

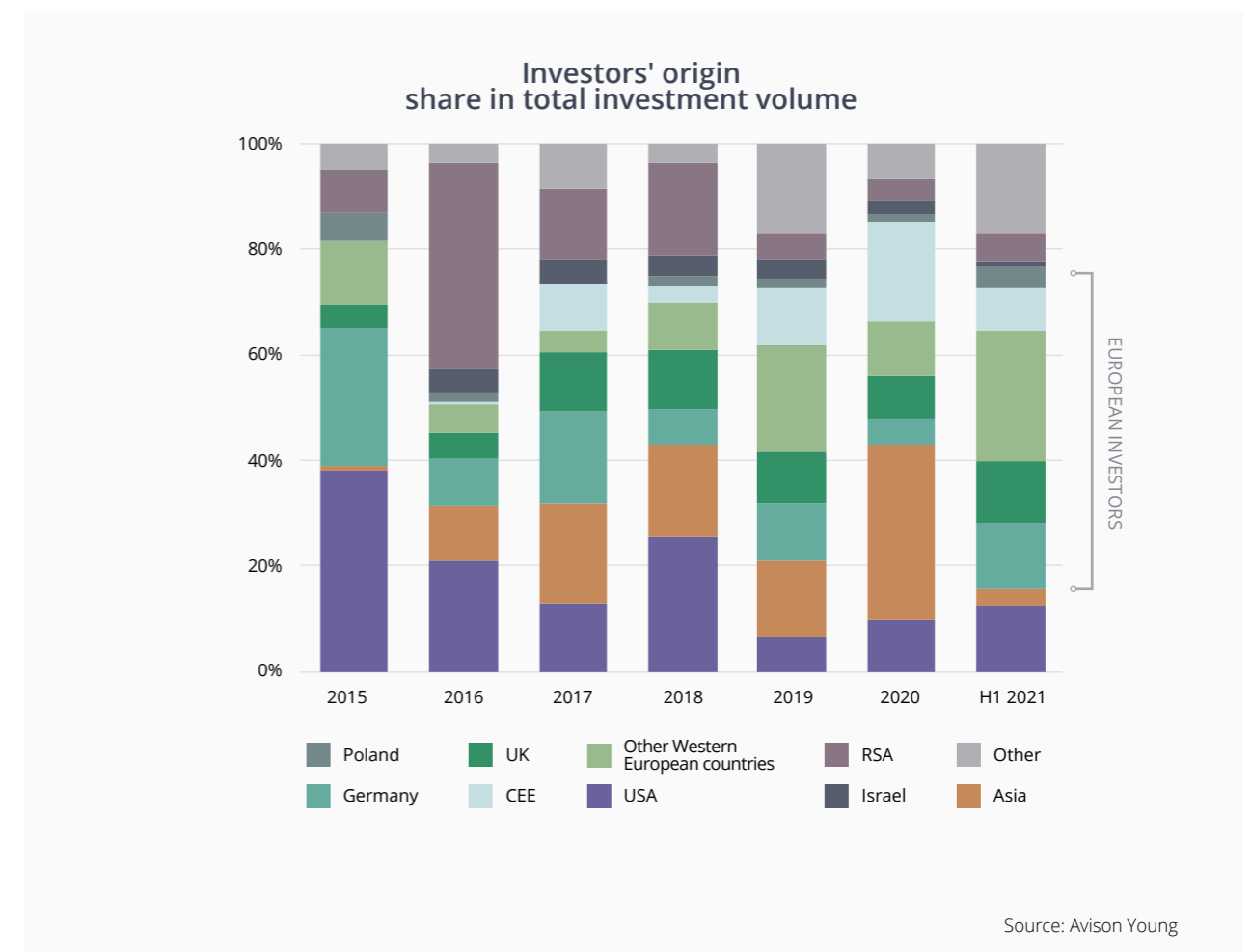
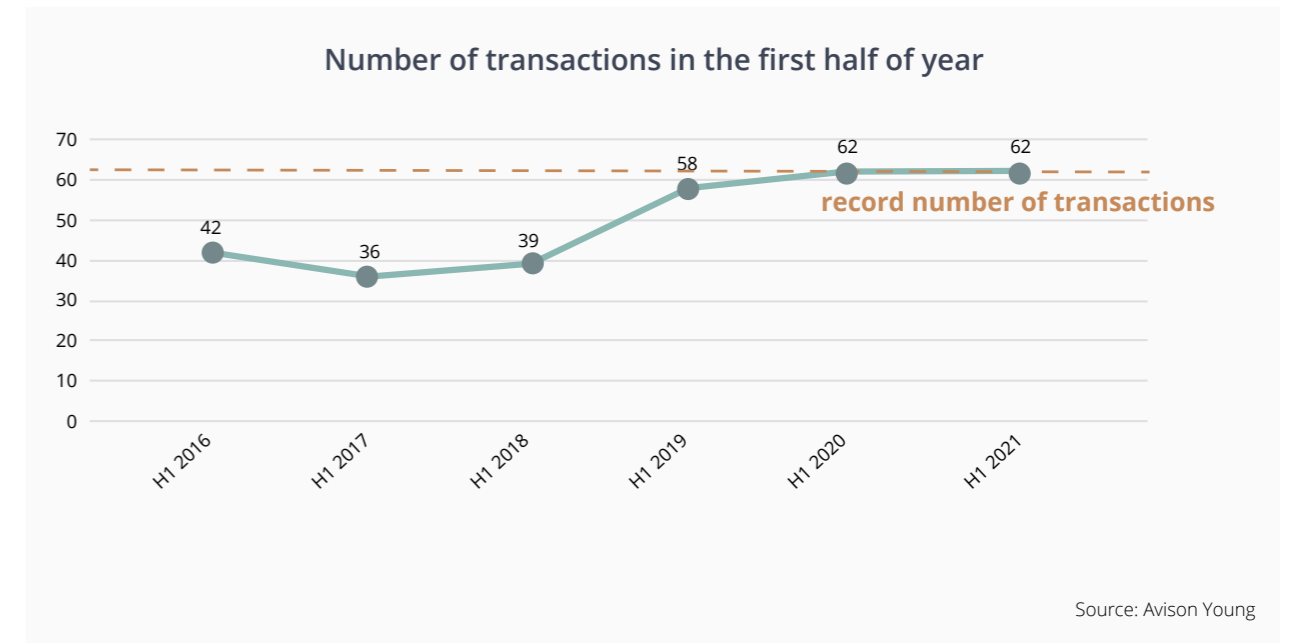
