

Gross demand

▼ 878 K sq m

Net demand

▼ 585 K sq m

New supply

▲ 586 K sq m

Under construction

◀ 2 mln sq m

Vacancy\*

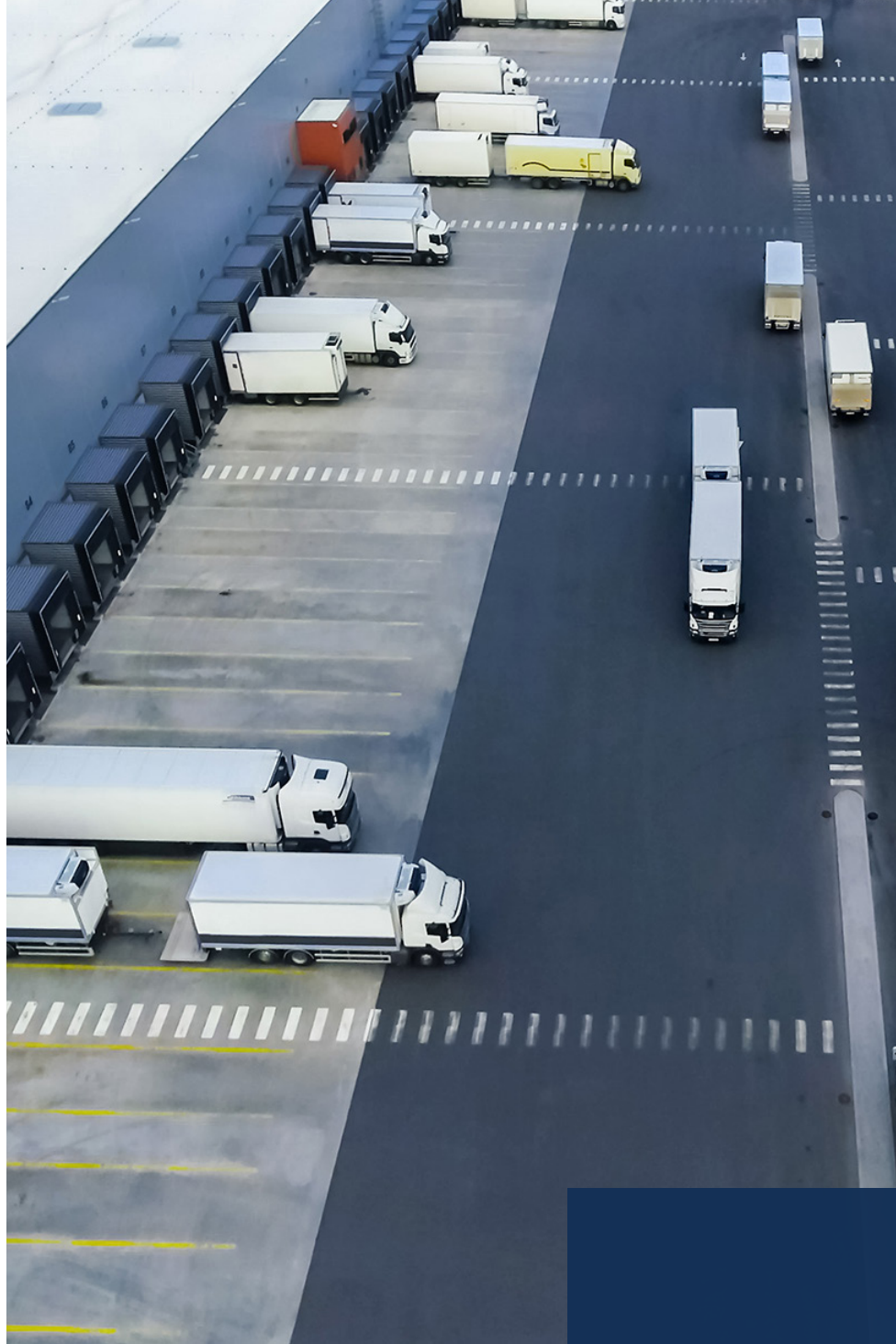
▲ 4.7%

Rents

▲

Compared to the Q1 2018

\*Compared to the Q4 2018



Report

# Warehouse market in Q1 2019

Interesting changes are taking place in the largest warehouse markets in Poland: Central Poland is catching up with Upper Silesia in terms of total supply, and Lower Silesia will soon overtake Poznan. The total supply of warehouse space in the country is close to 16.5 million sq m, and developers are not slowing down the pace – at the end

of March, 2 million sq m of warehouse space was being built across the country. Stable demand from January to March this year of 878,000 sq m, though lower compared to Q1 2018, kept the market in very good shape, and the development of infrastructure is opening it up to new locations.

