

The most important investment transactions  
on the Polish property market

# TEN years AFTER

**THE LAST DECADE HAS SEEN BOTH UPS AND DOWNS ON THE INVESTMENT MARKET. IN 2001 THE VOLUME OF POLISH PROPERTY INVESTMENT AMOUNTED TO EUR 212 MLN. JUST FIVE YEARS LATER WE EXCEEDED EUR 5 BLN**

■ Zuzanna Wiak



**U**ntil the middle of the 1990s there were practically no commercial facilities in Poland that could be of any interest to investors. The beginning of the year 2000 was basically the beginning of the modern investment market in the country. However, the quality of office buildings and shopping centres constructed at the time left a lot to be desired. The turnover of commercial properties started in 2000, but it was 2004 and

**PICTURE:**

**The Rondo 1 office building in Warsaw has already changed hands as many as four times**

accession to the EU that proved to be the turning point. “EU accession resulted in an influx of foreign investors to Poland. Some anticipated EU accession and started investing a little earlier, but when it finally came it lifted the barriers for foreign investors. Before 2004 you had to obtain a permit from the Ministry of Internal Affairs if you wanted to buy any property. After EU accession a permit was not required for commercial properties, ▶



and there was just a transition period introduced for the purchase of agricultural properties,” recalls Tomasz Trzósło, head of CEE capital markets for Jones Lang LaSalle.

### It's the portfolio that counts

The first really big transaction of the last decade was the sale of 11 shopping centres by Apsys and Casino to GE Real Estate and Heitman. The transaction was finalised in 2002 at an estimated price of EUR 245 mln. This and all the biggest transactions on the market have involved the sale of a number of facilities in one bundle, i.e. the sale of a property portfolio. A year later the biggest contract so far on the shopping centre market was sealed. Metro Group sold its portfolio to Apollo Rida for EUR 700 mln. In 2010, seven years later, the time is finally ripe to beat this price, but the transaction in question does not concern the Polish market on its own. Unibail Rodamco is currently in the process of taking over Simon Ivanhoe, owned by Simon Property Group and Ivanhoe Cambridge, which would leave it as the owner of its property portfolio in Poland and France. The portfolio includes two Warsaw shopping centres: Arkadia and Warszawa Wileńska. In order to finalise the takeover, the investor has to fulfil certain conditions stipulated by the Office for Competition and Consumer Protection. The Unibail-Rodamco subsidiary set up for the transaction will have to relinquish all rights connected with exercising co-control of the Ziote Tarasy shopping centre in Warsaw or sell them to independent investors – and not any member of the capital group that is involved in the takeover. The value of the whole transaction amounts to EUR 715 mln, in which the value of the two Polish properties is estimated at EUR 450–500 mln. A portfolio owned by Metro Group was the subject of another transaction in 2006. Apollo Rida sold 49 pct of its shares in to the AXA fund, with the sales value amounting

to EUR 600 mln – a mere trifle really. “The market still remembers these big portfolio transactions today, such as the sale of the Casino portfolio to GE Real Estate for the sum of EUR 550 mln. But it might now seem that exceptionally attractive properties with a well-established market position and bringing their owners a lot of profit will never be sold. However, as it has now become clear, even the proverbial geese that lay golden eggs, such as Arkadia, are still on the market,” claims Marek Paczulski, investment consulting director at DTZ.

### Three... four times lucky

One of the most interesting occurrences (or recurrences) on the Polish investment market has been the repeated sale of the Warsaw office building Rondo 1. This provides us with a good example of a series of transactions on a developing market that brought in substantial profits to the selling party. An interesting aspect of this was the fact that the first three changes in ownership in fact are the result of waiving the right to buy the property after its completion, so in each case the building was actually bought by a third party,” explains Tomasz Trzósło of Jones Lang LaSalle. The Rondo 1 skyscraper, with a leasable area of 54,000 sqm, was built by Hochtief Project Development Polska for Commerz Leasing. Its opening took place in March 2006. Except that the previous year the building changed hands. Its new owner was Hannover Leasing, having bought the tower for EUR 230 mln. And then, less than a month after the opening of the building, it changed hands again. London & Regional Properties, together with the Macquarie Global Property Advisors fund, acquired the building for EUR 260 mln (both entities taking a 50 pct stake in the property). Currently, the building is exclusively owned by MGPA, which later bought London & Regional Properties' stake for EUR 160 mln. Other notable transactions include that for the Mokotów Business Park office

**PICTURE:**  
In 2003 Apollo Rida acquired Metro Group's Polish portfolio – still the biggest acquisition on the shopping centre market

700

mln EUR – the transaction price for Metro's portfolio of retail properties, which was acquired by Apollo Rida in 2003

complex (107,000 sqm), which was sold in 2006. Globe Trade Centre received EUR 215 mln from the Heitman fund for the complex. The Metropolitan building, which stands on pl. Teatralny in Warsaw, also found a new owner in 2006. The developer Hines received EUR 180 mln, while Dergi (now Aberdeen Immobilien) became the owner of one of the most prestigious office buildings in the capital. The most expensive portfolio put up for sale on the office market was a group of buildings owned by Telekomunikacja Polska in various locations in the capital city. The buyer in this case was the Baltic Property Trust. Office buildings on ul. Twarda, ul. Moniuszki and ul. Obrzeźna, which had a total leasable area of 62,000 sqm, changed hands for EUR 165 mln,

