

POLAND

# Industrial Market Snapshot

Second Quarter | 2019



## MARKET INDICATORS

### Market Outlook

- Prime Rents: Rents stabilisation with some slight increases possible on selected low supplied warehouse markets. ▶
- 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 should remain healthy, supported with e-commerce and logistics sector growth. ▶

### Prime Industrial Rents – June 2019

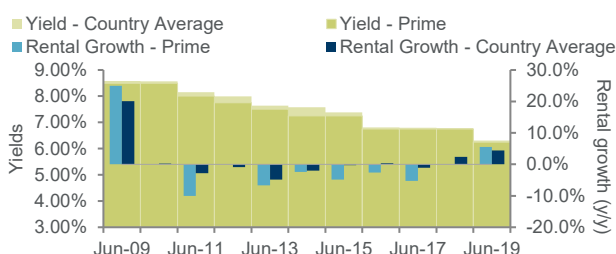
LOGISTICS LOCATIONS	€	€	US\$	GROWTH %	
	SQ..M MTH	SQ..M YR	SQ..FT YR	1YR	5YR CAGR
Warsaw – Zone II	3.80	45.6	5.12	5.6	1.1
Katowice	3.60	43.2	4.85	5.9	3.7
Lodz	3.60	43.2	4.85	0.0	-1.6
Poznan	3.50	42.0	4.71	0.0	0.6
Wroclaw	3.60	43.2	4.85	5.9	1.8
Krakow	3.70	44.4	4.98	5.7	-2.0
Gdansk	3.60	43.2	4.85	5.9	3.0
Szczecin	3.50	42.0	4.71	0.0	1.2

### Prime Industrial Yields – June 2019

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Warsaw – Zone II	6.25	6.25	6.75	8.50	6.25
Katowice	6.25	6.25	6.75	8.75	6.25
Lodz	6.25	6.25	6.75	8.75	6.25
Poznan	6.50	6.50	6.75	8.50	6.50
Wroclaw	6.25	6.25	6.75	8.50	6.25
Krakow	6.50	6.50	7.25	8.75	6.50
Gdansk	6.75	6.75	7.00	8.75	6.75
Szczecin	7.00	7.00	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. Yields refer to multi-let warehouses.

### Recent performance



## Overview

At the end of June total warehouse stock surpassed 16.8 million sq. m with almost 1.1 million sq. m delivered from the beginning of 2019. Despite the record level of new supply, the vacancy rate (5.6%) increased slightly by 1.6 pp. on an annual basis. Development activity remains buoyant with over 2.2 million sq. m of warehouse space under construction. This combined with the higher number of speculative projects contributes to lower rental growth, although in some most sought-after logistics locations of Warsaw Suburbs or Wroclaw we noted a slight increase of prime rents by 0,2 EUR/sq. m/month as compared to the end of June 2018. Prime yields continued to compress, falling to 6.25% in the case of multi-let schemes and 5.50% for long-term single-let warehouses.

## Occupier focus

Total leasing activity between January-June 2019 reached 1.82 million sq. m representing a 14% decrease compared with H1 2018. The drop was mainly a consequence of a lower number of large transactions ranging from 20,000 sq m to 60,000 sq m or lack of BTS investments with areas exceeding 100,000 sq m noted a year earlier. Major lease transactions signed in the second quarter were the renewals of PF Logo in P3 Poznan (49,700 sq. m), P&G in Prologis Park Sochaczew (37,900 sq. m, Ares Management) and the pre-lease of Raben Logistics in A2 Warsaw Park near Grodzisk Mazowiecki (30,000 sq. m, Panattoni). Healthy demand is still driven by logistic operators, light manufacturing and retailers strengthened by dynamic development of e-commerce.

## Investment focus

H1 2019 saw 6 industrial disposal transactions totalling EUR 323 million, which is a similar result to the corresponding period of the previous year. The largest deal was Hines on behalf of Mirae Asset Global Investments purchase of two warehouses from Blackstone. The significant share in the investment volume for the first half of 2019 is attributable to the acquisition of the Zalando Lounge distribution centre near Olsztynek by Hines, on behalf of Korean Investor IGIS Asset Management. 7R SA., a Polish developer, divested from two warehouse parks to CBRE GI and SEGRO. Panattoni also sold Panattoni Wroclaw park and a Castorama BTS scheme.

## Outlook

Strong economic fundamentals as well as further development of e-commerce and improving road infrastructure will remain the key market drivers in H2 2019.

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