

Property Investment Market in Poland 2022



Investment market

Uncertainty is the new normal

Saying goodbye to 2022 means welcoming a year of uncertainty for the fourth time in a row. Two pandemic years, war in Ukraine, historically high inflation and the upcoming spectre of recession have forced the Polish investment market to cope with tough times. Notwithstanding, 2022 results comparable to 2021 volumes, strongly confirm the resilience and solid foundations of the Polish investment market.

Contrary to 2021, this year's volume was shaped by five historically large investment transactions, responsible for 40% of total investment volume in 2022. Thus, the liquidity dropped by 27%, from 166 deals in 2021 (what was the record-breaking result) to 122 in 2022. Until the end of September 2022, the total investment volume exceeded the analogous result of 2021 by over 20%. The fourth quarter brought €1.5 billion in transactions and 2022 closed with the result of over €5.8 billion.

After the domination of industrial sector in 2020 and 2021 in terms of volume, 2022 brought back the office investment sector to the position of a leader. The office market saw equal transaction volumes both in Warsaw and on the regional markets. Convenience schemes dominated in the retail investment transaction structure, while prime shopping centres in regional cities are back in the game. When it comes to PRS sector, 7 transactions were closed, mainly in Warsaw.

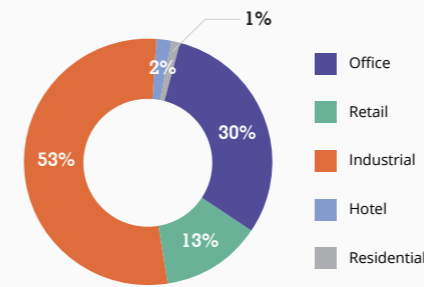
€5.8b
total investment volume
in 2022 comparable to 2021

