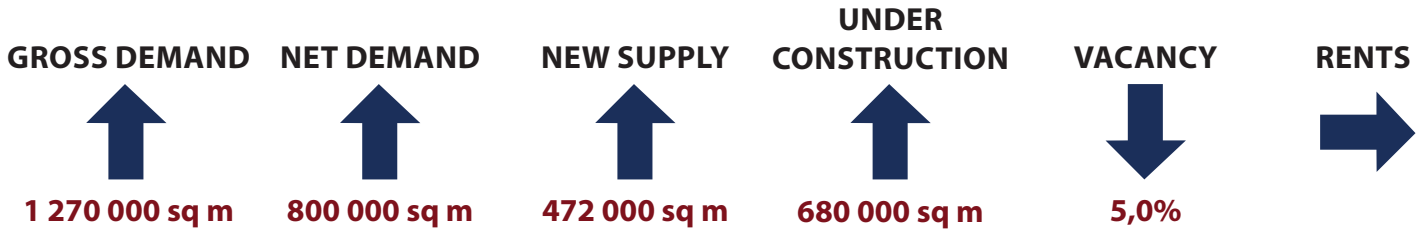




REPORT | INDUSTRIAL MARKET IN H1 2015



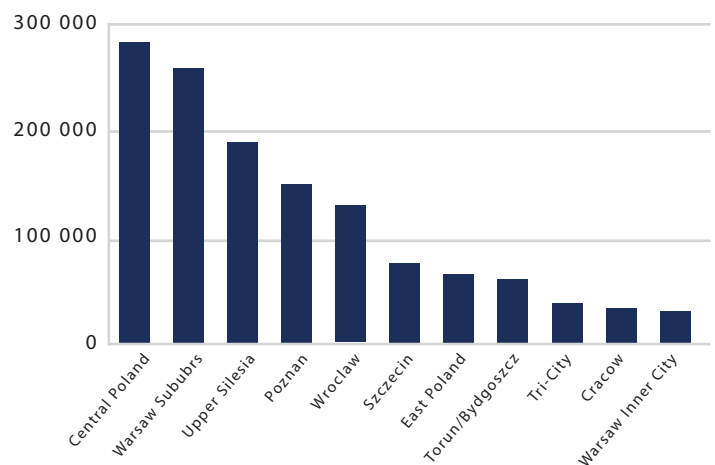
STRONG DEMAND AND A CONSTRUCTION OFFENSIVE BY DEVELOPERS IN THE INDUSTRIAL MARKET

Good macroeconomic results are positively stimulating the development of the storage and production sector in Poland. Strong demand at a level of 1.27 million sq m and falling vacancy rates in all regions are motivating developers to start new investments not only in mature markets, but also in new locations. 680,000 sq m of modern industrial space is currently under construction, of which speculative investments account for 172,000 sq m. Another 100,000 sq m is at the building permit stage.

DEMAND

■ At the end of June, gross demand, i.e. new contracts, expansions and extensions, amounted to 1 270 000 sq m and was about 350,000 sq m higher than in the same period in 2014. 63% of transactions were new leases and expansions of clients' existing locations. The most amount of space, 270,000 sq m, was leased in the region of Central Poland and in Warsaw. The highest net demand, 164,000 sq m was also recorded in Central Poland, followed by the Poznan region and Upper Silesia. Apart from the main regions, there was a visible increase in demand in new markets such as Lublin and Rzeszów, where a total of more than 100,000 sq m was leased.

