

AT A GLANCE

Q1 2023

INVESTMENT MARKET IN POLAND

Highlights

- The Polish commercial property market is an increasingly attractive destination for value-add investors
- Industrial and logistics make a strong start to 2023
- Real estate yields move out against the backdrop of market uncertainty and the current situation in financial markets
- European capital is clearly the main driver of buyer activity



KEY FIGURES

c.a. **651m EUR**
INVESTMENT VOLUME
Q1 2023

5.00%
OFFICE PRIME YIELD

6.00%
SHOPPING CENTRE*
* Estimated yield in the prime shopping center segment

5.25 – 5.75%
INDUSTRIAL & LOGISTICS
PRIME YIELD**

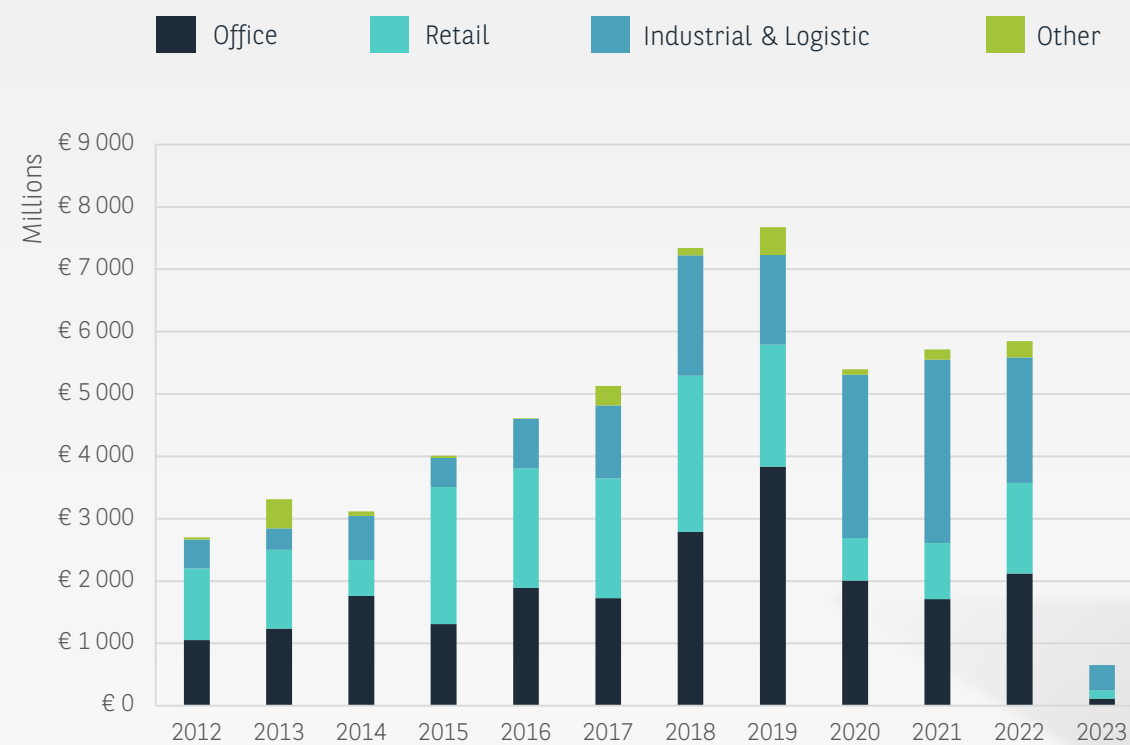
c.a. 4.50%
LOGISTICS (e-commerce)
PRIME YIELD
** Varies between Warsaw and rest of Poland

Macroeconomic indicators and trends

		Trends
	GDP Annual (%)	0.5%
	Inflation (% y/y)	16.1%
	Unemployment (% y/y)	5.4%
	NBP Reference rate	6.75%
	FX PLN / EUR	4.68

Source: GUS, NBP, BNP Paribas forecast, March 2023

Investment volume (in M EUR)



Source: BNP Paribas Real Estate Poland, as of the end of Q1 2023

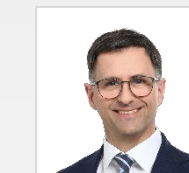
Selected Transactions of 2023

Poland's commercial real estate investment volume for the first quarter of 2023 reached EUR 651m, accounting for nearly 40% of the figure for the first quarter of 2022 and down by EUR 763m from the previous quarter. Warehouse and industrial assets attracted the lion's share of investment (62%), with retail assets taking second place (21%).

