Agencja Rozwoju Metropolii Szczecińskiej Sp. z o.o.
INVEST in Szczecin
Colliers INTERNATIONAL

BOUND FOR SZCZECIN

OFFICE AND INDUSTRIAL MARKET

DECEMBER 2020

AUTHORS

Olga Drela
Senior Analyst
Research and Consultancy Services
Colliers International

+48 882 014 561
olga.drela@colliers.com

Agnieszka Bogucka
Analyst
Research and Consultancy Services
Colliers International

+48 666 819 239
agnieszka.bogucka@colliers.com

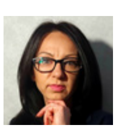
CONTACT

Dominika Jędrak
Director
Research and Consultancy Services
Colliers International

+48 666 819 242
dominika.jedrak@colliers.com

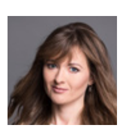
Sebastian Bedekier
Partner
Regional Director | Poznań
Colliers International

+48 601 309 539
sebastian.bedekier@colliers.com



Jolanta Buczek
Business Support
and Service Specialist
Szczecin Metropolis
Development Agency

+ 48 91 333 97 71
+ 48 880 328 288
j.buczek@arms-szczecin.eu



Ada Zielińska
Investor Acquisition
and Service Specialist
Szczecin Metropolis
Development Agency

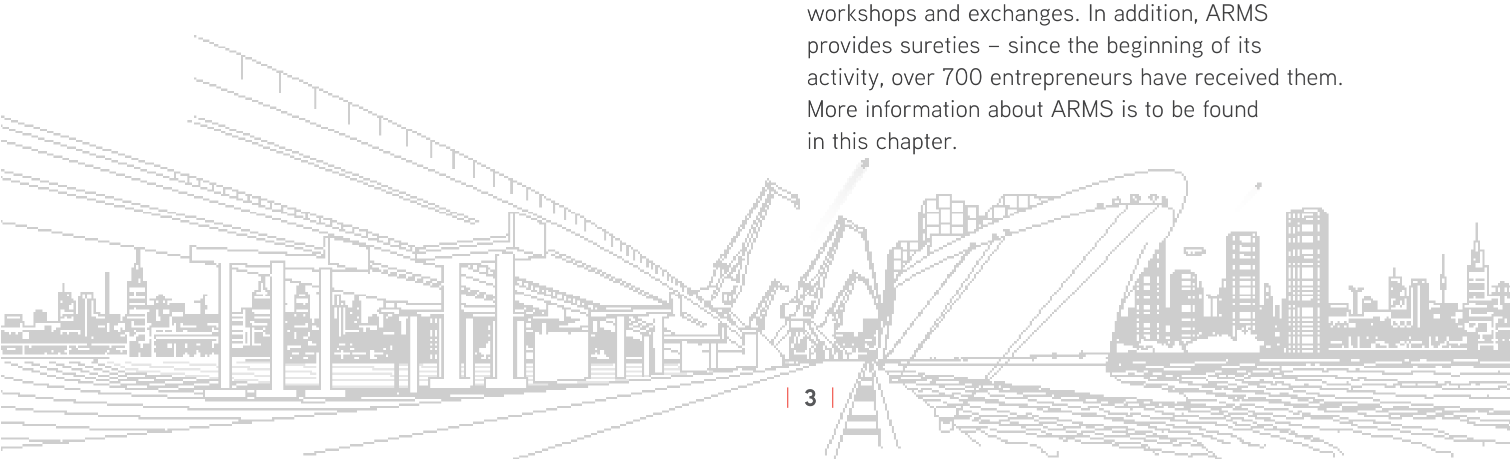
+ 48 91 333 97 70
+ 48 880 328 288
a.zielinska@arms-szczecin.eu

Szczecin is, in many respects, a unique city fit for fostering business growth. It's an important economic, tourist, cultural and academic hub, notable for its very favorable external communication. These and other aspects defining Szczecin's high business and investment potential have been described in details in the first part of this publication, along with description of investment incentives available in the region, further supporting entrepreneurship.

Modern office space market in Szczecin remains on a relatively early development stage. Its supply growth tends to follow a cyclical pattern, allowing the new investments the necessary time for absorption. At the same time, the city remains one of the key hubs for Poland's modern business services sector. The second chapter presents key characteristics of the most important market indicators and a forecast for the upcoming years.

Szczecin's modern industrial market is also relatively young and continuously expanding. It's a unique market, thanks to the Szczecin Seaport, enabling water transport to reach deep into the mainland. The assets of Szczecin include large industrial parks, BTS type of projects, smaller warehouses and small business units. Both the developers and tenants see the region's potential and locate their businesses here. This chapter presents a detailed analysis of the current market situation and its prospects for further growth.

The city of Szczecin provides the right business environment and an effective system of supporting investors seeking to launch and develop their activities. For this purpose, the Szczecin Metropolis Development Agency (ARMS) was established, offering a wide selection of investor services. The Agency supports investment processes, thanks to its cooperation with government, local authorities and financial institutions. It also acts as an intermediary in contacts between companies and the business support environment, as well as animates business events, such as conferences, workshops and exchanges. In addition, ARMS provides sureties – since the beginning of its activity, over 700 entrepreneurs have received them. More information about ARMS is to be found in this chapter.



FOCUS ON THE CITY

Szczecin is located in the north-west Poland, in the Zachodniopomorskie Voivodeship, right by the border with Germany. It's an important economic, tourist, cultural and academic hub, notable for its very favorable external communication. Furthermore, Port of Szczecin - located approx. 68 km from the Baltic Sea by the seaway - and the Port of Świnoujście form the largest seaport complex of the entire region.

The city and its surroundings fulfill a key requirement for investment attractiveness, namely a highly developed and attractive transport net, of both national and international scale.

What distinguishes Szczecin among other cities in Poland is that despite being landlocked, it offers maritime transport in addition to car, railway and air transport.

SZCZECIN & ZACHODNIOPOMORSKIE VOIVODESHIP - KEY INFORMATION

	Szczecin	Zachodniopomorskie Voivodeship
Area (km²)	301	22,897
Population	401,907	1,696,193
Working age population	234,415	1,019,890
Unemployment rate	3.8%	6.8%
Number of registered enterprises according to REGON	69,163	228,215
Average monthly gross salary (PLN)	5,408.91	4,769.71
Number of universities	12	16
Number of students	32,857	39,421
Number of graduates	7,677	9,472

Source: Colliers International based on the latest available data of Statistics Poland, Statistical Office in Szczecin and Poviat Labour Office in Szczecin, November 2020

Szczecin & its surroundings make up the region of high investment attractiveness. It is characterized by a highly developed and favorable transport net, of both national and international importance. Moreover, the city is an important economic, tourist, cultural and academic hub.

Dominika Jędrak
Director
Research and Consultancy Services
Colliers International

Source: Shutterstock

ROAD AND RAIL TRANSPORTATION

The city is situated where the A6 highway (extending into the German A11 highway) crosses with the S3, S6 and S11 express roads, national roads no. 10, 13 and 31, as well as provincial roads no. 115 and 142, allowing for convenient transportation to the rest of Poland, Germany, Czech Republic and Slovakia. Another expressway - S10 - and the West Szczecin Bypass (constituting a part of the S6 expressway) are currently under development. Furthermore, many national and international railway lines, covering both passenger and cargo transport also cross each other in Szczecin.

AIR TRANSPORTATION

The International Solidarity Szczecin-Goleniów Airport, located approx. 33 km north-east from the city's center, has been expanded in October 2019 with a new cargo terminal, able to process up to 10,000 tons of cargo annually.

WATER TRANSPORTATION

Port of Szczecin is located only 105 km (by land) from the Port of Świnoujście, from which car-passenger ferries and rail-car transport is available to two of Sweden's ports: Ystad and Trelleborg. With four active carriers, ferries depart on a regular basis 1-2 times a day.

Szczecin is one of the largest, dynamically growing maritime centers in the Baltic Sea region. Its port, along with that in Świnoujście, forms one of the largest port complexes in this region of Europe. The Port of Szczecin is capable of servicing both LCL goods and mass cargo.