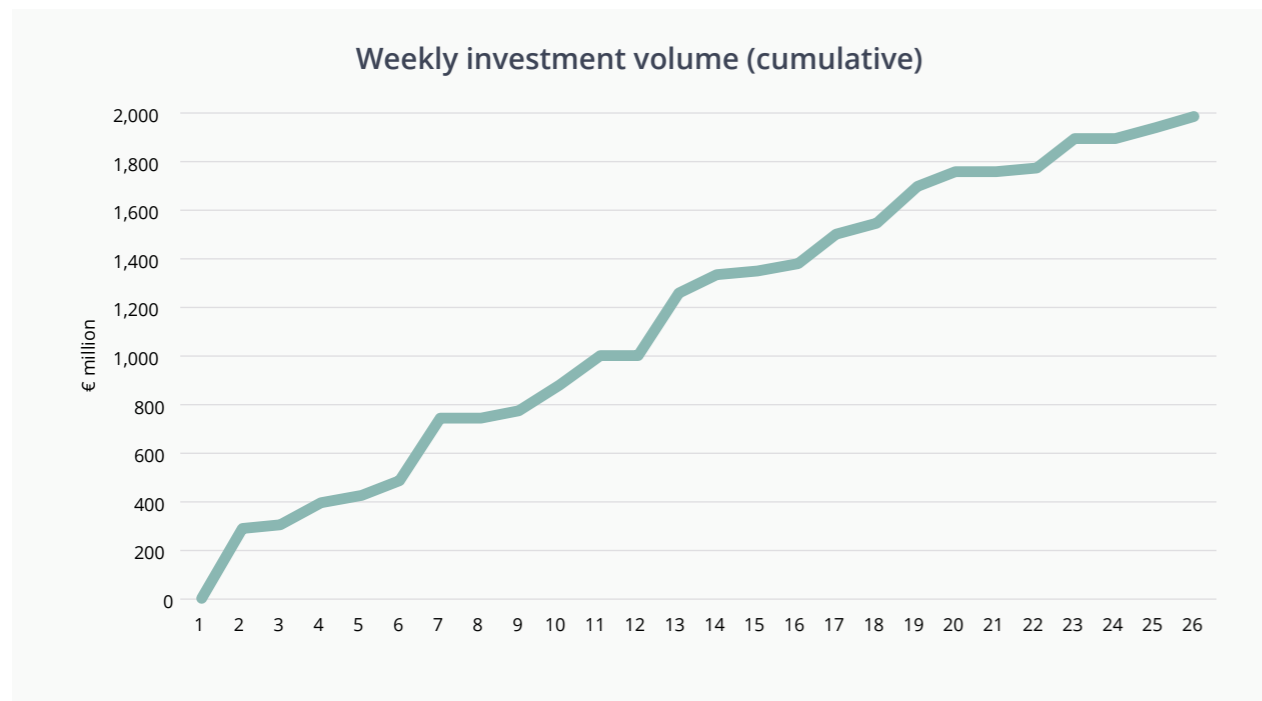
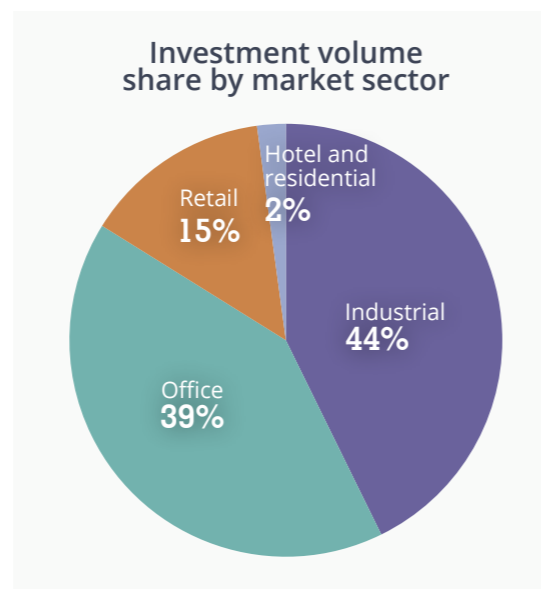
Property investment market in Poland

