TIME FOR POLSKA

Introduction of the constantly developing Polish real estate market
GDYNIA - POLISH SMART CITY

IDEAL CLIMATE FOR INVESTMENT, MODERN BUSINESS AND LIVING
When I look through the window of my office in Warsaw’s Wola district, what I mainly see are plenty of cranes and new skyscrapers climbing towards the sky. Even though Wola is located near the center of the Polish capital, it seemed a bit neglected. Currently, it is transforming into the actual city center with the largest accumulation of office buildings in the capital. The number of investments being performed simultaneously here is really impressive. It is also a great reflection of the condition of the real estate market in Poland. And yet, Warsaw is only a small piece of the puzzle, creating the whole picture of investments in Poland. Similar projects can also be observed in other cities and regions, such as Gdynia, Katowice or Bydgoszcz.

The real estate market in Poland, despite the forecasted slowdown, is still developing very dynamically and nothing indicates that it will change anytime soon. The Transaction Prices Index has been increasing for 9 months, and the indicator illustrating the change in the prices of apartments in the real estate market in Polish largest cities was higher by 13.4% in 2018 than a year before.

As always, with new investments there obviously comes new challenges. These are particularly related to new legal regulations which came into force in 2018, such as GDPR, or regulations regarding the transformation of perpetual usufruct into ownership which are binding since the beginning of 2019. However, these amendments are not enough to reverse market trends or significantly reduce the attractiveness of investments in the real estate market.

The Polish economy is stable and is still in the phase of dynamic growth. At the beginning of February 2019, the Executive Board of the International Monetary Fund (IMF) approved an annual report regarding Polish economy review. IMF recognizes a significant acceleration of Poland’s economic growth – from 3.1% in 2016 to over 5% in 2018. As a result, Poland is and still will remain a country worthy of investors’ interest.

Taking into account all of the above-mentioned elements, we decided to prepare another issue of the Time for Polska magazine. We believe that the materials presented in this magazine will allow you to better understand the specificity of the Polish real estate market and the legal requirements related to performing investments. These materials will also introduce you to entrepreneurs already operating on the market, as well as interesting investments, which are under construction or already finished. We are convinced that projects selected by us – as it is impossible to describe all of them – will create for you an image of a country, that 100 years after regaining its independence is still on the path of dynamic development, full of innovation, creativity and - most importantly - open to new challenges and friendly for investors.
Gdynia is constantly working on bringing in new investments to the city, especially the ones regarding creating new office spaces. Thus, it is very good news for us that since 2018 the interest in the office space market in Gdynia is becoming higher, with more and more investments particularly regarding high-end offices with the “A” or “A+” standard. One of these investments will be carried out in the Sea City - a former shipyard area that is currently undergoing the process of revitalization. This is one of the main strategic objectives of the city, which wants to enhance the multifaceted and harmonious development of this site, thereby restoring its urban functions. It is located in the city center and is planned to be the most prestigious district of the city.

“Awanport” is a modern apartment block recalling in its architecture the modernist urban style with characteristically curved corners, addressed to people with the highest expectations, with 24/7 security and concierge services. An excellent location which allows for a remarkable view of the sea.

“Waterfront” is the investment offering multifunctional complex with office and hotel facilities, as well as leisure areas that will serve as a meeting place for residents and tourists. This investment is divided into two stages: first one containing hotel Courtyard by Marriott and an 11-floor office building was already completed in 2015. The second stage, presenting office buildings, residential buildings, hotel, conference space, SPA zones, public facilities, and a cinema is soon to be completed. Another investment is “Marina Office” - the modern complex of high quality office buildings located in the very centre of Gdynia, with convenient public transport links with other parts of the Tri-City. This will be an A-class office complex with 27,000 square meters of leasable area, designed according to the best and most up-to date practices in workspace organization.

Gdynia will never forget that the current economic growth is built significantly on various sea industries. Thus, the center of Gdynia is opening up to sailors. A modern marina, that will accommodate up to 500 sailors, together with extensive hotel and conference facilities is another planned investment. We are dedicated to improving the pace of all investments in our city, as the potential is very high and we still have a lot of lands to be developed.

In 2018, Gdynia was ranked third in Europe in the “Access City Award” competition organized by the European Commission. Our city was appreciated for ensuring that everybody, regardless of age, mobility, disability, has equal access to all the resources and pleasures that Gdynia offers. The key factor for Gdynia to implement these solutions is to remain its dynamic development. The fact that the city’s economic situation is stable was confirmed by fDi Magazine by awarding Gdynia “The Polish City of the Future” third time in a row.

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Poland’s real estate market is second to none within the CEE region in terms of size, range and investor confidence. It offers yields more attractive than those found on Western Europe markets, while maintaining a low risk profile and relatively high liquidity.

This is an incredibly exciting time to be a member of our profession, with the world growing and changing so rapidly. Professionals operating within the natural and built environments are at the heart of some of the great challenges of our time, including urbanisation, climate change, and technological development.

The profession and RICS as our global professional body, both have a critical role to play in tackling these issues. By setting and enforcing standards that give confidence to markets and by putting people at the heart of what we do, we will have a positive impact on the future direction of all the regions of the world in which RICS operates, including CEE and Poland.

RICS believes that the best way to serve its members’ and local markets’ interests is to ensure that the profession is trusted and relevant. We believe this will be best achieved through building a modern, diverse and agile organisation and an appropriate oversight body for the setting and supervision of regulations and standards.

In an industry constantly looking to adapt, lead and grow, we invite you as industry leaders through the third edition of ‘Time for Polska’ magazine to shape with us the world we live in, create positive change and be a part of the world’s most important discussions.
Last year was significantly important for Polish economy in general, as well as for special economic zones. The introduction of amendments regarding investment policy has created new opportunities to conduct business. These amendments provided companies such as Wałbrzych Special Economic Zone responsible for locate in Poland new investments with tools to support constant economic development.

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To say that Poland is currently the most attractive investment destination in Europe is no exaggeration. It is confirmed by international reports and, most importantly, the quality and quantity of new investment projects, which are planned to be completed. The current economic situation in Poland is a result of many factors, however, the human factor seems to be the one that determines the above-mentioned economic growth. Poland is known for the high quality of services performed by its workforce, and it is the knowledge, experience, and commitment of employees that investors operating in Poland owe their success to. Also, it is worth to mention that Polish branches stand out against the foreign ones. Obviously, it was not easy to achieve such a stable economic situation and to remain the constant growth. Thus, it should not be forgotten that to maintain the advantage over foreign markets, it is necessary to keep investing in the human capital - not only with reference to the improvement of education and qualifications but also as a much more complex process. Bearing in mind that the human being is the center and the key to introducing positive changes, all economic sectors should be involved in creating favorable investment climates and, even wider - Strategy for Responsible Development - an economic plan introduced by the Polish Prime Minister Mateusz Morawiecki. On the other hand, special economic zones, due to their place in the ecosystem, are becoming perfect platforms to start the cooperation. It is the quality of cooperation that determines whether we achieve our designated goals and whether the results of this cooperation will be unanimously acknowledged as a success.
Last years’ growth in the residential real estate market is connected with the new trend, already popular in Western Europe, which is the ‘PRS’.

From the market growth perspective, last year was one of the most dynamic years, and the residential real estate transactions popped up one after another. Last years’ growth in the residential real estate market is connected with the new trend, already popular in Western Europe, which is the ‘PRS’.

The ‘PRS’ is addressed to the new generation which values flexibility or mobility, to people migrating to large Polish cities or to a group of students migrating to Poland from abroad as well as it is an alternative for households which cannot afford to purchase an apartment.

There are many reasons for the rapid development of the PRS market in Poland. First of all, there are social changes that are expressed in trends that put flexibility in the use of an apartment above its possession. In addition to this, economic reasons are also mentioned. Among them, on one hand, there are the rising average prices of flats in Poland (especially in large agglomerations), and on the other hand, there is a traditional perception of investment in real estate as a simple, safe and liquid financial instrument and the method of long-term security of property. The growth in the residential real estate market is also a result of the legal environment which is getting more and more “friendly” for such investments, including among others, the new act on transfer of perpetual usufruct right to land developed with residential buildings into the ownership right, or the new provisions relating to institutional leases. A positive market impulse also comes from foreign institutional investors stepping into the game and who, through the growing number of transactions concluded, confirm that institutional housing rental or the provision of accommodation services (short-term rental of apartments, student hostels, senior homes) can be a new competitive area of investment in the Polish commercial real estate market.

The investor’s activity is perceived by developers who in response express their readiness to provide a dedicated housing product meeting the standard expected by institutional buyers, and interest in expanding the target group by this market segment.
Partners
The articles presented in the magazine were prepared in cooperation with companies' representatives.
Market overview
W ith GDP growth coming in above 5% last year, Poland’s economy largely surpassed expectations back at the start of 2018 and defied the slowdown evident across many parts of the continent. Strong domestic demand was key in propelling a pick-up in activity and business investment rose in solid fashion, as growth in the latter accelerated to over 8% year on year. Going forward, it seems domestic conditions will remain supportive, even if the economy does lose a bit of impetus over the second half of 2018, with forecasts pointing to an all-time low. This has pushed wages higher, with households, on average, now enjoying a period of strong disposable income growth as a result. The easing in inflation, which fell below 1% through the backdrop of 2018, has further helped drive the improvement in consumers’ spending power. Although the recent acceleration in wage growth will likely filter through into higher price pressures at some point, inflation is forecast to remain below the NBP’s 2.5% target over the next twelve months. As such, this should allow interest rates to be kept on hold for at least a while longer. Indeed, Governor Adam Glapinski stated that he did not see any reasons to change policy until the end of 2019, or possibly even further into the future. This should all ensure credit conditions remain favourable for economic activity going forward.

That said, the outlook is not without risks and the external environment may yet have a more significant influence on the domestic economy if trends globally were to take a turn for the worse. For one, the second half of 2018 proved to be a disappointing period for the world’s largest economy, with output in Germany contracting in the third quarter and flattening in Q4. Given nearly 30% of all Polish exports go to Germany, a continuation of this slowdown would likely cause net trade to become a larger drag on growth. Alongside this, concerns appear to be resurfacing around the outlook for China, in part linked to the ongoing trade dispute with the US, and this clearly carries substantial importance globally.

Furthermore, Brexit has the potential to cause significant disruption, particularly if the UK fails to reach an agreement and leaves the EU without any deal or transition period. Although it is still thought more likely that either a deal will be agreed, or the deadline extended, a no-deal scenario remains a real possibility. As it happens, forecasts from Oxford economics suggest that Poland’s economy stands to take a slightly larger knock than most across Europe under a no-deal, albeit considerably less than both the UK and Ireland. Indeed, by the end of 2020, Polish GDP is estimated to be 0.6% below the level that would have prevailed had a ‘hard’ Brexit path been taken.