DEMAND BY REGIONS IN SQ M



Source: AXI IMMO, H1 2015

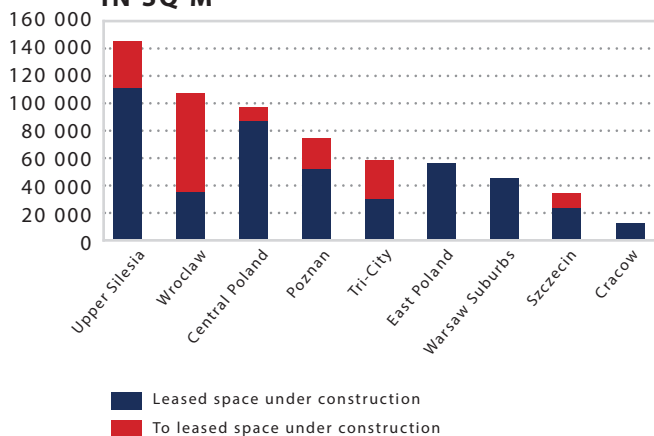
■ In the structure of demand in the first half of the year, logistics operators as usual had the largest share (33%), but it is worth noting that companies from the home&interior and electronics sectors had a higher share than in previous years, with 17% and 13% respectively of total demand recorded. The average size of a leased unit during the period from January to June was 5,400 sq m.

■ Among the largest new leases in the first half of this year, those worthy of mention include 53,000 sq m for Leroy Merlin in Panattoni Park Stryków II, 40,500 sq m for Jysk in Logistic City, 40,000 sq m for BTS TIM in Wrocław implemented by Hillwood, as well as 26,500 sq m for Home24.pl at Prologis Park Poznan II.

SUPPLY

■ In the first half of the year, 472,000 sq m were completed. This is increase in supply by 58% compared to the same period last year. The largest share in new supply was 182,000 sq m in the Poznan region within 5 investments. This is an increase in supply by 58% compared to the same period last year. There is a high level of activity among developers, with more than 680,000 sq m of modern warehouse space under construction, of which over 170,000 sq m is speculative space. Compared with the same period last year, the volume of speculative space is realized is over two times as high. Most of the speculative space under construction is in Wrocław and Upper Silesia (73,000 sq m and 34,000 sq m respectively).

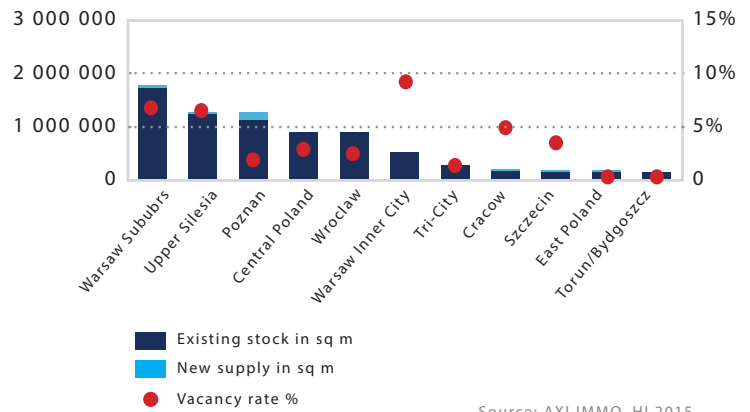
WAREHOUSE UNDER CONSTRUCTION IN SQ M



Source: AXI IMMO, HI 2015

■ The largest projects completed in the first half of the year include BTS projects, as a result of transactions from the second half of 2014 and the BTS project for ITM in Poznan (82,000 sq m), as well as multitenant projects such as Panattoni Park Poznan III (35,000 sq m), Panattoni Park Sosnowiec (20,000 sq m) and SEGRO Business Park Ożarów Warsaw (9,100 sq m) and others.

SUPPLY AND VACANCY RATE IN H1 2015



Source: AXI IMMO, HI 2015

■ In addition to the large number of projects under construction, developers possess secured land for new investments in almost every market. This applies to mature markets such as Warsaw or Poznan, but also new locations such as Bydgoszcz and Lublin.

