Poland Industrial, Q4 2016

Record-high tenant activity with e-commerce business driving the market.

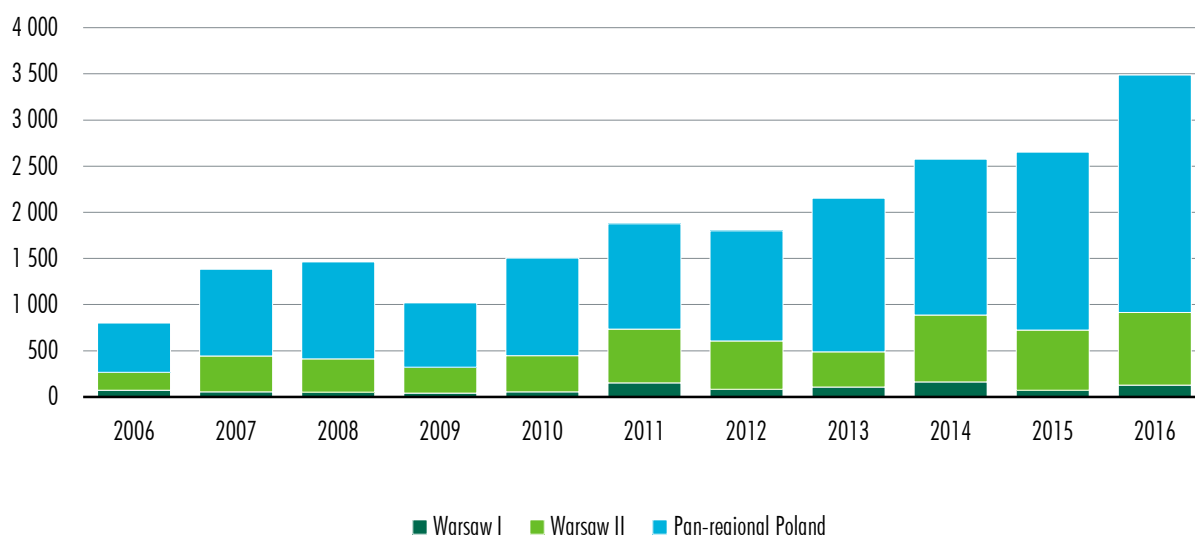| ▲ Vacancy Rate	▲ Leasing Activity	▲ Under Construction	▲ Completions
5.9%	3.49 million sq m	1.42 million sq m	1.12 million sq m

*Arrows indicate change from 2015.

Figure 1: Total leasing activity (000 sq m)

■ Warsaw I ■ Warsaw II ■ Pan-regional Poland

Source: CBRE Research, Q4 2016.

SUPPLY

Total supply of modern industrial and logistics space amounted to over 11 million sq m at the end of 2016. Despite Q4 2016 being a slightly less active quarter with only 140,000 sq m completed, 2016 ended with record-high amount of new space: 1.12 million sq m. In terms of newly delivered space, 2016 was the best year in the whole history of the modern industrial and logistics market in Poland.

The market has been developing proportionally in all the regions. The Warsaw region has grown by 210,000 sq m whilst pan-regional completions amounted to 910,000 sq m. Strong developer activity seems to be continuing. At the end of 2016, record-high figures were recorded. Currently, there is approximately 1.42 million sq m under construction. The majority of this space is secured by pre-lease agreements, however 30% (410,000 sq m) was being constructed on a speculative basis at the end of 2016.

Figure 2: Largest completions in 2016

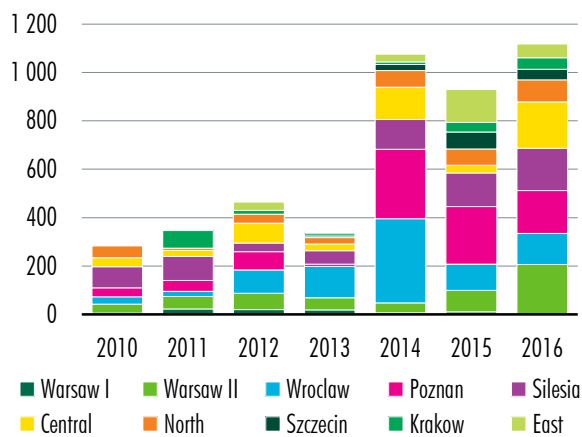| Region	Property	Size (sq m)
Central	Panattoni Park Strykow II	85,200
Warsaw II	Panattoni Park Konotopa	46,800
Silesia	Panattoni Park Sosnowiec II	41,000
Warsaw II	Panattoni Park Grodzisk	38,900
Poznan	Panattoni Park Poznan Airport	35,500

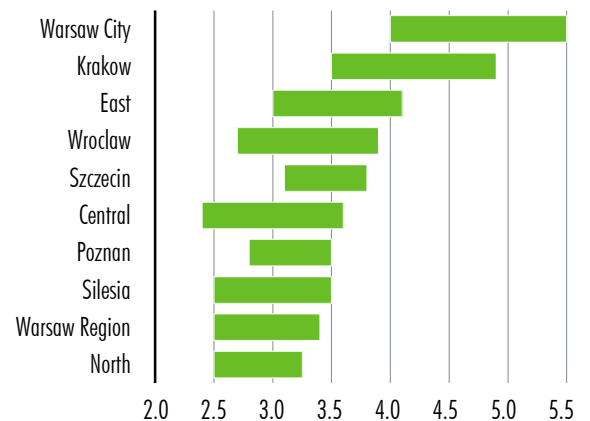Source: CBRE Research, Q4 2016.

