Poland's Industrial Market in 2016

February 2017

Contents

Introduction

Demand was at historically high levels, with gross take-up at 3.0 million m². There is a significant and well pre-leased new development pipeline.

In 2016, 2 million m² threshold was crossed after just the first three quarters, and ultimately reached more than 3 million m² of gross take-up by the end of the year. In terms of net take-up, the previous record of 1.5 million m^2 registered in 2008 was far exceeded in 2016, as the year managed a total of 2.2 million m².

Construction activity remained buoyant last year, as new warehouse and industrial stock increased by 1.2 million m² (in 2015 it was 1 million m^2) and reached 11.2 million m^2 at the end of the year. Developers were primarily focused on the markets of Upper Silesia (where 0.24 million m² of new stock was delivered), the Warsaw Suburbs (0.21 million m²), Central Poland (0.19 million m²) and Poznań (0.18 million m²).

At the start of 2017 there were 50 projects under construction across the country. A total of nearly 1.45 million m² of new warehouse space will be delivered over the next few months. In terms of current construction activity, the leading position is, surprisingly, held by Szczecin (0.31 million m² in four projects), followed by the very active Warsaw Suburbs (0.30 million m² in nine projects) and Poznań (0.22 million m² in eight projects).

Such a large pipeline of new stock might raise concerns about the potential risk of an increase in vacancy rates; however, such an increase is not likely, as 75% of the under-construction stock is already secured by lease agreements (compared to 65% at the end of 2015). Therefore, only the remaining 0.37 million m² might be delivered speculatively in H1 2017. Given the fact that that stock is being developed by experienced market players (Panattoni, Goodman and MLP), we believe that vacancy rates may be affected only slightly in the next few quarters.

In Q2 2016 a drop (from 6.7% to 6.1%) in the national vacancy rate was observed; the rate stabilized in H2 at 6.1–6.2%.

Considerable falls as compared to mid-2016 were recorded in the Warsaw Suburbs (from 10.1% to 5.5%) and in Central Poland (from 4.6% to 3.0%). Significant surges in vacancy were seen in Poznań (from 4.6% to 7.2%) and Kraków (from 1.3% to 9.0%). Despite the completion of 1.2 million m² of new industrial and warehouse space during the last four quarters, available space increased only by 83,700 m², to reach 686,000 m² as at the end of Q4 2016.

Except for Warsaw Inner City and Wrocław, where headline rents fell by €0.2 / m² / month, in all regions leasing costs remained stable. In some markets, for example Szczecin, the Warsaw Suburbs and Upper Silesia, rents have remained fairly stable for more than two years. Effective rents remained largely unchanged during 2016.

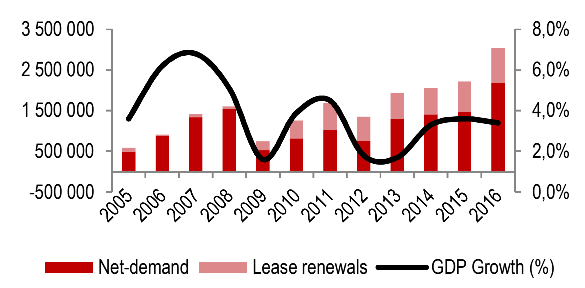
In 2016 the warehouse investment market reported €769 million in transactions (compared to €473 million in 2015), in 14 deals. Six deals were portfolio sales and one was a platform disposal (P3), accounting for almost 82% of the total 2016 industrial investment volume. Last year also saw the reaffirmation of prime warehouse yields at below 6.75%, with the best-located, exceptional, long-leased assets trading at well below 6.00%.

Tenant Activity

Demand was at a historical high for the fourth year in a row, with gross demand at 3.0 million m².

Tenant demand in 2016 was robust and far exceeded the already very strong performance from 2015, when 2.2 million m² of gross take-up and 1.47 million m² of net take-up (0.75 million m² of which was renewals) were recorded. Last year gross take-up was up by 37%, to 3.0 million m², and net take-up did even better: an increase of 48%, to 2.2 million m².

Chart 1: Demand for warehouse space in 2005–2016 (m²)



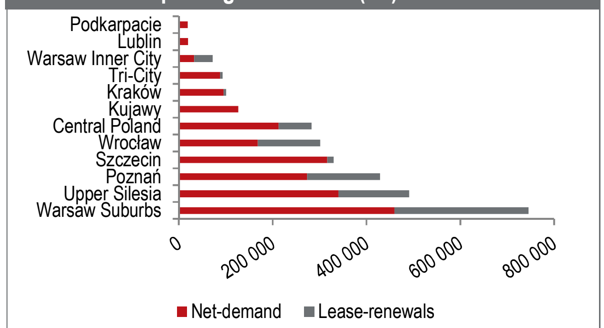
Source: JLL, warehousefinder.pl, Q4 2016, Oxford Economics, Jan 2017

In 2016 Warsaw Suburbs was the most sought-after region in the country, with transactions there totalling 745,000 m². Traditionally high demand was also seen in other 'millionaire' markets (i.e. those with stock in excess of 1 million m²). Interestingly, on the back of the transactions by two e-commerce giants (Amazon and Zalando), which signed two leasing transactions for BTS projects totalling 291,000 m², the Szczecin region recorded a noteworthy rise in tenant activity.

Strong activity was reflected by the increase in new leases and tenant expansions across the major markets. Only four, mainly emerging, regions showed decline in net demand year on year: Warsaw Inner City (down 24%), Central Poland (down 33%), Podkarpacie (down 63%) and Lublin (down 25%).

Interestingly, over the last couple of years Podkarpacie and Lublin were on the right track to grow beyond the size of small emerging markets, due mainly to extensive infrastructure improvements. In 2016 these markets were overshadowed by the two other emerging regions of Szczecin and Kujawy (formerly known as Toruń / Bydgoszcz), which performed quite well on both the demand and supply sides.

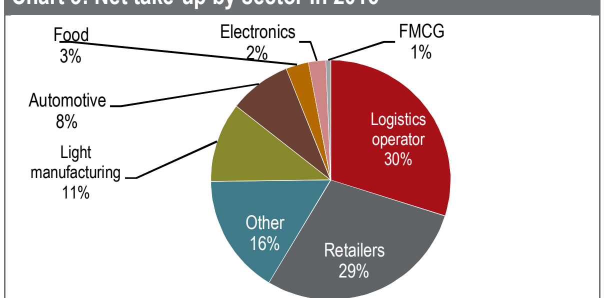
Chart 2: Take-up in regions in 2016 (m²)



