking into consideration all the factors, it is crucial from the legal point of view to structure a hotel transaction with great precision and market awareness. In addition to the transfer of contractors and employees, and making new arrangements with the hotel manager, in order to preserve constant and stable hotel operations it is also necessary to focus on the local administrative aspects of business performance. This applies in particular to permits for the hotel’s operation, such as a permit for the sale of alcohol, hotel permit (so-called categorisation decision), and the decision on the registration of a hotel as a food and beverage sale point. Therefore, the main role of a legal advisor is to lead the transaction in such a way that ensures there is no gaps or delays which may impact the hotel’s operation.

Industrial investment sector in Poland

Transactions in the warehouse properties sector are structured in a variety of ways. Apart from typical share and asset deals, it is also popular to create joint-ventures involving the establishment of a dedicated SPV between a “capital partner” providing funds necessary for the development of the warehouse and a “development partner” responsible for the construction and management of the investment. Such cooperation often involves the construction of a portfolio of warehouses, with an earn-out mechanism for the benefit of the development partner in the case of timely completion of the warehouse buildings and their satisfactory commercialisation.

There is also no typical lease agreement for using warehouse space – they vary depending on the needs of the tenant and amount of leased space. The lease term for space in multi-tenant buildings is usually 3–5 years, but in single-tenant or BTS buildings it often exceeds 10 years.

Although warehouse investments tend to be associated with sites far from city centres, construction of urban logistics facilities is becoming more popular. In such cases, tenants lease less space, but pay higher rental fees per sq m due to the convenience of the location.

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About CMS

We are over 800 qualified lawyers working in real estate and construction, spanning over 40 countries and 70 offices. The CMS Real Estate and Construction practice is the largest real estate specialist team in Europe and one of the biggest worldwide and provides full-service legal assistance in property and property finance matters.

CMS Real Estate and Construction Department in Poland employs over 30 lawyers and is one of the largest property practices among law firms operating in Poland. We are the market leader in assisting property funds with the acquisition and disposal of prime real estate assets and acting for developers, banks and retailers and other lessors and occupiers of commercial, office and warehouse space, advising at every stage of the real estate.
BNP Paribas Real Estate, one of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management. With 5,400 employees, we support owners, leaseholders, investors and communities in their projects thanks to our local expertise across 36 countries. BNP Paribas Real Estate is part of the BNP Paribas Group.

As regards Central & Eastern Europe, we provide services in respect of Capital Markets, Property Management, Transaction, Valuation and Consulting.
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