



# Warsaw

## City Report

Q4 2019



# Economy & Investment

3.4%



GDP Growth,  
January 2020\*

3.1%



Inflation, January 2020\*  
y-o-y

1.3%



Unemployment rate,  
December 2019,  
Warsaw

PLN 6,763



Average gross salary,  
December 2019,  
Warsaw

5.7%



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

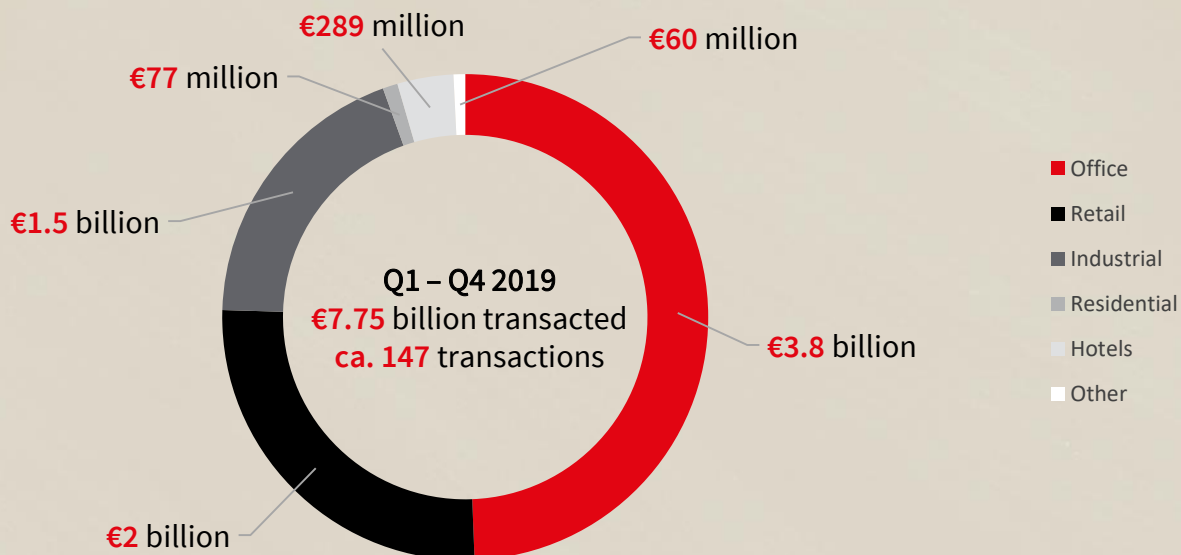
3.8%



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

Source: Consensus Forecasts, January 2020; Central Statistical Office, December 2019, \*forecast

## Real estate investment market. Investment volume



## Key takeaways:

- With €7.75 billion of total transacted volumes, 2019 was for the Polish investment market another record breaking year, outpacing the previous best-ever market result of 2018 by over €500 million.
- 2019 shown an increase of activity of European investors, which were responsible for almost 50% of the deals (27% in 2018). The interest of Asian capital stayed stable and, similarly to 2018, reached the level of ca. 20% of overall investment volumes.
- Yields remained relatively stable across asset classes, with the office sector witnessing yield compression from 4.5% to 4.25% in Warsaw and from 6.00% to 5.50% in major regional cities.
- Office investment volumes increased by 37% compared to 2018 (€2.79 billion), marking the best result ever in the history of the Polish office investment market. 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. We expect the investors' interest for core and core+ product in office sector in Poland to continue in 2020. However, the dynamics and envisaged transaction volumes will be clearly determined by the availability of this type of investment products on the market.
- Following the impressive, record result of €2.50 billion of retail space in Poland transacted in 2018, the 2019 result is similar to the 2016 and 2017 retail volumes. However, unlike 2018, when 75% of overall volume (€1.86 billion) was transacted in the first half of the year, the second half of 2019 was much stronger in terms of transaction volume. JLL estimates that retail assets worth about €1.59 billion were traded in H2 2019, which pushed the annual investments in retail in 2019 to €2.02 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 2019 were reported at €1.48 billion. This number includes ca. € 400 million attributable to forward transactions of Panattoni. We expect investment in logistics to continue at a very strong pace with a record level Q1 volume that is already exceeding € 400 million.
- 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%.
- The Polish investment market witnessed 6 hotel deals with a total volume of €289 million in 2019. This performance more than doubled the 2018 result (€119 million). Two most notably deals were Sheraton Warsaw, which was purchased by Patron Capital from Benson Elliot and Walton Street for ca. €90 million in Q1 as well as Radisson Collection Warsaw traded in Q4 by Europa Capital to the Norwich investor Wenaasgruppen.
- Two most noteworthy finalized transactions in the residential sector were 175 apartments in Pacific Residence (Solec 24) in Warsaw acquired in Q1 by LRC Group from Euro-City for ca. €47 million and Trio Kraków sold in Q4 by Hines to Catella for ca. €21 million. LRC Group and Atrium European Real Estate have also signed an agreement with Golub Gethouse for acquisition of 170m tall residential tower which is to be developed on Grzybowska street in Warsaw. Construction works are scheduled to start in 2021.