Source: JLL, warehousefinder.pl Q4 2016

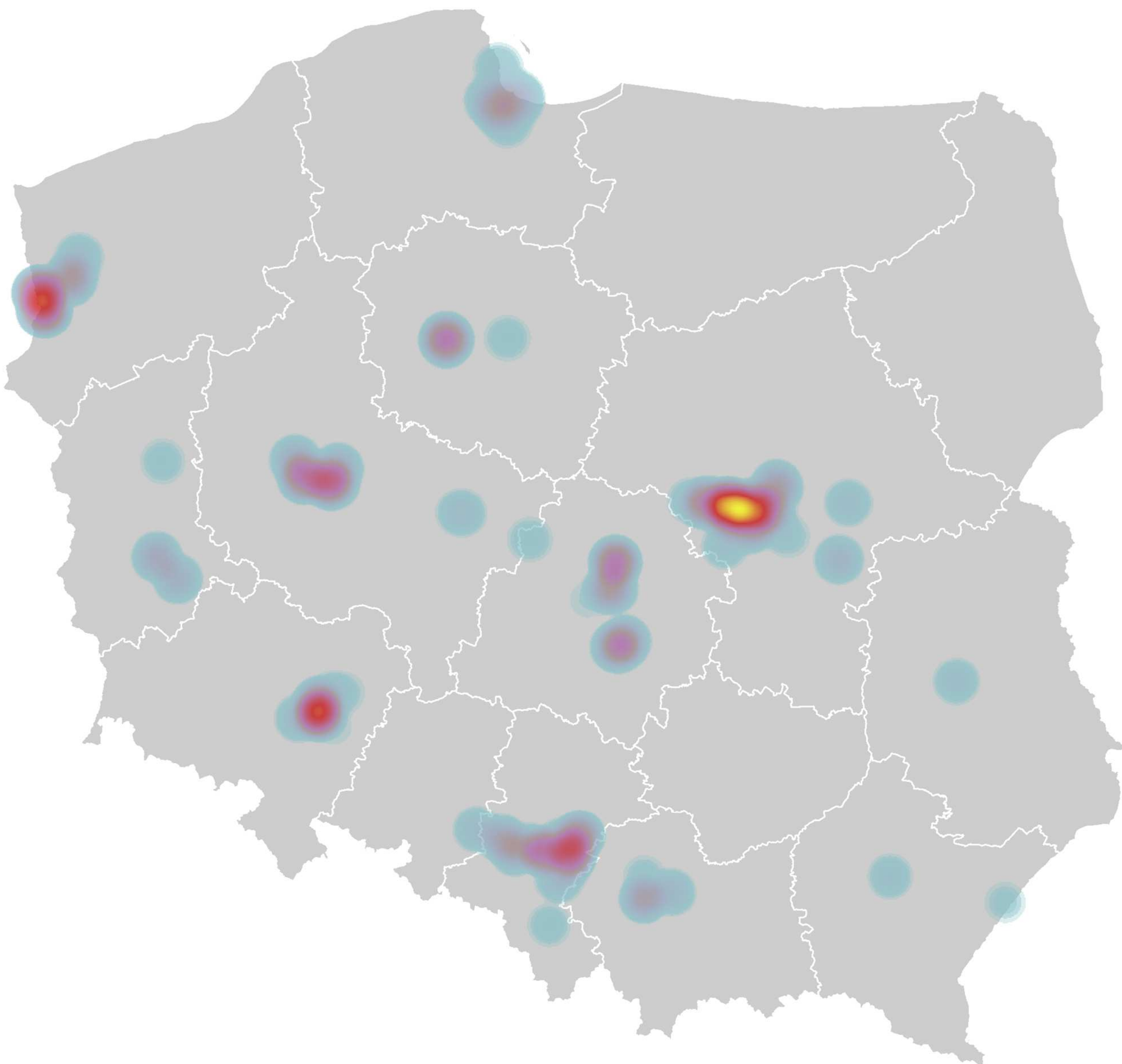
Traditionally, companies classified as retailers and logistics operators have been the most active market players on the demand side. In 2016, they jointly accounted for 59% of total net take-up. The share of logistics operators increased slightly, to 30% (29% in 2015). Retailers are also gradually increasing their share, from 23% in 2015 to 29% in 2016. Gradual progress is also shown by light manufacturing, which has grown constantly since 2011, from 44,000 m² to 235,000 m² last year (11%). It is worth noting the steady growth over the last three years of the automotive sector, with a record net take-up of 183,000 m² (8%) in 2016 (155,000 m² in 2015).

Chart 3: Net take-up by sector in 2016



Source: JLL, warehousefinder.pl Q4 2016

Gross demand for industrial and logistics warehouse space in Poland in 2016



Source: JLL Q4 2016

Availability of Warehouse Space

The overall vacancy rate has remained relatively stable. Among the major regions there was a large fall in vacancy rates in the Warsaw Suburbs, while Poznań saw a sharp increase of empty space.

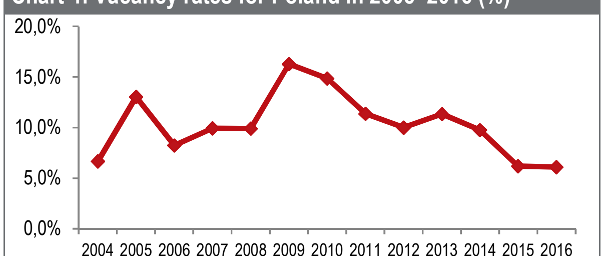
Over the last twelve months the vacancy rate remained relatively stable, at slightly above 6% (6.2% in Q4 2015, 6.1% in Q2 2016 and in Q4 2016). Despite 1.2 million m² of new space being delivered, the overall vacancy rate was not markedly affected, as a significant number of those projects were delivered in the BTS (build-to-suit) formula. Total available space was 0.68 million m² at the end of 2016.

The present volume of new warehouse space under construction (1.45 million m²) looks impressive, but we saw comparable strong market activity almost ten years ago. However, current market demand has strong support from the combination of internal and external demand for storage and production space.

GDP growth of ca. 3% p.a. and the gradually increasing importance of Poland as an e-commerce hub for Western Europe (Amazon and Zalando) are also key factors stimulating the growth of demand. This, coupled with the lowest rental costs in Europe and the low interest rates which stimulate the investment market, paints a picture of Poland being one of the most sought-after industrial and logistics locations on the continent.

Almost 1.1 million m² (75%) of stock under construction is already secured by lease agreements. The largest amount of speculative space is being built in Warsaw Suburbs, but continuous strong demand makes us confident that that space will be absorbed quickly.

Chart 4: Vacancy rates for Poland in 2005–2016 (%)

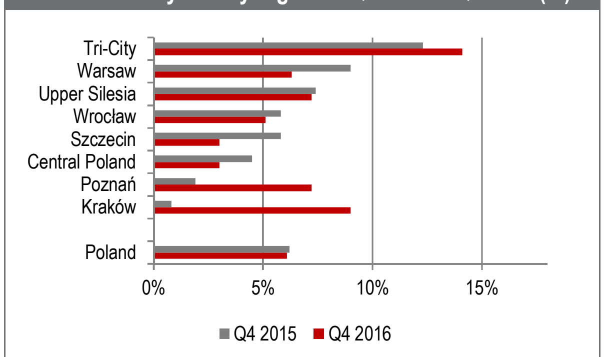


Source: JLL, warehousefinder.pl Q4 2016

Among the major regions, Warsaw saw a fall in available space of 63,400 m² despite the large amount of completions (217,500 m²) in 2016. The Warsaw Suburbs, with a vacancy rate of just 5.5%, shows the best result in its history. On the other hand, Poznań had a vacancy rate of only 1.9% at the end of 2015 but demand there was not able to entirely absorb the amount delivered (177,300 m²), which resulted in a sharp increase, to 7.2%. A similar situation was seen in Kraków, where insufficient demand pushed the vacancy rate over the last year to 9.0%. In the Tri-City, for the second year in a row, more than 10% of space was vacant. However, that space is mainly the result of one large project with vacant space of slightly over 20,000 m².

Also worth noting is the fact that stable, or in some regions even declining, rents support rapidly growing demand and modern warehouse and production space is becoming more affordable to new companies entering the market and to those relocating from old buildings which are not covered by our industrial market statistics (e.g. class B or class C post-industrial facilities).

Chart 5: Vacancy rate by region in Q4 2015 & Q4 2016 (%)



Source: JLL, warehousefinder.pl Q4 2016

Developer Activity

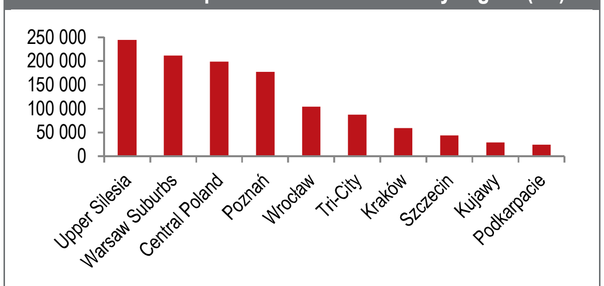
The leading developer strengthened its construction activity in 2016 and dominates the pipeline for H1 2017.

At the end of 2016 the total stock on the Polish industrial market stood at 11.2 million m² and had grown year on year by over 1.2 million m² (in 2015 by 1 million m²). Panattoni is growing rapidly and significantly increased its development activity across the country. In 2016 this firm delivered 775,000 m² of new stock (443,000 m² in 2015). Its major competitors did not manage to better their results from 2015: Goodman completed 121,000 m² (compared to 222,000 m² in 2015), SEGRO 84,000 m² (87,000 m² in 2015) and Prologis delivered 50,000 m² (46,000 m² in 2015).

