ANALYSIS OF THE MARKET OF STORAGE AREAS IN POLAND IN THE YEAR 2011

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Abstract

The storage area market of Central Europe includes about 13 million m^2 worth of space, over 6.5 million m^2 of which is in Poland. Poland is one of the countries with very good development prospects of the modern logistics space market in Europe. Dynamic development of the market took place in the years 2007-2008, after which, in 2009, a drastic change and reversal of the trend occurred, resulting from the global economic crisis. In 2011, an increase of demand for modern storage areas in Poland was noted. The total rented space in 2011 amounted to 1.86 million square meters and exceeded the preceding year's level by 30%.

Keywords

Warehouse market, modern storage space, demand

1. Characteristics of modern storage areas

The first modern storage areas in Poland were created in the mid-90s in Warsaw and the surrounding areas. In the years to come, as the demand for storage areas grew, new warehouse areas were rapidly created, mainly in Poznan, Gdansk, Wroclaw and Lodz. The mains demand growth factors included: maintained good communication, growing value of foreign investments. The central location of Poland and the offer of modern storage area solutions might become a component of competitive advantage over the traditional markets of Western Europe. Latest technical and technological solutions, availability and modernity have changed the perspectives of clients and the increase of interest in the Central European market in the recent years [9]. The storage area market of Central Europe includes about 13 million m^2 worth of space, over 6.5 million m^2 of which is in Poland [1].

The market of modern storage areas consists of several areas. There are logistic parks, facilities for so-called light production, and warehouse and office buildings for rent. The important assets of such facilities include their location, access to communication routes and modern technological solutions.

The logistic park, built using new construction technologies in the recent years, allow for, among others, acquisition of large, flat surfaces that can withstand large unit pressure and that in turn allow for, among others, stacked storage. In such warehouses, goods are stored at a height of 8 to 12m. A characteristic feature of such warehouses is a maneuvering yard, adjacent to the storage building, which facilitates maneuvers of car sets with trailers over dozen meters long [2]. Modern storage areas are suited with hydraulic docks facilitating the conduction of cargo operations and utilization of mechanized equipment, like forklifts.

One of the requirements the tenants of modern warehouse areas pay attention to is the fire protection of the facility in which stockholding process is realized. Like every warehouse, a modern logistic and warehouse park should be fitted with proper lighting, heating, ventilation, air conditioning, plumbing equipment, as well as devices and systems for property protection [3]. Modern storage halls and their workplaces are characterized by a reliable, smooth flow of information. All modern warehouses also have access to the Internet – it is usually wireless connection allowing the drivers to use the connection directly from the truck cabin.

Conduction of efficient warehouse management in modern storage facilities is made by possibly by a variety of tools, including the WMS warehouse management system. A WMS-type system is a specialized system for full and comprehensive handling of warehouse processes [4]. WMS-class IT systems allow for detailed handling of logistic processes arising from the warehouse management, such as: logistic parameters of various forms of packaging, classes of storage locations, designation of warehouse locations in the form of barcodes and many more. The WMS system gathers data of the types, quantities and distribution of the storage locations, data of articles (such as expiration dates, packaging structure, methods of storage, production lots of the individual packages, etc.) and much more information essential even for

the support of basic warehouse operations. Warehouse work can be in large part mechanized due to utilization of barcodes and special algorithms to divide the locations, create pack lists etc. [5]. A WMS system makes it possible to quantitatively control and assort the goods taken into the warehouse by, e.g. compliance of delivery with previously made order and browsing the entire warehouse inventory by freely selected criteria.

The storage are in all warehouse parks consists of area where so-called light production is conducted. It involves, among others, packaging and customizing but, occasionally, typical production as well. Moreover, warehouse utilization depends on the distribution system of goods [6]. Therefore, storage buildings situated in a warehouse park cannot be the same and their surfaces have to be suitable for storing individual products to ensure proper conditions of their storage. Every modern warehouse area has to meet certain technical and environmental standards. Modern warehouse sites are built mostly according to individual requirements of large commercial networks that intent to use those areas for supplying their hypermarkets. Development of commercial network is an argument for their creation.

