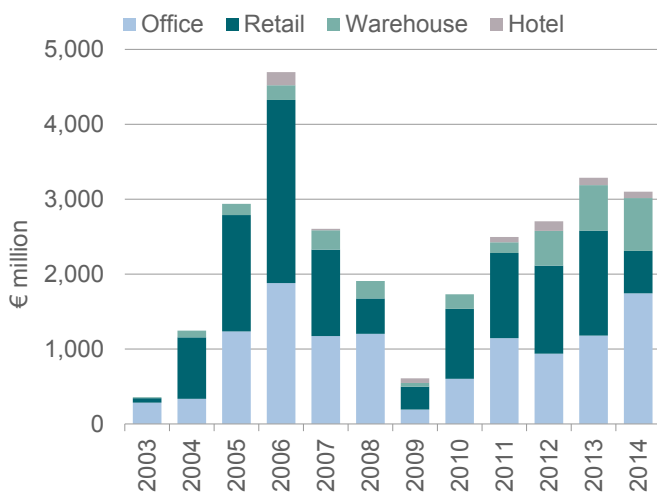


# Market in Minutes Poland investment

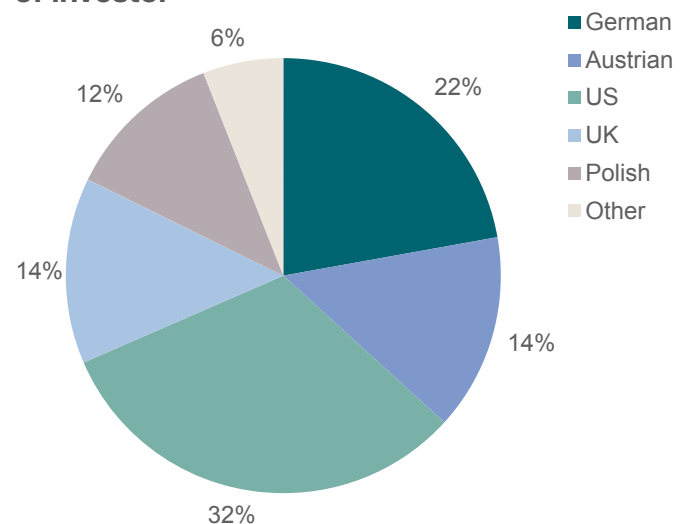
January 2015

GRAPH 1  
Investment volumes in Poland by sector



Graph source: Savills

GRAPH 2  
Investment volume in Poland in 2014 by origin of investor



Graph source: Savills

## SUMMARY

### Offices and logistics dominated investment in 2014

- Total volume of investment transactions in Poland in 2014 exceeded €3.1 billion reflecting ca. 5% drop year-on-year.

- US, German, Austrian and UK investors dominated the Polish investment market with a share in the total volume of transactions of ca. 82%.

- Domestic buyers accounted for ca. 12% of the volume, which converts to a record high of ca. €370 million.

- Office transactions dominated activity while the logistics sector outpaced retail for the first time in history.

- Facing a lack of prime and leased assets, the subprime offices in good locations in Warsaw will be of demand. Investor activity in regional cities will continue to grow in 2015.

- Although increased demand for prime logistics assets will continue, supported with high development activity, we predict that the investment volume in this sector will decrease this year.

- We believe that activity in the retail sector will be much higher this year, leading to an overall end-year investment volume across all sectors at least equal to last year's result.

“2014 was definitely the year of the office and logistics sectors. We expect that this year investment activity will be significantly higher in the retail sector as well as in the regional office markets.”

Michal Cwiklinski, Savills Poland

→ **Economy**

In accordance with the preliminary data published in November 2014 by the Central Statistical Office, the GDP growth in Q3 2014 reached 0.9% quarter-on-quarter and 3.4% year-on-year. In late December 2014 Oxford Economics estimated full year GDP growth in Poland at 3.4% whereas the European Union and Eurozone averages were expected to reach 1.3% and 0.9% respectively.

Inflation estimated for the period of January - November 2014 was only 0.1% compared to 0.9% in 2013. According to the most recent Oxford Economics forecasts, 2014 inflation was projected at 0.2% whereas in 2015 it is expected to be only slightly higher at 0.5%. From 2016 the consumer price index is forecasted above 2.3%.

