

H1 2024 PROPERTY INVESTMENT MARKET IN POLAND

Shift into second gear



Investment market

Shift into second gear

Second quarter of 2024 showed the eagerly awaited signs of the market acceleration, which allow to look to the future with greater optimism. The market finally noticed decline of interest rates, which may anticipate further decrease. This is a signal for the return of more affordable financing, which is likely to stimulate investor activity.

By the end of H1 2024, the investment market rebounded, achieving a transaction volume of €1.8 billion, which is double the year-over-year figure. The two largest transactions, involving the CPI and Cromwell portfolios, concluded in Q2, accounted for 45% of this result. Moreover, the office

investment market finally saw several deals in regional cities and retail sector recorded the largest transaction since Q1 2022. Industrial sector keeps awaiting large deals. The hospitality sector has regained attractiveness and 5 residential transactions were closed in Warsaw.

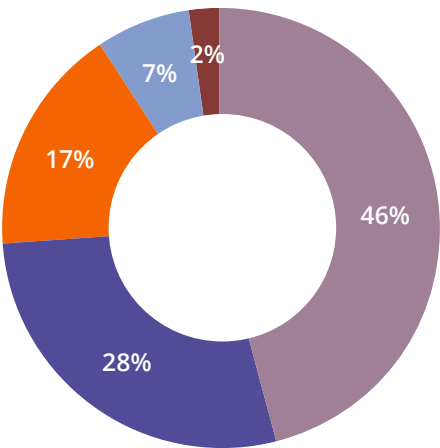
As the interest rates begin to decline, the market can expect to operate at its full capacity in next 12 months. Therefore, those who are well-prepared, having thoroughly analysed the market and identified promising assets, will be poised to capitalize on current situation.

€1.8bn
total investment volume
H1 2024

46%
share of office sector
in H1 2024

55
transactions
in H1 2024

Volume twice
as high y-o-y



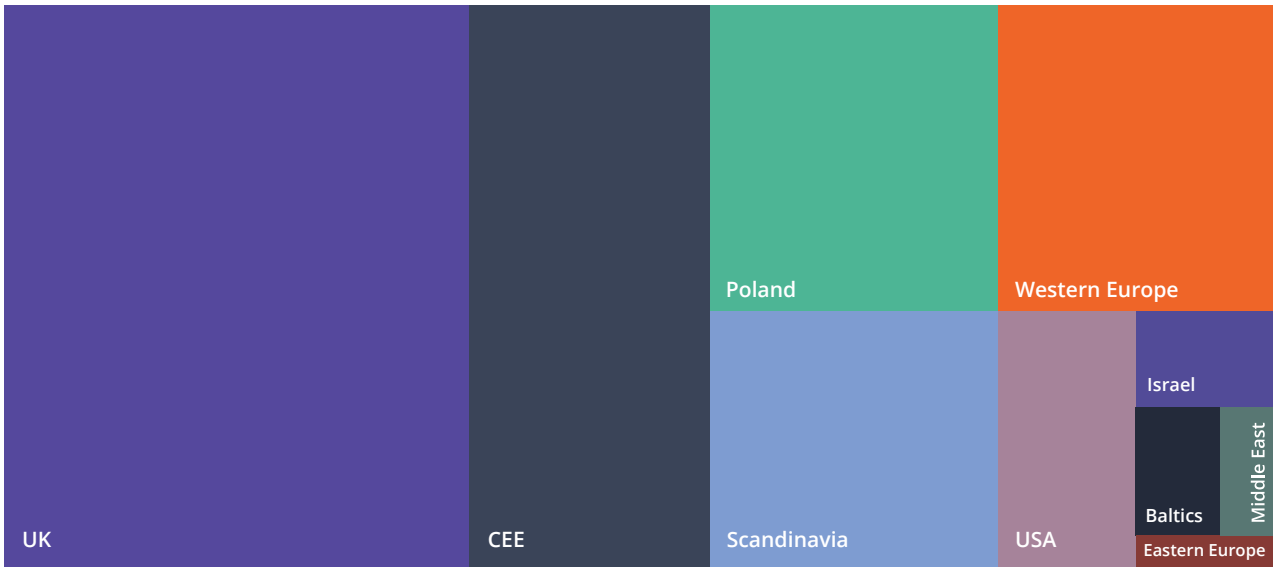
Investment volume
in H1 2024 by market sector

