

POLAND

Cześć!

It's been a great year for HB Reavis Poland. And given Warsaw's potential, it's a natural base for our operations. This is where our important clients and investors are, or at the very least are looking to be involved.

In total, we won 38 new clients last year, leasing over 52,000 sq m of GLA. That's 10,000 sq m more than 2016, when we also led the Warsaw market.

It's a sign that the Warsaw office market is maturing, becoming increasingly demanding and competitive. And with projects like Varso Place, innovations like HubHub, and our broader international gravitas; we're standing out from the crowd and are looking to continue our success.

That said; we've only been here a short time compared to our main competitors. So, we put a lot of effort into PR and marketing in 2017. The results are startling. All our key audiences, including clients, subcontractors, employees and the media, are now familiar with our brand. We look forward to telling them more of our story over the coming year.

Speaking to clients, it's clear that we're known for the quality of our buildings. Not just the design and equipment, but also their flexibility and durability. It's a good reputation to have. With such low unemployment rate, clients are very much in a war for talent, and office space is one of the key battlegrounds.

More generally, there's a clear social focus on employee health and well-being. This will prove vital to us as we launch business lines and forge new tech and start-up partnerships that focus on healthier working environments. We are confident that with our focus on WaaS we can help them win that battle.

Stanislav Frnka

Country CEO
Received 'Best of the Best Leadership'
CIJ HOF Awards



THE ECONOMY

Already considered the tiger of the European market, 2017 cemented Poland's status as a rising star. GDP rose 4.6% year-on-year. Bolstered by strong exports, 2018 – 2019 is expected to broadly continue in the same vein: stable inflation and reasonable GDP growth, perhaps even slightly lower than in the second half of 2017.

Unemployment dropped to 6.5% across the country – and just 2% in Warsaw – to reach the lowest levels in 26 years. This pressure on the labour market looks set to increase, translating into sizeable wage increases, even above 10% year-on-year.



THE MARKET

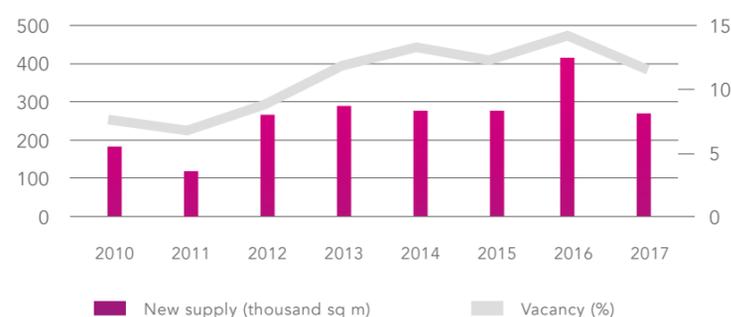
In total, €5.1bn was invested in the Polish office market in 2017. That's not just more than ever before; but far in excess of the €4.6bn spent in 2016. Unsurprisingly Poland is still the CEE's leader with a 40% share, ahead of Czechia (26%) and Hungary (13%).

While the 750,000 sq m of Polish space delivered last year was slightly less than in 2016; tenants set a new record by leasing nearly 1.5m sq m.

Warsaw, in particular, had over 5.3m sq m of stock by the end of last year. Since then, 23 new buildings have added a further 275,000 sq m. While this was lower than in 2016, new leasing processes have encouraged more developers to think bigger. And by the end of 2017, there was 765,000 sq m under construction – the majority under 12 months into build.

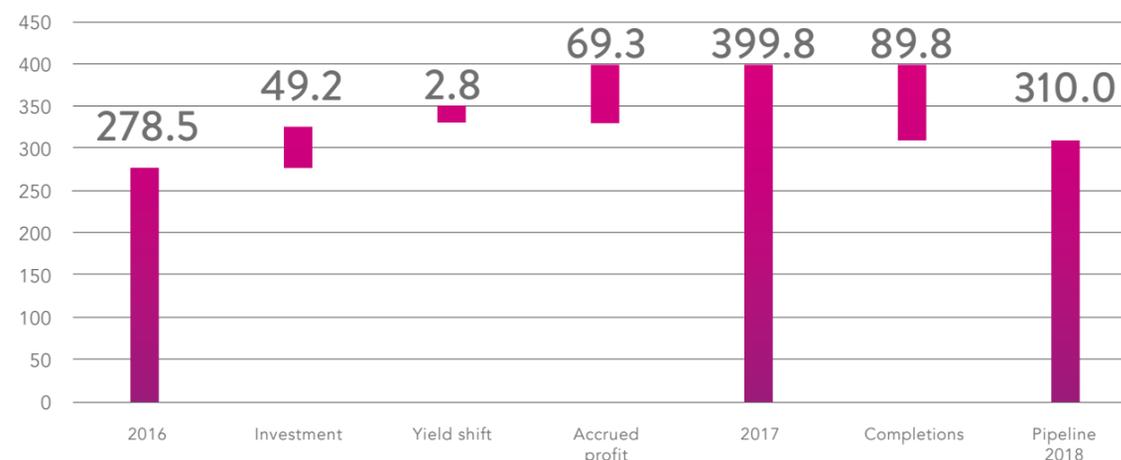
The market is becoming increasingly established. Growing liquidity, broader diversity and increasing numbers of investors are using a wider mix of investment and divestment strategies.

