Poland Industrial & Logistics MarketView

Q1 2014 | CBRE Global Research and Consulting

LEASING ACTIVITY | VACANCY RATE | COMPLETIONS | UNDER CONSTRUCTION | ABSORPTION

GENERAL OVERVIEW

Polish economy

	Q1 2014
Population	38.5 million
GDP growth (2014 forecast)	3.2%
CPI	0.1%
Reference interest rate	2.5%
Unemployment rate	13.5%

Source: GUS, NBP, Oxford Economics, Q1 2014

Polish industrial market

	Q1 2014
Completions (sq m)	268,000
Leasing activity (sq m)	492,000
Vacancy rate	10.7%
Industrial investment volume	EUR 89.5 m
Total investment volume	EUR 901 m

Source: CBRE

Market outlook

	2014 Outlook
New supply	↗
Vacancy rate	↘
Take-up	↗
Headline rents	→
Prime yields	→

Source: CBRE

Market trends

- The Polish economy remains strongly influenced by a gradual recovery observed across the European region. After reaching the bottom in Q2 2013, the Polish GDP growth rallied in the second part of 2013, indicating signs of economic rebound. The GDP is predicted to grow faster in 2014 than in the previous year in line with the improving labour market and increased industrial output.
- In Q1 2014, investment volume in the commercial property sector showed a significant growth of around 40% in comparison to the corresponding period of 2013. Prime assets still remain of major interest, with the office and retail sectors the most popular ones. However, investment focus shifted to some extent to the industrial and logistics sector and continued momentum is expected in 2014.
- Yields remain stable with a gradual compression noted in the industrial sector. Prime office, retail and industrial yields are estimated at 6.00%, 5.90% and 7.25% respectively.
- The total stock of modern industrial and logistics space in Poland amounted to 7.94 million sq m at the end of Q1 2014. Warsaw, Silesia and Central Poland continue to be the three largest markets in Poland. Newly completed industrial and logistics space totalled 268,000 sq m.
- Almost 50% of leasing agreements were signed in the Central Poland and Silesia markets, proving the continuing strong interest in these regions, mostly due to increasing demand from retailers. Majority of the transactions, both when it comes to the number of the transactions as well as the amount of the space leased, were new deals.
- Major trends observed on the logistics and industrial market in Poland show that:
  - Developers are interested in projects secured with pre-let agreements;
  - Vacancy rates have decreased significantly in Szczecin, Krakow and Wroclaw, while the highest growth has been registered in Eastern and Northern region, along with the completion of a few new buildings.
  - Build-to-suit projects amounted to 11% of take-up activity in Q1 2014 (two transactions) and 30% in the whole 2013 (11 transactions). New transactions in existing parks are much more frequent.
  - Leasing activity continuously growing among e-commerce clients and couriers, retail and manufacturing remain active industries;
  - Vacancy is gradually decreasing in key regions;
  - Rents have stabilized, attractive incentives in regions with high vacancy.

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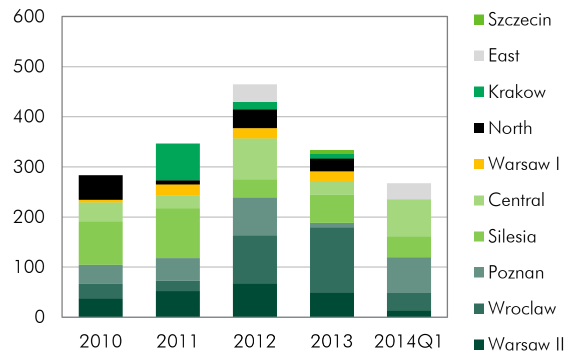
INDUSTRIAL AND LOGISTICS MARKET

NEW SUPPLY (000 sq m)



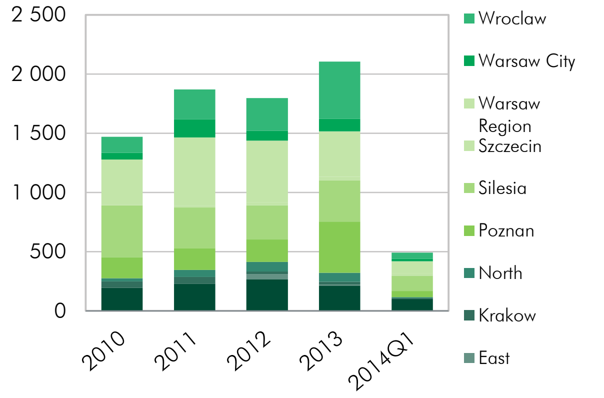
LARGEST LEASE TRANSACTIONS IN Q1

Tenant	Region	Property	Sq m	Type
Retail sector	Silesia	Distribution Park Bedzin	45 800	Renewal
Retail sector	Central	Goodman Konin	39 700	BTS
Rhenus	Poznan	CLIP	30 800	New
Geodis	Wroclaw	Distribution Park Wroclaw	19 000	New
K-Flex	Central	BTS K-FLEX	16 000	BTS
Merlin.pl	Warsaw II	Good Point Pulawska I	13 000	New
DHL Supply Chain	Silesia	Panattoni Park Myslowice	12 500	New

RENTS (EUR/sq m/month)

