

# Industrial Market in Poland

Q2 2016



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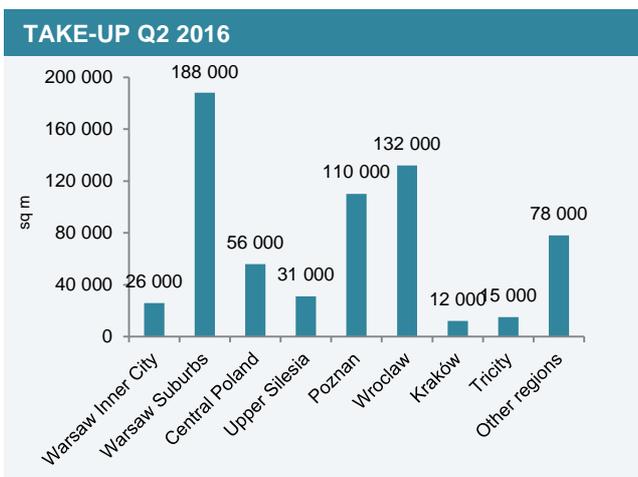
In the second quarter of 2016 the Polish modern industrial market continued to show increased development and occupier activity. At the end of June 2016 warehouse stock totalled 10.5 million sq m.

### Take-up

Take-up in Q2 2016 remained at a high level with approximately 650,000 sq m of warehouse space leased, which is 6% (34,000 sq m) ahead of the corresponding period in 2015.

With 188,000 sq m of warehouse space transacted, Warsaw Suburbs boasted the highest leasing volume of all submarkets, followed by Wrocław (132,000 sq m) and Poznań (110,000 sq m). Among smaller regional warehouse markets the most occupier interest was recorded in Bydgoszcz & Toruń region (50,000 sq m), followed by Rzeszów (13,000 sq m) and Szczecin (11,000 sq m).

With regard to the demand structure, new leases (56%) and renewals (29%) accounted for the largest share of all transactions noted in the second quarter of 2016. Extensions made up 15% of the total take-up.



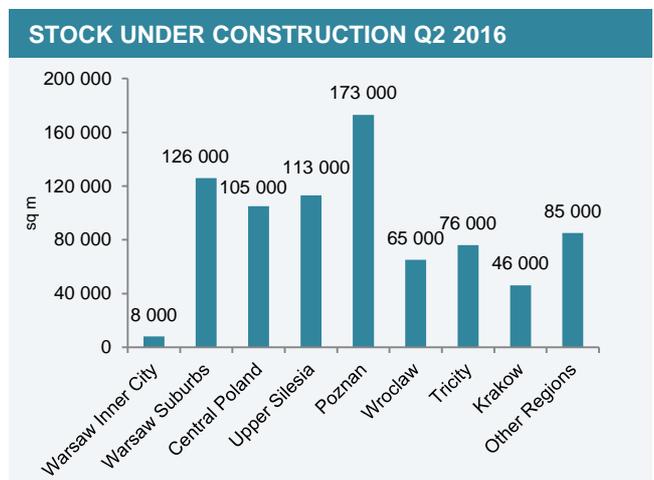
Source: Cushman & Wakefield

As in previous quarters, the demand was mainly driven by logistics operators (36%) and retailers (13%), followed by electronics (8%), food (7%), furniture and e-commerce sectors (5% each).

### Stock under construction

The second quarter continued to witness a robust development activity, with some 796,000 sq m of modern warehouse space under construction. Of this nearly 75% was found on main industrial markets, such as Poznań (173,000 sq m), Warsaw region (134,000 sq m), Upper Silesia (113,000 sq m) and Central Poland (105,000 sq m). Healthy activity was recorded among the developers in Tricity (76,000 sq m), Wrocław (65,000 sq m), Lublin (50,000 sq m) and Kraków (46,000 sq m).

The low vacancy rate and strong absorption of newly added space prompted developers to add more speculative component in the pipeline. As of the end of June 2016, there was approx. 53% of warehouse space under construction available for lease, compared to 31% in the previous year. Nonetheless Build-to-Suit schemes are still popular accounting for approx. 30% of the pipeline projects. The remaining 17% of warehouse projects was already absorbed by lease agreements signed at the development stage.



