

AT A GLANCE

Q1 2022

INDUSTRIAL AND LOGISTICS MARKET IN POLAND



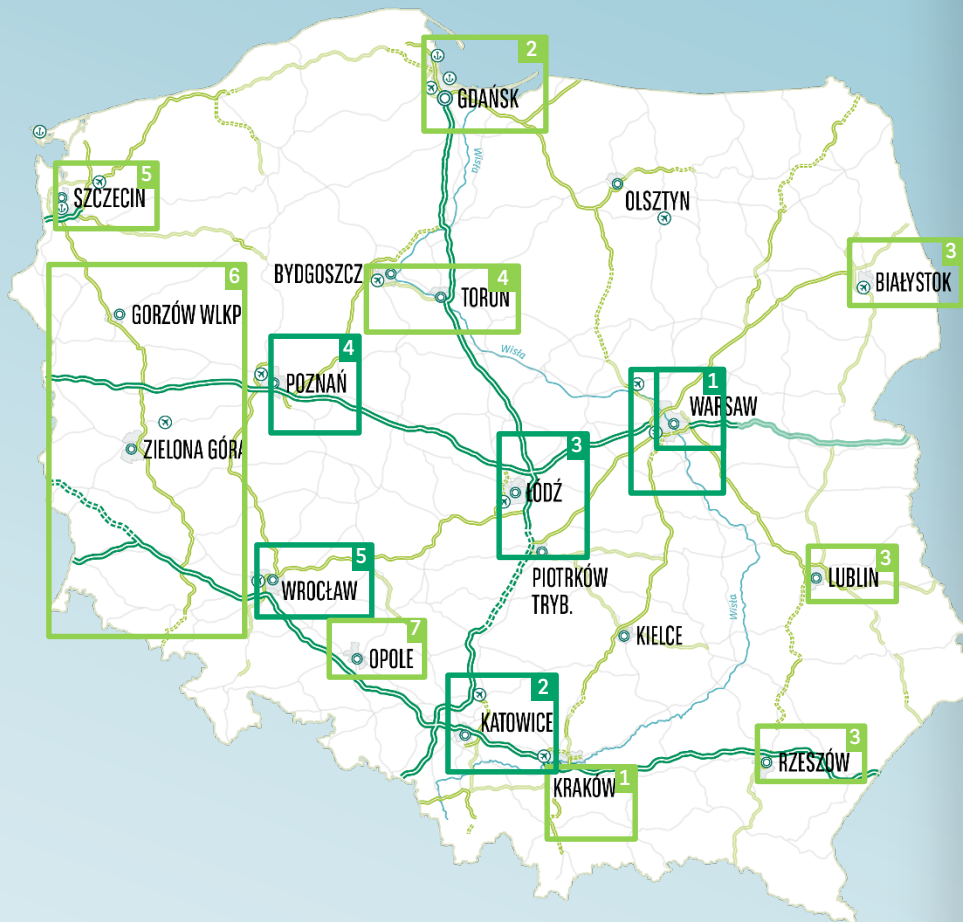
Economic indicators

	GDP growth* (forecast 2022)	3.5%
	CPI Inflation* (forecast 2022)	11.0%
	EUR/PLN (forecast 2022)	4.7%
	Labour cost (2021)	11.5 EUR/h

*quarterly average (% y/y)

Source: BNP Paribas, NBP, Statistics Poland, Eurostat

MAP OF INDUSTRIAL AND LOGISTICS HUBS AND THE ROAD NETWORK



- PRIMARY HUBS:**
1. Warsaw I & II
 2. Upper Silesia
 3. Central Poland
 4. Poznań
 5. Lower Silesia
- SECONDARY HUBS:**
1. Kraków
 2. Tricity
 3. East
 4. Bydgoszcz / Toruń
 5. Szczecin
 6. West
 7. Opole

Source: BNP Paribas Real Estate Poland

Highlights

- 4.8 M sqm are under construction, which means it almost doubled in comparison to the beginning of 2021
- The vacancy rate sets new record – less than 3.3%
- Tenants' activity remains at a constantly high level – gross demand result at 1.5 M sqm (0.7 p.p. less than in Q1 2021)



