Warehouse market

H1 2023

The comprehensive guide to the warehouse market in Emerging Markets

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Emerging Markets

Emerging Markets

H1 2023

- Existing warehouse stock **4.6m sq m**
- Supply under construction **320,000 sq m**
- Vacancy rate **8.8%**
- New supply **650,000 sq m**
- Take-up **190,000 sq m**

Standard lease terms in warehouse buildings

- Asking rents for warehouse space EUR/sq m/month **3.50-4.50**
- Asking rents for office space EUR/sq m/month **10.00-11.50**
- Service charge PLN/sq m/month **4.00-7.00**
- Rent-free period **1-1.5 month**

Along with Poland's main logistics hubs, the regions where the warehouse sector is growing steadily include emerging markets such as the Toruń and Bydgoszcz regions, the area around Rzeszów, the Eastern Poland region (including Białystok, Lublin, Olsztyn), Kielce, Zielona Góra, Legnica and the well-connected regions near Poland's border with Germany. At the end of Q2 2023, the warehouse stock in these cities was estimated at almost 4.6m sq m, making up 15% of Poland's total existing stock. Emerging markets are currently developing dynamically as tenants are showing increasing interest in new locations offering improving communication infrastructure and access to an appropriately qualified and skilled workforce. Manufacturing and logistics companies are increasingly looking for alternative locations due to the very low unemployment rates and difficulties in finding adequate numbers of workers in the main logistics hubs. The integration of the Via Baltica and Via Carpatia international routes into the transport network will further increase the accessibility of areas in Eastern Poland.

In H1 2023, around 650,000 sq m of modern warehouse space was delivered, an 80% increase on the same period in 2022. At the same time, it is worth noting that more than 70% of this space was completed in Q1 2023, with Q2 2023 bringing 176,000 sq m of new supply - similar to the volume completed in 2022's corresponding period. Projects that received occupancy permits during the period included: Panattoni BTS Zalando Bydgoszcz (146,000 sq m), Panattoni BTS Best Secret (88,500 sq m), and CTPark Iłowa (61,000 sq m).

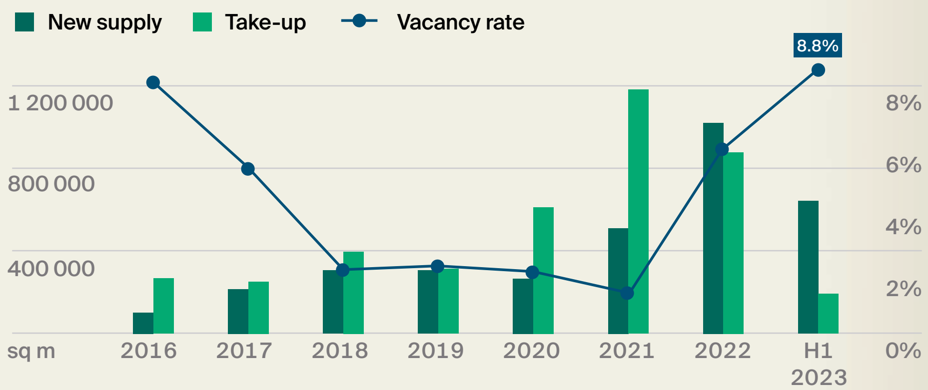
After a period of vigorous developer activity in emerging markets, a sharp decline was evident in Q2 2023. At the end of June, only 320,000 sq m of space was identified as under construction, some four times less than a year ago. Among the projects under construction, the largest was the 81,000 sq m CTPark Sulechów. In Q2 2023, construction commenced on 82,000 sq m of warehouse space in emerging markets, a result comparable to the previous quarter.

It should be noted that demand for warehouse space in emerging markets has experienced a significant slowdown. In H1 2023, the total volume of signed contracts amounted to 190,000 sq m, a decline of almost 70% compared to the same period in 2022. The largest contract signed in H1 2023 was for the lease of 46,000 sq m at the Panattoni BTS Best Secret facility.

At the end of Q2 2023, the average vacancy rate in emerging markets was estimated at around 8.8%, an increase of 6.9 pp. on the result from the previous year. This result is attributable to a decrease in demand for warehouse space and the introduction to the market of a significant amount of speculatively developed space in H1 2023 – space yet to be fully leased.

