

Poland Investment, Q3 2017

# A strong retail sector dominates the Polish investment market in 2017

 Volume 2017 YTD  
EUR 2.4 billion

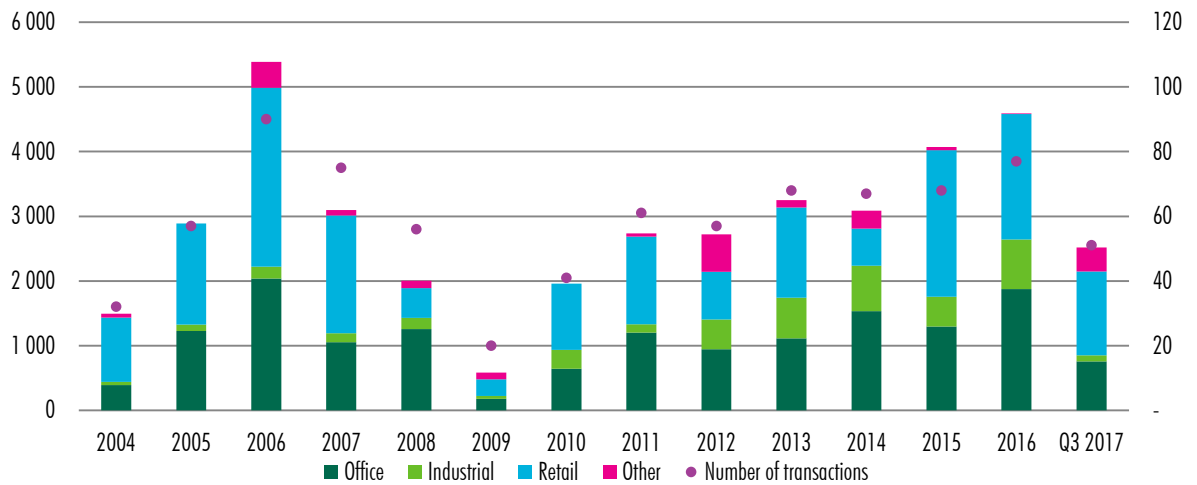
 Prime yield retail  
5.15%

 Prime yield office  
5.20%

 Prime yield industrial  
6.00%

\*Arrows indicate change from the corresponding quarter in the previous year

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



Source: CBRE Research, 2017

OUTLOOK

- The right fundamentals for the Polish economy ensure strong demand for real estate assets in Poland. The current transaction pipeline for 2017 indicates that the total investment volume may reach similar levels as in years 2015-2016.
- Slightly lower turnover in the first three quarters was caused by the increase in transaction time. Taking into consideration the number of ongoing transactions, CBRE expects that the greatest tickets will be recorded in the retail and industrial sectors, where several portfolio transactions are being closed.
- Significant investor activity in the office sector is expected in years 2020-2021, when completions of the greatest tower projects like Varso, Warsaw Hub and Mennica Legacy Tower are planned.
- Prime yields will be under further downward pressure in nearly all sectors at the end of 2017. Nevertheless, due to relatively strong investor interest, the spread between prime and secondary assets should increase slightly.

