Commercial Property Investment Market in Poland

Summary of 2019, current trends and forecasts.

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Prosperity on the real estate investment market in Poland is still noticed. Good economic situation and attractive yields in comparison to the Western Europe have attracted foreign investors even from distant countries and continents. Will the momentum be kept?

Avison Young team has analyzed market data and has spoken with many of its clients, other agents and market professionals. As a result of these meetings and research, we have evaluated forecast for Q4 2019 – the subsequent booming year with regard to the commercial property investment market.

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Investment volume in Poland and Warsaw

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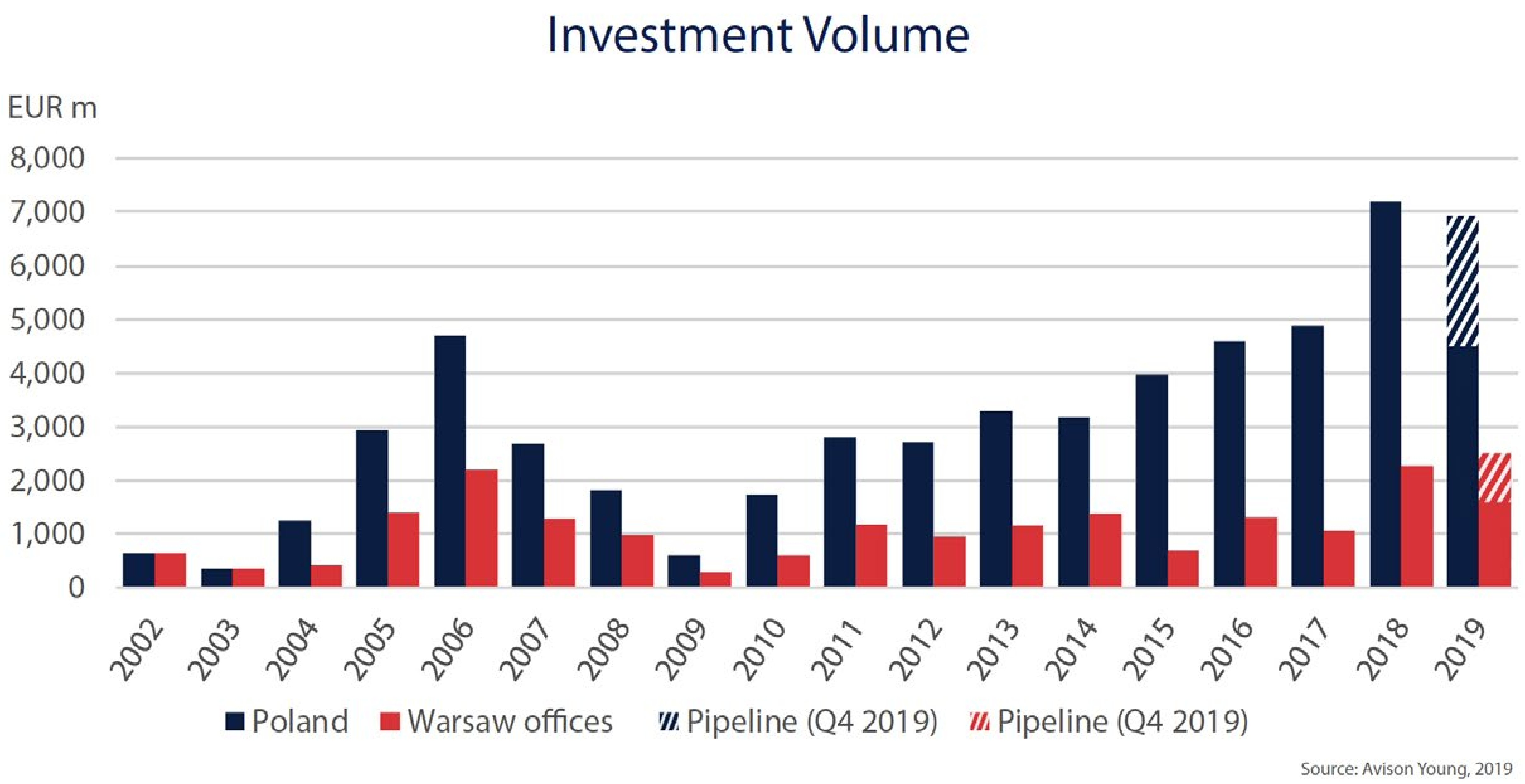
Investment Volume in Poland and Warsaw

