

Warsaw

Q3 2019





Economy & Investment

4.3%



GDP Growth,
October 2019*

2.3%



Inflation, October 2019*
y-o-y

1.4%



Unemployment rate,
September 2019,
Warsaw

PLN 6,343



Average gross salary,
September 2019,
Warsaw

4.3%



Retail sales,
September 2019 y-o-y,
Poland

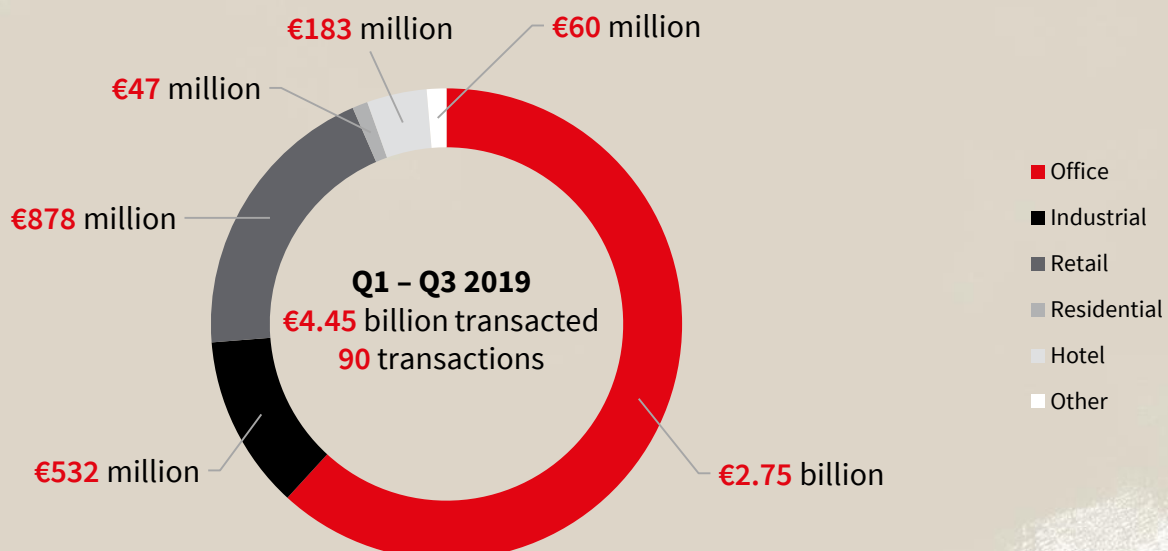
5.6%



Industrial production,
September 2019 y-o-y,
Poland

Source: Consensus Forecasts, October 2019, Central Statistical Office, September 2019, *forecast

Real estate investment market. Investment volume



Key takeaways:

- Investment volumes from Q1 to Q3 2019 amounted to €4.45 billion (the YTD volume as of 12/11/2019 even reached €5.62 billion), representing the second-best volume ever for this period. The volume for Q3 2019 alone was €1.73 billion.
- Asian capital accounted for over a quarter of acquisitions in terms of transaction volume, with the Polish office and industrial sectors attracting significant attention from far-eastern capital sources.
- Yields remained relatively stable across asset classes, with the office sector witnessing moderate yield compression from 4.5% to 4.25%. Core regional city yields stand at sub 6.00% and are expected to reach 5.5% territory by year-end.
- The best office investment result for the first three quarters (€2.75 billion) nearly matched the year-end result of 2018 (€2.79 billion), with the total volume certain to set an all-time record in 2019. For the first time ever, the office volumes in regional cities exceeded €1 billion. The entire spectrum of transactions ranging from core, core+, through to value-add and opportunistic was recorded. This remarkable activity is set to continue, with multiple large Warsaw office deals (over €250 million each) and regional transactions set to close this year. Over €2 billion worth of deals are currently in the marketing, DD or PSPA stage.
- The retail investment volume amounted to €878 million as of Q3, with the total volume to date (12 November 2019) reaching €1.755 billion.
- Prime shopping centre yields remain stable at 4.90% with prime retail park yields estimated at 6.80%.
- In the industrial sector, volumes in Q1-Q3 2019 were reported at €532 million. The Q3 volume of €158 million was the third-best result ever. We expect investment into logistics to continue at a strong pace with a few larger portfolios expected to trade by the year-end.
- Prime warehouse yields stand at 6.25% with exceptional, long leased assets trading at sub 5.00% and Warsaw inner city projects at around 5.50%.
- Hotel sector recorded a volume of €183 million in 2019 to date, already exceeding the result for the entire year 2018 (€119 million). Most notably, Sheraton Warsaw was purchased by Patron Capital from Benson Elliot and Walton Street for ca. €90 million.
- In the residential sector, LRC Group acquired 175 apartments in Pacific Residence (Solec 24) in Warsaw for ca. €47 million. The first student housing transaction in the Polish market was recorded, with a JV of Kajima & Griffin Real Estate purchasing Student Depot for nearly €60 million.
- Across the traditional sectors of office, retail, and industrial, the Q4 pipeline – committed, in due-diligence and in advanced marketing – is substantial, with the total Polish investment volume in 2019 expected to be close to the record level achieved last year.

