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P O L A N D : **FORTUNE FAVOURS THE BRAVE**



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Erik DRUKKER
CEO

For over two years we have been living in turbulent times. In 2020 the pandemic outbreak shook the foundations of our daily routines, forcing us to live, work and think differently.

With the use of preservation skills, we have adopted means to be creative, learn and benefit from new opportunities the health crisis event brought. So did the business by identifying the cracks in the processes and by developing & launching new ones.

Once we thought it was over, a second hit came with the Russian aggression over Ukraine. This political event will have far more reaching and far more lasting consequences than the pandemic, against which all the world allied. Not only does it bring political instability into Europe (or even the whole democratic world), restitution of the arms race, energy crisis, broken supply chains, famine risk to countries dependent on food produced in Ukraine or Russia, but it also drags major economic challenges for most European countries into the picture.

Again, as much as we can feel challenged by these unexpected and long lasting turbulences, we have learnt to face them and instead seek for new ways and solutions. Yes, the business will be impacted by inflation, interest rates, major energy crisis, disrupted supply chains or question marks arising around our European safety. No, we may not be able to keep the lowest-ever unemployment rate or keep wages at the same level, yet, we've been there before and we know that the worst times can unravel the best opportunities. Rebuilding a new world is a great challenge and even greater privilege, which may provide a number of possibilities to Poland, a country that is so close to this unacceptable conflict. Given the size, its population and geographical location of this country, One just needs to be here!

One just needs to be here!



02 POLAND ECONOMY



Michał DYBUŁA

Chief Economist,
BNP Paribas Bank



Marcin KUJAWSKI

Senior Economist,
BNP Paribas Bank



Following a brisk post-pandemic recovery, Polish economy is now facing more challenging times. In Q2 2022, GDP contracted by as much as 2.1% q/q, which lowered the annual pace of economic growth to 5.5% y/y from a stellar 8.5% y/y recorded in the first quarter of the year. We see further weakness ahead, as global industrial cycle seems to be losing momentum and sizable interest rate hikes delivered by the Monetary Policy Council (MPC) in the last few quarters start to trickle down to the real economy.

The outlook is also getting more clouded because of the looming energy crisis in Europe. As Russia halted natural gas deliveries to Germany, economic activity may plunge in the European Union. In terms of energy security Poland seems to be relatively well prepared to Russia's actions, but any economic downturn among its key trading partners would still likely visibly dent GDP dynamics.

KEY ECONOMIC INDICATORS

	2021	2022	2023
GDP growth (% y/y)	5.8	3.5	1.0
CPI inflation (% y/y)	5.1	14.0	13.0
Unemployment rate (%)	6.0	5.2	6.1
General government balance (% GDP)	-1.9	-4.0	-6.0
Current account (% GDP)	-0.7	-5.0	-4.0
NBP policy rate (% end of period)	1.75	7.50	7.00
EUR/PLN (end of period)	4.59	5.00	4.70

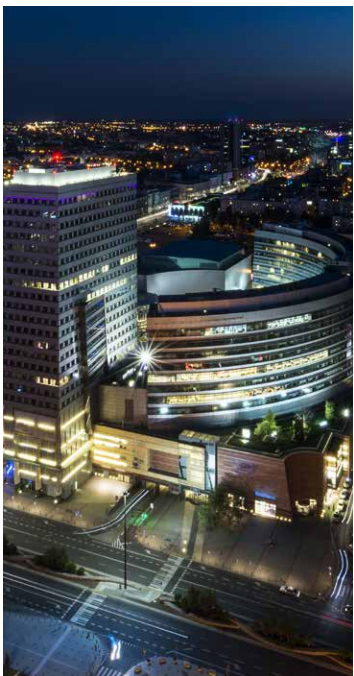
Source: Statistics Poland (GUS), NBP, Eurostat, Bank BNP Paribas



Separately, there is growing uncertainty over the disbursement of EU funds from the Recovery and Resilience Facility, which was launched after the pandemic outbreak. Poland agreed with European institutions on a set of milestones that need to be met before money is paid out, though it is yet not clear when and if those will be achieved.

Overall, we see the economy expanding by 3.5% this year and 1% next and expect the rate of GDP growth to briefly fall below zero in late 2022 and/or H1 2023.

Despite slowing economy we forecast CPI inflation to stay elevated until the end of next year, at least. The state of the job market as Poland enters the period of weaker economic activity is very robust, which suggests that wage pressures are likely to linger, making inflation more entrenched. On average, we see consumer prices rising by 14% in 2022 and 13% in 2023, though next year's data will strongly depend on the scale of increases in regulated energy tariffs. The government announced its plans to freeze electricity tariffs for households and it remains unclear whether the authorities will agree on similar steps in case of the natural gas market.



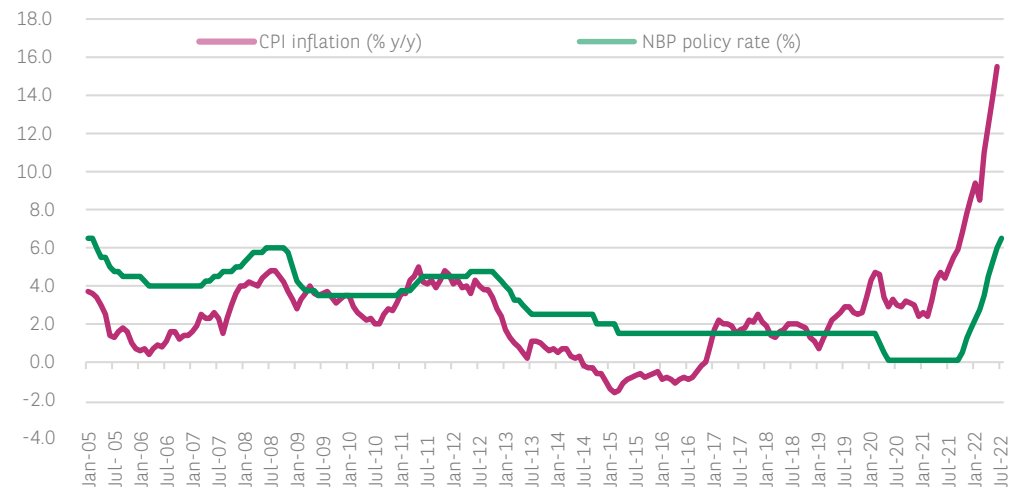
Grim GDP data in Q2 and weaker prospects for the economy increases the chances that the MPC will soon conclude the interest-rate hiking cycle, which started in October 2021. Still, inflation is unlikely to markedly decelerate in the near-term, which puts policymakers in a difficult spot. In our baseline scenario we see room for 75bp in interest rate increases by year-end. As we expect exchange rate to weaken in late 2022, chiefly on the back of recession fears in Europe, the Council could react more aggressively but at the same time more challenging growth outlook will act in the opposite direction.

Macroeconomic Forecast



Source: BNP Paribas Bank

Inflation and monetary policy



Source: BNP Paribas Bank

03 INVESTMENT MARKET



Mateusz SKUBISZEWSKI

Head of Capital Markets,
BNP Paribas Real Estate

Real estate investors spent close to three billion EUR in the first half of 2022.

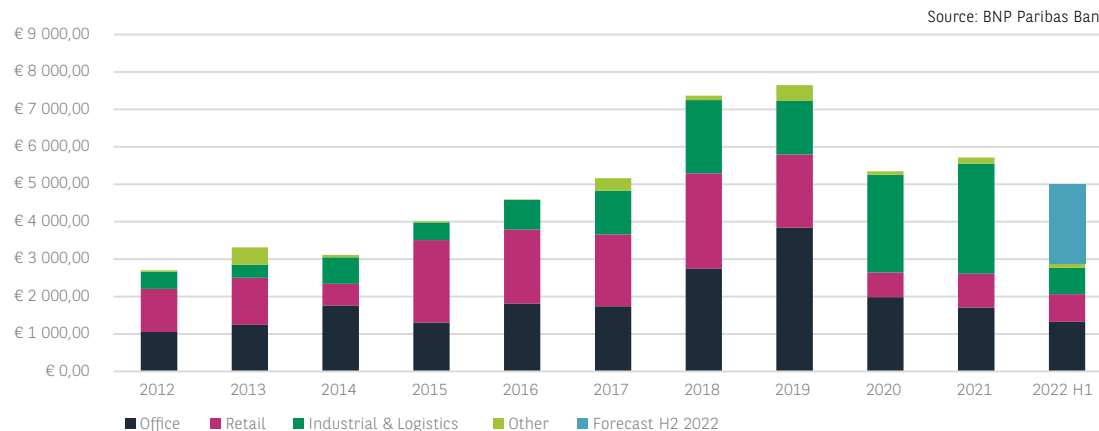
Financial markets all over the globe tend to be very sensitive to any event that introduces uncertainty into the daily operations and business

as usual. The investment market in Poland, almost since the beginning of 2022, has been exposed to a number of events, inter alia the geopolitical instability on the CEE region through the ongoing war on the territory of Ukraine, raising costs of financing, inflation, exchange rate volatility, high construction costs, sustainability of the demand or availability of the investment products. All these processes are naturally directing investors onto the path of reconsidering the current plans for investments. On top of it, such an attitude is strengthened by the fact that yield decompression is already observed in Western European markets. Polish market will have to follow the trend in order to remain

an attractive and competitive for foreign investors. A beginning of a decompression process is expected to materialize in the coming quarters.

