

AT A GLANCE

Q2 2023

REGIONAL OFFICE MARKETS IN POLAND



Highlights

- Leasing activity remains stable
- Developers exhibit caution with regard to commencing new projects
- High service charges drive office upgrades and workspace optimization
- Prime office rents remain high

At the end of the second quarter of 2023, the combined office stock of Poland's eight largest regional cities (Kraków, Wrocław, Tricity, Katowice, Poznań, Łódź, Lublin, and Szczecin) surpassed 6.51 million sqm. In the January-June period, more than 116,000 sqm was delivered to the regional markets across 10 office projects; of that total, 48,100 sqm, or 41%, was completed in the second quarter. The largest office completions of the first half of the year included Ocean Office Park B in Krakow (Q1), Nowy Rynek E in Poznań (Q2) and Centrum Południe 3 in Wrocław (Q1). These projects accounted for more than 64% of the total new office supply for the six months to June. With the availability of office space in existing buildings being at significant levels, developers are postponing decisions to commence construction until they secure a major pre-let for a planned project. It is also worth noting that new leases accounted for a large proportion of total take-up in the regional markets in the second quarter of 2023 – together with pre-lets they made up 70% of the leasing volume.



Source: BNP Paribas Real Estate Poland

6.51 M sqm
EXISTING OFFICE SPACE

48,100 sqm
NEW SUPPLY Q2

571,000 sqm
OFFICE SPACE UNDER CONSTRUCTION (2023-2025)

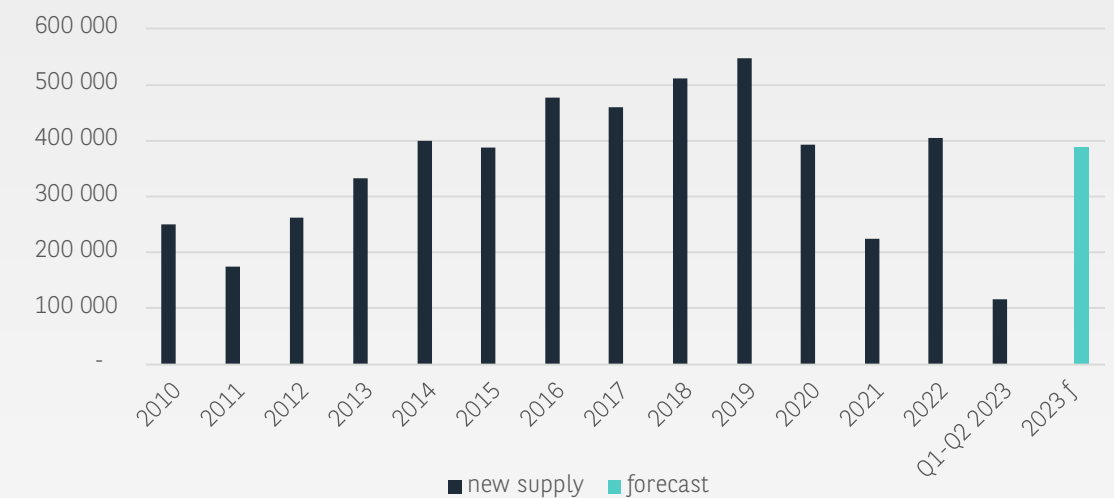
16.8%
AVERAGE VACANCY RATE

334,100 sqm
GROSS TAKE-UP H1

166,000 sqm
GROSS TAKE-UP Q2

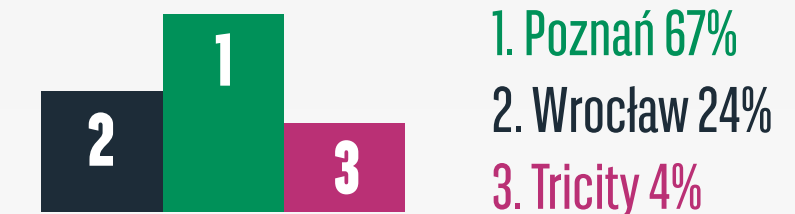
44,500 sqm
ABSORPTION Y/Y

Annual office supply in the regional markets (sqm)



