

FOUR *FAST* FACTS



INDUSTRIAL STOCK TOPS 33.5 MILLION SQ M

As much as 50% of the current stock has been delivered in the last five years. The Polish industrial market continues to enjoy brisk expansion with 1.64 million sq m of modern warehouse space delivered in the first half of 2024. A similar volume of new space is scheduled for completion in the second half of this year, with the Polish market firmly on course to surpass the 35 million sq m mark in the near future and Lower Silesia expected to become the third-largest regional market in the country.



NEARLY 2 MILLION SQ M IS IN THE PIPELINE, WITH A DECLINE IN SPECULATIVE CONSTRUCTION

The industrial development pipeline has stabilized at an average quarterly level of 2.0 million sq m seen in 2018-2020, marking a significant decrease from 3.3 million sq m in 2021-2023. The share of speculative projects has fallen from last year's 61% to 45%, mitigating the risk of an above-normal rise in vacancy rates.



TAKE-UP HITS 1.76 MILLION SQ M – THE HIGHEST LEASING VOLUME IN EUROPE

In Q2 2024, tenants leased 1.76 million sq m of warehouse space, more than making up for the poor performance in the first quarter. This marked the best result for take-up in Europe for the second time since Q4 2023, when Poland outpaced Germany for quarterly leasing volumes. Take-up in the first half of 2024 stood at 2.73 million sq m, up by 22% year-on-year.



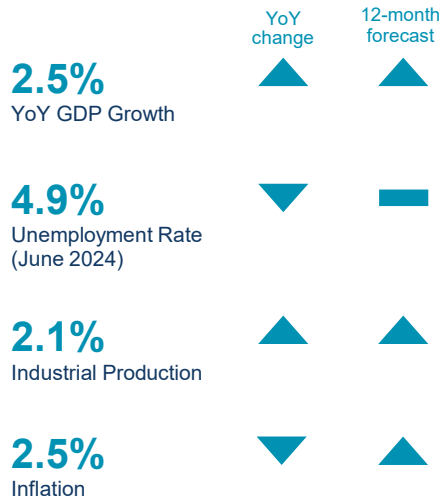
RENTS HOLD FIRM BUT ARE LIKELY TO EDGE DOWN ON SOME MARKETS

Rental rates remained flat throughout the first half of 2024. With supply outstripping demand on some regional markets, which is reflected in higher vacancy rates, tenants are likely to benefit from developers' greater flexibility in rent negotiations. However, rental correction will rather be insignificant due to still elevated project financing costs.



Avg. for 5 core markets, big-box, A-class standard

ECONOMIC INDICATORS
Q2 2024



Source: Statistics Poland (GUS), Moody's outlook

ECONOMY: Poland's GDP is expected to rise 3% in 2024. Manufacturing remains weak but is showing signs of recovery

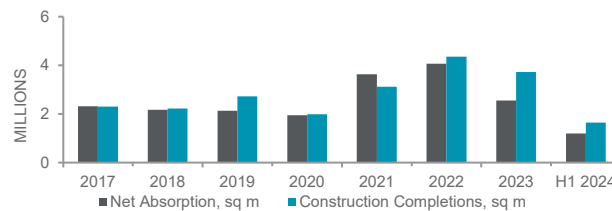
According to the National Bank of Poland (NBP), Poland's GDP will rise by around 3% in 2024 compared to last year's growth of 0.2%. Retail sales have been in positive territory since the beginning of 2024, posting a year-on-year increase of 4.9% in the first half of 2024. This year's average annual rate of inflation is expected to be in the range of 3.5-4.0%, with interest rates likely to remain unchanged at least until the end of 2024. Poland's unemployment rate is projected to remain at a low of just above 5%. The manufacturing sector continues to experience a slowdown but is showing some green shoots of recovery. July 2024 saw the smallest fall in new export orders since last November, with the PMI for Polish manufacturing rising to 47.3 points, the highest level in four months.

TAKE-UP: Poland reports the strongest industrial demand in Europe and an increase in retail tenant activity

The second quarter of 2024 saw 1.76 million sq m of industrial space transacted in Poland - this represented the highest total among all the European markets. Large leases for 20,000-130,000 sq m accounted for 56% of the total leasing volume, with the three largest deals recorded in Wrocław and Bydgoszcz-Toruń. In the Wrocław region, an international e-commerce platform took an additional 126,000 sq m while LX Pantos renewed and expanded its lease to 100,000 sq m. The third transaction saw LPP Logistics lease 104,000 sq m near Bydgoszcz for online order fulfilment.