High investment activity in Poland in the first half of the year translated into the value of transactions of close to EUR 2.9 bn. Such a result can be considered as successful as the volumes indicate an increase by over 44% compared to the same period of last year, when the market was simply rebounding after the Covid-19 pandemic hit hard the real estate in many aspects. The current geopolitical situation and the overall turbulent wave going through majority of democracies in Europe and elsewhere in the world, will leave an imprint also on the Polish real estate market. The scale of it still remains unknown, however, as the transactions keep on getting to the closing stage, it is estimated that the investment volume for 2022 should close the level around 5 billion EUR.

Annual Investment Volumes





Selected Office Investments, H1, 2022

	CITY	YEAR	QUARTER	GLA	APPROX. YIELD	BUYER	SELLER
WARSAW HUB	Warsaw	2022	1	101,000.00	4.50%	Google	Ghelamco
NOWY RYNEK D	Poznań	2022	2	37,220.00	c.a. 6.25%	Eastnine AB	Skanska
MIDPOINT 71	Wrocław	2022	2	36,300.00	c.a. 6.20%	Trigea Real Estate Fund	Echo Investment
CENTRUM POŁUDNIE I-II	Wrocław	2022	2	28,215.00	c.a. 6.25%	Stena Real Estate	Skanska
FUZJA	Łódź	2022	2	22,000.00	6.75%	KGAL	Echo Investment

Source: BNP Paribas Bank



OFFICES

In the first half of 2022, the office assets dominated the investment volumes (46%), which is a change as in the last two years offices gave the leading position to the logistic and industrial ones. 14 assets deals and 1 share deal give a proof of evidence of the investors' activity in this sector class. Interestingly, the majority of transactions were held outside Warsaw, mainly in Kraków and Wrocław, which is a confirma-

tion of the quality buildings delivered in the regional cities. The most significant transaction, yet, was the sale of The Warsaw Hub to Google in the quarter one. The investment volume exceeded EUR 585 M. and yield rate was sub 4.5%. The timing of announcing the closure of the transaction was also exceptional, as it happened just a few days after Russia had invaded Ukraine and most of democratic world held its breath.



Selected Industrial & Logistics Investments, H1, 2022

	CITY	YEAR	QUARTER	GLA	APPROX. YIELD	BUYER	SELLER
7R CITY FLEX WARSAW AIRPORT I	Warsaw	2022	2	15,620.00	4.40%	Macquarie (form. GLL RE Partners)	7R
HAVI LOGISTICS WARSAW	Warsaw	2022	2	10,065.00	4.7%	Private Investor	Havi Logistics
PANATTONI PARK WARSAW AIRPORT II (PART OF BGO PORTFOLIO)	Warsaw	2022	2	9,000.00	4.95%	Bentallgreenoak	Panattoni
7R BESKID PARK II PHASE II	Czechowice-Dziedzice	2022	1	25,500.00	sub 5%	Savills Investment Management	7R&VRE
PANATTONI PARK GDAŃSK AIRPORT	Gdańsk	2022	2	102,849.00	5.12%	Exeter Property Group	Invesco Real Estate

Source: BNP Paribas Bank

Investment market was expected to do so as well. Yet, the transactions keep on closing and new investors keep coming to Poland. From this perspective it is worth to mention another deal held in Poznań. Skanska sold Nowy Rynek D to the newcomer from Sweden, Eastnine AB Fund, which paid EUR 121 M. This was the highest price paid for a single asset in a city outside Warsaw.



INDUSTRIAL & LOGISTICS

The logistics & industrial sector, which was heading the investment volumes in the last two pandemic years, has reached the 26% share in the total volume transacted so far in 2022. There is no doubt that this sector is as hot as never before taking into account the records breaking levels of stock being under construction, tenants demand or vacancy ratio. Yet, the development phase makes it also very volatile and vulnerable to unexpected events. Therefore, today the sector is anxiously seeking to find a balance between construction costs, paid rents and



Retail Parks Investments, H1, 2022

expected investment yields. Construction costs are highly difficult to predict in the longer perspective due to broken supply chains, unavailability of certain materials, or labor market challenges, therefore these risks are being included in rents, which have started to rise – the quarterly change in headline rents is 9% on average. The third element are the yields, which have already started to decompress in Western Europe. Poland will follow to keep the attractiveness of its market and products and this is yet to come. All these factors resulted in lower than expected number of logistic investments in H1 2022.

RETAIL

Retail sector, which share in total volumes in the last two years oscillated around 14% on average, notices a good first half of the year, as 24% of total volume comes from this sector. This however included the sale of shares in the two portfolios consisting of 37 shopping centers managed by EPP, which transactions accounted for 80% of all retail volumes. The owner stated that these transactions were stimulated by the difficulties, into which the owners fell after two years of pandemic imposing restrictions onto shopping centers segment. The remaining 20% of the investment volumes referred to supermarkets and retail parks. The super-



	CITY	YEAR	QUARTER	GLA	APPROX. YIELD	BUYER	SELLER
MEYN RETAIL PARK	Wrocław	2022	1	10,600.00	c.a. 6.5%	Lords SB	Mitiska REIM
PARK HANDLOWY UL. WIDOCZNA	Warsaw	2022	2	1,600.00	sub 6.5%	Centerscape Investments	Confidential
PARK HANDLOWY W DOBRYM MIEŚCIE	Dobre Miasto	2022	2	2,200.00	c.a. 7%	MNK Partners	RWS Investment Group / Green Hill Investments
SMART PORTFOLIO	Namysłów, Włocławek, Grodzisk	2022	2	13,000.00	7,50%	Confidential	Newbridge Poland
STAŁOWA WOLA RETAIL PARK	Stalowa Wola	2022	1	3,369.00	c.a. 8%	Private Investor	Mitiska REIM

Source: BNP Paribas Bank

and hypermarket deals are partially remnants from the Tesco decision on exiting Polish market, partially investments into food operators like Biedronka or Kaufland. This particular interest is a natural consequence of the consumer trends shift which had started before the outbreak of Covid-19 and continued during the pandemic. In the event of lowering purchasing power of consumers due to high inflation and economic slowdown noticeable across the globe, the discounters from any of the retail segments, are highly welcome and their expansion is expected to boost in the next few years. The retail park format also notices the great interest from investors as it has proved to be resilient during the pandemic lockdowns. This has also become a beneficiary of the consumer habits' change shifting towards convenient shopping in proximity.

ALTERNATIVE SEGMENTS

Embracing private rented sector (PRS), student housing or hotel, after first half of 2022, reached 4% share in investment volumes. The result is already 33% higher than overall 2021 record, which proves that investors are seeking alternative to



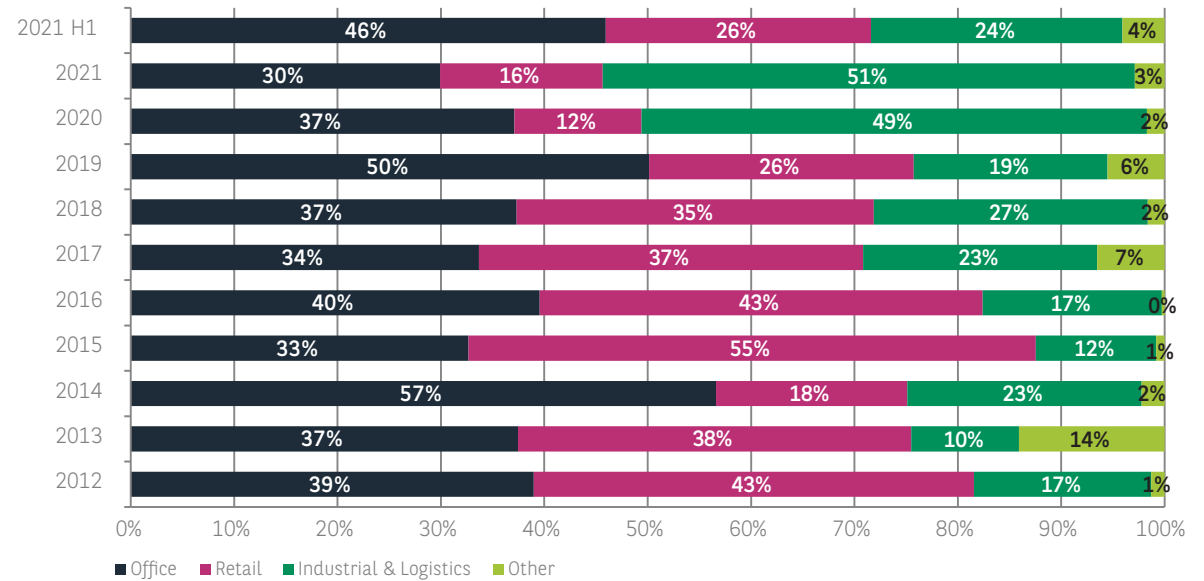
so called traditional real estate investments. However, comparing the maturity of this segment vs. Western countries, in which it has been successfully functioning for many years now, Polish PRS is in its 'baby-born' phase. Lack of existing supply results in purchasing whole in the ground. Yet, there are investors coming, mainly from Nordics (Heimstaden or NREP), who have made decisions to enter the market, sign the preliminary deals and await the delivery of the final products. Nevertheless, the prospect for the segment is very promising, even though we face a number of restrictive challenges, i.e. costs of construction, cost of financing, costs of land, inflation, restrictions regarding credit worthiness for individual clients, etc. Nevertheless, young generations entering the production phase of their life-cycle tend to value flexibility. In this sense, they will prefer renting over owning and this is where the offer of PRS may become increasingly attractive. Moreover, some sectors are reaching maturity, e.g. retail or office, which will push investors to look at different directions.

