

AT A GLANCE

Q2 2023

INDUSTRIAL AND LOGISTICS MARKET IN POLAND

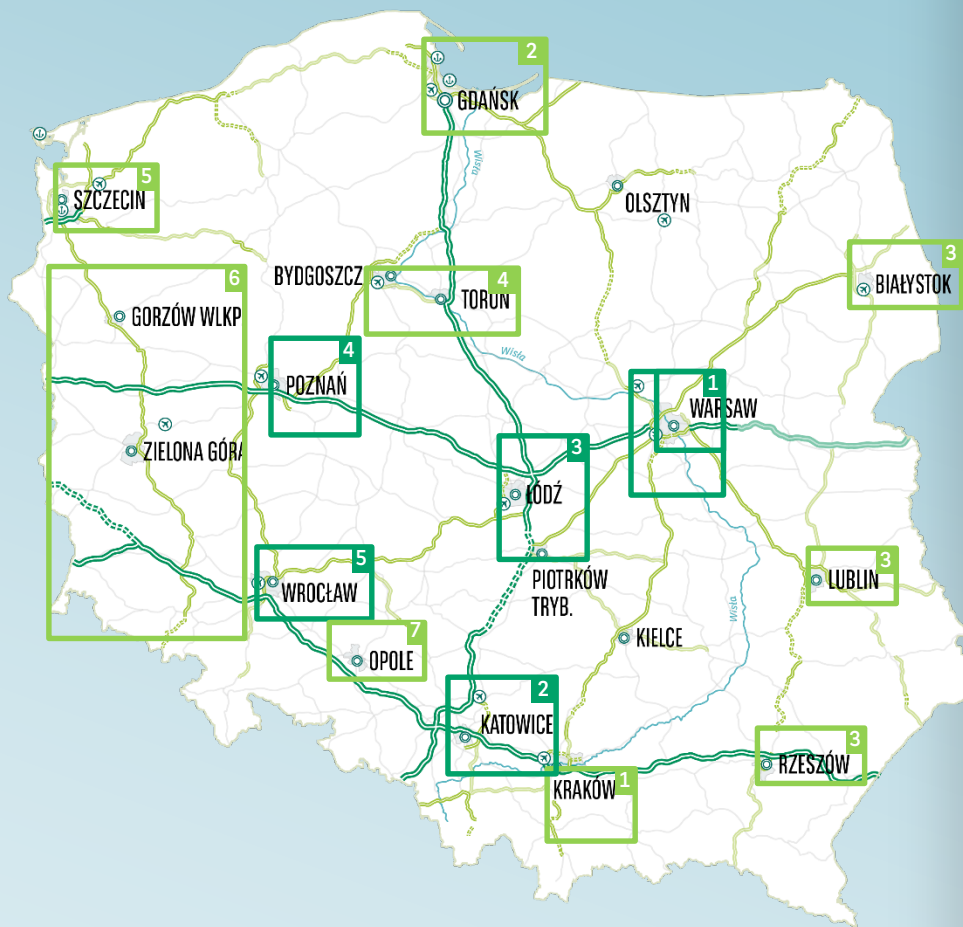


Economic forecast indicators end 2023

	GDP growth	0.5%
	CPI Inflation	12.0%
	EUR/PLN	4.50
	Labour cost ⁽²⁰²²⁾	13.0 EUR/h

Source: Statistics Poland, NBP, Eurostat, BNP Paribas Bank, as of the end of June 2023 quarterly average (% y/y)

MAP OF INDUSTRIAL AND LOGISTICS HUBS AND THE ROAD NETWORK



- PRMIMARY HUBS:**
1. Warsaw I & II
 2. Upper Silesia
 3. Central Poland
 4. Poznań
 5. Lower Silesia
- SECONDARY HUBS:**
1. Kraków
 2. Tricity
 3. East
 4. Bydgoszcz / Toruń
 5. Szczecin
 6. West
 7. Opole

Source: BNP Paribas Real Estate Poland

Highlights

- Poland's industrial stock has surpassed the 30 million sqm mark
- Developers remain cautious about commencing new warehouse projects
- Leasing activity slows down
- Warehouse availability rates in existing buildings on the rise



