



# BUSINESS BRIEFING



## POLISH WAREHOUSE MARKET IN 2009

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### MARKET SUMMARY

At the end of 2009 there was only 159,000 sq.m of warehouse space under construction as a result of the decline in developers' activity in Poland. By contrast, in 2008 there was over 1,000,000 sq.m of space under construction.



Tomasz Olszewski

PARTNER, HEAD OF INDUSTRIAL DEPARTMENT

Tomasz Olszewski, Partner, Head of Industrial Department, Cushman & Wakefield, said: "Unless developers begin new developments, many regions of Poland may face shortage of attractive space for lease as early as in mid-2010. Therefore, we expect that developers will resume development processes in the first place in the markets with a low share of vacant space in the total warehouse stock."

### SUPPLY

According to Cushman & Wakefield the growth rate of warehouse supply slowed down in 2009 as expected. As a result of investors' withdrawal from speculative projects, only approx. 857,000 sq.m of new space was delivered onto the market, which was nearly half less than in the previous year. The total warehouse stock in Poland slightly exceeded 6,000,000 sq.m.

In 2009, developers ceased to construct warehouse schemes on a speculative basis. Despite falling prices, they did not increase their holdings of land. The conservative approach of developers to extending their range of projects resulted from the considerable decline in tenants' activity and difficulties in obtaining finance. In 2009, in order to begin new developments pre-leases were necessary to be secured for some space as early as at the planning stage. The demand decreased twofold in 2009 compared to the previous year and amounted to 765,000 sq.m (including renegotiations and extensions of existing agreements). New leases were signed for only 539,000 sq.m compared to as much as 1,540,000 sq.m in 2008.

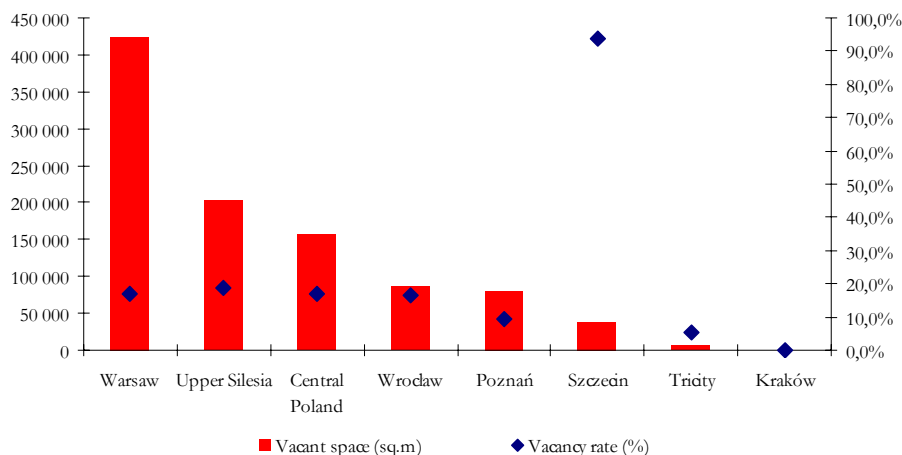


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### DEMAND

Demand fell more quickly than supply, which led to rising vacancy rates in almost all the regions. At the end of 2009 there was approx. 1,000,000 sq.m of vacant warehouse space in Poland, most of which was in the Warsaw region (424,000 sq.m, i.e. 17.1% of the total stock in the region) and Upper Silesia (202,000 sq.m, i.e. 18.8% of the total stock). In Central Poland, mainly in the region of Rawa Mazowiecka and Piotrków Trybunalski, there was approx. 157,000 sq.m of warehouse space with no tenants (17.1% of the total stock). Wrocław offered 86,000 sq.m of vacant space (16.6% of the total stock) and Poznań offered 80,000 sq.m (9.3% of the total stock). All these regions recorded an increase in vacancy rates. Only in three markets did the vacancy rates fall slightly compared to the data as at the end of 2008: from 5.9% to 5.4% in Tricity, from 100% to 93.5% in Szczecin, where the first lease was made, and from 2.7% to 0% in Kraków.

Vacant space stock and vacancy rates



Source: Cushman & Wakefield Advisory Services, January 2010

Tenants found it easier to negotiate attractive lease offers in regions with the largest amount of vacant space for lease. The increase in vacancy rates also led to a fall in rental rates and extension of non-rent incentives, which lowered effective warehouse lease costs. This encouraged tenants to renegotiate lease terms. However, in locations such as Łódź, Gdańsk and Kraków, where there was limited attractive space available, both nominal and effective rental rates rose. Lease costs of space in schemes constructed on the special order of the tenant also increased.

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## WARSAW MARKET

The Warsaw region with nearly 2,500,000 sq.m of warehouse space remains the largest warehouse market in Poland. In 2009 the supply of new space in this region reached 282,000 sq.m, only approx. 5,800 sq.m of which was delivered in the Inner City. The remaining space was delivered in the Suburbs, including the newly constructed warehouse parks ProLogis Park Błonie II, Panattoni Park Ożarów, Tulipan Park Warszawa, and the extensions of the existing warehouse parks Europolis Park Błonie and ProLogis Park Nadarzyn.