Prime Yields

4.90%



Shopping centre

4.25%



Office

6.25%



Industrial

5.25%



Residential

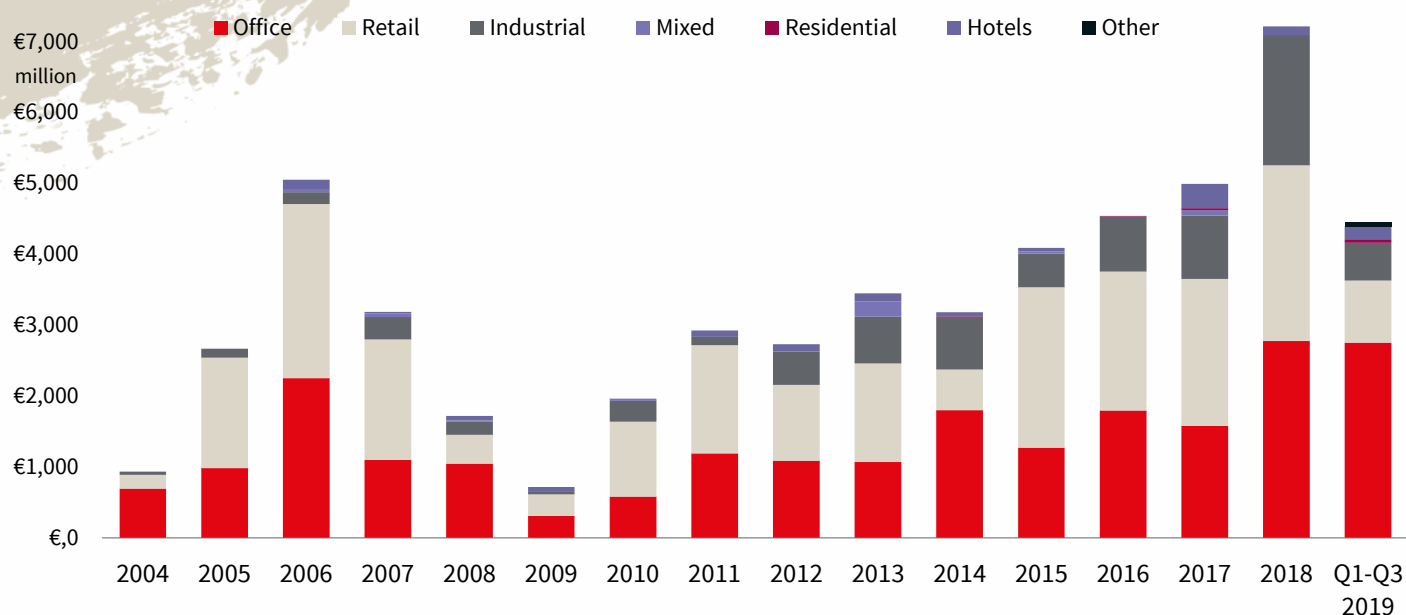
5.00%*



Hotel

*JLL estimate based on the market sentiment due to limited transactional evidence, assumes a 20 year lease

Poland Investment Volumes, Q3 2019



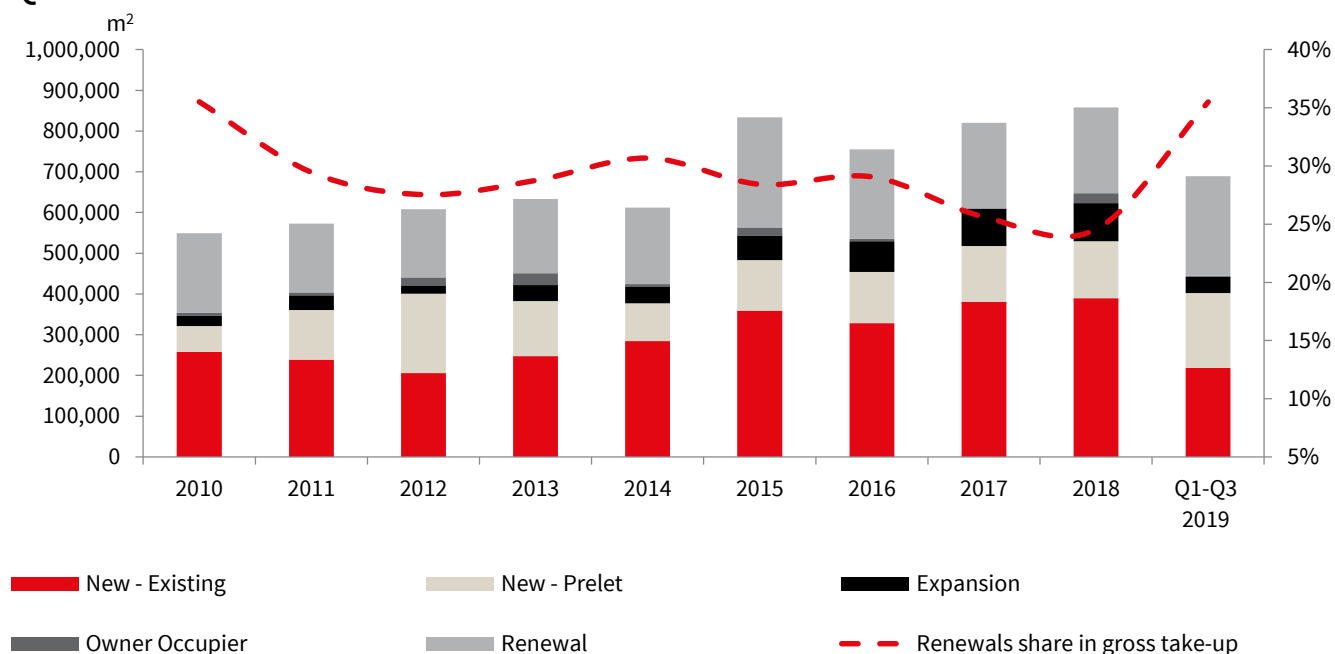
The total investment volume in Poland Q1-Q3 2019 exceeded €4.45 billion out of which 33% equal to €1.46 billion have been closed with JLL involvement.

