

As Capital Park Group is celebrating *20 years of excellence* in real estate development, WBJ sat down with members of the board, Kinga Nowakowska, Jan Motz, and Marcin Juszczuk to discuss the company's remarkable achievements thus far and its future plans for sustainable real estate ventures

Interview By Morten Lindholm

WBJ: You are celebrating 20 years of Capital Park right now, how was Capital Park founded and what was your goal?

As we celebrate 20 years of Capital Park, we actually want to start a little earlier. Initially, we – the board members, Jan, Kinga, and Marcin, ran a successful call-center business in Poland, capturing a significant market share of 65%. Our call-center years taught us valuable lessons in mergers and acquisitions, joint ventures, and working with venture capital, but most of all, we learned the secrets of professional customer service and this customer centric approach became a part of our DNA.

In December 2003, Capital Park was born. We were able to draw upon Jan's prior 15 years of experience in running a construction and development business in the New York area. Our first venture involved acquiring a cinema company with 43 properties, made possible with investments from Patron Capital Partners. Many of these cinemas were non-operational and the company was in a dire state. Taking over, we assessed each asset and transformed numerous locations into small retail projects and the largest cinema in Gdańsk was redeveloped into a very successful hotel, Hampton by Hilton Old Town Gdańsk. This endeavor served as a valuable learning experience, paving the way for our subsequent larger investments and projects.

You have embraced real estate in basically all the sectors, was that part of the original plan? Also, when you started, did you imagine winding up where you are today?

In 2006, we entered into a second joint venture with Patron Capital to acquire Eurocentum. This project required significant reevaluation of the original plan. We adopted a visionary approach to capitalize on its superb location, less than 1 km from the central station, at fringe CBD rents. Initially, only one building stood there with an unfinished 3-level underground parking.

This acquisition was unique. We recognized the cash flow in the existing building (as a stabilizing factor) and saw a huge upside opportunity in new developments. Our plan was to integrate the existing structure with new completely redesigned eco-friendly buildings, creating a distinctive project that would appeal to diverse buyers. Consequently, we connected the existing building, constructed three new buildings, and developed a substantial underground parking facility. Sustainability and green features were integral to our design, incorporating vertical gardens, trees, and energy-efficient systems that showcased forward-thinking.

When we sold the project in 2019, we achieved a 20% margin over the book value, and €50 million in dividends were distributed to shareholders. Notably, the building received the coveted LEED Platinum certification, making it the first large-scale project in Poland to achieve such recognition. Our early consideration of green certification, despite market indifference at the time, paid off in the end and made a significant impact on the buyer in 2019, further exemplifying our forward-looking approach in creating developments.



Two of Capital Park’s notable completed projects are Royal Wilanów and Norblin Factory. Can you tell us about these projects and their significance in terms of stability for the company?

Yes, those two projects are what we refer to in Capital Park as strategic projects.

In 2008, we acquired the Royal Wilanów plot. At that time, the Wilanów area was not perceived as a proven location for office and retail spaces, making our decision to develop a mixed-use project with a significant convenience retail component and ample public space quite unusual. The project encompassed a total area of 37,000 sqm and was completed in 2015.

Our vision was to establish it as a gateway to the new Wilanów center, given its proximity to the new town hall. We also proactively built ample public space and public parking, anticipating the future needs of the area, even though it wasn't a popular destination at that point in time. Despite skepticism from advisors and agents, PKO BP believed in our vision and provided funding for the construction.

The project has consistently enjoyed almost full occupancy. In 2022 and 2023, leases accounting for 40% of rental income were up for renewal. In the end, only one tenant chose not to renew, creating space for other tenants who wanted to expand their premises. Thus, the project stands as yet another remarkable success story. Although it is not currently actively marketed for sale as we believe it is not the ideal time, we remain open to selling the asset when the right offer presents itself.

The Norblin Factory mixed use project is also an amazing story, how did you end up with that project?

In 2008, we acquired the Norblin Factory plot located in the city center, although its opening did not take place until 2021. The development of Norblin Factory was a lengthy process due to

the numerous monuments and approvals required. However, the acquisition itself was swift, as we secured funds within two weeks with the assistance of strong joint venture partners.