Source: BNP Paribas Real Estate Poland

Top 3 cities with the highest new supply in Q2 2023



Source: BNP Paribas Real Estate Poland



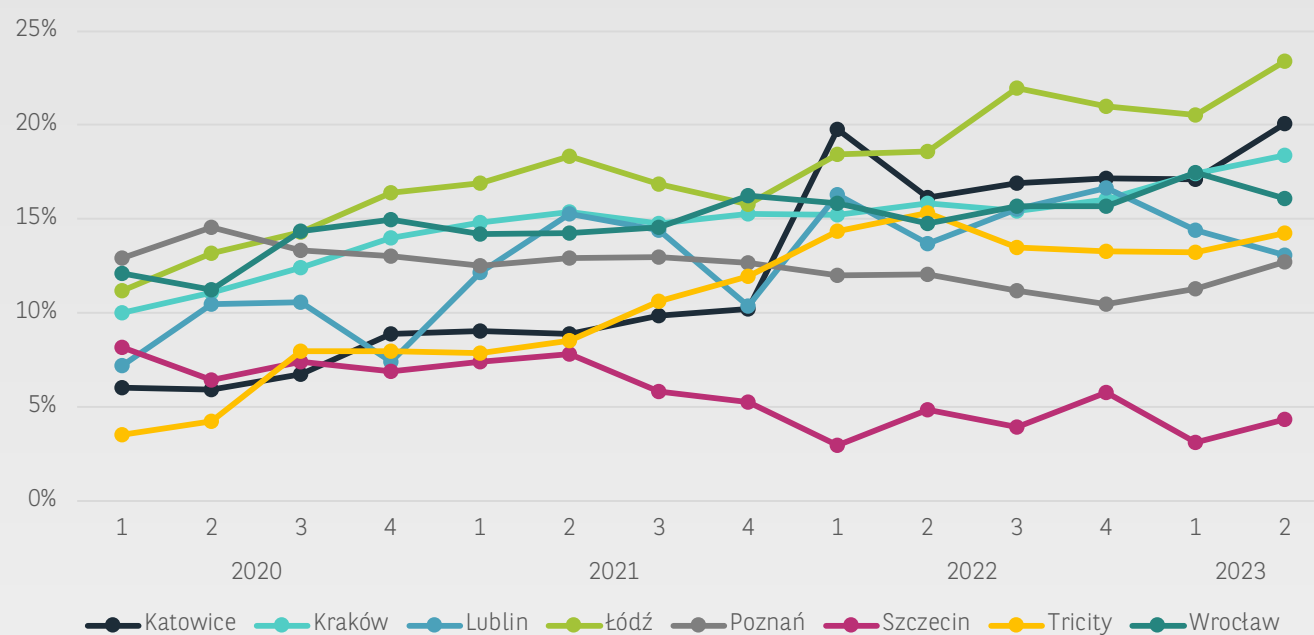
At the end of June 2023, office space availability on the eight largest regional city markets amounted to 1,115,500 sqm, equating to a vacancy rate of 17.1% (up by 1.2 pp q-o-q and 1.9 pp y-o-y). The highest vacancy rate of 23.4% was reported in Łódź, while the lowest was in Szczecin (4.4%). Most regional cities recorded growth in vacancies, with Katowice and Łódź showing the strongest upward movement quarter-on-quarter (+2.9 pp). By contrast, Lublin and Wrocław saw their vacancy rates edge down over the quarter by 1.3 pp and 1.2 pp, respectively. Despite the completion of Brama Oławska, which was only approximately 50% let, the capital of Lower Silesia reported no change in its vacancy rate and attracted the strongest occupier interest in the second quarter of 2023.