Nevertheless, although these outside factors are potential threats, consensus forecasts point to economic growth in Poland remaining solid over the next couple of years. This economic outperformance compared to parts of Western Europe (as well as the relative value) should continue to support the commercial real estate market. According to data from Real Capital Analytics the Polish market saw investment volumes of €6.8bn in 2018, the largest annual sum since their records began in 2008. Meanwhile, feedback from the RICS Global Commercial Property Monitor shows sentiment, particularly on the occupier side of the market, has improved steadily over the past twelve months. Respondents report demand from tenants looking to occupy commercial space to have risen firmly at the headline level over the past few quarters. Notwithstanding this, when viewed at the sector level, it is noteworthy that retail trends are lagging, despite some still positive reading for occupier demand.

When it comes to rental expectations across the retail sector for the year ahead, these are very much a mixed bag. While rents for prime retail space are seen posting marginal growth, expectations for secondary retail rents have turned increasingly negative. In fact, RICS survey participants are penciling in an annual decline of around 3%. What’s more, weakness in the secondary retail rental outlook is anticipated to intensify beyond the next twelve months, a trend becoming ever more evident across many parts of Europe. Understandably, investor demand has been somewhat patchy for retail properties on the back of this, albeit the final quarter of the year did deliver a slight pick up. The shift towards online shopping at the expense of in-store sales continues to challenge the business models of many traditional retailers, explaining much of the cautious sentiment towards the sector. However, these structural changes are in many ways a benefit to the industrial sector and, in particular, the logistics market. As such, the industrial segment has begun to attract significant growth in tenant demand, outpacing that for offices over each of the past two quarters. The prime industrial sector also now leads the way in terms of rental growth projections for the coming year, with a near 5% rise anticipated. These robust and improving occupier dynamics are catching the eyes of more investors, with enquiries from both domestic and foreign buyers rising sharply for industrial assets. Consequently, expectations for capital value growth across the prime industrial market have become further elevated, pointing to significant gains in 2019.

All the same, there remains quite a contrast between prime and secondary markets, even in the industrial sector, with the latter exhibiting a relatively flat outlook both for rents and capital values. The overhang of supply created by development activity in recent years is what appears to be creating a more challenging environment for secondary space. Moreover, it also seems that construction starts in the office and industrial sectors have gathered renewed momentum recently. If this new stock is not absorbed sufficiently when it comes through, it could place upward pressure on vacancy rates, and secondary markets are likely to bear the brunt of this further down the line.

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ne of the factors that always significantly influences the market are taxes. Recently, the tax environment in Poland has been changing very rapidly. The changes have been aimed at preserving the national tax base and combating tax avoidance. As a consequence, there has been a significant slowdown for the timing of statutory pre-emption rights cause more complications and adversely impact the business operations. The pre-emption rights cause much more standardized which at the same time allowed lawyers to have a more deal specific approach and to become more specialized in particular fields of expertise. One of the most positive events, in the previous year, from the legal standpoint, was the issuance by the Ministry of Finance of tax clarifications for the VAT treatment of commercial real estate transactions, which reaffirmed that commercial real estate transactions should be generally taxed with VAT. This will not undo all the doubts caused by the authorities’ changes in taxation practice from more than two years ago, however, it is still a step in the right direction. Additionally, the authorities initiated the process aiming at the abolition of the right of perpetual usufruct, which for a long time caused doubts and concerns for foreign investors. The process has already started with respect to residential properties and in our view will also, in due time, apply to commercial ones.

The drawbacks still include overregulation, especially introduced in recent time regarding statutory pre-emption rights, mainly affecting logistics developments. The pre-emption rights cause a significant slowdown for the timing of transactions, although in most cases the authorities are not interested in exercising the right. Nevertheless, we believe that as authorities grow more accustomed to the newly introduced pre-emption rights and their application, the impact on the transactions should become less significant.

Michał Matera
Local Partner and Co-Head of Real Estate Practice, White & Case Warsaw Office

In Poland, 2018 was a record year for investments on the real estate market. This was and will be followed by positive trends in the public and legal approach to real estate transactions, which aim to increase the stability of the legal and tax systems. Over the recent years, real estate transactions in Poland became much more standardized which at the same time allowed lawyers to have a more deal specific approach and to become more specialized in particular fields of expertise. One of the most positive events, in the previous year, from the legal standpoint, was the issuance by the Ministry of Finance of tax clarifications for the VAT treatment of commercial real estate transactions, which reaffirmed that commercial real estate transactions should be generally taxed with VAT. This will not undo all the doubts caused by the authorities’ changes in taxation practice from more than two years ago, however, it is still a step in the right direction. Additionally, the authorities initiated the process aiming at the abolition of the right of perpetual usufruct, which for a long time caused doubts and concerns for foreign investors. The process has already started with respect to residential properties and in our view will also, in due time, apply to commercial ones.

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Michał Todyń
Managing Partner, Todyń & Partners

The Polish real estate market is certainly in a good condition. Even though housing prices increased, recently land prices are stabilizing. Nevertheless, high developers’ margins result from accounting principles. Based on these, a real estate that is subject to sale should be classified as inventory, priced according to lower the value: purchase or loan. This was and will be followed by positive trends in the public and legal approach to real estate transactions, which aim to increase the stability of the legal and tax systems. Over the recent years, real estate transactions in Poland became much more standardized which at the same time allowed lawyers to have a more deal specific approach and to become more specialized in particular fields of expertise. One of the most positive events, in the previous year, from the legal standpoint, was the issuance by the Ministry of Finance of tax clarifications for the VAT treatment of commercial real estate transactions, which reaffirmed that commercial real estate transactions should be generally taxed with VAT. This will not undo all the doubts caused by the authorities’ changes in taxation practice from more than two years ago, however, it is still a step in the right direction. Additionally, the authorities initiated the process aiming at the abolition of the right of perpetual usufruct, which for a long time caused doubts and concerns for foreign investors. The process has already started with respect to residential properties and in our view will also, in due time, apply to commercial ones.

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The good economic situation in the housing market, is a result of many factors, such as: banks’ high interest in granting cash and mortgage loans and government programs such as the “MDM” program (apartments for the youth), or “Mieszkanie Plus” program (which helps middle-class individuals to buy or rent an apartment). On the other hand, developers are facing the problems of rising prices of materials and difficulties in finding subcontractors’ services due to the difficult situation on the labor market. As a result, the pace of investments is slower and prices increasing. All these factors also cause reporting problems, as stakeholders receive information about the results later than expected. However, the developers’ base of income in one reporting period is based on properties sold for example 2 years ago, i.e. built on cheaper lands. Also, the performance costs were lower, as they started to increase past the cost increase. An additional factor that causes developers’ reporting problems is seasonality, which is caused by developers in the second half of the year.

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Local Partner and Co-Head of Real Estate Practice, White & Case Warsaw Office
LEGISLATIVE WEALTH

Anna Krzyżanowska
"Rzeczpospolita"

Last year introduced a great number of changes in the Polish legal regulations relevant to the real estate market. Unfortunately, the adoption of the most important acts was accompanied by considerable chaos. Thanks to the new regulations, developers were given the opportunity to take advantage of the fast investment path.

Without any doubts, one of the most important acts – for a few million of Poles – was the one which introduced the transformation of the perpetual usufruct of lands with residential buildings into the ownership right. To sum up these regulations, people who own an apartment or a single-family house built on urban or suburban land, have become the owners of the grounds, as they were obliged to pay the so-called conversion fee, the installments of which have been spread over the next 20 years (and from which bonuses can be granted).

The above-mentioned regulations are also worth mentioning because they were going to come into force for many years. However, until now, draft bills have not left the minister’s chambers. Obviously, as usual, the devil is in the details. The new law is not perfect, and it will be amended. Also, before it came into force, it was already revised. As it turned out, the mechanism of transforming the perpetual usufruct into the ownership right could hit the development companies’ pockets. It is about the prohibited public aid that investors would have to return if the limits of de minimis aid are exceeded.

The new regulations also introduce solutions to prevent problems in the sale of apartments on the secondary market located on transformed land. Unfortunately, in this respect, tightening up the new law is still required.

Since the second half of 2018, the specific act dedicated strictly to the development industry is in force – the Act on facilitating the preparation and implementation of housing investments and accompanying investments. During the acceptance of this Act, there were plenty of protests from groups gathering urban movements as well as representatives of architects and urban planners.

These organizations were afraid of uncontrolled development. As a result, planned regulations were eased. However, the “Lex developer” name belongs to this Act permanently. The purpose of the Act is to accelerate and simplify building procedures related to housing construction. According to the Minister of Investment and Development, the time needed to prepare a residential investment will be reduced from 5 years to 1 year. Additionally, the Act is designed to free some of the areas that are currently not available for investments - including agricultural lands within the administrative borders of cities. It is worth remembering that this Act is implemented for the specific time period – these regulations will be binding only till 31 December 2020.

It is also worth to mention the reason, why these regulations were implemented in the first place. The reason is straightforward and political. As of now, a governmental housing support program is underway in Poland, assuming the creation of apartments with moderate rent amounts (with the possibility to become the owner of a property in the future). The program is called “Mieszkanie Plus”. It was assumed that as a result of this program 100,000 apartments will be built. However, during the first 2 years, no more than 500 apartments were constructed. This is a poor result, in order to make the governmental apartments grow like mushrooms after the rain, it was decided to prepare special legal regulations to reduce formalities. In order not to be accused that the preferential solution only applies to governmental investments, it has been determined that private investors will also benefit. According to the special housing Act, all lands located near the city centers, which remained outside the developer’s area of interest because they are agricultural, post-war, post-military or post-industrial lands, may now be allocated for housing investments.

However, not all housing facilities can be built based on new regulations. For the purposes of the Act, the definition of a housing investment was created, according to which it is a project involving the construction, change of use or reconstruction, as a result of which a multi-family building or residential buildings with a total number of residential premises not less than 25, or single-family residential buildings with a total number of not less than 10 (along with construction equipment connected to them, internal roads, as well as construction works necessary for the service and proper performance of these works).

In order to benefit from new regulations, firstly the developer must prepare the urban-architectural concept of the planned investment. The prepared document along with the application to determine the location of the investment should be submitted to the city council, which has 60 days to examine it and issue a permit or refuse to locate the facility on the requested area. However, this resolution is later binding for the authorities issuing the building permit.

