

Poland Investment, H2 2016

# The Polish investment market remains the stand out performer across the CEE Region with over EUR 4.5 billion transacted in 2016

Investment volume  
**EUR 4.5 billion**

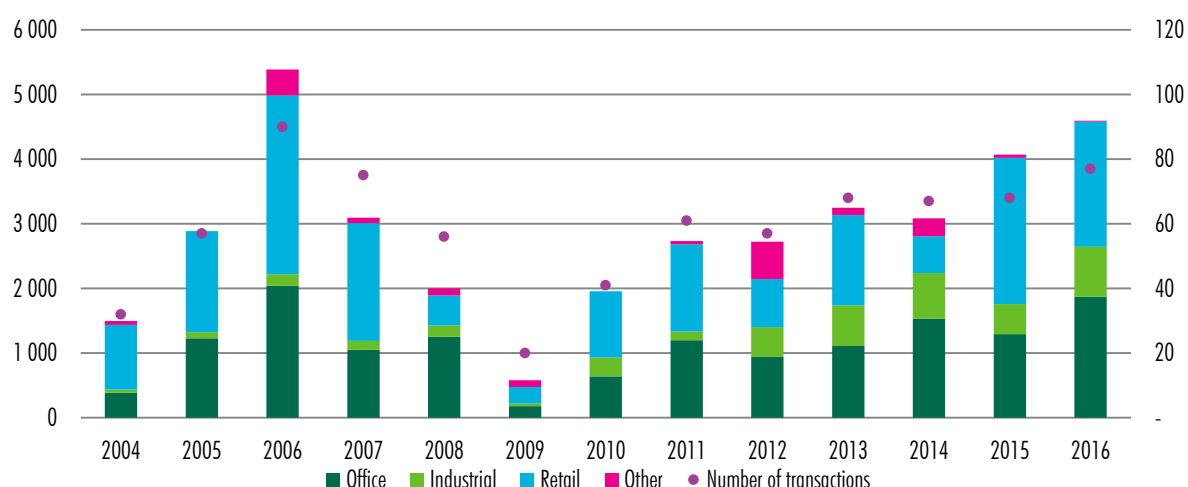
Prime yield office  
**5.35%**

Prime yield industrial  
**6.00%**

Prime yield retail  
**5.25%**

\*Arrows indicate change from previous year

**Figure 1: Investment market in Poland – breakdown by type of property (in EUR million)**



Source: CBRE Research, 2017

## OUTLOOK

- Investment demand for commercial properties remained strong in 2016. The transaction pipeline for 2017 indicates that the total investment volume will reach similar level as in years 2015-2016,
- In Q4 2016, total investment volume was boosted by six substantial investment transactions on the Warsaw office market which were responsible for 15% of total investors activity in Poland. Investors focus in 2017 should encompass all sectors and we expect to record large tickets in retail, offices and logistics,
- Prime yields will be under further downward pressure in nearly all sectors in 2017. Nevertheless, due to relatively strong investor interest, the spread between prime and secondary assets should increase slightly.

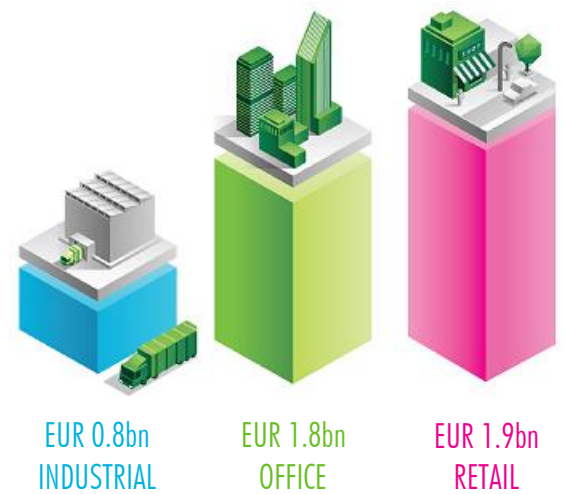
## SUMMARY

- 2016 was a record breaking year and the best since the financial crisis in 2009 with total investment volume at the level of EUR 4.5 billion indicating growth of 13% in comparison to 2015, which was also exceptional in terms of investment volume (EUR 4.1 billion),
- The market was dominated by a number of very large transactions including stand-alone assets and portfolio deals,
- The largest transaction of the year was a corporate transaction with Redefine acquiring a substantial stake in the Echo Investment Portfolio,
- Prime yields are continuously on a compression path in all sectors of the commercial real estate market in Poland.