Source: Cushman & Wakefield

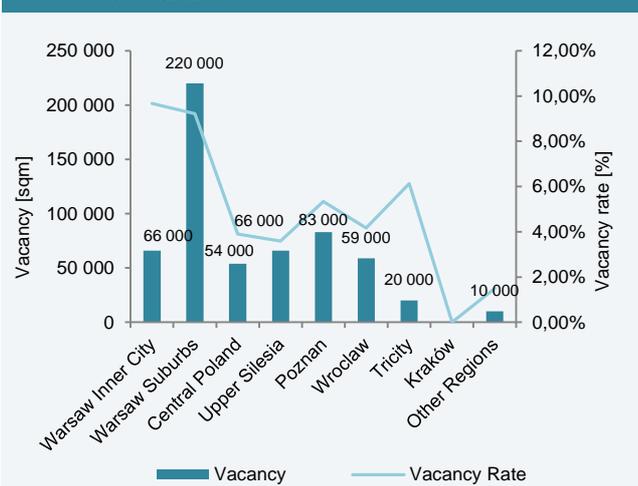
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## Vacancy

Continued solid demand kept warehouse vacancy rate in Poland at a low level of 5.5%, which equates to approximately 580,000 sq m of available warehouse space at the end of June 2016. The vacancy rate decreased marginally by approx. 0.7 p.p. on an annual basis (6.2%).

The highest vacancy rate was reported in the regions of Warsaw Inner City (9.7%) and Warsaw Suburbs (9.2%). Among major regional markets, low vacancy was recorded in Poznan (5.3%), Wroclaw (4.2%), Central Poland (3.9%) and Upper Silesia (3.6%).

### VACANCY Q2 2016



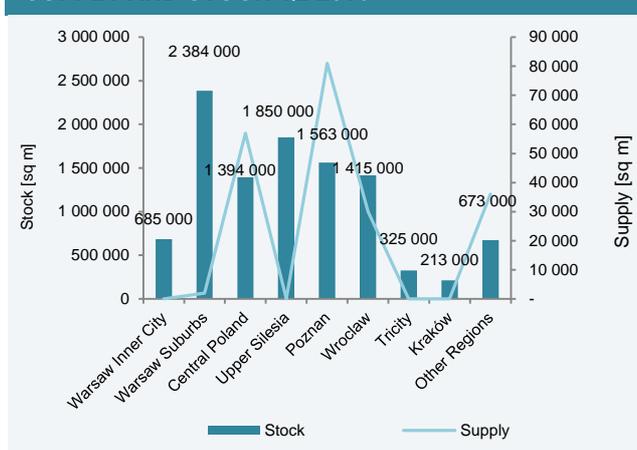
Source: Cushman & Wakefield

## Supply

Growing developers' activity resulted in a high level of new supply completed in the second quarter of 2016. Warehouse space in Poland increased by 207,000 sq m, representing an increase of 28% compared to the same period last year (161,000 sq m).

Poznan region accounted for the largest amount of supply (81,000 sq m), followed by Central Poland (57,000 sq m), Wroclaw (30,000 sq m) and Szczecin (17,000 sq m). Warsaw region saw a marginal level of new supply, despite the considerable stock remaining under construction.

### SUPPLY AND STOCK Q2 2016



Source: Cushman & Wakefield

## Rents

In Q2 2016 headline rents in most warehouse markets in Poland remained stable. In some locations, such as Upper Silesia, a slight upward trend in rental rates was recorded.

The highest rates are still commanded in the urban area of Warsaw (EUR 4.00-5.40/sq m/month), and the lowest in the region of Central Poland (EUR 2.40-3.80/sq m/month) and in the capital's fringe areas (EUR 2.50-3.80/sq m/month). Rental rates in the remaining regions stood at EUR 2.50-4.00/sq m/month.