For new buildings not to be constructed in the middle of nowhere, the Act describes conditions, which must be met by the location of the planned investment, for example the location should have direct access to a public road, or be placed within 1000 meters from the public transport stop – in cases of cities with population exceeding 100,000 residents, this distance is 500 meters.

The act also regulates the height of the designed buildings. In the investments located outside cities and in the cities with a population less than 100,000 people, these buildings cannot be higher than 4 stories, whereas in cities where the population exceeds 100,000 people the limit is 14 stories. However, conditions regarding the location of these investments may be modified by local governments by means of urban standards. Resolutions of city councils may exacerbate or mitigate statutory solutions by half, and as a result, the proper usage of new regulations is difficult. Some of the big cities in Poland have defined the rules for the location of housing investments in a way that makes it impossible for developers to apply for resolutions under the new housing procedure. As a result, hopes for an increase of the availability of investment lands are limited by the practice. It is rather difficult to assume that it will change because of the upcoming electoral period in Poland.

Below is the speech of Artur Sobon, vice minister of investment and development (responsible for housing and construction sectors in Poland)

During consulting the Special Housing Act in March 2018, our critics used images of clubs that would affect urban planning in communities. Today, we are accused of the fact that local governments are still in the phase of learning to handle localization applications and some investors are not willing to take advantage of this procedure. We agree that we have made it clear from the very beginning that the process requires the developer to take more care for the good surroundings of the apartments, but for the future investments’ residents’ benefit.

As an opposite to pessimistic scenarios, local governments scrupulously examine urban and architectural concepts submitted to them by developers. I am convinced that the simplification introduced in the “Mieszkanie Plus” program combined with the new high urban requirements for investments based on the Special Act will be a better alternative in the future than building in the middle of nowhere without access to schools, kindergartens, health centers and public transport.
The growing importance of rental apartments. Important regulations on the horizon

Comment by Mateusz Grabiec, Partner at Baker McKenzie, Katarzyna Kopaczewska, Tax Partner at Baker McKenzie and Emilia Waszkiewicz, Counsel at Baker McKenzie

In recent months, several regulations have entered into force in Poland, that affect the legal environment of the PRS sector. The Ministry of Sport and current regulations admit that the applicable regulations on the hotel services market are insufficient and for some time it has been working on the so-called White Paper, in which, among other things short-term rental will be described. The Ministry does not hide the fact that it is looking at regulations applied in other countries, first of all, the ones regarding the need to register apartments rented for a short term, such apartments meeting appropriate conditions, or limiting the number of days in a year in which it is possible rent apartments on a day to day basis without running a business. Only after consultations relating to the White Paper, including by representatives of the hotel industry and local governments, a long-awaited bill that will regulate this market will be prepared.

Finally, it should be noted that since September 2018, the Parliament has been working on the act introducing regulations regarding Polish Real Estate Investment Trusts (REIT). The introduction of these regulations is aimed at increasing the attractiveness of engaging in and conducting business activities in the market of residential real estate designated for lease, as according to the bill, Polish REITs will be able to invest only in residential real estate, student hostels, and senior homes. The introduction of this institution into the Polish legal order should positively affect the increase of the institutional investors’ share in the domestic market of residential real estate designated for lease, as well as allow such real estate investors to become involved in this market, who, due to the “entry barriers”, will not be interested in direct investments. In addition, the emergence of shares of REITs-instruments with a specific risk profile in the regulated market being a source of passive income in the form of a dividend - should support the development of the capital market in Poland. The proposed solutions will also level the playing field of the Polish investment market within the European Union, where many Member States succeed in using similar solutions to the regulations proposed in the bill.
The Polish warehouse market has been breaking records for many years in all possible categories: the supply, demand, and volume of transactions growing each year, whereas the vacancy rate is low. Recently Poland exceeded the volume of 15 million square meters of warehouse space, and most of the 2 million square meters of newly built warehouses are already leased. In relation to the growth of the demand and supply, developers provide new space and investors are eager to buy both “build to suit” objects as well as entire portfolios. On the other hand, tenants have high expectations related to technical standard of the building.

It should be remembered that the history of the Polish industrial market is rather short. First modern logistic parks - Warsaw Distribution Center and Warsaw Industrial Center, were built a little over 20 years ago. Since then, regions which are currently leaders in the sector of distribution hubs have developed the fastest, i.e. Warsaw’s surroundings, Upper Silesia, Wrocław, Poznań and the Central Poland. The technical standard of the facilities adopted by the market remained on the constant level until new expectations from e-commerce giants and their logistic companies emerged.

During last 20 years, I can see the exceptional progress that started after Poland’s accession to the European Union in 2004, especially in the area of infrastructure development and transport network - not only by road but also by rail and sea. The stable economic growth, labour force, location in the central part of Europe, excellent road connections as well as the availability of investment land are all reasons why Poland remains the largest and most attractive destination among all Central and Eastern European markets. Poland continuously attracts companies with a high level of employment caused by their types of business activity.

Apart from attractive operational costs in Poland, the quality of both - work and manufactured products - is also very high. Additionally, there are more specialized distribution centers, return centers, and light production centers being built. Currently, over 10% of the rented space is dedicated to services connected with completion and industry.

Developers provide not only standard buildings but also multi-level and fully automated storage spaces, which are often used by the e-commerce giants to provide fast services. Given the fact that there is plenty of investment land available, the above-mentioned facilities are being built all over Poland. New logistics regions, including cities near the western border such as Szczecin, Świebodzin and Słubice, are constantly developing, as well as areas offering access to the workforce, such as Bydgoszcz, Toruń, and Białystok. Warehouses located in cities, which offer small modules and so-called last mile services along with cross-dock centers enabling efficient distribution outside the country are getting more and more popular.

High investment activity of Asian based companies is also the factor that drives the Polish market. As Poland is located on the route of the new Silk Road, it became a connection between Europe and Asia providing an excellent reloading base. The railway transport from China is constantly developing, with a significant amount of deliveries going through our country. Also, the quality of services related to transport, repacking and storage services are very competitive.

The current economic situation is a result of a global interest from companies around the world. High liquidity and diversification of investment products, as well as stable economic growth, allow Poland to gain the status of a mature market.
Demands in 2018

For the second consecutive year, Poland’s retail market demonstrated growth in terms of footfall, turnover and visitors’ spending. Rents remained stable in primary locations, but other sub-locations experienced changes, which contributed to higher overall retail investment. The Polish retail market was characterized by attractive occupancy rates in most formats, which encouraged new investments. Overall, the retail property market was driven by both local and foreign investments.

Market Trends

1. **Optimization processes – a growing number of retailers are discarding unprofitable locations**

   (among others Duka, GCA, Carrefour, Netto and Lidl) are also adapting their concepts to rising requirements of the food sector. In 2018, the discount sector welcomed several new brands including Jumbo, Tölti and Action, that the highest number of new brands was recorded in fashion/accessories and F&B. A total of 30 new brands entered the Polish market in 2018. In addition, several existing retailers established new stores in cities below 50,000 inhabitants, which encourages retail investors and developers to step up on their activities.

2. **Newly-constructed space and space vacated by retailers withdrawing from Poland or optimizing their networks were taken over by sectoral competitors or retailers in the rapid expansion mode across all sectors including fashion and space at recent completions such as Time for Polska)**

   The largest volume of retail space was at the planning or designing stage. It is located in standalone food, furniture, DIY and cash & carry warehouses.

3. **Optimisation processes** – a growing number of small-scale convenience and mixed-use schemes – for the sake of convenience, we shop for basics where we live or work.

4. **Rising retail sales despite falling footfall** – a visit to a shopping centre is not motivated only by a desire to spend free time, but also by shopping.

5. **Growing competition on the retail market** more quality improvements including upgrades, redevelopments, new concepts and formats launched by tenants to attract higher volumes of footfall.

### The Largest Openings in 2018

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Format</th>
<th>Location</th>
<th>Sqm</th>
<th>Developer</th>
</tr>
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<tbody>
<tr>
<td>FORUM</td>
<td>SC</td>
<td>GDANSK</td>
<td>62,000</td>
<td>MULTI POLAND</td>
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<tr>
<td>GALERIA LIBERO</td>
<td>SC</td>
<td>KATOWICE</td>
<td>45,000</td>
<td>ECHO INVESTMENT</td>
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<td>GEMINI PARK</td>
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<td>36,000</td>
<td>GEMINI HOLDING</td>
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<tr>
<td>NOWA STACJA</td>
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<td>PRUSZKOW / WARSAW AGGLOMERATION</td>
<td>27,000</td>
<td>ECO</td>
</tr>
<tr>
<td>LESZY MERLIN GICARMAKET</td>
<td>RW</td>
<td>OLSZTYN</td>
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<td>LESZY MERLIN</td>
</tr>
<tr>
<td>CASTORAMA</td>
<td>RW</td>
<td>POZNAN</td>
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</tr>
<tr>
<td>KONESER</td>
<td>MIXED</td>
<td>WARSAW</td>
<td>12,000</td>
<td>BBI DEVELOPMENT LIEBHERR &amp; WOOD</td>
</tr>
<tr>
<td>GALERIA ROSSO</td>
<td>SC</td>
<td>SWIERDZIN</td>
<td>12,000</td>
<td>ROSSO GROUP</td>
</tr>
<tr>
<td>RONDO WATRACZNA</td>
<td>SC</td>
<td>WARSAW</td>
<td>11,000</td>
<td>DAVTEX</td>
</tr>
<tr>
<td>GALERIA STELLA</td>
<td>SC</td>
<td>CIESZYNEK</td>
<td>11,000</td>
<td>1NBAP</td>
</tr>
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</table>

### The Largest Schemes Planned for 2019-2020

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Format</th>
<th>Location</th>
<th>Sqm</th>
<th>Opening Date</th>
</tr>
</thead>
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<tr>
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<td>WARSAW</td>
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<tr>
<td>COLOR PARK</td>
<td>SC</td>
<td>NORYT TARG</td>
<td>20,000</td>
<td>H1 2019</td>
</tr>
<tr>
<td>GALERIA WIELICZKA</td>
<td>SC</td>
<td>WIELICZKA / BAUSKA AGGLOMERATION</td>
<td>26,000</td>
<td>H1 2020</td>
</tr>
<tr>
<td>ARTN</td>
<td>MIXED</td>
<td>WARSAW</td>
<td>24,000</td>
<td>H2 2020</td>
</tr>
<tr>
<td>STARA UJEZDZALNIA</td>
<td>SC</td>
<td>JABOŠLAW</td>
<td>22,000</td>
<td>H1 2020</td>
</tr>
<tr>
<td>ATUT</td>
<td>RP</td>
<td>KB-AKOW</td>
<td>24,000</td>
<td>H2 2020</td>
</tr>
<tr>
<td>DEKADA</td>
<td>SC</td>
<td>NYSIA</td>
<td>19,000</td>
<td>H2 2020</td>
</tr>
<tr>
<td>GALERIA CHELM</td>
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<td>CHELM</td>
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<td>H1 2020</td>
</tr>
<tr>
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<td>GDANSK</td>
<td>16,000</td>
<td>H1 2019</td>
</tr>
<tr>
<td>GALERIA SIEBRUNA</td>
<td>SC</td>
<td>WHEIEROWO</td>
<td>16,000</td>
<td>H2 2019</td>
</tr>
</tbody>
</table>

### Polish Retail Market

The Polish retail market best illustrates its diversification in terms of space attractiveness and retail potential of individual locations, recently in particular, indicating a trend towards greater polarization. Best-in-class shopping centre rents (for a prime 100-150 sqm fashion and accessories unit) are at least double the rents at other retail schemes on individual markets. Rents in secondary schemes remain under downward pressure, largely due to the growing competition from brick-and-mortar stores, amended legislation (the Sunday trading ban) and the double-digit growth rate of e-commerce.