5
transactions responsible
for 40% of total volume
in 2022

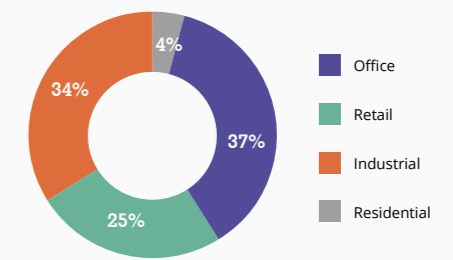
68
active investors
in 2022

166 122
2021 2022
number of transactions

2021 investment volume share by sector

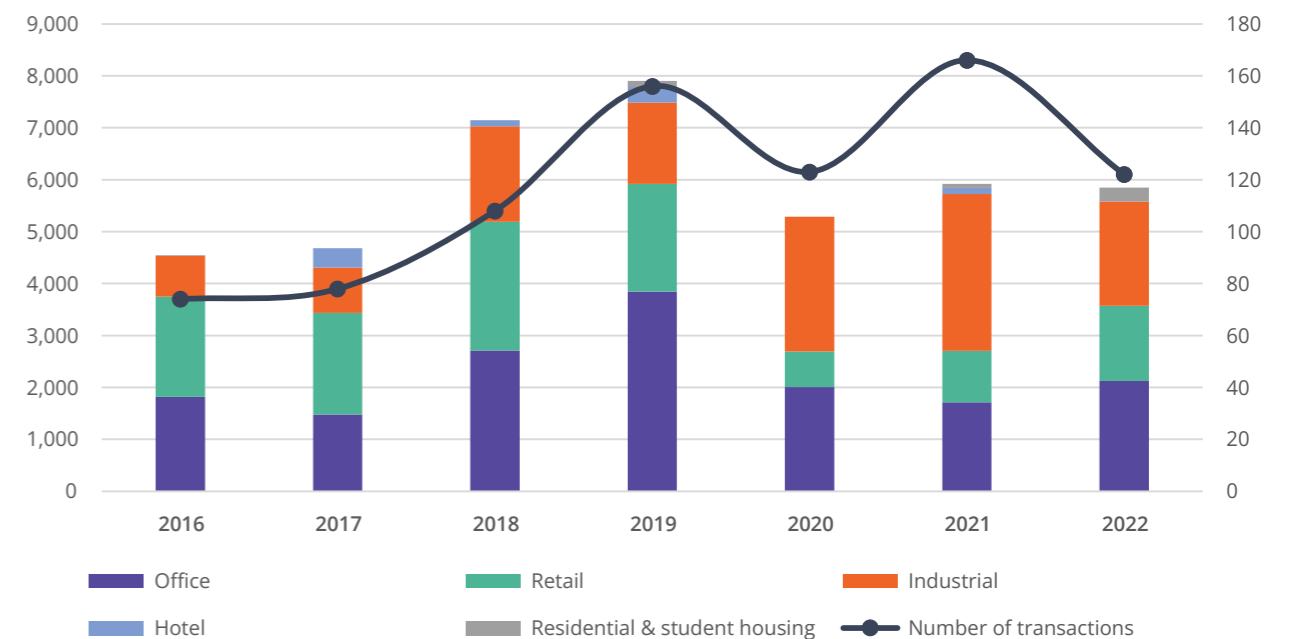


2022 investment volume share by sector



Source: Avison Young

Investment volumes (€ m) and transaction numbers by sector



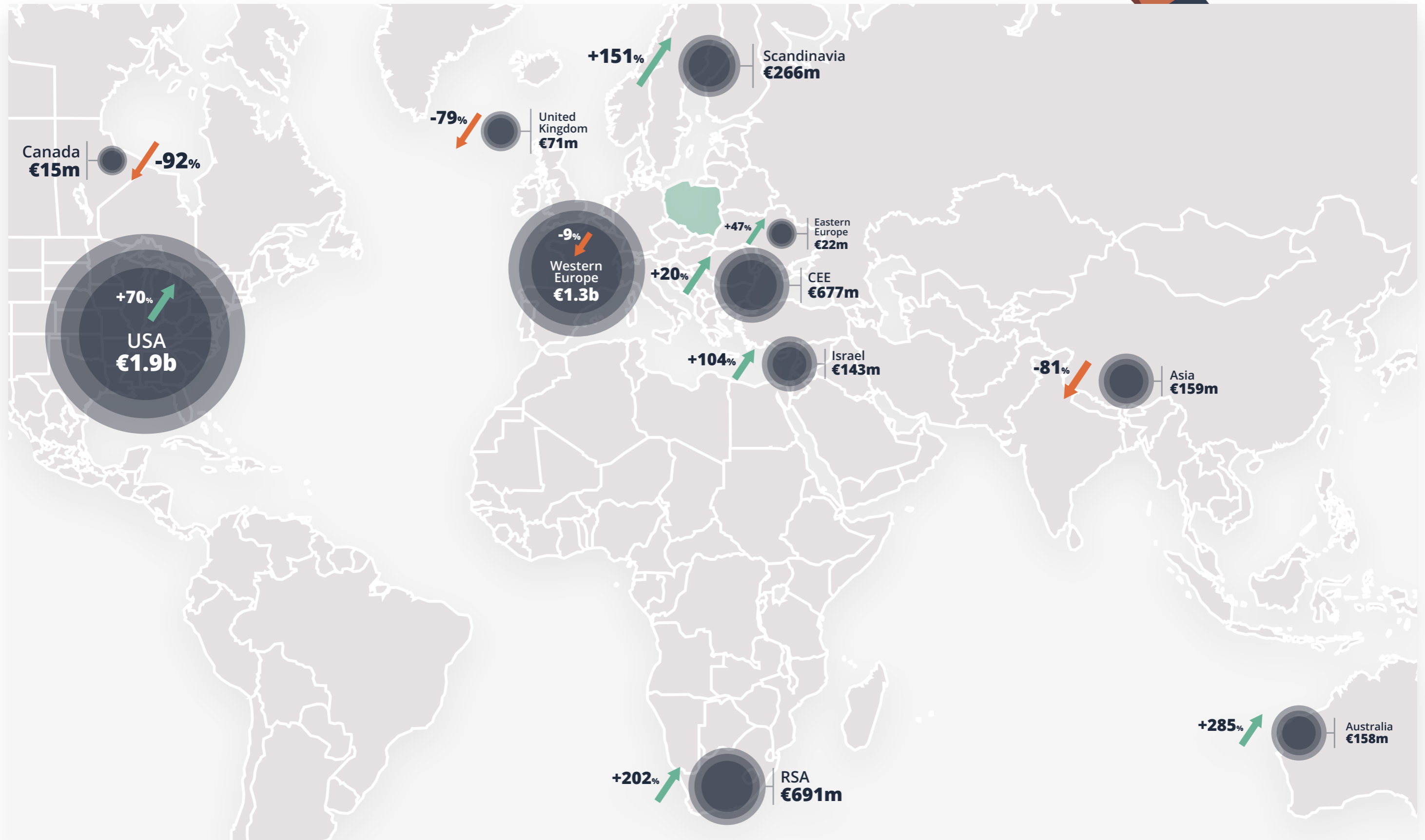
Source: Avison Young





Investment market

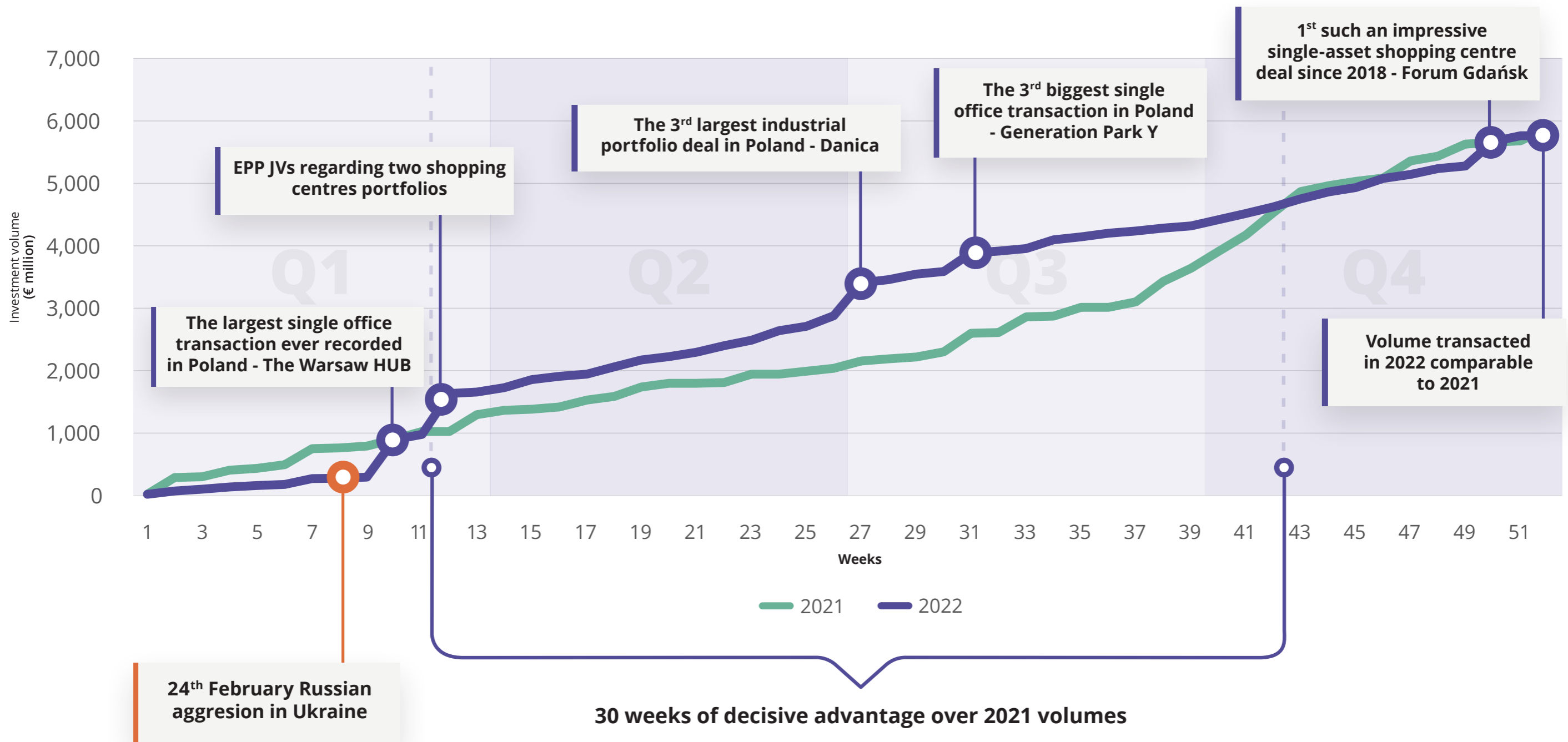
Capital Flow - 2022 vs 2021





Investment market

2022 highlights



Office market

Warsaw and regional markets strike a balance

In the face of uncertain market conditions, many office investors turned to stable, core assets. Nearly 90% of EUR 2.1 billion put in offices in 2022 went towards - core or core+ properties confirming investors' attitude to choose low-risk strategies. Nevertheless, H2 2022 saw a sharp increase in opportunistic transactions, especially in Warsaw.

After the-clear domination of investment volume transacted on office buildings located in Warsaw in the last years, 2022 was characterized by regional markets' bloom. Among 28 office transactions recorded in 2022, 19 regarded regional office markets. Nevertheless, two most impressive and historical deals took place in Warsaw.

The Warsaw Hub and Generation Park Y transactions accounted for 41% of total investment volume in the office sector and 83% of total investment volume was transacted within the capital city.

