

Report - 2019 Summary

10 Facts about the Polish Warehouse Market



18.6M sqm
Total supply



4M sqm
Gross demand



2.72M sqm
New supply



1.9M sqm
Under construction



6.5%
Vacancy

 50+
Employees

 8
Departments

 13
Prestigious awards

 4
Offices

 430k sqm
Leased industrial space in 2019

 3.2M sqm
Leased space since 2009

 100%
Engagement

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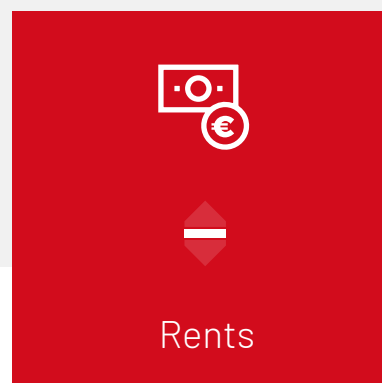
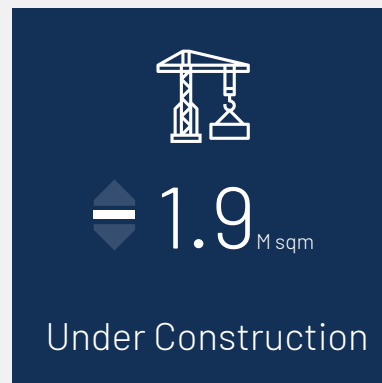
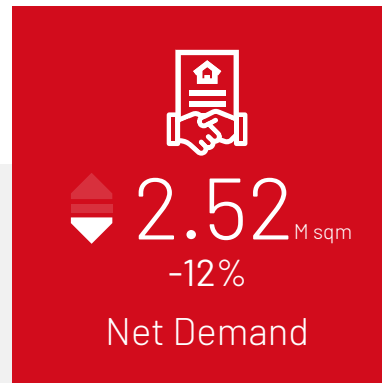
AXI IMMO is one of the largest commercial real estate agencies in Poland. The company with entirely Polish capital each year increases its market share.

AXI IMMO is known for its strong presence in the logistics and industrial sector, but its range of services covers a wide spectrum including leasing of office space, investment transactions, property management services, land acquisition and disposal. AXI IMMO offices are located in Warsaw, Katowice, Lodz and Wroclaw. The team consists of more than 50 specialists from a diverse range of sectors of commercial real estate. AXI IMMO's strength is the inclusion of international service standards combine with reliable and strong local market knowledge.

Our services

-  Industrial
-  BTS projects
-  Investment land
-  Office
-  Investment
-  Asset & Property Management
-  Market research

Industrial Market in Poland - 2019 Overview



Source: AXI IMMO, Q4 2019
*Q4 2019, compared to Q4 2018

- A high level of occupier demand was sustained in 2019, with the annual total at 4M sqm
- A record number of new development projects seen in both the main markets and new locations
- Speculative development reaches almost 50%

1. The Investment Market Dominated by Large BTS sales

In 2019, the volume of investment transactions in the warehouse sector amounted to EUR 1.48 bn. This result was 17% lower compared to the record-breaking 2018, mainly due to extended negotiations which are expected to conclude in 2020. The value of postponed transactions might exceed EUR 1bn. Both European funds and Asian investors are interested

"While 2018 was a year of portfolio transactions, 2019 was dominated by single tenant deals."

in investing in the Polish industrial market. Low availability of product is the ongoing challenge, resulting in a rising number of share deals and transactions closed at a development stage. While 2018 was a year of portfolio transactions, 2019 was dominated by single tenant deals.

The Amazon warehouses in Bolesławiec and Centarl Poland and Zalando in Olsztynek are examples of assets that changed hands. Yields remain on a downward trajectory. The best single warehouse projects trade at under 5%, while multitenant parks in the main logistics locations remain above 6%. However, the best assets in the Warsaw city borders oscillated around 5.5%.