CAPITALIZATION RATES

In the first two quarters of 2022 the capitalization rates for traditional real estate remained in most of cases at the 2021 levels. This mainly results from the fact that the head of terms of most of the transactions were agreed back in 2021 or early 2022.

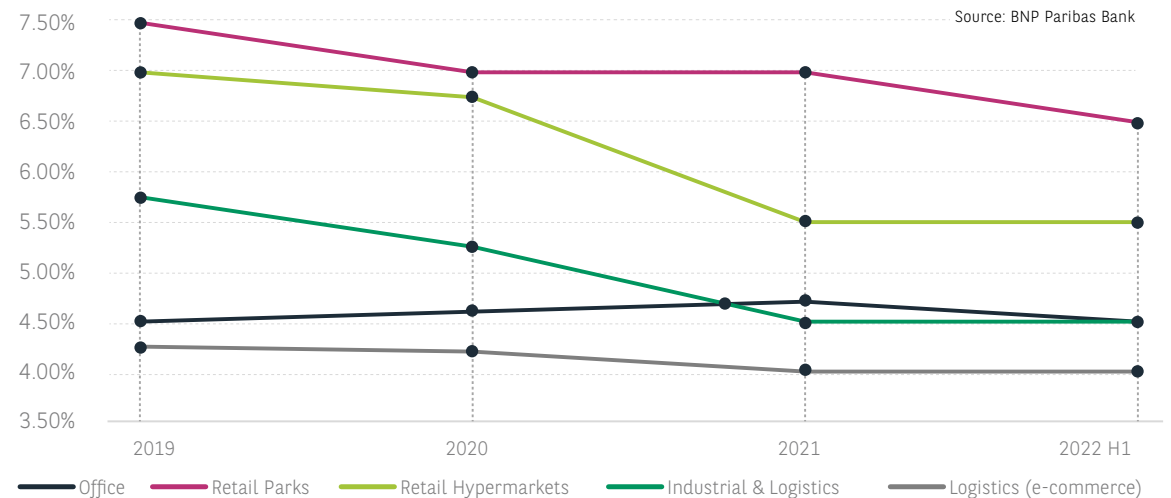
The Polish market is not only expecting but already awaiting the decompression of yield rates from 0.25 p.p. to 0.5 p.p. subject to sector and segment. This expectations are backed up by rising financing costs, as well as due to the trend which already ongoing in Western Europe and always heralds the changes on our local backyard.

Investment volumes split by sectors



Source: BNP Paribas Bank

Capitalization rates, H1, 2022



Source: BNP Paribas Bank

04 PROSPECTS & TRENDS



Małgorzata FIBAKIEWICZ

Head of Business Intelligence
Hub & Consultancy,
BNP Paribas Real Estate

Each dance has its end. So will have the currently ongoing the 'black swans dance'. This is when the opportunities become wide open, One needs to notice and make the proper use of them. Each unexpected event also leaves a scar, which, when healed, does not hurt anymore but is a great reminder of a cause & effect sequence.

Covid-19 outbreak in 2020 was a great example of a wake-up call for countries, economies and societies tearing apart all the comfort zones. So it was for real estate. Shopping centres fell under governmental compulsory restrictions, which shook the foundations of free market rules, exposing many owners and tenants to financial and operational challenges. This speeded up the process of undergoing shift of consumer habits, who immediately turned to

small retail parks as remaining open, quick and convenient format of doing the daily shopping.

Offices vacated on day one once everybody was made to perform their duties remotely. At this occasion it needs to be said that majority of companies, including state owned ones, overnight benefitted from the investment into IT systems, wireless connections and overall digitalization of processes made in the last few years.



EXPERT COMMENT

Fabrice PAUMELLE

Head of Retail Agency,
BNP Paribas Real Estate

Retail sector consists of many segments, which have behaved differently in the light of pandemic challenges and restrictions resulting from them. Yet, the sector will continue to develop, mainly due to

investments in retail parks and convenience assets. These formats proved to be the most resilient during the health crisis. Taking into account the still growing inflation, which impacts the purchasing power of Polish population, we see a huge space for discounters expansion in Poland, both food and fashion. Therefore, the change in consumers' behaviors aiming to do shopping quick and in proximity, will evolve further by putting a pressure on 'less expensive' shopping of base products, for which the discounters come with a good offer.

Remote work proved not to be as effective as it thought to be in the beginning, but it opened a space to test a hybrid way of working imposing a key imperative – flexibility. This is the main driving factor for tenants to make decisions regarding the future office space. Flexibility also changes the rules of the game when it comes to office tenant mix and concept of defined duration of lease agreements proving the value of assets.

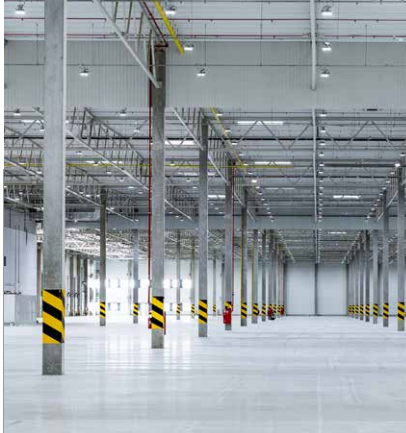


EXPERT COMMENT

Dorota MIELKE

Associate Director,
BNP Paribas Real Estate

Pandemic outbreak shook the foundations of the existing office market set-up which is dependent on the healthy balance between the demand and supply. Flexibility was desired by tenants, which was hardly affordable by owners. This is where flex office operators, whose presence has been raising since in 2016, started to become an attractive alternative to old-school leasing. Shorter leases and smaller area starting from even one desk, were a winning factor.



Warehousing market received a very strong impulse for further growth as unsold stock needed to be stored somewhere, inventories made by companies required additional space and the lockdown for shopping centers boosted temporarily the sale figures for e-commerce, which remained a factor continuously stimulating the sector for further

growth. Moreover, the seriously disrupted supply chains, increase of frachts' cost as well as unpredictability of deliveries, it all opened the discussion on nearshoring, which would allow – at the price of a higher costs naturally – to bring the production facilities closer to the target market. Deglobalization process has started. From a human being perspective, we have embraced the issue. The Covid virus has not disappeared, moreover we are ahead of the autumn peak. However, as a homo sapiens we learned how to deal with it, staying alerted but not in panic.

Once we have thought the health challenge is over and the economies were on the post pandemic recovery path, the world, and mainly Europe, faces another huge crisis. Russia invaded Ukraine on February 24 starting a full scale invasion aiming at seizure of the Ukraine territory. A war lasting already more than a half of year not only is a military conflict between two food producing giants as well as raw materials producers, but also is a war between values determining mindsets, way of living, approach to freedom of an individual and eventually the shape of future borders in Europe.

It may sound as an oxymoron, however, the war already has it positive consequence. It reunited European Union and NATO alliance countries and strengthened the loose bonds between them, which weakened over time due to various reasons. This unity may bring further benefits, regardless to how this conflict will end. Nearshoring concept which was conceived during pandemic, may turn to friendshoring. This is a new trend discussed more and more loudly on the market, meaning a creation of interrelated networks of suppliers from countries cooperating politically and military, who share the same core values. Poland, being a reliable business partner within European Union as well as a member state of NATO, may have a chance to become an important production and logistic center both,



EXPERT COMMENT

Tomasz ARENT

Head of Industrial & Logistics Agency,
BNP Paribas Real Estate

Nearshoring is a trend which will gain on importance, as we are living in the environment, which on one hand is dictated by global economic turbulence and Covid, on the other hand, by a regional military conflict with worldwide consequences. In these circumstances, companies are trying to protect themselves even better against breaking business continuity by relocating investments from Asia to Europe, where Poland is considered an attractive market for safeguard production and logistics.

within EU and in international cooperation as it constitutes an attractive alternative to becoming more expensive and more unstable supplies from Asia.

Poland, being a next door country to the ongoing military conflict greatly supporting Ukraine in their battle, naturally absorbed the most of fleeing refugees. Currently, there are c.a. 2 M Ukrainian people in the country, circa 25% of whom have registered for job and is actively contributing to GDP production.

On one hand sectors like construction or TSL faced the outflow of Ukrainian workers, who came back to their homeland to resist against

Russian aggression. On the other one, women and youngsters who flew into Poland, are fulfilling the gaps in sectors like services, IT or business services. Moreover, the Ukrainian businesses impacted by war in the country, have considered Poland, in which they could establish their business continuity by securing office or warehousing. Such a relocation will be more expensive, but the overall risks are significantly lower as Poland, a NATO member, is considered to be a “safe heaven”.

This has been a great impulse for further growth of the “Eastern Wall” – a region running along Eastern border of Poland, around three key urban areas (Białystok, Lublin, Rzeszów), with great land potential still awaiting its exploration. There has been already a 300% increase in projects launched for construction when comparing with Q2 2021, and 78% increase when referring to Q4 2021.

In this sense, the region has a potential to undergo similar development while serv-

ing the East, as West zones have been developing to serve the West. To ensure it, EU through the European Funds for Eastern Poland program for 2021-2027, is continuing to support five eastern voivodships, the main goal of which is to strengthen the competitiveness and innovation of enterprises, increase attractiveness of cities and improve the quality of life in the era of climate change, increase the transport accessibility of the macro region and boost the tourism potential and space for development. The budget of the program is EUR 2.5 billion.

In the meanwhile, the war’s global consequences are already becoming visible, such as food crisis as Ukraine is producing food feeding 400 million people across the globe or energy crisis. **The latter may and will have an overall positive impact as it is already imposing a shift towards green energy and we can observe investors and European leaders accelerating the efforts toward zero emission economy.** Thus, ESG (Environmental, social and corporate governance) directive

comes on time becoming an increasingly important factor for real estate investors when choosing investment properties and in the shaping of their investment strategies. When speaking with investors, the most important factor on which they are currently focusing is the carbon footprint of their assets.

