



Real estate investment
market in Poland
Annual summary

AVISON
YOUNG

What a year it was!

COVID-19 has had a great impact on the economy as well as consumers' behaviour, which has naturally influenced the property market. Pandemic unexpectedly accelerated changes noticed for the last few years, such as diminishing role of traditional shopping centres in favour of convenience retail, boom of e-commerce market or working from home. Investors have quickly accommodated to new conditions and even despite many uncertainties, investment volume has achieved third highest level in the history – EUR 5.3 billion.

€5.3B

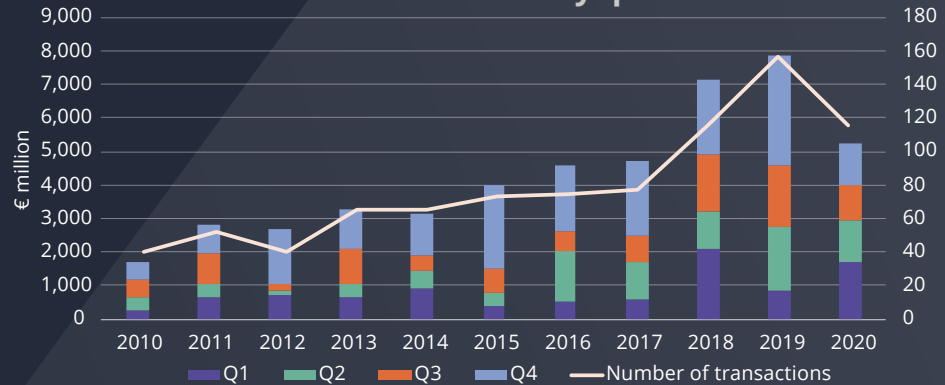
total investment volume in 2020

116

number of transactions

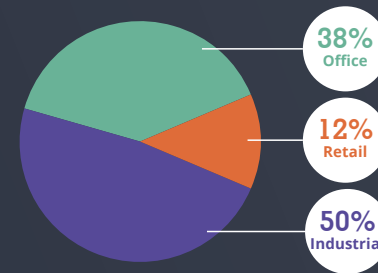
3rd best result in history

Investment volume by quarter



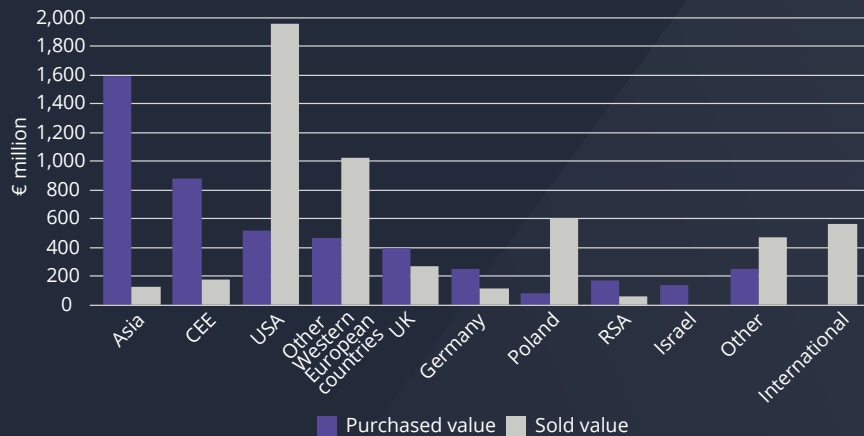
Source: Avison Young

Investment volume share by sector



Source: Avison Young

Investors' share in total 2020 volume



Source: Avison Young

- ✓ Increasing activity of Asian investors focused on industrial market
- ✓ CEE investors expansion, mainly in office and retail
- ✓ Currently US investors focused more on sales
- ✓ Decreased activity of Western European investors due to the capital blockage - to be unleashed in the nearest future