30.6 M sqm
EXISTING INDUSTRIAL AND LOGISTICS SPACE

0.69 M sqm
NEW SUPPLY Q2

6.7%
AVERAGE VACANCY RATE

2.0 M sqm
VACANT SPACE IN EXISTING SPACE Q2

2.1 M sqm
SPACE UNDER CONSTRUCTION Q2

1.03 M sqm
GROSS DEMAND Q2

0.68 M sqm
NET DEMAND Q2

1.2 M sqm
VACANT SPACE IN SPACE UNDER CONSTRUCTION Q2

3.50-5.50 Big Box
4.50-6.75 SBU
PRIME HEADLINE RENT (EUR/sqm/month)

Source: BNP Paribas Real Estate Poland

Expert comment

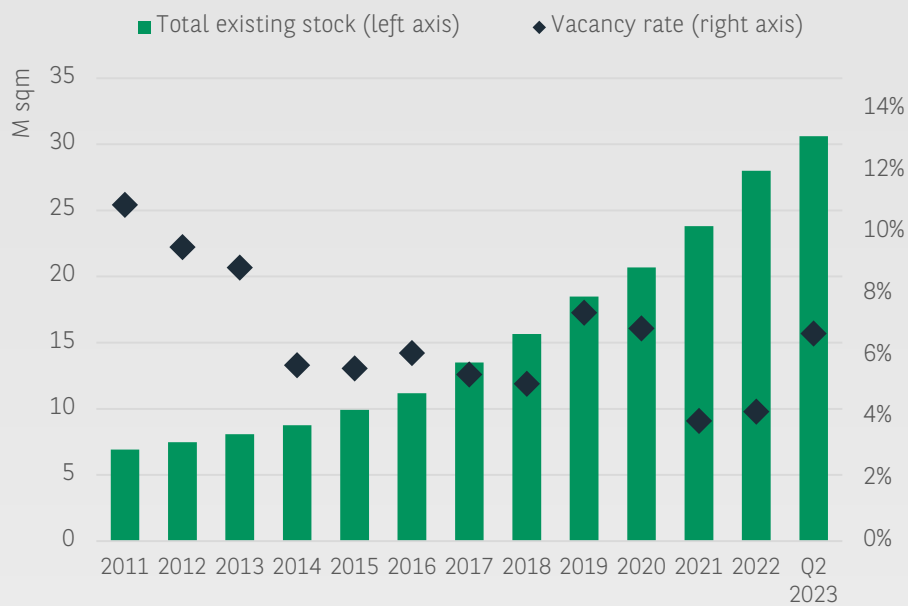


Tomasz Arent
Head of Industrial and Logistics
BNP Paribas Real Estate Poland

The market is stabilizing

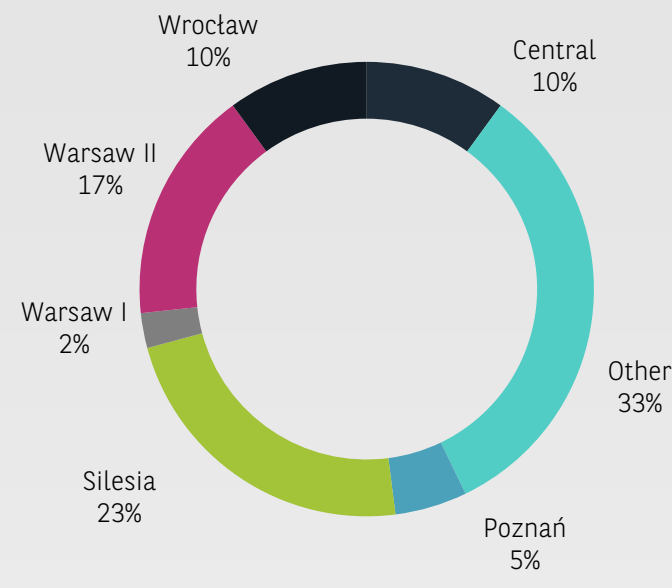
The Polish industrial and logistics market appears to be stabilizing after a period of robust growth in demand and supply during the early years of the pandemic and a tumultuous 2022. At the end of the second quarter of 2023, Poland's warehouse and industrial stock reached 30.6 million sqm, catapulting Poland to the European Union's third-largest warehouse market, behind Germany and France. Gross take-up for the second quarter hit 1.03 million sqm, with more than 2.2 million sqm transacted in the year to date, down by 40% year-on-year. Due to rising overall warehouse occupancy costs, including service charges, and the need to reorganize supply chains, tenants are taking longer to make lease decisions. Although both take-up and supply fell during the second quarter, they were high compared to their long-term averages. The pace of rental growth, however, decelerated, which is good news for tenants. Manufacturing headwinds remain a major challenge for the market. In July 2023, Poland's industrial production index was down by 2.7% year-on-year and the PMI in Poland - just like in most European countries - was in contraction mode, standing at just 43.5 pp in July.