Sector	Property name	Location	Approximate sale price (€ million)	Vendor	Purchaser
Office	Alchemia III (Argon)	Gdańsk	ca. 92	Tours	ISOC Holdings / Adarite Investments
Office	Warsaw Trade Tower	Warsaw	ca. 133	Akron	Globalworth
Office	West Station I&II	Warsaw	ca. 190	JV HB Reavis / PKP	Mapletree
Retail	M1 Bytom, M1 Częstochowa, M1 Radom, M1 Poznań	Variuos	224	Chariot Top Group BV	EPP
Industrial	Zalando Lounge Distribution Centre	Olsztynek	est. 85	Hillwood	Hines/IGIS AM
Industrial	Amazon Wrocław, Eurocash Konin	Wrocław, Konin	est. 130	Blackstone	Hines/Mirae
Office	EPP Office Portfolio (70%)	Various	Undisclosed	EPP	Henderson Park
Office	Ethos	Warsaw	115	Kulczyk Silverstein Properties	Credit Suisse
Retail	Atrium Felicity, Atrium Koszalin	Lublin, Koszalin	298	Atrium European Real Estate	ECE
Office	Warsaw Spire Tower	Warsaw	386	JV Ghelamco / Madison International Realty	Immofinanz
Office	Silesia Star, Retro Office House	Katowice, Wrocław	113	LC Corp	Globalworth
Office	Astoria	Warsaw	110	Strabag	Credit Suisse
Retail	Rocky Portfolio (Centrum Janki, Centrum Ursynów, Korona, Ster, Rondo, hypermarkets in Tulipan and Kometa)	Warsaw, Wrocław, Szczecin, Bydgoszcz, Łódź, Toruń	ca. 600	Cromwell Fund Investors	Cromwell
Office	Equator IV	Warsaw	Undisclosed	Karimpol	CPI Group