2020 highlights



COVID-19
lockdown

largest regional
office
transaction
in 2020

High Five II, Krakow

lowest
office yield
in Mokotów
in the last 5
years

DSV, Warsaw

2019
industrial
volume already
broken



Tyrion Portfolio

biggest
convenience
retail
transaction
in 2020

AY advised
the seller

the lowest
office yield
ever recorded
in Warsaw

Generation Park Z, Warsaw

Hillwood Portfolio

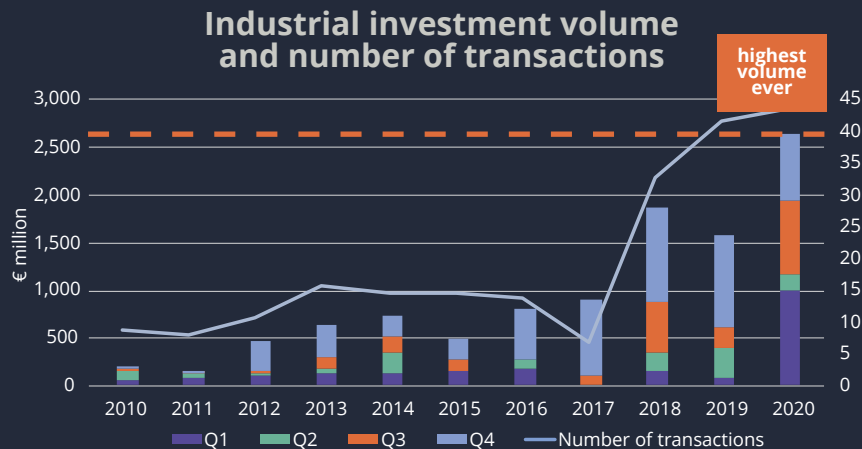
largest
industrial
portfolio deal
in 2020

disposal of
two Amazon
centres in
Poznan and
Wroclaw

Industrial market. COVID-winner.

Industrial sector was definitely the biggest beneficiary of the changes occurred in 2020. With ca. EUR 2.6 billion transacted, industrial investments took up 50% of the total investment volume and outperformed almost 70% sector's volume achieved the year before. New characteristic of 2020 was a decrease in the number of single transactions. It was due to the tendency of purchasing portfolios or whole platforms, which took almost 60% of the sector's volume. To the biggest transactions belonged a sale of Goodman logistic platform to GLP, Panattoni Portfolio purchase by Savills IM, Distribution Park

Portfolio disposal by Hines to CGL and Ares' Maximus Portfolio acquisition by GIC. All of them were financed by Asian capital, which confirmed strong activity of the investors from this continent in the industrial sector. Disposals of city logistics schemes have also been noticed in the last year and this trend is expected to continue. This is a result of a rapid acceleration of e-commerce developments caused by COVID-19, which influenced investors' sentiments, looking favorably at the last mile logistics, parcel delivery centers or Small Business Units.



€2.6B
total industrial
investment volume
in 2020

60%
share of
portfolio/platform
deals in 2020
industrial volume
increasing importance
of strategic acquisitions

4x
increase of Asian
capital put into
industrial schemes in
comparison to 2019
60% of 2020 industrial
volume

Growing interest in
city logistics schemes

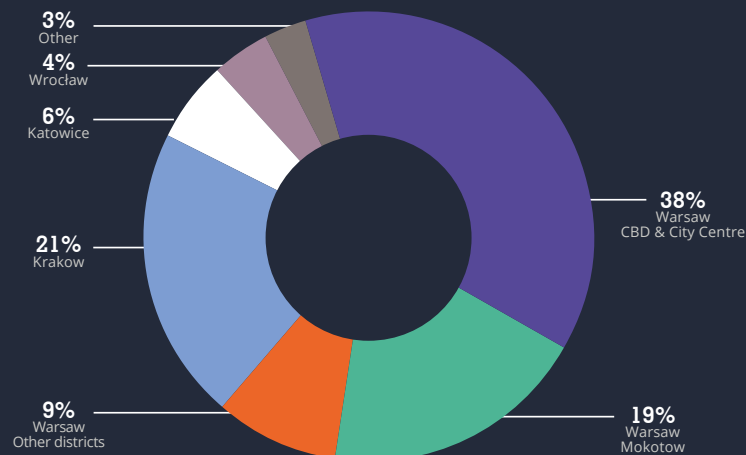


Office market. Core markets as safe havens.