	ASSET	ASSET CLASS	PURCHASER	SELLER	SIZE (SQM)	QTR
1	Campus 39	Industrial & Logistics	P3	Panattoni	186,300	Q1
2	Panattoni Wrocław	Industrial & Logistics	Confidential	Panattoni	72,000	Q1
3	Atrium Molo Szczecin	Retail	Confidential	Atrium/G City	27,500	Q1
4	My Place Office II	Office	Trigea Real Estate Fund	Echo Investment	17,200	Q1
5	Panattoni Warsaw	Retail	Confidential	Panattoni	53,000	Q1

Source: BNP Paribas Real Estate Poland, as of the end of Q1 2023

Expert Comment



Mateusz Skubiszewski

Head of Capital Markets

Investment market – a reflection of the economic situation

As expected and as in many other European countries, commercial real estate volumes in Poland were far from impressive in early 2023. Financing constraints and economic uncertainty saw many investors put investment decisions on hold. Some investment funds, however, started bargain hunting and analysing many value-add opportunities. Rents continue to grow for almost all asset classes, partially offsetting the decompression of yields which softened again - by around 0.25 pp on average over the quarter. Global bond markets still offer attractive returns, which is naturally leading to repricing of safe asset classes, including fully-let commercial properties. The property market - and the office sector in particular - is also entering a phase of lower supply levels, which is expected to further dampen investment activity for new buildings as developers seek to divest of commercialised projects. As a result, faced with constrained availability, investment funds may embark on more aggressive pricing strategies for older assets, putting an end to repricing. Green shoots of investment recovery in Poland are expected at the turn of Q3 and Q4.

Expert Comment



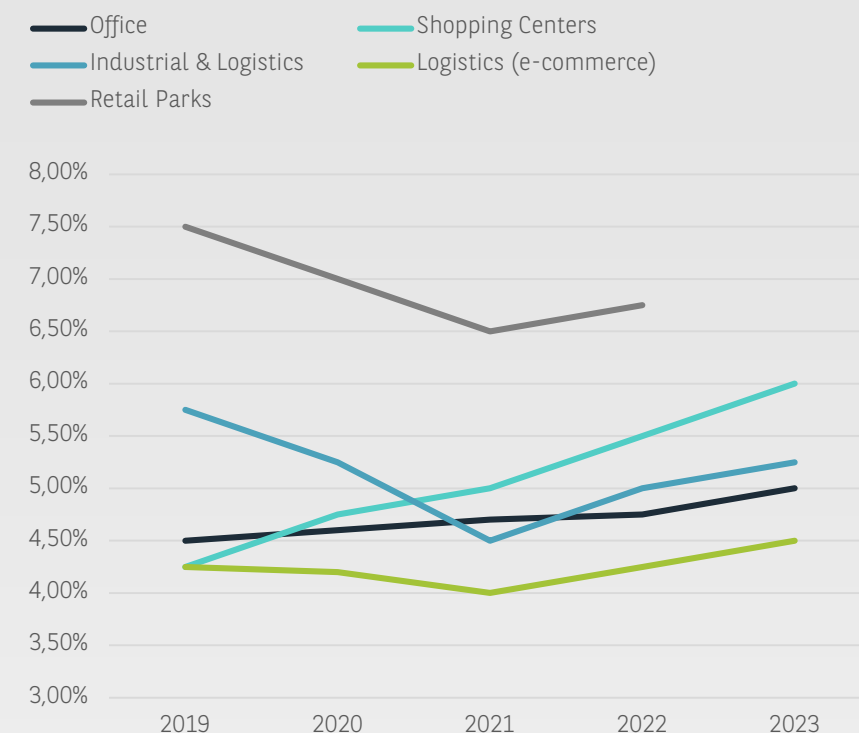
Marta Gorońska-Wiercioch

Associate Director, Capital Markets

Although the commercial property market has seen fewer transactions finalised in recent quarters, there is still investor interest. Value-add funds remain active on the market, looking for bargains in the current economic situation. Warehouse rental growth is driving potential buyers to target facilities whose tenants will be able to accept higher costs once their current leases expire. Fundamental to this will be the economic and financial standing of tenants and their ability to pay higher occupancy costs, including service charges. Supply and demand levels and real office relocation alternatives will also play a key role. Hybrid and remote working trends will also be of significant importance on the office market. Higher sublease availability (despite a low supply level) may encourage some tenants to negotiate more aggressively with landlords, thereby impacting on investors' achievable rates of return. Investors are exhibiting caution in all real estate sectors and expecting yields in Eurozone to continue to move out.