Avison Young forecasts the total investment volume in the commercial real estate market at the level of **EUR 6.9 billion** at the end of the year, which would be slightly less than a year before (EUR 7.1 billion).

Such amount still **outperforms** volumes from the previous years (the closest result of EUR 4.9 billion achieved in 2017).



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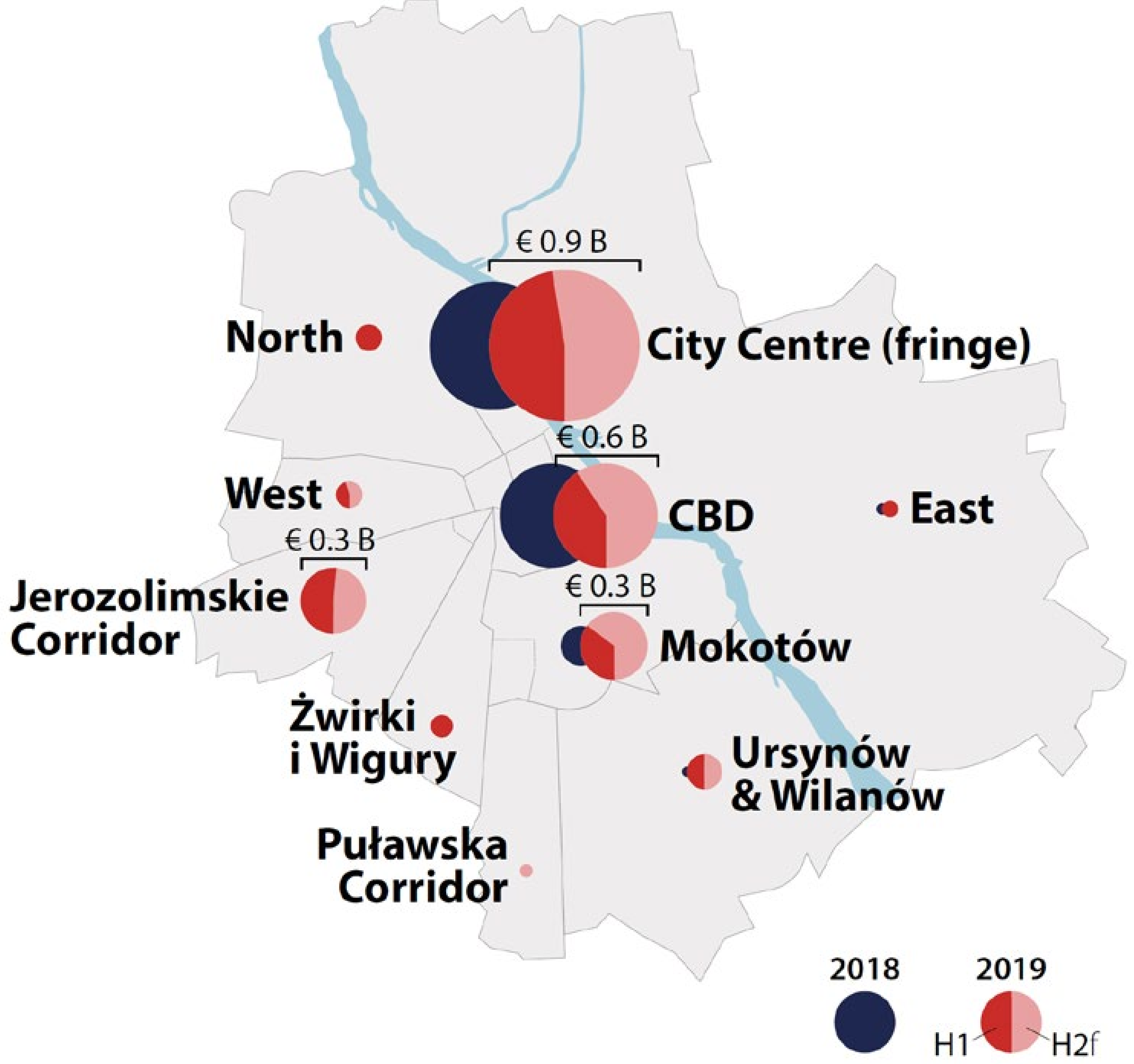
Office Investment Volume in Warsaw