Supplying hypermarkets from distant warehouses rises the costs and traders do not want to allow that to happen [7].

Utilization of modern IT tools and technical improvements, like cross-docking solution, guarantees optimized organization of a modern warehouse. One of the basic solution of logistic park infrastructure is stacked storage. It is made possible by large, flat surfaces that can withstand large unit pressure. In such warehouses, goods are stored at a height of up to 12 meters. The time when Polish tenants of storage areas identified storage of goods only with designated warehouse site fitted with shelves irrevocably passed. Now is the time of competent designing of warehouse systems based on detailed analysis and specificity of the client aiming to optimize the logistic processes in a warehouse.

2. Characteristics the Polish storage market in 2011

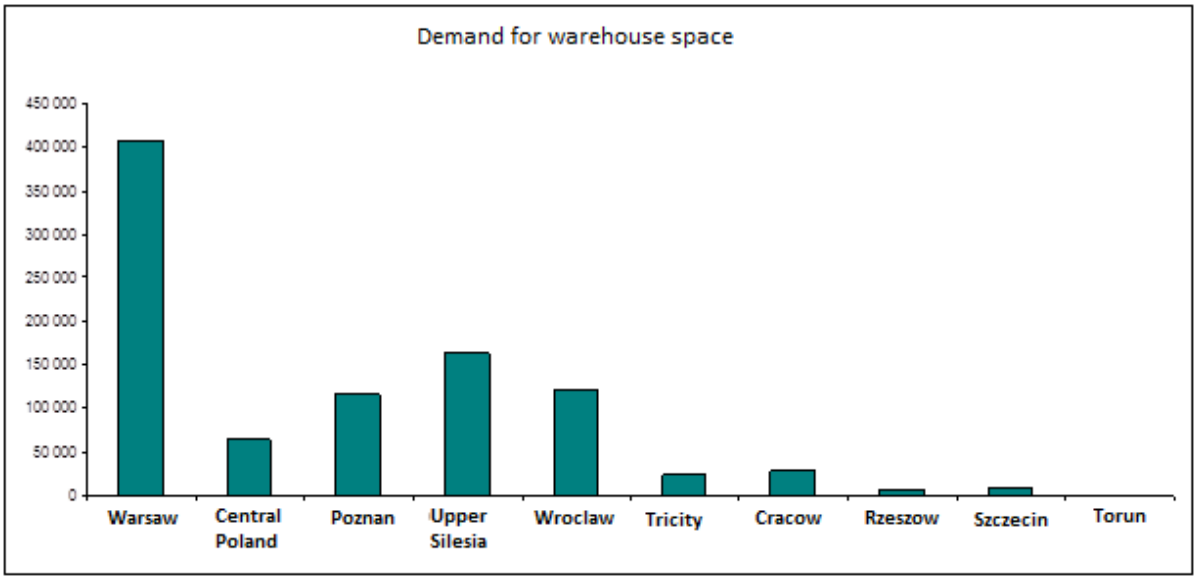
The total rented storage space in 2011 amounted to 1.86 million square meters and exceeded the preceding year's level by 30% [8]. Analysis of the "Big Box Poland Warehouse market in Poland 2011" report reveals that logistic parks in Poland are divided into three basic sectors: Sector I – including storage facilities located within the radius of 15km from the center of Warsaw, Sector II – including storage facilities of the Warsaw region, located at a distance of 15 to 80 km from center of Warsaw, Sector III – including logistic parks located in the areas of major Polish cities, with the exception of Warsaw. The largest transitions have been noted to take place in Sector II – located by the main communication routes in the Mazowieckie voivodship. Contracts concluded in Sector III, that includes logistic parks located in the areas of major Polish cities, with the exception of Warsaw, make up over 60% of total transactions. General characteristics of storage facilities in Poland in that sector is depicted in Table 1.

