

# AT A GLANCE

## Q4 2021

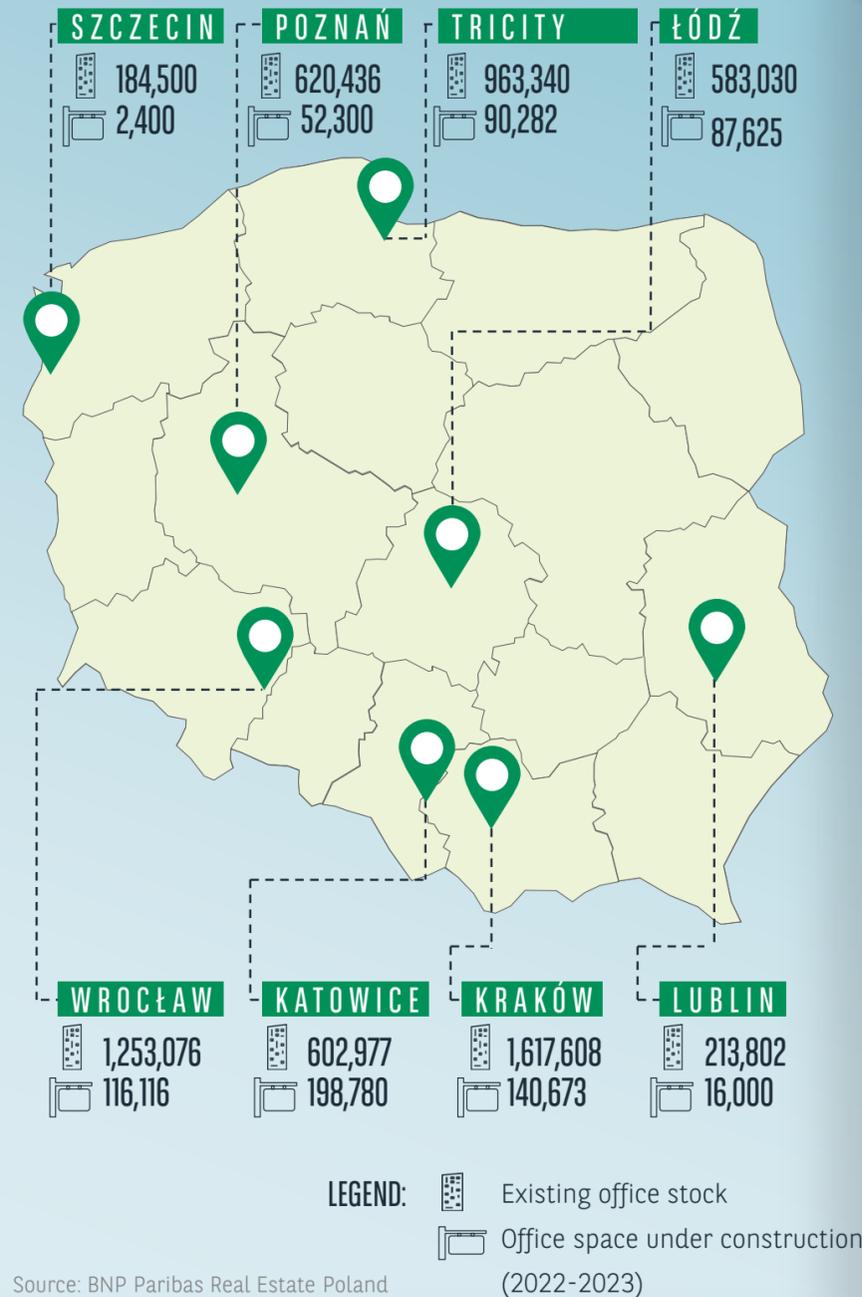
# REGIONAL OFFICE MARKETS IN POLAND

## Highlights

- Modern office space in regional cities exceeds 6 M. sqm
- Vacancy rate rises again - 14.1%
- Are regions facing a supply shortage coming?
- Slight increase in demand within the regions year on year (+2%)
- Share of lease renewals within the demand structure is growing (+ 5% y/y)

At the end of last year, modern office space supply within the eight largest regional cities, broke the threshold of 6 million sqm. During the last quarter, seven office buildings with a total area of over 79,000 sqm were delivered to the market, which gives a combined supply of 226,314 sqm for 2021. Currently, more than 715,000 sqm is under construction, of which over 550,000 sqm is anticipated for delivery by the end of 2022. The remaining area having the prospect of delivery in 2023. Further on, individual regional cities may face a similar challenge to what Warsaw is having to deal with today - a supply gap. The mechanisms responsible for its coming about are similar. A limited demand, hybrid working, the growing popularity of "flex" spaces, the still uncertain return of employees to offices and, finally, the ever increasing fit-out costs\*, cause developers to be very cautious when kicking-off new office projects.

