Real Estate for a changing world

INVESTMENT MARKET IN POLAND

AT A GLANCE
Q4 2019

- Sustainable economic performance, wide availability of product coupled with high investor demand has pushed the investment volume to a new all-time record again.
- Expected further soft yields compression for truly selected assets in the office and industrial & logistics sectors.

INVESTMENT VOLUME

After a very prosperous 2018, Poland’s real estate investment sector had a record year again in 2019. Sustainable economic performance, good availability of product combined with high investor demand resulted in an unprecedented level of transactional volume exceeding €7.6 billion, approx. 6% up on the previous year’s outcome. It is primarily driven by extensive availability of capital across the CEE region and more attractive yields compared to Western markets. Purchasers were interested in a wide spectrum of assets across all sectors, from top class properties to secondary class older buildings with substantial upside potential. Over the course of 2019, around 170 deals on both single transactions and portfolios were finalised, over 60% up on 2018.

The major volume of the capital comes from European countries, of which the UK and Germany have the largest shares. Over the last couple of years, however, the inflow of capital from Asia has increased and it accounted for up to 20% of the transactional volume in 2019. Far East investors are generally searching for core assets with secured long-term tenants and generating stable NOI.

KEY FIGURES (2019)

€7.6 bn
INVESTMENT VOLUME IN 2019

4.50%
OFFICE PRIME YIELD

4.25%
RETAIL PRIME YIELD

5.75%
INDUSTRIAL & LOGISTICS PRIME YIELD*

* Excluding transactions on outstanding e-commerce assets
SECTOR SPLIT

In 2019, half of the total investment volume came from office assets (over €3.8 billion). Almost 70 single and portfolio deals involving nearly 100 buildings with total space of over 1.4 million sqm were finalised. Although Warsaw raised around 60% of the volume, which equates to more than €2.4 billion, regional office markets have also attracted investor demand as they offer more attractive yields and a wide selection of product. Major transactions in Warsaw included Warsaw Spire A, Warsaw Financial Centre and Eurocentrum Office Complex. Among the regional office markets, Kraków and Wrocław, the two leaders in terms of stock size, are still the most popular, but other locations have also been capturing increasing investor interest. Major deals on the regional markets involved Argon in Gdańsk, Nowy Rynek in Poznań, Business Garden in Wrocław and Poznań, 03 Business Campus in Kraków, Podium Park in Kraków and Silesia Star in Katowice among others.

Retail, attracting 26% (€1.9 billion) of the overall transaction volume in 2019, is lower than in the record-breaking 2018, but much higher than expected. Selected retail assets of various classes, with solid fundamentals, are still on the investors' radar. The volume was greatly assisted by the acquisition by Cromwell Property Group of all third party investor interests in the Cromwell Polish Retail Fund which contained seven shopping centres. A number of transactions involving smaller assets, mostly convenience centres and retail parks, took place in small regional cities.

Investor appetite for industrial & logistics properties has remained strong in 2019. Product availability, however, has substantially shrunk, hence the traded volume of around €1.45 billion was clearly below the 2018 figure. Prime assets occupied by e-commerce operators have attracted the greatest interest, which resulted in prices soaring to levels previously unseen.

The hotel sector has been having its slice of the cake for years, while other alternative investment sectors started to attract international capital. In 2019, Kajima and Griffin RE purchased the Student Depot platform, while Catella bought a portfolio composed of residential-for-rent and student housing properties.

PRIME YIELDS

In Q4 2019, yields in the office and retail sectors remained unchanged. Yields for prime office assets in Warsaw oscillate around 4.50%, and around 5.50%–6.00% on the major regional markets. For best-in-class dominant retail assets, prime yields vary from 4.25% in Warsaw to approx. 5.00% on other major markets.

Strong investor appetite for product in the industrial sector has tightened prime yields further. For prime multi-tenant and logistics schemes, prime yields have compressed by 25bps and are within a range of 5.75%–6.50%, depending on the region.

An impressive drop occurred in the class of outstanding assets occupied by international e-commerce giants. At the end of the year, a Chinese investor purchased two Amazon locations at an exceptional yield of 4.25%.

