

THE COMMERCIAL REAL ESTATE INVESTMENT MARKET HAS STILL SOMETHING TO SAY

In total, in the third quarter, Polish commercial real estate investors spent just over EUR 1.4 billion. Most of it was invested in logistics, warehousing, and industrial projects. Players from the United States were particularly active. The authors of the quarterly report by BNP Paribas Real Estate Poland indicate that the market already phases the yield rates decompression.

After three quarters of the year, investment market transactions amounted in total to over EUR 4.25 billion. The result was largely influenced by such factors as concerns about geopolitical developments, the further effects of disrupted supply chains and the pace of returning to new normality, as well as the impact of a decelerating economy, rising inflation, the energy crisis and rising financing costs. BNP Paribas Real Estate Poland experts stress that real estate in Poland still attracts capital and the amount spent on real estate by the end of the year should break the threshold of EUR 5 billion.

Logistics and warehousing projects accounted for almost 59% of the quarterly value of all transactions concluded. The acquisition of a portfolio of 14 properties purchased by CBRE Investment Management from Hillwood is noteworthy. The total area of the acquired warehouses amounted to 629,000 sqm.

In the period analyzed, the final sale was conducted of the Generation Park Y office skyscraper, the last building of the Generation Park complex in Warsaw. The terms and conditions of the transaction between the seller, Skanska, and the new owner, Hansainvest Real Assets fund, were agreed upon at the end of the previous year. The transaction value exceeded EUR 285 million and became one of the record results of Skanska's entire office development history in Central and Eastern Europe. Another significant transaction was closed when the sale of three office buildings (Carbon Tower in Wrocław, as well as Ocean Office Park A and Tischner Office in Krakow) was finalised by the developer, Cavatina, to the American fund Lone Star. The fund decided to pay approximately EUR 139 million for 66,000 sqm of offices with a rental rate of around 90%. In total, office transactions accounted for almost 28% of the total office investment volume in this quarter.

Smaller formats prevailed again in the retail sector. Prochownia, built by Ghelamco in Łomianki near Warsaw, Franowo Commercial Park, as well as other real estate previously belonging to Tesco found new owners. Worth noting is the sale of the Łódź shopping and entertainment centre Sukcesja as it has not attracted interest for years. Amush Investment Group, owned by Sabri Bekdas, paid PLN 79.5 million



for the property. The new owner has announced changes, as the centre will open up with a new name, offering and interior design. The initial schedule assumes that the rejuvenated facility at Al. Politechniki 1 in Łódź will welcome its first guests in the summer of 2023.

*- Recent months have brought significant changes to the investment market. New strategies have already emerged for new, difficult times. A positive signal for the future in the commercial sector is the comeback of transactions that involve larger retail assets. Soon, we expect the sale of the Matarnia centre in Gdańsk or Andrychów Park, says **Mateusz Skubiszewski**, Head of Capital Markets at BNP Paribas Real Estate Poland.*

In the third quarter, transactions in the PRS sector were finalised. Marvipol Development constructed and entered into a transfer of ownership agreement with one of the leading lease operators in the real estate market – the Heimstaden fund. The developer will earn nearly EUR 19 million net for the sale of 138 apartments in the Unique Tower investment. On the other hand, in Wrocław, Atrium Group bought an apartment building named Studio Plac Dominikański. There are 138 finished single- and double-room apartments in the seven-storey building, with areas ranging from 15 m² to 47 m². According to the assumptions of the new owner, young people who work in Wrocław on short-term and medium-term contracts will first reside there.

The authors of the report indicate that between July and the end of September, most of money was spent by investors from the United States (46% of the transaction value) or Germany (20%). However, it is difficult to assess today whether the increased activity of players from the Western markets is a sustainable trend, as some of their contracts having a significant impact on the total volume were agreed last year.

*- The continuing uncertainty, dictated not only by the geopolitical situation but also by the worsening economic crisis, translates into lengthened decision-making processes and limited capital activity. Some investors, mainly from Western Europe, continue to work in a 'wait-and-see mode'. A good sign is that investors from our region and Scandinavia are becoming more active, as they have brought in 18% of the capital invested in Polish properties since the beginning of the year. This undoubtedly stems from the fact they may be viewing the conflict in Eastern Europe from a somewhat different perspective, says **Marta Gorońska-Wiercioch**, Associate Director from the Capital Markets Department, BNP Paribas Real Estate Poland.*

As expected, the revaluation of sales prices started in the third quarter, although not all sectors have been as affected as warehouses. Today, it is estimated that the best single facilities in the logistics and industrial sector around Warsaw will be valued at 4.75%, while those in regions will reach 5.15%. Capitalisation rates for the best shopping parks also decompressed by 25 pp. Moreover, BNP Paribas Real Estate Poland experts indicate that it is difficult to determine the level of changes in rates for the best office buildings or shopping centres, as transactions involving such assets did not occur in the last quarter. In contrast, due to the significant influence of factors that were difficult to predict a few months ago, the valuation of rates for transactions at the end of last year cannot be taken as a sound reference today.



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