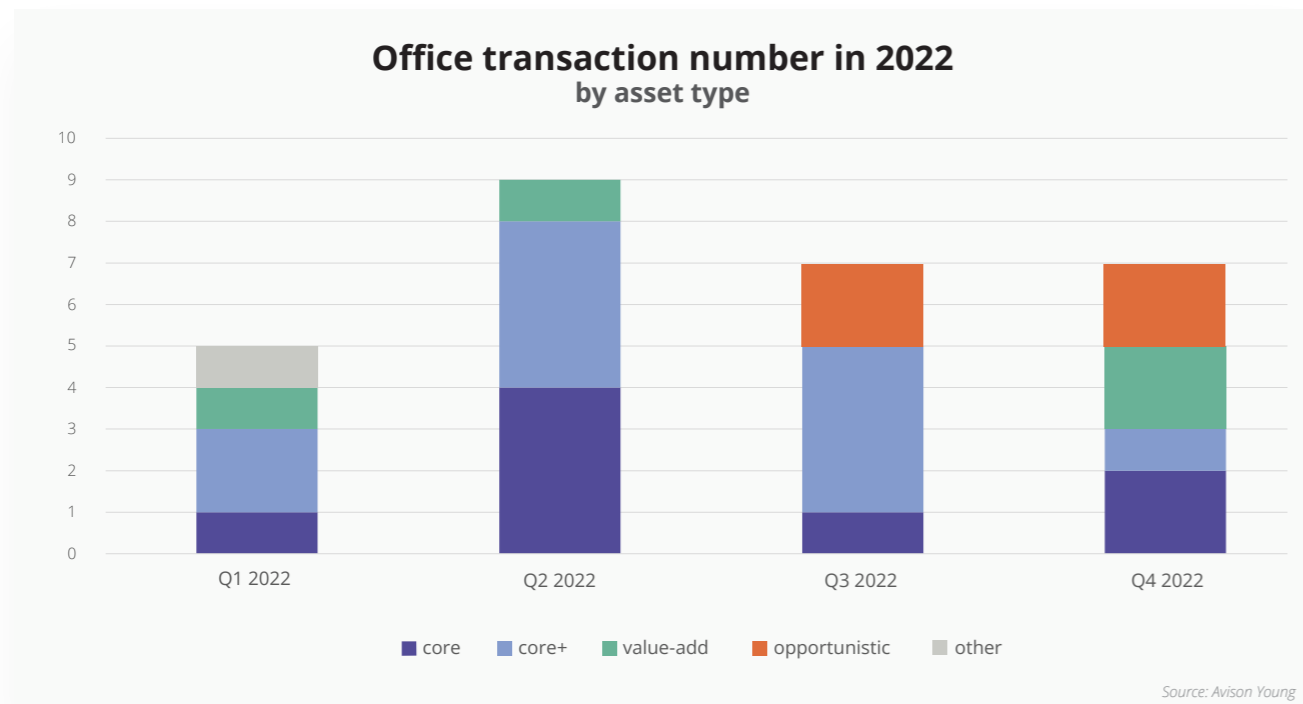
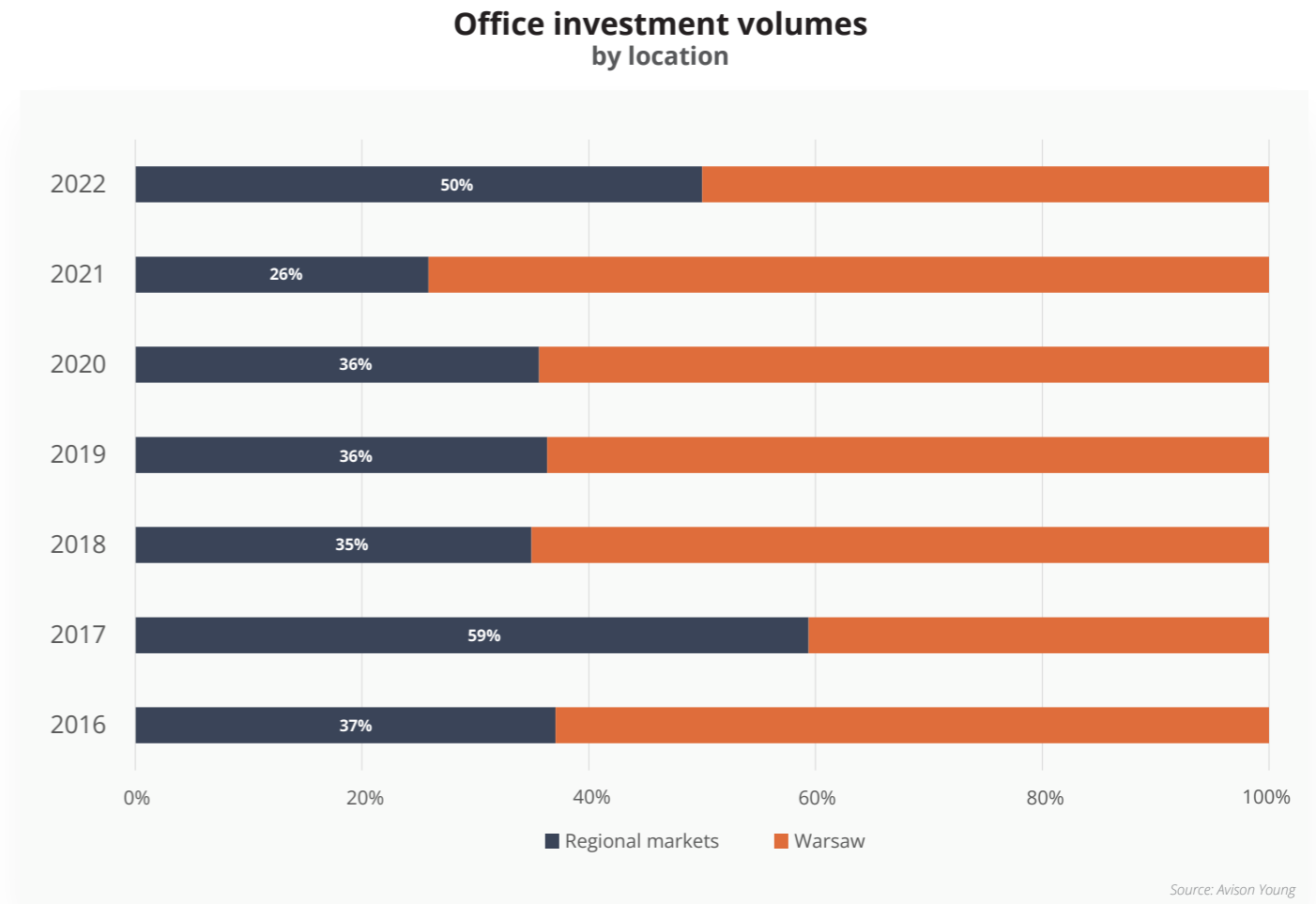
The increase in rents resulting from, among other things, indexation of rates and the rising operating costs are the impulses that in 2023 will force both tenants and landlords to optimising costs. We expect that in the most liquid markets, including Warsaw, the best projects and well-established locations will continue to be of interest to investors, although yields may be decompressed.