The main reference rate was reduced in October 2014 by 50 bps to 2.00%, which is the lowest rate ever recorded. It is expected that the reference rate will be reduced further by 25-50 bps in H1 2015.

In November 2014 the unemployment rate, based on the International Labour Office (ILO) definition, in Poland was 8.2%, lower than that of the European Union's (28 countries) and the Eurozone (19 countries) with averages of 10.0% and 11.5% respectively. The rate in Poland is expected to decrease to 8.1% in 2015 and to 7.7% in 2016.

The average monthly salary in the national economy was PLN 3,781 in

.....  
 "2014 was a record year for domestic investors. The volume of domestic acquisitions was the highest in history, and saw the first €100m+ transaction by a Polish buyer in the warehouse sector."  
 .....  
 Kamil Kowa, Savills Valuation and Consultancy  
 .....

Q3 2014 which reflected growth of 1.1% year-on-year. The National Bank of Poland projects more dynamic growth in salary levels by 4.6% in 2015 and another 5.1% in 2016.

**General Overview**

Investment activity in Poland is not slowing down, the number of investors interested in the Polish property market is growing, whilst those who have entered the Polish market in recent years become more confident.

Annual investment volume in 2014 exceeded €3.1 billion, reflecting a slight drop of 5% year-on-year. Office and logistics sectors dominated the investment market with 56% and 23% shares in the total volume respectively. Retail sector had the lowest share since 2004 which was a result of a limited supply of decent product designated for sale.

As far as the origin of capital is concerned, cross-border investments constituted ca. 88% of the total volume, the majority were US investors

(32%), followed by German (22%) and Austrian and UK investors (14% each).

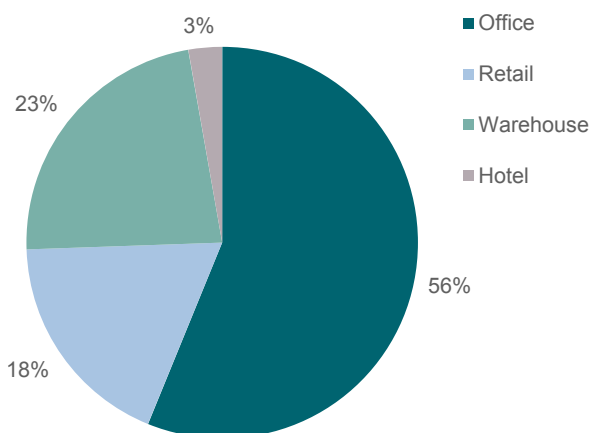
Transactions of domestic investors constituted 12% of the total investment volume, which converts into the highest volume in history of ca. €370 million. Moreover, at the end of 2014, PZU FIZ SN2, a Polish buyer, closed the first transaction in the warehouse sector exceeding €100 million, concluded by a domestic investment fund.

**Office Sector**

Investment volume in the office sector in 2014 exceeded €1.77 billion (including two mixed-use properties) accounting for ca. 56% of the total volume of transactions. This result is in line with sector's record level recorded in 2006. Ca. 75% of the volume of transactions in the office sector were related to Warsaw properties.

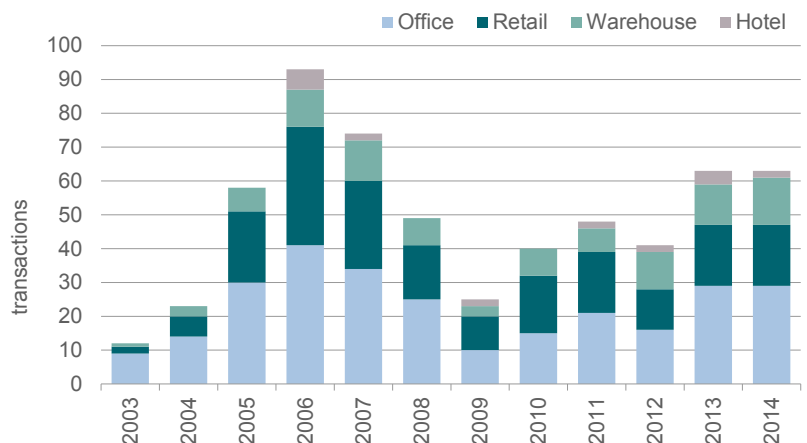
The largest transaction in Warsaw last year was the acquisition of Rondo 1 by Deutsche Asset & Wealth Management. Rondo 1, the landmark