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◀ 2 mln mkw.

Vacancy\*

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Rents

▲

Compared to the Q1 2018

\*Compared to the Q4 2018

## Demand

In the first quarter of 2019, lease agreements were signed for 878,000 sq m of modern warehouse space. This result is 24% lower than in the first quarter of 2018, but due to the development of e-commerce and new investments, it is one of the highest quarterly results in the last decade. New lease agreements and expansions accounted for 67% of demand in the months under review.

Most warehouse space in January to March 2019 was leased in the Warsaw region (232,200 sq m). An excellent result of 222,000 sq m of leased area was recorded in Central Poland. However, it should be noted that 70% of this figure was generated by agreements extending leases of clients already present in the region. It is also

worth noting the high figure for Lower Silesia, where lease agreements for 181,400 sq m were signed and 94% of the agreements signed in Wroclaw and the surrounding area were new agreements or expansions.

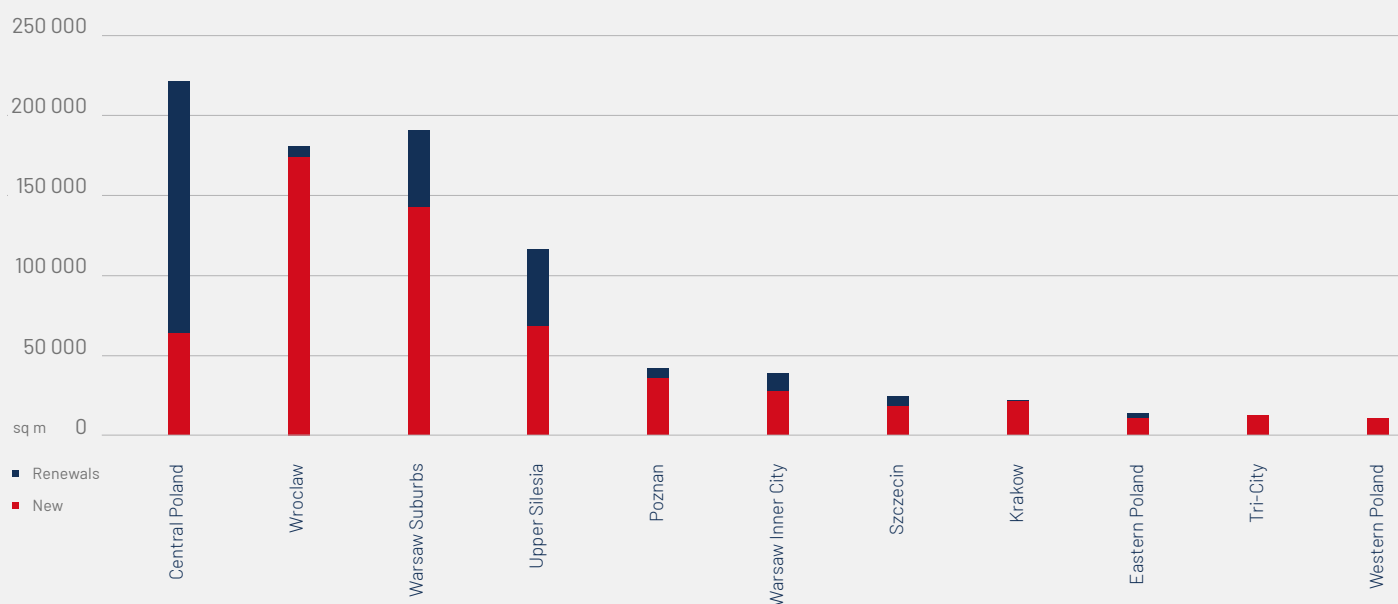
Logistic operators (46%), retail chains (21%),

e-commerce (19%) and automotive (9.5%) dominate in the demand structure throughout the country.

The market remains strongly influenced by e-commerce, which not only generates demand, but also causes a diversification of property formats chosen by tenants, including an increase in interest in urban warehouses that support last mile logistics.

