

# Big Box Poland Industrial Market View

## Quick Stats q-o-q

Poland Warehouse Market's Sectors

	1	2	3
Completions	→	↓	↓
Demand	↑	↑	↗
Vacancy Rate	↗	↘	↗

## Hot Topics

- Positive symptoms of the market improvement – leasing activity accelerating.
- In Q1 2010 total take-up increased by 34% q-o-q with 30% share of renegotiations.
- Total modern stock amounts to over 6 million sq m with over 1 million sq m (18%) vacant in the whole country.
- The number of new projects delivered dropped down and the amount of space under construction has been significantly decreased.
- Warehouse prime yields are at 8.75% and are expected to compress slightly in a near future.

## GENERAL OVERVIEW

At the beginning of 2010 the warehouse market registered a slow but constant improvement, following a general economic recovery. In Q1 2010, Poland's Gross Domestic Product (GDP) forecasts assume a 2.9% growth according to preliminary data. Private consumption index should stay at 2.9%, positively influencing the retail market which has been generating a large share of the demand for warehouse space across Poland. Unemployment rate is estimated to decrease to 12% till end of the year.

Although the leasing in 2009 was weaker than in the previous year, the quarterly comparison of take-up shows a substantial improvement. Take-up grew by 34% in Q1 exceeding 380,000 sq m. However, still a substantial change of the take-up structure could be observed. The share of renegotiations as well build-to-suit agreements increased rapidly, impacting the developers' strategies.

Occupiers' analysis shows that the demand for warehouse space has been generated by companies from the

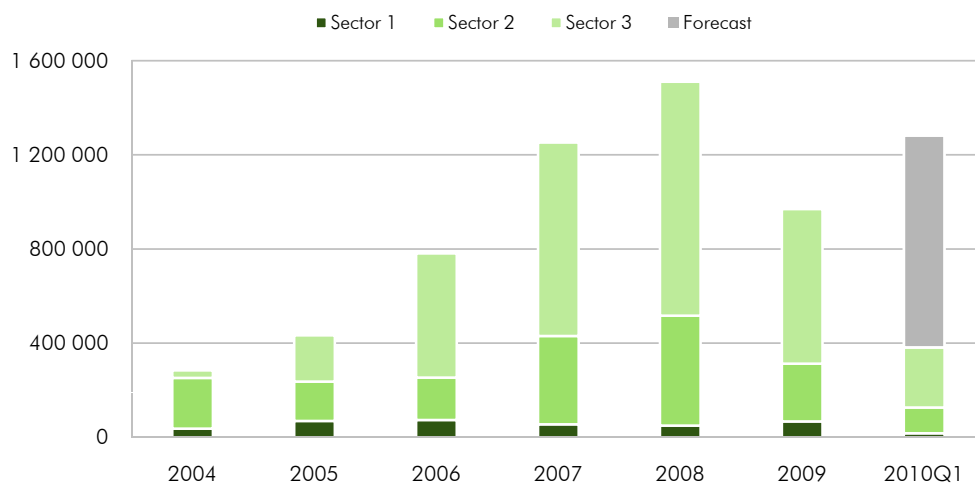
sectors less vulnerable to the market conjuncture, such as pharmaceuticals, FMCG, food, packaging and others. However, logistic operators, retailers and manufacturers still remain the major tenants.

On the other hand, the number of newly delivered projects plunged and the amount of warehouse space currently under construction has been constantly diminishing. Since the beginning of the year, developers have delivered only two buildings totalling 37,000 sq m. Only 100,000 sq m is now under construction.

Decreasing supply of new space had a positive impact on the vacancy rate. The market started to absorb slowly vacant space, but with over 1 million sq m ready to be leased, it will be a gradual process. The average vacancy rate in all regions amounts to 18%.

Prime headline warehouse rents remain firm, varying from EUR 4.50 – 5.00 in Warsaw Sector I to EUR 3.10 – 3.90 per sq m per month in other sectors. The effective rates have already been significantly lowered.

## WAREHOUSE LEASING ACTIVITY BY SECTORS



## SECTOR I – WAREHOUSES IN WARSAW

Sector I includes warehouses and warehouse business parks located within 15 km radius from the centre of Warsaw, within the city borders.

Total warehousing stock in this sector currently amounts to 570,000 sq m with only 5,000 sq m of modern warehouse space currently under construction.

The vacancy rate has not changed and amounts to 9%. The leasing activity in Warsaw halved over the last year. This quarter Sector I was responsible only for 17,000 sq m with the half being renegotiations. Majority of tenants located in this area operate in the FMCG, therefore with expected improved performance of the retail market in the capital city, we expect to see greater activity in the Warsaw warehouse segment later this year.

Prime rents went down to EUR 4.50 in the fringe locations and EUR 5.00 /sq m/month in the prime warehouse sites for smaller units. Still, they are considerably higher in comparison to other Sectors.