The first half of 2024 ended with total take-up at 2.69 million sq m, up by as much as 22% year-on-year. Similarly to last year, new leases and expansions which totalled 1.66 million sq m accounted for around 60% of the leasing volume (up by 24% year-on-year), with the remaining 40% transacted under renewed contracts. The breakdown of net take-up by sector reveals significant changes: retailers and e-commerce companies increased their share in net take-up to 34% while logistics providers saw theirs fall from 36% in the first half of 2023 to the current 22%. Other leading sectors included light manufacturing (18%), automotive (9%) and food (7%). The overall picture is one of cautious optimism among companies. While the economic situation is gradually improving, high interest rates and labour costs, and workforce shortages remain a business challenge. However, the continued growth of e-commerce, the increasing adoption of ESG strategies and nearshoring are expected to fuel demand in the long term.

NET ABSORPTION AND SUPPLY



Source: Cushman & Wakefield

VACANCY RATE AND PRIME HEADLINE RENT



SUPPLY: A marked decline in speculative construction

In June 2024, Poland’s total industrial stock stood at 33.52 million sq m, up by 9% year-on-year. New supply in the second quarter of 2024 reached almost 786,000 sq m, of which 44% remained vacant. This pushed warehouse availability up to 2.80 million sq m at the end of June 2024. The overall vacancy rate edged up to 8.3% (up by 1.6 pp y-o-y and 0.1 pp q-o-q) - its highest level since September 2020 (8.5%). The largest upward movements in vacancy levels in the last 12 months were recorded in Lubuskie (up by 8.6 pp to 19.3%), Pomerania (up by 5.6 pp to 7.1%), Lesser Poland (up by 4.9 pp to 6.1%) and Łódzkie (up by 3.1 pp to 10.8%). Regions reporting negative growth were Western Pomerania (down by 3.4 pp to 4.0%), Silesia (down by 1.9 pp to 5.9%) and Greater Poland (down by 1.0 pp to 5.9%).

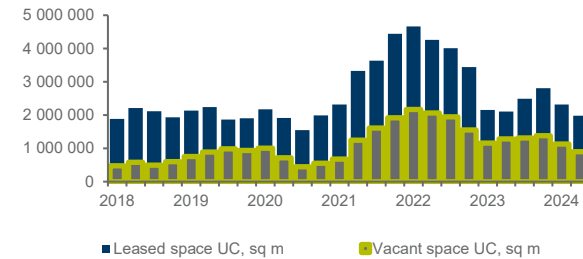
Development activity slackened slightly, which - coupled with a sharp decline in speculative construction - is likely to push vacancy rates down in the next 9-12 months. In the second quarter of 2024, work began on the construction of 459,000 sq m of warehouse space, of which only 184,000 sq m was being built speculatively. At the end of June 2024, there was 1.99 million sq m under way, with 45% of the development pipeline remaining vacant, a decrease of 16 pp year-on-year. The most active developers were Panattoni (accounting for 24% of the total development pipeline), P3 (19%), Hillwood (9%), CTP (8%), GLP and MLP Group (6% each).

Of all the regions, Lower Silesia is the hot spot for construction activity with 568,000 sqm in the pipeline, of which as much as 40% is being developed for an international e-commerce company in P3 Wrocław in Kąty Wrocławskie. The second quarter saw the highest number of new starts in Silesia (156,000 sq m, of which 81,000 is speculative space) and Mazovia (146,000 sq m, including 67,000 sq m of speculative projects).

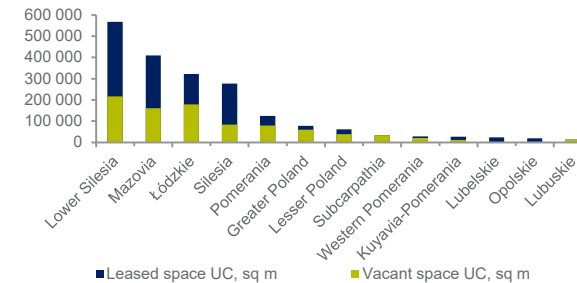
RENTS: Stabilization with effective rents under slight downward pressure

In the first half of 2024, monthly headline rents remained flat at EUR 3.60–6.50 per sq m for big-box warehouses and at EUR 5.00–7.50 per sq m for SBU/City Logistics projects. Despite improved warehouse availability, rental rates are unlikely to edge down over the near term due to high costs of development financing. Developers in some locations are, however, somewhat more willing to negotiate. Therefore, with financial incentives such as rent-free periods or space adaptation contributions offered to tenants, effective rents can be only lower than headline rental rates by a maximum of 15-25%.