- Office
- Retail
- Industrial
- Residential
- Hotel



Source: Avison Young

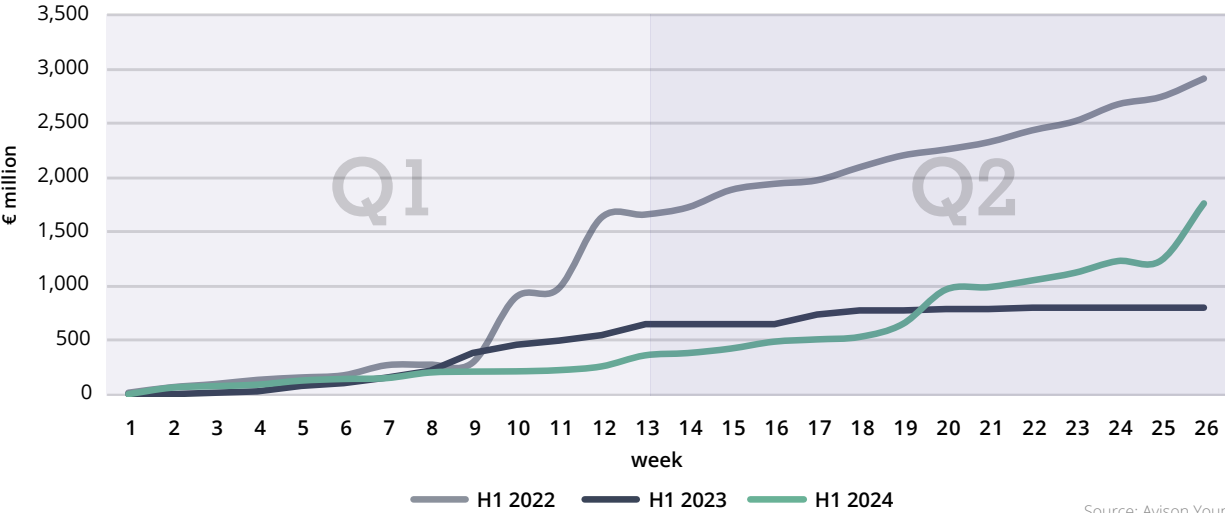
Investment volume (€ million) by investors' origin in H1 2024



Source: Avison Young, excluding confidential buyers

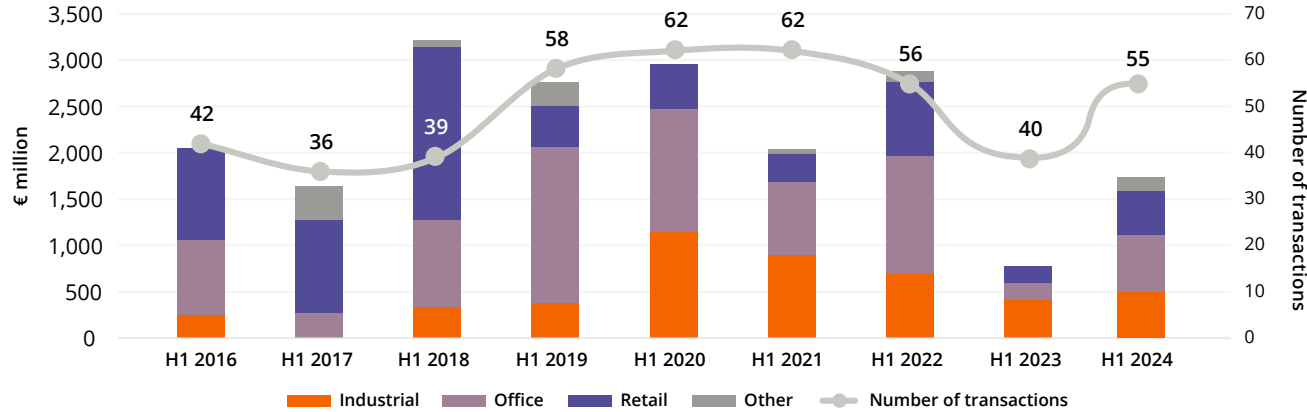
Investment market

Weekly investment volume (€ million, cumulative)



Source: Avison Young

Investment volume (€ million) and number of transactions in H1 periods



Source: Avison Young



Office market

Finally, prime transaction to come

Investors continue to focus on office assets in the capital city, as evidenced by the largest transaction in the first half of 2024 - the sale of a portion of CPI shares to Sona Asset Management. This transaction is also the most significant in the Polish investment market since Q3 2022.