The biggest share in the office investment market still belongs to **Warsaw**, where transactions with the total amount of **EUR 1.8 billion** were closed by the end of September 2019. We expect that **additional EUR 0.8 billion** will be spent till the end of the year.

Among the biggest transactions in Warsaw there were purchase of Warsaw Spire by Immofinanz for EUR 386 million, acquisition of the West Station by Singaporean fund Mapletree for EUR 190 million and the disposal of Ethos by Kulczyk Silverstein Properties for the value above EUR 100 million with **Avison Young advising on the sell-side.**

Most investors have still been focused on the Central Business District and the City Centre Fringe (eg. Rondo Daszyńskiego area). But the current year proves that also the **other districts attracted their interest.** Such locations as **Mokotów Business District** or J**erozolimskie Avenue corridor** have gained popularity as the cheaper alternatives to more and more expensive city centre. There are 10 ongoing transactions in Mokotów Business District worth in total ca. EUR 349 million and 6 in Jerozolimskie Avenue corridor with estimated total value of ca. EUR 450 million.

Office investment volume in Warsaw

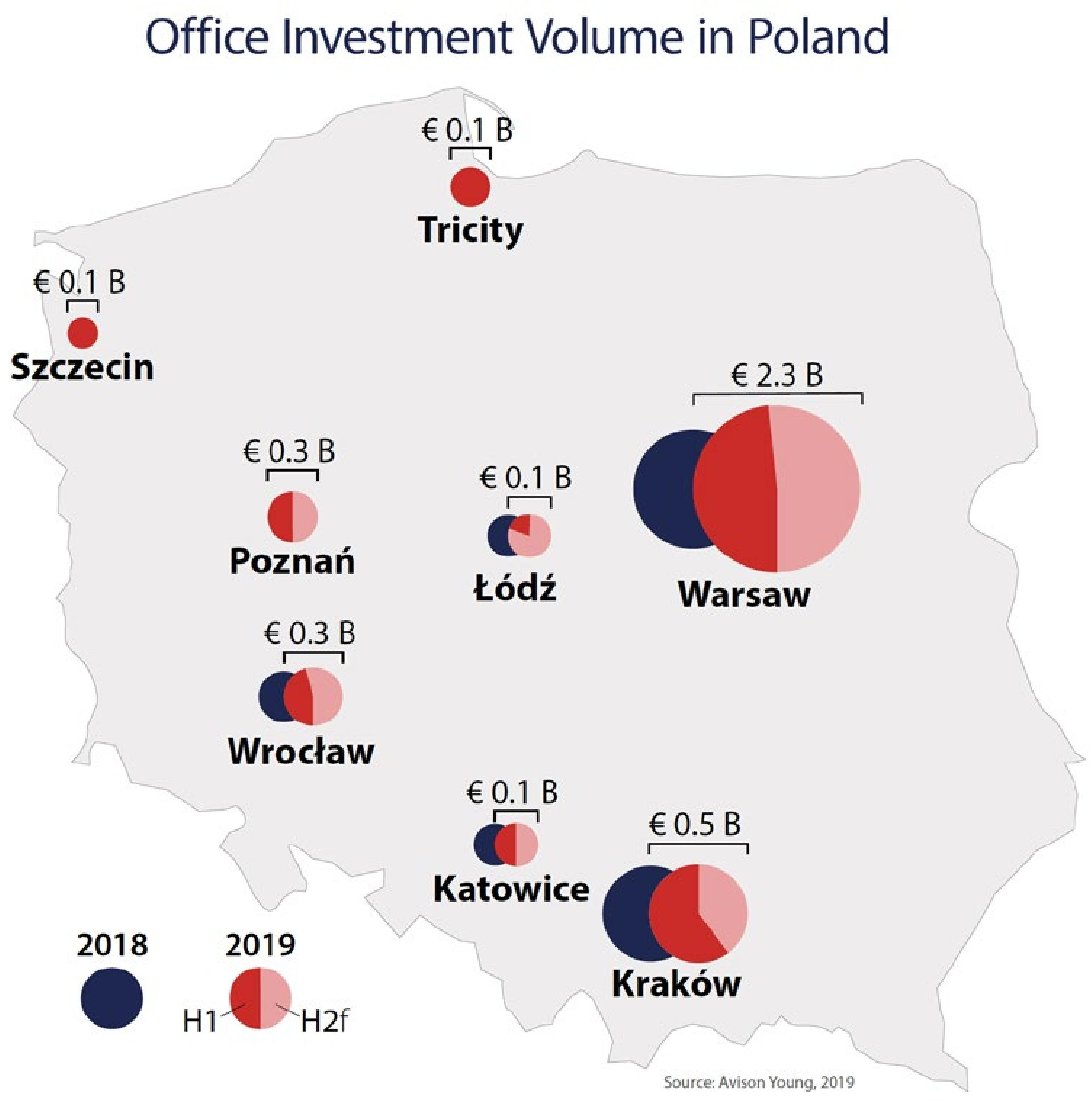


Source: Avison Young, 2019

Office Investment Volume in Poland

Kraków is the second biggest office investment market, with a yearly stable investment volume at the level of EUR 0.5 billion: this was the result achieved in 2018 and we expect similar value this year, with already closed transactions worth in total ca. EUR 385 million and another EUR 110 million scheduled to be completed in remaining months. Apart from the typical regional cities such as – already mentioned - Kraków, Wrocław, Poznań, Łódź or Tricity, other and not that obvious destinations emerged, e.g. Szczecin. New locations are being explored by the investors in the pursuit of attractive yields.

Office transactions investment volume is expected in regional cities at the level of **€ 1.5 billion in 2019** (**€ 0.7 billion achieved in the first half of 2019**).



