

FULL STEAM AHEAD, I.E. A SNAPSHOT OF THE 3RD QUARTER IN THE INDUSTRIAL AND LOGISTICS SECTOR.

The latest report by BNP Paribas Real Estate Poland shows that in the first three quarters of this year, a record demand for warehouses was noted, amounting to almost 4.8 million m². The company's analysts, also point-out that movement at construction sites, where work is currently underway, has also set a new record, with more than 3.7 million m² of modern office space under construction. As in previous quarters, the development of the sector together with an increased demand for logistics spaces, have been primarily driven by a rise in e-commerce, as well as an increase of companies operating in the logistics and trade sectors.

The pandemic has not slowed down the fast-paced industrial and logistics sector, which confirms its leadership position for yet another quarter in a row. The steep pace of development within the Polish market when compared to European competition, is further encouraged by significantly lower labour costs or yet attractive land prices, as well as an ongoing overall infrastructure development.

In the analysed period, the total resources of the sector broke through the ceiling of 23 million m², and the list of debuts onto the market, included over 30 facilities with a total area exceeding 1 million m² in total. The logistics centre for Amazon in the Lubuskie region, is the second largest facility for the American e-commerce goliath in Poland, with 203.5 thousand m² of modern space, where 1,000 employees and over 3,000 transport robots will work side by side. The largest facilities commissioned in Q3 also included: Hillwood Rokitno (112.5 thousand m²) and the BTS project (108 thousand m²) built at Żerniki near Poznań by Panattoni for the logistics operator DHL Supply Chain.

The quarterly snapshot indicates that the two months of summer holidays, as well as September were exceptionally busy for developers. They carried out construction work on over 3.7 million m² of warehouse, logistics and industrial spaces. The largest construction projects in progress were: GLP Łędziny Logistic Center (over 111,000 m²), the Hillwood Bydgoszcz facility (over 104,000 m²) and the second stage of the P3 Poznań warehouse park (97,000 m²).

- The market is red-hot at the moment. It is the highest historical precedent, where industrial and logistics facilities are being built and rented immediately. So far this scenario is not being hampered by rising labour or land costs, or any obstacles with relation to the availability of construction services or even building materials. However, it is more and more noticeable how significant time is becoming, especially for e-



commerce customers. To meet and satisfy their needs, developers are being a lot bolder in reaching for investments on a speculative model basis, especially in the more obvious locations - says **Igor Roguski**, Head of Industrial Logistics, at BNP Paribas Real Estate Poland.

Further proof of the exceptionally favourable condition of the entire sector, is the continued high level of demand. The total volume of lease transactions closed the quarter with a result of nearly 1.5 million m² of leased space. The report's authors emphasize that contracts for almost 4.9 million m² of space have already been signed since the start of the year, which, compared to the same period in 2020, amounts to an almost 32% increase year-on-year.

- *When looking at the projects we conduct for our clients, we can say that the industrial and logistics sector has proven to be significantly resilient to the crisis caused by the coronavirus pandemic. Additionally, the pandemic situation boosted investment activeness in the distribution centre area, as well as in the context of the e-commerce growth, including city-based warehousing, in particular SBU (Small Business Units) projects and last mile delivery facilities.*

- says **Błażej Czwarnok**, a lawyer and counsel within the real estate practice of the Warsaw office at Gide Loyrette Nouel

- *We can see a continuously growing interest of investors in the logistics industry, including relatively new JV cooperation with logistics developers, allowing a much wider group of investors to devote capital to this type of investment.* – adds **Błażej Czwarnok**

The largest contract signed in Q3, was the lease of over 104 thousand m² by an e-commerce client at Hillwood Bydgoszcz. Jysk, which signed a contract for over 70,000 m², also turned out to be a significant tenant, at the Logistic City - Piotrków Distribution Center facility.

- *The best results in the sector's history and the continued interest in warehousing as well as logistics and industrial spaces, translates into a remarkably low vacancy rate. In the second quarter, it fluctuated around 6%, in the last one it fell to around 5% - adds **Igor Roguski**.*

In view of the marked high pace of development, a record demand and supply, rental rates remain stable for the time being. However, experts from BNP Paribas Real Estate Poland, forecast that rising land prices, as well as an increase in the costs of labour and construction materials in the medium term, will have a significant impact on headline rents. So far, the relatively high level of incentives offered to future tenants are still remaining a bargaining chip.

The authors of the report emphasize that the pandemic in each subsequent quarter increased the dynamics of the e-commerce market that had been growing for years. An important trend among companies operating in e-commerce sector, is the consistent shortening of delivery times. The last few months belonged to companies offering delivery of purchases within 15 minutes, more often using mini-warehouses, the so-called dark stores.

- *Q-commerce is coming into being right before our eyes. Q is for the word quick, i.e. quick shopping, mainly groceries, which we can expect on our doorstep within several minutes of an order being placed. Interestingly, it is a fledgling market in which on the one hand, we have international and Polish start-ups,*

on the other one large retail chains playing a part. Strong competition and low margins will make the development of an appropriate logistics model the key to success - emphasizes **Małgorzata Fibakiewicz**, a Head of Business Intelligence HUB, at BNP Paribas Real Estate Poland.

The authors of the report also point out that the dynamic development and progressing professionalization of the sector is also reflected in a greater responsibility for the environment and surroundings. Reducing the carbon footprint of buildings, improving energy efficiency and saving resources are goals that most developers and investors set prior to kicking-off their projects.

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