Interestingly, 6 out of the 22 closed office transactions pertained to regional office markets, including the acquisition of Krakowska 98 in Wrocław, which was brokered by Avison Young. This is a considerable shift, as recently the majority of transactions was seen in the Warsaw office market. Well-performing office properties in secondary cities present a solid investment opportunity, while underperforming assets are attractive due to their location and pricing.

Most deals occurring are still due to value-add and opportunistic assets, indicating a strong domination of investors who are prudent in their approach and seek out opportunities without overpaying for assets. But, like we recently predicted, the market also saw - finally! - a prime office purchase in the city centre office area to be closed in Q3 2024. Having in mind that the ECB has cut interest rates, first time since 5 years, it constitutes a promising forecast for core capital which should activate and increase investment activity.

Despite domination of Warsaw office market, the growing investor interest in regional cities is evidenced by the increase of such deals in H1 2024, as well as ongoing discussions between sellers and buyers. We are aware of at least a few deals which are now in the last stage of transaction process.

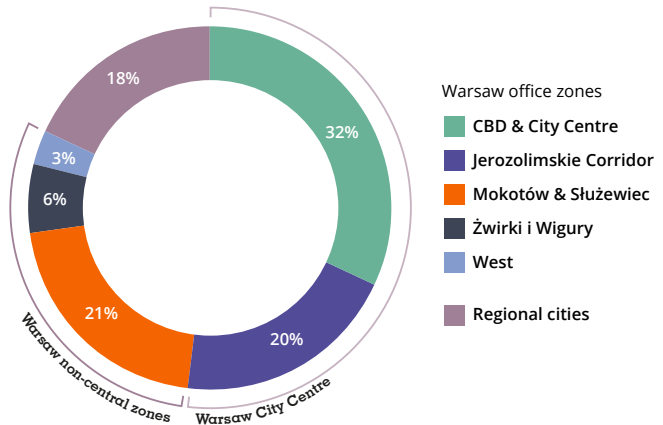
€801m
office investment volume
in H1 2024

**Increase of deals closed
in regional markets
in H1 2024**

**The most impressive
transaction since Q3 2022
representing 25% of the
H1 2024 total investment
volume**

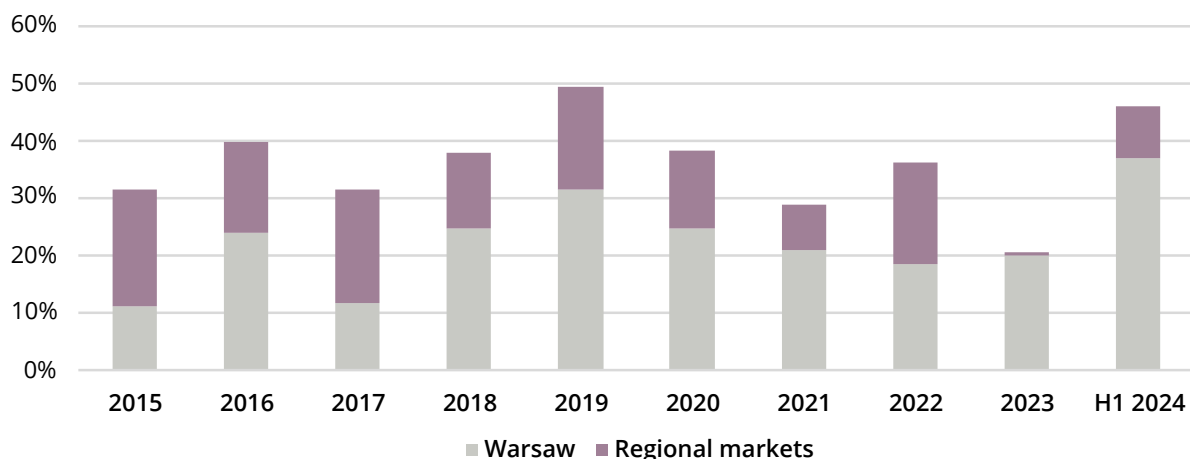


**Office investment volume
in H1 2024 by asset location**



Source: Avison Young

**Share of office investment volume (%)
in total investment market**



Source: Avison Young

Retail market

Strong debut from the CEE region

The retail sector represented nearly 30% of the transaction volume in the first half of 2024, primarily driven by the significant sale of the Cromwell 6 shopping centres portfolio, acquired for €285 million. This deal stands as the largest retail investment transaction since Q1 2022, when 50% shares of EPP portfolios were sold. Notably, the retail sector has once again attracted new investors to the Polish market, specifically Star Capital Finance from Czechia as the buyer. This transaction further highlights the strong activity of CEE investors in our market.

