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INVESTMENTS REASONS IN REAL PROPERTY MARKET

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Key words: *investments, real property.*

Summary. *The paper aims at presenting a model for evaluation of effectiveness of investments in real properties by foreign entities considering the practical aspects related to financial-economic and strategic conditions. The paper uses the project method that involves defining of the investment model in the format of the strategic investment model and the following reasons: stable economy, competitive costs, location, local incentives supporting business, range of opportunities for property investors, and the largest EU fund beneficiary.*

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Introduction. The crisis that appeared in the American real property market in 2005 caused that the current situation is the worst in 17 years. The negative phenomena of that crisis also reached the Polish market causing a decrease in demand for real properties. The analysts see no indications of revival in demand for real properties in the nearest future. The increase by 79% in the number of implemented collection procedures against real properties is in turn the consequence of the crisis in the mortgage loans market. In total more than 2% of families in the USA were deprived of almost 3,0 million apartments and houses, more than two million from July through December of 2008. During the whole year 5.2 million proceedings were initiated.

Real properties have become, as of the early 1990s, an attractive form of capital investment as a consequence of continually increasing prices, which was influenced by numerous factors. The main factors include natural, spatial-organisational, technical, land improvement and spatial ones.

Poland is still the largest beneficiary of funds from the EU budget, which has determined the country's economic performance. There is also steady progress in the growth of wealth with Polish society. In 2012, Polish

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GDP per capita amounted to 66% of the EU average, as compared to approximately 50% in 2004 at the time of Poland's accession to the EU.

The purpose of the article. The paper aims at presenting a model for evaluation of effectiveness of investments in real properties by foreign entities considering the practical aspects related to financial-economic and strategic conditions. The paper uses the project method that involves defining of the investment model in the format of the strategic investment model and the following reasons: stable economy, competitive costs, location, local incentives supporting business, range of opportunities for property investors, and the largest EU fund beneficiary.

Methods and research material. The concept of the Strategic Investment Model is related to the process of investment in real property (fig. 1). It serves defining the cause and effect relation between numerous factors influencing profitability of the investment. The SIM represents defining, on the basis of the business concept, strategy, financial, and investments reasons and three perspectives: financial, strategy and options. At the same time defining the method for measurement of the specific perspective while valuating the effects in the economic, social and market aspects as well as the so-called investment options (Kozłowski 2009)

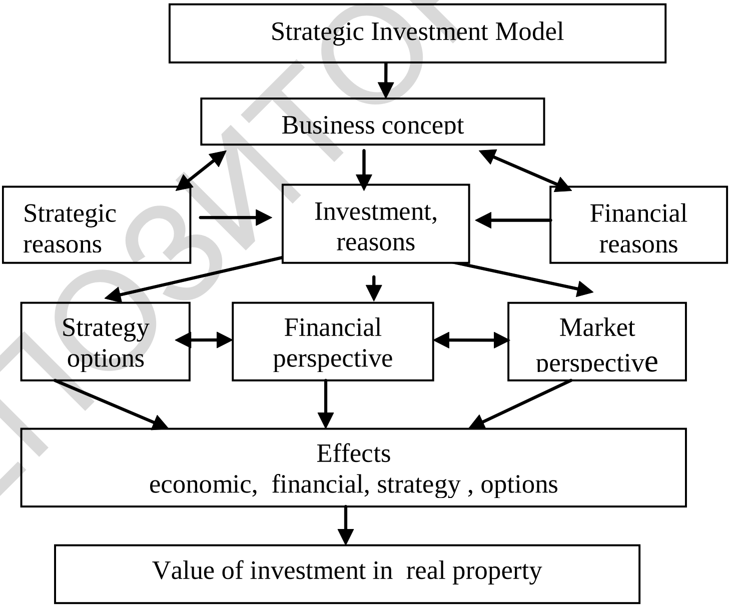

Fig. 1 – Model of the Strategic Investment in Property

Source: own work based on (Kozłowski 2007)

In this article, I focused on analyzing the main investment causes of investors. Mostly foreign.

The rationale for the business concept of investment in real properties that should define elements such as:

– premises for a given project: market, marketing, social, economic, strategic;

– projection of benefits expected from a given project – increase of agricultural production, improvement of product quality, diversification of trade offer, increase of land value;

– valuation of investment options related to implementation of a given project or resignation from it; what will we achieve if we go for the project and what will happen if we do not implement it;

– valuation of risk related to project implementation in general terms – valuation of risk level or its type;

– defining the costs and time for implementation – cost of capital, schedule of work implementation;

– evaluation of profitability of the investment: economic, social, environmental and obtaining so-called investment options,

is the starting point for the strategic investment card.