Source: JLL, 2019 YTD, Note: JLL advised party highlighted in bold

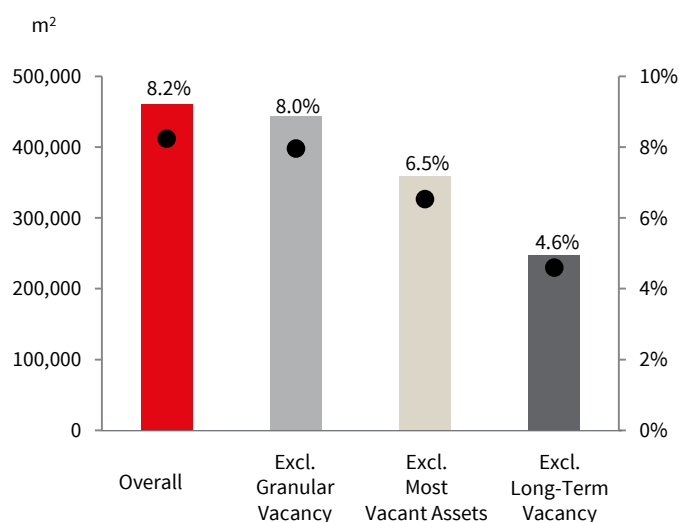
Office Market

Evolution of Gross Take-up, 2010 – Q3 2019



Source: JLL, Q3 2019

Adjusted Vacancy*, Q3 2019



Source: JLL, Q3 2019

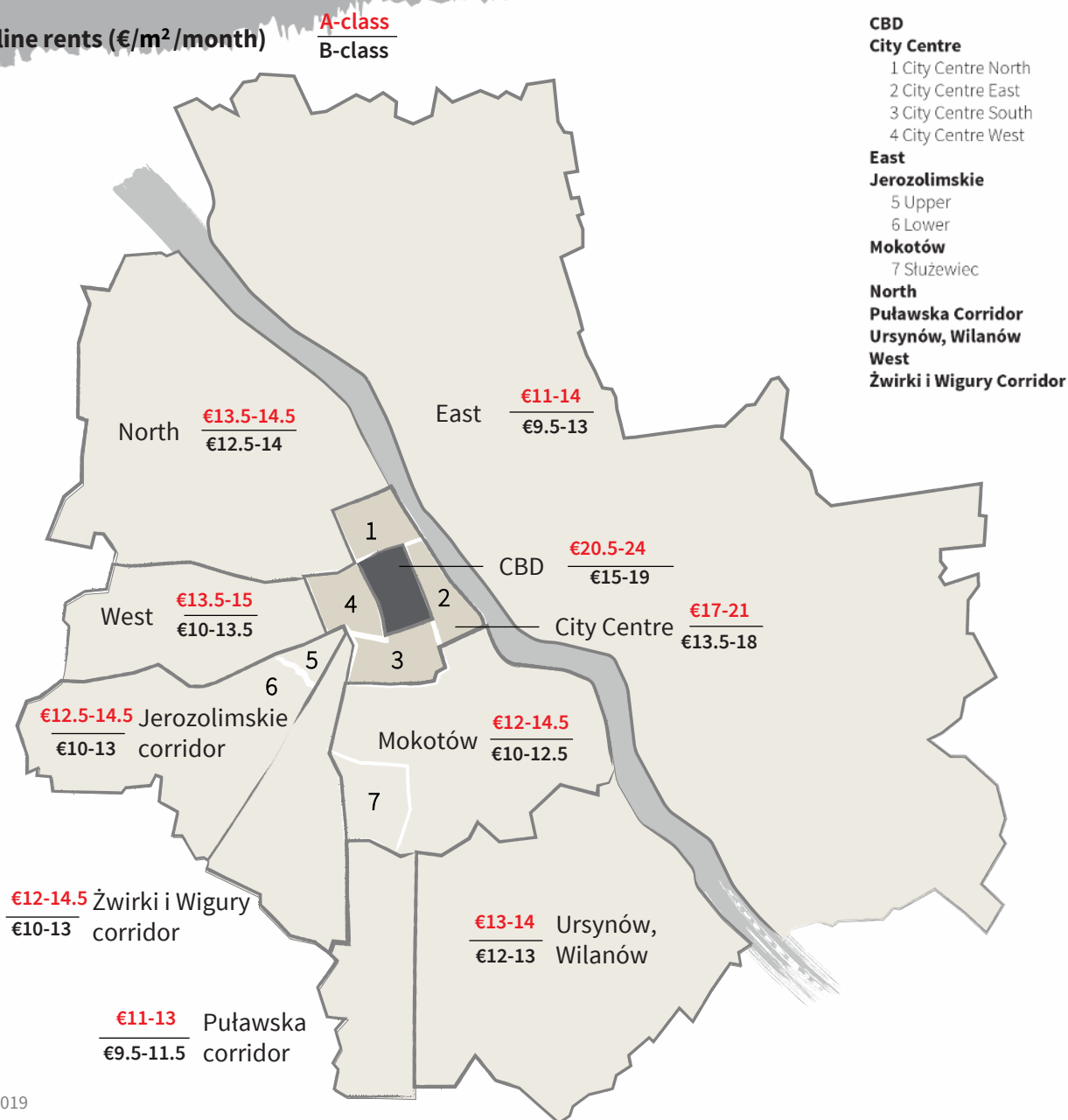
- 2019 will most definitely be a year to remember. There are already eleven lease transactions exceeding 10,000 m² and two of those are bigger than 40,000 m². Warsaw is once again confirming its business attractiveness and leading position in the CEE region.
- Q3 2019 was record-breaking in terms of demand for office space in Warsaw (more than 284,000 m² transacted on), which brought the Q1-Q3 total to an astonishing 689,300 m².
- Robust demand for offices in Warsaw drives the building frenzy in the capital. The new supply in Q1-Q3 2019 reached 142,300 m², in fifteen buildings.
- The vacancy rate decreased to 8.2% in Warsaw (5.5% in Central zones and 10.0% in Non-Central zones of the city), which is a fall of 1.8 p.p. y-o-y. Such a vacancy rate translates into scarce large lease option throughout the city, especially in the centre, and encourages pre-letting activity: otherwise it is increasingly difficult to secure desired office space.
- Prime headline rents rose in the central areas of Warsaw, due to the high demand, the low vacancy rate and increasing construction costs.

* **Adjusted Vacancy Rate** represents completed floorspace offered on the market for leasing, vacant for immediate occupation on the survey date within the market, excluding the floorspace that can be regarded as unattractive given the current market conditions.

The rate was calculated using three different approaches i.e. either:

- by subtracting from the overall vacancy the „granular vacancy” (i.e. units smaller than 500 m²), or
- by subtracting from the overall vacancy the most vacant assets, or
- by subtracting from the overall vacancy the long term vacancy (i.e. units vacant for more than two years).

Prime headline rents (€/m²/month)



Source: JLL, Q3 2019

Key completions in Q1-Q3 2019

Qtr	Property	Submarket	Size (m ²)
Q3	Wola Retro	West	24,500
Q2	Moje Miejsce B1	Mokotów	18,700
Q3	Generation Park Z	City Centre	17,300
Q1	Spark B	City Centre	15,700
Q2	Vector+	North	13,700

Source: JLL, Q1-Q3 2019

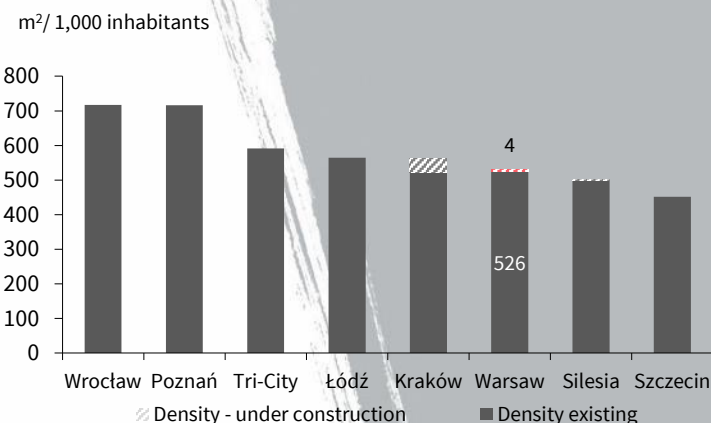
Key Leasing Transactions in Q1-Q3 2019

Qtr	Property	Occupier	Contract type	Deal size (m ²)
Q3	Mennica Legacy Tower	mBank	Pre-let	45,600
Q3	Miasteczko Orange	Orange Polska S.A.	Renewal	44,800
Q3	Marynarska 12	T-Mobile	Renewal	27,400
Q2	The Warsaw HUB	Getin Noble Bank	Pre-let	18,500
Q2	The Warsaw UNIT	Warta	Pre-let	17,600