25.0 M sqm
EXISTING INDUSTRIAL AND LOGISTICS SPACE

1.3 M sqm
NEW SUPPLY Q1

3.3%
AVERAGE VACANCY RATE

0.81 M sqm
VACANT SPACE IN EXISTING SPACE Q1

4.8 M sqm
SPACE UNDER CONSTRUCTION Q1

1.5 M sqm
GROSS DEMAND Q1

1.08 M sqm
NET DEMAND Q1

2.3 M sqm
VACANT SPACE IN SPACE UNDER CONSTRUCTION Q1

3.00-3.75 Big Box
4.50-5.25 SBU
PRIME HEADLINE RENT (EUR/sqm/month)

Source: BNP Paribas Real Estate Poland

Expert comment

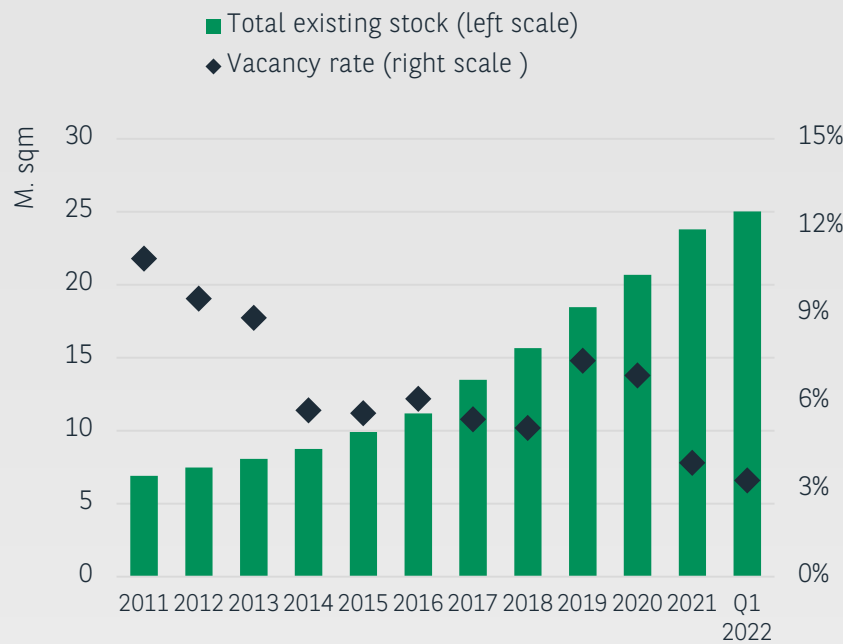


Tomasz Arent
Head of Industrial and Logistics
BNP Paribas Real Estate Poland

The market is looking for new balance

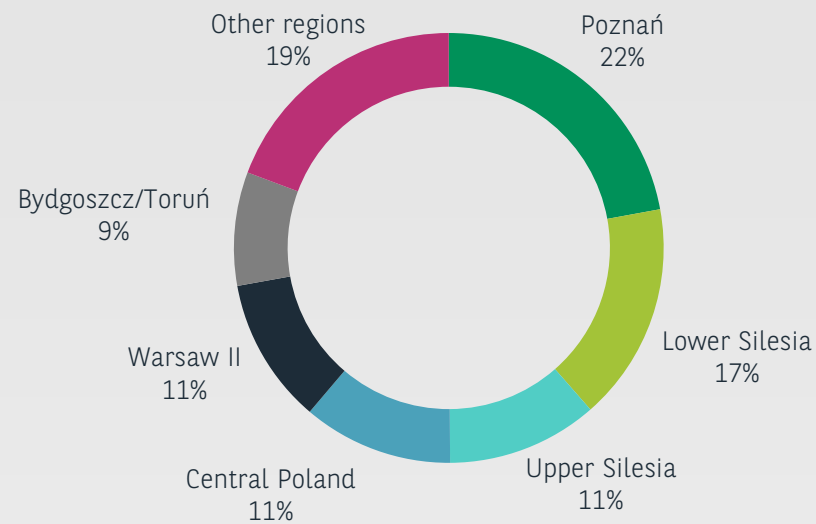
By 24 February 2022, the warehouse market in Poland was as hot as never before in history. After Russia's attack on Ukraine, a lot has changed in many sectors of the economy and now the uncertainty and imbalance in the market can be noticed. The construction costs have been raising for 2 years. Sky rocketing prices of raw materials translate into higher rents, which remained fairly stable until the third quarter of last year, but currently began to grow. Additionally, the PLN / EUR exchange rate remains unstable and unfavorable for the PLN, which may have a negative impact on tenants' demand. On the other hand, companies from Ukraine, Russia or Belarus are considering relocation, as the disruption of supply chains accelerates the trend to move production closer to the destination markets, which can turn to be a positive impulse for further development of the sector. Clearly, the market is at the stage of seeking a balance between post-pandemic challenges and new geopolitical circumstances, which bring new challenges for investors, tenants and developers as well as the opportunities.

