



# WARSAW INVESTORS' GUIDE

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*Dear Reader,*

*We would like to invite you to Warsaw, the city of rapid growth and host of the COP19 UN Climate-Change Conference; the city that supports green investments and adopts measures that continuously improve the quality of life for its residents – as attested to by its 19th place in the UN report “State of the World’s Cities 2012/2013”.*

*The care we take of the natural environment while investing in infrastructure development is highly appreciated by investors, more and more of whom are establishing long-term business connections with our city. Improvements are underway every day – pay us a visit and see for yourself...*

*Hanna Gronkiewicz-Waltz  
Mayor of Warsaw*

*Dear Reader,*

*I am delighted that CBRE have the opportunity to collaborate with The City of Warsaw and Hays to create the Warsaw Investors’ Guide.*

*The publication is packed with newly-researched information about the City of Warsaw, its developing infrastructure and detailed data regarding the Warsaw commercial real estate market. The Warsaw Investors’ Guide is an essential aide to carrying-out new or further business in the City.*

*At CBRE we are striving to deliver more value to our clients through market expertise and knowledge. Our market experts are at your disposal.*

*Yours faithfully,*

*Colin Waddell  
Managing Director , CBRE Poland*







# CONTENTS

ECONOMIC AND DEMOGRAPHIC BACKGROUND OF WARSAW	6
DEVELOPMENT OF INFRASTRUCTURE AND PUBLIC TRANSPORT IN WARSAW	8
ENVIRONMENT AND INHABITANT-FRIENDLY WARSAW	10
LABOUR MARKET AND EDUCATION	12
OFFICE MARKET IN WARSAW	14
RETAIL MARKET IN WARSAW	16
WAREHOUSE MARKET IN WARSAW	18
PROPERTY INVESTMENT MARKET IN WARSAW	20
INCENTIVES FOR INVESTORS	22
COMMERCIAL REAL ESTATE MARKET PRACTICE	23

## ECONOMIC AND DEMOGRAPHIC BACKGROUND OF WARSAW



Rapid Urban Railway trains SKM in Warsaw

With 1.7 million inhabitants living within the city limits and 3.2 million people in the whole agglomeration, Warsaw is the biggest urban area, the capital city as well as the economic and cultural centre of the country.

According to Central Statistical Office of Poland, the unemployment rate in Warsaw totalled 4.8% in July 2013, in comparison to 13.1% registered for the whole country. The average monthly salary in the enterprise sector totalled around EUR 1,200. Warsaw has the highest purchasing power in the country with the GFK's PPI index per capita at 173 in relation to the country's average (100) and 79 in relation to the European average (100).

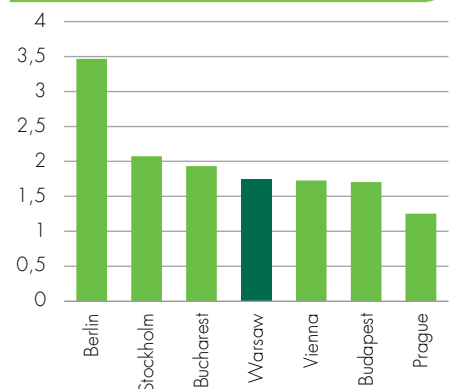
The Warsaw labour market remains on a growth path. For the last five years, the greatest surge of employment has been registered in financial and insurance sector (33%), professional services sector (22%) and business support (19%). These sectors are also forecasted to expand in the upcoming years, creating new workplaces.

An important factor within the labour market is the BPO / SSC sector (innovative business services), which accounts for around 19,000 workplaces in the capital, as reported by ABSL. Warsaw is positioned as 43 in terms of its BPO / SSC attractive environment according to Tholons Top Outsourcing Destinations 2013 ranking, which is two positions higher than in comparison with the previous year's results.

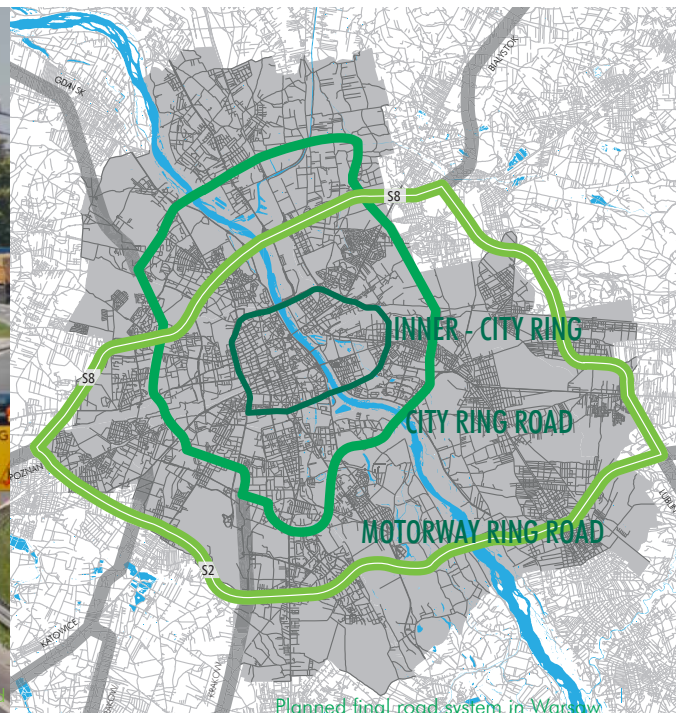
Furthermore, in terms of the amount of business enterprises in the city, Warsaw holds a prominent position. In a ranking prepared by Gazeta Prawna (Law Gazette) and GUS (Central Statistical Office) dated November 2012, the capital was accorded first place with one company registered for every five inhabitants.

Apart from being an attractive location for businesses, Warsaw is a popular destination for the ever-growing number of tourists visiting the city. The Euro 2012 Football Championship boosted the popularity of the city, resulting in an organizational success and contributing to the increased recognition of Warsaw on the touristic map of Europe. According to the Institute of Tourism's estimations, Warsaw was visited by around 12.2 million tourists & visitors in 2012 alone, which is some 6% more than in the previous year. A considerable 89% of visitors declare their willingness to revisit the city and 88% state that they would recommend Warsaw as an attractive tourist location.

