AUTOMOTIVE

Analysis of the Warehouse and Industrial Market for the Automotive Sector

WAREHOUSE MARKET.PL

by Savills
INTRODUCTION

Dear Valued Reader,

Nearly every tenth manufacturing industry employee works in the automotive sector. In 2017, the number of passenger cars churned out in Poland nearly equalled the population of Poznań. What’s more, the number of tyres manufactured for such vehicles in the same year was equivalent to the country’s entire adult population.

Poland is home to factories of the world’s leading automotive parts manufacturers. Approximately 900 manufacturers employ nearly 150,000 people across the country. Automotive parts distributors also play a key role on the automotive market. Each Polish voivodeship has approximately 66 wholesalers, the largest offering up to 250,000 types of subassemblies.

The customer is at the end of this supply chain. Whenever we go to a garage, we expect the shortest service times. This means that spare parts ordered by a mechanic in the evening must be in by six o’clock the following morning. As no one wants to overpay or wait too long for a new car, car manufacturers also favour just-in-time supply chains to prevent production line downtime or avoid unnecessary and costly storage of excess goods.

Logistics processes and professional logistics facilities are becoming increasingly important on this market. The Polish warehouse and industrial market is seeing record supply and demand levels, driven largely by the expansion of e-commerce, and the automotive sector, which has always been a cornerstone of Poland’s economy.

Both the automotive and real estate markets are all-important to consumers. We all use buildings and cars daily and have at least once seen a car spare part, a factory or a warehouse with our own eyes. However, hardly ever do we pause to think about how these two markets operate in practice. This report Automotive: Analysis of the Warehouse and Industrial Market for the Automotive Sector addresses these issues to provide a better understanding of the two sectors and opportunities they provide wherever they interact.

I believe that our publication will inspire you to translate the bulk of knowledge it contains into practical solutions to streamline your logistics operations and to review efficiencies of your current warehouse and manufacturing locations.

I wish you a pleasant read.

Wojciech Zori
Head of the Industrial Agency,
Savills
CHAPTER 2
ANALYSIS OF THE AUTOMOTIVE PARTS MANUFACTURING AND DISTRIBUTION MARKET IN POLAND

BATTERIES, ELECTRONICS AND ELECTRICS:
- Exide Technologies
- ZAP Szarpan Batterien
- Kimball Electronics Poland
- Lear Corporation Poland
- Leoni Kabel Polska
- SE Batterie Polska
- Philips
- Autopart
- Ikała
- Janmor
- Remy Automotive

STEERING AND SUSPENSION:
- Tenneco
- Nexteer Automotive
- ZF TRW
- Delphi Technologies
- Magna Automotive Polska
- Flomex

LIGHTS:
- Valeo
- Western
- Magneti Marelli

BRAKING SYSTEM:
- Brembo
- Tomex
- Lumar
- Bosch
- Przedsiębiorstwo WP Kardzioł
- Linex

BEARINGS:
- RLT Krzysik
- SKF

GLASS:
- NordGlass
- Pilkington Automotive Poland
- Saint-Gobain Sekurit

BODYWORK:
- Datto Polska
- Gestamp
- Gerda Polska
- Kromhoff Polska
- Magna Automotive Poland
- Florimex

INTERIOR:
- Briestyrel
- Faurecia Automotive Polska
- Adient Seating Poland
- Sitex
- Magna Automotive Poland
- Köhlering Automotive
- Costruzioni
- Lear Corporation Poland

ENGINE COMPONENTS AND FILTERS:
- Mahle Polska
- Federal-Mogul
- NGK Ceramics Polska
- Filtrum
- Valeo
- SKF
- Hengst
- Gates
- Borg/Hammar
- Asso
- Exmof
- Mann+Hummel
- Delphi
- Wuzzlot
- Caffaro

TYRES AND RIMS:
- Michelin
- Bridgestone
- Firma Oponiarska Dębica
- Uniwheels Production
- Ronal Polska
- Tenneco
- Asmet

EXHAUSTS:
- Delfo Polska
- Gestamp
- Gedia Poland
- Kirchhoff Polska
- Magna Automotive Poland
- Florimex

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TWO FACES OF THE AUTOMOTIVE INDUSTRY

It may come to you as a surprise how long it takes for an automotive part or component to reach the end consumer.

Car users tend to have a misconceived notion that car manufacturers are the primary source of automotive parts. They couldn’t be more wrong.

Automotive parts are designed in R&D centres owned by automotive parts producers. That’s where revolutionary technologies such as ABS and ESP are developed and incorporated later into all new cars as standard features.

