At a glance Q1 2019

INVESTMENT MARKET IN POLAND

After an intensive investment period in 2018, in particular during the second half of the year, the first quarter of 2019 was a time of respite for investors. The result of Q1 2019 may have been disappointing, but given the solid pipeline of deals pending as well as a large pool of investors interested and searching for products, this year is likely to show strong performance in terms of volume and pricing.

OFFICES MOST WANTED, BOTH IN WARSAW AND CORE REGIONS

In Q1 2019, real estate investment volume in Poland reached approx. 722 million, a figure considerably lower than in the corresponding record-breaking period of last year, but still well above the winter quarters of 2015 to 2017.

With approximately €536 million deployed accounting for 74% of the total transaction volume, offices were the top performing sector. Investors were active in Warsaw as well as in the regional core markets. Purchasers were interested in a wide spectrum of assets, from top class properties to secondary class older buildings with substantial upside potential.

Warsaw raised around 60% of the office investment volume which equates to approx. €320 million. The largest transactions include the acquisition from Echo Investment by GLL of Biura Przy Bramie (Gatehouse Offices), the first office building of the Warsaw Brewery complex, Graffit in Mokotów by Zeus Capital Management from Hines and Atrium IBC by Strabag RE from Rockspring.

On the regional markets, a volume of over €200 million traded in Q1 2019 which was much higher than the result achieved in the same period last year; again confirming investor confidence in these markets. The acquisition of Argon (part of the Alchemia office complex in Gdańsk) by ISOC Holding for €92 million was the largest deal in this quarter in Poland. Other major transactions include the purchase of .big by Credit Suisse, Rondo Business Park by Globalworth and K1 by FLE GmbH – all assets located in Kraków.

LOGISTICS ON THE RADAR, RETAIL IN REVERSE

The very good condition of the industrial & logistics sector in Poland, driven by the fast-growing Polish economy, e-commerce growth and globalization of trade and manufacturing, keeps strong investor appetite for products in this segment. In Q1 2019 a volume of approx. €58 million was traded, representing 8% of the total investment volume.

Although the modern retail segment in Poland has solid market fundamentals and is still in good shape, investors are replicating their perspective from Western European markets and have a very selective and cautious approach towards retail assets. As a consequence, retail investment activity plummeted to a mere €38 million deployed on small-scale shopping centres and retail parks. As convenience retailing has been steadily growing in importance, the number of portfolio and single-assets transactions in this sector is expected to grow.

SOURCE OF CAPITAL

Apart from traditional sources of capital from the US, the UK and the Eurozone, the Polish property market succeeded in attracting investors from East Asia, in particular for products in the office and industrial segments. In Q1 2019, Asian buyers accounted for 22% of the volume transacted in Poland, closing two deals on prime office assets. Given the spectrum of ongoing transactions, we expect this trend to continue.

FURTHER SOFT YIELDS COMPRESSION FOR TRULY SELECTED ASSETS

After a substantial compression over the course of 2018, in Q1 2019 prime yields have remained flat across most sectors and asset classes. For best-in-class dominant shopping centres, prime yields vary from 4.25% in Warsaw to ca. 5.00% in other major markets. In the office sector, yields for truly prime assets in Warsaw have been remaining stable since the end of 2018 and oscillate around 4.75%. At the same time Q1 2019 has brought a noticeable decrease, by approx. 50 bps in prime yields in the major regional markets where they compressed to around 5.50% - 6.00%. In the industrial sector, outstanding prime and best performing long-leased assets with e-commerce operators secured are traded around 5.25%, while for multi-tenant schemes prime yields oscillate around 6.25% – 6.50%.

We expect to see soft yield compression during the year for truly prime assets in the office and industrial & logistics segments.
### Selected major transactions in Poland, Q1 2019