Warsaw



Source: CBRE, JLL

Changes in our Polish development property value (€m)



* Figures based on external expert valuations and management report

OUR PERFORMANCE

As the youngest, and arguably most innovative of Warsaw's top commercial developers, we're best known for our offices. But there's a lot more to come. We've now delivered 250,000 sq m in Poland over the last five years but have just as much in planning and construction.

West Station was completed in August with the handover of its second building. Next to Warszawa Zachodnia railway station, it's been hugely popular with tenants and heralded as the year's best new office development. Work on the city's largest construction site continues at pace.

Varso Place with its iconic Foster+Partners-designed tower is set to reach ground level in a few months, expected to complete in 2019 – 2020. The building's planned wellbeing features have also gained the development Central Europe's first WELL Pre-certificate.

Elsewhere, we were proud to open Poland's first (and Europe's second) HubHub. The co-working hothouse and event space at

Postepu 14 is hugely popular with young entrepreneurs. And after recently launching Origameo, our in-house workspace solution, the team has already helped their first local clients move seamlessly into inspirational new offices.

Looking forward, we bought our first plot outside Warsaw, on Targowa Street in Lodz city centre. Architects are currently pitching designs for the one-hectare site, and we hope to apply for the building permit this autumn. We're also waiting for the permit to launch our Burakowska project in Warsaw, almost 80,000 sq m of office, retail and public space will include large areas of plantings and landscaping.

Ultimately, 2018 looks to bring similarly positive results. If there are any fluctuations, we expect Varso Place to give us a sure footing, as it will be the first choice for Warsaw's most ambitious tenants in the long term.

HB Reavis development Poland	GLA sq m	Valuation				ERV	GDV	Value change	Investment
		2014	2015	2016	2017				
Projects completed	37,977	9.9	19.8	37.5	89.8	7,020	108.0	52.3	25.8
Projects under construction	144,906	106.2	145.4	195.3	251.7	41,385	827.7	56.2	17.9
Projects in preparation	110,160	0.0	23.8	45.7	58.3	23,880	334.3	12.6	5.5
Total 2017	293,043	116.1	189.0	278.5	399.8	72.3	1,270.0	121.3	49.2
Total Pipeline for 2018	255,066	106.2	169.2	241.0	310.0	65.3	1,162.0	69.0	23.4

Awards

- 'Office Developer of the Year, Eurobuild Awards and Europa Property CEE Investment awards
- 'New Office of the Year, Poland', Eurobuild Awards (West Station II)
- 'Best Office Development & Developer', CIJ Awards (West Station II)
- 'PR and Marketing Campaign of the Year' CIJ Awards (Varso Place)
- 'Best Office Development of the Year', Prime Property Price (West Station II)
- 'Developer of the Year & Company of the Year', CEE Quality Award (Group)

Completed Project

West Station II Warsaw

The second phase of the project, West Station II (37,977 sq m of GLA), followed in its older sister's footsteps to complete six months ahead of schedule. Construction stretched from November 2015 to August 2017, after which we started handing it over to its tenants. At the time of the completion, the building was 68% leased. By April 2018, that had risen to 87% and we expect it to be fully leased soon.



Project Under Construction



Varso Place Warsaw

Varso Place (144,900 sq m of GLA) received valid building permits just before the end of 2016 and we immediately launched construction, which ran at full speed during the reporting year.

Our new flagship is a complex consisting of one high-rise office (230-meters without antenna) and two mid-rise office buildings, all standing in a public platform providing retail services to visitors and connections between the buildings.

We are excited to work closely with Fosters+Partners, one of the world's best architectural studios, on the optimisation of the tower's concept and design. We believe the Varso will become not only our landmark project but also Warsaw's. The project has already attracted strong interest among a variety of potential tenants: almost a third is already leased and, among others, will accommodate a 4-Star hotel and incubator Cambridge Innovation Center.

Projects in Preparation

Burakowska Warsaw

HB Reavis acquired a 2 hectares plot at Burakowska Street in Warsaw in July 2015. The purchase price was €17m and we're working on developing an office scheme with approximately 78,600 sq m of GLA.

The plot is located just opposite the Arkadia Shopping Centre, one the most successful in Poland. In July 2017 we received the zoning permit and we're now at the final stage of the product design.

It will be split into two phases and consist of a 120-metre office tower and a ground floor with mixed-use functions. Much of the scheme will be open to the general public and carefully landscaped to provide space for several types of events. As the plot is located just few hundred meters from our very successful Gdanski Business Centre, we believe this will be another success story and will contribute to evolving the CBD.



Office project in Lodz



The development site is located in the central zone of the city of Lodz next to Lodz Fabryczna railway station. The investment area is nearly 1.1 hectares. It's part of the New Centre of Lodz (NCL) district, an area located in the city centre currently undergoing and planned revitalization.

Ultimately NCL is to become a new, friendly and safe district; combining business, entertainment and recreational functions with high aesthetics and architectural quality, along with new city districts and new road infrastructure.

We expect, the project will be delivered in two phases. There is existing Master Plan for this part of the city too. On the development site there are two historical buildings and a post-industrial brick chimney approximately 40m height, which are protected by the City Heritage Office. All of which will be renovated and adopted for new functions. The planned new office building within first phase will have an area of around 31,500 sq m of GLA.