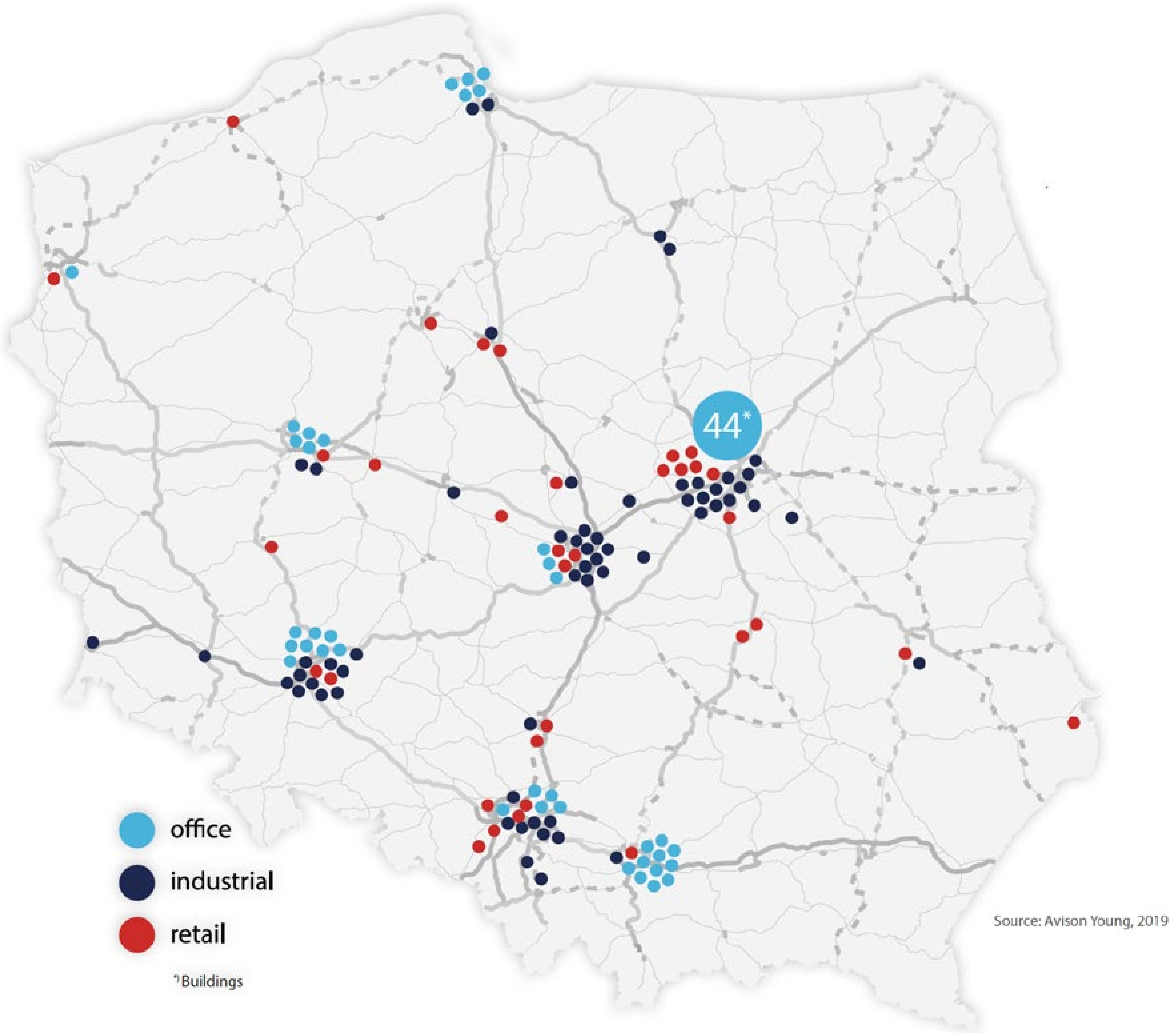
Investment Transactions in Poland

The investment market has become more liquid due to yearly increase of number of transactions. According to our information, ca. 108 transactions are expected to be closed in 2019. In comparison, there were 96 transactions closed in 2018 and 79 in 2017.

"The more liquid the market is, the more investment comfort is ensured. It also transfers into increased market accountability which helps to attract foreign investors from various countries and continents".

– comments Michał Ćwikliński, Principal, Managing Director Avison Young in Poland.