In the face of uncertain market conditions, many office investors turned to stable, core markets. Over 60% of EUR 2 billion put in offices in 2020, fell on core or core+ properties located mostly in Warsaw. A few of such transactions started even before 2020. Not postponing them confirms investors' attitude to choose low-risk strategies. Main transactions in regional cities regarded City One in Wrocław, bought by Uniqua, and the largest regional deal in 2020 - High Five II in Krakow, purchased by Credit Suisse.

In Warsaw investors focused on the Western part of the City Centre, where properties such as Generation Park Z, Lixa A&B, Chmielna 89 or Wola Center changed their owners. It is worth noticing that investors' activity in Mokotow increased - five big deals worth almost EUR 400 million in total has been signed, including the sale of D48 to IAD or DSV to Corum. It was almost four times more than in 2019, when four office buildings were sold for total of ca. EUR 100 million.

Office investment volume distribution in 2020

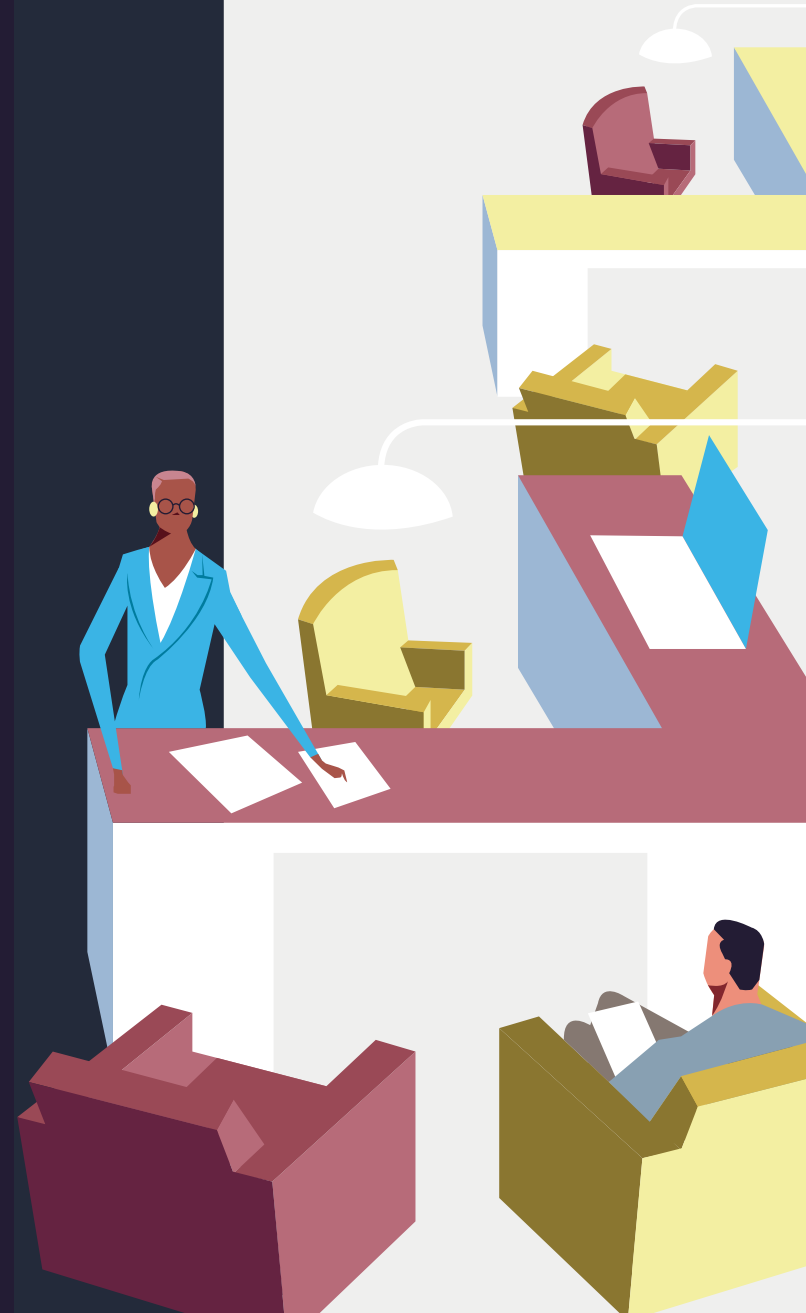


Source: Avison Young

€2.0B
total office
investment volume
in 2020

60%
share in
total office volume
invested in
core & core+ properties

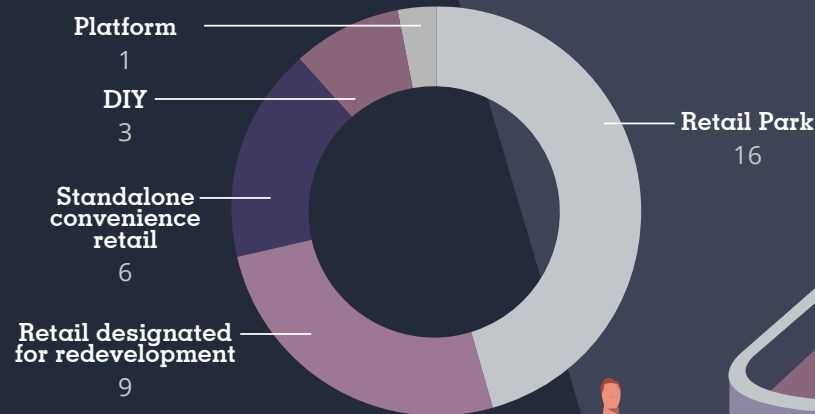
4x
larger Mokotów
office volume
than in 2019



Retail market. Convenience retail appreciated due to its resilience.

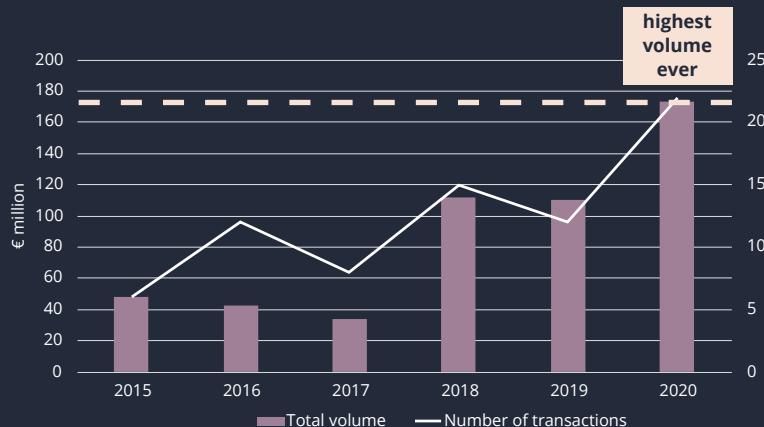
