INDUSTRIAL AND LOGISTICS MARKET IN POLAND

• Record breaking volume of new supply in the warehouse and logistics market
• Tenants’ demand is still enormous
• The vacancy rate is slowly starting to rise

BOOM CONTINUES
The industrial & logistics market in Poland is one of the fastest growing commercial real estate sectors in Europe. In the last five years alone, the stock of existing space has doubled, and the continuously high level of interest from tenants and the large volume of space under construction indicate that this trend will continue in the coming months.

In 2019, the regions of Central Poland and Upper Silesia were developing the fastest. In the latter region, one of the largest warehouse and logistics facilities in Europe was delivered (the four-storey Amazon fulfillment center in Gliwice).

In 2019, tenants’ demand remained very high and for the third year in a row exceeded 4 million sqm, of which about 32% were lease renegotiations. Warsaw II region, where about 1.1 million sqm was leased, was the most popular. Owing to the proximity of the capital city, an extensive transport network and attractive rental levels for large premises, this area is particularly popular among logistics companies and retail chains, which last year outperformed one another in terms of the volume of agreements concluded.

KEY FIGURES

18.5 M m²
EXISTING STOCK

2.7 M m²
NEW SUPPLY, 2019

1.9 mln m²
SPACE UNDER CONSTRUCTION

7.4%
AVERAGE VACANCY RATE

€3.4 - €5.25
PRIME RENTAL LEVELS
SUPPLY

In 2017 and 2018, 2.4 million sqm and 2.2 million sqm of new space were delivered respectively. The dynamic growth accelerated as early as in 2019 and within 12 months the total stock increased by 2.7 million sqm to 18.5 million sqm at the end of December. Never in one year has such a large volume of new supply been delivered.

The largest amount of warehouse space was delivered in Central Poland (604,000 sqm) and Upper Silesia (555,000 sqm), while the largest schemes delivered to tenants included properties dedicated to e-commerce giants: Panattoni Amazon Gliwice, with a total area of 210,000 sqm located on four floors, and Zalando Distribution Park Olsztyn, with a floorspace of over 120,000 sqm.

LEASE TERMS

Since the beginning of 2018, there has been a trend of a slow increase in rental rates, which has been caused by the rising costs of labour and building materials and the high level of demand for warehousing space. These increases mainly apply to the so-called base rental rates. At the same time, high competition results in a fierce competition for tenants. Warehouse owners wishing to maintain the highest possible level of occupancy at their facilities are more inclined to offer attractive rental incentives, and thus reduce effective rates on the part of tenants while maintaining base rates at a relatively high level. The high volume of new supply and the high volume of space under construction prevent from rapid increases in rental costs. This will allow for maintaining a relative market balance in the short term.
VACANCY RATES

Compared to late the end of 2018, the vacancy rate has increased by 2.3 p.p., thus reaching the highest level in five years – 7.4%. However, taking into account the record-high growth of new supply in recent years, the share of available space is still at a relatively low level. This is largely due to the popularity of BTS projects and the specificity of the industrial sector, where buildings under construction are on average 49% leased before completion, and are often fully occupied by tenants at the time of delivery or shortly after opening. However, the occupancy level of buildings under construction is currently significantly lower than in the previous years.

Vacancy rate by region, Q4 2019

<table>
<thead>
<tr>
<th>Region</th>
<th>Vacancy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warsaw I</td>
<td>4%</td>
</tr>
<tr>
<td>Warsaw II</td>
<td>19%</td>
</tr>
<tr>
<td>Upper Silesia</td>
<td>17%</td>
</tr>
<tr>
<td>Central Poland</td>
<td>17%</td>
</tr>
<tr>
<td>Poznań</td>
<td>11%</td>
</tr>
<tr>
<td>Lower Silesia</td>
<td>11%</td>
</tr>
<tr>
<td>Szczecin</td>
<td>4%</td>
</tr>
<tr>
<td>Tricity</td>
<td>4%</td>
</tr>
<tr>
<td>Kraków</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
</tr>
</tbody>
</table>

Map of industrial and warehouse clusters and the transport network

BNP Paribas Real Estate has divided the industrial & logistics market into five primary hubs (over 1 million sqm) and six secondary markets as shown on the map.

