

POLAND: MARKET UPDATE

Why Investors Choose Poland?

Large economy & significant domestic market

- Poland is CEE's largest and EU's sixth largest economy as well as CEE's biggest consumer market. With population of over 38.5 mn Poland is the sixth most populated EU member state.

First “developed market” in CEE according to FTSE Group

- Poland was promoted to „developed market” status according to FTSE Russell index of FTSE Group in 2018. As the only economy in last 10 years, Poland joined an elite club of 25 the most developed world countries in terms of its economy and capital markets.
- FTSE criteria include not only high income and good economic performance but also the openness to foreign capital and ease of capital movement.

Financial stability and low risk economy

- The public debt burden of ca 48.9% of GDP in 2018 according to Eurostat is among the lowest in the EU compared to 80% in the EU, and about 100% in the US.

	2017	2018	2019	2020
GDP growth (yoy change)	4.9	5.2	4.3	3.6
Domestic Demand (yoy change)	4.6	5.6	4.7	4.0
Private Consumption (yoy change)	4.5	4.5	3.8	3.7
Industrial Production (yoy change)	6.7	5.8	5.6	2.5
Consumer Prices (yoy change)	2.0	1.8	2.1	2.5
Gross Government Debt (% of GDP)	52.7	49.9	48.8	47.9
Short-Term Interest Rates (%)	1.53	1.51	1.52	1.61

Why Investors Choose Poland?

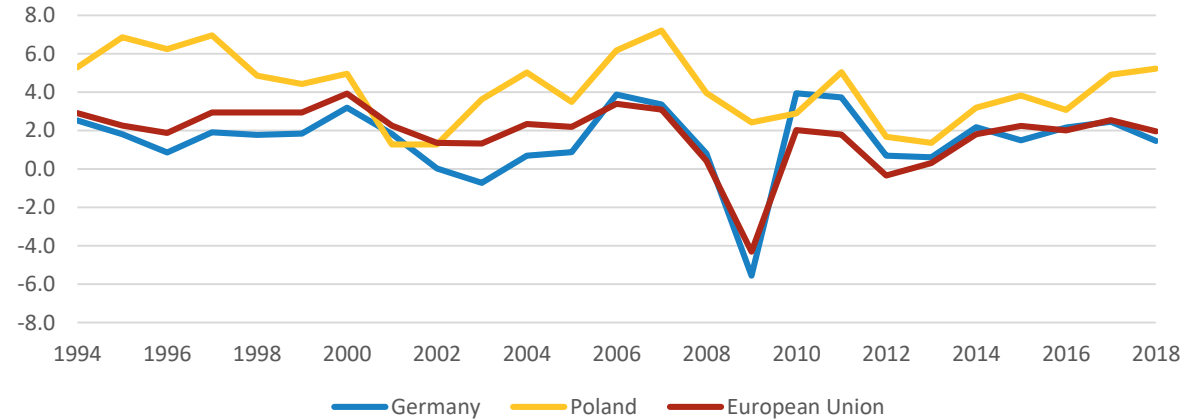
Poland - Key European success story

- The fastest-growing economy in the world among large countries at a similar level of development (since 1995). It is beating even the Asian tigers such as South Korea, Singapore and Taiwan.
- According to OECD data, Poland will be the 4th fastest growing OECD economy worldwide after India, China and Indonesia.
- In 2018, the average level of income in Poland reached 70% of the Eurozone, the highest level on record.