Retail is the sector where the changes, already started a few years ago, were much accelerated in 2020. A tendency to shop in the vicinity of one's place of residence and a growing purchasing power of inhabitants of smaller towns have already popularized convenience retail. This, combined with the fact that the rules regarding closure of retail properties did not affect them, has influenced the investors, looking favourably at this sector of retail. 22 of 35 retail transactions in 2020 regarded convenience retail. The biggest convenience retail transaction was a sale of Tyrion Portfolio, consisting of 5 convenience retail centres, where Avison Young represented the seller.

Retail segments share in transaction number in 2020



Source: Avison Young

Investment volume and number of transactions in convenience retail market



Source: Avison Young

83%
increase in number
of convenience
retail transactions
in comparison to 2019



Prospective PRS

In 2020, investors entered PRS sector on a scale bigger than ever before. This was justified by choosing defensive strategies of investing in residential projects because of uncertain market conditions. In 2020 we saw a few joint-ventures or forward purchases. At the beginning of the year, TAG Immobilien acquired Polish developer Vantage Development and planned 24 residential projects with 8,600 flats for rent within 5 years. Also a joint venture of Kajima and Tonsa to develop PRS project in Tricity was worth noticing. The other big deal was a forward purchase of an investment in a development stage located in Pulawska 186, Warsaw by Aurec Capital from Matexi. What is more, Corestate Capital and Bain Capital Credit entered the market by purchasing two development projects of student houses in Krakow and Gdansk. The year ended with another forward purchase – Heimstaden Bostad with Eiffage Immobilier of two PRS projects located in Warsaw.

