

AT A GLANCE

Q4 2022

INDUSTRIAL AND LOGISTICS MARKET IN POLAND



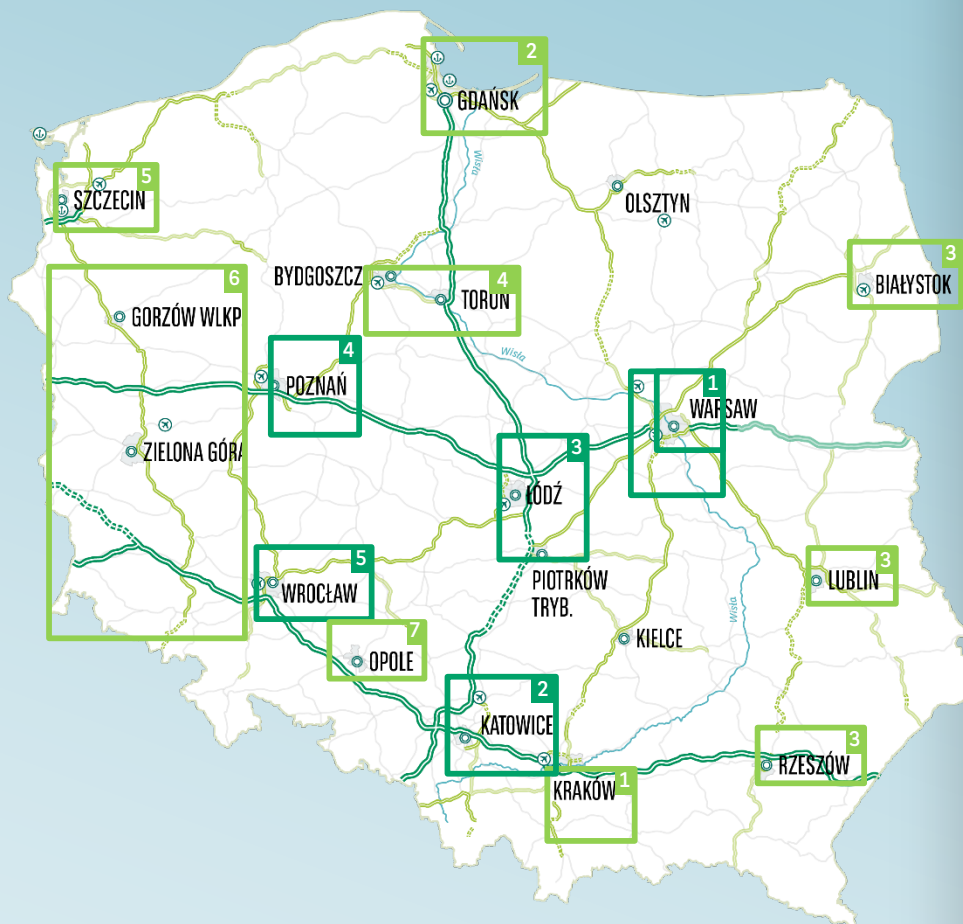
Economic forecast indicators 2023

	GDP growth	0.0%
	CPI Inflation	14.5%
	EUR/PLN	4.70%
	Labour cost ⁽²⁰²¹⁾	11.5 EUR/h

*quarterly average (% y/y)

Source: BNP Paribas as of the end of December 2022, NBP, Statistics Poland, Eurostat

MAP OF INDUSTRIAL AND LOGISTICS HUBS AND THE ROAD NETWORK

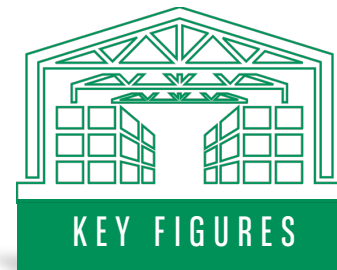


- PRIMARY HUBS:**
1. Warsaw I & II
 2. Upper Silesia
 3. Central Poland
 4. Poznań
 5. Lower Silesia
- SECONDARY HUBS:**
1. Kraków
 2. Tricity
 3. East
 4. Bydgoszcz / Toruń
 5. Szczecin
 6. West
 7. Opole