Stock and vacancy rate



Source: BNP Paribas Real Estate Poland

New supply



Source: BNP Paribas Real Estate Poland

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Top 3 lease agreements

TENANT	BUILDING	HUB	AREA LEASED (sqm)	TYPE OF LEASE
1 Confidential client	Exeter Park Świebodzin BTS	West	100,000	new
2 Dealz	Hillwood Łowicz Południe	Central Poland	47,700	new
3 Confidential client	Hillwood Słubice II	West	45,500	new

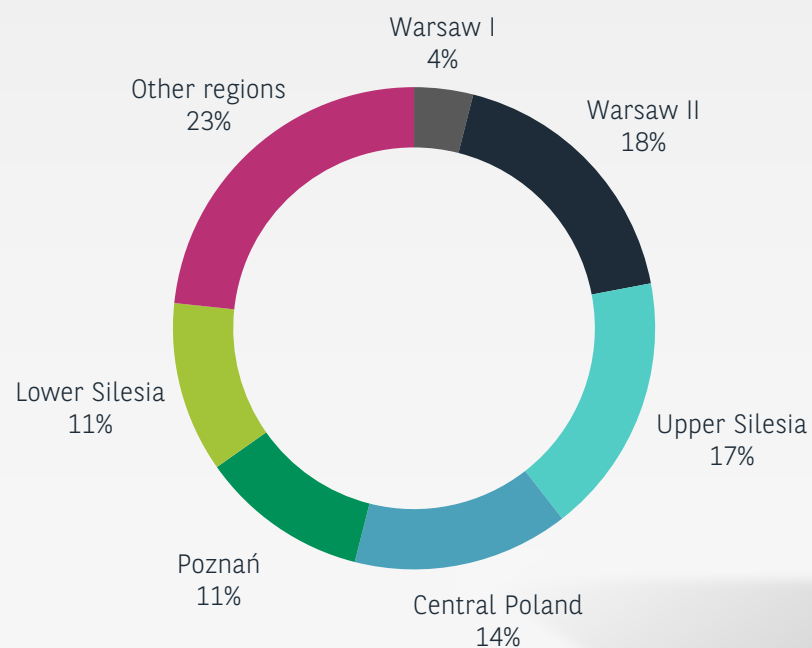
Source: BNP Paribas Real Estate Poland

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In the first quarter of 2022, the total warehouse and logistic in Poland exceeded 25.0 million sqm. This is 3.5 million sqm more than in the previous year.

4.8 million sqm are under construction, which means it almost doubled versus the beginning of 2021, when 2.5 million sqm were under construction. However, the rising construction costs and the limited availability of raw materials imported e.g. from Ukraine and Russia contribute to the extended construction time of a single warehouse. Development projects which started before the invasion are not in danger due to secured construction materials. This will become a challenge for new investments, which creates a risk of a supply gap in the longer run. The more as the vacancy level in the first quarter of 2022 reached record lows, as it stood at 3.3%.

