AT A GLANCE Q2 2024

REGIONAL OFFICE MARKETS IN POLAND

Source: BNP Paribas Real Estate Poland

Highlights

- Vacancy rate stabilizes
- Office demand remains moderate
- Renewals dominate take-up at 51%
- Development activity is muted
- Tenants continue to optimize office footprints

KEY FIGURES

Source: BNP Paribas Real Estate Poland

6.73 M sqm
EXISTING OFFICE SPACE

30,000 sqm
NEW SUPPLY Q2

271,300 sqm
OFFICE SPACE UNDER CONSTRUCTION (2024-2026)

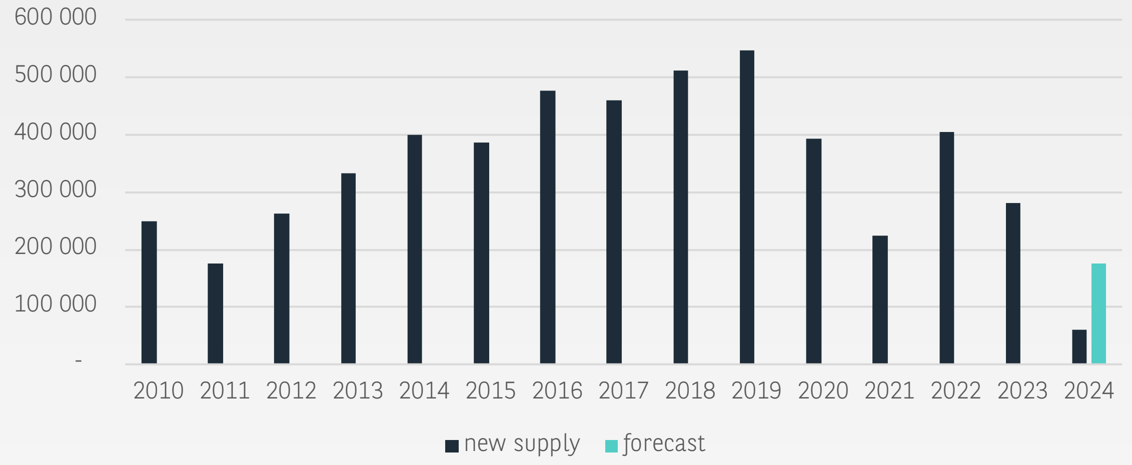
17.7%
AVERAGE VACANCY RATE
+0,1 p.p. q/q

146,000 sqm
GROSS TAKE-UP Q2

71,100 sqm
NET TAKE-UP Q2

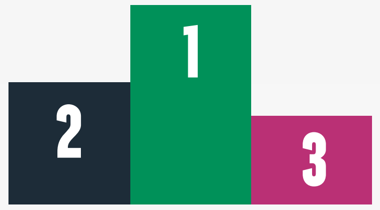
At the end of the second quarter of 2024, the combined office stock of Poland's eight largest regional cities (Krakow, Wrocław, Tricity, Katowice, Poznań, Łódź, Lublin, and Szczecin) was more than 6.73 million sqm. With 1.82 million sqm of office stock, Krakow remains the second-largest office market in Poland after Warsaw and ahead of Wrocław (1.37 million sqm) and Tricity (1.05 million sqm). New office supply in the three months to June 2024 totalled 30,000 sqm. The largest office completion was Vastint's B10 with 14,100 sqm in Wrocław. Subdued office development activity helps offset weaker demand, with decisions to go ahead with new projects strongly dependent on securing significant pre-lets from key tenants. Given market uncertainty and office oversupply in regional cities, some projects underway are very likely to be delayed or repurposed.