Total population of selected European cities in 2012 (millions)



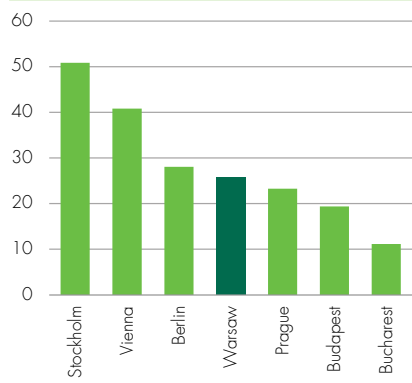
Source: Oxford Economics, Q2 2013



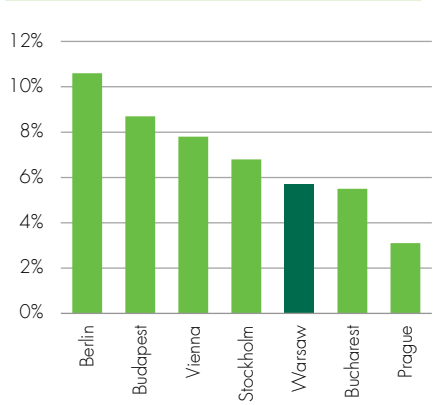
Transport infrastructure in Warsaw has developed rapidly over the last few years, distinctly enhancing the city's impression as a modern and engaging metropolis. This is exemplified by such infrastructure investments as the second metro line construction, Warsaw's southern bypass, the construction of new bridges and tram routes, the renovation of the existing road system and the extension of the airport.

According to CBRE's latest Real Estate Investor Intentions' Survey in 2013, Warsaw ranks in the top 5 destinations, which real estate investors plan to target in the near future. Investor optimism regarding European markets is reflected by a significant majority of those surveyed, 58% of whom say they expect their purchases in 2013 to be higher than in 2012. Warsaw remains CEE's go-to destination for investors. Low market risk and the relative strength of economic fundamentals puts Poland and its capital city to be seen as promising destination and continue to attract foreign companies.

GDP per capita of selected European cities ('000 EUR)



Unemployment rate in selected European cities



Source: Oxford Economics, 2012

Source: Oxford Economics, Q4 2012

## DEVELOPMENT OF INFRASTRUCTURE AND PUBLIC TRANSPORT IN WARSAW



Second Metro Line construction



Warsaw has recently witnessed some significant infrastructural changes, considered necessary for the residents of the capital city of Poland. Most of the funds for investments have been allocated to the city's infrastructure, i.e. roads and transportation; consequently, the quality of life and business development possibilities have increased as well.

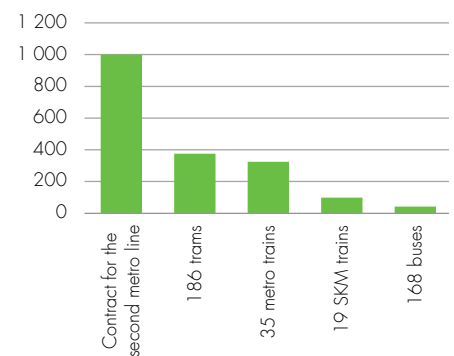
The largest infrastructure investments of the past few years include: the route via Maria Skłodowska-Curie Bridge, the Mars Junction, the Lopuszanska Junction and the construction of the second line of the Warsaw Metro. Great emphasis is placed on the development and modernisation of the public transport system, including the upgrading of tram routes, expansion of the Rapid Urban Railway (SKM) and purchases of new trams and buses.

Currently, reconfiguration of Warsaw's road map is underway in order to change the system from a concentric one into a modern ring road system. Owing to the construction of three ring roads: Expressway Ring Road, City Ring Road and Inner-City Ring Road, traffic density in Warsaw city centre is set to decrease significantly; transit traffic will bypass the centre and consequently the quality of air in the inner-city and city area will improve.

The upgrade of the public transport fleet, extension of the underground, development of the Park & Ride car park system and related transport hubs as well as the joint ticket for all public transport facilities, are only some of the elements utilised to convince the inhabitants of Warsaw to start commuting by public transport more often. Urban transport network in Warsaw was rated as the best in a survey carried out by ARC Rynek i Opinia regarding public transit systems in the five largest cities in Poland.

The public transport system in Warsaw is diversified and consists of a network of buses

Value of selected recent infrastructural contracts in Warsaw (EUR million)



Source: Warsaw City Hall, Q2 2013



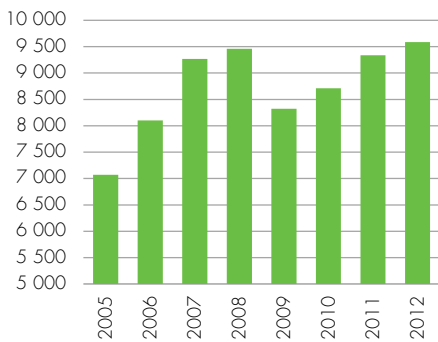


Maria Junction, City of Warsaw (Photo: PZ Studio)



Katowice - Warsaw Railway trains SKM in Poland

Total passenger traffic in the Warsaw Chopin Airport ('000 people)



Source: PPL Annual Report, 2012

and trams, Rapid Urban Railway (SKM), the Warsaw Metro and, more recently, a public bike rental system called Veturilo. The current length of tram routes is 407 km with bus lines at 3,250 km. Both are being continually developed and recently the tram route on the newest Warsaw's bridge, known as Maria Skłodowska-Curie, was launched. 137 modern Swing trams, including 6 in a duo version, traverse the streets of the capital. Further 53 trams will be brought into operation in Warsaw by the end of 2013.