€2.1b
office investment volume
in 2022

19/28
of office transactions
regarded regional markets

1st & 3rd
largest single office
building acquisitions
in Poland
since the beginning of the market

**Sharp increase in
opportunistic deals
in H2 2022**



Industrial

Pricing clash ricochet

Industrial and logistic sector, the undisputed leader of 2021 responsible for over 50% of total investment volume, is now facing a considerable investment slowdown. Warehouse products are currently experiencing the pricing clash, which is the main subject of discussion. Investors haven't forgotten about the industrial assets in Poland, however they are offering lower pricing, while owners are trying to keep the value on the previous levels.

In 2022, the total investment volume in the industrial sector stood at €2.0 billion, which means a drop of over 30% comparing to the previous, record-breaking year. As a consequence, the office investment market volume slightly surpassed logistics sector results. In the end, industrial transactions amounted to 34% of the Polish investment market volume. Acquisition of Danica industrial

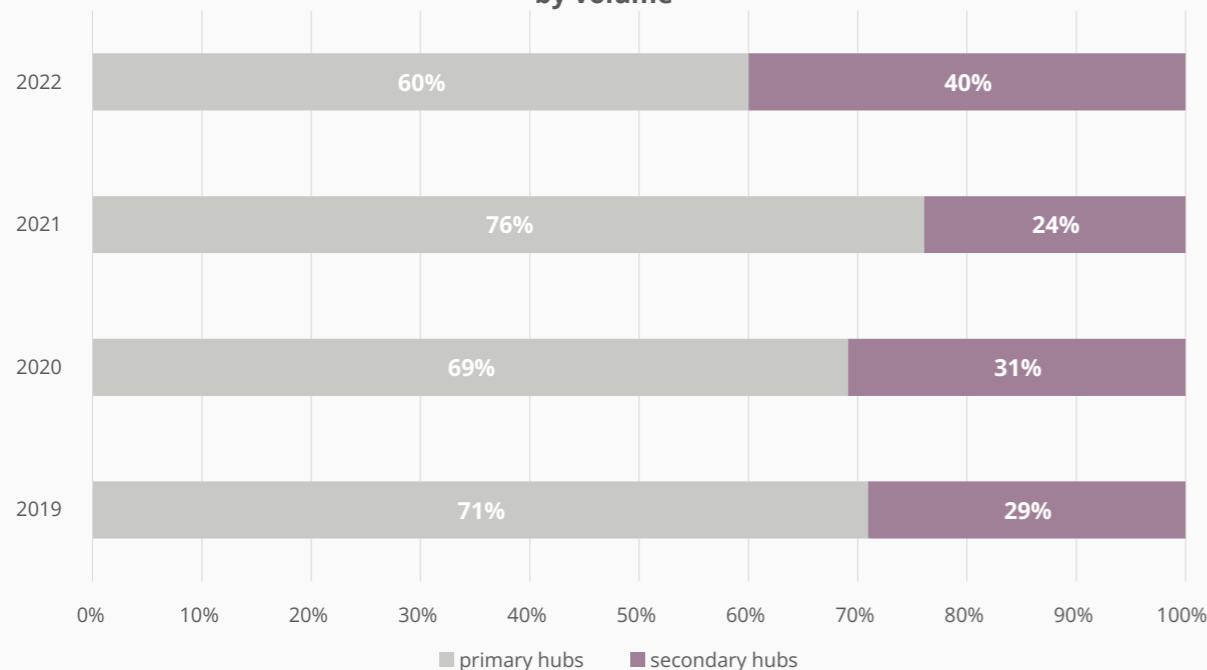
portfolio by CBRE IM from Hillwood was the second largest transaction recorded in the entire 2022, being responsible for 26% of total industrial volume. It was also the third biggest industrial portfolio deal in Poland in terms of volume. Logistics sector, just like office and retail investment market, is characterised by the considerable shift to secondary hubs.