Automotive parts manufacturing

The automotive industry is one of the fastest-growing sectors in Poland. Automotive parts and accessories manufacturing whose value of production has been exceeding that for the car manufacturing sector in the last seven years is clearly emerging as a market leader.

According to the Polish Investment and Trade Agency (PAIH, 2015), Poland has more than 900 automotive parts manufacturers, of which approximately 300 are with foreign shareholding. The largest group comprises 100 automotive parts and accessories manufacturers employing more than 250 staff. These figures are a confirmation of both robust business activity in Poland and the country’s appeal with investors. Poland is home to such leading global suppliers of automotive parts as Brembo, Delphi, Valeo, Federal-Mogul, Mahle and ZF TRW, and many Polish manufacturers, including Wuzetem, Asmet and Lumag.

Export

A bulk of the automotive industry production in Poland is exported overseas. Automotive parts and accessories account for more than 33% of the industry’s total exports, a figure close to the share of motor vehicles, both passenger cars and commercial vehicles. The rapid growth in exports of automotive parts is leading to increased demand for industrial and warehouse facilities across Poland.

In 2016, Poland sold PLN 77 billion worth of automotive parts. Over the years this sector has created approximately 147,000 jobs and has been expanding at a fast pace of 10% per annum in terms of production. In 2016, exports of automotive parts manufactured in Poland hit USD 12 billion. By comparison, Germany, the world’s largest exporter, exported USD 60 billion worth of automotive parts in 2016, accounting for approximately 16% of the global automotive industry exports.

The largest EU markets for Poland-based manufacturers include Germany (a 42% share), the Czech Republic (9%), the UK and France (8% each), Slovakia and Italy (5% each). Whether the Polish automotive industry remains competitive will depend on its commitment to Industry 4.0 or the fourth industrial revolution combining the realm of information technology with the realm of devices and machines to enable fast production of short series, to streamline manufacturing and reduce costs.

Research and development

The automotive industry is one of the economy’s most innovation-driven sectors. R&D centres of independent automotive parts manufacturers boast impressive projects run both for their own purposes and for third-party clients. In order to compete on this market, independent manufacturers invest between 5-10% of revenue in research and new technology to drive further growth and advances in the automotive industry. This sector’s annual innovation spending is estimated at upwards of EUR 1 billion.
Investing in development projects to drive further expansion is increasingly becoming a major challenge to automotive parts manufacturers. In a survey conducted by research agency Smartscope and MotoFocus, 38.5% of factories manufacturing automotive parts indicated lengthy administrative procedures as the main barrier. Another major issue, according to 19.2% of the respondents, is the unregulated legal status of lands. Therefore, a company that could take the above burden off the shoulders of automotive parts manufacturers is likely to become a valued partner. And all the more so because MotoFocus’ survey of manufacturers has clearly revealed that as many as three-fourths of automotive parts businesses are considering extension of their industrial and warehouse facilities.

**Market structure**

Multichannel distribution of automotive parts is widespread in Poland. Spare parts reach the end-user through distributors themselves, distributors’ branches, brick-and-mortar and online stores, and naturally through repair garages operators. Repair garages account for more than 83% of all purchases of automotive parts. Poland has, on average, nearly 66 wholesalers in each voivodeship, with the largest concentration of distributors in Masovia, Silesia and Lower Silesia.

Price wars and labour shortages, followed by logistics issues, are cited as the biggest challenges facing distributors.

**Automotive parts distribution**

Polish distributors of automotive parts have created nearly 30,000 jobs in numerous distribution centres that are usually sized between 10,000 sq m and 40,000 sq m. Distributors operating on the Polish market have to meet very high standards due to strict client requirements. As well as expecting high-quality parts to be available and delivered in no time, repair garages operators demand low prices. That’s why distributors need to maintain a broad range of various

warehouse space in logistics parks, all leading to further job growth.

In Poland, leading automotive parts distributors occupy a total of 660,000 sq m of space in core warehouse facilities. This is an equivalent of five times the combined floor area of the Palace of Culture and Science in Warsaw, which shows how big the Polish distribution market is.

Given the nature of their business, independent automotive parts manufacturers and distributors also cooperate with logistics operators. Independent distributors supply monthly more than 16 million spare parts via their own transport or through logistics operators. This translates into 640,000 items delivered to car garages and automotive stores in Poland every day. Whilst targeting repair garages who are their core client base and having to compete on the market, distributors need to be able to offer the broadest range of products anywhere in the country, which is tantamount to having warehouses across Poland.

