The warehouse and industrial market in Poland in H1 2019 kept the momentum. Market conditions remain relatively stable. New locations keep emerging, urban logistics is developing further. The overall positive outlook has been maintained.

At the end of June 2019 modern stock of warehouse and industrial space amounted to 16.8 million sq m, having increased by almost 1.1 million sq m in H1 2019. Gross take-up reached over 1.8 million sq m. Space under construction remains above 2.2 million sq m.

The market is growing at a fast, however sustainable pace. The sector remains at balance with stable and low vacancy rate at 5.1% and unchanged rents in the majority of the regions.

Warsaw (both zone I and II) maintains its position as the largest market with over 4.1 million sq m of stock at the end of H1 2019. Central Poland (2.73 million sq m) outran Upper Silesia (2.66 million sq m). Stock in Poznań amounts to 2.0 million sq m and to 1.8 million sq m in Wrocław. Supply of modern warehouse and industrial space in other regions is significantly lower. In Szczecin there is ca. 711,300 sq m of space, whilst stock in Tricity amounts to 614,600 sq m and in Kraków equals ca. 531,700 sq m.

In H1 2019 almost 1.1 million sq m of new space was added to the market, which is the highest ever recorded in the first half of a year and 47% up y-o-y. The most of the space was delivered in Central Poland (2,463,500 sq m), the second largest volume was observed outside of the main markets. New supply there reached ca. 165,500 sq m located in three projects: BTS for Zalando in Olsztyniec (120,600 sq m), 7R Park Kielce (22,700 sq m) and Panattoni Park Kielce (22,200 sq m). High volume of new supply was also observed in Warsaw (165,100 sq m), Tricity (199,600 sq m) and Wrocław (116,800 sq m).

Development activity in H1 2019 was very high at 2.25 million sq m, up by 16% y-o-y. The largest volume of take-up was noticed in Warsaw, where ca. 578,700 sq m was taken (47% more than a year before), Wrocław was second with 302,100 sq m leased. Central Poland was third on the podium with 224,300 sq m of total take-up.

Gross take-up by region, H1 2019

<table>
<thead>
<tr>
<th>Region</th>
<th>Gross take-up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warsaw</td>
<td>31%</td>
</tr>
<tr>
<td>Central Poland</td>
<td>15%</td>
</tr>
<tr>
<td>Upper Silesia</td>
<td>10%</td>
</tr>
<tr>
<td>Poznań</td>
<td>12%</td>
</tr>
<tr>
<td>Wrocław</td>
<td>16%</td>
</tr>
<tr>
<td>Toruń/Bydgoszcz</td>
<td>1%</td>
</tr>
<tr>
<td>Western Poland</td>
<td>1%</td>
</tr>
<tr>
<td>Eastern Poland</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

At the end of June 2019 modern stock of warehouse and industrial space amounted to 16.8 million sq m, having increased by almost 1.1 million sq m in H1 2019. Gross take-up reached over 1.8 million sq m. Space under construction remains above 2.2 million sq m.

Urban logistics is still on the rise. At the end of June 2019 there was ca. 521,100 sq m of under construction space located in such schemes. Demand for urban logistics warehouses remains high at ca. 310,000 sq m of net take-up in H1 2019 (stable y-o-y).

Gross demand in H1 2019 amounted to 1.8 million sq m, down by 16% y-o-y. The largest volume of take-up was noticed in Warsaw, where ca. 578,700 sq m was taken (47% more than a year before), Wrocław was second with 302,100 sq m leased. Central Poland was third on the podium with 224,300 sq m of total take-up.

Net absorption during the first six months reached over 1.0 million sq m, up by 14% y-o-y. The most space was absorbed in Central Poland (200,300 sq m), the second highest volume was noted outside of the main markets, ca. 152,500 sq m, mainly due to completion of BTS project for Zalando in Olsztyniec. High net absorption was also noted in Warsaw (145,300 sq m).

At the end of June 2019 vacancy rate remained low at 5.1%, up by 1.1 pp y-o-y, however down by 0.4 pp q-o-q. The lowest rate (excluding Western Poland and Szczecin where no space was available) was recorded in Wrocław and Eastern Poland and stood at 2.1% in both regions, low rate was also seen in Tricity (2.3%). On the other hand, the highest rate was observed in Upper Silesia (7.6%) and Poznań (7.5%).

In H1 2019, rents were rather stable. Some rental growth was only noticed in Warsaw II and in Wrocław. Headline rents range between EUR 2.70 m sq/month and EUR 4.20 m sq/month for BIG BOX units and up to EUR 5.35 m sq/month for SBU. Effective rents range between EUR 2.00 m sq/month and EUR 3.60 m sq/month for BIG BOX units and up to EUR 4.80 m sq/month for SBU.

We expect the market to keep momentum. Total new supply at the end of 2019, taking into consideration developers’ plans, is to be record breaking at ca. 2.5 million sq m. Share of leased space in under construction remains relatively high at ca. 60%, ensuring stability of vacancy rate in the future. However, some macroeconomic risks appear. Slowdown in the manufacturing sector in Germany could impact industrial production and related sectors in Poland. On the other hand, private consumption is to remain high, among others due to pre-election fiscal stimulus, ensuring demand from retail, e-commerce and 3pl sectors. Taking into consideration these risks, a mild decline in total volume of leasing activity at the end of 2019 compared to two previous years is projected. As easing of demand is expected there is no space for rental growth within the next six months.
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