Share of industrial and logistics market by hub



Source: BNP Paribas Real Estate Poland

Expert comment



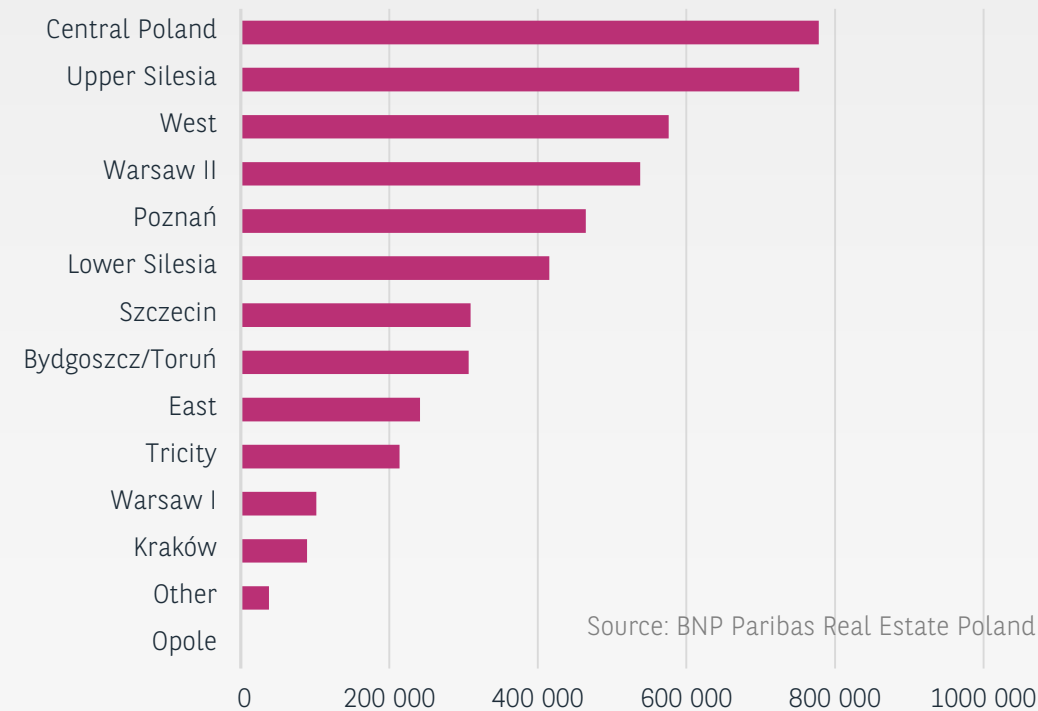
Michał Rdzanek

Associate Director, Industrial and Logistics
BNP Paribas Real Estate Poland

Warehouse market in Poland remains attractive as compared to Europe

Galloping inflation and rising material prices translate into higher rent rates for warehouse space, which, depending on the market, increased by 5-15% over the year, and will continue to increase further. Rent rates in Poland were much lower than in Western European countries and in most Central European countries. Therefore, despite recent increases, they will continue to be competitive. After adding labour costs which, despite the already existing payroll and cost slope, remain lower than in Western countries, Poland's attractive position on the warehouse map of Europe should remain high. Despite the global turbulence, Poland maintains its position of a mature market, which offers good quality of real estate at relatively lower prices compared to Western Europe, providing attractive rates of return on investments in comparison to other countries.

Industrial and logistics space under construction



Source: BNP Paribas Real Estate Poland

The volume of space under construction is currently the highest in history and amounts to more than 4.8 million sqm. 53% of the stock under construction is already secured with lease agreements.

