



LAND

FOR MULTI-FAMILY
RESIDENTIAL
DEVELOPMENT

ANALYSIS OF AVERAGE PRICES
AND SHARE IN THE VALUE
OF A DEVELOPMENT PROJECT

June 2018



EMMERSON
EVALUATION

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Introduction

Dear Readers,

We would like to present you with the first edition of our report on the subject of land for multi-family residential development. The analysis was conducted for the largest Polish cities, including a division into particular districts. This allowed us to thoroughly examine the market and show the distribution of land prices in each of the analysed cities.

The results presented in this publication were calculated on the basis of transaction data for purchases made in 2017. All calculations were made on the basis of actual transactions of sale of land for multi-family development in that period.

In this report, prices of land for multi-family residential development are analysed in terms of prices for sq. m of usable floor area (UFA). In our opinion, it is a more reliable unit, better reflecting the reality than prices for 1 sq. m of land. Developers make decisions on the purchase of a plot of land and estimate their future profit based exactly on the average price per sq. m. The report also analyses the minimum, maximum and average share of land price in the value of investments for which we knew the actual development parameters (UFA + NRA) and were able to determine their target value. We also supplement our publication with a text description of the peculiar characteristics of the land market in each of the analysed cities.

We invite you to read the report. If you have any questions or would like to obtain a more detailed analysis of a given topic, as well as a study on another subject, please contact us.

Analysis of nearly 400 transactions of land for multi-family residential development was carried out

For all of them, the actual construction parameters were known (UFA* and NRA**)

*UFA – Usable Floor Area
(Residential floor area)

**NRA – Net Rentable Area
(Services floor area)

The average price of land for multi-family residential development as converted into actual parameters of UFA and NRA

Target values for investments were determined based on the average price per sq. m of UFA and NRA

On this basis, a minimum, maximum and average share of the land price in the value of the whole investment was calculated



SUMMARY OF THE SITUATION ON THE MARKET OF LAND FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT

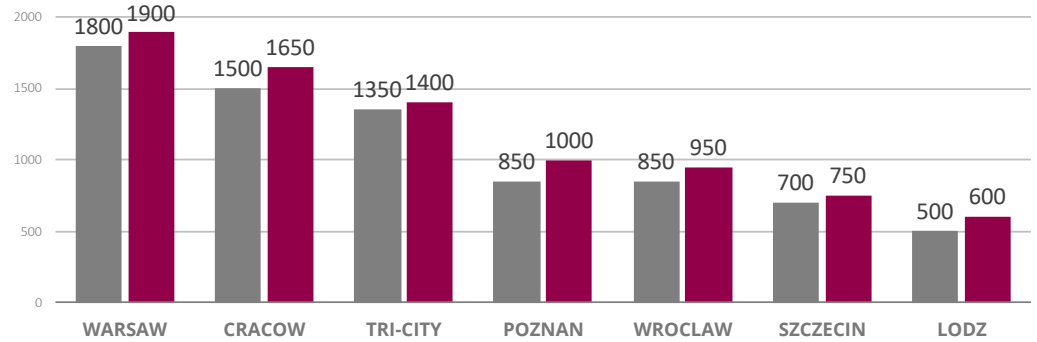
Record-breaking sales of flats in most cities are the reason why investors are launching new projects at a very fast pace. The growing revenue of real estate developers and the ease of obtaining financing contribute to the high financial liquidity of the companies and are an additional incentive for investments and searching for plots for new projects. A record-breaking number of building permits was issued in 2017, and many commenced projects contribute to the increasing scarcity of available land resources. This forces developers to intensify their search for building plots. Despite the very high demand from developers, we did not observe any record volumes of land transactions in 2017. The level of sales was similar to 2016, which indicates that developers are experiencing increasing problems with land purchase. It is therefore not surprising that last year, the prices of land for multifamily residential development increased in all major Polish cities.

The good situation on the residential market and the scarcity of plots for development resulted in the purchase of development land at much higher prices than in the previous year.

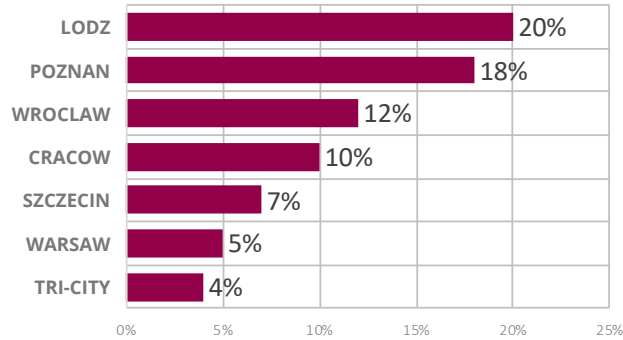
The increase in land prices per UFA ranged from 4% to as much as 20% per year. This was the case, for example, in Lodz, where the increase in average prices was the largest of all the voivodship capitals analysed. Areas where land prices have been the highest in Poland for several years, such as Warsaw and Tri-City (especially Sopot), have not recorded such high increases in land prices per sq. m of UFA. In Warsaw, the average price of sq. m of UFA in 2017 amounted to PLN 1,900 and was 5% higher than in the previous year. In Tri-City, the average price in the same period grew by 4% year-on-year, reaching PLN 1,400 per sq. m of UFA. Areas where the boom in the development market started a little later than in the capital city, such as Lodz, Szczecin or the peripheral regions of Poznan and Wroclaw, recorded a much greater revival on the land property market. The average land prices per sq. m of usable floor area increased respectively by 20% in Lodz, 18% in Poznan, 12% in Wroclaw, 10% in Cracow and 7% in Szczecin. Thus, there is a definite market trend of rising land prices in regional cities, following the recent price increases in the capital. However, despite the large increases, the average land prices per sq. m of UFA in Lodz or Szczecin are still about 2-3 times lower than in Warsaw, and the supply of land in these areas is still relatively high (e.g. in Lodz a significant part of the downtown development is being demolished to make room for new investments).