Source: BNP Paribas Real Estate Poland

Highlights

- At the end of 2022, Poland's warehouse stock was over 28 million sqm
- Gross take-up hit 6.7 million sqm in 2022, just 9 pp shy of the level posted in the peak year 2021
- Rents continue to trend upwards
- Subletting – a new trend on the industrial market
- Brownfields as an alternative for warehouse developers



28.3 M sqm
EXISTING INDUSTRIAL AND LOGISTICS SPACE

0.8 M sqm
NEW SUPPLY Q4

4.1%
AVERAGE VACANCY RATE

1.1 M sqm
VACANT SPACE IN EXISTING SPACE Q4

3.4 M sqm
SPACE UNDER CONSTRUCTION Q4

1.5 M sqm
GROSS DEMAND Q4

0.9 M sqm
NET DEMAND Q4

Source: BNP Paribas Real Estate Poland

1.56 M sqm
VACANT SPACE IN SPACE UNDER CONSTRUCTION Q4

3.50-5.50 Big Box
4.50-6.75 SBU
PRIME HEADLINE RENT (EUR/sqm/month)

Expert comment

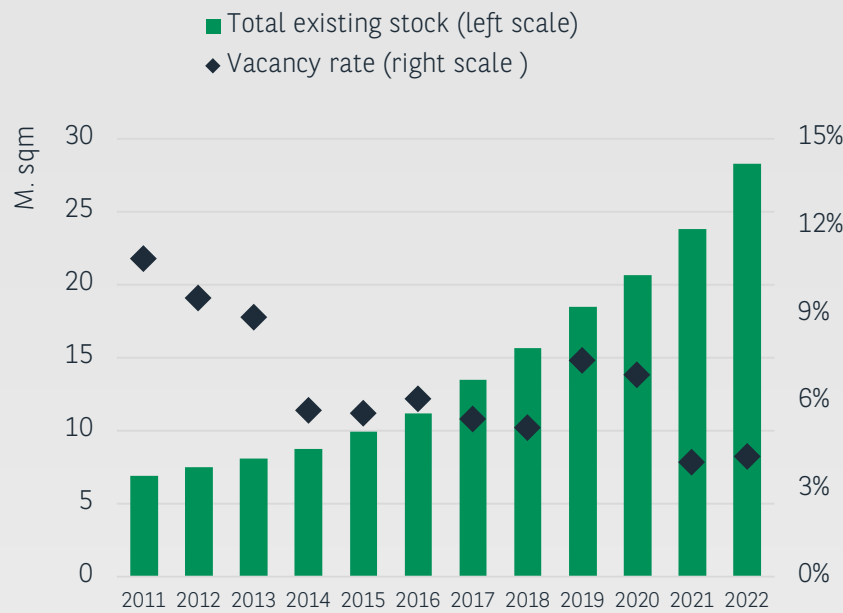


Tomasz Arent
Head of Industrial and Logistics
BNP Paribas Real Estate Poland

Industrial market remains stable

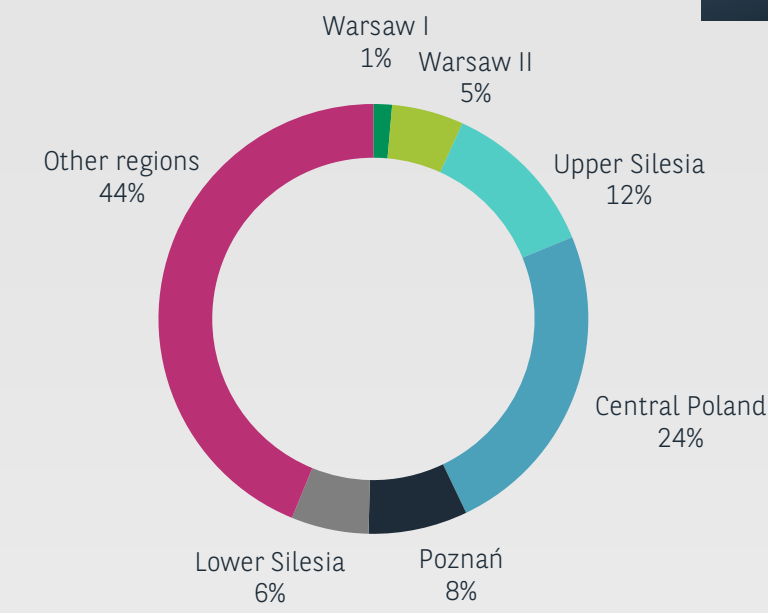
The latest data for 2022 shows that the Polish industrial market continued on its stable growth path last year. New completions for the first three quarters amounted to over 1 million sqm. Despite a recent slowdown in development activity, Poland's total industrial stock is expected to surpass the 30 million sqm mark in early 2023. Supply levels remained healthy amid relatively substantial demand. Although net take-up fell to over 4.4 million sqm from the record high of 5.6 million sqm in 2021, occupier activity was still strong. However, its structure changed due to the current economic conditions. E-commerce, which has been the main driving force for the industrial market's growth in recent years, is reporting a slightly weaker demand due to high inflation and the falling purchasing power of consumers. Instead, the industrial market is being increasingly driven by manufacturing companies moving production and order picking to warehouses.

