

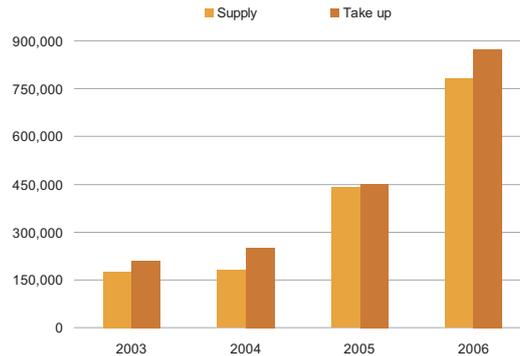
Poland Logistics and Warehousing report

January 2007

Survey Area



Supply and Take-up in 2003-2006



Source: Savills

“In 2006 we observed a strong increase in demand for modern warehouses, which encouraged the development of new schemes, allowing many companies to relocate from older or poorly located accommodation to high specification facilities.”

Patrycja Malicka



- 2006 was a strong year for the warehousing and logistics market. After two years of expansion the total stock of modern warehousing floorspace at the end of 2006 exceeded 2.6m sqm, which means that 779,900sqm was added to the market in the whole of 2006.
- The Warsaw area is still the largest submarket. However, over the past two years, regional cities have become important for the modern warehousing sector in the country and at the end of 2006 the whole stock of Sector 3 (logistics parks) amounted around 1.2m sqm of new space, which was almost double in comparison to 2005.
- During 2006 we observed signs of stabilisation in headline rents, but net effective rents remained lower due to the incentives offered.
- Growing demand for new warehousing facilities encouraged the development of new schemes allowing many companies to move from poorly located and lower specification schemes (post-industrial buildings) to modern facilities.
- In 2006 we observed a strong increase in demand for modern warehouses; double in comparison to the whole of 2005. 2006 has shown a record number of transactions with total 873,000sqm of leased space.
- The most active submarkets in 2006 was Sector 3 where the volume of transactions totalled almost 590,000sqm.

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Economy and leasing market

Economy

With continued GDP growth, the Polish economy is still expanding at a faster rate than the Euro zone, and higher than the average of EU 25. Exports are still among the largest drivers of growth. Industry sectors that recorded the largest growth in exported goods are producers of food, furniture, automotive parts and plastic goods.

Activity in the industrial sector has also been improving over the last months. Due to growing employment and higher wages consumption expenditure has increased.

Rising consumption impacts positively on retail sales, which in turn influence industrial production. This positive trend is of large indirect importance to the future growth of the warehousing and logistics property market in the country.

Poland's entry into the EU has been a breakthrough for the logistics and express services sectors. The dominance of road transport over other modes, requires a developed infrastructure. The country still suffers from a lack of good quality motorways, however, many roads are still being built, or planned to be built. The plan of the construction of motorways across the whole country as part of the Trans-European Network is a priority for the Ministry of Infrastructure.

Leasing market

Demand and take-up

Demand for warehousing space in Poland has spread from the capital to the other regions, as many foreign operators locate their warehouses along the main transit routes and outside the congested capital city. The placement of a warehouse facility depends on the tenant's profile, with large logistic operators and international industrial distributors preferring the central, south or western regions (Lodz, Piotrkow, Katowice, Wroclaw, Poznan), whilst Warsaw attracts specific tenants, whose operations concentrate on servicing the capital markets.

Vacancy rate

In Q4 2006, the average vacancy rate stood at 8.1% and decreased by 5.5% compared to 2005. A large proportion of transactions are via pre-let agreements, however developers have started to build more on a speculative basis. At the end of 2006 the total amount of available warehouse floorspace was approximately 215,000sqm and the majority of this was located in existing buildings in Sector 2.

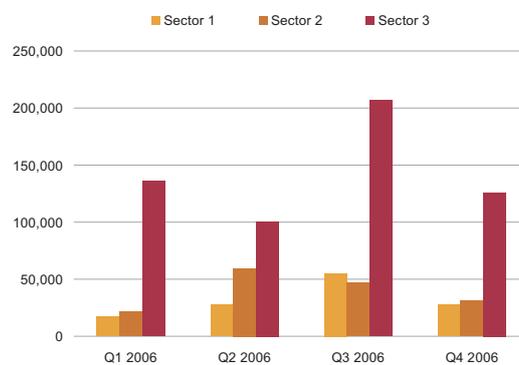
Rental levels

Generally there has been no significant movement in headline rental levels, however it should be noted that effective rents, especially in major pre-leases, were

much lower due to the incentives offered by landlords. The number of projects in Sector 3 increased, thereby influencing a change in rents, which were at similar levels as in Sector 2 at the end of 2006.

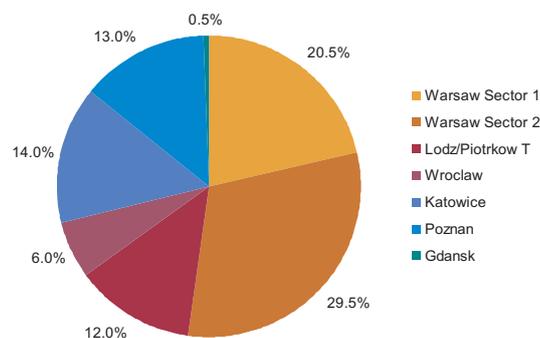
Sector	€/sqm/month
Sector 1	4.00 - 5.50
Sector 2	2.90 - 3.40
Sector 3	2.90 - 3.40

Take-up in 2006



Source: Savills

Warehousing and logistics stock in 2006



Source: Savills

Main logistics and warehousing submarkets

Sector 1 - Distribution warehousing parks in Warsaw

This sector includes warehousing facilities with office premises located in the area up to 20km from the centre of Warsaw. Vacancy rate in Sector 1 has decreased by 2.5% at the end of 2006 in comparison to Q3 2006.