	Q1 2014	2014 Outlook
Warsaw City		
Prime Headline	4.20 – 5.00	➔
Prime Effective	3.55 – 4.50	➔
Poland – Regions		
Prime Headline	3.00 – 3.90	➔
Prime Effective	2.50 – 3.50	➔

LEASING ACTIVITY (sq m)



LARGEST SCHEMES COMPLETED IN Q1 2014

Panattoni Castorama
BTS 50,000 sq m,
Central Poland

Panattoni Polaris
BTS 33,000 sq m,
Silesia

LARGEST SCHEMES UNDER CONSTRUCTION

Goodman Wroclaw
South Logistics Centre
(Amazon)
123,500 sq m

Panattoni BTS Amazon
Poznan
100,600 sq m

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POLAND INDUSTRIAL AND LOGISTICS MAP

Q1 2014	TOTAL POLAND	WARSAW CITY	WARSAW REGION	CENTRAL POLAND	EAST	KRAKOW	POZNAN	SILESIA	SZCZECIN	NORTH	WROCLAW
Modern stock (sq m)	7 945 250	635 600	2 175 200	1 064 800	130 100	201 650	996 500	1 495 900	48 700	286 600	910 100
Vacancy ratio	10%	19%	11%	13%	21%	4%	4,5%	10%	1%	13%	7%
Under construction (sq m)	642 500	8 200	0	17 500	0	0	241 000	52 500	24 600	41 000	257 600
Take-up (sq m)	491 650	19 700	103 700	100 300	0	7 000	52 100	130 700	18 000	7 300	52 800
Prime rents (EUR/sq m/mth)	3,00 - 3,90	4,20 - 5,00	2,60 - 3,60	2,60 - 3,60	3,50 - 4,20	3,75 - 5,00	3,00 - 3,60	2,90 - 3,40	3,10 - 3,90	2,90 - 3,70	3,00 - 3,90

RESEARCH DEFINITIONS

Industrial space, a term covering the following sub-types: Light Manufacturing and Warehousing (including Logistics). In this publication the focus is on "Industrial – Warehouses (Big Box)". Modern stock represents "Developer-led logistics space", consisting of warehousing space in modern, developer-led schemes.

Total leasing activity includes the following types of occupational market activity: pre-construction and pre-completion pre-leases in development pipeline projects; new occupation, expansion, renegotiation, sub-lease, Sale & Leaseback in existing stock. TLA relates to developer-led logistics stock.

Vacancy (in sq m) represents the total net lettable (or rentable) floor space in existing properties, which is physically vacant and being actively marketed at the survey date.

Prime headline rent (in Euro per sq m) represents the top open-market tier of rent that could be expected for a unit of standard size commensurate with demand in each location, of highest quality and specification and in the best location in a market at the survey date. For purposes of this report, a unit of standard size is assumed to be around 2,000 sq m GLA.

Effective rent – an average rent over the whole lease period which includes tenant's incentives.

Prime yield (in %) calculated as net rent / net price (excl. transaction costs) = cap. rate. A prime yield is derived from the gross rental income (before deducting all non-recoverable expenditures) divided by total purchase costs (excluding price, costs and taxes). The prime yield represents the yield that an investor would receive when acquiring a grade/class A building in a prime location, which is fully let at current market value rents. Prime Yield should reflect the level at which relevant transactions are being completed in the market at the time but need not be exactly identical to any of them, particularly if deal flow is very limited or made up of unusual one-off deals. If there are no relevant transactions during the survey period, a hypothetical yield should be quoted, and is not a calculation based on particular transactions, but it is an expert opinion formed in light of market conditions, but the same criteria on building location and specification still apply.

Investment volume (in EUR million) - investment transactions only. For this reason transactions by owner-occupiers are excluded from investment volumes. Transactions involving owner-occupiers, retailers or corporates buying for the purpose of owner-occupation are not seen as investments deals. We also do not include pure land deals.

Build-to-suit (BTS) – a non standard warehouse or industrial scheme designed according to specific tenant's requirements regarding size, location and building standards. The design is based on the client's technology process. The projects are usually dedicated for one tenant, newly built or after general refurbishments. BTS projects are more and more popular, especially for production companies. Clients preferring the BTS investments over constructing their own buildings, limit the risk by choosing an experienced developer, shorten the time necessary for development process and reduce the development cost by using the developer's resources.

Lease agreements are more advantageous than the construction of a company's own facilities, mainly because such projects do not require the involvement of their own capital and provide flexibility for future extension or relocation.

CONTACTS

For more information about Polish property markets please contact:

CBRE Research & Consultancy

Joanna Mroczek
Director
Rondo ONZ 1
00-124 Warsaw
t: +48 22 544 8061
e: joanna.mroczek@cbre.com

Maciej Szczepanski
Junior Consultant
Rondo ONZ 1
00-124 Warsaw
t: +48 22 544 9304
e: maciej.szczepanski@cbre.com

CBRE Industrial Agency

Patrick Kurowski
Director
Rondo ONZ 1
00-124 Warszawa
t: +48 22 544 80 33
e: patrick.kurowski@cbre.com

CBRE Capital Markets

Mike Atwell
Director
Rondo ONZ 1
00-124 Warsaw
t: +48 22 544 80 70
e: mike.atwell@cbre.com

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