Stock and vacancy rate



Source: BNP Paribas Real Estate Poland

New supply



Source: BNP Paribas Real Estate Poland

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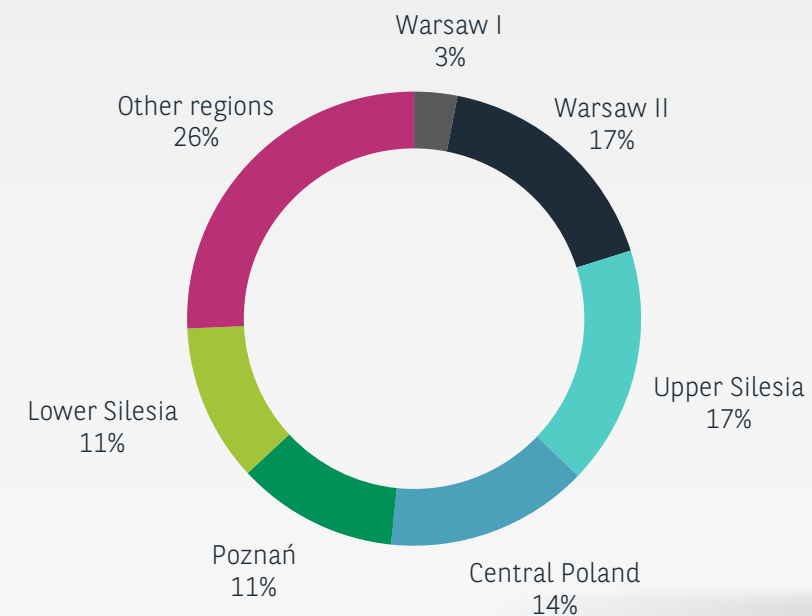
Top 3 lease agreements

TENANT	BUILDING	HUB	AREA LEASED (sqm)	TYPE OF LEASE
1 Confidential	Mountpark Wrocław	Lower Silesia	83,000	new
2 Confidential	P3 Piotrków	Central Poland	60,878	renewal
3 Sistema	GLP Tychy Logistics Centre (Sistema)	Upper Silesia	60,479	renewal

Source: BNP Paribas Real Estate Poland

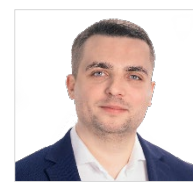
In the last quarter of 2022, the Polish warehouse, logistics and industrial market expanded by approximately 0.8 million sqm, a decrease of around 30 pp on Q3 2022. Developers have become more cautious, favouring prime locations for new projects and expecting over half of a project's lettable space to be pre-let before commencing construction. Poland, which continues to offer lower operating costs, remains one of the most attractive destinations for industrial and logistics investment. With warehouse rents, electricity and labour costs in Poland being among the lowest in Europe, Poland's overall vacancy rate remains low – it stood at 4.1% at the end of 2022. Half of the country's industrial hubs saw their vacancy rates fall over the last quarter, but the largest downward movement of 1.9 pp was in Tricity. Five hubs reported higher vacancy rates (the largest increase of 2.4 pp was in the East), with the remaining two (Poznań and Opole) witnessing no change.