To shape the project's concept, our team embarked on extensive travels across Europe, seeking inspiration. The famous markets in Lisbon, Madrid, and Barcelona served as sources of inspiration for our BioBazar and food hall. We even invited the founder of the Lisbon market to collaborate with us, to discuss the best solutions for our project.

However, our team took the project to an even higher level. It is not only about food, it also incorporates vibrant bars and live music throughout our restaurants and food hall. Places such as MOXO, Amar Beirut, Piano Bar, and Gimlet bar each offer a distinct musical atmosphere. We have created a genuine social hub.

Additionally, the cinema played a significant role in setting us apart. We personally manage the cinema, drawing on our background to assemble a talented team and seeking advice from industry contacts. KinoGram is our boutique cinema. It creates quite a different experience with small cinema rooms, a Dolby Atmos sound system, convenient double sofas, a big bar with tasty drinks and fingerfood that you can take in with you to watch the movie, and you can walk out after the film back into the bar. It is the small details that make the experience great. KinoGram is also frequently used by business clients for events and as a convenient conference center.

Norblin Factory also has received many recognitions, right?

Yes, we have been honored with multiple awards, many of them from Poland, but the most prestigious recognition is the 'Award for Excellence' from ULI Global. This achievement is truly something to take pride in. We also reached the final of MIPIM AWARDS 2023 in Best Mixed-Use Project and Best Urban Regeneration Project categories.

Based on our experience with the success of Norblin Factory, we can now also explore opportunities for expansion abroad. One of our investors has sought our assistance and advice for a project they own in Portugal, and we are actively considering projects in Germany and Italy as well.

We believe that we can make significant contributions and introduce innovative concepts that will inject more vitality into cities not only within Poland but across Europe.

Capital Park not only develops properties but also takes on the role of manager, operator, and animator of its projects. How does the company actively engage and enhance the value of its properties beyond their development phase?

As we mentioned before, providing exceptional customer service is deeply ingrained in our company culture. We prioritize the needs and well-being of our tenants and their employees, constantly striving to enhance their quality of life.

For instance, at Eurocentrum, we created a vibrant communal space with amenities like concierge services, at Royal Wilanów we introduced an office doctor, which has been highly appreciated by our tenants. Additionally, we have implemented an ambulance service across all our buildings, ensuring immediate assistance in case of emergencies within the offices or public areas surrounding our projects. This resource proved particularly crucial during the COVID-19 pandemic.

Moreover, we prioritize eco-friendly and green initiatives, not only to reduce operational costs but also because we believe it is the responsible thing to do for the planet.

In line with our commitment to innovation, we incorporate advanced prop-tech systems, such as multifunctional applications, as demonstrated in the case of Norblin Factory.

Capital Park was listed on WSE (Warsaw Stock Exchange) in 2013. What are the company's future plans, especially in terms of attracting investors and navigating the capital market?

In 2011, Capital Park underwent a consolidation process, bringing together various joint venture vehicles and establishing Capital Park SA. This led to the company's initial public offering (IPO) in December 2013. The IPO attracted significant support from a diverse group of investors, including pension funds, mutual funds, and high-net-worth individuals. The IPO allowed us to secure €30 million from investors, with MetLife OFE being one of our largest IPO investors.

In 2019, Madison International Real Estate Fund acquired Patron Capital Partners’ position in Capital Park. Madison specializes in real estate private equity investments and played a crucial role in facilitating the growth of business and sale of assets like Eurocentrum.

Additionally, we started working with EPG (Europi Property Group) from Sweden. Their interest in our projects led them to become partners, eventually acquiring almost all the shares from the free float and currently owning 22% of the company.

Today, there is only 0.5% of the company's shares in free float, rendering the listing unnecessary. Therefore, we have recently announced our decision to buy back the remaining shares and delist from the market. This move comes after a successful ten years on the market, during which we achieved our goals and repaid all bonds.

Throughout this time, we raised over €130 million from local markets, with €30 million coming from the share issue and the remaining funds acquired through three rounds of bond issues. Our first bond issue amounted to PLN100 million, offering a 10% interest rate with security backed by our best assets. The final round exceeded €50 million, featuring a 4% interest rate and unsecured nature, demonstrating the high level of trust we have built.