Annual office supply in the regional markets (sqm)



Source: BNP Paribas Real Estate Poland

Top 3 cities with the highest new supply in Q2 2024



1. Wrocław 47%
2. Łódź 26%
3. Tricity 17%

Source: BNP Paribas Real Estate Poland

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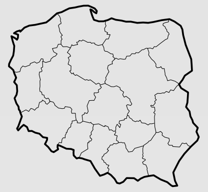
Real Estate for a changing world

> *At the end of June 2024, office availability on the eight key regional city markets amounted to approximately 1,190,500 sqm, equating to a vacancy rate of 17.7% (down by 0.1 pp q-o-q but up by 1.1 pp y-o-y). Vacancy rates remained high at the end of the second quarter, with the highest of 23.3%, 20.8% and 20.2% reported in Łódź, Katowice and Krakow respectively and the lowest in Szczecin (6.3%, up by 0.8 pp over the quarter). Office vacancy levels are expected to remain high in the coming months as unoccupied space continues to be absorbed by the markets in the next three-five years. Older office buildings aged over 10 years account for more than half of standing vacant stock, thereby pushing regional city vacancy rates strongly up. Our analysis shows that most of that stock is long-term vacant.*



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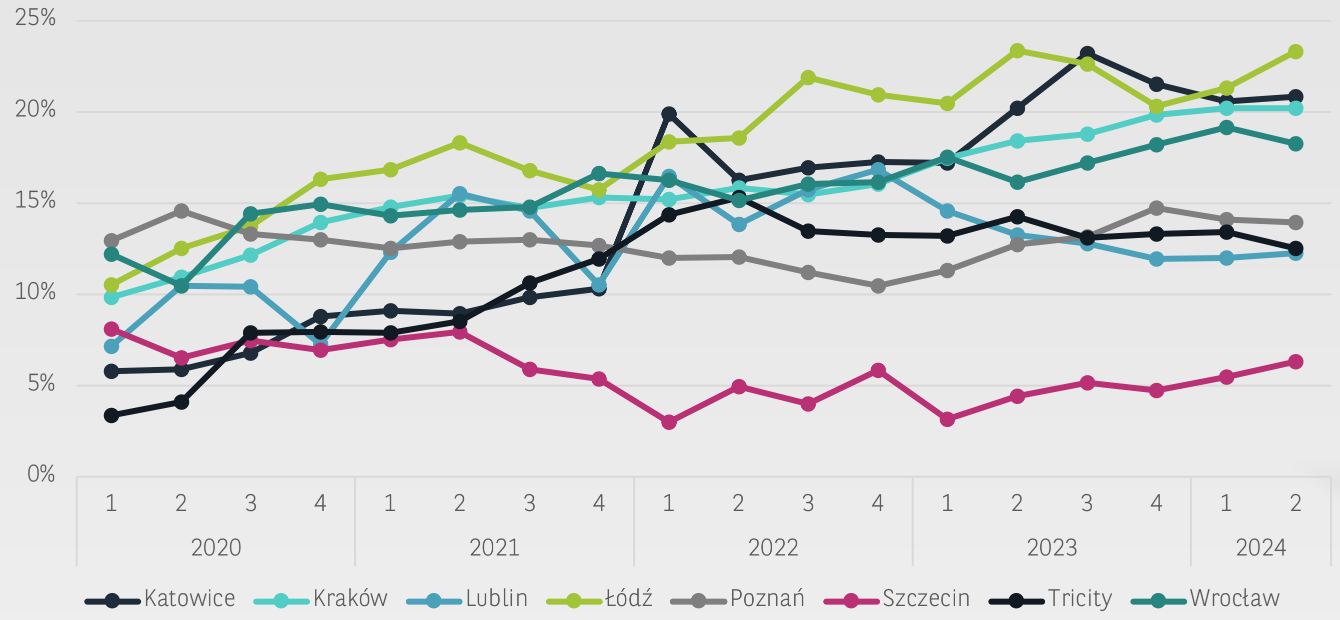
Vacancy rate

