



At a glance **Q2 2017**

Investment Market in Poland

The continuous positive economic performance of Poland combined with availability of sound investment products achieving attractive yields compared with Western markets are the main signals from the investment market over the last quarter.



1

SOLID Q2 FIGURES WITH RETAIL RIDING THE WAVE

After a sluggish start to the year, investment activity has been re-vigorated over the last three months, achieving over €1 billion in Q2. The aggregated volume of investment in the first six months of 2017 reached €1.5 billion, representing a 24% decrease y/y. However, if pending deals conclude, the year-end result should be close to €4.2-4.4 billion, which would be similar to the record of 2016 when €4.5 billion was transacted.

The retail sector accounted for 80% market share of capital invested in Q2, mainly resulting from large portfolio acquisitions.



80%

share of retail sector in investment volume in Q2 2017

2

YIELD DICHOTOMY CONTINUES

On the one hand, investors have been piling into top end property pushing up prices, however, there has been little evidence of prime assets achieving landlords' price expectations.

On the other hand a wave of value-add and opportunistic investors, including newcomers, are keen to acquire. Therefore the yield gap between trophy assets and more ordinary secondary buildings is widening and currently stands on average at 1.5-2.5 p.p. and in some cases even more.

1.5-2.5 p.p. difference on prime vs. secondary

3

CLOUDS ON THE HORIZON FOR REITS

In May 2017, the Government released a second draft bill related to REITs in Poland intended to come into force from 1st January 2018. Public consultations are ongoing. However a recent National Bank of Poland (NBP) statement relating to over exposure and pricing momentum may cool off and slow down these proceedings.

Introduction of REITs in Poland should have a positive influence on the Polish commercial real estate market, increasing the share of domestic capital on the market that is currently dominated by foreign investors (approx. 90%). It would also be beneficial for Polish capital markets mainly due to connecting tax preferences with a requirement to admit REIT share trading on the stock market.



Waiting for REIT Act

4

UNCERTAINTY ON TAX RULING PUSHES DEVELOPERS TO BUILD HOLDINGS

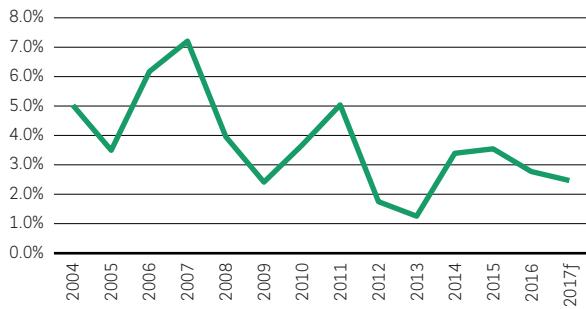
Since last year a change in the approach of the tax authorities to VAT classification of real estate transactions has caused uncertainty in the Polish investment market. Some interpretations state that the sale of leased commercial properties, previously seen as sale of assets on a piecemeal basis, should be classified as the sale of an enterprise. Thus, tax authorities have recently challenged VAT refunds on completed transactions.

In view of such trends and complications upon exit, some developers consider establishing property holding structures and funds, in which income producing schemes are placed and held.



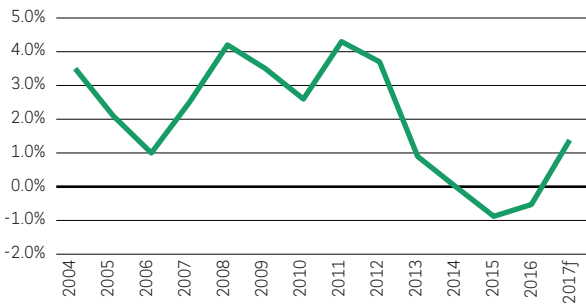
Macroeconomic Snapshot

Annual GDP growth, in %



Source: BNP Paribas, Oxford Economics, f - forecast

Annual CPI, in %



Source: GUS, NBP, f - forecast

Unemployment Rate, in %



Source: BNP Paribas, Oxford Economics, f - forecast

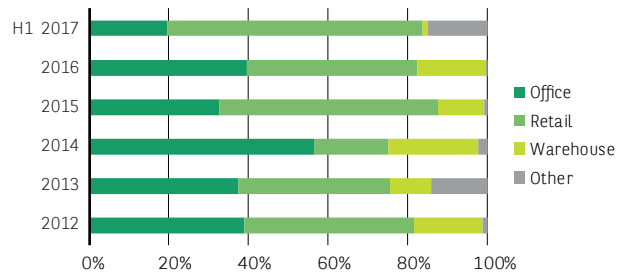
Investment Snapshot

Annual Prime Yields per Sector, in %



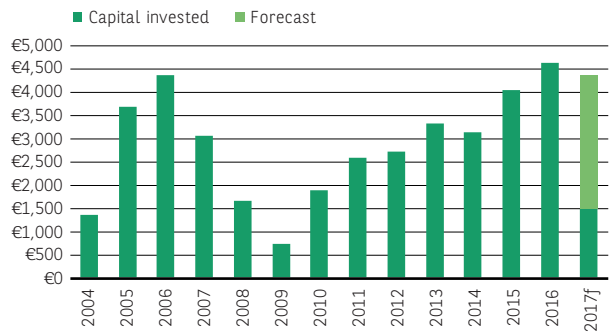
Source: BNP Paribas Real Estate, f - forecast

