

Property investment market in Poland

Q1 2022



Investment market

Upcoming challenges for the Polish investment market

Barely has the pandemic subsided, the investment market is already facing new challenges due to the war in the Ukraine. End of the first quarter of the year was partly influenced by the new geopolitical situation, when the whole real estate market held a breath. Despite new circumstances, ongoing transactions are closing, what is reflected in Q1 2022 investment market results. Furthermore, especially regional investors from Lithuania, Czech Republic, Hungary or Slovakia keep their interest in real estate properties located in Poland. 2022 recorded the third best opening of the year since 2016

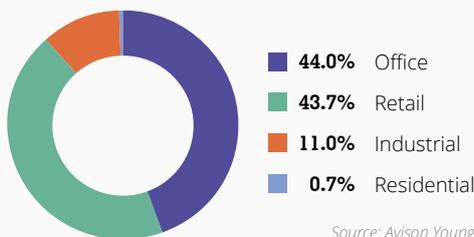
in terms of investment transactions with €1.7 bn of total investment volume. This result was, however, determined by three extraordinary deals, which amounted to 75% of total volume transacted. The first one was the office acquisition of The Warsaw Hub by Google. The second and the third regarded the sale of 50% of EPP portfolios by establishing two joint ventures. Thus, the retail and office sectors have the dominant share in the total investment volume structure, reaching 44%. This is rather outstanding result after the strong domination of industrial sector, which is mainly caused by lack of sizable industrial product on the market.

3rd
best opening

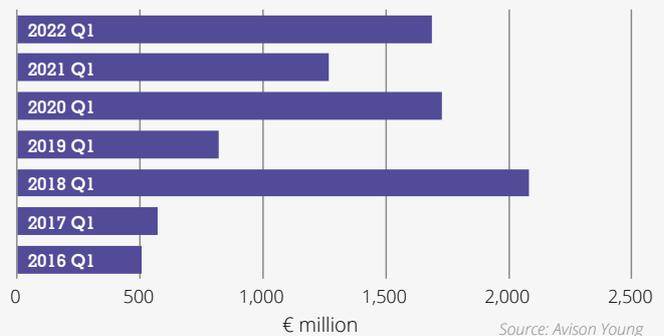
€1.7 bn
total volume in Q1 2022

23
transactions

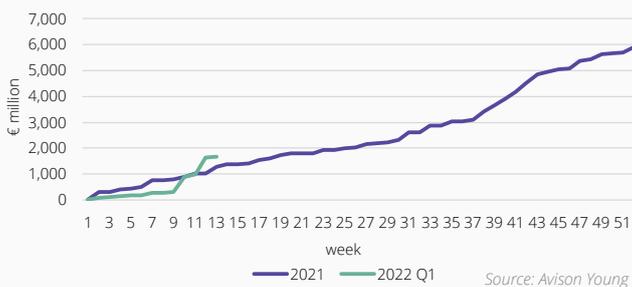
Q1 2022 investment volume share by sector



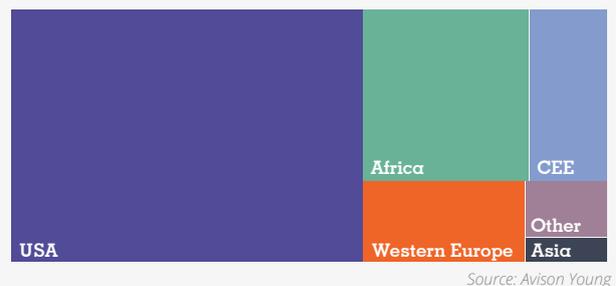
Investment volumes in the first quarters historically



Weekly investment volume (cumulative)



Investment volume by investors' origin



Retail market

Retail parks' stronghold

Retail parks and convenience schemes remain the most attractive retail assets among investors in Poland. Q1 2022 saw 9 retail transactions, of which 4 were due to retail parks and convenience centres, confirming the stable position of retail parks and convenience retail properties on the Polish investment market. Among sold retail parks there were two prime properties transacted to the market newcomers: Park Handlowy Młyn in Wrocław sold to Lords LB and Power Park Opole transacted