The Largest Investment Transactions in the Warehouse Sector in 2019

Project/Portfolio	Seller	Buyer	Value in EUR
Zalando Lounge Distribution Center	Hillwood	Hines/IGIS AM	85M
Castorama BTS Strykow	Panattoni	Tritax	55M
Amazon Boleslawiec, Amazon Lodz	Invesco	CGL Investment Holdings Corporation	170M
Amazon Wroclaw, Eurocash Konin	Blackstone	Hines/Mirae	130M
BARN Portfolio (Krakow, Tczew, Marki)	7R	GLL Partners	175M

Source: AXI IMMO, Q4 2019

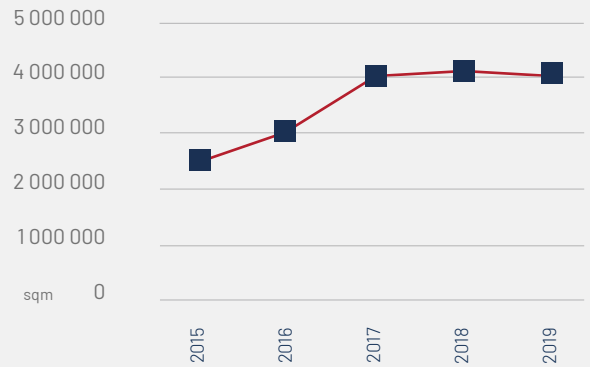
2. Record Take up Three Years in a Row

For the third year in a row, demand in 2019 reached nearly 4M sqm, 67% of which came from new lease agreements. The country's five main logistics and production hubs accounted for 80% of total demand. The largest amount of space was leased in the Warsaw region (1.27M sqm),

"A total of 4M sqm was leased in 2019, 67% of which came from new lease agreements."

followed by Upper Silesia (600,000 sqm), Central Poland and Wrocław (590,000 sqm each). Warsaw also attracted the highest number of new leases.

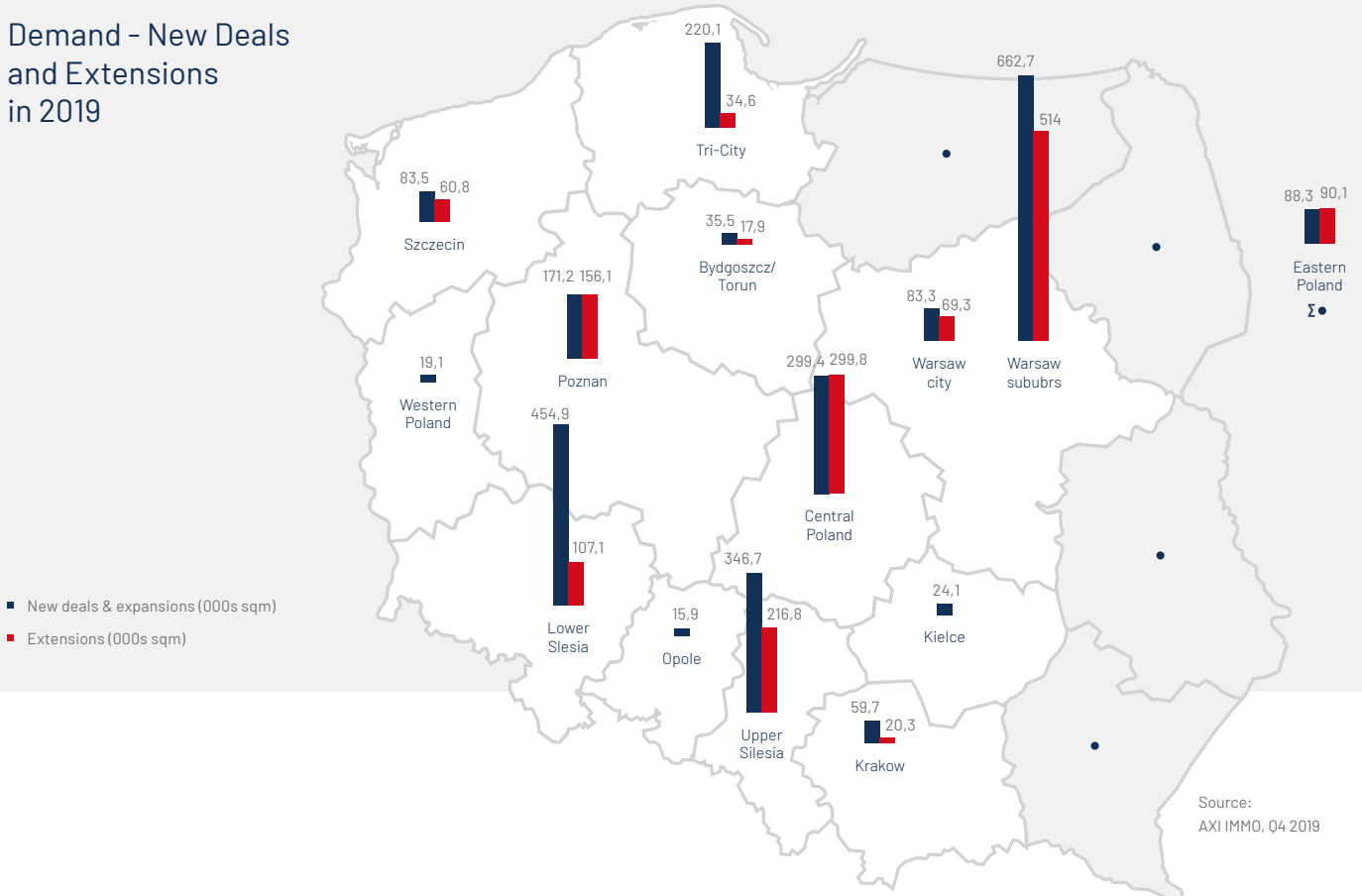
Total Demand for Industrial Space in Poland (2015-2019)



