SHAPING THE WAREHOSUE SPACE MARKET COUNTRIES CENTRAL AND EASTERN EUROPE

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Abstract: The aim of this article is to present the changes taking place in the market warehouse space in Central and Eastern Europe (CEE). The analyzed area has undoubtedly dynamic development of warehouse management. The conditions under which economic operators are determined by the contemporary work had, inter alia, changes in the trade, including an unprecedented development of e-commerce, to improve the infrastructure, increase consumer awareness and expectations, or whether the growing number of logistics operators. The article was based on available, latest works and publications, both theoretical and practical. For the analysis of covered areas served mainly reporting entities monitoring the warehouse market, as well as knowledge and observations of the author. Access to these studies to determine the significance of the present research area, as well as its attractiveness. This work is a contribution to further research in the area of economy, stored Central and Eastern Europe. It was found the need to analyze the market, paying attention to the factors defining the competitiveness of the logistics of this area, with particular regard to Polish.

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1. INTRODUCTION

With respect to Europe, One can easily see the growth of logistics activities in the region of Central Europe, where logistics, manufacturing and retail sales have become engines driving market changes, while increasing the value of the investment in this area. From the many industry reports available on the market it appears that Poland is the most attractive country for foreign direct investment in the region of Central and Eastern Europe. You can find in the literature also views of the largest logistics attractiveness of Polish all over Europe, so its role is clearly accentuated.

2. THE EVOLITION OF WAREHOUSE SPACE MARKET IN EUROPE

When considering the issues related to warehouse management, you can see market recovery observed in Europe, especially in the region of Central Europe, which, however, does not proceed evenly across the continent. The most stable markets, characterized by a positive level of demand, affordable rental rates and limited supply include the Czech Republic and Slovakia. These markets undoubtedly benefited from the foreign investment, which embraced primarily the automotive industries and e-commerce. This resulted in a significant increase in the number of suppliers and manufacturers, who see these countries as a generator of distribution throughout Europe.

In Poland, the situation is very good, although it varies from one submarket to another. A good example is the recent investment from Amazon, which chose their storage location to be in Wroclaw and Poznan. This country due to its location and the number of the population is undoubtedly a market with a lot of room for the development of the logistics industry. There are additional opportunities when we perceive Poland as a gateway to the East, although the situation in Ukraine and Russia can not fully guarantee benefiting from these opportunities.

The study called Logistics Performance Index and Its Indicators (The World Bank in 2014) once again rated the friendliness of logistic systems of countries from the point of view of the needs generated by international trade. In the present ranking of Poland was on the 33rd Place, the Czech Republic took 26th place, Hungary ranked in 31st position, Slovakia is on 41. place, while Romania on the 60th position. The attractiveness of logistics in this case is determined by several factors, including: construction and modernization of transport infrastructure, and customs processes and their effectiveness. Germany has been the leader of this ranking for many years.

The European logistics market is diversifying. Traditional distribution channels located in Western Europe no longer play the dominant role, as the markets of

Northern Europe and Central and Eastern Europe are becoming more and more important. The development and diversification of the warehouse market is influenced by many factors. These are:

- spectacular growth in demand in the sector of e-commerce,
- improving and expanding infrastructure,
- paying more and more attention to the quality of logistics services,
- more pressure on timing and cost of supplies,
- new transport nodes specializing in intermodal transport.

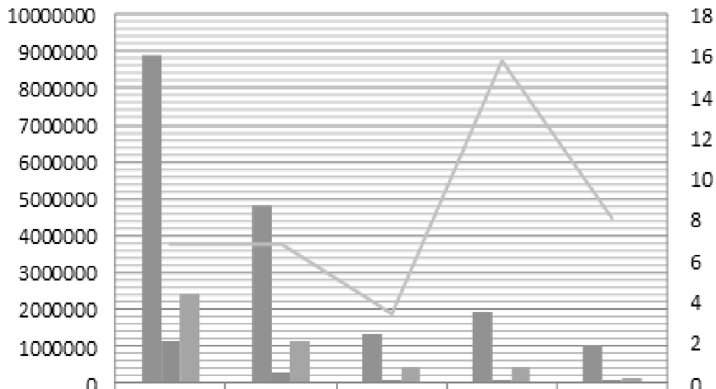
The amount of space occupied by logistics operators specializing in intermodal transport systems is growing at an impressive rate. According to the figures published by the international consulting company (Cushman & Wakefield, 2014) it appears that in 2015 the total warehouse stock in Central and Eastern Europe amounted to nearly 19.8 million square meters. Undoubtedly, Central Europe is gaining popularity thanks to its vicinity of the European economic power, which is Germany. However, even German companies, mostly operating in the automotive sector, see big opportunities in the CEE region to grow and reduce the cost of their businesses. Therefore, they are shifting their production to the countries of Central Europe, building there technologically advanced plants.