The economic difficulties arising from the Covid-19 pandemic have not yet had a major impact on the port's operations and the investments being developed therein. The total turnover within the Szczecin-Świnoujście seaport complex in Q1-Q3 2020 amounted to approx. 22,900 tons * of cargo, which indicates only a very slight downturn compared to Q1-Q3 2019.

DISTANCE AND DURATION OF CAR TRAVEL TO SELECT CITIES

Berlin	142 km	2h 04 min
Poznań	270 km	2h 38 min
Gdańsk	359 km	4h 38 min
Hamburg	416 km	4h 13 min
Wrocław	422 km	3h 52 min
Copenhagen	458 km	6h 33 min
Prague	498 km	5h 10 min
Warsaw	573 km	5h 16 min
Katowice	576 km	6h 00 min

Source: Colliers International, November 2020

DIRECT AIR CONNECTIONS, CARRIERS AND FLIGHT TIMES

Copenhagen	Norwegian	0h 55 min
Kraków	Ryanair	1h 05 min
Warsaw	LOT	1h 10 min
Oslo Torp	Wizz	1h 25 min
Oslo Gardermoen	Norwegian	1h 30 min
Stavanger	Wizz	1h 35 min
Lviv	Wizz	1h 35 min
Bergen	Wizz	1h 45 min
London Stansted	Ryanair	1h 55 min
Liverpool	Ryanair	2h 10 min
Dublin	Ryanair	2h 25 min

Source: Colliers International based on Solidarity Szczecin-Goleniów Airport data, November 2020

* According to ZMPSiŚ statistics: transshipments at the ZMPSiŚ quays during September and nine months of 2020, www.port.szczecin.pl

SZCZECIN BY NIGHT

Source: Szczecin Metropolis Development Agency

Currently, both Szczecin and Świnoujście see the largest railway modernization works in their history. The works, priced at PLN 1.5 billion are meant to increase railroad access to the seaports. Furthermore, the Szczecin-Świnoujście fairway is being deepened by 12.5 m, helping to widen the seaports' offer by enabling servicing of larger ships and thus attracting more carriers and cargo.

The Odra Waterway, running through Szczecin, presents yet another developmental opportunity. Forming a part of the E-30 International Waterway, it helps link Silesia and the Opole region with the Baltic Sea. This waterway may soon become an effective transport route for goods to be shipped to the Western Europe. However, to truly fulfill that role it requires modernizations, the scope of which had been specified in the "Assumptions for the development plans of inland waterways in Poland for 2016-2020 with 2030 perspective" document, approved by the government in June 2016. The document specified reaching international navigability standard on the Odra waterway and linking it with the European road network as key priorities.

INVESTMENT INCENTIVES

An incredibly important aspect of the city of Szczecin, from an investor's standpoint, is its location within two Special Economic Zones (SEZ) - the Szczecin Sub-zone of the Euro-Park Mielec SEZ and the Kostrzyń-Słubice SEZ (forming a part of the Poland's Investment Zone since the 2018 amendments). The Euro-Park Mielec SEZ contains investment areas prepared for industrial development and offers investment reliefs for new business (CIT and PIT exemptions) as well as subsidizing employee training.

Some of the companies successfully operating within the zone include Temca Polska Sp. z o.o., Garo Polska Sp. z o.o., AM UNI-MEBEL Sp. z o.o. S.K., Teleyard Sp. z o.o., ASPROD S.A. and HKL Dekoracja Okien Sp. z o.o.

On the site of former New Szczecin Shipyard, the Szczecin Industrial Park has been created, providing a unique offer to investors, lessees and industrial companies.

SZCZECIN, PORT CRANES ON ŁASZTOWNIA
Source: Szczecin Metropolis Development Agency

Potential investors considering the Szczecin region may expect tax exemptions and support of specialized authorities.

The city has an enormous potential, as its advantages make it not only pleasant to live in, but also attractive from the business standpoint, including that of investors seeking new locations for warehouse and office investments.

Szczecin's shipbuilding traditions have left it with a rich infrastructure, such as numerous warehouses, harbors and production halls equipped with cranes and able to sustain heavy industry production. One can also find here large plots with direct access to the harbor, prepared for new investment projects.

Potential investors considering the Szczecin region may expect tax exemptions and support of specialized authorities. A wide servicing and sureties offer can be found at the Szczecin Metropolis Development Agency, further described in a later part of this report. Moreover, the Szczecin Loan Fund offering financial support to investors has been active in Szczecin since 2004.

The city also hosts the Science and Technology Park of Szczecin – Technopark Pomerania, which provides infrastructure to young and developing enterprises. The Technopark offers business estates for rent and provides a number of support programs and data center services.

EDUCATION

Szczecin is also a major academic hub, supporting the job market each year with educated, multilingual graduates. The students can enjoy a number of varied majors on universities such as:

- University of Szczecin,
- West Pomeranian University of Technology in Szczecin,
- Higher School of Technology and Economics,
- West Pomeranian Business School,
- Maritime University of Szczecin,
- Pomeranian Medical University in Szczecin,
- Academy of Art in Szczecin.

Key professional competences important for the industrial market can also be found among the graduates of the West Pomeranian Maritime and Polytechnic Education Center, The Centre of Bioimmobilization and Innovative Packaging Materials (CBIMO) and the Regional Centre for Innovation & Technology Transfer (RCIiTT).

SZCZECIN, DEPTAK BOGUSŁAWA
Source: Szczecin Metropolis Development Agency

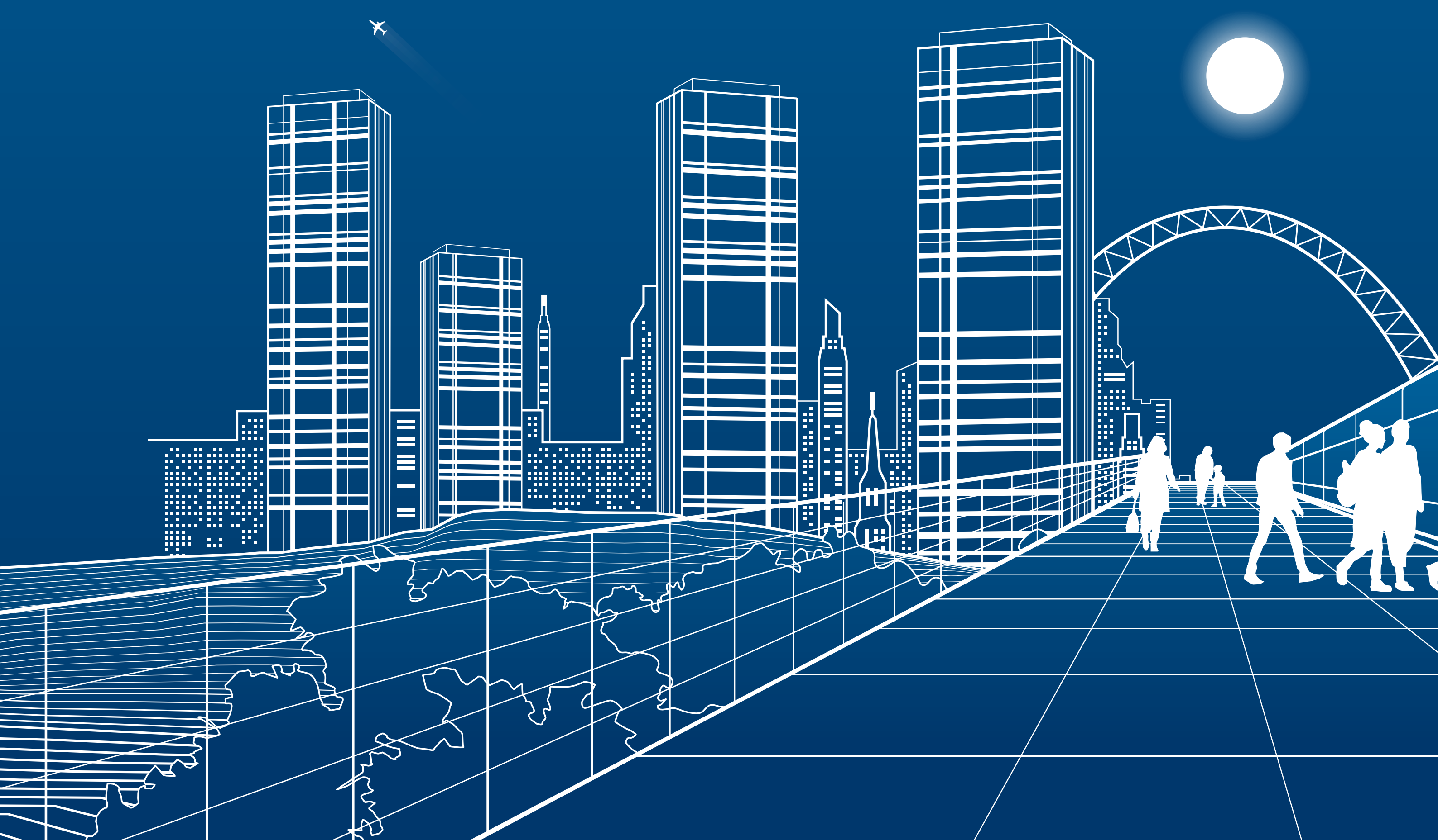
SZCZECIN, HAKEN TERRACES
Source: Szczecin Metropolis Development Agency