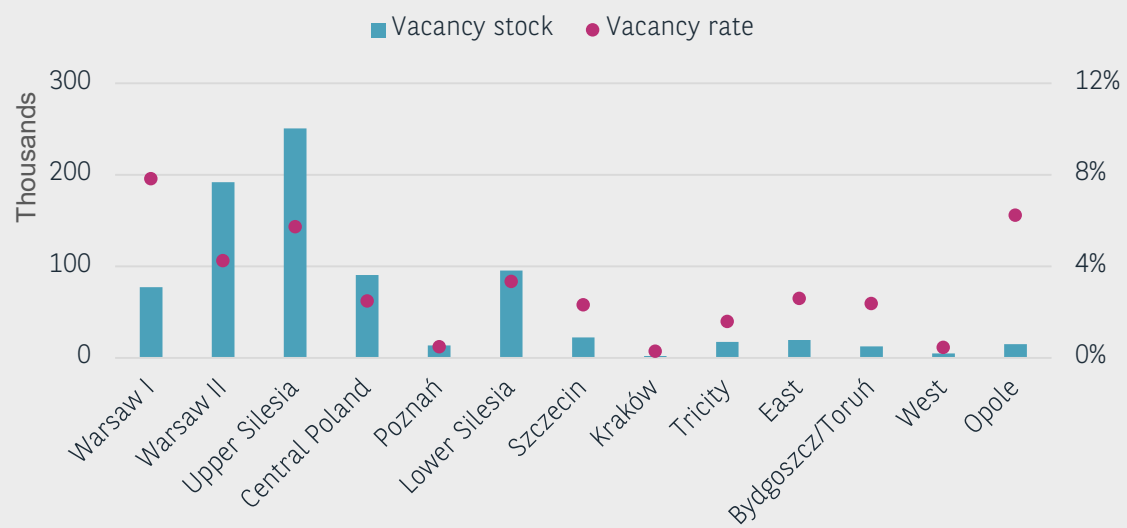
Major schemes under construction

BUILDING	HUB	AREA (sqm)
1 Panattoni Park Zgierz	Central Poland	154,513
2 Panattoni BTS Zalando Bydgoszcz	Bydgoszcz /Toruń	146,000
3 Hillwood Łowicz Południe	Central Poland	112,351

Source: BNP Paribas Real Estate Poland

The sector continues to grow despite the challenge facing environment. However, the pandemic and the war within the territory of Ukraine cause several global problems, such as failure of supply chains and limited availability of raw materials and goods. The consequences of these phenomena will clearly be visible in our Central and Eastern Europe region, including Poland. Demand, supply and investments will be impacted. In the period from January to March 2022, the largest amount of new warehouse space was delivered in the following areas: Poznań (281,400 sqm), Lower Silesia (208,900 sqm) and Upper Silesia (144,500 sqm).

Vacancy rate



Source: BNP Paribas Real Estate Poland

Great interest in industrial and logistics space results

in a record-low vacancy rate. At the end of Q1 2022, it stood at 3.3%, which means a decrease by 3.3 p.p. (y/y) and 0.6 p.p. (q/q).

Absorption*

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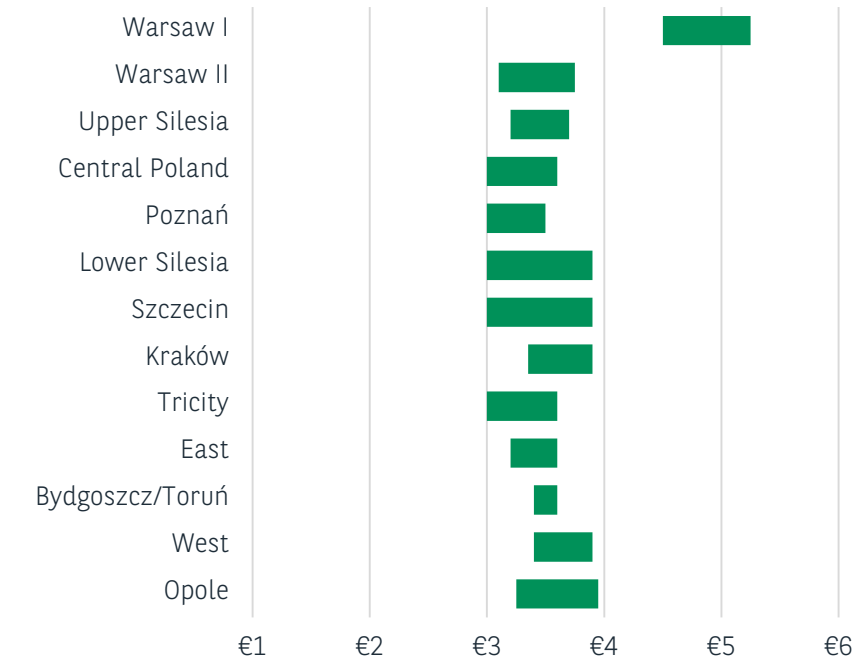
Q1 2022