Table 1. **Logistic parks in Poland in 2011**

	Existing resources	**Resources under construction**	**The vacancy rate**	**Demand**	**Rents of EUR /m^2/month**
Warsaw	2 658 000 m^2	27 000 m^2	18.80%	407 000 m^2	4.0 – 5.80
Central Poland	915 000 m^2	54 000 m^2	12.90 %	64 500 m^2	2.0 – 3.95
Poznan	931 000 m^2	46 000 m^2	4.60 %	117 000 m^2	2.40 – 3.60
Upper Silesia	1 234 000 m^2	81 000 m^2	8.20%	164 000 m^2	2.70 – 3.50
Wroclaw	610 000 m^2	66 000 m^2	10.10 %	120 000 m^2	2.40– 3.90
Tricity	120 000 m^2	8 700 m^2	5.80%	24 800 m^2	2.80 – 3.50
Cracow	81 000 m^2	22 000 m^2	0.60 %	29 400 m^2	3.60 – 4.10
Rzeszow	49 500 m^2	30 000 m^2	10.10 %	6 000 m^2	2.80 – 4.00
Szczecin	41 650 m^2	0 m^2	63.80 %	9 000 m^2	2.40 – 3.90
Torun	72 000 m^2	1 100 m^2	0.00 %	0 m^2	2.80 – 3.80

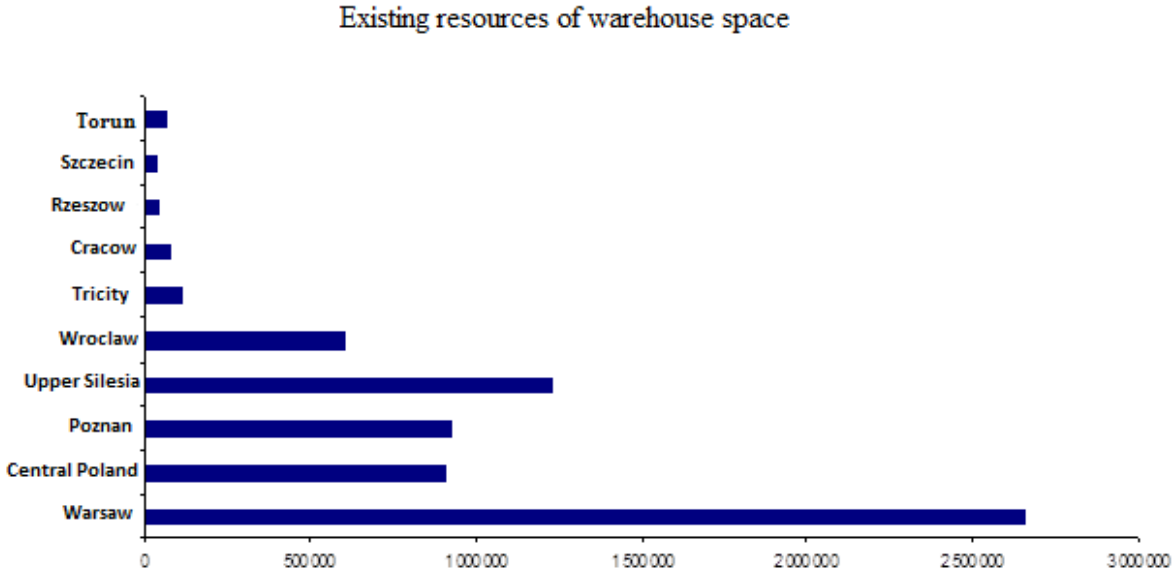
Source: Based on: www.industrial.pl

The total resources of modern storage areas are estimated to be about 4.2 million square meters worth of space, which makes up over 60% of total supply in Poland. With the increase in demand, depicted in Figure 1, there was a decline of warehouse space vacancy rate [8].



Source: Based on: www.industrial.pl

Figure 1. Demand for warehouse space in the areas of major Polish cities in 2011 [m^2]



Source: Based on: www.industrial.pl

Figure 2. Existing resources of warehouse space in the areas of major Polish cities in 2011 [m^2]

In 2011, about 350 000 square meters of modern storage space was put into use, over 100 000 square meters of which was located in the areas of Silesia, which makes up 30% compared to the year 2010. Figure 2 depicts the existing resources of warehouse space in Poland. The rents in 2001 stayed on the same level and for the best areas in Warsaw amounted to 4 -5.80EUR/square meter/month [10].