■ Total demand sqm

Source: AXI IMMO, Q4 2019

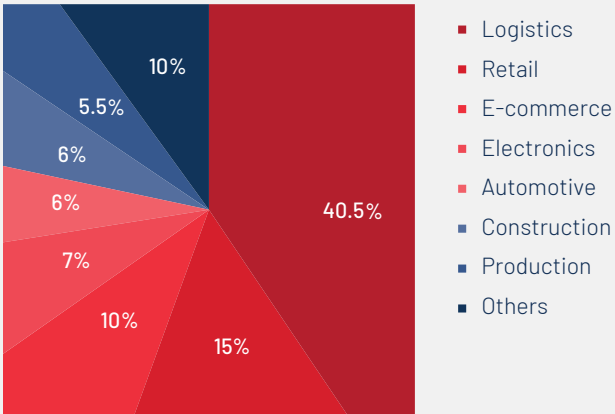
Demand - New Deals and Extensions in 2019



Source: AXI IMMO, Q4 2019

3. The Sector is Growing Thanks to Logistics and E-commerce

Demand by Industry at the end of 2019



Source: AXI IMMO, Q4 2019

The share of logistics operators in total demand remained high at 35-45% throughout 2019 and reached 49% at the end of the year. Logistics operators are taking up additional warehousing space in order to fulfill new contracts but also to adapt their supply chains to new online channels. As a result, there is growing demand for space dedicated to returns, fast-rotating warehouses and regional distribution centres.



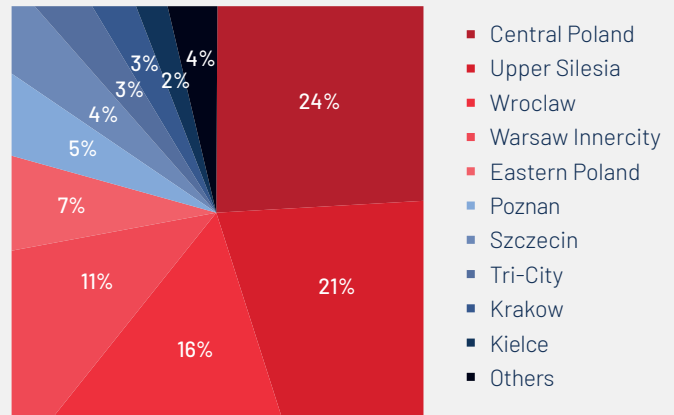
4. Total Supply on Track to Exceed 20M sqm

Last year, developers delivered 2.72M sqm of new warehouse space, which marks a 23% increase on 2018. As a result, total stock of modern warehouse space in Poland exceeded 18.6M sqm at the end of 2019. Most new space was delivered in the Central Poland market (656,000 sqm), followed by Upper Silesia (573,000 sqm) and Lower Silesia (430,000 sqm).

The Polish warehouse market has been growing by an average of over 15% per year.

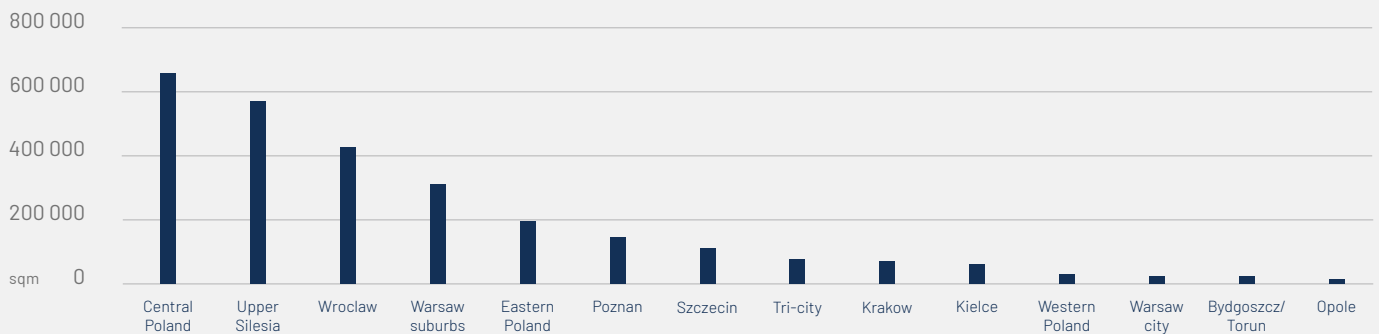
"The Polish warehouse market has been growing by an average of over 15% per year."

