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Real Estate Investment - an account's perspective

Poland is the largest and the most dynamically developing real estate market in Central and Eastern Europe. The greatest advantages of Poland as a location for investments in the commercial real estate sector include: a stable economy based on a strong foundation, transparency, a large internal market and a good investment climate. Furthermore, growth in GDP and purchasing power (which is especially important for investments in the retail segment), as well as Poland's location on the border of the EU and the Commonwealth of Independent States (important for industrial investors and developers) are also proving to be important for investors.

The capital invested in the office segment comes mainly from Germany, the USA and Austria, the capital invested in the retail sector - from France, Israel, the UK, the USA and Germany. The limited activity of Polish investors stems from the lack of adequate regulations in Polish law that would allow pension funds to invest directly in real estate.

The Polish property market is set for big changes – in the next two years the amount of space in all the major cities in our country will skyrocket by 20-25 percent. In Warsaw alone, up to a million square meters of offices could be delivered within the next 24 months. Taking into account the interest of foreign investors in the Polish market and the ongoing transactions in all commercial real estate segments, it is expected that the total volume of transactions by the end of 2014 should be on par with or even higher than in 2013.

Some of the key factors determining investors' choices relate to the taxation system: the level of tax burden connected with the planned investments and transparent practices of the local tax authorities. Investors take into account effective taxation (CIT, VAT, RET and CLAT) of the financing of the purchase of the properties, their further operation and of the potential exit scenarios. Investors also count on how



quickly and efficiently they can receive a return of VAT paid on the purchase of real estate. Recently, we have noticed a change on the part of the tax offices with extensions of the VAT refund terms on sizeable property transactions. This may limit investors' further commitment to invest in the local real estate market.

Investors cannot forget that due to the capital-intensive nature of investments in the real estate market, the issue of financing such projects is one of the key factors determining the investment's success. Financing institutions demand increasingly quick and high quality financial information on the status of the investment project, therefore the relationship with the accounting team on the side of the investor is of growing importance. Reporting to a variety of stakeholders each with different requirements: multinational foreign investor, local statutory accounts, financing institution with specific compliance needs, requires flexibility, quick response and a well-implemented accounting system that gives required reports directly. ♦