VACANCY RATE

■ At the end of the second quarter 2015, the vacancy rate was 5%. This is a decrease of 0.7% from the first quarter of this year. In annual terms it has fallen by 5.4%, and historically it is now at its lowest average rate. 480,000 sq m are currently available for lease. Availability in all regions has fallen below 10%. The most amount of free units remain in Warsaw (9.7%) and the surrounding region (9.5%), followed by Upper Silesia. The lowest vacancy rates, below 3%, are in Poznan and Wrocław. However, in Lower Silesia in the coming months, the vacancy rate should increase slightly as a result of the completion of hundreds of thousands of metres of speculative space. It should also be noted that part of the space is occupied under short-term contracts, and is not therefore formally counted as leased space.

RENTS IN REGIONS IN H1 2015 (EUR/SQ M)

REGION	HEADLINE RENT	EFFECTIVE RENT
Warsaw Inner City	4,00 – 5,50	3,40 – 4,80
Warsaw Suburbus	2,50 – 3,70	2,00 – 3,00
Upper Silesia	2,90 – 3,50	2,00 – 2,90
Central Poland	2,20 – 3,60	1,80 – 3,00
Poznan	2,80 – 3,40	2,00 – 2,90
Wrocław	2,90 – 3,50	2,20 – 2,80
Tri-City	2,60 – 3,30	2,35 – 2,90
Szczecin	3,00 – 3,90	2,40 – 3,50
Cracow	3,60 – 4,90	2,80 – 3,40
Torun/Bydgoszcz	2,80 – 3,30	2,20 – 2,80
East Poland	3,10 – 3,90	2,70 – 2,90

Source: AXI IMMO, HI 2015

RENTS

■ In the last six months, rents have remained stable. In subsequent quarters in most markets, transaction rates should remain unchanged, despite the low level of vacant space. We can expect some small increases in Central Poland due to the low availability of space and the lack of speculative investments.

FORECAST

■ In the second half of the year we expect the high level of development activity to remain unchanged. The low vacancy rate will encourage developers to start new investments, and it is possible that some of them will be speculative

projects – mainly in the Warsaw region as well as in new locations after signing pre-let agreements.

■ In terms of demand, the growth trend should continue, mainly through the development of companies already present in the Polish market. The sectors with the greatest potential for growth remain FMCG, electronics and home&interior particularly in the e-commerce sales channel.

■ At current demand and supply growth, especially growth in speculative projects, the vacancy rate should remain stable. Rents are stable with a slight upward trend in selected locations.

SELECTED LEASING TRANSACTIONS IN H1 2015

TENANT	SECTOR	BUILDING	TYPE OF CONTRACT	REGION	SPACE IN SQ M
Leroy Merlin	Home&interior	Panattoni Park Stryków II	New lease BTS	Central Poland	53 000
Jysk	Home&interior	Logistic City	Expansion	Central Poland	40 500
TIM	Electronics	BTS Hillwood	New lease BTS	Wroclaw	40 000
FM Logistic	Logistics	P3 Park Piotrków	Renewal /Expansion	Central Poland	37 000
Flextronics	Electronics	Logicor Łódź II	Renewal	Central Poland	27 000
Home24.pl	Home&interior	Prologis Park Poznań II	New lease	Poznan	26 500
Fiege	Logistics	P3 Park Mszczonów	New lease	Warsaw	17 200
Nowakowski Piekarnie	FMCG	Silesia Logisitc Park	New lease	Upper Silesia	16 600
Nagel	Logistics	Logicor Święcice II	Renewal	Warsaw	15 000
Matras	Bookstores	MLP Pruszków II	New lease/Expansion	Warsaw	14 000
Gefco	Logistics	Prologis Park Wrocław IV	Renewal	Wroclaw	12 500
JAS FBG	Logistics	Panattoni Park Czeladź III	New lease	Upper Silesia	10 600
Mall.pl	E-commerce	Distribution Park Wrocław	New lease	Wroclaw	9 500
Colian Logistic	Logistics	Panattoni Park Wrocław III	New lease	Wroclaw	9 500

Source: AXI IMMO, H1 2015

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