17.7% average vacancy rate in the regions in Q2 2024



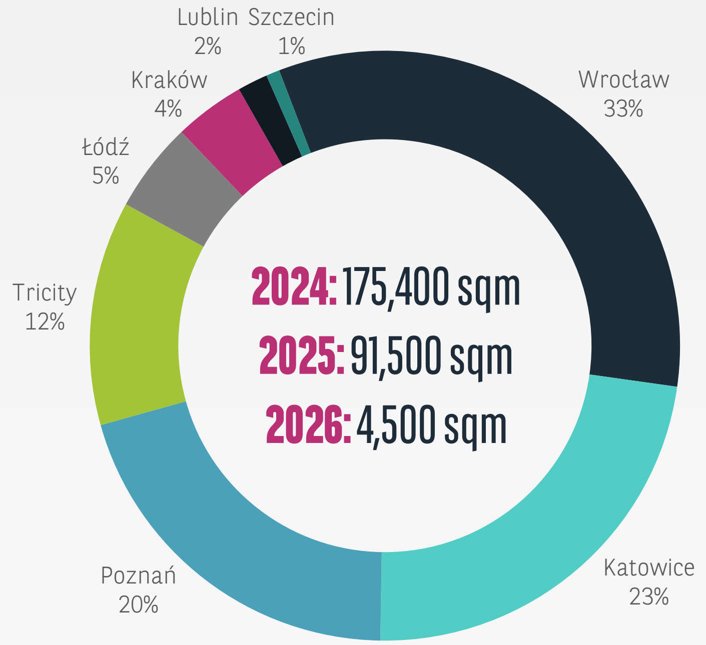
Source: BNP Paribas Real Estate Poland

Office buildings completed in Q2 2024

	PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER
1	**B10**	Wrocław	14,134	Vastint
2	**Willa Leona Rappaporta**	Łódź	7,700	Bodex
3	**Silk**	Trójmiasto	5,000	LPP
4	**Sky Garden**	Szczecin	1,800	Idea Invest
5	**Roko Office Point**	Kraków	1,400	Roko

Source: BNP Paribas Real Estate Poland

Office space under construction 2024-2025



Source: BNP Paribas Real Estate Poland

The largest office schemes under construction (delivery date 2024-2026)

	PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER	PLANNED OPENING
1	**Quorum Office Park B**	Wrocław	53,200	Cavatina	Q4 2024
2	**AND2**	Poznań	37,800	Von der Heyden Group	Q2 2025
3	**Grundmanna Office Park A**	Katowice	20,700	Cavatina	Q4 2024
4	**ECO City Katowice I&II**	Katowice	16,500	Eco City Katowice	Q1 2025
5	**Swobodna Spot I phase**	Wrocław	14,700	Echo Inv.	Q2 2025

Source: BNP Paribas Real Estate Poland

Expert comment

Sara Romanowska
Consultant, Office Agency
BNP Paribas Real Estate Poland

Ageing regional office stock

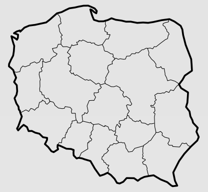
37% of office buildings on the eight key regional city markets (Krakow, Wrocław, Tricity, Katowice, Poznań, Łódź, Lublin, and Szczecin) are more than 10 years old, while those aged under five years account for nearly 30% of total stock. A strong advantage of the former is, above all, their location – most are in central and well-connected locations. However, as the supply of modern, certified and ESG-compliant stock continues to grow, older office buildings will have to be refurbished – otherwise they will run the risk of losing tenants. At the end of the second quarter of 2024, more than 40% of office space remained vacant in the oldest office buildings in the regional cities. If refurbished, they could remain attractive to tenants and meet their present-day needs. In addition, refurbishments of commercial buildings are necessary to achieve the goals of the European Green Deal. All steps taken in this direction will mean investments in ESG values and pave the way towards lower service charges.