In 2014, the number of leased warehouse space in Central Europe – the Czech Republic, Poland, Romania, Slovakia and Hungary amounted to more than 4.5 million square meters. The interest of companies in this region in the coming years will be characterized by a similar level. The data in Figure 1 presents the situation of the markets. Poland is the clear leader in terms of attractiveness of warehouse space and is significantly distinctive from other countries. Poland is followed by the Czech Republic, which together with Hungary have a comparable population, but the resources of warehouse space in Hungary does not exceed 2 million square meters, while the Czech Republic has nearly 5 million square meters. Despite being less attractive compared to other countries, the Hungarian and Romanian markets are becoming more and more active in terms of the logistics market, which clearly emphasizes the considerable economic potential and purchasing power of the presented area of Europe.

The vacancy rate in these European countries is characterized by great diversity. It is the lowest in Slovakia, but it results from the limitations of the access to resources.

The main criteria for the selection of warehouse space always include: quality, rental costs, availability of infrastructure and labour. In e-commerce the value of warehouse space is how available it is to the final purchaser. Therefore, developers are trying to meet the demands of their tenants in terms of sustainability and ecological solutions in the rented facilities. It is due to the more competitive terms that tenants are becoming more aware of their needs and more demanding towards developers and they expect more customized offers.

Fig. 1. Warehouse space market in Central and Eastern Europe in 2014 (Property Journal 2015)



	Poland	Czech Republic	Slovakia	Hungary	Romania
Resources (m2)	8900000	4800000	1300000	1900000	1000000
New supply	1100000	290000	20000	20000	3000
The volume of transactions	2400000	1100000	400000	400000	100000
Vacancy rate (%)	6,8	6,8	3,4	15,7	8

The Polish warehouse property market is growing fastest compared to other countries of Central and Eastern Europe. It is estimated that Poland will maintain the position of the market with the greatest development activity not only in Central Europe, but also in the whole continent.

According to experts, Cushman & Wakefiel (2014) warehouse property market should grow at the current rate. The Czech market will continue to be developing dynamically. It is observed, however, that there is the lack of political openness to foreign investors in the country. Another obstacle may be the insufficient supply of land for investment purposes.

E-commerce industry is clearly moving the borders of the current dominance of European capitals. In the Czech Republic the electronics sector is growing mainly in Prague. Amazon built warehouse complex in the town Dobrovíz near Prague. Due to their strategic transport links and proximity to Germany Prague and Brno are among the most popular places in which warehouse management develops. One can observe that the Czech logistics operators who covers the Czech markets and also goes outside the country are now extending their operation further to the West. The tendency to expand the range of services and moving the limits of the operations concerns the whole of Central and Eastern Europe.

Hungarian and Romanian markets are in the recovery phase. Having maintained a high level of vacancy rate so far Hungary is seeing the rate falling now, which may signal the start of new investments in this area.

On the Slovak market the largest share in the market development of warehouse space has Bratislava and its surroundings, which have been carried out several important investments, including for Volkswagen.

Many companies because of inability to timely supply the markets of Central and Eastern Europe through the existing distribution centers, located in the Benelux countries and France, are considering or some of them have already formed warehouses and distribution centers in the countries of Central and Eastern Europe.

The report of Colliers International (2014) "Industrial & Logistics Demand – What's driving change" indicates that the retail trade of food, beverages and tobacco is the dominant terms of tenants logistics in Central and Eastern Europe. Also clearly growing demand for household appliances and cosmetics.

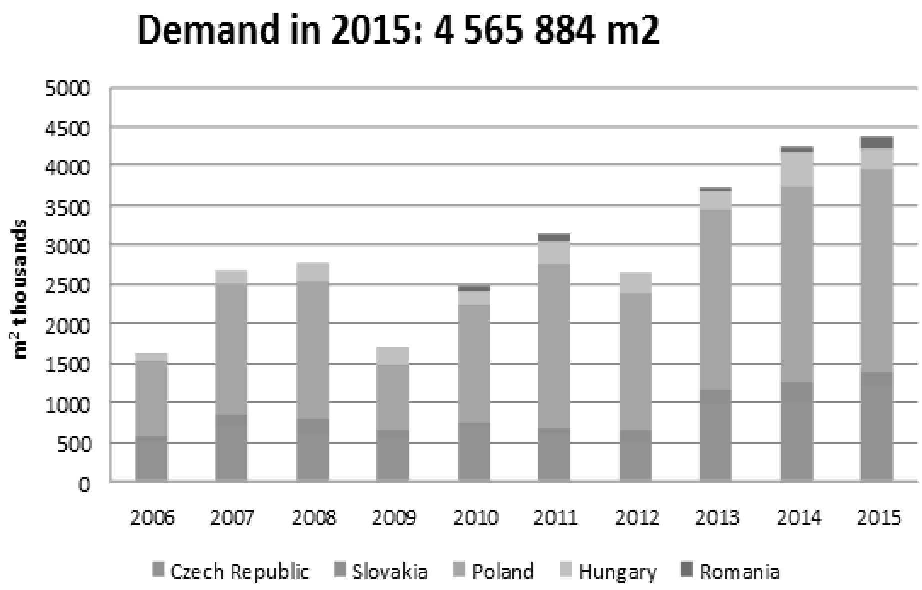
3. THE ATTRACTIVENESS OF THE POLISH LOGISTICS

