

Poland Industrial, Q3 2015

# Strong development activity with a considerable number of speculative projects.

 Vacancy Rate  
6.0%

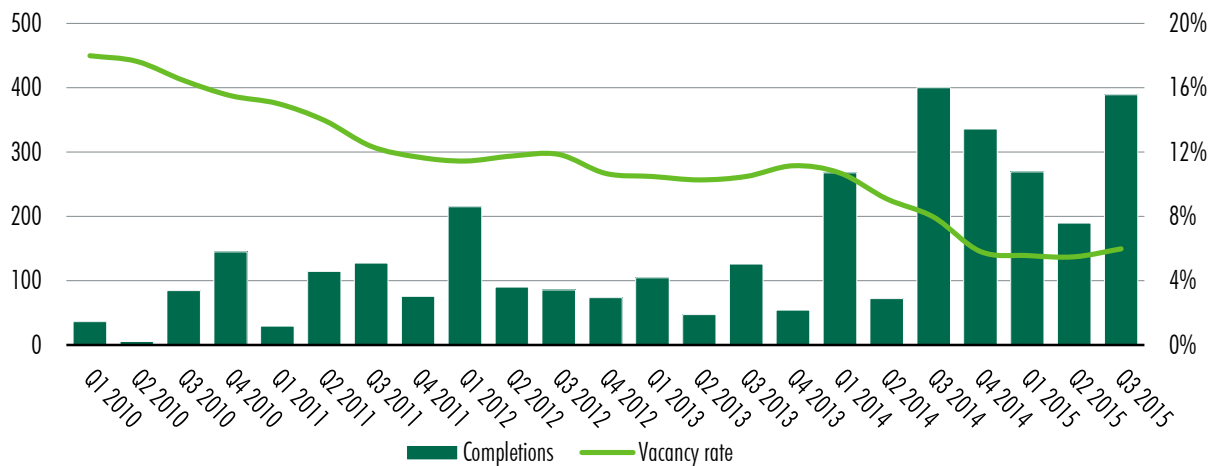
 Leasing Activity  
1.94 million sq m

 Under Construction  
580,000 sq m

 Completions  
850,000 sq m

\*Arrows indicate change from Q1-Q3 2014.

Figure 1: Completions (000 sq m) and vacancy rate (%)



Source: CBRE Research, Q3 2015.

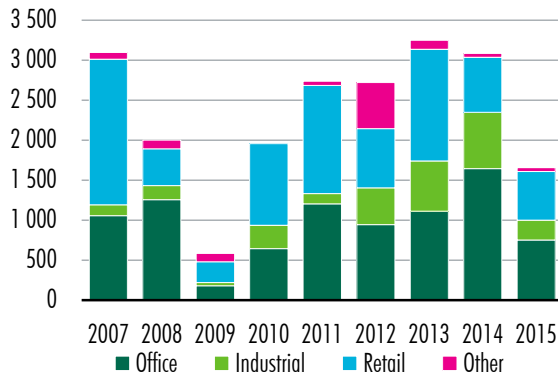
Figure 2: Market summary

Summary

Total stock	9,674,200 sq m
Q1-Q3 2015 completions	848,100 sq m
Space under construction	582,900 sq m
Q3 2015 commencements	273,000 sq m
Vacancy rate	6%
Q1-Q3 2015 total leasing activity	1,937,100 sq m

- Sharp decrease in prime industrial yields – currently at 6.5%.
- Ca. 850,000 sq m of newly completed industrial and logistics space in Q1-Q3 2015. Total modern supply exceeding 9.67 million sq m.
- Over 580,000 sq m currently under construction. Strong development activity with a considerable number of speculative projects (more than 50%).
- Developers have returned to Warsaw region. Continuing interest in new locations such as Rzeszow, Szczecin, Bydgoszcz as well.
- Low vacancy levels. Average vacancy rate for Poland at 6%.
- Strong leasing activity in Q1-Q3 2015, indicating a 27% increase y-o-y.

Figure 3: Investment volume (million EUR)



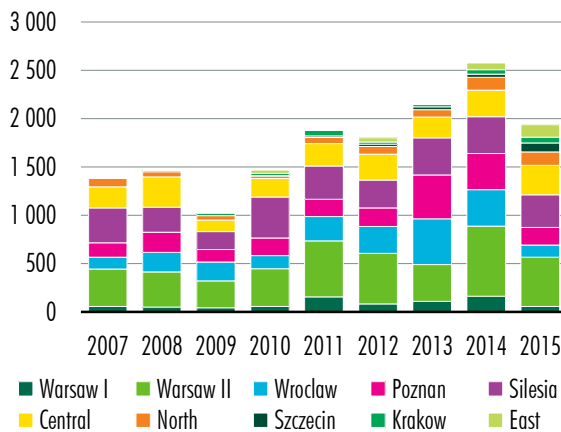
Source: CBRE Research, Q3 2015.