## Prime Yields

4.90%



Shopping centre

4.25%



Office

6.25%



Industrial

5.25%



Residential

5.00%\*

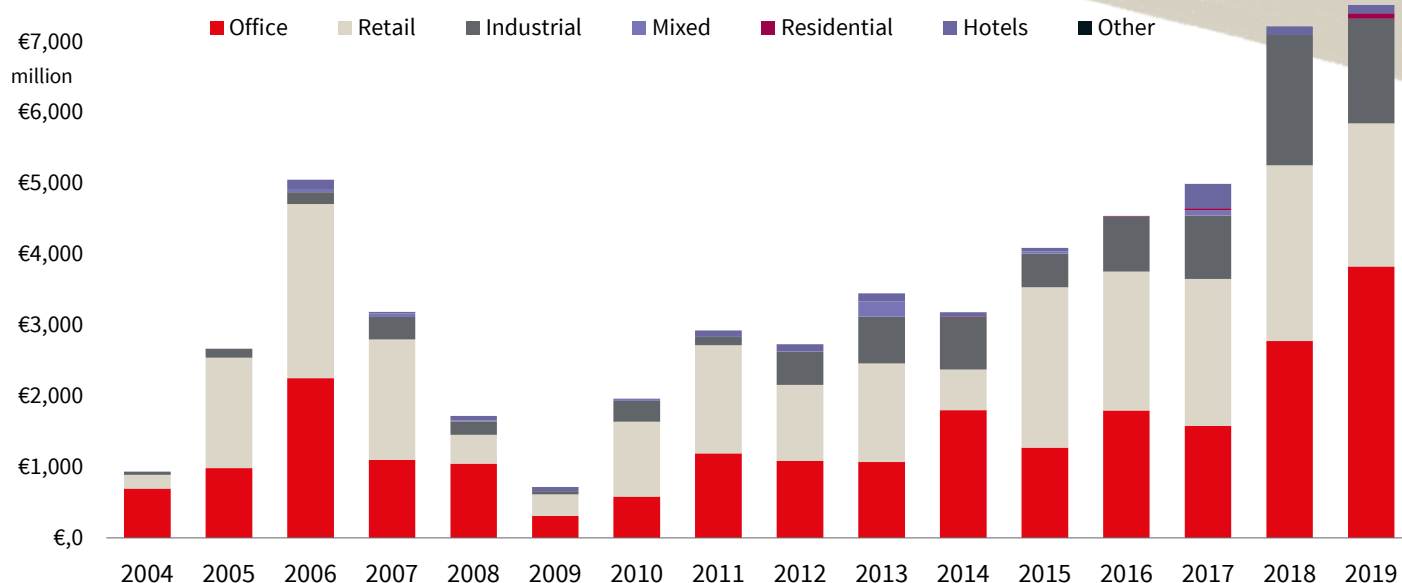


Hotel

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



## Poland Investment Volumes, 2019



Source: JLL

The total investment volume in Poland 2019 amounted to €7.74 billion out of which 31.5% equal to €3.33 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	<b>ISOC Holdings / Adarite Investments</b>
Office	Warsaw Trade Tower	Warsaw	ca. 133	Akron	Globalworth
Office	West Station I&II	Warsaw	ca. 190	<b>JV HB Reavis / PKP</b>	Mapletree
Retail	M1 Bytom, M1 Częstochowa, M1 Radom, M1 Poznań	Various	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	Ethos	Warsaw	115	Kulczyk Silverstein Properties	Credit Suisse
Office	Silesia Star, Retro Office House	Katowice, Wrocław	113	LC Corp	Globalworth
Office	Astoria	Warsaw	110	Strabag	Credit Suisse
Office	EPP Office Portfolio (70%)	Various	Undisclosed	EPP	Henderson Park
Retail	Atrium Felicity, Atrium Koszalin	Lublin, Koszalin	298	<b>Atrium European Real Estate</b>	ECE
Office	Warsaw Spire Tower	Warsaw	386	<b>JV Ghelamco / Madison International Realty</b>	Immofinanz
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
Retail	Newbridge Portfolio	Various	Undisclosed	Newbridge	<b>Benson Elliot</b>
Retail	Posnania (27%)	Poznań	Undisclosed	Fonciere Euris	Apsys
Office	Warsaw Financial Centre	Warsaw	ca. 275	<b>Allianz / TCP</b>	CPI Group
Office	Eurocentrum	Warsaw	ca. 255	Capital Park	<b>CPI Group</b>
Industrial	Barn Portfolio	Various	175	7R	GLL Partners
Industrial	Amazon Bolesławiec, Amazon Łódź	Wrocław, Łódź	170	Invesco	CNIC

# Hotel Market

## Hotel Market Highlights

Q4 2019 Room Supply

▲ +5.8%  
year-on-year change

17,681

% of Branded Rooms



64%

2019 Passengers at  
Chopin Airport

▲ +6.2%

18.9m

Source: JLL

## Another Good Year for Warsaw Hotels

2019 was yet another great year for Warsaw hotels. Submarkets are expanding fuelled by growing interest from international hotel groups. Big hotel names enter landmark Warsaw projects – The HUB, Varso Place and Powiśle Powerhouse Station amongst them. Institutional investors are moving in to capitalise on the growing sentiment for Warsaw hotels.