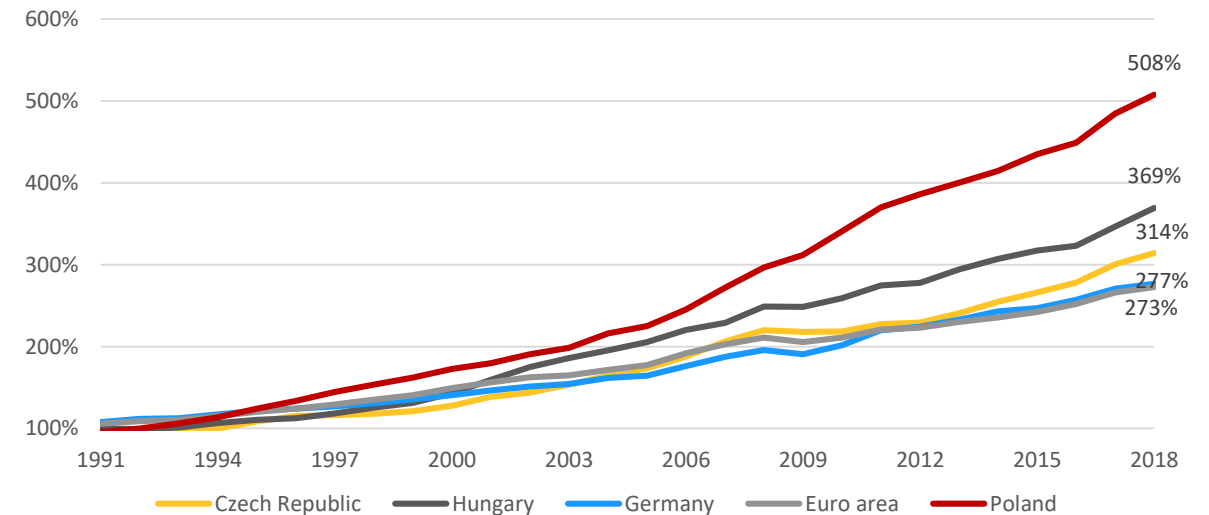
Outstanding historical performance

- The only European country that avoided recession for last 30 years including the one in 2009.
- A cumulative GDP growth of 28% was generated since 2009, while the Eurozone's economy grew by 5.6%, European Union countries by 7.7% and Germany by 11%, according to the World Bank data.
- Poland's GDP growth reached 5.1% in 2018 (European Commission), the fastest since 2007 with key drives: domestic demand, strong private consumption, public investment, and a sizeable build-up of inventories.

Historical GDP growth in % 1994 - 2018



GDP per capita growth 1990 - 2018, (1990 = 100%)



Why Investors Choose Poland?