EMPLOYEE POOL

An important attribute of the Szczecin Seaport is its highly qualified staff. Szczecin is Poland's seventh largest city (in terms of population) and 60% of its residents are in working age. The city is also characterized by a positive migration balance (1.5 per 1,000 residents) and relatively high average wage (104.4% of the gross national average salary).

OFFICE MARKET

The modern office market in Szczecin remains at an relatively early stage of development. Year by year, the city of Szczecin increases its importance as a competence centre in the field of business process services and the development of new technologies. The number of new investors and tenants interested in the local market is growing.



TOTAL STOCK

185,000 m²

NUMBER OF EXISTING OFFICE PROJECTS

38

NEW SUPPLY (Q1-Q3 2020)

3,400 m²

SPACE UNDER CONSTRUCTION

8,000 m²

VACANCY RATE

7.4%

DEMAND (Q1-Q3 2020)

4,600 m²

EFFECTIVE RENTAL RATES

11.5-14.5 EUR/m²/month

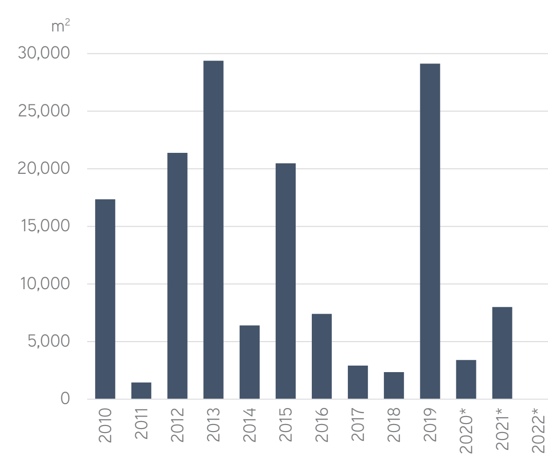
SUPPLY

The modern office space market in Poland is dominated by Warsaw, which contains approx. 53% of all country's modern office stock (5.8 million m²). Thanks to its administrative function, the city has attracted most of the foreign companies seeking to establish local branches. As a result, it noted a major increase in office space capacity and remained a leader in terms of supply, demand and achievable rental rates. Besides capital, there are eight major regional office markets.

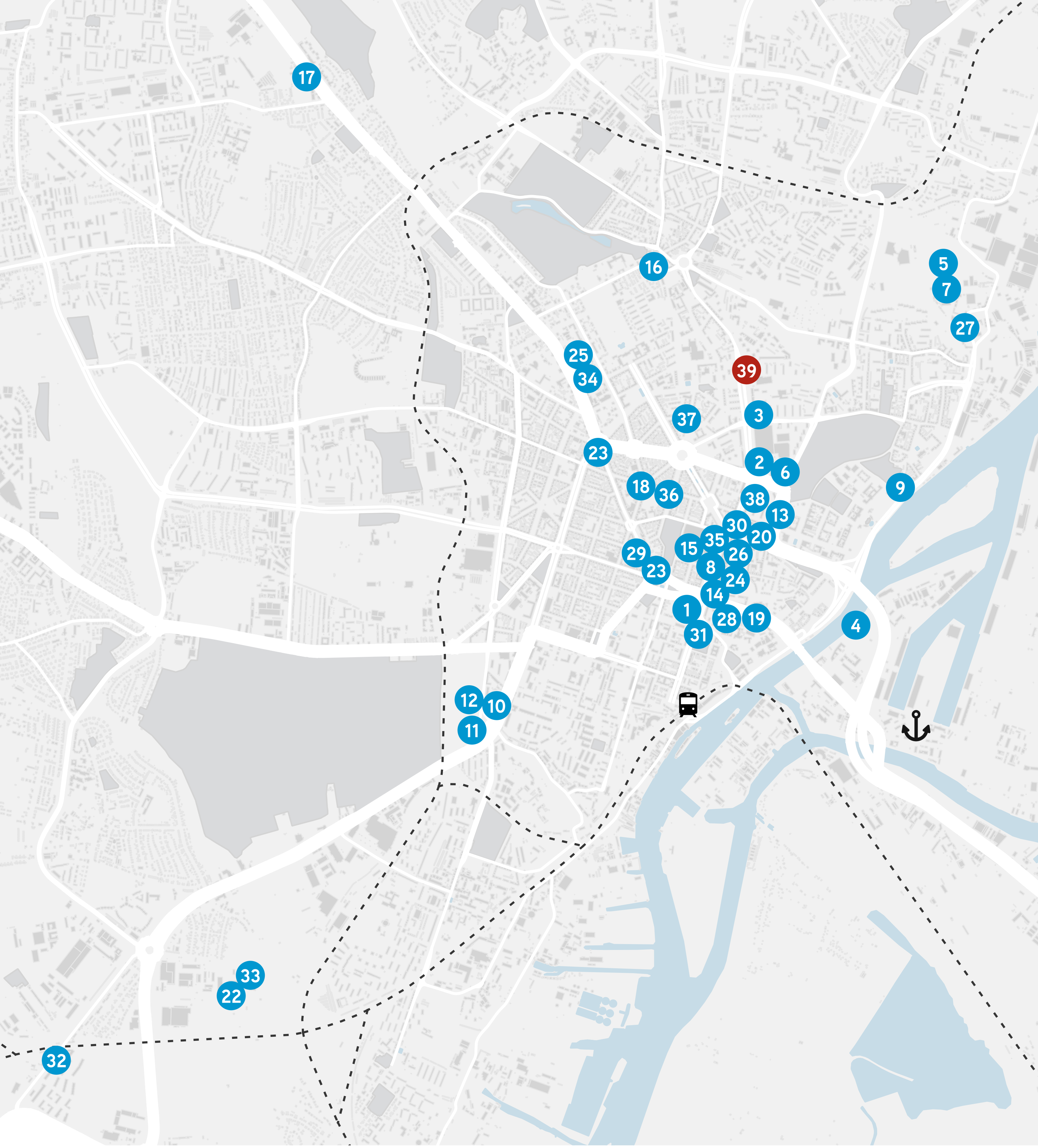
Szczecin, with its 185,000 m² of modern office space, is the smallest of these agglomerations exceeding 400,000 inhabitants. The growth of supply on Szczecin's office market tends to be cyclical - usually a period of intense development is followed by reduction in developer's activity. This downturn is a natural period necessary to absorb existing office space.

