Despite some concerns, related mainly with macroeconomy, namely the slowdown in the industry in Germany or the trade war between the USA and China (ended already), the warehouse and industrial market in Poland is doing well.

Record new supply
Supply of modern warehouse and industrial space in Poland totalled 18.5 million sq m at the end of 2019. During the last 12 months, over 2.7 million sq m have been completed, which is the highest value recorded in the market's history and by 23% higher than the previous year's results.

Central Poland remains to be the fastest growing market. In 2019 the volume of new supply in the region reached 603,800 sq m, the highest result countrywide (22% of total volume). With 531,000 sq m of new supply Upper Silesia is another dynamically developing market. Those two regions remain close to each other also in terms of warehouse and industrial modern stock. Upper Silesia offers 3.15 million sq m of stock and at the end of the year regained the title of the second largest market, which it lost to Central Poland during the year (3.11 million sq m).

New supply was high also in Wrocław, where 351,300 sq m of new warehouse and industrial space were added and the total supply exceeded two million sq m. Wrocław remains the fifth largest market but is definitely approaching Poznań (2.11 million sq m).

By far the largest market is still Warsaw with supply of 4.3 million sq m, which in the last four quarters increased by 307,600 sq m.

Among other markets (where supply is below million sq m), the Tricity stood out with new supply reaching 171,700 sq m.

2019 brought another very good news from the Polish warehouse and industrial market. New supply set new high at over 2.7 million sq m. Both gross take-up and net absorption increased year-on-year.

Great results despite concerns

Despite concerns related to the slowdown in economic growth, the warehouse market in Poland continues to grow dynamically.
Second highest demand ever recorded
Demand for warehouse and industrial space across Poland in 2019 totalled over 4.1 million sq m (an increase of 2% y-o-y) – the second highest result ever recorded in the market.

Warsaw was by far the most popular market with over 1.3 million sq m of space let, 32% more than a year earlier. The second highest tenants activity was recorded in Central Poland (559,500 sq m, down by 19% y-o-y). Gross take-up of above 0.5 million sq m was also registered in Wrocław (529,600 sq m, up by 65% y-o-y).

High net absorption
Net absorption hit the second highest result in the history and summed to 2.2 million sq m (up by 3% y-o-y).

Upper Silesia absorbed the highest proportion of space (459,900 sq m, up by 86% y-o-y) largely due to the completion of Panattoni’s BTS for Amazon in Gliwice (210,000 sq m). Net absorption in Central Poland stood at 347,000 sq m (down by 48% y-o-y), whereas the third place was taken by Wrocław (334,900 sq m, up by 20% y-o-y).

Increased availability of space
At the end of 2019 the availability of warehouse and industrial space exceeded a million sq m and amounted to 1.3 m sq m (65% up y-o-y). This translates into a vacancy rate of 7.1%, up by 2.0 pp y-o-y, the highest value observed since 2013.

The highest vacancy rate at 12.4% (7.3 pp up y-o-y) was noted in Central Poland. A high share of vacant space at 9.5% (0.8 pp up y-o-y) was observed in Poznań. At the other end of the spectrum stood Western Poland, where still there was no available space in existing projects, Eastern Poland (1.9%, 7.4 pp down y-o-y), Szczecin (2.9%, 1.0 pp down y-o-y) and Wrocław (3.1%, up by 0.3 pp y-o-y).

Rents
Rents in 2019 on the majority of the markets were stable. Some changes were observed in Warsaw I and Kraków where rents decreased and in Warsaw II where rental growth was recorded.

Headline rents range between EUR 2.70 sq m/month and EUR 4.40 sq m/month in case of BIG BOX unit and up to EUR 5.25 sq m/month for SBU. Effective rents range between EUR 2.00 sq m/month and EUR 3.30 sq m/month for BIG BOX and up to EUR 4.60 sq m/month for SBU.

Outlook for 2020
Development activity remains very high. However, the share of speculative space under construction increased significantly. At the end of 2019 the share stood at 51% whereas in 2018 it was 34%. Thus, a further increase of vacancy rate is expected, in particular in projects of lower standard and less convenient location. This will result in gradual decrease of new developments.
E-commerce as the driving force of the warehouse market

Online and traditional commerce are very important, increasingly intertwined sources of demand for warehouse space.

The share of commerce in gross demand in the last three years was significant and exceeded 23%, with companies focused strictly on e-commerce accounting for nearly 10%. Amazon and Zalando were the most active tenants in this period, with a total of over 700,000 sq m leased.

Many brands originating from traditional commerce frequently offer online sales as well. BBK, owner of the home&you brand, recently signed a lease agreement for almost 70,000 sq m in the Panattoni Park Gdańsk Airport. Smyk uses a warehouse in the Central European Logistics Hub in Łódź (25,000 sq m) for its online orders.

The e-commerce market in Poland is developing very dynamically. According to Forrester, online consumer spending exceeded EUR 10 billion and more than doubled over the past five years. It is estimated that in 2019 alone the market grew by approximately 18%, while in the next three years the value of online sales is expected to increase by another 55%.

Total retail sales in Poland are also growing rapidly compared to the rest of Europe, and, according to forecasts by Oxford Economics, during the next three years it is going to be at the forefront in terms of dynamics, which is expected to reach an annual average of 3.3%.

The current share of online retail sales is 7.4%, which places Poland in the second half of the European ranking. The United Kingdom is the clear leader with a rate of 19.0%. The Netherlands comes second (13.9%) and Germany comes third (12.5%), but the distance to the UK is clear.

The comparison of the current share of e-commerce in retail with the history of the market in the United Kingdom shows that Poland still has great potential for growth. Currently the e-commerce market in Poland matches the values observed in the United Kingdom a decade ago.

Poland ranks 7th in Europe and 11th in the world in terms of internet inclusion* (*Inclusive Internet Index 2019", The Economist Intelligence Unit). However, with a penetration of 77% it is quite clearly lagging behind leaders such as Sweden (94%) or the United Kingdom (96%). The percentage of internet users who shop online (61%) is also clearly lower than in Sweden - 84% or the United Kingdom - 87% (data of the Ecommerce Foundation).

According to a study conducted by the Polish Chamber of Digital Economy, the most common factor discouraging Poles from shopping online is the pleasure associated with traditional shopping. Other important issues include lack of trust towards online sellers, lack of physical contact with the product, and long delivery times.

An analysis of data from the United Kingdom and other major markets shows that after achieving a share of online sales of 10.7%, there is a strong increase in demand for warehouse space.

Poland still has a long way to go in the development of e-commerce. According to forecasts by Forrester, by 2022 it will come close to the 10.7% threshold, but will not exceed it, reaching a 10.1% share of online sales in retail.

Source: ONS, Ecommerce Foundation, Eurosender, Forrester Research, Savills

*The ranking explores four areas: connection quality and bandwidth, Internet costs in relation to earnings, availability of content in the local language, as well as support policy and ability to use the Internet.
Please contact us for further information
Warehousemarket.pl is a knowledge platform about logistics properties and a free warehouse space search engine created by Savills experts. The website contains detailed listings of more than 300 industrial properties across Poland.