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Sector</th>
<th>Location</th>
<th>Vendor</th>
<th>Investor</th>
<th>Size (m²/rooms)</th>
<th>Est. lot size (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argon (Alchemia)</td>
<td>Office</td>
<td>Gdańsk</td>
<td>Torus</td>
<td>ISOC Holding Inc</td>
<td>38,000</td>
<td>92</td>
</tr>
<tr>
<td>Sheraton</td>
<td>Hotel</td>
<td>Warsaw</td>
<td>Benson Elliot Capital Management LLP / Walton Street Capital / Schroders Hotels</td>
<td>Patron Capital</td>
<td>350</td>
<td>90</td>
</tr>
<tr>
<td>Europlex, Irydion, Wiśniowy Business Park A, Millenium</td>
<td>Office</td>
<td>Warsaw, Katowice</td>
<td>Lone star</td>
<td>LRC Group</td>
<td>52,000</td>
<td>90</td>
</tr>
<tr>
<td>Browary Warszawskie (Gatehouse Offices)</td>
<td>Office</td>
<td>Warsaw</td>
<td>Echo Investment</td>
<td>GLL Real Estate</td>
<td>15,700</td>
<td>76.8</td>
</tr>
<tr>
<td>Graffit</td>
<td>Office</td>
<td>Warsaw</td>
<td>Hines</td>
<td>Zeus CM</td>
<td>18,600</td>
<td>50</td>
</tr>
<tr>
<td>Atrium International</td>
<td>Office</td>
<td>Warsaw</td>
<td>Rockspring / Patrizia Immobilien AG</td>
<td>Strabag Real Estate</td>
<td>12,400</td>
<td>38</td>
</tr>
<tr>
<td>.big</td>
<td>Office</td>
<td>Kraków</td>
<td>Ghelamco</td>
<td>Credit Suisse</td>
<td>10,750</td>
<td>33</td>
</tr>
<tr>
<td>Rondo Business Park</td>
<td>Office</td>
<td>Kraków</td>
<td>Credit Suisse Property Dynamic</td>
<td>Globalworth Poland Real Estate</td>
<td>17,800</td>
<td>32.6</td>
</tr>
<tr>
<td>Riverside</td>
<td>Office</td>
<td>Warsaw</td>
<td>Artemis Acquisition Poland</td>
<td>CEREIT</td>
<td>12,600</td>
<td>30.3</td>
</tr>
<tr>
<td>K1</td>
<td>Office</td>
<td>Kraków</td>
<td>PGIM Real Estate</td>
<td>FLE</td>
<td>14,000</td>
<td>28</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

### AUTHOR

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

### CONTACTS

Erik Drukker Chief Executive Officer, Central & Eastern Europe, erik.drukker@realestate.bnpparibas
Piotr M. Krawczyński Head of Capital Markets, Central and Eastern Europe, piotr.krawczyński@realestate.bnpparibas
Dr. Piotr Goździewicz MRICS Director, Capital Markets, Central & Eastern Europe, piotr.gozdiewicz@realestate.bnpparibas
Mateusz Skubiszewski MRICS Director, Capital Markets, Central & Eastern Europe, mateusz.skubiszewski@realestate.bnpparibas
Hanna Mileczarek Director, Industrial & Logistics, Capital Markets, Central & Eastern Europe, hanna.mileczarek@realestate.bnpparibas
Anna Baran MRICS Head of Residential Department, Capital Markets, anna.baran@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.
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 235
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 2 98 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
Axento Building
Avenue J.F. Kennedy 44
1865 Luxembourg
Tel.: +352 34 94 84
Investment Management
Tel.: +352 28 26 00 06

NETHERLANDS
Antonio Vivaldistraat 54
1083 HP Amsterdam
Tel.: +31 20 305 97 20

POLAND
al. Jana Pawła II 25
Atrium Tower
00-854 Warsaw
Tel.: +48 22 853 44 00

ROMANIA
Bund Antonomache
Street n°40-44
Bucharest 011665
Tel.: +40 21 312 7000

SPAIN
C/ Emilio Vargas, 4
28043 Madrid
Tel.: +34 91 454 96 00

UNITED KINGDOM
5 Aldermanbury Square
London EC2V 7BP
Tel.: +44 20 733 86 00

MIDDLE EAST / ASIA

DUBAI
Emaar Square
Building n° 1, 7th Floor
P.O. Box 7233, Dubai
Tel.: +971 44 248 277

HONG KONG
18th/F, Two International Finance Centre,
8 Finance Street, Central
Hong Kong
Tel.: +852 2920 8888

Alliances*

ALGERIA
NORTHERN IRELAND
AUSTRALIA
NORWAY
CYPRUS
PORTUGAL
DENMARK
SERBIA
ESTONIA
SWEDEN
FINLAND
SWITZERLAND
GREECE
TUNISIA
HUNGARY **
USA
IVORY COAST

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

www.realestate.bnpparibas.pl