

## PRESS RELEASE

### Warehouse logistics maintains its steady momentum

The Polish industrial and logistics market demonstrated solid growth throughout 2022. Around 0.8 million sqm came on stream in the last quarter, bringing total stock to just over 28 million sqm at the end of December. Key market highlights reported by BNP Paribas Real Estate Poland include high gross take-up, continuous rental growth and subletting which is becoming an increasingly popular option. Another notable trend is brownfield development which is emerging as an interesting alternative for many developers.

At the end of 2022, Poland's warehouse, logistics and industrial stock stood at over 28 million sqm, having expanded by approximately 0.8 million sqm in October-December 2022, marking a decrease of around 30 pp compared to the third quarter of the year. Developers have adopted a more cautious approach due to the continued market uncertainty and search for a new equilibrium point while targeting prime locations and expecting at least half of a project's space to be pre-let before commencing construction.

*- Our analysis of data for 2022 clearly shows that the Polish market maintains its momentum. It continues to power ahead, capitalizing on the advantages it has over other CEE countries and other geographies. Forecasts show that it will soon surpass another milestone - the 30 million sqm mark. In 2022, supply levels remained healthy amid still relatively substantial net take-up which fell to over 4.4 million sqm from the record high of 5.6 million sqm in 2021. And yet, it is clear evidence that occupier activity remained strong. However, take-up structure did change due to economic conditions. E-commerce, whose growth is being hampered by high inflation and the falling purchasing power, is giving way to manufacturing-* says **Tomasz Arent**, Head of Industrial and Logistics, BNP Paribas Real Estate Poland.

#### Tapping into the potential to build attractiveness

Poland, which continues to offer significantly lower warehouse rents as well as energy and labour costs compared to its European competitors, remains one of the most attractive destinations for logistics and warehousing operations. As a result, its vacancy rate remains low – at the end of 2022 it stood at 4.1%, with half of the country's industrial hubs reporting falls over the quarter.



Availability shrank the most in Tricity – by 1.9 pp quarter-on-quarter. At the other end of the spectrum, the East saw its vacancy rate rise by 2.4 pp over the quarter.

At year-end 2022 there was over 3.4 million sqm of warehouse, logistics and industrial space under construction. The pace of development activity slowed during the quarter, with 590,000 sqm less space being built compared to the stock underway in July-September. The report authors also note that on average over 50% of space under construction was pre-let at the end of last year, which was broadly in line with the trends for the whole of 2022. The highest concentration of development activity in the last quarter of the year was in Upper Silesia (575,000 sqm), Warsaw II (542,000 sqm) and the West (491,000 sqm). Meanwhile, the largest volumes of new space added to the market in Q4 2022 were recorded in the West (214,400 sqm), Central Poland (197,700 sqm) and Upper Silesia (98,400 sqm).

### **Towards subletting**

*-Subletting is being increasingly taken into consideration as an option. Its biggest advantage to both parties is its immense flexibility. Subtenants can easily negotiate a short-term lease with an option to terminate at any time or even secure favourable financial conditions from tenants occupying unused space - says **Wojciech Nowicki**, Director, Industrial and Logistics, BNP Paribas Real Estate Poland.*

Key challenges associated with subletting which consultants of BNP Paribas Real Estate Poland help to manage include designating a self-contained warehouse unit for a subtenant and providing its employees with separate access to social and office space. Potential subtenants may include companies that are unwilling to sign a long-term lease directly with a warehouse landlord or start-ups that closely monitor costs in the first months of their operations with a view to rapid growth.

### **Rents up**

Asking rents are expected to continue to trend upwards in the coming quarters, with rental growth being driven by rising financing costs and the shrinking volumes of new warehouse supply. In addition, rising service charges will see both developers and tenants shift their focus to green solutions. Investments in photovoltaic panels, LEDs, energy-saving systems or greywater recycling can generate real savings in the longer term.



## Now is the time for brownfields

Developers are increasingly targeting brownfield sites, especially in areas where suitable land for logistics and warehouse projects is scarce, i.e. within the administrative borders of cities where available plots are allocated for residential developments, public buildings, placemaking or urban regeneration projects.

*-To meet customers' demand for the fastest possible delivery, warehouse developers will go the extra length to build urban depots in well-connected locations. Despite being more complicated, costly and time-consuming, brownfield projects are highly valued by companies from such sectors as FMCG, e-commerce and catering - says **Piotr Załęski**, Associate Director, Industrial and Logistics, BNP Paribas Real Estate Poland.*

Brownfield sites have many advantages: great locations, proximity to roads and transport nodes, and utility connections. For investors, however, brownfield projects tend to be more costly, time-consuming and complicated. Construction on reclaimed land has been spearheaded in Poland by Panattoni Europe, which says that brownfield developments make up as much as 45% of its European portfolio. Such projects are also developed by Hillwood, 7R, MLP and P3.

### About BNP Paribas Real Estate

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As a committed stakeholder in sustainable cities, BNP Paribas Real Estate intends to spearhead the transition to more sustainable real estate: low-carbon, resilient, inclusive and conducive to wellbeing. To achieve this, the company has developed a CSR policy with four objectives: to ethically and responsibly enhance the economic performance and use of buildings; to integrate a low-carbon transition and reduce its environmental footprint; to ensure the development, commitment and well-being of its employees; to be a proactive stakeholder in the real estate sector and to build local initiatives and partnerships.

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