Poland

2012 Warsaw retail pipeline stock limited, vacancy rate falling

According to CBRE the 2012 total property investment volume in Poland should remain on a similar level as in 2011. The forecast is based on the number of ongoing investment transactions, which amounted to ? 250 million in Q1 2012, and on the number of new inquiries received by CBRE.

"The new infrastructure improvements in Poland, such as ring-roads, highways, the railway and the new Warsaw metro line stimulate property market growth by creating new locations desired by developers in all market segments: office, retail and warehouse. Poland's economic fundamentals remain strong with impressive GDP, high level of industrial output, strong export and outstanding level of retail sales. In 2012, the major concern for the Polish economy and the country's property market is the turbulent Eurozone environment fuelled by the budgetary instabilities of many EU economies", said Colin Waddell, Managing Director of CBRE for Poland.

Office market enjoys stable development

The results of Q1 2012 confirm the stable development of the Warsaw office market. The total take-up in Warsaw reached 125,000 sq m in Q1 2012, 37% lower than in Q1 2011 and 6% lower than in Q4 2011. However, based on the number of inquiries received by CBRE, the take-up should speed up and reach the level comparable to last year. The largest leases registered in the first quarter included the pre-let by the ING Group in Plac Unii and an owner-occupation of Jeronimo Martins, both of them in Warsaw.

At the same time, the supply has been growing rapidly. The office stock in Warsaw increased by 48,000 sq m in Q1 2012 to reach over 3.6 million sq m. The vacancy rate went up in the last quarter to the level of 7.3% on average. However, CBRE expects the demand for office space to be sustainable in the coming years, which should cause the newly developed space to be gradually absorbed.

Other large regional markets also perform quite well. A number of foreign investors plan to open or expand their shared service projects. In the first quarter of 2012, the total regional take-up was estimated at over 100,000 sq m, with the Tri-City and Krakow enjoying strong popularity. This, combined with relatively slower construction activity in the regional cities translated into low vacancy rates, particularly in Wroclaw (5%) and Tri-City (7%).

Prime headline rents are slowly increasing in Warsaw Central Business District (now at ? 26 ? 27/sq m/month), while in other locations remain stable. Growing demand in the most established office destinations might exert a further upward pressure on prime level rents in 2012, particularly in such cities as Krakow and Wroclaw.**Retail space in demand in Warsaw**

Warsaw retail market remains highly demand-driven with vacancies at just 0.8% in Q1 2012. CBRE forecasts that the extremely limited 2012-2013 pipeline in relation to the consistently strong demand is going to unbalance the capital city market even further in future, leading to increased retail pressure not only in the prime schemes.

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The limited volume of shopping centre space that is currently being constructed includes Galeria Miejska Plac Unii, that is to offer 15,300 sq m of retail GLA to be ready in 2013, with 60% of the space already taken. Also, in Q1 2012 the construction works of three other schemes started, to come by the end of 2013: Auchan ?omianki (33,600 sq m of GLA), Factory Annopol (14,000 sq m of GLA) and Galeria Brwinowska (10,000 sqm of GLA).

Warsaw is the most expensive retail location in Poland with prime rents at about ? 75 ? 90/sq m/month and average rents at ? 30 ? 45/sq m/month. Lack of available retail space in Warsaw increases the upward pressure on rents. The situation is different in regional cities, such as Katowice, ?ód?, Pozna? or Gda?sk, where retail space is readily available, with prime shopping centre rents at ? 30 - 50/sq m/month.

Warehouse market growing in supply with vacancy rates down

The warehouse market's performance in the first quarter of 2012 was positive. CBRE reports that the total leasing activity amounted to nearly 480,000 sq m, which is almost a 10% increase in comparison to the previous quarter. Of that over 350,000 sq m (or 70%) were leased in locations over 80 km away from Warsaw.

The total modern warehouse stock in Poland amounts to 7.1 million sq m. In Q1 2012 several schemes were completed with a total of over 215,000 sq m. In terms of new supply, nearly 230,000 sq m was under construction, including about 25,000 sq m of developments commenced in the first quarter, based on CBRE data.

The improvement in the warehouse leasing market has been confirmed by the decreasing vacancy rate, which has dropped, especially in the regions: to the level of about 3% in Silesia, 5.5% in Pozna? and 7.5% in the Wroclaw region. The average warehouse space vacancy rate in Poland decreased to below 11.5%.

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