At the same time, the number of Park & Ride car parks is increasing. The 13 existing ones offer a total of 4,014 parking spaces, including 87 exclusively for the disabled drivers and 633 for the cyclists. Warsaw has introduced dedicated bus lanes, which enable the public transport system to occupy a privileged position, especially during the rush hours. Although during the past decade the infrastructure and public transport system in Warsaw has been subject to improvement, the capital city of Poland is still behind the largest cities of Western Europe. Due to rapid growth of the city, public infrastructure system still requires further development and investment despite the significant improvements, particularly in peripheral areas.

## ENVIRONMENT AND INHABITANT - FRIENDLY WARSAW



Riverside bookstands at Vistula river in Warsaw

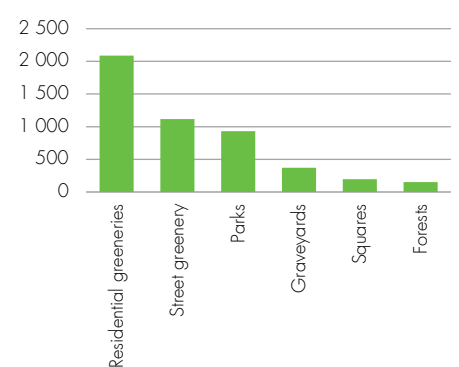


Travelling by bike on the streets of Warsaw is becoming increasingly popular. In 2012, the city launched a public bike rental system known as Veturilo. Urban bikes have become tremendously popular among inhabitants, as evidenced by the 250,000 bike rentals during the first months of the scheme. In 2013, the number of bike stands increased by 150%. Ultimately, there will be 2,500 public bikes on the streets of the capital, accessible at 167 stands. Following registration on the Internet, cyclists have one of the longest networks of bike paths at their disposal, being approximately 310 km long.

Green areas cover some 28% of Warsaw. They include squares, lawns, forests, as well as parks where history and art rub shoulders with nature. The largest one (76 ha) is Lazienki Park dating back to the 18th Century, surrounding the summer residence of the last king of Poland. The park, which is one of the most commonly visited attractions for both tourists and inhabitants, houses the well-known monument to Frederic Chopin. Every Sunday during the summer season, the area around the monument is transformed into an open-air concert hall, filled with the sounds of the music of Chopin. Apart from 76 parks situated across 715 hectares, the capital also boasts botanical gardens as well as zoos; additionally it borders with the Kampinos National Park and the Masovian Landscape Park.

In 2013, the first stage of the most important investment on the bank of the Vistula River was started - the total reconstruction of the Vistula embankments, from the Copernicus Science Centre to Podzámce. The new embankments are going to become a place for walks and bike trips. Together with the Multimedia Fountain Park, which enjoys enormous popularity, they will be one of the greatest attractions Warsaw has to offer.

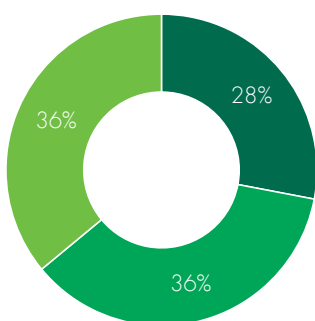
Green areas in Warsaw (ha)



Source: GUS, 2012



Green certificates for office space under construction in Warsaw



- Acquired a certificate / precertified
- Applied for certification
- Not certified

Source: CBRE, 2013

Since May 2011, Warsaw has benefited from a new attraction for residents and tourists. Multimedia fountains have been placed between the UNESCO-listed Old Town and the Vistula River. Up to 30,000 litres of water a minute are sprayed out of 367 nozzles and the jets are illuminated by coloured light from 300 LED spotlights. Children can also enjoy a water playground with an area of 140 sq m.

In 2012, the construction of the first marina in Warsaw started. Czerniakow Harbor - a derelict and dilapidated area - is being restored as a true haven for boats and barges. The revitalisation of both banks of the river is to be accompanied by the creation of a cycle path running along the Vistula for over 28 km and connecting the northern and the southern edges of the city.

Warsaw purifies all of the sewage it produces. The extension and modernisation of the Czajka wastewater treatment plant was the largest environmental project in Europe to benefit from EU co-financing. The cost of the entire investment program amounted to over PLN 4 billion, out of which PLN 2 billion was co-financed by the EU. Czajka covers almost 53 ha, which is an approximate area of one hundred football fields.

The environmental issues have also become important for the construction sector. The so-called green certificates (in Poland LEED, BREEAM and Greenbuilding) have caught the interest of developers. Although only 6% of existing office space in Warsaw and 5% in the largest regional cities in Poland have green certificates, it is entirely different in case of buildings under development. In Warsaw, 66% of currently developed office space has been either granted preliminary certification or has applied for it. Many owners apply for the certificate also for existing buildings. The best known example of this is the certification of the office building in Warsaw – Rondo 1, which was completed in 2006 and at the beginning of 2011 was granted the LEED GOLD certificate in the Operations and Maintenance category.

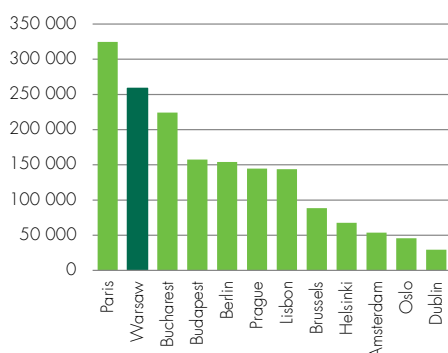
## LABOUR MARKET AND EDUCATION

Warsaw is the largest academic centre in Poland. In 2012, there were 268,500 students attending one of Warsaw's 78 universities (Central Statistical Office data) and representing 16% of all students in the country. The most important and largest universities in the capital are the University of Warsaw, Warsaw University of Technology and Warsaw School of Economics. Apart from state universities, Warsaw is also home to prestigious private schools, including the Kozminski University and Polish-Japanese Institute of Information Technology, both of which have taken top places in the ranking of private universities prepared in 2013 by the magazine *Perspektywy*. Educational opportunities in Warsaw attract students from across Poland and also from other academic centres. As a result, in spite of the unfavourable demographic situation, the number of graduates ready to start their career is continuing to grow.