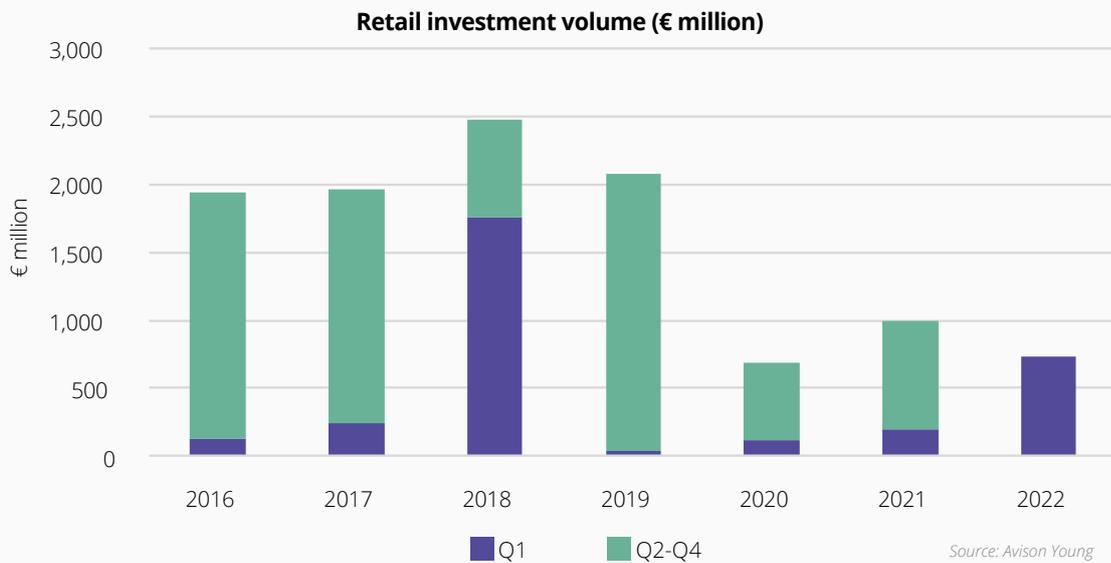
to LEOFF Group.

Retail investment volume at the beginning of 2022 broke records. The total transacted volume stood at €728 m, which amounts to 73% of total retail investment volume in 2021. The 44% share of retail in total investment volume recorded in Q1 2022 is the merit of sale of 50% of EPP portfolios to form two joint ventures: Horse JV and Community Properties JV.

€728_m
retail investment volume

4
retail parks transacted

9
transactions



Office market

Core assets back in the game

Like forecasted by Avison Young last year, office investment market started the year with the most impressive core transactions. While in 2021 number of value-add transactions exceeded core assets deals, Q1 2022 saw the acquisition of several prime office buildings. The two greatest transactions regarded office towers in major markets.

Wrocław's landmark – Sky Tower was acquired by Adventum Group from Develia. Avison Young represented the seller in the transaction of over €82 m. The Warsaw Hub was sold by Ghelamco to Google (office towers), being the largest single office transaction ever recorded in Poland. This transaction

volume represents 35% of total investment volume in this quarter.

The regional office markets begin to attract investors again. 3 out of 5 office buildings were transacted in Wrocław and Kraków. In addition, another transactions in Wrocław, Łódź and Kraków have been announced and are awaiting to be closed.

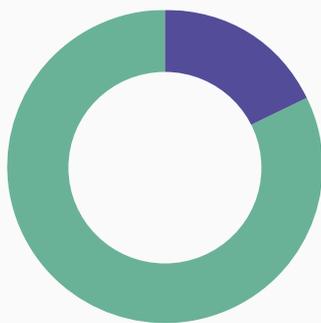
All regional office transactions are being acquired directly from the developers. The domination of primary market transactions is typical for offices located in regional cities. Overall share of office sector in investment market in Q1 2022 stood at 44%.

