

Property investment market in Poland

Q1 2021 Report

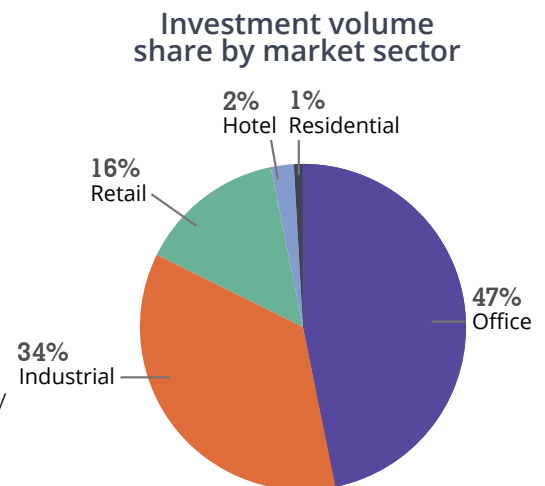


AVISON
YOUNG

Investment got back on track

After a year from the beginning of the pandemic investors are continuing their strategies adjusted to the new market conditions. Most of them are focusing mainly on safe, predictable investments. This year we have observed third best opening ever with almost EUR 1.3 billion transacted in 31 deals during the first quarter of 2021.

As we have predicted previously, Western European capital was unleashed at the beginning of the year, taking up majority of the volume invested in the property market. Despite the fact that Asian investors' activity slowed down, we forecast that their investment pace will go back to the previous level in the next quarters.



