INVESTMENT MARKET IN POLAND

After a muted transactional volume reported in the first quarter of 2019, in the second quarter of the year the market in Poland gained momentum and thus brought the half-year investment volume to nearly €2.7 billion. This figure is visibly lower than in the corresponding period of the record-breaking previous year, but is well above the first halves of 2015 to 2017 and bodes well for the full year investment spend.

OFFICES DRIVE RESULTS

The office sector, fuelled by four mega deals, reached the half-year transaction volume of nearly €1.7 billion accounting for over 60% of total turnover. Although Warsaw raised more than 60% of the office investment volume, which equates to above €1 billion, regional office markets — not only the leading ones such as Kraków and Wrocław, but also those less developed — have drawn investor interest as they offer more attractive yields and wide 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 the acquisition of West Station (two buildings) by Mapletree Investment for €190 million, the purchase of Warsaw Trade Tower by Globalworth for approx. €133 million and the acquisition of Ethos by Credit Suisse. In total, 24 office buildings were traded in the capital.

The volume traded on the regional markets reached nearly €700 million comprising significant deals on leading (Kraków, Wrocław, Tricity) as well as secondary (Poznań, Łódź, Katowice, Szczecin) markets. The largest office portfolio was acquired by the private equity platform Henderson Park which became the owner of 70% of shares in eleven EPP buildings located in Kraków (O3 Business Campus), Poznań (Malta Office Park) and Łódź (Symetris Business Park). The regional transaction of the highest value was the purchase of the Business Garden complex in Wrocław and Argon (within the Alchemia complex) in Gdansk by the Filipino ISOC Group for almost €190 million.

Similarly to what is observed on more mature markets in the Western Europe, investor activity in the retail sector in Poland was moderate. The retail transaction volume in H1 2019 reached €452.5 million and to a large degree was pushed by a deal arranged in 2018, i.e. the re-sale of four M1 shopping centres by Chariot Top Group to EPP for €222 million. Other significant deals include the purchase of Galeria Leszno in Leszno (a small regional city) by Prime Holding from Blackstone, the acquisition of a hypermarket-driven King Cross Praga in Warsaw from CBRE GI by Atrium and the purchase by Neptune (the JV between Neinver and Nuveen Real Estate) of Silesia Outlet in Gliwice delivered in May this year. A number of transactions involved smaller assets, mostly convenience centres and retail parks, located in small regional cities.

Strong investor appetite for product in the industrial & logistics sector has continued, most notably for prime assets occupied by e-commerce operators. In H1 2019 a volume of approx. €411 million was traded, representing approx. 15% of the overall investment volume. Two largest transactions were concluded by investors from South Korea: Mirae Asset Global Investments purchased a portfolio of two assets (Amazon in Wrocław and Eurocash in Konin), while DC Zalando in Olsztynek near Olsztyn (north-east Poland) was bought by IGIS Asset Management.

BUSY SPRING SEASON BODES WELL FOR THE FULL-YEAR RESULT

In Q2 there were six deals that exceeded €100 million in value, which boosted the quarterly volume to above €1.9 billion. Notably, in the entire H1 more than a half of the capital was deployed on markets outside Warsaw, which shows an unceasing investor appetite for product across the entire country. Given the number of deals already closed in July of the current year and the solid pipeline of transactions in progress, this year again is expected to show strong performance in terms of volume and pricing.

CAPITAL FROM SOUTH – EAST ASIA ON THE MARCH

In addition to traditional sources of capital from Europe, the US and South Africa, Asian investors have greatly increased their footprint in Poland. In the first half of 2019 purchasers from Singapore, South Korea, Japan and the Philippines were involved in approx. 27% of investment spend in Poland.

PRIME YIELDS – FURTHER SOFT COMPRESSION FOR TRULY SELECTED ASSETS

Q2 2019 has brought a further slight decrease, to around 4.50%, in yields for truly prime office assets in Warsaw. In the major regional markets they have remained stable at around 5.50%–6.00%. For best-in-class dominant retail assets, prime yields vary from 4.25% in Warsaw to approx. 5.00% on other major markets. In the industrial sector, prime multi-tenant schemes are traded at around 6.25%–6.50%, while yields for outstanding prime and best performing long-leased assets with secured e-commerce operators oscillate around 5.00%. We expect to see further soft yield compression for truly prime assets in the office and industrial & logistics segments, but no decline is expected in the retail sector.
Macroeconomic Snapshot

Annual GDP growth (%)

Source: GUS, NBP, f – forecast

Annual CPI (%)

Source: GUS, NBP, f – forecast

Unemployment rate (%)

Source: BNP Paribas, Oxford Economics, f – forecast

Investment Snapshot

Prime yields per sector (%)

* excluding outstanding transactions on e-commerce assets
Source: BNP Paribas Real Estate, f – forecast

Sector split of investment volumes (%)

Source: BNP Paribas Real Estate

Volume of investment transactions (€ m)

Source: BNP Paribas Real Estate
### Selected major transactions in Poland, H1 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>Portfolio of four M1 shopping centres – II tranche</td>
<td>Retail</td>
<td>Bytom, Częstochowa, Poznań, Radom</td>
<td>Chariot Top Group</td>
<td>EPP</td>
<td>141,000</td>
<td>222</td>
</tr>
<tr>
<td>West Station (I &amp; II)</td>
<td>Office</td>
<td>Warsaw</td>
<td>HB Reavis</td>
<td>Mapletree Investment</td>
<td>68,000</td>
<td>190</td>
</tr>
<tr>
<td>70% share in the office portfolio of eleven buildings</td>
<td>Office</td>
<td>Kraków, Poznań, Łódź</td>
<td>EPP</td>
<td>Henderson Park</td>
<td>90,000</td>
<td>137</td>
</tr>
<tr>
<td>Warsaw Trade Tower</td>
<td>Office</td>
<td>Warsaw</td>
<td>Akron Group</td>
<td>Globalworth Poland Real Estate</td>
<td>45,000</td>
<td>133</td>
</tr>
<tr>
<td>Amazon Wrocław, Eurocash Konin</td>
<td>Industrial</td>
<td>Wrocław, Konin</td>
<td>Blackstone</td>
<td>Mirae Asset Global Investments</td>
<td>163,000</td>
<td>n/a</td>
</tr>
<tr>
<td>Ethos</td>
<td>Office / Retail</td>
<td>Warsaw</td>
<td>Kulczyk Investments</td>
<td>Credit Suisse Asset Management</td>
<td>17,700</td>
<td>115</td>
</tr>
<tr>
<td>Business Garden (3 buildings)</td>
<td>Office</td>
<td>Wrocław</td>
<td>Vastint</td>
<td>ISOC Holding Inc</td>
<td>38,400</td>
<td>95</td>
</tr>
<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>
</tbody>
</table>

Source: BNP Paribas Real Estate

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