Attractive place to invest

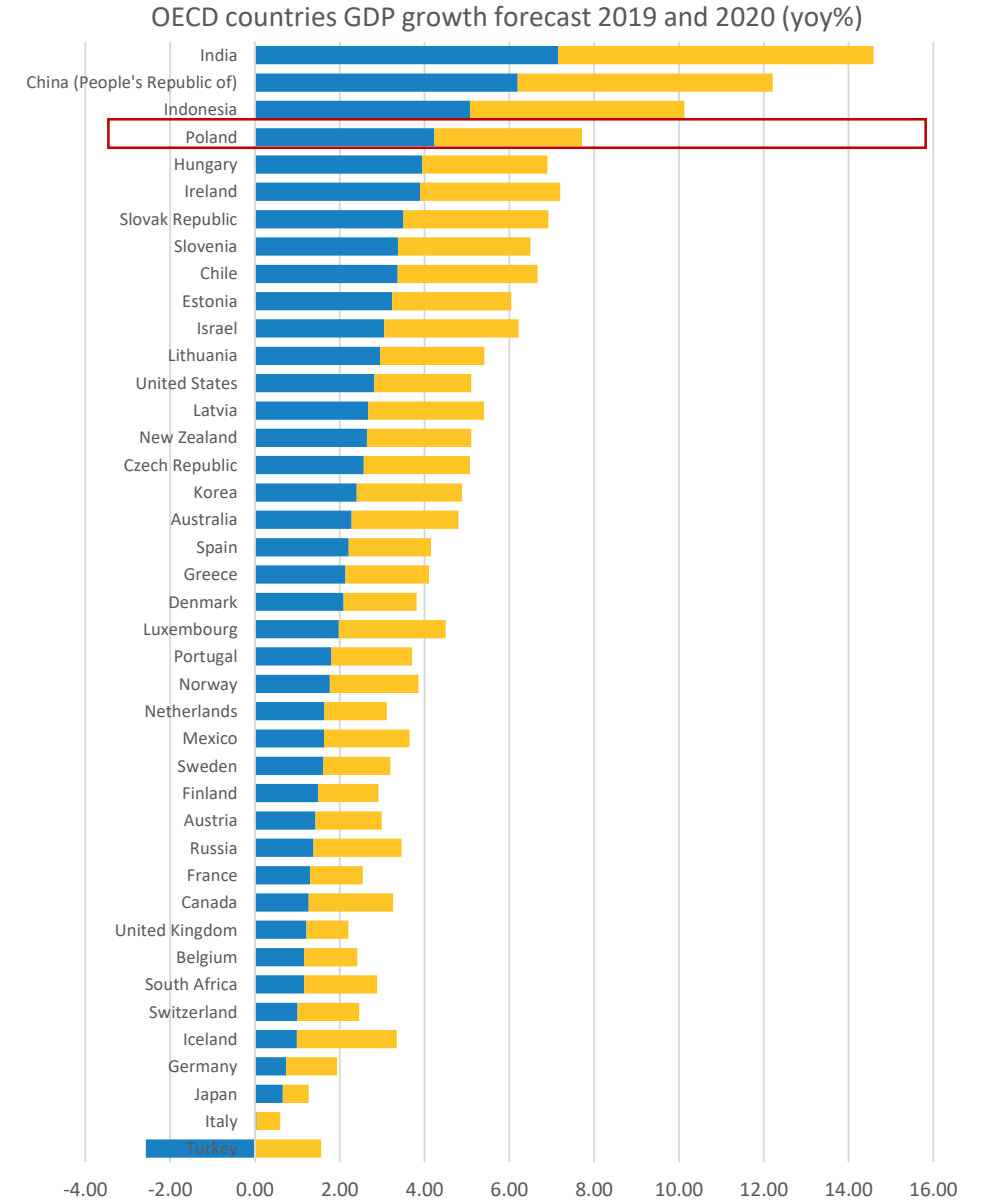
- Poland has been ranked no. 2 (after Malesia) as World's Best Country To Invest In Or Do Business For 2018 according to CEO World Magazine Ranking, a fully independent survey dedicated to CEOs, CFOs, CIOs, and others senior management executives worldwide.

Modern business services sector

- According to Everest Group Poland, with the total employment in excess of 300,000 jobs, is the third largest modern business service destination worldwide, after India and Philippines.

The most mature CEE real estate market

- Poland accounts for growing in an unprecedented pace modern commercial real estate stock in main asset classes: office, retail and industrial.
- Significant growth investment volumes has been recorded over last years (ca €4.6 bn in 2016 and ca €5.2 bn in 2017) with growing diversity of investors' origin and types.
- €7.2 bn of total investment volume was recorded in 2018 accounting for over 30% increase YoY with the highest liquidity and verity of investment strategies.

