Industrial market

Poland, H1 2022

H1 2022 almost carbon copy of 2021

Positive market sentiment delivers results in H1 roughly on a par with the same period last year

15.9 million m²

Robust growth continues

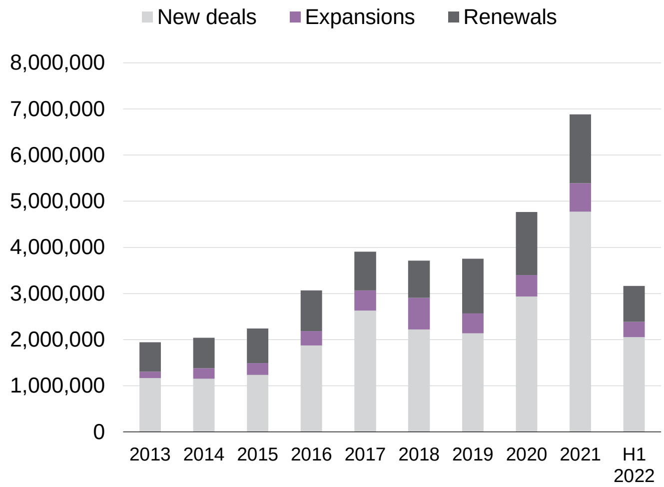
Strong European market fundamentals led to the continued growth of both the industrial and logistics sectors in the region, lifting take-up results by 7% year-on-year and by over 40% on the five-year H1 average to almost 16 million m².

The aggregate vacancy rate for the European market remains below 4% with further decreases observed in most markets across the region.

With supply catching up with this strong demand, the construction market observed even more dramatic increases.
The 7.6 million m² delivered in H1 represented a 24% increase year-on-year. The under-construction pipeline now exceeds 23 million m², a 30% plus increase compared to June 2021.

Global supply chain readjustments are reflected in the robust activity displayed by logistics operators, who are filling the gap in demand caused by the slight slowing down in the e-commerce sector.

Gross industrial demand in Poland (m²)



Source: JLL, warehousefinder.pl, Q2 2022

+2%	+22%	-70bps
Net demand Y/Y	Stock Y/Y	Vacancy rate Q/Q

Demand

2,400,000 m²

The best H1 performance ever

Net demand in Poland slightly exceeded that of the corresponding period of 2021. The share of renewals remains at 24%, however there is an anticipated increase in the amount of renewed leasing contracts, given the rollover of significant deals signed five years ago.

The dominance of the Big Five markets continues with a 73% share in net take-up. Regional markets were led by Tri-City and Lubuskie, with new demand exceeding 160,000 m² in both locations.

1,000,000 m²

Logistics operators on a roll

Logistics players increased the gap between other business profiles with more than one million m² leased in H1 2022. Sluggish growth of e-commerce is reflected in slightly lower demand from retail chains, totalling some 745,000 m². On the other hand, with over 500,000 m² leased, the production sector stays on a path of growth.

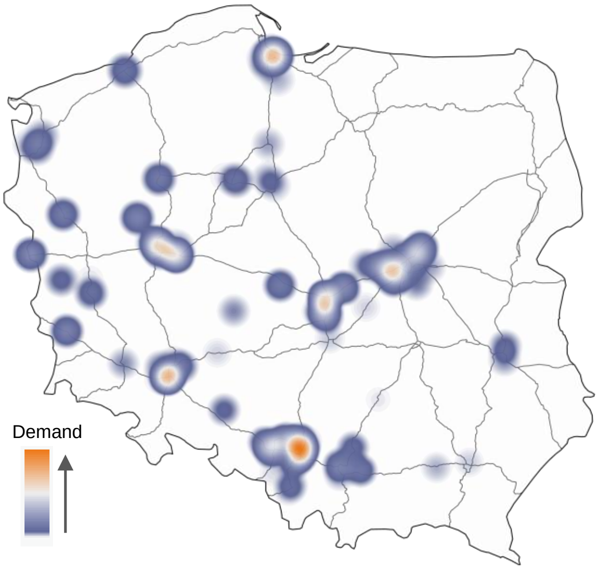
The largest new deals to be signed in H1 2022 included among others Carrefour, Dealz, Poczta Polska, Samsung, GTV, JD.com, which is a reflection of the food, logistics and production sectors' expansion.