**Summary**

How long automotive parts manufacturers and distributors will maintain their current strong momentum will depend on the growth dynamics of the Polish market and on export. Demand for Poland-made automotive parts demonstrating good value in terms of the price to quality ratio remains very strong and so is the market’s growth potential. In response to the growing demand from export markets, distributors are developing central warehouses to ensure efficient deliveries.

Automotive industry and market trends are, however, being set by new investment directions. On the one hand, these will include capital spending on R&D to develop new types of cutting-edge materials for automotive parts and components, and on electromobility and telematics. But on the other hand, they will comprise investing in implementation of Industry 4.0 solutions leading to widespread automation of all manufacturing processes. This process is expected to accelerate due to severe labour shortages in the automotive industry.

The outlook for manufacturing and distribution of automotive parts and car accessories is positive. MotoFocus’ survey has shown that more than 94% of distributors and 95% of manufacturers expect sales to rise throughout 2018 with more distributors than manufacturers projecting an increase in revenues of more than 10%. This, coupled with a need for further advancements and continuous innovations in the automotive industry, is creating bright prospects for the industrial and warehouse property market.

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**Key manufacturing challenges**

| Survey: What are two key barriers to further growth of automotive parts manufacturers in Poland? |
|---|---|---|---|
| **65.4%** | **38.5%** | **34.6%** | **19.2%** | **15.4%** |
| Unclear and unstable legal and tax environment | Lengthy administrative procedures for development projects | Long waiting period for state aid programs | Lengthy procedures of regulating the legal status of development lands | Risk of project obstruction by individuals, even at industrial sites |

**Automotive parts, which in turn requires major capital spending and large volumes of warehouse space.**

**75%**

OF AUTOMOTIVE COMPANIES PLAN TO EXPAND THEIR MANUFACTURING, WAREHOUSE OR OFFICE SPACE IN 2018-2019.

**640,000**

AUTOMOTIVE PARTS ARE DELIVERED DAILY TO REPAIR GARAGES AND STORES ACROSS POLAND.

**Source:** MotoFocus

**Source:** Smartscope, MotoFocus
CHAPTER 3
ANALYSIS OF THE WAREHOUSE AND INDUSTRIAL MARKET IN POLAND

LEGEND:
- Automotive sector’s share of the industrial and warehouse leasing volume per region in 2017
- Leading vehicle and automotive parts manufacturers in a region
- Ratio of vacant space to total stock in a region

Diagram: Poland’s warehouse and industrial map
The automotive industry is not only a key sector of the Polish economy, but is also a leading sector in terms of warehouse and industrial space take-up.

The growth of the automotive parts and accessories sector is driven by large imports of second-hand cars. In 2017, imported second-hand vehicles accounted for nearly two-thirds or 12% of the country’s exports in the first three quarters of 2017 to 147,000 people in the first nine months of 2017.

By comparison, sold production for the whole manufacturing sector rose 5.9% in that period. The number of new cars rose on average by 6% annually compared with the average annual growth of 11% posted by the automotive parts and accessories sector.

Warehouse and industrial space in Poland

The automotive industry contributed to the record performance of the Polish warehouse and industrial market in 2017, accounting for approximately 5% of gross take-up or more than 211,000 sq m.

Two leaders meet

Automotive firms focus on warehouses in Poznań, Upper Silesia and Western Poland as proximity to sub-suppliers and large markets is a critical factor in the choice of a warehouse location.

Due to the nature of their business activity, automotive companies frequently opt for facilities outside industrial parks and within special economic zones.

The automotive industry contributed to the record performance of the Polish warehouse and industrial market in 2017, accounting for approximately 5% of gross take-up or more than 211,000 sq m.

In the first three quarters of 2017, employment in the automotive industry averaged 187,500 people, of which 147,000 people were employed in automotive parts and accessories manufacturing. Employment across the automotive industry rose by 8.3% y/y compared to a 9.9% y/y increase recorded by manufacturers of automotive parts and accessories by comparison, sold production for the whole manufacturing sector rose 5.9% in that period.

The automotive industry is not only a key sector of the Polish economy, but is also a leading sector in terms of warehouse and industrial space take-up.

The automotive industry is growing at full throttle

The automotive industry is the pride of Poland abroad, accounting for nearly 12% of the country’s exports in the first three quarters of 2017. Parts and accessories make up 5.6% of exports and remain the growth engine of the Polish automotive industry. In 2006, motor vehicles accounted for nearly 60% of the industry’s sold production compared to 40% generated by the automotive parts and accessories sector. This proportion reversed a decade later. In the last ten years, vehicles production rose at an average of 3% annually compared with the average annual growth of 11% posted by the automotive parts and accessories sector.