Additionally, a portion of the CPI portfolio, including SC Ogrody in Elbląg and Galeria Orkana in Lublin, was divested to Sona Asset Management. Besides the portfolio sales of shopping centres, two single transactions of this asset type were recorded: one in Nowy Sącz and another involving a 50% stake

in Centrum Ursynów sold by Cromwell. As a result, the retail investment market was predominantly composed of gallery transactions. However, retail parks accounted for 21% of the volume and constituted 50% of closed deals. Avison Young's investment team brokered over 30% of the volume in the retail park and convenience subsector.

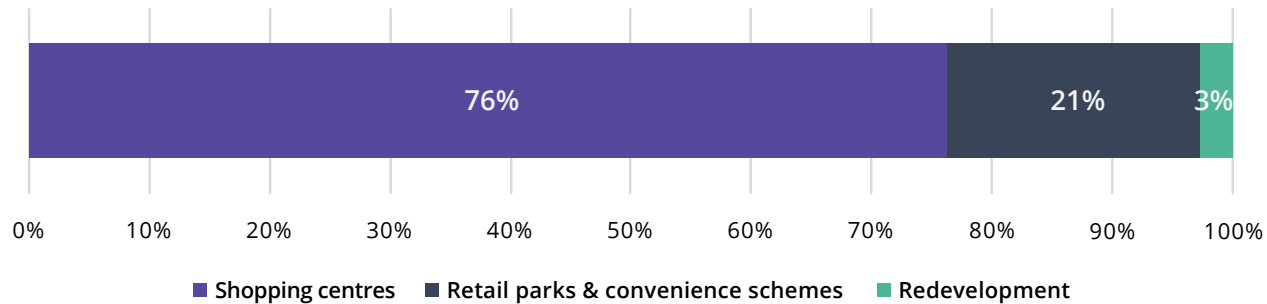
Interest in Polish retail parks remains robust, with over 20 investors actively seeking opportunities in this segment. The main challenge is identifying properties that satisfy both affordability and quality criteria. The most desirable retail parks are newly constructed, located in major cities, and anchored by a grocery store tenant secured by a long-term lease.

€497m
retail investment volume
in H1 2024

67%
of H1 2024 retail volume
made by two largest
portfolio deals

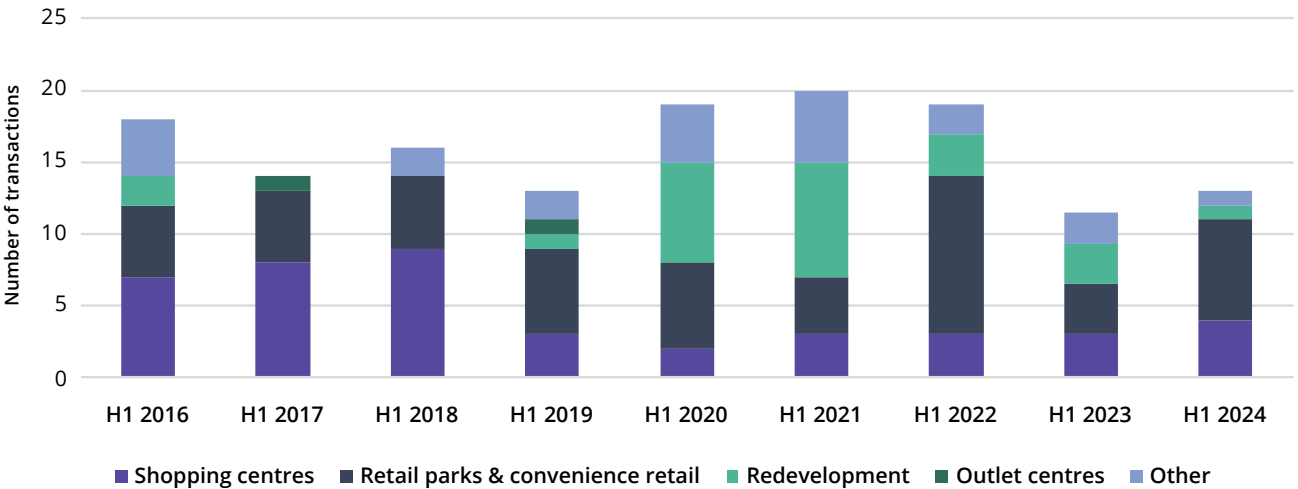
Strong debut of the
newcomer from CEE - Star
Capital Finance

