

An aerial, high-angle photograph of a large industrial warehouse. The floor is a light-colored concrete, and the space is filled with rows of tall, stacked pallets on both sides, creating a central aisle. Three workers in high-visibility vests and hard hats are visible. One worker in the foreground is pushing a pallet jack loaded with a pallet of white containers. Two other workers are further down the aisle, one looking at a tablet. The entire image has a green color overlay.

CBRE

Industrial market in Poland

DEVELOPERS CONTINUE TO BUILD

Q3 2018 Market View | CBRE Research

POLISH INDUSTRIAL AND LOGISTICS MARKET

Driven by high demand, the industrial and logistics market continues to grow. Vacancy remains at a very low level, and despite as much as **1.42 million sq m** of industrial and logistics space having been delivered to the market in 2018, there are still **more than 2 million sq m** of new supply under construction at the moment.

There are three main trends occurring on the logistics market at the end of Q3:

1 THE AVERAGE VACANCY RATE FOR POLAND IS SLIGHTLY HIGHER THAN IT WAS AT THE END OF Q2 AND STANDS AT 4.5% (AN INCREASE BY 0.5 P.P.). NONETHELESS, THE RATE IS STILL VERY LOW.

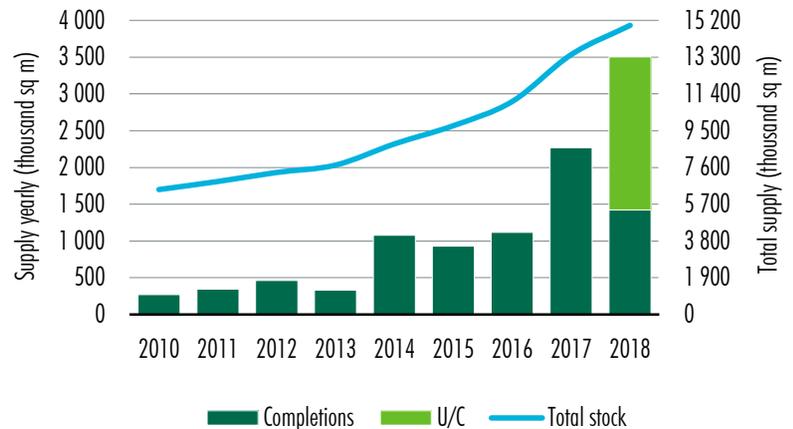
The North, Szczecin and Western Poland continue to have no logistics space available for immediate lease. Vacant logistics space is also very hard to find in the regions of Central Poland, Wroclaw and Poznan, where the vacancy rate stands between 1 and 5%.

Eastern Poland, Krakow, Upper Silesia and the Warsaw Region record a vacancy rate in the range of 5-9%. The most vacant space is invariably recorded in Warsaw City, where 10% of all space is now available for lease.

2 THERE WERE MORE THAN 2.26 MILLION SQ M OF SPACE UNDER CONSTRUCTION AT THE END OF H1 2018. NOT MUCH LESS SPACE IS BEING DEVELOPED AT THE MOMENT - 2.08 MILLION SQ M, WHICH IS NEARLY DOUBLE THE VOLUME OF SPACE AS COMPARED TO LAST YEAR.

The majority, i.e. 80%, of the logistics space currently under construction has already been secured with leases. At the end of Q3 the total stock of modern logistics space stood at **14.94 million sq m**, and it is expected that the 15 million sq m threshold will be exceeded at the end of 2018.

Figure 1. New supply, under construction and total supply in Poland



Source: CBRE, Q3 2018

3 DEMAND IN THE FIRST THREE QUARTERS OF 2018 REACHED A LEVEL OF MORE THAN 3.1 MILLION SQ M, WHICH IS A RESULT HIGHER BY 13% THAN THAT RECORDED IN THE CORRESPONDING PERIOD LAST YEAR.

The strongest group of tenants represents logistics companies and the e-commerce sector. Both logistics companies and shippers are optimistic about the future, as researched in the latest report by CBRE “Poland Logistics and Supply Chain Confidence Index 2018/2019”.