The automotive industry is Poland’s second largest manufacturing sector, second only to the food industry. At year-end 2017, the value of sold production topped PLN 148 billion, posting a 7.7% y/y growth and having a 13% share of the manufacturing industry’s sold production. Meanwhile, the warehouse and industrial property sector is the country’s top commercial real estate sector in terms of leasing volumes and new space delivered to the market in 2017. The fast growth of the automotive industry and the rapid expansion of the warehouse property market are tightly knitted together.

The automotive industry is growing at full throttle

In the first three quarters of 2017, the entire automotive industry saw sold production rise by 7.8% y/y compared to a 10.6% y/y increase recorded by manufacturers of automotive parts and accessories. By comparison, sold production for the whole manufacturing sector rose 5.9% in that period.

The growth of the automotive parts and accessories sector is driven by large imports of second-hand cars. In 2017, imported second-hand vehicles accounted for nearly two-thirds or 12% of the country’s exports in the first three quarters of 2017 to 147,000 people in the first nine months of 2017.

By comparison, sold production for the whole manufacturing sector rose 5.9% in that period. The number of new cars rose on average by 6% annually compared with the average annual growth of 11% posted by the automotive parts and accessories sector.

Warehouse market hits record highs

Poland’s total warehouse and industrial stock hit 13.5 million sq m at year-end 2017. Key regions on the country’s warehouse and industrial map include Warsaw (3.7 million sq m), Upper Silesia (2.4 million sq m), Poznań (1.9 million sq m), Central Poland (1.7 million sq m) and Wrocław (1.5 million sq m).

The warehouse market is growing at a record pace. In 2017, new supply totalled 2.4 million sq m, of which 465,000 sq m was delivered in Warsaw. Last year’s largest completion was Amazon’s 165,000 sq m facility in Szczecin developed by Panattoni. Developer activity remained buoyant at year-end 2017 with more than 1.4 million sq m under construction.

Occupier demand for warehouse and industrial space also hit an all-time high in 2017, in which 4.3 million sq m was leased, representing an almost one-third increase y/y. The vacancy rate stood at 5.4% at the end of 2017, down by 30bps y/y.

WAREHOUSES IN THE AUTOMOTIVE INDUSTRY

Two leaders meet

Automotive firms focus on warehouses in Poznań, Upper Silesia and Western Poland as proximity to sub-suppliers and large markets is a critical factor in the choice of a warehouse location.

Due to the nature of their business activity, automotive companies frequently opt for facilities outside industrial parks and within special economic zones.

The automotive industry contributed to the record performance of the Polish warehouse and industrial market in 2017, accounting for approximately 5% of gross take-up or more than 211,000 sq m.

Poland’s top regions in terms of the automotive industry’s leasing volumes included Upper Silesia (66,000 sq m, accounting for 4.5% of this region’s gross take-up), Western Poland (32,000 sq m; 15.2%) and Warsaw (26,000 sq m; 2.6%). In addition, more than 23,000 sq m was transacted by automotive companies in Opole.

2017’s largest warehouse lease transactions were two BTS schemes: Goodman’s 32,000 sq m facility for BMW in Świecko and Panattoni’s 19,000 sq m scheme for Kongsberg in Brześć Kujawski.

Table: Key lease transactions by automotive companies in 2017

<table>
<thead>
<tr>
<th>TENANT</th>
<th>BUILDING</th>
<th>DEVELOPER</th>
<th>REGION</th>
<th>SQ M</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMW</td>
<td>BTS BMW Świecko</td>
<td>Goodman</td>
<td>Western Poland</td>
<td>32,000</td>
</tr>
<tr>
<td>Kongsberg</td>
<td>BTS Kongsberg Brzesz</td>
<td>Panattoni</td>
<td>Bydgoszcz-Torui</td>
<td>19,300</td>
</tr>
<tr>
<td>Autodoc</td>
<td>Panattoni Park Szczecin</td>
<td>Panattoni</td>
<td>Szczecin</td>
<td>15,600</td>
</tr>
<tr>
<td>International Automotive Components</td>
<td>CTP Park Opole</td>
<td>CTP Invest</td>
<td>Other (Opole)</td>
<td>13,100</td>
</tr>
<tr>
<td>ILS</td>
<td>Goodman Zawadzki Logistics Center</td>
<td>Goodman</td>
<td>Upper Silesia</td>
<td>12,200</td>
</tr>
<tr>
<td>AUTO-GUM</td>
<td>7R Park Kraków</td>
<td>Panattoni</td>
<td>Krakow</td>
<td>12,000</td>
</tr>
<tr>
<td>Kongsberg</td>
<td>BTS Kongsberg Koluszki</td>
<td>Panattoni</td>
<td>Central Poland</td>
<td>10,700</td>
</tr>
</tbody>
</table>

The automotive industry stimulates demand in other sectors of the economy, thereby playing a much bigger role on the warehouse market than shown by official statistics.