THE AVERAGE PRICE OF LAND [PLN/SQ. M OF UFA] FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT

2016	2017



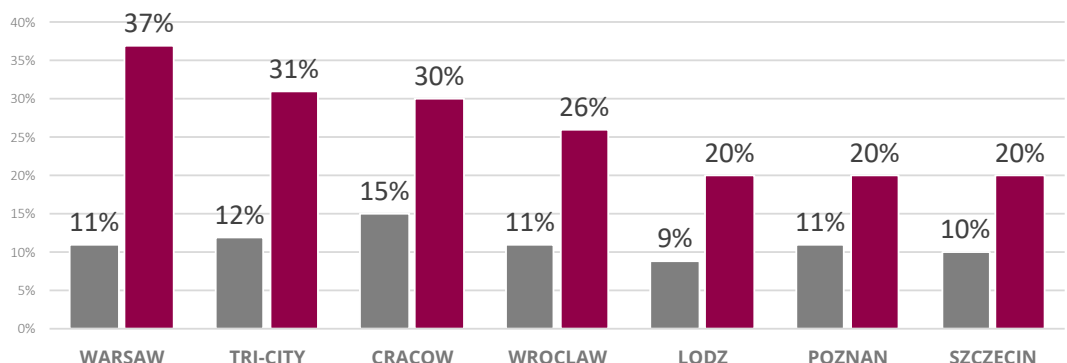
CHANGE IN THE AVERAGE PRICE OF LAND [PLN/SQ. M OF UFA] FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT 2017/2016



The cost of land purchase incurred by the developer, as well as the cost of general contracting, are important issues affecting the price of the flat, and thus the profitability of the entire investment. The investor, already at the stage of plot purchase, estimates the future return on investment and determines the margin he will obtain from a given project. Therefore, the process of selecting the right plot is extremely important. The rapidly dwindling land resources encourage developers to purchase plots of land with decapitalised buildings, intended for demolition, often with defects (legal, environmental). The price of land, which developers are able to pay, is influenced mainly by: location, appropriate development conditions and the type of investment (e.g. large investments allow a higher profit to be generated, due to the so-called economies of scale). For this reason, the difference between the maximum and minimum share of the land price in the value of the investment may be considerable or even twice as big.

The share of land price in the value of the investment ranged from 9 to over 30% in 2017. Developers in Warsaw paid the highest prices for land in relation to the value of the investment. Developers are often able to pay high amounts for land located in the central districts of the capital because, with the present high demand for flats, an investment in a downtown location will certainly provide an adequate return. One of the smallest differences between the minimum and maximum share of land prices in the value of the investment in 2017 were recorded in Szczecin. It seems that developers choose land there more carefully and do not succumb as strongly to price pressure as in the capital. In addition, the relatively high supply of free plots for multifamily residential development does frequently lead to transactions with prices significantly above the market average.

SHARE OF [%] OF THE PRICE OF LAND FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT IN THE INVESTMENT VALUE 2017 [MIN-MAX]

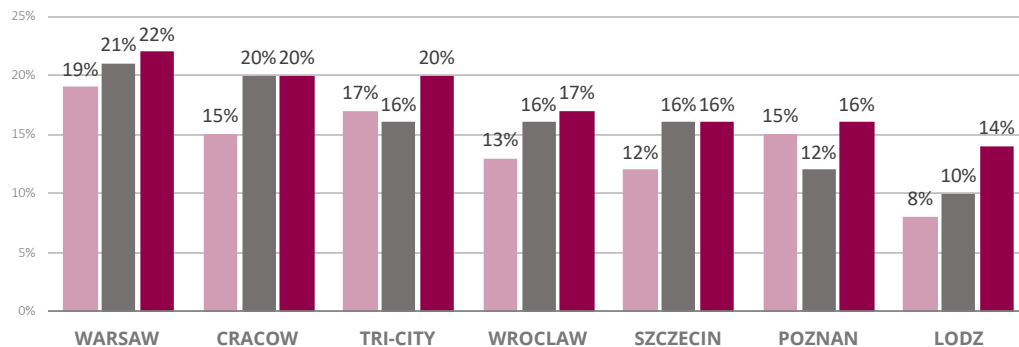


The average share of the land price in the value of the investment increased in practically all the analysed cities in 2017 (except Cracow and Szczecin, where the share was identical to the year before). The largest increase, by as much as 4 percentage points, occurred in the Tri-City area and Lodz. At the same time, these are also the locations which recorded

the highest increase in the prices of apartments on the primary market in that period. Thus, it can be seen that developers, in order to keep their profit at the current level, had to make quick increases in the prices of premises. Nevertheless, in the last 3 years the average share of land prices in the value of investments has been on the increase in all major cities.

THE AVERAGE SHARE OF [%] OF THE PRICE OF LAND FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT IN THE INVESTMENT VALUE

2015	2016	2017
19%	21%	22%
15%	20%	20%
17%	16%	20%
13%	16%	17%
12%	16%	16%
15%	12%	16%
8%	10%	14%



At Emerson Evaluation, we expect land prices for multi-family residential to continue to rise in the near future. Therefore, we believe that more and more brownfield investments will appear on the Polish market, re-using built-up areas, where existing buildings will be revitalised or demolished. On the other hand, nationwide investors have "land banks", which will be used for the next few years. The market is heading towards consolidation, i.e. developers with their own construction companies are likely to play an increasingly important role. With growing construction production costs, such companies will be able to generate lower costs associated with the construction of the investment than companies that use external contractors.





