

CONFIDENCE INDEX 2019/2020

POLAND LOGISTICS & SUPPLY CHAIN

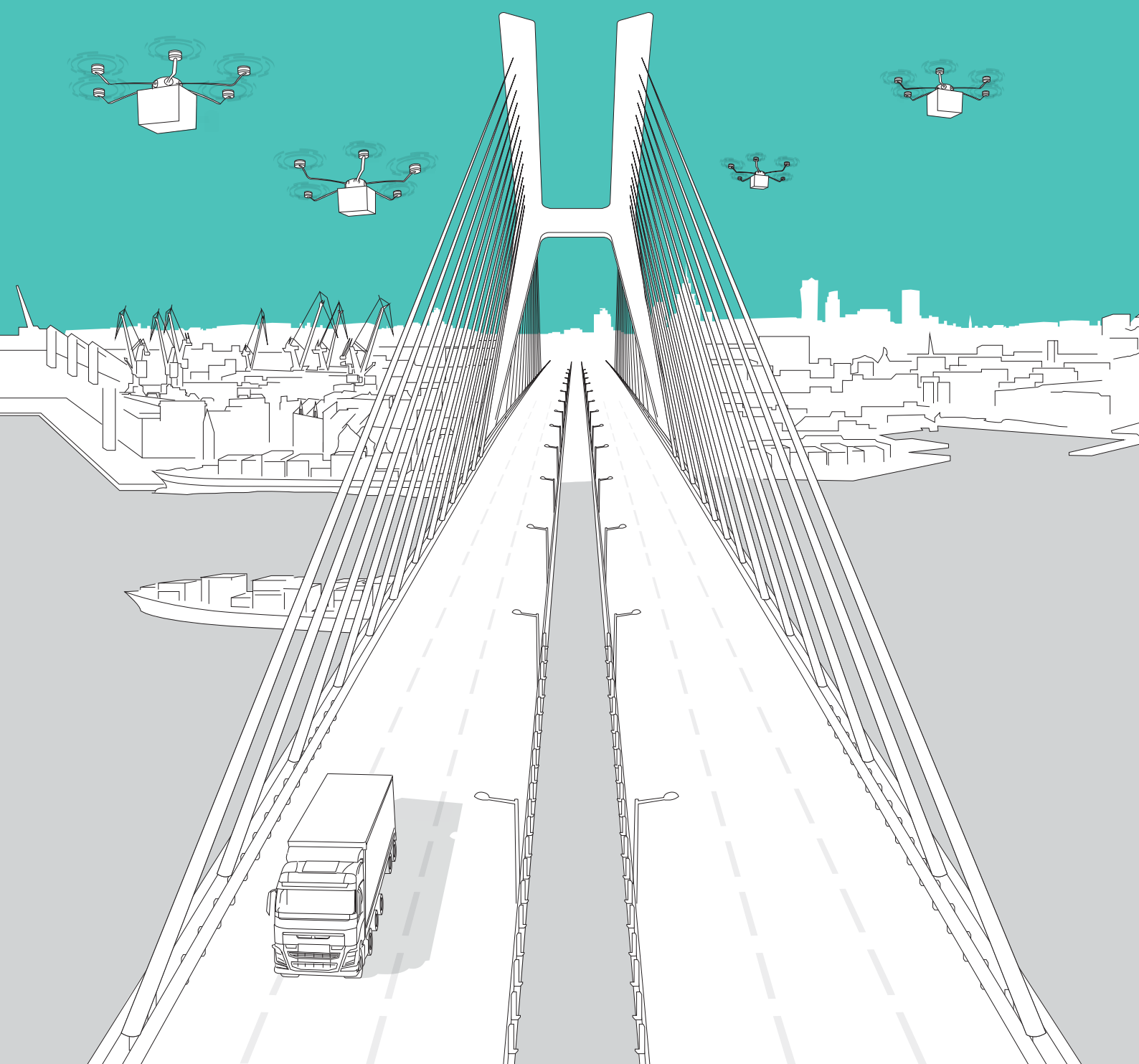


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Amazon Fulfillment Center

INTRODUCTION

THE POLAND LOGISTICS AND SUPPLY CHAIN CONFIDENCE INDEX 2019/2020 IS THE THIRD EDITION OF A MARKET SURVEY UNDERTAKEN TO ASSESS CONFIDENCE AND EXPECTATIONS IN THE POLISH LOGISTICS AND SUPPLY CHAIN SECTOR.

CBRE and Panattoni Europe, with strong support from the specialist sector research agency Analytiqa, have summarised the main performance indicators for businesses operating within the logistics and supply chain sector. The report corresponds with similar analysis carried out in other European countries.

Over 50 decision makers representing both logistics companies, manufacturers and retailers have shared their opinions and insights to facilitate the industry research study. Respondents included CEOs, managing directors and senior management. Interviewees were asked about current business conditions in Poland and forecasts for the future. They expressed their views on growth plans of their companies in terms of anticipated changes in turnover, profitability, logistics and supply chain related capital expenditures and expected changes to employment. Respondents compared Poland internationally and shared their opinions on key issues such as logistics property requirements, e-commerce business, technology, innovation and skills shortages and, for the first time this year, sustainable and environmental issues. In addition to the quantitative analysis, and in line with our previous reports, we are delighted to present the comments of a selection of our research respondents, who have agreed to share their more detailed views on key topics.

For the first time in our series of reports, the survey reflects an uncertain outlook for the logistics and supply chain market. The Poland Logistics and Supply Chain Confidence Index 2019/2020 has been set at 49.0, which is a lower number than the previous year (57.4).

Index results achieved by logistics operators and manufacturers and retailers were slightly different, with a more positive outlook once again expressed by logistics companies. Confidence among logistics operators was established at 53.9, with a 44.0 measure for manufacturers and retailers. The index calculation was based on the proportion of respondents reporting either an improvement, no change or deterioration in market conditions within the sector. Therefore, a number over 50.0 indicates an improvement, while below 50.0 suggests a decline. The further away from 50.0 the index is, the stronger the change over the period.

We hope you enjoy our third edition of the Poland Logistics and Supply Chain Confidence Index 2019/2020 and find the information provided useful. We would also welcome any feedback you might have on our survey.



All figures and data relating to the Poland Logistics & Supply Chain Confidence Index within this report have been researched by Analytiqa. Analytiqa is a market analysis and business intelligence company providing published reports, custom research and strategic advisory for multinational clients across all sectors and industry verticals of the global supply chain. Analytiqa delivers high quality, commercially relevant research to assist clients to grow and profit in challenging and competitive markets.

MARKET OUTLOOK

THE PACE OF DEVELOPMENT OF THE WAREHOUSE MARKET IS STILL EXTREMELY FAST. THE TOTAL SUPPLY IS CURRENTLY 17.6 MILLION SQ M, WHILE ONLY 5 YEARS AGO IT WAS HALF AS MUCH. THE INTEREST OF INVESTORS IN THIS SECTOR IS CONSTANTLY INCREASING, WHICH IS CONFIRMED BY THE NUMBERS WITHIN THE INVESTMENT MARKET.

On the logistics space market at the end of the third quarter, three main trends can be distinguished:

- 1. In the first three quarters of 2019, almost 2 million sq m of modern logistics space was delivered. This is 38% more than in the same period last year.**

The largest amount of warehouse space has been added in the **Upper Silesia** region - **443,000 sq m**, whereas since the end of 2018 the supply of space in the West region (lubuskie voivodship) has not increased. It can be assumed that the current year will be record-breaking in terms of warehouse space completed.



2. Space under construction remains at a similar level as in the previous six quarters, oscillating around 2 million sq m.

After the third quarter of this year, over 1.8 million sq m is under construction, of which the biggest number, by **over 300,000 sq m** is in three regions – Warsaw Region, Wroclaw and Upper Silesia. At present, these regions constitute **60%** of the total area under construction in Poland. About half of this volume is secured by lease agreements, a factor which reflects the greater optimism of developers than in previous quarters.

3. The recorded demand for warehouse space in the first three quarters amounted to nearly 2.9 million sq m.

Demand was more or less evenly distributed between each quarter, although in the third quarter it was slightly lower. Forecast demand for the end of the year is slightly **over 4 million sq m**, which is comparable with the previous two, extremely good, years on the warehouse space market.

Summing up, the general state of the industrial and logistics market is very good. Even though we see a slight slowing down in terms of the demand, developer activity remains comparably high to the last two years. This year is going to be the year in which the biggest volume of modern industrial and logistics space will be completed. Coming years on the market probably won't be as spectacular as time period 2016-2019, but the forecasts for the Polish warehouse market are positive.

17,595,000 sqm

Total stock

1,963,000 sqm

New supply in Q1-Q3 2019

1,818,000 sqm

Under Construction

6.5%

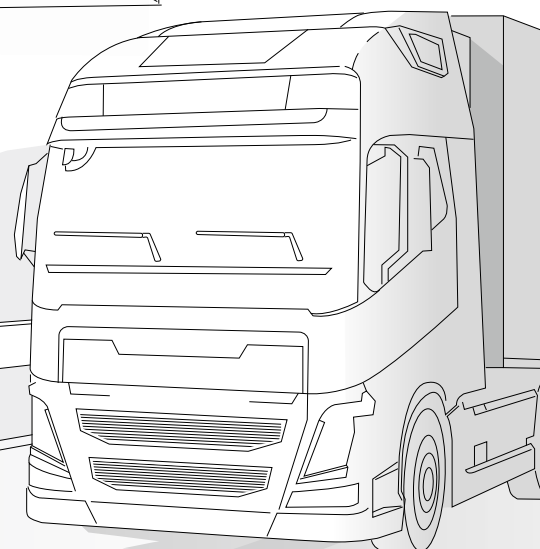
Vacancy rate

2,869,000 sqm

Take-up in Q1-Q3 2019

MEASURING CONFIDENCE

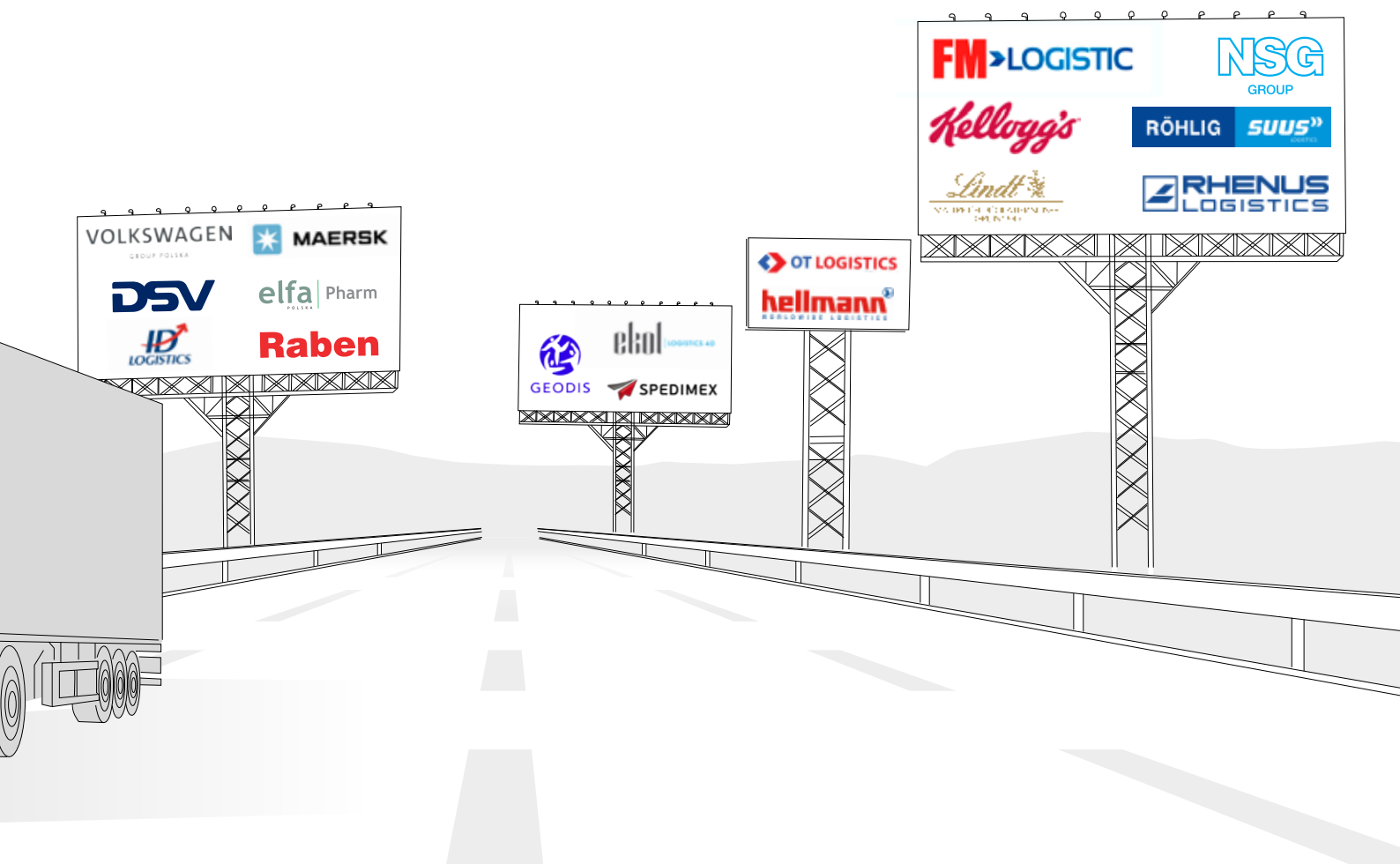
**IN UNDERTAKING THIS SURVEY, WE HAVE ADOPTED
THE SAME METHODOLOGY USED ACROSS SIMILAR SURVEYS
CONDUCTED BY ANALYTIQA FOR OTHER JURISDICTIONS**



The report examines the key performance indicators for businesses operating within the logistics and supply chain sector. It provides insights from the perspective of both logistics buyers and service providers, thus giving us a 360 degree view of sentiment as well as the current issues and topics affecting the sector. In addition to sharing their views on the recent performance of the logistics sector, respondents also outlined their expectations for the sector over the near term.

This is the third recording of the Logistics and Supply Chain Confidence Index in Poland, which will become increasingly valuable once data has been compiled for a number of years as this will facilitate better comparison.

This third edition of the report was supported by CEOs, managing directors and senior decision makers from some of Poland's most successful logistics providers, manufacturers and retailers including:

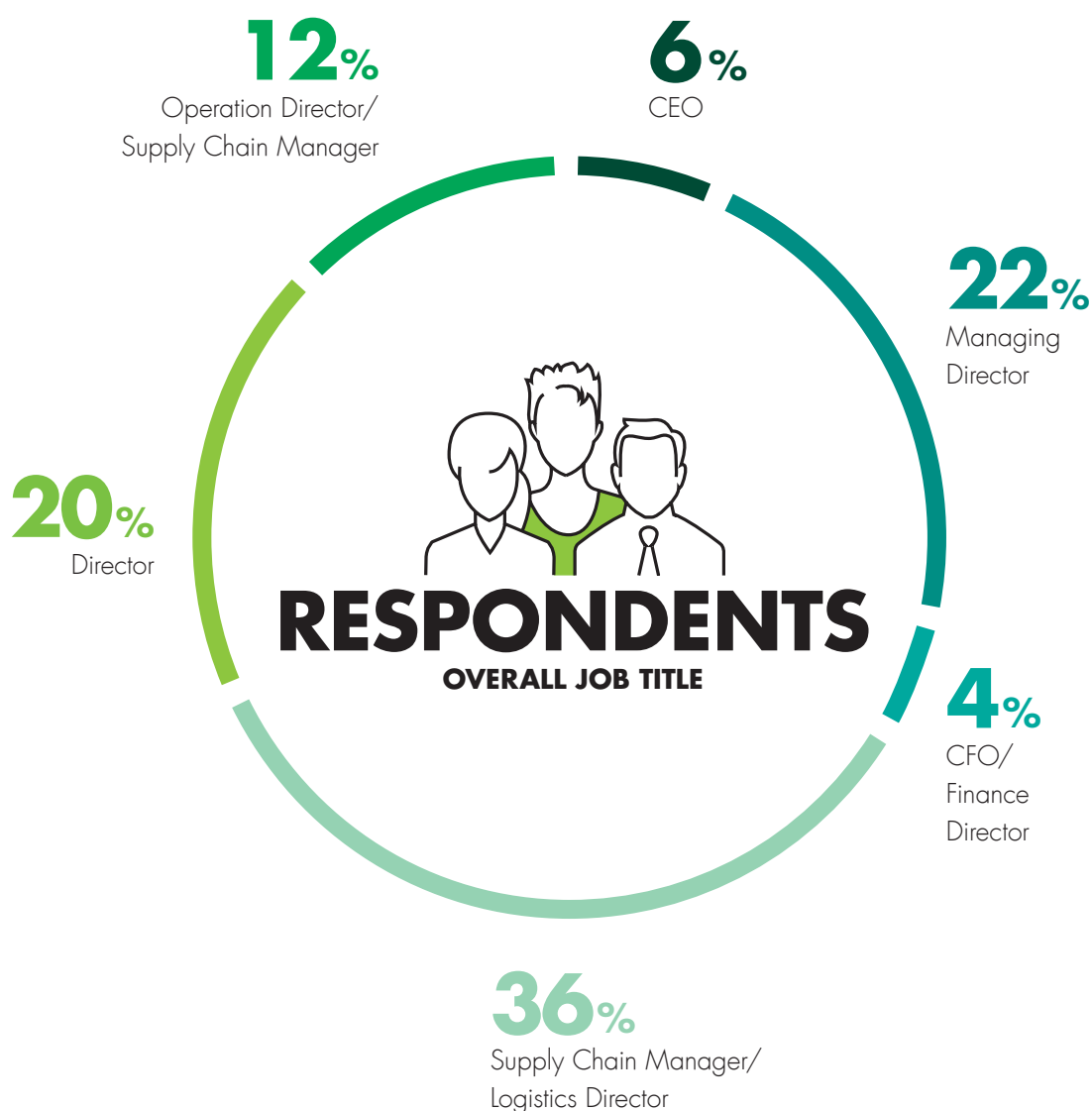


Respondents

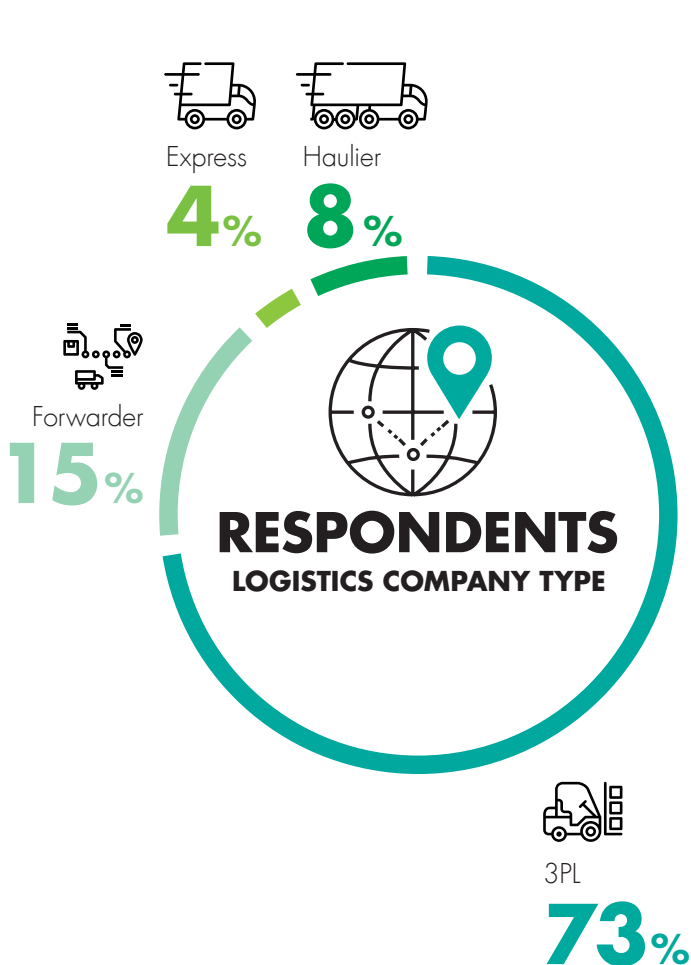
THERE WERE A TOTAL OF 51 RESPONDENTS TO OUR SURVEY OF WHICH 26 WERE FROM LOGISTICS COMPANIES AND 25 WERE MANUFACTURERS AND RETAILERS.

