

MARKET INDICATORS

Market Outlook

Prime Rents:	Effective rents are expected to edge up due to rising development costs and limited labour availability.	▼
Prime Yields:	Strengthening yields, high investor appetite for long term BTS schemes and portfolio deals	▲
Supply:	Further increase in development activity supported by a significant share of pre-lets (70%).	▼
Demand:	Tenant demand will remain healthy, increasingly generated by e-commerce.	▼

Prime Industrial Rents – June 2018

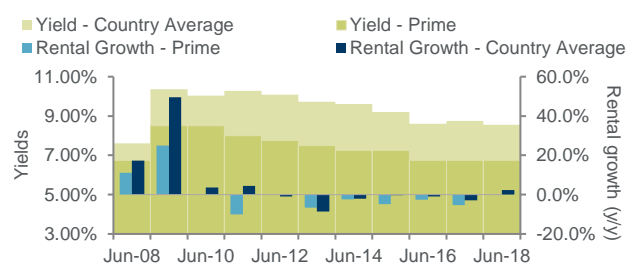
LOGISTICS LOCATIONS	€		US\$	GROWTH %	
	SQ..M MTH	SQ..M YR	SQ..FT YR	1YR	5YR CAGR
Warsaw – Zone II	3.60	43.2	4.70	0.0	0.0
Katowice	3.40	40.8	4.44	6.3	1.9
Lodz	3.60	43.2	4.70	0.0	-3.0
Poznan	3.50	42.0	4.57	6.1	0.6
Wroclaw	3.40	40.8	4.44	9.7	-1.1

Prime Industrial Yields – June 2018

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Warsaw – Zone II	6.75	6.75	6.75	8.50	6.75
Katowice	6.75	6.75	6.75	8.75	6.75
Lodz	6.75	6.75	6.75	8.75	6.75
Poznan	6.75	6.75	6.75	8.50	6.75
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

Poland remains one of the fastest growing logistics markets in Europe. In the first half of 2018 developers completed 718,000 sq m of Class A warehouse, bringing the country's total stock to 14.3 million sq m. Development activity remains very strong with 2.2 million sq m of warehouse space under construction on both, key logistics hubs and smaller regional markets located in the western and northern Poland close to Germany and Scandinavia. Despite large supply vacancy rate has decreased to a record low of 4.0%. Headline rents remained stable in the most of regional markets, however we see upward pressure on effective rents resulting from increasing demand, rising construction cost and tightening labour conditions in Poland.

Occupier focus

In the first six months of 2018, the total leasing activity in Poland reached a record level of approximately 2.1 million sq m representing an increase of 18% in comparison to the same period of 2017. Demand is still driven by logistic operators and retailers strengthened by dynamic development of e-commerce, light manufacturing and automotive sectors. Major lease transactions signed in the second quarter were BTS renewal and expansion of Metsa Tissue in Krapkowice (46,000 sq m, Hillwood), expansion of Smyk in Łódź (45,000 sq m, Panattoni) and new project for H&M in Poznań (30,000 sq m, SEGRO) dedicated for e-commerce operations.

Investment focus

H1 2018 saw 9 deals totaling EUR 338m and representing a significant increase compare to H1 2017, where only one deal was recorded. In Q2 we recorded 5 industrial deals totalling EUR 203m, which is a continuation of high investors' activity in this sector. The largest deal was Vestas' purchase of Amazon asset in Szczecin from Invesco for EUR 110+m. Germany, UK, US and Asian investors remains the most important source of capital.

Outlook

Polish GDP growth remains very strong with 4.6% forecasted for 2018 according to Oxford Economics. Solid economic fundamentals, further infrastructure development and expansion of e-commerce will support a strong tenant's activity in H2 2018.