CAPITAL PARK TIMELINE/MILE STONES

2003 <ul style="list-style-type: none">• Establishment of Capital Park	2005 <ul style="list-style-type: none">• Privatisation of Neptun Film Sp. z o.o. with its 44 assets portfolio• Starting co-operation with Patron Capital Partners	2007 – 2009 <ul style="list-style-type: none">• Acquisition of Eurocentrum project• Purchase of a plot in Wilanów for the construction of the Royal Wilanów investment• Purchase of land from the former Norblin Factory at 51/53 Żelazna Street	2011 <ul style="list-style-type: none">• Establishment of the first Street Mall Vis à Vis in Radom	2012 <ul style="list-style-type: none">• Start of construction of the first phase of Eurocentrum Office Complex in Warsaw – Beta and Gamma buildings• The first issue of bonds (PLN 100m) and debut on Bond Spot market	2013 <ul style="list-style-type: none">• Start of construction of Royal Wilanów• Sale of investment certificates in one of the first REIT-like structures in Poland (REIA FIZAN I)• Debut of Capital Park SA on the WSE main market	2014 <ul style="list-style-type: none">• Commissioning of Eurocentrum Office Complex – Beta and Gamma buildings	2015 <ul style="list-style-type: none">• Completion of the Royal Wilanów investment on 1 Klimczaka Street• Start of redevelopment of Galeria Zaspą in Gdańsk• In JV with the Akron Group	2017 <ul style="list-style-type: none">• Launch of the Norblin Factory revitalization project• Completion of the redevelopment of ETC shopping center in Swarzędz• Sale of investment certificates in REIA FIZAN II	2018 <ul style="list-style-type: none">• Completion of Hampton By Hilton Old Town Gdańsk• Completion of Street Mall Vis à Vis Wilanów• Completion of second stage of Rezydencje Pałacowa	2019 <ul style="list-style-type: none">• Madison International Realty becomes a new Capital Park’s strategic partner• Disposal of Eurocentrum Office Complex	2020 <ul style="list-style-type: none">• The first payment of dividend (€50m)• Europi Property Group buys 14.1% shares in Capital Park	2021 <ul style="list-style-type: none">• Sale of the Eurocentrum Hotel and Residence project located in Warsaw’s Ochota district• Completion of revitalization of Norblin Factory – obtaining of an occupancy permit	2022 <ul style="list-style-type: none">• Publication of the company's first Sustainable Development Report• Purchase of Polski Hak in Gdańsk• Acquisition of a tenement house in Szczecin for a residential project• Signing of a JV Agreement for the implementation of the Nowy Wetnowiec mixed-use project in Katowice
---	---	---	---	---	--	--	---	--	---	--	--	--	---

With the change in investors in 2019, we still build quality assets with the same mindset, i.e., as if they were for long-term holding and management. However, we will continue to sell stabilized assets with crystallized value, allowing us to transition to new projects and develop new assets.

Among your projects in your pipeline Nowy Welnowiec, looks really interesting. Could you provide an update on the status of this project?

We have gained valuable insights from our experiences with Royal Wilanów and Norblin Factory, particularly in terms of creating inviting public spaces. As a result, we were invited to participate in the Nowy Welnowiec project. Recognizing our expertise, the area's owners approached us to collaborate on the development of a multifunctional city district in Katowice and Siemianowice Śląskie, leading to the establishment of a joint venture.

Our vision for this district is to prioritize pedestrian-friendly spaces by eliminating cars on the ground, with all vehicles underground. We have partnered with JEMS architects to create a masterplan to design various zones within the district. These zones include a central park and common areas for the public to enjoy. There will be a mix of different functions all around the park. Additionally, there will be a commercial area serving as the entrance to the entire city.

The residential and commercial areas in the district will be seamlessly integrated, creating a vibrant and dynamic atmosphere. Our objective is to make this district inclusive, affordable, and sustainable, incorporating green technologies and energy-efficient solutions. We envision a community where different generations can come together, allowing older individuals to be in proximity to their families while having convenient access to essential services.

The underground space has been designed to maximize natural light through openings and glass ceilings, creating a ground-floor shopping center ambiance with shops and commerce surrounding you as you step out of your car.