Stock and vacancy rate



Source: BNP Paribas Real Estate Poland

New supply



Source: BNP Paribas Real Estate Poland

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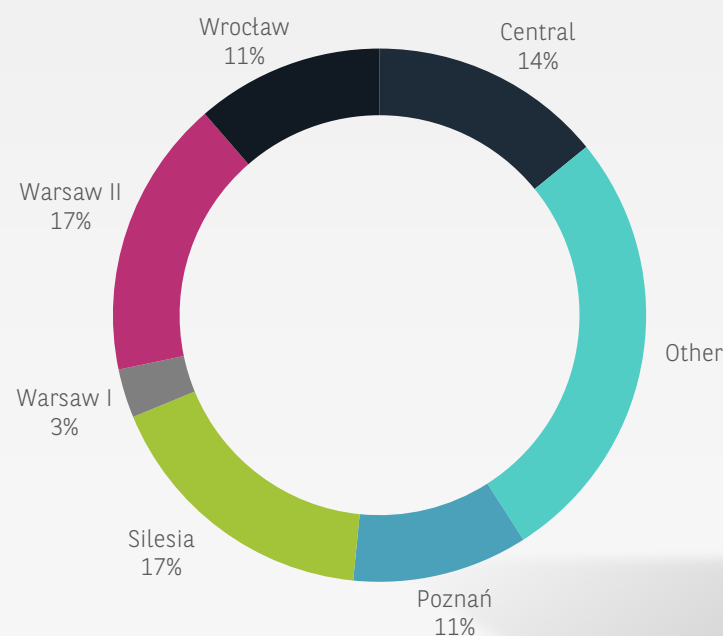
Top 3 lease agreements

	TENANT	BUILDING	HUB	AREA LEASED (sqm)	TYPE OF LEASE
1	Best Secret	Panattoni BTS Best Secret	West	46,000	renewal
2	Confidential	7R Park Wrocław West II	Lower Silesia	43,300	new
3	Fortaco	Panattoni Park Knurów	Silesia	34,700	new

Source: BNP Paribas Real Estate Poland

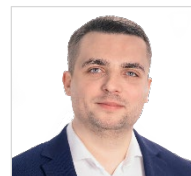
Nearly 0.69 million sqm of warehouse space came on stream in Poland in the second quarter of 2023, bringing total unoccupied space to 2.0 million sqm and pushing the overall vacancy rate up by 3.3 pp year-on-year to 6.7% - the highest level since December 2020. Developers continue to exhibit caution with regard to commencing new warehouse projects. At the end of June 2023, the total development pipeline in Poland stood at 2.1 million sqm - comparable to that of the previous quarter. With financing costs remaining high, developers tend to begin construction upon pre-letting at least 50% of the total floorspace of a building and attracting tenants before completion. The first half of 2023 saw more than 2.2 million sqm leased, down by 39% year-on-year, with net take-up hitting 1.3 million sqm (a decrease of 49% year-on-year). The decline in leasing volumes was accompanied by a comparable downturn in development activity, which should keep the industrial sector in relative equilibrium in the short term.

