

# Luxury homes

More built-to-suit luxury projects are to be developed in the Polish market. WBJ Observer talked to Arkadiusz Wojciechowski, managing director at brokerage firm Poland Sotheby's International Realty about the luxury residential real estate market in Poland and the company's expansion plans

INTERVIEW BY ADAM ZDRODOWSKI

**Adam Zdrodowski:** How large is the luxury residential real estate market in Poland? How does it compare with other markets in Central and Eastern Europe, as well as with the markets in Western Europe?

**Arkadiusz Wojciechowski:** It is difficult to compare the Polish market with the markets in Western Europe – the most recent data regarding the number of so-called high-net-worth individuals, that is those who have investable finance of at least USD 1 million, perhaps best illustrates where we are. According to a recent report by KPMG, the number of high-net-worth individuals in Poland is estimated at between 40,000 and 50,000 and is growing very quickly. In other CEE countries the numbers are similar. By comparison, in both France and Switzerland there are currently more than two million high-net-worth individuals, so it is on a different scale. The Polish market is relatively small but it is also relatively new, it is developing very dynamically and has real growth potential.

**How many transactions are closed annually in this market ?**

When it comes to the most expensive property, valued at more than PLN 5 million, there are approximately only 40-50 transactions in Poland every year. As for homes valued at more than PLN 1 million, the number stands at approximately 2,000. However, one needs to remember that the price is not the only thing which defines luxury property. A luxury home simply needs to be extraordinary. There are many examples of homes which are very expensive because of their size or the size of the land they are located on, rather than because of their standard.

**Who buys luxury residential property in Poland?**

Many of our clients are investors who buy luxury homes for investment purposes.



Images: Poland Sotheby's International Realty

Some of them are people who “collect” pieces of real estate across Poland as a means of investing their finances and guarding against inflation. Very often the homes which those people buy are not rented but are simply expected to keep their value or even increase

in value in the long-term. Another group is people from various parts of Poland who do not live in Warsaw but do business there and want to have their own apartments in the Polish capital. Those people buy their own residential property in Warsaw to avoid





staying in hotels, even if they spend just a few days in the city every month. Last but not least, there are obviously people who are looking for more comfortable, luxurious homes to live in.

**Do foreigners account for a major share of the transactions in the market?**

Foreigners accounted for approximately 10 percent of the transactions which we have brokered. One needs to mention though, that most of them were people who already know Poland because they do business here or are otherwise connected with the country, for example through their families. We do not see many foreigners who decide to buy luxury property in Poland only because they have heard its success story and thus want to invest in this part of the world.

**What kind of product are buyers mostly looking for?**

The luxury sector is very different from the rest of the residential market – we say it is about lifestyle, not about square meters. Buyers are simply looking for a piece of property that is unique. Sometimes the buyer has very concrete requirements – for instance, he or she may only be looking for homes located close to water. However, very often our clients do not have any specific preferences when they first contact us. In Warsaw, we show them apartments located in both luxury residential towers, renovated historic tenement houses in the downtown and new low-rise buildings developed in the most prestigious locations, including Powiśle, Ochota and Mokotów. We are recording a similar number of transactions in all those three types of luxury buildings.

**Do you see room in the market for more luxury residential towers?**

Luxury residential towers are still a relatively new product in the Polish market. There is certainly buyer interest in those buildings, both when it comes to people who want to live in such apartments and people who want to have such apartments in their portfolios. We have brokered approximately 30 transactions in luxury

residential towers in Poland. For the time being, it seems that the existing supply is at a sufficient level. We have three new projects of this kind in Poland – Złota 44 and Cosmopolitan in Warsaw, and Sky Tower in Wrocław – which currently offer a total of around 200 apartments that can still be purchased. This is enough to meet the demand over the next two years or so but we expect that more projects of this kind will be developed in Warsaw in the future. A new tower is also planned for Kraków.

**Has the group of the developers who build luxury homes in Poland changed in any significant way in recent years? Are new companies, both domestic and foreign, entering the market?**

Yes, the group is changing all the time. On the one hand, there are new international investors interested in developing large-scale luxury projects in Poland. On the other hand, until recently, almost every large residential developer operating in Poland had at least one luxury project in its portfolio. Nowadays there seems to be a move towards specialization in this market – many schemes are developed by relatively small developers whose names are not known to the average Pole and who specialize in luxury investments. Interestingly, there are now also projects appearing in the market which are being developed, not by professional developers, but rather by affluent individuals with contacts in the architectural and construction industries who want to build something unique for themselves.

**Do you think the latter trend will gain in significance in the coming years?**

Yes, we think that the Polish luxury residential property market has now become mature enough to see the development of more built-to-suit projects. They will be built by people who think that the market does not offer exactly what they are looking for, people who want to take part in the development process and thus shape the scheme in which they will have an apartment. We are currently working on planned developments of this kind,

helping to bring together the various parties, including individual investors and land owners.

**Have the prices of luxury property changed much since the latest global financial crisis?**

The prices have been more or less stable in recent years – the luxury residential market tends to be less affected by economic fluctuations than the other real estate sectors. However, it is also worth remembering that it is much more difficult to talk about average prices in the luxury homes market than in the “regular” residential market since there are far less transactions in the former than in the latter. There is also much more room for negotiation when you are buying property valued at several million PLN.

**Last November Sotheby’s International Realty celebrated its first year of operating in Poland. What have you achieved so far and what are your plans in the country for the near future?**

Since we entered Poland we have brokered approximately 280 transactions with an average value of slightly below PLN 1 million. Of course, we hope to achieve even better results this year. It is not the number of the transactions but their quality that really matters and we hope this year the average value will be higher than last year, which will help us further boost our revenues. Our business is expanding and the firm itself is also going to grow this year. An important factor in our success was the partnership with Noble Bank, a private bank in Poland – thanks to this collaboration, customers can use the service advisors SIR. Through this, more than half of the transactions were completed just for private banking clients. This year, we are also planning to open one or two new offices outside the Polish capital. The first of them will be opened in the Tri-city, while the second location is still to be decided – we are looking at Kraków, Wrocław and Poznań. ♦