### Attractiveness of the Polish Retail Market

Comment by Magdalena Sadal, Head of Retail Research & Advisory at Cresa Poland

...
The real estate market in Poland is currently one of the most dynamically developing segments of commercial real estate in Poland. In the last three years, Poland’s industrial stock has been growing at the average annual rate of almost 10% and is likely to maintain this momentum going forward.

According to preliminary data for 2018, last year’s leasing volume is expected to beat the record set on the occupier market in the peak year 2017, when 4.5 million sqm was transacted. In the first three quarters of 2018, leasing activity hit more than 3 million sqm, which represented a 9% increase on the same period a year earlier. At the same time, the overall vacancy rate was at around 5% for over a year, which is a confirmation of a healthy demand and supply balance.

E-commerce, logistics, light manufacturing and retailers continue to account for the largest share of total take-up. The market’s growth is fuelled by technological and structural changes in retailing with retailers increasingly going online, leading to stronger demand for warehouse space. The expansion of e-commerce is also supported by high consumption, which is also expected to grow in 2019.

In upcoming quarters, increasing construction costs – in addition to a limited labour pool and rising wages – will pose a big challenge for the warehouse and industrial sector. On the other hand, the sector’s growth will be spurred, among other things, by the Act on Supporting New Investments, which came into force last year. New regulations cancelled territorial restrictions on tax exemption and entrepreneurs will be given a fair opportunity to obtain tax preferences for new investment projects in any location across Poland.

In 2019 and probably in 2020, Poland and the Polish commercial real estate market will remain on a strong growth trajectory. The economy is very likely to expand by more than 4% (the current World Bank’s forecast is 4%) and demand for office and industrial space should remain stable.

On the other hand, China’s economic slowdown from 6.6% in 2018 to the forecasted 5.2% in 2022 and the apparent decline in industrial production in Germany may be the first signals of a potential downturn. The expected tightening of the monetary policy in many countries (including the United States) may, in the long term, slightly weaken investors’ appetite to expand. However, there is still strong investor interest in properties in prime locations with strong tenant covenants. In Europe, the possibility of a “hard” Brexit is still real (at the time of writing this article), and it remains to be seen whether the Warsaw office market will benefit from this. However, due to Brexit, the supply chains of some UK-based companies have already been reorganized, and some firms are planning to transfer production to other countries. As a result, thanks to Poland’s strategic location in Europe, the Polish industrial market is likely to be one of key beneficiaries of these changes.

Nevertheless, the growth outlook remains very positive for the country, and the many opportunities available on the Polish commercial real estate market make it a safe haven for external threats.

To a large extent, it will depend on whether Poland will be able to benefit from its advantageous geographical location and support its further expansion.

“High growth rate on the commercial real estate market”

Comment by Bolesław Kołodziejczyk, PhD, MBA, MRICS, Head of Research & Advisory Department at Cresa Poland

The Investment Sentiment Index published by the Royal Institute of Chartered Surveyors – it stood at 17 points for Poland in Q1 2018 (up by 5 points y-o-y).

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Poland’s strong economic fundamentals in recent years have had a positive effect on the performance of the Polish office market as well. The country’s office stock increased by 7.8% last year and now stands at 9.6 million sqm. It represented an over 2 pp increase on the average for the last five years.

Demand for office space comes largely from large global companies, especially faster than that of the capital city, which at the end of 2018 accounted for 52.7% of Poland’s total supply. Traditionally, regional markets witnessing the highest growth rates include Kraków, Wrocław and the Tri-City area.

2019 is expected to be a record-breaking year in terms of overall office supply in Poland. According to forecasts, even 1 million sqm of office space may be delivered across the country – over 250,000 sqm in Warsaw alone. In 2020, completion of large high-rise projects will push the capital city’s new supply up to approximately 390,000 sqm.

Changes to the quality and characteristics of new buildings are becoming ever more visible. Allocating significant part of space in office complexes for hotel or apartment purposes is becoming increasingly popular. This trend, which is a response to market expectations, will continue for at least the next few years. As office markets, especially in Warsaw, become more mature and the average age of office buildings rises, the need for modernization will also gradually follow – some buildings may have to be repurposed entirely.

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On the other hand, China’s economic slowdown from 6.6% in 2018 to the forecasted 5.2% in 2022 and the apparent decline in industrial production in Germany may be the first signals of a potential downturn. The expected tightening of the monetary policy in many countries (including the United States) may, in the long term, slightly weaken investors’ appetite to expand. However, there is still strong investor interest in properties in prime locations with strong tenant covenants. In Europe, the possibility of a “hard” Brexit is still real (at the time of writing this article), and it remains to be seen whether the Warsaw office market will benefit from this. However, due to Brexit, the supply chains of some UK-based companies have already been reorganized, and some firms are planning to transfer production to other countries. As a result, thanks to Poland’s strategic location in Europe, the Polish industrial market is likely to be one of key beneficiaries of these changes.

Nevertheless, the growth outlook remains very positive for the country, and the many opportunities available on the Polish commercial real estate market make it a safe haven for external threats.

To a large extent, it will depend on whether Poland will be able to benefit from its advantageous geographical location and support its further expansion.

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“In 2019 and probably in 2020, Poland and the Polish commercial real estate market will remain on a strong growth trajectory”
2018 will be remembered as a year of frantic increases in performance prices, record-breaking plots prices, paralysis regarding issuing administrative decisions and the first drop in sales of new apartments since 2013. Despite the smaller number of apartments contracted, the overall value of turnover in the development market probably increased (although calculations are still not finished), but this was the result of the square meter’s growing price and the increase in the share of higher standard flats in the “consumer basket”.

According to REAs data, in 2018 on the 6 largest markets developers sold around 65,000 apartments, compared to nearly 73,000 a year earlier. With reference to the whole country, it may be estimated that in 2017 - 115,000 apartments and in 2018 - 105,000 apartments were sold. Still, the numbers are great - approximately two times higher than historic sales from 2007.

The housing market, supported by a very good situation on the labor market and low credit rates remaining stable and the buyers’ expectation of high demand. However, the problem turned out to be both - low supply and rising prices. Local governments, especially in the largest cities, stopped issuing construction permits before the elections, due to the high activity of urban activists opposed to new investments.

For the first time in years, information about stopping the launch of projects appeared due to the lack of possibility to find contractors willing to build investments within the provided budget. These factors, along with the high prices of lands resulted in increase in housing prices, exceeded 10% in 6 largest cities.

RENTAL APARTMENTS, PRIVATE DOMS AND CO-LIVING AS A NEW WAVE OF BUSINESS

In the previous year, development of the rental housing segment was very dynamic. Several investors started or continued to invest, with a total of couple thousands of new apartments being built. One investor took the step forward and decided to replace his office space with rental apartments. Investors also started more projects regarding private dorms and the first co-living investment was announced. Especially, this last news is particularly welcome because it shows that the Polish housing market is quickly catching up after being decades overdue and our consumers are interested in a very modern way of life. Maybe, in a few years’ time, we will be setting trends?

A WISH FOR 2019 IS FOR THE MARKET TO BE STABILIZED

It would really be great if in 2019 the housing market would stabilize in both transaction volumes and prices.

The biggest threat, which may result in the increase of the prices seems to be the proposal of the Competition and Consumer Protection Office in order to introduce a mandatory Development Guarantee Fund, for which the contribution would reach up to 5% of the value of the apartment. The second risk factor may be the announced deregulation of the labor market in Germany, which may result in the increase of the workforce from Eastern Europe, which constitutes a large group of construction workers employed in Poland.

On the other hand, the drop in prices could be supported by the (once again!) possibility to invest on agricultural lands within the administrative boundaries of cities and (less likely) the sale of lands that will not be used in the “Mieszkanie Plus” program, that is currently owned by the State. Additionally, decisions blocked in connection with the election may finally be issued.

Thus, the scenario assuming stabilization and similar prices and results as in 2018 seems the most probable, but year broke another record in investment transactions on the Polish office market and, although for obvious reasons, Warsaw remains the market’s leader, this segment is developing equally dynamically in other large cities such as Wrocław, Kraków or the Tri-City. Investors have already recognized local markets well, and now more investment funds are investing in these regions. Excellent results were noted in all segments, with a particularly rapid growth of logistics, production and hotel markets.

According to Savills, in 2018 the total volume of investment transactions on the commercial real estate market in Poland exceeded EUR 7.2 billion. For comparison, in 2017 it was EUR 5 billion - about EUR 2.2 billion less.

In 2018, approximately 750,000 square meters of office space was created, which in total increased in Poland to 10.4 million square meters. In the retail market, there was 350,000 square meters of space delivered, with a total amount in Poland of 12 million square meters. Also, over 2 million square meters of warehouse space was created – the total warehouse space in Poland is now 15.5 million square meters.

In Warsaw alone, there is currently nearly 5.5 million square meters of modern office space and another 780,000 square meters is currently under construction. Without any doubts, the dynamic growth of this market is a contribution of foreign investors. The good economic situation and stable labor market support the interest in investment in Poland.

It is definitely the best time ever for the office market in Poland, which is expected to continue in the coming years. Proved by several significant projects such as Varso or The Warsaw HUB, which will soon be completed and will contribute to further significant changes on the business map of Poland.

However, the factors affecting the entire development industry – not just the office market – have a negative impact. Higher construction workers costs, land prices and the costs of materials also affects the office market and results in the increase in rental rates. Similarly to the housing market, companies will revise their investment plans and constant obstacles in the construction market may stop the start some new projects. Also, a lot depends on the willingness of potential tenants to accept higher rental rates.