*Absorption=relationship between vacant space and available space between quarters

Source: BNP Paribas Real Estate Poland

Headline rents by zone (EUR/sqm/mth)

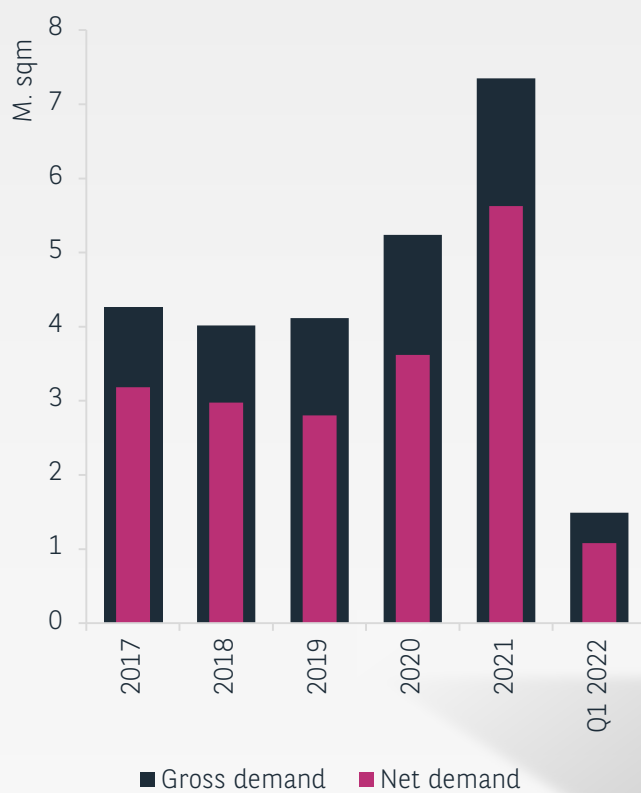


Source: BNP Paribas Real Estate Poland

The rising costs of construction materials on one hand, and high demand on the other one, it all resulted in the increase in average asking rent rates. It is worth mentioning that these remained fairly stable until Q3 2021.

In Q1 2022, average asking rent rates for warehouse space increased by 5-15%, depending on the region. Taking into account various circumstances, they will most likely continue to increase further.