H1 2021 Report

AVISON
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High liquidity of the market

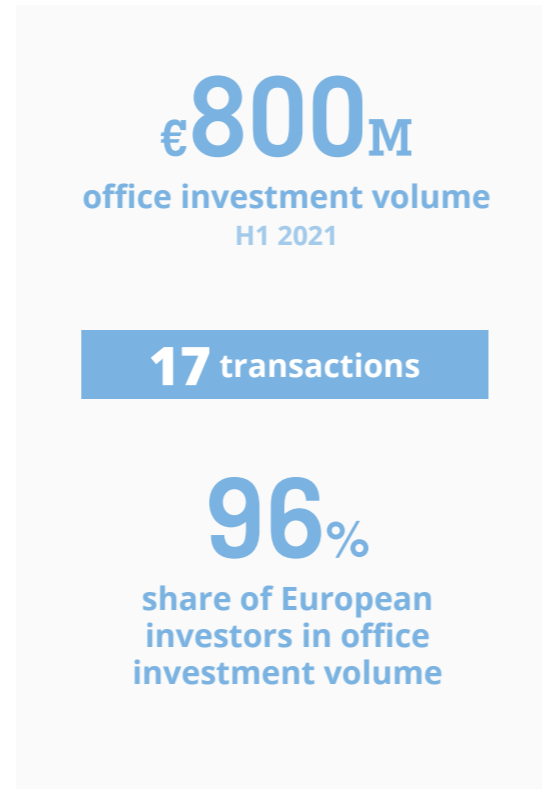
Total investment volume in the first half of 2021 reached EUR 2 billion. Despite lower volume in comparison to previous years, the number of transactions amounting 62 repeated the best result in the Polish market from the previous year, proving high liquidity of the market. Combination of lower volume and high number of transactions is a result of investors' turn to safe and characterized by lower volumes properties, especially industrial and convenience retail.