Annual Sector Split of Investment Volumes, in %



Source: BNP Paribas Real Estate

Annual Volume of Investment Transactions, in € m



Source: BNP Paribas Real Estate, f - forecast

Top 10 transactions in Poland, Q1-Q4 2016

Scheme	Sector	Location	Vendor	Investor	Size	Est. lot size (€m)
Ikea Centers portfolio	Retail	Janki, Poznań, Warsaw, Katowice	Ikea Centers	Pradera	138,000 sqm	220
Fashion House portfolio	Retail	Sosnowiec, Gdańsk, Piaseczno	Peaksid Capital	RREEF Spezial Investment GmbH	50,600 sqm	200
BPH FIZ portfolio	Retail / Office	Warsaw (8 buildings), Bolesławiec, Chorzów, Kraków	BPH FIZ Nieruchomości	Octava FIZAN (Elliott)	140,000 sqm	150
Galeria Twierdza I Kłodzko Galeria Twierdza Zamość Wzorcownia Galeria Tęcza	Retail	Kłodzko, Zamość, Włocławek, Kalisz	Blackstone	Echo Polska Properties	73,000 sqm	141.6
Ogrody Shopping Centre	Retail	Elbląg	CBRE Global Investors	CPI Property Group	41,500 sqm	91
Sheraton Kraków	Hotel	Kraków	Algonquin	Invesco	232 rooms	70
Maraton	Office	Poznań	Skanska AB	Union Investment	23,600 sqm	62
Radisson Blu Hotel Warsaw	Hotel	Warsaw	LHI	Europa Capital, Rezidor Hotel Group	311 rooms	60
Westin	Hotel	Warsaw	Skanska	Al. Srailya Hotels & Hospitality Group	361 rooms	56
Zakopianka	Retail	Kraków	Tristan Capital Partners	Echo Polska Properties	26,300 sqm	53.3

Source: BNP Paribas Real Estate

AUTHOR

Anna Staniszewska Head of Research & Consultancy, CEE, anna.staniszewska@bnpparibas.com

CONTACTS

Patrick Delcol Chief Executive Officer, CEE, Head of Capital Markets, CEE, patrick.delcol@bnpparibas.com

Dr. Piotr Goździewicz MRICS Director, Capital Markets, CEE, piotr.gozdziejewicz@bnpparibas.com

Mateusz Skubiszewski MRICS Director, Capital Markets, CEE, mateusz.skubiszewski@bnpparibas.com

John Palmer FRICS SIOR Director, Capital Markets, CEE, john.palmer@bnpparibas.com

BNP Paribas Real Estate Poland Sp. z o.o.

al. Jana Pawła II 25, 00-854 Warsaw

Tel. +48 22 653 44 00

All rights reserved. At a Glance is protected in its entirety by copyright. No part of this publication may be reproduced, translated, transmitted, or stored in a retrieval system in any form or by any means, without the prior permission in writing of BNP Paribas Real Estate.

6 BUSINESS LINES in Europe

A 360° vision

Main locations*

EUROPE

FRANCE

Headquarters
167, Quai de la Bataille
de Stalingrad
92867 Issy-les-Moulineaux
Tel.: +33 1 55 65 20 04

BELGIUM

Avenue Louise 235
1050 Brussels
Tel.: +32 2 290 59 59

CZECH REPUBLIC

Pobřežní 620/3
186 00 Prague 8
Tel.: +420 224 835 000

GERMANY

Goetheplatz 4
60311 Frankfurt
Tel.: +49 69 2 98 99 0

HUNGARY

117-119 Váci ut.
A Building
1123 Budapest,
Tel.: +36 1 487 5501

IRELAND

20 Merrion Road,
Ballsbridge, Dublin 4
Tel.: +353 1 66 11 233

ITALY

Piazza Lina Bo Bardi, 3
20124 Milano
Tel.: +39 02 58 33 141

JERSEY

3 Floor, Dialogue House
2 - 6 Anley Street
St Helier, Jersey JE4 8RD
Tel.: +44 (0)1 534 629 001

LUXEMBOURG

Axento Building
Avenue J.F. Kennedy 44
1855 Luxembourg
Tel.: +352 34 94 84
Investment Management
Tel.: +352 26 26 06 06

NETHERLANDS

Antonio Vivaldistraat 54
1083 HP Amsterdam
Tel.: +31 20 305 97 20

POLAND

Al. Jana Pawła II 25
Atrium Tower
00-854 Warsaw
Tel.: +48 22 653 44 00

ROMANIA

Banul Antonache
Street n°40-44
Bucharest 011665
Tel.: +40 21 312 7000

SPAIN

C/ Génova 17
28004 Madrid
Tel.: +34 91 454 96 00

UNITED KINGDOM

5 Aldermanbury Square
London EC2V 7BP
Tel.: +44 20 7338 4000

MIDDLE EAST / ASIA

DUBAI

Emaar Square
Building n° 1, 7th Floor
P.O. Box 7233, Dubai
Tel.: +971 44 248 277

HONG KONG

25 /F Three Exchange
Square,
8 Connaught Place, Central,
Hong Kong
Tel.: +852 2909 2806

Alliances*

ALGERIA

AUSTRIA

CYPRUS

DENMARK

ESTONIA

FINLAND

GREECE

HUNGARY **

IVORY COAST

LATVIA

LITHUANIA

MOROCCO

NORTHERN IRELAND

NORWAY

PORTUGAL

SERBIA

SWEDEN

SWITZERLAND

TUNISIA

USA

* March 2017

** Coverage In Transaction, Valuation & Consulting



[@BNPPRE_PL](#)

www.realestate.bnpparibas.pl



PROPERTY DEVELOPMENT | TRANSACTION | INVESTMENT MANAGEMENT | PROPERTY MANAGEMENT | VALUATION | CONSULTING



**BNP PARIBAS
REAL ESTATE**

Real Estate
for a changing
world