

Poland Investment, H1 2016

Investment market in Poland continues the path of growth after the record 2015 year

▲ Investment volume
EUR 2 billion

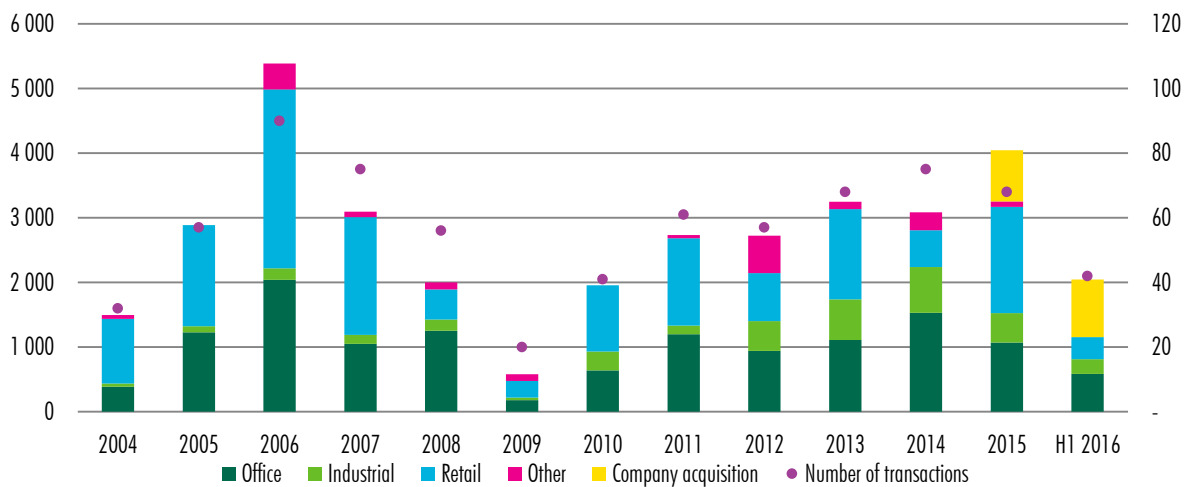
▼ Prime yield office
5.50%

▼ Prime yield industrial
6.00%

▼ Prime yield retail
5.50%

*Arrows indicate change from previous year

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



Source: CBRE Research, H1 2016

OUTLOOK

- High quality core retail and office products are still on the top of investors interest.
- Demand for retail products is broadly broken down into two categories, prime city center retail assets that continue to achieve the best yields and suburban, hypermarket-anchored galleries, where yield levels are already easing.
- With limited number of prime properties, investors are commonly considering secondary projects or schemes located in regional markets. Office investment volume is likely to increase in 2016 along with large mandates, like Q22 or Warsaw Spire coming to the market.
- Prime yields are subject to downward pressure in nearly all sectors.

SUMMARY

- In H1 2016, over EUR 2 billion was invested in the Polish commercial property market, reflecting an increase by 2.5 times in comparison to the same period in the previous year.
- Office investment in regional cities accounted for almost 60% of all transactions closed in this sector in H1 2016.
- The investment activity in H1 2016 was dominated by one corporate transaction which accounted for 44% share in the total investment volume in H1 2016 and was the largest single transaction on the Polish investment market.
- Prime office yields in Warsaw are estimated at 5.50% whereas prime office yields in regional cities are estimated at 6.25%.

MARKET OVERVIEW

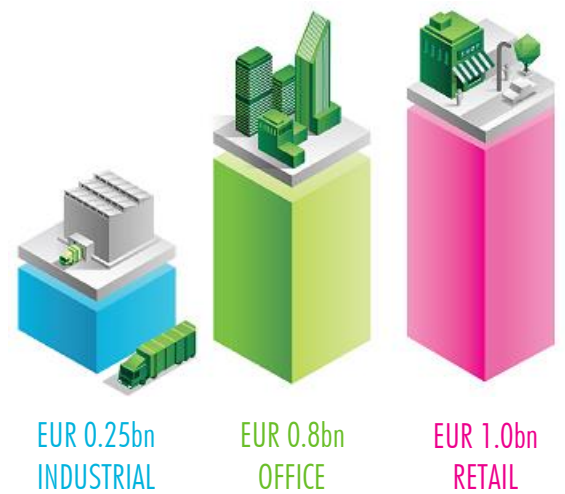
- The retail market gained a 48% share (EUR 1.0 billion) of overall investment, followed by the office market accounting for 40% (EUR 0.8 billion) and the industrial sector with a 12% share (EUR 0.25 billion).
- Foreign capital accounted for approximately 96% of all purchases in H1 2016.
- Investors from the South Africa were the most active players in the Polish investment market with a 44% share, followed by USA and Germany with share respectively of 21% and 16% in the total investment volume.
- The acquisition of 75% interest in Echo Prime Properties by South African investor Redefine Property was the largest investment transaction in Poland ever registered. The portfolio consist of 18 retail and office assets with a total value of ca. EUR 1.18 billion.
- 42 transactions were included in the investment track record in H1 2016 and the average transaction size reached a level of EUR 47.5 million.

