MARKET IN MINUTES

Savills Research

Poland Commercial - May 2019

Warehouse market in Poland

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Warehouse market still on a roll

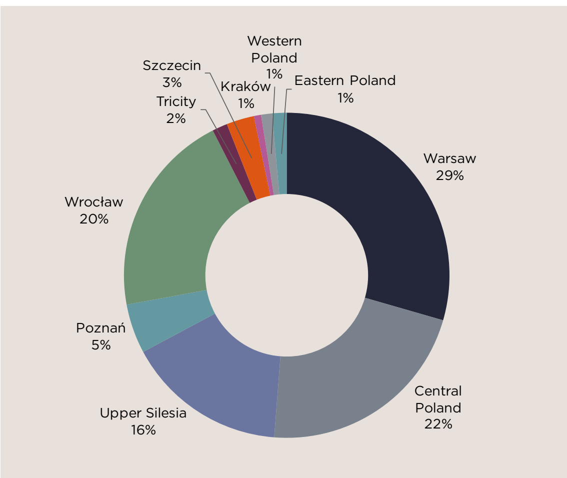
■ Warehouse and industrial market in Poland in Q1 2019 continues dynamic development. Due to low unemployment on the main markets, new locations keep emerging. Projects dedicated for urban logistics are on the rise.

■ At the end of March 2019 modern stock of warehouse and industrial space amounted to 16.2 million sq m, having increased by over 0.5 million sq m in Q1 2019. Gross take-up almost reached 1.0 million sq m. Space under construction again exceeded a barrier of 2.0 million sq m. Despite fast growth of the market, supply and demand remain in balance. Vacancy rate stays at a low level and rents, after some increase observed in 2018, now are stable.

■ Warsaw maintains its position as the largest market having surpassed 4.0 million sq m of stock in Q1 2019. Upper Silesia is the second largest market (2.62 m sq m), followed closely by Central Poland (2.6 m sq m), which almost caught up with Upper Silesia. Stock in Poznań amounts to 2.0 m sq m and to 1.8 m sq m in Wrocław. Supply of modern warehouse and industrial space in other regions is significantly lower. In Szczecin there is below 700,000 sq m of space, whilst stock in both Tricity and Kraków equals ca. 0.5 million sq m each.

■ In Q1 2019 506,100 sq m of new space was added to the market, 28% up y-o-y. The most of the space, for the first time, was completed outside of the main markets. New supply there reached almost 142,800 sq m located in two projects: BTS for Zalando in Olsztynek (120,600 sq m) and Panattoni Park Kielce (22,200 sq m). Other markets with high volume of new supply were: Wrocław (94,200 sq m), Central Poland (89,700 sq m) and Warsaw (55,400 sq m).

Gross take-up by region, Q1 2019



Source: Savills

■ Development activity in Q1 2019 increased compared to the end of 2018 and again passed 2.0 million sq m, reaching 2.1 million sq m. Upper Silesia is the most active market with ca. 568,400 sq m of space under construction (27% of total under construction space in Poland). Other markets with high under construction volume are Central Poland and Warsaw with 454,200 sq m and 234,700 sq m respectively. It is worth mentioning that projects dedicated for urban logistics gain on importance. At end of March 2019 there was ca. 64,600 sq m under construction located in such schemes, 1/3 more than at the end of 2018.

■ Gross demand in Q1 2019 amounted to 965,200 sq m, down by 21% y-o-y. The largest volume of take-up was noticed in Warsaw, where almost 284,400 sq m was taken (35%more than a year before). Central Poland was second with 210,000 sq m leased. Wrocław was also on the podium with 196,700 sq m. Strong position was maintained by Upper Silesia with 154,000 sq m of total take-up.

■ Net absorption during the first three months reached 418,200 sq m, down by 12% y-o-y. The most space was absorbed outside of the main markets, almost 141,900 sq m, mainly due to completion of BTS project for Zalando in Olsztynek. High net absorption was also noted in Wrocław (85,400 sq m) and in Warsaw (42,800 sq m).

■ At the end of March 2019 vacancy rate remained at a low level and stood at 5.5% (up by 0.7 pp y-o-y). The lowest rate (excluding Western Poland where was no available space at all) was recorded in Tricity and stood at 2.7%. On the other hand, the highest rate was observed in Poznań (8.6%).

■ In Q1 2019, after an upward trend seen in 2018, rents stabilised. Headline rents range between EUR 2.70 m sq/month and EUR 4.20 sq m/month for BIG BOX units and up to EUR 5.35 sq m/month for SBU. Effective rents range between EUR 2.00 sq m/month and EUR 3.60 sq m/month for BIG BOX unit and up to EUR 4.80 sq m/month for SBU.

■ We expect a further fast development of the warehouse and industrial market in Poland in 2019. Of over 2.1 million sq m under construction most of the space is planned to be delivered by the end of the year, thus new supply should significantly exceed 2.0 million sq m. Demand for office space is to remain at a high level. General synthetic indicator GUS (SI) in April 2019 remained above long-term average. Despite very high development activity, a surge of vacancy rate is not expected, as 60% of under construction space is already leased.