Polish commercial property investment market is one of the best performing European markets in recent years. Globally, Poland is perceived as a country where investors see the opportunity to secure capital investment. Strong interest in this regard is also from the companies investing on the capital market and from private pension funds. The greatest demand among investment entities is for a modern warehouse. Owing to infrastructural investments made across the country Poland begins to reap the benefits from its geographical location.

The report "EY's Europe Attractiveness Survey" (EY, 2015) shows that Poland is the most attractive country for foreign direct investment in the region of Central and Eastern Europe. The country has since moved up from 10th to 7th place in terms of the amount of new foreign investment in Europe, noting in this regard the highest growth among the top ten European countries (EY, 2015). This allowed Poland to become a leader in Central Europe. Cushman & Wakefield exploring European markets also emphasize the good results recorded by Poland and the Czech Republic.

Figure 2 presents the development of demand for warehouse space over 10 years in Central Europ. It is evident that almost every year the demand went up, but the 2009 European economic crisis verified the trend. 2013 was characterized by recovery in storage management, which has continued up to the present.

Fig. 2. Demand for warehouse space in Central and Eastern Europe (Prologis, 2016)

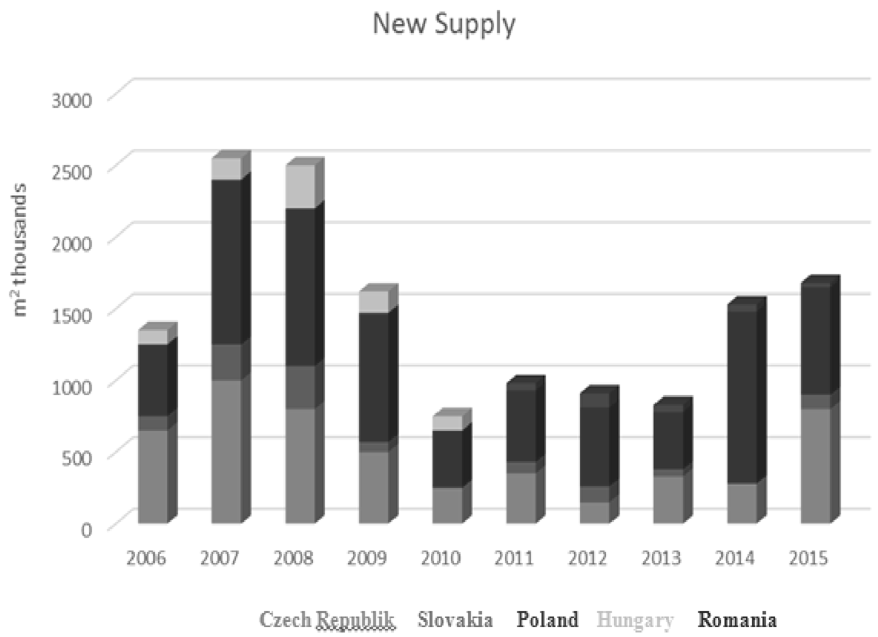


With respect to emerging trends Poland seems to be the best choice for warehouse and production activities on the map of Europe. The country offers added value to many entities (Stepien, 2013). In addition, with BNP Paribas report Real Estatet (2015) shows that Poland among the countries of Central and Eastern Europe offers the largest variety of real estate inventory. Polish area according to the authors of the report should be divided into 6 major and 4 developing clusters, where the development of warehouse space is the largest.

The resources of modern warehouse space in Poland at the end of the 2015 fluctuated within 10 million m2. The largest Polish market is the Warsaw and the surrounding area. This is what clearly changes in the economy of the country, it warehouse development of regional markets, such as: Upper Silesia, Central Poland, Poznan and Wroclaw, where intensification of investment, and the building remains a large number of objects (more than 40% more than in 2014).