First and foremost, political stability is really required – it will encourage foreign investors to locate international centers and move their offices to Poland, which is especially important in accordance with the upcoming Brexit. In this regard, we need the government’s support, so that we can effectively attract the attention of international corporations. Additionally, Poland cannot forget to compete with our neighbors from the West.

The industry is also challenged by the Ministry of Finance and tax offices from the West and South, which constantly change the interpretation of tax regulations. These and many other issues require a common voice of the industry so that we can be sure that the new regulations will allow for proper performance and finish of new investments, without unnecessary delays.
HOTEL MARKET IN POLAND WITH COMPARISON TO OTHER REGIONAL MARKETS

With the dynamic development of the hotel market during the last couple of years, it is important to know what Poland’s position is in comparison to the global market and also what is the current market situation in our region. All data included in this article was provided by Christie & Co in the report “European Hotel Investment Trends 2018”

CEE

The explosive growth rates of recent years have started to flatten, especially across the most mature markets of Poland, Czech Republic, and Hungary. Secondary markets across the region have experienced slow RevPAR growth, except for slight growth in the secondary markets of Poland. Overall, the CEE region has experienced increasing tourism demands, mainly in major cities, and investment is likely to remain high in 2019 on the back of several large deals in 2018 as investors increasingly turn to Eastern Europe in order to achieve higher returns. CEE markets have seen a tendency towards hotel developments, although significantly less when compared to Austria, with several interesting hotel developments in the pipeline. In primary cities, there are a high number of hotel developments, especially Budapest, Warsaw, and Krakow, while in South-eastern European countries, such as Montenegro, Croatia and Slovenia, destinations on the coast have always performed stronger than cities.

OVERNIGHTS

There is a strong correlation between RevPAR and overnight across Europe and individual countries. The majority of markets, including Poland, have a moderate to strong correlation between both - domestic and international visitors and RevPAR.

The Baltic markets experienced significant growth in 2018, a trend expected to continue in the new year, evidenced by a strong development pipeline for 2019 and beyond. Strong upside potential continues to attract an increasing number of international investors to the Baltic markets. Considering the strong hotel development pipeline for 2019, positive economic outlook, and the increasing presence of international brands, investment activity is expected to continue to drive development across our markets.

“CEE market will see continued growth in demand from a variety of investors”

The Overnight-to-Bed or O2B ratio shows how the strong demand for hotels in Europe compares to the existing hotel bed supply. Calculated as the volume of hotel overnights divided by the number of available beds in a market, this metric helps identify possible supply gaps, and consequently potential development and investment opportunities. During the last 10 years, Poland experienced constant growth of demand for new hotels, which enabled investors to successfully perform new projects. By 2020, the supply is expected to grow by 5%. The strong positive GDP correlation found was utilized to forecast overnight and RevPAR performance through to 2020. The graph below illustrates and compares the current positioning of European hotel markets with their projected future position.

Although, due to the fact that the demand for new hotel rooms in Poland is high, hotel room prices slightly increased during the last few years, overall the prices are still lower than in western countries. Poland remains an attractive destination for international hotel chains looking to expand their brands and penetrate the CEE region.

THE BALTICS

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FUTURE FORECAST

CEE market will see continued growth in demand from a variety of investors. Demand will increasingly shift from primary cities towards secondary cities, as operators and investors seek to meet return expectations. Key stakeholders will increasingly focus on the hotel’s underlying concept, micro-location, its attractiveness to multiple guest segments and tenant’s covenants in preparation of any possible cooling of markets.
During 2018, the interest in hotel investments across Europe generally remained at a high level. However, transaction volumes across Western European markets, such as Germany, France or Spain, decreased since investment-grade hotel real estate in the primary gateway cities has become sparse compared to previous years. This has led investors to seek opportunities in growing to secondary markets. Poland, as a market which has been constantly growing, has been attracting the attention of investors and hotel chains from all over the world. For example, the German institutional investor Union Investment acquired two hotel properties in Poland in 2018 – the Holiday Inn Gdansk (forward deal) and the Park Inn by Radisson Krakow (built in 2009).

Investment interest in the Polish hotel markets stems, amongst others, from the constant rise in tourism demand. Over the last two years, overnights grew by 22%, one of the highest growth rates observed across all European markets, demonstrating the increased interest in the region, underlined by sharp increases Google searches during the same period. More and more people come to Poland for both business- and leisure purposes. This is also a result of the improved travel infrastructure. Poland has significantly benefited from increases in connectivity and thus accessibility with low-cost carriers (e.g. Wizz Air, EasyJet etc.) expanding their presence.

Over the last decade from 2007 to 2017, Poland registered one of largest demand growth rates in Europe with average annual increases in overnights of 6.8%. At the same time, bed supply increased by 5.8% per year. Demand growing faster than supply resulted in constantly increasing hotel performance levels. This again led to increasing rent expectations and developer’s appetite to realise hotel projects. In 2018, however, hotel occupancy has decreased for the first time in the last five years both in Poland as well as in Warsaw. Full 2018 demand figures are not yet available, year-to-date November 2018 data, however, shows a further increase in demand. Thus, the decrease in occupancy is likely to be owed to supply increases. New hotel openings in 2018 include, amongst others, the Raffles Europejski in Warsaw, the Park Inn by Radisson in Poznan or the Hotel Sinski (Curio Collection by Hilton) in Krakow.

Although slightly improved from 2016 to 2017, due to the supply growth, overnight-to-bed ratio, which is a measure of demand intensity, is still relatively low compared to other European destinations. As certain markets reach maturity, investors are required to diligently examine every investment, as there are still attractive land plots available for development of potentially competitive hotels.

Aside from Warsaw, Kraków, Wrocław, Katowice and the Tri-City region have evolved positively as well and have become popular for hotel investments and dynamics somewhat comparable to the neighbouring German market, however at a much smaller scale. On the other hand, supply compared to the population, the supply of hotels is still limited. As such, the number of hotels available in other European capitals such as Berlin, Vienna or Prague, varies between 400 and 600, whereas in Warsaw there are just above 100.

In light of both growing demand and growing wealth in Poland, the market seems poised to absorb further both domestic as well as foreign investment. Even if construction and labour costs are on the rise, the absolute level is still below Western European markets. As such, the demand is expected to remain high, which will likely result in an increase in the number of transactions performed.
The first and the biggest network offering private dorms for rent in Poland is called Student Depot and is owned by Griffin Real Estate.

The Company has also another platforms focused on the rental apartments. It is called ResiRent and it is the largest housing for rent platform in Poland with over 2,500 units in construction coming online within the next 18-24 months and targeting over 5,000 units by 2022.

The dynamic development of the private dorms market is a result of the Polish market still being far from saturated. Even though this sector is getting more and more popular, it has definitely not reached the level of development observed in western countries, especially in the UK or Germany. Partially it is caused by the Poles’ strong attachment to ownership. However, in recent years, this trend is becoming less visible. Polish people are more open to leasing more valuable goods. For example, it is becoming popular in the automotive industry, with more and more share of new cars being leased rather than bought. On the real estate market, there is a similar trend. People in Poland became more mobile. A lot of people are moving between cities or migrating from smaller cities to a bigger one, creating new community circles. As a result, the ownership is not as important to them as it used to be.

Private dorms market is also very attractive for the youth. Rent value for ordinary apartments is slightly higher than in private dorms, with dorms offering more convenient solutions and services for students. As a result, renting a room in a Student Depot premium dorm is cheaper than renting a studio apartment in the city center and additionally safer from a formal point of view. If a student complies with the dorm’s regulations and has no arrears in paying the rent, there is much less risk of being evicted than in an apartment.

All staff speaks English, which is very important for students from other countries. However, the biggest advantages of private dorms appreciated by students are the unique international atmosphere, attractive common spaces to study and the possibility to spend time together after classes at the university. It allows people from all over the world to meet in one place, get to know each other and share their life experiences. As this market sector in Poland is very young, all private dorms offered by Griffin are either newly built or redeveloped and upgraded, which guarantees high finishing standard and comfortable common space. Private dorms also offer access to Wi-Fi network and services charges are fully included in the rent. Another advantage is, that the dorms are guarded by security, often offering 24/7 surveillance.

While choosing the location for the future investments, the key factor for the Company is the proximity of universities around. All investments are designed for students so that their accommodation is comfortable. The development of public transport in Polish major cities and the fact that there are a lot of regional shopping centers being built is also an important factor, with private dorms allowing students to live near the university, quickly do the necessary shopping in the neighborhood and live the social life, not being isolated by living in an apartment without the student community around. All of the above-mentioned factors make the private dorms sector becoming more and more popular and definitely attracts the attention of students both international and domestic. Currently, all of the private dorms offered by Griffin are fully occupied with meaningful waiting list. The interest rate in these investments is perfectly described by the recent popularity of the newly built private dorm in Wroclaw, which was completed in September 2018. The marketing process started in late June and by the mid of August, all rooms were already leased.

Apart from the private dorms market, Griffin also invests in other business ventures. In 2018 the Company created a logistic platform called European Logistic Investment, which is a portfolio of industrial properties consisting of 10 properties with total GLA of over 400,000 square meters and around additional 2 million square meters in the development pipeline. The platform comes as a result of a strategic alliance with leading logistic developer Panattoni in a form right of first refusal for logistic projects. Initial GAV of EUR 0.2 billion from stand- ing assets is planned to increase to EUR 1 billion over the next 24 to 36 months by addition logistic development projects.

Another investment project coordinated by Griffin is the acquisition of 70% of Polcom, a Poland based manufacturer and provider of modular solutions to the global hospitality sector, with the strategic objective to grow production capacity and to expand the international footprint. To sum up, the private dorms market is far from being full in Poland and it is expected to be developing rapidly during the next few years. According to forecasts, more and more people from around the world will be visiting Poland for studies as well as more Poles will be moving from smaller cities to bigger ones. Griffin Real Estate is planning to meet the customers’ expectations by dynamically expanding its investments, not only in the private dorms market but also in other sectors of the real estate market.
What is the current stage of development of the Polish real estate market? In 2018, we were promoted from the group of developing countries to the prestigious group of developed markets. According to the FTSE Russell index, the 25 most developed economies in the world, alongside Poland includes also, among other countries, Germany, France, Japan, and the United States.

What is more, Poland was the first country for more than a decade, which moved in this ranking and was promoted to the group of developed markets. On the other hand, according to the World Bank, Poland has declined to 3rd position in the Doing Business ranking. Reason? Mainly tax difficulties and a long time period needed to settle fiscal obligations by entrepreneurs. Nevertheless, the drop by 6 positions does not mean that we are no longer the country with the best conditions for doing business according to the World Bank.