The business concept of the project is determined by two most important types of conditions: economic-financial and strategic ones. The financial and economic premises of investments in real properties determine the baseline (marginal) conditions determining the investment strategy of the given entity. Those premises influence to a large extent the choice of decision criteria concerning the investment in agricultural real properties (Kaplan, Norton 2002)

The assumed investors operational strategy that determines the investment types and scenarios as well as the criteria of economic profitability assessment and the risk level represents the starting point in implementation an investment policy.

Investments in real properties, have specific characteristics, require high diligence and care during preparation. This results from the high number of conditions that have direct or indirect influence on their profitability. The primary premises resulting from strategic investment card preparation include the necessity of defining the business concept and investment potential based on strategic and financial-economic conditions related to investment activity in the market of agricultural real property market (Łaguna 2001).

The most important reasons to invest to real property in Poland.

a) Poland has a stable economy.

Poland is the largest and the most populous country in the CE region with over 37.m inhabitants. It has strong economic fundamentals, a solid

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banking system. Poland was the only country in Europe not dramatically affected by the economic down turn, recording positive GDP growth while EU was in recession. Large consumer market with strong domestic demand, together with infrastructure outlays allowed to keep up the economy in a good shape and it is forecast to reach 2,7 % GDP in 2016.

b) Educated labour force at competitive costs

Investors willing to operate in Poland should have no problems in .nding suitable personnel. A quali.ed labour force and a good educational base in both primary as well as secondary regional cities give Poland one of the greatest advantages. The number of public and private academic centres reaches around 500. There are around 2m students in Poland, translating into 50% of the population are between 19 and 24 years old. The annual number of graduates, who have an excellent knowledge of foreign languages, is on average 450,000. Compared to Western European countries labour costs are on average 20-30% lower.

c) Location

Pinpointing the golden rule of property markets, Poland has a very convenient location in the centre of Europe, making it the perfect investment destination for companies serving both Western and Eastern European clients. The country is crossed by 4 out of 10 constantly developing trans-european routes (TEN-T). Poland is well equipped with 12 international airports with 2 more planned within the next few years.

d) The largest FDI destination across Central Europe

Poland, with over €102bn invested over the last 10 years, is the leader across Central Europe in terms of number and investment volume of foreign companies, who established their operations in the region. Thanks to transparent legal framework as well as political and economic stability, Poland managed to attract nearly 50% out of the total FDI assigned to Central European countries (Trotsky, Grucza 2007).

e) The largest BPO in Central Europe

Poland is one of the world's top spots worldwide when it comes to location of Business Process Outsourcing (BPO), Shared Service Centres (SSC), Research & Development (R&D), Information Technology (IT) and other back-up function of.ces. According to Association of Business Service Leaders (ABSL) there are around 400 business service centres operating in these .elds in several towns and cities, which provide appropriate conditions for development of this sector in Poland. Accenture, Coca Cola, GE, HP, Xerox, Ernst&Young, Thomson Reuters, Samsung, Unilever are only few examples of companies running their BPO/SSC in Poland.

f) Local incentives supporting business

Poland has established successful mechanisms when it comes to the functioning of Special Economic Zones (SEZs) which are of great importance for investors. SEZs aim at local economies and creating higher competition towards other CE countries when it comes to attracting foreign investments. There are 14 SEZs today and they cover the total area of 16,143 ha. The lifespan of these areas has been recently prolonged until 2026. Firms that are willing to invest in SEZs can count on incentives such as tax exemption (CIT or PIT). The incentive packages depend on the investment value and the number of jobs created.

g) The largest EU fund beneficiary

The country has been the greatest beneficiary of the EU funds between 2007-2013, receiving €67.3bn. Between 2014 and 2020, Poland will jointly receive €72.9bn. A substantial part of the EU funds from the cohesion policy will be dedicated to 16 regional programs and used to strengthen the attractiveness for entrepreneurs and investors. In addition to grants, EU funds can be used by enterprises as credit instruments, such as low- interest rate loans or bank guarantees. There are also other non-grant sources of financing in the form of EU.

