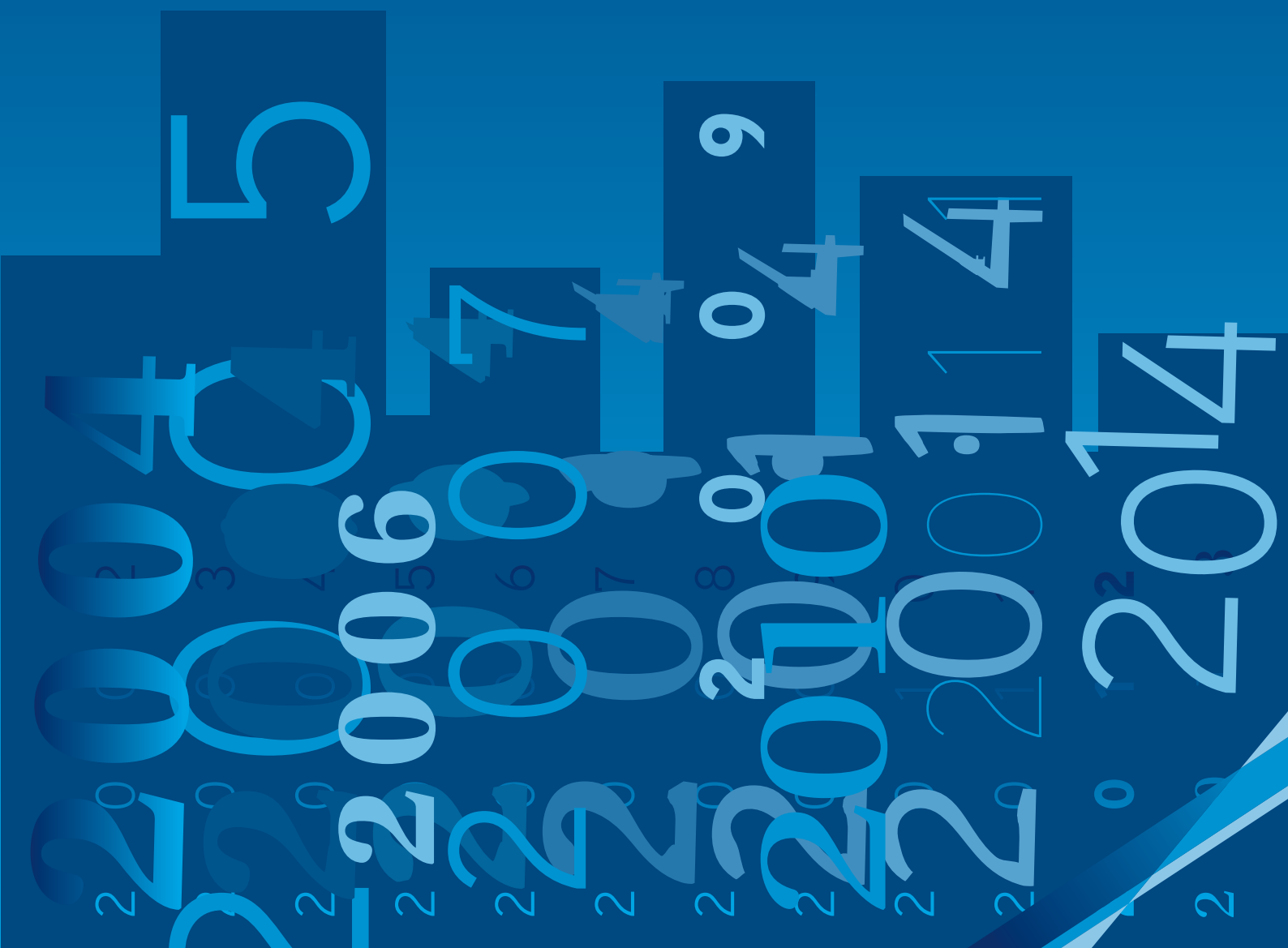


10 YEARS in the EU

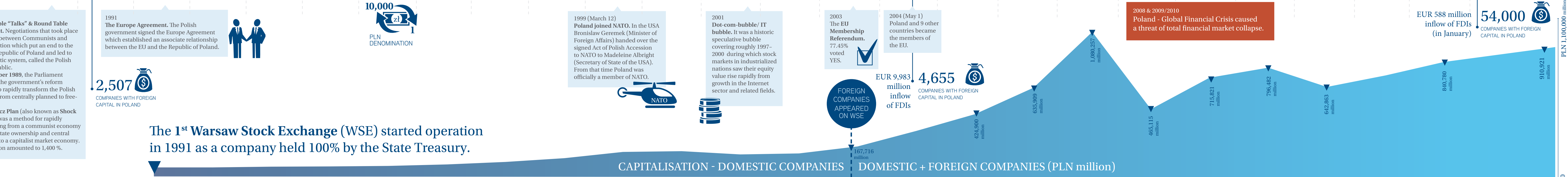
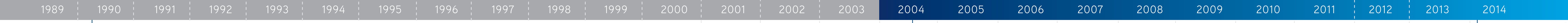
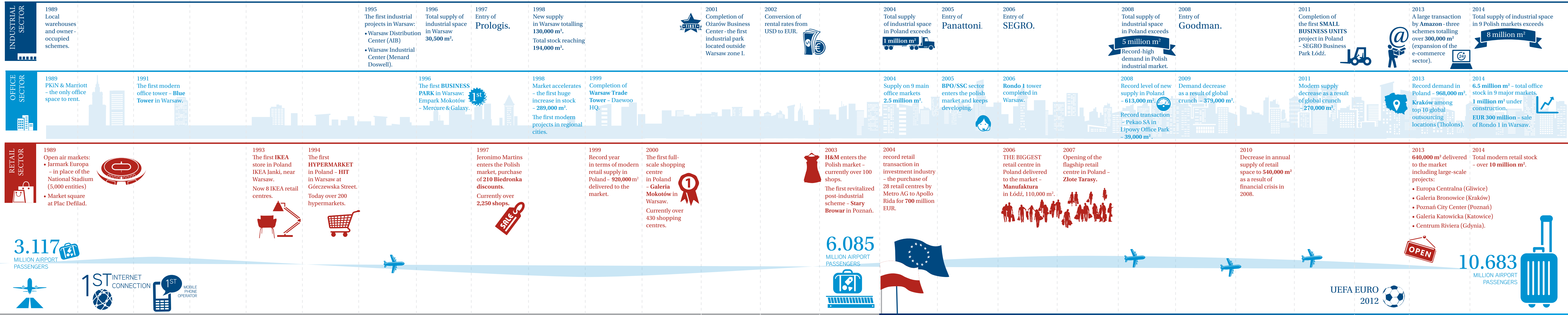
HOW ARE YOU

POLAND?

REAL ESTATE TIMELINE



REAL ESTATE TIMELINE





Tomasz Kasperowicz
PARTNER
INDUSTRIAL AND
LOGISTICS AGENCY
Colliers International

Over the last 10 years, the warehouse property market has undergone a true revolution. The changes can be seen on many levels, mainly - due to the influx of the EU funds for infrastructure. The extension of the road network has obviously been a major contribution to the development of the sector.

To better illustrate the change, let me give you an example: in 1989, Poland had 366 km of express roads and motorways. When joining the European Union, the country's road network comprised 631 km of express roads and motorways, and just 10 years later, we have 2,970 km of such infrastructure available across the country. Clearly, it is impossible not to recognize the EU effect.

Together with the development of the road infrastructure, the warehouse market has experienced incredibly rapid growth. Many new locations opened as EU-based distributors and manufacturers moved their operations to Poland, attracted by the relatively low labor costs and improved infrastructure.