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Vacancy rate

16.8% average vacancy rate in the regions in Q2 2023



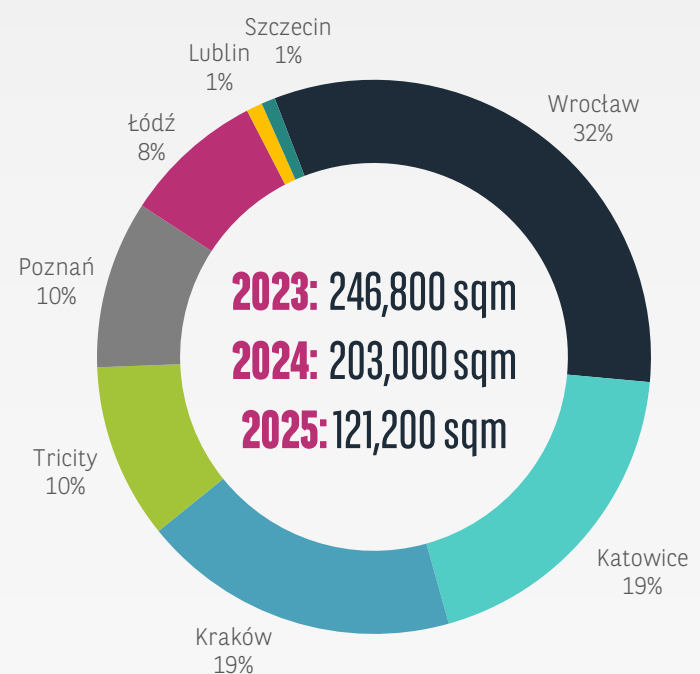
Source: BNP Paribas Real Estate Poland

Office buildings completed in Q2 2023

PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER
1 Nowy Rynek E	Poznań	25,100	Skanska
2 Brama Oławska	Wrocław	11,700	Tower Inwestycje
3 Pollux	Poznań	3,800	Soltex
4 Mercator D	Poznań	3,500	Mercatro
5 Matarnia Office Park A	Gdańsk	2,100	Domesta
6 Fuzja J	Łódź	1,900	Echo Inv.

Source: BNP Paribas Real Estate Poland

Office space under construction 2023-2025



Source: BNP Paribas Real Estate Poland

The largest office schemes under construction with delivery date 2023

PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER	PLANNED OPENING
1 Craft	Katowice	26,700	Ghelamco	Q3 2023
2 KREO	Kraków	24,100	Ghelamco	Q3 2023
3 Nowa Renoma	Wrocław	21,700	Globalworth	Q4 2023
4 Infinity	Wrocław	19,800	Avestus	Q3 2023
5 Quorum Office Park A	Wrocław	17,800	Cavatina	Q4 2023

Source: BNP Paribas Real Estate Poland

Expert comment



Agnieszka Witkowska
 Consultant, Landlord Representation, Office Sector
 BNP Paribas Real Estate Poland

Regional cities saw a rise of demand for flex offices which had previously been associated with Warsaw only. Most flex-space providers operate in such cities as Warsaw, Wrocław and Krakow, but Tricity is also emerging as a strong destination. Flexible office stock in Gdańsk, Gdynia and Sopot stands at approximately 25,000 sqm and another 5,000 sqm is expected to be added by the end of this year. Flexible office leasing is popular with both start-ups and scale-ups looking for new solutions, as well as IT and high-tech companies and creative and marketing industries. Key flexible office providers operating on the Tricity market include: Chilliflex, O4 Network, Spaces Gdańsk, Quickwork, Regus, Collab, Leśna Hub, Good Space Coworking, City Space, and Mind Dock Coworking.

Expert comment



Dorota Mielke

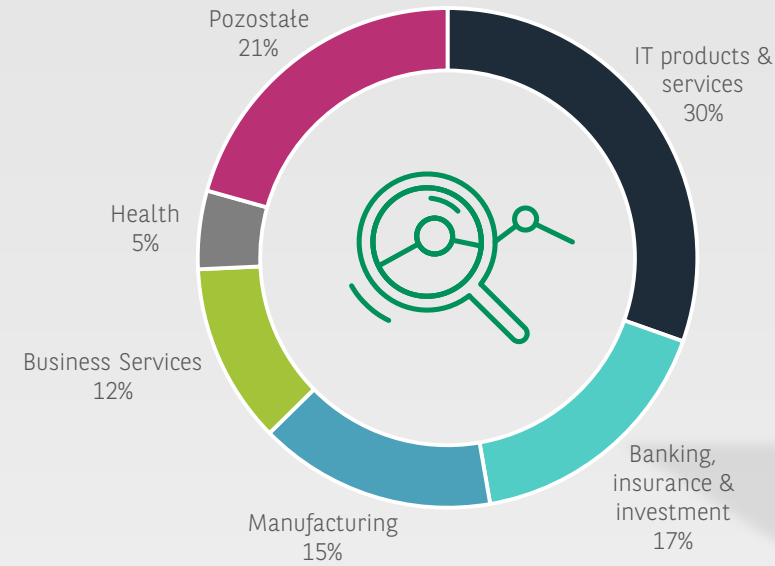
Associate Director, Office Agency
BNP Paribas Real Estate Poland

Although leasing activity in the regional city office markets remains stable, there is a trend towards optimizing office footprints, with a majority of tenants downsizing their offices under new leases. The average lease size for the period January-June 2023 was approximately 830 sqm, down from 1,000 sqm in the whole of 2022. With many tenants opting to extend leases and remain in their current locations, renewals in Poland's eight core regional city office markets accounted for almost 33% of all deals in the first half of 2023. Occupier focus is increasingly shifting towards upgrading offices to achieve savings. Another way to optimize costs is to sublease office space, a frequent practice during an economic slowdown.