EVOLUTION OF MODERN OFFICE SPACE IN SZCZECIN

(2010 – Q3 2020 WITH AN OUTLOOK TO 2022)



Source: Colliers International, November 2020



existing office buildings

office buildings under construction

Railway station

Port

OFFICE BUILDINGS IN SZCZECIN

(Q3 2020)

	Name	Location	Owner / Developer	Area (m^2)
1	**Posejdon**	Pl. Bramy Portowej 1	Vastint	**18,070**
2	**PAZIM**	Pl. Rodła 8	Polska Żegluga Morska	**14,700**
3	**Oxygen**	Malczewskiego 26	Echo Investment	**13,130**
4	**Lastadia Office**	Zbożowa 4	SGI Baltis	**11,530**
5	**Baltic Business Park C**	1 Maja 38	Koncepta	**10,850**
6	**Pomeranus**	Matejki 22	ZUS Szczecin i Santander	**9,400**
7	**Baltic Business Park A**	1 Maja 39	Koncepta	**9,000**
8	**Brama Portowa II (Post Office)**	Al. Niepodległości 44	Swede Center	**8,130**
9	**Storrady Park Offices**	Storrady Świętosławy 1	Gryf Developer	**7,400**
10	**Piastów Office Centre A**	Al. Piastów 30	RealKapital	**7,000**
11	**Piastów Office Centre B**	Al. Bohaterów Warszawy 69	RealKapital	**6,400**
12	**Piastów Office Centre C**	Al. Piastów 30	RealKapital	**5,200**
13	**Maris Centrum Biurowe**	Pl. Holdu Pruskiego 9	Acrona Capital	**4,950**
14	**Brama Portowa I (Grzybek)**	Wyszyńskiego 1	Swede Center	**4,260**
15	**Pekao SA**	Bogurodzicy 5	Pekao S.A.	**4,000**
16	**Stettiner Business Centre**	Janosika 17	Stettiner Business Centre	**3,400**
17	**Fabryka**	Al. Wojska Polskiego 184c	Modehpolmo	**3,300**
18	**Bogusława 1-2**	Bogusława 1-2	Właściciele prywatni	**3,050**
19	**Atrium Katedra**	Wyszyńskiego 30	Tietoenator	**3,000**
20	**Kurier Szczeciński HQ**	Hołdu Pruskiego 8	Kurier Szczeciński Sp. z o.o.	**3,000**
21	**Pekao SA**	Al. Wojska Polskiego 1	Pekao S.A.	**3,000**
22	**Szczecin Business Plaza I & II**	Południowa 27c	Agatrans Multi Projekt	**2,920**
23	**Pentagon**	Al. Wojska Polskiego 62	J&P	**2,690**
24	**Tkacka 55**	Tkacka 55	-	**2,640**
25	**Al. Wojska Polskiego 83**	Al. Wojska Polskiego 83	-	**2,400**
26	**Black Pearl**	Al. Niepodległości 26	Idea Inwest	**2,350**
27	**Alkon HQ**	Firlika 41	Biuro Ochrony Osób i Mienia ALKON Sp. z o.o.	**2,140**
28	**Fabryka II**	Krasińskiego 10-12	Modehpolmo II	**2,000**
29	**Kosmos Art&Business Center**	Al. Wojska Polskiego 8	Mark Invest	**2,000**
30	**Pl. Żołnierza Polskiego 1B**	Pl. Żołnierza Polskiego 1B	Handwit	**1,770**
31	**3 Maja 30**	3 Maja 30	Grupa EOL	**1,650**
32	**Cukrowa Office**	Cukrowa 67a	Alsecco Deweloper	**1,600**
33	**Szczecin Business Plaza III**	Południowa 27c	Agatrans Multi Projekt	**1,460**
34	**Willa Office**	Al. Wojska Polskiego 81	Pil-Building Sp. z o.o.	**1,450**
35	**31 New Office**	Al. Niepodległości 31	Nika-Sport Włodzimierz Bryła	**1,200**
36	**Śląska 43a**	Śląska 43a	SOFT ELEKTRONIK	**1,200**
37	**Tower Group**	Śląska 32 A	Buchalter	**1,170**
38	**Mazowiecka Office**	Mazowiecka 13b	MULTI PROJEKT	**790**
39	**Hanza Tower ***	Al. Wyzwolenia 50	J.W. Construction	**8,000**

* building under construction

Source: Colliers International, November 2020

In the past three years, seven modern office projects were delivered to the market and the year 2019 was record-breaking in terms of new supply of office space – five projects had been completed totaling 23,100 m². Among them is the A-class office project – Posejdon, which is distinguished by a number of solutions related to the use of renewable energy sources and a green wall inside the building, consisting of 6,500 plants. In 2020 Stettiner office building has been completed (3,400 m²).

The vast majority of Szczecin's office space is located in the city center, near Al. Wyzwolenia, Al. Niepodległości and the Brama Portowa office complex. This area concentrates city's office and retail space. Many of the tenements located within the city's center are occupied by banks and other financial institutions, whose priorities are prestige and good visibility of a given location.

A new business district that has arisen in the recent years is Gumieńce in the southern part of the city, as two large office projects - Cukrowa Office and Szczecin Business Plaza - have been developed there.

By the end of September 2020, approx. 8,000 m² remained at the construction phase, as J. W. Construction worked on its Hanza Tower project - a mixed-use high-rise project containing office, retail and residential space.

Szczecin remains one of the main modern service hubs in Poland. ABSL estimated that in the three last years alone, the employment in this sector rose by 47%. Currently, 43 service centers employ 5,600 people and forecasts suggest that by 2025 that number might reach up to 10,000 employees. The growth of this industry will lead to an increased demand for high-quality office space. In the coming years, a number of planned office projects is due for completion.

DEMAND

In Szczecin one can observe a stable level of tenants interest in available office space. Gross demand has increased in the recent years - in 2018 it amounted to 10,900 m² and reached almost 13,600 m² in 2019. In Q1-Q3 tenants leased 4,600 m² of office space.

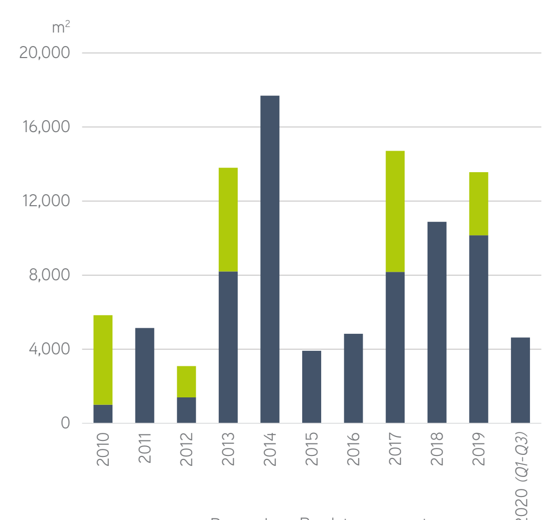
Of all contracts concluded in the analyzed period of 2018-Q3 2020, new agreements took the largest share at 54%. Renegotiations constituted 27% and expansions 14% of the total take-up volume. In the current year (2020) no pre-let contracts were signed, due to low amount of office space under construction phase. In 2019, 25% of office space has been leased in pre-let agreements during projects' construction stage, indicating strong interest among tenants in new office projects.

The IT products & services sector proved a clear leader among tenants, having leased 46% of available office space. Meanwhile, the broadly defined business services sector has leased 22% of available space.

In 2018 - Q3 2020, a total of 35 lease transactions were concluded. The majority (68%) of them concerned modules of under 1,000 m², while the average leased area amounted to 863 m².

The city's attractiveness as a business centre is confirmed by the decision of IT companies, such as 3shape, Asseco Data Systems, Concentrix, Genpact, Metro Services, Mobica, Tieto and Unicredit Services, to locate its outsourcing centres (BPO/SSC) and headquarters here.