In 2004, total warehouse space in Poland reached 1 million m². Today, the supply in core markets is 8 million m². This eight-fold increase shows the extent of change that has taken place since May 2004. Before Poland's accession to the European Union, a lease transaction for a 10,000 m² space was considered extraordinary. Today, major global companies open their distribution centers and production lines in Poland. The company Amazon decided to locate three of its warehouses in Poland (each of 100,000 m²). Other examples are the recent rental transactions of some large retail chains: Intermarché (82,000 m² in Poznań), and Castorama (50,000 m² in Stryków).

After Poland joined the EU, investment trusts started to see the warehouse market as a valuable asset. From their point of view, the market became more secure, and a larger number of potential investors translated into a jump in real estate prices. The warehouse sector's share in the investment market has been growing steadily for several years, and is now above 12%.

Last but not least, warehouse rents in Poland are still the lowest in Europe. All major developers who specialize in warehouse and industrial construction operate here, and competition between them will stimulate further development of this real estate sector. I think that Poland can expect to see a large group of new distributors and manufacturers in the coming years.



Pawel Skalba
PARTNER
DIRECTOR OF OFFICE
AGENCY
Colliers International

It has been ten years since Poland's accession to the European Union. In this period the office market has experienced dynamic growth. Total office stock in Poland in 2004 amounted to 2.5 million m². Now it is nearly 6.5 million m².

Poland's entry into European structures certainly changed the perception of our country. Of course, the date of the accession to the EU now has a rather symbolic resonance, but it is worth remembering that just before accession (when it was clear that we would become a rightful EU member state), the perception of Poland was also changing. For many investors it was a signal that we were becoming a civilized and safe economy. On one hand, it had a strong psychological significance; and on the other, it translated into the development of office and other markets across Poland.

It is important that not only Warsaw benefited from Poland's EU accession, but regional cities, too. European funds, such as JESSICA (Joint European Support for Sustainable Investment in City Areas), have made it possible to finance projects that have contributed to the revitalisation of urban areas and have helped to finance commercial projects that impact the development of cities and towns. Being part of the EU structure has also contributed to the development of the BPO sector (Business Process Outsourcing). It is thanks to this inclusion, among other factors, that many companies have decided to set up operations here.

When we talk about the influence of the European Union on the real estate market, we should not forget about the investment market. Some funds, particularly German pension funds, were simply not present in Poland ten years ago. When we were not a part of the EU, we were viewed as a higher investment risk. Now all this has changed. German pension funds are among the most active players in Poland. I believe that Poland's EU accession has had a huge impact on the entire real estate market. The last ten years were marked by dynamic development and, more importantly, stabilisation.



Hadley Dean
MANAGING PARTNER
EASTERN EUROPE
Colliers International

I remember the excitement and anticipation we felt when Poland joined the European Union – we were all convinced that Poland's future was secure. Ten years in the European Union have given Poland the economic and legal stability that international investors require when making significant capital investments.

The real estate market has changed beyond recognition. Between an influx of foreign capital and local corporate growth, we have seen the landscape of Polish cities shift. There has been an expansion in commercial real estate development – with leading international corporations significantly increasing their capital investments in the country.

The perception of the Polish economy has radically changed as well over the last decade. The growing legal stability and the lower investment risk associated with Poland were particularly important from the perspective of international real estate funds. This led to a wave of purchases which nearly doubled the value of commercial real estate in Poland.

Some people ask what would have happened, had Poland not joined the European Union. This is a difficult question. I believe that Poland would have continued to develop, but the growth would be less dynamic. If we had to put a number on it, I'd say, we'd probably see a third less development projects and a third less investment. I remember a time when many developers, counting on the "EU effect", were constructing new office buildings. It so happened that many of these projects were completed in 2003, and this pushed the vacancy rates in Warsaw to more than 20%. And yet, most of this vacancy had been taken up by the end of 2005 driven by the knock on effect of EU accession and a booming global economy. During this period Poland reached a tipping point in inward investment that helped Poland ride the choppy waters of the global downturn and indeed Poland became one of the few growth economies in Europe.

So what now? It is our belief that we are at the beginning of the second wave of inward investment and the wall of global money searching for real estate has Poland firmly in its sights. It is seen as being in Western Europe but priced as if it was in Central Europe, making it one of the most sought after and attractive markets in Europe.



