POLISH REAL ESTATE MARKET RECOVERY AFTER FINANCIAL CRISIS

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POLISH ECONOMY - FINANCIAL CRISIS

Poland – the only EU economy to avoid recession in 2009
POLISH MACROECONOMY FACTORS

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth (%)</td>
<td>6.0%</td>
<td>4.8%</td>
<td>1.7%</td>
<td>3.4%</td>
<td>3.8%*</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>2.5%</td>
<td>4.2%</td>
<td>3.5%</td>
<td>2.6%</td>
<td>3.5%*</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>11.2%</td>
<td>9.5%</td>
<td>12.1%</td>
<td>12.3%</td>
<td>12.0%*</td>
</tr>
<tr>
<td>Total consumption (p/y)</td>
<td>4.6%</td>
<td>6.1%</td>
<td>2.0%</td>
<td>3.2%</td>
<td>N.A.</td>
</tr>
<tr>
<td>Retail sales growth y/y</td>
<td>16.0%</td>
<td>12.9%</td>
<td>7.2%</td>
<td>12.0%</td>
<td>N.A.</td>
</tr>
<tr>
<td>Average salary (PLN)</td>
<td>2 691.03 zł</td>
<td>2 943.88 zł</td>
<td>3 102.96 zł</td>
<td>3 224.98 zł</td>
<td>N.A.</td>
</tr>
<tr>
<td>FDI inflow to Poland (EUR million)</td>
<td>17 242</td>
<td>10 085</td>
<td>9 863</td>
<td>7 538*</td>
<td>N.A.</td>
</tr>
<tr>
<td>GDP growth in EU (27 countries)</td>
<td>3.0%</td>
<td>0.5%</td>
<td>-4.2%</td>
<td>1.8%</td>
<td>1.7%*</td>
</tr>
<tr>
<td>GDP per capita in PPS (EU 27-100)</td>
<td>54</td>
<td>57</td>
<td>61</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

Sources: Central Statistical Office, National Bank of Poland, Cushman&Wakefield, King Sturge, *prognosis

POLISH ECONOMY RESISTANCE TOWARD FINANCIAL CRISIS WERE DIVERSIFIED

WFC reached Poland in its macroeconomic upward trend. Dynamic growth was based on:
- Domestic demand
- Consumer confidence
- Private consumption growth
- Appreciation of Polish currency

Retail sales in December 2010 increased by 9.1% Also small share of exports in GDP limited the effect.
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POLISH REAL ESTATE MARKET  
MAIN FACTORS OF DETERIORATION

Decrease of foreign investments
• 2009 – second year of decline
• FDI fell by 25%
• 2009 FDI at the level of 9,9 billion €
• 2010 FDI at the level of 7,5 billion €
• FDI prognosis for 2011 12,7 billion €

Decline of international trade
• Major trading partners in recession
• Reduced export
• Decrease of industrial production
• Indirect influence on RE market
POLISH REAL ESTATE MARKET
MAIN FACTORS OF DETERIORATION

Banks’ problems with liquidity of assets
• Easier access to credits after accession to EU
• International situation impact on Polish banks
• Banks security restrictions
• Decrease in dynamism of new credits

REAL ESTATE MARKET
CRISIS IN POLAND

Real Estate Investments slow down
• Financial crisis was first experienced by the residential market
• Investors looking for alternative markets
• Some of them decided to move to commercial sectors
• Investors waiting with further acquisitions

Złota 44, planned as a highest /195m/ apartment building in Poland, stopped in 2009 for almost 2 years
REAL ESTATE MARKET – RECOVERY AFTER CRISIS

The volume of transactions in Real Estate in Poland by sector (in billion of €)

2010 situation on commercial market

• 2 billion Euro level of investment in commercial RE
• 50% accounted for the retail sector
• 32% of transactions in office development
• Increase in office development by 75% compared to 2009
• Good prognosis for 2011

Financial Office Center of Warsaw
REAL ESTATE MARKET – RECOVERY AFTER CRISIS
Office transactions completed in 2010

<table>
<thead>
<tr>
<th>Building</th>
<th>Price (in million euro)</th>
<th>Yield (%)</th>
<th>The buyer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Galeria Lipińskiiego</td>
<td>28,5</td>
<td>7,00-8,00</td>
<td>Union Investment</td>
</tr>
<tr>
<td>Trinity Park III</td>
<td>93</td>
<td>7,5</td>
<td>SEB Immo Invest</td>
</tr>
<tr>
<td>Horizon Plaza</td>
<td>102</td>
<td>7,15</td>
<td>Union Investment</td>
</tr>
<tr>
<td>Harmony Office Centre</td>
<td>55</td>
<td>8,95</td>
<td>Commerzreal</td>
</tr>
<tr>
<td>Grunwaldzki Centre</td>
<td>76,5</td>
<td>7,3</td>
<td>RREEF</td>
</tr>
<tr>
<td>Mokotów Plaza</td>
<td>30,1</td>
<td>8,15</td>
<td>Azora Europa</td>
</tr>
<tr>
<td>Athina Park</td>
<td>32,2</td>
<td>7,25</td>
<td>PZU AM</td>
</tr>
</tbody>
</table>