Share of industrial and logistics market by hub



Source: BNP Paribas Real Estate Poland

Expert comment



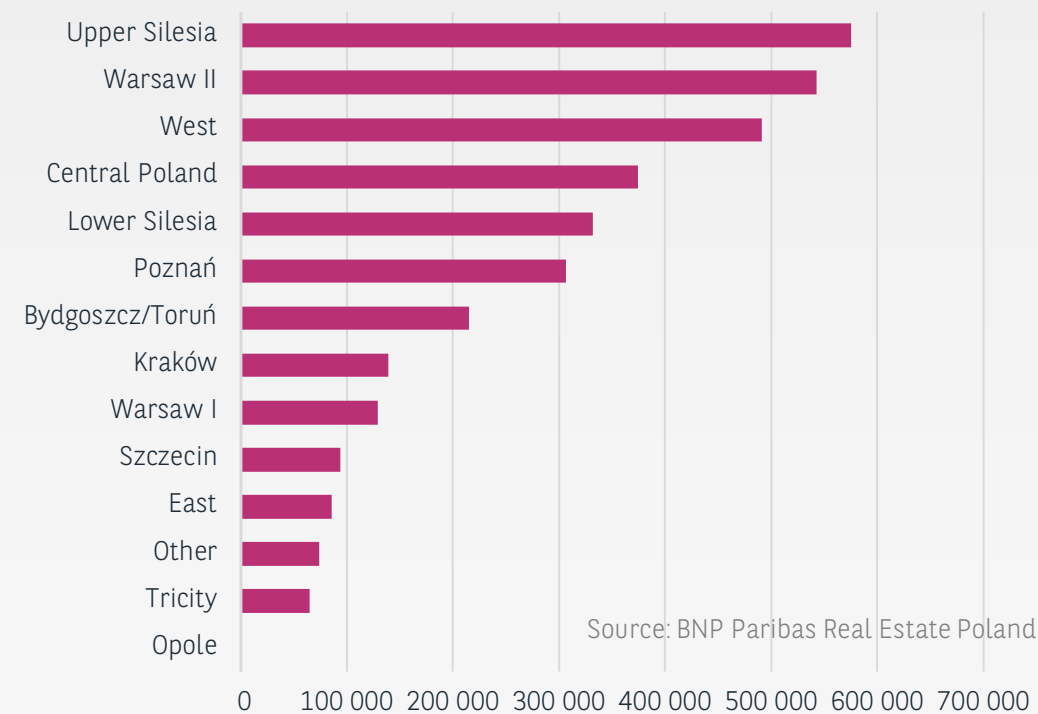
Wojciech Nowicki

Director, Industrial and Logistics
BNP Paribas Real Estate Poland

Subleases on the industrial market

How do tenants manage surplus unoccupied space in warehouses leased for several years? Subletting is one of the most popular options – this trend is increasingly gaining attraction on the Polish market. Its biggest advantage is flexibility in virtually all respects. Subtenants can easily negotiate a short-term lease with an option to terminate at any time. Potential subtenants may include companies that are not willing to sign a long-term lease directly with a warehouse landlord and start-ups that closely monitor the first months of their operations with a view to quick growth. Major challenges associated with subletting include designating a separate warehouse unit for a subtenant and providing its employees with a separate access to social and office space.

Industrial and logistics space under construction



Source: BNP Paribas Real Estate Poland

Development activity remains strong, with over 3.4 million sqm under construction at the end of 2022 and pre-lets averaging over 50%, on a par with the rate for the whole of 2022.