REGION	BASE RENT [EUR/SQ M/MONTH]	EFFECTIVE RENT [EUR/SQ M/MONTH]
Warsaw City	4.00 – 5.40	3.20 – 4.50
Warsaw Suburbs	2.50 – 3.80	1.90 – 3.20
Upper Silesia	2.90 – 3.60	2.20 – 3.10
Poznan	3.00 – 3.50	2.30 – 2.90
Central Poland	2.40 – 3.80	1.90 – 3.10
Wroclaw	3.00 – 3.60	2.30 – 3.00
Tricity	2.80 – 3.20	2.50 – 2.80
Krakow	3.60 – 4.20	2.90 – 3.60
Szczecin	3.00 – 3.95	2.70 – 3.40
Torun & Bydgoszcz	2.70 – 3.50	2.30 – 2.90
Rzeszow	approx. 3.50	approx. 2.95
Lublin	3.30 – 4.10	2.70 – 3.20

Source: Cushman & Wakefield

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### Regional Cities

#### Warsaw

Warsaw remains the largest warehouse market in Poland, with approximately 3,070,000 sq m of modern warehouse space at the end of Q2 2016. In the second quarter leasing activity stood at high levels. Total take-up reached approx. 214,000 sq m, an increase of 55% compared to the same period of 2015.

At the end of June 2016 there was approx. 134,000 sq m of warehouse space under construction, of which 8,000 sq m was located in the capital. Over the last 12 months the vacancy rates fell by 1.4 p.p. to 9.7% in Warsaw Inner City and by 0.4 p.p. to 9.2% in the suburbs, which translates into 66,000 sq m and 220,000 sq m respectively.

#### Upper Silesia

Upper Silesia is the largest regional warehouse market in Poland, with approximately 1,850,000 sq m of modern stock recorded at the end of June 2016. Take-up reached 31,000 sq m of warehouse space leased in Q2 2016, which is a substantial decline compared to the result recorded in the same period of 2015 (113,000 sq m).

Despite the lack of supply, development activity by the end of Q2 2016 remained at a high level, with approx. 113,000 sq m under construction. Vacancy rate stood at 3.6% (66,000 sq m), posting a decrease of 3.4 p.p. year-on-year.

#### Poznan

Poznan is the fastest-growing warehouse market in Poland, with total modern warehouse stock amounting to 1,563,000 sq m at the end of Q2 2016. New supply stood at the level of 82,000 sq m, compared to 16,000 sq m delivered in the same period last year. Total take-up reached 110,000 sq m of warehouse space leased in Q2 2016, which was a significant rise compared to the same quarter of 2015 (21,000 sq m). Development activity remain robust with approx. 173,000 sq m of warehouse space under construction at the end of June 2016. The vacancy rate stood at 5.3% (83,000 sq m), an increase of 3.6 p.p. year-on-year.

#### Wroclaw

Modern warehouse stock in Wroclaw region stood at 1,415,000 sq m. Some 30,000 sq m of warehouse space was delivered to the market in Q2 2016. Total take-up reached 132,000 sq m of warehouse space leased in the analyzed period, representing a twofold increase compared to the leasing volume in Q2 2015. As of the end of the second quarter of 2016 there was approx. 65,000 sq m warehouse space under construction in Wroclaw region. At the end of June 2016 vacancy rate stood at 4.2% (59,000 sq m), an increase of 0.8 p.p. year on year.

#### Central Poland

By the end of Q2 2016 Central Poland's warehouse stock stood at approximately 1,394,000 sq m, with 57,000 sq m delivered last quarter. Take-up reached 56,000 sq m, compared to 115,000 sq m of warehouse space leased in the second quarter of 2015. At the end of June the vacancy rate was 3.9% (54,000 sq m), representing a 1.6 p.p. decrease compared to the same quarter last year.

#### Krakow

Krakow's warehouse stock remained at the level of 213,000 sq m, with no space added in the last quarter. Take-up in Krakow amounted to approximately 12,500 sq m, compared to 17,000 sq m of warehouse space leased in the same period last year. As of the end of June 2016 approx. 46,000 sq m of modern warehouse remained under construction. The vacancy rate declined on an annual basis by 7.2 p.p. to 0.0% which means there is no readily available warehouse space.