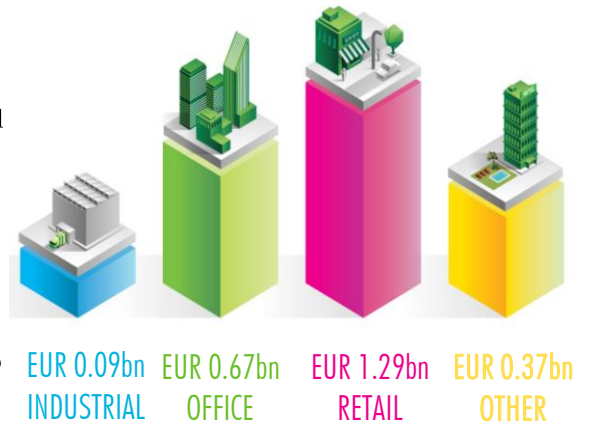
SUMMARY

- Investment activity increased in the third quarter with over EUR 800,000,000 transacted as the political and tax situations appear to have somewhat stabilized with investors implementing new structures in relation to the VAT changes.
- In 2017 YTD the investment volume amounted to EUR 2.4 bln of which more than 50% was recorded in the retail sector
- Almost 50% of the investment volume in 2017 was traded in 10 portfolio transactions recorded on the market.
- Prime yields are on a continuous compression path in all sectors of the commercial real estate market in Poland.
- New sectors like hotels and PRS have emerged on the market as a result of the increasing requirement for portfolio diversity

**MARKET OVERVIEW 2017 YTD**

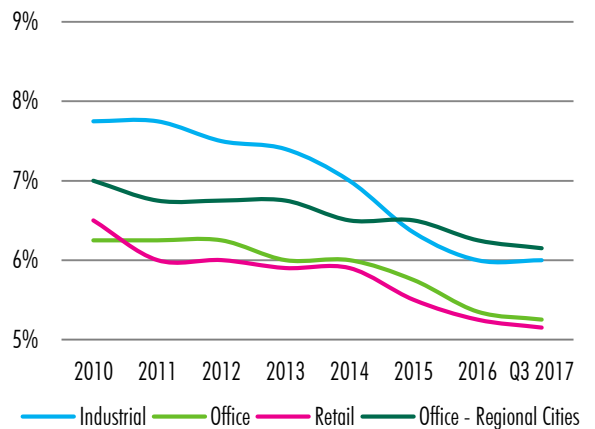
- Investment volume in the retail sector stood at the level of EUR 1.29 billion reflecting a 53% share in the total investment volume. Investor demand remains focused mainly on prime city centre retail assets (in smaller cities as well) and suburban hypermarket-anchored galleries.
- The office sector gained a 28% share in the total investment volume and amounted to EUR 0.67 billion. Although restricted supply in Warsaw CBD has limited volume within the sector, there are many ongoing transactions and investor activity should be high at the end of the year.
- The total investment volume in the industrial sector registered in Q1 – Q3 2017 was at the level of EUR 0.09 billion and in these first three quarters only 3 transactions were registered. However, several portfolio transactions are ongoing and the final volume should be similar to 2016.
- It is worth noting the increased activity within the hotel and residential sectors which have accounted for more than 15% of investment volume in 2017 YTD.
- 51 transactions were included in the investment track record in 2016 and the average transaction size reached a level of EUR 48 million.
- Prime yields in all sectors have compressed to record levels.
- Prime office yields in Warsaw are estimated at a level of 5.20%, whereas prime office yields in regional cities are estimated at 6.15%; prime yields for shopping centres have been compressed to 5.15%, whilst prime yields for industrial properties remain stable at the level of 6.00%

**Figure 2: Property turnover divided by segments in 2017 YTD**



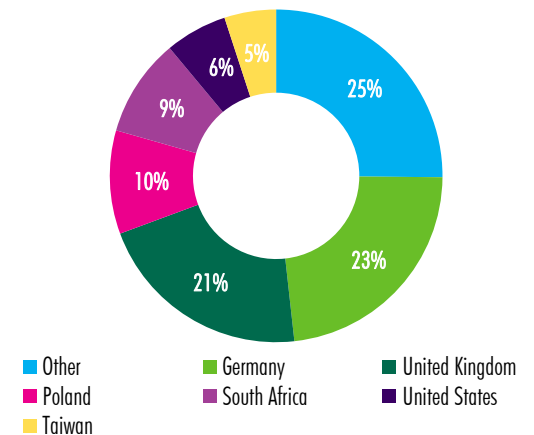
Source: CBRE Research, 2017

**Figure 3: Poland prime yields (2010 – Q3 2017)**



Source: CBRE Research, 2017

**Figure 4: Origin of investor in 2017 YTD (%)**



Source: CBRE Research, 2017

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