In the middle of 2016 the pipeline stood at 742,000 m², (vs. 774,000 m² at the end of 2015); however, 1.45 million m² of planned space was announced in the second half of the year, a significant rise. The five largest projects account for 0.45 million m² of the new construction, of which nearly 0.3 million m² is found in two e-commerce BTS projects in Gryfino (near Szczecin).

Although there is a large amount of new warehouse space due to be delivered in H1 2017, the majority of it is already secured by future owner-occupiers, which limits the potential negative impact on the vacancy rate. As well as the two e-commerce projects mentioned above, there are several smaller BTS spread across Poland, e.g. Kaufland in Bydgoszcz (45,600 m²), Carrefour in Bydgoszcz (38,000 m²), IFA Powertrain in Opole (34,000 m²) and Mid Ocean in Ruda Śląska (24,900 m²).

Chart 6: Industrial space delivered in 2016 by region (m²)

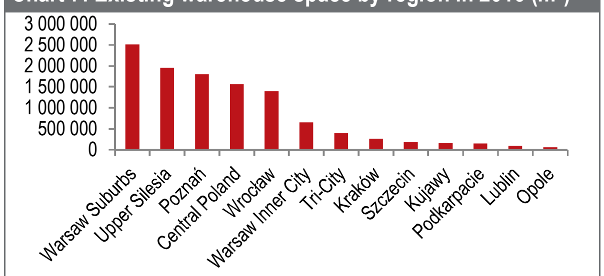


Source: JLL, warehousefinder.pl Q4 2016

Overall, modern industrial stock grew by 15% y-o-y, a higher than average rate of growth due mainly to the emerging markets (the growth expected for 2017 might be even higher, as the projects already under construction with planned delivery in Q1–Q3 2017 equate to 13% of current stock).

Despite improvements in road infrastructure, emerging locations are having difficulty in speeding up their development and gaining recognizable levels of stock as it was the case within the last 2-3 years. The majority of them are now seeing slowdowns after a quick period of initial growth (e.g. Lublin, Podkarpacie, the Tri-City and Kraków).

Chart 7: Existing warehouse space by region in 2016 (m²)

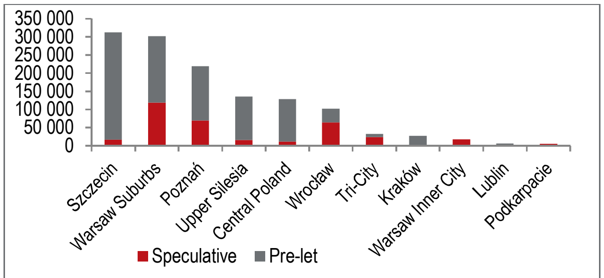


Source: JLL, warehousefinder.pl Q4 2016

There is currently a quite unusual situation (probably for the first time in the history of the Polish market): the highest volume of construction activity is taking place in a non-core region, mainly thanks to two very large transactions for the Szczecin region in H2 2017.

Despite the considerable new pipeline, the overall share of speculative stock remains surprisingly low (25%, compared to 35% at the end of 2015). Also, rents remain at a relatively low level and are certainly still attractive for new tenants.

Chart 8: Warehouse space under construction by region as at Q4 2016 (m²)

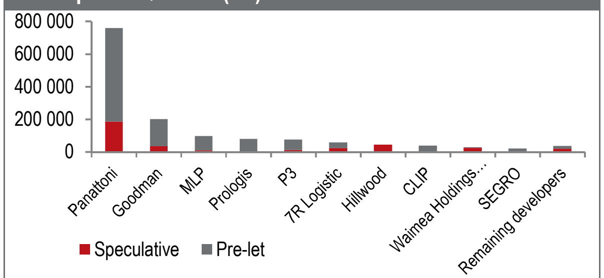


Source: JLL, warehousefinder.pl Q4 2016

The largest projects completed in 2016 were mainly delivered by Panattoni, which focused predominately on the Warsaw Suburbs and Upper Silesia, where relevant demand from logistics operators and retail sector is to be found.

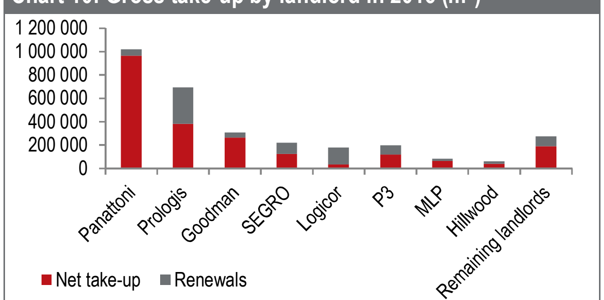
Panattoni is still the leading developer in Poland. Its large construction portfolio, which is spread across Poland, is well secured and has a low share of speculative space (25%). At the end of 2016 only a few smaller projects were being built on a purely speculative basis.

Chart 9: Warehouse space under construction by developer in Q4 2016 (m²)



Source: JLL, warehousefinder.pl Q4 2016

Chart 10: Gross take-up by landlord in 2016 (m²)



Source: JLL, warehousefinder.pl Q4 2016

Largest completions in 2016

Park	Area (m²)	Location	Developer
Panattoni Park Stryków II	85,200	Central Poland	Panattoni
Panattoni Park Warszawa-Konotopa	46,700	Warsaw Suburbs	Panattoni
Panattoni Park Sosnowiec III	41,400	Upper Silesia	Panattoni
Panattoni Park Sosnowiec II	41,400	Upper Silesia	Panattoni
Panattoni Park Grodzisk	41,000	Warsaw Suburbs	Panattoni

Largest projects under construction in Q4 2016

Park	Area (m²)	Location	Developer
Panattoni BTS Szczecin Amazon	161,000	Szczecin	Panattoni
Goodman BTS Szczecin Zalando	130,000	Szczecin	Goodman
Panattoni Park Grodzisk III	66,100	Warsaw Suburbs	Panattoni
P3 Błonie	47,500	Warsaw Suburbs	P3
Panattoni Park Poznań VIII	47,300	Poznań	Panattoni

Source of both tables: JLL, warehousefinder.pl, Q4 2016

Rents

Downward pressure on rents is coming to a halt, with only Warsaw Inner City and Wrocław registering minor decreases. What lies ahead: stability or increases in rents?

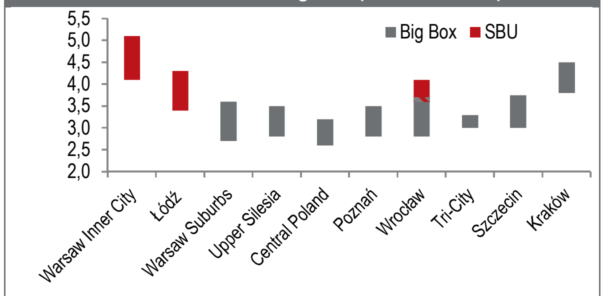
Over the last five years the major Polish industrial regions have displayed little or no change with regard to headline and effective rents. Slight downward movements were observed in some major markets, but involved only small adjustments of €0.2 / m² / month. In the emerging markets (such as the Tri–City, Kraków and Warsaw Inner City) falls in rents occurred more rarely, but were usually more pronounced and ranged from €0.2 to 0.5 / m² / month.

Over the last few years Poland has been the most competitive industrial market in Europe in terms of leasing costs. In conjunction with its gradually improving road infrastructure, that position has further strengthened, which over the last year has been particularly noticeable in the western part of Poland (in locations such as Poznań, Wrocław and Szczecin).

While headline rents were relative stable, in some regions the dynamics of the lower bands of effective rents were a good indicator of increased competition there, e.g. Upper Silesia, Wrocław, Poznań and Central Poland. In majority of markets the gap between the lower band of effective rents and upper headlines is approximately €1.5 to 2.0 / m² / month.

During 2016, headline rents remained stable in the Warsaw Suburbs (€2.7–3.6 / m² / month), Upper Silesia (€2.7–3.5 / m² / month), Poznań (€2.8–3.5 / m² / month), Central Poland (€2.6–3.2 / m² / month) and the Tri-City (€3.0–3.3 / m² / month). Small falls of €0.1 to 0.2 / m² / month were recorded in Warsaw Inner City and Wrocław. Other components of total rental expenses (such as those for attached offices and service charges) have remained quite stable over the last few years.