Expert comment

Ewa Nicewicz

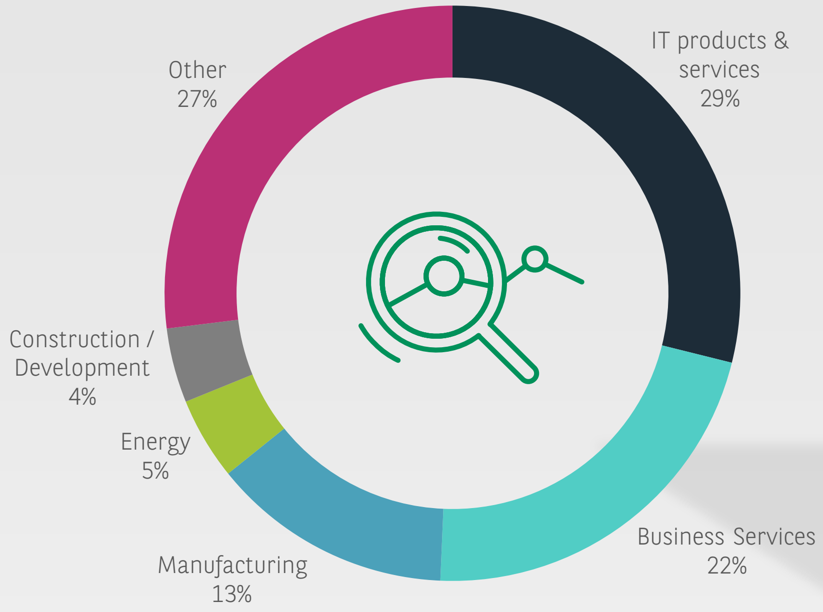
Senior Consultant, Office Agency
BNP Paribas Real Estate Poland

The downturn in construction activity in the regional cities, as in Warsaw, is attributed to a number of factors, including constrained land availability, elevated interest rates and financing costs, as well as hybrid work practices leading some tenants to downsize offices. In the first quarter of 2024, the regional cities saw two office completions with a combined area of 31,200 sqm, followed by five new projects (30,000 sqm) in the three months to June 2024. Total office take-up for the second quarter of 2024 hit 146,000 sqm, an increase of 4% over the quarter. Renewals accounted for most of that total at 51%, while new leases made up only 38%. Due to high fit-out costs, tenants on the regional city office markets remain cautious about relocations, while the growing adoption of hybrid working has resulted in office downsizing by an average of 25-30%. In 2024, the average lease size in the regional cities is 950 sqm, down from more than 1,700 sqm in 2020-2021.