Source: JLL, Q1-Q3 2019

Retail Market

Shopping centre density per 1,000 inhabitants



* data as of November 2019

Prime rents (€/m²/month)



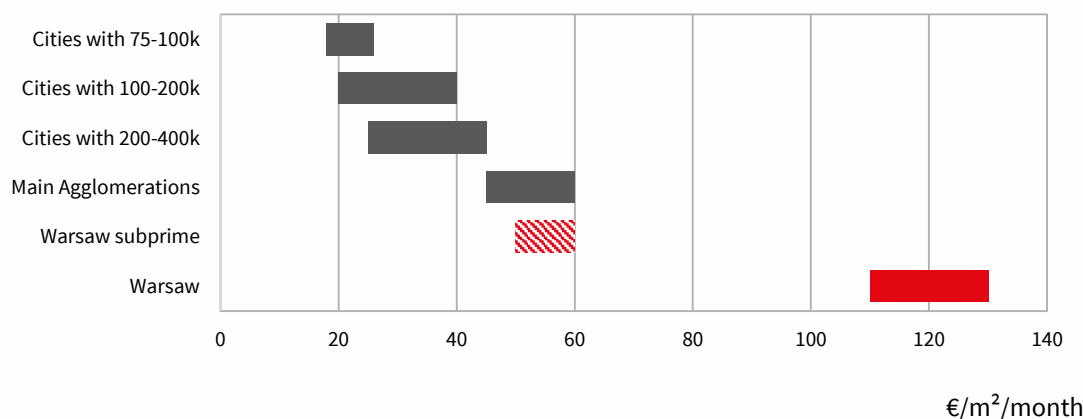
* Prime rents relate to a well located 100 m² unit shop from the fashion and accessories category in leading retail assets in capital city (for retail parks – 2,000 m² units).

Retail supply and „subprime” rents in Warsaw shopping centres

At the end of Q3 2019, the modern retail stock in Warsaw Agglomeration totalled 1.97 million m² with shopping centres representing 71% of the stock (1.39 million m²). The remaining formats include retail parks and warehouses (27%; 523,000 m²), and outlet centres (3%; 57,000 m²).

After Q2 2019 brought the most anticipated opening of Galeria Młociny, Q3 was rather modest in terms of new retail supply. The only opening recorded in Q3 was Centrum Janki extension (+12,000 m² of GLA), which now offers over 94,000 m² of GLA and ranks second biggest (after Westfield Arkadia) shopping centre in the Warsaw Agglomeration. Together with retail stock delivered in H1 2019, the retail market in Warsaw Agglomeration grew by 103,000 m² of GLA in Q1-Q3 2019. By the end of this year the total retail stock is expected to slightly grow by additional 1,200 m² of GLA as the extension of Gondola shopping centre in Legionowo, where Helios is about to open its third cinema in the Warsaw metropolitan area.

Shopping centres prime rents (i.e. for units of 100 m² earmarked for fashion and accessories, located in the best performing assets in a given city in Poland) differ not only among cities clustered by population classes, but also in Warsaw itself. As prime rents in Warsaw refer only to the three best performing assets, a subprime rent category has been created for the capital city to differentiate well-performing assets from the top three shopping centres and give a better outlook of rental situation in Warsaw.



Subprime rent in Warsaw is currently at the level similar to regional cities and ranges between €50 and €60/m²/month.

Source: JLL, Q3 2019

Not only retail supply changed during Q3. The biggest shopping centre in Warsaw Agglomeration, currently owned by Unibail-Rodamco-Westfield (after the merger of consortiums), has been recently renamed into Westfield Arkadia. Westfield brand was introduced to the European market rebranding the best-performing assets. In the second phase of rebranding also Galeria Mokotów is planned to change its name. Moreover, CK 61 retail park owned by Octava Property Trust after comprehensive modernization and recommercialization was introduced to customers as Okęcie Park.