## Demand in regions in sq m Q1 2019

Source: AXI IMMO, Q1 2019



## The selected lease transactions in Q1 2019

Source: AXI IMMO, Q1 2019

Tenant	Property	Region	Type of contract	Leased space (sq m)
Aldi	Prologis Chorzow	Upper Silesia	Renewal and expansion	46,750
Gefco	Panattoni S5 Wrocław North Gate (X)	Wrocław	New deal	32,500
Hutchinson	SEGRO Logistics Park Lodz	Central Poland	Renewal and expansion	25,500
Spedimex	Logicor Lodz I	Central Poland	Renewal	19,980
Rockwell Automation	BTS Panattoni Rockwell	Upper Silesia	New deal	11,300

## Supply

The total supply of modern warehouse space at the end of the first quarter 2019 amounted to 16.5 million sq m. From January to the end of March this year, 585,800 sq m were delivered on the market, which means an increase of 86% compared to the same period last year (314,000 sq m). The largest market is Warsaw (over 4 million sq m); however, we saw an interesting change among top warehouse locations in the past quarter: almost equaling

Central Poland in terms of warehouse supply (2.7 million sq m) is Upper Silesia (2.75 million sq m).

The Lodz region is where most investments were completed in the January–March period. Over 26% of the new supply is in Central Poland (153,300 sq m). In terms of the volume of space put into use, particular attention should be paid to Eastern Poland, which accounted

for 20.1% of the new supply in the period from January to March (120,400 sq m). This result puts the region in second place, but it should be noted that the completion of Zalando Lounge in Olsztynek accounts for the whole figure. In third place was Lower Silesia with 101,800 sq m and a share in new supply of 17.4%, mainly due to the completion of two Panattoni Europe warehouse parks. In total, the developer delivered 68,300 sq m, or 67% of new supply in the region.

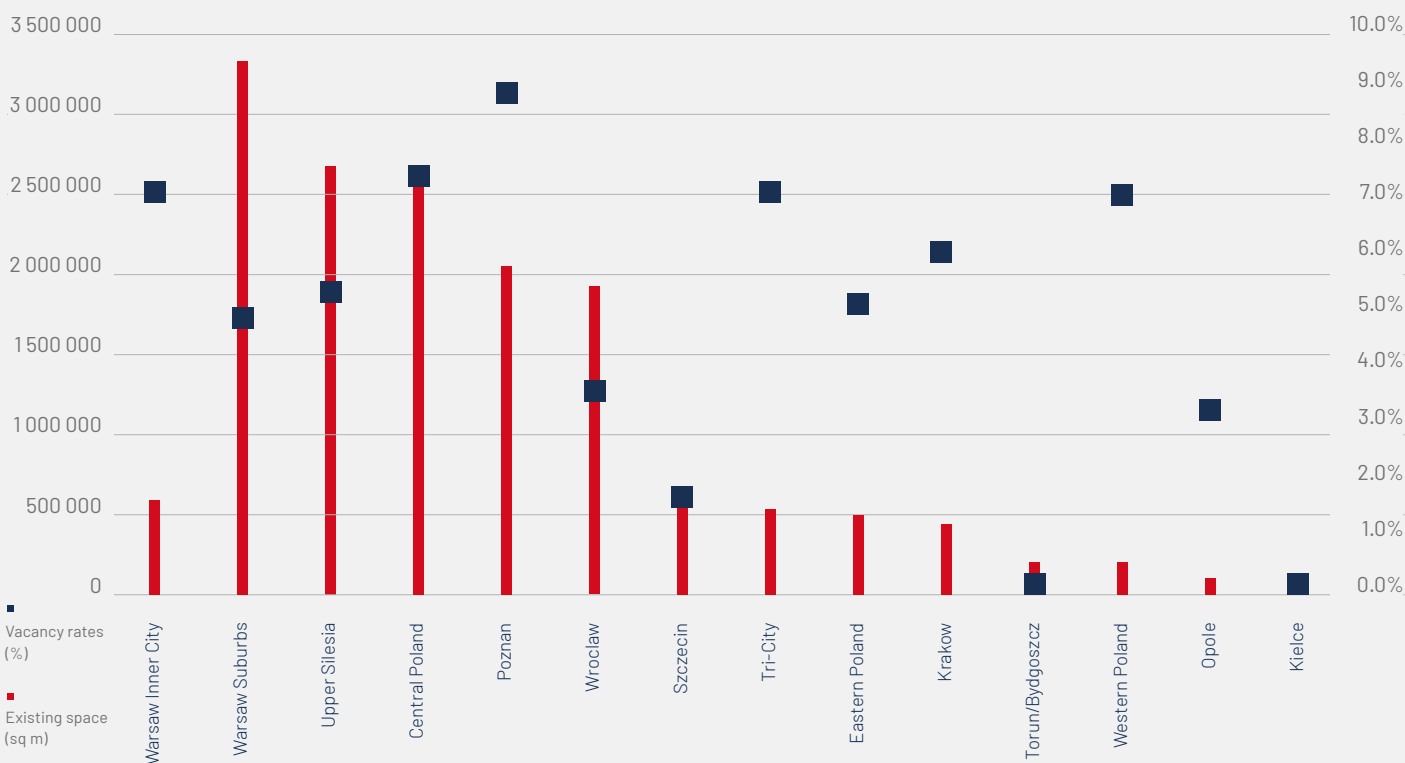
Developers are not slowing down – at the end of March 2019, two million sq m of modern warehouse space was under construction throughout the whole country, of which 54% was in Upper Silesia (561,200 sq m) and Central Poland (526,100 sq m).