On the real estate market in Poland, we have seen a growing awareness of this. Most of the new logistics developments now include installation of photovoltaics, car charging stations, additional natural lighting and an increase in roof and elevation thermal values to name the energy saving options, thus taking a direction which was tailored into office developments already some years ago and successfully continued. More challenges will occur for existing buildings that will also need to meet carbon footprint reduction requirements, which criteria will come directly from the Taxonomy regulations, tenants occupying the spaces as well as potential investors.

As nothing lasts forever, this war will come to an end at some point. As the final outcome remains unknown, the whole democratic world is supporting Ukraine in its (and our?) fight against Russia and hopes the country will manage to keep, or even regain, its territorial integrity and continue its march towards modern democracy, joining a collective of European countries.

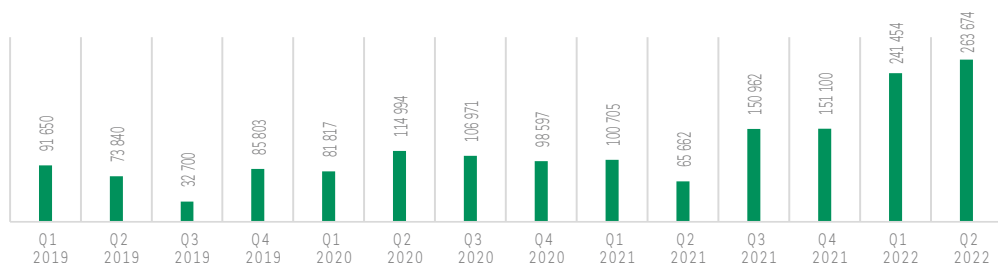


EXPERT COMMENT
Anna RUSEK
ESG Director
BNP Paribas Real Estate

Environmental and energy audits are recommended to be carried out on the buildings as it is the only way to establish the carbon footprint the commercial real estate has on the environment. Following on from this a strategy of improvements can be agreed and included in the capex plan. It should also not be forgotten that Taxonomy regulations will also need to be considered, such as biodiversity, wellbeing of people using an asset and these will be considered as part of the ESG strategy and future capex. Being aware of the complexity of this aspect, we have been working with our clients on their strategies beginning at the acquisition stage with CRREM and ESG due diligence reports, energy audits for buildings under our management and developing appropriate ESG strategies that meet the clients budget and ESG obligations.

Eastern Wall – Projects under construction

Source: BNP Paribas Bank



05 RETAIL MARKET OVERVIEW



Fabrice PAUMELLE
Head of Retail Agency

Modern retail stock accounts for 15.4 M sqm at the end of first half of 2022, since it has increased by more than 155,000 sqm this year. The first half of the year was very strong for discount chains, which gained market shares hitherto belonging to large chains.

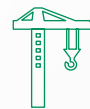
A high inflation resulting in raising prices of consumption goods had a great impact on turnover results of the grocery chains. Higher turnovers do not mean though that Poles are buying more. They are certainly buying more cautiously, taking deeply into consideration the continuously deteriorating economic situation and lowering purchasing power ability.

STOCK & SUPPLY

The shopping centre segment recorded two notable events: completion of the modernization and expansion of the E.Leclerc shopping center in Zamość and opening of the Karuzela center in Puławy. Smaller commercial formats accounted for more than half of the delivered space. Debut of a retail chain named Smart Park proves that retail parks, convenience centres and discount stores are the main players on the market in terms of the tenants, investors and consumers' interest. Lately, the total volume of new

supply included a significant share of stand-alone retail facilities, mainly offering DIY products. Their share is estimated at about 30,000 sqm of space. The largest one was created between Warsaw and Piaseczno, where OBI store was opened on 12,000 sqm as the fifth DIY market in the Warsaw metropolitan area.

The retail sector stands a chance to increase its stock in the coming two years, thanks to the delivery of close to 500,000 sqm. The number of projects remaining under construction includes all types of developments: new schemes, modernizations or expansions. The retail park segment which has been on the investors' radar for the last two years, accounts to 315,000 sqm, which is as much as 60% of the total retail space under construction in Poland.



Selected Retail Parks under construction

	CITY	DEVELOPER	GIA	PLANNED DELIVERY
KOSZALIN POWER CENTER	Koszalin	Acteem	38,000	H2 2023
VENDO PARK SZCZECIN	Szczecin	TREI Real Estate	24,000	Q2 2023
ATUT KRAKÓW NOWOHUCKA	Kraków	KG Group	23,000	Q4 2022

Source: BNP Paribas Real Estate Poland



MARKET STATS / H1 2022

nearly **15.4 M sqm**
EXISTING RETAIL SPACE

155,500 sqm
NEW SUPPLY H1 2022

490,000 sqm
SPACE UNDER CONSTRUCTION

(to be delivered to the market by the end of 2024; includes new projects, redevelopments, changes in commercial formats)

105.4%
AVERAGE SHOPPING CENTRE FOOTFALL

(PRCH: July 2022, compares the same week in 2019; Monday-Saturday)

8.6%
SHARE OF ONLINE SALES IN TOTAL RETAIL SALES

(Statistics Poland: June 2022)

Source: BNP Paribas Real Estate Poland



TENANTS

Many retail brands have felt the impact of restrictions and a change of shopping habits strengthened by multiple months of the pandemic. Some have left Poland entirely, as for example a strongly recognizable fashion chain Orsay, which opened the first store in Poland in 1997. A few brands' owners have closed their stores (e.g. Go Sport) or filed for bankruptcy (e.g. TXM Textilmarket). On the other hand, there have been the debuts of several interesting brands. Lovisa – a jewelry brand, which has been operating since 2010 and is present in 15 countries all over the world – opened its first store in Galeria Katowicka. Also, a Philipp Plein's showroom of more than 200 sqm was launched in a historical townhouse of Dom Dochodowy, at the Three Crosses Square in Warsaw. Moreover German Haribo has announced the opening of its first store in the Factory Ursus center in Warsaw.



Taking into account that inflation has continued to raise for months now, in the first half of the year it has not yet impacted significantly the level of demand, including fashion. This is driven by the mixture of circumstances: lifting the pandemic restrictions on one hand, on the other one, this is the impact of the season. Spring and summer create naturally better shopping moods, which are used by majority of chains, recording a rebound in sales. This is also shown in the data collected by PRCH, which indicate that in July 2022 footfall in shopping centers, measured by the number of customers per sqm of leasable space, was 5.4% higher, compared to the pre-pandemic July 2019. The increase was also visible in turnover, which compared June 2022 to June 2019 increased by 12%.



Retail New Commers 2022

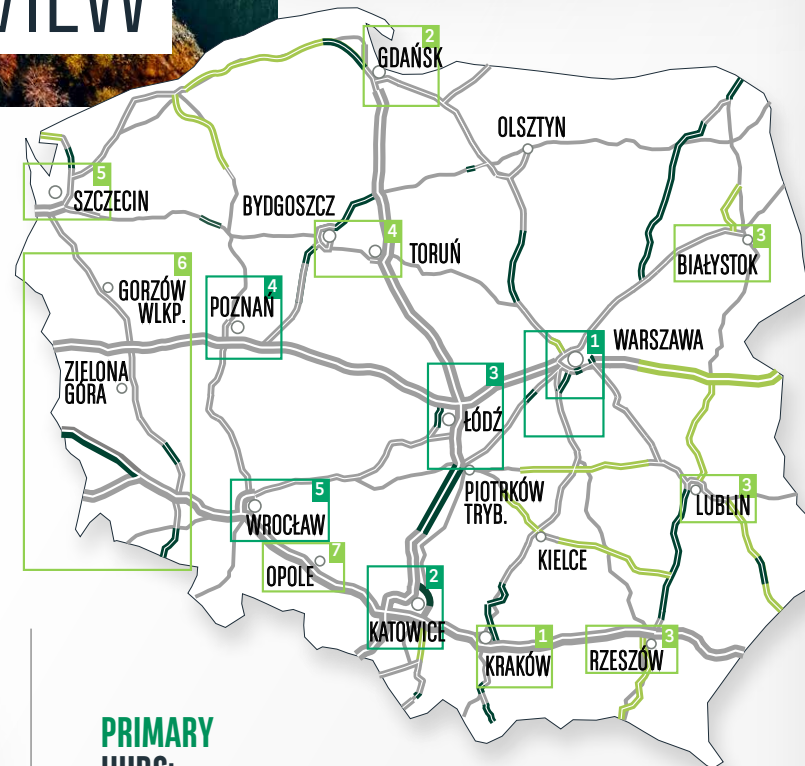
BRAND	RETAIL FACILITY*	CITY
LOVISA	Galeria Katowicka	Katowice
SNIPES	Silesia City Center	Katowice
PHILIPP PLEIN'S	Dom Dochodowy	Warsaw
HARIBO	Factory Outlet Ursus	Warsaw
DM	Ślężna 132	Wrocław
NKD	Retail Park Rybnik	Rybnik
UNIQLO	Wars Sawa Junior	Warsaw

* for selected brands, the indicated store was the first one
Source: BNP Paribas Real Estate Poland

06 INDUSTRIAL MARKET OVERVIEW



Tomasz ARENT
Head of Industrial and Logistics Agency



PRIMARY HUBS:

1. Warsaw I & II
2. Upper Silesia
3. Central Poland
4. Poznań
5. Lower Silesia

SECONDARY HUBS:

1. Kraków
2. Tricity
3. East
4. Bydgoszcz / Toruń
5. Szczecin
6. West
7. Opole

Source: BNP Paribas Real Estate Poland, GUS (PL)=Statistics Poland (ENG), Eurostat



MARKET STATS / H1 2022

26.1 M sqm
EXISTING SPACE

1.5 M sqm
NEW SUPPLY

4.3 M sqm
SPACE UNDER CONSTRUCTION

3.1%
AVERAGE VACANCY RATE

3.00 - 4.30 BIG BOX
4.50 - 5.25 SBU
PRIME HEADLINE RENT
(EUR/sqm/month)

3.83 M sqm
GROSS DEMAND

2.83 M sqm
NET DEMAND

Source: BNP Paribas Real Estate Poland

Despite a challenging geopolitical situation, high inflation, stabilizing but still high construction and material costs, as well as general uncertainty in the real estate market, the logistics industry proves to have strong foundations and retain the development pace.