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Additionally, Poland moved up within two sectors regarding the real estate market: by 1 position in acquiring building permits and by 2 positions in contracts enforcement. With reference to international trading, Poland retains its 1st position for 4 years.

Unfortunately, housing developers’ are not as optimistic as in previous years. In 2018, the record score of nearly 73,000 apartments sold in the six largest Polish cities was not broken. Still, the current situation on the market is focused on the slowdown and stabilization, rather than recession. The year 2018 will definitely go down in history as a record-breaking year with reference to the increase of labor costs and prices of building materials. As a result, the costs of general construction skyrocketed by a dozen or even several dozen percent, which had a huge impact on the launch of new projects. Developers’ negotiations with contractors were much longer and more difficult. In some cases, also already signed contracts had to be renegotiated.

Above-mentioned factors also caused an increase in the housing market and the decline in the interest in purchasing new apartments as an investment. This trend was particularly visible in the second half of the year.

Łódź - a city in central Poland, which is developing very well, proved to be resistant to the market’s variations. The demand for apartments in this city is growing extremely dynamically. The number of apartments sold in 2018 was over twice as high as in 2015 (4,200 transactions in 2018 compared to 1,900 in 2015), reaching the highest number in the city’s history.

Transformation of perpetual usufruct into ownership right and changes in trade of agricultural land will have a significant impact on the real estate market. In 2018, there were plenty of changes to real estate regulations. This year may be similar.

The commercial real estate market in Poland is growing year by year. Currently, the interest in this market is higher than ever, which is proved by the amount invested by investors last year in office buildings, commercial buildings, warehouses or hotels. The total amount of investments in 2018 was record-breaking and exceeded EUR 7 billion. The forecasts for 2019 are also optimistic.

Not only separate objects are very popular - also there were many completed investments concerning whole groups of real estate. There is a high demand for new buildings, ones under construction and older buildings with some potential. Traditionally, most of the money was invested by foreign entities. Western capital is dominating, but recently also companies from the USA as well as more exotic destinations such as South Africa, Asia, and the Far East also invest more than previously. In terms of quality, real estate built in Poland are world class and at the same time allow you to achieve an attractive rate of return. Due to the scale, diversity, and value of transactions, Poland is the most important market in the region. A characteristic feature of our market is that apart from the capital city, it also includes several large agglomerations.

New commercial real estate classes are slowly emerging. These are, for example, private dorms, apartments for rent or various forms of co-living. There is still a lack of legal regulations that would allow domestic capital to be activated. The draft of the REIT Act is stuck in parliament and pension funds have very limited possibilities.

“In 2018, Poland was promoted from the group of developing countries to the prestigious group of developed markets”
2
Cities & regions
Gdynia

Poland’s city of the future

Gdynia and the Tri-City remains one of the most attractive investment region in Poland

Gdynia is a beautiful medium-sized city located in northern Poland, by the Baltic Sea, with a population of approximately 250,000 residents. It is a part of the Tri-City area, which, apart from Gdynia, includes also Gdańsk and Sopot, which together have a population of over 1 million people.

The city has one of the most important ports in Poland and the maritime industry dominates among other business sectors, however, Gdynia’s officials are putting a lot of efforts for the city to be known not only as a port but also as an interesting investment area for new entrepreneurs. These efforts include, among other things, maximum simplification of all procedures regarding setting up a business. The idea of a “single service desk” in the Gdynia Business Support Centre is a perfect example of the above-mentioned simplification. According to this idea, all the paperwork regarding the set up of a new business can be completed at a single service desk. As a result, setting up a new business takes as short as 20 minutes. Additionally, entrepreneurs and investors willing to operate in Gdynia can count on support at each stage of the business’s activities - starting from advising the best location for the investment, through facilitating all paperwork and assisting at the beginning of operation, to successful cooperation after the company is already established on the market. The city also offers Gdynia Business Incubator services to support micro, small and medium-sized businesses. These actions have resulted in an increased number of sole proprietors operating in Gdynia - as of now, 250 per 1000 persons at working age are running their own businesses, whereas the average number in Poland is 170.

The city is also open for highly innovative ideas from the modern industrial sector. One such investment is the Integrated 3D Printing Center, which was recently completed in Gdynia. The above-mentioned facility is supposed to be the breakthrough in the use of technology as a tool to support medical procedures and complicated life-saving surgeries. This is just a part of the Science and Technology Park, the biggest one in the whole country.

During 2018, the Tri-City area also retained its position as one of the most attractive markets in the BPO/SSC zone both in Poland and in the world. Gdynia, in particular, offers infrastructure that is not only modern but also systematically developed. This is one of the key factors for operating within the services sector as well as making crucial investment decisions with reference to international trading.

“The direction, in which the city is supposed to be developing, is set for the next 20 or even 30 years”

MAREK SAł ATOWSKI
Without any doubts, Gdynia is a city with many assets, such as a strategic location and good transportation links. One of Gdynia’s most attractive features is its high quality of life, the highest in Poland, as researchers say. The city is located between the sea and forest, that provides a natural barrier to the kind of urban sprawl that is a challenge for other Polish or even European cities.

The city’s attractive location, combined with good rail and road connections to the capital city of Poland - Warsaw, has also made it a popular destination for people who want to spend their holidays there, not only from other parts of Poland but also from abroad. The tourism industry is also supported by the cruise port terminal, which brings 100,000 passengers a year to Gdynia. As the interest in Gdynia is constantly growing, in recent years two more modern hotels were opened. It also allows investors from the MICE sector to organize conferences, seminars, and events, supplemented by some interesting cultural and social events, available to participants in their free time.

As of now, Gdynia’s investment strategy is planned until 2030. The direction, in which the city is supposed to develop, is set for the next 20 or even 30 years. One of the long term investment ideas concerns the Sea City - Gdynia’s modern district located in the city center, right by the coast of the Baltic Sea. Investments planned on land currently being the shipyard’s properties are going to revolutionize the whole city center. The scale of the project is comparable to the changes related to the construction of the city and port in the 1920s. A total of 33 hectares of attractive investment area, located just next to the modern city center full of social attractions is unique on a European scale. According to urban planners, in ten years time, up to 8,000 people will be living in this area, and another 4,000 people will find employment there. The plan of the city is to create a rich, vital district in Sea City.

Gdynia, as a great area for investors and businesses, was also recognized multiple times by independent international institutions. It is worth remembering, that as a first Polish city, in 2017 Gdynia joined the prestigious group of cities and metropolises that have ISO 37120 certification and is one of three Polish cities included in the international platform of smart cities called World Council on City Data, where the position of the city compared to global leaders such as London, Amsterdam or Dubai can be checked. The city was also awarded by the fDi Magazine, which is a part of the Financial Times group, with the title of “The Polish City of the Future” in the 2017/18 edition. During the 2017 edition of the MIPIM in Cannes, Gdynia won the main category for medium-sized cities, as well as the categories “Economic Potential” and “Business Friendly”.

Additionally, the city is also actively involved in cultural, lifestyle and social events. Currently, Gdynia is preparing for the organization of the Junior World Sailing Championship, which will take place from 13 to 19 July 2019. It is a great sports event, but also a very organiza tionally challenging project, as there will be nearly 500 competitors from 76 countries at the start.

In 2019, Gdynia will also be one of six Polish cities hosting the FIFA World Cup U20. It will be the second big football tournament with the participation of Gdynia. In 2017, the UEFA Euro U21 matches also took place on the city’s stadium.

Apart from the sports event, Gdynia is also famous for “Open’er Festival” - one of the biggest and most popular annual music festivals in Poland, held in Gdynia since 2006. In 2019, the festival will take place on 3-6 July.

The city also does not forget, that its origins remain with the port. Gdynia still depends on it when it comes to the economic condition of the city. Shipyards in Gdynia build ships to construct wind farm towers, research vessels, motorway construction barges, hybrid ferries, and other specialized units. However, the port is also open for the passenger ferries. Recently, the new ferry terminal in Gdynia received PLN 117 million in EU funding. As a result of the investment, new ferry terminal will enable the service of larger passenger ferries of up to 245 meters in length.

Apart from strict business help, the city also cares for its residents, trying to provide them with solutions encouraging others to both - live and visit Gdynia. One of the examples is constant improvement of public transport, recently works on implementing the ticket that will let to travel across the Tri-City, also using the “pay as you go” function via smartphone or credit card. The city has also been working for years to increase the share of electromobility in the public transport. The offer of electric transport is constantly evolving and Gdynia is the leader in this sector in Poland. This results also from the fact, that Gdynia is the city with some of the cleanest air in the whole country. With all ongoing investment, the city still has plenty of space covered with forests, as well as beautiful and wide beaches, providing residents and tourists with plenty paths to walk and enjoy the clean air of the city.
The leading market in Silesia

Katowice – a green place to live and a modern place to invest

Katowice is a city located in Silesia, in the southwestern Poland. Its excellent location, economic potential, and consistent policy have made it not only a leading market in the region, but also competitive with cities from other regions of Poland. It is a place where events of great cultural, sport and economic importance are organized. It's a very creative and developing city.

Katowice is currently the fourth regional market in Poland in terms of modern office space – taking Warsaw into account, Katowice ranks fifth. The size of modern office space - taking Warsaw into account, Katowice ranks fifth. The size of modern office space is generated primarily by the companies from the modern business services sector. These activities include organizing or co-organizing industry conferences as well as taking part in the events such as “Property Forum” or “Poland Day in Silicon Valley”. According to the latest ABBLS report “Business Services in Katowice & the Katowice Agglomeration”, Katowice is a very attractive and unique place to live with a lot of green space, covering over 45% of the city’s area. It is very challenging for the city’s officials to maintain them and keep the economic growth.

Katowice is already experienced in the organization of international business events. In 2017, the total amount of events and conferences organized in the city was 6,335, with 676,303 attendees - 25.2% of these meetings lasted minimum 2 days. This year, between February and March, the city will once again be the host of the International Congress Center (which is the largest covered conference area in Poland) and the Sports and Entertainment Arena called “Spodek”.

Due to the fact, that Katowice is a modern and dynamically developing city, it is also an attractive destination in terms of the business tourism market. Expansion of hotel chains as well as constant modernization of the conference facilities also favors the development of various economic sectors. Two of the best known places, perfect for bold conferences and business meetings are the International Congress Center (which is the largest covered conference area in Poland) and the Sports and Entertainment Arena called “Spodek”. Katowice is a very attractive and unique place to live with a lot of green space, covering over 45% of the city’s area. It is very challenging for the city’s officials to maintain them and keep the economic growth on the highest level, however, as of now, it works perfectly. Nevertheless, the surrounding of green recreation areas is also an impulse for both - investors to implement their investment projects and people who want to live nearby.

