

PRESS RELEASE

POLISH INVESTMENT MARKET REMAINS IN GOOD CONDITION

According to the latest *At a Glance – Polish Investment Market (Q4 2016)* report drawn up by BNP Paribas Real Estate Poland, the international real estate consultancy, the last quarter of 2016 – similarly to the corresponding period in 2015 – closed on the Polish market with a transaction volume of a total value of nearly 2 billion euro. The authors of the report stress that despite the unpredictability as regards the legal and tax situation and the warning signs now emerging as to the prospect of an economic slowdown, Poland continues to attract considerable interest from foreign investors. The good condition of the commercial real estate investment market is confirmed by, amongst others, attractive cap rates and the total turnover volume reached for 2016, which at the level of 4.6 billion euro was the second best result achieved in the history of the domestic market.

Warsaw back in the game

The last quarter of last year on the capital's office market was dominated by six significant transactions. Acquisitions totalling 671 million euro were the key factor affecting the capital's growth dynamics. The authors of the reports stress that despite the large volume of space currently under construction and the forecasted vacancy rate increase, investors continue to see the potential in Warsaw's office markets that offers higher yields than Western Europe. *In addition to Warsaw's office market, which for many years now has been the uncontested leader in terms of prices, the main target for investors were prime schemes offering stable rents on the regional markets. Cap rates for best performers are between 1.00 and 1.50 percentage points higher than the average level of rates* – comments **Anna Staniszewska**, Head of Research and Consultancy, BNP Paribas Real Estate, CEE.

Undiminishing demand for warehouse portfolios

Significant portfolio transactions were recorded in the warehouse sector between October and December 2016. As a result of the largest transaction on the European real estate market, assets formerly owned by P3, some of them located in Poland, swapped hands. Furthermore, Polish schemes owned by companies from the Hillwood group have now new owners. High investor activity on the warehouse and logistics market in the last quarter of 2016 combined with stable cap rates meant that the share of this particular segment in the total volume of transactions concluded ultimately amounted to 26 percent.



Regional markets and single transactions of key significance in the retail sector

The value of transactions concluded in the last three months of 2016 in the retail sector reached a level of nearly 600 million euro. This result was to a large extent achieved due to the transactions concluded in mid-sized regional cities. Investors, while drawing attention to the scarcity of prime products, turn their eyes to schemes that offer some potential in terms of creating added value through repositioning, modernisation and extensions.

Cap rates – visible gap

The authors of the report stress that as far as the fourth quarter is concerned, similarly to the first nine months of 2016, one cannot really talk about any significant changes as regards prime cap rates. For offices they were at a level of 5.25 – 5.50 percent, while for the retail sector it was between 5.00 and 5.25 percent. The highest cap rates were recorded in the warehouse sector, where they reached a level of 5.50 – 6.50 percent. *A significant occurrence here is the growing gap between the cap rates recorded for prime schemes and those recorded for secondary mid-class assets often faced with a depleting number of tenants. The difference, which in some cases amounts to 1 – 3 percentage points, stems from, amongst others, the high availability of mid-standard schemes* – comments **John Palmer**, Director, Capital Markets, BNP Paribas Real Estate Poland.

The only thing that we can be certain of is uncertainty

The warning signs now emerging on both the domestic and the European political scene may translate into increasing uncertainty amongst global investors. Poland, so far seen by investors as a stable market with good prospects, has now become the subject of ever more thorough analyses aimed at investment risk assessment. The domestic investment market is already taking a new shape due to, amongst others, the apparent discrepancies in interpretation of tax legislation and the long-term effects of social reforms, the consequence of which are delays in concluding some transactions – emphasizes **Anna Staniszewska**, the report's author.

Key trends

- Despite the uncertainty relating to the mid- and long-term economic consequences resulting from the reform's introduced by the government and the lack of stability on the political scene, **foreign investors continue to see Poland as a good place to locate their capital**. Cap rates on the Polish market are consistently between 1 and 1.5 percentage points higher than those in Western Europe. The trend is set to continue.
- BNP Paribas Real Estate experts estimate that **the volume of commercial real estate transactions in Poland in 2017 will achieve a value of approximately 4 billion euro**.
- Continued significant **interest in investing on the Polish real estate market from financial institutions** as well as continued favourable financing terms offered by banks.
- Concentration of investors **searching for prime schemes located in large urban centres**. BNP Paribas Real Estate Poland experts stress that in 2017 a greater role will be played by opportunistic investors searching for schemes in need of repositioning and improvements in terms of management. Investors from the USA, United Kingdom, Germany and South Africa will remain the key players on the market. The current year will see the debut of some players from Asia.
- The currently ongoing **legislation work on drawing up the REIT fund act. The result of implementing new legal and tax solutions for this type of instruments could be an increased share of Polish capital in real estate acquisitions**. Domestic investors have so far been almost entirely absent from this particular sector of the investment market.



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BNP Paribas Real Estate support owners, leaseholder, investors and communities in their projects thanks to its local expertise through 37 countries (16 direct facilities and 21 Alliance network) in Europe, Middle-East and Asia.

BNP Paribas Real Estate generates € 765m of fees in 2015 with, for property development, 146 000 sqm of completions and more than 2 000 homes launched; € 22bn assets under management in Investment Management; 36m sqm managed in Property Management; 5.2m sqm taken up and € 17.1bn invested in Transaction; beyond 1 000 mission realised in Consulting and € 292bn assets given Valuations.

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