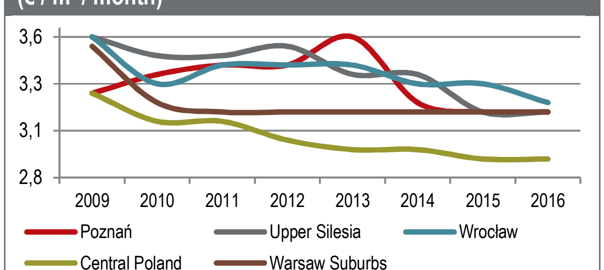
Chart 11: Headline rents in regions (€ / m² / month)



Source: JLL, warehousefinder.pl Q4 2016

Headline rents are usually the basis for further specific negotiations, during which developers often propose a range of incentives, such as rent-free periods and partial or full fit-out contributions. The size of rent reductions depends largely on the lease length, covenant strength and the current market situation. Over the last year some minor downwards changes, of €0.1 to 0.2/ m²/ month, in effective rents were observed in Poznań, Warsaw Inner City and Wrocław. As at the end of 2016 the most competitive regions with regards to effective rents were Upper Silesia (€1.9–3.1/ m²/ month), the Warsaw Suburbs (€2.0–2.8 / m² /month), Central Poland (€2.0–2.8/ m²/ month) and Poznań (€2.1–3.0/ m²/ month).

Chart 12: Average headline rents in regions (€ / m² / month)



Source: JLL, warehousefinder.pl Q4 2016

Industrial Land

Strong demand for new locations in the eastern part of Łódź, south-western Warsaw and along the S3 express way. Stability of land prices in major locations.

In 2016 developers' attention with regards to securing new locations for industrial projects was focused mainly on regions and cities which have benefitted (or will soon benefit) significantly from the completion of new infrastructure projects.

The completion of the A1 motorway (Stryków to Tuszyn) boosted demand for land in the eastern part of Łódź. The gradual extension of the S8 expressway in the south-western suburbs of Warsaw resulted in a strong construction pipeline of new projects, as well as increased demand for investment land. Other interesting locations are spread along the gradually extended S3 expressway, which runs from Szczecin towards the border with the Czech Republic, creating investment opportunities in new or emerging submarkets such as Zielona Góra, Nowa Sól and Świebodzin.

An increasingly important factor for new projects and demand for industrial land is workforce availability. The labour markets of some agglomerations, such as Poznań and Wrocław, are already well-drained and reaching the limit of labour-intensive new investments; therefore some smaller locations are beginning to draw the attention of investors.

Overall, regions located in western Poland (Poznań, Wrocław and Szczecin) seem to be more attractive compared to eastern Poland, despite the higher costs there, which can be put down to better accessibility and proximity to western markets.

Prices

Overall, no major changes in the prices of industrial land in Poland were recorded over the last year.

The completion of the A1 motorway between Stryków and Tuszyn in the middle of 2016 and the strong development of the special economic zone in Łódź positively affected land prices in the eastern part of that city, raising land prices in Łódź by 20 PLN / m², to 180 PLN / m².

A slight fall was observed in Upper Silesia, where the lower price band decreased from 90 PLN / m² to 80 PLN / m².

Region	Price (PLN / m^2)
Warsaw Inner City	350 – 550
Warsaw Suburbs	50 – 300
Central Poland	65 – 180
Poznań	140 – 200
Wrocław	120 – 220
Upper Silesia	80 – 200
Kraków	80 – 300
Tri-City	120 – 240

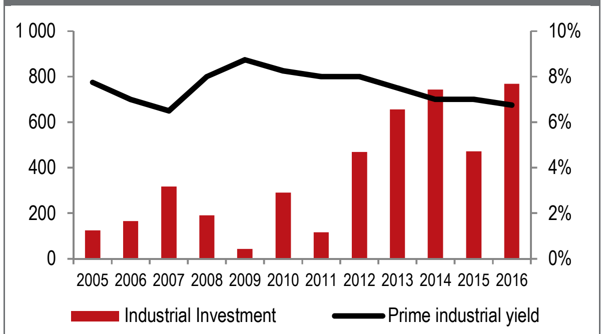
Investment Market

Industrial investment was at an all-time record high in 2016, with the P3 platform sale making a significant contribution. Prime products are continuously on investors' radar.

Over the last five years the warehouse investment market has almost tripled in terms of total value of traded assets compared to the investment volumes reported between 2004 and 2011. As a result of increasing liquidity over the last 48 months, the warehouse investment market has become a very recognizable and desirable sector in Poland.

In 2016 the warehouse investment market saw €769 million in transactions, from 14 deals, of which six were portfolio sales and one was a platform disposition. These seven transactions accounted for almost 82% of the total 2016 industrial investment volume. The remaining transactions involved small and medium-size parks located in key industrial hubs. Balancing transactions comprised small and medium size parks located in key industrial hubs.

Chart 13: Industrial Investment Volume (€ millions) & Prime industrial yield (%)



Source: JLL, warehousefinder.pl Q4 2016

The largest deals concluded in 2016 included:

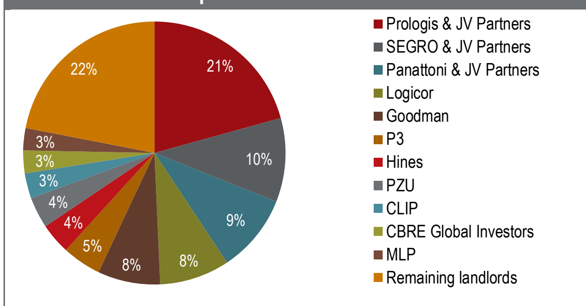
- GIC's acquisition of P3's European industrial platform with the Polish element amounting to approximately €285 million;
- CBREGI's purchase of a portfolio from Hillwood for approximately €155 million;
- Hines REIT's purchase of a portfolio from NBGI for approximately €81 million;
- GLL's acquisition of the Amazon Fulfilment Centre in Poznań of over €70 million.

The largest purchasers were: GIC, CBREGI and Hines REIT, each of which signed deals for in excess of €100 million0. Also GLL, with its purchase of Amazon Fulfilment Centre in Poznań and Exeter made their footprint on Polish warehouse investment market. The biggest sellers were TPG/P3, Hillwood, NBGI, Amazon, ECI and Waimea Holding.

The above, coupled with a strong leasing market at the bottom of the rental cycle proves that the investment sentiment on industrial sector was positive and investors' appetite for core product located in key logistics hubs in Poland remained at high level. Nevertheless, the universe of active investors in this sector started to become relatively thin, particularly during the latter part of 2016. For standardized logistics product this situation is expected to continue throughout 2017, while core assets on long leases shall attract strong investors' demand.

Ownership continues to be highly concentrated, with the top five players (Prologis & JV Partners, SEGRO & JV Partners, Panattoni & JV Partners, Logicor and Goodman) together controlling 56% of stock in Poland at the end of 2016.

Chart 14: Ownership structure



Source: JLL, warehousefinder.pl Q4 2016

It should be also noted, that outside a handful of transactions (including P3 portfolio) almost none of the key deals concluded in 2016 was initiated and closed during the year. In our opinion it proves limited liquidity in the market coupled with investors focusing on either absolutely core and prime assets or value-add opportunities.

Over the last 12 months we have witnessed reaffirmation of the prime warehouse yields at sub 6.75% with the best-located, exceptional, long leased assets trading significantly below 6.00%. Properties lacking one of those elements were, and are, trading at discounts of up to 200-250 basis points to prime pricing.

A pipeline of industrial transactions for 2017 looks quite promising. Volumes could potentially exceed those of 2016 with large portfolio/platform transactions available for trade. With a strong leasing, solid activity of developers and prospects of stabilising rents we remain positive about further evolution of the investment market and stabilisation of yields for prime warehouse product.

Regional Analysis

Development activity is gradually expanding beyond the core regions.

At the end of 2016 Poland's total industrial warehouse and production stock for lease stood at 11.2 million m² (9.8 million m^2 at the end of 2015) with the share of the major five regions seeing a fall from approximately 90% to 88% over the last year.