A trend that can be noticed and will become stronger in 2023 and in the following years, is the growing demand for brownfield land in the largest agglomerations, due to continuous development of last mile logistics and the e-commerce market. It should be noted that in many cases investments in attractive brownfield projects may turn out to be a better solution than the purchase of the undeveloped but properly serviced plots.

- €2.0b industrial investment volume in 2022
- 42% share of portfolio transactions in 2022
- Danica Portfolio
 - 2nd biggest deal in 2022
 - 3rd largest industrial portfolio deal ever in Poland
- 40% share of secondary hubs in industrial investment volume in 2022

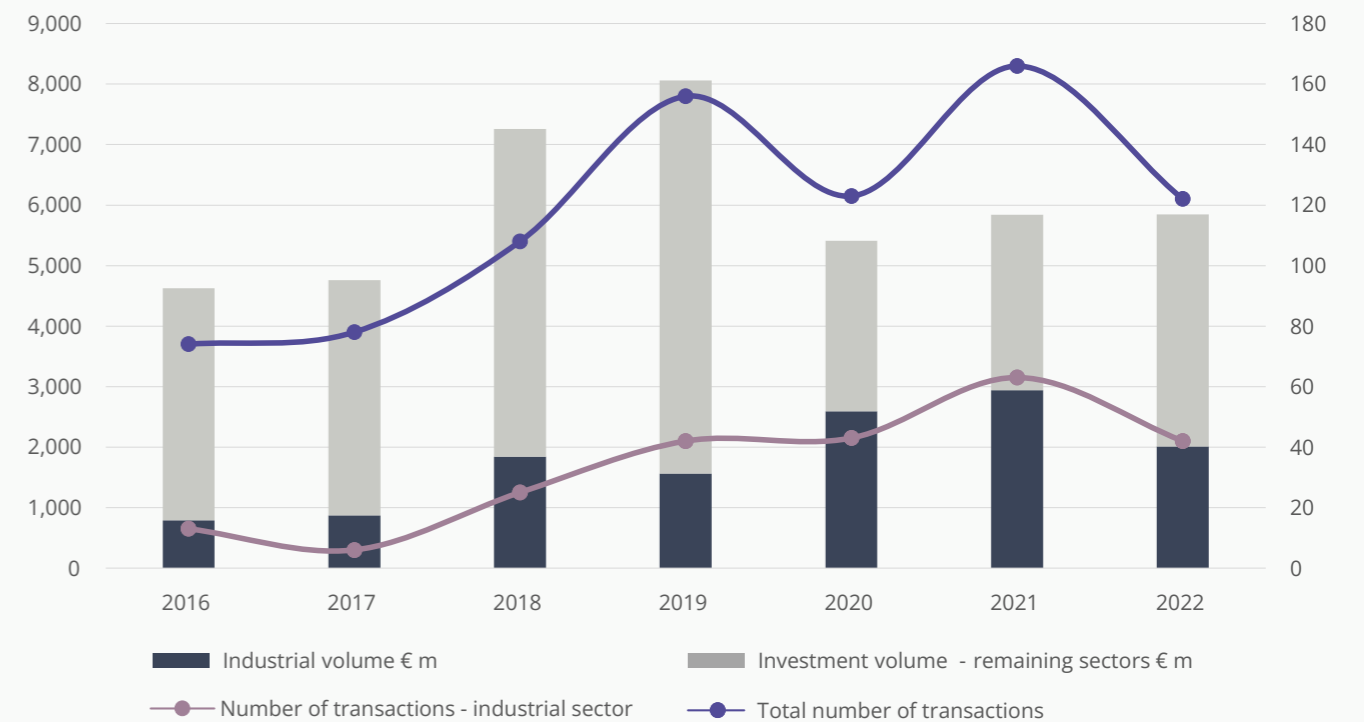


Industrial acquisitions' distribution by volume



Source: Avison Young

Industrial investment volumes (€ m) and number of transactions



Source: Avison Young

Retail market

Shopping centres awakening from the slumber

2022 has brought shopping centres back on the table, which was in line with Avison Young forecasts. After the plunge in 2020, there were 12 large-scale shopping centres transacted in best locations in major cities in 2021. Those were all sold at attractive pricing with opportunity to create value or for redevelopment. Interestingly, 2022 saw 6 deals of redevelopment purpose but – what is worth noting – also 4 transactions of regular shopping centres on the regional markets.