The group of the survey participants comprised predominantly Logistics Directors and Supply Chain Directors who altogether represented 36% of respondents, as well as Managing Directors and CEOs, who accounted for 28% of interviewees.

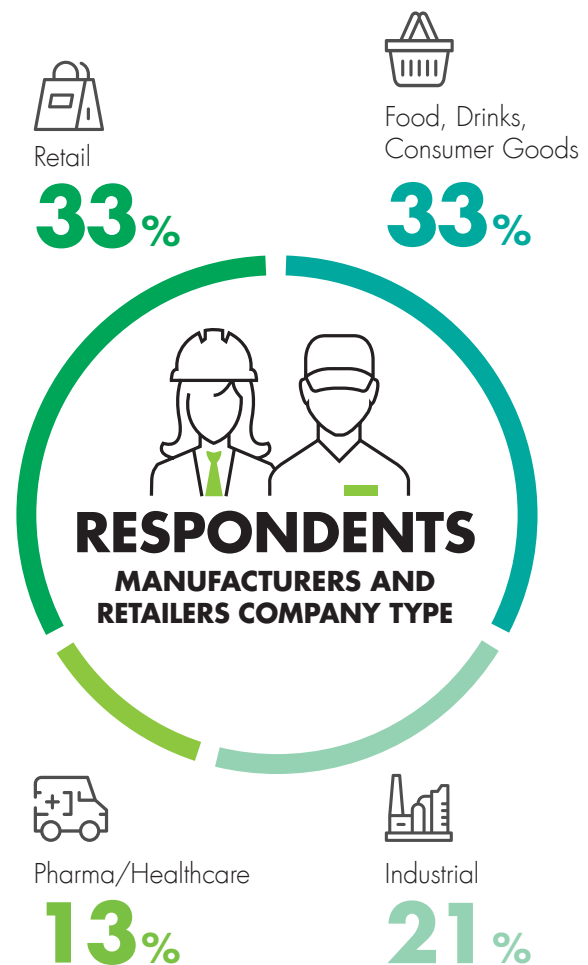
We are grateful to our loyal respondent base, as we publish this third edition of the report. Over 40 companies have taken part in either two, or all three, of our surveys, providing us with valuable consistency of responses, collected from senior industry leaders across Poland.



The majority of the logistics firms which participated in the survey were categorised as 3PL companies and represented 73% of logistics respondents. 15% and 8% belonged to forwarding companies and hauliers respectively, with the remaining 4% being express firms.





The manufacturers and retailers which responded to the survey were dominated by the food, drinks and consumer goods sector (33%). Retail companies also accounted for 33% of manufacturers and retailer respondents. The remaining answers coming from manufacturers and retailers were split between industrial manufacturers (21%) and the pharma/healthcare sectors (13%).



How confident is the logistics and supply chain sector in Poland?

The 2019/2020 survey confirms an uncertain outlook on the logistics and supply chain market. The Poland Logistics and Supply Chain Confidence Index 2019/2020 has been set at 49.0. This continues the downward trend we have seen in recent years and represents a drop in confidence from the score of 54.7 last year and 60.7 achieved in 2017.

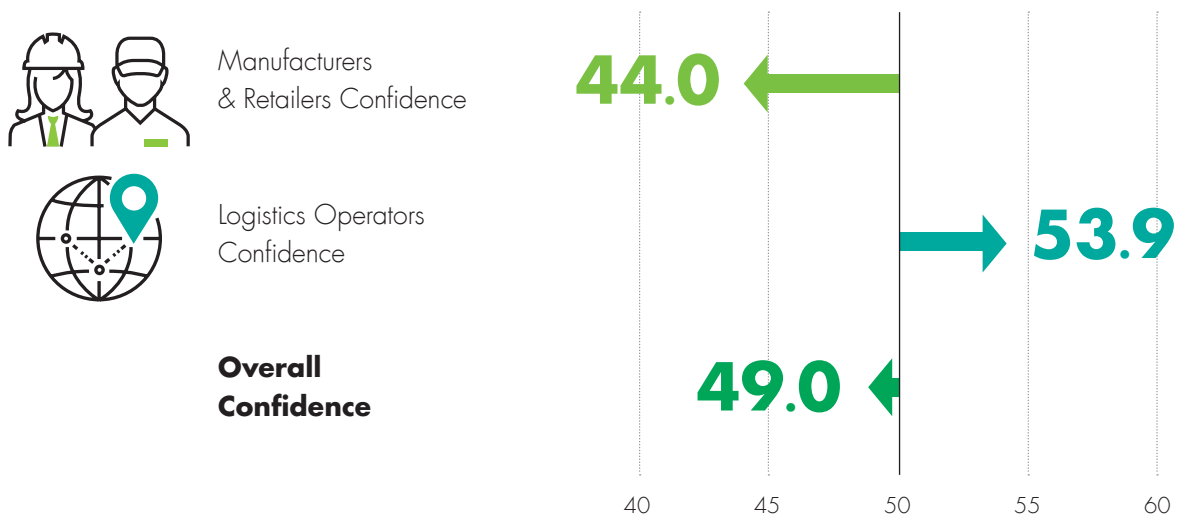
CONFIDENCE INDEX IN TIME SERIES

	2017	2018	2019
 Manufacturers & Retailers Confidence	59.1	50.4	44.0
 Logistics Operators Confidence	62.1	64.1	53.9
Overall Confidence	60.7	57.4	49.0

Human resources, in the form of a shortage of skilled employees and increasing wage pressure are among the biggest challenges faced by the logistics and supply chain sector – and these factors are contributing to the decline in confidence we see measured in our report. However, the sector is not unique in facing these challenges. Like other sectors, our respondents are also anticipating slower global economic growth, which influences levels of international trade.

Within this context, interestingly, there remains a divergence of confidence between the groups of manufacturers and retailers, and logistics operators. Continuing our trend from last year, we see logistics operators being more confident, with a score of 53.9 (down from 64.1). For manufacturers and retailers, with a score of 44.0 (down from 50.4), this is the first time our Index has fallen below the 50 mark, indicating that, overall, manufacturers and retailers are now more pessimistic than optimistic about the state of the market.

2019 CONFIDENCE



Our respondents face these challenges despite the Polish economy continuing to perform strongly, though it is expected that economic growth will slow marginally. The logistics and supply chain sector is, however, strong and resilient and remains vital to the economy. As we will see across the following pages, logistics operators, manufacturers and retailers are continuing to invest in the future, allocating capital expenditure to fleet operations, warehouses and innovative new technologies, despite the tougher conditions.

The index calculation is based on the proportion of respondents reporting either an improvement, no change or deterioration within the sector. Therefore, a number over 50.0 indicates an improvement, while below 50.0 suggests a decline. The further away from 50.0 the index is, the stronger the change over the period.

Business confidence compared to 12 previous months

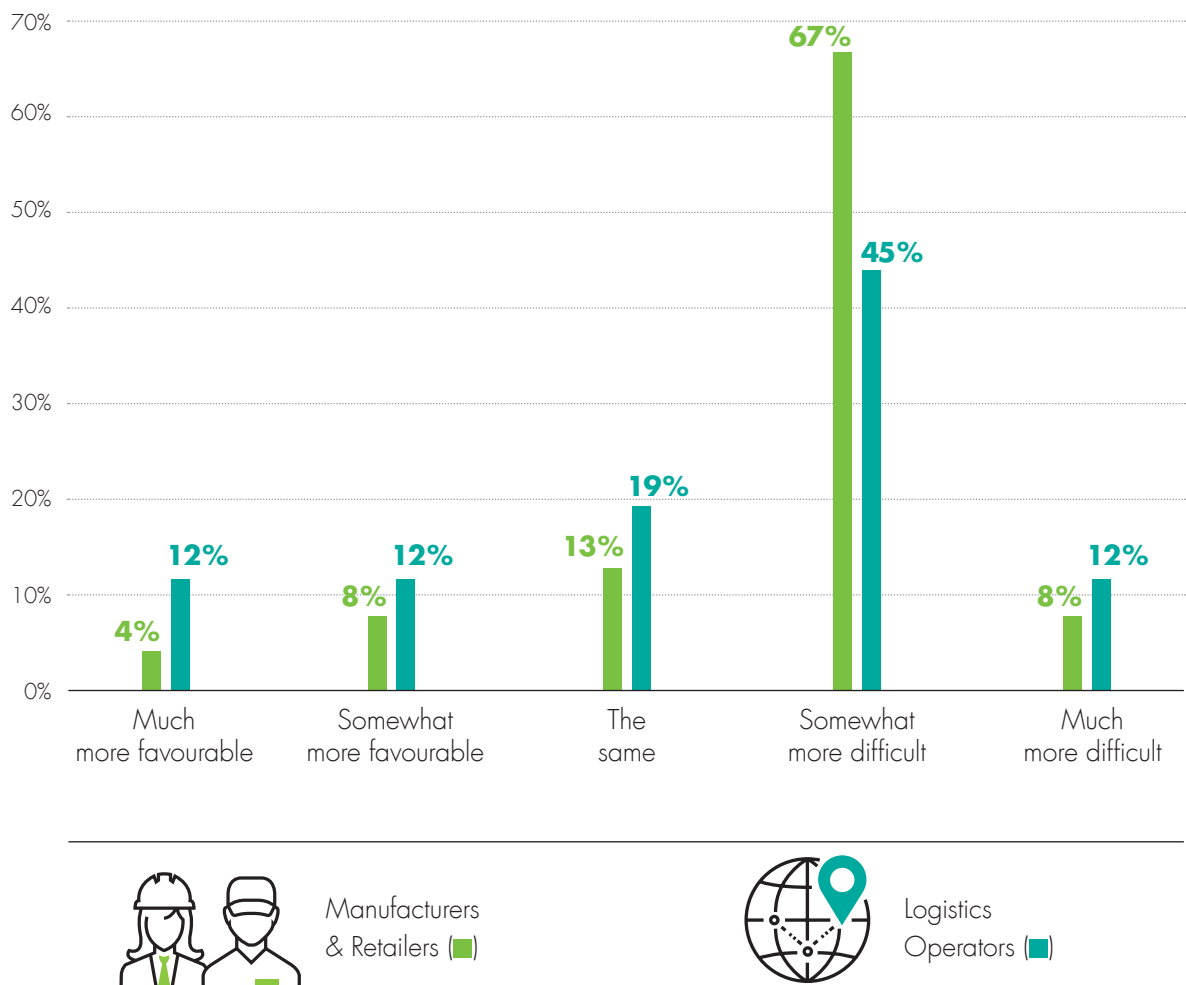
When comparing the current business conditions to the situation prevailing on the market one year ago, only 18% of respondents claimed they are more confident about the business environment than they were 12 months ago. However, two-thirds of respondents (66%) evaluated the current business conditions as "more difficult" in comparison to last year.

CHANGE IN BUSINESS CONDITIONS VS THE LAST 12 MONTHS



Last year, both groups of respondents were similarly pessimistic, whilst in this year’s survey, manufacturers and retailers have a less favourable perspective on current market conditions. Three-quarters of manufacturers and retailers regard current market conditions as more challenging than 12 months ago, compared to 57% of logistics operators who share the same view.

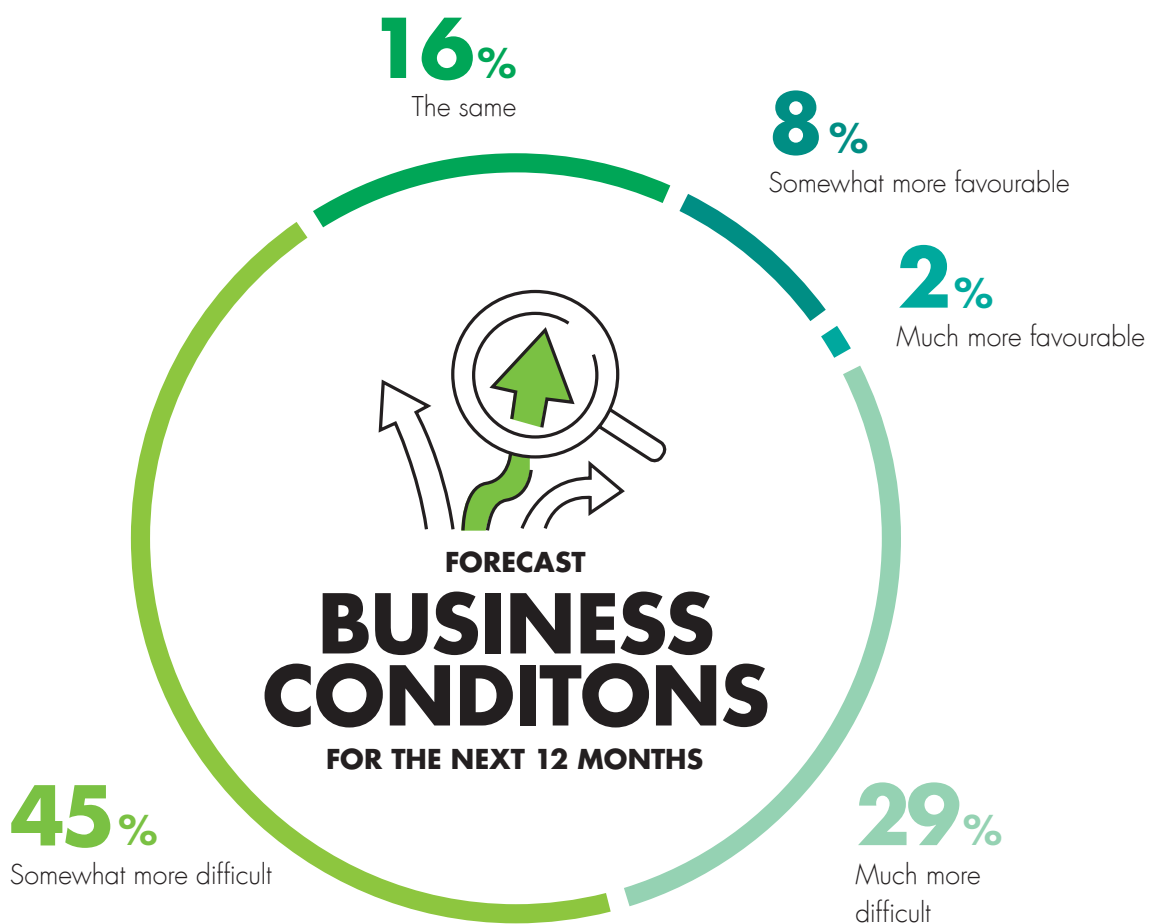
CHANGE IN BUSINESS CONDITIONS VS THE LAST 12 MONTHS BY RESPONDENT



Business confidence forecast for next 12 months

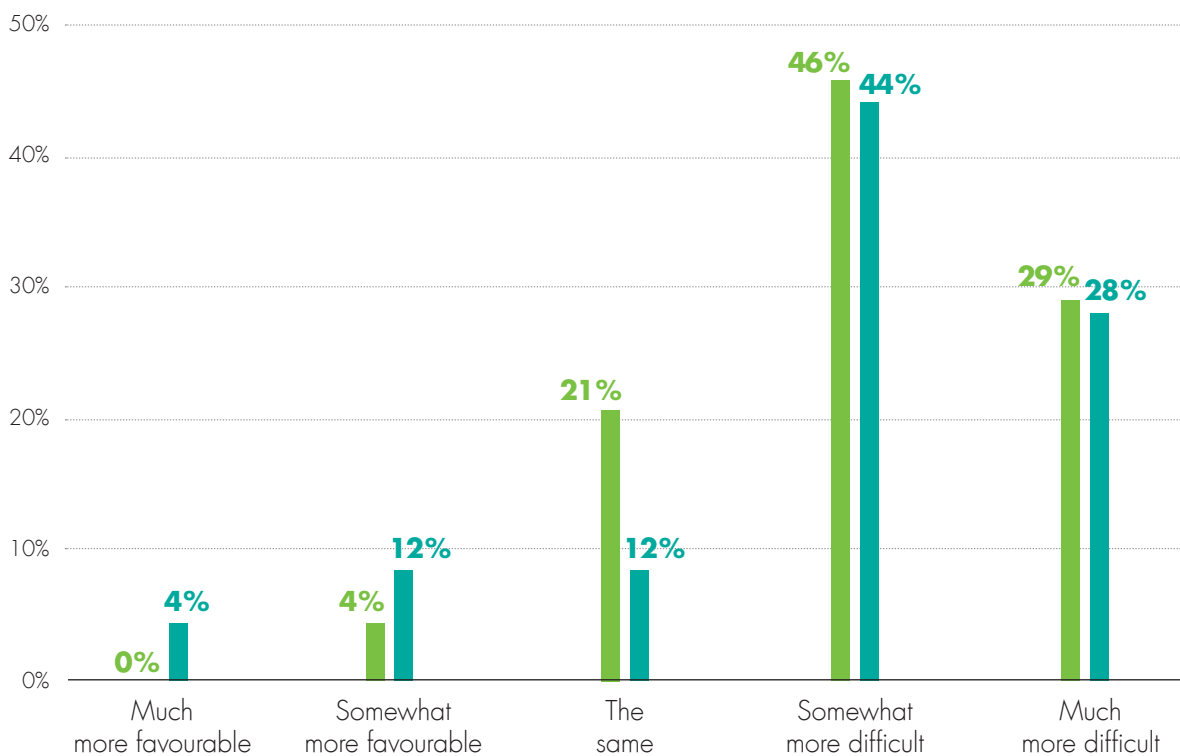
When asked how confident the respondents feel about the coming 12 months, 10% were optimistic and perceived the future business environment as favourable (down from 17% last year), whilst over 74% predicted some external difficulties in running their business effectively (up from 62%). 16% expect business conditions to stay on the same level.