Share of industrial and logistics market by hub



Source: BNP Paribas Real Estate Poland

Expert comment



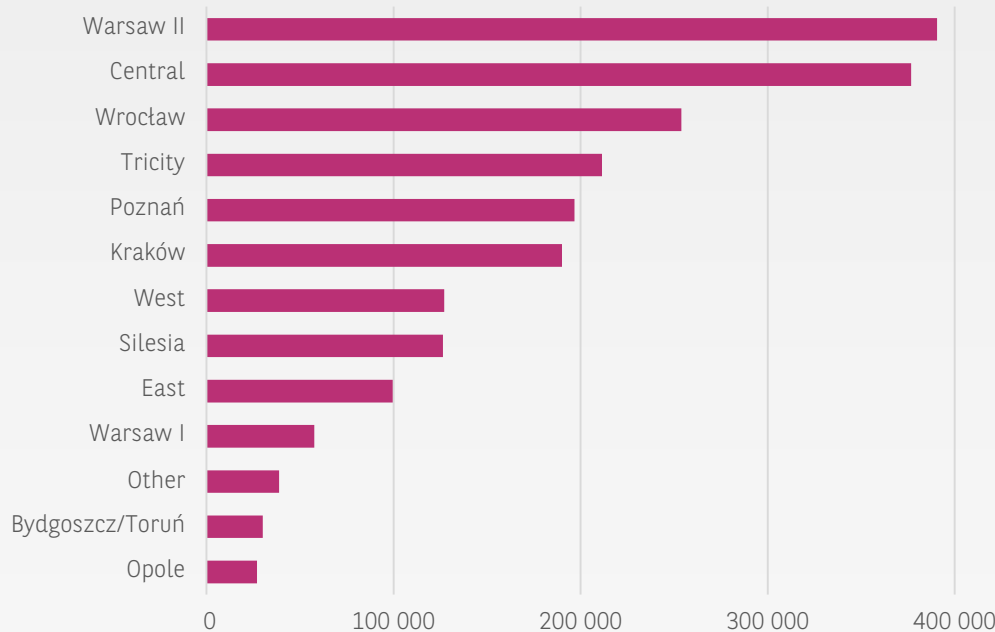
Wojciech Nowicki

Director, Industrial and Logistics
BNP Paribas Real Estate Poland

AI in warehouses

Artificial intelligence (AI) which imitates and learns human thought processes is transforming many industries, including the warehouse and logistics sector. Process automation and optimization, data use and innovative AI-based solutions such as self-driving vehicles and logistics robots bring many benefits such as improved efficiency, lower costs and better customer service. With growing customer expectations and e-commerce growth, transport and logistics providers need to have the capacity to handle high order volumes and ensure efficient supply management. AI allows for delivering customized logistics services fast, which is key to the sector's future. It is also used to optimize and plan transport routes in order to cut journey times and costs. AI implementation will pave the way towards improved logistics efficiency. Early AI adoption as a supply chain management strategy is estimated to boost a company's bottom line by more than 5%.

Industrial and logistics space under construction



Source: BNP Paribas Real Estate Poland

The warehouse development pipeline continued to shrink during the second quarter of 2023, with more than 2.1 million sqm under construction at the end of June. Projects underway had an average pre-let rate of around 39%, continuing the downward trend from the first quarter.

