

Market Outlook 2022

REPORT

POLAND
INDUSTRIAL
& LOGISTICS

CBRE RESEARCH



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Industrial & Logistics

The largest beneficiary of the Covid-19 pandemic with spectacular results last year and further growth forecasts.

Four records in 2021

In 2021, as many as four records were recorded on the lease market in the industrial and logistics sector: record-high total demand, record-low vacancy rate, record-high level of new space delivered and record-high level of space under construction at the end of the year. Moreover, the logistics sector accounted for more than half of the investment volume. These results cannot stand for anything other than that 2021 was definitely the year of warehouses.

Outlook for 2022

Only in 2020 the limit of 20 million sq m of the total stock of modern industrial and logistics space was exceeded, and already in 2022 the barrier of 25 million sq m will be surpassed. This will most likely happen in the middle of the year.

E-commerce is and will continue to be the main driving force of the warehouse market. The largest agreements signed in 2021 represented this sector.

The new warehouse standard will be buildings with a clear height of 12 m and higher, and increasingly more attention will be paid to the aspect of ESG in warehouse buildings and the related certifications.



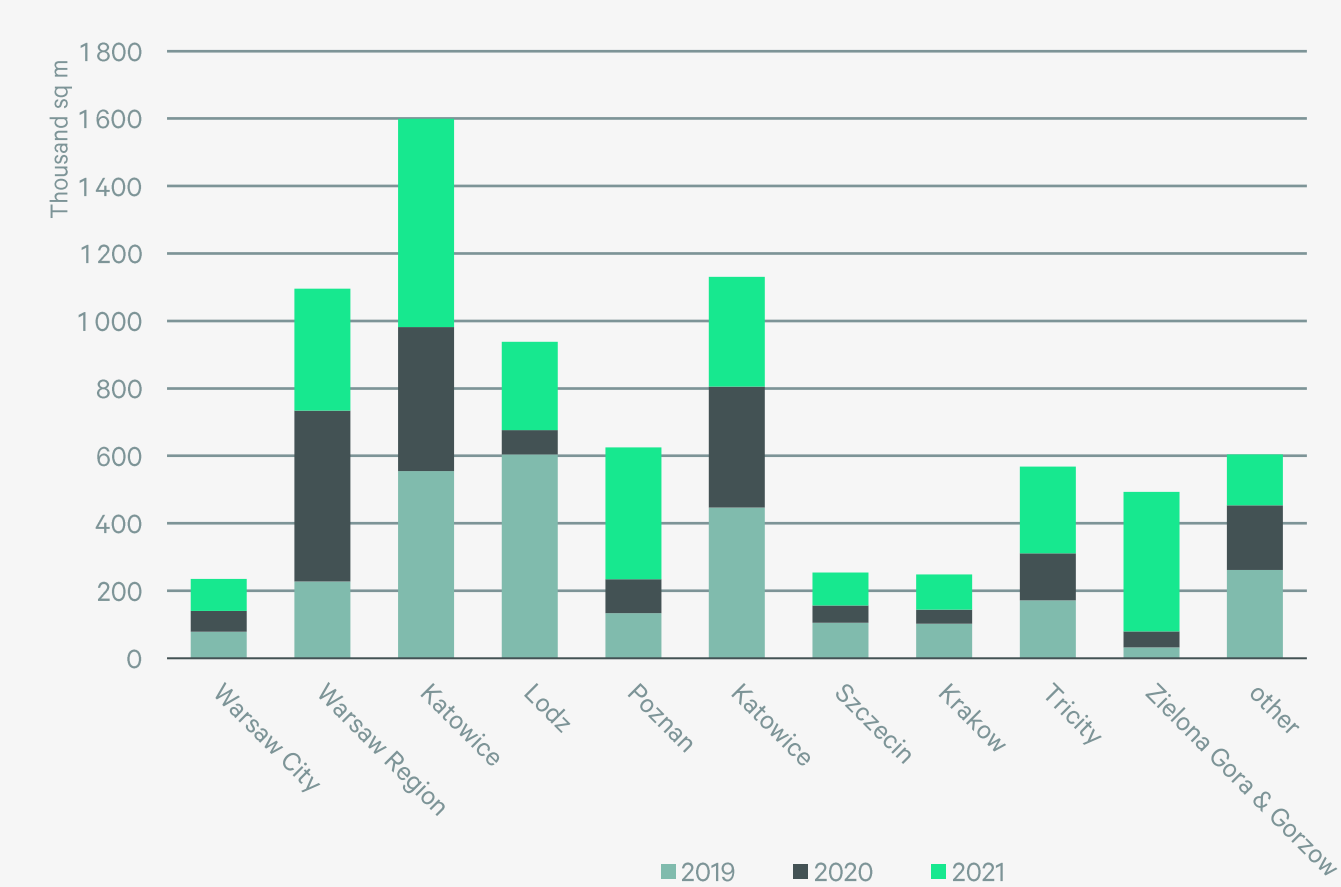
Supply

The stock of modern industrial and logistics space reached the level of 23.8 million sq m at the end of 2021. This is an increase of 16% compared to the previous year. Despite its size, the market continues to grow at a rapid pace - in the last 5 years, since the end of 2016, total supply has more than doubled.

At the end of last year, a record level of space under construction was recorded - 4.6 million sq m. The previous record was noted at the end of 2020, when 2.01 million sq m was under construction, which means that the previous highest level of construction at the end of the year was beaten by 129%. As much as 1.6 million sq m are construction works started only in Q4. Almost half of the space currently under construction remains vacant, but before the space is delivered to the market, a significant part of it will be secured with lease agreements and thus absorbed to the market. The most active markets in terms of construction are: Lodz - 848,000 sq m, Wroclaw- 782,000 sq m and Katowice – 733,000 sq m, constituting half of the space under construction in Poland.