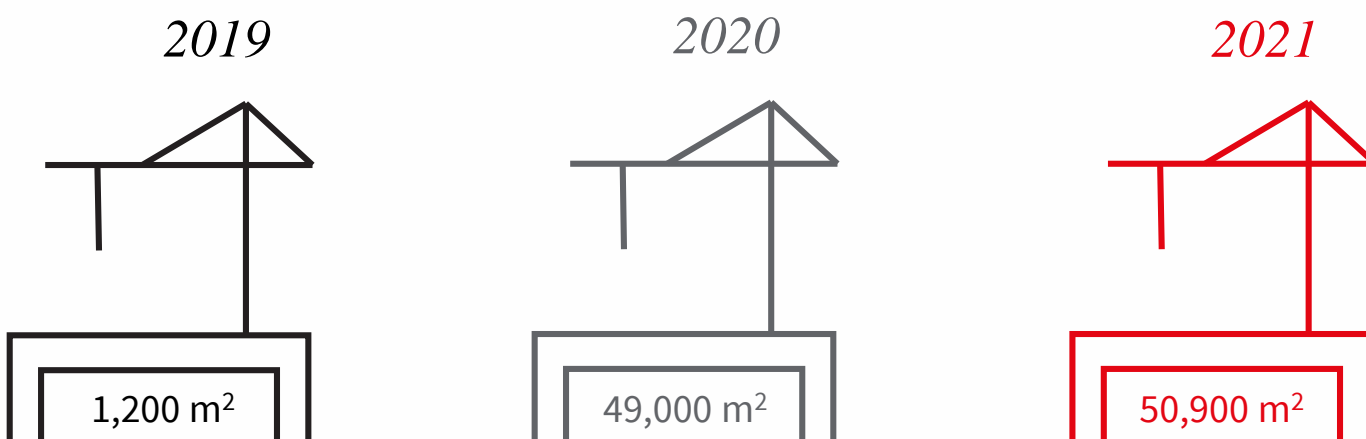
Warsaw remains the bridgehead for debuts for numerous foreign brands, especially those looking for prestigious locations. In Q3 2019, 4 of 6 brands entering Polish market chose Warsaw to introduce their stores: South Korean LG brand store and 10DAYS Amsterdam, offering Dutch women's fashion, chosen Klif as the place to open their stores, while Italian fashion stores Corneliani and Fabia Filippi located in Ethos Plac Trzech Krzyży Square. Nevertheless, the most awaited debut is expected in 2020: Primark, the fashion store from Ireland, will open its first store in Galeria Młociny.

Parallely, several brands decided to withdraw from the Polish market, however these decisions were often the results of global strategies and international bankrupts. Cubus, the Norwegian fashion brand, has closed its stores and currently operates in its ultimate location in Plac Unii City Shopping. American Forever 21 still trades in 3 locations in Warsaw but also announced withdrawal from the Polish market. British toy shop, Hamleys, just after two years in the Polish market has decided to close its only store in Galeria Północna in Warsaw. However, the firm does not rule out opening stores in different locations across Poland.

Schemes under construction in the Warsaw Agglomeration*

Property	Format	Developer	Size (m ²)
Fabryka Norblina	Mixed-Use Development	Capital Park	24,000
Bohema	Mixed-Use Development	Okam Capital	16,600
Elektownia Powiśle	Mixed-Use Development	White Star Real Estate/ Tristan Capital Partners	15,500
Varso	Mixed-Use Development	HB Reavis	10,300
Galeria Kupiecka in Otwock	Shopping Centre	Wot Invest	10,000
Retail Park in Nowe Babice extension	Retail Park	RWS Investment Group	+6,500
Browary Warszawskie	Mixed-Use Development	Echo Investment	6,000
Prochownia Łomianki	Retail Park	Ghelamco	5,500
The Warsaw Hub	Mixed-Use Development	Ghelamco	5,500
Gondola Legionowo	Shopping Centre	Jerzy Petz	+1,200

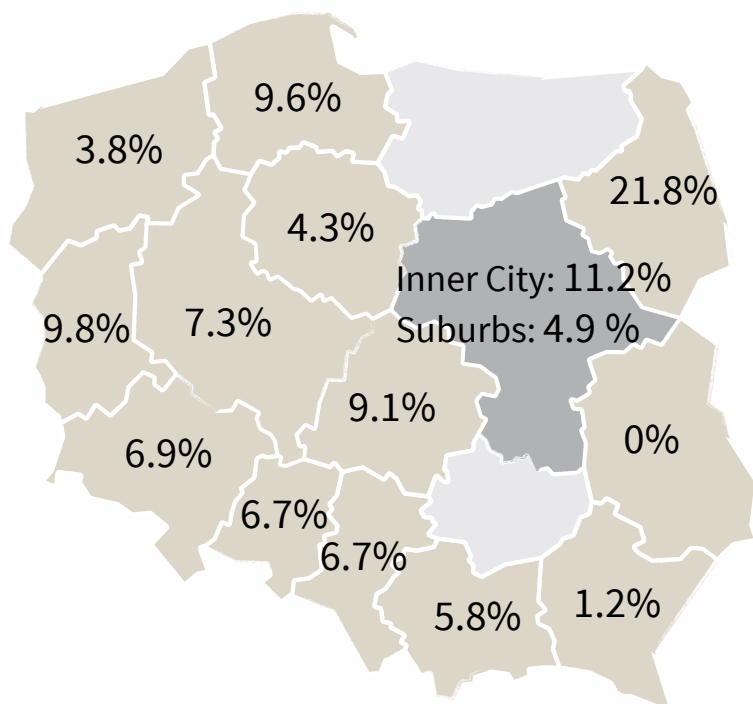
Quantum of space under construction with completion scheduled for the following years*