IMPACT OF BREXIT ON POLISH INVESTMENT MARKET

For the time being, we have not registered any serious consequences of BREXIT or political uncertainty for the Polish Investment Market. However, these topics are very often raised and used as reasons in case of any delays in transactions.

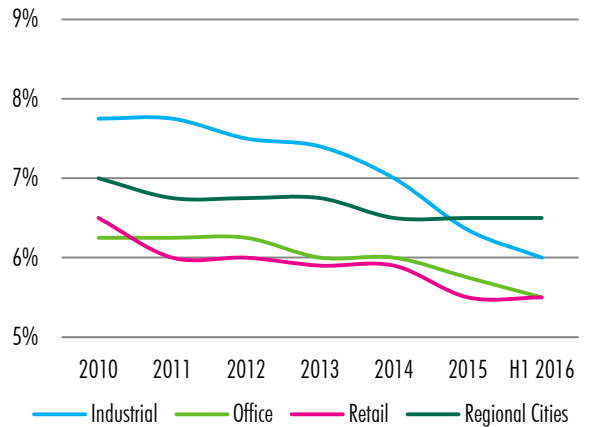
It should be noted that short-term forecast relating to economic growth rates have been revised down across Europe and this might have more implication for the investment markets. Nevertheless, the view is that recovery will continue and that economies will still be expanding including the Polish one

Figure 2: Property turnover divided by segments in H1 2016



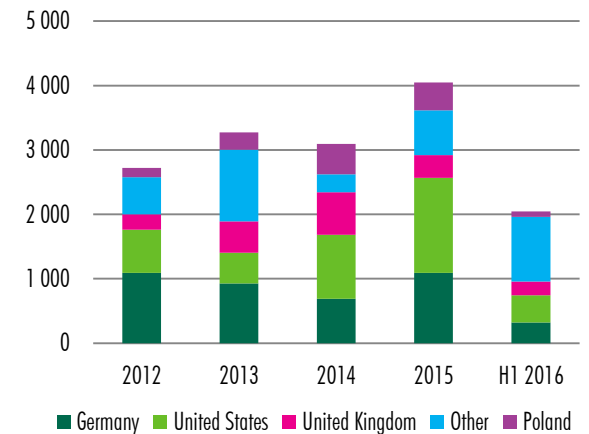
Source: CBRE Research, H1 2016

Figure 3: Poland prime yields (2010 – H1 2016)



Source: CBRE Research, H1 2016

Figure 4: Deals closed by origin of investor (in EUR million)



Source: CBRE Research, H1 2016

Figure 5: Selected investment transactions in H1 2016

City	Sector	Property	EUR M	Vendor	Purchaser
Various	Retail/Office	Echo Prime Property Portfolio	891	Echo Investment	Redefine Properties
Slupsk	Retail	Jantar	92	Tristan Capital Partner/ Mayland	CBRE Global Investors
Warsaw	Office	Prime Corporate Center	91	Golub GetHouse	Warburg HIH
Konin	Retail	Ferio Konin	71	Rockspring	Union Investment
Gdansk	Office	Alchemia II	60	Torus	PHN
Krakow	Retail	CH Krokus	60	Valad Europe	Mayland
Gdansk	Office	Allcon Park	60	Allcon Investment	Intel
Warsaw	Office	Wisniowy Business Park D,E,F,G	59	Peaksid Polandia Management	Valad Europe
Poznan	Office	Pixel	32	Garvest	GTC/ Lonestar

Source: CBRE Research, H1 2016

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