In Warsaw, language skills are at a high level: according to data analysed by Hays Poland, nearly 91% of people with higher education in Warsaw, who are actively searching for a job, declared knowledge of English. The second most spoken foreign language was Russian (46%) and the third German, where 38% respondents declared knowledge of this language. This was followed by French, Spanish and Italian. In addition to language skills, students in Warsaw also have a very attractive professional education for employers. Nearly 16,500 people followed a course of study connected with mathematics, statistics or computing, a group that might be very interesting for companies operating in the area of software development and data processing. One of the most popular courses in Warsaw is Economics & Administration: in 2012 around 66,000 studied this course. People with this type of education are particularly desirable to those companies offering finance & accounting, HR or Payroll services. Moreover, Warsaw boasts a very large (37,500 people) group of engineering students, who might find employment in the companies involved in research and development activities.

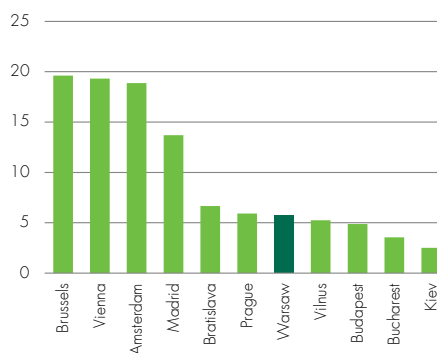
Warsaw is considered as a very attractive labour market for graduates. There are a number of enterprises headquartered in Warsaw – local branches of multinational firms, biggest Polish companies, as well as those operating in the BPO / SSC sector. According to ABSL, the employment in the business process offshoring sector in Warsaw is estimated at 19,000. Due to the growing propensity of the multinational companies to outsource activities and the strengthening position of Poland among the most significant BPO destinations, a further growth of employment in this sector should be anticipated. Warsaw is already a recognized city for the biggest BPO players, and its ongoing advancement in the business rankings should translate into a further increase of employment in the sector. The growing number of R&D and KPO premises in Warsaw is a visible trend, being a natural consequence of highly skilled workforce, improving the business image of the city as a modern, knowledge-based economy.

Number of students in European cities



Source: Eurostat, data as of 2011/2012 academic year

Gross hourly wage (EUR) in European cities



Source: Prices and earnings, UBS report, 2012





## OFFICE MARKET IN WARSAW

Total modern office stock in Warsaw amounts to over 4 million sq m, out of which 32% is located in the City Centre. The Warsaw office market entered its fast pace of development following Poland's EU accession. Currently there are new 41 office schemes under construction totalling over half million of sq m. That puts Warsaw among top five European cities (just after Paris, London and Moscow) with the highest office development activity. The biggest office schemes under construction in Warsaw include Warsaw Spire (100,000 sq m) developed by Ghelamco, Gdanski Business Centre (49,000 sq m) constructed by HB Reavis and Plac Unii (43,100 sq m) by BBI Development NFI and Liebrecht & Wood. Other active office developers in Warsaw are Skanska Property Poland, Echo Investment or SwedeCenter.

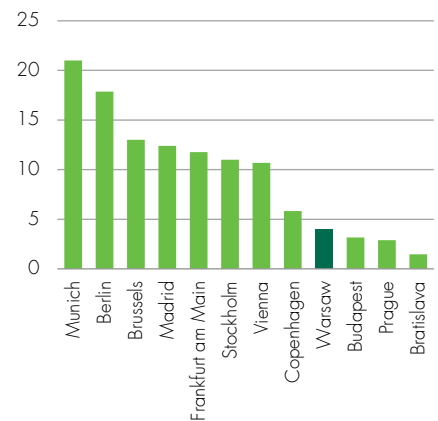
Over 60% of developed office space is concentrated in the three biggest office zones – the City Centre, Mokotow and Okęcie as well as Aleje Jerozolimskie (Ochota). Strong developer activity is also registered in Wola district, in the vicinity of Rondo Daszyńskiego. The new infrastructure improvements have a direct impact on the office locations. The office zones are constantly increasing due to the construction of the second metro line, new road connections and the ring roads. The City Centre enlarges, while the southern zones evolve into one big "airport zone", with a great potential to gain in importance and grow to the join the ranks as one of the most important business districts in Europe.

Increasing levels of activity by office developers is strongly connected with a robust demand from office tenants. The annual take-up in Warsaw has surged constantly for over a decade. In 2012 as much as 608,000 sq m was leased, which translated into 6% growth y-o-y. The amount of office activity in H1 2013 suggests that the whole year should bring another record in this regard. In the first half of the year office take-up in Warsaw totalled 334,000 sq m, that is 12% up in comparison to the corresponding period last year. The largest new lease transactions since the beginning of the year include a pre-lease agreement by Polkomtel at Konstruktorska St. (23,000 sq m), a new lease by Urząd Rejestracji Produktów Leczniczych in Ochota Office Park (13,000 sqm) or Konsalnet's BTS lease transaction in Wola district (8,500 sq m).

The vacancy rate in Warsaw surged to the level of 10.5% by the end of Q2 2013, in comparison to 8.8% registered at the end 2012. The increased level of vacant space is caused mainly by a relatively high amount of speculative deliveries. Strong activity from developers will contribute to a further growth in the level of vacancy. Nevertheless, in the long run, the additional space should be gradually absorbed by the market.

