

December 2023

Q
SPOTLIGHT
Savills Research

Warehouse and industrial market in Poland



In months to come ...

#1

Subdued new supply

Strong inflationary pressure and high financial costs, blended with economic headwinds and the general uncertainty in the market have curbed construction activity, in particular, in the sub-sector of speculatively constructed space. In 2023, new supply is expected to reach around 3.6 million sq m, down by around 20% compared to 2022.

#2

Slowing pace of rental growth, increased availability of space

As vacancy rates rise from historic lows amidst an uncertain economic backdrop, rental growth has been easing in most of the hubs. It is only in the prime locations with acute shortfalls in available space where further rent increases are expected but to a limited extent. Strong inflationary pressure has significantly driven all occupancy costs up, hence tenants are compelled to seek operational efficiency.

#3

Nearshoring, reshoring and friendshoring sustain take-up

Poland's market accounts for approx. 16% of the European logistics & industrial take-up, and has been ranked in the Top 3 for almost a decade. Due to strong market fundamentals and favourable conditions, the demand for industrial & logistics space in Poland is expected to be sustained in the long term, in particular, fuelled by the accelerating trends of nearshoring, reshoring and friendshoring.

#4

Limited land availability pushing redevelopment trend

Due to the limited availability of land in the leading industrial hubs, emerging regions are gaining momentum and attracting developers. In major markets, redevelopment of older warehouse facilities within city locations is expected to intensify, especially for last-mile logistics developments.

#5

Green energy on the agenda

In light of strong inflationary pressure and tightening climate-neutral policy, the crucial question in 2024 and beyond will be how to reduce energy use and costs and ensure climate sustainability of industrial & logistics developments.

Key data Q1-Q3 2023



31.07 million sq m
Stock of modern
warehouse & industrial
space in Poland



2.5 million sq m
Under construction
(down by 37% y-o-y)



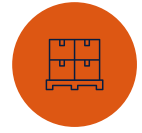
3.75 million sq m
Gross take-up
(down by 27% y-o-y)



3.12 million sq m
New supply
(down by 13% y-o-y)



7.6%
Vacancy rate
(up by 350 bps y-o-y)



2.45 million sq m
Net take-up
(down by 32% y-o-y)

Increased demand in Q3

Early signs of recovery on the market or just lagged take-up?

Economic brief

After solid GDP growth in 2022 (+5.3%), Poland's economy contracted in both Q1 (-0.3% y-o-y) and Q2 (-0.6% y-o-y) of the current year. In Q3 2023, however, it returned to growth and expanded by 0.4%. Oxford Economics, in their September forecast, predicts an uptick of 0.46% in Poland's GDP in 2023, and then a rebound from 2024 onwards.

Industrial production in Poland dwindled by 1.5% y-o-y in the course of January - October 2023, while in the corresponding period of 2022, it soared by 11.6%. October, however, was the first month in the current year when the industrial production index reported a positive performance.

From January to October 2023, retail sales (in fixed prices) dropped by 2.6% y-o-y. After deep slumps reported in the first half of the year, Q3 has demonstrated first signs of improvement, hence in October retail sales recovered (+2.8% y-o-y). Between January and October, the volume of online sales averaged 8.3% of the total retail volume, down by 1 pp on the corresponding period of 2022.

After peaking at 18.4% y-o-y February 2023, inflation has softened gradually to 6.6% y-o-y in October.

Stock and new supply

At the end of Q3 2023, modern warehouse and industrial stock across Poland reached 31.07 million sq m, and has increased by 3.12 million sq m since the beginning of the year. After the highest-ever volume of new stock was added to the market in the first quarter of the year (1.9 million sq m), a reduction of new deliveries was noted in Q2 and Q3, with 692,200 sq m and 527,000 sq m of new supply, respectively. The occupancy rate in new deliveries averaged 62% at completion.

In the course of Q1-Q3 2023, the largest volumes of new space were delivered in Warsaw (575,000 sq m of which 88% was in Warsaw II), Upper Silesia (471,700 sq m) and Western Poland (437,300 sq m). Among the largest projects completed in Q1 - Q3 are Panattoni BTS Zalando Bydgoszcz (146,000 sq m), CTPark Iłowa (131,200 sq m) - Poland West zone, and Panattoni Park Wrocław Logistics South Hub (125,000 sq m).

