

February 2024

Q
SPOTLIGHT
Savills Research

Warehouse and industrial market in Poland



2024 outlook

#1

Subdued new supply

While strong inflationary pressure has been easing, financial costs are still expected to remain high which blended with tight bank requirements and continuing economic uncertainty have been curbing construction activity. In particular, the sub-sector of speculatively constructed space has been scrutinized. In 2024, new supply is expected to reach around 3.0 million sq m, down by around 20% compared to 2023.

#2

Elevated availability of space, ceased rental growth

As vacancy rates are expected to remain lifted, prime rental growth has decelerated in the second half of 2023. 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

Take-up stabilises above the pre-pandemic average

In H2 2023, the occupier market looks to have stabilised and is now on an upward trend. Indeed, the second half of the year saw take-up rise by 53% compared to H1. 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 nearshoring / reshoring trends.

#4

Availability of prime lands shrinks

Due to the limited availability of land in the leading industrial hubs, 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 – 2023 review



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



2.8 million sq m
Under construction
(down by 18% y-o-y)



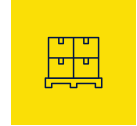
5.61 million sq m
Gross take-up
(down by 16% y-o-y)



3.7 million sq m
New supply
(down by 16% y-o-y)



7.2%
Vacancy rate
(up by 3.3 pp y-o-y)



3.36 million sq m
Net take-up
(down by 25% y-o-y)

Does a more upbeat second half of the year herald recovery?

Economic brief

After solid GDP growth in 2022 (+5.3%), Poland's economy contracted in H1 2023, before returning to growth in the second part of the year, driving an uptick of 0.2% for the year as a whole (preliminary estimates by Statistics Poland). Although household disposable income has been boosted by substantial fiscal assistance, primarily through energy-related support initiatives, private consumption in 2023 suffered due to high inflation, declining real wages, diminished consumer confidence, and elevated borrowing expenses, attributable to the significant proportion of mortgages with variable interest rates. For 2024 and 2025, Oxford Economics expects a solid rebound of Poland's economy by 2.8% each year.

Retail sales (in fixed prices) dropped by 2.7% y-o-y in 2023. After deep slumps reported in the first half of the year, slight signs of improvement appeared towards the end of the past year. The share of online sales averaged 8.7% of the total retail volume, down by 1 pp compared to 2022.

After peaking at 18.4% y-o-y in February 2023, inflation has softened gradually to 6.2% y-o-y

in December, hence annual inflation averaged 11.4%.

In 2023, industrial production in Poland dwindled by 1.5% y-o-y, while in 2022 it soared by 10.3%.

Stock and new supply

At the end of 2023, modern warehouse and industrial stock across Poland reached 31.7 million sq m and has increased by 3.7 million sq m during the year which is the second largest annual volume of new supply, after 4.43 million sq m noted in 2022. More than half (51%) of new space was added to the market in Q1 2023 (1.9 million sq m) which is the highest-ever quarterly volume of new additions. In the consecutive quarters of 2023, reductions of new deliveries were reported. The occupancy rate in new deliveries averaged 65% at completion, lower by 13 pp than in 2022.

In the course of the past year, the largest volumes of new space were delivered in Warsaw (702,500 sq m of which 90% was in Warsaw II), Upper Silesia (599,100 sq m) and Western Poland (437,300 sq m). Among the largest projects completed in 2023 are Panattoni BTS Zalando Bydgoszcz (146,000 sq m), CTPark Ilowa (131,200 sq m) –

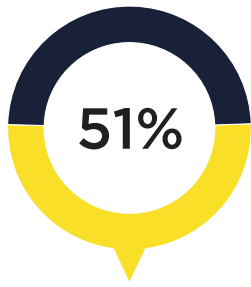
Poland West zone, and Panattoni Park Wrocław Logistics South Hub (125,000 sq m).

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, Western Poland stood at 2.08 million sq m of stock at the end of 2023, and has enlarged by as much as 26.5% in the course of the last year. 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 H1 2024.