3. The area of storage facilities in construction by location

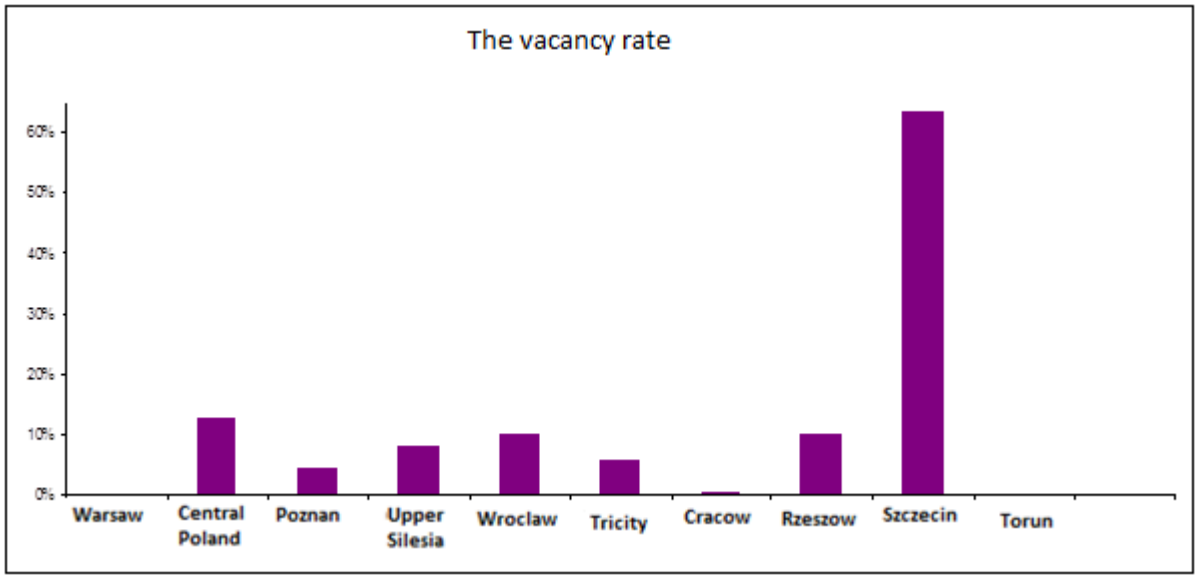
In spite of the fact the market of warehouse areas is one of the largest in Central and Eastern Europe, it still has great potential for development. Most of the built area is dedicated to the needs of specific tenants (BTS – built-to-suit) or had been rented out before the construction started. The good condition of Polish economy and its resistance to the financial crisisis reflected in the positive growth of GDP, industrial production and retail sales observed from 2009 to the present day. It showed many companies that Poland is a good place for investments [11]. Figure 3 depicts warehouse areas under construction.

Source: Based on: www.industrial.pl

Figure 3.Warehouse areas under constructionin the areas of major Polish cities in 2011 [m^2]

4. The vacancy rate

The lowest rate was reported in Torun (0.0%), Cracow (0.60%) and Poznan (4.60%). In central Poland the vacancy rate was 12.90% and in Wroclaw and Rzeszow 10.10%. Most warehouse space available to tenants is on the warehouse market of Szczecin (63.80%). It is the highest warehouse vacancy rate in Poland, which was depicted on Figure 4. Markets with low vacancy ratios and low total supply of warehouse space, like Cracow, will still be in the area of interest of developers, and BTS projects will be interesting for tenants.



