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.
As at the end of 2022, over 3.4 million sqm of warehouse, logistics and industrial space was under construction, a decrease of around 300,000 sqm 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.

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.
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.

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.

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.

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.

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

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.