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SPOTLIGHT
Savills Research

Warehouse and industrial market in Poland

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Poland – 2024 perspective

Despite short-term headwinds and the decline in take-up reported across all European markets in the first months of the current year, we believe that the occupier market in Poland will continue to benefit from both long-term mega-trends and the new directions of industrial activity (nearshoring / reshoring / friendshoring).

For the last couple of months, we have observed the reviving interest from international tenants, in particular manufacturing companies that are struggling to be competitive in their home markets and are seeking operational efficiency, especially considering steady wage growth even as inflation slows in most of the European economies.

Unlike the more saturated markets, Poland can still offer a blend of very attractive conditions for accelerating or starting businesses here – from a wider land availability, through lower construction costs to favourable costs of work. Notably, current rent stabilisation in Poland enables tenants to control their costs and plan long-term development.

We are seeing that companies whom we support throughout the entire process – from purchasing the investment land, obtaining state aid, and delivering a facility that meets technical requirements, are recognizing all these factors as decisive, with cost effectiveness and climate sustainability of industrial & logistics developments being of crucial importance.



Katarzyna Pyś-Fabiańczyk
Head of Industrial Services Hub

Q1 2024 – Key data



32.75 million sq m

Stock of modern
warehouse & industrial
space in Poland



2.32 million sq m

Under construction
(up by 9% y-o-y)



871,800 sq m

Gross take-up
(down by 26% y-o-y)



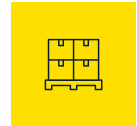
852,100 sq m

New supply
(down by 55% y-o-y)



8.0%

Vacancy rate
(up by 1.8 pp y-o-y)



555,700 sq m

Net take-up
(down by 17% y-o-y)

Sluggish start to the year but solid rebound expected soon

Economic brief

After solid GDP growth in 2022 (+5.3%), Poland's economy stagnated in 2023, reaching a marginal uptick of 0.2%. In the early months of the current year, the economy began to rebound, hence it reported a growth of 1.9% in Q1 2024, according to preliminary estimates by Statistics Poland. Oxford Economics in their prognosis from March 2024, expects Poland's GDP to develop by 2.9% and 3.8%, respectively in 2024 and 2025.

In 2023, retail sales weakened considerably in response to strong inflationary pressure and economic stagnation, recording negative growth of -2.7% y-o-y. Since the beginning of 2024, retail sales have been recovering, growing by 5% in Q1 2024. The share of online sales averaged 8.5% of the total retail volume, slightly above the Q1 2023 figure.

After peaking at 18.4% y-o-y in February 2023, inflation has softened gradually to 6.2% y-o-y in December last year, with annual inflation averaging 11.4% in 2023. In the four first months of 2024, the average inflation averaged at +2.7% y-o-y, with 2.4% y-o-y in April.

In 2023, annual industrial production in Poland dwindled

by 1.5% y-o-y and continued to contract – by 0.7% – in Q1 2023.

Stock and new supply

At the end of Q1 2023, modern warehouse and industrial stock across Poland reached 32.75 million 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, Western Poland stood at 2.26 million sq and has grown by as much as 21% in the past 12 months. Three other secondary warehouse hubs have crossed the 1 million sq m threshold: the Tricity, Szczecin and Eastern Poland, while Kraków is expected to join the million-plus club in Q2 2024.

In Q1 2024, approx. 852,100 sq m of new space was added to the market which is a plunge of 55% once compared to the highest-ever quarterly volume of new supply delivered in Q1 2023, but a 47% increase q-o-q. The occupancy rate in new deliveries averaged 51% at completion.

The largest volumes of new space were delivered in Wrocław (272,000 sq m), the Tricity (167,200 sq m) and Warsaw (124,700 sq m of which 80%

was in Warsaw II). Among the largest projects completed in Q1 2024 are Panattoni Park Wrocław Logistics South Hub (90,000 sq m), GLP Wrocław V Logistics Centre (86,200 sq m), and CTPark Gdańsk Port (70,400 sq m).

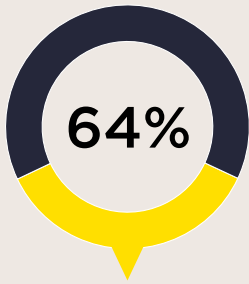
Developer activity

At the end of Q1 2024, around 2.3 million sq m of new industrial and logistics space was under construction which reflected a 9% rise y-o-y, but dropped by 17% q-o-q. From January to March of the current year, construction of 353,700 sq m of new space commenced, down by approx. 58% y-o-y.

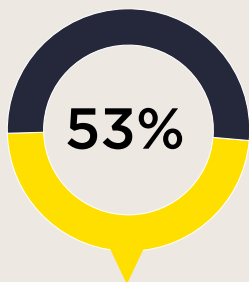
Hubs with the highest volumes of space under construction are Wrocław (586,000 sq m), Central Poland (396,700 sq m), and Warsaw (353,400 sq m) with a vast majority (83%) being developed in the greater area of the city.

Among the largest projects being constructed are P3 Wrocław I (265,100 sq m) – a BTS project for an e-commerce operator, CTPark Warsaw West (110,400 sq m) – BTS for Raben Logistics, and ECE Kąty Wrocławskie (79,000 sq m).

