New trends on the Polish warehouse and logistics market. BNP Paribas Real Estate Poland reviews Q3 2015.

According to the latest report by BNP Paribas Real Estate Poland entitled *At a Glance Q3 2015; Polish industrial and logistics market*, at the end of September 2015 the total stock of warehouse and logistics space in Poland reached over 9.75 million sq m, indicating a 5% growth as compared to Q3 2014 and a 15% increase y/y. The new supply in the first three quarters of the year reached 830 000 sq m, with further 750 000 under construction to be completed over the next six months.

The vacancy rate increased marginally by 0.2 p.p. to 5.8%, mainly due to the substantial increase of new completions of approximately 420 000 sq m. It should be noted that the bulk of space currently under construction has been pre-leased or is delivered as built-to-suit schemes, therefore the rise in the vacancy rate constitutes only a short-term market fluctuation.

Investor interest in the industrial and logistics sector remains very high, which translates into yield compression of 0.5 bps y/y, now reaching 7%.

“Despite the high volume of investor interest, the insufficient availability on the market of high quality assets results in a drop in the value of transactions completed as compared to last year. Only six transactions were completed between January and September 2015, totalling at €247 million. If this trend continues, the volume of transactions completed will be lower by almost one third as compared to 2014.” – comments Anna Staniszewska, Head of Research & Consultancy, BNP Paribas Real Estate Poland.

Provided that all of the pipeline investment deals are completed as planned, the year-end volume could reach approximately €500 million, a result lower by 28% as compared to the record year of 2014, when the volume of investments in the industrial sector reached €700 million.

Rents have remained stable over the last few years and the situation is unlikely to change in the short-to medium-term

“The industrial and logistics market continues with its positive upward trend. At the same time, we are observing certain interesting trends that are taking place in each of the logistics regions. A few to name are construction of logistics parks in new locations such as: Grodzisk Mazowiecki, Bydgoszcz, Września; growing interest in the Poznań region, Central Poland, Wrocław and Szczecin on the part of foreign e-commerce players; stable continued growth of the smaller Rzeszów, Lublin and Szczecin markets as well as the willingness to consolidate warehouses and industrial facilities displayed by tenants providing their services across the CEE region. The significant investor interest in terms of purchasing logistics parks and facilities throughout Poland will lead to the emergence of new developers and effectively to a greater diversity on the market.” – comments Katarzyna Pyś - Fabiańczyk, Head of the Industrial and Logistics Department, BNP Paribas Real Estate Poland.

The largest market in terms of the actual size continues to be the Warsaw I and II Hub (covering an area within a 50 km radius from the city boundaries), despite the fact that its market share has decreased from 33% at the end of Q3 2014 to 30% at the end of September 2015. This particular hub retained its leading position on the market due to the critical mass of the Warsaw agglomeration, its central location in Poland and the convenient transportation links with other parts of the country as well as Europe.

The Upper Silesian Hub retained its position as the second largest industrial and logistics market, holding a 17% market share in terms of total stock. The region benefits from its excellent transportation...
network, in particular due to the proximity of the A4 and A1 motorway junction, contributing to its attractiveness. The proximity to the southern and western borders of Poland, as well as a substantial manufacturing base and large consumer market, also play a significant role for both landlords as well as occupiers present there.

Additionally, the Poznań Hub also retained its position in the top three, with its warehouse and logistics stock estimated at 1.45 million sq m and will grow further by 48,700 sq m of space currently under construction.

In terms of market share, ProLogis retained its leading position with 23%, followed by Segro and Panattoni with 11% and 10% respectively.

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