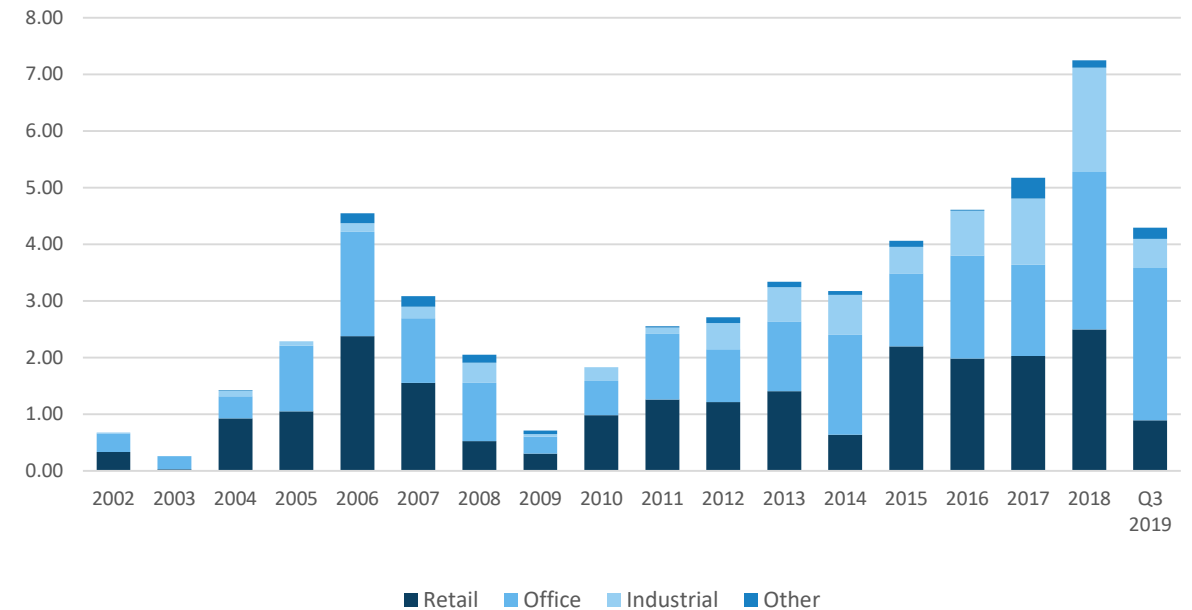


Investment Market overview

Poland Investment Volumes

- Poland -the gateway to the CEE region and the dominant destination.
- 50% market share and the highest liquidity.
- Office transactions dominated Polish market in 2019 YTD. The sector reached €2.8 bn in 2018 and €2.7 2019 YTD bn with a view of material excess the record high result of 2018.
- Demand is driving pricing; prime office yields in Warsaw now at ca. 4.2% with further appreciation potential.
- Poland enjoys a new wave of institutional capital from Asia with investors from South Korea, Singapore and Philippines acquiring new assets.

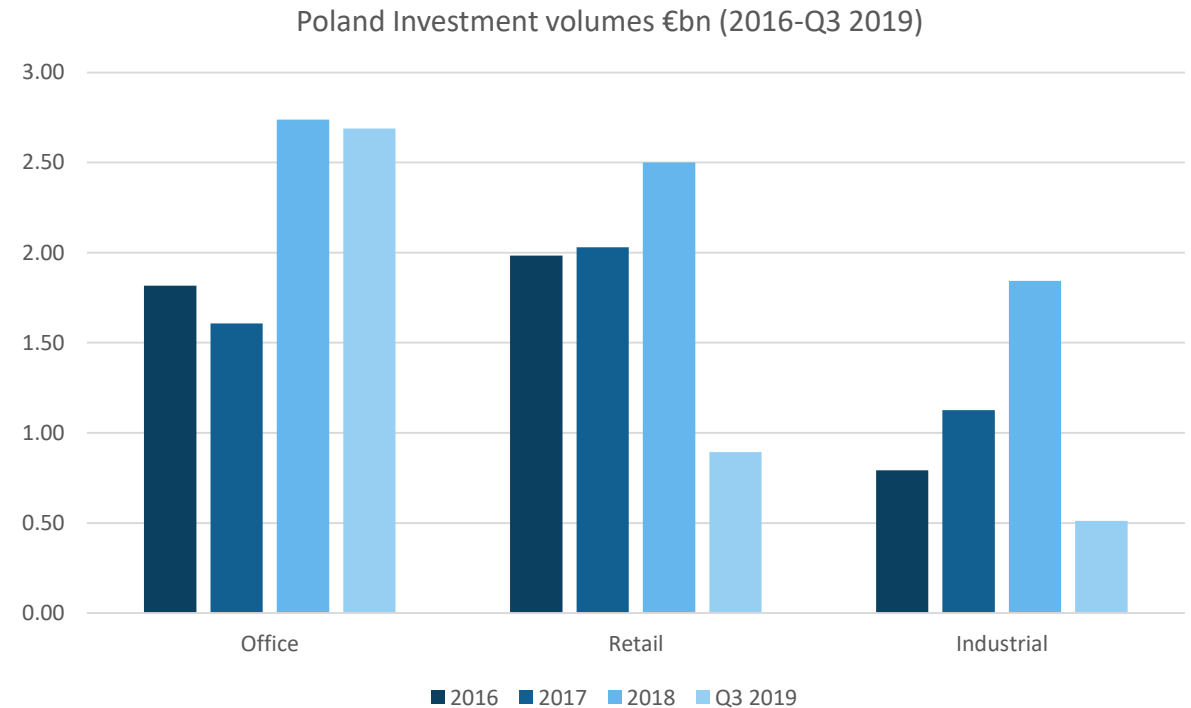
Poland Investment volumes 2002 - Q3 2019