WARSAW

The capital market of investment areas in the residential sector is experiencing a very good economic situation, however, the supply of land in Warsaw is currently very limited.

Small resources of investment space are most visible in the densely built-up districts such as Śródmieście, Ochota or Praga-Północ. The situation is slightly better in the peripheral districts of Warsaw, such as Białołęka, or in such vast districts as Mokotów. The supply of land in the capital is also low due to the small number of adopted local spatial development plans. Currently, only 37% of Warsaw's area is covered by current local plans. The availability of potential investment land was also limited by the so-called Act on the Protection of Agricultural Land, which effectively reduced the turnover of land not covered by local spatial development plans and for which decisions on land development and management conditions have been issued. Another factor influencing the limited supply of investment land is the creation of the National Property Resource, which is to include land intended for the construction of apartments under the Apartment Plus programme. In connection with the above, the tender sale of land owned by the City of Warsaw or companies owned partly by the State Treasury was practically suspended.

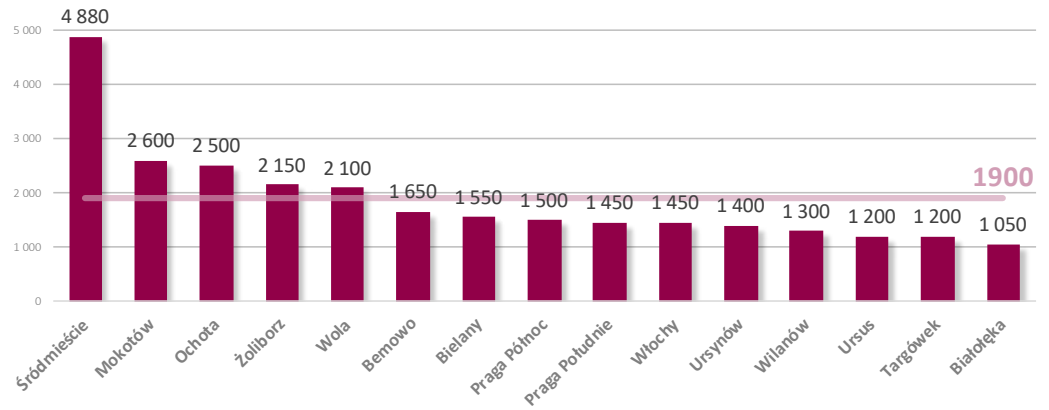
The most desired land by investors includes the areas around the second line of the underground. Therefore, we can see considerable developer activity in the western part of Bemowo, near the Daszyński Roundabout (Wola), in Praga Północ and Targówek. Recently, we have also noticed a large number of land transactions in post-industrial areas, such as in the vicinity of ul. Kłobucka in Ursynów, the area of former Ursus production plants, the area close to ul. Instalatorów in Włochy district and ul. Minska in Praga Południe.

The limited supply makes it extremely difficult to find „clean” and problem-free land in Warsaw at present. Therefore, investors are forced to consider purchasing plots of land with legal defects, polluted or requiring regulation of the planning situation. However, these purchases are made at an appropriate discount for „defects” in the land, which allows the appropriate profitability of the investment to be maintained.

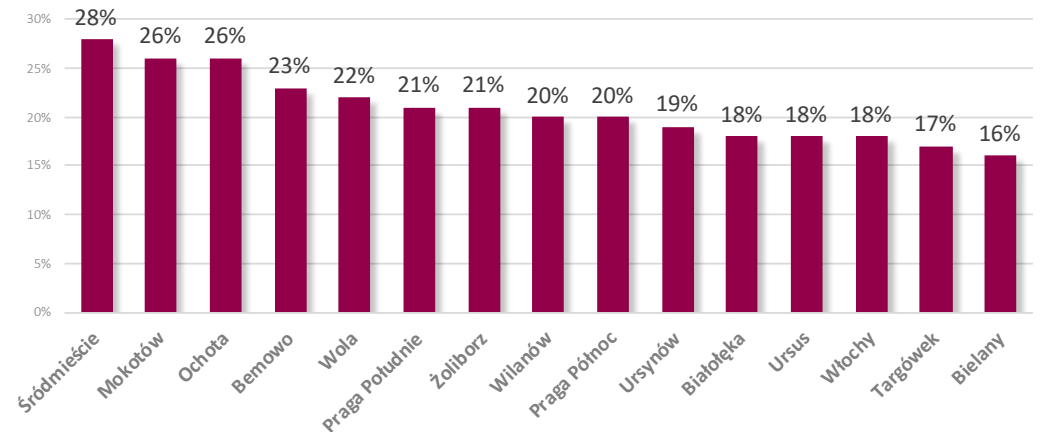
On the other hand, land free from defects and prepared for investments, i.e. having a valid building permit, is sold out immediately. However, the prices of such plots reach very high levels, reducing developers' margins to a minimum. Making such expensive purchases requires a lot of experience and great caution on the part of the developer, as mistakes made whilst executing such investments can be extremely expensive.

THE AVERAGE PRICE OF LAND [PLN/SQ. M OF UFA] FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT 2017

district average
city average



THE AVERAGE SHARE OF [%] OF THE PRICE OF LAND FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT IN THE INVESTMENT VALUE 2017



Land prices in Warsaw vary widely in terms of spatial distribution. The lowest average land prices per sq. m of UFA are reported in the outer districts of the city, such as Białołęka, Targówek, Ursus, where they amount respectively to PLN 1,050, PLN 1,200 and PLN 1,200. Developers have to pay the most for the land in the following districts: Śródmieście (4,880 PLN/sq. m of UFA), Mokotów (2,600 PLN/sq. m of UFA) and Ochota (2,500 PLN/s. qm of UFA). The average price for Warsaw is PLN 1,900 sq. m of UFA.



