



RESEARCH

At a glance **Q2 2018**

INVESTMENT MARKET IN POLAND

In the first half of 2018 total investment volume in Poland reached €3.3 billion, with approx. 63% of this amount traded in Q1. Although the Q2 result of €1.2 billion was slightly disappointing, in light of the impressive capital transacted between January and March this year, activity of investors on the Polish real estate market remains very high. Unceasing investor appetite for products in Poland leads us to believe that 2018 will end up with nearly €6 billion traded.



INVESTORS STAY THE COURSE, RECORD VOLUME EXPECTED

Almost €7 billion dealt over the course of the last twelve months (H2 2017 – H1 2018) confirms strong investor interest in the Polish real estate sector as a viable alternative to other financial markets of lower returns. H1 2018 investment volume more than doubled the result concluded over H1 2017. Given the number of deals closed already in July 2018 (the mid-summer month being usually silent due to the holiday season) and transactions in progress, the volume expected to be closed by the year-end would outpace last year's record.

Continuing the trend from the recent years, investors have been interested in a wide spectrum of assets from various sizes, quality and locations. Potential buyers have been searching for prime single assets, portfolios as well as secondary and tertiary assets in major, secondary and even small local markets. The pool of RSA, US, UK and German investors established on the Polish market has now been joined by Asian funds.

YIELDS

Prime yields for best-in-class dominant shopping centres in major markets currently stand at ca. 5,00%, slightly compressed by 25bps over the last four quarters. Prime office yields oscillated around 5.15% - 5.25% in Q2, and are predicted to compress softly by ca. 50-60bps over the forthcoming quarters in the case of truly prime assets. In the industrial sector prime and best performing assets, with long-term leases, are traded around 5.5%, while for multi-tenant schemes yields oscillate between 6.25%- 6.90%.



LOGISTICS PRODUCT ON THE RISE

Strong investor appetite for logistics products has continued from the last year. In H1 2018 nearly €400 million came from the logistics segment, traded both on single assets (e.g. Panattoni, Formad, Segro, Hillwood, Real Management) as well as part of a wider pan-European transaction (sale of Prologis' warehouse properties to Ares Management). The most impressive transaction in Q2 was the sale of one of Europe's largest fully robotized Amazon fulfillment centres in Szczecin (161,500 sq m) which BNP Paribas REIM acquired on behalf of Vestas Investment Management for over € 110 million.

For the last two years, strongly boosted by the buoyant Polish economy, e-commerce growth and globalization of trading and manufacturing, the industrial sector in Poland has been booming thereby investor appetite for products in this segment is expected to remain very strong.

RETAIL DRIVES THE OUTCOME

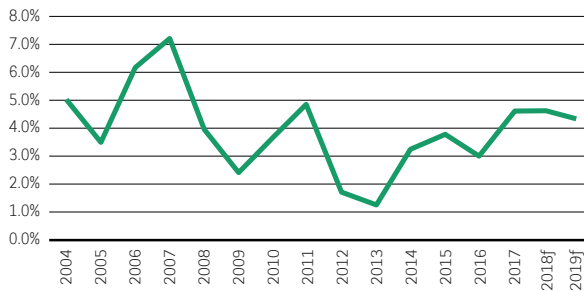
In H1 the retail investment sector clearly dominated, accumulating nearly 60% of the volume (approx. €1.9 billion). This result was boosted by a record volume transaction of €1 billion from the Chariot portfolio of 28 retail assets (M1 shopping centres in major agglomerations and stand-alone hypermarket and DIY retail warehouses located in primary and regional markets across Poland) closed at the beginning of 2018. A part of this portfolio was then resold to EPP, and two further tranches will be traded by the end of 2020. Other major retail deals comprise of the purchase of Galeria Katowicka by Employees Provident Fund of Malaysia for €300 million, a portfolio of three established hypermarket based shopping malls in Kraków, Łódź and Toruń by Newbridge for €110 million, and an Aura shopping and leisure mall in Olsztyn acquired by NEPI Rockcastle for nearly €65 million.

Small retail schemes such as retail parks or supermarkets drew buyers interest as well.