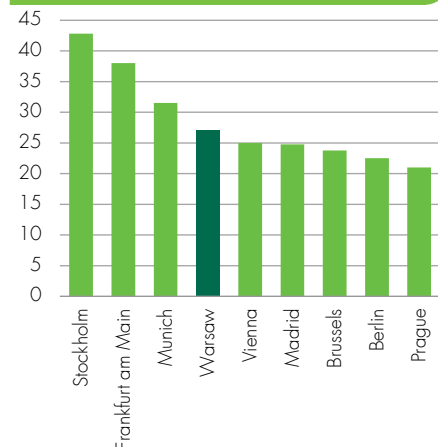
Prime headline rents in Warsaw reach EUR 25 - 26 /sq m/month in the City Centre and to EUR 14 - 15 /sq m/month in the non-central locations. In both areas the prime rental level has registered a 5% decline, caused mainly by a high level of competition among office developers. Average rents are around EUR 20 (central) and EUR 12 (non central) with the increasing number of offered incentives lowering the effective rates even by 25% lower than the headline rents. This trend should continue at least till 2015.

Office stock in selected European cities (million sq m)



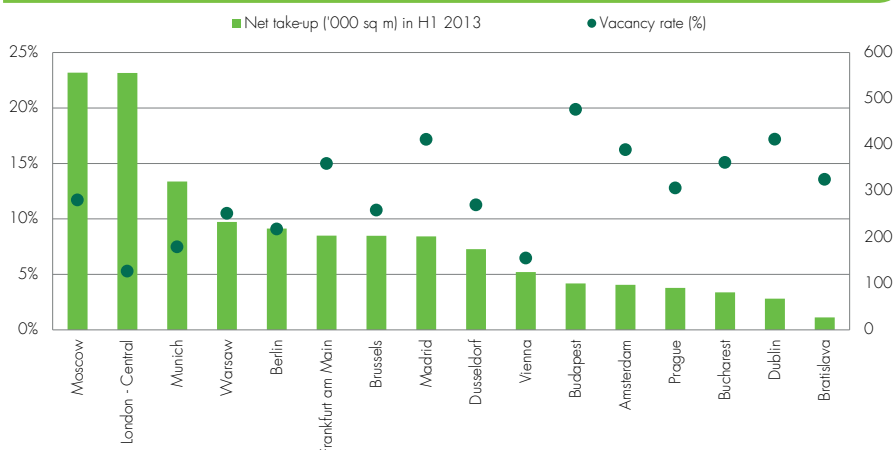
Source: CBRE, Q2 2013

Prime office rents in selected European cities (EUR/sq m/month)



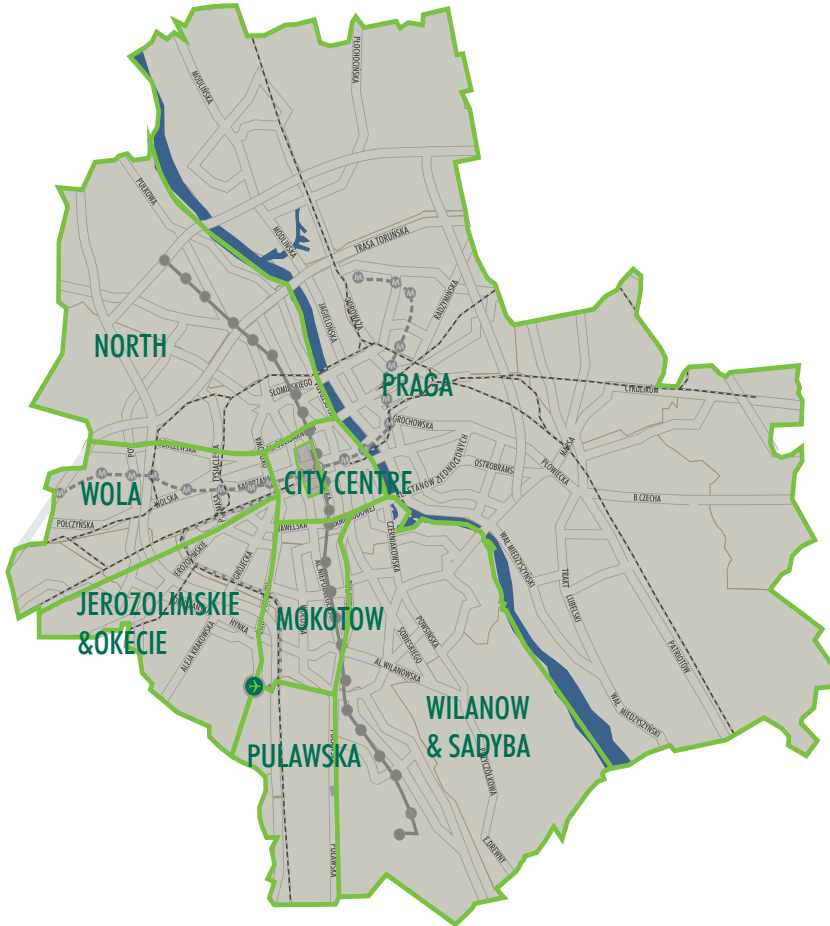
Source: CBRE, Q2 2013

Office take-up and vacancy rates in European cities



Source: CBRE, H1 2013

Office zones in Warsaw



Office zones	Stock (sq m)	Vacancy rate
<b>City centre</b>	<b>1,287,000</b>	<b>9.9%</b>
Central Business District	501,000	11.4%
City Centre Fringe	786,000	8.9%
<b>Non-central locations</b>	<b>2,724,000</b>	<b>10.8%</b>
Mokotów	1,105,000	10.5%
Jerozolimskie & Okęcie	660,000	15.6%
Wola	288,000	6.4%
Wilanów & Sadyba	188,000	2.2%
Pulawska	176,000	13.0%
Praga	172,000	9.8%
North (Zoliborz and Bemowo)	135,000	9.0%
<b>Total</b>	<b>4,011,000</b>	<b>10.5%</b>