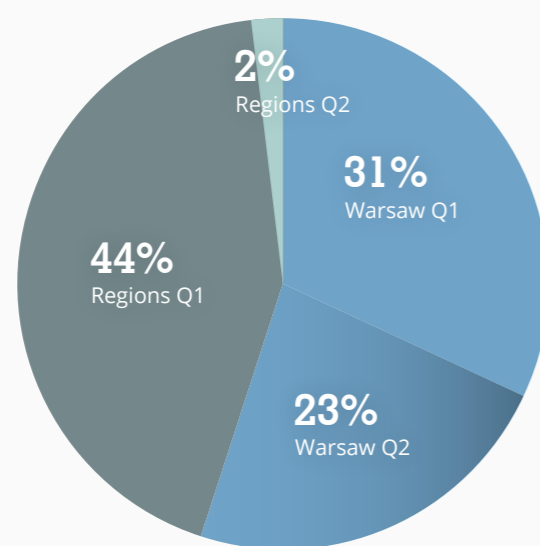
Office market. Warsaw domination.

After strong opening in the office market at the beginning of the year, we observed a decrease in investment activity in the second quarter of 2021. During last six months, investors approaching cautiously the office market, have been deciding to buy core, safe properties (Browary Warszawskie – Villa Offices, Spark B, Alchemia Neon, Le Palais) or these characterized by lower volumes. In contrast to domination of regional cities in the first quarter of 2021, mostly due to Buma office portfolio acquisition by Partners Capital, almost total investment volume in the second quarter was concentrated in Warsaw, with large share of Mokotow. This district has had its revival in the investment market for the last two years, which is in line with our predictions from 2019. Diving into details, in the first half of the year four properties were sold in this district – Neopark, Wołoska 24, Cybernetyki Office Center and Bokserska Office Center.

If talking about investors' origins, first half of the year was marked by European investors – 96% of the office investment volume was generated by them.



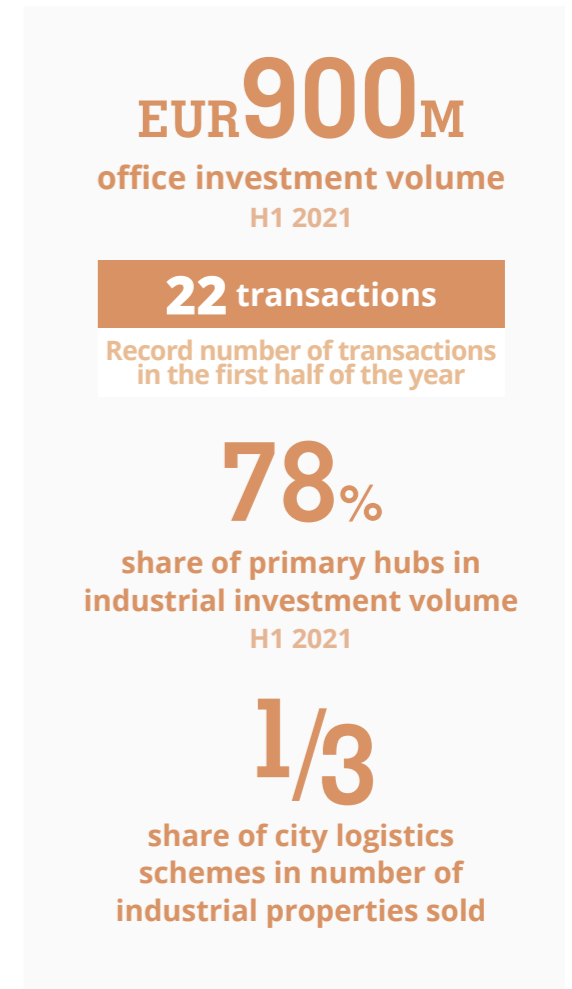
Office investment volume share by location
H1 2021