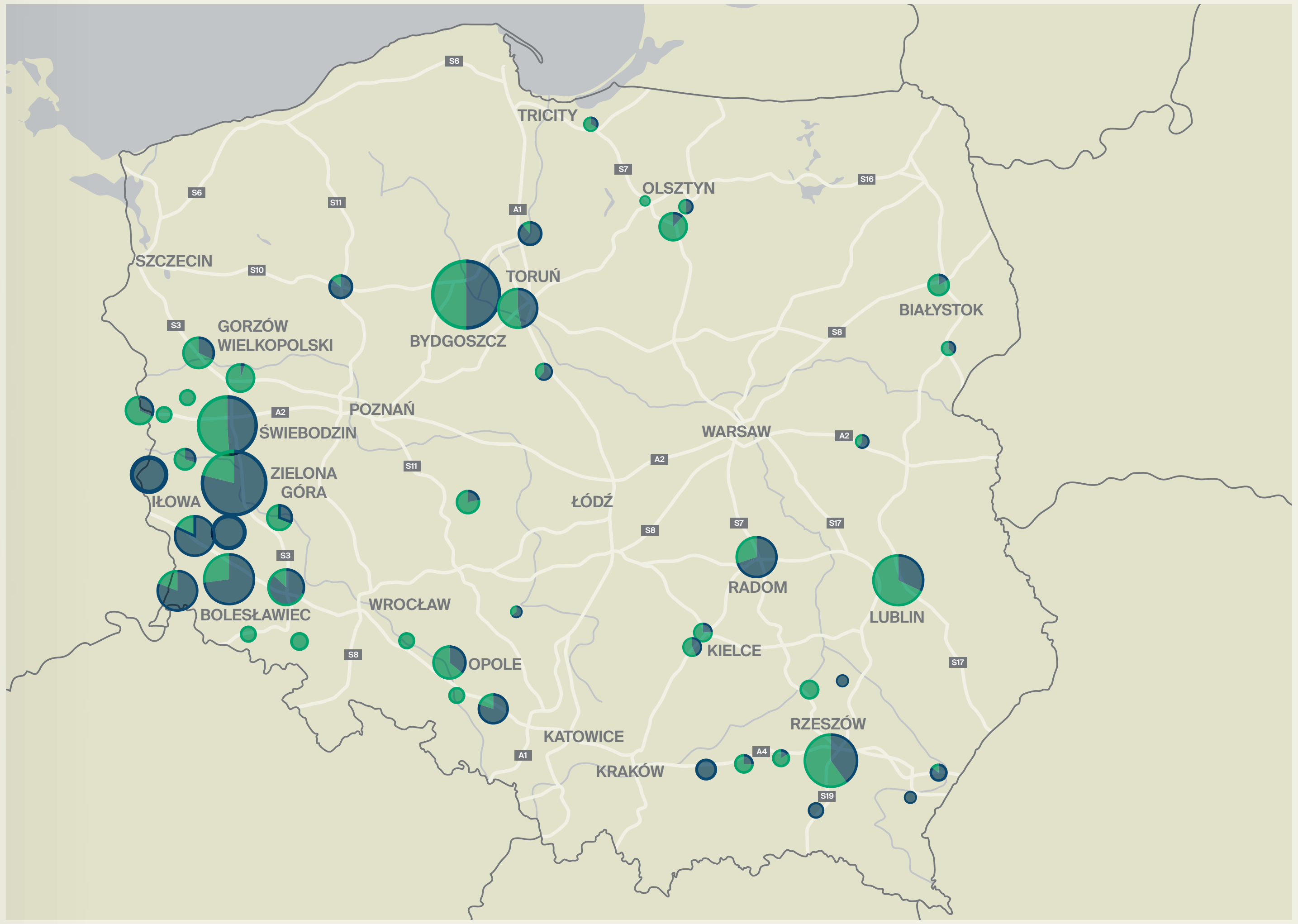
The cost of financing new projects and high construction costs are also affecting leasing conditions for warehouse space. In Q2 2023, asking rents in the warehouse sector remained stable, although higher than a year ago.

New warehouse supply, annual take-up, vacancy rate in Emerging Markets



Source: Knight Frank

Location of warehouse projects in the region



Source: Knight Frank

- Existing, under construction and planned warehouse space
- % share of existing stock
- % share of under construction and planned supply

TOP 5 warehouse destinations in the region
(by existing stock)

1. Bydgoszcz 680,000 sq m
2. Świebodzin 370,000 sq m
3. Lublin 360,000 sq m
4. Rzeszów 350,000 sq m
5. Zielona Góra 270,000 sq m

Poland

Population **37.8m**

Area **312,720 sq km**

ECONOMIC DATA

Unemployment rate **5.0%**

Average monthly salary (enterprise sector) **PLN 7,335** (gross)

Average monthly salary (transportation and storage sector) **PLN 7,053** (gross)

HIGH-SPEED ROADS

Highways
- Kujawsko-pomorskie **170 km** | A1
- Opolskie **90 km** | A2
- Lubuskie **90 km** | A2

Expressways
- Lubelskie **90 km** | S12
- Podlaskie **90 km** | S61

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