At Emmerston Evaluation, we expect that very high demand for land from developers will continue in the near future in Warsaw. However, low supply will limit the number of completed transactions and cause further price increases. We also believe that the old industrial development will continue to be displaced and replaced on the capital market and the importance of investing in renovation of old tenement houses will be growing. Investors will also have to follow communication changes in Warsaw. Apart from the second subway line, the areas around the third subway line leading to Gocław, the Southern Ring Road of Warsaw and the new tram route to Wilanów and Praga-Południe will become more and more popular. Due to the limited supply of land, new investments will start to appear in places where there have not been any multi-family developments so far, such as near ul. Puławska on the border of Ursynów and Piaseczno, as well as in the Augustówka region, near the Siekierki CHP plant, in the Mokotów district.

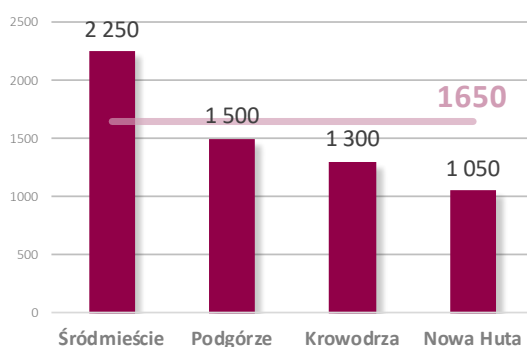
CRACOW

In 2017, flats in Cracow sold out faster than in the previous year. Almost half of the flats in new developments were already sold at the initial stage of development. Despite the rising prices, demand remained at a record high level, which led to a reduction in the number of flats offered by developers and largely translated into the need for them to search for new investment plots. **The high demand for land and its limited supply were reflected in the prices. The average price per square metre of UFA in Cracow in 2017 increased by 10% as compared to 2016.**

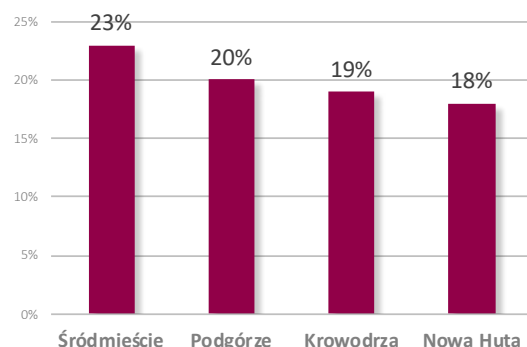
The areas of land sold for multi-family residential development included a very wide range from approx. 640 sq. m. (land for infill buildings) to over 25 thousand sq. m. The average area of properties under sale was approx. 4,850 sq. m., and the average unit price per 1 sq. m. of UFA was PLN 1,650 sq. m. The most expensive land in terms of UFA is in Śródmieście district (PLN 2,250), but high prices (an average of PLN 1,500 per sq. m of UFA) are also obtained for plots located in Podgórze district (in Zabłocie area). The lowest prices of land in 2017 were recorded in Nowa Huta district (1,050 PLN/sq. m of UFA).

THE AVERAGE PRICE OF LAND [PLN/SQ. M OF UFA] FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT 2017

district average	
citi average	



THE AVERAGE SHARE OF [%] OF THE PRICE OF LAND FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT IN THE INVESTMENT VALUE 2017



The degree of coverage by local spatial development plans in Cracow is almost 53% of the city's area, and transactions in undeveloped land for multi-family residential development constitute a significant share in the structure of trade on the land property market. Due to the availability of plots of land, the vast majority of land purchased in Cracow is located in the intermediate or peripheral part of the city. Transactions involving plots of land located in the inner city are much less frequent.

Due to the small supply of undeveloped land intended for multi-family development, investors in the capital of Małopolska region often decide to purchase land with decapitalised development, an example of which is Zabłocie in the Podgórze district, which is one of the most dynamically developing areas of Cracow. In downtown areas, such a situation often occurs in the area of Grzegórzki, which due to the proximity of the city centre is very popular among developers.

At Emerson Evaluation, we expect that due to the decreasing number of plots in downtown areas, new blocks of flats will start appearing in the peripheral parts of the city.

The attractive area of Osiedle Europejski in the Podgórze district is already densely built-up, but if there is an option to purchase new land, developers are not willing to give up on such an opportunity. Also the Klina Zacisze area, which until now had not attracted much attention due to its location in the peripheral part of the city, is beginning to gain in importance. The areas mentioned are only some of the numerous examples of dynamically developing regions within the borders of Cracow. With a high demand for new flats, developers are building multi-family developments on practically every available plot of land.



TRI-CITY

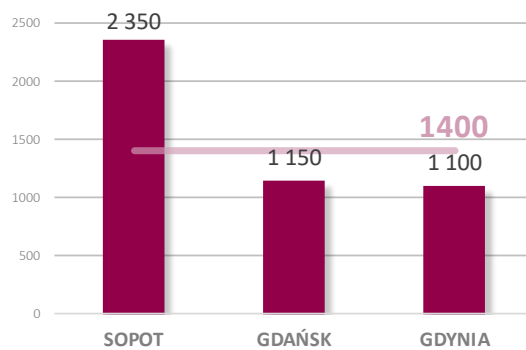
For several years now, Tri-City has been one of the most intensively developing markets, with a particular growth rate recorded in the residential real estate sector. This has an impact on developers' activities on the land property market intended for multi-family residential and residential-service investments. The transactions recorded in 2017 mainly included areas located in intermediate and peripheral zones of the conurbation, where the supply of undeveloped investment land is the highest. In downtown areas, there is a noticeable increase in developer demand for properties developed with buildings to be demolished, as well as those covered by conservation protection. Such a property may

only be renovated under the conditions laid down by the competent urban authorities. This situation is a result of the high degree of urbanisation in the city centre and the very low supply of undeveloped investment land in these areas.

