

POLAND

# Industrial Market Snapshot

Fourth Quarter | 2018



## MARKET INDICATORS

### Market Outlook

- Prime Rents: Rental levels expected to growth slightly in 2019, especially in submarkets with limited supply. ▼
- Prime Yields: High investor appetite for long term BTS schemes and portfolio deals contributes to the further compression of prime yields. ▲
- Supply: Apart from large distribution centres, developers are increasingly active in the city logistics sector as part of the e-commerce expansion. ►
- Demand: Tenant demand remains healthy, supported with the e-commerce activity. Pre-lets accounts for 69% of total warehouse space under construction (1.92m). ►

### Prime Industrial Rents – December 2018

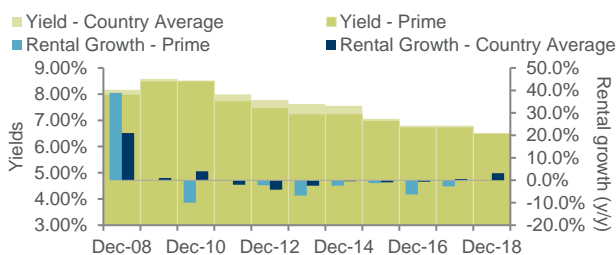
LOGISTICS LOCATIONS	€	€	US\$	GROWTH %	
	SQ..M MTH	SQ..M YR	SQ..FT YR	1YR	5YR CAGR
Warsaw – Zone II	3.60	43.2	4.58	0.0	0.0
Katowice	3.60	43.2	4.58	9.1	3.7
Lodz	3.60	43.2	4.58	0.0	-2.6
Poznan	3.50	42.0	4.45	6.1	0.6
Wroclaw	3.60	43.2	4.58	12.5	0.6
Krakow	3.60	43.2	4.58	5.9	-2.6
Gdansk	3.50	42.0	4.45	4.5	1.8
Szczecin	3.50	42.0	4.45	0.0	1.2

### Prime Industrial Yields – December 2018

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

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

The Polish warehouse market records a very dynamic growth. Almost 800,000 sq m were delivered in Q4 2018 pushing Poland's total warehouse stock up to 15.84 million sq m (up by 17% compared to previous year's figure). High occupier demand as well as low vacancy rate (5,0% in December 2018) and the substantial increase of development costs have push rents up by 10-15% as compared to previous year. Depending on location there was an increase in headline rents, but generally this is visible in effective rents as a result of reduction in incentives.

## Occupier focus

Total take-up in 2018 reached 3.98 million sq m which is the second highest annual result and only 2.5% below the previous year figure (4.08 million sq m). Demand is still driven by logistic operators, retailers and expanding e-commerce sector, followed by automotive and manufacturing industries. The largest lease transactions were signed for "build to suit" projects by Leroy Merlin near Lodz in Central Poland (124,000 sq m, Panattoni), Zalando in Olsztynek (121,000 sq m, Hillwood) and Amazon who expands its logistic portfolio across three locations in Poland (in total by 167,000 sq m). With 2018 supply of 780,000 sq m, Central Poland became the third largest warehouse market in Poland with total stock of 2,53 million sq m. At the same time smaller markets such as 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

2018 saw a record investment transaction volume totalling EUR 1,844m representing a 73% increase to the previous year. The largest transactions were the acquisitions of Hillwood and Prologis portfolios for approximately EUR 600m in total, both acquired by Mapletree and the acquisition of Och Ziff/Panattoni portfolio for EUR 195m by South African investment fund Redefine. Nonetheless, Germany, UK, US and Asian investors remain the most important sources of capital.

## Outlook

Expected economic downturn in Germany constitutes the main risk for the market development, however further infrastructure investments and the expansion of the e-commerce sector should keep the demand on a healthy level. These will support high investors interest in logistics sector translating into further prime yields compression expected in 2019.

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