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

MAJOR NATIONAL ROADS:
- Existing
- Under construction
- Planned

EXPRESSWAYS:
- Existing
- Under construction
- Planned

Source: BNP Paribas Real Estate
Selected schemes delivered, Q1 – Q4 2019

<table>
<thead>
<tr>
<th>SCHEME</th>
<th>HUB</th>
<th>DEVELOPER</th>
<th>AREA (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Panattoni BTS Amazon Gliwice</td>
<td>Upper Silesia</td>
<td>Panattoni</td>
<td>210,000</td>
</tr>
<tr>
<td>Hillwood Olsztyn</td>
<td>Other</td>
<td>Hillwood</td>
<td>120,500</td>
</tr>
<tr>
<td>Hillwood Łódź Górna</td>
<td>Central Poland</td>
<td>Hillwood</td>
<td>73,300</td>
</tr>
<tr>
<td>Panattoni Park Wrocław XI</td>
<td>Lower Silesia</td>
<td>Panattoni</td>
<td>71,100</td>
</tr>
<tr>
<td>Central European Logistics Hub</td>
<td>Central Poland</td>
<td>Panattoni</td>
<td>67,000</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

Selected schemes under construction, Q4 2019

<table>
<thead>
<tr>
<th>SCHEME</th>
<th>HUB</th>
<th>DEVELOPER</th>
<th>AREA (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A2 Warsaw Park</td>
<td>Warsaw II</td>
<td>Panattoni</td>
<td>103,700</td>
</tr>
<tr>
<td>Panattoni Park Gdańsk Airport</td>
<td>Tricity</td>
<td>Panattoni</td>
<td>68,500</td>
</tr>
<tr>
<td>Hillwood Wrocław Wschód II</td>
<td>Lower Silesia</td>
<td>Hillwood</td>
<td>63,900</td>
</tr>
<tr>
<td>P3 Mszczonów</td>
<td>Warsaw II</td>
<td>P3</td>
<td>58,500</td>
</tr>
<tr>
<td>Panattoni Park Ruda Śląska II</td>
<td>Upper Silesia</td>
<td>Panattoni</td>
<td>56,000</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

Selected lease transactions, Q1 – Q4 2019

<table>
<thead>
<tr>
<th>TENANT</th>
<th>SCHEME</th>
<th>HUB</th>
<th>AREA LEASED (m²)</th>
<th>TYPE OF LEASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBK</td>
<td>Panattoni Park Gdańsk Airport</td>
<td>Tricity</td>
<td>68,500</td>
<td>new</td>
</tr>
<tr>
<td>Jysk</td>
<td>Logistic City</td>
<td>Central Poland</td>
<td>60,000</td>
<td>renewal</td>
</tr>
<tr>
<td>Pantos Logistics</td>
<td>Panattoni Park Wrocław XI</td>
<td>Lower Silesia</td>
<td>59,200</td>
<td>new</td>
</tr>
<tr>
<td>Raben</td>
<td>Prologis Park Ruda Śląska</td>
<td>Upper Silesia</td>
<td>51,200</td>
<td>new</td>
</tr>
<tr>
<td>PF Logo</td>
<td>P3 Poznań</td>
<td>Poznań</td>
<td>49,700</td>
<td>renewal</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

AUTHOR
Szymon Dołęga
Consultant, Research & Consultancy Department
Central & Eastern Europe
szymon.dolega@realestate.bnpparibas

CONTACTS
Igor Roguski
Head of Industrial & Logistics Department
Central & Eastern Europe
Tel: +48 668 868 097
igor.roguski@realestate.bnpparibas

Hanna Milczarek
Director, Industrial & Logistics, Capital Markets
hanna.milczarek@realestate.bnpparibas

Erik Drukker
Chief Executive Officer
Central & Eastern Europe
erik.drukker@realestate.bnpparibas

Izabela Mucha, MRICS
Head of Valuation
Central and Eastern Europe
izabela.mucha@realestate.bnpparibas

Michał Pszkit
Head of Property Management
Member of the Board for Poland
Central and Eastern Europe
michal.pszkit@realestate.bnpparibas

Mateusz Skubiszewski
Head of Capital Markets, Poland
mateusz.skubiszewski@realestate.bnpparibas

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