OVERALL CHANGE IN BUSINESS CONDITIONS VS THE NEXT 12 MONTHS



The logistics sector seemed to be more optimistic about the future than manufacturers and retailers. 16% of logistics companies expect to see "more favourable" conditions (12% "somewhat more favourable and 4% "much more favourable") whilst 4% of manufacturers and retailers chose the category of "somewhat more favourable" only. The share of logistics operators anticipating more challenging conditions in the year ahead was up by 16 percentage points (p.p.) from last year, whilst the same figure for manufacturers and retailers is six p.p. higher y-o-y.

CHANGE IN BUSINESS CONDITIONS VS THE LAST 12 MONTHS BY RESPONDENT



Manufacturers
& Retailers (■)



Logistics
Operators (■)

MARKET OUTLOOK

DESPITE A STRONG DOMESTIC ECONOMY, OUR INDEX THIS YEAR SHOWS CHALLENGING CONDITIONS FOR LOGISTICS AND SUPPLY CHAIN PROFESSIONALS. WHY DO YOU THINK THIS IS? IN THE CONTEXT OF THE CURRENT CONDITIONS, WHAT IS YOUR OUTLOOK FOR THE MARKET IN POLAND IN THE NEXT 12-18 MONTHS?



MACIEJ WALENDA

EXECUTIVE VICE PRESIDENT
CEE AND RUSSIA
DSV Solutions

"Every year, participants of the logistics market in Poland ask themselves the same question and this year the fear generated mainly by several geopolitical factors is much more sound.

We don't know how much influence Brexit will bring and if it will be that negative, especially for Polish logistic providers. We don't know to what extent relations between the USA and China will affect the Polish market, what the situation of certain sectors will look like, and most importantly, whether the crisis will shake the entire economy.

In my opinion, discussions about these topics have created a much more cautious approach to many business activities and it can be seen in the report. If we are thinking about the threat hiding around the corner all the time, we naturally adapt behaviour to potential risks.

Poland is a very entrepreneurial country and we have proved many times that we have been able to find alternative development paths for many industries and create demand that has never been seen before. I am convinced that the situation will be similar with the logistics market. In addition to new products and new development channels, we have to remember how big and fragmented the market is, which is always an opportunity.

There are many spaces for interesting synergies and I remain optimistic especially for the next 18 months."

"Analysing individual companies from various industries, there has been a noticeable reduction in growth among many companies, but there are also visible decreases in volumes. Also, from a European position, it is clear that flows between different countries are clearly slowing down."

"In this situation, many manufacturing companies are starting to look for solutions that would help adapt to new conditions. It is also a good time to change existing supply chains and re-engineer distribution activities. So, in the coming months much more should happen in commercial areas, than in production, among logistics operators."

"Regardless of the current economic situation in Poland, the economic slowdown is starting to be noticeable also in our sector - this can be seen in the leading economic indicators. The demand is still driven by the high level of consumer optimism, which is not a surprise in the election year, but will probably weaken over time."

"At the same time, many companies in our sector cooperate with major players from countries where the decrease in growth is clearly visible - it may not yet have a significant impact on current levels of turnover, however, in the 18-month horizon we should seriously consider limiting orders, volumes and probable price pressure."

"When we combine the last factor with rising labor costs and legal and tax instability in our country, what we see before us, is a time of challenges greater than in the recent years."

"The last 2-3 years were impressive for the economy in general. However, in Q3 and Q4, we can already observe a deterioration in sales growth dynamics. Additional growth in the domestic market was driven by governmental social programmes, although these are already influencing the inflation rate."

"Furthermore, the Polish economy is strongly related to global, European and German economic performance. This is especially visible in the logistics industry where the market is definitely more 'global' than 'local'."

"Based on the economic cycle, after a couple of years of expansion, we can expect recession. Therefore, in my opinion we should prepare for the inevitable economic slowdown to come within the next 12 to 18 months."



GRZEGORZ LICHOCIK
MANAGING DIRECTOR
EUROPEAN LOGISTICS
Dachser



RAFAŁ WITOWSKI
REGIONAL CHIEF
FINANCIAL OFFICER
Fiege



PIOTR RUSZECKI
FINANCE DIRECTOR
Hellmann Worldwide Logistics

GROWTH OPPORTUNITIES

Anticipated changes in turnover

It is encouraging to see that, when asked about the anticipated changes in turnover within the next year, the majority of respondents (60%) forecast an increase in turnover. Generally, optimism within the logistics sector has fallen from last year, but the majority of respondents are still very optimistic. One-fifth of companies (20%) anticipate a strong increase of more than 8%, whilst 32% of interviewees expect a relatively moderate yearly growth rate between 2 and 5% and 8% of respondents anticipate an increase in turnover over the next 12 months at a level of 5-8%. The more challenging outlook expressed by the views of our respondents is reflected by the fact that 13% more companies than last year, and 22% in total, are anticipating a decline in turnover.

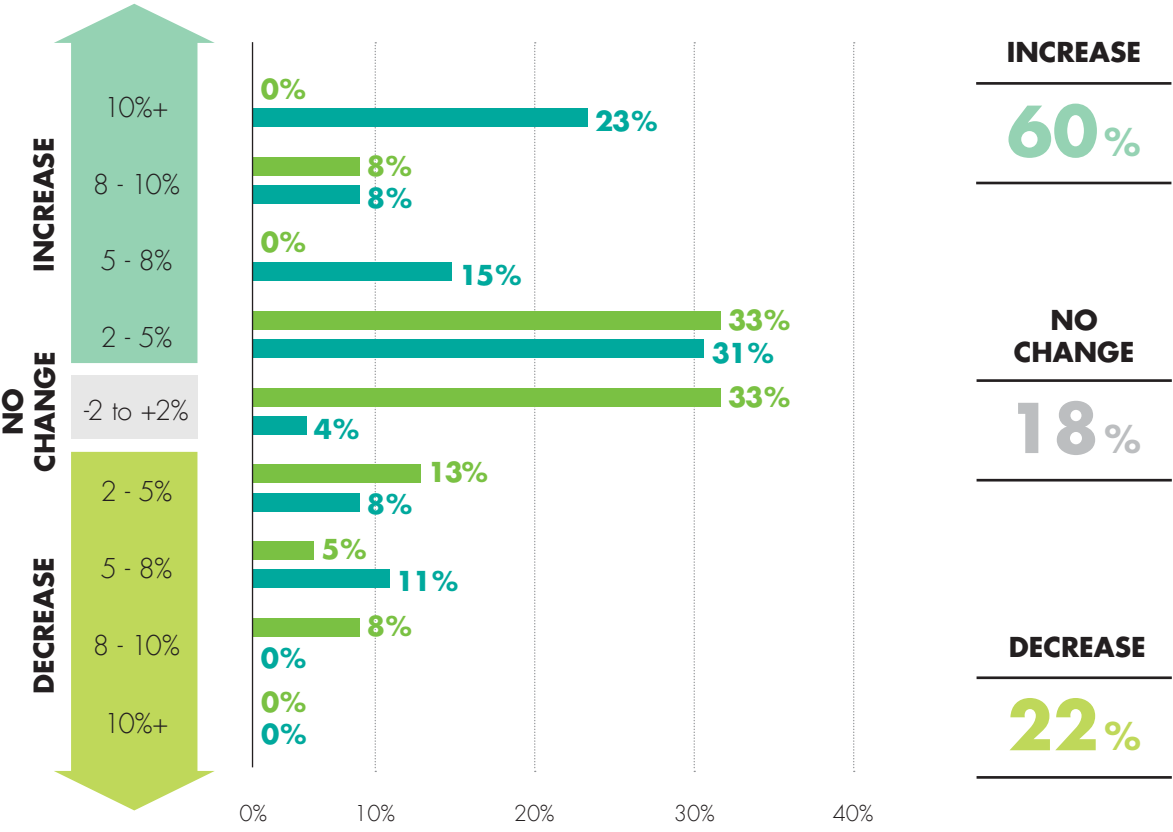
Like last year, logistics operators are once again very optimistic about the growing scale of their business over the coming year. Over three-quarters of companies (77%) expect an increase in their turnover, with almost one-quarter (23%) of logistics respondents believing their yearly turnover will grow by more than 10%.

The highest percentage of manufacturers and retailers (33%) predict that their turnover will increase in the range of 2-5% in the year ahead, whilst a similar share anticipate no changes to their turnover.

Amazon Fulfillment Center Łódź



CHANGE IN TURNOVER OVER THE NEXT 12 MONTHS BY RESPONDENT



Manufacturers
& Retailers (■)



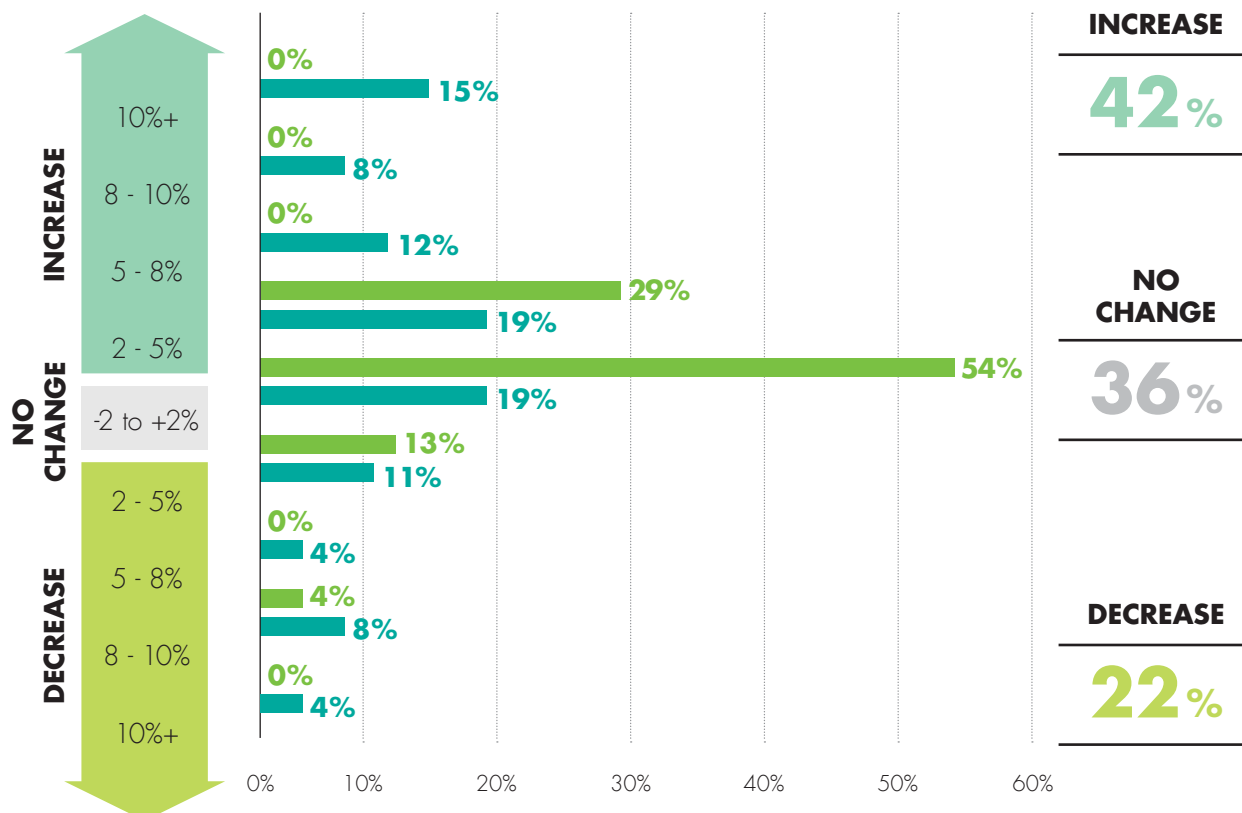
Logistics
Operators (■)

Anticipated changes in profitability

Optimism regarding turnover growth is in most cases followed by slightly less positive forecasts about business profitability. This is a trend we see continuing in our third report. Whilst 60% of respondents forecast an increase in turnover, we see that 42% are anticipating higher levels of profitability. A further 36% of respondents said they do not expect any change in profitability over the next 12 months, whilst 22% claimed their profits may fall (8 p.p. more than in the previous year).

Over one-half (54%) of logistics companies anticipate higher profits in the year ahead, with 27% expecting to see a decline. 29% of manufacturers and retailers are forecasting higher profits over the next 12 months, whilst 17% anticipate a decline and 54% do not foresee any changes.

ANTICIPATED CHANGE IN PROFIT OVER THE NEXT 12 MONTHS BY RESPONDENT



Manufacturers
& Retailers (■)



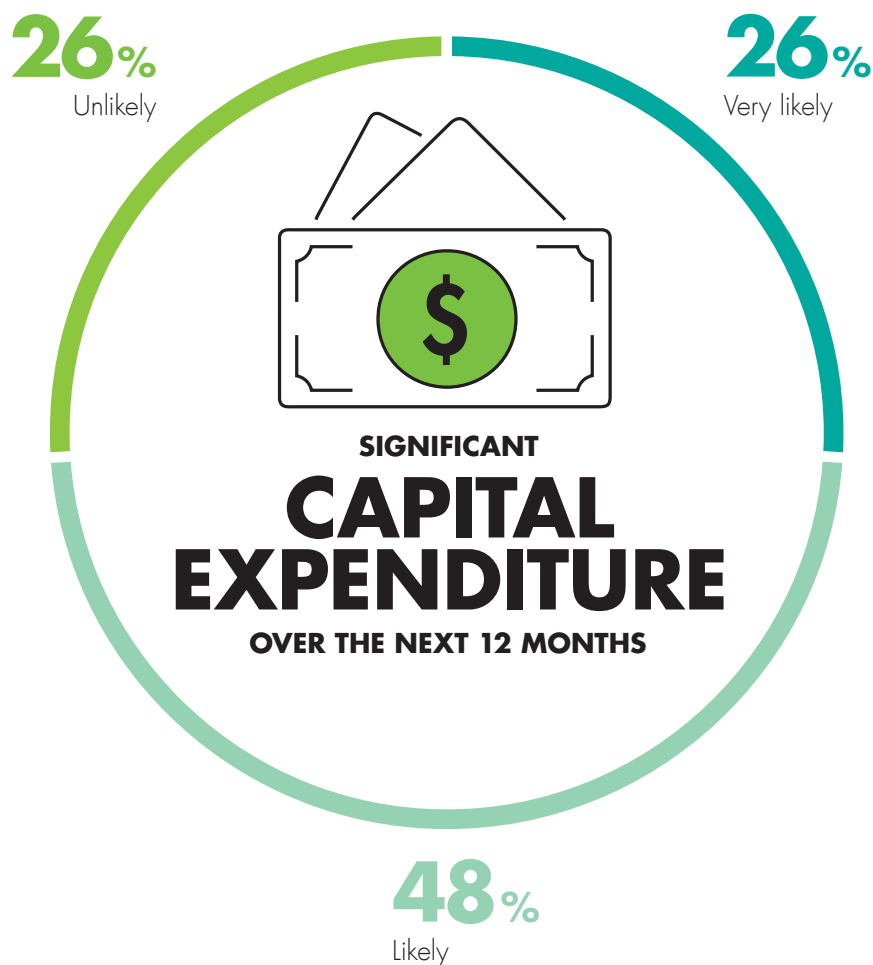
Logistics
Operators (■)

Forecasts of capital expenditure

When asked about the likelihood of making significant logistics and supply chain related capital expenditures in their companies over the next year, the responses were once again very positive. Almost three-quarters (74%) of interviewees are expecting to make capital expenditures in these areas.

Both logistics operators and manufacturers and retailers are very positive on future investment plans, with the majority of both groups anticipating making significant expenditure, which is encouraging.

LIKELIHOOD OF SIGNIFICANT CAPITAL EXPENDITURE OVER THE NEXT 12 MONTHS



Forecast changes to employment

When asked if they plan to increase or decrease headcount over the next 12 months (excluding seasonality impacts), 44% of respondents anticipate growth in employment, down from 59% last year. However, only 6% predict a reduction in headcount over the next year (similar to the 7% recorded last year). This means that one-half (50%) of our respondents do not anticipate making changes to the staff numbers (up from 34%).