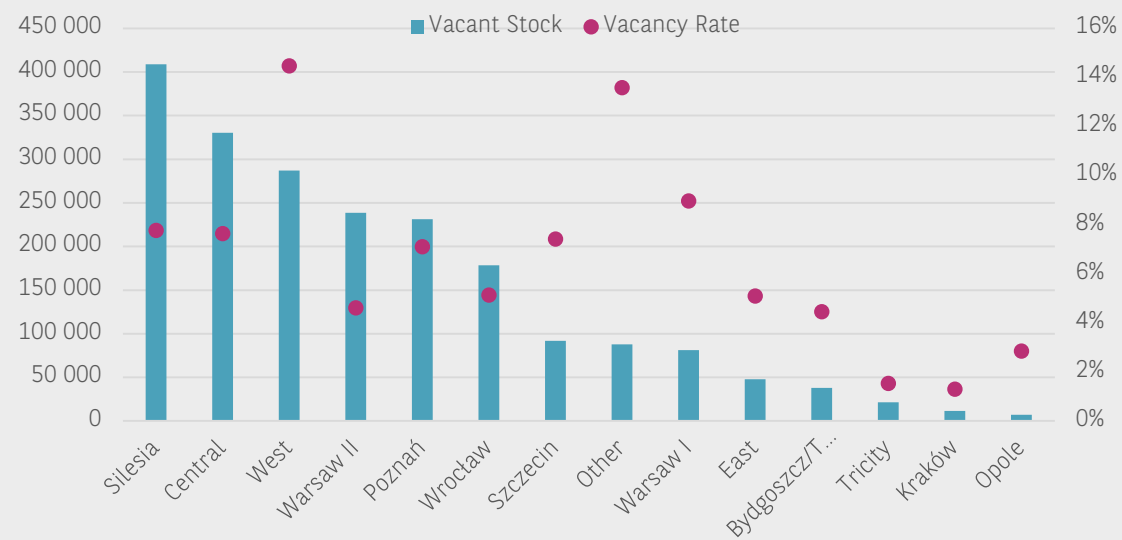
Major schemes under construction

	BUILDING	HUB	AREA (sqm)
1	Hillwood Łódź II (Chocianowice)	Central Poland	97,100
2	Panattoni Park Wrocław Logistics South Hub	Lower Silesia	90,000
3	CTPark Gdańsk Port	Tricity	81,900

Source: BNP Paribas Real Estate Poland

At the end of the second quarter of 2023, the volume of warehouse, logistics and industrial space in the pipeline amounted to more than 2.1 million sqm, down by approximately 2.1 million sqm year-on-year. The strongest development activity in the period April-June 2023 was noted in Warsaw II (390,600 sqm), Central Poland (376,700 sqm) and Lower Silesia (253,800 sqm), while the largest volumes of new warehouse and industrial space were delivered in Upper Silesia (158,200 sqm), Warsaw II (115,300 sqm) and the West (108,200 sqm).