GRAPH 3 **Investment volume by sector in 2014**



Graph source: Savills

GRAPH 4 **Number of investment transactions by sector**



Graph source: Savills

office building comprising nearly 60,000 sq m of offices and 5,000 sq m of retail space, is located in Warsaw City Centre and was sold for ca. €280 million.

The second largest transaction was the acquisition of Plac Unii by Invesco for ca. €226 million. Plac Unii is a mixed use property of ca. 57,000 sq m, consisting of office and retail, located in the Mokotów District of Warsaw, on the edge of the City Centre.

Other important transactions in the Warsaw office market included the acquisitions of Metropolitan Office Building by Deutsche Wealth Asset Management, T-Mobile Office Park by Starwood Capital Group and Lipowy Business Park by WP Carey.

Prime office yields in Warsaw City Centre are still at ca. 6.00%, whereas in Warsaw non-central locations, prime yields range within 7.25%-7.50% depending on the asset type and location.

Investment activity in the regional office markets is growing and spreading outside the leading markets of Wrocław and Krakow. In 2014 the total volume of office transactions in regional cities reached a record level of over €400 million, more than twice that of 2013.

The largest office transaction outside Warsaw, was the acquisition of Quattro Business Park by Starwood Capital Group. The 48,500 sq m office complex was 97.5% let. Terms of the

transaction were not disclosed to the public.

In the leading regional office markets of Wrocław and Krakow, prime yields are now at ca. 7.25-7.50%. In Poznan and Gdansk, prime yields are slightly higher at ca. 7.50-8.00%. For less active markets like Katowice, Lodz or Szczecin there is still limited transactional evidence for prime yields, however, we estimate them in the range of 8.00-8.50%.

### Retail Sector

The volume of retail transactions in 2014 amounted to €566 million, which accounted for only 18% of the total volume. This low result is the consequence of limited supply of prime retail assets designated for sale.

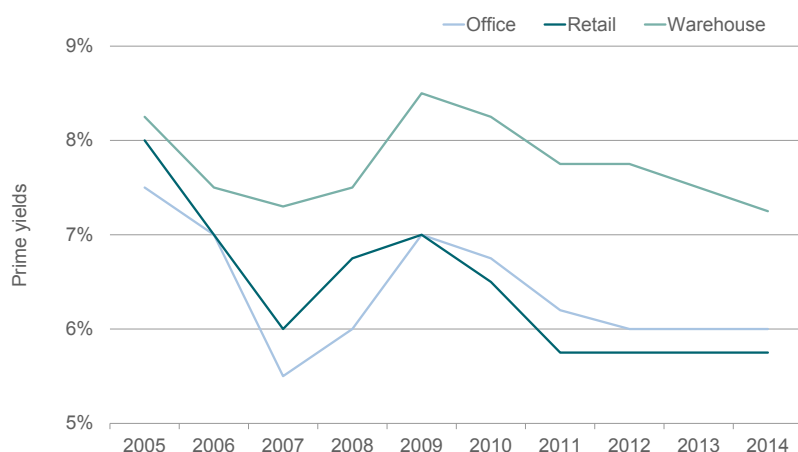
The largest transactions in 2014 were the acquisitions of Poznan City Centre by Resolution Real Estate Fund IV and ECE Prime European Shopping Centre Fund, the acquisition of Focus Mall in Bydgoszcz by Atrium European Real Estate for €122 million and the acquisition of Mazovia shopping centre in Plock by CBRE Global Investors for ca. €70 million.

Prime shopping centre yields remain stable at ca. 5.75% for the best shopping centres in Warsaw, ca. 6.00% for dominant shopping centres in major regional cities and ca. 7.25-7.75% for leading shopping centres in secondary cities.