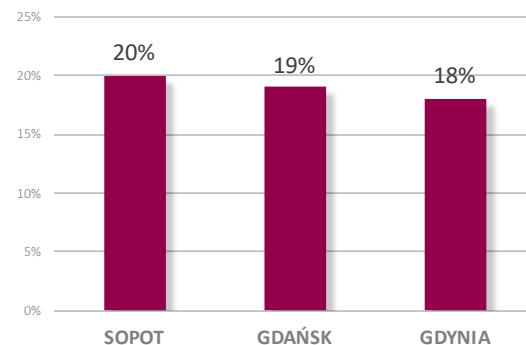
The high level of development in the central zone means that developers' activities are transferred to the peripheral areas of the cities of the Tri-City conurbation. Recently, significant investor activity in the residential and service sector has been observed mainly in the south-western districts of Gdansk (Chełm, Ujeścisko-Łostowice, Jasień, Kokoszki). In Gdynia, on the other hand, developers are mostly active in

THE AVERAGE PRICE OF LAND [PLN/SQ. M OF UFA] FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT 2017

city average	█
agglomeration average	█



THE AVERAGE SHARE OF [%] OF THE PRICE OF LAND FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT IN THE INVESTMENT VALUE 2017



the districts located along the Tri-City ring road (Wielki Kack, Dąbrowa, Chwarzno-Wiczlino) and the areas located along the northern border of the city (Pogórze, Obłuże, Oksywie). Intensive development activity in these areas leads to them being perceived as more and more attractive by potential buyers. In recent years, numerous retail and service outlets and social infrastructure have been developing parallel to residential estates in these areas.

In the largest city in the Tri-City, Gdansk, the availability of land is by far the greatest. The average prices, converted into achievable UFA in this city, amount to PLN 1,150. In Sopot, the average price of a plot of land for multi-family residential development is PLN 2,350 sq. m of UFA, and in Gdynia – PLN 1,100 sq. m of UFA. The average price of land per square metre of UFA for the entire Tri-City is PLN 1,400 and the average area of the plots sold was 11,500 sq. m. The city with the highest coverage of local spatial development plans is Gdansk, where they cover almost 65% of the total area, while in Sopot it is 57% and in Gdynia it is only 30%. It is therefore not surprising that investments are executed there much more frequently than in other areas of Tri-City.

Tri-City, like other regions of Poland, is notable for its zonal distribution of prices, depending on the attractiveness of the area where the plot is located. The highest unit prices are achieved for land located in downtown and central areas of the city of Gdansk, such as Śródmieście, Przymorze, Oliwa, Wrzeszcz, Aniołki, Strzyża, Gdynia (in the areas of Śródmieście, Redłowo, and Działki Leśne), and in the area of Sopot in the vicinity of the seaside belt. Prices of land located in intermediate and peripheral areas of the Tri-City, with poor infrastructure, such as the peripheral parts of the precincts Maćkowy, Szadówka, Kokoszki, Sobieszewska Island in Gdansk and Chwarzno-Wiczlino in Gdynia, are already between 20 and 40% lower.

Currently, the most attractive areas for developers are those in the southern and western districts of Gdansk, such as Maćkowy in Chełm, Łostowice in Ujeścisko-Łostowice district or Szadówka in Jasień district. These are the areas where the supply of undeveloped land is still relatively high and the prices of investment plots are the lowest in comparison with the entire Tri-City market. The residential estates built there are frequently described as „bedroom suburbs”, due to the relatively low prices of flats, and attract young people.

At Emmerson Evaluation, we assume that strong demand from developers in these areas will continue, mainly due to the still relatively high proportion of free land available for development and the development of road, network, commercial and service infrastructure.

Another area where increased activity in the development sector is visible is the City Centre in Gdansk, especially the eastern part of the district (to the east of the Motława Canal). Currently, intensive construction works are also underway on the Granary Island, and new investments are also being developed in the vicinity of ul. Angielska Grobla, Długi Ogrody and Długa Grobla. The attractiveness of this location, associated mostly with its close proximity to the historic Old Town of Gdansk, means that land in these areas is especially desired by developers. Additionally, in the eastern part of Śródmieście district in Gdansk, there is a significant supply of post-industrial land, which is intended for revitalisation and constitutes a potentially attractive investment area.

Investors looking for land for residential development in the Tri-City area are very active; therefore at Emmerson Evaluation, we predict that the relatively high level of prices in this market will be maintained. We expect to see more purchases of land at prices much higher than the average market prices, especially in the most prestigious areas of the conurbation.

WROCLAW



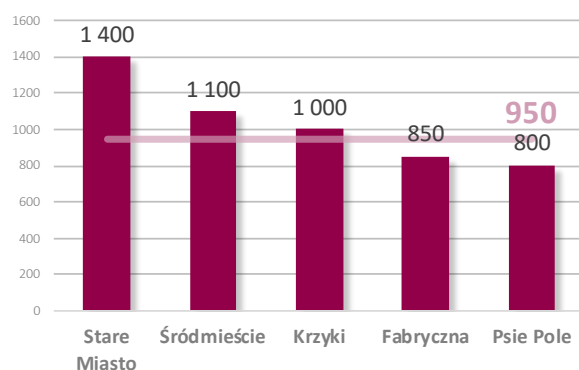
Transactions in undeveloped land for multi-family residential development account for a significant share of the market turnover in undeveloped real estate in Wrocław.