The district will have a consistent architectural style while incorporating contributions from various architects to ensure diversity. Our overarching goal is to create a livable and welcoming community where people can connect and enjoy a high quality of life. Spanning across 44 hectares, the project will encompass approximately over 300,000 square meters of diverse functions, including residential, commercial, and industrial areas. We anticipate that the entire project will be completed within 10 years.

Residential, PRS, and student housing are very popular assets with developers at the moment, are you planning anything in this area?

We prioritize and value quality in everything we undertake, and our ability to deliver exceptional products is well-established. Therefore, we see a promising future in the premium residential market, which offers a perfect niche with limited supply.

We have started projects in Gdansk and Szczecin. The Gdansk project is in a unique location at the top of peninsula, where the Martwa Wisła meets Motława river, which forms a water entry to central Gdańsk, where we will construct a high-quality residence, characterized by high quality construction and beautiful design.

In Szczecin, we acquired an old tenement house that was originally intended for a hotel but became available due to the impact

of the Covid-19 pandemic. This centrally located property encompasses 5,600 square meters and will comprise approximately 62 apartments. We have already received inquiries from prospective buyers in both projects, despite not having initiated any development work there yet.

As a follow-up to the previous question, what are Capital Park's future growth plans and strategies? How does the company envision its expansion and development trajectory in the coming years?

We are closely monitoring the changing trends in working habits, and the hybrid model has proven to be important factor. We do not believe that offices will fall into similar disgrace as big retail, but it is worth noting that some American investors express concerns watching the market, particularly in Manhattan, where the vacant office space is now equivalent to 26 Empire State Buildings. We would not build more offices in regional cities for now, however, we will likely continue to invest in office spaces in central Warsaw, where the market conditions differ.

Nonetheless, we remain optimistic about the prospects in Poland, as there are positive demand drivers coming from both endogenous growth as well as projects relocating from Ukraine, Russia, and the UK following Brexit. These factors contribute to the favorable dynamics in the country.

Our current strategy revolves around focusing on mixed-use projects, urban developments, and premium residential properties. The demand for premium residential properties in Poland is on the rise, with prime apartments in Warsaw selling for PLN 65,000/sqm and in Gdansk for PLN 35,000/sqm. More individuals in Poland are becoming wealthier and view investing in apartments or acquiring second homes as a means of safeguarding and preserving their wealth.

We also see significant opportunities in repurposing first-generation shopping malls. In many cases these are stranded assets but with a great location and redevelopment potential. With our enthusiasm for the principles of the circular economy, we aim to retain these structures to the greatest extent possible. Nonetheless, there are instances where preservation is not the most suitable option for overall well-being.

Building a successful real estate development company requires a skilled and dedicated team. Could you shed light on the people behind Capital Park, their expertise, and their contributions to the company's success?

The board members have been collaborating for over 25 years, even prior to the establishment of Capital Park. Many of the original team members we hired in the early days are still with us, and key individuals have been part of our team for 15 years or more. Currently, we have a dedicated team of 89 professionals, and 62% of our staff members are women, four of whom won the Top Woman in Real Estate award!

We have built our own asset and property management teams, letting team, and investment team, successfully handling over 140 transactions throughout the 20-year period. Additionally, our banking and financial team has fostered strong partnerships with 17 different banks, enabling us to secure €1.3 billion in bank financing.

We take pride in our strong network of joint venture partners and investors. With the decision to delist, we will have greater flexibility and will collaborate with a wider range of investors. ●

CAPITAL PARK KEY PROJECTS/INVESTMENTS



Royal Wilanów, Warsaw
Mixed-use
GLA: 36,822 m²
Completed: 08/2015



Polski Hak, Gdańsk
Residential
Land: 1.3 ha
In progress



Nowy Welnowiec, Katowice/Siemianowice Śląskie
Residential / Mixed-use
Land: 44 ha
In progress



Norblin Factory, Warsaw
Mixed-use
GLA: 65,591 m²
Completed: 08/2021
in 2019



Hampton by Hilton Old Town Gdansk
Hotel / Retail
GLA: 8,841 m²
Completed – 06/2018



Avenue of Fountains, Szczecin
Residential
Saleable area: 5,600 m²
In progress