Vacancy rate

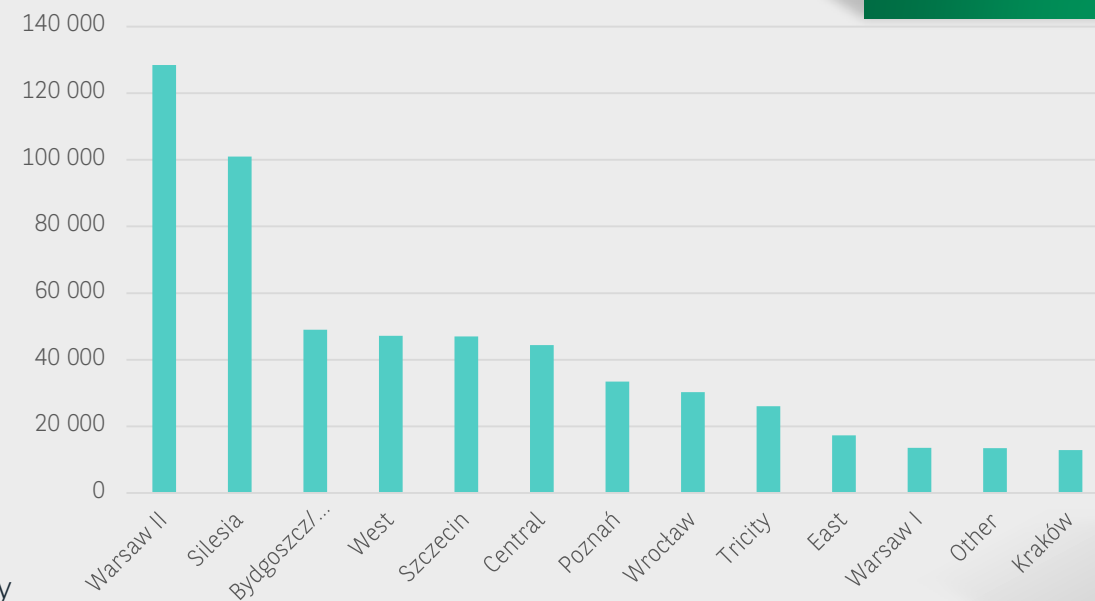


Source: BNP Paribas Real Estate Poland

Absorption*

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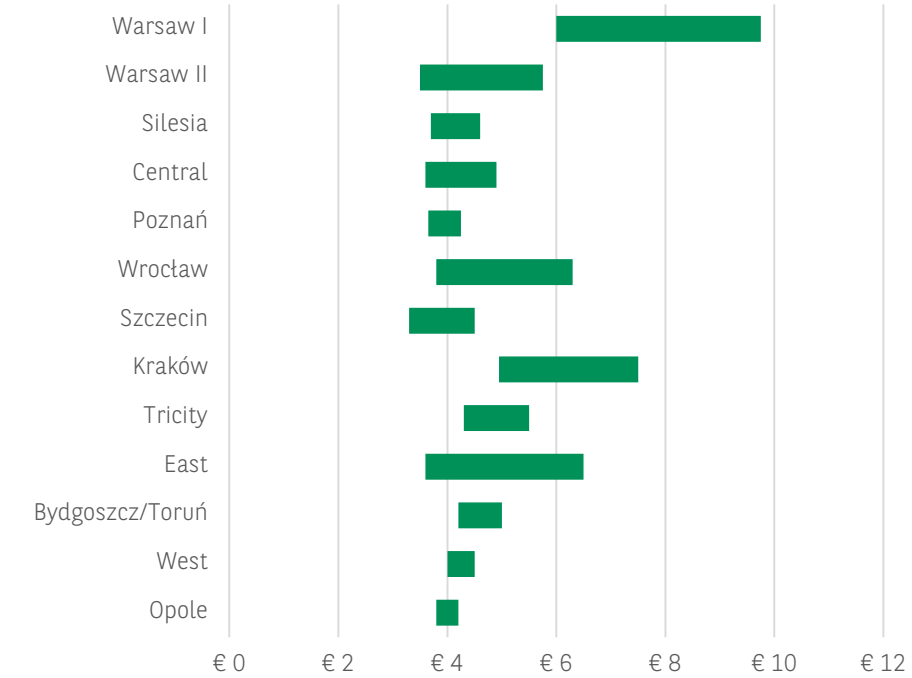
Q2 2023



*Absorption=relationship between vacant space and available space between quarters

Source: BNP Paribas Real Estate Poland

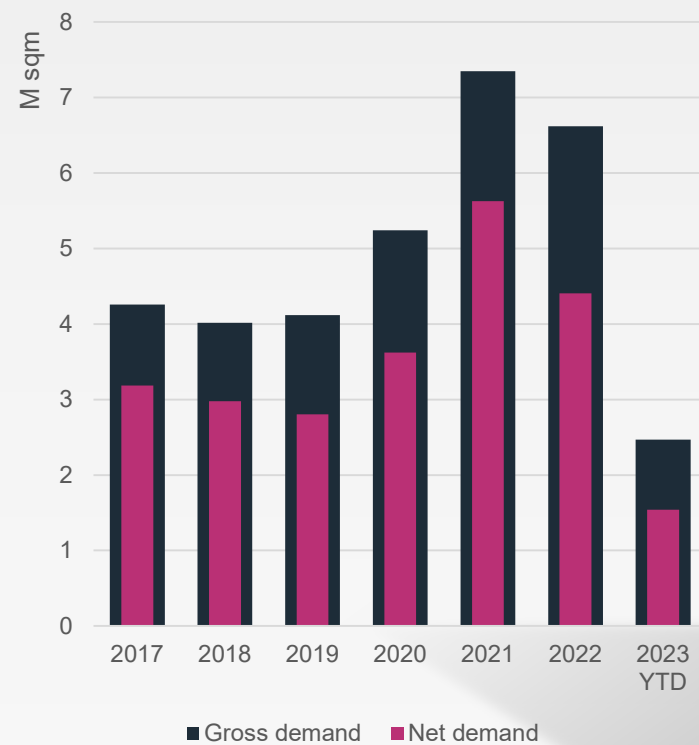
Headline rents by zone (EUR/sqm/mth)



Source: BNP Paribas Real Estate Poland

At the end of the second quarter of 2023, warehouse rents were relatively stable in most regional markets. The highest were in Warsaw I. Rental rates are expected to remain under upward pressure in the coming months, especially for space in warehouses meeting the highest ESG standards. Although general construction costs decreased in 2023, warehouse rents are unlikely to change significantly in the near future due to higher costs of development financing.