Figure 4: Largest project completions in Q3 2015

Region	Property	Size (sq m)
Wroclaw	Panattoni Park Wroclaw III	50,700
Silesia	Panattoni BTS Bielsko-Biala	45,000
Wroclaw	Goodman Wroclaw IV Logistics Centre	39,500
North	Goodman Pomeranian Logistics Centre	39,300
Central	Panattoni Business Center Lodz II	33,000

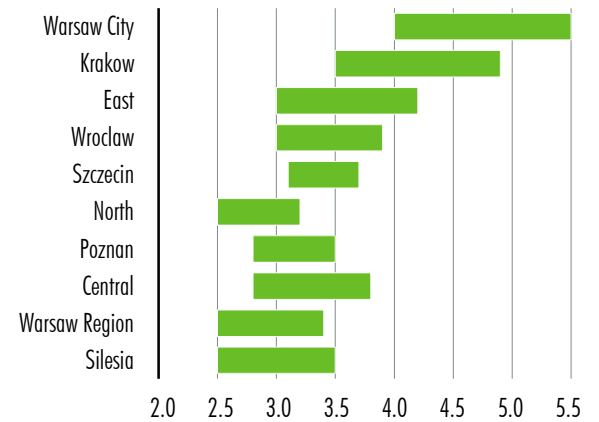
Source: CBRE Research, Q3 2015.

Figure 5: Total leasing activity (000 sq m)



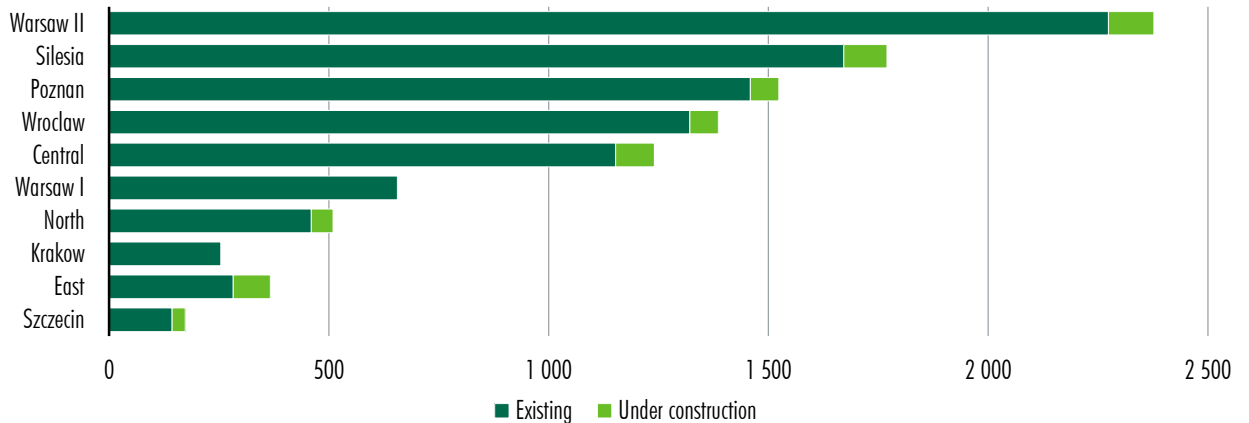
Source: CBRE Research, Q3 2015.

Figure 6: Headline rents, Q3 2015 (EUR/ sq m/ month)



Source: CBRE Research, Q3 2015.