€ 1.3 B

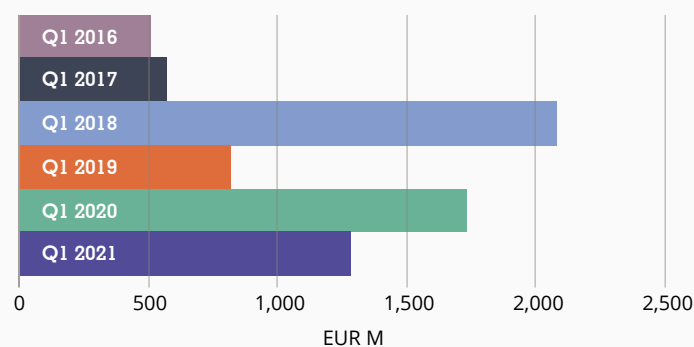
total investment volume
in Q1 2021

31

transactions

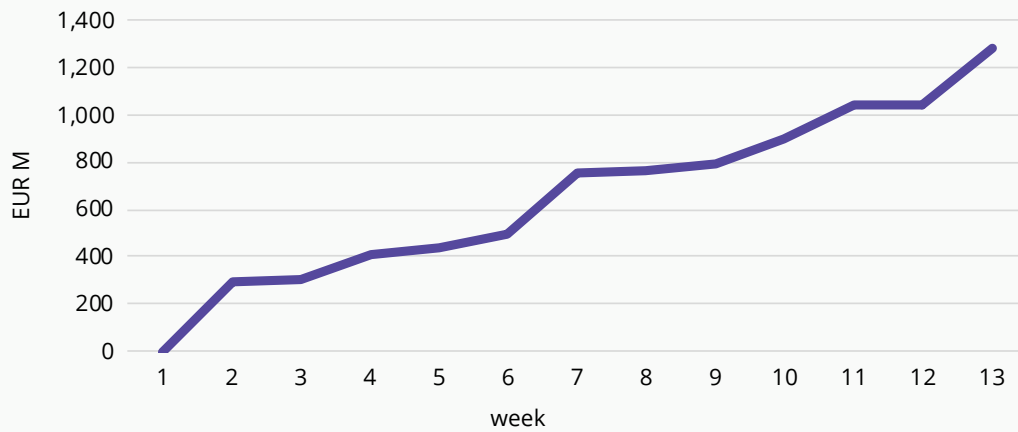
THIRD BEST OPENING

Investment volumes in the first quarters of recent years



Source: Avison Young

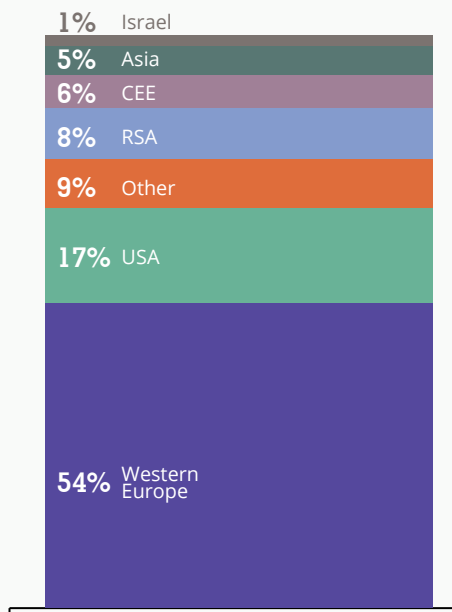
2021 weekly investment volume



Source: Avison Young

Investment volume

Share by investors' origin



Western European capital unleashed

Asian investors' investment pace to rebound in the nearest future

Focus on safe, predictable investments

Source: Avison Young

Safe office market

After strong domination of the industrial sector in the investment market in 2020, the office market had the biggest share in the investment market in Q1 2021, taking up almost 50% of total volume. Office investors, adapting to the COVID-19 circumstances, continues their strategies of purchasing properties of a low level of risk. Next disposals took place in the Warsaw City Centre West – Spark B and Villa Offices in Browary Warszawskie. Increased activity in Mokotow was still observed, as Yareal sold Neopark to Amundi Real Estate.

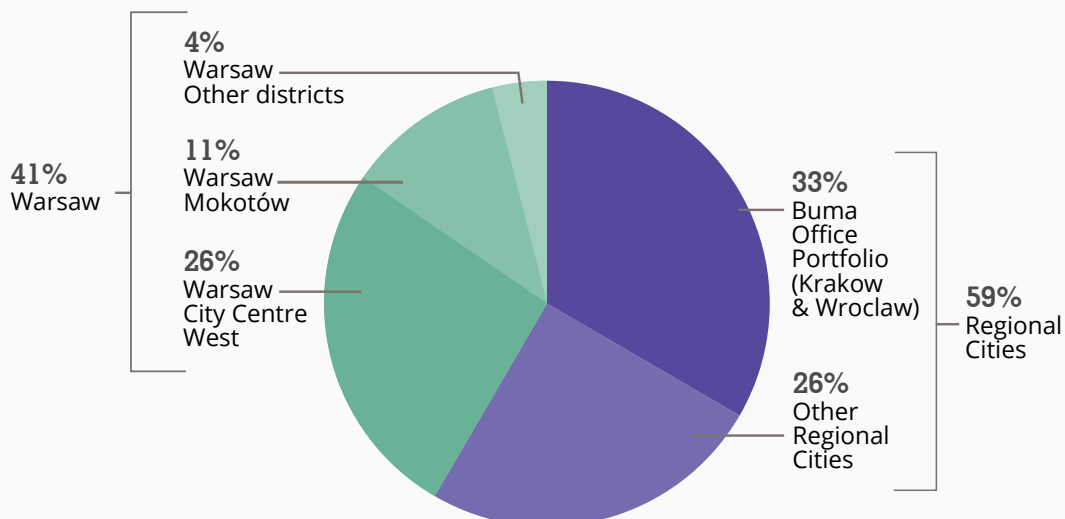
Also a few prime properties were sold in regional cities – Neon (Alchemia IV) in Gdansk and Brama Portowa in Szczecin, where Avison Young provided technical advisory services. 1/3 of total office volume was taken up by the acquisition of Buma office portfolio by Partners Group / Reino, consisting of 11 (incl. 2 in development stage) properties in Wroclaw and Krakow.

Worth noticing is the fact that almost all properties were bought by European investors, whose share in the total office volume amounted to 97%.

€ 600 M
office investment
volume in Q1 2021

97%
share of European
investors in office
investment volume

Office investment volume share by location



Source: Avison Young

Primary industrial market

With over 1/3 of total investment volume, industrial market holds a strong position this quarter. What is interesting, 85% of industrial investment volume in Q1 2021 regarded modern properties sold for the first time by the developers. Only one huge property changed an owner for the second time – Castorama BTS in Strykow from Tritax Euro Box to Savills IM – another prime property reaching yield below 5%. Current market situation proves investors' desire for a long term, secured income.