DEMAND FOR MODERN OFFICE SPACE IN SZCZECIN
(2010 – Q3 2020)



Source: Colliers International, November 2020

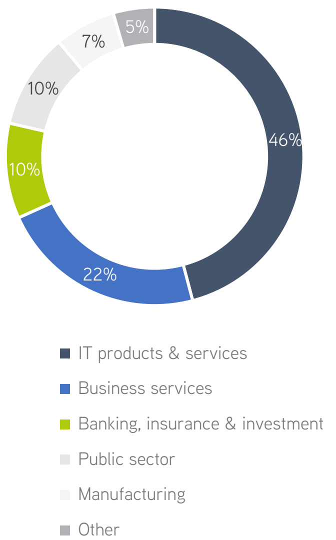
POSEJDON, SZCZECIN

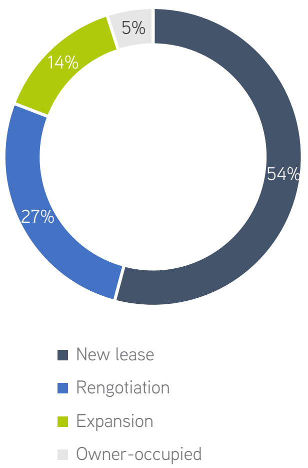
Photo: Marcin Jędra

Source: Posejdon Center

DEMAND STRUCTURE IN SZCZECIN - RENTED OFFICE SPACE

(2018 – Q3 2020)





Source: Colliers International, November 2020

The largest transactions concluded within the analyzed period included renting a 3,000 m² office in the Posejdon Center by Concentrix and renegotiation for Marshal's Office of Zachodniopomorskie Voivodeship in the Atrium Katedra project (3,000 m²). The Piastów Office Centre office park noted renegotiation and expansion of rented office space by IAI SA (2,000 m²) and Arvato (1,900 m²).

The upcoming months are likely to bring an increase in contract renegotiations among the overall volume of leased space.

VACANCY

Vacancy rates remained on a stable and low level since 2018. By the end of Q4 2019, it amounted to 5.8%, which was an increase by 0.7 pp compared to Q4 2018. By the end of Q3 2020 available space further rose, to 7.4%. The vacancy rate should remain on a stable level due to low amount of projects in development.

Occupancy rate of projects put into operation in 2019 and 2020 exceeded 85%, confirming strong interest among tenants in modern office spaces within Szczecin.

RENTAL RATES AND LEASE CONDITIONS

Rental rates for office spaces remain at a similar level since several quarters. In modern A-class projects, tenants should expect a rent of EUR 11-14.5/m² per month. In older B-class projects, tenants should expect a rent of EUR 7-10/m² per month.

Typical incentives offered on the market involve rent-free periods. Depending on the exact size of the rented office space, duration of the contract and other factors specific for a given agreement, the effective rent rate might be even up to 20% lower than the headline rate.

Despite the uncertain economic situation related to the Covid-19 pandemic, the base lease conditions have remained unchanged. The lease duration expected by property owners remains unchanged between 3-5 years for a standard contract.

ACTIVE DEVELOPERS

Szczecin's office market is dominated by local developers - Alsecco, Koncepta, Realkapital, SGI Baltis. The only active international office developer is Vastint (formerly Swede Center), present since 2012 when it delivered to the market the Brama Portowa office complex (in two phases). Later, the company completed the Posejdon Center office project in 2019.

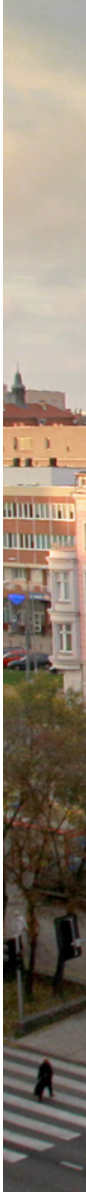
Szczecin's market also contains a number of singular projects by developers operating on a national scale. These include Oxygen, completed in 2010 by Echo Investment, or extensive renovation of Willa Nellego project by White Stone Development, which is an example of conversion of the historic building into offices.

The planned projects are also dominated by the local investors.

DEVELOPMENT PROSPECTS

In the wake of Covid-19 pandemic and increased adoption of remote working, demand for office spaces might be reduced, however they will still remain a necessity. Colliers estimates that in the coming years the hybrid work model will prove most popular. Each week, employees will spend several days working in the office and several from home. The role of an office will change and it will become a meeting space, most suited to creative teamwork.

The office market in Szczecin is characterized by the lowest saturation among Poland's major urban agglomerations. In the last few years a rising demand for office space has been observed and reflected in increased supply of such projects. Stable and low vacancy rate indicates a need among local businesses for higher standard office spaces. Due to increased number of companies in the service sector and projected growth of small- and medium-sized enterprises, the rising demand should remain a stable trend. Szczecin is expected to rise in importance among the investors from BPO/SSC industries, looking for alternatives to major hubs in cities like Cracow or Wrocław. The city's competitiveness is also bolstered by the supply of existing and planned office projects, relatively low incremental rent increases and availability of qualified employee pool.



THE BRAMA PORTOWA OFFICE COMPLEX, SZCZECIN

Source: Szczecin Metropolis Development Agenc.

The supply of existing and planned modern office space, relatively stable rental rates, availability of qualified employee pool and proximity to Germany and Scandinavia are the factors that make Szczecin competitive. Due to increased number of companies in the service sector and projected growth of small- and medium-sized enterprises, the rising demand should remain a stable trend and Szczecin is expected to rise in importance among the investors from BPO/SSC industries.

Sebastian Bedekier
Partner | Regional Director | Poznań
Colliers International

INDUSTRIAL MARKET

Szczecin forms a unique market, thanks to the Szczecin Seaport, enabling water transport to reach deep into the mainland. The advantage of the region is also the fact that there are cargo handling operations performed at the Szczecin–Goleniów Airport.

The market's resources include large industrial parks, BTS projects, smaller parks and small municipal warehouses (so called SBU – small business units).

TOTAL STOCK

762,000 m²

NUMBER OF EXISTING INDUSTRIAL PROJECTS

12

NEW SUPPLY (Q1-Q3 2020)

34,800 m²

SPACE UNDER CONSTRUCTION

64,500 m²

VACANCY RATE

0.7%

DEMAND (Q1-Q3 2020)

97,700 m²

EFFECTIVE RENTAL RATES

2.5-3.0 EUR/m²/month

SUPPLY

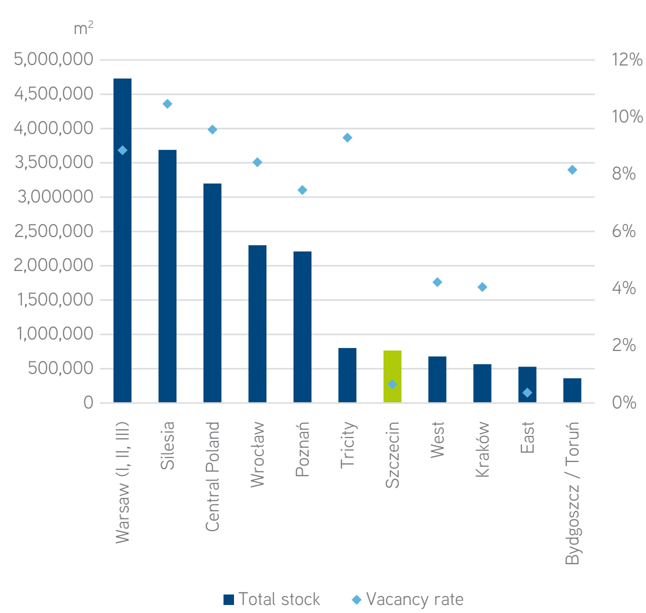
By the end of Q3 2020, total supply of modern industrial space in Szczecin had reached 762,000 m², placing the region as 7th among the 11 main warehouse markets in Poland. Based on the existing supply, Szczecin's market is comparable to that of Tricity (802,000 m²) and exceeds that of Kraków (566,000 m²) and the Bydgoszcz-Toruń region (361,5000 m²). Another notable trait of Szczecin is a relatively small (on a national scale) vacancy rate (0.7%).

Szczecin forms a unique market, thanks to the Szczecin Seaport, enabling water transport to reach deep into the mainland. The advantage of the region is also the fact that there are cargo handling operations performed at the Szczecin–Goleniów Airport.