All market indicators remain encouraging – the vacancy rate keeps the record low level (3.1%), which confirms how strong the gross demand for warehouse space was in the second quarter (approx. 2.2 M sqm). The amount of space being under construction amounts to approx. 4.3 million sqm, however, a decrease in number of projects launched on a speculative basis was observed – approx. 20% less compared to Q1 2022.



Selected projects under construction

	HUB	AREA (SQM)
PANATTONI BTS ZALANDO	Bydgoszcz/Toruń	146,000
CTPARK HŁOWA	West	111,300
EQT EXETER PARK ŚWIEBODZIN - BTS	West	100,000

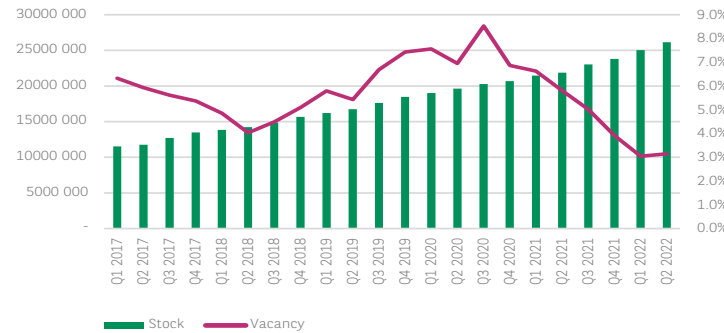
Source: BNP Paribas Real Estate Poland



STOCK & SUPPLY

At the end of June 2022, industrial and logistics, being the fastest-growing sector in Poland, had resources of over 26.1 million sqm, recording 19.5% increase compared to the same period in 2021. When compared to Q2 2020, there is over 30% increase in the total stock of modern warehouse & logistics space in Poland. Invariably, the regions with the largest stock of warehouse space in Poland are: Warsaw, offering 5.5 million sqm (21% of total resources), the region of Upper Silesia offering 4.5 million sqm (17%) and Central Poland offering 3.8 million sqm (15%). New supply in the period

Annual Supply and Vacancy Ratio



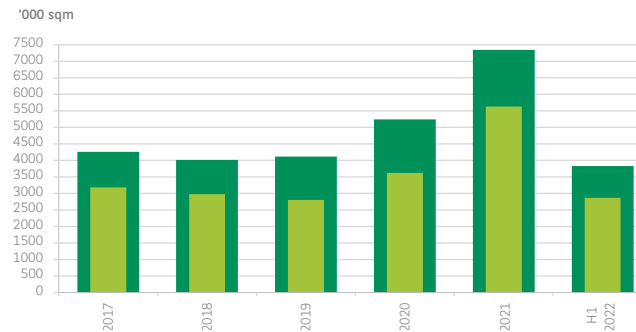
Source: BNP Paribas Real Estate Poland

January-June 2022 reached the level of 2.4 million sqm and the largest increases in stock, exceeding 300,000 sqm, have been recorded in Poznań, Central Poland, Wrocław and Upper Silesia.

TENANTS

The total demand in the warehouse market in Poland in the first half of 2022 reached 3.8 million sqm, of which over 2.2 million sqm was leased in the second quarter of this year. The result for the first half of the year was higher by 12% year on year and by 35% compared to the first half of 2020. The logistics, distribution and trade sectors generate high demand for warehouse space. Traditionally, the Big Five, i.e. Warsaw II, Silesia, Central Poland, Poznań & Wrocław markets had the largest share in shaping new demand in H1 2022. E-commerce is and will continue to be an accelerator for the sector. Estimates indicate that the warehouses and logistic facilities where e-commerce operations are carried out, account for nearly 30% of the total stock available on the market. Equally importantly, Poland is evolving into a centre of fashion e-commerce. It is expected that by 2025, the online sales of fashion products will reach USD 365 billion, twice as much as in 2020.

Annual Gross & Net Demand



Source: BNP Paribas Real Estate Poland

The second driving force for the sector's development is the trend of shortening the supply chains (nearshoring or a sister concept of "friendshoring"). At a time when, on the one hand, the conditions are dictated by global economic turbulence and Covid, and, on the other hand, by a regional military conflict with worldwide consequences, companies are trying to protect them-

RENTS

In the recent months, the increase in rents was observed. Comparing the two previous quarters, the headline rates grew on average by 9%, but there are zones – for example Warsaw II or Poznań – where rent rates have gone up by c.a. 20%. This is much more than the increase of construction cost, estimated today at approx. 10%. The upward trend in the next quarter is anticipated, it will also result from the low level of available warehouse space for lease throughout Poland. The biggest hikes of headline rents, in addition to Warsaw II and Poznań were recorded in Wrocław, Upper Silesia and Central Poland.



Selected lease agreements H1 2022

TENANT	BUILDING	HUB	AREA LEASED (sqm)	TYPE OF LEASE
GLOBALWAY	Panattoni Park Gdańsk East	Tricity	103,000	new
BESTSECRET	Panattoni Park Sulechów III	West	90,000	new
POCZTA POLSKA	Panattoni BTS Poczta Polska	Warsaw II	50,000	new
DEALZ	Hillwood Łyszkowice	Central	47,700	new

Source: BNP Paribas Real Estate Poland

selves even better against breaking business continuity. In addition to building up stocks and relocating investments from Asia to Europe, movements can be observed on the market to safeguard production and logistics within countries that are politically and economically stable and, in addition, protected by NATO security guarantees.

06 OFFICE MARKET OVERVIEW



Dorota MIELKE

Associate Director

At the end of the second quarter of 2022, the Polish office market's stock reached over 12.6 million sqm of modern space.

Warsaw remains the leader accounting for almost half of the existing resources, with eight major regional markets, led by Kraków and Wrocław, not slowing down. As a proof of ongoing development there, Tricity joined the ranks of 'office millionaires' in second quarter of this year



having broken the barrier of 1 million sqm of existing space. The market picture shows optimism resulting from the growing demand.

STOCK & SUPPLY

We observe high activity of developers of office space in the last quarters. However, decisions to start new construction, especially on the Warsaw office market, are being postponed in time at the moment. As a consequence, this will lead to a supply gap not only in the capital office market but also in regional markets.

In the first half of 2022 the Polish office market has grown by almost 441,000 sqm, of which as much as 29% of the new supply was completed in Warsaw. Katowice, with result of 27% of new supply, took the second place. Tri-City closes the podium, where nearly 50,600 sqm of office space has been completed since the beginning of the year (less than 12% of the new six-month supply). Poznań was the only one where no new office project was commissioned from January to the end of June 2022.

The largest office buildings completed in the analyzed period included: Forest Tower – a 51,500 sqm tower delivered by HB Reavis in Warsaw, KTW II – a 39,900 sqm building in the two-buildings office complex built by TDJ Estate in Katowice and Midpoint71 – a 36,200 sqm office building which Echo Investment constructed in Wrocław.



POLAND MARKET STATS / H1 2022

12.6 M sqm
EXISTING STOCK

441,000 sqm
NEW SUPPLY

730,000 sqm
SPACE UNDER CONSTRUCTION
*delivery 2022-2025

13.6%
AVERAGE VACANCY RATE

25-26 EUR (sqm/mth)
PRIME HEADLINE RENT

827,500 sqm
GROSS DEMAND



VACANCY RATIO

New supply in the office market in the second quarter of 2022 slightly affected the vacancy rate.

There is approximately 1.71 million sqm on the Polish market space available for immediate lease. In Warsaw, at the end of June 2022, the vacancy rate was 11.9% (747,700 sqm), with a very clear deficit of free space in central zones, which are facing a great interest from tenants aiming at securing the space before the supply gap physically occurs, either by renewing the existing contracts or relocating to other buildings. In turn, 961,000 sqm remains available for lease in the regional office markets (15.2%).

DEMAND

The revival in demand has been observed in the last two quarters. The activity of tenants in the office market in the first half of 2022 was much higher than in the corresponding period of 2021 and increased by as much as 60% during the year.

Poland Office Market – Annual Supply & Vacancy Ratio



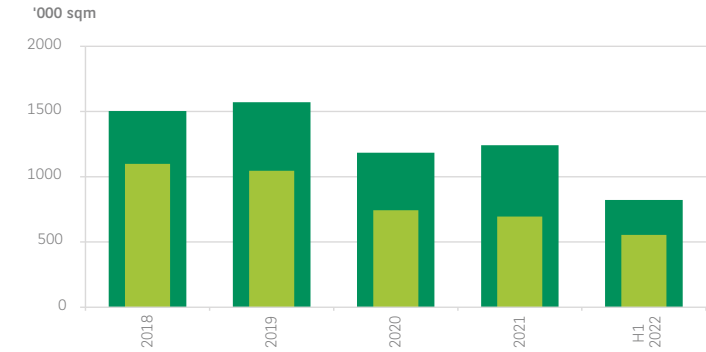
From January to June 2022, almost 830,000 sqm of office space were leased on Poland's office market. Over 58% of space was leased in Warsaw, while the remaining 343,000 sqm were leased in regional cities, where the highest demand was recorded in Kraków (109,000 sqm) and Wrocław (nearly 61,000 sqm).