REAL ESTATE MARKET
2010 TRANSACTIONS

Galeria Lipinskiego
Warsaw
Price: 28,5 million €
Yield: 7 – 8 %
Union Investment
REAL ESTATE MARKET
2010 TRANSACTIONS

Trinity Park III
Warsaw
Price: 93 million €
Yield: 7,3 %
SEB Immo Invest

REAL ESTATE MARKET
2010 TRANSACTIONS

Horizon Plaza
Warsaw
Price: 102 million €
Yield: 7,15 %
Union Investment
REAL ESTATE MARKET
2010 TRANSACTIONS

Mokotow Plaza
Warsaw
Price: 30.1 million €
Yield: 8.15 %
Azora Europa

REAL ESTATE RESIDENTIAL MARKET

2007 situation overview
• Very good prosperity
• Rapid price increase of residential properties
• ROE exceeded 100%
• 165,189 flats completed (23.55% growth y/y)
### REAL ESTATE RESIDENTIAL MARKET

**Dwelling completions**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>115,353</td>
<td>133,698</td>
<td>165,189</td>
<td>160,002</td>
<td>135,818</td>
</tr>
<tr>
<td>y/y</td>
<td></td>
<td>1.13%</td>
<td>15.90%</td>
<td>23.55%</td>
<td>-3.14%</td>
<td>-15.11%</td>
</tr>
<tr>
<td>Cooperatives</td>
<td>9,032</td>
<td>8,240</td>
<td>8,647</td>
<td>7,260</td>
<td>5,052</td>
<td></td>
</tr>
<tr>
<td>y/y</td>
<td></td>
<td>9.85%</td>
<td>-8.77%</td>
<td>4.94%</td>
<td>-16.04%</td>
<td>-30.41%</td>
</tr>
<tr>
<td>Individual</td>
<td>57,594</td>
<td>71,643</td>
<td>83,338</td>
<td>71,971</td>
<td>70,444</td>
<td></td>
</tr>
<tr>
<td>y/y</td>
<td></td>
<td>-8.98%</td>
<td>24.39%</td>
<td>16.32%</td>
<td>-13.64%</td>
<td>-2.12%</td>
</tr>
<tr>
<td>Sell or rent</td>
<td>37,960</td>
<td>45,653</td>
<td>66,703</td>
<td>72,326</td>
<td>53,505</td>
<td></td>
</tr>
<tr>
<td>y/y</td>
<td></td>
<td>14.87%</td>
<td>20.27%</td>
<td>46.11%</td>
<td>8.43%</td>
<td>-26.02%</td>
</tr>
<tr>
<td>Sell or rent y/y</td>
<td>10,767</td>
<td>8,162</td>
<td>6,501</td>
<td>8,445</td>
<td>6,817</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>13,12%</td>
<td>-24.19%</td>
<td>-20.35%</td>
<td>29.90%</td>
<td>-19.28%</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Central Statistic Office*

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### REAL ESTATE RESIDENTIAL MARKET

**Average price of dwelling completed index**

<table>
<thead>
<tr>
<th>Year</th>
<th>Average price per sqm</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average price per sqm y/y</td>
<td>2.521 zł</td>
<td>2.871 zł</td>
<td>3.224 zł</td>
<td>3.881 zł</td>
<td>4.336 zł</td>
</tr>
<tr>
<td></td>
<td>Average price per sqm y/y</td>
<td>3.34%</td>
<td>13.91%</td>
<td>12.28%</td>
<td>20.37%</td>
<td>11.73%</td>
</tr>
</tbody>
</table>

*Source: Central Statistic Office*
FINANCING CRISIS vs. FINANCING DEVELOPMENT

PRE-LEASE AGREEMENT - SECURITY OF INVESTMENT

Types of pre-lease agreements in the market:

- Future lease agreement (built-to-suite)  
  signed before the building process, in time of investment planning

- Pre-construction agreement  
  signed after planning of building but before the start of construction process

- Pre-completion agreement  
  signed during the construction process

CONCLUSIONS

- During the crisis the number of investments were suspended
- Some investors were refocusing on underdevelop real estate sector
- At the end of 2010 and in 2011 Polish Real Estate improvement was drawing power from optimistic macroeconomic factors
- Increased number of transactions on residential market and more positive municipal auctions
- Upward trend in rents for commercial space among all sectors
- Importance of prelease agreements during the investment process as banks security restriction requirements
THANK YOU FOR YOUR ATTENTION