

POLAND

# Industrial Market Snapshot

Third Quarter | 2018



## MARKET INDICATORS

### Market Outlook

- Prime Rents: An increase in speculative supply will moderate the upward pressure on effective rents generated by increase in construction costs. ▼
- Prime Yields: Stable 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 (78%). Apart from large distribution centres, developers are becoming active in the construction of city logistics type of facilities as part of the e-commerce expansion. ▼
- Demand: Tenant demand will remain healthy, supported with e-commerce activity. ▼

### Prime Industrial Rents – September 2018

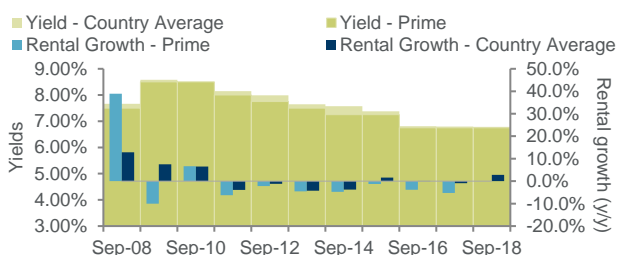
| LOGISTICS LOCATIONS | €         |          | US\$      | GROWTH % |          |
|---------------------|-----------|----------|-----------|----------|----------|
|                     | SQ..M MTH | SQ..M YR | SQ..FT YR | 1YR      | 5YR CAGR |
| Warsaw – Zone II    | 3.60      | 43.2     | 4.69      | 0.0      | 0.0      |
| Katowice            | 3.40      | 40.8     | 4.43      | 6.3      | 1.9      |
| Lodz                | 3.60      | 43.2     | 4.69      | 0.0      | -3.0     |
| Poznan              | 3.50      | 42.0     | 4.56      | 6.1      | 0.6      |
| Wroclaw             | 3.50      | 42.0     | 4.56      | 12.9     | -0.6     |
| Krakow              | 3.50      | 42.0     | 4.56      | 2.9      | -3.6     |
| Gdansk              | 3.50      | 42.0     | 4.56      | 4.5      | 1.2      |
| Szczecin            | 3.50      | 42.0     | 4.56      | 0.0      | 1.2      |

### Prime Industrial Yields – September 2018

| LOGISTICS LOCATION<br>(FIGURES ARE GROSS, %) | CURRENT |      | 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 |
| Krakow                                       | 7.25    | 7.25 | 7.50 | 8.75    | 7.25 |
| Gdansk                                       | 7.00    | 7.00 | 7.00 | 8.75    | 7.00 |
| Szczecin                                     | 7.50    | 7.50 | 7.50 | 8.50    | 7.50 |

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

At the end of September total warehouse stock surpassed 15 million sq. m with almost 1.42 million sq. m delivered from the beginning of 2018. Despite large supply, healthy demand kept the vacancy rate at a low level 4.5%, which means a slight increase by 0.5 pp. compared to June 2018 and a decrease by 0.8 pp. on an annual basis. Rising costs of construction services are limiting developers flexibility in terms of rents negotiation narrowing gap between headline and effective rents. However, an increase in speculative investments will soften the upward pressure on rents in the short term.

## Occupier focus

The total leasing activity between January-September 2018 reached a record level of 2.89 million sq. m representing 15% increase in comparison to the same period of previous year. 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 third quarter were the expansions of Amazon in Gliwice (62,000 sq. m, Panattoni) and Jysk in Piotrków Trybunalski (35,000 sq. m, P3) as well as new transaction in Krakow (28,000 sq. m, 7R Logistic) signed by online retailer. In terms of geographical structure about 54% of total take-up in Q3 (0.79 million sq. m) was recorded in Upper Silesia and Warsaw region. At the same time Tricity, Szczecin, Zielona Góra or Białystok are gaining greater tenants attention due to further improvement in Poland's transportation network and competitive local labour market conditions.

## Investment focus

Q3 saw four deals totalling EUR 480m and including the first half of 2018, this is representing a massive 890% increase to the equivalent period of the previous year. The largest transaction in Q3 was the acquisition of Och Ziff portfolio for EUR 195m by Redefine. Germany, UK, US and Asian investors remains the most important source of capital.

## Outlook

Poland remain the fastest growing logistic market in CEE region which is confirmed by 2.1 million sq. m of warehouse space under construction. Strong economic fundamentals as well as further development of e-commerce will remain the key market drivers.

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