Demand structure



Source: BNP Paribas Real Estate Poland

Expert comment



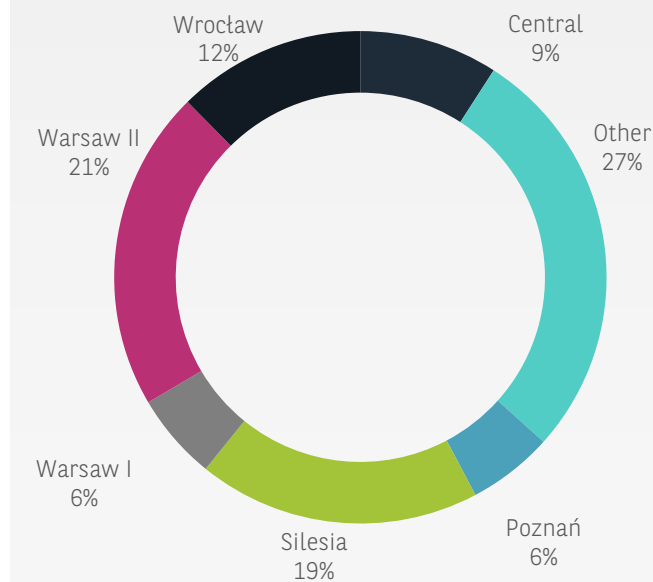
Piotr Załęski

Associate Director, Industrial and Logistics,
BNP Paribas Real Estate Poland

The automotive sector conquers Lower Silesia and Opole

The car industry accounts for approximately 8% of Poland's GDP and is a major sector of the Polish economy. Leading brands that have already invested in Lower Silesia and Opolian Silesia include Mercedes-Benz, Toyota and LG, which in turn attracts other car manufacturers. The growth of the automotive industry has a strong impact on the Polish industrial and warehouse market - it continues to grow at pace not only in Upper Silesia, but also in Lower Silesia and Opolskie. Automotive companies account for more than 10% of total take-up in Lower Silesia. The largest automotive tenant transactions of recent years in Lower Silesia and Opolian Silesia were for space in such logistics and industrial parks as Segro Logistics Park Wrocław (34,200 sqm), Panattoni BTS Ideal Automotive 2 (27,400 sqm), CTPark Opole (26,000 sqm) and BIK Park Wrocław I (11,250 sqm). In addition, Intel is set to build its Semiconductor Assembly and Test Facility in Miękinia in Lower Silesia, which will be the largest investment in the history of Poland. This project will significantly improve the reliability of semiconductor supplies to the European industry and drive modern technology growth in Poland.

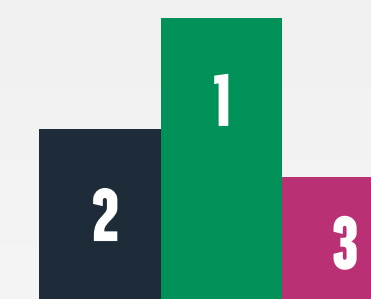
Gross demand by hub



Source: BNP Paribas Real Estate Poland

Top 3 tenant sectors Q2

(by share in the gross demand)



1. 3PL 23%
2. E-commerce 9%
3. Electronics, white goods and engineering, construction, machinery 7% each

P3 Logistic Parks have entered the UK market with the acquisition of two logistics assets from Segro, with a combined area of 81,000 sqm in Crick and Kettering.

Żabka has invested in new generation logistics by delivering one of the most modern logistics centers in Europe. Its newly opened facility in Radzymin near Warsaw features an automatic high-bay storage warehouse and an automatic in-warehouse transport system to provide seamless logistics for retailers.



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