Investment Market overview

Poland Investment Volumes

- The total investment volume reached €7.2 bn in 2018 accounting for an unprecedented increase of €2.0 bn - 40% yoy. High liquidity - nearly 100 investment transactions of over 200 disposed assets.
- Q1 – Q3 2019 total investment volume - €4.2 bn.
- The market is recording historical volume peaks in office and industrial sectors.
- Logistics/industrial -€1.8 bn (25% market share) in 2018 and €0.5 bn 2019 YTD.
- Retail sector reached €2.45 bn in 2018 and €0.9 bn 2019 Q3 YTD.

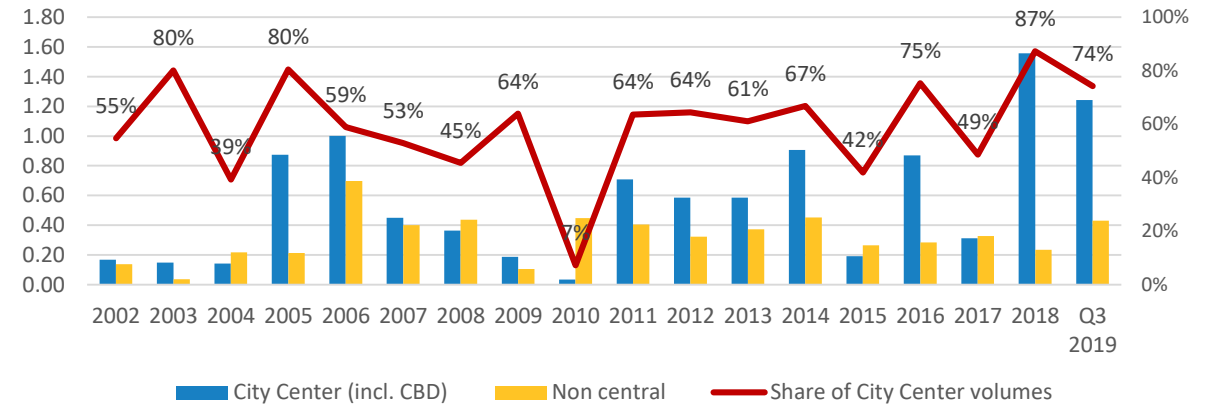


Investment Market overview

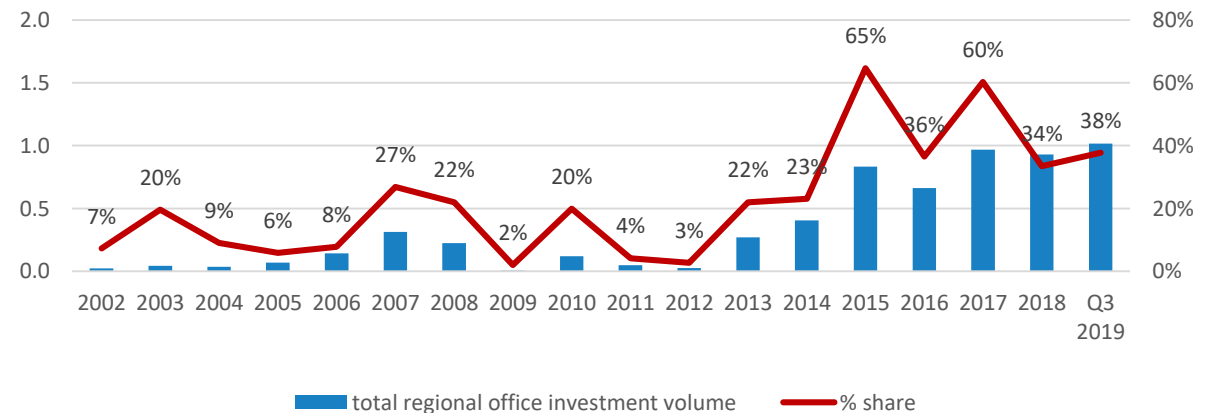
Poland Investment Volumes

- Warsaw absorbed 2/3 of the overall office investment activity in Poland since beginning of 2018 translating into €1.8 bn in 2018 and €1.7 bn 2019 YTD.
- Over €1 bn office investment activity in regional cities 2019 YTD.
