SAVILLS: TEN KEY MARKET TRENDS
Polish property market highlights of 2018. What’s in store for the months ahead?

Summary and Outlook
Real estate advisory firm Savills presents its preliminary summary of Poland's commercial property market performance in 2018 and an outlook for the next twelve months.

All-time high investment volume nearly EUR 6.5 billion

New office space delivered in 2018 750,000 sq m

New retail space completed in 2018 350,000 sq m

New warehouse space completed in 2018 2 mln sq m

“This year’s transaction volume is likely to hit an all-time high driven by robust investment activity on the commercial real estate market. Polish properties are rising up investors’ agenda, which in 2018 pushed office yields down to below 5%, the lowest on record. Despite a positive outlook for the next twelve months and a desire of investors to avoid the effect of a self-fulfilling prophecy, next year will probably see the first signs of increased investor caution. This will lead to a focus on portfolio diversification and investors increasingly targeting industrial and alternative assets.”

Tomasz Buras
Managing Director, Savills Poland
**2018 KEY MARKET TRENDS:**

**Supply gap on the Warsaw office market**
In Q2 2018, Poland’s total office stock surpassed the 10 million sq m mark. In Warsaw alone, there are many new office projects in the pipeline in the belt between ONZ and Daszyńskiego roundabouts. Those buildings, however, won’t come onto the market before 2020, hence the current supply gap in the city. Tenants seeking office units of more than 3,000 sq m at new projects have little choice now and have to focus on existing buildings for renegotiations or relocations.

**Industrial properties rising up investors’ agenda**
Poland has witnessed steady growth in volume of transacted industrial properties for several years. As at the end of June 2018, the transaction volume hit EUR 337.8 million, which was the best result ever recorded by this sector in Poland in the first six months of the year. The Polish industrial market also saw first acquisitions by Asian capital, as well as investment funds such as South African Redefine (previously active in other sectors), which in July 2018 acquired its first nine assets from Panattoni for approximately EUR 200 million.

**Office yield compression**
Office yields, particularly prime yields, have been moving in in the past few months but investors may still benefit from a yield premium over major markets of Western Europe.

**Rating agencies upgrade Poland’s ratings**
Poland is the first country in almost a decade to have been awarded an upgrade to developed market status on the FTSE Russell index. Following the upgrade in September 2018, Poland joined the group of 25 most developed economies of the world including the US, the UK, France and Germany. In October 2018, S&P restored Poland’s long-term foreign currency credit rating to A-. Thanks to these developments, Poland is likely to attract new investment platforms focused on the most mature markets.

**Sunday trading restrictions**
The introduction of Sunday trading restrictions was undoubtedly the retail market’s top highlight in 2018. The new regulations drove some shopping centres to extend opening hours on Fridays and Saturdays. Their effect on the market is not, however, unequivocal as in the first months following their introduction some retail schemes recorded lower footfall levels and higher sales. For some traditional retailers it was yet another argument for developing e-commerce platforms.

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**TRENDS ANTICIPATED IN 2019:**

**Private rented housing, purpose-built student accommodation and senior housing**
Investors will become increasingly aware of benefits resulting from alternative asset investments. Poland will witness a gradual increase in supply of such assets, driven by the rising number of international students, the ageing population and demand for private rented housing coming from global corporations.

**A lesson learnt from 2008**
Despite a desire of investors to avoid the effect of a self-fulfilling prophecy, the market will probably see the first signs of increased investor caution and risk reduction through investment portfolio diversification and ever closer monitoring of the global economy.

**WasS: workspace as a service**
The next two years will be a moment of truth in Poland for the concept of workspace as a service due to the opening of large co-working spaces and serviced offices. We will probably see operators consolidate on the market or rents for such space fall. Flexible workspaces have taken hold on the Polish market with more firms likely to opt for hybrid transactions in 2019, leasing both traditional and flexible office space.

**PropTech**
Smart property solutions will become the norm, particularly in the office sector. Looking ahead, we are likely to see significant growth in warehouse automation and deployment of advanced technologies in logistics. In the retail sector, tools combining offline and online channels (omnichannel) will gain significant importance.

**Community management**
The market will see a stronger focus on marketing campaigns targeting people, their needs and interactions with other humans. Real estate owners, serviced office and co-working space providers will be increasingly hiring community managers with responsibility for bringing together office space users, for instance, by organising a variety of events.