Source: Based on: industrial.pl

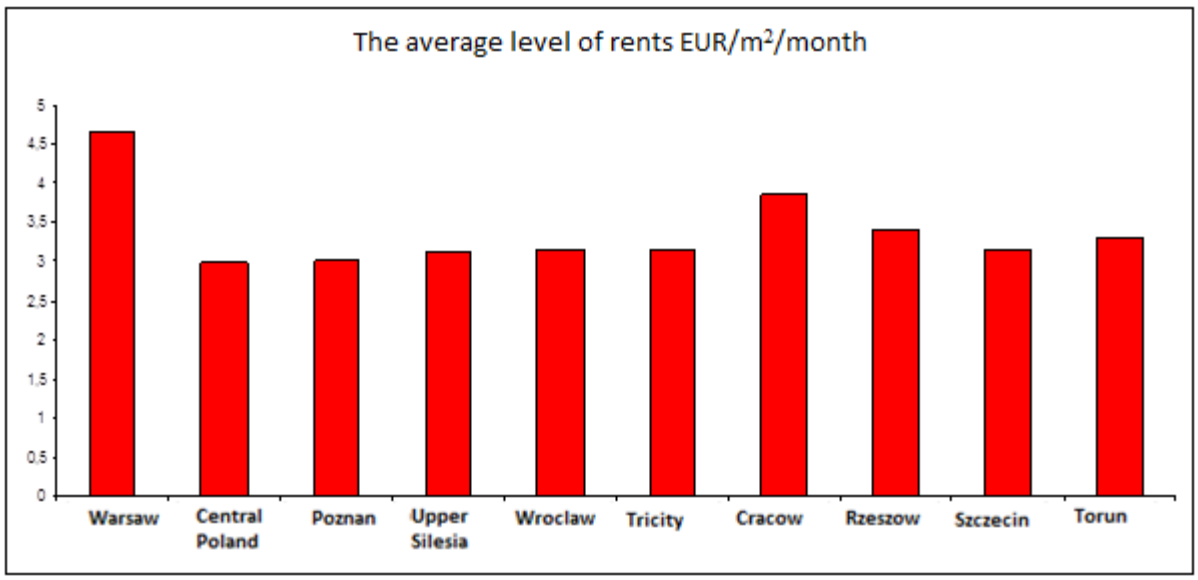
Figure 4.The vacancy ratein the areas of major Polish cities in 2011 [m^2]

5. The amount of rent for warehouse areas

The rents for the best facilities in Warsaw in 2011 amounted to 4.00 - 5.80 Euro/m^2/month and in Cracow the best storage facilities required payment of 3.60 - 4.10 Euro/m^2/month, which was depicted on Figure 5.

The rents for storage areas in 2011 remained stable, but at the end of 2011, in regions where the rate of rented space drops, there was an upward trend.

The high rents in Warsaw and Cracow are a result of not only limited amount of space available immediately, but also the availability and prices of respecting plots for warehouse construction. The lowest rents for storage areas in 2011 were pain by the tenants in central Poland (2,00-3,95 Euro/m^2/month).



Source: Based on: industrial.pl

Figure 5. Average rents for warehouse areasin the areas of major Polish cities in 2011 [Euro/m^2/month]

In the remaining regions of Poland the rental rates of warehouse areas were at a similar level and amounted respectively to: in Rzeszow 2.80 - 4.00 Euro/m^2/month, in Torun, 2.80 - 3.80 Euro/m^2/month, in the regions of Upper Silesia 2.70 - 3.50 Euro/m^2/month, Wroclaw and Szczecin 2.40 - 3.90 Euro/m^2/month, and in Tricity the rent was 2,80-3,50 Euro/m^2/month. Projections indicate that the rents in 2012 will remain at the level observed in 2011, especially in locations with high vacancy (the region of Central Poland, Szczecin).

Conclusion

Analysis of the optimistic forecasts for the Polish economy leads to a conclusion that the trend demand for modern warehouse areas will continue to be upward. Recovery of tenants' activity and a relatively small number of construction projects, the majority of which being BTS or facilities with secure lease agreements, will likely cause the warehouse vacancy rate in the country to drop. In locations like Poznan, Tricity or regions of Upper Silesia, there can be insufficient supply to meet the demand of tenants [12].

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