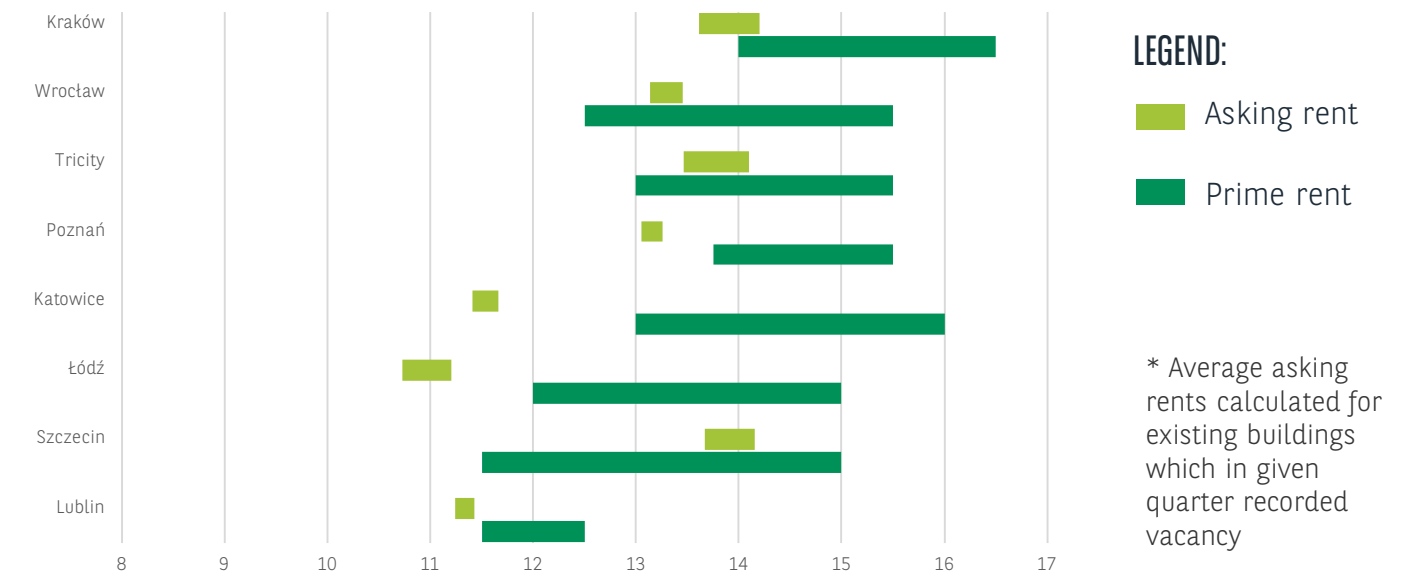
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Gross take-up by sectors Q2



Source: BNP Paribas Real Estate Poland

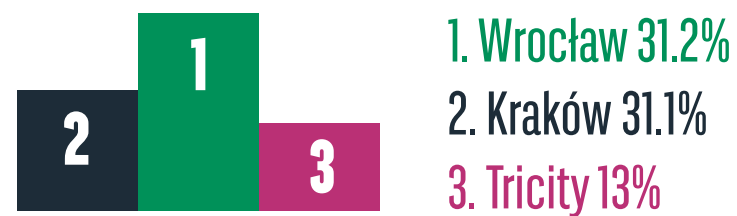
Average* asking rents vs „prime” rent (EUR/sqm/mth)



Source: BNP Paribas Real Estate Poland

Prime rents in office buildings in regional cities featuring modern technologies, including ESG and energy efficient solutions, remain high, with premium grade buildings commanding EUR 16.00-17.00/sqm/month. Due to high service charges, office tenants and landlords are increasingly opting for a variety of office upgrades to bring such costs down.