Upcoming months may bring further soft yield compression for truly prime assets in the office and industrial & logistics segments. No decline is expected in the retail sector.
## SELECTED MAJOR TRANSACTIONS IN POLAND 2019

<table>
<thead>
<tr>
<th>ASSET</th>
<th>SECTOR</th>
<th>LOCATION</th>
<th>PURCHASER</th>
<th>VENDOR</th>
<th>SIZE (m²)</th>
<th>ESTIMATED LOT SIZE (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cromwell Portfolio (shares)</td>
<td>Retail</td>
<td>Multi-city</td>
<td>Cromwell Property Group</td>
<td>Cromwell Polish Retail Fund</td>
<td>270,000</td>
<td>600</td>
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<tr>
<td>Warsaw Spire A</td>
<td>Office</td>
<td>Warsaw</td>
<td>Immofinanz</td>
<td>Ghelamco / Madison International</td>
<td>71,000</td>
<td>386</td>
</tr>
<tr>
<td>Atrium Koszalin, Atrium Felicity</td>
<td>Retail</td>
<td>Koszalin, Lublin</td>
<td>ECE</td>
<td>Atrium ERE</td>
<td>115,000</td>
<td>298</td>
</tr>
<tr>
<td>Warsaw Financial Center</td>
<td>Office</td>
<td>Warsaw</td>
<td>CPI PG</td>
<td>Allianz JV Tristan Capital Partners</td>
<td>50,000</td>
<td>275</td>
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<tr>
<td>Eurocentrum Office Complex</td>
<td>Office</td>
<td>Warsaw</td>
<td>CPI PG</td>
<td>Capital Park</td>
<td>84,000</td>
<td>255</td>
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<tr>
<td>M1 – 4 properties</td>
<td>Retail</td>
<td>Bytom, Częstochowa, Radom, Poznań</td>
<td>EPP</td>
<td>Chariot Top Group</td>
<td>141,000</td>
<td>221.8</td>
</tr>
<tr>
<td>West Station I &amp; II</td>
<td>Office</td>
<td>Warsaw</td>
<td>Mapletree Investment</td>
<td>HB Reavis</td>
<td>68,000</td>
<td>190</td>
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<tr>
<td>BARN Portfolio part 1</td>
<td>Industrial</td>
<td>Multi-city</td>
<td>GLL</td>
<td>7R / Hillwood Polska</td>
<td>n/a</td>
<td>175</td>
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<tr>
<td>EPP Office Portfolio (shares)</td>
<td>Office</td>
<td>Kraków, Poznań, Łódź</td>
<td>Henderson Park</td>
<td>EPP</td>
<td>87,000</td>
<td>137</td>
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<tr>
<td>Warsaw Trade Tower</td>
<td>Office</td>
<td>Warsaw</td>
<td>Globalworth Poland Real Estate</td>
<td>Akron Group</td>
<td>45,000</td>
<td>133</td>
</tr>
<tr>
<td>Amazon Wrocław, Eurocash Konin</td>
<td>Industrial</td>
<td>Wrocław, Bielany Wroclawskie, Konin</td>
<td>Mirae Asset, Global Investments</td>
<td>Blackstone</td>
<td>163,000</td>
<td>129</td>
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<tr>
<td>Metro Portfolio – Makro 5 properties</td>
<td>Retail</td>
<td>Multi-city</td>
<td>FLE Gmbh</td>
<td>Metro Group</td>
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<tr>
<td>Ethos</td>
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<td>Credit Suisse Asset Management</td>
<td>Kulczyk Investments</td>
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<tr>
<td>Astoria</td>
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<td>Credit Suisse Asset Management</td>
<td>Strabag Real Estate</td>
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<td>Posnania (shares)</td>
<td>Retail</td>
<td>Poznań</td>
<td>Apsys</td>
<td>Fonciere Euris</td>
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<td>110</td>
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<tr>
<td>Amazon Pabianice, Amazon Bolesławiec</td>
<td>Industrial</td>
<td>Łódź, Bolesławiec</td>
<td>CNIC Corporation Limited</td>
<td>Invesco</td>
<td>104,000</td>
<td>n/a</td>
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</tbody>
</table>

Source: BNP Paribas Real Estate

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6 BUSINESS LINES in Europe

A 360° vision

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