One-fifth of the operating stock is concentrated in Warsaw and its greater area and a further 53% are located in the following four major markets (Upper Silesia, Central Poland, Wrocław and Poznań). Among secondary markets, three warehouse hubs have crossed the 1 million sq m threshold: the Tricity, Western Poland and Szczecin, while Kraków is expected to join the million-plus club in H1 2024.

Developer activity

At the end of Q3 2023 approx. 2.5 million sq m of new industrial and logistics space was under construction which reflected a 37% plunge y-o-y, but an increase of 11% q-o-q. In the course of Q3 2023, construction of 768,100 sq m of new space commenced.

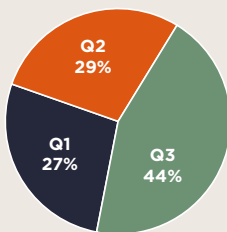
Hubs with the highest volumes of space under construction are Warsaw (514,200 sq m) with a vast majority being developed in the greater area of the city), Wrocław (452,300 sq m), Central Poland (362,700 sq m) and Upper Silesia (325,100 sq m). Among the largest projects being constructed are DL Invest Psary - a BTS project for an international fashion retailer (around 120,000 sq m), CTPark

47%

Pre-let ratio in under construction projects

65%

Share of net take-up (Q1-Q3 2023)



Cumulated take-up volume – share per quarter



1.52 million sq m

Q3 total demand
Slightly higher than in the corresponding quarters of the past two years

Gdańsk Port (119,400 sq m) and CTPark Warsaw West – a BTS project for Raben (110,000 sq m).

At the end of September 2023, the pre-let ratio reached approx. 47%, up by nearly 9 pp compared to the end of Q2, which resulted from a diminished portion of speculative developments.

Demand

In Q1-Q3 2023, the gross take-up totalled 3.75 million sq m, down by 27% compared to the corresponding period of 2022. However, after subdued demand in the first half of the current year, tenant activity experienced a resurgence in the third quarter and reached 1.52 million sq m, accounting for 44% of year-to-date volumes. This marks a 47% surge compared to Q2 2023, and is 1% above the Q3 average from the past three years. Unlike in H1 2023 when an increased wave of lease renewals was reported, in Q3 new leases and expansions of space accounted for 70% of total demand.

In the course of Q1-Q3 2023, net take-up reached nearly 65% of the total leasing activity. While in the first half of the year, lease renewals prevailed in the leasing structure, in Q3 new leases and expansions generated as much as 70% of the total demand.

It is noteworthy, that two +100,000 sq m leases were

concluded, both ranked in the Top 5 in the past five years – Raben Group has leased 110,000 sq m in CTPark Warsaw West (Warsaw II zone) and an international fashion retailer secured over 120,000 sq m in a new project by DL Invest in Psary (Upper Silesia zone).

The key five markets attracted 72% of gross take-up, with Warsaw II and Upper Silesia being the most sought-after locations. Among secondary hubs, Tricity, captured the highest tenants' interest.

After three quarters of 2023, net absorption amounted to 1.88 million sq m, down by 44% from the record-breaking figure reported in the same period of 2022.

Availability of space

In the course of Q3 2023, the vacancy rate has decompressed further to 7.6% from 6.5% noted at the end of June. Once compared to the corresponding period of 2022, an upturn of 350 bps was reported.

At the end of September 2023, around 2.36 million sq m of space was available for immediate lease. The highest vacancy rates were reported in Western Poland (18.3%), Central Poland (11.6%) and Szczecin (7.4%). The lowest availability of space was noted in Tricity (1.3%) and Kraków (2.2%), and in the

