In the course of Q3 2019 the investment volume transacted in Poland reached nearly €1.8 billion, pushing the total volume traded since the beginning of 2019 to above €4.5 billion. We expect that, in a positive scenario, the result at the end of the current year may come close to the last year’s total.

OFFICES DRIVE RESULTS

In the three first quarters of 2019, the most traded products were office assets which have brought €2.75 billion (over 60% of total turnover). Almost 50 single and portfolio deals involving approx. 75 buildings with a total space of over 1 mln sqm office were finalised. Although Warsaw raised around 60% of the office investment volume to date, which equates to above €1.6 billion, regional office markets have also attracted investor demand. As they offer more attractive yields and wide selection of available product. In addition to the two markets leading in terms of the stock size, namely Kraków and Wrocław, properties located on those less developed markets were transacted as well.

In Warsaw purchasers were interested in a wide spectrum of assets, from top class properties located in the City Centre to secondary class older buildings with substantial upside potential, located in more distant, non-central lclusters. In Q3 major transactions in the capital included the acquisition of a prime 220-metre office tower Warsaw Spire A by Immofinanz for €386 million and the purchase of Astoria by Credit Suisse.

The volume traded on the regional markets in Q1-Q3 surpassed €1 billion, comprising significant deals on leading (Kraków, Wrocław, Tricity) as well as secondary (Poznań, Łódź, Katowice) markets. In Q3 the largest transaction was acquisition of two another buildings in a Business Garden complex in Poznań by Crowmell European REIT. The same investor has bought a portfolio comprising four buildings (Avatar, Green Park A, B and C) in Kraków, while another big player in the office segment – Globalworth – purchased a two-building Silesia Star complex in Katowice and Retro Office House in Wrocław for an aggregated price of approx. €113 million.

The retail investment segment is on the slide; however, selected retail assets with solid fundamentals are still on the investors’ radar. The retail transaction volume in Q1-Q3 reached nearly €900 million, strongly pushed by two portfolio deals, i.e. acquisition by ECE European Prime Shopping Centre Fund II from Atrium RE of two large shopping & leisure centres located in regional markets (Atrium Felicity in Lublin and Atrium Koszalin in Koszalin) for €298 million, and conclusion of a deal arranged in 2018 - the re-sale of four M1 shopping centres by Chariot Top Group to EPP for €222 million. In addition, in Q3 a portfolio of 5 stand-alone Makro cash&carry stores were purchased by FLE GmbH from a German Metro Group and 50% of shares in Fashion Outlet Wrocław were acquired by a JV of APG and Hammerson. 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. In Q1-Q3 2019 a volume of approx. €620 million was traded in 15 transactions including single buildings and logistics parks, which represent approx. 14% of the overall investment volume. In Q3 2019 among largest transactions were the acquisition of Logistics Park Gdańsk in Pruszcz Gdański by Hines Global Income Trust and Panattoni Park Warsaw West VI (situated in Grodzisk Mazowiecki – Warsaw II) by La Salle IM/Encore+.

After a very silent Q2 2019, in July-September the hotel sector has brought a piece of around €50 million, e.g. Union Investment has extended its hotel footprint in Poland by buying Holiday Inn in Gdańsk.

A steadily growing interest in alternative investment sectors such as residential for rent and student housing is observed.

BUSY SPRING SEASON BODES WELL FOR THE FULL-YEAR RESULT

As a result of diluted investment volume traded in Q1 of the current year, the Q1-Q3 amount is visibly lower than that recorded in the corresponding period of the record-breaking previous year. The volume transacted over Q2-Q3 2019, however, has exceeded the result for the same period of the recent year by approx. 25% and bodes well for the full-year investment spend.

A substantial portion of the capital was deployed on markets outside Warsaw, which shows an unceasing investor appetite for product across the entire country. Given 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. 20% of investment spend in Poland.

PRIME YIELDS – FURTHER SOFT COMPRESSION FOR TRULY SELECTED ASSETS

In Q3 2019 yields across all sectors have remained relatively unchanged. Yields for prime office assets in Warsaw have oscillated around 4.50%, while in the major regional markets are 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 may reach 6.00%–6.50%, depending on the region, while yields for outstanding prime and best performing long-leased assets with secured e-commerce operators have oscillated around 5.00%. We expect to see further soft yield compression for truly prime office assets, while in the industrial & logistics segments upcoming months may bring a major compression, in particular for assets occupied by e-commerce giants. 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
<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>Warsaw Spire A</td>
<td>Office</td>
<td>Warsaw</td>
<td>Ghelamco / Madison International</td>
<td>Immofinanz</td>
<td>71,200</td>
<td>386</td>
</tr>
<tr>
<td>Atrium Koszalin, Atrium Felicity</td>
<td>Retail</td>
<td>Koszalin, Lublin</td>
<td>Atrium ERE</td>
<td>ECE European Prime Shopping Centre Fund II</td>
<td>115,000</td>
<td>298</td>
</tr>
<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>
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<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>Makro cash &amp; carry - 5 locations</td>
<td>Retail</td>
<td>multi-city</td>
<td>Metro Group</td>
<td>FLE GmbH</td>
<td>100,000</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>Astoria</td>
<td>Office</td>
<td>Warsaw</td>
<td>Strabag Real Estate</td>
<td>Credit Suisse Asset Management</td>
<td>19,500</td>
<td>110</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

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