Figure 3: Vacancy rates
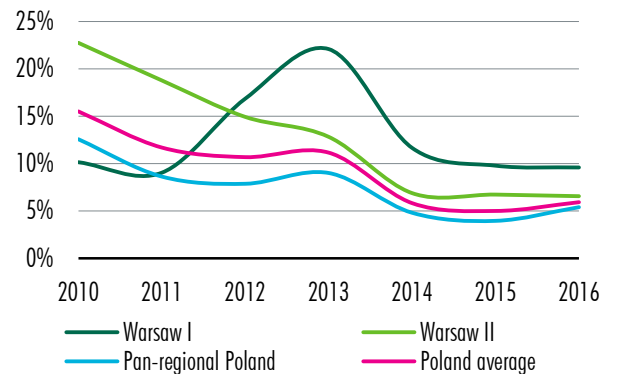
Source: CBRE Research, Q4 2016.

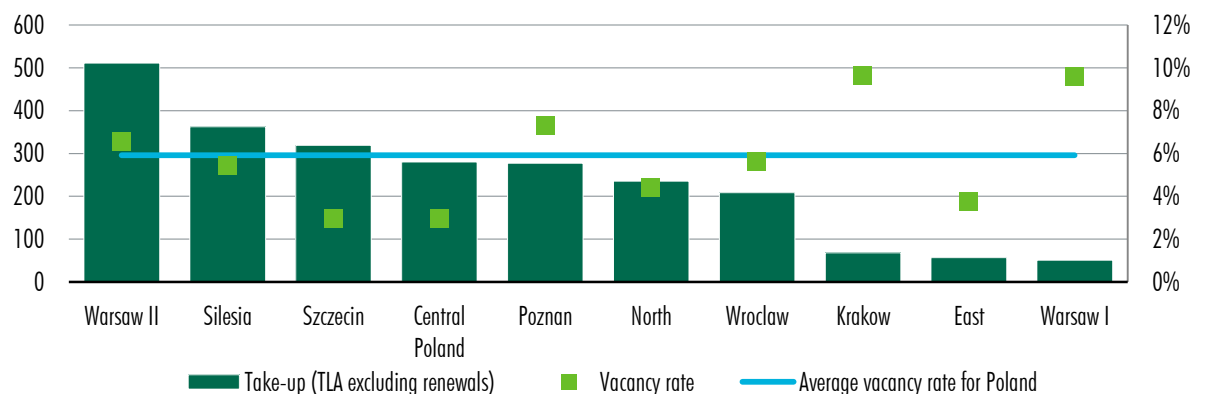Figure 4: Completions (000 sq m)

Source: CBRE Research, Q4 2016.

Figure 5: Headline rents, Q4 2016 (EUR/ sq m/ month)

Source: CBRE Research, Q4 2016.

Figure 6: Take-up (TLA excluding renewals) in 2016 (000 sq m) and vacancy rates (%)

Source: CBRE Research, Q4 2016.

VACANCY RATES

The availability of industrial and logistics space is still limited. At the end of 2016, the vacancy rate for Poland amounted to 5.9%, indicating a 0.9 pp increase from the historically low vacancy rate recorded at the end of 2015. Slightly higher vacancies (9.6%) are observed in Warsaw City resulting in the limited development activity in that location.

DEMAND

2016 started with the best first quarter in the whole history of the Polish market and ended with record-high leasing activity at 3.49 million sq m, showing a 32% increase when compared to 2015. The share of renewals was recorded at 32% whilst new deals and expansions of existing occupiers covered 68% of demand. E-commerce plays a very important role resulting in a growing need for modern logistics space. This was confirmed by two large transactions (161,000 sq m and 130,000 sq m) signed in 2016 by e-tailers. Other industries particularly active in 2016 were the automotive sector and supermarkets. Short-term agreements accounted for 7% of total leasing activity in 2016.

RENTS

In general, headline rents remained stable throughout 2016 and vary between 2.40 and 3.90 EUR/ sq m/ month in the main Polish industrial and logistics hubs. Warsaw City is the most expensive location with headline rents in the range of 4.00-5.50 EUR/ sq m/ month.

Significant incentives from developers and a large discrepancy between headline and effective rents, especially in new developments, are both being observed.

OUTLOOK

The industrial and logistics market continues to grow at an impressive pace. Take-up (total leasing activity excluding renewal deals) at 2.37 million sq m reflects the Polish market's potential for the future. Currently, there is about 1.42 million sq m under construction. On the one hand we have observed a significant share of built-to-suit projects dedicated to clients with specific requirements and interested in long-term leases. However, around 30% of the space under construction (410,000 sq m) at the end of 2016 was not secured by lease contracts. Developers take advantage of the positive market outlooks to begin speculative constructions in established locations while demand in tenant requirements for new space is still growing. Independently, they are seeking development opportunities in new markets like Bydgoszcz, Torun, Zielona Gora, Nowa Sol and Szczecin where the labour market is more competitive in comparison to locations that were explored in previous years. The growth of the Polish industrial and logistics market will be largely dependent on e-commerce business which is expected to continue to grow rapidly as a consequence of the changing shopping preferences of consumers. Moreover, Poland will continue to attract manufacturing clients, especially from the automotive sector, mostly interested in BTS solutions.

	Warsaw I	Warsaw II	Regions	Poland
Stock	700,000 sq m	2,480,000 sq m	7,840,000 sq m	11,010,000 sq m
2016 completions	0	210,000 sq m	910,000 sq m	1,120,000 sq m
Space under construction	20,000 sq m	300,000 sq m	1,100,000 sq m	1,420,000 sq m
Q4 2016 commencements	10,000 sq m	220,000 sq m	410,000 sq m	650,000 sq m
Vacancy rate	9.6%	6.6%	5.4%	5.9%
2016 total leasing activity	130,000 sq m	790,000 sq m	2,570,000 sq m	3,490,000 sq m

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