Once again, we see our survey results vary between logistics operators and manufacturers and retailers (for whom we only look at their supply chain headcount). Similar to last year, logistics operators are more enthusiastic of hiring new people. 61% of logistics operators

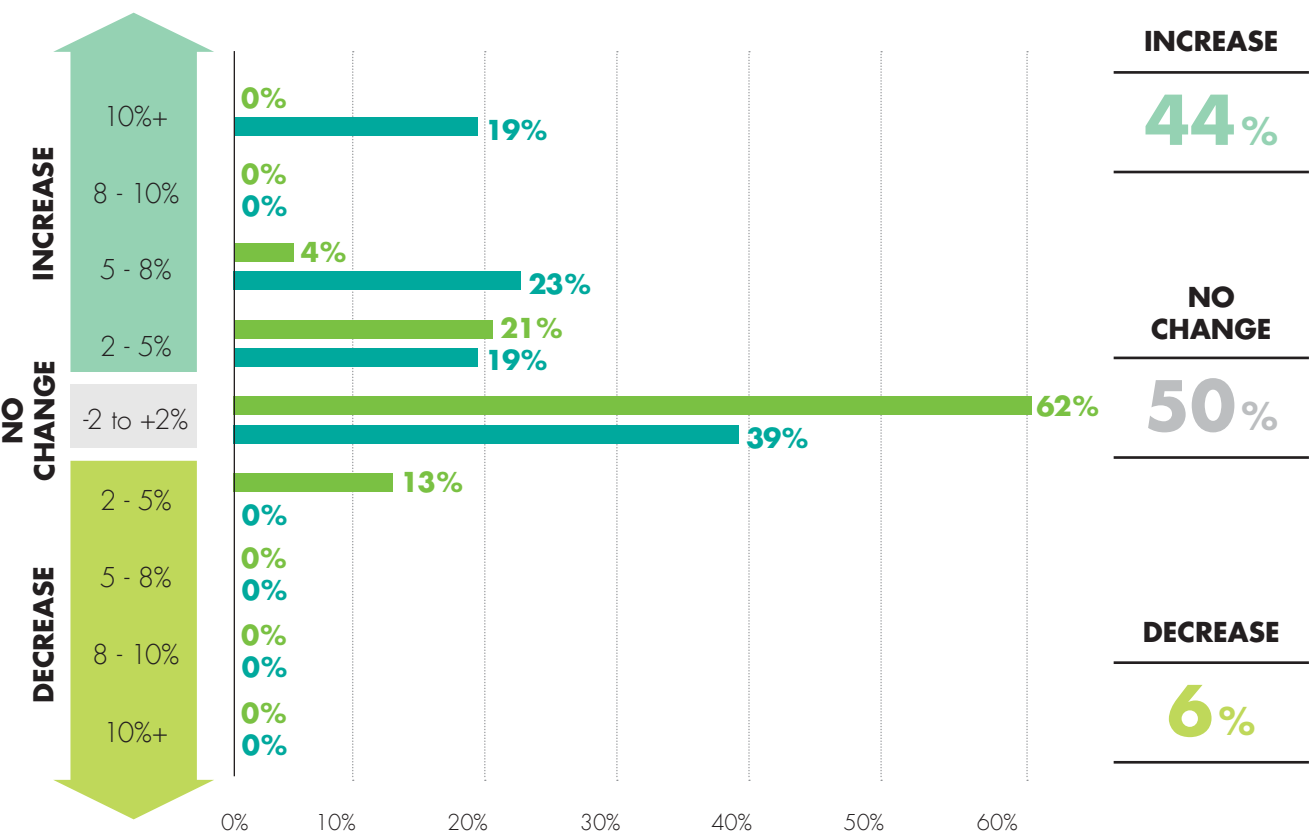
and 25% of manufacturers and retailers are expecting to increase their workforce (down from 78% and 38% respectively, in our survey 12 months ago).

A key theme of our survey this year is the challenge posed to logistics supply chain operations by human resources, including the need to increase headcount to help manage growth, in a competitive labour market, finding the skilled workers necessary to perform the roles required by the sector and managing the cost implications of higher wages. Across the following pages we will investigate these issues in more detail and identify how companies are finding solutions to meet these challenges.

BTS Schenker, Wrocław



EXPECTATIONS FOR HEADCOUNT OVER NEXT 12 MONTHS



Manufacturers
& Retailers (■)



Logistics
Operators (■)

KEY ISSUES

Comparing Poland internationally

Respondents were asked to compare Poland with other European Union countries in terms of its logistics performance and ease of managing supply chain operations in order to identify the main advantages of the Polish market. They evaluated a few key issues such as speed of supply chain operations, cost of supply chain operations, legislation, 'red-tape' (excessive adherence to official rules and formalities) and bureaucratic decision-making, investment attractiveness, labour force skills and the planning permission process.

Interviewees were once again very optimistic specifically about the cost of running supply chain operations in Poland. 71% of respondents assessed Polish conditions as "better than average", up from 58% in our survey last year. Similarly, investment attractiveness in Poland was also evaluated very positively, with 59% of respondents believing Poland has competitive advantage as an investment destination when compared to other European Union countries, up from 47% last year. Whilst showing positive increases from our 2018 report, this year's responses more closely reflect the opinions illustrated in our 2017 report.

Categories in which Poland is largely perceived as "average" by the respondents are the speed of supply chain operations (52%), labour force skills

(49%) and the planning permission process (57%). Similar to last year's findings, the first two of these categories were assessed more positively (41% and 49% claimed that these are "better than average", respectively), while the planning permission process gained 36% of responses in the "worse than average" category.

The area which has been assessed the most negatively in all three of our surveys is legislation, 'red-tape' and bureaucratic decision-making. Manufacturers and retailers and logistics operators were unanimous in this aspect and altogether 48% of respondents say that such conditions are "worse than average" in Poland, though the same share also rate the country as "average" for this category.

Once again, it is also interesting to note the perceptions of our respondents regarding labour force skills in Poland. 59% of logistics operators assess Poland as "better than average" up significantly on last year's survey, whereas almost two-thirds of manufacturers and retailers (62%) say that the country is "average" compared to its international counterparts. No manufacturers and retailers and only 5% of logistics operators stated that the skills of Polish workers are "worse than average".

HOW DOES POLAND COMPARE TO OTHER EU COUNTRIES IN TERMS OF ITS LOGISTICS PERFORMANCE AND / OR EASE OF MANAGING SUPPLY CHAIN OPERATIONS?

Overall	Speed of supply chain operations	Cost of supply chain operations	Legislation/ red-tape/ bureaucratic decision-making	Investment attractiveness	Labour force skills	Planning Permission Process
Average	52%	25%	48%	36%	49%	57%
Better than average	41%	71%	4%	59%	49%	7%
Worse than average	7%	4%	48%	5%	2%	36%



Logistics Operators

Average	41%	23%	41%	41%	36%	50%
Better than average	50%	77%	5%	55%	59%	9%
Worse than average	9%	0%	54%	4%	5%	41%



Manufacturers & Retailers

Average	64%	27%	54%	32%	62%	64%
Better than average	32%	64%	5%	64%	38%	4%
Worse than average	4%	9%	41%	4%	0%	32%

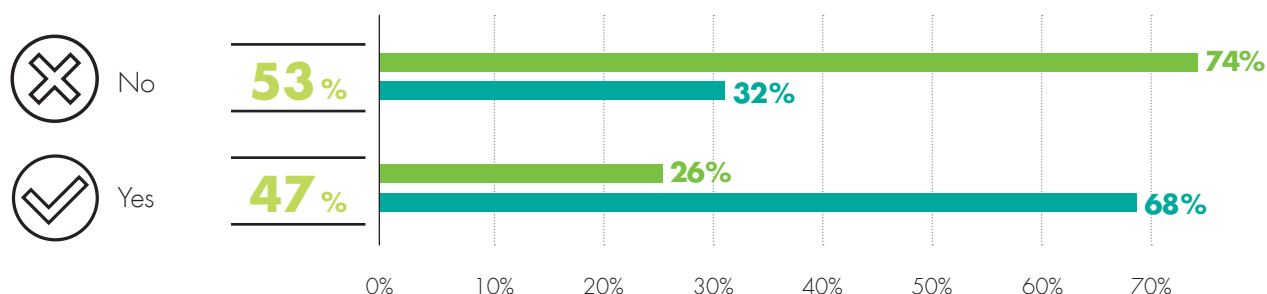
Logistics property

WE ASKED OUR RESPONDENTS IF THEY EXPECTED TO REQUIRE ADDITIONAL WAREHOUSE SPACE IN POLAND IN THE NEXT 12 MONTHS AND, IF SO, WHAT CHALLENGES THEY WOULD FACE WHEN TRYING TO MEET THESE REQUIREMENTS.

47% of respondents anticipate an increase in demand for logistics space in 2019/2020, with logistics operators, once again, being particularly optimistic about their future plans. Over two-thirds (68%) of logistics companies expect growing needs for logistics accommodation, whilst 26% of manufacturers and retailers predict to be interested in leasing new space.

When asked what issues logistics operators and manufacturers and retailers foresee in relation to supply or securing additional warehouse space, our respondents expressed a change in opinion this year.

EXPECTATIONS FOR INCREASE IN DEMAND FOR LOGISTICS PROPERTY



Manufacturers
& Retailers (■)



Logistics
Operators (■)

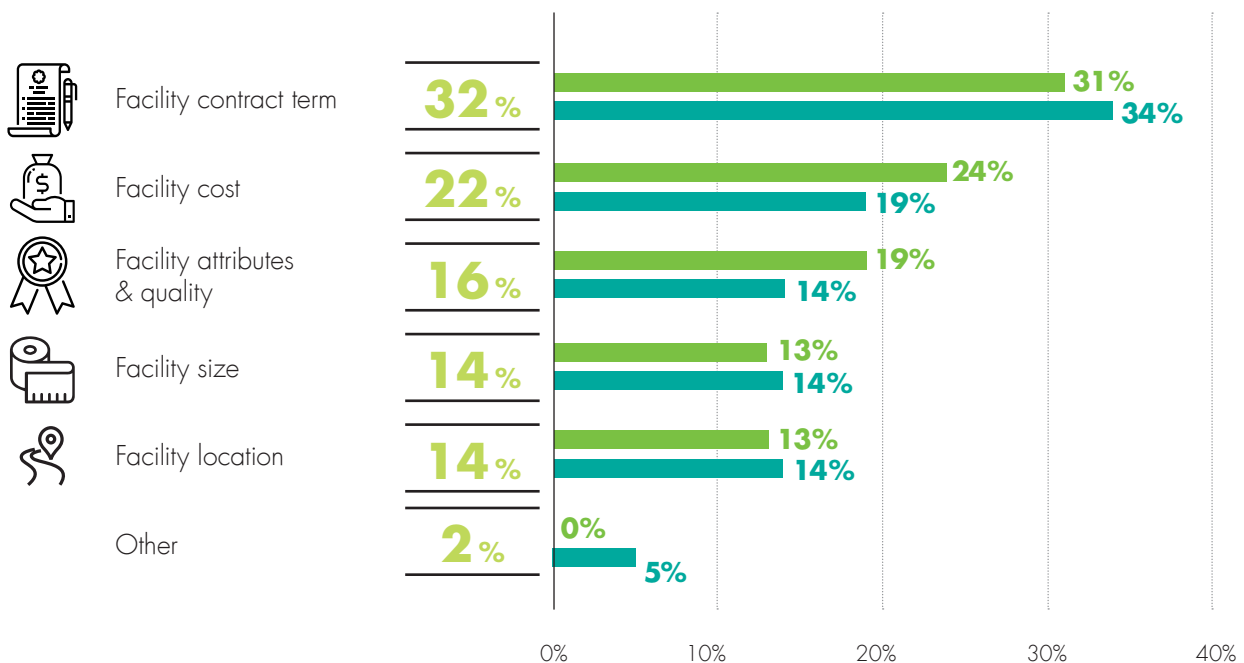
Unlike last year, when the factor most frequently identified by respondents was the cost of facilities, this year, logistics and supply chain professionals are most concerned about being able to achieve satisfactory contract terms on their logistics facilities. This accounted for almost one-third (32%) of responses, up by 10 p.p. from last year.

A further 22% of interviewees overall said facility cost was a concern, with 16% worried about finding a facility with the necessary attributes and quality to meet their requirements. Only 14% of respondents were worried about securing a facility of sufficient size and a similar share of respondents were concerned

about finding a facility in their preferred location. It should also be noted that several respondents stated that they do not expect to encounter any challenges when expanding their warehouse footprints.

Logistics companies and manufacturers and retailers share similar opinions regarding the challenges they expect to face in securing additional warehouse space. For both sets of respondents, location is less of a concern this year, with contract terms and costs (34% and 19% for logistics and 31% and 24% for manufacturers and retailers) being the two most important issues.

ISSUES IN SECURING NEW WAREHOUSE SPACE



Manufacturers
& Retailers (■)



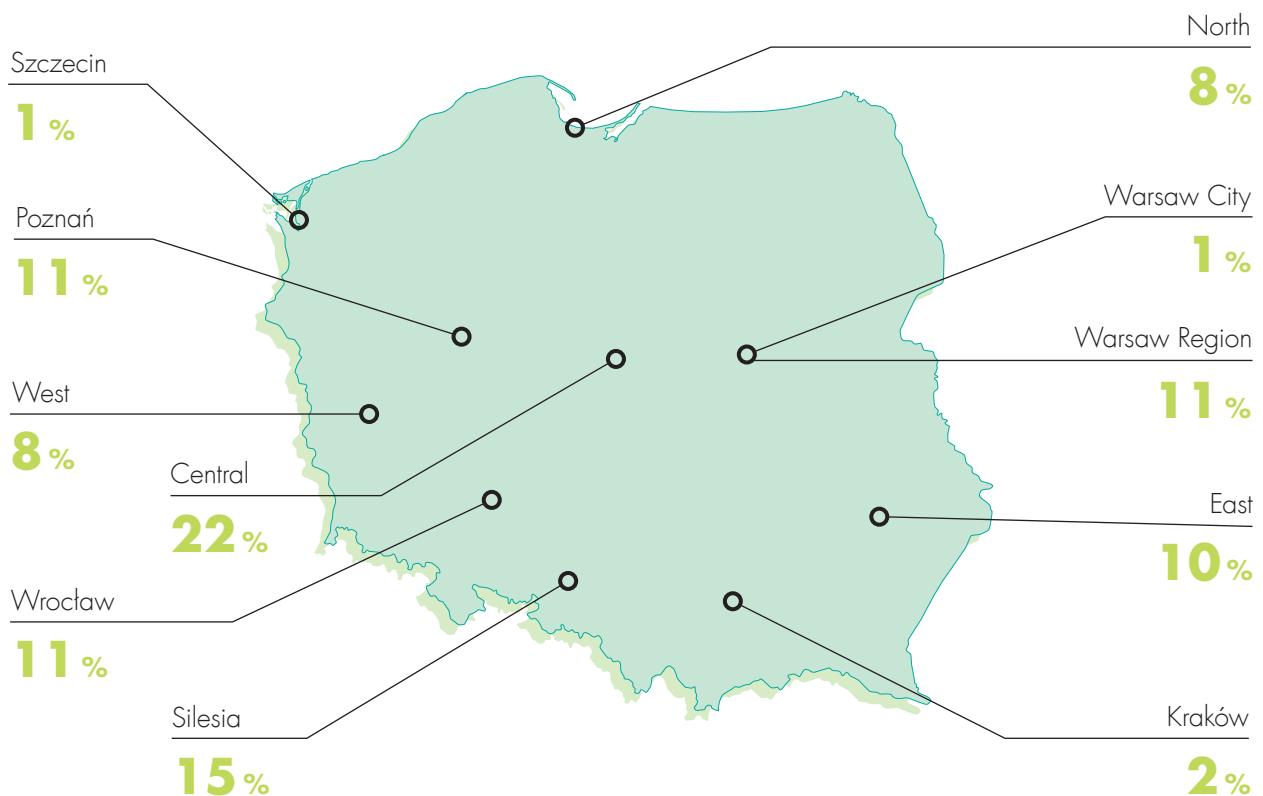
Logistics
Operators (■)

Regional growth

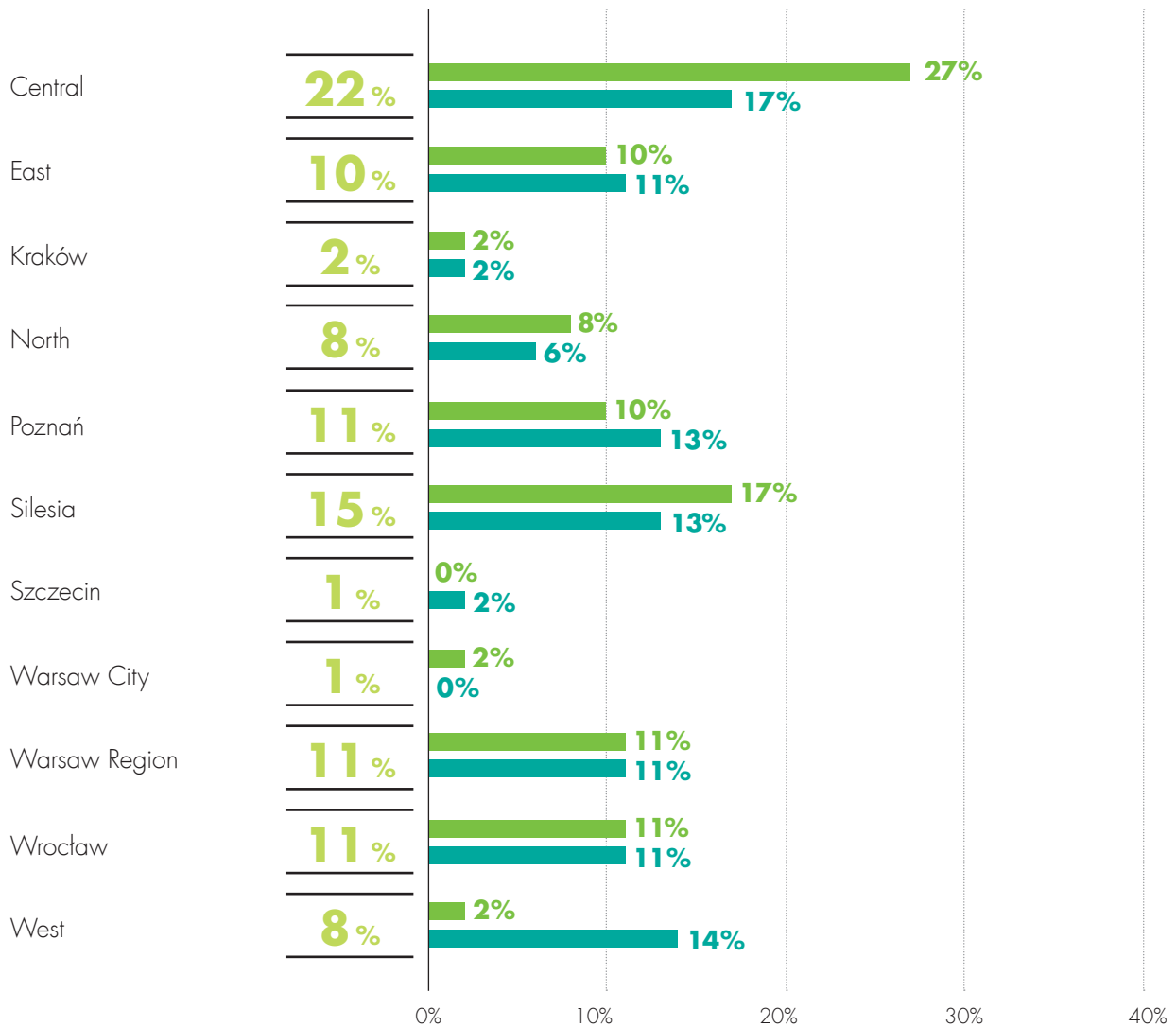
TAKING INTO ACCOUNT ALL THE LOGISTICS LOCATIONS IN POLAND, WE ONCE AGAIN ASKED OUR RESPONDENTS TO IDENTIFY THE TOP THREE DESTINATIONS THAT ARE EXPECTED TO EXPERIENCE THE STRONGEST GROWTH IN DEMAND FOR SUPPLY CHAIN ACTIVITY IN 2019 AND 2020.