Another record is the newly completed industrial and logistics space in 2021 amounting to 3.08 million sq m. Q3 was responsible for the highest quarterly result of new supply, both this year and historically (1.06 million sq m). The result from 2021 turned out to be 13% higher than the highest level of new supply so far in 2019, while compared to the previous year, it was an increase of 54%. The regions that have grown the most in terms of supply are Katowice (by 618,000 sq m) and West (by 414,000 sq m) and jointly increased the warehouse stock by over a million sq m last year. The largest investment completed in 2021 was Panattoni BTS Swiebodzin for an e-commerce tenant with a size of 203,500 sq m in the Zielona Gora & Gorzow region.

Figure 1: New space completed in the regions in the last three years



Source: CBRE Research, Q4 2021

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The largest contract recorded in 2021 was Panattoni BTS Bydgoszcz from Zalando for the area of 146,000 sq m.
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Vacancy

Another record worth emphasizing is the historically low vacancy rate, which at the end of 2021 was 3.7%. The lowest result recorded so far was the level from the end of 2017, when the vacancy rate was 4.7%. Compared to the end of 2020, the current level is a decrease of 2.9 pp. Such a high level of space under construction is therefore justified - many markets in Poland lack space for immediate lease. The highest vacancy rate was recorded in Katowice - 7.7% and Zielona Gora & Gorzow region - 6.2%, which is still a relatively low vacancy rate.

Demand

The last, but perhaps the most impressive, of the all-time highs was demand level. For several years, an increased demand for warehouse space has been observed, which was additionally accelerated by the Covid-19 pandemic last year. In 2021, total gross demand amounted to 7.53 million sq m, which is a result incomparable to any previous year. Compared to 2020, when the highest level of demand so far was recorded, this is an increase of 44%.

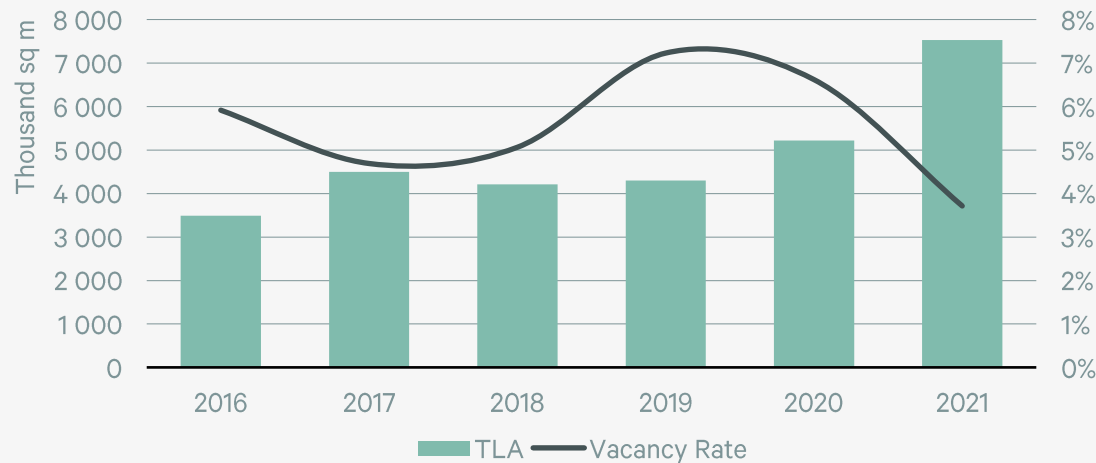
In line with the trend from previous years, the last quarter of the year turned out to be the strongest, however, for the first time in history, the quarterly result exceeded 2 million sq m, amounting to over 2.6 million sq m. The share of extended contracts in demand was lower in 2021 than in 2020 by approx. 7 pp. BTS contracts accounted for 12% of total demand. Thus, the net demand amounted to 4.8 million sq m.

In as many as four regions of Poland, the total leasing activity amounted to over one million sq m. These were, respectively: Poznan (1.13 million sq m), Katowice (1.11 million sq m), Warsaw Region (1.09 million sq m) and Wroclaw (1.01 million sq m) .

The largest contract last year was signed in a region other than these mentioned above, and it was the Bydgoszcz & Torun region. The transaction of 146,000 sq m in the BTS formula was concluded by Zalando in Panattoni BTS Bydgoszcz. This tenant signed another large contract last year, also in the vicinity of Bydgoszcz.

This proves once again how much impact online sales have on the warehouse market. According to Euromonitor International data, in 2021 the volume of e-commerce in total retail in Poland was 15% and, according to forecasts, it will grow rapidly reaching 18% in 5 years. It should also be remembered that the recipients of goods from warehouses located in Poland are not only Polish consumers.

Figure 2: Demand and vacancy rate



Source: CBRE Research, Q4 2021

Further growths

We predict that the warehouse market will continue to grow in the coming years. The very high level of space under construction suggests that in 2022 we will have an even higher level of new supply than last year. Demand is also forecasted at a level similar or higher than in 2021. New players will appear - new tenants, new developers and new investors looking for a product, because Poland is a very attractive market on the European map.

A gradual increase in rental rates for good-quality warehouse space is expected, which currently oscillate between EUR 2.8-4.0/sq m/month. This is influenced by the rising construction costs and the land prices on which the warehouses will be built, which will probably also rise.



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