#### Tricity

Tricity's warehouse stock stood at approximately 325,000 sq m, with no supply added in the last quarter. Take-up reached 15,000 sq m of leasing volume, the same as in the second quarter of 2015. Development activity remained at a high level with 76,000 sq m of warehouse space under construction. The vacancy rate increased by 4.3 p.p. on an annual basis, at around 6.1% at the end of Q2 2016, which translates into approx. 20,000 sq m of vacant space.

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### Emerging markets

#### Szczecin

At the end of Q2 2016 warehouse stock in Szczecin amounted to approx. 177,000 sq m. Take-up reached 11,000 sq m, which was a threefold decrease compared to the same period last year (32,000 sq m). New supply stood at the level of 17,000 sq m, a decline of 40% (11,000 sq m) compared to the volume of completed projects in Q2 2015. The vacancy rate decreased by 3.7 p.p. on an annual basis to 0.1% at the end of June 2016, which means the marginal amount of vacant space.

#### Bydgoszcz & Torun

The warehouse market in Bydgoszcz & Torun region recorded a dynamic growth in Q2 2016. Total modern warehouse stock in the region posted an increase of 12,000 sq m and stood at 158,000 sq m. Take-up reached approx. 50,000 sq m of leasing volume, as recorded in the first quarter of 2016. At the end of June there was 31,000 sq m of warehouse space under construction. The vacancy rate remained at a very low level of 1.0%, which equates to 1,600 sq m of vacant space.

#### Rzeszow

In Q2 2016 modern warehouse stock in Rzeszow region posted an increase of 7,000 sq m and totalled 258,000 sq m. At the of June 2016 there was 5,000 sq m of warehouse space under construction. Vacancy rate stood at a very low level of 2.4% or 6,200 sq m of vacant space at the end of June 2016.

#### Lublin

The warehouse stock in Lublin region stood at 80,000 sq m, with no supply added in Q2 2016. In the analyzed period two new lease agreements were recorded for a total of 3,400 sq m. At the end of June around 49,000 sq m of warehouse space was in the pipeline. The vacancy rate stood at the low level of 2.6%, which translates to approx. 2,000 sq m of vacant warehouse space at the end of the second quarter of 2016.



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### Cushman & Wakefield's Selected Transactions in Q2 2016

7R LOGISTIC KRAKOW-KOKOTOW	KRAKOW REGION
<b>Teekanne Polska</b>	<b>Teekanne</b> , one of Europe's largest tea purveyors, has signed a new lease agreement for a BTS production facility totalling <b>5,600 sq m</b> in logistics park 7R Logistic Krakow-Kokotow.
P3 POZNAN & SEGRO LOGISTIC PARK POZNAN-GADKI	POZNAN REGION
<b>Wheels Logistics</b>	<b>Wheels Logistics</b> , an international logistic operator, has leased <b>4,200 sq m</b> in Segro Logistic Park Poznan-Gadki and renegotiated approx. <b>6,000 sq m</b> of warehouse space in P3 Poznan logistics park.
PANATTONI PARK STRYKOW II	CENTRAL POLAND REGION
<b>Inforsys</b>	<b>Inforsys</b> , company specializing in business process outsourcing (BPO), has leased <b>4,200 sq m</b> of warehouse space in Panattoni Park Strykow II.
PANATTONI PARK GRODZISK II	WARSAW REGION
<b>Medivet</b>	<b>Medivet</b> , importer and distributor of veterinary products, leased <b>3,700 sq m</b> of warehouse space in Panattoni Park Grodzisk II.
PANATTONI PARK KRAKOW III	KRAKOW REGION
<b>Berner Polska</b>	One of the leading European retailers of products and services dedicated to professionals in the construction, automotive and industrial sectors, has signed new lease agreement of approx. <b>3,000 sq m</b> in Panattoni Park Krakow III.

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