RENTS

Office market in Poland is facing a number of challenges at the moment, which are on one hand provoked by external factors, i.e. inflation, high construction costs impacting fit-outs and new office supply or high energy costs increasing the costs of service charges, as well as events characteristic for offices only. Regardless to the origin of the reasons, the office markets is experiencing the rent increases. The rent growth rates vary per city, subject to the specifics of each office market and balance between the supply and demand. In the coming months we will be

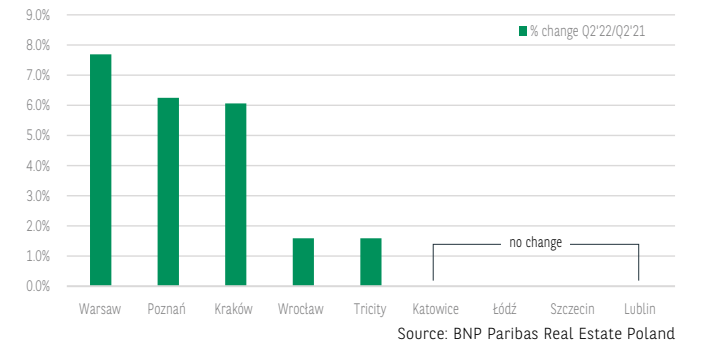
observing a closing gap between headline rents and effective ones as a consequence of minimizing the incentives packages, ensuring at the same time great flexibility in terms of shifting from OPEX incentives to CAPEX ones, thus lowering the costs of fit-outs.

Annual Office Take-up, Poland Office Market



Source: BNP Paribas Real Estate Poland

Annual Rent Growth Rate per city, Q2 2021-Q2 2022



Selected lease agreements in Poland, H1 2022

	ZONE	CITY	COMPLETION DATE	GLA OFFICE TOTAL AREA
PEKAO	Forest Tower	Warsaw	30,000	pre-let
GRUPA ING	Plac Unii	Warsaw	23,500	new
PKO BANK POLSKI	SKYSAWA II	Warsaw	22,800	pre-let
CAPGEMINI	Fabryczna Office Park B5	Kraków	13,800	pre-let
PWC	.KTW II	Katowice	12,900	new
CISCO SYSTEMS POLAND	Enterprise Park C	Kraków	12,500	renewal

Source: BNP Paribas Real Estate Poland



CITY OVERVIEWS

WARSAW

KRAKÓW

WROCLAW

TRI-CITY CONURBATION

POZNAŃ

KATOWICE

ŁÓDŹ

LUBLIN

SZCZECIN

	6.27 M sqm EXISTING OFFICE SPACE
	129,000 sqm NEW SUPPLY H1
	227,000 sqm SPACE UNDER CONSTRUCTION (2022-2023)
	11.9% AVERAGE VACANCY RATE Q2
	25-26 EUR PRIME HEADLINE RENT (SQM/MTH)
	479,400 sqm GROSS DEMAND H1



WARSAW

At the end of June, the total stock of office space in Warsaw amounted to approx. 6.27 million sqm. The first half of the 2022 was characterized by increased tenant activity and a downward trend in vacancy ratio. Over 129,000 sqm of office space was delivered to the market enlarging the existing stock, while ap-

proximately 227,000 sqm remained under construction with a completion date scheduled between 2022 and 2025.

The total tenant activity in Warsaw amounted to 479,400 sqm and compared to the same period last year, it was higher by 92%. This is also an increase of 19% compared to 2019.

As the pandemic situation improves, some tenants are moving from the suspension of decisions regarding office space to the implementation phase. Confirmation of this phenomenon can be found in the number of transactions concluded in the first half of 2022 (392) and increase by nearly 58% on an annual basis.

Source: BNP Paribas Real Estate Poland



KRAKÓW

The regional leader in terms of the existing stock of modern office space. The city is a great destination for companies operating in the BPO/SSC/RD/IT sectors, which allowed to roll-out the great modern stock in a relatively short time. In the first half of year, Kraków office market outperformed all other regional cities in terms of demand (32% of total gross demand registered in H1 2022). The city takes the leading position also in terms of space under construction (146,600 sqm).

Source: BNP Paribas Real Estate Poland

	1,666,196 sqm EXISTING OFFICE SPACE
	47,700 sqm NEW SUPPLY H1
	146,600 sqm SPACE UNDER CONSTRUCTION (2022-2023)
	16.2% AVERAGE VACANCY RATE
	13.5 - 15.5 EUR PRIME HEADLINE RENT (SQM/MTH)
	109,000 sqm GROSS TAKE-UP H1



WROCLAW

The second largest regional office hub in the regions, with total existing stock approaching 1.3 million sqm. The city has been a very strong IT hub enjoying a great interest from tenants from this sector, which stimulated the city to develop further a modern stock. In H1 the city recorded the second best result in terms of take-up (18% of total gross demand registered in H1 2022). The demand situation may change the supply gap in 2024-2025, which is already looming in Wrocław.

Source: BNP Paribas Real Estate Poland

	1,284,466 sqm EXISTING OFFICE SPACE
	38,200 sqm NEW SUPPLY H1
	102,400 sqm SPACE UNDER CONSTRUCTION (2022-2023)
	14.8% AVERAGE VACANCY RATE
	13.5 - 15.5 EUR PRIME HEADLINE RENT (SQM/MTH)
	61,000 sqm GROSS TAKE-UP H1



TRI-CITY

Agglomeration is a very dynamically developing economic centre in Poland, appreciated greatly by the IT, BPO and SSC sectors and also thanks to Scandinavian companies. In the second quarter of 2022, the Tricity's office stock exceeded 1 million square meters.

Source: BNP Paribas Real Estate Poland

	1,010,942 sqm EXISTING OFFICE SPACE
	50,600 sqm NEW SUPPLY H1
	46,800 sqm SPACE UNDER CONSTRUCTION (2022-2023)
	15.3% AVERAGE VACANCY RATE
	13.0 - 15.5 EUR PRIME HEADLINE RENT (SQM/MTH)
	50,100 sqm GROSS TAKE-UP H1



KATOWICE

The fourth in the regional office market outside Warsaw, in terms of modern office space stock. Only in H1 2022 almost 120,000 sqm were delivered for occupancy. Together with Metropolis GZM, it is among the five largest centres of modern business services in Poland. Katowice is continuing a great development, being able to add another 120,000 sqm to the stock until the end of 2023.

Source: BNP Paribas Real Estate Poland

	716,034 sqm EXISTING OFFICE SPACE
	117,400 sqm NEW SUPPLY H1
	120,000 sqm SPACE UNDER CONSTRUCTION (2022-2023)
	16.1% AVERAGE VACANCY RATE
	12.5 - 12.5 EUR PRIME HEADLINE RENT (SQM/MTH)
	43,800 sqm GROSS TAKE-UP H1



ŁÓDŹ

A city of four cultures at the junction of two motorways, and one of the largest construction sites in Europe, where revitalization encompasses all urban areas. It is Poland's fifth regional office market, exceeding Poznań in the last quarter, for which the proximity of Warsaw is both, an opportunity and a threat, which is reflected in the highest vacancy ratio among all the office markets in Poland.

Source: BNP Paribas Real Estate Poland

	629,584 sqm EXISTING OFFICE SPACE
	41,500 sqm NEW SUPPLY H1
	44,100 sqm SPACE UNDER CONSTRUCTION (2022-2023)
	18.6% AVERAGE VACANCY RATE
	12.0 - 15.0 EUR PRIME HEADLINE RENT (SQM/MTH)
	31,600 sqm GROSS TAKE-UP H1



POZNAŃ

One of the economically strongest cities in Poland. It is defined by a high potential for economic growth, a low level of unemployment, a growing significance of small and medium-sized businesses, and a high scientific and academic potential. Poznań office stock has not changed since the end of the 2021 year, however new 35,000 sqm will be added until end of 2023.

Source: BNP Paribas Real Estate Poland

	620,436 sqm EXISTING OFFICE SPACE
	0 sqm NEW SUPPLY H1
	35,300 sqm SPACE UNDER CONSTRUCTION (2022-2023)
	12.0% AVERAGE VACANCY RATE
	13.5 - 15.0 EUR PRIME HEADLINE RENT (SQM/MTH)
	27,100 sqm GROSS TAKE-UP H1



LUBLIN

One of the two smallest office markets in Poland. Being at the same time one of the leading academic centers in the country, it is more and more often perceived as an alternative with huge potential, especially for the IT/SSC/BPO industries. A city is characterized by the local developers activity, yet, the war in the territory of Ukraine and a great impulse for a development of the Eastern Wall, may boost the dynamics of construction new office stock.

Source: BNP Paribas Real Estate Poland

	222,000 sqm EXISTING OFFICE SPACE
	15,000 sqm NEW SUPPLY H1
	2,300 sqm SPACE UNDER CONSTRUCTION (2022-2023)
	13.7% AVERAGE VACANCY RATE
	11.5 - 12.5 EUR PRIME HEADLINE RENT (SQM/MTH)
	5,300 sqm GROSS TAKE-UP H1



SZCZECIN

The smallest of the regional office markets, yet, the appeal of Szczecin, however, is enhanced due to its proximity to the German border and the dynamically expanding warehousing sector.

