



**RESEARCH**

At a glance **Q4 2017**

# Investment Market in Poland

Although closing of some of the major transactions was postponed until 2018, investment volume traded over 2017 reached a record-high level of ca. €5.1 billion, hence surpassing the previous year by 11%. The last quarter of 2017 was extremely robust thus contributing over 50% of the volume of acquisitions achieved over the year. Investors have had a large appetite for a diverse range of products of all classes located across the entire country.



## RETAIL DOMINATES, GROWING APPETITE FOR LOGISTICS PRODUCTS

Over the course of 2017, deals concluded in the retail sector were equal to 2016 results, and brought nearly € 2 billion thus making up 37% of the total investment volume. The office investment market with approx. € 1.74 billion transacted in 2017 recorded a 9% weaker performance than 2016.

Very strong investor appetite has been reported for logistics products. Q4 2017 saw a large transaction of a pan-European portfolio of the Logikor's platform, with assets in Poland worth ca. €750 million, which made 15% of the total 2017 investment volume in the country. Overall in 2017, industrial and logistics made up ca. 23% of the total volume, substantially higher than in the previous years.

The hotel sector in 2017 was tremendously robust recording the highest volume ever noted, to a large extent due to strong interest from buyers from Middle-East and Asia. Transactions of ca. € 340 million have been completed across both portfolio and single-asset deals, constituting nearly 7% of all investments.

## REGIONAL MARKETS STRONGLY CONTRIBUTE

In 2017 investors remained very active in regional markets. Strongly driven by acquisitions in the retail sector, regional markets accumulated over 70% of the investment volume traded in Poland. Noticeably, in the office sector, regional markets generated ca. 75% of transacted volume, thus outpacing Warsaw second time in a row. Investors for hotel assets realized opportunities in regional cities, even in small local markets which are established tourists hot spots such as Karpacz and Mrągowo.

Strong investor appetite for core products in the regional markets has resulted in a shrinking gap between yields of prime retail and office assets in Warsaw and other major metropolitan areas.



## CAPITAL FLOWS

Investors from Germany, the US, UK and South Africa remain the most active on the Polish real estate investment market. Steadily improving market fundamentals of the Polish economy and market liquidity are the rationale behind attracting new players to the market, such as Middle Eastern, Chinese and Thai capital, entering the market with capital allocation amounting to 18% of the volume transacted in Poland. Noticeably, investors from the CEE region (Czech Republic, Hungary and Slovakia), in search for risk diversification, generated ca. 11% of the annual result.



## PROSPEROUS START TO 2018

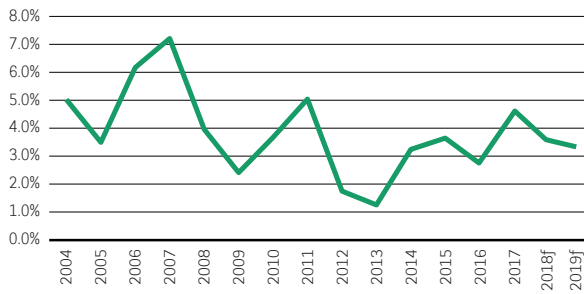
We expect investor appetite will continue over 2018, which may be reflected in the 2018 volume of acquisitions overtaking the 2017 record-high result. In the first month of 2018 a substantial number of major transactions were closed, including the big-ticket Chariot deal for price of ca. €1billion. Consequently, Q1 investment volume can reach in excess of ca. €2 – €2.5 billion, challenging the entire 2017 amount.

Prime yields for best-in-class dominant shopping centres in major markets currently stand at ca. 5.00%, compressed by 25bps over the year. Prime office yields in the office sector compressed to ca. 5.15% - 5.25% at year end. In the industrial sector prime and best performing assets, with long-term leases secured, are traded below 6%.

In 2018 soft downward pressure will result in limited yield compression in case of truly prime assets, notably in retail and office segments.