- Kraków and Wrocław, each with office stock in excess of 1 m sqm, are recognized as the most mature markets outside Warsaw.
- Other 1-Tier office investment locations include: Tricity, Katowice, Poznań and Łódź.

Warsaw office investments via location (€mln)



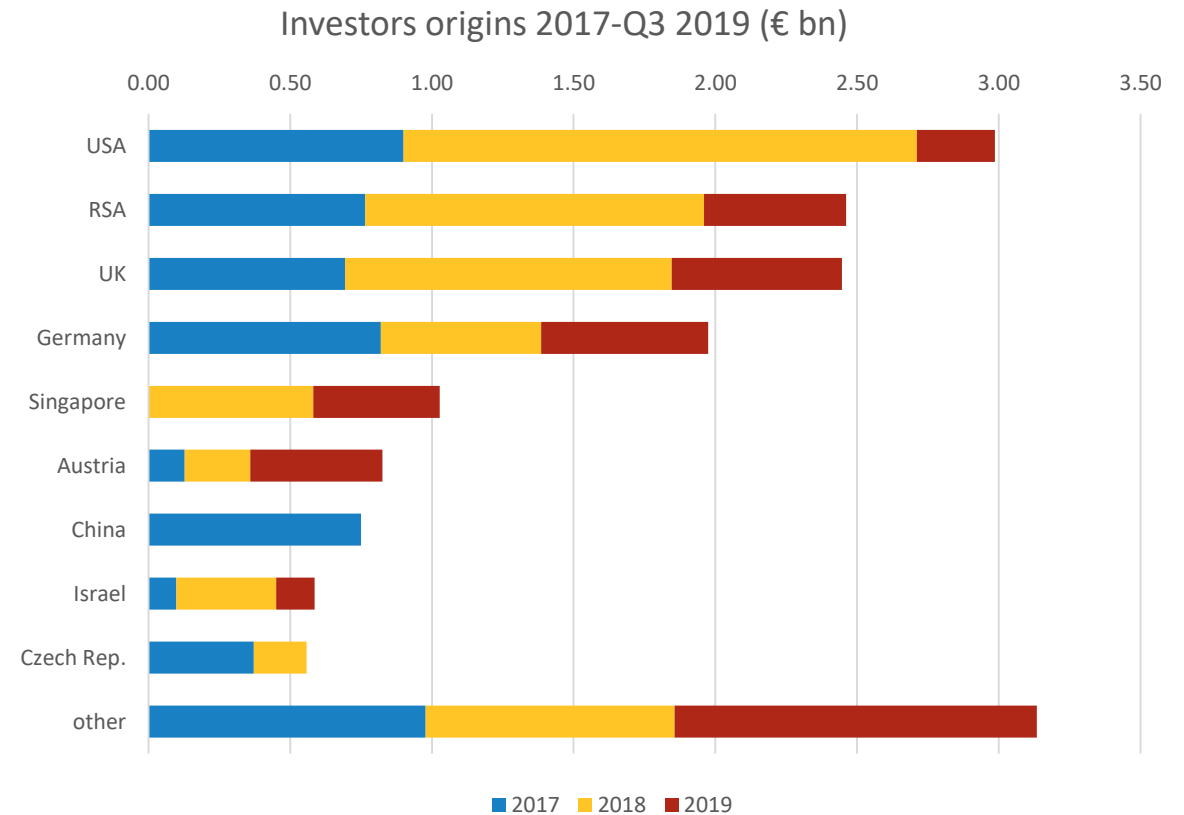
Regional Office Investment Volume (€ bn)



Investment Market overview

Poland Investment Volumes – origin of investors

- Capital continues to be deployed by USA- and UK-based investment managers, Germany-domiciled funds and selected buyers from the Republic of South Africa.
- Poland enjoys a new wave of direct capital investments by institutional and family offices from Asia with €0.9 bn invested in 2018 and €0.9 bn in 2019 YTD. Further Asian capital acquisition are already in the transaction pipeline.
- New investors, such as KanAm (Germany), Mapletree (Singapore), Henderson Park (UK), Mirae and IGIS (South Korea) have entered the Polish market in 2019.