Damian Harrington
REGIONAL DIRECTOR
RESEARCH AND
CONSULTING
EASTERN EUROPE
Colliers International

In 2004 I left the UK to work and travel across EMEA. After four years I was lured into focusing on the CEE markets which have changed enormously in this time. I remember backpacking around these parts in the late 90's and once you stepped off the beaten track, there was a sudden drop-off in the quality of space, environment and infrastructure. As of today there is a huge difference, visible in improvements to the built environment and the quality of life available in the cities we live and work in across the region. So how did we get here? Roll on EU Accession and the CEE markets began to transition through separate, yet blurred, growth phases.

Between 2002-2006 the markets underwent a restructure with inward investment agencies helping to manage the vast growth opportunities in situ. Economies went into rapid expansion mode, resulting in a substantial demand increase for high-quality commercial real estate (CRE) – from occupiers and investors. Investment activity had begun to trickle through, but from 2002-2006 it doubled almost every year.

Then we hit the 'diversification' stage of 2006-2009, as economies in the region continued to expand with activity rippling out from the capital cities into larger regional cities. The EU expanded further as Romania and Bulgaria came on board in 2007. This was swiftly followed by large-scale commercial development and a take-up boom, which helped to drive a surge in CRE investment during the peak years of 2006-2008.

Then came the global financial crisis, which arrived late in the region in 2009. All markets were hit hard, bar Poland, which managed to weather the storm as EU structural fund receipts, continued corporate investment and expansion and a bit of good luck helped drive the national economy through the tough times. As of 2014, the region is now back on its feet with positive economic and business sentiment driving activity forward in the current investment cycle.

Whilst we have seen a lot of change in the last 10 years, the next 10 years will continue to see much change, but it will be different. Generational change, workspace planning, e-commerce and 'outsourcing' will significantly impact the way we live, work and play. It will continue to be an exciting and interesting region to work in, and I look forward to remaining a part of this change.



Monika Rajska-Wolińska
MANAGING PARTNER
POLAND
Colliers International

This year Poland is celebrating the tenth anniversary of EU accession. Ten years ago, the Polish economy was just gaining momentum. Joining the EU was to give us Poles a sense of security. We very much wanted to be a part of the big European family, become a full member of the EU as well as lose our inhibitions. The majority of us were just hoping for a better life. Have our expectations been met? In many areas the answer is yes.

We have gained an opportunity to participate in the political life of the European Union by selecting our MEPs. Polish law has been adapted to EU law – for example the unification of legal articles has allowed the setting up as well as the running of a new business by foreign entities to be simplified. This, in turn, has had an impact on the pace of our economic development.

Polish producers have gained easier access to new technologies, which has allowed them to reduce their prices. The lack of barriers within the EU also has helped them to enter many new markets. This, in return, has increased the profitability of Polish exports. What's more, for farmers, who were probably the biggest sceptics of EU integration, new markets opened up to them. After ten years, it has turned out that they have become some of the biggest beneficiaries of the common agricultural policy.

Integration with the European Union can be felt distinctly by consumers on an everyday basis – they have a bigger choice, better quality and better prices of goods. Entry to the EU as well as to the Schengen area means that ordinary Polish citizens are able to move freely within the EU. Despite some small limitations, we have gained the opportunity to work in other countries within the EU.

The European Union has also affected the real estate market. The development of road infrastructure from the EU funds has contributed to the dynamic development of logistics and production within the real estate market. Poland in the European Union for many Western developers has become a safe and stable place – thanks to EU integration the office and retail sectors have developed very quickly. The inflow of foreign capital has contributed to an increase in the value of real estate, both commercial and residential.

From the time perspective as well as the experience I have gained, I keep asking myself a question: Has Poland, after joining EU, made the most of it? Did Poland join the European Union on good terms? Over the last couple of years, the Polish economy has been the most attractive within the whole of Europe. Our economic growth, which has been higher than the EU average, proves the fact that the last ten years can surely be treated as a success.

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