In 2019 nearly 1,000 bedrooms were added to the Warsaw hotel market. The most significant openings included:

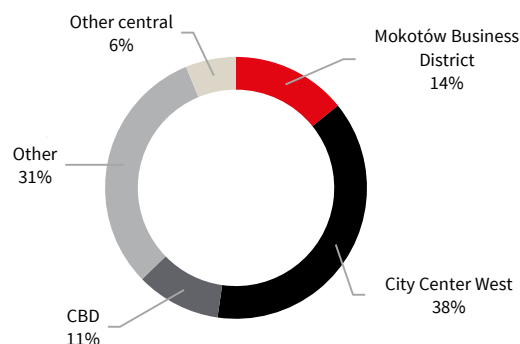
- PURO – a 148-bedroom lifestyle hotel on Widok.
- MOXY Warsaw Praga – 141-bedroom funky hotel in a revitalised Warsaw Vodka Factory.
- Four Points by Sheraton Warsaw Mokotów – 190-bedroom hotel in the business district.
- Vienna House Mokotów – 164-bedroom design-led business hotel.
- Motel One Warsaw Chopin – 333-bedroom hotel in the vicinity of Old Town - Polish debut of the acclaimed German chain.

In addition the Spanish Group Barcelo announced their first project in Warsaw (under the Occidental brand) at Powiśle Powerhouse Station. The group will be joined by Meininger from Germany, who has also secured their first project in Warsaw. New Accor brand, TRIBE will occupy the former Orbis offices at Bracka.

The market is becoming more diverse with a greater proliferation of the hotel product. Alongside various lifestyle concepts, which have been taking the wider hotel market by storm, Warsaw will soon welcome first extended stay hotel concepts (Residence Inn, Tulip Residences and Staybridge Suites) as well as hostels (A&O, Safestay and Meininger).

New high-profile entries are re-defining the hotel status of Warsaw. Following the opening of an ultra-luxury Raffles, a world-renowned Nobu backed by Robert de Niro is soon to open at the former Hotel Rialto on Koszykowa.

## Warsaw Hotel Pipeline by District



Best in class hotels achieve ADRs above €120 whilst centrally-located 4\* hotels currently report ADRs in the region of €75. City-wide occupancy is at circa 75%.

## Investment Sentiment

In 2019, two significant hotel transactions completed in Warsaw (both on the basis of management agreements):

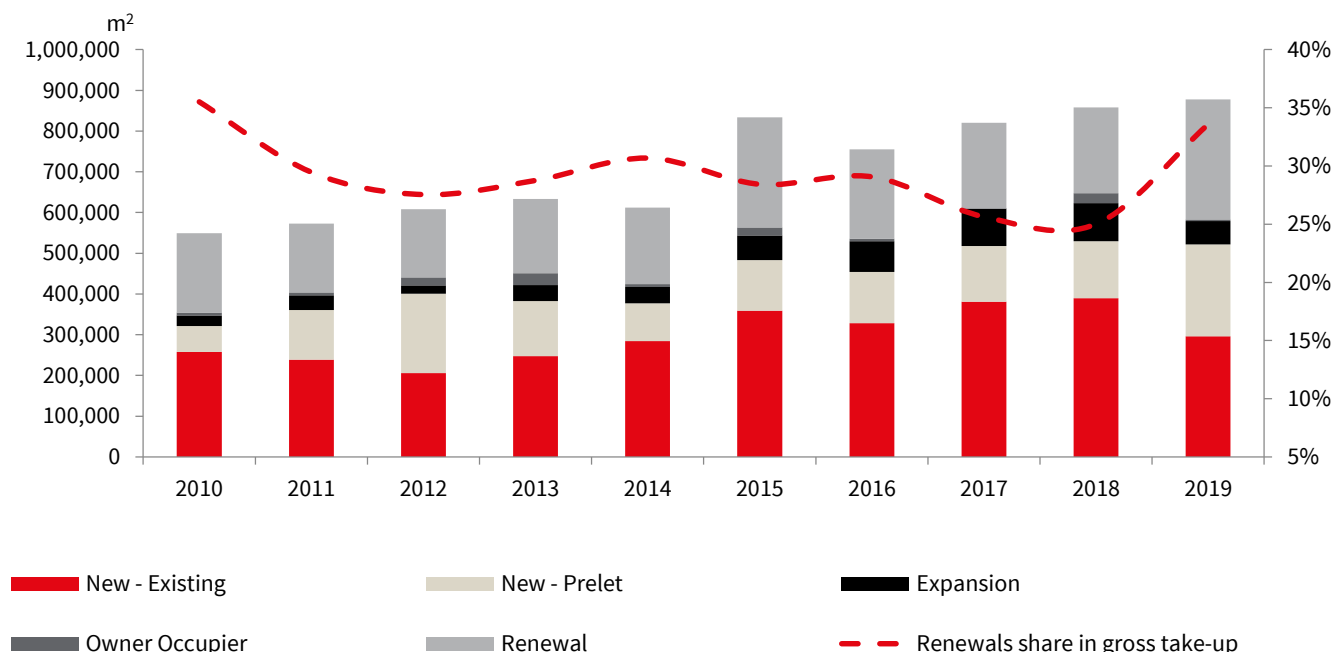
- In December 2019, JLL Hotels & Hospitality Group advised Europa Capital on the sale of a 5-star Radisson Collection to Wenaas Hotels Europe A/S, part of Wenaasgruppen for ca €85 million.
- In March 2019, 5 star Sheraton Warsaw was acquired by Patron Capital from a consortium of Benson Elliot and Walton Street and Schroders Hotels for ca. €90 million.