With regards to tenant activity in emerging markets, the share of those markets increased from 19% of the national total to 23%, mainly due to the two large e-commerce deals in Szczecin (in Northern Poland) region, which accounted for almost 11% of total demand (14% of net take-up) in 2016.

New small and medium-size projects are emerging along the S3 expressway (that runs from Szczecin to the border with the Czech Republic), which is becoming an increasingly desirable location for e-commerce occupiers (servicing mainly operations in Western European countries) and light manufacturing.

Regions in the eastern part of Poland (Lublin and Podkarpacie) showed little activity on the demand and supply sides, despite gradually improving infrastructure there.

Map of the major industrial regions

Warsaw

Infrastructure improvements have quickly translated into very strong development activity, although it is still focused on the south-western suburbs of the Warsaw agglomeration.

Despite its growing investment opportunities and improving infrastructure, the development of the warehouse and industrial sector in Warsaw region has traditionally concentrated on the south-western areas of the agglomeration. Over the last few years, developers and landlords have been struggling with a relatively high vacancy rate and pressure for reductions in rents; therefore, in order to mitigate potential risks, they continue to focus on the most sought-after locations. For that reason there has been a shortage of new investment in the Inner City and instead a focus on south-western suburbs of Warsaw and its neighbouring locations.

Due to its product specifics, demand for warehouse and industrial space in Warsaw Inner City is characterized by a large number of small deals. In 2016, if one excludes a single deal with ABC Data (for 25,000 m²) the remaining transactions averaged only 1,471 m². The Warsaw Suburbs, on the other hand, are typically chosen by tenants looking for larger floor space, with average deal size of 6,062 m². These mainly involved companies from the logistics and retail sectors, who chose parks in the vicinity of Grodzisk Mazowiecki (Raben and H&M), Teresin (DSV Solutions and Schenker) and Janki (DSV Solutions).

2016 was yet another year with only very modest development activity in Warsaw Inner City, which was limited to just one small SBU project (Ideal Idea Park IV, 6,000 m²). However, the completion of new roads in the south-western suburbs of Warsaw significantly increased the attractiveness of those areas, particularly Janki, Grodzisk, Raszyn, Ożarów and Pruszków. Developments in the Warsaw Suburbs are mainly built for logistics operators: of the total 460,000 m² of net take-up, 215,000 m² was leased by that sector.

Interestingly, the vacancy rate in the Warsaw Suburbs was only 5.5% at the end of the year, which is the second best result in the history of the region (it was lower only in Q3 2007, when it was 4.8%).

The region has plenty of areas which are yet to appear on developers' radars, for example the eastern and northern parts of the agglomeration, which will most likely open up upon the full completion of the Warsaw Ring Road. However, the south-western suburbs will still remain the most favourable location for logistics operators.

Headline rents for industrial space in the Warsaw Suburbs have remained relatively stable since 2011, at €2.7–3.6 / m² / month. However, the costs of leasing space in Inner City locations is gradually falling and as of the end of 2016 were €4.1–5.1 / m² / month. Effective rents were €2.0–2.8 / m² / month in the Warsaw Suburbs and €3.5–4.6 / m² / month in the Inner City.

	Inner City	Suburbs
Existing stock (m²)	653,000	2,511,000
Gross demand in 2016 (m²)	72,000	745,000
Net demand in 2016 (m²)	32,000	460,000
Vacancy rate	9.4%	5.5%
Headline rent (€ / m² / month)	4.1–5.1	2.7–3.6
Effective rent (€ / m² / month)	3.5–4.6	2.0–2.8
Main leasing transactions	**ABC Data** – 25,000 m² Distribution Park Annopol	**Raben** – 42,500 m² Panattoni Park Grodzisk III

Upper Silesia

A very competitive region which is well positioned for further moderate growth.

Upper Silesia, the second largest industrial market in Poland remains very competitive, with strong potential for further growth. Due to its significant population and size, it offers an attractive combination of advantages with regard to factors which are currently becoming challenges in other regions: relatively cheap and abundant land, and available labour force (a factor which is becoming an important growth obstacle in Wrocław and Poznań).

New construction activity here (135,000 m², in six projects) at the end of 2016 was mainly concentrated in Sosnowiec (57,000 m²), Ruda Śląska (35,000 m²), Gliwice (33,000 m²) and Tychy (11,500 m²). Moreover, the projects currently under construction are very well secured (88%).

The vacancy rate in Upper Silesia remained stable over the last year, and stood at 7.2% in Q4 2016. The largest availability of stock in existing schemes was found in Sosnowiec (36,000 m²), Gliwice (36,000 m²) and Chorzów (21,000 m²).

Both headline and effective rents in Upper Silesia remained stable in 2016. The headline rent band ranges between €2.8 and €3.5 / m² / month, while effective rents were €1.9–3.1 / m² / month. Overall, thanks to low land prices (e.g. post-industrial brownfield sites), Upper Silesia has been able to remain one of the most attractive locations in Poland in terms of price.

Industrial land available in this region ranges from 80 to 200 PLN / m² (compared to 80 to 300 PLN / m² in the nearby Kraków and 120 to 200 PLN / m² in Wrocław).

Upper Silesia	
Existing stock (m²)	1,955,000
Gross demand in 2016 (m²)	491,000
Net demand in 2016 (m²)	340,000
Vacancy rate	7.2%
Headline rent (€ / m² / month)	2.8–3.5
Effective rent (€ / m² / month)	1.9–3.1
Main leasing transactions	**Eurocash –** 30,000 m² Goodman Sosnowiec Logistics Centre **Play Power -** 27,400 m² Panattoni Park Sosnowiec III

Poznań

Lower activity in this region despite the favourable economic environment.

After a year which saw the completion of 177,400 m² (compared to 244,000 m² in Upper Silesia), Poznań did not advance to the second position in Poland in terms of total stock.

As of end of 2016 new construction activity was at the level of 220,000 m ² and the vacancy rate in Poznań stood at 7.2.% Poznań and Wrocław are the two major warehouse and industrial markets in the western part of Poland and at the end of 2016 both displayed shortages in labour-force availability. In December 2016 the unemployment rate in Poznań was only 1.9%, heralding potential challenges with recruiting for new projects and potential pressure for salary increases. Shortages of available labour could have been one of the factors behind Amazon and Zalando choosing the Szczecin area as the location of their new fulfillment centres instead of Poznań.

Similarly to the Wrocław region, the potential in Upper Silesia for new warehouse and logistic investments lies within small and mid-sized towns located along the S3 expressway – the new transport corridor connecting Szczecin with the Czech Republic. This new transportation backbone of western Poland is steadily gaining in attractiveness and after completion it is well positioned to become a noteworthy alternative for Czech companies looking for access to a seaport.

Leasing transactions in Poznań in 2016 were on average relatively large (8,932 m² compared to 6,902 m² nationwide), driven by a few BTS projects for the automotive and retail sectors. The share of the traditionally most active sector, logistics operators, was 29%; over the last five years it was 25%.

Unfortunately, despite the favourable market environment there was a sharp rise in the vacancy rate last year, from just 1.9% to 7.2%. The majority of the available space is concentrated in parks located in the city of Poznań (66,200m², three parks) and Gądki (39,500 m², four parks).

Rents in the Poznań region have been almost frozen since mid-2014, with periodic minimal downwards adjustments of the lower band of the effective rent. Last year Poznań continued to be competitive among the key regions in terms of warehouse rental costs despite quite high land prices (140 to 200 PLN / m²). Headline rents range are quoted at between €2.8 and €3.5 / m² / month, while effective rents are €2.10–2.9 / m² / month.

Poznań	
Existing stock (m²)	1,806,000
Gross demand in 2016 (m²)	429,000
Net demand in 2016 (m²)	274,000
Vacancy rate	7.2%
Headline rent (€ / m² / month)	2.8–3.5
Effective rent (€ / m² / month)	2.1–2.9
Main leasing transactions	**Polomarket –** 39,600 m² Goodman BTS Polomarket **Trio Line –** 32,300 m² Panattoni Park Poznań V

Central Poland

Despite strong demand, developers are hesitant with regard to new projects. There is limited availablity of space in some locations.