# Macroeconomic Snapshot

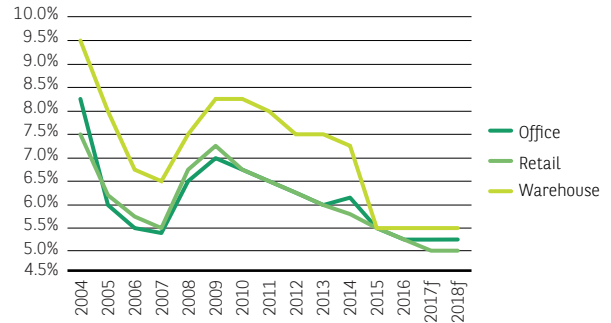
Annual GDP growth, in %



Source: GUS, NBP, f - forecast

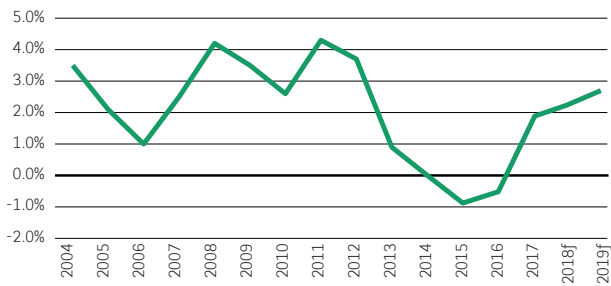
# Investment Snapshot

Annual prime yields per sector, in %



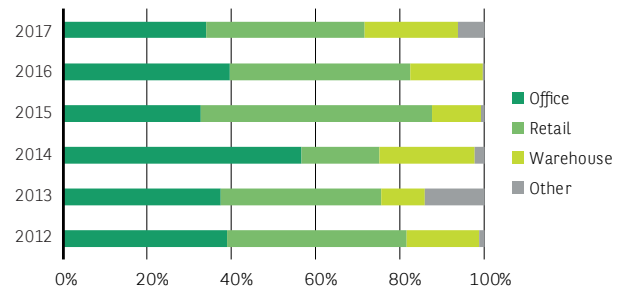
Source: BNP Paribas Real Estate, f - forecast

Annual CPI, in %



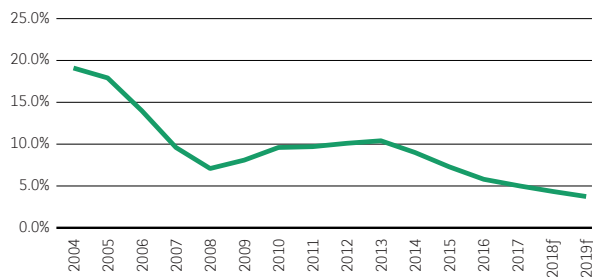
Source: GUS, NBP, f - forecast

Annual sector split of investment volumes, in %



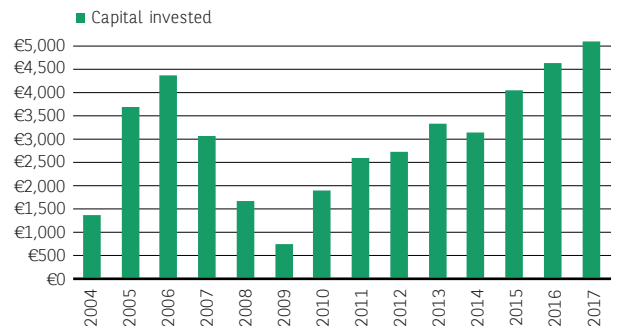
Source: BNP Paribas Real Estate

Unemployment rate, in %



Source: BNP Paribas, Oxford Economics, f - forecast

Annual volume of investment transactions, in € m



Source: BNP Paribas Real Estate, f - forecast

## Selected 10 transactions in Poland, 2017

Scheme	Sector	Location	Vendor	Investor	Size (sqm)	Est. lot size (€m)
Logicor portfolio	Logistics	Multi-city	Blackstone	China Invest Corporation	925,000 sqm	750
Magnolia Park	Retail	Wrocław	Blackstone	Union Investment	99,200 sqm	380
Ikea Centers portfolio	Retail	Janki, Poznań, Warsaw, Katowice	Ikea Centers	Pradera	138,000 sqm	220
Fashion House portfolio	Retail	Sosnowiec, Gdańsk, Piaseczno	Peakside Capital	RREEF Spezial Investment GmbH	50,600 sqm	200
Galeria Stoneczna	Retail	Radom	White Star	REICO (Ceska Sporitelna)	41,000 sqm	164
Tryton Business House, A4 Business Park, West Gate	Office	Gdańsk, Wrocław, Katowice	Echo Polska Properties	Griffin Premium RE	70,400 sq m	162
BPH FIZ portfolio	Retail/ Office	Warsaw, Bolesławiec, Chorzów, Kraków	BPH FIZ Nieruchomości	Octava FIZAN (Elliott)	140,000 sqm	150
Galeria Twierdza I Klodzko, Galeria Twierdza Zamość, Wzorcownia, Galeria Tęcza Kalisz	Retail	Kłodzko, Zamość, Włocławek, Kalisz	Blackstone	Echo Polska Properties	73,000 sqm	141,6
Artemis portfolio (TP3, Arkońska Business Park, UBCI, UBCII, Grójecka 5, Łódź 1)	Office	Multi-city	Savills IM	Cromwell / Goldman Sachs	104,300 sqm	134
Proximo I	Office	Warsaw	Hines	REICO (Ceska Sporitelna)	28,400 sqm	116,6

Source: BNP Paribas Real Estate

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# 6 BUSINESS LINES in Europe

## A 360° vision

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\*\* Coverage In Transaction, Valuation & Consulting



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