Whilst we are yet to see direct hotel leases transacting, the current sentiment is at circa 5% for the strongest covenants and prime locations.

We are to see more Warsaw hotels changing hands in 2020.

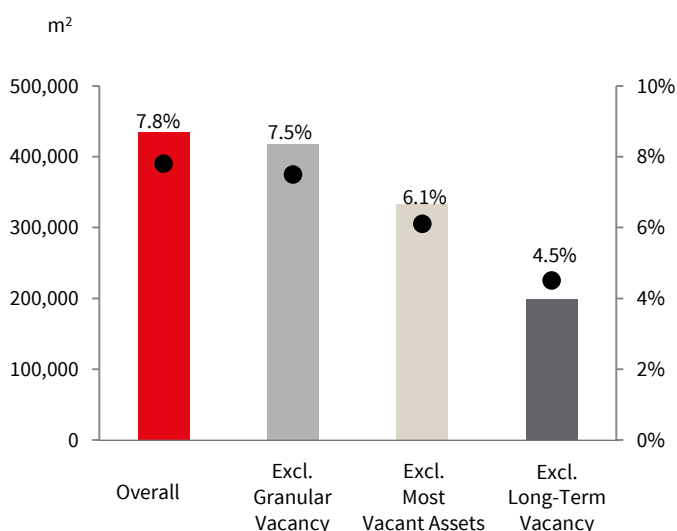
# Office Market

## Evolution of Gross Take-up, 2010 – 2019



Source: JLL, Q4 2019

## Adjusted Vacancy\*, Q1-Q4 2019



Source: JLL, Q4 2019

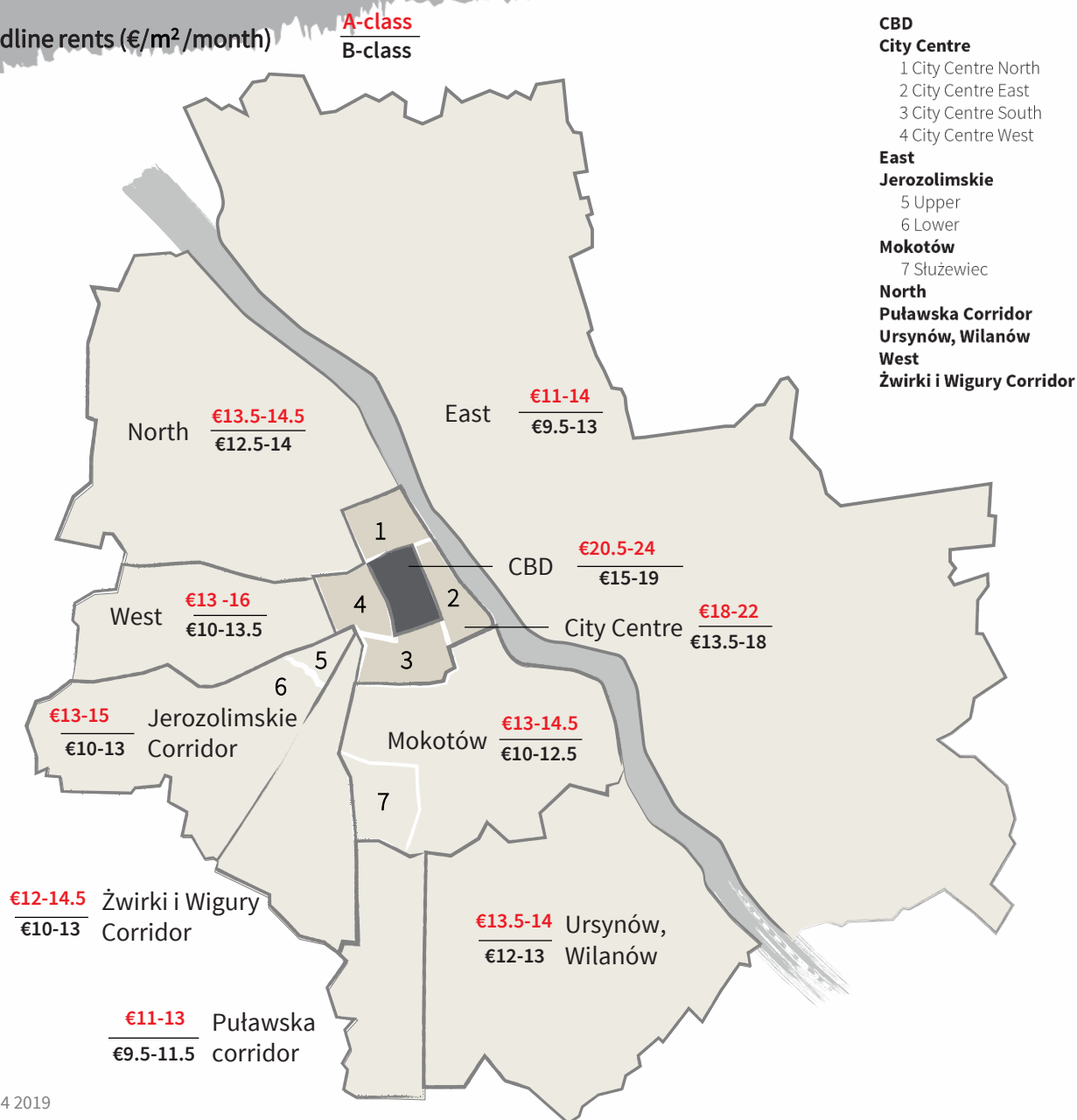
- 2019 will most definitely be a year to remember. Following favourable market conditions, there were twelve lease transactions exceeding 10,000 m² with two of those bigger than 40,000 m². Warsaw is once again confirming its business attractiveness and leading position in the CEE region.
- 2019 saw an all-time-high result in terms of demand for office space in Warsaw with 880,000 m² transacted on and financial companies being responsible for 23% of the total demand.
- 2019 was very busy for flexible spaces operators: 50,000 m² of new flex space opened last year, including the largest flex centre in Poland, 14,200 m² by WeWork in Mennica Legacy.
- The vacancy rate decreased to 7.8% in Warsaw (5.3% in Central zones and 9.4% in Non-Central zones of the city), which is a fall of 0.9 p.p. y-o-y. The scarcity of existing lease options translated into large companies considering pipeline developments to a greater extent and consequently the surge of pre-letting activity (as much as 225,000 m² came from pre-lets).
- 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 (€/m<sup>2</sup>/month)



Source: JLL, Q4 2019

## Key completions in 2019

Qtr	Property	Submarket	Size (m <sup>2</sup> )
