

Poland - Warsaw - Wilanow

The Wilanow district is situated in the South of Warsaw and covers some 3,673 hectares. One main road links the area to the city centre and driving south into Wilanow along Wilanowska Street you will pass a number of large embassies and Lazienki Park, which is the largest park in Warsaw, occupying 80 hectares of the city centre.

Wilanów Town (Miasteczko Wilanów) is the largest residential investment project in Central Europe and is expected to eventually house over 25,000 residents.

The new district will occupy 169 hectares and is in the vicinity of the Royal Palace. The project is coordinated by Prokom Investments S.A. and its realisation will cost about €1bn. In the centre of Miasteczko, covering an area of 15 hectares, four squares will be built and a central road leading in and out of the development. At the squares will be shops, clubs, cinemas, restaurants and cultural institutes, totalling 40-45,000sqm. A school will have 600 students, half of them attending Polish speaking classes. A business park will eventually be built in the southern part of Miasteczko, (around a 10 minute walk from the new town centre), but unlike in Baneasa, this will come after the residential units, not before. There will also be a medical centre with 180 beds, and a 9-hole golf course is planned for the edge of the town. ▶



The main attraction (for people that live in central Warsaw) is expected to be the Temple of Providence, which will be the biggest church constructed in Poland in the last 200 years, built on a 6 hectare plot.

According to Investment Environments (In-Vi), which has been involved in the planning of the town, 1,000 residential units have been built so far and the region already has 1,800 residents. This year, a further 1,500 units will be completed, 1,700 in 2008 and at least 1,500 units have already been confirmed for completion in 2009. The entire Miasteczko Wilanow will be completed by 2012 with just short of 7,000 apartments.

Anna Mirska-Perry, marketing and PR director at In-Vi, says: "The average price of property in Miasteczko Wilanow is currently around 10,000 Polish zlotys (€2,640/sqm), without kitchen, bathroom and floor finishes. This has increased by 10-15% over the past year. Over 70% of the development will be owner occupied."

If that is the case, just over 2,000 landlords will be looking for tenants over the next few years which, considering the development is a 30 minute drive from the centre of Warsaw, may leave 'some' landlords with uncomfortable void periods. From the properties that will go onto the rental market, Mirska-Perry says rental prices will be €800-1,200 a month (£550-820).

However, despite the fact that some office managers in Warsaw are earning around €1,500 a month or more, a typical office worker with two or three years experience is more likely to earn half that amount (€750

a month), which means their entire salary would not even cover the cost of renting a one-bed flat. So who will investors be renting their properties to?

Michael Clay, senior partner at Davidoff, Kleeberg & Maresch, says that buying property at Wilanow is not a rental investment but a capital growth investment: "The amount of rent you achieve depends on how well the apartment is finished and furnished. We expect good quality apartments to earn a rental yield of 6.5%."

Clay says the company is currently marketing apartments in Wilanow and a typical 50sqm, a one-bed apartment with bathroom included costs €115,000. On a yield of 6.5%, the unit would have to rent for around €620 a month.

Figures printed in mid-May by The Warsaw Voice, stated that the average salary in Warsaw has just risen by 8% in the past 12 months to €735 a month. Assuming an average salary of €9,000 a year in Warsaw and an average one-bed flat in Wilanow costing €115,000 or more, this equates to around 13 times annual salary for a one-bed flat.

So, how will the locals afford to buy property at Wilanow if prices continue to rise so fast? Clay says: "If they have a decent job the Poles can get 100-125% LTV, which will pay for the fitting out and furnishing."

Wilanowska is a development being built in Wilanow Town. It is being built in three phases and will consist of 525 apartments ranging from studio flats to three-beds. The apartments will feature underground parking, a gated entrance and videophone access.

"The first phase came on the market at the end of 2006 and sold out within two weeks says", Louis Mann, sales director at Validus, which was allocated around 20% of the development for sales to overseas property investors.

"The second phase will be launched at the end of May and there are three phases altogether. All of the units will be completed at the same time in 2008 but if the developer staggers the sales then they can increase the price each time."

Mann says investors should expect a 5% rental yield, which equates to €500 a month, but adds that Validus will not be offering any rental guarantees because "it is not a strong rental market." He adds: "It is quite a trek to the centre of Warsaw and takes over 30 minutes by bus."

What about when 25,000 residents move into Wilanow? Mann says: "There is already a traffic problem in Warsaw. The city is trying to keep up with the population growth. You could draw a comparison to Dublin 15 years ago, when it just had a bus service. It has now got trams but it has still got traffic. This is because it takes time to implement new infrastructure."

Conclusion

London's Docklands was the first example of how hard it is to fill apartments when they are supplied en masse. The Thames Gateway appears to be following the same path, except that this time around, like many of the large developments now being built across Eastern Europe, there are a very high proportion of buy-to-let investors, which can greatly enhance the problem of finding a suitable tenant.

Of the three developments mentioned in these two articles, Baneasa in Bucharest appears to be the least likely to have a surplus of landlords fighting over tenants, due to the slow delivery of units.

Both Wilanow in Warsaw and Vitoshka Park in Sofia are pumping out thousands of units en masse, with a worrying amount of overseas investors paying high prices with unrealistic yield expectations. Of the two, Vitoshka Park currently looks the more vulnerable, as an investment proposition, for two reasons. Firstly, the salaries are less than half that of Warsaw but the sales prices don't reflect that. Secondly, while around 30% of units at Wilanow are being sold to property investors, there are at least twice as many units being sold to property investors at Vitoshka Park.