16.2 million sq m
Modern warehouse and industrial stock in Poland

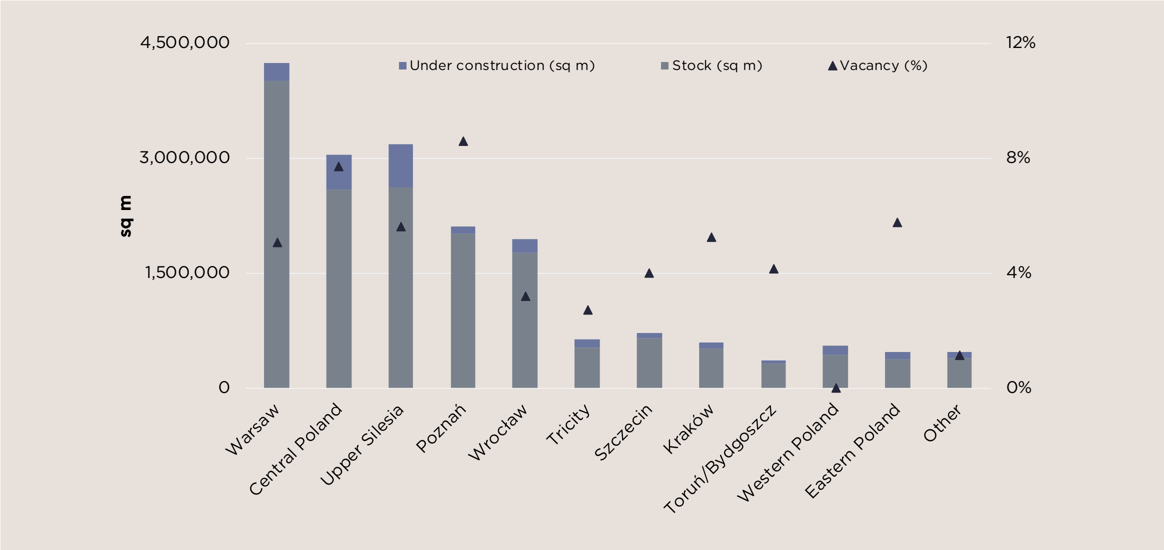
2.1 million sq m
Under construction (up by 13% y-o-y)

5.5%
Vacancy rate (up by 0.7 pp y-o-y)

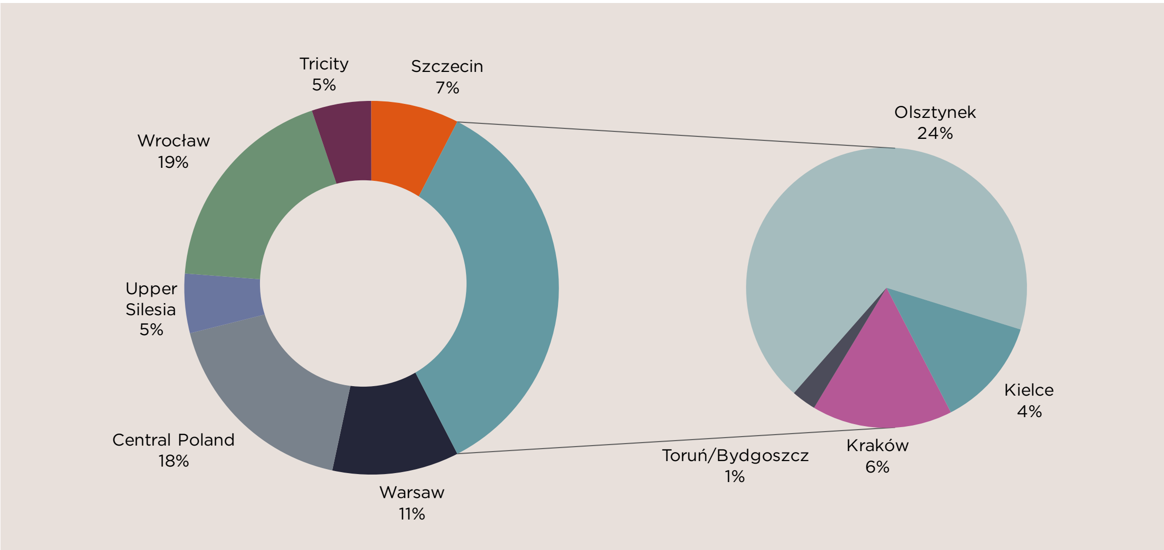
965,200 sq m
Gross take-up (down by 21% y-o-y)

418,200 sq m
Net absorption (down by 12% y-o-y)

Stock, under construction and vacancy, Q1 2019



New supply by region, Q1 2019



Source: Savills

TOP 5 DEVELOPMENT COMPLETED	TOP 5 LEASE SIGNED	TOP 5 UNDER CONSTRUCTION PROJECTS
Hillwood Olsztynek (BTS Zalando) 120,500 sq m Hillwood, Other (Olsztynek)	**Jysk** 60,000 sq m Logistic City Piotrków Trybunalski, Central Poland	**Panattoni BTS Amazon Gliwice** 210,000 sq m Panattoni, Upper Silesia
Panattoni Park Wrocław IX 45,800 sq m Panattoni, Wrocław	**Pantos Logistics** 59,200 sq m Panattoni Park Wrocław XI, Wrocław	**Central European Logistics Hub** 112,000 sq m Panattoni, Central Poland
Panattoni Park Warsaw South 38,000 sq m Panattoni, Warsaw II	**PepsiCo** 58,500 sq m P3 Mszczonów, Warsaw II	**Hillwood Łódź Górna** 73,000 sq m Hillwood, Central Poland
Hillwood Kutno 32,000 sq m Hillwood, Central Poland	**Gefco** 32,500 sq m S5 Wrocław North Gate (X), Wrocław	**7R Park Kielce** 70,800 sq m 7R, Other (Kielce)
Panattoni Park Szczecin I 27,100 sq m Panattoni, Szczecin	**AQ Wiring** 25,500 sq m Segro Logistics Park Łódź, Central Poland	**Panattoni Park Bielsko-Biała III** 68,500 sq m Panattoni, Upper Silesia

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