Developer activity

At the end of Q4 2023, around 2.8 million sq m of new industrial and logistics space was under construction which reflected an 18% drop y-o-y, but an increase of 12% q-o-q. In the course of Q4 2023, construction of 822,100 sq m of new space commenced.

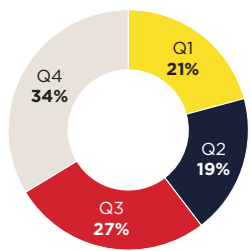
Hubs with the highest volumes of space under construction are Wrocław (729,400 sq m), Warsaw (464,900 sq m) with a vast majority (81%) being developed



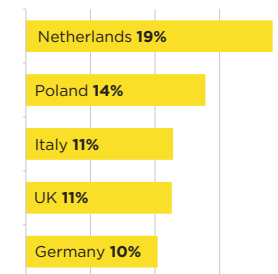
Pre-let ratio in under construction projects



Share of net take-up (2023)



Cumulated take-up volume – share per quarter



2023 take-up in Europe Top 5 country markets

in the greater area of the city and Central Poland (402,900 sq m). Among the largest projects being constructed are P3 Wrocław I (265,100 sq m) – a BTS project for an e-commerce operator, CTPark Gdańsk Port (119,400 sq m) and CTPark Warsaw West (110,000 sq m) – BTS for Raben.

At the end of 2023, the pre-let ratio reached approx. 51%, up by 3 pp compared to the end of Q3, but down by 4% y-o-y.

Demand

In 2023, gross take-up totalled 5.61 million sq m, down by 16% y-o-y. After subdued demand in the period January - June 2023 (-40% y-o-y), tenant activity, however, showed signs of a resurgence in the second half of the year which resulted in H2 2023 total take-up increased by 12% compared to H2 2022. Consequently, around 60% of the total demand was executed in the second part of 2023.

Net take-up (new leases and expansions of space) reached 60% of the total leasing activity. Comparatively, in 2022 renegotiations accounted for 33% of the total demand.

It is noteworthy, that in Q4 2023 the largest-ever lease on Poland's industrial market was concluded - the entire P3 Wrocław I industrial park (265,000 sq m) has been secured by one tenant from the

e-commerce sector. Other major lease agreements include Raben Group - 110,000 sq m in CTPark Warsaw West (Warsaw II zone), and an international fashion retailer - over 120,000 sq m in a new project by DL Invest in Psary (Upper Silesia zone).

The key five markets attracted 79% of gross take-up, with Warsaw II, Wrocław and Upper Silesia being the most sought-after locations. Among secondary hubs, Tricity captured the highest tenants' interest.

Net absorption amounted to 2.53 million sq m, down by 39% from the record-breaking figure reported in 2022.

Availability of space

At the end of 2023, the vacancy rate stood at 7.2%, hence has decompressed by 3.3 pp in the course of the year. In Q3 2023, vacancies climbed to the 10-year peak of 7.6%, and then a downtick by 40 bps was noted in the last quarter of the year.

At the end of December 2023, around 2.29 million sq m of space was available for immediate lease - 3% less than in the previous quarter. The highest vacancy rates were reported in Western Poland (17.3%), Central Poland (10.1%), Warsaw II (7.2%) and Szczecin (7.2%). The lowest availability of space was noted in Tricity (1.5%) and Kraków (2.3%), and the emerging

sub-market of Eastern Poland - Rzeszów (1.7%).

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 in H1 2023, the pace of growth has moderated in the second half of the year. In the course of October - December, rents remained relatively stable, with major 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 Q4, headline rents for standard big box units ranged between €3.50 and €6.50 /sq m/month, while small business units (SBU) were traded at higher rents. Effective rents ranged between €3.00 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, Q4 2023



Source Savills Research



Wyszukiwarka powierzchni magazynowych

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

warehousemarket.pl



For further information please contact:



Katarzyna Pyś-Fabiańczyk
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

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

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