Break-down of New Supply by Region - 2019



Source: AXI IMMO, Q4 2019

New Supply by Region in 2019



Source: AXI IMMO, Q4 2019

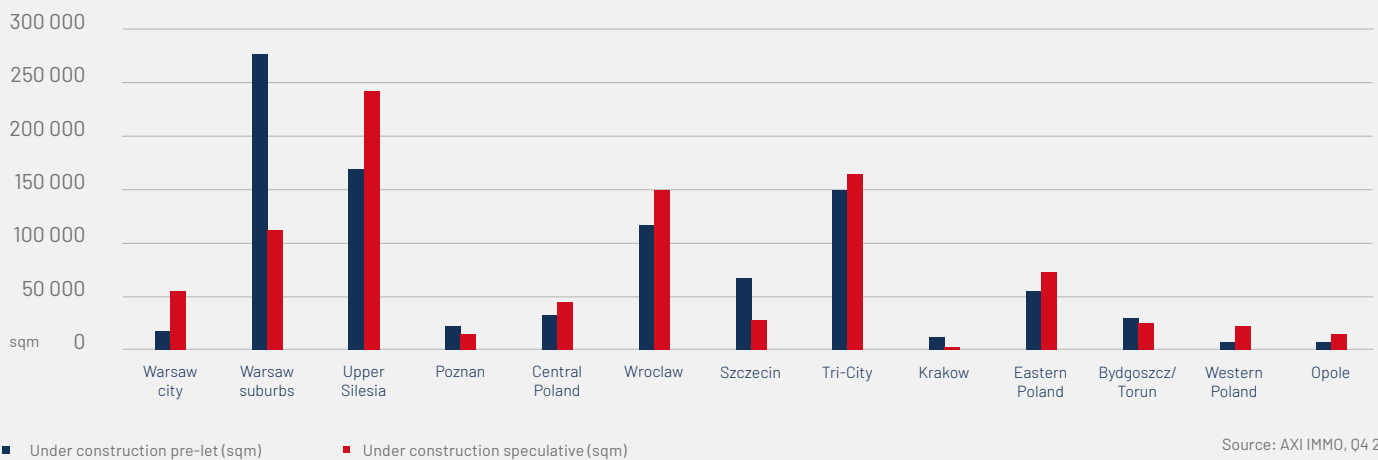


5. Speculative Projects Account for Nearly 50% of New Supply

1.9M sqm was under construction at the end of 2019, most of which is in Upper Silesia (478,000 sqm), followed by the Warsaw region (470,000 sqm) and Lower Silesia (270,000 sqm). It is worth noting that over 260,000 sqm is being built in the Tri-City region, which constitutes a third of the region's

existing supply. Developers are not afraid of speculative projects. The share of speculative investments in total new supply structure fluctuated around 35-45% during the year, finishing the year at 49%.

Industrial Space Under Construction - Leased and Speculative (end of Q4 2019)



6. New Markets with Growing Potential

Besides the five main markets, we observe a steady development of smaller and new locations such as Szczecin, Kielce, Legnica, Gorzow Wielkopolski, Bialystok, Lublin and Olsztyn. Total stock in those markets amounted to 3.3M sqm in 2019, up by 26% compared to 2018. The most significant increase in new supply took place in Warmia-Masuria region, driven by a 120,000 sqm BTS project for Zalando. Take up generated in the new markets exceeded 770,000 sqm, 95% of which was accounted for by new lease agreements.

"Total stock in smaller markets increased by 26% in 2019, reaching 3.3M sqm."