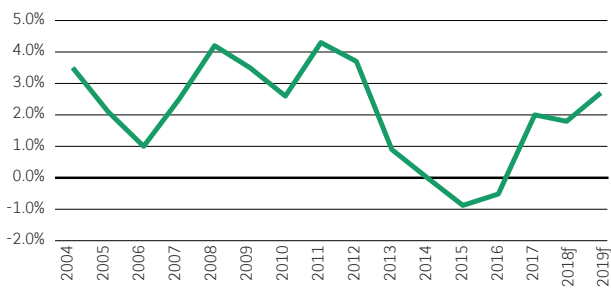
Macroeconomic Snapshot

Annual GDP growth (%)



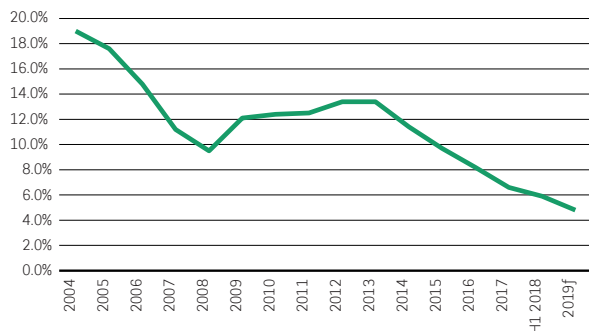
Source: GUS, NBP, f - forecast

Annual CPI (%)



Source: GUS, NBP, f - forecast

Unemployment rate (%)



Source: BNP Paribas, Oxford Economics, f - forecast

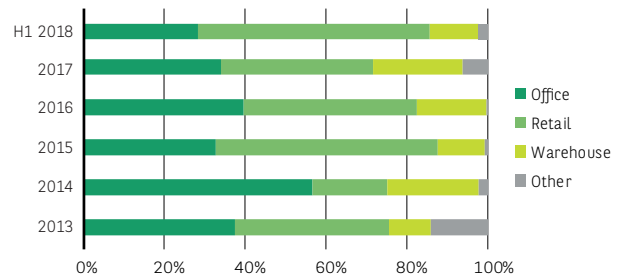
Investment Snapshot

Annual prime yields per sector (%)



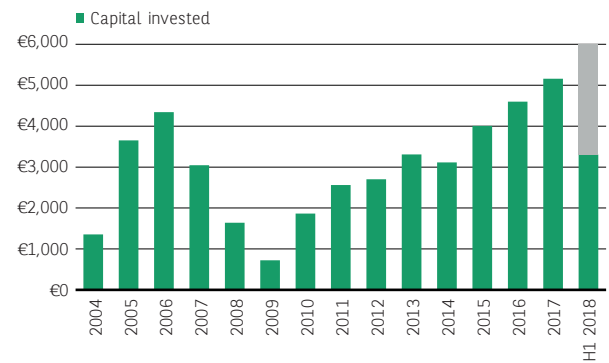
Source: BNP Paribas Real Estate, f - forecast

Annual sector split of investment volumes (%)



Source: BNP Paribas Real Estate

Annual volume of investment transactions (€ m)



Source: BNP Paribas Real Estate

Selected major transactions in Poland, H1 2018

Scheme	Sector	Location	Vendor	Investor	Size (m ²)	Est. lot size (€m)
Chariot Portfolio	Retail	Multi-city	Ares / Apollo Rida / Axa	Chariot Top Group	700,000 sq m	1 000
TriGranit (shares)	Office	Multi-city	TPG	Revetas / Goldman Sachs	130,354 sq m	326,97
Portfolio M1 schemes (four locations)	Retail	Multi-city	Chariot Top Group	EPP	194,500 sq m	358,7
Galeria Katowicka	Retail	Katowice	Meyer Bergman	Employees Provident Fund of Malaysia (EPF)	48,000 sq m	300
Warsaw Spire A - 50% shares	Office	Warszawa	Ghelamco	Madison International Realty	31,500 sqm	175
Quattro Business Park	Office	Kraków	Starwood Capital Group	Globalworth	60,200 sq m	139,7
Portfolio - Czyżyny, Guliwer, Bielawy shopping centres	Retail	Kraków, Łódź, Toruń	Aerium	Newbridge	72,000 sq m	110
Amazon Szczecin	Industrial	Szczecin	BNP REIM / Vestas	Invesco	161,500 sqm	conf
Aura Centrum Olsztyna	Retail	Olsztyn	Rockspring Property Investment Managers	NEPI Rockcastle	24,200 sq m	64,9
Warta Tower	Office	Warszawa	KREH2 Sp. Z o.o. / Chmielna S.á r.l.	Globalworth	28,000 sq m	55
Pegaz	Office	Wrocław	UBM	Warburg - HHI	21,000 sq m	54
Prologis Portfolio (part of Pan-Euro transaction)	Industrial	Sochaczew	Prologis	Ares Management	101,000 sq m	46
Atrium Centrum	Office	Warszawa	Peakside Capital Advisors	CPI Property Group	17,600 sq m	43
Holiday Inn Twarda	Other	Warszawa	UBM	Union Investment	256 rooms	41

Source: BNP Paribas Real Estate

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6 BUSINESS LINES in Europe

A 360° vision

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