



At a glance **Q4 2016**

Investment Market in Poland

Similarly to last year, the last quarter of 2016 with nearly €2 billion of transactions completed made up for the sluggish performance over January and September. Despite VAT issues and mixed signals regarding economic forecasts, investors showed strong appetite for Polish properties. It resulted in sharpening of prime yields as well as high overall investment volume for the year 2016 closing at €4.6 billion, the second best result in the history of the Polish Investment market. Acquisition of Echo portfolio by Redefine accounted for 20% of the trading.

Headlines

ONE

Warsaw back on track.

Six office acquisitions in Warsaw, totaling €671 million significantly boosted the investment market in Q4 2016. With a slight compression in the prime yield curve, in spite of worrying signals on the occupier market with vacancy on the rise, investors are confident about the office market prospects in the Capital. Parallel, there is also interest in regional office markets, which offer 1.00-1.50 bps higher yields.

TWO

Significant portfolio deals in industrial & logistics.

Q4 2016 witnessed Hillwood's and P3's portfolios changing hands, which along with a few other smaller transactions, brought the industrial sector to 26% of the overall investment volume. Prime yields remained stable over the course of 2016. The logistics sector continues to be high on investors' agenda.

THREE

Single asset deals in secondary markets dominate the retail sector.

The retail sector attracted nearly 600 million in Q4 2016, mainly in mid-sized cities. Due to expensive pricing expectations and lack of products available for sale in the category of prime retail centres, investors are clearly pursuing opportunities in core-plus and value-add segment.

FOUR

Gap between prime and average widens.

There has been limited prime yield movement over the last quarter. Prime schemes are valued at 5.25-5.50% for office, 5.00-5.25% for retail and 5.50-6.50 for warehouses.

The yield gap between prime and average assets is widening across the sectors. With large volume schemes in secondary locations and/or of average quality, the yield spread is widening with 1-3 bps upside vs. prime properties.

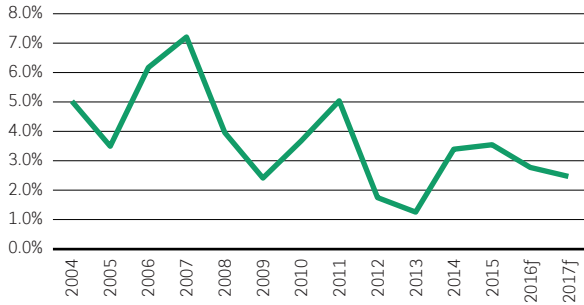
FIVE

Uncertainty remains the only certainty.

Geopolitical risks on a National, European as well as worldwide scale are top concerns for investors across the globe. There are signs that confidence in the Polish market of some investors has been strained and that they are more conscious about destination of capital allocation. The perspective of uncertainty of tax and legal framework as well as long-term economic implications of social reforms have caused delays in closing transactions.