€ **732m**
office investment volume

91%
share of acquisition of two landmarks in the office investment volume

5
transactions

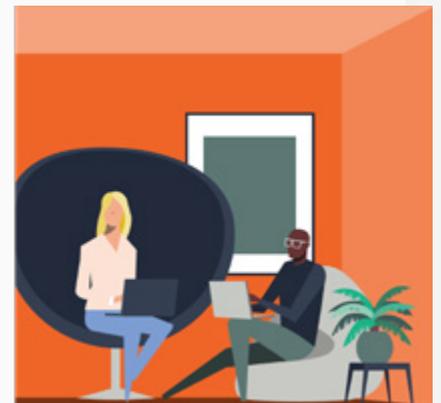
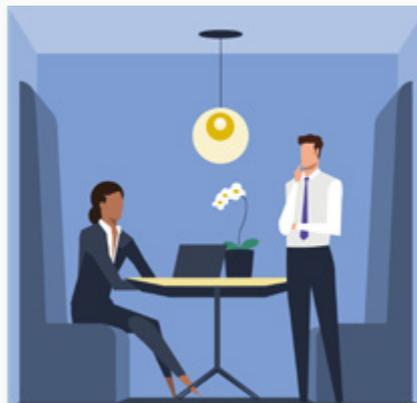
Office investment volume distribution in Q1 2022



18% Regional cities

82% Warsaw

Source: Avison Young



Property	City	Purchaser	Seller	GLA (sq m)
The Warsaw HUB	Warsaw	Google	Ghelamco	101,000
Sky Tower	Wrocław	Adventum Group	Develia	54,000
West4Business Hub I	Wrocław	Solida Capital	Echo Investment	15,600
Al. Pokoju 81	Kraków	Miejskie Przedsiębiorstwo Energetyki Ciepłej SA	Atal	8,400
NC3	Warsaw	MNK Partners	ECI Group	6,500

Source: Avison Young

Industrial market

Delayed start after last year's records

Warehouses were the undisputed leader of investment market in the recent years. In 2021 industrial sector took up record-high share of investment volume in history, reaching 53%. Although Q1 2022 was rather modest in terms of new transactions regarding warehouse properties, forecasts for this sector are more than positive. The decrease of investment volume was the result of the lack of product rather than reduced investors' interest.

Over 45% of investment volume transacted this quarter

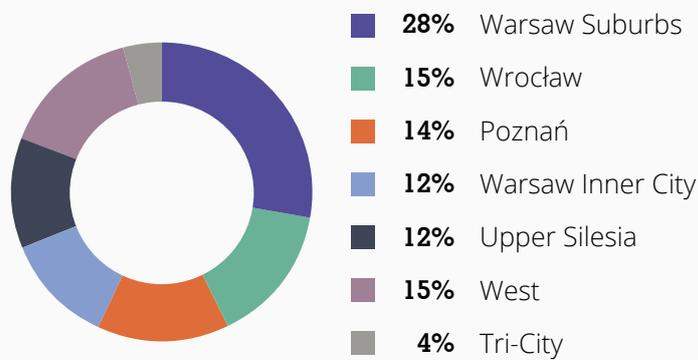
was generated by portfolio transactions. The biggest deal was the acquisition of 3 logistics facilities located in the Warsaw Agglomeration by Partners Group and Peakside Capital. Following the growing interest in urban warehouses, city logistic centre in Ożarów Mazowiecki was transacted to Arrow Capital and two MAN Service Centres were acquired by Investika, followed by Panattoni City Logistics Poznań I acquired by Apollo Management.

€ **191** m
industrial investment
volume

45%
share of portfolio
transactions

9
transactions

Industrial investment volume distribution in Q1 2022



Source: Avison Young



PRS market

Answer to today's times

Demand for apartments for rent is ballooning. The main drivers of the increasing need for renting flats, both private and institutional, are growing by leaps and bounds interest rates in Poland as well as the influx of war refugees from Ukraine. Above only thrives the investors' appetite for developing PRS in Poland.

Hines & Kajima have already announced their newly formed Joint Venture, created in order to pursue development projects in the private

rental housing sector. The JV plans to start acquiring projects during the second half of the year. Additionally, the new PRS platform of Murapol and Ares called Life Spot was launched, offering flats for long-term rent in Warsaw and regional cities.



What's next?

Real estate investment market has already caught up a breath after pandemic, when the war in Ukraine started. Some investors will for sure watch CEE region cautiously when considering new investments here, however regional investors remain invariably active. Moreover, the influx of refugees plays in favour of PRS sector development.

Solid opening of 2022 as well as many currently ongoing transactions confirm the stability of the real estate investment market. Transacted deals regarded both large and small properties in multiple sectors and the investment market saw also a few newcomers. Despite some turmoil, we expect that the investment market in Poland will continue to attract investors.

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