Source: CBRE



## RETAIL MARKET IN WARSAW

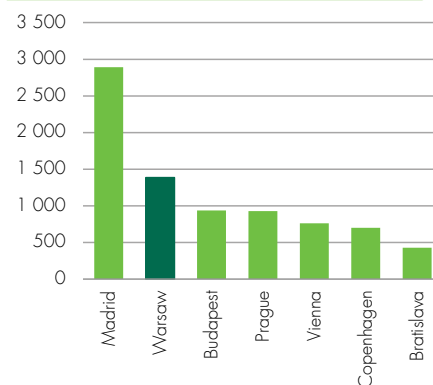


The retail market in Warsaw started developing in the mid-1990's with the first schemes being the 1st generation shopping centres developed by the well-recognized international developers such as Auchan, Carrefour, Tesco, Metro Group. Along with the market development Warsaw's retail offer has been enriched by new retail formats. Promenada, the first of the 3rd generation centres was built in Warsaw by the end of 1990's by ECE Projektmanagement and was a pioneer project due to its entertainment component (a multiplex cinema). A few years later GTC brought Galeria Mokotow to the market; the scheme was a long-term market leader in terms of Warsaw's best schemes, however in 2004 it conceded priority to Arkadia, which nowadays attracts over a million customers monthly. By 2007 Złote Tarasy, the most recognizable Warsaw scheme developed by ING Real Estate, joined the group of the capital's prime retail developments.

By the end of Q2 2013 the retail market stock level in Warsaw totalled 1.4 million sq m, which translates into a density of 433 sq m of retail area per 1,000 inhabitants; still much lower than other European capital cities. This will not change in the nearest future since there is only 20,000 sq m of new retail space currently under construction in two projects (Galeria Miejska Plac Unii and the Galeria Mokotow extension). However, there are two new projects scheduled for completion by the end of 2015, both developed by GTC. Galeria Bialoleka and Galeria Wilanow will offer 60,000 sq m of retail space each.

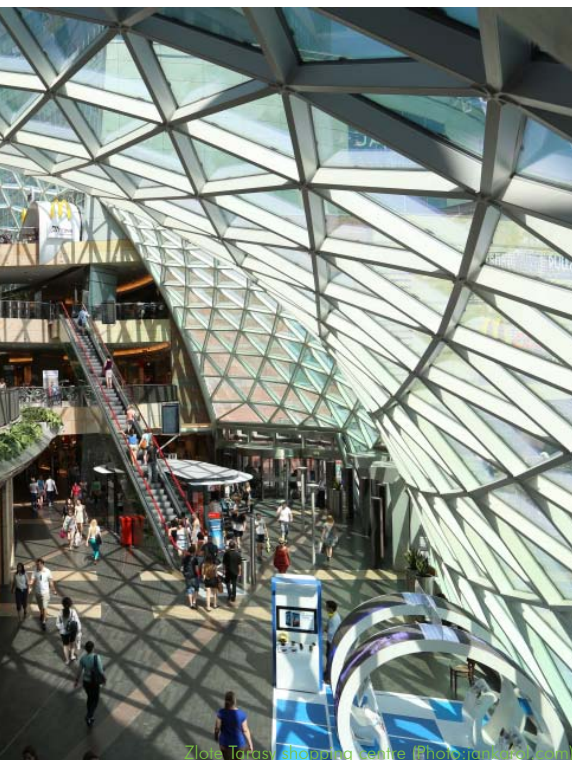
Apart from the shopping centres, the retail market in Warsaw has also developed on high streets, with Trzech Krzyży Square and its surrounding area being the most prestigious location. Exclusive international brands such as Ermenegildo Zegna, Burberry, Escada, Max Mara, Max&Co, Hugo Boss that have chosen Trzech Krzyży Square for their stores prove the unique character of the place. Other shopping streets in Warsaw that are worth mentioning include Mokotowska, Chmielna, Nowy Swiat, Marszalkowska, Zbawiciela and Konstytucji Squares. As the construction of the second metro line is scheduled to be completed by the end of 2014, the interest in high streets is rising and it is forecasted that this will strengthen the position of Nowy Swiat Street, along with other shopping areas. This new infrastructure investment will also create new high street retail destinations with Swietokrzyska Street in the lead.

Retail stock in selected European cities in Q2 2013 ('000 sq m)



Source: CBRE, Q2 2013



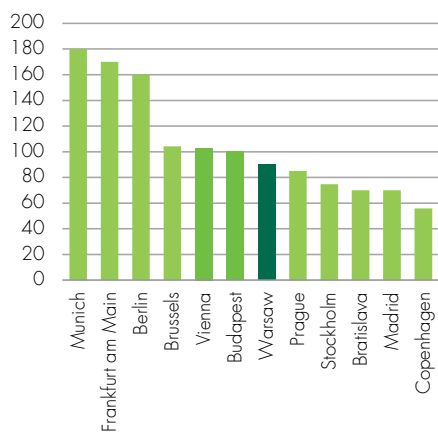


Złote Tarasy shopping centre (Photo: Jurek)



Chmielna street, City of Warsaw (Photo: PZ Studio)

Prime retail rents in selected European cities (EUR/sq m/month)



Source: CBRE, Q2 2013

According to the Polish Council of Shopping Centres, the vacancy rate in Warsaw's shopping centres amounted to 2.6% by the end of H1 2013. The demand for the best retail locations is huge with new chain retailers constantly entering the market. Over 30 new shops were registered last year, while 25 new brands have announced the opening only in the first half of the year. These includes Louis Vuitton, Original Marines, Sports Direct, Karl Lagerfeld or Sinsay.

Warsaw is undoubtedly the most expensive retail location in Poland, but one of the cheapest in Europe. Prime rents for the best 100 sq m units reach 75 - 90 EUR/sq m/month. The average rents in shopping galleries are estimated at 35 - 45 EUR/sq m/month. The level of prime high street rents varies between 65 and 90 EUR/sq m/month. The rental rates have been quite stable in Warsaw and this should not change significantly in the future.

