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EXPERT

Magdalena Różycka, Director, Client Services at
Vistra Poland; and Adam Kaczmarek, Property
Manager at Vistra Poland, write about how the
market of warehouse and logistics fared last year
and highlight some issues that have come to play
this year.

EVER SINCE ITS INCEPTION 30 YEARS AGO, ONE OF THE MOST FUNDAMENTAL
FUNCTIONS OF AMCHAM HAS BEEN TO MAINTAIN PLATFORMS FOR SHARING
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EXPERT Industrial and logistics real estate

FROM STRENGTH TO STRENGTH



By **Magdalena Różycka**, Director, Client Services at Vistra Poland; **Adam Kaczmarek**, Property Manager at Vistra Poland

How the pandemic made the market boom

Despite the crisis and uncertainty caused by the pandemic, the industrial and logistics real estate sector turned out to be one of the most crisis-resistant businesses of these difficult times. Negative effects on businesses caused by lockdowns did not affect the sector to such an extent as they did other sectors, and in many cases, helped it grow even faster.

E-COMMERCE

The closing of shops forced consumers to resort to online shopping. E-commerce has become so popular that consumers used it to cover their daily needs for groceries, drugs, and the likes. With this, companies in various industries had to remodel their sales channels and dynamically develop online sales. The growing consumer demand in terms of the speed and handling of deliveries has impacted the development of outsourcing logistic services. This was visible in the demand structure of warehouse space, as over 30 percent of the transaction volume in 2020 has been held by tenants from the logistic sector.

MAIN PLAYERS

The largest tenants, such as Amazon and Zalando, have strengthened their position by increasing the volume of space they rent. The most active investors and developers, such as Panattoni, Segro, Hillwood, and 7R, have been expanding their portfolios of land acquired, as they still an-

ticipate an increase in demand under a more and more competitive market.

GEOLOCATION

From the perspective of geographical location, some regions of Poland are significantly more interesting for the investors than others due to their strong economic growth. The areas of Warsaw, Upper Silesia, Central Poland, Wrocław, and Poznań are where about 80 percent of the total stock of modern warehouse space in Poland has been built. However, some smaller or less obvious regional markets have also become increasingly attractive. Recently, some significant investments have gone to the TriCity area in Pomerania, the Lubuskie region (Voivodeship), and the cities of Kraków, Lublin, Bydgoszcz, and Toruń.

The location of the warehouses in close proximity to major retail centers is becoming a secondary criterion, and this trend is expected to progress in the future. There is strong pressure in the market to shorten the supply chain, which is a natural consequence of the development of e-commerce. It should be expected that the volume of retail space will decrease, along with the development of modern, automated, and robotic warehouse facilities, as well as the improvement and reduction of costs of so-called “last mile” logistics.

HISTORY OF STRENGTH

However, epidemic challenges

were not the only factors spurring the growth of the industrial real estate sector. It had already been growing relatively quickly over the last few years, and the upward trend remains stable and robust. The total amount of warehouse space in Poland in 2017 reached 13.5 million square meters, including 2.4 million square meters of new space delivered to the market that year. In 2018, the total amount of available warehouse space increased by 2.2 million square meters, with which the total volume of space in the market exceeded 15 million square meters. At the end of 2019, the total stock of modern warehouse space in Poland exceeded 18.6 million square meters, with over 2.72 million square meters of industrial space delivered during the year.

2020 was the fourth consecutive year when more than 2 million square meters of warehouse space was delivered to the market. At the end of the third quarter, the overall space available exceeded 20 million square meters. 3.74 million square meters were leased during the first three quarters of the year, while in the corresponding period of 2019, the number reached 2.86 million square meters. This was driven by the increase in e-commerce trade and a number of built-to-suit transactions completed in 2020. Additionally, a record amount of space was leased on a short-term basis, that is, of lease agreements under two years.

The overall numbers reveal that the Polish market is very attractive to investors in terms of its excellent location for international distribution across Central and Eastern Eu-

rope, the Baltic countries, and Western Europe. Other positive factors include the availability of land, size of the market, high standard of offered modern warehouse space, lower service charges, and labor cost, especially when compared to those in Western Europe.

It is also worth noting that there were no major fluctuations in rental rates. Rents were quite stable in most regional markets, despite the higher volume of space available. Warsaw remains the most expensive location, and a slight downward trend in effective rates was visible in regions with higher vacancy ratios or in highly competitive locations.

NEW LEGAL FRAMEWORK

It is worth noting that, beginning this year, commercial real estate will face a new and arguably more complex business reality as new obligations set for the real estate sector starting have come into effect. The new tax law has introduced the concept of “real estate company”—any company which holds real estate assets valued at over PLN 10 million with a property value representing over 50 percent of the total company’s assets. Firms defined as “real estate company” fall under new reporting obligations, beginning this year.

Another change relates to exit transactions. In case one of the parties of the transaction is not a Polish resident, the local Polish entity becomes responsible for paying the tax on the sale transaction of its own shares. This will have a significant impact on the cash flows of the Polish real estate companies.