When it comes to the supply of storage facilities in 2015, it amounted to around 930 thousand. M2, which represented a decrease relative to the previous year (Fig. 3). The biggest development activity has been reported on regional markets, previously convicted as developing. In turn, when it comes to activity of tenants, it was increased by 5% compared to the year 2014. Transaction volume at that time amounted to 2.47 million m2. The level of vacancy rates fell from the 6.8% in 2014 to 5.2% at the end of 2015, thus reducing the amount of available storage space to 514.000 m2 (Cushman & Wakefield, 2015). Vacancy rates around the country were below the level of 10%.

Fig. 3. Supply for warehouse space in Central and Eastern Europe (Prologis 2016)



The increase in demand for warehouse space in Poland, reflected in the number of started and completed construction. Logistics real estate market is growing rapidly, due to increased demand for logistics services. Poland is among the countries which offer attractive rents warehouse space, high quality technical and functional. What is more, Poland is an attractive location for logistics objects for a number of reasons. Among them, inter alia, indicate (Sipińka-Gołembska, Majchrzak-Lepczyk & Bentyn, 2015):

- advantageous geographical location,
- "Terminal Central and Eastern Europe",
- functioning of economic zones,
- growth of modern infrastructure,
- favorable macroeconomic indicators,
- locating logistics operations, production plants and warehouses with areas of western European countries,
- modern telematics and informatics,
- cheaper labor,
- qualified staff,
- an increase in consumer spending,
- large internal market,
- the importance of developing e-commerce business.

Logistics of e-trade, taking into account the constant increase in shopping over the Internet, will be expanded in Poland, what are confirmation the three distribution centres Amazon. New features support outside the Polish customers, the whole of Europe.

The current Polish transport infrastructure, although still of poorer quality compared to the countries of Western Europe, has been rapidly developing in recent years. Developing a network of motorways and expressways facilitates the passage of people and goods, accelerates logistics processes, enhances mobility, etc., Thus, it increases the competitiveness of the warehouse facilities in the country.

The report "Assessment of the global market of transport infrastructure: The prospect for 2025" shows that the investment made in the transport infrastructure around the world by 2025 will grow by an average of around 5% per year (Oxford Economics in 2015).

Observing therefore trends in the market, you can specify a number of factors determining the dynamic growth of the development of warehouse space. However, the main determinants remain sustained economic growth and the progressive modernization of the road network in Poland. Above is the location of Polish plays an important role in transit between Western and Eastern Europe. Low labor costs are a major reason contributing to moving the logistic center of Europe from Germany to Polish. The dominant means of transport in Poland is road transport, whose share will rise, increasing the need for further enlarging the capacity of roads.

4. CONCLUSION

There is a significant change in the warehouse market. he demand for industrial space and warehouses is generated mainly by domestic demand and exports to European Union countries. There has also been a rise in interest in investments in smaller regions which previously lacked modern warehouse facilities. There is a growing demand for locations in smaller towns, where it is easier to bring in skilled workers than in large cities. The most popular areas are along major road arteries, close to large urban centers.

In conclusion, it can be assumed that the next few years the market of warehouse space will be spent on stabilization. Poland will remain an attractive market for foreign companies, and if the economic situation in Europe in the presented region continues to improve, this growth will be relatively stable. There still remains available warehouse space in the market. Much of the land is getting ready for investment, therefore, it should be expected that in the next few years the expansion of modern warehouse space will continue. Until recently, it was the efficiency of the logistics of e-commerce which determined the competitive advantage, now it is a necessary element of each offer. Those who implement new logistics solutions tailored to the needs of customers are the winners, and the key to success may be modern warehouse facilities. Undoubtedly, the growing infrastructure in the European Union, and the increase in the mass consumer market in Central and Eastern Europe both determine the need for the development of new cargo routes. These changes, in turn, lead to the creation of new hubs of industrial and warehouse space.

It should be clearly pointed out the high level of differentiation that occurs between countries, taking into account their macroeconomic situation, development of transport infrastructure, the maturity of the market, investment opportunities, the availability of skilled human resources, and, above all, growth potential warehouse sector. The CEE, as well as in Western Europe there is both centralized and decentralized economy. In Hungary and Slovakia market area stored it is dominated by national capitals, with Poland, Romania and the Czech Republic its logistics activities are scattered in regional cities. According to experts PNB Paribas Real Estatet (2015) 2014 years was a record year, taking into account the capital invested in the warehouse and logistics facility in the whole Central and Eastern Europe, reaching a value of over 2.2 billion Euro. It must therefore be assumed that the featured area will continue to gain on the investment value, which determines the development and attractiveness of logistics.

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BIOGRAPHICAL NOTES

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