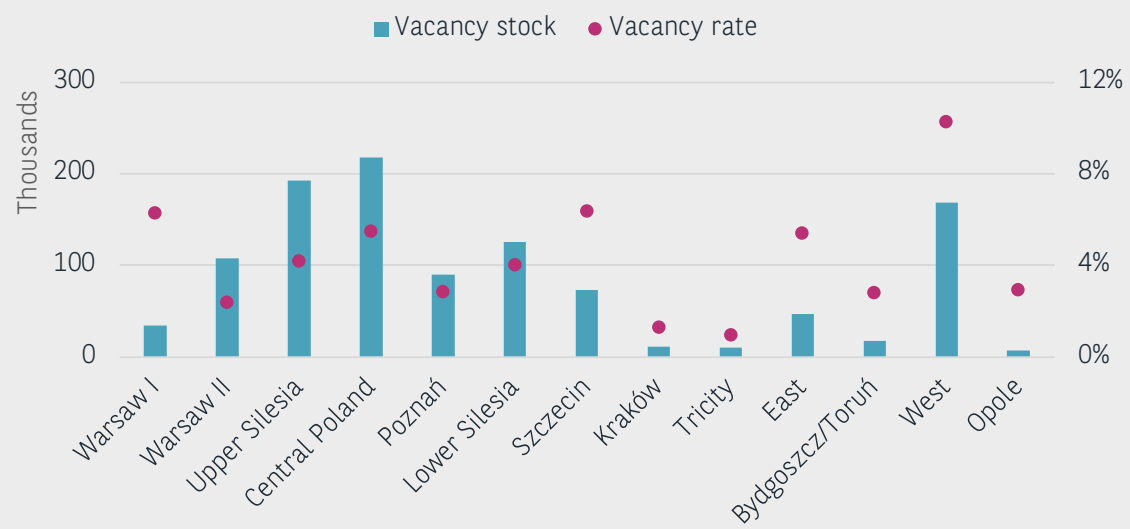
Major schemes under construction

BUILDING	HUB	AREA (sqm)
1 Panattoni BTS Zalando Bydgoszcz	Bydgoszcz /Toruń	146,000
2 Panattoni Park Wrocław Logistics South Hub	Lower Silesia	125,000
3 CTPark Iłowa	West	111,300

Source: BNP Paribas Real Estate Poland

As at the end of 2022, over 3.4 million sqm of warehouse, logistics and industrial space was under construction, down by around 590,000 sqm compared to Q3 2022. The highest concentration of development activity in October-December 2022 was in Upper Silesia (575,000 sqm), Warsaw II (542,000 sqm) and the West (491,000 sqm). Meanwhile, the largest volumes of new warehouse space added to the market in Q4 2022 were recorded in the West (214,400 sqm), Central Poland (197,700 sqm) and Upper Silesia (98,400 sqm).