Figure 2. Industrial and logistics market in Poland - statistics

Summary	
Total stock	14,943,000 sq m
New supply in Q1-Q3 2018	1,423,000 sq m
Under construction	2,080,000 sq m
Construction started in Q3 2018	577,000 sq m
Vacancy rate	4.5%
Take-up in Q1-Q3 2018	3,103,000 sq m

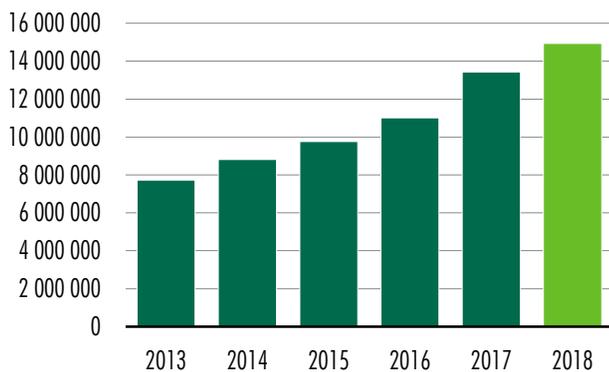
Source: CBRE, Q3 2018

SUPPLY

At the end of Q3 2018 the **total supply** of industrial and logistics space stood at more than **14.94 million sq m**, which represents a result higher by more than 2 million sq m than that recorded in the corresponding period in 2017. The exceptionally good condition of the Polish market is corroborated by the fact that since the beginning of the year developers have delivered to it 1.4 million sq m of space. Furthermore, a huge volume of nearly **2.1 million sq m is currently being developed**, with more than one fourth of the space under construction located in Central Poland.

As many as four of the schemes under construction have an area over 100 000 sq m, and all four are BTS projects developed for specific clients: Panattoni BTS Gliwice, Hillwood BTS Zalando Gluchow, Panattoni BTS Leroy Merlin and Hillwood BTS Zalando Olsztynek.

Figure 3. Existing stock



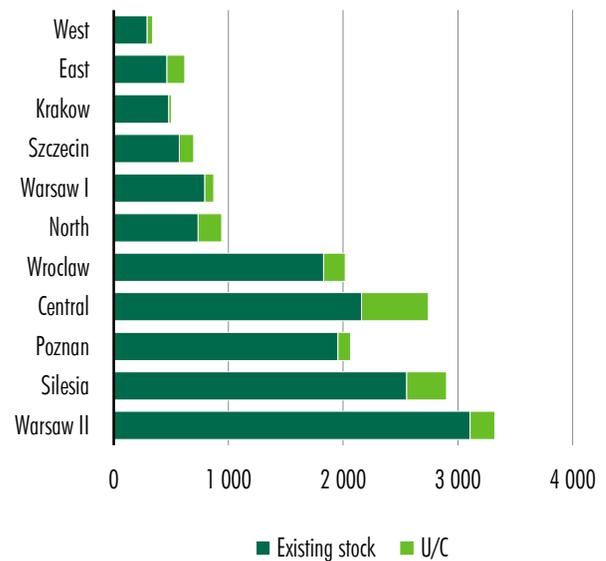
Source: CBRE, Q3 2018

However, the BTS projects are not the only type of schemes that are attracting interest at the moment. Despite the fact that the figures may not be as spectacular, demand for “city logistics” continues to grow. Developers see the potential of smaller warehouse schemes located closer to the cities and schemes of this type are being developed in Warsaw, Wrocław, Szczecin and Gdansk. Continuous growth of the e-commerce sector creates demand for “last mile” logistics to ensure orders are being delivered to clients as fast as possible.

Comparing Polish logistics supply to the countries of Central and Eastern Europe, Poland is the leader, followed by the Czech Republic (7.6 million sq m) and Slovakia (2.4 million sq m). Poland can be also

compared to Spain, whose supply was at the level of 15.5 million sq m at the end of the third quarter (in Barcelona and Madrid regions).

Figure 4. New supply by region ('000 sq m)

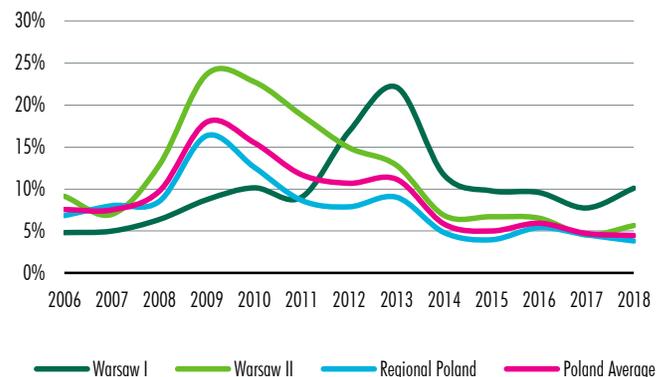


Source: CBRE, Q3 2018

Vacancy rate

The availability of industrial and logistics space is very limited. The vacancy rate in all of Poland’s regions has been dropping gradually over the past few years, with a historically low vacancy rate recorded at the end of H1 2018 (4%). At the end of Q3 2018 the **vacancy rate** for Poland increased slightly and stood at **4.5%**.