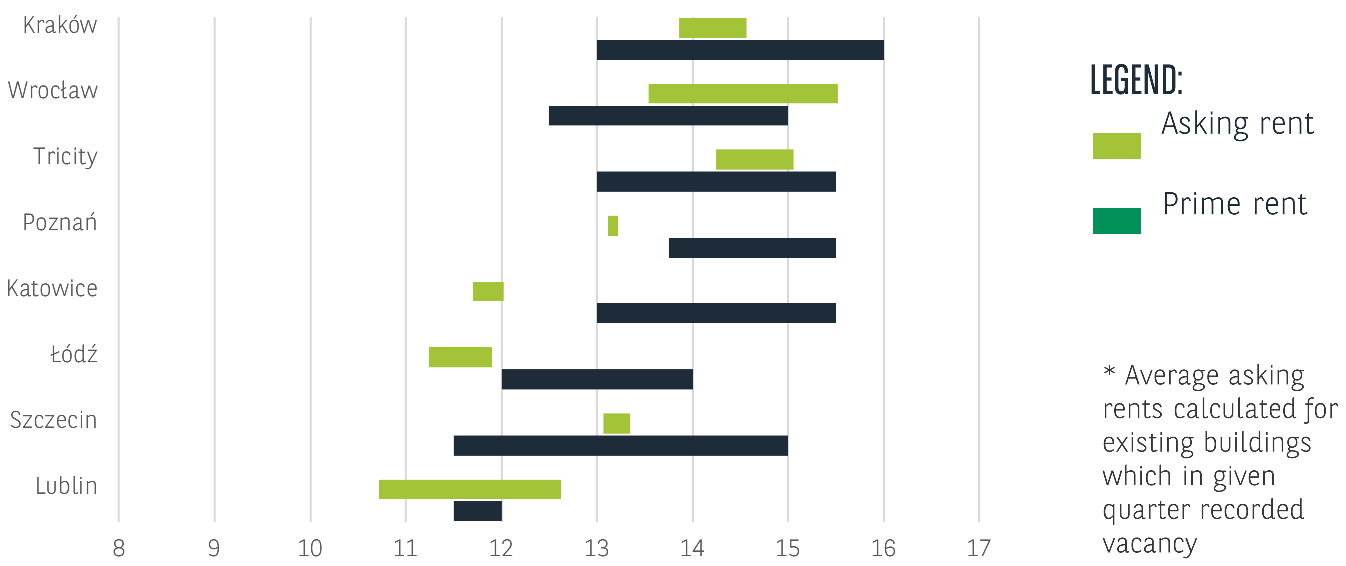
AT A GLANCE Q2 2024

Gross take-up by sectors Q2



Source: BNP Paribas Real Estate Poland

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



* Average asking rents calculated for existing buildings which in given quarter recorded vacancy

Source: BNP Paribas Real Estate Poland

Prime office rents in the regional cities have edged up quarter-on-quarter since the beginning of 2024 and are now in the range of EUR 11.50- 17.50 per sqm per month. Rental rates have stabilized amid a downturn in construction activity and a large share of renewals in office take-up. The average length of leases across new office buildings is seven years, but ten-year leases are also becoming increasingly common.

Annual gross take-up by regions Q2 2024

1. Kraków 34%
2. Tricity 22%
3. Wrocław 16%

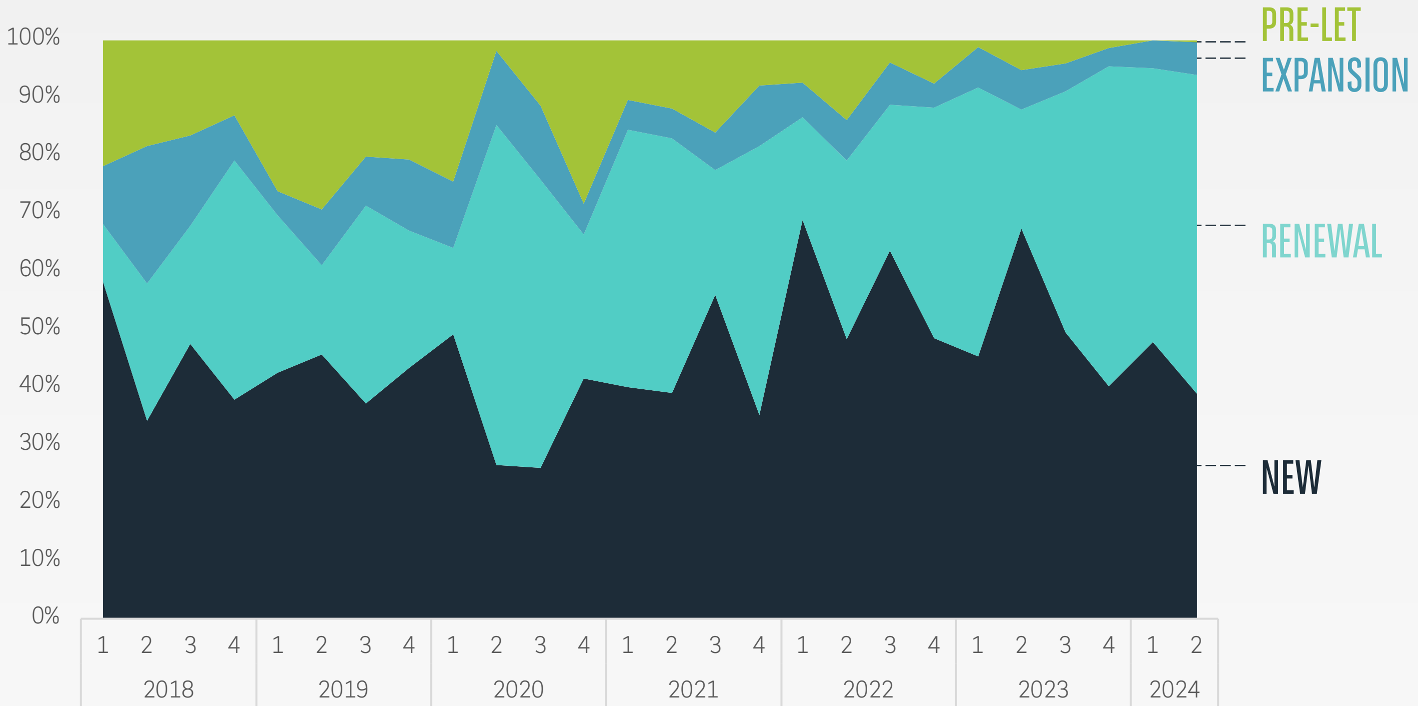
Total office take-up for the second quarter of 2024 reached nearly 146,000 sqm, up by 4% over the quarter but down by 13% from the same time in 2023. The strongest leasing activity in the three months to June 2024 was recorded in Krakow (49,400 sqm), Tricity (32,300 sqm) and Wrocław (24,900 sqm).