Central Poland was ranked highest, being identified by 22% of respondents and once again Silesia ranked second with a 15% share. They were followed by three areas, Wrocław, Poznań and the Warsaw region, each registering 11% of responses. The Warsaw region, Poznań and the North saw biggest growth in responses this year, whilst Kraków and the West regions recorded fewer responses.

Both logistics operators and manufacturers and retailers agree that Central Poland will be the most dynamic area of the country for supply chain activity in the year ahead. The top locations where logistics operators predict the strongest growth are Central Poland (17%), the West (14%), Poznań and Silesia (both 13%); whereas for manufacturers and retailers it's Central Poland (27%), Silesia 17%. Wrocław and the Warsaw region (both 11%).



LOCATIONS EXPECTED TO EXPERIENCE THE STRONGEST GROWTH IN DEMAND IN SUPPLY CHAIN ACTIVITY



Manufacturers
& Retailers (■)



Logistics
Operators (■)

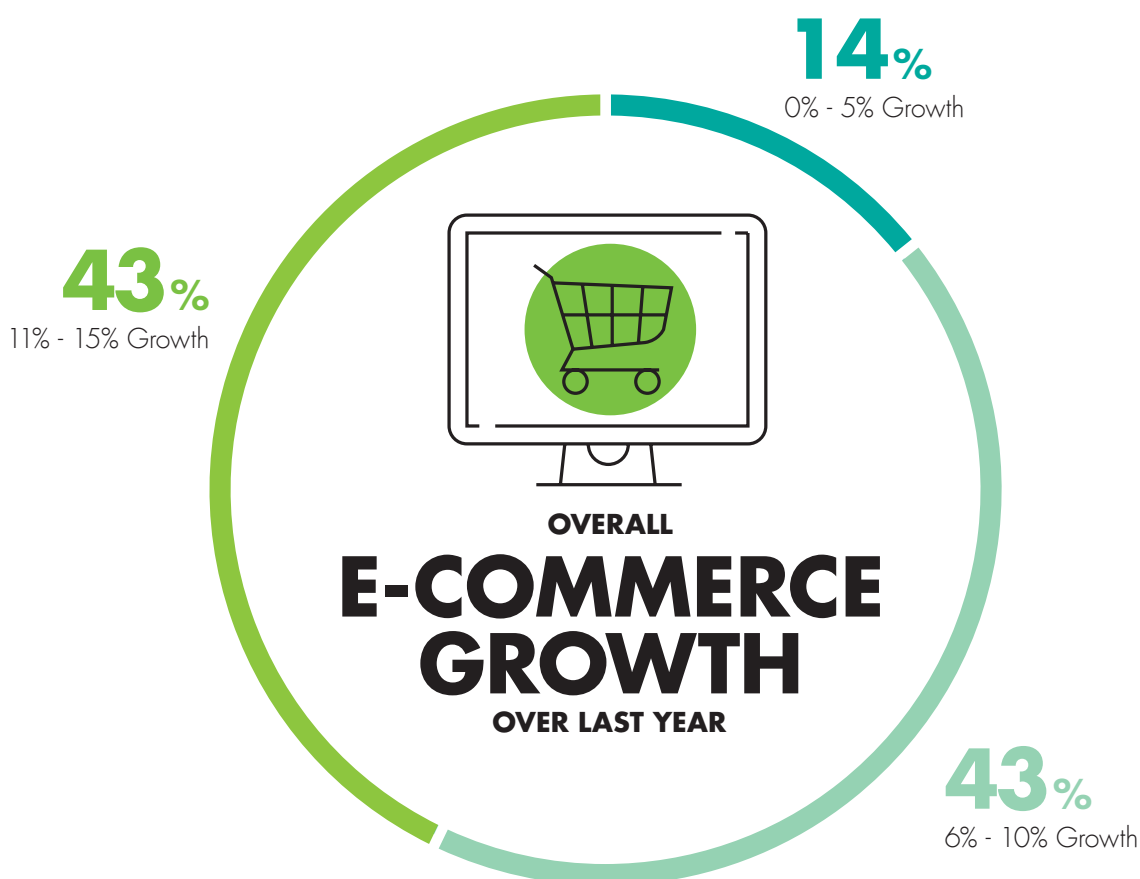
E-commerce

THE GROWTH OF E-COMMERCE BUSINESS IN POLAND CONTINUES APACE AND THE COUNTRY REMAINS ONE OF THE FASTEST GROWING MARKETS IN EUROPE.

This is reflected in the very positive opinions of our respondents on the performance of the market. 43% (down from 51% last year) estimate the growth rate for e-commerce in 2019 between 6% and 10%, however 43% more respondents are more optimistic in their growth outlook, selecting the 11-15% growth range this year, whereas last year, it was selected by 29% of respondents.

Logistics operators are more positive about the sector's growth prospects than manufacturers and retailers, with the majority of them (67%) forecasting growth of between 11-15%, whereas the largest share of manufacturers and retailers (59%) opt for the 6-10% growth range.

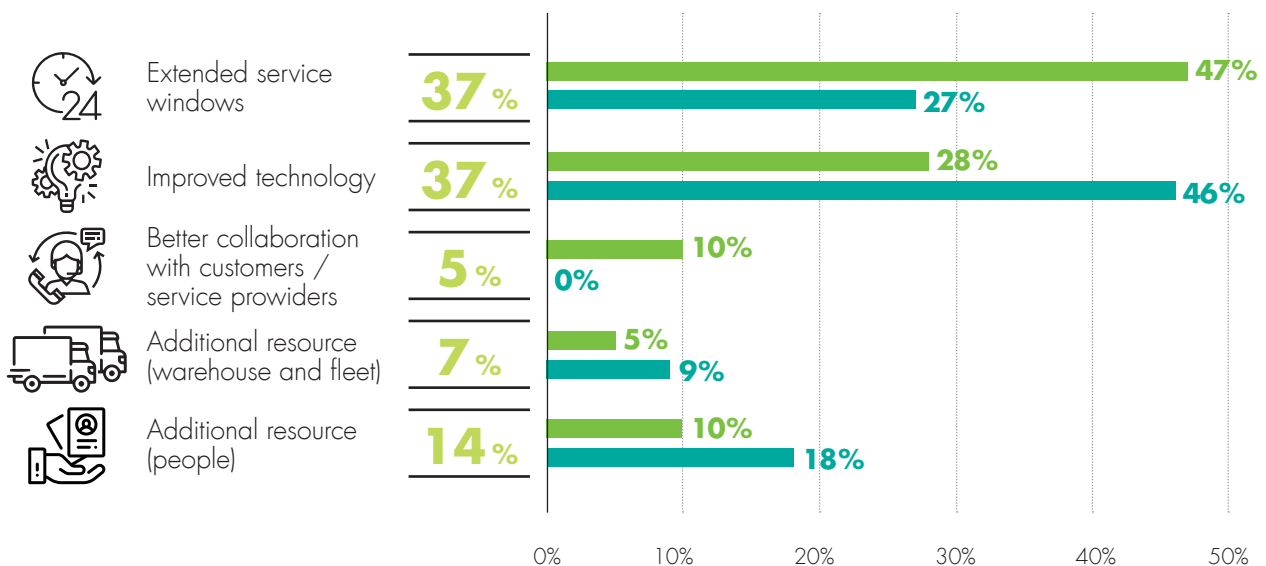
EXPECTED E-COMMERCE GROWTH



When asked how they plan to deal with e-commerce growth in 2019, companies expect to make use of improved technology (mentioned by 37% of respondents). A similar 37% share, up significantly from 15% last year, see expanded and extended service options as a way of facilitating growth in the market. 14% plan to invest in additional resources, and specifically additional people, to manage this growth.

Both logistics operators and manufacturers and retailers agreed on the value of technology improvements and extended service options as the key solutions to managing e-commerce growth. Logistics operators expect to use technology as the main solution, whilst for manufacturers and retailers, extending service offerings is identified, over technology, as the preferred strategy.

WAYS OF HANDLING GROWTH IN E-COMMERCE



Manufacturers
& Retailers (■)



Logistics
Operators (■)

New business

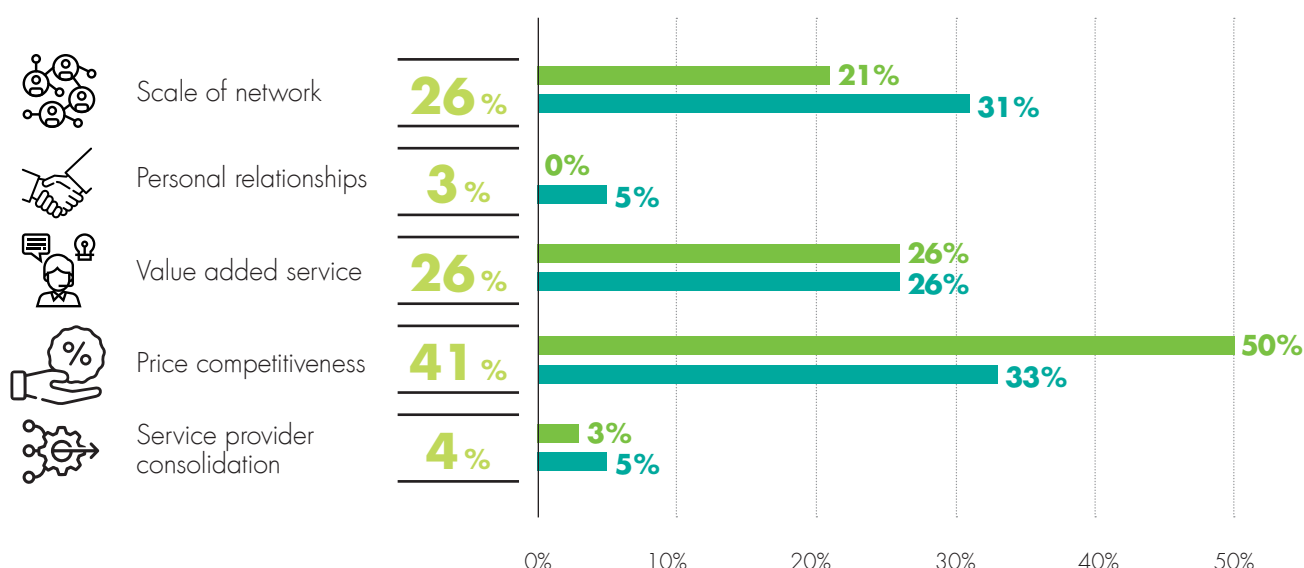
WHEN ASKED TO IDENTIFY THE KEY DRIVERS BEHIND CONTRACT WINS FROM CUSTOMERS OR, FOR MANUFACTURERS AND RETAILERS, CONTRACT AWARDS TO SERVICE PROVIDERS IN THE LAST 12 MONTHS, PRICE COMPETITIVENESS ONCE AGAIN RANKED AS THE MOST IMPORTANT FACTOR.

Indeed, in fiercely competitive markets, the importance of price in contract negotiations appears to be increasing, with 41% of respondents rating this as a key part of the decision making process, up from 35% last year.

Price is seen as playing more of a decisive role by manufacturers and retailers, with one-half (50%) recognising it plays a key role in tender processes, while 33% of logistics operators share the same view.

The ability for logistics operators to provide value added services is once again viewed as the second most important factor overall, when it comes to contract awards, though this year, it is joined in second place by the scale of a logistics operator's network, with both factors registering a 26% share of responses.

KEY DRIVERS BEHIND CONTRACT WINS/AWARDS IN THE LAST 12 MONTHS



Manufacturers
& Retailers (■)



Logistics
Operators (■)

Panattoni BTS Ideal Automotive, Świdnica



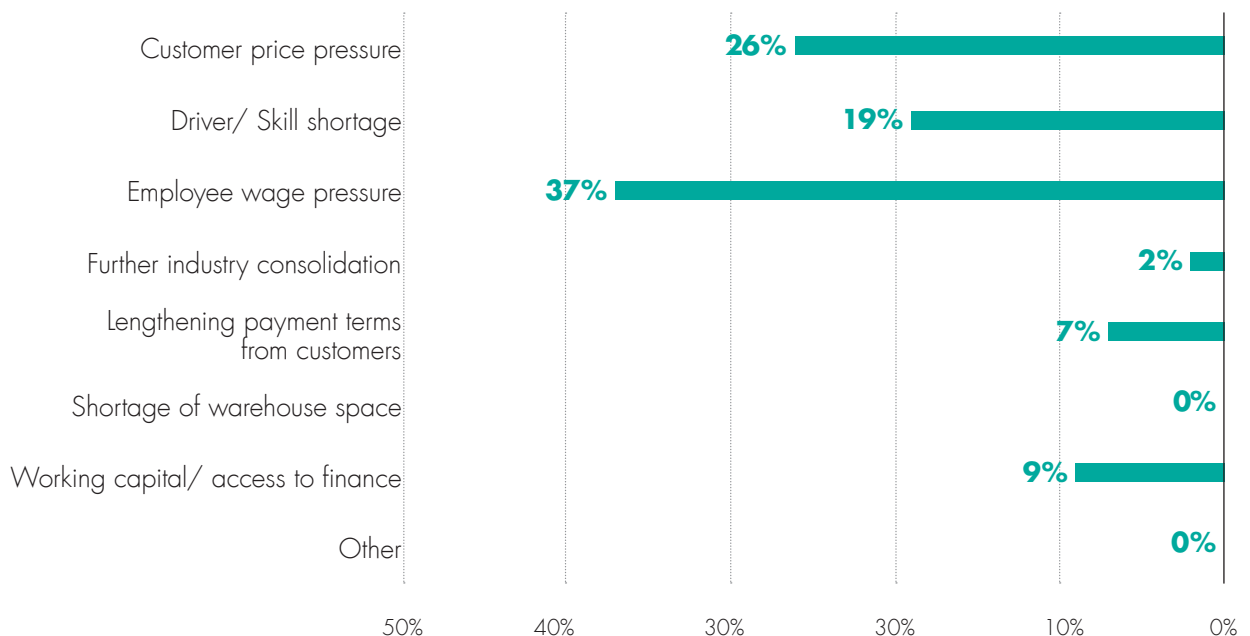
Key challenges

WHEN ASKED ABOUT THE MOST IMPORTANT ISSUE FACING THEIR BUSINESS IN THE NEXT 12 MONTHS, OUR REPORT THIS YEAR REFLECTS A CHANGE IN OPINION, WITH 'EMPLOYEE WAGE PRESSURE' RANKED HIGHEST OVERALL, BY A CONSIDERABLE MARGIN.

THIS IS AN OPINION SHARED BY BOTH LOGISTICS OPERATORS AND MANUFACTURERS AND RETAILERS.



IMPORTANT ISSUES: LOGISTICS

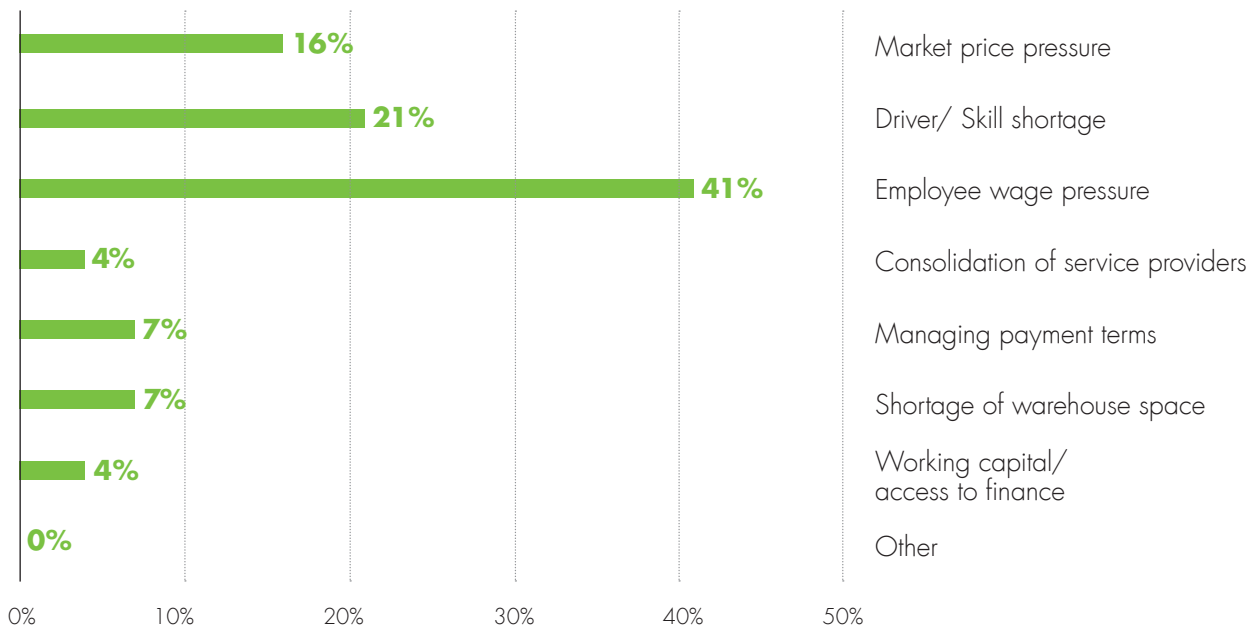


For logistics operators, price pressure from customers is seen as the second most important challenge in the year ahead, followed by overcoming driver / skills shortages within their business. Access to finance and working capital is seen as the fourth most important challenge, followed by managing lengthening payment terms from customers.

