

AVISON
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Q1 2020 in Poland

**Investment
Market
Report**

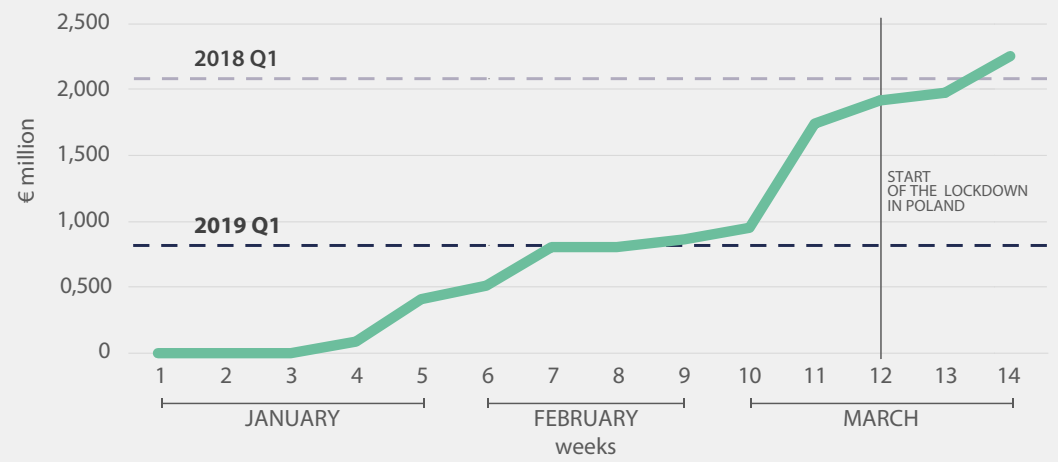


Introduction

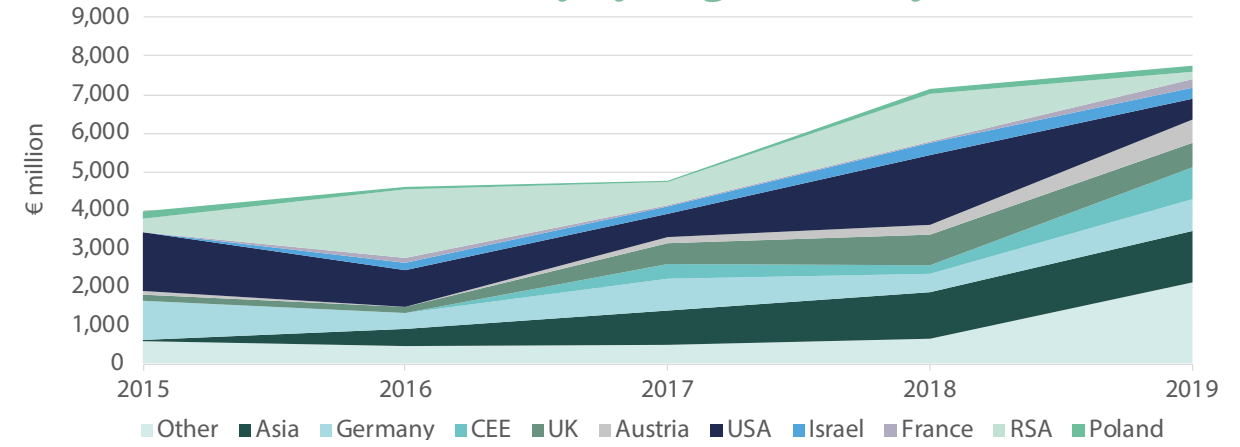
Throughout the first quarter of 2020, total transaction volume on the commercial real estate market in Poland exceeded EUR 2.4 billion - according to preliminary results by Avison Young - almost three times as much as compared to corresponding period of 2019, however in line with Avison Young forecasts from December

last year. Robust investment activity has been mainly noted in industrial and office sectors. Asian investors dominated investment volume in terms of capital origin, with particular focus on industrial sector. At the same time, growing investment activity of CEE investors is continuously observed, especially on the office market.

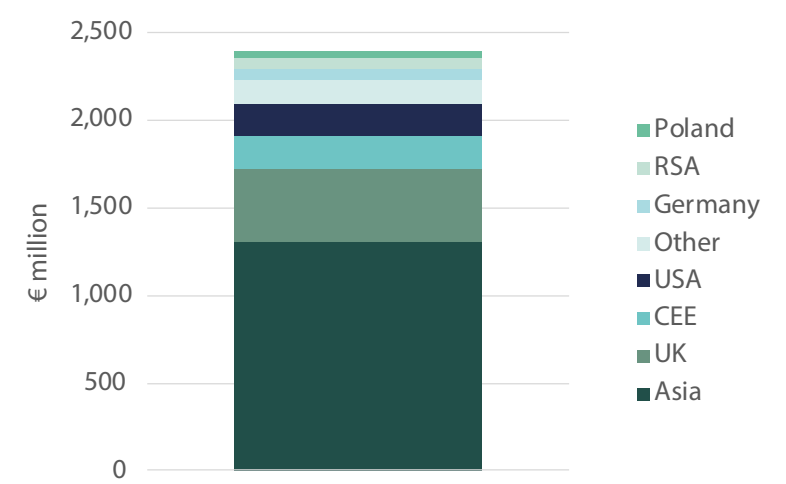
2020 weekly investment volume (cumulative)