Figure 5. Vacancy rate in Poland



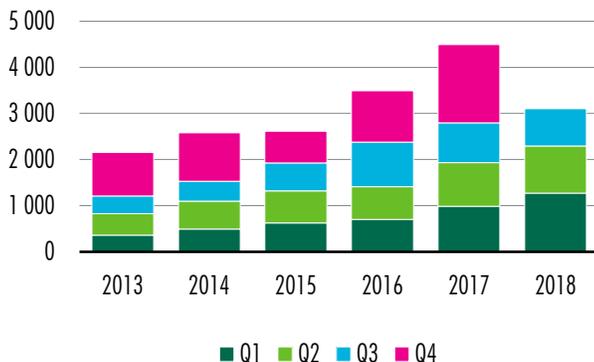
Source: CBRE, Q3 2018

DEMAND

Take-up in the first three quarters of 2018 stood at more than **3.1 million sq m**, which represents an **increase by 13%** as compared to the corresponding period last year. Not counting renewals, net take-up reached a high level of almost **2.4 million sq m**. In the first three quarters of this year Central Poland, Upper Silesia and the Warsaw Region recorded the highest take-up figures and together they account for nearly half of the demand recorded across Poland. The largest lease transactions concluded in Q3 show that e-commerce and the logistics sector are still the strongest group of tenants looking for warehouse space.

Despite the very good take-up recorded in the first three quarters of 2018, Q3 saw demand lower by 6% than that recorded in the corresponding period last year. A slight slowdown is to be expected, however the take-up forecast for the entire 2018 remains positive, and it is likely that last year's record-breaking take-up of 4.5 million sq m will be exceeded this year.

Figure 6. Total leasing activity quarterly ('000 sq m)



Source: CBRE, Q3 2018

Rents

Headline rents remain stable, where in the main Polish industrial and logistics hubs they oscillate between **EUR 2.50-3.90/sq m/month**. At the same time, significant incentives offered by developers, in the form of rent-free periods that translate into effective rents much lower than headline reads, are still being observed. However, due to the high demand and increasing costs of general contracting, an upward trend is currently being displayed as regards effective rents.

INVESTMENT MARKET

The data for the first three quarters of 2018 are comparable to the level recorded for the entire 2017 (**approx. EUR 1.1 billion**), which leads to the conclusion that the volume of all transactions concluded in 2018 on the industrial and warehouse market may reach a record-breaking level, with portfolio investments accounting for the majority thereof.

The largest individual transaction concluded in 2018 was the takeover by Vestas Investment Management of Europe's second largest distribution centre in Szczecin for **EUR 110 million**. The table below shows the largest individual transactions concluded in 2018, with all the schemes included having been developed by Panattoni.

Figure 7. Selected individual investment transactions in Q1-Q3 2018

Project	Buyer	Volume (mln EUR)
Distribution Center Szczecin	Vestas	110
Distribution Center Sosnowiec	Invesco	85
Zalando Szczecin	DAWM	57
Bosch (Central Poland)	Invesco	47
H&M Boleslawiec	Savills IM	46

Source: CBRE, Q3 2018

The largest portfolio transaction concluded in 2018 so far was the purchase by Griffin RE of 9 warehouse schemes for **EUR 196 million**. In turn, the transaction of the highest value recorded in Q3 was the purchase by Blackstone of the Goodman portfolio for **EUR 185 million**, comprising 6 properties in Konin, Poznan, Raciborz and Wroclaw.

The European and Polish economies are both in a good condition, which is reflected in the attitude taken by property investors. Further influx of foreign capital and low interest rates led to a decrease in yields, which currently oscillate between **6 and 7%**.

CBRE INDUSTRIAL SECTOR SERVICES:

Sean Doyle

Head of Industrial Sector

Investment Properties

+48 500 070 744

sean.doyle@cbre.com

RESEARCH & CONSULTANCY

Anna Bielacka

+48 693 330 166

anna.bielacka@cbre.com

LEASING

Beata Hryniewska

+48 608 649 922

beata.hryniewska@cbre.com

BUILDING CONSULTANCY

Jonathan Steer

+48 806 652 173

jonathan.steer@cbre.com

INVESTMENT PROPERTIES

Roy Levine

+48 735 935 028

roy.levine@cbre.com

BTS & INTEGRATED SERVICES

Wojciech Kosiór

+48 602 650 300

wojciech.kosior@cbre.com

DEBT & STRUCTURED FINANCE

Piotr Pikiewicz

+48 785 830 192

piotr.pikiewicz@cbre.com

ASSET SERVICES

Sebastian Biedrzycki

+48 608 662 515

sebastian.biedrzycki@cbre.com

VALUATION ADVISORY

Piotr Śliż

+48 608 659 202

piotr.sliz@cbre.com

INDUSTRIAL BROWNFIELDS & SITES

Michał Żelazek

+48 608 647 134

michal.zelazek@cbre.com

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