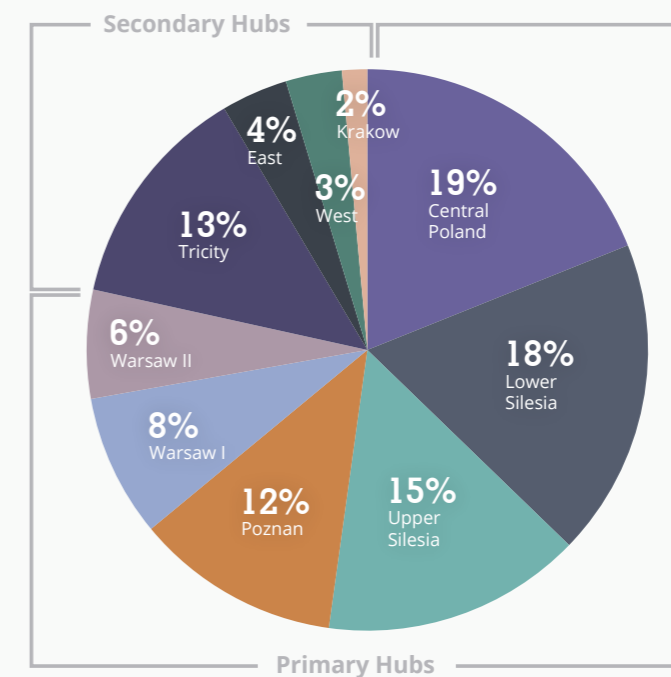
Source: Avison Young

Industrial market. Prime hubs at the target.

Following increased activity in the first quarter of 2021, investors kept the pace during the last three months. With EUR 900 million transacted during the first half of the year, industrial sector took the lead in terms of investment volume and set a new record in terms of the number of transactions in the first half of the year. We observed domination of primary hubs with almost 80% of the investment volume, which indicates investors' crave for prime locations. Central Poland and Upper Silesia attracted majority of the investors, taking almost 40% of total industrial volume. Worth noticing is increased interest in city logistics schemes as 1/3 of number of sold properties fell on this sector.



Industrial investment volume share by location
H1 2021



Source: Avison Young

Retail market. Convenience first.

Despite relatively low investment volume in the retail market in the first half of the year, it has to be noticed that number of transactions repeated the record outcome from the previous year. This is a result of type of properties being currently traded, which are characterized by lower volumes.

Similarly to the first quarter, there was a significant volume falling on opportunistic purchases, mainly vacant Tesco schemes. However, it is the convenience retail which took majority of transactions in the second quarter. What is worth noticing, 5 of 8 convenience retail schemes being subjects of transactions in the first half of the year are located in the towns with a population lower than 50,000. This proves an attractiveness of properties in smaller cities, characterized by a strong micro-location, creating retail destinations by themselves.



Residential. Expansion through corporate takeovers.

In the first half of the year there were three platform acquisitions closed – 66% shares of Archicom by Echo Investment, 77% shares of Sento by Dom Development and Budimex Nieruchomosci by Cornerstone Partners, Crestyl Group. 40% of the company's portfolio, i.e. 2,500 apartments, will be sold to Heimstaden Bostad in the next 2-5 years when finished for PRS, which indicates further development of this sector. Moreover, over 1,000 apartments in Warsaw designated for rent were also sold in the form of the forward purchase by YIT to NREP.

It has to be considered that we do not count forward purchases and corporate takeovers to the total investment volume. However, the numbers clearly show, how intensive these sectors have been developing.



What's next?

This year have already brought a stabilization in the investment market. Investors, accommodated to the new market conditions, continue their safe strategies. This should not change in the coming months. Industrial and convenience retail sectors, accelerated by increased development activity, might further experience great interest. We can also expect next PRS forward purchases as well as a few prime office transactions.

The second half of the year can be marked by high liquidity rather than large volumes. The result from the previous year can be repeated, especially when it comes to the number of transactions.

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