



PUSHING THE BOUNDARIES

ANNUAL REPORT 2017



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MARKET ANALYSIS: POLAND

I. OFFICE MARKET IN POLAND

A. WARSAW

The Warsaw office market continues to grow at a tremendous rate. Despite the impressive take-up, new supply is expected to slightly outpace demand for the intermediate term. This demand is spread well between central and more peripheral zones.

B. REGIONS

Though diverse, the regional cities in Poland all share large construction projects. The strong expansion of the BPO/SSC sector has led to the dynamic growth and polarization of the Polish regional office markets especially in Krakow, Wroclaw and Tricity. Excluding Warsaw, these markets belong to TIER I and are the first choice for many international investors.

C. DEMAND

Office take-up in Poland totaled almost 1.495 million m² in 2017. Of this figure, Warsaw is responsible for 54.9% (820,100 m²), and regional markets are responsible for the other 45.1% (674,600 m²). Krakow is the largest of these regional markets, claiming 29% of 2017 regional activity.

Demand in Warsaw was almost entirely from corporates last year. Professional services accounted for 15.0% of this activity followed by manufacturing industry and energy at 14.0%. Overall, demand is well diversified among sectors.

D. VACANCY

Strong development has kept upward pressure on vacancy rates, however high demand resulted in lowering vacancy rates. This was 11.7% for Warsaw and 9.87% in regional markets at the end of 2016.

E. DEVELOPMENT

New office development totaled 275,400 m² in Warsaw in 2017, increasing modern stock by 5.7%. An additional 85,600 m² is currently under construction.

In regional markets, modern stock has doubled over the last five years. In 2017, completions amounted to 459,500 m², or a 11.7% increase of modern stock. 894,200 m² is currently under construction in regional markets.

F. RENT

Despite high new construction volume growing demand translating into record high absorption effects stable rent. Prime rent in Warsaw remain unchanged at level of €23/m²/month and €15/m²/month in the regions.

G. INVESTMENT

Poland is the standout performer of the CEE Region. CRE investment volume exceeded €5 billion in 2017, 11% more than in 2016.

Office investment hit a record €1.55 billion, as prime office yields compressed to 5.2% in Warsaw and 6.15% in regional cities respectively.

Key stats: 11.7% Warsaw vacancy; 23EUR/sqm/month Warsaw prime rent; 5.2% Warsaw office prime yield

sources: CBRE

II. RESIDENTIAL MARKET IN POLAND

A. WARSAW

New residential construction and sales continued with pace in 2017. Warsaw added 14% less new residential units than in 2016. Moreover, over 7.0% growth of sales was observed. This situation keeps prices on growing path.

B. REGIONS

Regional cities have also continued to grow, but with greater variation. Lodz experienced a construction completion growth of over 37% and Wrocław 25.0% in comparison to 2016.

C. POPULATION

The population of Poland reached year-over-year to 38.426 million. Though population growth has been flat for some years, economic growth, increasing spending power, and FDI have contributed to a developing housing market.

D. HOUSING STOCK

At the end of 2015, 67% of the residential stock was located in urban areas. The five largest cities claimed 20.3% of the stock despite housing just 16.6% of the population.

In 2017, there were 67,300 new residential units completed. That means almost 14.0% decreased in comparison to earlier period.

E. PRICES

In terms of prices, recent activity shows the residential market is stable. In the primary market, residential prices have grown steadily (in local currency) since 2012 and stand at 8,332 PLN/m² (2,012 €/m²) at the end of Q4 in Warsaw. Average rents have grown slightly this year.

F. NEW BUILDS

In 2017 was more than 72,700 units sold in Poland and about 67,300 of them sold at six main markets. This supports the rapid absorption of new units into the market. Rent-to-buy investors are believed to make up a significant share of the demand.

Additionally, recent legislation is influencing the market. Regulations such as the 'Home for the Young' buoys new entrants, and 'Housing Plus' offers subsidies for low-income households. Mortgage standards are expected to tighten through 2018, however, applying some brakes to an otherwise hot market.

Key stats: 2,012 €/sqm average residential price of new builds; 72,700 residential units sold; 67,300 of new units introduced on market.

sources: Natl Bank of Poland (NBP), REAS, Eurostat, Central Statistics Poland



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