

SAMPLE PAGES

Construction sector in Poland H1 2016

Market analysis and development forecasts
for 2016-2021

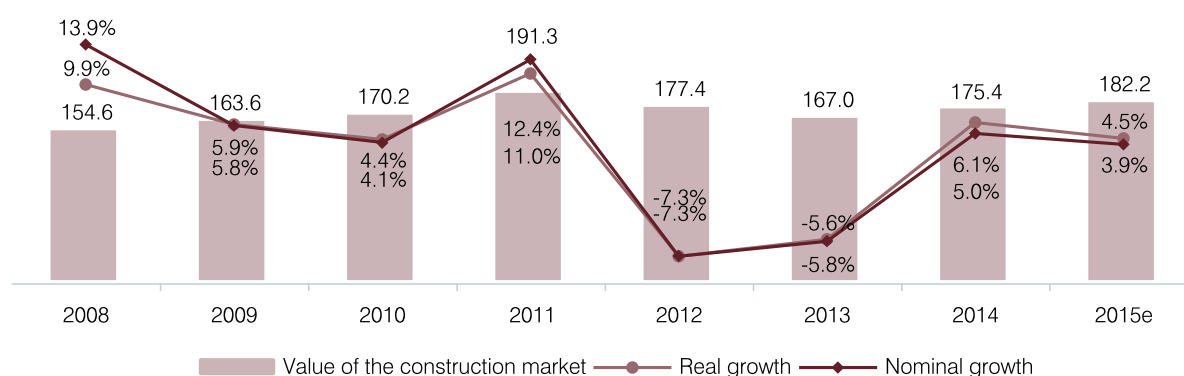
POLISH CONSTRUCTION OVERVIEW

Construction market value

Following single-digit declines in 2012 and 2013, 2014 was marked by strong growth of the output generated by the construction market, according to upward-revised data from GUS; the market's worth is the value of construction output produced by all firms, including construction companies (representing 94.5% of the market's value), non-construction companies (4.3%) and individuals undertaking self-build projects (1.2%). According to final data, the real growth was 6.1% (compared to 4% in the preliminary data) and pushed the value of the construction market to PLN 175.4bn (€42bn). We estimate that in 2015 the construction market grew by 4.5% to approximately PLN 182bn (€43.5bn), compared to the 5% growth rate anticipated six months ago.

In 2014, construction and assembly output generated by companies employing more than nine workers was PLN 88.3bn (€21bn). With regard to 2015, we expect that the output will amount to PLN 91.6bn (€22bn), representing a real rate of growth of 4.1%, i.e. slightly above the preliminary growth rate of 2.8% quoted by GUS (over the recent years, the final rate of growth would eventually turn out to be slightly higher than preliminary estimated).

Value (PLN bn) and growth (% , y-o-y) of the construction market in Poland, 2008-2015



Note: the total value of the market consists of construction output generated by construction companies, non-construction companies and self-build projects.
e - estimate

Source: GUS, PMR, 2016

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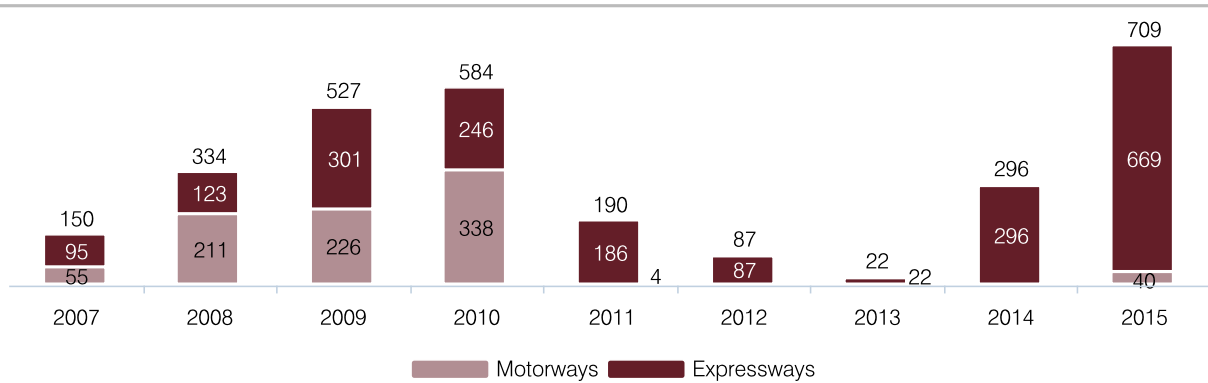
Road transport

Latest trends

Currently, nearly 50% of the amount of PLN 107bn has already been allocated to financing projects that have already been contracted or where a tender, or advanced preparations for tender, has started. We believe that the revised version of the plan is unlikely to be implemented in full, just the way that the previous draft was not carried out fully, and the Programme should be considered a set of key investment projects with a timeline of at least 2030. This means that half of nearly 4,000 km of projects presented in the plan are likely to be completed by 2023, which will be more or less equal to the 2007-2013 budget.