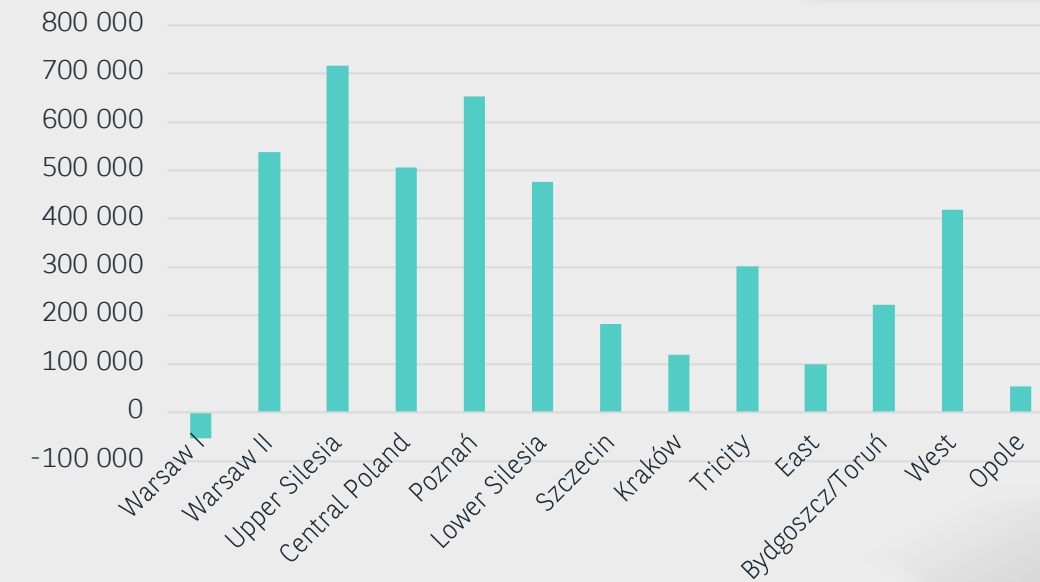
Vacancy rate



Source: BNP Paribas Real Estate Poland

Absorption*

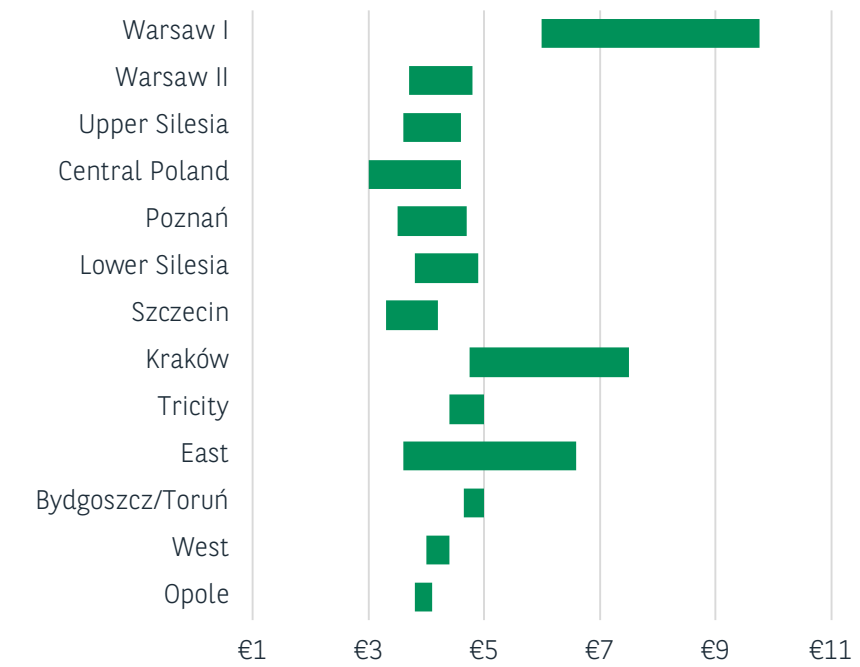
AT A GLANCE Q4 2022



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

Source: BNP Paribas Real Estate Poland

Headline rents by zone (EUR/sqm/mth)

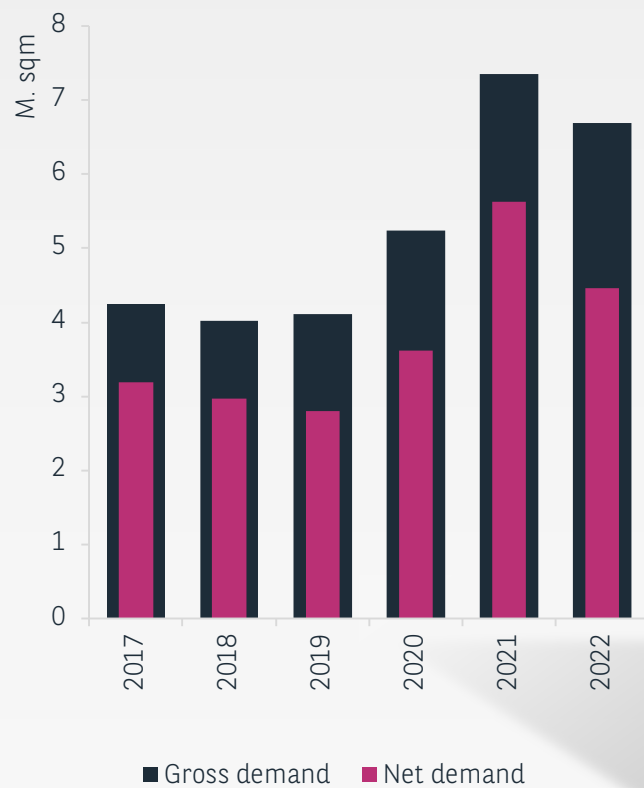


Source: BNP Paribas Real Estate Poland

Elevated development financing costs and lower warehouse supply volumes are expected to accelerate the growth in asking rents in the coming quarters. At the same time, rising service charges will see both developers and tenants shift their focus to greener solutions, including photovoltaics, greywater recycling and LEDs which will help generate real savings in the longer term.