### Warehouse Sector

GRAPH 5

### Prime yields\*



Graph source: Savills; \*special situations with exceptionally long leases excluded

## Dealmakers

### Savills reveals the leading investors in the Polish real estate market.

- Investment transactions of at least €100 million lot size constituted nearly 60% of the 2011-2014 investment volume.
- Nearly all 2011 - 2014 office transactions of €100 million or above were related to Warsaw properties. The only transaction outside Warsaw was the acquisition of Quattro Business Park in Krakow in 2014 by Starwood Capital Group.
- Most of the large transactions in the office sector were completed by Austrian, German and US investors (Allianz, CA Immo, DEKA, Deutsche Wealth & Asset Management, Heitman, Hines, Immofinanz, Invesco, Starwood Capital Group, Union Investment and WP Carey).
- The largest transactions in the retail sector were the acquisitions of prime shopping centres located in Warsaw and major regional cities.
- The most active buyers of prime retail assets were Austrian and German investors (Allianz, Atrium European Real Estate, Invesco, Tristan Capital Partners and Union Investment). However, a few large transactions in the retail sector were also finalized by Dutch, Polish, UK and US investors.
- In the warehouse sector there was one investor who dominated the largest acquisitions - LogiCor (logistics platform of Blackstone) with three transactions exceeding €100 million.
- Among domestic buyers there were only two investors, who completed transactions exceeding €100 million (Griffin RE and PZU FIZ SN2).
- In total, a group of twelve Austrian, German and US investors (Allianz, Atrium European Real Estate, Blackstone (LogiCor), CA Immo, DEKA, Deutsche Wealth & Asset Management, Heitman, Hines, Immofinanz, Invesco, Starwood Capital Group and Union Investment) were involved in more than half of the 2011 - 2014 investment volume in Poland and ca. 68% of €100 million plus transactions.

→ It was a record year in terms of investment activity in the warehouse sector in Poland with the end-year result of over €700 million and a 23% share in the total volume of transactions.

Prime warehouse yields are now at ca. 7.25% for single-let modern warehouses let to financially strong tenants for at least 10 years, in good locations in major logistics hubs. For multi-let warehouse properties prime achievable yields are at ca. 7.75-

.....  
 “The logistics market in Poland is still on the rise, in 2014 the new supply in this sector exceeded 870,000 sq m and only a small fraction of that was speculative.”

Michal Cwiklinski, Savills Investment  
 .....

The market was dominated with portfolio acquisitions and was driven by US investors (LogiCor, WP Carey, CBRE Global Investors and Prologis), however, the largest transaction was closed by a domestic buyer. This was the acquisition of a portfolio of four logistics parks located in Lodz, Wroclaw and Gdansk by PZU FIZ SN2. The value of this transaction is rumoured at ca. €140 million, however, this has not been confirmed by the parties involved in the transaction.

8.25%, providing that they are leased at market rental levels and well located.

We expect, that in 2015 we will see continued investor demand for prime logistics assets, both single and multi-let. This will be supported by continued growth of the logistics market in Poland, and high development activity in the sector, dominated by built-to-suit projects. Nevertheless, after a record year in this sector, we expect that the volume in 2015 might be slightly lower. ■

The second largest transaction in 2014 was the acquisition of Standard Life's portfolio of three logistics parks developed by Panattoni located in Strykow, Myslowice and Robakowo (near Poznan), by LogiCor for ca. €118 million.

## OUTLOOK

Regional offices and single-let properties on the target of investors in 2015.

■ We expect that investment activity will remain high in 2015, with further growth in the activity of domestic investors. We also expect more portfolio transactions and joint venture agreements across all property sectors.

■ Investor demand in the office sector will still be strong, however, we expect the demand will shift towards regional cities, driven by growing supply in major regional office markets on the one hand, and rising vacancy in Warsaw on the other.

■ In Warsaw, more investors will buy B-class office buildings in dominant locations, or A -class offices in non-core locations.

■ We expect significantly more activity in the retail sector in 2015, doubling last year's volume, which will grow even further in 2016-2017 following openings of larger retail schemes across Poland, and as a result of expiring holding periods of assets sold in recent years.

■ Prime single-let assets will continue to attract investor attention, benefitting from longer leases and therefore lower risk.

■ In the warehouse sector we expect that after the record year, 2015's volume might be slightly lower.

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