

POLAND

Industrial Market Snapshot

First Quarter | 2019



MARKET INDICATORS

Market Outlook

- Prime Rents: Slight increase with further trend of narrowing the gap between headline and effective rents. ▼
- Prime Yields: Strengthening yields, high investor appetite for long term BTS schemes and portfolio deals ▲
- Supply: Strong development activity including both, out-of-town locations and city logistics type of facilities as part of the e-commerce expansion. ▼
- Demand: Tenant demand will remain healthy, supported with e-commerce growth. ▼

Prime Industrial Rents – March 2019

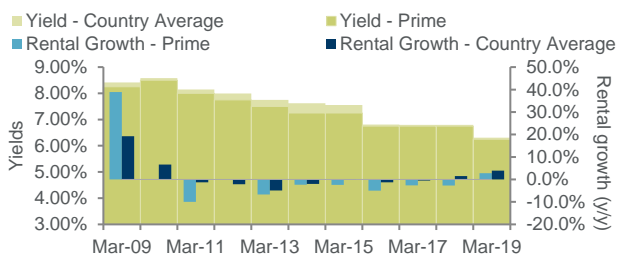
LOGISTICS LOCATIONS	€		US\$	GROWTH %	
	SQ..M MTH	SQ..M YR	SQ..FT YR	1YR	5YR CAGR
Warsaw – Zone II	3.70	44.4	4.66	2.8	0.5
Katowice	3.60	43.2	4.54	9.1	3.7
Lodz	3.60	43.2	4.54	0.0	-2.1
Poznan	3.50	42.0	4.41	2.9	0.6
Wroclaw	3.60	43.2	4.54	9.1	0.6
Krakow	3.70	44.4	4.66	5.7	-2.0
Gdansk	3.50	42.0	4.41	4.5	2.5
Szczecin	3.50	42.0	4.41	0.0	1.2

Prime Industrial Yields – March 2019

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Warsaw – Zone II	6.25	6.50	6.75	8.50	6.25
Katowice	6.25	6.50	6.75	8.75	6.25
Lodz	6.25	6.50	6.75	8.75	6.25
Poznan	6.50	6.50	6.75	8.50	6.50
Wroclaw	6.25	6.50	6.75	8.50	6.25
Krakow	6.50	6.75	7.50	8.75	6.50
Gdansk	6.75	6.75	7.00	8.75	6.75
Szczecin	7.00	7.25	7.50	8.50	7.00

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 March total warehouse stock surpassed 16.3 million sq. m with more than 0.5 million sq. m delivered from the beginning of 2019. Large supply resulted with slight increase of vacancy rate to 5.7%, which means 1 pp. growth on an annual basis. Higher costs of construction services, investment land and labour together with rising tenants' requirements regarding warehouse technical specification are limiting developer's 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-March 2019 reached 0.94 million sq. m representing 21% decrease compared with Q1 2018. This was mainly due to lack of +100 thousands sq. m transactions noted a year ago. Strong 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 first quarter were the new leases of Pepsico in Mszczonów near Warsaw (58,000 sq. m, P3), logistics operators - Pantos Logistics (59,000 sq. m) and Gefco (32,500 sq. m) both in new projects being developed by Panattoni in the Wroclaw agglomeration. Core logistics markets such as Warsaw, Central Poland, Upper Silesia and Wrocław dominate in terms of transaction volume and represented 87% of total take-up, however we see also tenants activity in northern Poland (Tricity, Szczecin) and emerging locations such as Kielce or Rzeszów in eastern Poland.

Investment focus

Q1 saw two deals totaling EUR 39m, which represents 71% investment volume drop compared to the result of corresponding period in the previous year. CBRE GI acquired from 7R SA the industrial park located in Czechowice-Dziedzice and Panattoni divest of their warehouse in Wrocław. In 2019, the industrial market is expected to continue to enjoy strong investor demand.

Outlook

Poland remains the fastest growing logistic market in CE 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 and improving road infrastructure will remain the key market drivers.

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