The breakdown of manufacturers and retailers' responses looks slightly different. 'Employee wage pressure' was by far the most important issue for manufacturers and retailers. The 'driver/ skills shortage' came in second place and in third was overcoming 'market price pressure'. 'Shortage of warehouse space' and 'managing payment terms' were of less importance sharing fourth position for the second successive year, while the 'consolidation of service providers' and 'working capital / access to finance' were the least crucial issues to manufacturers and retailers.



IMPORTANT ISSUES: MANUFACTURERS AND RETAILERS





Skills shortages

LIKE MANY LOGISTICS AND SUPPLY CHAIN MARKETS ACROSS EUROPE, COMPANIES IN POLAND CONTINUE TO FACE EMPLOYMENT AND SKILLS CHALLENGES.

As we have seen elsewhere in this report, the broad issue and its implications dominates the outlook for service providers, manufacturers and retailers of all sizes, across all industry sectors.

We once again asked respondents what measures they have taken in the past 12 months to address the talent and skills shortage in their business. Based on feedback from respondents last year, we introduced two new categories to the answer options this year, for the first time featuring the 'use of technology to replace human talent' and the 'use of more temporary staff and/or subcontractors'.

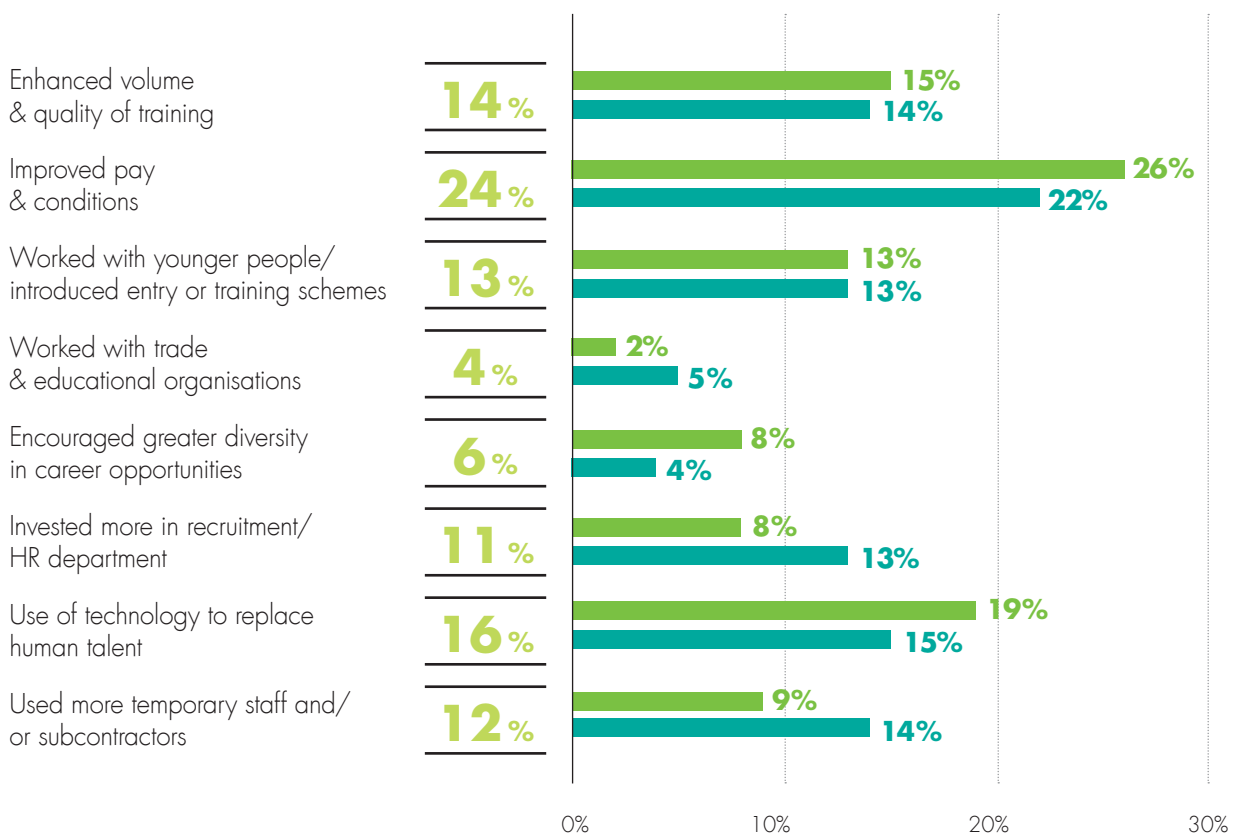
Similar to last year, the biggest share of respondents (24%) claimed that over the past 12 months they improved pay and conditions. For both categories of respondents it was the most popular answer, as 22% of logistics operators and 26% of manufacturers and retailers identified this as one of their solutions.

The second most popular answer, chosen by 16%, was making 'use of technology to replace human talent' – a subject that we analyse in more detail in this report. This came marginally ahead of companies using 'enhanced volume and quality of training' as a solution.

12% of respondents overall (14% logistics and 9% manufacturers and retailers) target the use of temporary staff and / or subcontractors as a way of overcoming the lack of suitably skilled employees in their business. Less popular responses to the challenge included working with trade and educational organisations (4% of respondents) and 'encouraging greater diversity in career opportunities', rated as a solution by just 6% of companies.



MEASURES OF ADDRESSING THE TALENT AND SKILLS SHORTAGE IN THE LAST 12 MONTHS



Manufacturers
& Retailers (■)



Logistics
Operators (■)

SKILLS SHORTAGES/ HUMAN RESOURCES

LABOUR AND SKILLS SHORTAGES, COMBINED WITH EMPLOYEE WAGE PRESSURE ARE KEY CHALLENGES FACING THE LOGISTICS AND SUPPLY CHAIN SECTOR. HOW IS THIS TREND DEVELOPING, IN YOUR DAY-TO-DAY OPERATIONS, DO YOU SEE THESE CHALLENGES GETTING BETTER OR WORSE? WHAT ACTIONS ARE YOU TAKING TO OVERCOME THESE ISSUES?



YANN BELGY
MANAGING DIRECTOR
ID Logistics

"Within the coming months, ID Logistics will hire over 1,000 warehouse employees in Poland, which is quite a challenge within the current environment.

In order to cope with this challenge, we have built dedicated recruitment teams and designed a specific action plan which is monitored regularly at the highest levels of the company.

This action plan includes short and middle term actions, such as remuneration policy, improvement of employees' work environment and middle management training, but also longer term actions, including the implementation of AGV forklifts and increasing the skills of local teams in warehousing automation systems.

Thanks to these actions, we were able to turn a drastic issue with labour shortages and increasing remuneration into a real competitive advantage for us and our customers."

"The transport and logistics sector has witnessed dynamic growth in recent years. As a result of this growth, the shortage of employees became a big barrier to the sector's further development.

The situation changed at the turn of 2018/2019 and the market is currently in a downturn. It causes many problems, but employee wage pressure is not so noticeable.

The business cycle is always moving and an upturn will come soon. To be prepared for new difficulties regarding the availability of skilled employees, we try to train staff ourselves, which will mean that they are optimally adapted to our needs."



ANDRZEJ SZYMAŃSKI
MANAGING DIRECTOR
DARTOM

"Like most companies on the market, we feel the lack of qualified staff and the pressure to increase wages.

However, we assume that it is not only the amount of remuneration that determines whether the employee will stay in the company or change it.

Therefore, in addition to monitoring and following changes in remunerations, we try to provide our employees with a friendly work environment, flexible working hours and additional benefits."



BOGDAN AUGUSTYNIAK
MANAGING DIRECTOR
ACS (Allport Cargo Services)

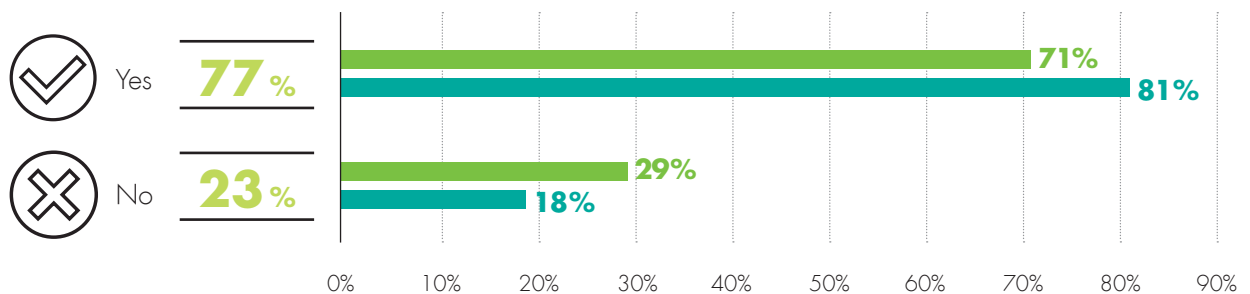
Staff wellness

IN A COMPETITIVE LABOUR MARKET, EMPLOYERS NEED TO USE ALL THE TOOLS AT THEIR DISPOSAL TO ATTRACT NEW EMPLOYEES, MAXIMISE THE PRODUCTIVITY OF EXISTING STAFF AND RETAIN THEM IN THEIR ROLES FOR LONGER.

A wellness programme is a workplace initiative that supports and promotes the health of employees. For the first time in our series of reports, this year we asked respondents if their company offers and provides staff wellness programmes, such as support with nutrition, physical activity, stress reduction or access to services etc.

Overall, it is very encouraging to see that more than three-quarters of our respondents (77%) confirmed that their company offers a wellness programme, with 81% of logistics operators and 71% of manufacturers and retailers providing such services.

DOES A COMPANY OFFER STAFF WELLNESS PROGRAMMES?



Manufacturers
& Retailers (■)



Logistics
Operators (■)

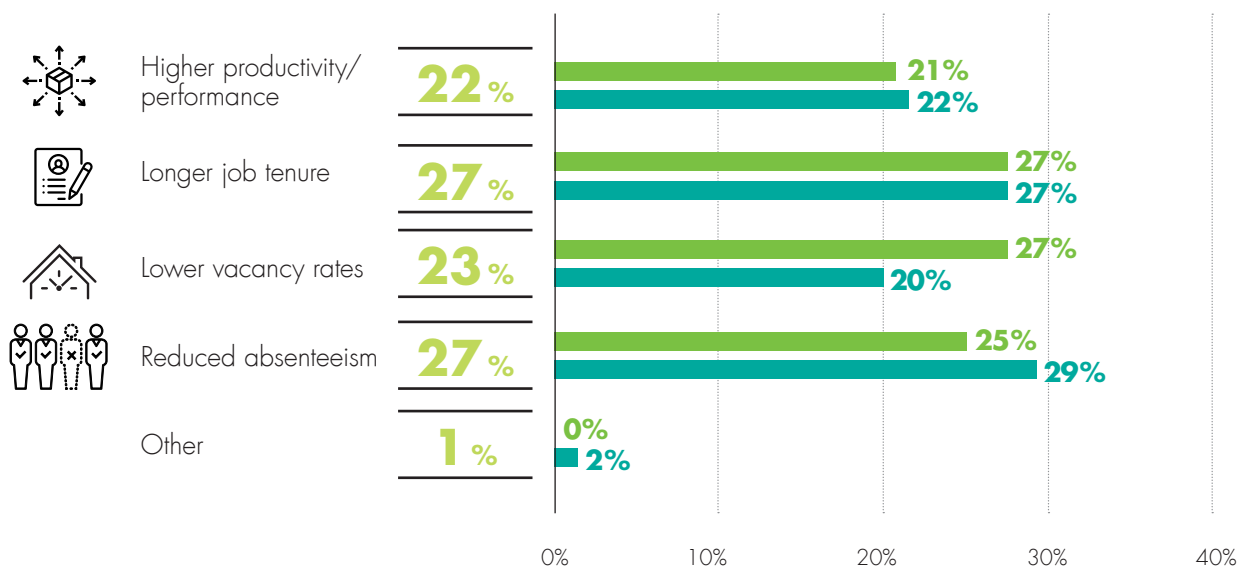
Indeed, one respondent stated that the challenging labour market conditions make it essential that their company offers such solutions, as employees are increasingly demanding of their employers.

We then sought to identify the benefits that employers across the supply chain are achieving from offering wellness programmes to their employees. Our survey highlighted a broad range of benefits are being achieved. 27% of respondents see their company's wellness programme as contributing to reduced absenteeism by staff, whilst a similar share also report that their staff are recording longer job tenure attrib-

utable, in part, to the wellness programmes. 23% of responses pointed towards lower vacancy rates at their company, whilst 22% suggested that wellness programmes are contributing to higher levels of productivity and performance at their company.

Almost one-third of logistics operators (29%) who provide wellness programmes to employees, suggested that they are benefitting from reduced absenteeism by staff, whilst for manufacturers and retailers who offer such services, the most frequently achieved benefits are longer job tenure by staff and lower vacancy rates – each recognised by 27% of respondents.

OBSERVED STAFF BENEFITS



Manufacturers
& Retailers (■)



Logistics
Operators (■)

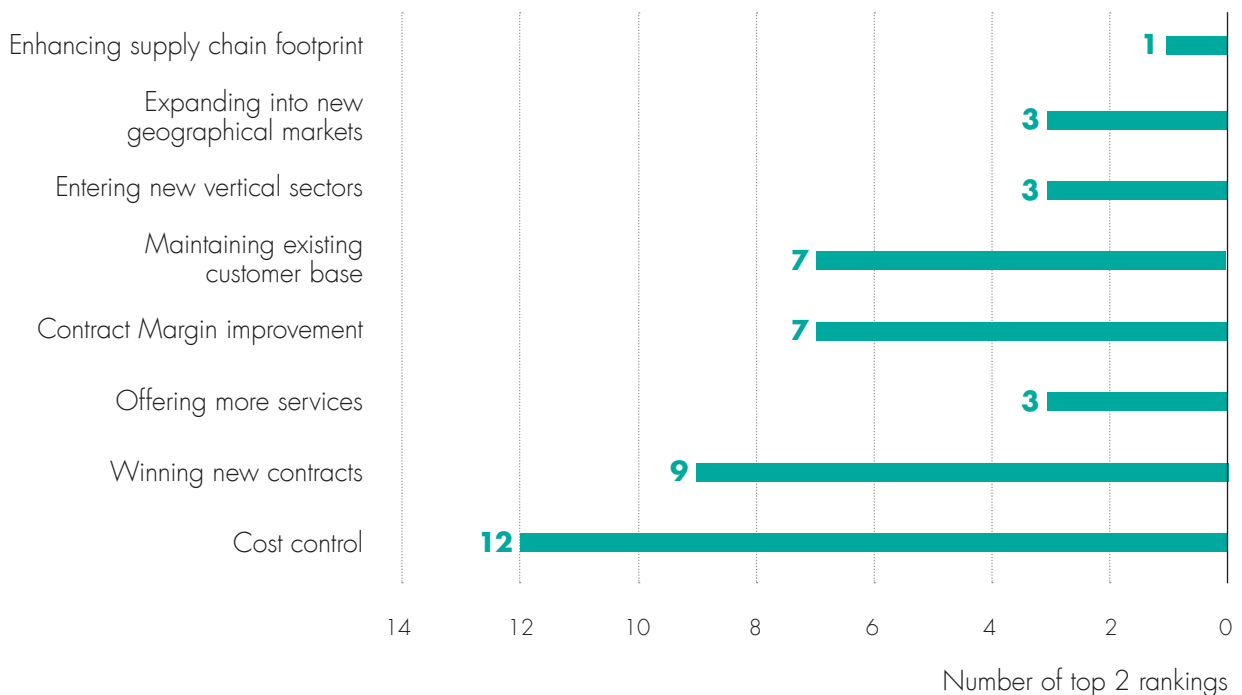
Future focus

RESPONDENTS WERE ASKED TO LIST THE BUSINESS AREAS WHICH THEY PLAN TO FOCUS ON OVER THE NEXT 12 MONTHS IN ORDER TO ACHIEVE THEIR GROWTH PLANS.

In the coming year, logistics operators will once again be mostly concentrating on cost control and the commercial dynamics of their business. 27% of logistics respondents named cost control as one of their top two priorities. Winning new contracts will continue to play a very important role in the year ahead, in parallel with contract margin improvement and maintaining their base of existing customers.