Main logistics and warehousing submarkets

Q4 2006

Sector 1

Total stock	664,000sqm
Projects under construction	55,500sqm
Take-up in Q4 2006	27,500sqm
Take-up in 2006	127,000sqm
Vacancy rate	3.8%

rise above 5.10%. Katowice is the location where the greatest amount of construction activity has been taking place. At the end of 2006 over 139,000sqm of logistic warehouse floorspace was under construction.

Q4 2006

Katowice

Total stock	375,000sqm
Projects under construction	139,500sqm
Take-up in Q4 2006	43,000sqm
Take-up in 2006	178,000sqm
Vacancy rate	5.1%

Poznan

Poznan's attractive location – halfway between Warsaw and Berlin, creates the possibility of a potentially well-developed logistics sector in this region.

Q4 2006

Poznan

Total stock	345,500sqm
Projects under construction	37,000sqm
Take-up in Q4 2006	25,500sqm
Take-up in 2006	142,000sqm
Vacancy rate	12.9%

Lodz & Piotrkow Trybunalski

Central Poland location is especially popular among large retailers. The vicinity of the future crossroads of A1 and A2 motorways and the region's central location in Poland are the two major advantages of the area. This influenced many logistics and FMCG companies to locate their large logistics hubs in this area.

Q4 2006

Lodz & Piotrkow

Total stock	309,000sqm
Projects under construction	123,000sqm
Take-up in Q4 2006	-
Take-up in 2006	115,000sqm
Vacancy rate	negligible

Wroclaw

Another "logistics hot spot" is the Wroclaw area. Wroclaw, the capital of Lower Silesia, is one of Poland's most often chosen city by foreign investors due to the beneficial investment climate. It has strategic location with excellent, developed road infrastructure. So far companies like: Volvo, ABB, WABCO, Cargill Whirlpool have invested there.

Q4 2006

Wroclaw

Total stock	158,200sqm
Projects under construction	42,800sqm
Take-up in Q4 2006	43,500sqm
Take-up in 2006	134,800sqm
Vacancy rate	8.2%

Sector 2 - Logistics Parks in the Warsaw area

This sector includes logistics parks situated in the range of more than 20 km to 100 km from the centre of Warsaw. Available warehouse floorspace is increasing in this Sector, as a result of speculatively built projects and competition from Sector 3. This caused an increase of vacancy rate by 3% and at the end of 2006, the stock of warehouses grew by 90,000sqm. Rental levels remained relatively unchanged.

Q4 2006

Sector 2

Total stock	775,000sqm
Projects under construction	50,000sqm
Take-up in Q4 2006	31,000sqm
Take-up in 2006	159,000sqm
Vacancy rate	14.0%

Sector 3 - Logistics Parks in Poland

This sector includes logistics parks located at least 100 km away from Warsaw, in the neighbourhood of the largest cities in Poland. At the end of Q4 2006 the total floorspace in all logistics parks within Sector 3 was almost 1.2m sqm, which means that it doubled in comparison to 2005.

The majority of floorspace under construction has already been pre-let. However, it is also becoming common for developers to commence construction of new projects without signing any pre-lets, which indicates that there is a perception of reduced risk of securing tenants. Vacancy rates in Q4 2006 remained the same. Developers envisage building another 3.6m sqm of modern warehousing floorspace across the country in the medium and long term.

Q4 2006

Sector 3

Total stock	1,197,000sqm
Projects under construction	377,275sqm
Take-up in Q4 2006	125,700sqm
Take-up in 2006	587,600sqm
Vacancy rate	6.7%

Regional warehousing markets

Katowice

The Silesia Region has already attracted major developers. It is the largest market in Sector 3, where the volume of transactions in the whole 2006 totalled in excess of 178 000sqm and the vacancy rate did not

Investment market and outlook

Gdansk

The Tricity region is expected to emerge as an important submarket, due to easy access of the largest sea port and the possibility to service the northern parts of the country and the Baltic States. Growing demand in this area encouraged developers to build and secure land for class A warehousing schemes.

Q4 2006	Gdansk
Total stock	10,000sqm
Projects under construction	35,800sqm
Take-up in Q4 2006	14,300sqm
Take-up in 2006	17,800sqm
Vacancy rate	negligible

expansion of the operations from Western European companies to the CEE region. Over recent years we have observed the process of consolidation of logistics outsourcing and express services sector.

Upgrade to modern high-quality distribution centres usually newly built will be more popular in the near future. More supply will enable occupiers to relocate, not only near Warsaw but also around the regional cities.

Companies will increasingly focus on their core activities and will prefer to outsource logistics activities to Third Party Logistics providers, especially now that rental levels are quite low when compared to other countries.

Investment market

Investment transactions of warehousing and logistics properties became a very attractive form of portfolio diversification. Many international investors, who are present in the Polish market, are looking for possibilities to acquire good investment projects. At the end of 2006 yields dropped below 7.5% in the sector.

Poland is one of the largest countries in the region with over 38 million inhabitants and its location provides a getaway between EU and non-EU countries, particularly Russia. It is an important market on the European logistics map. The warehousing and logistics sector has shown strong growth over the last 2 years and the market has enjoyed record results both on the supply and demand sides.

Outlook

EU entry has positively influenced the logistics and warehousing markets not only in the New Member states but also in their neighbours. The development of the European logistics market, has caused the

Apart from the Warsaw area, which was the first location for the modern warehousing schemes, we can observe the strengthening of another five strategic logistic centres: Wrocaw and Katowice, Central Poland, Poznan and Gdansk. We expect this trend to continue.

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