4.6%

Vacancy rate hits historic low

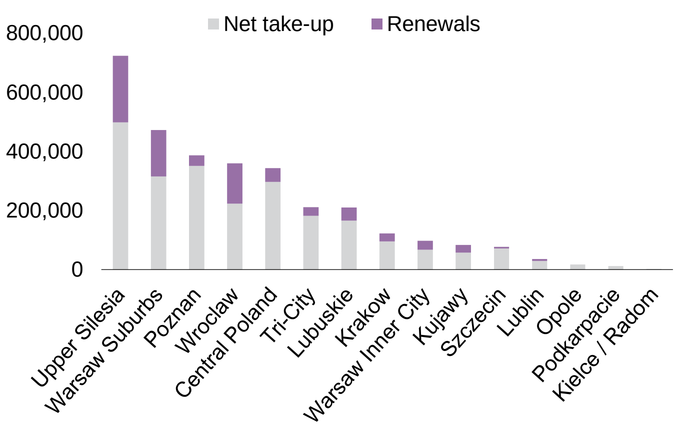
In Q2 2022, the vacancy rate fell to below 4.6%. The registered rate equals some 1.2 million m² distributed throughout numerous industrial parks across Poland, resulting in very limited opportunities for large units to immediately take up space. The sector's capacity, will however, be boosted with the delivery of speculative projects, which at the end of June totalled just over 2 million m².

Demand heatmap H1 2022 (m²)



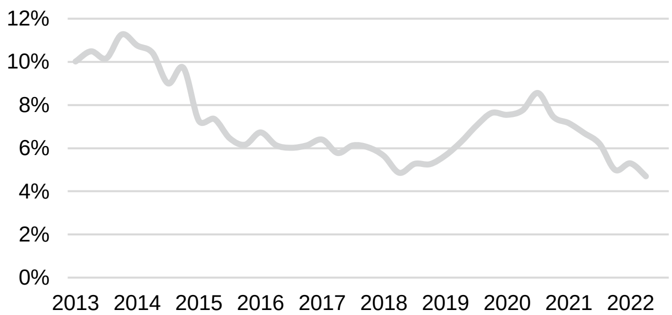
Source: JLL, warehousefinder.pl, Q2 2022

Industrial demand by region (m²)



Source: JLL, warehousefinder.pl, Q2 2022

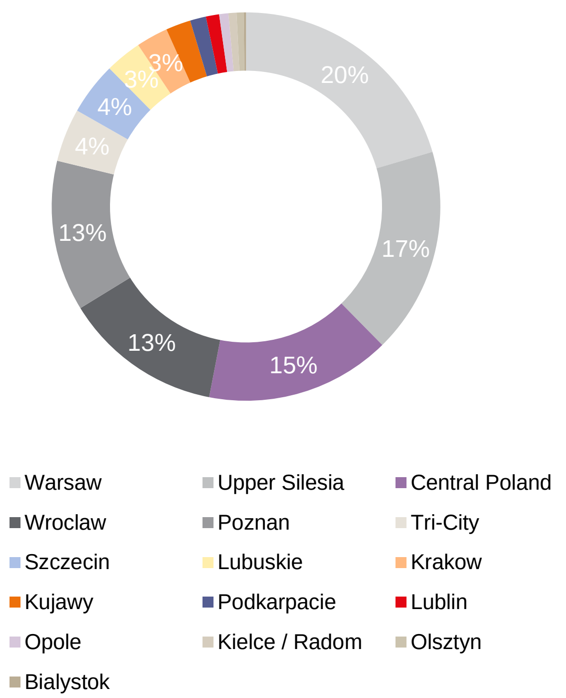
Vacancy rate (%)



Source: JLL, warehousefinder.pl, Q2 2022

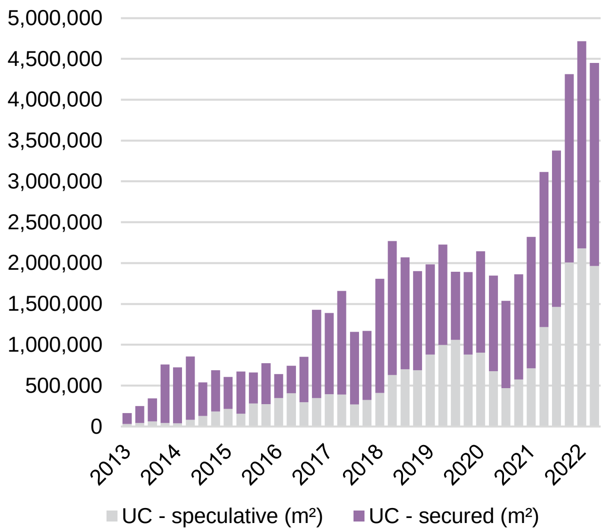
Supply

Industrial stock (m²)



Source: JLL, warehousefinder.pl, Q2 2022

Industrial space under construction (m²)



Source: JLL, warehousefinder.pl, Q2 2022

26,500,000 m²

Closing the gap on Western European markets

As of Q2 2022, total industrial stock in Poland stood at 26.5 million m², making the country the fifth largest industrial market in the EU.

2,400,000 m²

Record-high new supply

The record levels of demand and space under construction are now reflected in new supply results. In H1 2022, the Polish market was responsible for as much as 30% of new logistics stock in Europe, dominating other countries in the region.
Most of the new supply was distributed in the market of Wrocław – almost 500,000 m². New supply in excess of 300,000 m² was attributable to Upper Silesia, Poznań and Central Poland. Thanks to a number of developments, over 200,000 m² was delivered in Szczecin, interestingly none of which was BTS development.