Retail investment volume structure in H1 2024 by asset type



Source: Avison Young

Number of transactions in retail sector in H1 periods by asset type



Source: Avison Young

Industrial market

Limited scale due to the price imbalance

In 2024, a slowdown on the warehouse market is still visible. In H1 2024, industrial sector saw 12 closed deals, totalling €294 million, what is a drop by 33% y-o-y. The biggest transaction recorded was the acquisition of Panattoni Park Poznań XI in Żerniki, while the divest of two Warsaw West Parks by DWS to Hillwood was the only one portfolio deal recorded in the analysed period. Moreover, 9 out of 12 deals took place in the so-called “big five” industrial hubs.

The decrease of investment volume is mainly due to the lack of large portfolio transactions, resulting from – among others - high financing costs and pricing

mismatch between vendors and purchasers. A reduction in interest rates in the Eurozone and potentially in the United States will likely stimulate active purchases in the warehouse sector. Additionally, the stabilization of prices in Western Europe could further motivate foreign funds to invest in Poland and the CEE region, especially for investors seeking attractive price levels.

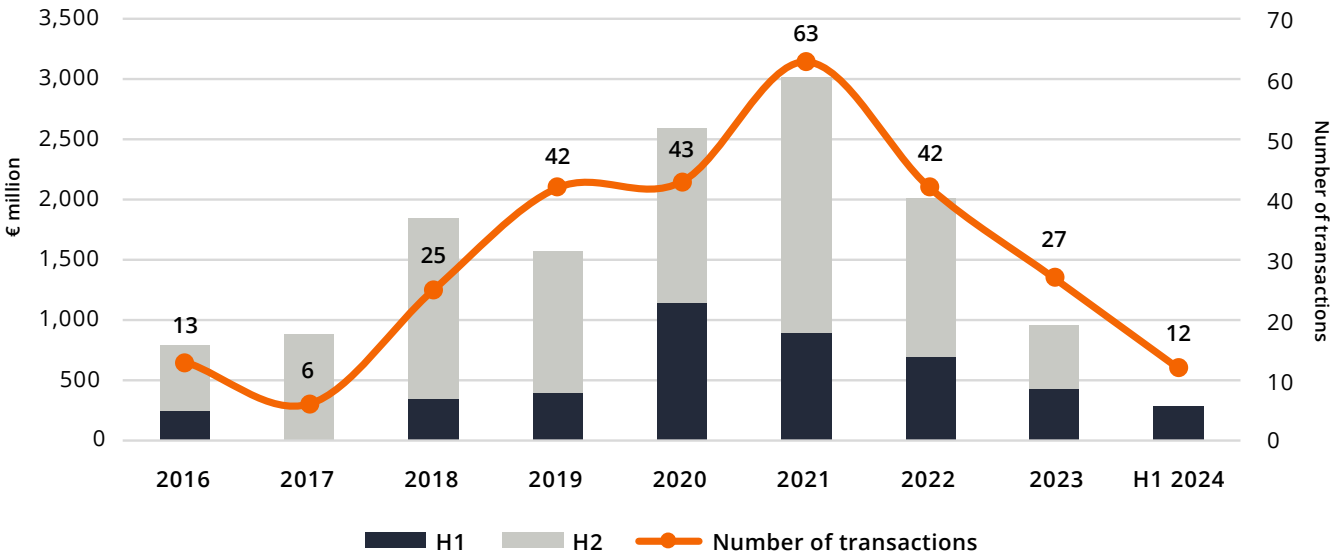
We anticipate a resurgence in the acquisition of larger warehouse portfolios by investors aiming to quickly scale up in the sector. However, finalization of the first significant transactions is expected towards the end of 2024 or beginning of 2025.