Investment transactions in Poland



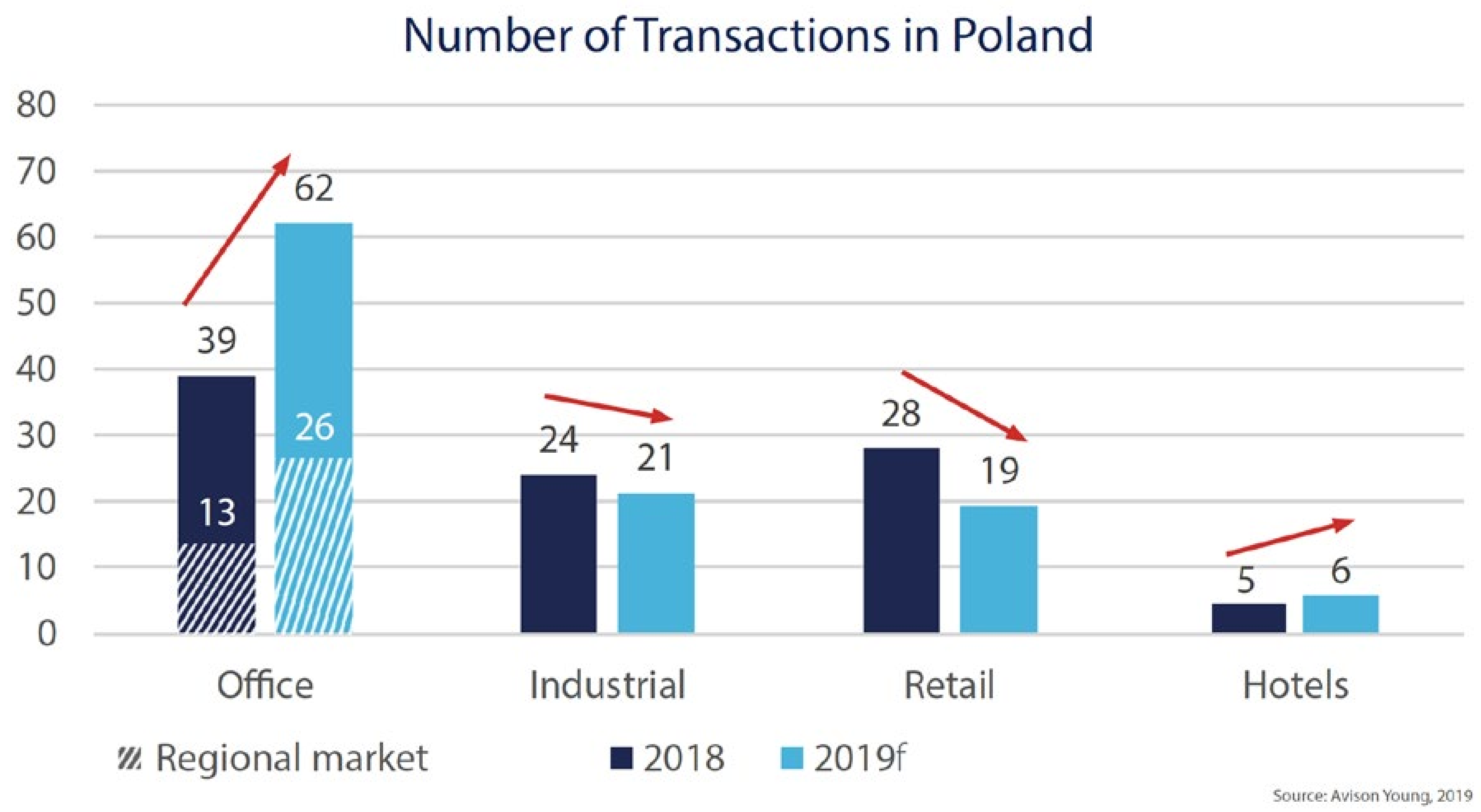
Number of Transactions in Poland

The demand for office properties has been rising constantly; total amount of transactions in the office market is expected to increase from 39 in 2018 to 62 forecasted in 2019. Thus, the office market share in total investment volume would increase up to 55%.

However, not every sector attracts investors at such a scale.

The interest in retail properties has decreased, mainly due to the sceptic attitude towards traditional shopping centres, caused by the transformation of shopping habits. 28 transactions in the retail market were concluded in 2018, whereas we forecast only 19 transactions in total in 2019 which would constitute 44% decline in the volume.

Slight decrease is noted in the industrial sector. However, this situation is caused by limited supply.