Source: BNP Paribas Real Estate Poland

	186,000 sqm EXISTING OFFICE SPACE
	1,500 sqm NEW SUPPLY H1
	3,200 sqm SPACE UNDER CONSTRUCTION (2022-2023)
	4.9% AVERAGE VACANCY RATE
	11.5 - 15.0 EUR PRIME HEADLINE RENT (SQM/MTH)
	15,000 sqm GROSS TAKE-UP H1

08 CONSTRUCTION SECTOR IN POLAND



POLISH FEDERATION
OF CONSTRUCTION EMPLOYERS



Damian
KAZMIERCZAK,
PhD

Chief Economist in the Polish Federation
of Construction Employers

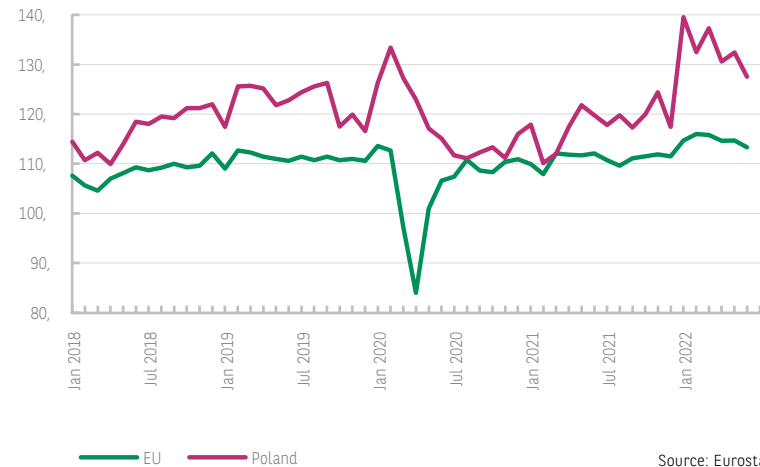
The construction sector in Poland has not yet coped with the unprecedented increase in prices of materials, fuels, energy and labor costs between H2 2021 and H1 2022, and as early as mid-2022 it had to start facing the slowdown in the Polish economy.

Due to high inflation, rising interest rates and general uncertainty about further evolution of global economic and geopolitical trends, many investors are holding back on launching new projects in the private sector. The number of new residential projects is falling very sharply in comparison to 2021, demand for new office spaces is slowly recovering from the COVID-19, and even prospective logistic & industrial sector is experiencing a temporary downturn in construction.

Meanwhile, the public sector is waiting for funds from the EU budget for 2021-2027, which are expected to flow into Poland on a larger scale closer to 2024.

At the same time, there is a serious risk that due to the political dispute between Poland and the EU, in the foreseeable future Poland will not receive funds from the NextGenerationEU economic recovery package. This would be very

Construction Production in Poland and EU (2015 = 100)



bad news for rail, energy and municipal investments, which are strongly dependent on EU funding since Poland has become a member state of the European Union in 2004. In contrast, major road investments are mainly financed from the state budget, so there should be no obstacles with their continuation in the following years.

The record prices for construction materials, fuel and energy, as well as rising labor costs are reflected in the highest rate of Construction Cost Index in the contemporary history of the Polish construction industry (chart 2).





Although material prices are still very high, in mid-2022 they have stopped growing as fast as between H2 2021 and H1 2022. For fear of a global recession, commodities prices plunge, in the domestic construction market, the panic that lifted material prices after the outbreak of war in Ukraine has ended, and demand for materials is declining as the investment sentiment deteriorates. Any further price reductions do not seem possible because of the record energy costs, which will be a huge challenge for producers of construction materials, such as steel, glass or cement, later, in 2023.

The current financial condition of the Polish construction companies is highly diverse. It all depends on the size of the company, the business segment, the diversification of back-

logs, the moment of raising new contracts in 2021-2022, and the status of ongoing contracts secured before 2021. From this perspective, today the most vulnerable may be smaller subcontractors, as well as larger contractors with undiversified construction projects portfolios, who signed contracts just before the first wave of extraordinary material price hikes in H2 2021 or shortly before the second wave initiated by the war in Ukraine in late February 2022.

In the upcoming quarters, the biggest challenge for the Polish construction sector will be to keep margins amid declining revenues and persistently high costs.

Although material prices have stopped rising in recent weeks, they are twice as expensive as they were at the beginning of 2021. Fuel prices have fallen from their

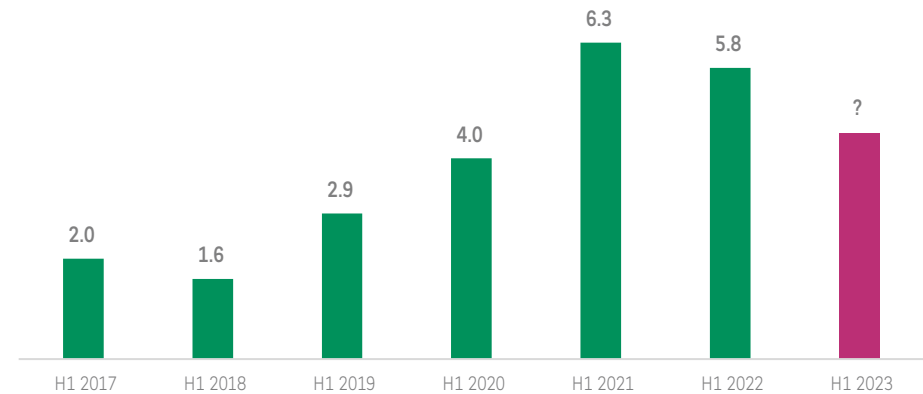
June peaks by about 20%, but they are still close to the record. Wage growth in construction has slowed down, but is constantly in double digits, settling around 13% YoY. At the same time, the decline in launching in new construction projects will increase competition to win new contracts, for which companies must compete with low prices. This will have a significant impact on the financial performance of the Polish construction industry in 2023-2024.

Construction Cost Index in Poland [% YoY]



Source: Eurostat

Net profit margin of construction companies in Poland [%]



Source: Eurostat

09 POLAND LABOUR MARKET

HAYS Working for your tomorrow



Alex SHTEINGARDT
Regional Director CEE,
Managing Director
Poland at Hays

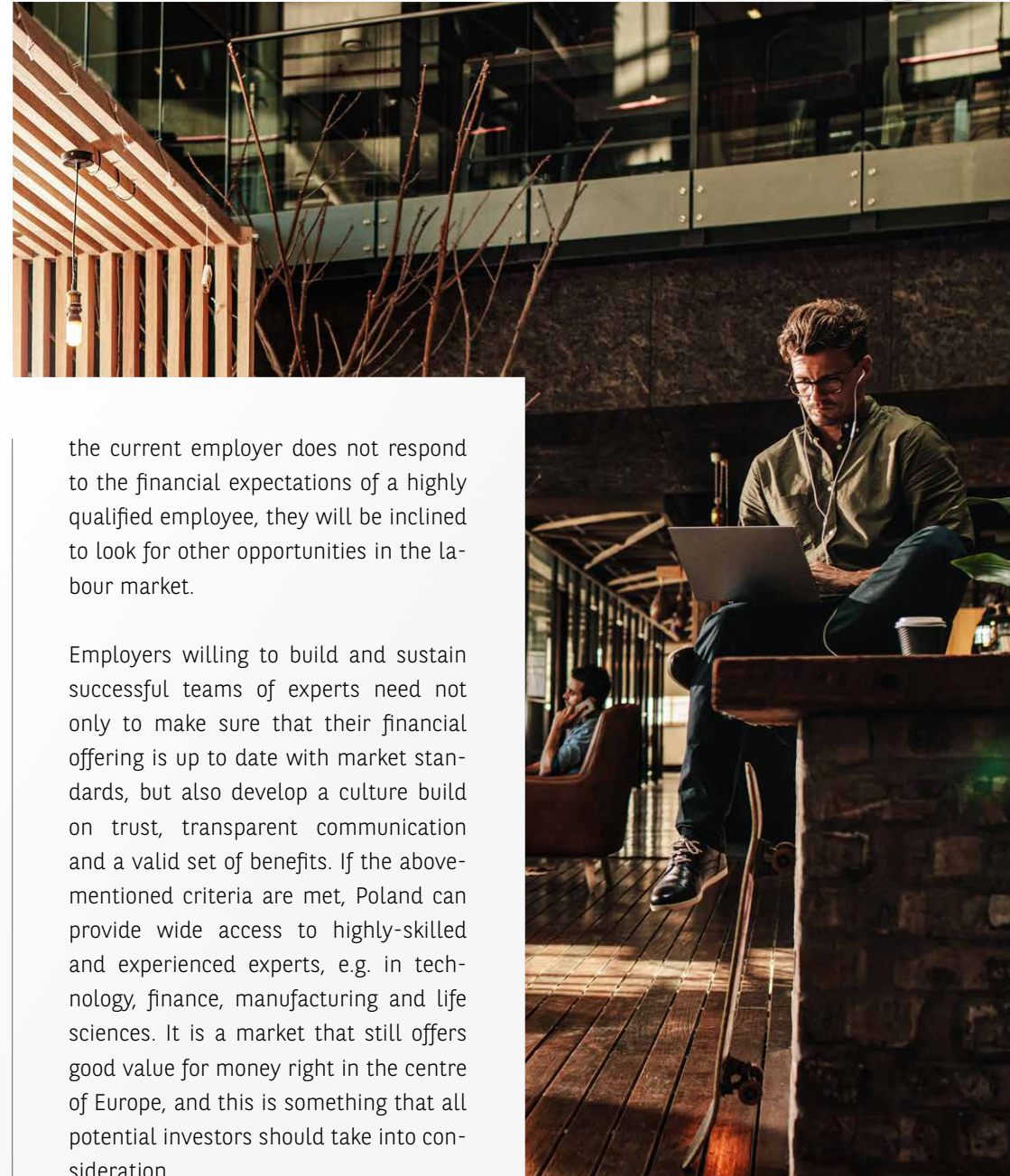
Even though the Polish labour market may currently pose challenges for organisations willing to hire, it still offers wide access to top talent with key skills and valid experience. In order to build successful teams, new investors need a market-based remuneration grid and the right set of benefits.