MAIN COMPANY FOCUS: IN THE NEXT 12 MONTHS



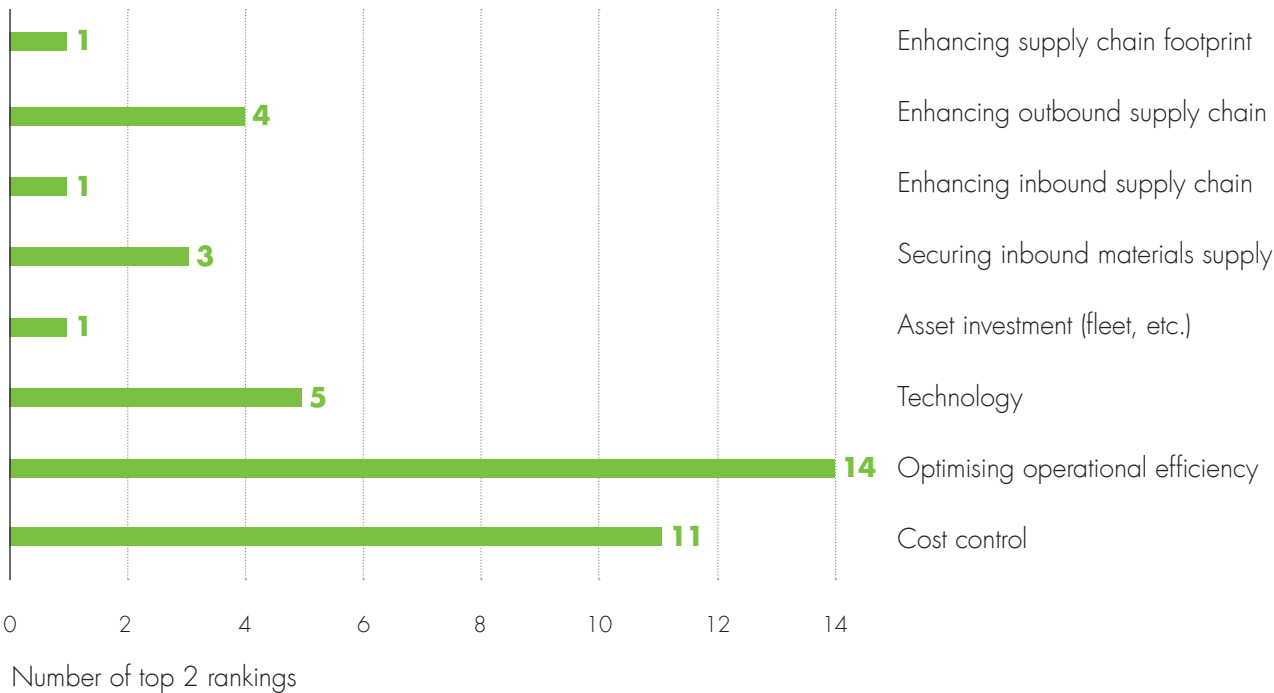
For manufacturers and retailers, the main focus for the year ahead is to optimise operational efficiency and speed, a consistent focus across all three of our reports.

most important focus for manufacturers and retailers in the year ahead will be the technology used in their supply chain operations.

Similarly to logistics providers, the next most important focus for manufacturers and retailers is cost control, with these two strategies accounting for more than 60% of respondents' replies. In a distant third place, the next



MAIN COMPANY FOCUS: IN THE NEXT 12 MONTHS

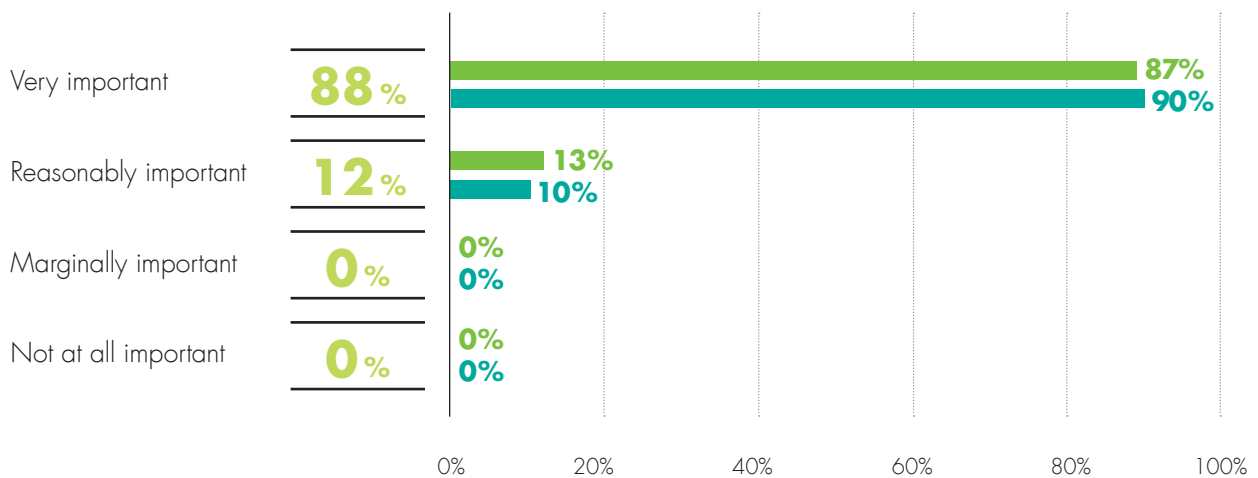


INNOVATION

AT VARIOUS POINTS IN THIS REPORT, WE HAVE NOTED THE INCREASINGLY VITAL ROLE OF TECHNOLOGY IN LOGISTICS AND SUPPLY CHAIN OPERATIONS.

This was emphasised by 88% of our respondents that stated that the use of technology is 'very important' in helping their business achieve a competitive advantage, a figure up from 69% last year. 90% of logistics respondents and 87% of manufacturers and retailers said that the use of technology is very important to help their business.

IMPORTANCE OF TECHNOLOGY BY RESPONDENT



Manufacturers
& Retailers (■)



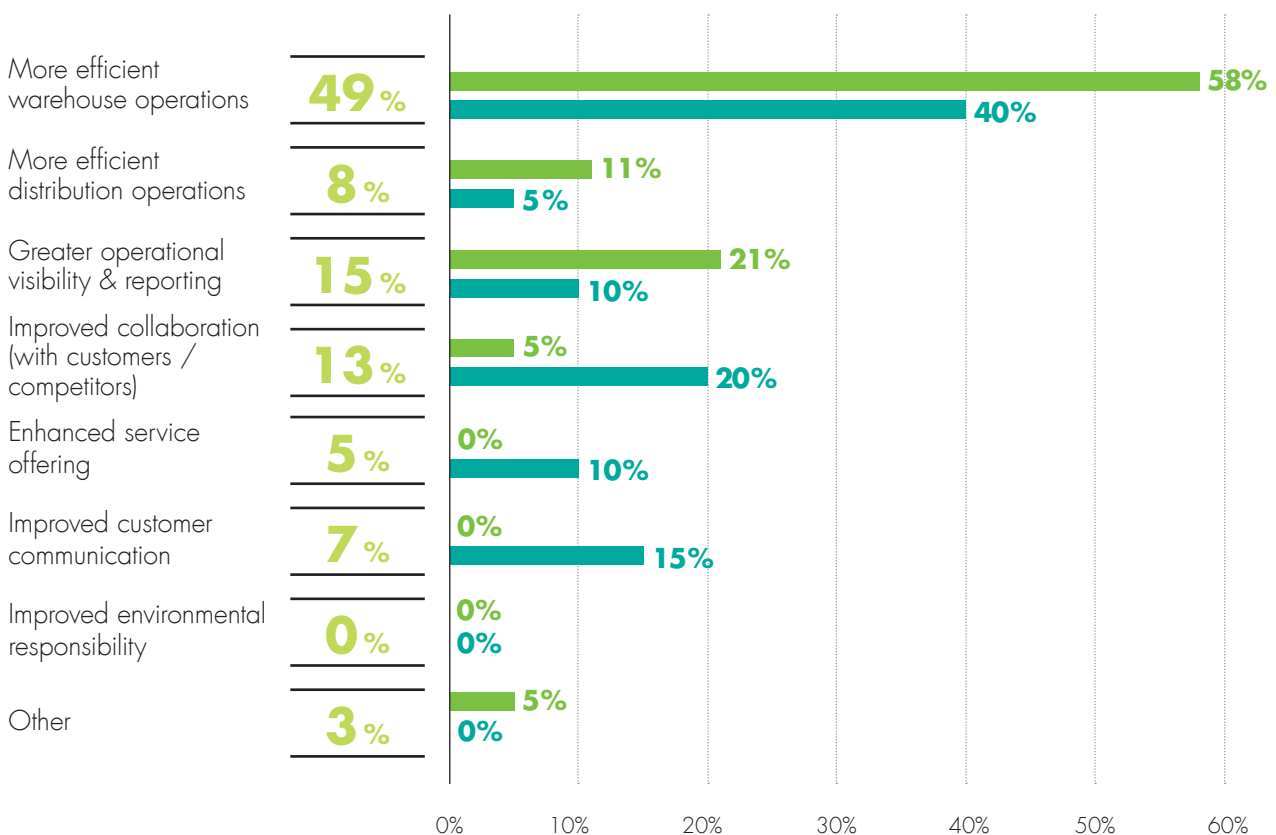
Logistics
Operators (■)

Benefits of technology applications

Our research identifies that this year, more than ever, technology's most important role is in the warehouse. Our respondents were asked to identify the elements of their company where technology is most benefitting their business and more efficient warehouse operations (49% up from 30% last year) and greater operational visibility and reporting (15%) were rated as the most important areas.

40% of logistics respondents and 58% of manufacturers and retailers identified the warehouse as being the main beneficiary from the use of technology in their business. Manufacturers and retailers were also more enthusiastic about the 'greater operational visibility and reporting'. 21% of them considered that this is where the most benefits of technology are derived. Among logistics operators, with 20% of answers, 'improved collaboration (with customers/ competitors)' is perceived as the second most important area for the use of technology.

TECHNOLOGY BENEFITS



Manufacturers
& Retailers (■)



Logistics
Operators (■)

Impact of technology applications

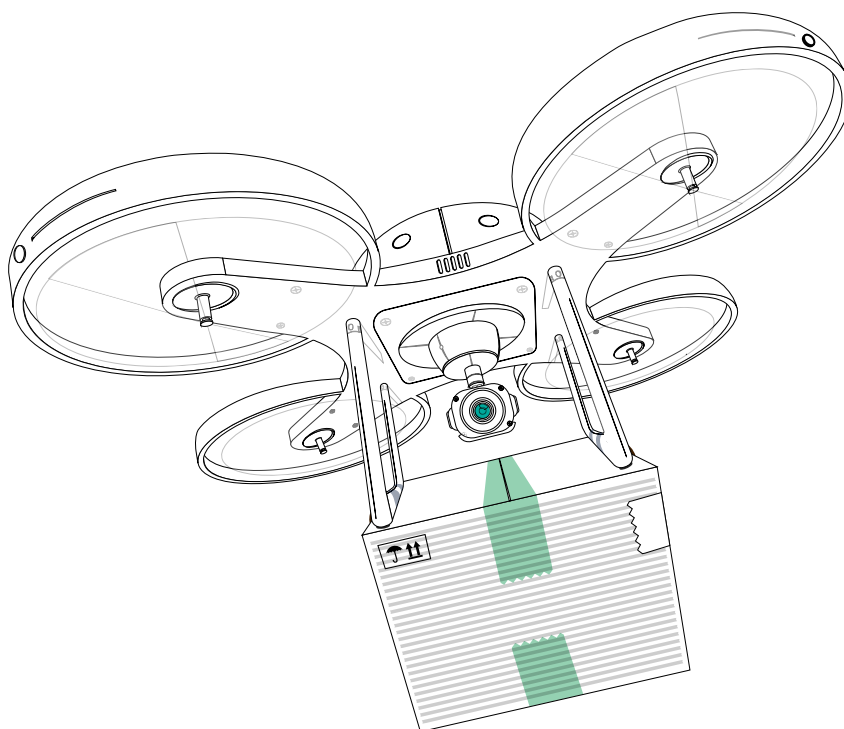
AFTER CONFIRMING THAT THE ROLE OF TECHNOLOGY IS INCREASING IN IMPORTANCE FOR SUPPLY CHAIN PROFESSIONALS IN POLAND, AND IDENTIFYING THAT WAREHOUSE ACTIVITIES ARE SEEING THE GREATEST BENEFITS FROM THE INTRODUCTION OF TECHNOLOGY, WE THEN SOUGHT TO UNDERSTAND SECTOR'S PLANS FOR THE FUTURE.

We asked our respondents to nominate the types of supply technology that are expected to have the biggest impact on their business over the next three years. Once again, based upon respondent feedback, we included an additional category this year, that of sustainable / environmental applications.

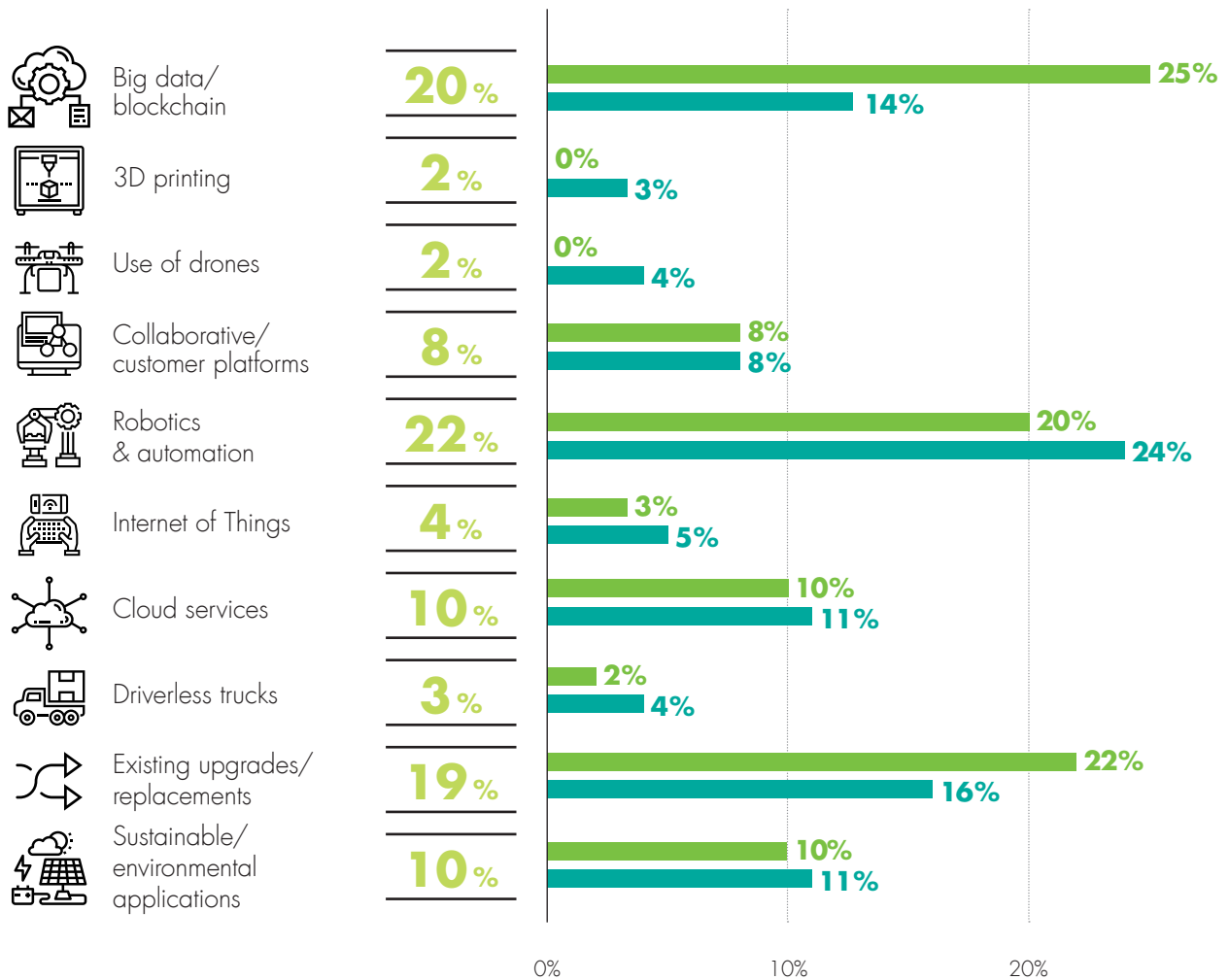
Last year we saw that despite the introduction of new technologies to the supply chain, our respondents main priorities were upgrading their current systems. This year, that approach has been pushed down into third place in the list (with a 19% share), as robotics and automation (22%), and big data analytics and blockchain (20%) are now expected to generate greater

benefits over the next three years. Encouragingly, 11% of respondents suggested that sustainable / environmental applications will have the biggest impact on their business in the next three years.

The technology option most frequently chosen by logistics operators last year was 'Upgrades / replacement of existing TMS/ WMS/ ERP/ Fleet solutions', but this year robotics and automation has taken the top spot. For manufacturers and retailers, big data analytics and blockchain (25%) has taken over from system upgrades and robotics and automation as the type of technology most likely to generate the biggest business benefits over the next three years.