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
Q4	Mennica Legacy West	City Centre	14,900

Source: JLL, Q1-Q4 2019

## Key Leasing Transactions in 2019

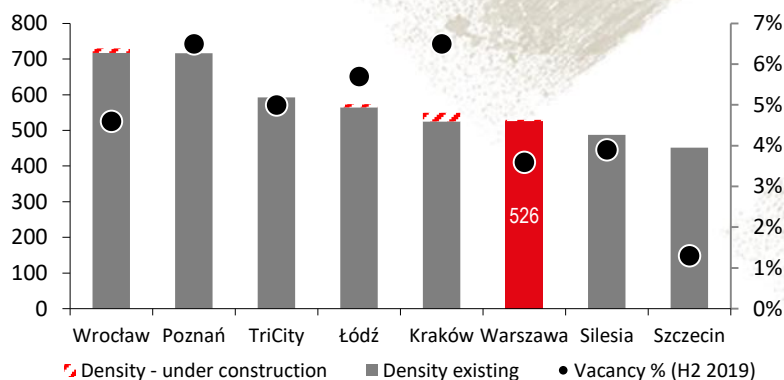
Qtr	Property	Occupier	Contract type	Deal size (m <sup>2</sup> )
Q3	Mennica Legacy Tower	mBank	Pre-let	45,600
Q3	Miasteczko Orange	Orange Polska S.A.	Renewal	44,800
Q3	Marynarska 12	T-Mobile	Renewal	27,400
Q4	Chmielna 89	PKO BP	Pre-let	24,000
Q2	The Warsaw HUB C	Getin Noble Bank	Pre-let	18,500

Source: JLL, Q1-Q4 2019

# Retail Market

## Shopping centre density per 1,000 inhabitants and vacancy rate (%)

Density (m<sup>2</sup>/ 1,000 inhabitants)



\* data as of February 2020; vacancy rate as of H2 2019 for shopping centre format

## Prime rents (€/m<sup>2</sup>/month)

115-135



Shopping centres

9.5-12



Retail Parks

80-90



High street

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

At the end of 2019, vacancy rate in 43 shopping centres operating in Warsaw Agglomeration stood at 3.6%. This ratio is one of the lowest among major Polish metropolitan areas and ranks Warsaw second (3.7%) after Szczecin (1.3%)

As of February 2020, shopping centre density amounted to 526 m<sup>2</sup> per 1,000 inhabitants in Warsaw Agglomeration, placing Warsaw ex aequo with Kraków as the moderately saturated market. After completion of Galeria Kupiecka in Otwock (the only one shopping centre on the construction stage in Warsaw Agglomeration planned to be opened in March 2020) the density will grow slightly, reaching 530 m<sup>2</sup> per 1,000 inhabitants.