Investors activity by origin - last 5 years



Investors activity by origin - Q1 2020



Warehouse booming

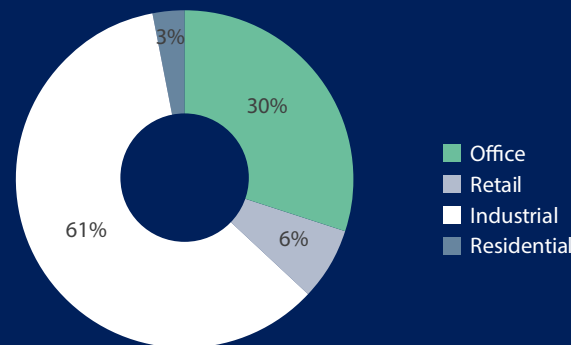
More than 60% of the total transaction volume was generated on the industrial market, which confirms strong investors' interest in this sector. As a result, only after first three months of the year, industrial sector has already achieved 95% of the last year's total transaction volume of the sector. Significant part of this is a result of large, pan-European takeover of Goodman by GLP.

This confirms another trend spotted recently on the property market, namely increased interest in corporate-level acquisitions, offering investors not only property investment, but also takeover of whole operations what makes leasing and asset management easier, but also enables rapid expansion to the market.

€ 1.4 bn
Industrial investment volume
in Q1 2020

95%
Of last year's total industrial
volume achieved already in Q1 2020

Q1 2020 Investment volume by sector



Office sector - no surprises

In the office investment market, first quarter was dominated by Warsaw, where as much as EUR 520 million was transacted, accounting for 70% of the total volume in this sector. Transactions closed confirmed current market trends:

- ✓ High attractiveness of Wola district, with 3 transactions closed – Wola Center, Prosta Office Center and Green Corner;
 - ✓ Growing interest in Mokotow Business District, which has seen barely any transactions a few years ago. It has changed in 2019 with four transactions totalling ca. EUR 105 m and currently the interest in this area continues; [\[check Avison Young report: Mokotów is back\]](#)
 - ✓ Continued interest of CEE Investors in the Polish market, such as Czech CPI Property Group or Hungarian Adventum.
- Majority of the properties transacted were at least 8-10 years old; this confirms strong interest in older assets, which are usually well located, still offer good quality office space and at the same time can be acquired at a much more attractive price than brand new buildings;
- [\[check Avison Young report: Investment market in Poland Summary of 2019\]](#)

34%
Transaction volume
by CEE investors

€ 220 m
Invested
in Wola district

€ 64 m
Largest transaction
in Mokotów in 4 years
(Marynarska Business Park)

Retail: convenience, convenience, convenience...

Retail sector has seen a relatively small volume of the investment transactions closed during the first three months of the year, which accounted for only 6% of the total transaction volume. It is however worth taking a closer look at the properties that were transacted – out of 5 deals,

there were 2 retail parks and a portfolio of 2 standalone DIYs transactions. This is another proof that there is still investors' demand for retail sector, however it is now focused on convenience, well-anchored, asset management light properties.

Retail properties transacted in Poland



What's next?

There is no doubt that current macroeconomic situation will have a significant impact on the commercial property market. But are all the changes that are about to come really unexpected? Or were they in fact foreseen for a long time and now came to the market just much more rapidly than anticipated? Who will come away unscathed from the current turmoil and who will need to face up serious challenges in the coming months?

Opportunities for:

- ✓ Industrial sector – stronger interest due to growing e-commerce, but also as a result of supply chains deglobalization;
- ✓ Core assets with long WAULTS;
- ✓ Flexible sellers, willing to offer vendor's financing;
- ✓ Markets perceived as safe havens;
- ✓ Flexible, hands-on asset managers, with good relations with occupiers, excellent knowledge of their situation and needs;

Challenges for:

- ✓ Retail obviously, but on the other hand recent situation has shown that:
 - Our society is still significantly accustomed to brick and mortar, especially when it comes to everyday, convenience shopping habits;
 - Changes in the industry are imminent, recent situation only accelerated them; the only way for the industry to survive is that all stakeholders – owners, tenants, banks must work on possible transitions and problems together;
- ✓ Newcomers – both vendors and financing institutions are now focusing on transactions with reliable, known partners;
- ✓ Developers – delays in construction due to obstructions in deliveries, but also increased tenants' aversion to changes and relocations.

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