Investment Market overview

Poland Investment Volumes – pricing

Office (Class A)

- Warsaw CBD $\pm 4.2\%$ to $\pm 7.00\%$
- Warsaw CBD Fringe sub-7% to $\pm 9.00\%$
- Warsaw Mokotów sub-7.15% to $\pm 9.00\%$
- Regional Cities $\pm 5.50\%$ to $\pm 8.00\%$

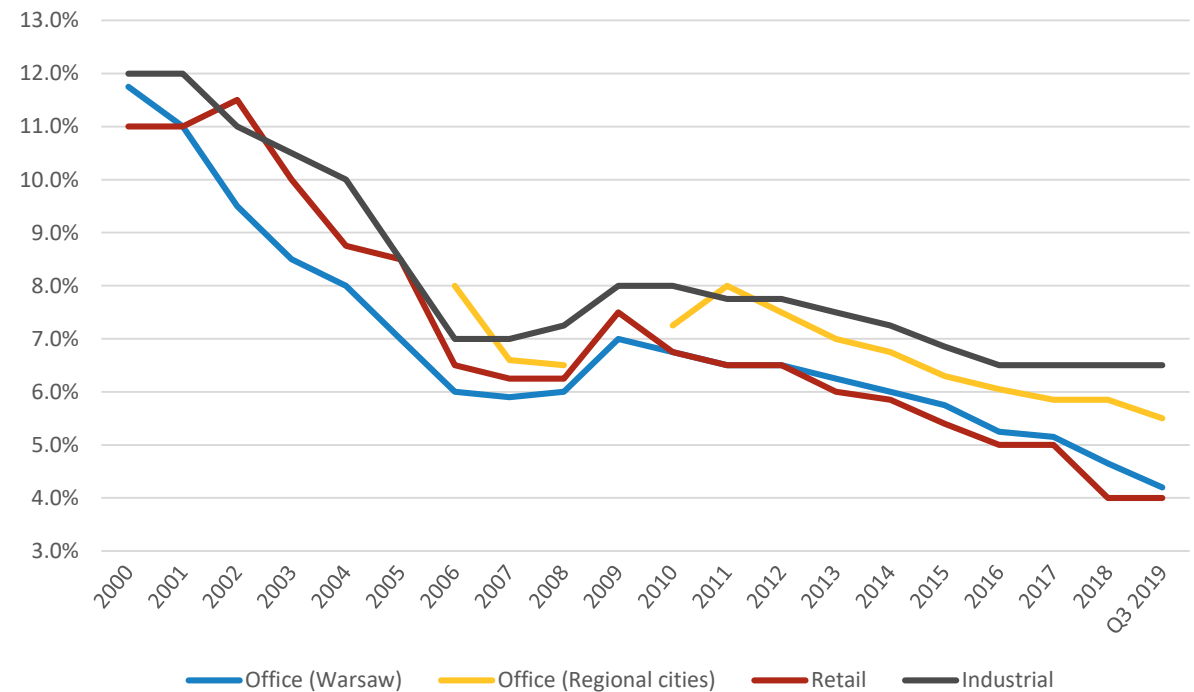
Retail (Dominant Shopping Centers)

- Warsaw $\pm 4.00\%$
- Secondary Cities sub-5.25% to $\pm 8.50\%$

Logistics

- BTS $\pm 5.25\%$ - 6.50%
- Traditional $\pm 6.50\%$ to $\pm 7.50\%$

Prime historical yields (2002 - Q3 2019)





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