Further changes in the density ratio, as well as vacant size, may occur due to Tesco chain restructuring. The British FMCG has been operator gradually closing unprofitable locations and limiting hypermarket sales areas. Changes regard all locations in Warsaw metropolitan area.

## Big scale retail schemes completed in Warsaw Agglomeration in Q1-Q4 2019

Property	Format	Developer	Size (m <sup>2</sup> )
Galeria Młociny	Shopping Centre	EPP	78,500
Centrum Janki extension	Shopping Centre	Cromwell Property Group	+12,000
Hotel Raffles Europejski (groundfloor retail)	Mixed-use development	Hesa	2,700
Gondola Legionowo extension	Shopping Centre	Jerzy Petz	+1,200
Leroy Merlin Jabłonna	Stand-alone warehousing, DIY	Leroy Merlin	12,500
Leroy Merlin Urban	Stand-alone warehousing, DIY	Leroy Merlin	10,000

Source: JLL, Q4 2019



Altogether, there were 20 international brands that opened their first stores in Poland last year, and 13 of them chose Warsaw as a place for the debut and as a bridgehead for potential further expansion. Three of newcomers located their stores in Warsaw high streets, i.e. Hermes in Hotel Europejski, Gagliardi and Fabia Filippi in Ethos (Plac Trzech Krzyży Square). Expansion by international brands usually starts in Warsaw or possibly one of the major Polish cities, such as Gdańsk, Kraków, and Wrocław, and the decision to open stores in other cities most often comes after a trial period.

Brands which decided to start their business in Warsaw in 2019 included iconic luxury brand Hermes from France, Under Armour sport clothes from the USA, Mayoral offering kids fashion from Spain, German Lloyd shoes or Gagliardi with exclusive men's fashion from Malta, to name just a few.

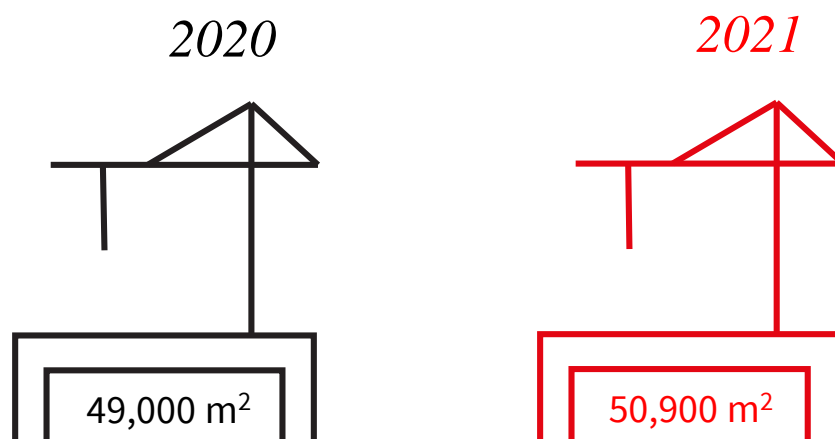
The increasing retail density in Poland results in location optimisation and consolidation (maximisation of turnover in stationary stores, avoidance of cannibalisation), which translates into a longer process of negotiation/ renegotiation. Retailers are more careful regarding new openings, concentrating on smart chain optimization.

In terms of rental conditions in Warsaw Agglomeration, prime rents in shopping centres have slightly grown over the year. They peak at €135/ m<sup>2</sup>/ month, reaching €60 in terms of sub-prime rents. The difference in rental levels between prime assets and the second-best schemes results from the performance indicators (footfall and turnovers) achievable in retail centres.

## Schemes under construction in Warsaw Agglomeration\*

Property	Format	Developer	Size (m <sup>2</sup> )
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