The original scope of the government-led National Road Construction Programme has been seriously called into question after the government change. The Ministry of Infrastructure and Construction intends to outline potential paths for modifying the national road construction programme in the first half of 2016. However, we expect that the proposed changes will not be revolutionary and, due to a large number of road projects that have already been contracted or are in the tender stage, they can exert a tangible effect on the construction market only in several years.

Length of motorways and expressways in Poland for which contracts were signed (km), 2007-2015



Note: the data does not factor in contracts for finishing projects.

Source: GDDKiA, 2016

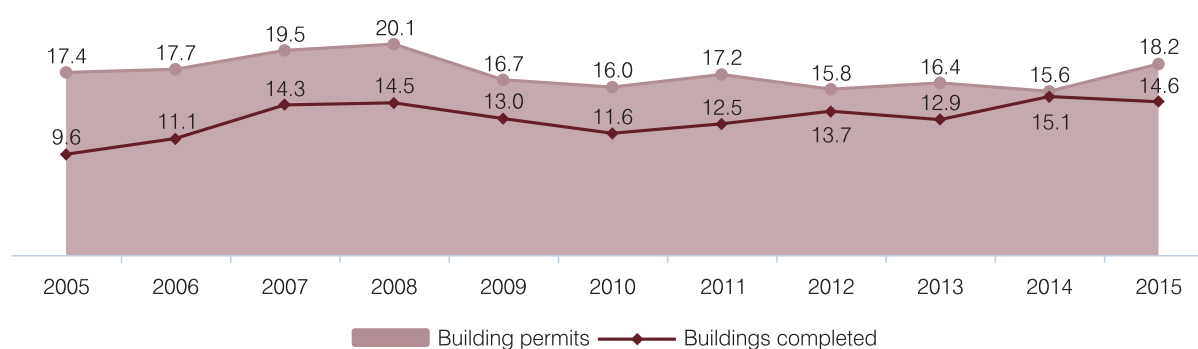
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Development forecast for non-residential construction in 2016-2021

In terms of non-residential building permits, the year 2015 saw increases in terms of both the number of buildings and floor space. It should be noted, however, the residential construction segment posted increases relative to 2014, which was the weakest year in terms of building permits in more than a decade.

Building permits and projects completed in Poland, new non-residential buildings, by floor area of buildings (million m²), 2005-2015



Note: data on buildings completed for use are PMR's estimates.

Source: PMR based on GUS data, 2016

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According to preliminary data, in 2015 non-residential construction output generated by companies employing more than nine workers increased for the second consecutive year, though only marginally. The market has a slightly higher value after factoring in the value of output generated by smaller construction companies, but it is still not an impressive figure. Given strong data on building permits, we expect the non-residential construction sector to grow by 3-4% in 2016 and 2017. However, stagnation is expected in this segment of the construction industry as of 2018.

Average annual non-residential construction and assembly output in Poland, by structure (PLN bn), 2010-2015 and 2016-2021

	2010-2015	2016-2021	Change (%)
Industrial and warehouse buildings	9.0	11.9	32.3%
Retail and service buildings	6.3	6.1	-2.5%
Public entertainment, education, hospital and sports halls	6.4	5.3	-16.8%
Office buildings	3.4	4.4	29.4%

Note: data for companies employing more than nine workers.