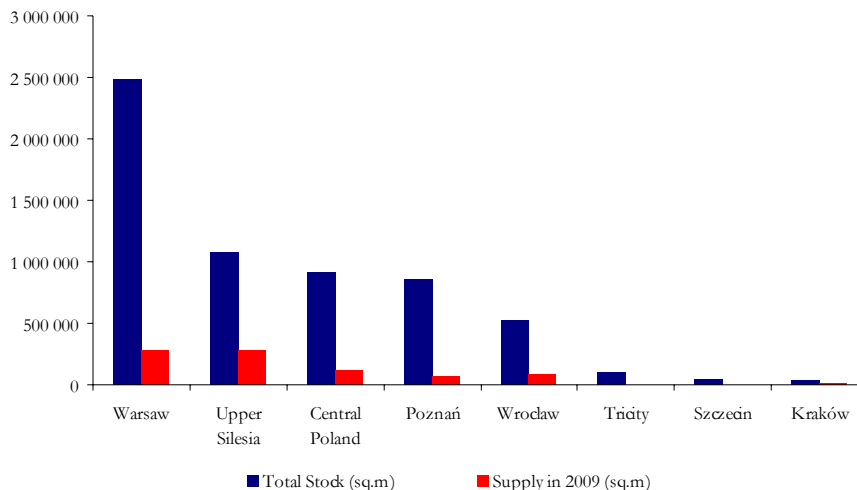
In 2009 Warsaw was the indisputable leader in the lease market with the demand of 216,000 sq.m, which gave it a 28% share in the total volume of leases. However, the recorded demand was 59% lower than in the previous year. As usual, the Suburbs accounted for over 80% of the space leased in the Warsaw market. Key tenants in the Suburbs zone were logistics operators, whereas in the Inner City – FMCG companies and paper distributors.

Rental rates rose in the Inner City as a result of limited availability of vacant space in this area. The highest nominal rental rates fell within the range of EUR 4.50-6.25 sq.m/month, whereas the effective rental rates ranged between EUR 3.80 and EUR 5.75 sq./month.

## REGIONAL MARKETS

In 2009 the largest supply of new warehouse space was recorded in Upper Silesia (283,000 sq.m). At the end of 2009 the total warehouse space stock in this region amounted to 1,000,000 sq.m. The supply of space in Central Poland reached approx. 120,000 sq.m. The warehouse space stock rose in Wrocław by 86,000 sq.m and in Poznań by 70,000 sq.m. In Kraków, Panattoni Park Kraków with 16,900 sq.m was completed.

### Warehouse stock and annual supply



Source: Cushman & Wakefield Advisory Services, January 2010

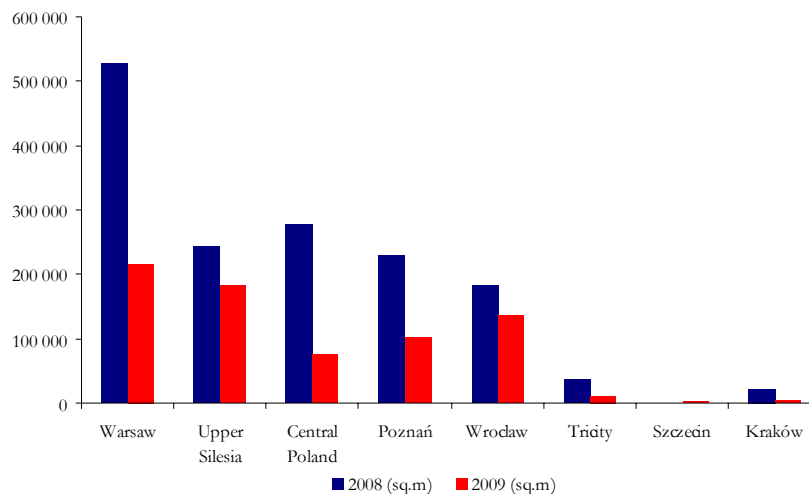


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Of all the regional markets, Upper Silesia, where 184,000 sq.m was leased, saw the highest demand. Its annual demand drop of 24% was the lowest in Poland. A significant decline in demand was recorded in Central Poland, where companies leased only 75,000 sq.m, which was three and a half times less than in the previous year. Central Poland region (Wola Bykowska, near Piotrków Trybunalski) saw the largest lease transaction on the warehouse market in 2009 – 35,000 sq.m at Europolis Park Poland Central by FM Logistic.

In Wrocław the space leased amounted to as much as 137,000 sq.m, which was 25% less than in 2008. Last year 102,000 sq.m was leased in Poznań, where the second largest lease was made for 30,000 sq.m at Panattoni Park Poznań I by the clothing company H&M. The first ecological warehouse in Poland will be built to suit the company's needs.

**Demand for warehouse space**



Source: Cushman & Wakefield Advisory Services, January 2010

Tenants could expect rental rates for warehouse space in regional markets at a level as low as EUR 3.00 sq.m/month. The lowest rental rates were recorded in regions with large amounts of vacant space available, i.e. in Rawa Mazowiecka and Piotrków Trybunalski. The highest nominal rental rates were in regions with low vacant space stock levels. Rental rates in warehouses located in Kraków reached EUR 5.5 sq.m/month.

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Cushman & Wakefield is the world's largest privately-held commercial real estate services firm. Founded in 1917, it has 230 offices in 58 countries and 15,000 employees. The firm represents a diverse customer base ranging from small businesses to Fortune 500 companies. It offers a complete range of services within four primary disciplines: Transaction Services, including tenant and landlord representation in office, industrial and retail real estate; Capital Markets, including property sales, investment management, valuation services, investment banking, debt and equity financing; Client Solutions, including integrated real estate strategies for large corporations and property owners, and Consulting Services, including business and real estate consulting. A recognized leader in global real estate research, the firm publishes a broad array of proprietary reports available on [www.industrial.pl](http://www.industrial.pl)

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