## WAREHOUSE MARKET IN WARSAW

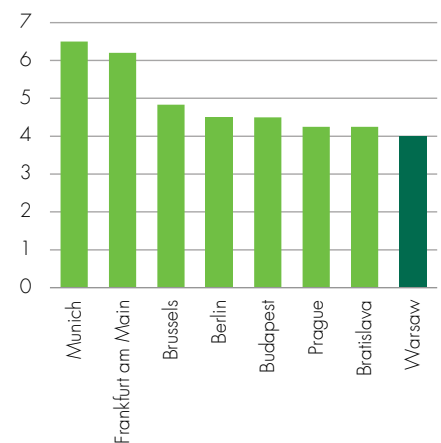


The Warsaw warehouse market splits into two zones: within the city borders (mainly Targówek, Bialoleka and Włochy) and the Warsaw agglomeration (in Blonie, Sochaczew, Nadarzyn or Mszczonow). The modern warehouse stock in the whole region amounts to 2.7 million sq m.

Due to the relatively high rental levels and a limited availability, the warehouse schemes located within the administrative borders of the city remain attractive mostly for those companies operating on the local market, offering printing, document storage, as well as for the retail and FMCG sector. These companies, aside from the warehouse space, are usually interested in an additional office component of a high standard. The other tenants usually decide to locate in the areas outside of Warsaw which offer good transportation possibilities, significantly lower rental levels and the option for future expansion. The activity of Warsaw tenants remains high. The warehouse take-up amounted to 235,000 sq m in H1 2013, of which 45% of space was attributable to new deals, 45% to renegotiations, and 10% to expansions. The biggest warehouse tenants are operating in the logistics, industrial, FMCG and pharmaceutical sectors.

Throughout 2012, the amount of warehouse stock in Warsaw increased by 88,000 sq m of new space. H1 2013 saw only one completion – II phase of MLP Park Pruszkow, totaling 8,000 sq m. An additional 45,000 sq m is planned for delivery by the end of 2013, mostly in Tulipan Park Warsaw – a project of Segro located in Nadarzyn. In total, in the vicinity of Warsaw there is 59,000 sq m of warehouse space under construction, of which 37% is in the city with the rest in the agglomeration. The most active developers and owners of the warehouses include international investors such as Prologis, Panattoni, Segro, Valad, Goodman, Hines or Heitman, but also local companies - MLP Group, Ideal Idea, Platan Group and others.

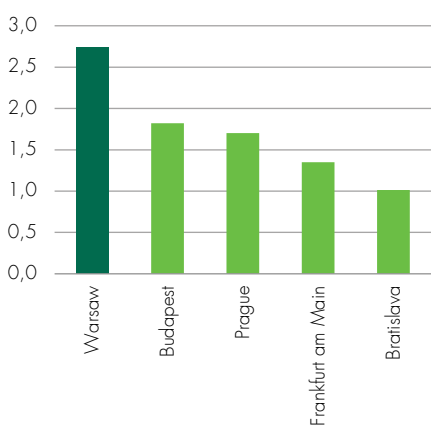
Prime warehouse rents in selected European regions (EUR/sq m/month)



Source: CBRE, Q2 2013



Warehouse stock in selected European regions (million sq m)



Source: CBRE, Q2 2013

The warehouse vacancy rate amounts to 18% in the schemes located within the administrative borders of Warsaw and to 14% in the region. This translates into 110,000 sq m and 293,000 sq m of vacant space respectively.

Prime headline rents within the Warsaw city limits amount to EUR 4.25 - 5.00/sq m/month and depend mostly on the technical standard, the amount of leased space and other rental terms. The asking rents for the office component usually oscillates between EUR 8.00 - 10.00/sq m/month. Prime headline rents for the warehouse space located in the agglomeration range between EUR 2.50 and 3.60/sq m/month. The level of effective rents can be as much as 10 - 20% lower.

We expect a further development of the warehouse and logistic sector in Warsaw, along with the continuous expansion of the retail market (with spreading out the e-commerce trade) and the general positive economic performance of the country. The central location strengthened by the new A2 highway connection will surely attract more investors, both tenants and developers.





## PROPERTY INVESTMENT MARKET IN WARSAW

The investments into commercial properties have always been crucial for the development of the whole market. Warsaw real estate is one of the key targets for all institutional funds and private investors, looking to diversify their investment portfolio across Europe. Total investment volume in the commercial property sector reached in excess of EUR 1.1 billion in 34 transactions in H1 2013. This figure shows a significant growth of 34% in comparison to the corresponding period of 2012.

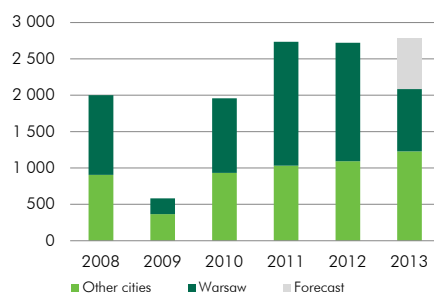
In H1 2013, offices remained the most popular asset among investors, representing a 56% share of the transaction volume, followed by retail and industrial with a 24% and 19% share respectively.

The largest transaction in H1 2013 was recorded in the retail sector - the disposal of the remaining shares of Złote Tarasy to Unibail Rodamco. Other important deals concerned office schemes – New City (EUR 127 million) and Senator (EUR 120 million) bought by Hines and Union Investment respectively. The most meaningful industrial transactions involved the disposal of 50% of the shares in the Prologis Portfolio to Norges Bank (EUR 100 million).

The investors demand is relatively strong and focused both on the prime assets as well as the value-add opportunities. The interest in the Polish assets remains viable mostly due to the political and economic stability of the country, accompanied by a sound performance of tenants in all sectors of the commercial property market. Moreover, the market fundamentals and the economic forecasts are relatively positive for Poland, which should sustain the investors' demand in the long run. German open-ended and close-ended funds are the most active buyers, being responsible for 40% of transaction volume in 2012. Significant share has also been registered by the American, French and British investors. A visible trend is an increasing activity of domestic buyers.