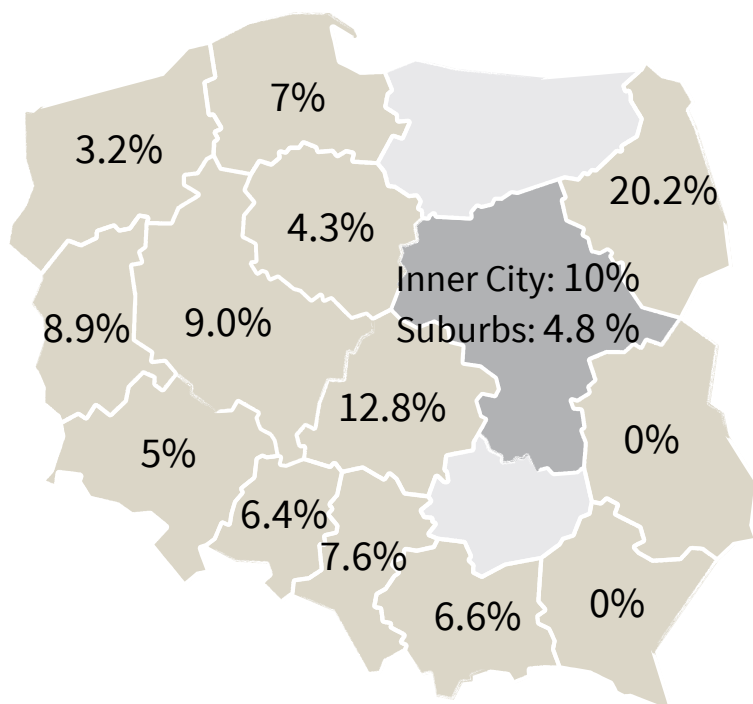
## Quantum of space under construction with completion scheduled for the following years\*



\* Including all retail formats, status as of February 2020

# Industrial Market

## Vacancy Rate in Poland: 7.6%

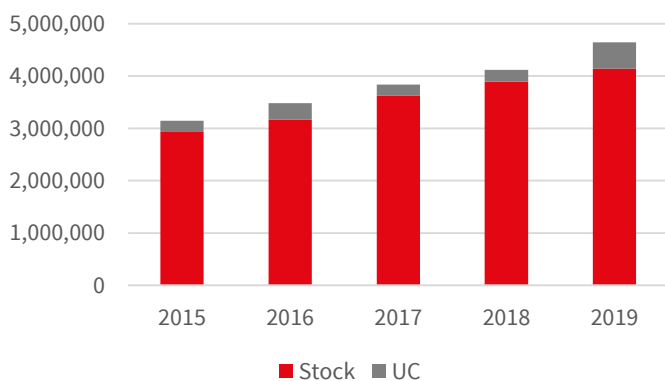


Source: JLL, Q4 2019

- Warsaw with total existing stock of over 4 million m<sup>2</sup> remains the largest industrial market in Poland (22% of total supply).
- The stock is mostly concentrated in the suburbs, 84% of space is located there.
- New completions seen in Q1-Q4 2019 summed up to 279,000 m<sup>2</sup>.
- At the end of December 2019, Warsaw construction pipeline stood at almost 503,000 m<sup>2</sup>, which translated into almost 26% of total industrial space being constructed in Poland.
- Strong gross take-up of almost 1,16 million m<sup>2</sup>, noted in Q1-Q4 2019 period, placed Warsaw on the first place among Poland's markets with 36% 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.

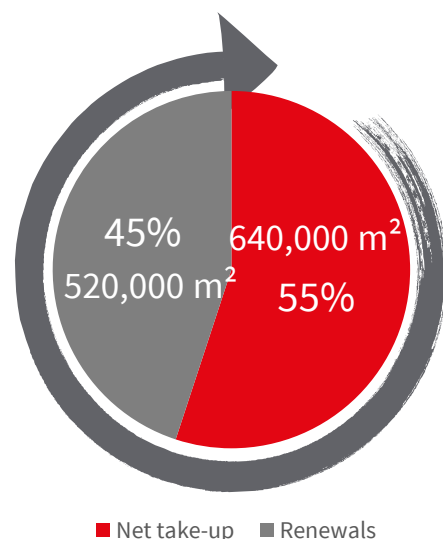
## Supply (m<sup>2</sup>)