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3
Company profiles
DOM DEVELOPMENT is a company established in 1996. It is the biggest developer in Poland, with a dominant position in the Warsaw housing market. Apart from the capital city of Poland, Dom Development also invests in Wrocław and Tri-City. Till the end of 2018, the company has delivered about 34,000 apartments to over 100,000 satisfied customers. The company has a strong and stable position on the Polish housing market, being listed on the Stock Exchange since 2006. During its operation, the company has received multiple awards, such as Pearls of the Polish Economy or Forbes Diamonds.

In its offer, the company has apartments from various price range — from high quality housing projects at affordable prices, which combine comfort and good performance quality, to luxurious apartments or residences of a higher standard in the most attractive locations.

One of their newly presented investments is called “Apartamenty Dolny Mokotów”. It is located on Jan III Sobieski Street in Warsaw – a comfortable area in the heart of the Mokotów District, close to the city center. The neighborhood is quiet and there is a lot of green space available, which is hard to achieve in the modern city. Nearby, residents can choose from five parks, all reachable on foot. While choosing the location of the investment, the architects also thought about healthy lifestyles. Thus, the estate is located near various sports centers, which include tennis courts, football pitches, swimming pools, squash cages or bicycle paths. Apart from the previously mentioned activities, both the Mokotów District and the city center offer plenty of social life attractions, such as cinemas, theaters, art galleries, and museums.

The estate contains 2 medium size buildings - one with six floors and the other one with eight floors - both containing 148 apartments in total. The size of apartments varies from 35 to even 200 square meters, whereas the highest ones are over 3 meters high. Both buildings are connected by the main entrance, with a representative lobby and an elegant reception leading to the apartments and the inner courtyard. The whole estate is also a very safe place to live, with 24-hour security and surveillance system.

This investment is quite unique, as its design refers to the pre-war, modernistic and luxurious apartment houses built in this area around the 1930s. It blends in perfectly into the surrounding architecture, combining traditional design with modern elegance. A carefully designed common space is inspired by the standards of historical apartments, with wood and glass dominating the interiors.

With the “Apartamenty Dolny Mokotów” investment, Dom Development fits perfectly in the constantly growing and expanding housing market in Poland. The good economic situation on the market encourages more and more people to invest in real estate. It is a perfect housing space for those who appreciate sophisticated architecture, elegance and intimate neighborhood, as well as urban lifestyle.
Murapol – future strategy of the Polish leading developer

In 2018, the Company had over 125% increase of apartments delivered to its customers.

Having experience in the development market for 18 years, the Murapol Group is a well-established housing developer possessing a rich portfolio of completed investment projects as well as an extensive portfolio of projects under construction and in preparation. The Company’s first investment project was implemented in Bielsko-Biała in 2001. Currently, Murapol has over 30 ongoing residential investments in the largest cities of Poland, as well as smaller cities, which create an attractive investment climate. As a result of both diversified map of business activities and the offer containing apartments in popular segment available for people with income ensuring the best credit rating – the Group caters a wide range of clients. This is evidenced by one of the best annual sale of apartments. Murapol has already completed over 100 investments throughout the whole country, with its buildings located in Warsaw, Kraków, Poznań, Wrocław, Katowice, Gdańsk, Gdynia, Toruń, Łódź as well as in Tychy, Bielsko-Biała, Siewierz, and Wieliczka.

In 2018, Murapol was the leading residential developer in Poland with 3,560 apartments sold, which was the second best result among developers in Poland. The Company also delivered 2,250 apartments to its customers – an increase of over 125% in comparison with 2017. Even if the number of apartments sold in Poland may have slightly decreased in general, the demand for new apartments has remained strong. The observed drop in the sale of apartments is caused rather by the decrease in the size of the developers’ offer than a change in demand structure. There is still a need to build approximately 2.5 million apartments in Poland to reach the EU average.

In 2019, Murapol already presented the project called “Offer 2000”, according to which in one day the Company offered 2,000 apartments for sale, with the usable floor area exceeding 85,000 square meters already being built in 13 investment projects in 11 cities. Such operation was performed for the first time on the Polish market and turned out to be the Company’s success. The largest investments are being performed in Kraków and Wieliczka, where approximately 560 new premises will be created. The Group also increases its offer with nearly 360 apartments in Katowice, and 275 apartments in Poznań. 345 new premises will be constructed in Gdynia, about 140 are dedicated to Wrocław and also 140 new apartments is being constructed in Toruń. Murapol is also constantly expanding into new regions of Poland, with the first Company’s investment started in Mikołów.

The total value of Murapol’s landbank at the end of 2018 was PLN 620.1 million. The value of lands already purchased by Murapol equals PLN 396.3 million, which will allow development of approximately 12,200 apartments until 2020. Remaining lands, valued at PLN 233.6 million are already contracted in the form of conditional preliminary agreements and will provide about 8,300 apartments. This number proves that Murapol is constantly developing and that the Group is perfectly fitted in the high market’s demands. The extensive landbank guarantees that within next few years Murapol’s investments will be continued, without the pressure of purchase new lands, which prices are currently inflated. The Company’s constant growth, strong and stable position on the market results in plans of listing its shares on the Warsaw Stock Exchange, which will happen during 2019.

The Company’s success is based on the unique business model, which gather all competences required to perform new investments within the Group’s structure allows not only to improve the pace of performance, but also to quickly respond to the changes on the market. One of the Company’s main advantages is a geographical diversification of activities, which allows to fully use the potential of housing markets in all types of cities in Poland – big, medium and small. Additionally, usage of prefabricated materials and modular constructions helps keeping the investment costs at the effective level.

The Company has recently introduced a new strategy with reference to conducting its business. The mission of Murapol Capital Group is to implement housing investments in the popular segment, on the domestic market, considering high geographical diversification, at a competitive rate and prices compared to the largest developers in Poland. As a result, the Company’s primary focus will be the construction of new apartments – Murapol’s main business activity, in which the Company is the most experienced. At the same time, the mission of GK Murapol on the financial market is to build a strong position and trust through the issuance of financial instruments such as shares on the exchange regulated market.

The Company wishes to maintain the current potential and highly effective operating model while being ready for new competitive and market challenges. Main domestic markets, in which the demand for development is growing and Murapol plans to focus on are Warsaw, Tri-City, Wrocław, Kraków and Poznań. The expansion of the clientele, with affordable and cost-effective housing, is also Murapol’s development direction. The main benefits of upcoming investments are going to be attractive prices, fast delivery time and high quality.

Murapol also emphasizes its investments to use high-end technology solutions, from designing and budgeting 3D visualizations to using virtual reality in the sales process. Additionally, in every investment performed in the above mentioned “Offer 2000”, the Company already uses the usefulness of virtual reality in the sales process. Additionally, in every investment performed in the above mentioned “Offer 2000”, the Company already uses the

“During one day the Company offered 2,000 apartments for sale, such operation was performed for the first time on the Polish market.”

Home Management System (HMS). These are modern solutions for remote control – for example via smartphone – of lights, heating devices, water and devices ensuring the safety of the apartments, such as window blinds. It also includes monitoring of electricity consumption, intercom and surveillance of the estate’s common space, such as exit gates, car park or playground. HMS is divided into several packages with different functionalities, to be chosen by future residents according to their preferences. The Group is constantly working on new solutions which will soon be introduced to its offer such as anti-smog packages and recuperative ventilation systems.

The Murapol Group was recognized for its business activity, by receiving awards such as Gazelles of Business 2017 and Pearl of the Polish Economy 2018, as well as its development activities by receiving the Leading Green Building Development award in the CIJ Awards 2017 competition and the award for the Family-Friendly Estate during Housemarket Siloza Awards 2019.

Apart from strengthening its position as one of the leading development companies, the Murapol Group also places emphasis on non-business activities. The Company is involved in initiatives promoting professional sport as well as physical activity among children and youth, which was noticed by the jury of the Responsible Business Awards competition, which awarded the Company in the category the Sport’s Patron in 2017.
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INVESTMENT PEARLS
IN WARSAW AND GDANSK

Warsaw and Gdansk are both large Polish agglomerations, where new investment projects are being implemented by Marvipol Development, which has been operating on the Polish real estate market for years. „Unique Apartments” and „Dwie Motławy” are being constructed around the rich urban infrastructure, close to numerous tourist attractions and large business centers. For those that are going to purchase apartments, Marvipol Development S.A. has prepared the profitable option of a maintenance-free lease, which will allow investors to make a profit without personal involvement in the lease process.

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„Unique Apartments” will be a complex of luxury apartments located in Wola - the district of Warsaw right by the city center. The investment was designed for a five-star standard with a wide range of service facilities, including SPA and fitness zone, lobby with reception and restaurant. Apartments will be reserved for both, short-term and long-term lease. The real estate will be functioning under the worldwide five-star brand and the leasing process will be carried out by an experienced hotel operator - the brand with international range. Within the agreement with Marvipol Development S.A., investors may count on a high rate of return on investment: 7% annually, which will be paid systematically. As mentioned before, because personal involvement in the lease process will not be required, the investors are guaranteed both - more time and convenience. Additionally, during the year apartments owners will be able to use the premises for private purposes, as a so-called owner’s stay.

One of the main advantages of „Unique Apartments” is the location of the investment - at Grzybowska Street in Wola district - the so-called „Warsaw Manhattan”. It is an area in which the capital's new business center is being established, with the number of business travelers visiting the district grows each month. The fact that the Warsaw city center is also nearby means that tourists traveling for recreational purposes decide to stay in Wola as well.

According to forecasts, the prices of luxury properties in Warsaw will be increasing. In 1-2 years, they will reach the current values in Copenhagen, 3-5 years the values in Berlin, and 10-11 years the values in Paris and London. Thus, now is the perfect time for Investments which in the future will be profitable because of the growing value of properties and lease of them. As Wola will soon become the largest business center of the country, investments located in this area should be particularly interesting for investors.

In the center of Gdansk, the area called Spichrzów Island, Marvipol Development S.A. is implementing the construction of the investment called „Dwie Motławy”. Modern apartments are being built around the city’s most popular tourist attractions and large business centers. Apartments for maintenance-free lease managed by a professional are already available for sale.

According to Mariusz Polewski, vice president of Marvipol Development S.A., „It is very important to choose the proper location while planning future investments. The location should provide access to a rich urban infrastructure, and at the same time allow tourists to relax during vacation, which positively affects the occupancy of the real estates. This is also a good stimulant for investors who are more willing to multiply their capital if there is no shortage of accommodated people. In Warsaw and Gdansk, the season lasts almost the entire year - in the summer months, there are a lot of tourists, whereas during the rest of the year there is a high demand for accommodation from the business sector”.