It is worth noticing that we do not count joint ventures and forward purchases as typical transactions and they are not considered in total investment volume. According to our knowledge, PRS volume in 2020 amounted to ca. EUR 250 million.

A few new investors entered PRS market

Joint ventures and forward purchases as main transactions

What's next?

2020 changed the perspective of many investors by accelerating the evolution of their approach to the property market. This showed how flexible the market is and offers diversified product, depending on the economic circumstances.

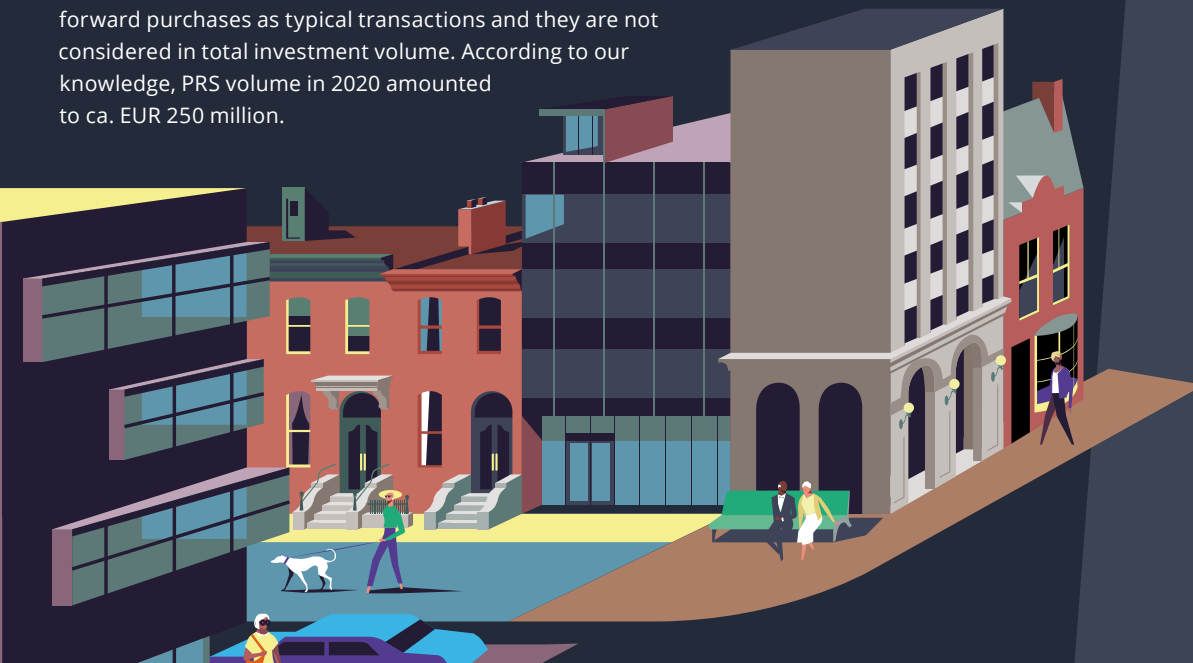
In the future, increased investment activity is forecasted due to unleashing the capital blocked in 2020. Because of uncertain market conditions, investors would rather choose properties characterized by low level of risk, i.e. office and logistics schemes with long-term, secured income or retail parks. As the PRS market is still evolving, there the next players are expected to enter the market.

We estimate, there is currently EUR 0.5 billion pending transactions with PSPA signed in the previous year. Therefore, we should expect strong opening of 2021.

€0.5B

pending transactions to be finalized at the beginning of 2021

- ✓ Capital blocked in 2020 to be unleashed
- ✓ Long-term, secured income at the target of investors
- ✓ Further investors' expansion in convenience retail and PRS



2020

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