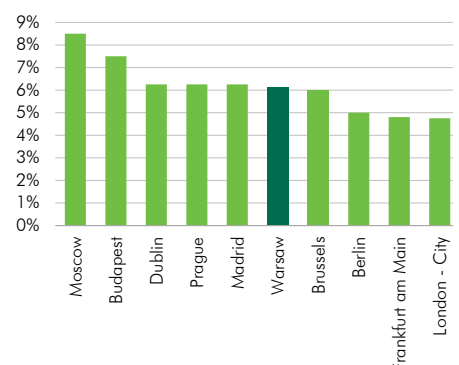
Warsaw continues to capture most of investors' attention. Prime assets remained of major interest in H1 2013, although investors are showing a growing appetite for non-central locations and secondary schemes with asset management potential. It remained the focal point of the investment activity. As prime commercial assets available for purchase are still at a premium, this should have profound implications for the further development of the investment market. Therefore, secondary assets and markets should gain more popularity. Yields remain stable with a gradual compression noted in the office sector. Prime office, retail and industrial yields are estimated at 6.15%, 5.90% and 7.50% respectively.

Property investment volume (EUR million) in Poland



Source: CBRE, Q2 2013

Prime office yields in selected European cities



Source: CBRE, Q2 2013

## INCENTIVES FOR INVESTORS

Investors willing to purchase properties in Warsaw can expect support from the nationwide institutions, such as PALiZ. Owing to the considerable number of investment projects, the central location and the prestige of the capital city, the encouragement resources for institutional investors entering the market remain limited. Cities and agglomerations located in the less wealthy parts of the country offer a wider variety of support programmes. On the other hand, there are substantial grants offered to young entrepreneurs and small businesses.

Warsaw Technological Space Organization aims at supporting and developing entrepreneurship, as well as promoting the innovative and research capacity of Warsaw. Warsaw's authorities undertake a variety of methods to conduct a number of business and self-employment support programmes on an unprecedented scale. Among the already ongoing projects there are: international projects, municipal business support projects and infrastructural projects.

International projects provide the exchange of best practice and an opportunity to build cooperation in such fields as business, innovation, new technologies, the creative sector and economic promotion. There are currently five projects being undertaken with the co-funding deriving from, among others, the European Regional Development Fund (ERDF) funds.

In the years 2007-2010 over 500 people were granted financial support for their businesses totalling over PLN 13 million, largely as a result of municipal support projects and promotions co-funded by the European Social Fund (EFS).

Current infrastructural projects cover the implementation of three schemes, aiming at large-scale enterprise, innovation and creative sector support. The action is preceded with the participation of science associations and business support institutions, namely the Entrepreneurship Centre Smolna, Innovation Centre Filtrowa 1a and Creativity Centre Targowa 56.

### Government grants for service and R&D sectors

Instrument	Conditions		Support Amount
	Investment outlay	New jobs created	
<b>Employment grant</b>			
Modern services	PLN 1.5 million*	250	PLN 3,200 – 15,600/per one job created*
Research & Development	PLN 1.5 million	35	
<b>Investment grant</b>			
Research & Development	PLN 10 million	35	up to 10%

Source: PALiZ 2013, \* excluding office space rental costs

## COMMERCIAL REAL ESTATE MARKET PRACTICE

### OFFICE AND WAREHOUSE

#### LEASE LENGTH

- Warehouse - 3 years in existing buildings; 5 years for newly constructed buildings in established parks, 10 years for build to suit (BTS) projects,
- Office – 3 – 5 years on average.

#### BASE RENT

- Paid monthly in advance; quoted in EUR, paid in PLN,
- Annual indexation linked to CPI indices (usually EU CPI Index),
- In the case of offices, the lease area includes the net area and the common space defined by a common space ratio, usually below 10% of the leased space. The common space usually includes the entrance hall, elevators, common toilets, common kitchens etc.

#### EFFECTIVE RENT

- Average rent accounted over the entire lease period, including financial incentives provided to the tenant by the landlord (e.g. rent free periods, fitout, cash contribution).

#### SERVICE CHARGE

- Paid monthly in advance; quoted and paid in PLN,
- Based on 'open book principle', reconciled annually,
- For offices: usually 12-25 PLN (3-6 EUR) /sq m/month, for warehouses ca. 4 PLN (1 EUR) /sq m/month.

#### SCOPE OF SERVICES INCLUDED IN SERVICE CHARGES

- Security of the building - common areas,
- Property taxes,
- Property insurance (excl. tenant internal area),
- Property management,
- Maintenance and repairs,
- Landscaping / site cleaning,
- Snow removal,
- On-site personnel.

#### LEASE SECURITY

- Bank guarantee (common) or deposit (rare), equal to 3 - 6 months' rent + service charges + VAT,
- Parent company guarantee (if the tenant is a newly established local entity).

#### INSURANCE

- Liability insurance, insurance for own installations and owned equipment - covered by the tenant,
- Building insurance and landlord liability insurance included in service charges.

#### REPAIRS

- Internal – tenant; structural and common areas - landlord, but recovered via service charges.

#### INCENTIVES FOR TENANTS

- Rent-free periods,
- Cash contribution,
- Partial or complete fit-out according to tenant's specification and the required adaptation works.

#### AGENT FEE – LEASE TRANSACTION

- 12 - 25% of the annual rent plus VAT, subject to lease length.

### RETAIL

The lease terms are regulated by the agreement concluded between the landlord and the tenant. Terms of the agreement are determined for each tenant individually. There are, however, certain standards that must be met by both the tenant and the landlord.

- The lease agreement term is usually 5-10 years with a lease extension option,
- Rent is payable in advance for a month; it is determined in EUR but payable in PLN, the additional turnover rent amounting to 5 – 8% of turnover is billed quarterly,
- The security deposit is in the form of a 3-month bank deposit,
- Increase of rent is usually indexed to European CPI,
- Agency margin is 10 - 16% of the annual rent.

### SALE AND PURCHASE OF REAL ESTATE

- VAT - 23% of the property purchase price or civil tax (pcc): 2% of property purchase price or 1% of share purchase (share deal, ruling from the tax authorities is recommended),
- Notary, legal and mortgage book fees - 4-5% of the purchase price,
- Agency fee - 2-5% of the purchase price.

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