The market's resources include large industrial parks, BTS projects, smaller parks and small municipal warehouses (so called SBU – small business units). The latter enjoy a growing popularity among developers and tenants across the whole country, particularly in context of last mile delivery and smaller e-commerce businesses.

SZCZECIN COMPARED TO OTHER MAIN WAREHOUSE MARKETS OF POLAND

(Q3 2020)



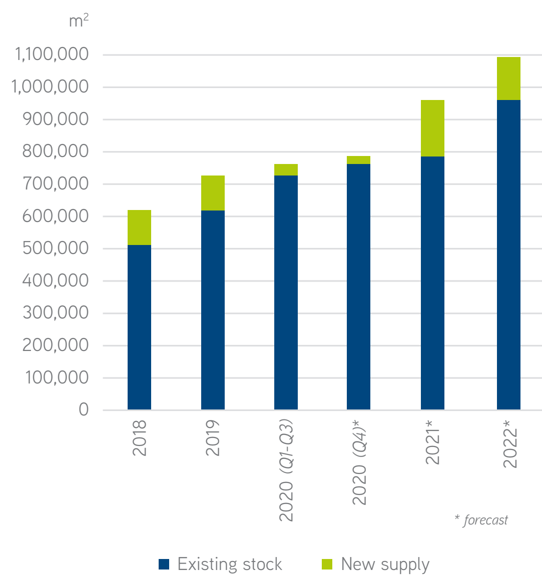
Source: Colliers International, November 2020

Szczecin's warehouse market is relatively young. Despite its beginnings reaching as far as 2008, when the first modern warehouse project - Prologis Park Szczecin (nowadays called Mapletree Park Szczecin, 41,800 m²) – was delivered to the market, it began to dynamically grow since 2013. Since then, the supply continues to grow year after year. 2017 proved important to the city's warehouse market, as in that year alone supply increased by record-breaking 325,300 m². Said increase included two key BTS investments (on a regional scale): Zalando distribution center constructed by the Goodman company in Gryfino (130,000 m²) and a warehouse delivered by Panattoni for a global e-commerce giant – Amazon – with the area of 161,500 m². During the first three quarters of 2020, the total stock grew by 34,800 m² thanks to completion of later phases of the Panattoni Park Szczecin I (Załom) investment.

At the end of September 2020, further 64,500 m² was under construction within four projects, with 38% of this area scheduled for completion by the end of the year. The largest upcoming investment is a 30,100 m² BTS warehouse for the Hultafors group – 7R Goleniów. It will be the first A-class automated warehouse in Poland utilizing the AutoStore system. Other projects remaining at the construction stage include further phases of Exeter Park Szczecin II (19,600 m²) and Panattoni Park Szczecin Goleniów (9,900 m²) as well as Hillwood Szczecin (BTS) with an area of 4,900 m², set to become a logistic centre for the DPD Polska courier company.

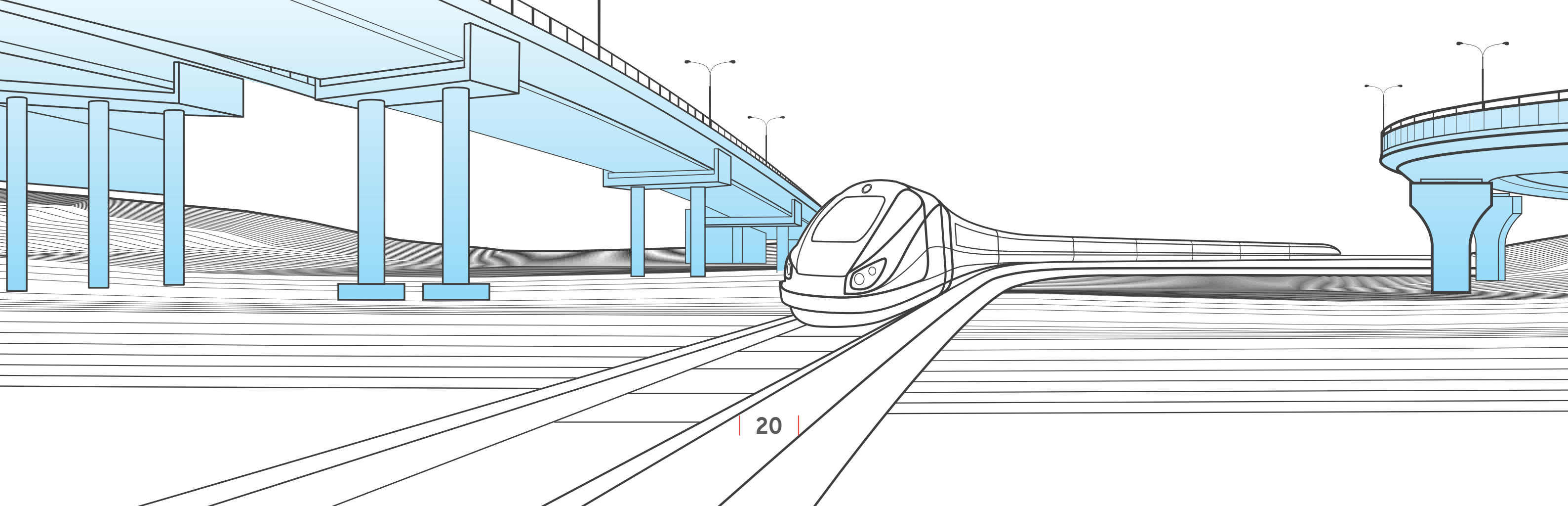
EVOLUTION OF MODERN WAREHOUSE SPACE IN SZCZECIN

(2018 - Q3 2020, WITH AN OUTLOOK TO 2022)



Source: Colliers International, November 2020

The developers keep securing land and planning further investments in the Szczecin region. Projects scheduled for 2021 include: 7R Park Szczecin (60,200 m²), further stages of Panattoni Park Szczecin Goleniów (39,900 m²) and Panattoni Park Szczecin I (42,100 m²). Developers are also currently preparing investments such as Exeter Park Szczecin II, Waimea Logistics Park Stargard and Next Step Investments – Goleniów (Kikorze). The above-mentioned projects have already secured necessary building permits and can be delivered within several months.



DEMAND

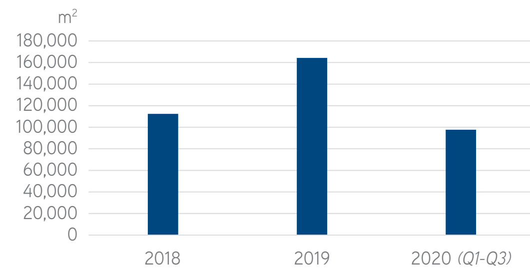
Tenants are seeing Szczecin's potential and remain interested in renting properties in this region. Among the largest companies that chose to conduct their business in Szczecin, one can find Amazon e-commerce centre and Zalando distribution centre. Szczecin's warehouse parks see the presence of companies such as Rhenus, Momox, Mycs, IKEA, Carlsberg, InPost, AUTODOCK Logistics, IQ Metal and the KION group.

In 2018, the total volume of transactions amounted to 112,400 m² and in 2019 it rose to 164,300 m². Over Q1-Q3 2020, 97,700 m² has already been rented.

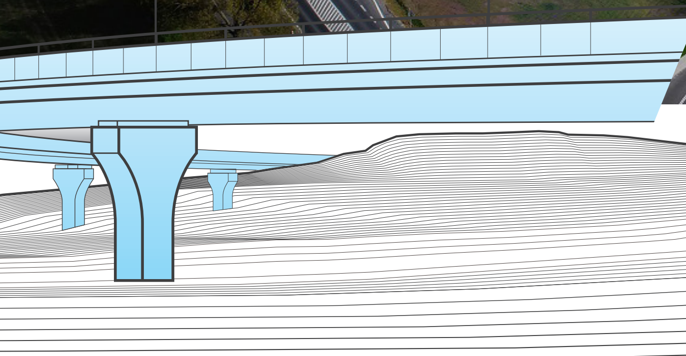
Between the 2018 and Q3 2020, a total of 52 lease transactions have been concluded. Most of these (60%) concerned modules of less than 5,000 m², while modules of 5,000-10,000 m² and 10,000-25,000 m² amounted to, respectively, 21% and 15% of all transactions. Lease agreements concerning 25,000-50,000 m² properties amounted to merely two transactions.