€294m
industrial investment
volume
in H1 2024

1
portfolio deal
in H1 2024

12
transactions, none
exceeding €100m
in H1 2024

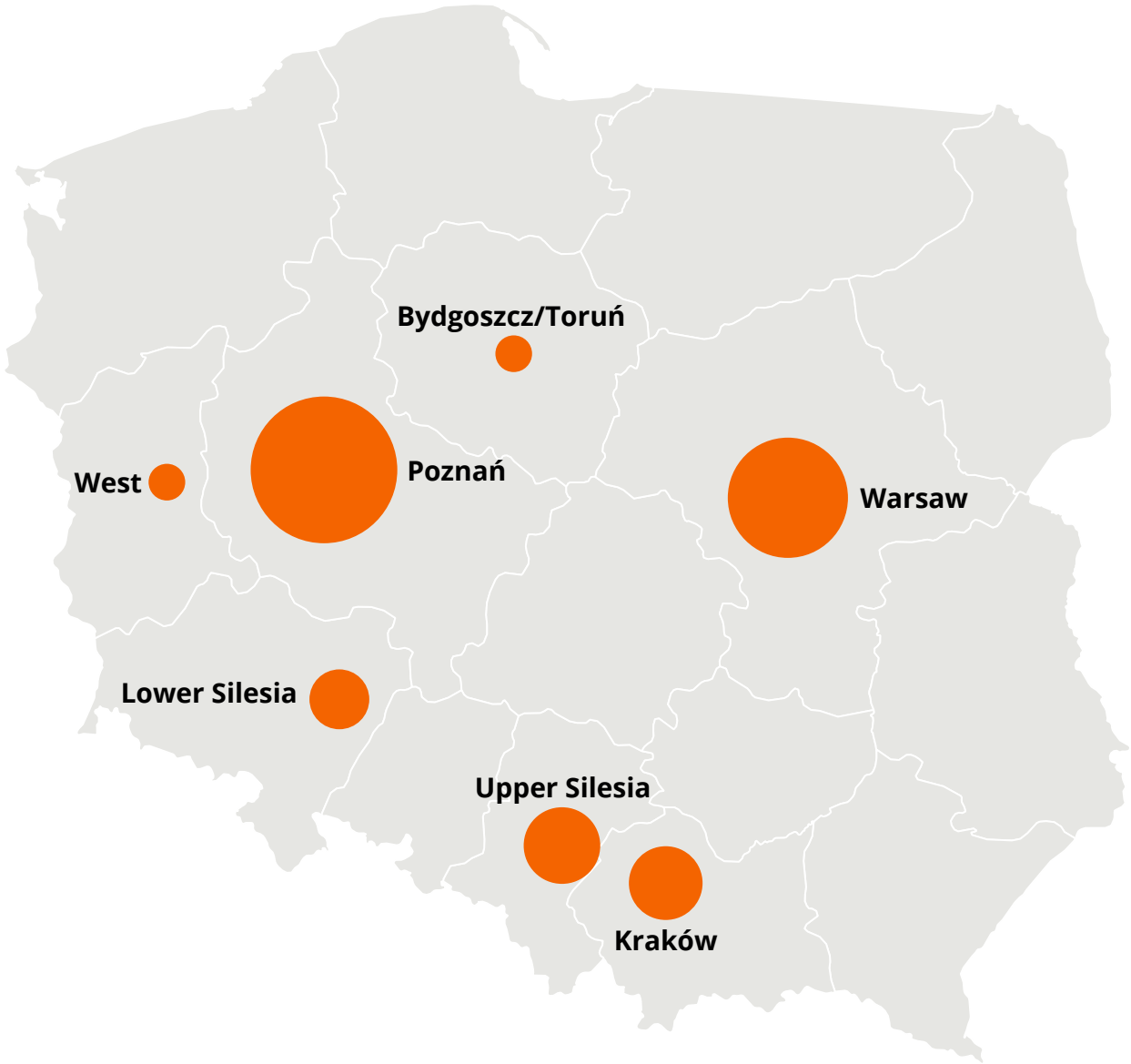
Industrial investment volume (€ million)