As in the case of demand and completed investments, in terms of the volume of space under construction third place was taken by the Wrocław region – at the end of March 2019, 275,000 sq m had been built there. The completed investments brought the total supply of this market in excess of 2.2 million sq m, and it is likely that this year it will overtake the Poznań market.

In Warsaw and its vicinity at the end of March 2019, 172,700 sq m were under construction. Naturally, larger investments are built mainly outside the city – including in Pruszków, Janki and at the Konotopa junction. More than 34,400 sq m are being built in the city, concentrated mainly in typically urban facilities of 10,000 to 15,000 sq m, located predominantly in the western and south-

## Stock and vacancy rate at the end of Q1 2019

Source: AXI IMMO, Q1 2019



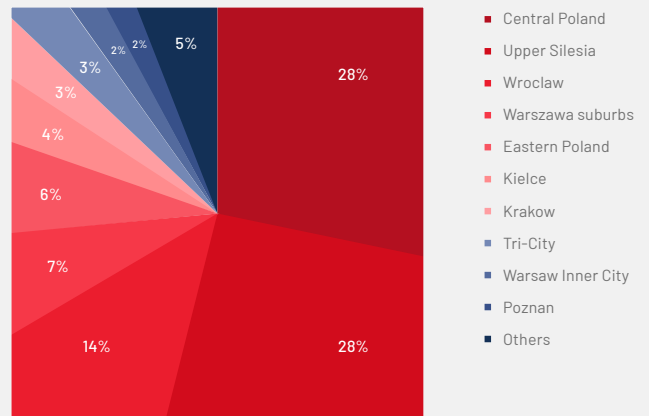
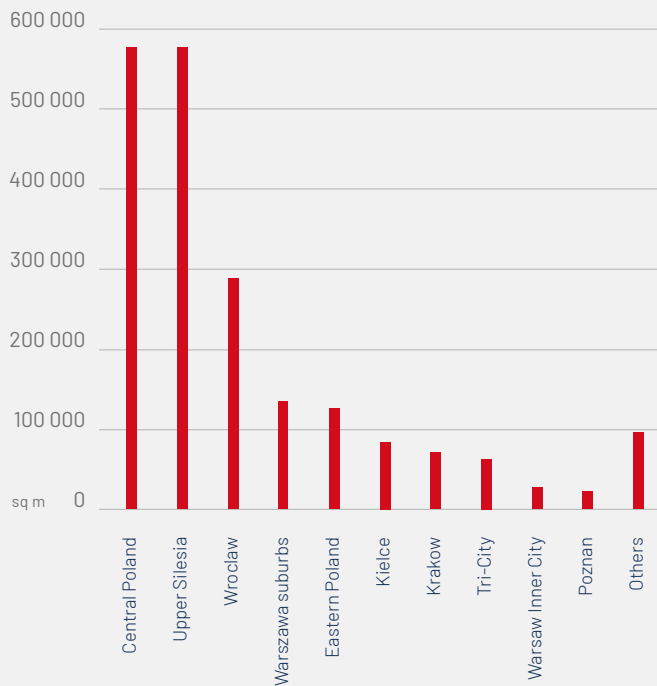
## Selected new projects delivered in Q1 2019

Source: AXI IMMO, Q1 2019

Region	Project/Park	Space in sq m	Developer
Eastern Poland	BTS Zalando	120,450	Hillwood
Wroclaw	Panattoni Wroclaw IX	45,800	Panattoni Europe
Central Poland	Panattoni Central European Hub	44,000	Panattoni Europe
Warsaw Suburbs	Panattoni Warsaw South	38,000	Panattoni Europe
Central Poland	P3 Park Piotrkow	36,700	P3
Central Poland	Hillwood Kutno	34,000	Hillwood
Upper Silesia	Hillwood Zaglenie	19,000	Hillwood
Wroclaw	Prologis Park Wrocław V	16,000	Prologis