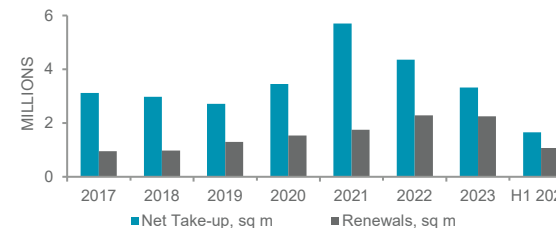
DEVELOPMENT ACTIVITY



INDUSTRIAL SPACE UNDER CONSTRUCTION JUNE 2024



TAKE-UP



Source: Cushman & Wakefield

REGIONAL STATISTICS

MARKET	STOCK (sq m)	AVAILABILITY (sq m)	VACANCY RATE	GROSS TAKE-UP, H1 2024 (sq m)	NET TAKE-UP, H1 2024 (sq m)	SUPPLY, H1 2024 (sq m)	UNDER CNSTR (sq m)	VACANT SPACE UNDER CNSTR (sq m)	PRIME RENT* (EUR/sq m/month)
Mazovia	6,772,881	588,670	8.7%	511,928	316,598	234,881	410,144	160,964	5.25
Silesia	5,607,585	328,345	5.9%	467,226	272,999	156,164	277,311	84,108	5.20
Łódzkie	4,670,062	502,736	10.8%	416,347	218,720	150,568	322,307	179,522	4.50
Lower Silesia	4,607,795	457,512	9.9%	526,993	244,780	422,738	568,174	216,307	4.50
Greater Poland	3,600,711	213,640	5.9%	293,846	212,842	225,351	77,360	59,350	4.50
Lubuskie	1,686,473	324,752	19.3%	21,868	21,868	67,485	13,900	13,900	4.30
Pomerania	1,679,987	118,841	7.1%	140,920	86,162	239,450	124,203	79,505	5.50
Western Pomerania	1,242,326	50,157	4.0%	76,455	41,951	0	29,094	20,650	4.40
Lesser Poland	1,142,887	69,832	6.1%	42,688	28,668	131,456	61,237	38,444	6.50
Kuyavia-Pomerania	883,563	56,246	6.4%	144,216	127,027	0	26,139	11,780	4.20
Subcarpathia	515,677	8,370	1.6%	1,300	1,300	0	33,400	33,400	4.90
Lubelskie	430,853	45,739	10.6%	59,790	59,790	10,347	23,700	0	4.40
Opolskie	271,363	7,000	2.6%	18,582	18,582	0	18,582	0	4.30
Other markets	405,871	25,063	6.2%	8,849	7,240	0	0	0	3.90-4.30
POLAND TOTALS	33,518,035	2,796,902	8.3%	2,731,009	1,658,528	1,638,440	1,985,551	897,930	6.50 (*BIG-BOX)

Source: Cushman & Wakefield

SELECTED LEASE TRANSACTIONS, H1 2024

PROPERTY	REGION	TENANT / SECTOR	SIZE (sq m)	TYPE
Prime Logistics Wrocław	Lower Silesia	LX Pantos	100,000	Renewal and expansion
7R Park Lublin	Lubelskie	Confidential	47,490	New lease
Booster Zabrze by LemonTree	Silesia	Nagel Group	32,795	New lease
P3 Poznań II	Greater Poland	Confidential / E-commerce	27,560	New lease

SELECTED INVESTMENT TRANSACTIONS, H1 2024

PROPERTY	REGION	SELLER	BUYER	SIZE (sq m)
Panattoni Park Poznań XI	Greater Poland	Panattoni	Confidential	130,000
West Park Pruszków; West Park Ożarów	Mazovia	DWS	Hillwood	78,000
Panattoni Park Wrocław West Gate I	Lower Silesia	Panattoni	Confidential	46,900

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LABOUR MARKET: Labour hourly rates.