Prime Yields

Annual Prime Yields per Sector, in %



Source: BNP Paribas Real Estate Poland, as of the end of Q1 2023

Faced with persistently high inflation in Poland and the world, central banks remain under pressure to tighten monetary policies. High interest rates and uncertainty about further rate hikes have resulted in asset repricing, with buyers showing more caution and expecting better offers from property owners. This is notable, among other things, for shopping centres whose yields moved out by 0.5 pp over the quarter. Another factor weighing on retail real estate is the projected year-on-year decline in real consumer spending of 0.7% in 2023.

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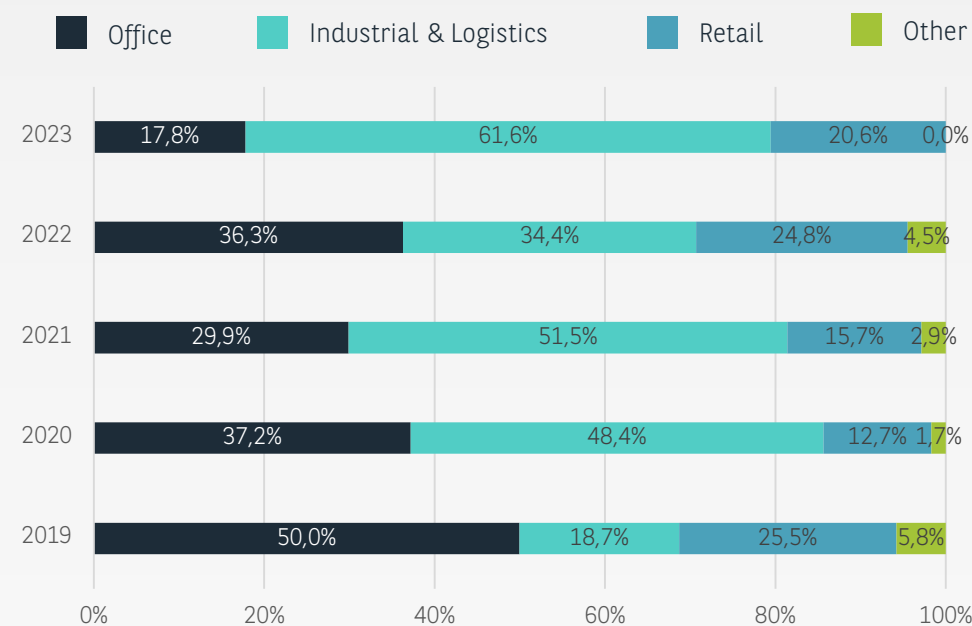
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Sector split

Annual Sector Split of Investment Volumes, in %



Source: BNP Paribas Real Estate Poland, as of the end of Q1 2023

Office

Office investment activity showed a weaker start to the first quarter following its strong performance in 2022. The office investment volume for the first quarter was almost 21% lower than in the same period in 2022, excluding last year's headline deal - Google's acquisition of the Warsaw Hub for over EUR 585m.

Retail

The retail sector was dominated in the first quarter of the year by low-value transactions, the largest being the sale of Atrium Molo Szczecin by G City Europe for EUR 46.3m. In total, there were 43 deals recorded in this market segment in the last four quarters, which means that retail investment volumes are still above the levels noted between the second half of 2018 and the second quarter of 2021. Investment activity is focused on smaller retail formats such as retail parks and convenience shopping centres, as well as shopping centres which have been on investors' radars for several quarters.

Industrial & Logistics

Industrial and logistics assets were the best performing sector in the first quarter of 2023 with the total investment volume amounting to EUR 401m, more than double the figure for the same time last year. As in 2022, the market leader on the sell side in the three months to March 2023 was Panattoni, which delivered to investors assets for a combined value of over EUR 331m in the first quarter of 2023. The largest transaction in January-March was P3's acquisition of Campus in Wrocław (185,000 sqm) for EUR 138.5m.