## MARKET OVERVIEW

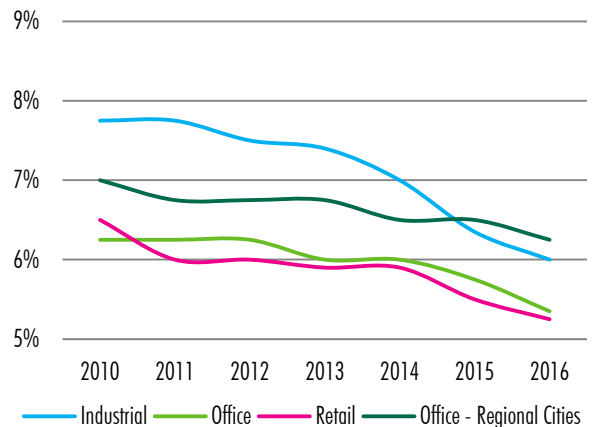
- Investment volume in the retail sector stood at the level of EUR 1.9 billion reflecting a 43% share in the total investment volume.
- The office sector gained a 40% share in the total investment volume and amounted to EUR 1.8 billion. This represents a record volume and is the highest ever registered on the Polish investment market within this sector. Furthermore, over 60% of investment volume in the office sector was allocated to properties based in Warsaw.
- The total investment volume in the industrial sector registered in the 2016 was at the level of EUR 0.77 billion indicating a growth of 67% in comparison to 2015.
- 77 transactions were included in the investment track record in 2016 and the average transaction size reached a level of EUR 59 million.
- Prime yields in all sectors have compressed to record levels.
- Prime office yields in Warsaw are estimated at a level of 5.35%, whereas prime office yields in regional cities are estimated at 6.25%; prime yields for shopping centres have been compressed to 5.25%, whilst prime yields for industrial properties remain stable at the level of 6.00%
- Foreign capital accounted for approximately 97% of all purchases in 2016.
- The Polish investment market was dominated by investors from South Africa who participated in over 37% of the transaction volume conducted in 2016, followed by the United States, United Kingdom and Germany with shares of 21%, 12% and 9%, respectively in the total investment volume.

Figure 2: Property turnover divided by segments in 2016



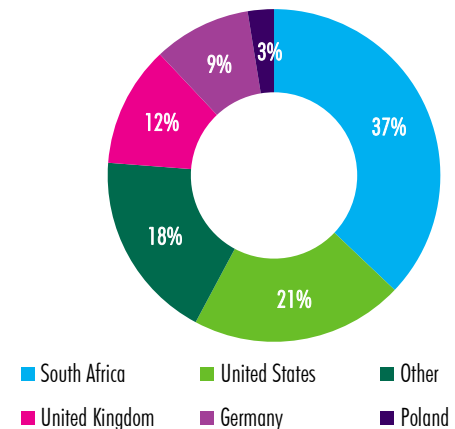
Source: CBRE Research, 2017

Figure 3: Poland prime yields (2010 –2016)



Source: CBRE Research, 2017

Figure 4: Origin of investor in 2016 (%)



Source: CBRE Research, 2017

**Figure 5: Selected investment transactions in 2016**

City	Sector	Property	EUR M	Vendor	Purchaser
Various	Office/ Retail	ECHO Investment Portfolio	891	ECHO Investment	Redefine Properties
Krakow	Retail	Bonarka City Center	361	TPG Real Estate	RockCastle
Warsaw	Office	Q22	273	Echo Investment	Invesco
Warsaw	Office	Gdanski Business Center Phase I	183	HB Reavis	Savills IM
Various	Retail	Focus Mall Portfolio	160	Aviva	RockCastle
Various	Industrial	Hillwood Portfolio	155	Hillwood	CBRE Global Investors
Olsztyn	Retail	Galeria Warminska	150	Libra Project	RockCastle

Source: CBRE Research, 2017

**EXPERTS VIEW**
**SEAN DOYLE - HEAD OF INVESTMENT PROPERTIES**


"The strong investment transaction volume recorded in 2016 demonstrates that Poland remains a favoured destination among international investors in spite of concerns over the political situation and significant pipeline in the office and logistics markets. Ultimately, the strong economic fundamentals continue to underpin strong growth which has manifested itself in record years of net absorption in both sectors which has largely resulted in virtually all new space being leased. The 4.5 billion traded was a post crisis record and activity was witnessed across sectors with office and retail dominating. Interestingly, South African investors accounted for approximately 37% of volume with groups like Rockcastle and Redefine closing some of the largest deals in 2016 with Asian Capital also behind a number of larger transactions such as the Amazon sale and leaseback and EPF of Malaysia behind Savills IM purchase of Gdanski Business Park. German investors remain aggressive buyers of prime office in Warsaw and regional cities while US capital are particularly active in the value add and secondary end of the market. 2016 saw additional consolidation in the logistics market with groups like CBRE GI and Hines adding to their already substantial portfolios."

**PRZEMYSŁAW FELICKI - INVESTMENT PROPERTIES, DIRECTOR**

"We are expecting that the situation on the Polish investment market will remain positive in 2017 and will be stimulated mostly by strong occupational markets across all sectors, relatively high yields and the high quality of available assets on the market. In terms of sources of capital, we can expect further interest of funds from Asia and Africa. Besides international capital, we see increasing interest from CEE funds which are planning to enter the Polish market. Moreover, we will be observing an increased penetration of investors in alternative sectors such as student housing, the residential market or healthcare."


**WOJCIECH PISZ - INVESTMENT PROPERTIES, DIRECTOR**


"In 2016, despite positive investment market results, there was a level of uncertainty among investors in terms of the stability on the Polish investment market caused by several legislative changes such as the recently implemented regulations relating to Close-Ended Funds or difficulties with VAT interpretations, which affected some investors decisions regarding the allocation of capital into Polish assets. Nevertheless, we are expecting that 2017 will bring stabilization on the Polish investment market due to planned decisions in terms of taxation on transactions or implementation of new investment vehicles such as REIT's (Real Estate Investment Trusts), which additionally increase the stability of the market."

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