In the capital of Lower Silesia, developers most often decide to purchase smaller plots of land, with an area of up to 5 thousand sq. m. Transactions for land ranging in size from 5,000 to 10,000 sq. m are slightly less frequent and the transactions for the largest plots of land of more than 10,000 sq. m are the least frequent. This is due to the limited supply of land in most parts of the city. The average area of sold plots in 2017 was 6,490 sq. m.

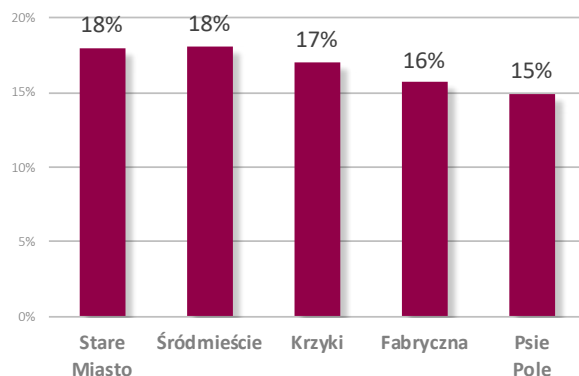
Local spatial development plans in Wrocław currently cover approximately 58% of the city's area. The supply of land is the key factor in the number and frequency of transactions in the given district. At present, developers mainly acquire land in less urbanised districts with significant land availability, such as Fabryczna or Psie Pole. Recently, this part of the city has witnessed transactions in land with an area of up to 55 thousand sq.m. (e.g. in the area of Oporów in Fabryczna district). The areas most desired by developers are those located in the vicinity of the city centre and the Odra River (mainly the regions of Popowice, Grabiszyn, Gądów Mały in Fabryczna and Kleczków districts, Różanka, Karłowice, Kowale in Psie Pole district).

THE AVERAGE PRICE OF LAND [PLN/SQ. M OF UFA] FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT 2017

district average
city average



THE AVERAGE SHARE OF [%] OF THE PRICE OF LAND FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT IN THE INVESTMENT VALUE 2017



Prices of plots in these areas are also significantly higher than in the rest of Fabryczna and Psie Pole districts, where the average price of 1 sq. m of UFA amounts to PLN 850 and PLN 800, respectively.

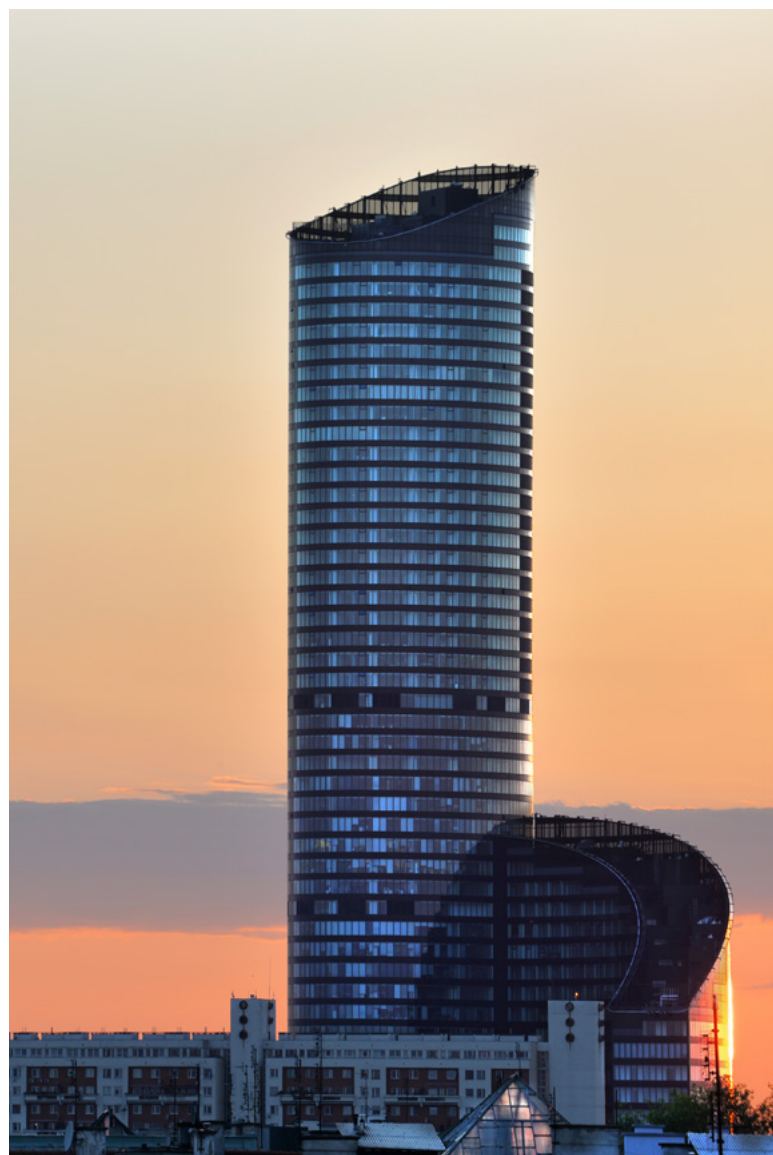
A much lower level of supply in comparison to Fabryczna or Psie Pole districts can be observed in the Old Town and Śródmieście. Due to the small area of these districts, as well as dense multifamily and commercial and service buildings, land sales are several times less frequent here. However, developers are ready to pay very high amounts for plots located in downtown Wrocław. The average price of land per sq. m. of UFA in 2017, was PLN 1,400 in the Old Town district and PLN 1,100 in Śródmieście district.

