

POLAND

I. Residential market in Poland

A. Poland market

The Polish housing market posted broadly positive figures in 2020 despite the complications from the COVID-19 pandemic and limited population growth. Construction continued with pace in 2020, increasing 6% (November y-o-y) to 196,000 units. Of this amount, developers completed almost twice the amount (127,300) as private investors (65,700). New housing starts and permits, though, declined as a result of containment measures in 2020.

Housing prices in 2020 have grown at one of the fastest paces in Europe. Through Q3 2020, the average sale price increase 14% y-o-y, supported by low interest rates, rising construction costs, and increasing wages. The average sale price for an apartment was 4,987 PLN/sqm in Q3, which was a slight decrease from Q2's record price of 5,000 PLN/sqm.

B. Warsaw

Mixed dynamics through the pandemic have led to divergent prices in the primary and secondary markets in Warsaw and other major cities. In Warsaw, the primary market noted a large discrepancy between apartment offers and sales of almost 1,300 PLN/sqm in Q2, before it corrected in Q3. The secondary market, on the other hand, experienced the opposite effect. Developers also appear to be stabilising their asked prices, whereas private individuals are a little more aggressive in their selling approach. Still, prices in both markets in Warsaw note higher 2020 prices versus 2019, through Q3.

Sales activity in Q3 showed improved performance over the previous quarter. For the top markets in Poland, sales doubled versus Q2. This amounts to net sales of 4,603 flats in Warsaw.

C. Leasing

The Polish residential market is still dominated by private owners. More than 84% of occupiers own their residence, which is well above the European average. Prime rents in multifamily housing are highest in Warsaw at 18.2 €/sqm/mo, followed by Wroclaw (16.2 €/sqm/mo), Gdansk (14.8 €/sqm/mo) and Krakow (14.2 €/sqm/mo). The evolution of prime rents is mixed, however, with Warsaw experiencing a 6.8% decline y-o-y, while Wroclaw saw an 11.8% increase. A recent CBRE survey illustrates that almost two-thirds of tenants rent their residence because they cannot afford to buy an apartment. Consequently, the most important factor when choosing a place to rent is the rental price (51% of respondents) and location (43% of respondents).

Key stats: 196,000 new units complete through Nov 2020; Prime residential rent of 18.2 €/sqm/mo in Warsaw; Quarterly average prices hit 5,000 PLN/sqm in Q2.

Sources: Natl Bank of Poland (NBP), Central Statistics Poland, CBRE, Eurostat

II. Office market in Poland

A. Warsaw

The Warsaw office market is by far the largest in Poland, accounting for half of the office stock in the country at 5.8 million sqm. An additional 234,000 sqm of new office space was added to the stock through Q3 2020, about 85% of which was in central markets. An additional 650,000 sqm is under construction, also concentrated in the CBD.

Occupier activity in Warsaw is dominated by financial, business service and tech companies. However, the pandemic has weighed on activity in 2020. Office demand in Warsaw totalled 448,000 sqm through Q3 2020, which is a decline of 35% compared to the same period in the previous year. Take-up (excluding renegotiations) was 293,000 sqm. Pre-leasing was strong in the first half of the year but decreased notably in Q3.

Vacancy has ticked upwards in recent quarters, largely due to new deliveries that were pre-leased at 66% occupancy on average. Given that the majority of development has been in the CBD, the vacancy increase was most notable here. At the end of Q3, 559,000 sqm of space was immediately available, translating to a vacancy rate of 9.6% for the Warsaw market.

Headline rents have remained stable amidst the market turmoil. Prime rents for the best office space in the Warsaw CBD amount to 25 €/sqm/mo, while those outside of the CBD are 15.50 €/sqm/mo. Given the current environment, some landlords have needed to be more flexible in their leasing approach by offering more generous incentives to occupiers.

B. Regional office market

The regional Polish office markets continue to develop and offer attractive new space. As of Q3, the stock of the eight largest markets expanded 345,000 sqm to more than 5.7 million sqm.

The first half of 2020 saw a record 334,800 sqm of contracts signed, mostly from an active Q1 and legacy deals. Q3 saw an additional 126,500 sqm of new leases in the eight largest regional markets. While this activity is almost 10% higher than the previous quarter, it is almost one-third less than Q3 of the previous year. Still, some markets performed well in terms of leasing activity such as Krakow Lodz and TriCity. The IT sector was the most active sector, particularly in Krakow. In the second quarter when the implications of the pandemic became clearer, renegotiations picked up and pre-leases decreased.

Vacancy in regional markets drifted upward through Q3 2020 to 11.8%, which is the highest since 2010. The vacancy rate, however, was influenced by the completion of major projects with an average occupancy rate of 45%. Landlords of new buildings and those presently under construction are offering fit-out contributions while maintaining headline rents. More generally, prime rents have held up well. Katowice and Krakow noted small decreases as of Q3, while Lublin, Poznan and Wroclaw experienced prime rent increases since the beginning of the year.

C. Investment

Poland is one of the major investment markets in Central Europe, accounting for 40% of this market annually in recent years.

2020 commercial real estate investment in Poland totalled €5.08 billion, which is a 34% decrease from the previous year. Though a notable decline, it is still the third highest volume in the previous 14 years. Industrial and logistics proved to be the most popular asset class followed by offices at almost €2 billion. Warsaw makes up the vast majority of this as the preferred destination for office investors.

Office assets have experienced a repricing over 2020. Prime investment yield for CBD assets increased from 4.25% to 4.65% as of the end of the year. Secondary Warsaw markets and regional office markets increased 25bps to 6.75% and 6.0%, respectively.

Key stats: 9.6% Warsaw vacancy in Q3; 25 €/sqm/month Warsaw prime rent; 4.65% Warsaw office prime yield

sources: CBRE