Despite the high development pipeline, strong occupier demand for industrial and logistics keeps vacancy rates low. As at the end of Q4 2022, Poland's overall vacancy rate was 4.1%, unchanged since Q3 2022.

Demand structure



Source: BNP Paribas Real Estate Poland

Expert comment



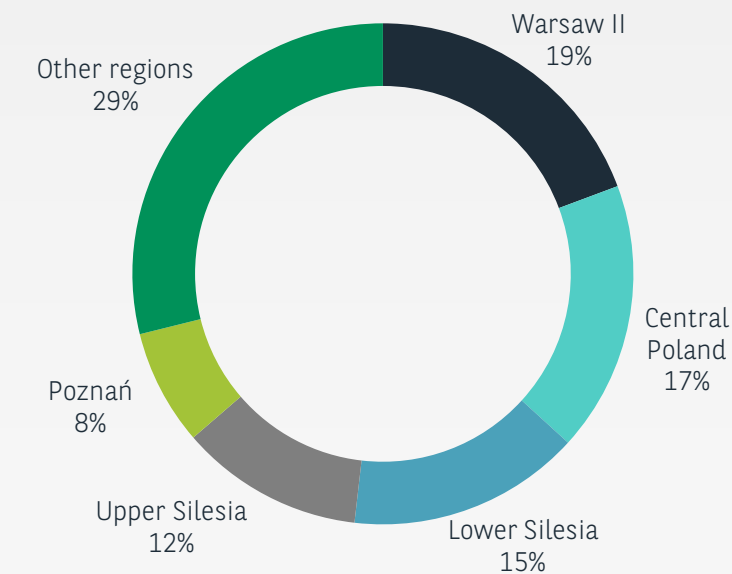
Piotr Załęski

Associate Director, Industrial and Logistics,
BNP Paribas Real Estate Poland

Land is scarce. Brownfield sites as an alternative for developers

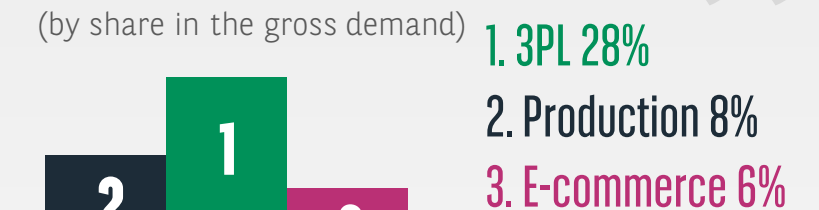
Warehouse development in brownfields is gathering pace. Such projects, however, are more challenging and complicated, and take more time and money. That said, brownfield sites are a great alternative for developers wherever they are facing a shortage of suitable land. Vacant land within the administrative borders of cities is increasingly scarce and available plots tend to be allocated mostly for residential developments, public buildings or placemaking projects. To meet the demand for the fastest possible delivery to customers, warehouse developers need urban depots in well-connected locations. This model of operation has been embraced mainly by such sectors as e-commerce, FMCG and catering. Brownfield sites have many advantages – most are well-located close to roads and key transport nodes, and they usually have the necessary utility connections. Brownfield projects will, however, require investors to invest more time and money. This trend has been spearheaded in Poland by Panattoni Europe, which says that brownfield developments make up to 45% of its European portfolio. Brownfield projects are also developed by Hillwood, 7R, MLP and P3.

Gross demand by hub



Source: BNP Paribas Real Estate Poland

Top 3 tenant sectors Q4



In Q4 2022, the most active sectors were 3PLs (Third Party Logistics), manufacturing and e-commerce, which together accounted for over 42% of the gross take-up in the last three months of the year.

DHL eCommerce Solutions and Cainiao Network, the logistics arm of the Alibaba Group, will invest EUR 60M in building a network of parcel lockers in Poland which is expected to be one of the largest in the country.

DSV is building a big-box facility near Warsaw, its first green warehouse of many planned.



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