

Land market

GENERAL OVERVIEW

TRENDS H2 2013	OFFICE
SUPPLY	➡
DEMAND	↗
PRICES	➡

Source: Colliers International

TRENDS H2 2013	RETAIL
SUPPLY	➡
DEMAND	↗
PRICES	➡

Source: Colliers International

TRENDS H2 2013	RESIDENTIAL
SUPPLY	⬆
DEMAND	↗
PRICES	➡

Source: Colliers International

- In the first half of 2013, we witnessed a stabilisation of land prices as well as stable business sentiments.
- Supply remained relatively high in the first six months of 2013. Areas that are well prepared for the investment process in terms of technical, legal and planning conditions are priced relatively higher. Another factor boosting their values is a favourable location.
- Investors are willingly buying land for office and retail space – these transactions accounted for 65% of all transactions in H1 2013. For residential and industrial land, investors dedicated 30% and 5% of their funds respectively. Approximately 80-85% of office and residential land transactions were in Warsaw.
- Despite the progressive stabilisation in the land market in H1 2013, some negative trends have also been observed. The two main trends were: sales of land by a handful of developers in financial difficulty, and a reduction in land portfolios by banks, which are trying to encourage their customers' selling activity.

TRENDS

- In terms of retail investment sites, plots located in major cities are enjoying increasing popularity. At the same time, smaller urban areas with more than 30,000 inhabitants remain attractive for investors, building, for example, small retail parks.
- Another recent trend is the increasing popularity of conditional agreements, which enable investors to discount money in time, though no longer than 18-24 months.
- Developers cannot afford to "freeze" their funds; therefore, they prefer to buy land where construction can start immediately. Currently, the majority of investments are planned for the short-term, which means that they will be started and completed in a 5-year period. In the event of impediments regarding the land that can be removed relatively quickly, a conditioned preliminary sales agreement is concluded. The transaction is completed after solving the problems.
- Despite considerable supply, the demand for land is not being met completely. This is mainly caused by a lack of land that meet developers' requirements. An unfavourable location or the legal situation of a plot preventing investors from effectively developing it are the main reasons why some sites are not subject to sale.
- Investors are looking for markets where price, leasing conditions and demand for properties are guaranteeing the fastest return on equity.

SELECTED TRANSACTIONS H1 2013

INVESTOR	LOCATION	PLOT SIZE (ha)	PRICE (PLN mln)
Confidential	Warsaw	2.2	25
Confidential	Warsaw	1.9	21

Source: Colliers International

PRICES FOR THE OFFICE DEVELOPMENT SITES (EUR/m² of GLA)

CITY/REGION	MIN	MAX	AVERAGE
Warsaw: City Centre	400	800	600
Kraków	150	400	275
Łódź	150	320	235
Poznań	140	280	210
Upper Silesia	75	160	117.5
TriCity	100	300	200
Wrocław	120	350	235

Source: Colliers International

PRICES FOR THE RESIDENTIAL DEVELOPMENT SITES (EUR/m² of PUM)

CITY/REGION	MIN	MAX	AVERAGE
Warsaw: City Centre	300	900	600
Warsaw: Uptown	140	380	260
Kraków	120	300	210
Łódź	70	180	125
Poznań	80	280	180
Upper Silesia	60	200	130
TriCity	100	300	200
Wrocław	130	300	215

Source: Colliers International

PRICES AND TRANSACTIONS

- Since the beginning of 2013, the value of transactions in the land market for office, retail, residential and industrial developments (including takeovers of entities that own such land) has reached approximately PLN 300 m, representing 20% of total transaction volume from 2012, which amounted to PLN 1.5 bn.
- Statistically, the price of land needed to build 1 m² of residential usable space in H1 2013 was lower than in the previous year, for example by 7% in Katowice and by 3% in the centre of Warsaw.
- The biggest decline in the price of land for office space was observed in Katowice (12%) and TriCity (8%), while the smallest was in Warsaw, where the price of 1 m² of office development site fell by 2-3% and stayed at a level similar to residential development sites.
- Land prices for retail development have stabilised and it seems that they will remain unchanged in the forthcoming months for both traditional shopping centres and retail parks.

PROGNOSIS

- Increased activity in the land market is expected in 2013. The transaction volume is likely to be higher than in the previous year, which is being confirmed by contracts and conditional agreements signed so far.
- The two last quarters of 2013 will be characterised by high dynamics in the land market for office and retail developments, while investors will be less active in the market for the land intended for residential developments. The most popular cities will be Warsaw, Wrocław and Kraków, followed by Gdańsk and Poznań.
- It can be expected that the main markets for residential development sites will be Warsaw and Wrocław. In the case of other regional markets such as TriCity, Poznań, Kraków and Szczecin, any prospective transactions will be carried out by local developers.
- Consultations held by Colliers International with developers and investment funds on both current and planned transactions allow us to estimate that there is a possibility of exceeding the transaction value from the previous year in 2013. It is worth pointing out that the majority of transactions will be completed in the Warsaw market.