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Investors’ origins

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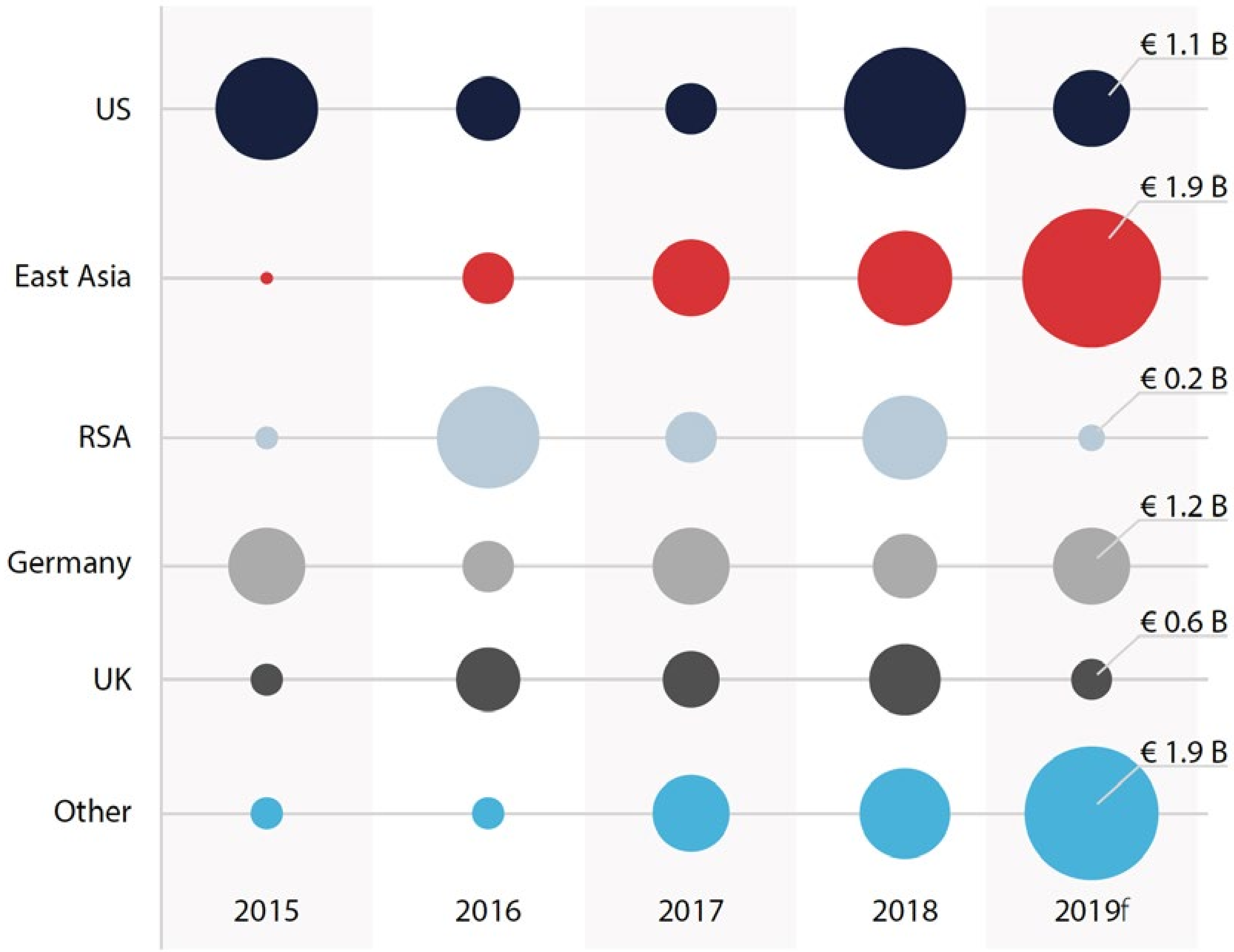
Investors origins

Over the last five years we remarked **strong capital inflow from the Eastern Asia**. In 2015 investors from the Far East purchased properties totalling EUR 35 million, whereas by the end of 2019 we expect the volume at the level of **ca. EUR 1.9 billion.** It equals the impressive share of 28% in the forecasted total investment volume in 2019.

It is worth mentioning that **capital stream from UK and RSA has slowed down** and investors' origins have been diversified. Apart from typical origins, such as US or Germany, more and more properties have been acquired by the investors deriving from **France, Italy, Austria or Israel.**