Krzyki district is also attractive for potential buyers, as it has a larger area than the Old Town and Śródmieście, but it is still located close to the city centre. That is why the land prices quoted there are much higher than in Fabryczna or Psie Pole districts. The average land price per 1 sq. m. of UFA in Krzyki district is PLN 1,000. The most popular areas are Osiedle Południe due to its close proximity to the Old Town, as well as the Klecin and Patrynice precincts in the vicinity of Bielany Wrocławskie, where the so-called „shopping centre district” is located.

In Wrocław, as in other cities, land with buildings for demolition is being purchased more and more frequently. Many such plots are located in the area around ul. Robotnicza, Góralska and Tęczowa, where the existing buildings will be liquidated to create new residential and service investments. A similar situation occurs in the area around ul. Poznańska, where a residential estate will be built in place of old warehouse and office buildings.

At present, the market of land for multi-family residential development in Wrocław is very „heated”, and it is not uncommon for developers to fight for free plots of land. Therefore, at Emmerston Evaluation we expect that investors in the capital of Lower Silesia will more and more frequently see prices well above the current market average.

We also estimate that land located within the borders of Krzyki district will continue to be very popular, but due to the decreasing supply of land, the majority of transactions will take place in the districts near the city border, such as Wojszyce and Jagodno. We expect that the increased interest in land among developers will also apply to Fabryczna district, mainly due to new investments in infrastructure (e.g. construction of the Leśnica bypass, planned tram lines), as well as existing facilities such as the Wrocław ring road, the City Stadium or the airport. Moreover, a model residential estate „Nowe Żerniki” is being created in Fabryczna district as an interesting alternative to mass residential construction. „Nowe Żerniki” is a kind of „city in the city” where, apart from residential properties, there will also be a kindergarten, a school, an old people’s home, a cultural centre, as well as commercial and service outlets.



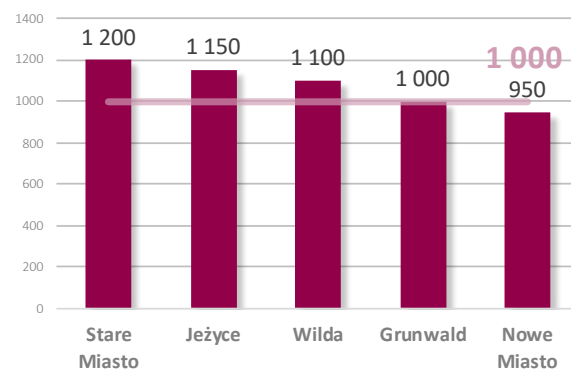
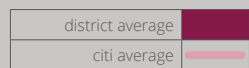
POZNAN



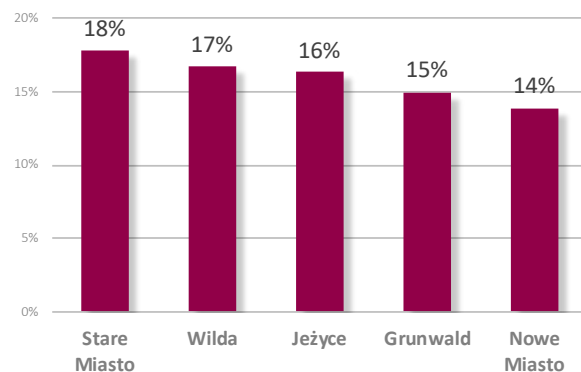
The situation on the Poznan market does not differ much from that observed on other markets of regional cities. **Limited availability of land for multi-family development in the city centre, lack of verified information concerning investment opportunities of certain areas, e.g. due to the lack of local spatial development plans or decisions on land development and management conditions (in Poznan, local plans are adopted for only 45% of the areas) cause significant problems with the purchase of plots of land and translate into extension of the pre-investment period.**

Over the last year, several new investors, who had not invested in the city before, have acquired land for multi-family development in Poznan. In the capital of Wielkopolska, most of the land is purchased on the free market, but there is also a great interest in the areas that can be purchased in tender procedures organised by the City Hall. The vast majority of purchased land is located in the intermediate and peripheral part of the city. Transactions in land located in the inner city are much less frequent.

THE AVERAGE PRICE OF LAND [PLN/SQ. M OF UFA] FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT 2017



THE AVERAGE SHARE OF [%] OF THE PRICE OF LAND FOR MULTI-FAMILY RESIDENTIAL DEVELOPMENT IN THE INVESTMENT VALUE 2017



In the case of land located in the intermediate and peripheral zones, the land located in the districts of Nowe Miasto (Żegrze, Chartowo and Rataje), Old Town (Naramowice) and Jeżyce (Golęcín and Jeżyce) is the most popular.

In 2017, the area of plots sold for multi-family residential development ranged widely from approx. 660 sq. m (land for infill buildings) up to over 18 thousand sq. m (the area where 4 multi-family buildings will be built in the Nowe Miasto district, Żegrze precinct). The average area of properties for sale was about 6,620 sq. m. The most frequently purchased properties include plots of land with areas ranging from 5,000 to 10,000 sq. m. Plots of land intended for multi-family buildings with an area of up to 5 thousand sq. m. are also frequently purchased. Large parcels exceeding 10 thousand sq. m. are the least popular, as they are located only on the outskirts of Poznan.