In 2016, the already well accessible and centrally located Łódź received a long-awaited bypass road: the completion of the remaining part of the A1 motorway between Stryków and Tuszyn in July streamlined the vast majority of transit traffic to the outside of the city of Łódź. This new road also increased the attractiveness of land in the eastern suburbs of Łódź and shortened the travel time between the Stryków and Piotrków Trybunalski sub-regions. A slight increase in prices of industrial land located in the eastern part of Łódź (up by 20 PLN to 180 PLN /m^2) was recorded.

Infrastructure improvements, as well the presence of the special economic zone, boosted additional investments Łódź. The city's central location by the junction of two major motorways (the A1 and the A2), as well as the S8 expressway linking Warsaw (and, within the next year, Białystok) and Wrocław, makes distribution on a nationwide scale possible. The construction of the S14 expressway (Łódź's western ring-road) is scheduled to start next year, with completion planned for 2020.

As of Q4 2016, there was no modern industrial space available for rent in Łódź; two years ago vacancy rate there was 9.0%. To meet the rapidly growing demand, two projects are now under construction, offering 51,500 m^2 (89% secured). The remaining pipeline, of 76,800 m^2 in three projects, is already 89% pre-let. In the Piotrków Trybunalski area, which saw a significant fall in vacancy from 34% to just 4.3% over the last three years, only one project is now under construction (a BTS for Agata Meble).

After a year of very strong tenant activity in 2015, when 318,000 m^2 of space was leased as a result of new deals and expansions, 2016 showed moderate new demand, only 213,000 m^2, driven, as usual, mainly by logistics operators (a 29% share of net take-up) and retailers (25%).

Unlike in 2015, last year lacked large deals signed by retailers looking for a main hub in Central Poland. Except for Agata Meble (42,900 m^2), the year's deals were relatively smaller and involved mostly logistics operators (61,000 m^2 of new leases) and light manufacturing (25,000 m^2). Three companies from the paper and books sector leased nearly 50,000 m^2 (of which 19,800 m^2 came from new leases).

Development activity in the region was spread over four subzones, with six projects delivering a total of 199,000 m^2. The two largest investments in Stryków provided 119,000 m^2 and were very quickly leased: only 7,500 m^2 was available as at the end of 2016.

Despite significant activity by players on both the demand and supply sides, rents in Łódź and the two other subzones of Central Poland (i.e. Stryków and Piotrków Trybunalski) were stable over the last year. Łódź offers more attractive rents for SBUs than Warsaw or Wrocław: headline rents are quoted from €3.4 to €4.3 / m^2 / month, while effective rents are in the range of €2.7 to €3.7 / m^2 / month. Big-box units are significantly more affordable, with headlines from €2.6 to €3.2 / m^2 / month and effective rents between €2.0 and €2.8 / m^2 / month. Central Poland therefore remains the most price competitive region in the country.

	Łódź	Region
Existing stock (m^2)	409,000	1,156,000
Gross demand in 2016 (m^2)	64,000	219,000
Net demand in 2016 (m^2)	25,000	188,000
Vacancy rate	0%	4.1%
Headline rent (€/ m^2/ month)	3.4–4.3	2.6–3.2
Effective rent (€/ m^2/ month)	2.7–3.7	2.0–2.8
Main leasing transactions	**Recticel –** 19,500 m^2 Logicor Łódź	**Agata Meble –** 42,900 m^2 Prologis Park Piotrków II

Wrocław

Shortages of labour in Wrocław and the expected completion of the S3 expressway may shift new industrial projects in this region to new locations.

With 1.4 million m² of modern stock, Wrocław is still the fifth largest market in Poland. In 2016 an additional 104,000 m² was delivered in five projects (of which four by Panattoni).

The potential rapid growth of the region might be gradually restricted by the limited availability of labour in the region, as the unemployment rate in the city was just 2.8% in December 2016. The labour market looks more favourable outside of Wrocław, with the unemployment rate for the entire province at 7.3%.

That, coupled with the anticipated completion of the S3 expressway (from Szczecin towards the border with the Czech Republic) suggests that the growing demand from the e-commerce and light industry sectors will most likely be met in new locations, which are emerging along this road corridor. In the Wrocław region those include locations near Legnica, where a special economic zone is located.

The current construction pipeline of 102,000 m² is still mainly located in the outskirts of Wrocław, but is now more diversified among four developers (Panattoni, Hillwood, MLP and Prologis), with a higher percentage of speculative space (63%).

Gross demand of 301,000 m² featured strong shares of logistics operators (41%) and light manufacturing (19%), which is not surprising, given that Lower Silesia is becoming a popular target for new investments. A significant number of new leases were signed with Prologis (179,000 m²), which has approximately 0.5 million m² of warehouse stock in the region.

During 2016 vacancy rates fluctuated between 3.8% (Q2) and 6.3% (Q1), standing at 5.1% at the end of the year. The majority of the available space is in several recently developed projects by Panattoni (Panattoni Park Wrocław II and its further stages III IV and V) and two Prologis Park Wrocław projects.

In terms of headline rents, the Wrocław region has been quite stable over the last five years, although strong pressure on the effective rents in big-box schemes was seen. Headline rents for big-box units now range between €2.8 and €3.6 / m² / month. Effective rents fell from €2.5–3.1 / m² / month at the beginning of 2015 to €2.2–2.8 / m² / month at the end of 2016. Rents in the SBU segment were stable during the last year, with headline rents ranging between €3.5 and €4.0 / m² / month and effective rents from €3.3 to €3.8 / m² / month.

Wrocław	
Existing stock (m²)	1,394,000
Gross demand in 2016 (m²)	301,000
Net demand in 2016 (m²)	168,000
Vacancy rate	5.1%
Headline rent (€ / m² / month)	2.8–3.6
Effective rent (€ / m² / month)	2.2–2.8
Main leasing transactions	**Deichmann Logistik** – 13,300 m² Prologis Park Wrocław III **Yusen** – 12,900 m² Prologis Park Wrocław IV

Northern Poland

Szczecin was targeted by two e-commerce giants. Demand in the Tri-City comes mainly from logistics operators

Szczecin, which already benefits from an excellent road connection with Germany, will further leverage its strengths with the upcoming completion of the S3 towards southern Poland. Additionally, a new expressway (the S6) towards Koszalin is already under construction. Despite the very popular A1 motorway and the successful performance of the Deepwater Container terminal (DCT), as well as the ongoing construction of the S7, the development of the Tri-City region was somewhat sluggish in 2016.

After the initial leading role of the Tri-City in Northern Poland, the first signs of the growing importance of Szczecin were seen in 2015. Despite being smaller population-wise and less affluent, the development of the Szczecin region accelerated and in H2 2016 it outperformed the Tri-City in terms of demand and construction activity.

The arrival of two large e-commerce giants (Amazon from the US and Zalando from Germany) in H2 2016 put the Szczecin region among the most sought-after locations in Poland (in terms of volume, not the number of carried-out projects). Those two developments are predominantly focused on servicing Western European markets but show the potential of Szczecin as an ideal location for servicing Germany and Scandinavian countries.

Development activity in Szczecin can be divided into two parts: the first one is the gradual development and extension of Panattoni Park Szczecin (expanded by 10,400 m² in Q1, 17,000 m² in Q3 and 11,400 m² in Q4) and the start in H1 of two mega projects in Szczecin by Panattoni and Goodman. In addition to those projects, Waimea delivered 5,000 m² as an extension to its North – West Logistic Park (reaching a total of 67,100 m²). In Q4 2014, Prologis started to build 9,200 m² in Prologis Park Szczecin.

Demand in the Tri-City in 2016 was dominated by logistics operators (which accounted for 65% of demand). However, the average new deal size (2,928 m² net) was less than half the size of the average deal that such companies signed on the national level. The region lacks demand from other sectors, such as retailers, electronics and light manufacturing, which are very much present in Poland's other regions, generating strong demand for warehouse and industrial space.

The vacancy rate in Szczecin fell slightly, from 5.8% at the end of 2015 to 3.0% at the end of 2016, when only 5,600 m² was available in Panattoni Park Szczecin. However, the Tri-City is struggling with a high vacancy rate, which rose from 12.3% at the end of 2015 to 14.1%. That might be due to the significant share of speculative developments (61% at the end of 2015, 95% in mid-2016 and 76% at the end of 2016) coupled with moderate new demand.