SUPPLY CHAIN TECHNOLOGY APPLICATIONS WITH THE BIGGEST IMPACT IN THE NEXT 3 YEARS



Manufacturers
& Retailers (■)



Logistics
Operators (■)

Using technology to replace human resource

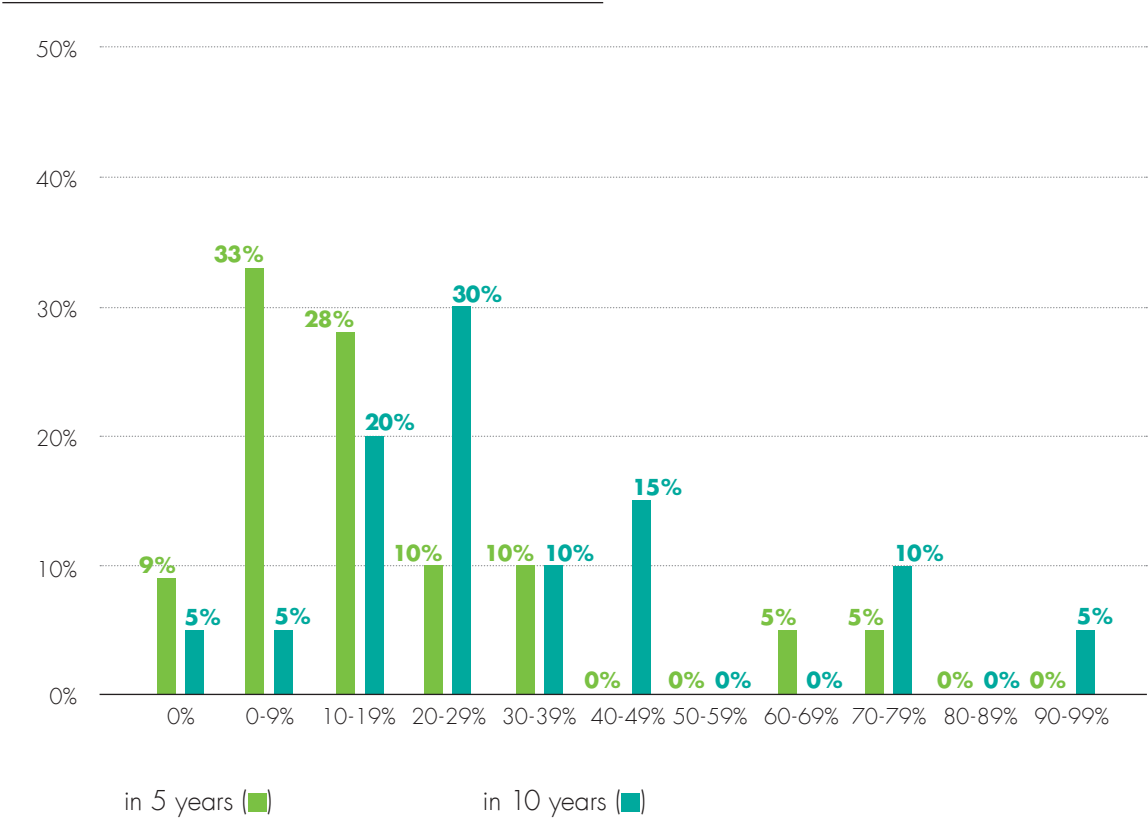
LOOKING FURTHER INTO THE FUTURE, IN AN UPDATE TO A QUESTION PUT TO THE SECTOR LAST YEAR, WE ONCE AGAIN ASKED OUR RESPONDENTS TO MAKE THEIR PREDICTIONS ON WHAT SHARE OF THEIR OPERATIONAL-BASED WORKFORCE THEY EXPECT TO SEE REPLACED BY TECHNOLOGY, AUTOMATION AND ROBOTICS WITHIN 5 AND 10 YEARS.

The most frequent answer as regards expectations for five years' time was that between 0-9% of warehouse staff will be replaced by robotics and automation. 41% of our respondents expect this to be the case (40% last year). However, 34% of our respondents also predict that between 10-19% of warehouse staff will be replaced by technology within five years (31% last year). A further 9% of respondents predict that 20-29% of warehouse staff will be replaced (13% last year).

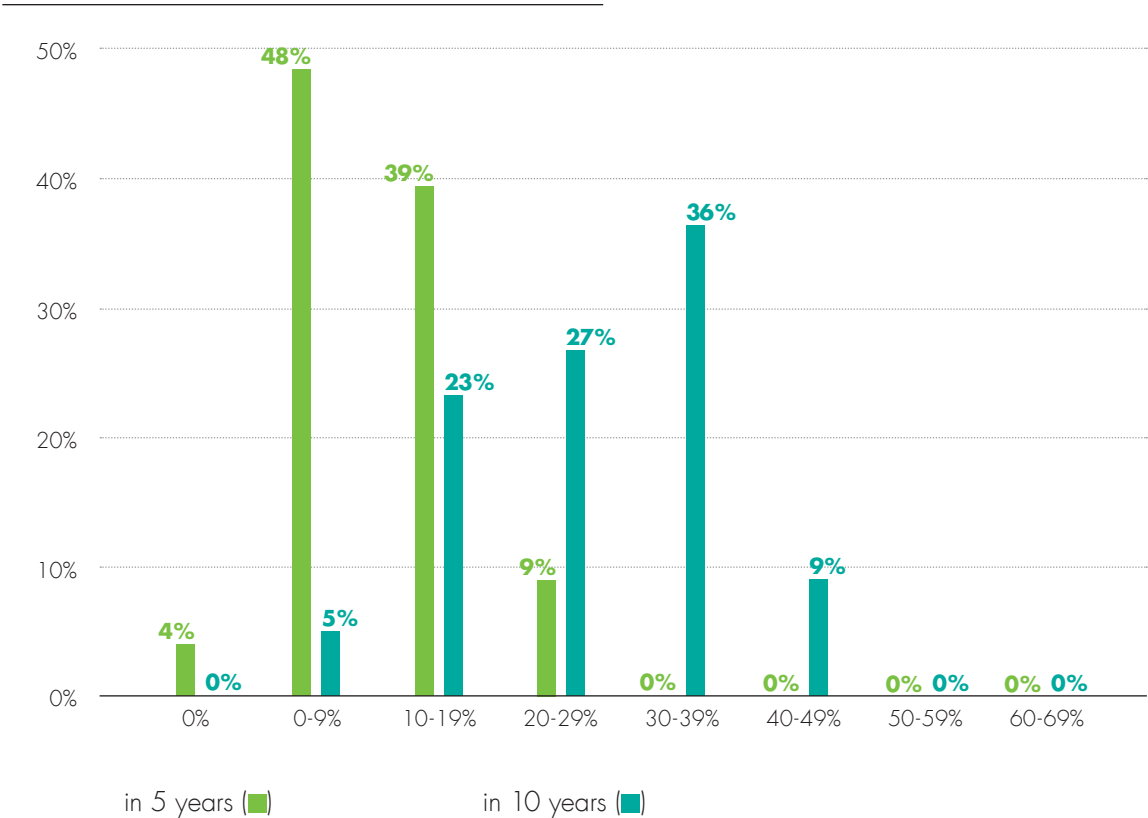
Looking into the longer term, 29% of our respondents expect that, within ten years, 20-29% of their warehouse staff will be replaced by technology (28% last year). 24% of our respondents believe this figure could be 30-39% (15% last year), whilst 12% of our respondents predict that within 10 years, 40-49% of their warehouse staff will no longer be required to perform the same types of tasks (11% last year).

Our results show a consistent set of opinions from last year. Similarly, manufacturers and retailers are generally less optimistic for the future of their warehouse colleagues, with 36% of them expecting 30-99% of human resource to be replaced within ten years, though 10% of logistics operators suggest 70-79% of warehouse colleagues could be freed up to focus on higher skilled tasks within ten years.

PREDICTED % OF REPLACING HUMAN RESOURCES - LOGISTICS COMPANIES



PREDICTED % OF REPLACING HUMAN RESOURCES - MANUFACTURERS & RETAILERS

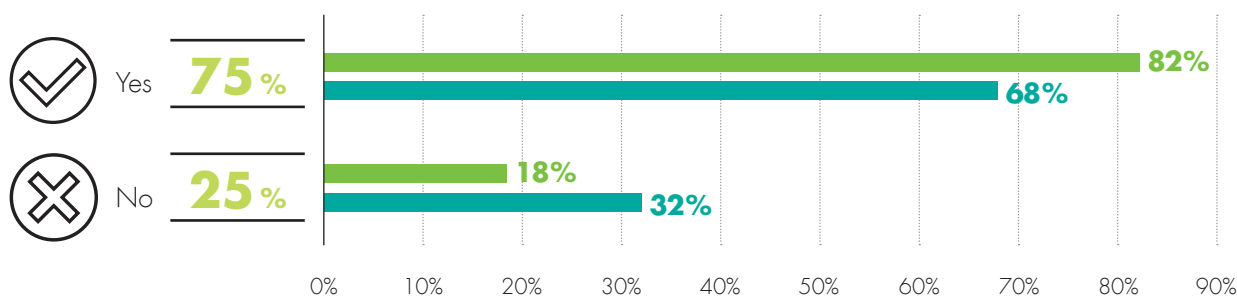


Sustainability

FOR THE FIRST TIME IN OUR SERIES OF REPORTS, THIS YEAR WE ASKED LOGISTICS OPERATORS, MANUFACTURERS AND RETAILERS ABOUT THEIR INTENTIONS AND STRATEGIES TOWARDS DEVELOPING SUSTAINABLE / ENVIRONMENTALLY FRIENDLY / 'GREEN' SUPPLY CHAINS.

It is very encouraging to see that, overall, 75% of respondents anticipate that their company will be investing in a sustainable / environmental / 'green' supply chain project in the next 12 months. This view was shared by 68% of logistics operators and by 82% of manufacturers and retailers.

SUSTAINABILITY ACTIVITY BY RESPONDENTS



Manufacturers
& Retailers (■)

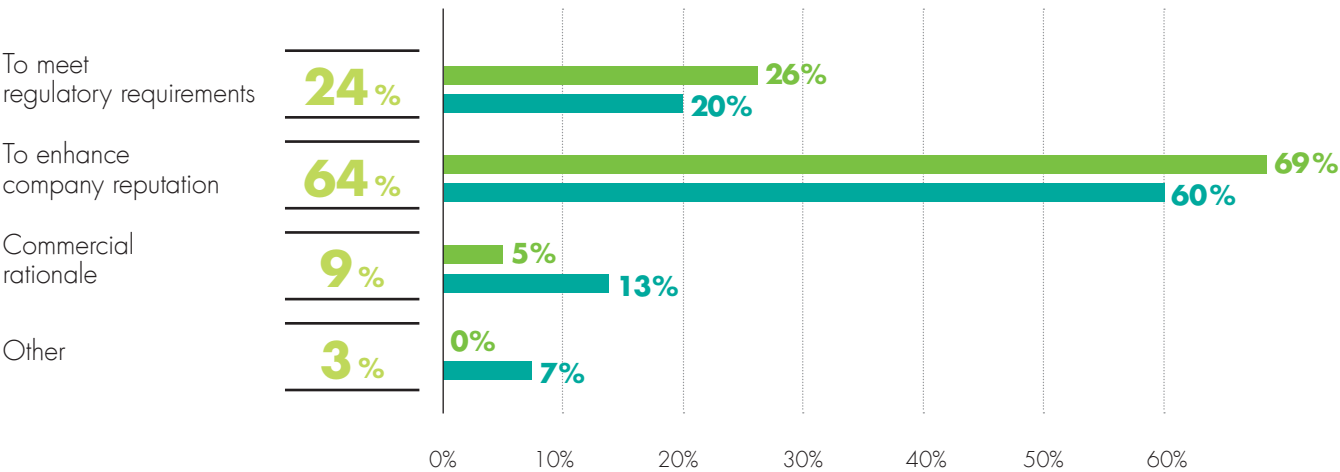


Logistics
Operators (■)

Our respondents provided details of a range of projects that they are undertaking, that included electric vehicles, solar power, waste management and reduction, reducing plastics use, reducing emissions and amending their portfolio of service requirements, or demands of their logistics providers to cover inter-modal transport solutions and larger delivery volumes to reduce the number of road journeys that their vehicles make.

We then asked our respondents what they perceived to be the main reason why their company was investing such projects. Almost two-thirds of respondents (64%) suggest that their company is investing in a sustainable / environmental / 'green' supply chain project to enhance its reputation, whilst 24% are being pushed to undertake such projects to meet regulatory requirements and 9% are doing so because of commercial reasons.

REASONS FOR SUSTAINABILITY BY RESPONDENTS



Manufacturers
& Retailers



Logistics
Operators

ENVIRONMENTAL/ SUSTAINABILITY

IT IS ENCOURAGING TO SEE MANY COMPANIES LAUNCHING SUSTAINABLE AND ENVIRONMENTAL PROJECTS INTO THEIR BUSINESS OPERATIONS. WHAT PROJECTS ARE YOU UNDERTAKING AND, TO MAKE FURTHER PROGRESS ACROSS THE INDUSTRY, WHAT INCENTIVES WILL BEST SUPPORT / ENCOURAGE A DRIVE TOWARDS GREATER SUSTAINABILITY?



JANUSZ ANIOŁ
GENERAL DIRECTOR
Raben Logistics Polska

"As the leading logistics company in Poland we feel responsible for implementing sustainable and environmental projects. This can be exemplified by actions such as:

- *Constant replacement of trucks for ones with high EURO standards*
- *Ecological heating and lighting solutions*
- *The methods we use to load the forklift trucks in our newly opened warehouses*
- *Advanced paperless techniques of data exchanging and visualisation such as the myRaben platform*
- *Robotic process automation solutions*

Furthermore we develop CSR programmes, which include the participation of our employees, such as the joint cleaning of local areas, planting trees and popularising the concept of a healthy and safe lifestyle during Family Days."

"In my opinion, the main advantages for the industry in the coming years will be a significant improvement in efficiency and reduction of activities that are harmful to the environment.

At the same time, we hear many voices announcing the introduction of regulations limiting the negative impact on the environment, for example by limiting combustion vehicles in city centres.

We also see many emerging opportunities in the form of new technological solutions, such as automation and ecological fleets. However, greater support for the labour market is certainly needed."



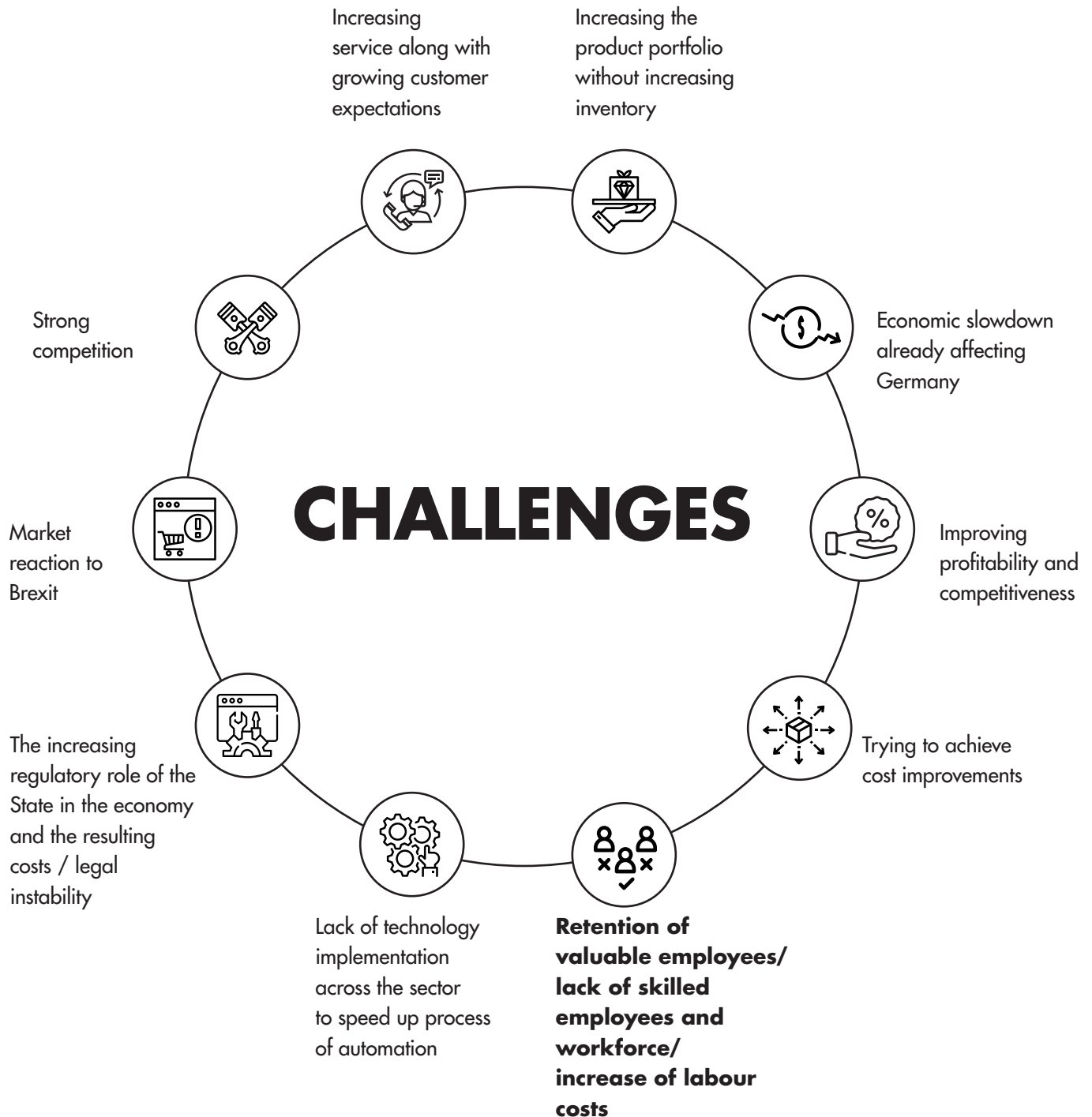
ADAM GALEK
CEO CONTRACT LOGISTICS
DOMESTIC DISTRIBUTION
ROHLIG SUUS Logistics

Panattoni Park Konotopa, Warsaw



WE ASKED OUR RESPONDENTS TO SHARE THEIR VIEWS ON THE KEY CHALLENGES AND OPPORTUNITIES FACING THEIR BUSINESS IN THE YEAR AHEAD







Panattoni BTS DHL, Pruszków

ABOUT US

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CBRE Poland employs around 1,000 people in Warsaw, Gdansk, Krakow, Wroclaw, Poznan, Lodz and Katowice offering a full scope of real estate services and building value on each stage of commercial properties' life cycle.

For logistics and industrial investors we have created Integrated Industrial Platform, where tenants can find solutions to all their requests, from location and technical advisory, through transaction process support, up to full project and facilities management. We are an experienced team of the best advisors, negotiators, engineers, project managers, licenced architects, building and quantity surveyors, valuers as well as Breeam and Leeds assessors and auditors to build real advantage for your project.

Please visit our website:

www.industrialgo.pl or **www.cbre.pl**

PANATTONI

Panattoni Europe is part of the Panattoni Development Company, one of the largest industrial developers in the world, with 26 offices in North America and Europe. Panattoni has been present in Central Europe since 2005. To date, the developer has delivered more than 7 million sqm of modern industrial space altogether in Poland, the Czech Republic and Germany.

A dedicated department responding to individual tenants' needs – build-to-suit projects – is also located within the Panattoni Europe structure. Among key tenants are companies such as Amazon, Arvato Services Polska, Coty Cosmetics, DSV, H&M, Intermarché, Leroy Merlin, ND Logistics, Still, Schenker, Selgros and Tesco. Apart from Poland, Panattoni Europe has offices in the United Kingdom, the Czech Republic, Luxembourg, Germany.

www.panattonieurope.com

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