h) The most established property market in Central Europe

Compared with other CE countries, Poland stands out in terms of quality, volume and price of modern space across all the sectors. At the end of H1 2013 the total modern of.ce stock in 9 major Polish cities reached 7m sqm, of which 65% was located in Warsaw. The second largest market is Kraków, followed by Wrocław and TriCity. There are also emerging of.ce locations such as Lublin, Szczecin or Bydgoszcz. Due to population size of Poland retail has been developing very extensively over the last two decades, bringing the total volume of stock to 12m sqm. The retail scene has evolved from stand-alone retail warehouses into diversity of retail formats, including urban malls, factory outlets, neighborhood centres and retail parks to name a few. Large agglomerations dominate the retail market, with 55% situated in 8 major Polish agglomerations, however over the last four-.ve years secondary and tertiary cities have been gaining on importance.

i) Range of opportunities for property investors

Poland is a leader in Central Europe in terms of property investment volume, liquidity and availability of debt financing. Total transaction volume at the end of 2012 reached €2.7bn, which is the highest level since 2007. At the end of H1 2013, transaction volume amounted to €907m, heading towards €2.5-3bn by the year-end. Yields in Poland are still more attractive than in Western European countries by 2-3 basis points for prime properties. In addition to institutionally sound products, there are plenty of non-core assets, both existing and planned, which can be a target for more opportunistic players,

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looking for risk- adjusted yields. These include existing schemes requiring active asset management and often redevelopment and repositioning but also planned projects, seeking alternative sources of financing

j) Strong position in rankings

A number of international reports and rankings highlight the economic and political stability of Poland, an educated and competent human capital and a large domestic market. These include: UNCTAD: World Investment Report 2012 – Poland ranks 4th in Europe and 14th worldwide in terms of the most attractive economy. FDI Intelligence: European Cities and Regions of the Future 2014/2015. In the main ranking, Warsaw scored 3rd place in the CEE countries and 3rd in terms of the greatest investment potential in Europe, Kraków was 9th in the same category. In the top 10, there were 6 Polish companies. Bloomberg: Bloomberg Rankings 2013 – Poland ranked the best CEE country for business and 20th worldwide, up two places compared with 2012. Deloitte: Global Manufacturing Competitiveness Index 2013 – Poland scored 2nd in Europe. Top 100 Outsourcing Destinations 2013 – Poland ranked the 10th place in the world for outsourcing.

Conclusion. Polish real estate is high demanded. Besides the fact that its cost is often lower than the European Union average prices, its liquidity, according to experts, will only grow soon. Today, it is only 5% per year if the apartment is not intended for rental. Buying property in Poland can be an excellent investment in the case of its personal use by the owner or subsequent lease. In the last few years the price of the Polish real estate is slightly, but steadily growing. The domestic demand is dominating – about 40% of Polish families do not have their own accomodation, but are planning to buy it, because their income in recent years has increased significantly due to the general economic recovery.Foreign investors are also interested in the purchase of residential and especially commercial real estate in the country. A real estate purchase in Poland can be an excellent investment in case of its personal use by the owner or subsequent lease.

Investments in real properties, is specific characteristics, require high diligence and care during preparation. This results from the high number of conditions that have direct or indirect influence on their profitability. The Strategic Investment Model allows determining the cause and effect relation in the investment process; it is a tool that facilitates implementation and assessment of profitability of the investment in agricultural real property.

Effective and profitable investing requires appropriate preparation of the investment projects. Unsuccessful investments, bankruptcies, takeovers and mergers of enterprises confirm that extensive knowledge on the specific area is required from the manager.

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FINANCING ENVIRONMENTAL PROTECTION INFRASTRUCTURE IN POLAND AND IN PORTUGAL

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Key words: *environment, investment trends*

Abstract. *The purpose of this study has been to identify changes in sums of money allocated to financing the enviornmental protection in Poland and in Portugal, which occurred between 2005 and 2015. The analyses were based on statistical data published by the Polish Main Statistical Office and the Portuguese Instituto Nacional de Estatistica. It was found that inputs into environmental protection increased slightly in both countries over the years 2005-2010. However, the investment trends in the financing of environmental protection facilities in both countries were different. In Poland, more money was allocated to water management, while in Portugal waste management and climate protection received more funding. In both countries, regional variation was discovered.*

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Introduction. Portugal has been a member state of the European Union for over 30 years. In the first two decades, the country went through a period of dynamic economic development. It was even proposed to decelerate the growth rate so as to avoid recession. This happened not only in Portugal, but in the entire European Union and in other parts of the world. When Poland joined the European Union on 1 May 2004, environmental protection, next to agriculture, was considered to be the greatest barrier to integration (Halamska 2005). Although Portugal covers an area that equals a third of Poland's area and had a three-fold smaller population, its GDP at that time was not lower than the Polish one by the same proportion. Con-

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