Annual gross take-up by regions Q2 2023



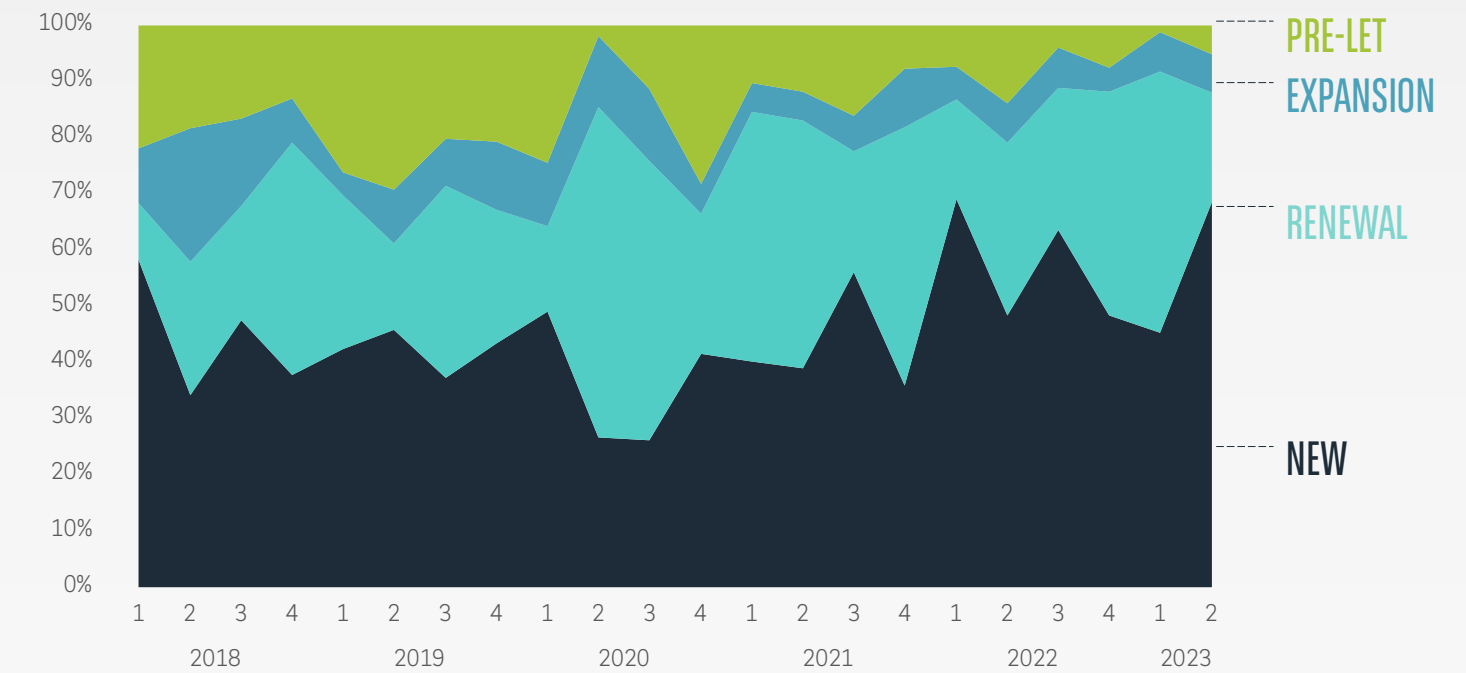
In the second quarter of 2023, gross office take-up in the regional cities totalled almost 166,000 sqm, which is comparable with the figure recorded in the first quarter of 2023. Gross take-up for the first half of 2023 reached 333,800 sqm, down by just under 3% on the first six months of 2022.

Top 5 lease transactions Q2

TENANT	PROJECT	CITY	OFFICE AREA (sqm)	TYPE OF LEASE
1 BNY Mellon	Centrum Południe 3	Wrocław	20,300	new
2 Conf.	Podium Park B	Kraków	5,200	renewal
3 UPM-Kymmene	CU Office A	Wrocław	4,700	renewal
4 Passcon Sp. z o. o.	Wadowicka 3C	Kraków	4,500	new
5 Keywords Studios	Quorum Office Park D	Wrocław	4,000	new

Source: BNP Paribas Real Estate Poland

Gross take-up structure in the regions Q2



Source: BNP Paribas Real Estate Poland



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