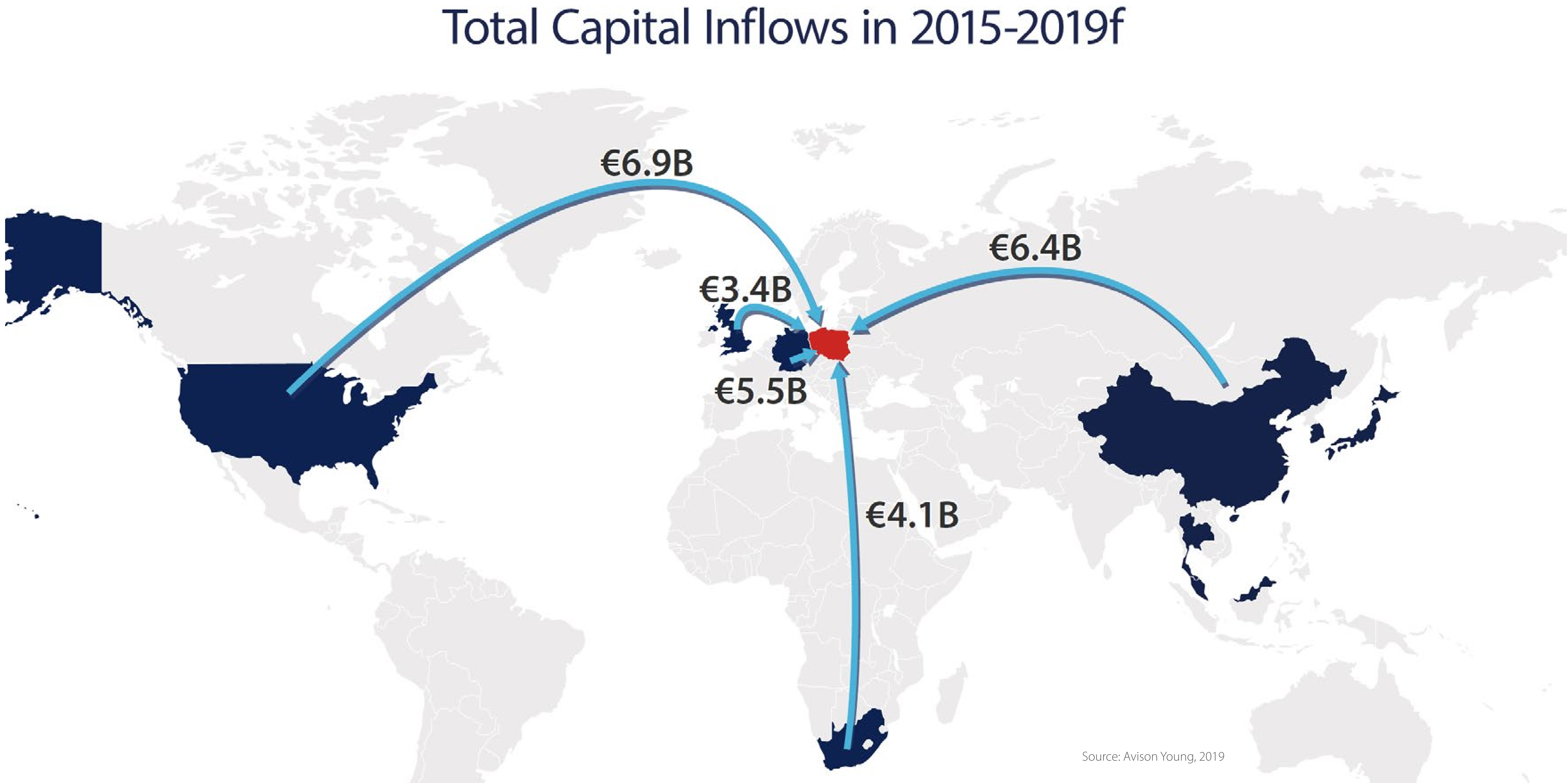
"While investment market breaks another record, the share of domestic capital is marginal. In the current year the share of the Polish capital is expected to amount to only ca. 1%. This result is lower than in the previous five years, where the share has been fluctuating from 3% to 5%. Such situation is caused probably by the lack of effective instruments easing investment process for both individual as well as institutional investors"
– points out Michał Ćwikliński.

Capital Inflows by Origins



Source: Avison Young, 2019

Total Capital Inflows in 2015-2019f



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