Wioleta Wojtczak
Head of Research, Savills
An underestimated powerhouse

The automotive industry plays a very important role on the warehouse market that may not be fully realised at first glance. Automotive companies generate demand for warehouse space both directly and indirectly. Indirect demand comes from supply chain operators in the automotive industry, for example logistics operators (Ceva, Sistema), distributors and retailers, including e-commerce, such as AB Pierce and Oponeo.pl.

According to estimates by the Organisation for Economic Co-operation and Development (OECD), a one zloty increase in value added in the automotive sector generates three zlotys of value added economy-wide, meaning that one zloty spent in the automotive sector produces two more zlotys across other sectors. Therefore, the automotive industry’s 5% share of 2017’s gross warehouse take-up is greatly underestimated given its impact on other sectors. It should be noted that the automotive industry helps stimulate demand for warehouse space from logistics and e-commerce.

The automotive industry’s share of warehouse and industrial take-up has ranged between several and up to twenty per cent in recent years. The largest recent transactions include two BTS schemes developed by Panattoni: IFA Rotorion’s 34,000 sq m facility in Zimna Wódka and Pilkington Automotive’s 21,000 sq m scheme in Chmielów. Modern warehouse and industrial space leasing market is only part of the market of all properties used by the automotive sector. Many warehouses and plants are located within owner-occupied facilities or older-type buildings that are neither tracked nor included in market statistics.

The automotive sector is growing at a rapid pace in parallel with its professionalisation. Demand for warehouse space will come not only from newcomers to Poland and tenants expanding, but also from companies moving from lower-grade space to modern Class A warehouse buildings.

Article prepared by Research Department, Savills.
HOW TO CHOOSE AN OPTIMUM PROPERTY?

At some point of business growth, leaders of many automotive firms will ask themselves such questions as: Can we afford a larger and more modern warehouse and industrial space? Where? Better to lease or buy such space?

The automotive industry is at the forefront of sophisticated logistics and production chain management, attaching great weight to location of a warehouse or manufacturing facility. Selection of an optimum property, however, is a very complex process requiring many questions to be answered in an in-depth analysis. This is where a professional adviser may step in to provide invaluable support and recommend optimum solutions based on a full market review.

How much does it cost?

**Effective warehouse and industrial rents**

<table>
<thead>
<tr>
<th>REGION</th>
<th>RENT*</th>
<th>REGION</th>
<th>RENT*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warsaw Inner City</td>
<td>3.3–4.8</td>
<td>Szczecin</td>
<td>2.5–3.3</td>
</tr>
<tr>
<td>Warsaw Suburbs</td>
<td>2.0–2.8</td>
<td>Kraków</td>
<td>2.8–3.4</td>
</tr>
<tr>
<td>Central Poland</td>
<td>2.1–2.8</td>
<td>Bydgoszcz-Toruń</td>
<td>2.3–3.2</td>
</tr>
<tr>
<td>Upper Silesia</td>
<td>2.0–2.8</td>
<td>Rzeszów</td>
<td>2.6–3.0</td>
</tr>
<tr>
<td>Poznań</td>
<td>2.1–3.0</td>
<td>West</td>
<td>2.4–2.7</td>
</tr>
<tr>
<td>Wroclaw</td>
<td>2.2–3.0</td>
<td>Lublin</td>
<td>2.4–3.0</td>
</tr>
<tr>
<td>Tricity</td>
<td>2.4–2.8</td>
<td>* EUR/SQ M/MONTH</td>
<td></td>
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</table>

**Leasehold vs. freehold**

<table>
<thead>
<tr>
<th>LEASEHOLD</th>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No financial expenditure required to buy a plot or building</td>
<td>• More location options to choose from, including within special economic zones</td>
</tr>
<tr>
<td></td>
<td>Short delivery time</td>
<td>• Additional governmental grants available</td>
</tr>
<tr>
<td></td>
<td>Class A standard guaranteed</td>
<td>• Tail-made facilities</td>
</tr>
<tr>
<td></td>
<td>Guarantee of space delivery (developer’s responsibility)</td>
<td>• Lesser overheads</td>
</tr>
</tbody>
</table>