DEMAND FOR MODERN WAREHOUSE SPACE IN SZCZECIN

(2018 - Q3 2020)

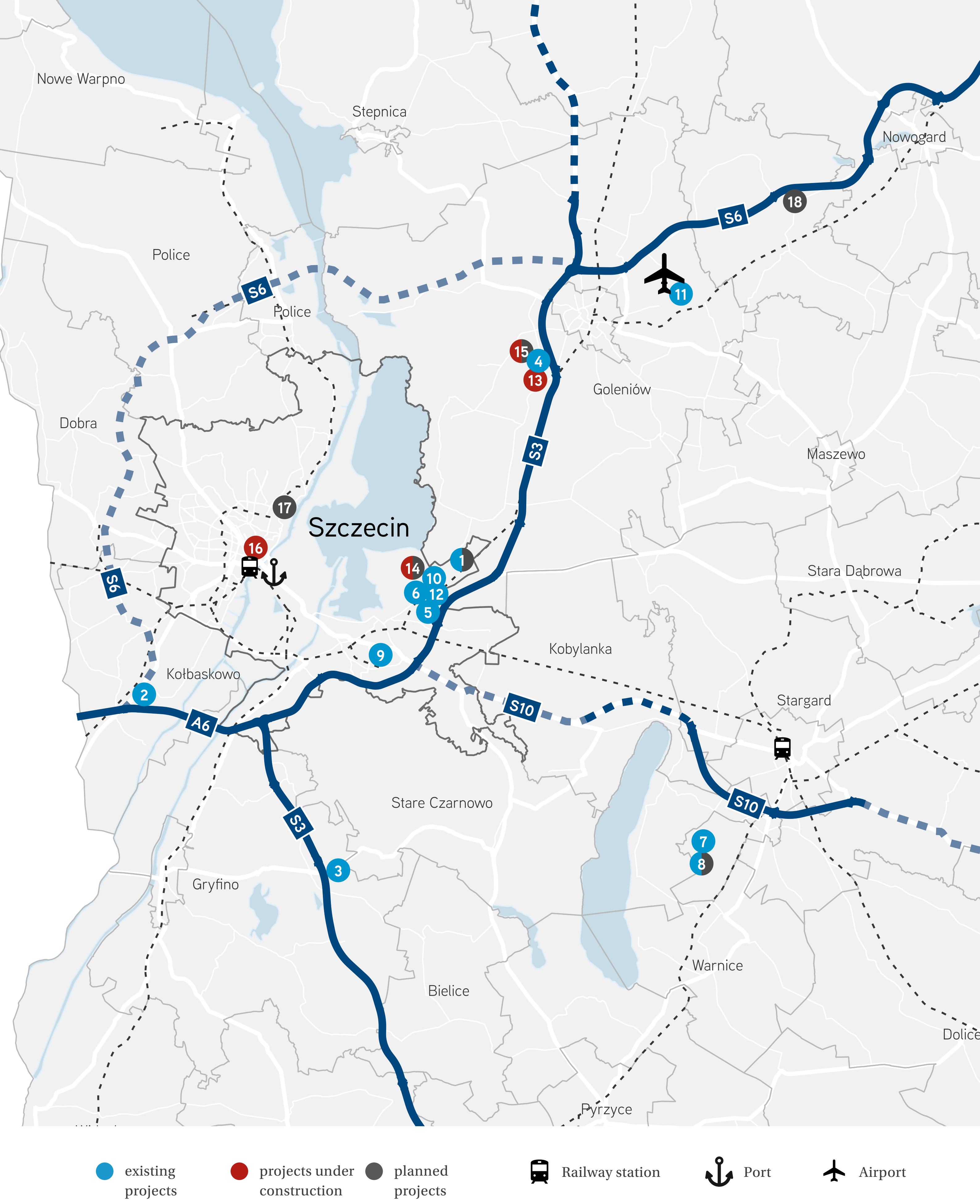


Source: Colliers International, November 2020



BTS AMAZON SZCZECIN

Source: Panattoni Europe


Nowe Warpno
Stepnica
Nowogard
Police
S6
Police
Dobra
Goleniów
S3
Maszewo
Szczecin
Stara Dąbrowa
S6
Kobylanka
Kołbaskowo
Stargard
A6
S10
S10
Stare Czarnowo
S3
Gryfino
Warnice
Bielice
Dolice
Pyrzyce
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
existing projects
projects under construction
planned projects
Railway station
Port
Airport

INDUSTRIAL PROJECTS IN SZCZECIN *(Q3 2020)*

	Name	Location	Owner / Developer	Area (m^2)
1	**Panattoni Park Szczecin I (Załom)**	Szczecin-Załom, Kablowa 1	Accolade / Panattoni	**178,490** 42,110
2	**Panattoni BTS Amazon Szczecin**	Szczecin, Kołbaskowo 156	Panattoni	**161,500**
3	**Zalando DC - Gryfino (BTS)**	Gryfino, Innowacyjna 8	DWS / Goodman	**130,000**
4	**Mapletree Park Szczecin**	Goleniów, Łozienica-Prosta 16	Mapletree / Prologis	**101,960**
5	**Panattoni Park Szczecin II**	Szczecin, Cynkowa 12	Nieujawniony Inwestor / Panattoni	**69,250**
6	**Exeter Park Szczecin I**	Szczecin, Kniewska 3	Exeter Property Group / Waimea	**62,590**
7	**Panattoni BTS Hydroline Stargard**	Stargard, Metalowa 19	Panattoni	**13,000**
8	**Waimea Logistics Park Stargard**	Stargard, Metalowa 10A	Waimea	**11,340** 67,770
9	**7R City Flex Szczecin**	Szczecin, Andrzeja Struga 44	7R Logistics	**11,310**
10	**North-West Logistic Park 2**	Szczecin, Kniewska 9	Waimea	**10,930**
11	**Waimea Cargo Terminal Szczecin-Goleniów**	Goleniów, Glewice 1G	Waimea	**7,000**
12	**North-West Logistic Park 1**	Szczecin, Kniewska 1	Waimea	**4,670**
13	**7R BTS Goleniów ***	Łozienica, Prosta	7R Logistics	**30,100**
14	**Exeter Park Szczecin II ***	Szczecin, Lubczyńska	Exeter Property Group	**19,570** 64,130
15	**Panattoni Park Szczecin Goleniów ***	Łozienica, Usługowa	Panattoni	**9,920** 39,910
16	**Hillwood Szczecin ***	Szczecin	Hillwood	**4,910**
17	**7R Park Szczecin**	Szczecin, Rugiańska	7R Logistics	60,170
18	**Next Step Investments - Goleniów**	Kikorze, węzeł Osina	Next Step Investments	22,000

* project under construction

● project / additional area planned

Source: Colliers International, November 2020

Szczecin remains a young, developing market with a notable potential for further growth. The region is of strategic importance due to its proximity to Germany and Scandinavia, which is appreciated by both developers and tenants that chose to conduct their business here.

Maciej Chmielewski
Senior Partner | Director
Industrial and Logistics Agency, Colliers International

Taking into account total area rented since 2018, the leading industries in terms of the rental structure proved to be 3PL (16%), light production (13%) and e-commerce (12%). From the viewpoint of concluded transactions, the market has been dominated by new contracts, which constituted of 60% of overall demand during 2018-Q3 2020. Renegotiations and BTS type contracts amounted to, respectively, 25% and 15% of all transactions.

Among the transactions concluded in the analyzed period, one could highlight the BTS warehouse deal in Kołbaskowo, signed by the KION Group and Panattoni (44,000 m²), renting of 24,000 m² by DHL in Panattoni Park Szczecin I and the 13,000 m² BTS warehouse deal in Stargard, signed between Hydroline and Panattoni.