Top 5 lease transactions Q2

	TENANT	PROJECT	CITY	OFFICE AREA (sqm)	TYPE OF LEASE
1	**Aptiv Services Polska**	Enterprise Park F	Kraków	10,316	renewal
2	**Tekeda**	Sterlinga Business Centre	Łódź	5,701	renewal
3	**IBM Pro**	Newton	Kraków	5,081	renewal
4	**LPP**	Silk	Gdańsk	5,000	Owner occupier
5	**Infor Polska**	Retro Office House	Wrocław	4,939	renewal

Source: BNP Paribas Real Estate Poland

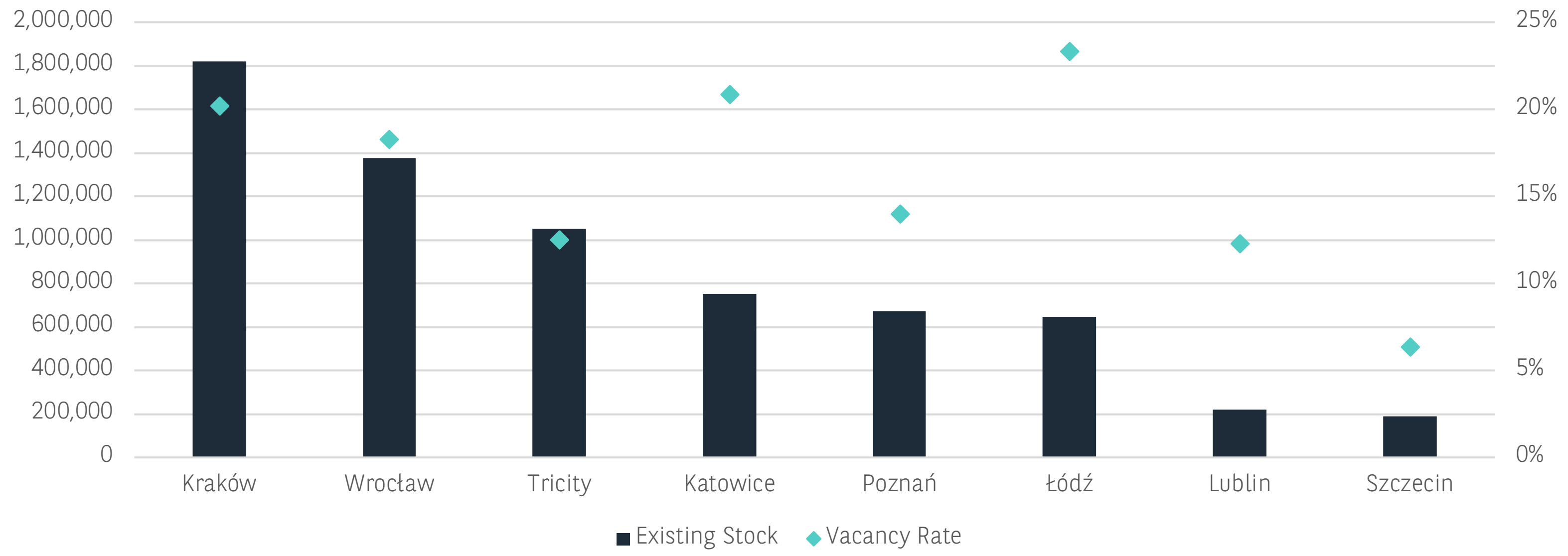
Gross take-up structure in the regions Q2