## SECTOR II – LOGISTICS PARKS AROUND WARSAW

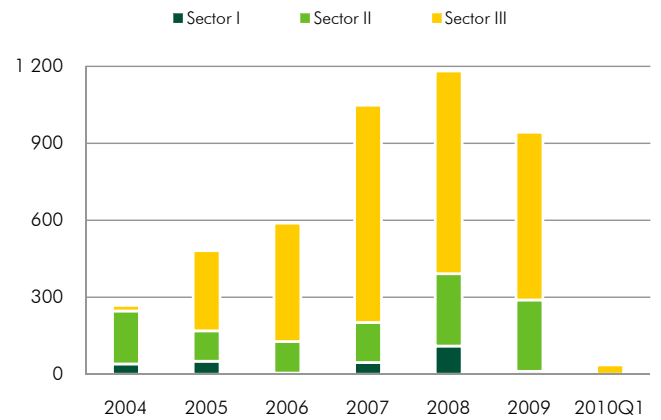
The logistic parks included in the Sector II are located within the distance of 15 to 80 km from the centre of Warsaw, along major access roads. The most popular locations are Pruszkow, Piaseczno, Ozarow, Blonie, Nadarzyn and further Mszczonow, Sochaczew and Teresin. This Sector is particularly attractive for tenants and developers, due to its proximity to the Warsaw agglomeration and availability of large, green field sites with potential for further expansion. At the end of Q1 2010 the total amount of warehouse space in logistics parks in Sector II reached 1,960,000 sq m, including 37,000 sq m delivered in Blonie by Europolis in the fourth quarter of 2009. Since then, the construction activity halted, although a large amount of space can be still delivered within six - eight months.

The overall number of leasing transactions grew in the last quarter. The total size of leased space amounted to 109,500 sq m. The largest renegotiation was closed by ProLogis in Teresin (24,000 sq m) while the largest built-to-suit transaction was closed by Panattoni in Pruszkow (20,000 sq m).

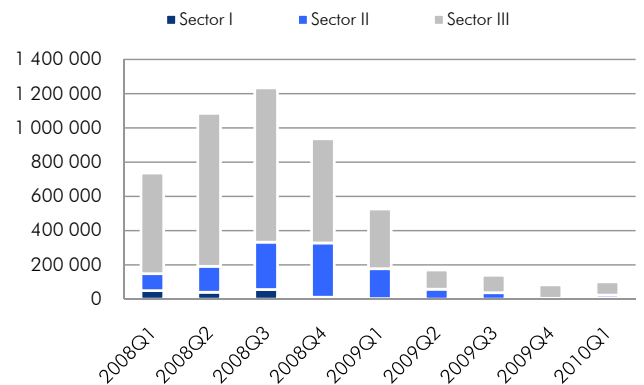
The vacancy rate in Q1 2010 decreased slightly to 23% and has been generated by new, speculatively delivered buildings in such parks as Europolis Logistic Center in Blonie or Point Park in Mszczonow.

Rental levels have remained relatively stable and currently are quoted at EUR 3.10 - 3.50 /sq m /month.

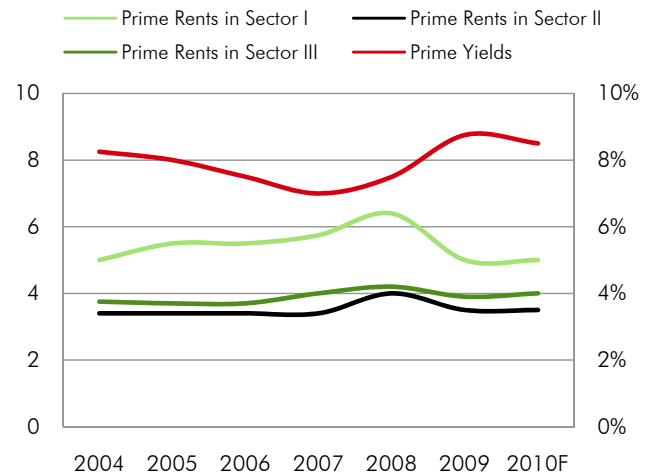
## WAREHOUSE NEW COMPLETIONS ('000 sq m)