In the second quarter of 2024, the highest labour rates for production workers in terms of basic remuneration were recorded in Poland's southern provinces (Lower Silesia, Lesser Poland and Silesia) - they stood at PLN 28 per hour. The lowest were in Western Pomerania and Łódzkie, where the average gross rates were below PLN 26 per hour. However, a survey of wages inclusive of allowances for all occupational groups paints a different picture due to market differences: the highest hourly rates of over PLN 34 were in Lesser Poland and the lowest of less than PLN 25 in Warmia-Masuria. More than 20% of companies across Poland offer production workers basic hourly rates in excess of PLN 28, with the most common rate being PLN 26 per hour (more than 22%). Less than 2% of employers offer PLN 34-36 per hour. It is worth noting that more than 84% of workers are Polish citizens while Ukrainians account for nearly 14% of the workforce, being the second-largest group by nationality.

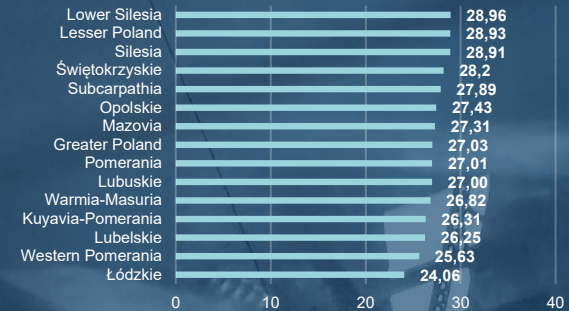
The percentage of companies conducting recruitment rose significantly compared with the first quarter of 2024, with the key driver being the need to fill vacancies resulting from employee turnover. Recruitment processes are much more often initiated by large employers, particularly in such sectors as retail, logistics and construction; the more there are, the more difficult it will be to find suitable candidates, say respondents.

LABOUR MARKET: Comment.

A lower than usual level of job satisfaction resulting in growing overall dissatisfaction is likely to lead employees to change or seek to change jobs. Such sentiment is being seen particularly in retail and among blue-collar workers. Job satisfaction levels have, however, slightly improved in transport, logistics and manufacturing. 80% of transport and logistics employees and 74% of manufacturing workers are either very or quite satisfied with their job situations and nearly half of them are not looking for new employment. Employees are generally not afraid of losing their jobs, but those working in transport and logistics, healthcare and manufacturing feel that they are at a slightly greater risk of redundancy than workers in other industries. This correlates with a stable unemployment rate that has remained largely unchanged since last year. Polish workers are not overly optimistic about their chances of finding a new or better job. Employee sentiment in logistics and manufacturing is, however, slightly better, with a large number of workers in the two sectors believing that they have a chance of finding an equally good or better job.

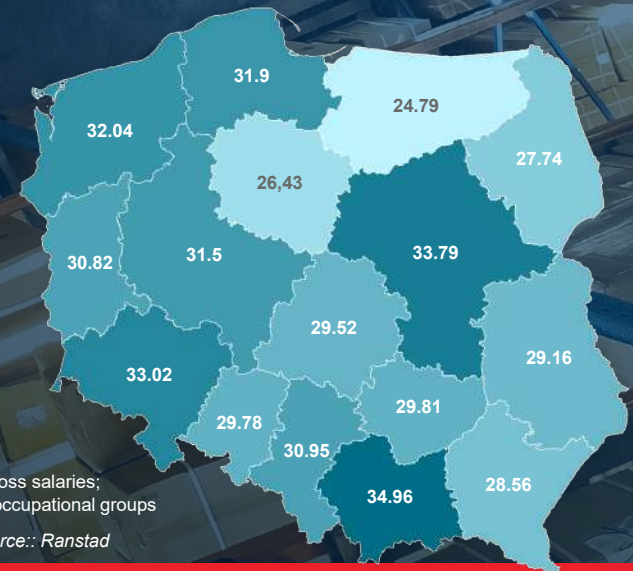
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AVERAGE BASIC RATE BY PROVINCE, Q2 2024 (PLN/HOUR)*



*gross salaries; occupational group: employees doing simple jobs

AVERAGE WAGE RATE BY PROVINCE, Q2 2024 (PLN/HOUR)*



* gross salaries; all occupational groups

Source: Randstad