## Space under construction in Q1 2019

Source: AXI IMMO, Q1 2019



Among smaller markets, Kielce, where 73,700 sq m of speculative space is being built, stands out. The lion's share of this space, almost 70,000 sq m, is being developed as part of 7R Park Kielce, which is to be completed in 2019. It is also worth paying attention

## Vacancy rate

In the first quarter of 2019, the average vacancy rate was 4.7%, which means a 0.5 p.p. change compared to the end of 2018. The largest increases in vacancy rates over the past quarter were recorded in Central Poland (from 5.3% to 7.2%) and Tri-City (from 4.8% to 6.3%). As in the last quarter of last year, the most free space available

## Rents

The majority of warehouse locations experienced a slight upward trend in rent rates in the past quarter. The largest increases in rents compared to the same period of 2018 were recorded in Wroclaw and Tri-City; however, rates in these regions still do not exceed the market average (respectively 2.70 – 2.90 euro/sq m and 2.60 – 2.90 euro/

to the decline in investments in the Poznan region. 30,700 sq m were under construction at the end of March, while in the same period of the previous year, 96,400 sq m were under construction there.

is in Poznan, which has a vacancy rate of 8.7%. The high vacancy rate in this region is a consequence of the relocation of tenants and the completion of further speculative space over the past few quarters. The vacancy rate is gradually falling in Wroclaw, where over the last 12 months a change from 7.4% to 3% was noted.

sq m). In the first half of 2019, the most attractive rates could be obtained by tenants in the vicinity of Warsaw and Poznan (2.2 – 2.5 euro/sq m). The highest effective rents remain within the administrative boundaries of Warsaw (3.85–4.40 euro/sq m).

### Rents in regions – Q1 2019

Source: AXI IMMO, Q1 2019

Region	Headline rents EUR/sq m/ month	Effective rents EUR/sq m/month	Region	Headline rents EUR/sq m/ month	Effective rents EUR/sq m/month
Warsaw Inner City	4.70 – 5.25	3.85 – 4.40	Tri-City	3.40 – 3.60	2.60 – 2.90
Warszawa Suburbs	3.20 – 3.60	2.20 – 3.10	Krakow	3.40 – 3.60	2.60 – 3.00
Upper Silesia	3.10 – 3.50	2.30 – 2.80	Szczecin	3.50 – 3.65	2.60 – 2.90
Central Poland	3.00 – 3.60	2.20 – 2.70	Bydgoszcz and Torun	3.50 – 3.60	2.60 – 2.90
Poznan	3.10 – 3.60	2.10 – 2.75	Eastern Poland	3.50 – 3.65	2.80 – 3.30
Wroclaw	3.30 – 3.60	2.70 – 2.90	Western Poland	3.50 – 3.60	2.60 – 2.90

# Forecasts

The European Commission's forecasts for Poland's GDP growth in the coming years are positive – with expected GDP growth of 4.2% in 2019, while for next year the forecast is 3.6%. Cause for optimism is also the high share of investments related to the development of the e-commerce sector and the redesigning of supply chains for this sales channel. Growth in Poland is expected even despite the possibility of economic slowdown for other European countries, which may to some extent affect the warehouse real estate market, especially in markets strongly linked to Western countries.

Both developers and tenants are looking for new, attractive locations in terms of road infrastructure and the labour market, due to the lower availability of employees in the main logistics hubs of the country. An example are projects planned in places such as Olsztyn, Rzeszow and Swiebodzin.

In terms of warehouse space availability, large changes will be noticeable especially in Central Poland, where a lot of large-scale investments are underway and the of the relocation of tenants is planned. A natural consequence

of the emergence of a new speculative space and the release of existing modules will create pressure to reduce effective rates for renting warehouse space, especially in older facilities in the region.

In the majority of locations in the country, the following quarters will see a stabilisation or further increase in rental rates. Tenants who terminate lease agreements signed 3-5 years ago must bear in mind that under current market conditions rental rates comparable to their current contracts, especially in new projects, will be difficult to obtain. This is due to the increase in construction costs and the interest in warehouse products among investors. These factors reduce the flexibility that developers have in setting base rates for renting warehouse space.

In the coming months, the investment market will be interested in warehouse products at the current relatively high level. Investors will still focus on prime facilities and well-rented investments in cities.

# Open to change

## 10 years on the commercial real estate market

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