€ 425 M

industrial investment
volume in Q1 2021

SECOND BEST OPENING

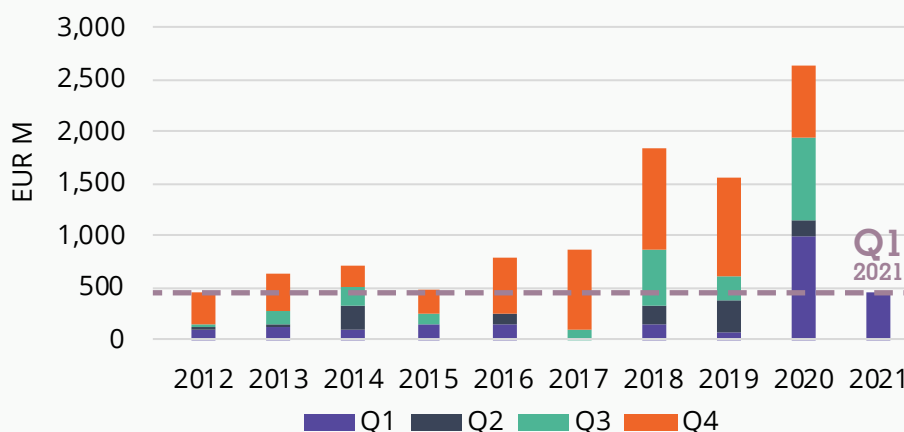
85%

share of transactions
realized in primary
market in total
industrial investment
volume in Q1 2021

4.95%

the lowest
industrial
yield achieved
in Q1 2021

Industrial investment volume



Source: Avison Young

Opportunistic retail

First quarter of 2021 in the retail market was marked by opportunistic purchases. Majority of transactions fell on acquisitions of Tesco supermarkets, leaving the Polish market. Also, Galeria Pestka in Poznan sold by Blackstone to Henley Investments represented the type of properties with significant value-add potential. The biggest deal was the disposal of the third Chariot tranche to EPP, scheduled already in 2018, consisted of four Power Parks, located in Kielce, Olsztyn, Opole and Tychy.

€ 200 M

retail investment
volume in Q1 2021

6 / 8

Share of opportunistic
transactions in total
number of retail
transactions
in Q1 2021

PRS even stronger

We have observed a strong opening of the PRS market in 2021, which followed investors' expansion in the sector last year. As the market is evolving and there is still limited supply of existing product, forward purchases dominated among transactions¹. We observed further expansion of Heimstaden Bostad, purchasing development projects in Warsaw from Marvipol. Moreover, Milestone - one of the leaders in premium student housing - enters the Polish market. The company will manage the portfolio bought by the joint venture of Value One and Nuveen Real Estate. Investors, looking for new opportunities, decided also to buy whole platforms – Echo Investment is in the final stage of acquiring Archicom and Cornerstone Partners / Crestyl Group is about to purchase Budimex Nieruchomosci².

¹⁾ not included in the investment volume as the development process is not finished yet

²⁾ not included in the investment volume as the transactions are pending

Two huge
residential
platform
acquisitions
pending

Forward purchases
dominating due
to limited existing
product

What's next?

Current situation indicates further positive changes in the market. Speeding up vaccination process might enable lifting restrictions (particularly affecting retail sector) as well as might encourage people to coming back to the office. This can influence investment attractiveness of these sectors. Moreover, current supply increase of over 10% per year in the most sought-after sectors – industrial and retail parks – will probably drive the investment growth. What is more, as the development of the next prime office properties in Warsaw City Centre have just been completed or are at the final stage of the construction, it can bring next significant transactions in this sector. Currently there is over EUR 1 billion of transactions in the final stage. We forecast that the investment volume in the next quarter can even exceed the value of this quarter.

over € 1 B
transactions
in the final stage

Industrial and retail
parks sectors with
dynamic supply increase

Possible next closings
of prime properties
in Warsaw City Centre

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