4,450,000 m²

The second most active market in Europe

At the end of Q2 2022, the under-construction pipeline stood at almost 4.5 million m².
Developers were still eager to begin new investments, which totalled some 900,000 m². Newly launched constructions, however, were 400,000 m² less than Q1 2022, when pre-let and speculative projects are taken into consideration. So the share of unsecured construction remained high, falling only by 1.5 p.p. compared to Q1 and stood at 45% of the overall total.

The market is still in need of new logistics space that is available to rent immediately. In recent quarters, most of the space developed on a speculative basis was likely to be leased during a project's construction period. Given some 50% share of the speculative construction in the pipeline, average vacancy rates across newly delivered projects stood at only 15-20%. Interestingly, most of the under-construction pipeline was attributable to Lubuskie, the fastest growing logistics market in Poland.

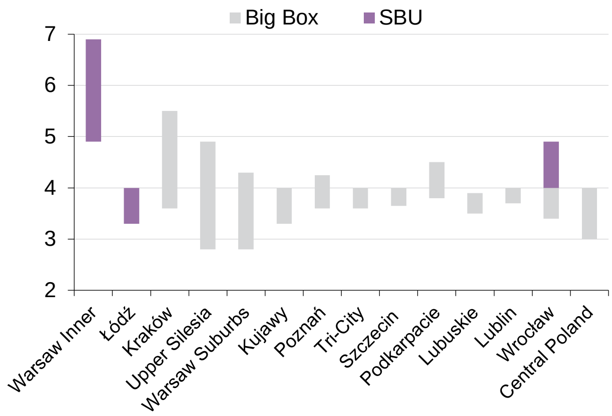
Financial conditions

Rental inflation continued

Q2 2022 saw further growth of rental values, which was driven by numerous factors such as land price, cost of labour and inflation, meaning rents maintained their upward trajectory. An increase in offered values, especially in terms of new developments, could be up to 25-30% more than at the end of 2021. These results will however vary geographically and from park to park.

The most dramatic shifts in rates are still to be found in city locations – the upper band for the headline rent in Warsaw can now be over 6.9 euro/ m²/ month. Central Poland remains the most attractive market from a cost perspective – big box rents range from 3.0 – 4.0 euro/ m²/ month.

Headline rents (EUR / m² / month)



Source: JLL, warehousefinder.pl, Q2 2022

EUR 0.7 billion

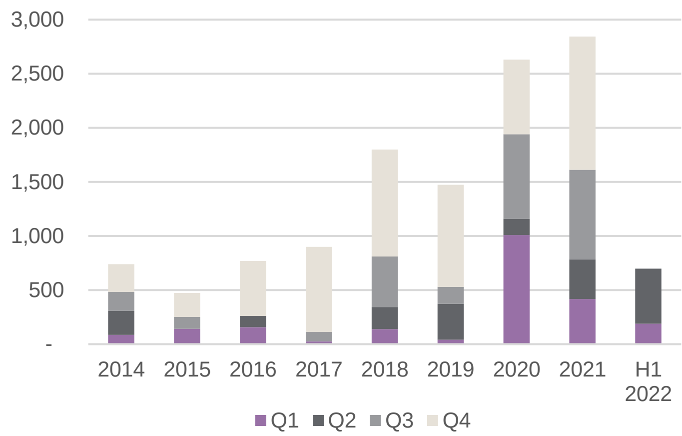
Process times prolonged

Industrial investment volumes were €0.7 billion during H1 2022, representing the third best H1 performance on record. The largest transaction was the disposal of Panattoni Park Gdańsk Airport sold by Invesco to EQT Exeter (approx. €112 million). Equally noteworthy was the acquisition of Cromwell portfolio including three assets in the Warsaw area, which was bought by Partners Group and Peakside. Another transaction worth mentioning is the sale of a 7R portfolio of projects across Poland which was acquired by CTP Group. The portfolio comprises plots, which could potentially deliver approx. 1.2 million m² of modern warehouse space.

We do not see signs of investment saturation. However, current macroeconomic and geopolitical environment is causing decision-making processes to be extended more than was previously anticipated. Given the number of projects in the pipeline, it is envisaged that the second half of the year should boost investment volumes by an additional €1.0 billion or more.

At the end of H1 2022, prime warehouse yields for multi-tenant schemes with five-year lease agreements, was estimated to be around 5.25% - 5.50%. Warsaw prime projects stood at approx. 4.40% - 4.60%. Assets with longer agreements (10 years) are trading at sub 4.50%, while exceptionally long leased assets (15 years or longer) can be found at approx. 4.25% - 4.35%.

Investment volumes in the industrial sector (euro million)



Source: JLL, Capital Markets, Q2 2022

Prime industrial yields

5.25 - 5.50%	**Multi-tenant** (5Y WAULT)
4.40 - 4.60%	**Warsaw Projects**
sub 4.50%	**Exceptional long leased assets** (10Y WAULT)

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