* Including all retail formats, status as of November 2019

Industrial Market

Vacancy Rate in Poland: 7.0%

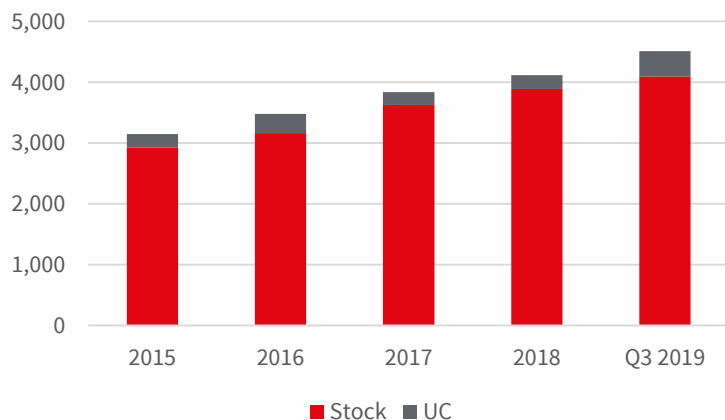


Source: JLL, Q3 2019

- Warsaw with total existing stock of over 4 million m² remains the largest industrial market in Poland (23% of total supply).
- The stock is mostly concentrated in the suburbs, 83% of space is located there.
- New completions seen in Q1-Q3 2019 summed up to 207,000 m².
- At the end of September 2019, Warsaw construction pipeline stood at almost 420,000 m², which translated into almost 22% of total industrial space being constructed in Poland.
- Strong gross take-up of almost 820,000 m², noted in Q1-Q3 2019 period, placed Warsaw on the first place among Poland's markets with 33% share.
- Prime headline rents remained relatively stable, noting only a minor increase in selected prime assets.
- The road connectivity is rapidly improving with the construction of the southern ring road (S2) and new exit roads S7 and S8 in the south western part of Warsaw.

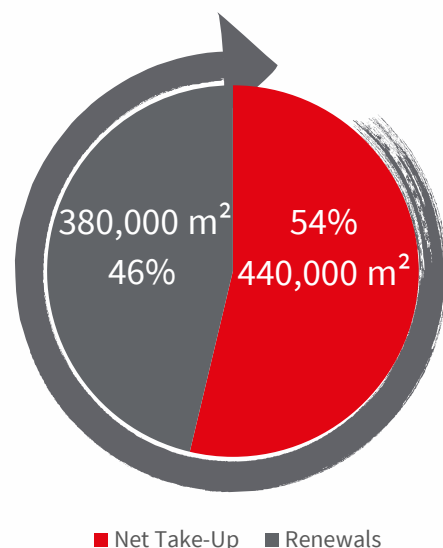
Supply (000' m²)

Warsaw Inner City & Warsaw Suburbs zones combined



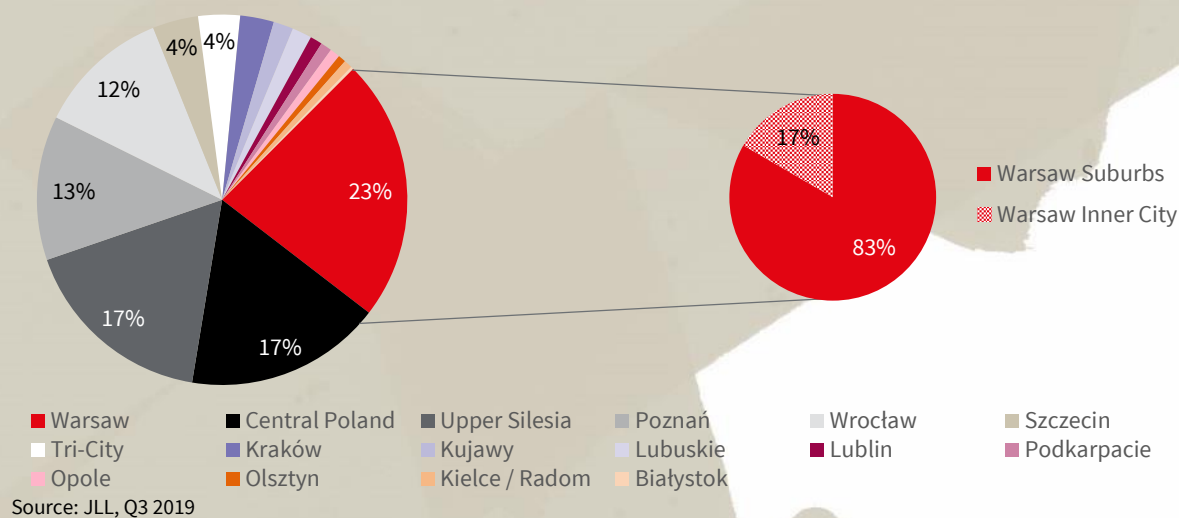
Source: JLL, Q3 2019

Demand in Warsaw Q1-Q3 2019



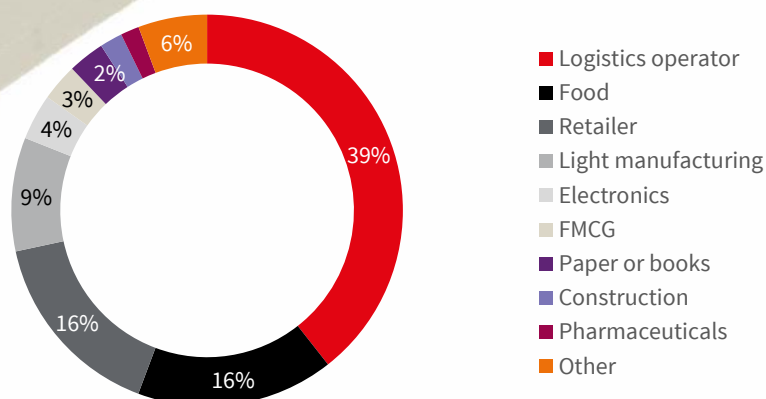
Source: JLL, Q3 2019

Industrial stock in Poland (m²)



Net take-up by sector, Q1-Q3 2019 (m²)