Warsaw Inner City & Warsaw Suburbs zones combined



Source: JLL, Q4 2019

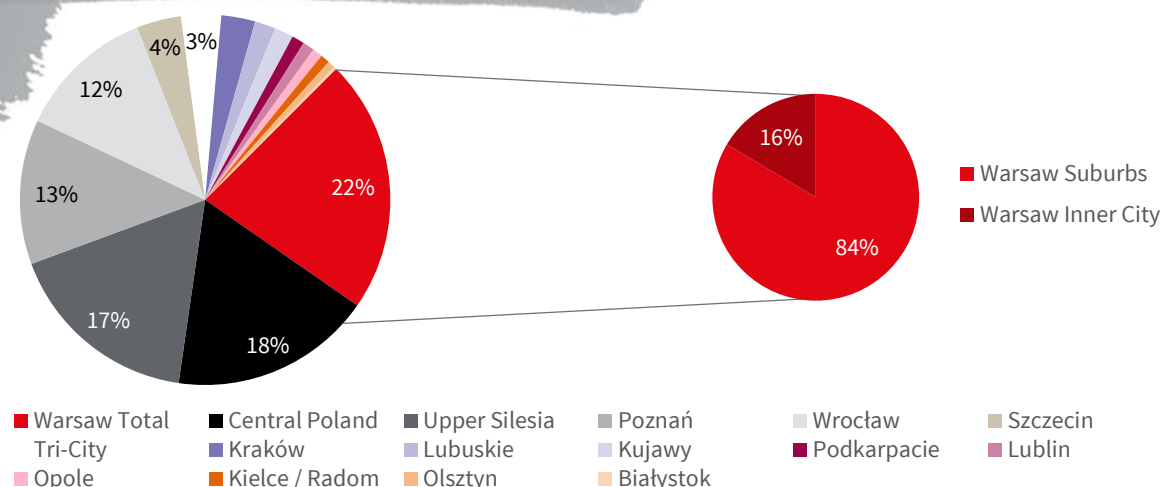
## Demand in Warsaw, 2019



■ Net take-up ■ Renewals

Source: JLL, Q4 2019

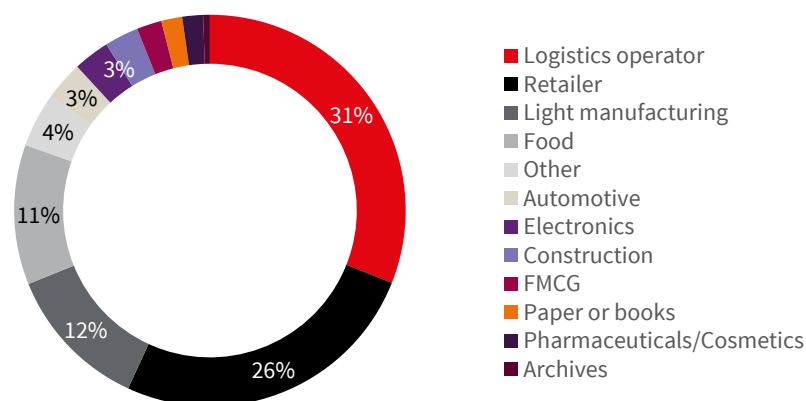
## Industrial stock in Poland (m<sup>2</sup>)



Source: JLL, Q4 2019

## Net take-up by sector, 2019 (m<sup>2</sup>)

Warsaw Inner City & Warsaw Suburbs zones combined



Source: JLL, Q4 2019

## Key transactions, 2019

Tenant	Property	Size (m <sup>2</sup> )	Deal Type	Sector
Pepsico	P3 Mszczonów	58,500	New deal	Food
RTV Euro AGD	Prologis Park Janki	50,000	Expansion	Retailer
RTV Euro AGD	Prologis Park Janki	49,700	Renewal	Retailer
ID Logistics	P3 Mszczonów	46,200	Renewal	Logistics operator

P&G	Park Sochaczew	38,000	Renewal	FMCG
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## Prime rents\* (€/m<sup>2</sup>/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 Q4 2019

\*\* including Błonie subzone

Source: JLL, Q4 2019

# Residential Market

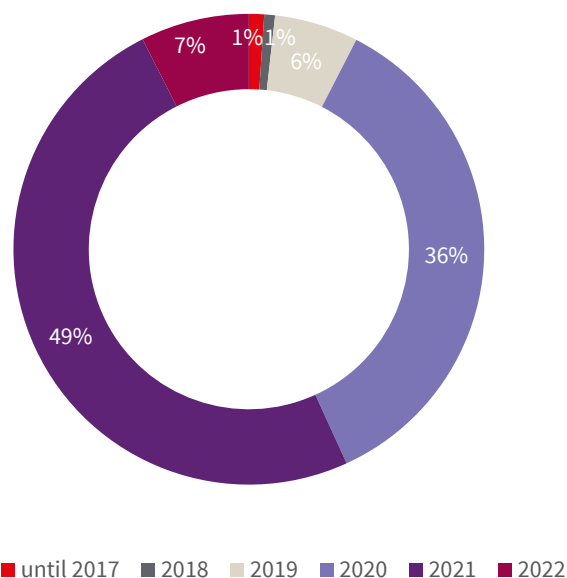
## Flats sold annually vs. offer at the quarter-end



Source: JLL, Q4 2019

- Thanks to very good sales result in Q4 2019 the overall number of sales in 2019 was slightly higher than in 2018, despite significant price increase.
- Over 24,300 sold flats was the second best annual sales result, after the record-high year 2017. The quarterly sales result exceeded 6,000 units.
- Limited offer of developable land as well as extended administrative procedures are limiting the growth of new supply. As a result of the predominance of the number of units sold over the number of units launched on the market, the offer at the end of 2019 decreased below 16,900 units.
- The supply of new units in Warsaw was approx. 12% lower than the supply volume in 2018. In the entire 2019 21,600 new units were launched for sale.
- The average price of units on offer at the end of the year increased by 9%, compared to the corresponding period of the previous year, thus reaching a record number of PLN 10,547/sq m.
- After several quarters of the growing share, the units in the most expensive price range above 13,000 PLN/m<sup>2</sup> achieved the highest result in the last quarter of 2019 - 18.7% of the total number of units on offer. This is the first such high result of this price range in the history of monitoring.
- The share of ready units in the offer grew from almost 6% to a little less than 8%.

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



Source: JLL, Q4 2019







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