<table>
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<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>• Limited number of locations</td>
<td>• Higher overheads</td>
</tr>
<tr>
<td></td>
<td>• No heavy industry or pollutant emissions permitted within logistics parks</td>
<td>• High BTS construction costs</td>
</tr>
<tr>
<td></td>
<td>• Higher safety and security standards</td>
<td>• A high one-off expense will deplete a company’s funds</td>
</tr>
<tr>
<td></td>
<td>• Time- and labour-intensive project preparation and construction process</td>
<td>• Risks of directly hiring a general contractor (risks associated with structural faults or a subcontractor’s bankruptcy)</td>
</tr>
</tbody>
</table>

**Freehold**

Before deciding whether purchase of an industrial or warehouse property is profitable, it is worth reviewing properties put up for sale in addition to checking land availability and prices. Both leading logistics developers and some local developers have a track record of dealings with the automotive industry. In partnership with clients, they are able to design and construct facilities, ensuring high quality and timely delivery. These are BTS (build-to-suit) projects where the developer constructs and delivers a building and its infrastructure to a client to own on a freehold basis. The greatest advantages of this option are an opportunity to choose an attractive location from a bank of development lands and relatively short delivery times secured by professional operators.

**Leasehold**

A full understanding of individual warehouse leasing costs is required to determine whether a lease will pay off. Most market reports and property brochures list asking rents which are likely to be much lower for larger spaces. Rent agreed during negotiations is called lease or base rent and set out in a lease agreement, but actual costs borne by tenants may be lower.

**Service Charges**

Property maintenance charges and fees are settled in PLN on a monthly basis and typically include:

- Costs of security and cleaning services in common areas
- Costs of snow removal and maintenance of greenery in common areas
- Costs of security and cleaning services in common areas
- Taxes and insurance premiums
- Property manager’s fees

**Utilities**

Charges settled in PLN on a monthly basis and based on consumption of such utilities as:

- Heat
- Electricity
- Heating

**Compromise**

An alternative to the above solution is a BTS (build-to-suit) scheme tailored to individual client requirements and provided for lease by a landlord. In this scenario, a facility is developed strictly as requested by a tenant but is owned by the developer. This form of cooperation is usually preferred for long-term leases of between five and fifteen years. In addition, it combines many advantages of property freehold and most benefits of leasehold.

**Decision time**

Leasing a property requires considerably less financial input at the start, enabling the tenant to focus on business activity and to invest in workforce and machinery. However, property acquisition is sometimes the only option in the case of heavy industry and pollutant emissions. Location choice is tenant-specific and influenced by many factors. In the case of automotive parts suppliers, key choice factors include proximity to sub-suppliers and end clients, i.e. car manufacturers. Due to a large scale of projects and a high number of variables in the decision-making process, it is advisable that a property be selected on the basis of a professional consultant’s recommendations.

Choosing an optimum warehouse and industrial location is of critical importance to automotive leaders. Without proper insight into the real estate market, it is very difficult to assess both the actual leasing or development costs and availability of space and lands in a preferred location.

**Property choice factors relevant to automotive parts manufacturers**

- Proximity to sub-suppliers and end clients, e.g. car manufacturers
- Road infrastructure to shorter delivery times
- Floor-bearing load (7-10 tonnes) to accommodate machinery
- Zones with improved daylighting
- Thermal comfort for a large number of employees
- Labour pool in a region (unemployment rate)
- Availability of vacant leaseable space or development sites
- Leasing costs or land prices
- Available expansion options

**Draft amendments to Special Economic Zone (SEZ) legislation**

**BEFORE**

- Special Economic Zones cover 25,000 ha, accounting for less than 0.001% of Poland’s territory
- Duration of state aid: maximum 9 years (R 2026)
- Qualitative criteria for evaluation of applications

**AFTER**

- Exemptions available in any location across Poland
- Duration of state aid: from 10 up to 15 years (plus five years in current SEZ areas)
- Quantitative criteria for evaluation of applications

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CASE STUDIES

What developers can offer to the automotive industry.