Smaller and New Warehouse Markets

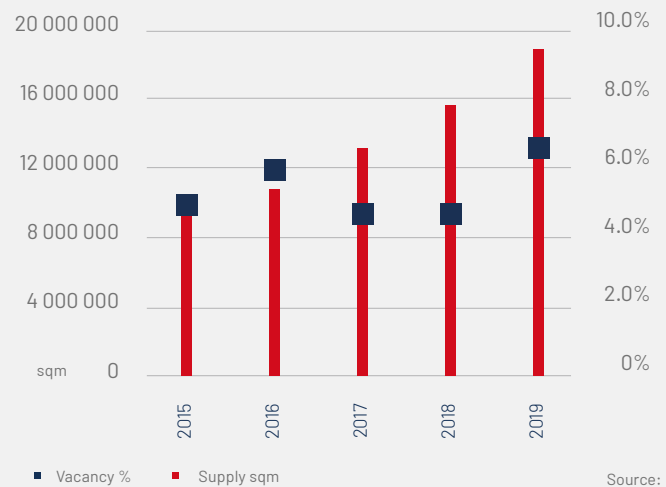


7. Vacancy Rates on an Upward Trend

A high number of speculative development projects combined with tenant relocations have led to a rise in availability.

The vacancy rate increased to 6.5% in 2019, up by 200bps compared to 2018. This marks the most significant rise in vacancy in 5 years and the upward trend is likely to continue in the coming months. The highest vacancy rates were recorded in Central Poland (11.2%) and Upper Silesia (8.2%). In smaller markets, the highest availability was recorded in Bydgoszcz and Torun (8.1%), Tri-City (8.0%) and Krakow (7.5%).

Total Supply and Vacancy in Poland (2015-2019)



8. Rental Growth in H1 Followed by Stable Rents in H2 2019

Headline rates showed an upward trend in the first part of 2019, but stabilized at the end of the year. Average headline rents in big-box facilities fluctuated around EUR 2.90 – 3.80 per sqm, which translated into effective rates of EUR 2.10 to 3.20 per sqm. Still the lowest rents were possible to obtain in the Poznan region and around Warsaw. Warsaw Inner-city remains

the most expensive location, with headline rents fluctuating between EUR 4.90 and 5.50 per sqm. In the coming months, headline rents will remain stable, while effective rents should be under slight downward pressure in regions where vacancy rates are rising.

Rental values in Q4 2019

Market	Headline rents (EUR/sqm/month)	Effective rents (EUR/sqm/month)
Warsaw city	4.90 – 5.50	4.20 – 4.60
Warsaw suburbs	3.30 – 3.80	2.20 – 3.20
Upper Silesia	3.20 – 3.60	2.40 – 2.70
Central Poland	2.90 – 3.70	2.20 – 3.00
Poznan	3.20 – 3.60	2.10 – 2.90
Wroclaw	3.30 – 3.70	2.30 – 3.00

Market	Headline rents (EUR/sqm/month)	Effective rents (EUR/sqm/month)
Tri-City	3.50 – 3.70	2.70 – 3.10
Krakow	3.50 – 3.60	2.50 – 3.00
Szczecin	3.50 – 3.60	2.70 – 3.00
Bydgoszcz/Torun	3.50 – 3.60	2.70 – 3.00
Eastern Poland	3.50 – 3.70	2.60 – 3.00
Western Poland	3.50 – 3.70	2.60 – 3.00

Source: AXI IMMO, Q4 2019

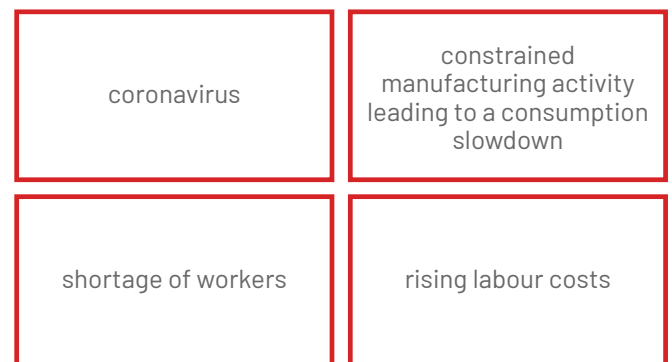
9. The Sector's Growth Depends on E-commerce

The warehouse sector is expected to remain on a stable growth path. The rise of e-commerce and the resulting increase in urban logistics projects will shape the structure of the market in the coming months. Development activity should remain high, albeit with a likely decrease in speculative space under construction. On the occupier side, demand is likely to be driven by smaller transactions related to expansion and reconfiguration of supply chains. Large BTS deals are unlikely to be significant in the near term.



10. Perturbations in the Global Economy will be the Main Challenge for the Sector

The possible decrease in demand for warehouse space will be related to macroeconomic factors. The spread of coronavirus could result in further instances of downtime in supply chains across the world, which would constrain manufacturing activity. Supply constraints could in turn cause a consumption slowdown. Moreover, low availability of workers and rising labour costs will continue to weigh on the sector's growth potential.



Open to change on the commercial real estate market

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