Polish labour market stands strong despite growing concerns regarding high inflation rate, energy crisis and general economic outlook. Unemployment rate in Poland is one of the lowest in the EU, hitting 4.8% in August 2022. It is estimated that in the past few months the number of vacancies was dropping. However, this mainly applies to the blue-collar and low-skilled jobs. Specialist, skilled workers are still highly valued and difficult to acquire and retain.

Despite the changes in economic sentiment, according to Hays' data as many as 92% of the companies in Poland plan to recruit in the second half of 2022. It should be noted, however, that this will not always mean the creation of new jobs, but rather the search for a replacement for employees who decide to leave. In the specialist and managerial labour market, a high turnover rate is expected. When

the current employer does not respond to the financial expectations of a highly qualified employee, they will be inclined to look for other opportunities in the labour market.

Employers willing to build and sustain successful teams of experts need not only to make sure that their financial offering is up to date with market standards, but also develop a culture build on trust, transparent communication and a valid set of benefits. If the above-mentioned criteria are met, Poland can provide wide access to highly-skilled and experienced experts, e.g. in technology, finance, manufacturing and life sciences. It is a market that still offers good value for money right in the centre of Europe, and this is something that all potential investors should take into consideration.



BUSINESS PERSPECTIVE

Do employers plan to hire new employees in the coming 6 months?

Yes	92%
No	8%

Source: Hays Poland study, July 2022

In the coming 6 months employers will most frequently recruit specialists in:

IT	39%
Sales	29%
Manufacturing	28%
Accountancy & Finance	25%
Engineering	22%
HR	21%
Customer service	19%
Logistics	19%
e-Commerce & Digital	16%
Marketing, PR & Communication	16%

Top 10 specialisms.
It was possible to select more than one answer.
Source: Hays Poland study, July 2022

Did your organisation's salaries change in H1 2022?

Increased (by more than 5%)	51%
Increased (by 2.5%-5%)	28%
Increased (by less than 2.5%)	4%
They remained unchanged	16%
They have been reduced	1%

Source: Hays Poland study, July 2022

Does your organisation plan to make any changes to salaries in H2 2022?

Increase by more than 5%	20%
Increase by 2.5%-5%	18%
Increase by less than 2.5%	8%
They will remain unchanged	53%
Will be reduced	1%

Source: Hays Poland study, July 2022



Main reasons for the planned recruitment processes:

Business growth	49%
Need to find replacements for leaving employees	42%
Structural changes	8%
Other*	1%

Only companies planning to recruit.
*Those employers who selected 'Other' most often mentioned the need for seasonal workers.
Source: Hays Poland study, July 2022

Factors most important for attracting talent:

Salary	69%
Flexible work	42%
Stability of employment	39%
Interesting projects/ challenges	38%
Career opportunities	26%
Company recognition	20%
Work environment	18%
Location	18%
Work-life balance	15%
Benefits	13%
Other*	3%

It was possible to select more than one answer.
*Those employees who selected 'Other' most often mentioned the industry, recognition of the company's products, extensive training offer and an attractive organisational culture.
Source: Hays Poland study, July 2022



EMPLOYEE PERSPECTIVE

When are you considering changing job?

Within a year	49%
Within 1-3 years	29%
Later than in 3 years	4%
I do not consider changing job	18%

Source: Hays Poland study, July 2022

What work model do you prefer?

Fully remote	34%
Hybrid model with most of the week worked remotely	39%
Hybrid model with most of the week worked in the office	16%
Solely office based	9%
Other*	2%

* Those employees who selected 'Other' most often mentioned the lack of an officially defined model, offering complete freedom in this matter
Source: Hays Poland study, July 2022

10

NEWS FROM REAL ESTATE LAW IN 2022

GIDE
GIDE LOYRETTE NOUËL

The private rental sector (PRS), which is well established and developed in Western Europe, is now rapidly expanding also in Poland. Institutional investors are acquiring entire residential projects from developers (or building up portfolios of projects), for the purpose of leasing the apartments to individuals once they are developed.

GROWING EXPANSION OF PRS

In previous years, due to the very high demand from individual buyers of apartments, the developers tended to be reluctant to sell entire projects to institutional PRS investors. The preferred scenario was to sell units one by one.

Recently, however, demand from individual buyers has decreased, in part due to the limited availability of bank financing resulting from the sharp increase in interest rates and sale prices of apartments continuing to rise, etc. At the same time, the outbreak of war in Ukraine and the resulting scale of Ukrainian immigration to Poland meant that the number of apartments available for rent in large cities plummeted while rent levels for apartments soared. All this led to the forecasted



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capitalisation rates for PRS investments becoming more attractive. PRS is likely to continue to grow in Poland in the coming years.

There are no specific regulations under Polish law or jurisprudence relating to PRS yet, so the PRS projects are carried out in practice based on the general legal framework. However, the lack of specific regulations has caused certain doubts, for instance as regards zoning permissibility to develop and operate a PRS project on a specific area of real estate.

Most of the PRS transactions at present are structured as forward funding, i.e. the investor provides the financing for the project along the construction (through advance payments towards the purchase price). Due to the inflationary environment, including significant increases in the construction costs (both materials and labour), limited availability of the construction workforce, as well as the disrupted materials supply chain resulting from the war taking place in Ukraine, the developers are facing difficulties in determining a fixed price in advance (especially with respect to fit-out component of the price), and so price indexation mechanisms are negotiated with the investors.



NEW “DEVELOPERS’ ACT” INCREASING PROTECTION OF THE PURCHASERS OF THE APARTMENTS

The new Developers’ Act entered into force on 1 July 2022. Its main purpose is to increase protection for purchasers acquiring apartments or houses from professional entities.

One of the main new elements is the establishment of the Developer’s Guarantee Fund, which serves as an additional form of protection for purchasers in case the developer or the bank holding the residential escrow account declares bankruptcy, among other things. The developer is obliged to make a transfer to the Developer’s Guarantee Fund of 0.45% (in the case of an open residential escrow account) or 0.1% (in the case of closed residential escrow account) of every payment made by the purchaser towards the sale price. This will create additional costs on the developer’s side and may further affect the prices of the apartments.

The new Developers’ Act also modifies the hand-over procedure. The purchaser now has the right to refuse the hand-over in case a material defect is identified. If the developer does not remove it in a given time after acknowledging it, the purchaser may withdraw from the development agreement. The procedure of removing a material defect has also been regulated.

If the developer fails to answer a claim on classifying a defect as material in time, it is automatically assumed that the developer accepts the defect as material (and so is obliged to remove it).

A reservation agreement (which is commonly used in practice and is signed prior to the development agreement, e.g. enabling the purchaser to arrange bank financing), has also now been regulated. The new act defines and specifies the obligatory elements of the reservation agreement. Currently, the reservation fee amount may not exceed 1% of the total price and the rules on a refund if the reservation agreement is terminated are regulated.

It should be noted that developers who started the sale and concluded at least one development agreement before 1 July 2022, may still, in principle, choose to apply the previous regulations for up to two years.

POLISH REAL ESTATE COMPANIES (REC) – NEW FISCAL REGIME AND NEW OBLIGATIONS

Polish taxpayers operating on the real estate market face new fiscal restrictions related with the concept of “real estate companies” being introduced into Polish CIT regulations from 2021.

The Polish CIT definition of a “real estate company” is an entity with Polish real estate forming at least 50% of its total assets, and at the same time earning at least 60% of its global taxable revenues from Polish real estate (i.e. from leasing or selling real estate assets). Under the regulations, companies holding Polish real estate assets with a total value below PLN 10 million are not considered real estate companies.

One of the key implications of having the status of real estate company is a shift in tax remittance obligations when selling more than 5% of shares (or similar rights) in a real estate company. Such an obligation is generally imposed directly on the foreign seller, but in the case of RECs, it is the target company (the REC) that settles the due income tax on the transaction and bears all related risks and obligations in connection with calculating and

settling the income tax owed by the foreign seller. That responsibility was imposed on REC even though it is not a party to the transaction but the object of it, and so often has no knowledge about the conditions of sale or the price. This risk factor for RECs must be taken into consideration when negotiating sales transaction conditions concerning shares in an REC, as the fiscal interest of the purchaser of the REC’s shares, the remaining shareholder and REC itself all have to be secured.

Polish REC regulations should be analysed separately from the provisions of any relevant double tax treaty (DTT), as if the DTT does not include a “real estate clause” or if the DTT’s definition is not met, then the sale transaction will not be subject to Polish income tax and Polish REC rules will not apply. As the provisions of DTTs can vary significantly, this should be checked carefully for each case.

KEY FIGURES

46.3 M sqm
OF ASSETS
under management
in Europe




EMPLOYEES
4,500


30
COUNTRIES

3,201
TRANSACTIONS
during the year




157.1 M sqm
VALUED in Europe



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