The biggest shopping centre transaction was the acquisition of Forum Gdańsk by NEPI Rockcastle for €250 million, which was first such an impressive single-asset shopping centre deal since 2018. The investor has enriched as well its portfolio with Atrium Copernicus shopping centre in Toruń. Moreover, among the shopping centres sold, there were also two Atrium malls

in Płock. In 2022, the beginning and the end of the year were the most abundant in terms of retail investment volume, while Q2 and Q3 ranked on the third and second lowest place since 2016. The Q1 period was marked with the two EPP JVs, while Q4 was determined by anticipated come back of the regular shopping centres' acquisitions.

Unsurprisingly, retail parks and convenience schemes are consistently sought-after by investors. In 2022, there were 43 retail transactions recorded on the Polish investment market, 65% of which was due to retail parks and convenience schemes. 3 newcomers who entered the Polish market in 2022, namely Leoff, Lords LB and BIG Shopping Centers, have been attracted by this particular product.

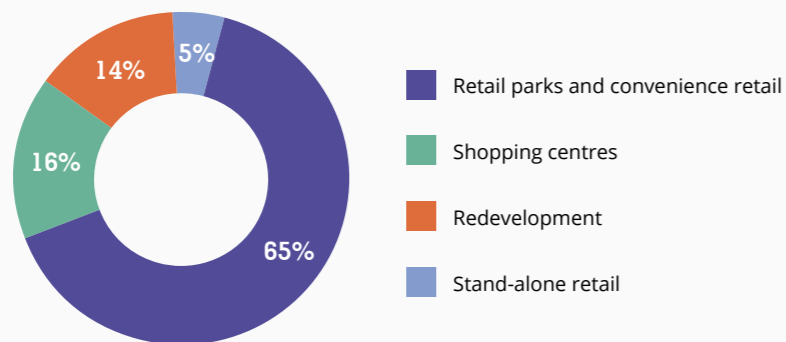
€1.5b
retail investment volume
in 2022

Forum
Gdańsk
the biggest single-
asset shopping centre
aquisition since 2018

27/43
share of retail park &
convenience transactions
in 2022

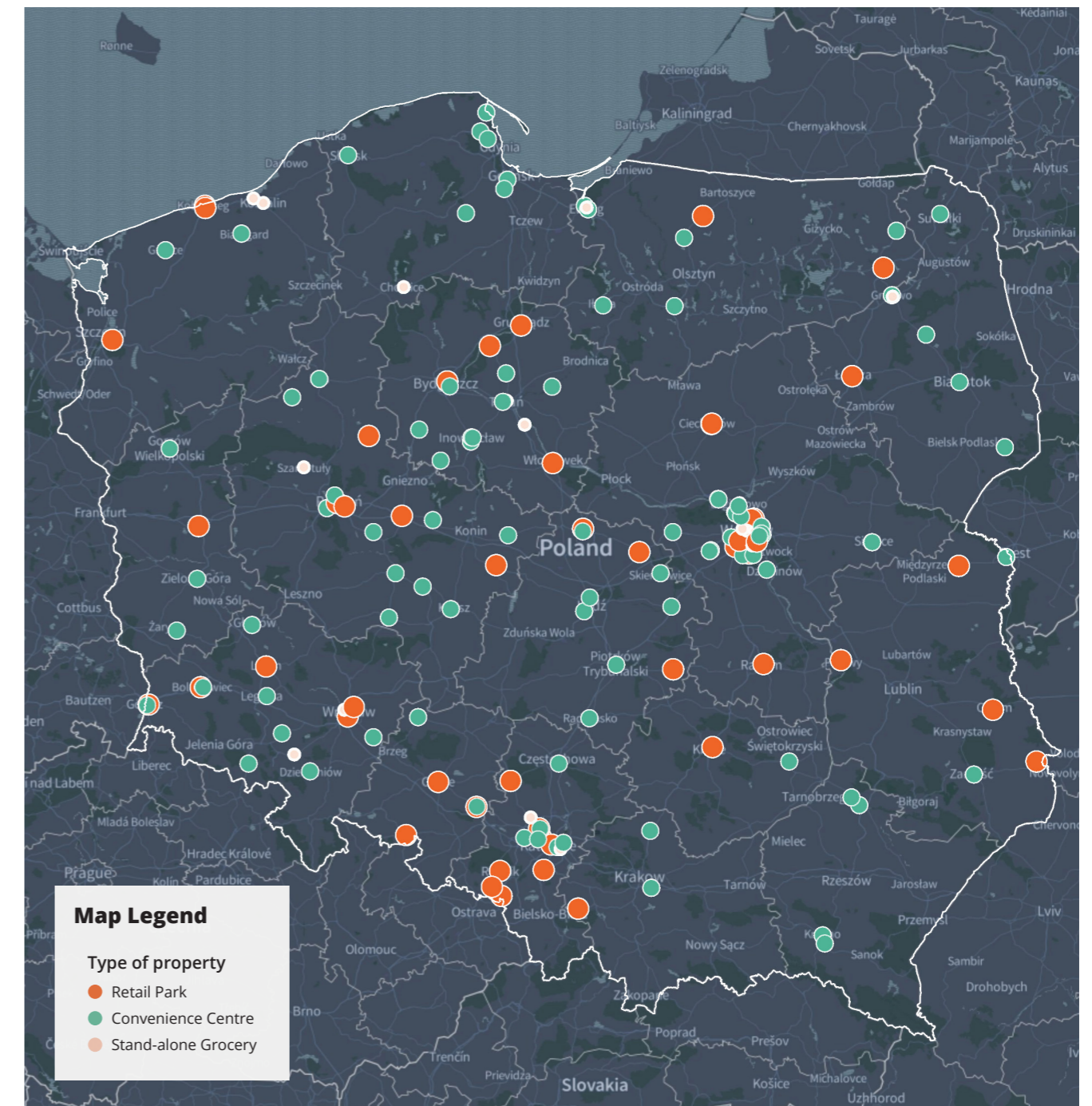
3
newcomers debuted
in 2022 the retail park sector