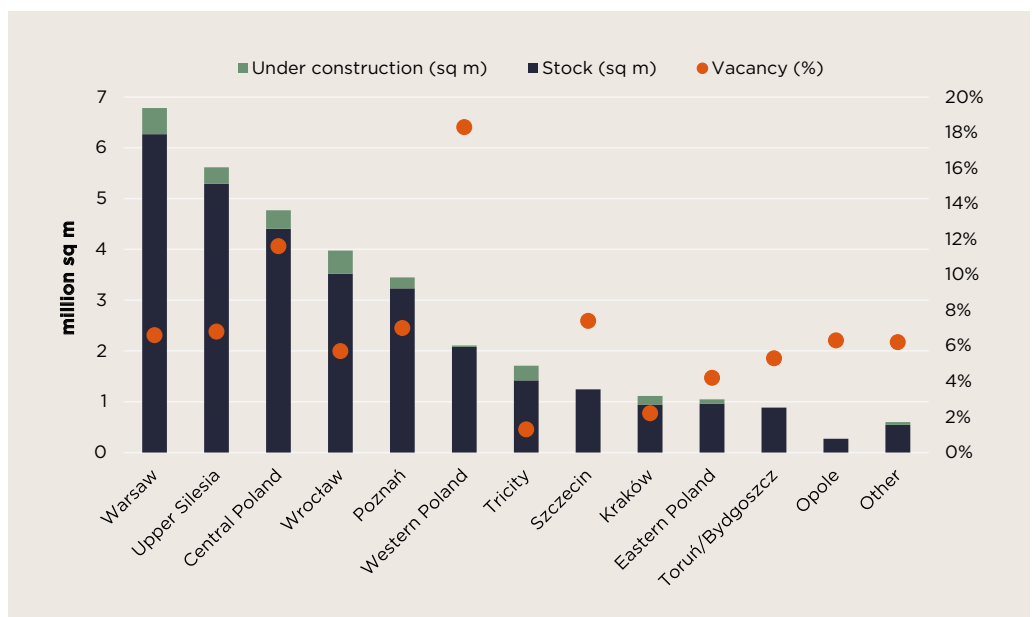
emerging markets of Poland East – Białystok (0%) and Rzeszów (1.8%). The markets with the largest volumes of speculative developments in the pipeline have suffered the most.

Rents

After steep surges in rental levels recorded over 2022 and at the beginning of 2023, the pace of growth has moderated in Q3 2023. In the course of July – September, rents remained relatively stable, with increases evident only for prime projects in the most sought-after locations with limited space availability. The highest rental levels have been achievable in Warsaw – city, while Tricity and Kraków have tagged after the capital.

At the end of Q3, headline rents ranged between €3.50 and €6.50 /sq m/month for standard big box units, while small business units (SBU) were traded at higher rents. Effective rents ranged between €2.90 per sq m/month and €5.75 per sq m/month for multi-tenant and big box type units and even higher for SBU. Rents for high technical specification assets (e.g. production facilities) or BTS schemes achieve significantly higher levels and are dependent on the level of improvements applied.

Stock, under construction and vacancy, Q3 2023



Source Savills Research



WAREHOUSE
MARKET.PL
BY SAVILLS

Wyszukiwarka powierzchni magazynowych

Savills zapewnia kompleksowe doradztwo dla najemców,
deweloperów i właścicieli nieruchomości magazynowych.

warehousemarket.pl



For further information please contact:



Katarzyna Pyś-Fabianczyk
Head of Industrial Services Hub
+48 604 169 569
katarzyna.pys-fabianczyk@savills.pl



Rafał Bochenek
Land Acquisition Manager
+48 667 817 322
rafal.bochenek@savills.pl



Wioleta Wojtczak
Head of Research
+48 600 422 216
wwojtczak@savills.pl



Patrycja Dzikowska
Associate Director
+48 602 452 549
patrycja.dzikowska@savills.pl

Savills sp. z o.o. is a daughter company of Savills plc. Savills plc is a global real estate services provider listed on the London Stock Exchange. We have an international network of over 700 offices and associates and over 40,000 staff throughout the Americas, Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world.

All rights reserved to Savills sp. z o.o. The material was prepared by Savills sp. z o.o. This publication is for general informative purposes only. Our company accepts no liability for the content of this publication, nor for the consequences of any actions taken on the basis of the information provided, unless that information is subsequently confirmed in writing. It shall not be copied, modified or used in part or in whole, nor shall it be used as a basis for any contract, prospectus, agreement or other document without prior consent from Savills sp. z o.o. Whilst every effort has been made to ensure its accuracy, Savills sp. z o.o. accepts no liability whatsoever for any loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills sp. z o.o.



Savills sp. z o.o., al. Jana Pawła II 22, 00-133 Warszawa
+48 22 222 4000, savills.pl

savills