Source: PMR, 2016

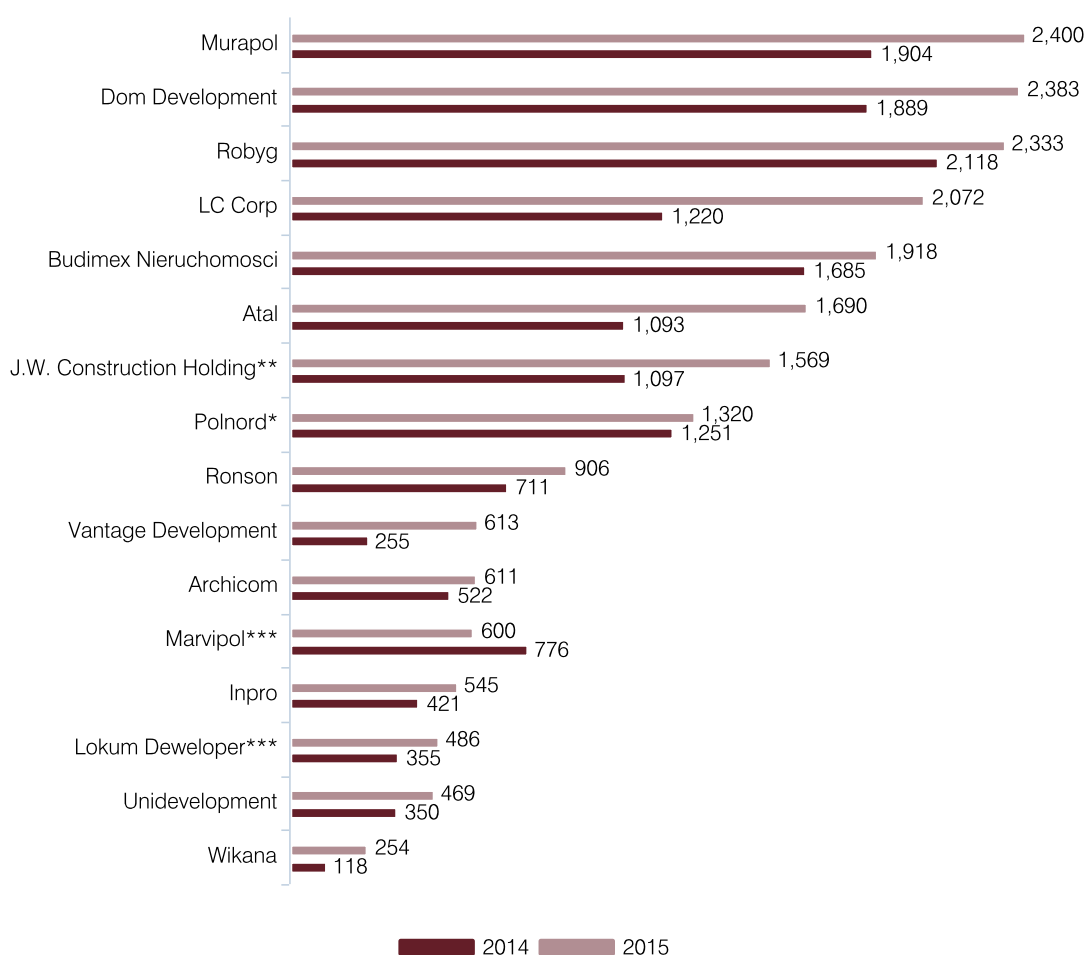
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RESIDENTIAL CONSTRUCTION

Latest trends

The fourth quarter of 2015 capped an exceptionally successful year for property developers in terms of sales performance. Numerous developers reported increases of several dozen percent in the number of flats sold at the end of the year, and they thus topped their record performance achieved during the previous sales peak. In 2015, the top 15 residential developers concluded preliminary agreements to sell 19,700 dwellings, in net terms, compared to about 15,400 agreements in the preceding year. Murapol was the leader in terms of sales (2,400 flats under contract to sell). Other companies which sold more than 2,000 dwellings also included Dom Development, Robyg and LC Corp.

Number of housing units sold by leading developers in Poland, 2014-2015



* including reservation agreements

** gross sales

*** including business premises

Source: PMR based on data provided by the developers, 2016

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Representatives of the Polish Banking Association (ZBP) expect that the value of the mortgage lending market in 2016 will remain flat compared to 2015 at PLN 38bn-40bn (€9bn-9.5bn). However, in our opinion these assumptions can be overly optimistic. Despite the upturn in the Flat for Young People scheme, we expect that in 2016 the mortgage lending market will shrink to levels previously witnessed in the low years of 2013 and 2014 (approx. PLN 36bn or €8.6bn worth of mortgage loans a year). With interest rates staying at relatively low levels, a vast proportion of housing purchases will be financed with cash, which will generate additional demand for developer-built flats. We see no clear indication that interest rates could be raised in the coming quarters, especially after personnel changes on the Monetary Policy Council (RPP), which might decide against boosting the cost of money in many quarters to come while pursuing government policy objectives.

ABOUT PMR

PMR is a market intelligence company with expertise in over 25 countries of Central and Eastern Europe. We specialise in construction, retail, pharmaceuticals, healthcare, and ICT sectors. Each year, we publish over 150 ready sector reports and market intelligence services. We organise business conferences and trainings, as well as conduct tailored research and consulting projects.

Since 1995, we have been working for more than 500 global corporations and for many regional companies. Our competitive advantage is built on a unique combination of in-house industry data, analyses, forecasts and substantial training, research and consulting experience. Using this synergy, we convert market knowledge into actionable business recommendations. PMR assistance has been used by our clients to increase their market share, successfully enter new areas and optimise costs.

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