BMW

BMW Group’s Regional Distribution Centre is being developed in the Kostrzyn-Słubice Special Economic Zone in Świecko, the Lubuskie voivodeship. This approximately 32,000 sq m spare parts distribution centre will service the firm’s client base across Poland and eastern Germany. It is located just 110 kilometres from BMW’s manufacturing plant in Berlin. The scheme is scheduled to be delivered in the second quarter of 2018. It will comply with FM Global fire protection standards and feature LED lighting, a separate zone for storage of hazardous materials and an area for outdoor storage. The project is being developed by Goodman.

MOTO-PROFIL

Moto-Profil imports and distributes car spare parts and accessories. It occupies 30,000 sq m of warehouse space in two buildings at logistics park Prologis Park Chorzów, developed by Prologis. Moto-Profil has been cooperating with Prologis for eight years now and has recently seen a large office and staff facility added to its existing warehouse. Both buildings have an automatic access control system (barriers, registration plate and tag readers). Moto-Profil employs more than 800 staff in Chorzów who handle deliveries to 1,300 retailers daily, ensuring supplies to more than 15,000 car garage operators across Poland.

ILS

ILS is responsible for the logistics for Inter Cars, Poland’s leading distributor of automotive parts. Its central warehouse is located in Zakroczym, approximately 35 km from Warsaw. ILS European Logistics and Development Centre provides 45,000 sq m, of which 35,000 sq m was tailor-made and the remaining 10,000 sq m was redeveloped in facilities vacated by Pewex. It has created more than 1,000 jobs. The warehouse has sufficient aggregate capacity to accommodate more than 12,100 Ford Transit light commercial vehicles. Its development costs totalled approximately PLN 180 million. This logistics centre features technologically advanced sorters which sort up to 500,000 parts daily to be delivered to car garage operators.
**KONGSBERG AUTOMOTIVE**

Kongsberg Automotive, based in Norway, has more than 50 years of presence in the automotive industry. It supplies vehicle seat ventilation, seat heating, lumbar support and massage systems for such brands as Volvo, BMW, Daimler, Jaguar, Land Rover, Volkswagen, Audi, Porsche, Ferrari, GM, Renault, Citroën, Peugeot, Fiat, Toyota, Maserati and Bentley. Its Brześć plant near Włocławek was established in the Brześć Economic Zone in Pikutkowo, the Brześć Kujawski municipality. The 16,600 sq m manufacturing and warehouse facility was developed on a six-hectare plot near the A1 Włocławek West interchange. The plant is expected to employ more than 1,000 people, including high-skilled technical staff, graduates of the Higher Vocational State School in Włocławek. It is Kongsberg Automotive’s second plant developed by Panattoni Europe, the first one being the Koluszki facility.

**VOLKSWAGEN**

The Logistics Centre of Volkswagen Group Poland at SEGRO Logistics Park Poznań, Komorniki was developed in 2015. This 32,000 sq m building can be extended to provide up to 45,000 sq m. It is 11 metres tall, higher than the standard height, ensuring greater efficiency and features mezzanines for putting spare parts together. The scheme was developed by SEGRO. It received a BREEAM certificate in recognition of its top technical, operational and sustainability standards. The facility also features fully-glazed gates to ensure a comfortable working environment and maximum daylight. It is a fully disabled-friendly building, has parking facilities for 160 vehicles and shelters for two-wheel vehicles. The complex offers a chill-out zone and a terrace in addition to spacious high-quality space in the office building.
WAREHOUSE OF THE FUTURE

Since the age of containerisation, global supply chains have revolved around production in China, shipping to Europe and America, an onward movement to national distribution centres, then onto retailers' distribution centres and on to the consumer, either via a store or another means of delivery.

This labour-intensive process has huge potential to be disrupted by advances in technology, particularly in the last mile delivery and also in the location of traditional national, and regional distribution centres. By way of context, in 2014 the most common form of employment in 28 US states was driving a truck of some description.

We are however currently sat in a perfect storm of always connected mobile devices and the continued growth of "pure-play" retailers. The factors have converged to ensure that logistics real estate currently sits as the beating heart of modern life.

Logistics real estate at the heart of modern life

Just-in-time manufacturing supply chains, global production of the latest fashion trends, shown on social media and in the stores the next day, or delivered to wherever we happen to be, have changed the perception of what is now an acceptable retail experience.

Behind this seemingly simple front lies a hugely complex supply chain and huge amounts of warehouse space as retailers and manufacturing suppliers need to store more inventory close to population or manufacturing centres.

Huge capital expenditure in automation and robotics - Amazon, for example, now uses 45,000 robots in their distribution centres - has also resulted in an exponential amount of warehouse space as retailers and manufacturing suppliers need to store more inventory close to population or manufacturing centres.