Source: Avison Young



Industrial market



PRS

Increasing scarcity of residential land in large cities

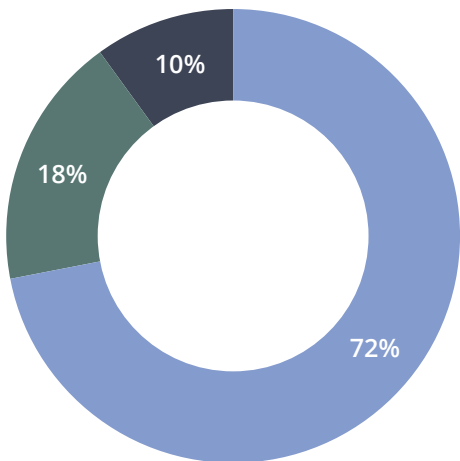
By mid-2024, the number of PRS developments in Poland exceeded 120 projects, of which 73% are completed and the remaining 27% are under construction. Nearly ¾ of the projects analysed are located in areas covered by binding local master plan (MP).

Due to the increasing scarcity of residential land in large cities, investors are more often opting to build PRS facilities on commercial-designated plots whose location is attractive for housing. The purchase prices of commercial-designated plots are usually lower than of the ones with residential zoning, which makes them an interesting alternative for PRS investors. In addition, they do not have to compete with typical residential developers when acquiring such a land. However, a PRS investment on commercial land, despite cheaper plot, once the facility is developed and commercialised, involves a VAT charge on rental income, which affects the initial yield.

Residential investment market recorded 5 transactions closed in H1 2024 which amounted to approx. €130 m. All acquired properties are located in Warsaw. The major one is Heimstaden Wschodu Słońca project with 400 PRS units, which was developed by Dantex based on forward funding. Avison Young Technical Advisory team supervised the construction progress of this biggest completion set up in 2024.

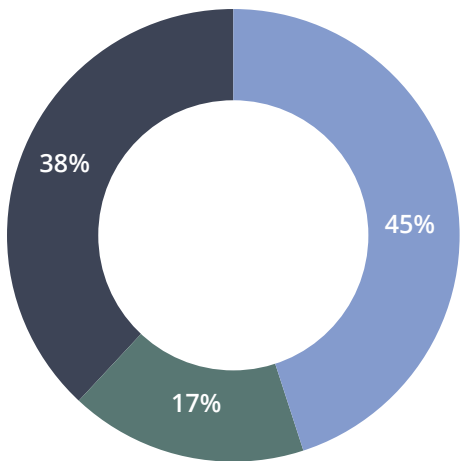


Master plan status
in PRS projects

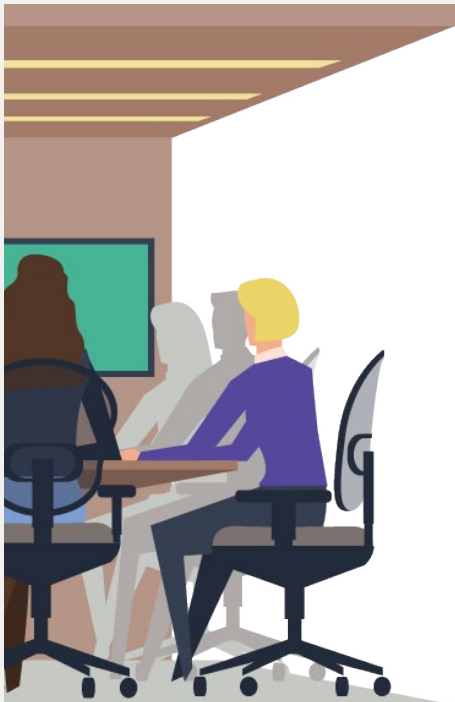


- Binding MP
- MP in progress
- No MP

Designation in master plan
in PRS projects



- Residential-commercial development (MW/U)
- Residential development (MW)
- Commercial development (U)



What awaits us in the second half of the year?

Poland still remains as economically stable and strong market, providing good conditions for real estate investment. This is well seen by European market players and so we have already welcomed newcomers to Poland.

Based on our own projects and discussions with other market participants, we observe that numerous properties across various sectors are currently in the bidding, due diligence, or even finalization phase. These are mostly not large-scale or spectacular projects, but we expect bigger transactions to appear on the market later this year.

Observing current market activity, we remain optimistic about the number of transactions and hope that the investment volume in 2024 will significantly surpass that of 2023, signalling growth in the subsequent years.

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