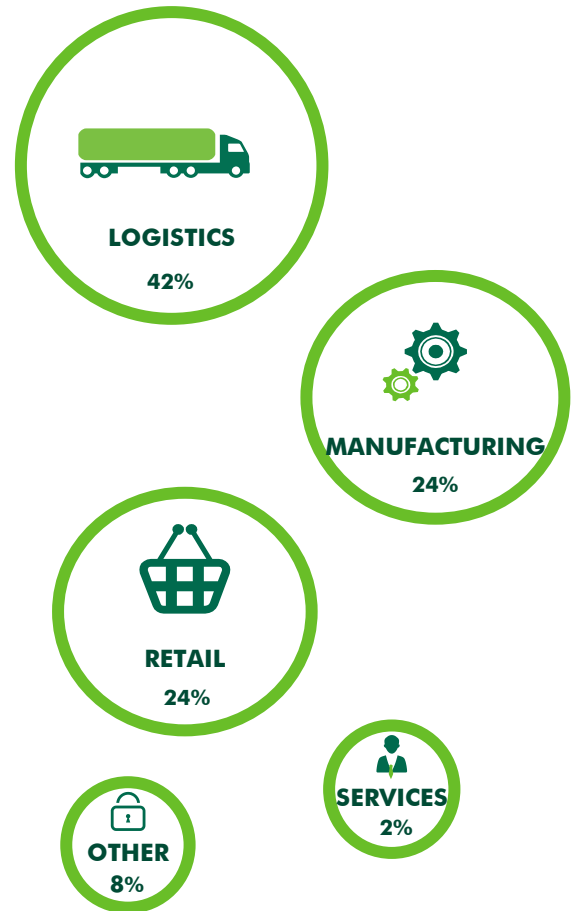
Figure 7: Industrial and logistics stock by region (000 sq m)



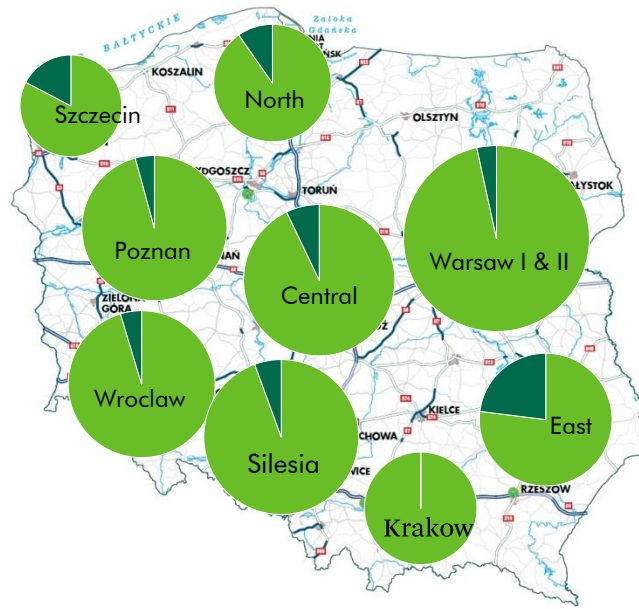
Source: CBRE Research, Q3 2015.

- Total investment volume in the industrial sector in Q1-Q3 2015 reached approximately EUR 250 million (only half of the value registered in the corresponding period last year). The reduced volume of investment transactions is caused by the scarcity of adequate product available for sale, however investor appetite remains strong as the industrial and logistics market is becoming more and more profitable. Prime industrial yields are estimated at 6.5% and will continue to compress over the next quarter.
- The total stock of modern industrial and logistics space in Poland exceeded 9.67 million sq m at the end of Q3 2015. From the beginning of the year almost 850,000 sq m of new product was delivered to the market, whilst a further 580,000 sq m is currently under construction.
- A significant increase in development activity is being observed especially in the Warsaw region, which has remained rather passive over the last few quarters. Currently, there is over 100,000 sq m of new development in close proximity to the capital city (eg. Grodzisk Mazowiecki, Pruszkow, Janki), out of which ca. 75,000 sq m was started in Q3 2015. Independently, there are also new locations still emerging. New projects kicked off in Gdansk, Rzeszow and Szczecin. Two extensive logistics parks are planned in the Bydgoszcz area – a region which had previously been almost completely discounted by institutional developers until now.
- In Q3 2015, a slight increase in the average vacancy rate for Poland was observed for the first time for many quarters. In Q2 2015 it reached the historically low level of 5.5%. Currently, it amounts to 6%. It is expected that the average vacancy rate will be gradually increasing over the next few quarters due to strong development activity and a greater share of speculative projects.

Figure 8: Tenant structure in Q1-Q3 2015



- Q3 2015 ended with total leasing activity recorded at 630,000 sq m and 1.94 million sq m of industrial and logistics space leased from the beginning of 2015 (a 27% increase y-o-y). Short-term leases accounted for 15% of total take-up recorded in Q1-Q3 2015. New deals and expansions covered 67% of registered demand, whilst renewals amounted to 33%. Tenant structure was dominated by logistics companies.
- Headline rents remain stable, amounting to 4.00-5.50 EUR/ sq m/ month in Warsaw City and 2.50-3.90 EUR/ sq m/ month in the major Polish industrial and logistics hubs. Sharp incentives from developers and a growing discrepancy between headline and effective rents are being observed.



**Existing stock**

**Under construction**

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