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**Land market during the pandemic: prices hold tight, investors make cautious purchases**

*Comment by* ***Emil Domeracki,*** *director of Investment Land Services at Colliers International*

The investment land market, not unlike the whole economy, has been seriously affected by the COVID-19 pandemic and the following lockdown. In the second quarter of this year, only those transactions which had been initiated earlier and had to be closed due to existing commitments, were completed. Some investors – had they had the opportunity – decided to postpone the final agreements, usually to Q3 or Q4 2020.

**Land prices have not decreased**

The pandemic seems far from being over. We are, however, observing a large recovery in the market, following the ‘defrosting’ of the economy. What is worth noting is the persistence of high land prices, which did not fall even during the peak of the pandemic. Contrary to some forecasts, the reduced demand for apartments and offices, as well as the announcement of a reduction in their supply by developers, did not translate into price drops. It is also worth mentioning the particularly good situation of the warehouse market, which, due to the dynamic development of e-commerce during the pandemic, recorded even greater than usual demand for land, for new projects.

Well-located plots of land, free of legal and technical defects, have maintained their attractiveness. This is due to very limited availability of such land, which – even with less activity on the part of investors and the number of projects initiated – makes them an attractive investment product. It can be observed, for example, in the case of a recent plot of land designated for office buildings at Jana Pawła II Square in Wroclaw, where we represent the owner, KGHM, in the transaction. Interest from investors in this property is huge, we get a lot of inquiries, also from abroad. We estimate that this will be the largest transaction this year on the land market in Wroclaw and one of the highest in the country. Considering its area and investment potential at the level of almost 32,000 square meters of office space, we can expect this to become the most spectacular transaction this year.

**Caution and waiting**

The current situation has helped to cut down on speculative land purchases, which have strongly encouraged the increase of land prices in recent years. Investors are proceeding with great caution and carefully preparing for transactions, gathering detailed data from the market. However, we are still observing great shopping appetites, as land properties remain stable and in uncertain times are a safe haven for capital.

The key to the land market will be the coming months or even weeks. Some investors are holding back the decision-making processes and waiting for further developments. At this point in time, it is still difficult to predict how the economy will cope when the government's anti-crisis shield runs out. It is still too early to estimate the economic consequences of the pandemic. Much depends on its further course and potential intensification in the autumn, as well as on whether there will be another lockdown. However, it is worth remembering that the market in Poland is mature, the demand for land has not decreased and investors have capital to invest. The problem may arise only in the case of those transactions which require financing by credits. Banks have tightened their policies and are much less willing to lend cash, thus slowing down some investment processes.

Should the recession deepen, this year will be a moderately successful one. We will, however, no longer see such spectacular transactions as those we have been used to in recent years. Yet, unless there is a second wave of COVID-19, in Q3 and Q4 we expect a strong rebound in the land market and catch-up after the lockdown.

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