VACANCY

Szczecin's warehouse market is characterized by a relatively low vacancy rate. By the end of Q3 2020 it has reached the second lowest level (0.7%) among the 11 main warehouse markets of Poland. The only lower vacancy rate (by 0.3 pp) has been observed in Eastern Poland.

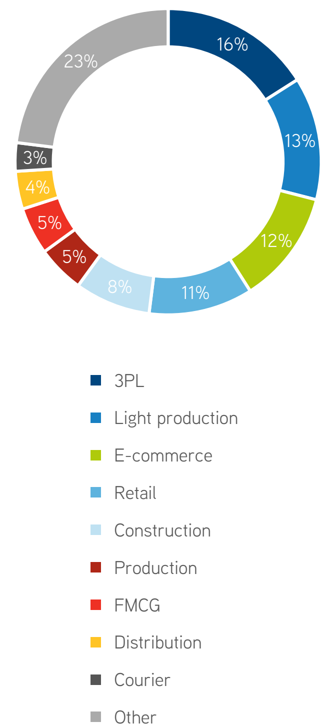
An analysis of the vacancy rate values since the beginning of 2018 unveils that it has never exceeded 4.5%. Moreover, most of the quarterly results oscillated below 2% and during Q1-Q3 2018 and Q2 2019 there was no vacant warehouse space in Szczecin.

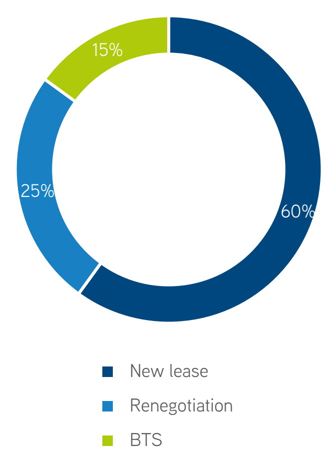
RENTAL RATES AND LEASE CONDITIONS

Rents for modern warehouse space in Szczecin have remained stable during recent years. Base rental rate for prime warehouse space in the Szczecin region amounts to approx. EUR 3.5/m² per month, while the effective rental rates range between EUR 2.5-3.0/m² per month. The rental rates and the values of offered investment incentives (such as rent-free periods or building adaptation budgets) are impacted by numerous factors such as size of the rented area, rent period or the exact technical requirements of the tenants. Furthermore, tenants are bound to pay a service charge based on costs of maintaining the object, property tax and utilities consumption.

DEMAND STRUCTURE IN SZCZECIN - RENTED WAREHOUSE SPACE

(2018 - Q3 2020)





Source: Colliers International, November 2020

Despite the uncertain economic situation related to the Covid-19 pandemic, the base lease conditions have remained unchanged. The lease duration expected by property owners is between 3-5 years for a standard contract, over 5 years in case of a need for significant building adaptation and 10-15 years for BTS type buildings.

ACTIVE DEVELOPERS

Szczecin's warehouse market is where the leading developers, active on both the national and international scales, have chosen to locate their investments. The unquestioned leadership belongs to Panattoni, which has single-handedly delivered more than a half (55%) of existing warehouse space. Other major players include GLP (formerly Goodman) at 17%, Prologis at 13% and Waimea at 13% of delivered projects. Over the years, Szczecin's industrial parks have been subject to numerous sales and changes to the ownership structure. From the viewpoint of owned area, Panattoni and Accolade Group arose as leaders, owning 23% of existing space each. The Exeter, 7R Logistics and Panattoni projects are currently under development.

Recently, the pool of active developers has been strengthened by Hillwood, which launched its first investment in the region. Waimea and Next Step Investments are also currently planning new projects here.

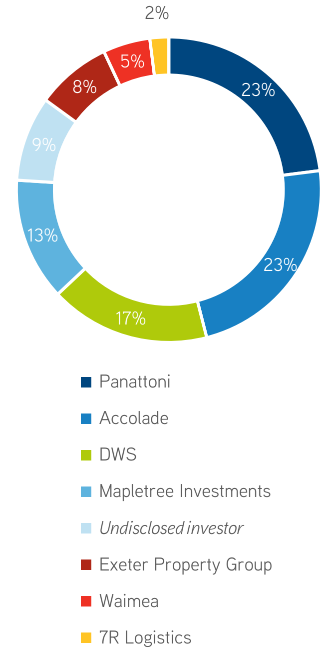
DEVELOPMENT PROSPECTS

Szczecin remains a young, developing market with a notable potential for further growth. The strong state of this market is evidenced by consistently low vacancy rate, despite the regular growth of the supply. 65% of warehouse space under construction is already secured with lease agreements.

Both the tenants and the developers appreciate Szczecin's advantageous location and its large and varied access to transportation networks. The region is of strategic importance due to its proximity to Germany and Scandinavia. One should also take note of high availability of qualified employee pool and the investment incentives offered by the Polish Investment Zone.

Assuming all of the currently planned investments being developed within the next two years, the total stock of modern warehouse space in Szczecin might reach 1.09 million m² by the end of 2022. However, taking into account the uncertainty caused by the Covid-19 pandemic, which causes the developers to avoid speculative investments, we can expect implementation of the planned projects to face some delays.

OWNERSHIP STRUCTURE OF WAREHOUSE SPACE IN SZCZECIN *(Q3 2020)*



Source: Colliers International, November 2020

PANATTONI PARK SZCZECIN I, ZAŁOM

Source: Panattoni Europe

INVESTMENT SUPPORT AND SERVICING

To create the proper business environment and support its growth, the City of Szczecin established the Szczecin Metropolis Development Agency (ARMS), which focuses on providing an effective, local investor support system. To that end, it cooperates (substantively and operationally) with numerous governmental agencies and private businesses.

To create the proper business environment and support its growth, the City of Szczecin established the Szczecin Metropolis Development Agency (ARMS), which focuses on providing an effective, local investor support system. To that end, it cooperates (substantively and operationally) with numerous governmental agencies and private businesses, such as Polish Investment and Trade Agency, Special Economic Zones, trade organizations, chambers of commerce and consulting agencies. The investors may expect to receive information and help concerning investment procedures, as well as receive assistance in launching or developing economic activities within Szczecin.

Providing necessary information concerning implementation of investments within the city of Szczecin, helping find appropriate real estate or providing entrepreneurs with sureties are only a part of the actions for which ARMS is responsible in order to create the best support system for potential investors.

Jolanta Buczek
Business Support and Service Specialist
Szczecin Metropolis Development Agency

The Szczecin Metropolis Development Agency (ARMS) is tasked with supporting the investors in following ways:

- Providing necessary information concerning implementation of investments within the city;
- Organizing meetings with city's President, representatives of key Town Hall departments, trade organizations, the district employment office, business support institutions and academic hubs; cooperating with the developers within the scope of commercializing office space within the city;
- Helping find real estate appropriate for development according to the investment needs;
- Piloting of document flow concerning investment procedures;
- Preparation of investment offers;
- Support in finding future employees;
- Promotion activities, organization of events showing the economic potential of the City of Szczecin;
- Organization of events, such as conferences, trade fairs, industry workshops, also on an international scale, which give the opportunity to exchange knowledge, experience, obtain new business contacts and initiate new projects;
- Stimulation of the local business environment development processes.

more ▸ www.invest.szczecin.eu

Implementing an investment requires large financial expenditures. By working with banks and loan funds, ARMS is also able to provide entrepreneurs with sureties, that is securities necessary for obtaining a credit or a loan. Therefore, it helps in obtaining external financing. This type of ARMS activity has been implemented since its establishment in 2002. As of writing, it allowed for supporting over 700 West Pomeranian entrepreneurs with sureties. ARMS offers bid bond guarantees, which can be used instead of paying a bid bond.

more ▸ www.arms-szczecin.eu

CONTACT

Colliers International
Poland Sp. z o.o.

Pl. Piłsudskiego 3
00-078 Warsaw
+48 22 331 78 00

Agencja Rozwoju
Metropolii Szczecińskiej Sp. z o.o.

ul. Niemierzyńska 17A
71-441 Szczecin
+ 48 91 333 97 71