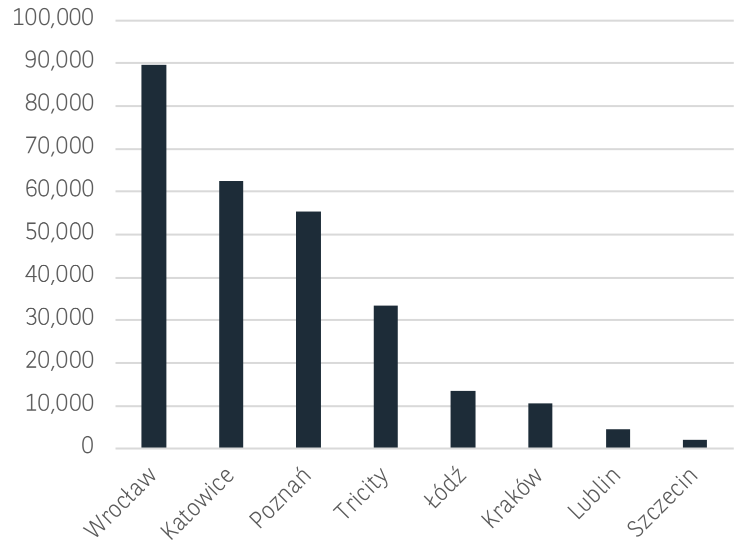
Source: BNP Paribas Real Estate Poland

AT A GLANCE Q2 2024

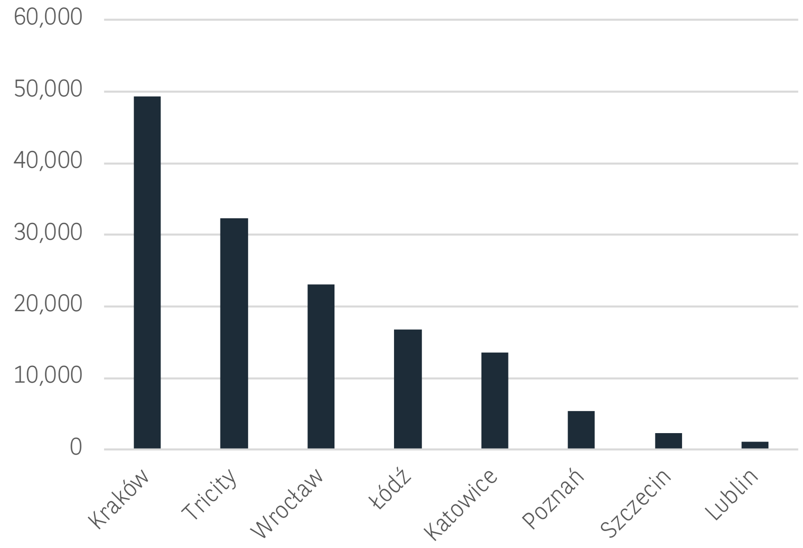
Existing stock & vacancy rates (sqm)



Office space under construction (sqm)



Gross take-up (sqm)



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