At the end of March 2024, the pre-let ratio was similar to the



Pre-let ratio in under construction projects (Q1 2024)



Share of net take-up (Q1 2024)

end of 2023 reaching 51%, and up by 6 pp y-o-y.

Demand

In Q1 2024, gross take-up totalled 871,900 sq m, down by 26% y-o-y.

Net take-up (new leases and expansions of space) recorded a drop of 17% y-o-y and reached 64% of the total leasing activity.

Major lease agreements include a new contract of 62,000 sq m by a home appliances retailer in Hillwood Łódź II, a 60,000 new lease by an international fashion operator in Panattoni Park Poznań A2, and 49,800 sq m contracted by ID Logistics in Panattoni Park Poznań West Gate II.

The key five markets attracted 87% of gross take-up, with Warsaw (which captured 24% of the total demand), Polska Centralna (20%), and Poznań (19%) being the most sought-after locations.

Net absorption amounted to 527,800 sq m, down by 55% once compared y-o-y. The previous year's Q1 figure, however, was among the three highest quarterly absorption volumes ever reported.

Availability of space

The still rather substantial supply of new space coupled with subdued demand has resulted in a further rise in the vacancy

rate to 8% at the end of Q1 2024, which is an increase of 1.8 pp in the course of the last twelve months. When compared to the last quarter of 2023, an uptick of 80 bps was noted.

With around 2.61 million sq m of space available for immediate occupation at the end of March 2024, the volume of unoccupied space rose by 14% on the previous quarter.

Approx. 16% of the vacant space was ready for lease in the projects completed in the first three months of the current year.

The highest vacancy rates were reported in Western Poland (16.5%), Central Poland (10.1%), Wrocław (9.5%) and Warsaw II (8.7%). In the period of January – March, Western Poland has experienced vacancy compression of 75 bps, Central Poland remained stable, while in Wrocław and Warsaw II the vacancy rate climbed by 4.2 pp and 1.4 pp respectively.

The lowest availability of space was noted in Tricity (3.3%), Kraków (4.0%), and the emerging sub-market of Eastern Poland - Rzeszów (1.8%).

The markets with the largest volumes of speculative developments completed in recent months or being still in the pipeline suffer the most.

Rents

After steep surges in rental levels recorded over 2022 and H1 2023, the pace of growth has moderated in the past couple of months.

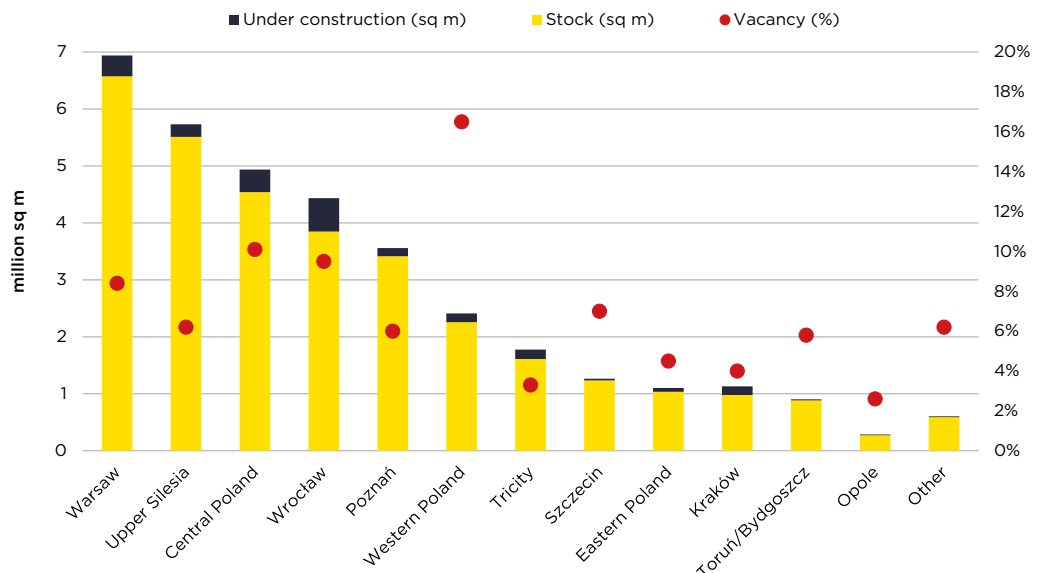
In the course of January – March, rents remained relatively stable, with major increases evident only for prime projects in the most sought-after locations with limited space availability. At the end of Q1, headline rents for standard big box units ranged between €3.50 and €6.50/sq m/month.

The highest rental levels have been achievable in Warsaw city (up to €6.50/sq m/month for a standard space), while Kraków (up to €5.80/sq m/month) and the Tricity (up to €5.50/sq m/month) have followed trends seen in the capital. Small business units of less than 1,000 sq m are traded at higher rents.

Effective rents ranged €3.00 - €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.

Offices within industrial halls are offered at €10.00 – €12.50/sq m/month, occasionally reaching €13.00.

Stock, under construction and vacancy, Q1 2024



Source Savills Research





Wyszukiwarka powierzchni magazynowych

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

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