Retail transaction structure (%) in 2022



Source: Avison Young

Retail parks and convenience schemes transacted in Poland since 2016



Source: Avison Young



PRS

Basic needs as a safety net?

The widespread uncertainty observed in the markets means that investors often focus their attention on projects centred around the basic needs, namely residential real estate and convenience retail projects. These two types of assets are on the radar of a growing number of investors, as they are considered the safest. Looking on the operations undertaken on the investment market from the perspective of the end of 2022, it seems that these segments will be even more popular in 2023, provided that the costs and strategies of financing investment projects adopted by banks do not prevent it.

2022 closed with the volume of €150 million transacted, which is the highest result recorded in Poland. Among 7 PRS transactions, 5 projects were located in Warsaw. The largest transactions in terms of volume regarded the acquisition of over 60 apartments in Żłota 44 and a purchase of Pereca 11 in Warsaw, as well as Trio in Cracow. Simultaneously, there are many ongoing PRS projects which have been the subjects of the forward funding agreements, what confirms the market's dynamics.



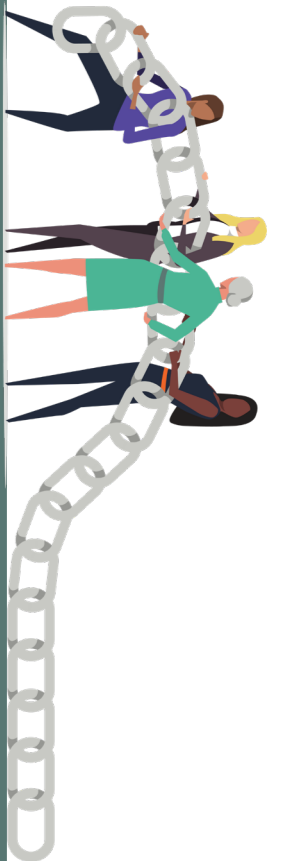
Looking Forward

It won't be smooth sailing

The market is in a situation where everyone is expecting discounts and this applies, with some exceptions, to almost all property segments. Therefore, property buyers expect tomorrow's price today, while sellers want to keep yesterday's values. The latter talk about rising costs and increasing risks, while the former do not need to rush at all. In Poland, owners are not forced to sell for financial reasons. In the West, where a transaction could close within a month, cash can be recovered quickly to pay off pressing debts. In Poland, transactions take much longer to close, so there are no typical opportunities.

The first half of 2023 will still be marked by a slowdown in the investment market, as some buyers wait for discounts. However, according to Avison Young, the number of transactions should increase in the second half of the year. Interest rate levels affecting financing should stabilise, what will be reflected in balanced prices.

What is on demand among the investors? Buyers are cautious, so the safest bet is to buy flats and retail parks with convenience offer that meets the basic needs. But there are also purchasers willing to buy warehouses, especially those well-located and secured by good leases, as well as office buildings in prominent locations. Lands for retail parks or good residential properties sold to institutional entities will remain interesting to investors.



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