Source: Raport EY - „Międzynarodowy Raport Inwestorów”

Source: www.marvipol.pl

DEVELOPMENT
UNIQUE APARTMENTS
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2 22 536 50 44
www.unique-apartments.pl

Dwie Motławy
Gdansk, Toruńska 20 St., Gdansk/Towarowy
58 733 50 36
www.diewimotlawy.pl
Pomerania - the unique place to do business

It is a very prospective region, ready to bring in more investments

Pomerania is the northern region of Poland with the access to the Baltic Sea, known for its development of the maritime industry. The biggest agglomeration of the regions contains three cities, which are called the Tri-City - Gdańsk, Gdynia, and Sopot. However, with each year the region is more and more involved in the development of other business sectors. Openness for new investments has led Pomerania to be ranked by Milken Institute in the period 2012-2017 as the region with the second highest employment growth in the EU. The region was also ranked as the fourth Best Performing City in Europe. Additionally, Pomerania is the highest economic growth region of Poland and is currently ranked as a third most innovative Polish region.

Invest in Pomerania is a regional non-profit initiative supporting foreign direct investors. The organization is dedicated to promoting the region and bringing in investors. In the period of 2016-2018, the organization carried out successfully 35 investment projects, which created approximately 5,000 new job places. Majority of the investors brought by the organization are of the US and Scandinavian origin. Invest in Pomerania has brought companies such as Flex, Northvolt, Jabil, Lacroix, Swarovski, Intel, Amazon, State Street, Ricoh or Marine Harvest into the region. The Tri-City varies from EUR 12.75 to EUR 14.00 per square meter per month, which is a competitive rate compared to other regional cities.

Pomerania, Tri-City in particular, is regarded as a prospective market. The region has a positive migration balance (the biggest academic center in Northern Poland, one of the most attractive locations to live in). Moreover, Pomerania is a popular location for second homes due to the access to the Baltic Sea. The residential market is characterized by rising prices that have been growing at 15 - 20% rate for the last two years.

Also, the retail market in Poland continues to grow as it is relatively under-supplied with shopping center space. Pomerania offers nearly 170,000 square meters of gross leasable area (GLA), which amounts for 9% share in the Polish market. The majority of retail space in the region is located in the Tri-City. With nearly 70% share, shopping centers offering 560,000 square meters of GLA. Retail parks offer 11% of the total stock (357,100 square meters) and retail warehousing offer 14% share (134,000 square meters).

Also, the hotel market is constantly growing in the region. Over the last seven years, the number of tourists visiting Pomerania has increased by 55% reaching 9 million visitors annually. The strong brand of the city of Gdańsk in the international arena builds the recognition of the entire Pomeranian Voivodeship and cities forming the metropolis. One of the main beneficiaries of the growing tourism is the hotel industry, in which the occupancy rate grows hand in hand with the standard of the establishment. The occupancy of tourist accommodation establishments in Pomerania is slightly higher than the country's average (41.9% versus 39.3%).

Current biggest investment projects in Pomerania include:
• The Imperial Shipyard - the vision of an exciting combination of adaptive re-use projects and new, contemporary architecture with a development potential of 400,000 square meters, located in the most historic part of Gdańsk - the former shipyard area.
• The Sail - multi-functional complex building connected with the entrance to the football stadium, with a conference center for 2,200 people, and
• Gdynia Waterfront - a complex of comfortable residential buildings and modern offices surrounded by green squares offering sea view.

Pomerania is a unique place to do business, both for developers and capital investors. Well-developed business infrastructure, availability of skilled workforce and mature market contributes to the steady growth of the agglomeration. Pomerania is a top real estate market in northern Poland.

Invest in Pomerania
AMENDED regulations implementing a new formula for the functioning of economic zones came into force in September 2018. As a result, tax exemptions are available throughout the entire investment area in the country and the new regulations are much more transparent, which encourage entrepreneurs to apply for support more often. Other implemented significant changes include, among other things, speeding up the process of issuing decisions, guaranteed investment time - as exemptions are being issued for the period 10-15 years - or new criteria supporting underinvested regions of the country. New regulations also affect foreign investors, as there will be more accessible investment lands to bring in foreign capital. Another beneficiary of new regulations will be the country itself. Thanks to them, there will be a higher transfer of technical know-how and knowledge regarding new technologies. They will also help to reduce the unemployment rate, as more investments equal more demand for the workforce.

In 2018, Polish economic zones issued nearly 350 permits and decisions granting support for investors. The total value of investments declared by entrepreneurs exceeded almost EUR 3.5 billion. In terms of the value of new investments, currently, the leader is the Wałbrzych Special Economic Zone “INVEST-PARK”. Entrepreneurs are going to allocate almost EUR 1 billion to build new plants or expand the ones already existing. “INVEST-PARK” supported 48 investments, including 11 decisions issued based on the new regulations regarding granting public support. Performance of new investments will create in Wałbrzych Zone over 1,400 workplaces. As new regulations introduce different quality criteria, there are now more preferences for investments which create highly paid and developmental jobs. The employment rate in the “INVEST-PARK” is about to increase, mainly due to investments related to electro-mobility in the automotive industry.

In addition to that, in 2018 “INVEST-PARK” was awarded in the prestigious fDi Magazine “Global Free Zones of the Year”, being recognized as the best place in the automotive industry. As a result of investments performed by global giants such as Toyota, Mercedes, and Volkswagen, apart from the automotive industry, also businesses related to metal and plastic processing, logistics and warehousing services are developing in south-west Poland. Recently many companies operating in the electro-mobility industry started their operations in “INVEST-PARK”, gaining interest from global concerns producing electric and hybrid power units. The fast development of Invest park was also valued. It is connected both with the rapid increase in the number of investors as well as many reinvestments currently taking place in this area.

Previously, WSEZ “INVEST-PARK” was recognized as one of the best places in Europe to locate investments, especially because of services provided for entrepreneurs being high quality and comprehensive.

Wałbrzych Special Economic Zone “INVEST-PARK”

The best destination for investors

Daimler, Toyota, Volkswagen, Bridgestone, Guotai - Huarong, IBM, 3M, Mondelez, Electrolux have already invested here
PFI Future S.A.

Multifunctional Edutainment and Retail Projects and ErgoCity

In 2019, PFI Future S.A. is presenting two main projects, Nautilus Gdańsk and ErgoCity

PFI Future S.A. is a wholly owned subsidiary of the PFI Global Capital Group and is a holding company established to prepare and implement large real estate projects, mainly in the education and entertainment industries. PFI Future S.A. brings together the unique competencies of companies belonging to the PFI Global Group as well as other partner companies, thus providing the ability to implement innovative investment projects through the use of Special Purpose Vehicles (SPV) that may be established in partnership with local governments and/or other commercial partners.

The basic strategy of PFI Future S.A. is the identification, preparation and implementation of projects which belong to the field of multifunctional educational and entertainment leisure facilities, such as National Forum of Music, Africarium - Oceanarium or Nicolas Business Center, corresponding to the evolving expectations of the local community and adapted to the rapidly growing needs of the wider tourism industry, as well as unconventional business and housing space projects.

Popular science centers directed at the youth, such as the Warsaw Copernicus Science Center, the Hewelianum Center in Gdańsk, the Experiment in Gdynia or the Hydroplis in Wrocław, are a new phenomenon on the Polish market. The educational endeavor is also expanded by Africarium - an investment performed in the ‘ZOO Wrocław’, built and managed by a company from the PFI Global Group.

Africarium has been maintaining nearly 2 million attendees for 4 years, which makes it Polish largest ticket-based attraction in terms of the number of visitors. The attendance of all the above-mentioned attractions is record breaking each year.

In 2019 at the MIPIM in Cannes PFI Future S.A. is presenting 2 of its major investments projects - an innovative Free Time Space facility of supra regional importance, with the leading function of the Oceanarium called Nautilus Gdańsk and the unique development project ErgoCity - a sustainable, model housing estate with a modern office space offering 5,000 new workplaces, designed for living, learning, working and entertainment.

Nautilus Gdańsk - includes a number of zones, including a large Aquarium, a VR - and interactive Lagoon, shopping and gastronomic areas, a medical center and the 4th Hotel. The investment is an excellent response to the current tourist, entertainment and educational needs. It is a complex that will soon become the new engine for tourism in the city and will become the largest tourist attraction on the Polish coastline. The aquarium is a great place to spend free time with family and friends, which will provide an opportunity to experience the extraordinary fauna and flora found within. The extraordinary floristic collection, combined with appropriately selected representatives of various endangered animal species will provide visitors with a powerful injection of positive and unforgettable emotions, which will lead to multiple repeat visitors to this remarkable place. Visitors will also be able to interact with the life within the aquarium, such as being able to feed penguins, rays, or exotic birds with the assistance of their guardians.

The journey will take visitors to the most beautiful places in the world, such as the Amazon river estuary with scenery full of species of plants and animals characteristic for this region or the Río de la Plata estuary, with the possibility to admire the wealth of the underwater world. The area of Nautilus Gdańsk aquarium will exceed 18,900 square meters and is planned to be finished in 2023. It will be the next episode of the story, which was initiated by Africarium in Wrocław, which is extremely popular in Poland. Last year PFI Future S.A. received the Real Estate Impact Award 2018 in the “new urban icons” category for the Nautilus Gdańsk project.

Along with the population of Polish cities increasing every year, their authorities face new challenges in the areas of functional housing, effective transport, environmental protection, improvement of the quality of life and safety. It is up to all parties to ensure that cities, districts and housing estates provide the best conditions for living, learning, working and leisure. Due to technological development, more and more emphasis is also placed on the implementation of the largest possible number of so-called intelligent solutions, the example of which is PFI Future S.A.’s unique development project ErgoCity - a sustainable, model housing estate of the future in a modern office space, creating an optimal environment for living, learning, working and entertainment, which will be created in Wrocław. This is the perfect answer to the needs of the modern city. It is a balanced and the most effective use of both environmental and technological assets, conscious planning of space perfectly fitting the expectations of residents by satisfying their social needs. The purpose of this investment is to create a smart housing estate for everyone offering a high level of quality of life, a place coherent with the urban surroundings; where pro-social and pro-ecological programs are being implemented. The estate that complies with global trends in modern construction and ecology, ErgoCity is implementing all possible and necessary functional and technological solutions, as well as social programs implemented in Wrocław and other Polish and European cities.

“Nautilus Gdańsk is an excellent response to the current tourist, entertainment and educational needs”

“ErgoCity is the perfect answer to the needs of the modern city”
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from a different perspective