Warsaw Inner City & Warsaw Suburbs zones combined



Key transactions, Q1-Q3 2019

Tenant	Property	Size (m ²)	Deal Type	Sector
Pepsico	P3 Mszczonów	58,500	New deal	Food
ID Logistics	P3 Mszczonów	46,200	Renewal	Logistics operator
P&G	Park Sochaczew	38,000	Renewal	FMCG
Raben	A2 Warsaw Park Grodzisk	30,100	New deal	Logistics operator
Logwin	Logicor Piaseczno	30,000	Renewal	Logistics operator

Prime rents* (€/m²/month)

Zone	Headline Rents	Effective Rent
Warsaw Inner City	4.30 – 5.25	3.50 – 4.60
Warsaw Suburbs	2.70 – 3.80	2.00** – 2.80

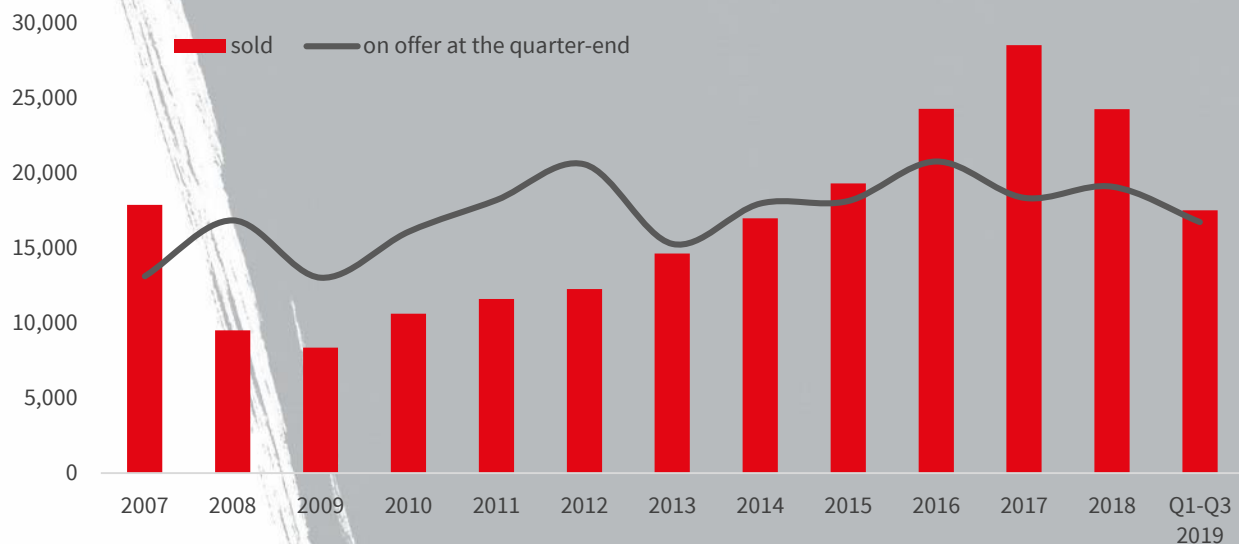
*as of end Q3 2019

** including Błonie subzone

Source: JLL, Q3 2019

Residential Market

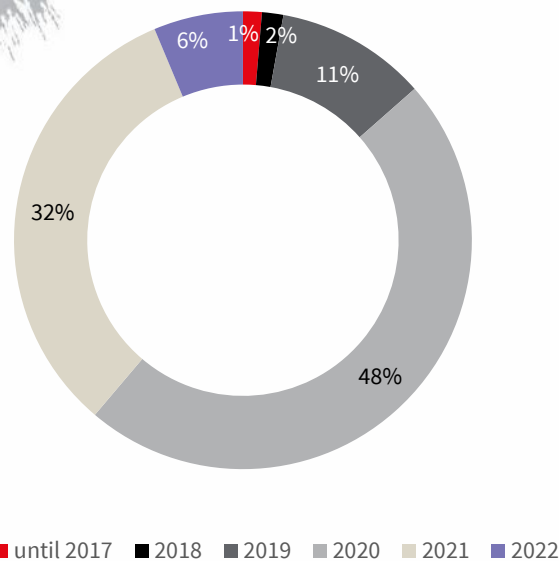
Flats sold annually vs. offer at the quarter-end



Source: JLL, Q3 2019

- Sales on the Warsaw market are still at a very high level, and the increase in prices confirms the advantage of demand over supply.
- The number of units on offer over the last three months decreased by 3.2% and amounted to 16,700 units at the end of the quarter.
- In the first three quarters of 2019, the supply of new units in Warsaw was approx. 7% lower than the supply volume in the corresponding period of 2018. In the last three quarters, 14,500 new units were launched for sale.
- The sales were slightly lower than in the record year 2017, but still did not fall below 5,000 units quarterly.
- The average price of units on offer is still growing. At the end of Q3 2019 it stood 10,400 PLN/m² - the highest level in the history of the market in Warsaw. The quarterly increase in prices of units on offer, recorded since the beginning of 2017, is relatively regular and amounts to approximately 3% on average.
- In Q3 2019, the largest share in the offer was represented by the price range of 7,000–8,000 PLN/m² (18.4%). In Q3 2019, the second largest share in the offer was represented by the price range of units exceeding 13,000 PLN/m² (17.1%).
- The share of ready units in the offer grew slightly compared to previous quarter to 7% (1,111 ready and unsold units on offer).

Structure of the current market offer according to the projects' delivery date declared by the developer



Source: JLL, Q3 2019

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