Technologies such as autonomous vehicles, drones, and warehouse automation make for fantastic headlines but perhaps more subtle technologies, behind the scenes, will have a greater impact?

The evolution of 5G mobile data will allow for increased use of wireless data transmission and connectivity of devices. The "Internet of Things" will see 50 billion previously idle devices connected to the internet by 2020.

The clearest implication in the supply chain will be in stock visibility. Devices, sensors and radio frequency identification (RFID) tags can enable logisticians to know the exact location and progress of any product at any time. Stock visibility will therefore become the key battle ground for retailers and manufacturers to make savings.

Also, perhaps more interestingly for the manufacturing sector, the advent of wearable technology for human labour will have a big impact.

This could take the form of augmented reality glasses or even wearable exo-skeletons that allow humans to lift increased loads or reach new heights again increasing efficiencies within existing operations.

Automotive sector

Within the automotive sector production methods will change drastically with the onset of Autonomous Guided Vehicles. This will result in the end of fixed production lines and a more nested approach to manufacturing where vehicles will bring components to a static work station.

This technology has the potential to be introduced in this sector quicker than it would be in the wider public world due to the private nature of the environment where risk, particularly associated with drones, is less.

What does this mean for real estate?

Initially this will have implications for how warehouses are laid out internally. Increased racking automation will create a need for taller warehouse units as occupiers utilise the cube more efficiently. However, as many new build warehouses are on edge or urban areas local planners will be mindful of increasing building heights as not to damage countryside views. Therefore, innovative solutions will have to be created such as racking solutions, which store products underground and retrieve them when required.

Also, factors that previously were not that high up occupiers requirements lists will slowly start to rise to the top. The availability of energy and the connectivity to ultra-high speed internet connections will become paramount and locations which can offer such solutions may change what the property industry currently perceives to be prime locations.

Perhaps more interestingly there could also be potential for even further radical thinking. With many occupiers in this sector investing more in the fit-out of their buildings than in the fabric of buildings themselves, will the currently accepted norms of the landlord and tenant relationship change?

Examples of this could be the evolution of rents calculated in the cube rather than floor area or will the control of land become key and land lords who are one step ahead offer to lease tenants land on which the tenant can choose to do what they please?

Technology will impact real estate quicker than any of us think. Within the automotive sector production methods will change drastically.
SAVILLS INDUSTRIAL AGENCY CONTACTS:

- **Wojciech Zoń,** Head of the Industrial Agency  
  wojciech.zon@savills.pl  
  +48 603 089 414

- **Daniel Kemps,** Senior Consultant, Industrial Agency  
  daniel.kemps@savills.pl  
  +48 607 168 482

- **Karolina Kiełka,** Consultant, Industrial Agency  
  karolina.kielka@savills.pl  
  +48 522 652 033

- **Paweł Tomiałkowsk,** Consultant, Industrial Agency  
  pawel.tomialkowski@savills.pl  
  +48 509 095 300

SAVILLS CONTACTS:

- **Tomasz Bursa,** Managing Director, Savills Poland  
  Tomasz.bursa@savills.pl  
  +48 22 222 4000

- **Kamil Kowa,** Head of the Corporate Finance & Valuation Department  
  kamil.kowa@savills.pl  
  +48 510 301 309

- **Wioleta Wojtczak,** Head of Research, Associate Director  
  wioleta.wojtczak@savills.pl  
  +48 603 421 216

- **Dawid Samon,** Analyst, Research  
  dawid.samon@savills.pl  
  +48 666 363 260

ABOUT SAVILLS:

Savills is a global real estate service provider listed on the London Stock Exchange. We have an international network of more than 600 offices and associates throughout the world. Savills has operated in Poland since 2004 and has offices in Warsaw, Wrocław, Poznań and Kraków, offering a broad range of professional real estate services: advisory, valuation, property and asset management, project management, investment advisory, and tenant and landlord representation in office, retail and industrial sectors.

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MEDIA CONTACT, SAVILLS:

- **Jan Zaworski,** Communication Manager  
  jan.zaworski@savills.pl  
  tel. +48 666 363 302

SDCM CONTACT:

- **Alfred Franke,** President of the Association of Automotive Parts Distributors and Producers (SDCM)  
  +48 22 773 00 18  
  alfred@sdcm.pl

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Savills sp. z o.o.; Q22, Al. Jana Pawła II 22; 00-133 Warsaw; +48 22 222 4000; info@savills.pl