The average price of land in Poznan per 1 sq. m of UFA was PLN 1,000. The districts of the city have a similar distance from the city centre and spatial distribution of prices (in each district, there is a downtown, intermediate and peripheral zone). The most expensive land per 1 sq. m of UFA is in the Old Town district, where the average price is PLN 1,200, but high land prices also occur in Jeżyce (average PLN 1,150 per sq. m of UFA), Wilda (average PLN 1,100 per sq. m of UFA) and Grunwald districts (average PLN 1,000 per sq. m of UFA). The lowest land prices were recorded in Nowe Miasto district (average 950 PLN/sq. m of UFA). Price differences between the individual districts are smaller than in other major Polish cities.

Due to the fact that there are fewer and fewer free areas for multi-family development in Poznan (including areas with decapitalised development) and it is becoming increasingly difficult to buy an attractive area for investment, Emerson Evaluation expects that the price of land in the best locations will continue to rise steadily.

We expect the increased interest of potential investors in the land located within Naramowice, where a tramway line to improve communication between the region and other districts of the city is going to be built. There is also a growing interest in Jeżyce district, mainly in the Strzeszyn and Golęcín precincts, where there are still large investment opportunities. Another example is the area of Łaciny in Nowe Miasto district, where there is still a large supply of land for multi-family residential development, as well as good communication with the city centre and developed infrastructure (schools, kindergartens, clinics, green areas, commercial and service facilities), which make this area a good place for the development of new investments.





LODZ

In comparison to other regional cities, Lodz is notable for the relatively high availability of land for development investments.

The city's pro-investment policy, as well as the increasingly better social and economic situation contributed to the appearance of nationwide and international developers in the city, who have so far avoided this market. Despite one of the lowest ratios of coverage with local spatial development plans among Polish cities (less than 20% of the city's area), new investments in Lodz are becoming more and more frequent.

In 2017 in Lodz, we noticed one of the highest increases in residential prices on the primary market in Poland. However, this increase did not translate into a reduction in demand for flats, which is a good signal for developers. An unquestionable advantage attracting investors to Lodz is also the creation of new investment areas in the central regions of the city by the authorities. The revitalisation of tenement houses, post-industrial areas, and above all the project of the so-called New Centre of Lodz, are unique concepts on a national scale, the effects of which are already visible in the change in the image of the inner-city areas, which for many years have been a disgraceful city landmark.. The largest development projects completed so far, with more than 100 apartments, were built in the areas of Polesie, Górna and Widzew. Many new investments were also recorded in the City Centre and in close proximity to it.

The relatively high availability of investment areas and still attractive land prices in Lodz compared to the markets of other major Polish cities are of great importance for the margins achieved by developers, which encourages investors to purchase land in the capital city of Lodz Voivodeship. The average price of land per square metre of UFA amounts to PLN 600. The average area of land subject to sale transactions in 2017 was over 2,200 sq. m.

According to Emmerson Evaluation, the demand for investment areas in Lodz will be directed primarily towards Śródmieście district and the areas close to the city centre. The change in the aesthetics of the central part of the city will encourage buyers to buy apartments in this location, and thus convince developers to execute new investments.

In selected locations in peripheral areas of the city, as the infrastructure improves, a higher demand for land for development investments may also be expected. Larger projects planned on the outskirts of Lodz will be located in Złotno, which, due to its numerous green areas, is one of the most attractive locations in Polesie district. Therefore, we may expect further purchases of land for residential investments in this region in the future.

In Lodz, investments including revitalisation of facilities on the premises of former factories will continue, where mixed-use spaces combining residential, service, office and cultural functions are very often created.



SZCZECIN

The highest availability of land for multi-family residential development in Szczecin has been seen in areas in Prawobrzeże district, located in the south-eastern part of the city, behind Lake Dąbie. Land prices are also relatively low there. Developers can count on a slightly lower yet still high availability of plots in the Północ and Zachód districts, where the Osów and Gumieńce residential estates in Zachód district and the southern part of Warszewo residential estate in the Północ district have been much exploited recently.

The lowest supply of land occurs in Śródmieście, where dense, infill-type buildings mean that it is difficult for investors to obtain “clean land” for development. One of the most attractive areas within this district is the area around ul. Raginisa, Dąbrowskiego and Kusocińskiego.

A noticeable trend on the Szczecin land property market is the partial redirection of demand to suburban areas. Plots located outside the city limits with good connections to the city centre are an interesting alternative for developers looking for land for new investments. An example of such a location is Warzymice, located north of Szczecin, in policki powiat.

Land property in Szczecin is often purchased by way of a tender sale of land belonging to the Military Property Agency. These areas are usually located on the outskirts of the city, built-up with facilities constituting former barracks or warehouses. Such buildings are most often intended for demolition, and developers successfully execute residential investments there.

The average price of land for multi-family residential development converted into 1 sq. m of UFA in Szczecin amounted to PLN 750 in 2017 and showed an upward trend compared to the previous year (it increased by 7%). The area of land sold ranged from 215 sq. m to 27,000 sq. m (land in ul. Cukrowa), whilst the average area was nearly 4,400 sq. m.

Until recently, Szczecin was a city often overlooked by the largest developers with mainly smaller, local investors and a few nationwide companies. More and more often, however, larger developers are also entering the market of the capital of the West Pomeranian Voivodeship and carrying out their investments here. **At Emerson Evaluation, we expect that in the coming years, with the development of the office market in Szczecin and the creation of new communication infrastructure, more and more large company investments will appear in the city. We also predict that the demand for investment areas will increase in Prawobrzeże district, which until now has attracted less interest from investors.** In the near future, Prawobrzeże tram network is planned there, which will provide better communication between this district and the western part of the city and boost its attractiveness for potential investors.

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