For the second year in a row headline rents in the Tri-City and Szczecin remained stable, at €3.0–3.3 / m² / month and €3.0–3.75 / m² / month respectively. Effective rents are €2.5–2.9 / m² / month in the Tri-City and €2.6–3.4 / m² / month in Szczecin, also unchanged over the last two years.

	Tri-City	Szczecin
Existing stock (m²)	393,000	187,000
Gross demand in 2016 (m²)	93,000	330,000
Net demand in 2016 (m²)	88,000	317,000
Vacancy rate	14.1%	3.0%
Headline rent (€ / m² / month)	3.0–3.3	3.0–3.75
Effective rent (€ / m² / month)	2.5–2.9	2.6–3.4
Main leasing transactions	**Auto-Partner** 7,600 m² 7R Logistic Gdańsk	**Amazon** 161,000 m² Amazon BTS

Kraków

Kraków remains in the shadow of the rapidly developing Upper Silesia. Market activity remains very modest.

Ongoing infrastructure projects in the Kraków region are still quite modest and mainly remain at the planning or tendering stage. Only a small section of the S7 ring-road in the eastern part of Kraków is currently under construction. The city still does not have a complete northern bypass or a convenient road towards northern Poland (in the direction of Warsaw). Recently new announcements were made with regard to the tender for the S7 express road from Nowa Huta towards the border with the Świętokrzyskie voivodeship. That road will be delivered in a ‘design and build’ formula, with the start of construction scheduled for 2019 and completion planned in 2022. The northern part of the ring-road is also in the planning stage, with completion being scheduled for 2022.

Over the last year the industrial and warehouse stock in the Kraków area increased by 59,500 m² (Upper Silesia had 244,000 m²) and the current pipeline is only 27,500 m² (Upper Silesia has 135,000 m²) in two 100% pre-let projects (extensions of 7R Logistic Park Kraków). The major market players, which are already present in the region, still have not started their projects here and are currently focused on the market of Upper Silesia.

The Kraków region does not seem to be able to effectively compete with the neighbouring Upper Silesia in terms of attractiveness for logistics. That is largely due to the shortage of sufficient investment land, which results in high prices therefor.

Tenant activity in Kraków in 2016 was 100,000 m², which is comparable to that in the Tri-City. The limited share of logistics operators, which lease mainly small units (an average of 2,600 m²), and the lack of retailers are the currently features of this region. Therefore, demand comes mainly from construction, automotive, light manufacturing and the remaining sectors. Weak demand translates into limited supply and low construction activity.

Vacancy rates sharply increased in H2 2016, from only 0.8% at the end of 2015 to 9.0%. Available space appeared in existing assets and in one extension of a Goodman project. Excluding one project securely leased by Goodyear in Tarnów, the vacancy rate for Kraków and its suburban areas is at the level of 11.4%.

Kraków has been Poland’s second most expensive location since 2009, with rents far above those seen in other agglomerations. Headline rents for Kraków’s warehouse space now range between €3.8 and €4.5 / m² / month. Effectively those rents are between €2.8 and 3.40 / m² / month.

Kraków	
Existing stock (m²)	268,000
Gross demand in 2016 (m²)	100,000
Net demand in 2016 (m²)	95,000
Vacancy rate	9.0%
Headline rent (€ / m² / month)	3.8–4.5
Effective rent (€ / m² / month)	2.8–3.4
Main leasing transactions	**Valeo –** 27,500 m² Goodman BTS Valeo Skawina **Lynka –** 9,000 m² Panattoni Park Kraków IV

Emerging Markets

Despite gradual improvements in infrastructure, market activity in Eastern Poland remains modest.

Over the last three years both the Lublin and Podkarpacie regions were perceived as two prospective emerging locations on the logistics map of Poland. However, despite gradual road improvements and new investments in special economic zones, both regions are facing a slowdown and their advancing to a more mature stage of market development is still yet to be seen. In the meantime, other comparable emerging regions, e.g. Szczecin and Kujawy (which includes Toruń and Bydgoszcz) are advancing quickly and seeing some large deals.

So far, the delivered supply seems to be sufficient to service the local markets instead of having a wider (e.g. cross-border) scale or operations.

The current pipeline of new projects is very modest, as only 6,400 m^2 is under construction in Lublin (MLP Lublin) and 4,700 m^2 in Rzeszów (Waimea Cargo Terminal Rzeszów-Jasionka). Both regions are certainly lacking mid-size and larger deals which could stimulated the incremental growth of supply. The already transacted volumes were attributable mainly to local companies operating on the domestic market.

Kujawy, which includes areas around Toruń and Bydgoszcz, with 129,000 m^2 of new stock under construction in four projects, will quickly have a comparable level of stock to the Tri-City and Kraków. New developments are also well secured, at 81%. At of the end of 2016, Toruń (with 96,000 m^2) had outperformed Bydgoszcz (64,000 m^2), but within the next few months that situation will be opposite as 129,000 m^2 of pipeline in Kujawy is being developed in Bydgoszcz. On the demand side Bydgoszcz also outperforms Toruń.

Gross take-up in Lublin in 2016 was only 19,500 m^2 and limited to only five deals, of which four were signed in Panattoni Park Lublin by two companies from the food sector and two logistics operators. Year on year the already low demand fell by 25%. A similar situation with regard to tenant activity was seen in Podkarpacie, as only six lease transactions in two parks were signed in the entire year, both in H1. Kujawy, with 127,000 m^2 of take-up in 2016, outperformed both Lublin and Podkarpacie.

Other emerging markets of similar or comparable size performed much better in terms of demand; however, in some cases overall results were driven by only one or two deals, e.g. Szczecin and Kujawy.

Headline rents for warehouse facilities in Lublin remained stable during 2016 and now range between €3.2 and €3.5 / m^2 / month. Effectively these rents are between €2.6 and 3.20 / m^2 / month. Rzeszów has slightly higher headline rents (€3.4 to €4.0 / m^2 / month) but offers comparable effective prices (€2.6 to €3.1 / m^2 / month). The Kujawy region seems to be the most competitive region among the emerging markets in terms of rental levels as effective rents there range from €2.5 to 2.7 € / m^2 /month.

	Podkarpacie*	Lublin	Kujawy
Existing stock (m^2)	153,000	93,000	161,000
Gross demand in 2016 (m^2)	19,000	19,500	127,000
Net demand in 2016 (m^2)	19,000	19,500	127,000
Vacancy rate	2.1%	9.6%	1.0%
Headline rent (€ / m^2 / month)	3.4–4.0	3.2–3.5	3.2–3.5
Effective rent (€ / m^2 / month)	2.6–3.1	2.6–3.2	2.5–2.7
Main leasing transactions	**Borg –** 5,000m^2 Panattoni Park Rzeszów	**ABM –** 6,400 m^2 MLP Lublin	**Kaufland –** **45,000 m^2** Panattoni Park Bydgoszcz

*formerly labeled as Rzeszów

Summary and Outlook for 2017

The market is at all-time highs and well positioned for another record year.

The record activity by both tenants and developers in 2016 gives reasons for cautious optimism for 2017, provided the overall economic environment remains strong. However, as 2016 proved (with the Brexit vote and the presidential elections in the US), political and economic uncertainty have the ability to shape the global economy in 2017. As a result, international trade and industrial and logistics markets may also be affected.

Despite the significant new pipeline scheduled for delivery in H1 2017, the overall vacancy rate shouldn't be negatively affected, as at the end of 2016 75% was already secured by pre-lease agreements. Major regions are again expected to attract the lion's share of the market activity.

However, bearing in mind the downturn in demand seen in 2012, with most lease transactions being signed for a five-year term, that may result in the amount of renegotiated space in 2017 being lower than that in 2016.

One should note that the road construction programme will continue, with new expressway sections scheduled for delivery in 2017. Among others, the S3 expressway is expected to become a hot topic and an important transport corridor in Poland. As delivery of large portions of the S3 may be in 2017/18 excellent investment opportunities will emerged along Poland's western border.