### Warehouses outside the capital city

Warsaw may have seen the biggest and the most important transactions on the office market, but the capital is by no means the front runner when it comes to the warehouse market – although there are even exceptions to this rule. “The warehouse market is specific due to there being only a few developers active in it – and these mostly specialise in the sector. At the same time, the projects are not as costly or time-consuming in terms of construction as office buildings or shopping centres, which in the case of bigger tenants allows for the construction of a facility after the signing of the leasing agreement and thus considerably cuts the investor's risk,” adds Tomasz Trzósio of Jones Lang LaSalle. The biggest transactions on the warehouse market were also for portfolios. In 2007, ProLogis announced the takeover of rival Parkridge's warehouse development business. The company bought industrial land in Great Britain and the Astral company owned by Parkridge, as well as the latter's 50 pct stake in a joint venture company developing logistics facilities in Central Europe. In the same year, Europa Capital sold the City Point warehouse complex in Warsaw's Targówek district (leasable area: 122,000 sqm) to Teesland iOG for EUR 71.6 mln. This year there has been another big acquisition on the warehouse market. Panattoni Europe and Standard Life Investments have sold five warehouse projects with a total area of 170,000 sqm to the European Property Investors Special Opportunities fund (EPISO), which is co-managed by AEW Europe and Tristan Capital Partners. The value of this transaction comes to EUR 91 mln.

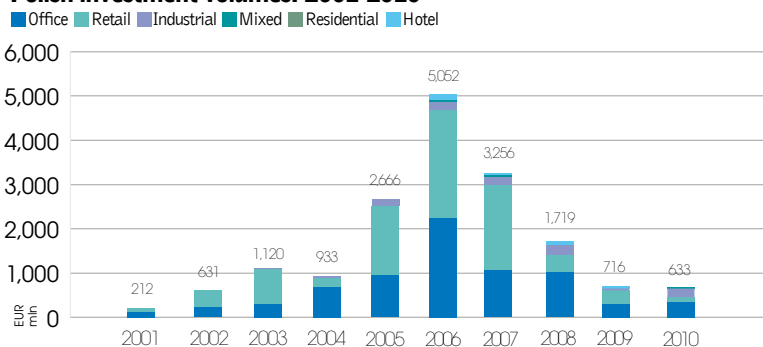
### Bigger and bigger development

All the largest transactions of the last decade were carried out with the participation of foreign investors. According to Marek Paczuski of DTZ: “There are still very few Polish investment funds.

The ones that are most active are entities listed on the stock exchange, such as Fundusz Arka BZWBK, BPH or Skarbiec, but they also include the PZU fund, which is not listed.” Polish funds can only raise small amounts in comparison to their foreign counterparts and also have diversification limits. They usually have at their disposal around EUR 200–300 mln, which means they can only carry out transactions in the region of EUR 30–60 mln (with app. 10 pct of a fund's capital being invested in one property). However, the advantage that Polish funds do have is their better knowledge of the market. Investment transactions by foreign companies are mostly for properties in the capital city; but Polish funds have the courage to invest in other cities, even the smaller ones. “Because of the immaturity of the market at the beginning of the 21st century, we started with double-digit yields of 10-12 pct. However, during the peak of investment activity in 2007 and 2008, yields for the best properties fell as low as 5.25–5.75 pct,” relates Marek Paczuski. Rents denominated in dollars were very high at the beginning of the noughties. During the credit crunch there was not much happening on the investment market, but since Q4 2009 the situation has started to change. Yields in the best locations have been dropping – in Warsaw they have fallen to the level of app. 7 pct. The lowest yields on the Warsaw office market (below 5.5 pct) were registered in the sale to an undisclosed buyer of the Renaissance building on pl. Zbawiciela by the developer Yareal; and for Riverside Park on ul. Fabryczna by AIG/Lincoln Polska to Irish fund Irlandia Investments, where the yield was also lower than 5.5 pct. In the warehouse sector the lowest yield (app. 6.25 pct) was recorded in the sale of the City Point complex, also in Warsaw. “For the shopping centre market,” according to Tomasz Trzósio, “it is hard to be absolutely certain what the situation is because the yields are not being reported.” ■

On December 8th during the Eurobuild Awards gala it will be seen whether any of the above-mentioned transactions (or a completely different one) is honoured with the title of ‘Investment Transaction of the Decade’. You are invited to tell us by the end of October what you think has been the most important transaction of the last ten years. A jury consisting of the leading experts in the sector will make the final choice from the resulting list of the most popular entries.

### Polish investment volumes: 2001-2010



Source: Jones Lang LaSalle