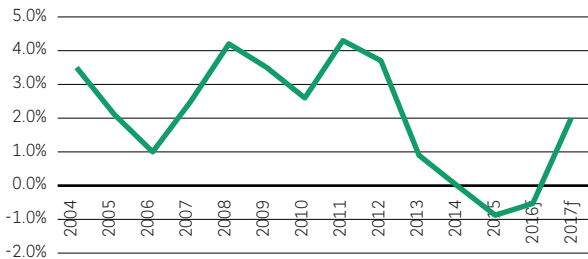
Macroeconomic Snapshot

Annual GDP, in %



Source: BNP Bank, Oxford Economics, f - forecast

Annual CPI, in %



Source: BNP Bank, Oxford Economics, f - forecast

Annual Unemployment Rate, in %



Source: GUS, NBP, f - forecast

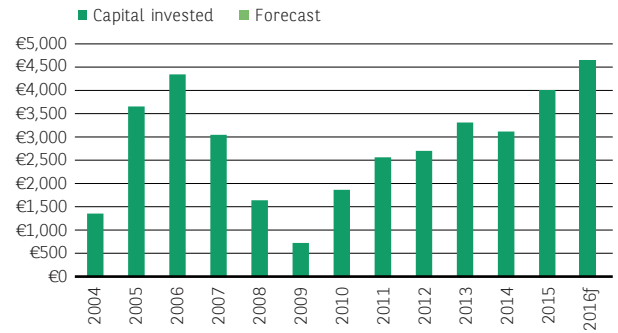
Annual Retail Sales, in %



Source: BNP Bank, Oxford Economics, f - forecast

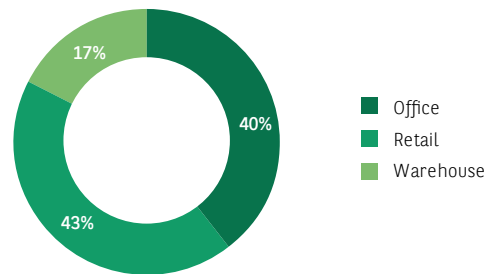
Investment Snapshot

Annual Volume of Investment Transactions, in €m



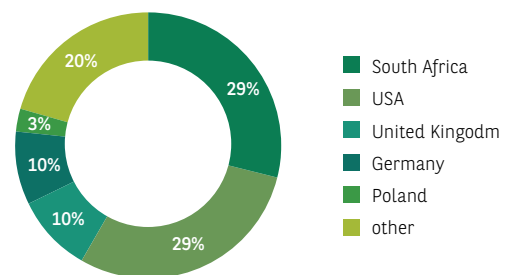
Source: BNP Paribas Real Estate, f - forecast

Sector Split of Investment Volume, Q1-Q4 2016



Source: BNP Paribas Real Estate

Nationality of Investors, Q1-Q4v 2016



Source: BNP Paribas Real Estate

Annual Prime Yields per Sector, in %



Source: BNP Paribas Real Estate, f - forecast

Top 5 Trends for 2016

- Despite uncertainty regarding mid- and long-term implications for the economy connected with reforms introduced by the government and the world-wide political turmoil, investors continue to perceive Poland as a good capital destination. This has been supported by recent credit ratings: S&P affirmed rating at BBB+, raising outlook from negative to stable. Prime yields are still 1-1.5 bps higher when compared to Western Europe and this trend is set to continue.
- BNP Paribas Real Estate expects that over the course of 2017 investment volume in Poland could reach around €4bn.
- Strong interest from financial institutions in financing Polish real estate shall continue over the next quarters and lending conditions will most likely remain unchanged.
- Investors are likely to continue searching primarily for prime assets in top locations and large cities, although BNP Paribas Real Estate also expects more value add and opportunistic players to look for management intensive assets. Investors from the US, the UK, Germany and RSA will take a big chunk of the market and there are some new comers to come from Asia and Middle East.
- As the Government is working on REIT legislation, there are chances for Polish capital to be more activate in the mid-term. Its share in property investment volumes so far has been marginal and once the new tax structure is introduced, the proportion of capital could increase.

Top 10 Transactions in Poland, Q1-Q4 2016

Scheme	Sector	Location	Vendor	Investor	Area (sqm)	Est. lot size (€m)
Echo portfolio	Retail/Office	Across PL	Griffin RE	Redefine	310,000 retail 108,000 office	891
Bonarka City Center	Retail	Kraków	TPG	Rockcastle	71,805	361
P3 portfolio	Warehouse	Mszczonów, Błonie, Piotrków Trybunalski, Poznań	P3/TPG	GIC	516,100	285
Q22	Office	Warsaw	Echo Investment	Invesco	53,800	273
Gdański Business Center	Office	Warsaw	HB Reavis	Savills IM	48,000	183
Hillwood portfolio	Warehouse	Gdańsk, Wrocław, Bielsko Biała, Warsaw, Ożarów Mazowiecki	Hillwood	CBRE GI	220,300	155
Focus Malls	Retail	Zielona Góra, Piotrków Trybunalski	Aviva	Rockcastle	58,000	161
Galeria Warminska	Retail	Olsztyn	Libra project	Rockcastle	42,700	150
Echo office portfolio	Office	Kraków, Gdańsk, Łódź	Echo Investment	EPP	52,200	124
Konstruktorska Business Center	Office	Warsaw	HB Reavis	Golden Star	49,500	120

Source: BNP Paribas Real Estate

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6 BUSINESS LINES in Europe

A 360° vision

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