Q4 2016	Warsaw	Upper Silesia	Poznań	Central Poland	Wrocław	Northern Poland	Kraków	Poland
Total Stock (m²)	3,164,000	1,955,000	1,806,000	1,565,000	1,394,000	579,000	268,000	**11,198,000**
Total Stock (y-o-y change)	+9.1%	+14.9%	+13.7%	+20.5%	+9.8%	+28.9%	+30.1%	**+14.4%**
Net Take-up (m²) 2016	492,000	340,000	274,000	213,000	168,000	404,000	95,000	**2,185,000**
Net Take-up (y-o-y change)	+71.1%	+50.4%	+22.9%	–33.0%	+40.0%	+218.1%	+79.2%	**+48.4%**
Vacancy Rate Q4 2016	6.3%	7.2%	7.2%	3.0%	5.1%	10.5%	9.0%	**6.1%**
Vacancy Rate (y-o-y change)	-270bps	-20bps	+530bps	-160bps	+70bps	+30bps	+820bps	**-10bps**
Completions (m²) 2016	218,000	244,000	177,000	199,000	104,000	131,000	59,500	**1,208,000**
Completions (y-o-y change)	+100.1%	+74.3%	-36.1%	+321.3%	-3.7%	-3.8%	+20.8%	**+22.4%**
Under Construction Q4 2016 (m²)	319,000	135,000	220,000	128,000	102,000	345,000	27,000	**1,450,000**
Headline Rents (EUR / m² / month)	4.10–5.10 (*) 2.70–3.60	2.80–3.50	2.80–3.50	3.40–4.30 (*) 2.60–3.20	3.50–4.00(*) 2.80–3.60	3.00–3.30(**) 3.00–3.75(***)	3.80–4.50	
Headline Rents (y-o-y-change rental band)	–2.1% (*) 0%	–1.6%	0%	0% (*) 0%	0% –3.0%	0%(**) 0%	0%	

(*) Inner-city rents or Small Business Units ;(**) rents Tri-city (***) rents Szczecin

Source: JLL, warehousefinder.pl Q4 2016

Transactions

The largest new lease deals in 2016

Quarter	Region	Park	Area (m²)	Tenant
Q4	Szczecin	Panattoni BTS Amazon Szczecin	161,000	Amazon
Q3	Szczecin	Goodman BTS Zalando	130,000	Zalando
Q1	Kujawy	Panattoni Park Bydgoszcz	45,000	Kaufland
Q2	Central Poland	Prologis Park Piotrków I	42,900	Agata Meble
Q2	Warsaw Suburbs	Panattoni Park Grodzisk III	42,500	Raben
Q2	Kujawy	Panattoni BTS Bydgoszcz II	38,200	Carrefour
Q3	Warsaw Suburbs	Panattoni Park Grodzisk III	35,000	H&M
Q3	Opole	Panattoni BTS IFA	34,000	IFA Powertrain
Q2	Poznań	Panattoni Park Poznań V	32,300	Trio Line

Source: JLL, warehousefinder.pl Q4 2016

The largest lease renewals in 2016

Quarter	Region	Park	Area (m²)	Tenant
Q4	Poznań	Goodman BTS Polomarket	39,600	Polomarket
Q3	Warsaw Suburbs	Logicor Teresin	36,000	DSV Solutions
Q1	Warsaw Suburbs	Panattoni Park Garwolin	25,000	Avon
Q3	Warsaw Inner City	Distribution Park Annopol	25,000	ABC Data
Q4	Warsaw Suburbs	P3 Błonie	20,200	Europapier
Q2	Central Poland	Logicor Łódź	19,500	Recticel
Q1	Poznań	Logicor Poznań I	19,300	Arvato
Q1	Warsaw Suburbs	Prologis Park Teresin	18,400	Schenker
Q1	Poznań	SEGRO Logistics Park Poznań Komorniki	17,000	Arjo Huntleigh
Q1	Upper Silesia	Prologis Park Chorzów	16,700	ArchiDoc
Q1	Poznań	SEGRO Logistics Park Poznań Komorniki	16,500	Żabka

Source: JLL, warehousefinder.pl Q4 2016

The largest investment transactions in 2016

Quarter	Location	Project	Area (m²)	Vendor	Purchaser
Q4	Mszczonów, Błonie, Piotrków Trybunalski, Poznań	P3 Platform / Portfolio	516,000	P3/TPG	GIC
Q4	Gdańsk, Bielsko-Biala, Ożarów, Wrocław	Hillwood Portfolio	220,500	Hillwood	CBREGI
Q2	Garwolin, Grodzisk Mazowiecki, Toruń, Mysłowice, Legnica	NBGI Portfolio	127,000	NBGI	Hines REIT
Q1	Poznań	Amazon Fulfilment Centre	123,500	Amazon	GLL

Source: JLL, Q4 2016

Market Practice for Leasing or Acquiring Industrial Space

Leasing Space	
Lease length	Typically three to five years; seven to ten years more common for BTS projects.
Rental basis	Paid monthly in advance, with rents denominated in euro but paid in zloty.
Lease agreement collateral	Bank guarantee or cash deposit equivalent of three to six months' rent and service charge, all increased by VAT.
Rent increases	Annually, according to the Harmonized Index of Consumer Prices (HICP).
Repairs	Internal: tenant. External/structural and common areas: landlord, although recovered through service charges. Common areas: landlord, although recovered through service charge (with the exception of major repairs).
Insurance	Landlord covers costs of building insurance (recovered through service charges), tenant covers insurance of its own premises, contents and civil liability.
Agency fees	15% to 25% of the annual rent, increased by VAT, depending on the lease length. Fees are paid by the landlord. Remuneration may also be calculated as a percentage from monthly rent or percentage of the total value of a lease contact. In the case of renegotiations led on behalf of a tenant, remuneration may be paid by the tenant depending on the percentage of the savings secured for the tenant.
Service Charges	Range between €0.85 and €1.20 / m² / month.
Reinstatement	Negotiable lease by lease.
Other developer incentives	• Partial or full fit-out (depending on the transactional volume and lease length). • Rent-free periods are a common practice on the market, usually in the range of one and a half to two months per year of the lease. Rent-free periods depend on the transactional volume and lease length. However, in the case of exceptionally large deals rent free periods can be even longer.
Rental Cost	Largely depends on the fit-out requests, lease term and location. Effective rents range from €1.9 to €3.4 / m² / month.

Source: JLL

Purchasing Space	
VAT	**Asset sale:** 23% VAT on buildings and land (commercial properties) or, in exceptional cases (if a transaction classified as the sale of an enterprise), civil-transaction tax in the amount of 2% of the transaction price. **Sale of shares:** 1% of the NAV (net asset value).
Court registration fees	Real estate transactions are subject to fixed court registration fees, not linked to the volume of the contract, e.g. PLN 200 (approximately €48) for the entering of the right of freehold or perpetual usufruct into the Perpetual Book.
Notarial fees	Vary according to transaction price, but no more than six months' average salary in the domestic economy for the previous year.
Agency fees	Typically 1–3% of the purchase price, plus VAT at 23%.
Land prices	Largely depend on the location of the site: if the site is located in the vicinity of a city or within a city, €35 to €75 / m²; if the site is located further away from a city, €10 to €20 / m².
Insurance	Landlord covers costs of building insurance (recovered through service charges), tenant covers insurance of its own premises, contents and civil liability.
Agency fees for land acquisition	3% of the transaction price, plus VAT at 23%.

Source: JLL

Tomasz Olszewski
Head of Industrial Agency
+48 22 167 02 20
tomasz.olszewski@eu.jll.com

Tomasz Mika
Head of Industrial Poland
+48 22 167 02 21
tomasz.mika@eu.jll.com

Tomasz Puch
Head of Office and Industrial
Capital Markets Poland
+48 22 167 00 25
tomasz.puch@eu.jll.com

Mateusz Polkowski
Head of Research
Research & Consultancy
+48 22 167 00 42
mateusz.polkowski@eu.jll.com

Przemysław Ciupek
Senior Research Analyst
Research & Consultancy
+48 22 167 19 29
przemyslaw.ciupek@eu.jll.com

Jan Jakub Zombirt
Associate Director
Strategic Consulting
+48 22 167 01 05
jan.zombirt@eu.jll.com

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