

POLAND

Industrial Market Snapshot

Second Quarter | 2017



MARKET INDICATORS

Market Outlook

- Prime Rents:** Rents should remain stable. Downward pressure possible in Poznan and Wroclaw due to rising vacancy. ▶
- Prime Yields:** Prime yields are expected to remain unchanged over the coming months. ▶
- Supply:** Increasing speculative construction in established logistics hubs, however rapidly absorbed - low risk of oversupply. ▼
- Demand:** Strong demand from a broad base of business sectors with high activity of logistic, retail, e-commerce and automotive. ▼

Prime Industrial Rents – June 2017

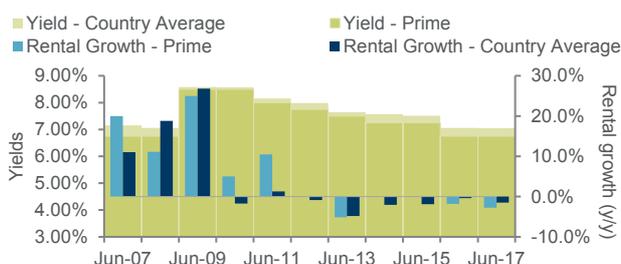
LOGISTICS LOCATIONS	€		US\$	GROWTH %	
	SQ..M MTH	SQ..M YR	SQ..FT YR	1YR	5YR CAGR
Warsaw	5.25	63.0	6.53	-2.8	-2.0
Krakow	3.40	40.8	4.23	-2.9	-4.1
Wroclaw	3.00	36.0	3.73	0.0	-3.6

Prime Industrial Yields – June 2017

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Warsaw	6.75	6.75	6.75	8.50	6.75
Krakow	7.50	7.50	7.50	8.75	7.50
Wroclaw	6.75	6.75	6.75	8.50	6.75

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

In the first half of 2017 developers completed 700,000 sq. m of Class A warehouse space, bringing the country's total to 11,790,000 sq. m. Despite large supply, the logistic market is seeing a stable level of availability with vacancy rate below 6% noted at the end of June 2017. Headline rents remained stable in the most of regional markets in Poland.

Occupier focus

Take-up in H1 2016 remained at a high level with 1,770,000 sq. m of warehouse space leased, which is 38% (494,000 sq. m) ahead of the corresponding period in 2016. Demand is still driven by logistic operators and retailers followed by dynamically expanding e-commerce and automotive industry. Central Poland, Warsaw Suburbs and Upper Silesia accounted for the largest share in total lease transaction volume (65%) representing most of major contracts signed in H1 2017 among which were BTS projects dedicated for Amazon in Sosnowiec (135,000 sq. m), Castorama in Stryków (100,000 sq. m), BSH in Łódź (79,000 sq. m), K+N in Piotrkow (56,000 sq. m), OBI in Łódź (51,000 sq. m). Smaller regional markets are increasingly attracting the attention of investors, especially Western Poland, where significant lease agreements have been concluded in recent months such as H&M in Bolesławiec (60,000 sq. m) and BMW in Świecko (30,000 sq. m).

Investment focus

Investment sentiment in the industrial sector remains strong with investors actively looking for both standalone assets as well as significant portfolios. There were not any transactions closed during Q2 2017 though bearing in mind ongoing transactions and portfolios on the market it is expected the annual investment volume will exceed last year's figure. The biggest transaction to close in H2 is the purchase of Logikor assets by CIC as a part of the acquisition of paneuropean platform from Blackstone (app. €600 mn in Poland). Germany, UK, US and Asian investors remains the most important source of capital.

Outlook

Forecasts for the sector continue to be positive, with sustained economic growth, further infrastructure investments as well as the expansion of e-commerce and production sectors remaining the key factors underpinning the market's growth.

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