Demand structure



Source: BNP Paribas Real Estate Poland

Expert comment



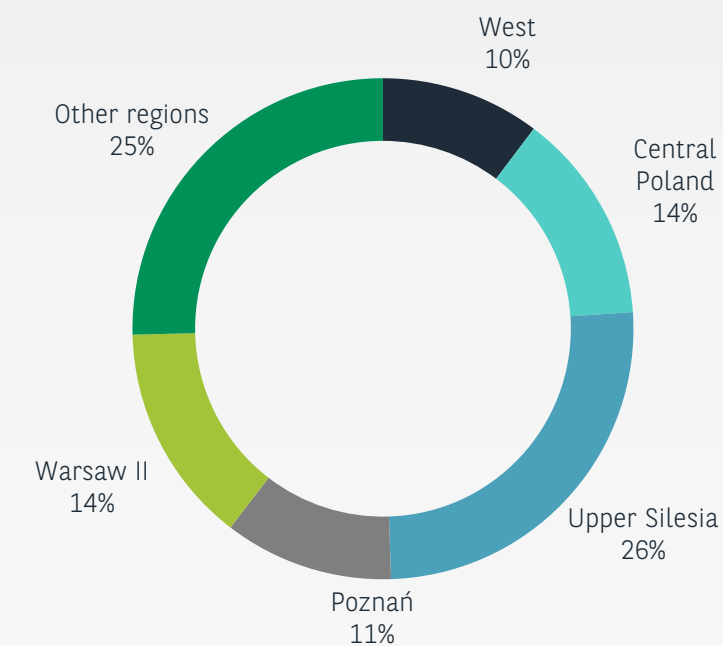
Robert Pawłowski

Director, Industrial and Logistics,
BNP Paribas Real Estate Poland

Demand for warehouse market remains at constantly high level in Q1 2022

Gross demand for warehouse space remained high in the first quarter of 2022, despite the uncertainty which was brought in into our region by war in the territory of Ukraine, amounting to almost 1.5 million sqm, being only 108,000 sqm less than in the corresponding period of the previous year. This will continue in the following months, due to, among others, possible relocations of companies from Ukraine, Belarus or Russia or the still strong dynamics of growth in the e-commerce segment. Online sales in Poland are growing – customers who started buying on the internet in the pandemic have maintained this habit, which drives the development of the infrastructure necessary to efficiently handle the growing number of orders. The restrictions related to COVID-19 in China cause further disruptions in production and logistics – the ordered goods will reach Poland and Europe with a delay. Companies that have recently experienced "black swans" implement tailored purchasing and logistics strategies. This means increasing stocks in warehouses to protect against further disruptions in supply chains, thus fueling the demand for warehouse space in the coming months.

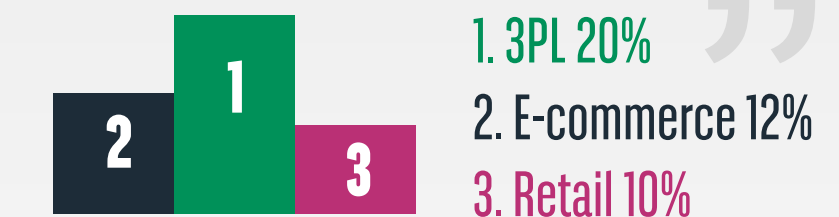
Gross demand by hub



Source: BNP Paribas Real Estate Poland

Top 3 tenant sectors

(by share in the gross demand)



In Q1 2022, the most active tenants were Third Party Logistics (3PL) operators, companies from the commercial sector and production companies, who jointly accounted for more than 42% of gross demand in the analysed period.

7R sold a portfolio of several projects to the CTP Group. It comprises of investments in both the implementation phase, including: in Warsaw and Katowice, as well as in the pre-development phase.

There is a growing interest in **brownfield** land as an alternative to the shrinking space available for warehouses.



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AUTHOR

Klaudia Okoń

Consultant
Business Intelligence Hub & Consultancy
klaudia.okon@realestate.bnpparibas

Małgorzata Fibakiewicz, MRICS

Head of Business Intelligence Hub & Consultancy
malgorzata.fibakiewicz@realestate.bnpparibas

CONTACT DETAILS

Tomasz Arent

Head of Industrial and Logistics
tomasz.arent@realestate.bnpparibas

Robert Pawłowski

Director, Industrial and Logistics Department
robert.pawlowski@realestate.bnpparibas

Erik Drukker

President of the Board
erik.drukker@realestate.bnpparibas

Michał Pszkit

Head of Property Management
Member of the Board
michal.pszkit@realestate.bnpparibas

Mateusz Skubiszewski, MRICS

Head of Capital Markets Poland
mateusz.skubiszewski@realestate.bnpparibas

Izabela Mucha, MRICS

Head of Valuation
izabela.mucha@realestate.bnpparibas

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**BNP Paribas Real Estate
Poland Sp. z o.o.**

ul. Grzybowska 78,
00-844 Warsaw
Tel. +48 22 653 44 00
www.realestate.bnpparibas.pl