## WAREHOUSES UNDER CONSTRUCTION BY SECTOR (sq m)

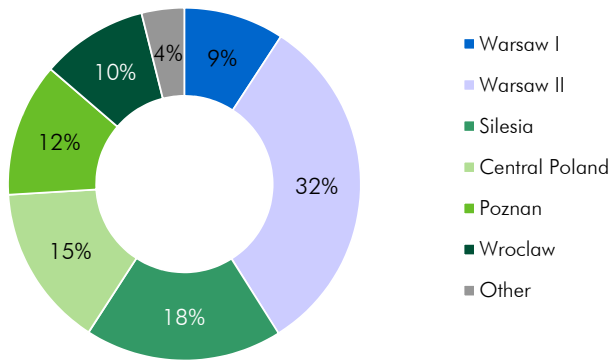


## WAREHOUSE PRIME RENTS (EUR/sq m/mth) AND YIELDS (%)



**SECTOR III - LOGISTICS PARKS IN POLAND**

**WAREHOUSE STOCK BY LOCATION**

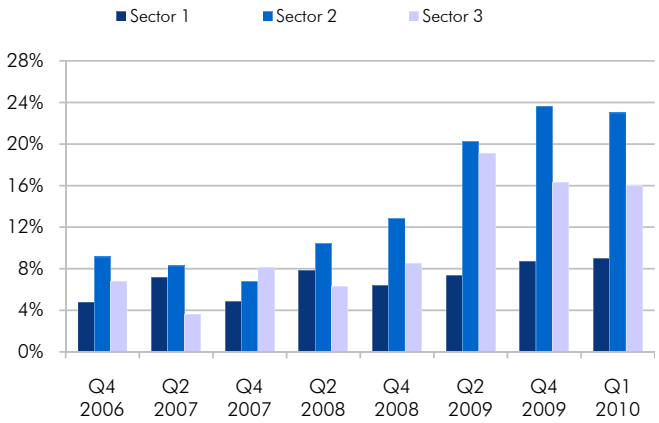


Sector III encompasses all other logistic parks that are located in other Polish regions excluding Warsaw. It covers four key regions with three new locations emerging on the Polish warehouse map. With 3.6 million sq m including 37,000 sq m added in Q1 2010, the total stock amounts to 60% of the country's supply.

Take up has recently accelerated, recording an increase of almost 20% in comparison to last quarter. The vacant space however increased up to 18%. The largest new lease was of a build-to-suit type, with Tesco in Gliwice by Panattoni, amounting to 57,000 sq m.

Rents however are still under downward pressure and amount to EUR 3. 20 – 3.90 /sq m/month.

**WAREHOUSE VACANCY BY SECTORS**

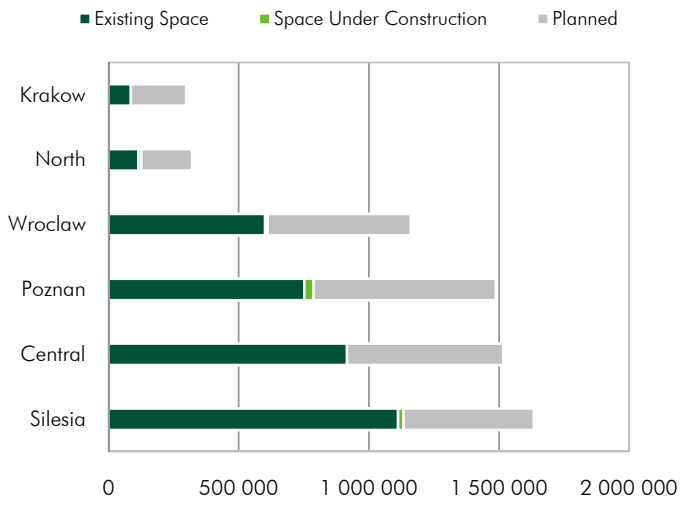


**Silesia Region** (Katowice Conurbation) is the largest regional warehouse market with 1,112,000 sq m of modern space. The region will take advantage of the planned crossroads of A1 and A4 highways, supported by presence of Special Economic Zone hosting many manufacturers. Vacancy rate here remains high, at 31%, however take-up outperformed the expectations reaching 64% of the whole Sector III.

**Central Poland Region** is conveniently located at the crossroad of the A1 and A2 highways. The major warehouse hubs concentrate in Lodz, Strykow and Piotrkow Tryb. It offers 915,000 sq m of existing modern stock with nothing under construction at the moment. In Q1 2010 a total of 20,000 sq m of warehouse space has been leased in the entire region

**Poznan Region** houses 753,000 sq m of modern warehouse space with no new additions last year. Around 40,000 sq m of new space is expected in a short-term pipeline. The region, due to its advanced transportation system and well developed retail and wholesale market, has always been a popular logistic destination. Take-up in Poznan in Q1 2010 reached 40,000 sq m – 20% of the leasing activity in Sector III.

**STOCK BY REGIONS IN Q1 2010 ('000 sq m)**



**Wroclaw Region** was quite active last quarters. It offers 600,000 sq m of warehouse space with 10,000 sq m currently under construction. Leasing activity last quarter totalled 24,000 sq m with a number of new smaller deals such as Sonoco, Hilti or DS. Smith.

**Northern Region and Szczecin** are the youngest markets in the Sector III with a great potential owing to the proximity of the sea ports and the A1 highway (to be soon operating). Recently the Northern region was enlarged by the Torun area in terms of take-up and speculative stock.

**Krakow Region** is primarily serving Krakow, as the proximity of Silesian hub limits Krakow region's warehouse development. Total stock amounts to 85,000 sq m.