\* according to the Tetris report, Emea fit out cost guide 2021 - average growth by +6.6% y/y



Source: BNP Paribas Real Estate Poland



**6.03 M sqm**  
EXISTING OFFICE SPACE

**79,000 sqm**  
NEW SUPPLY Q4

**14.1%**  
AVERAGE  
VACANCY RATE

**715,000 sqm**  
OFFICE SPACE UNDER  
CONSTRUCTION (2022-2023)

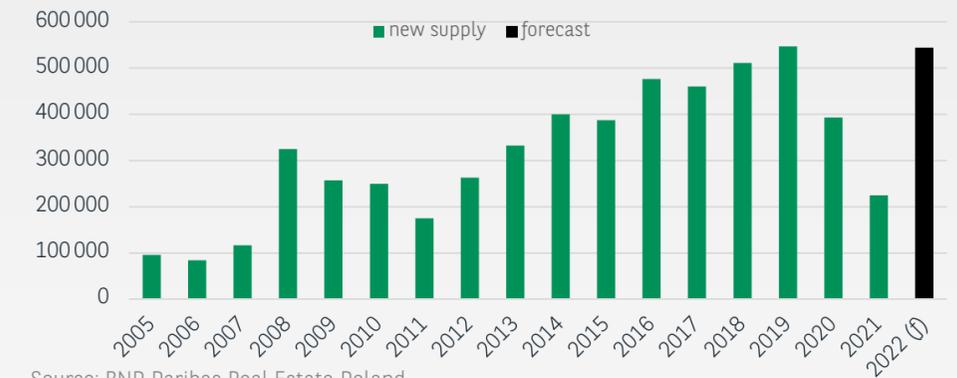
**125,000 sqm**  
ABSORPTION Y/Y

**214,500 sqm**  
GROSS TAKE-UP

**112,100 sqm**  
NET TAKE-UP

Source: BNP Paribas Real Estate Poland

## Annual office supply in the regional markets (sqm)



## 3 cities with the highest annual supply growth \*



Source: BNP Paribas Real Estate Poland

\* the largest number of square meters commissioned in 2021

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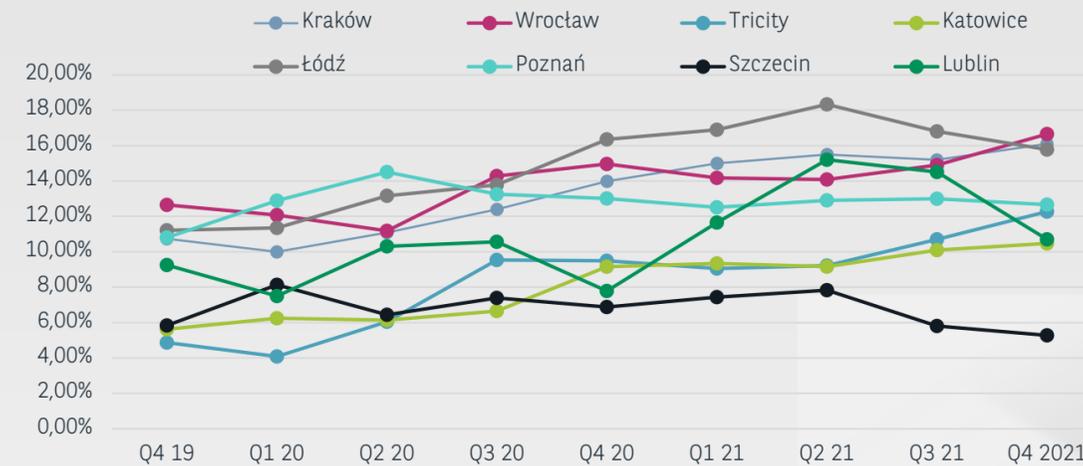
The end of 2021 brought with it a further increase in the average vacancy rate to 14.1%, which, with over 6 million sqm, amounts to over 850,000 sqm of office space available for rent. Compared to the previous quarter, the ratio increased by 0.6 p.p., while compared to Q4 of 2020, we are already talking about an increase of 1.4 p.p. The highest increase (by 1.7 p.p.) and the highest rate (16.7%) was noted in Wrocław. This is a significant change as compared to previous quarters, when Łódź was customarily at the top of the list. In spite of the record-breaking demand for space in Wrocław, nearly half were contract renewals, which in current conditions, are mostly associated with space optimization, which, in turn, has a significant impact on the vacancy rate. The lowest rate is in Szczecin (5.3%) and here also the highest decrease of 0.5 p.p. was recorded in comparison to the previous quarter.



## AT A GLANCE Q4 2021

### Vacancy rate

14.1% average vacancy rate in the regions in Q4 2021



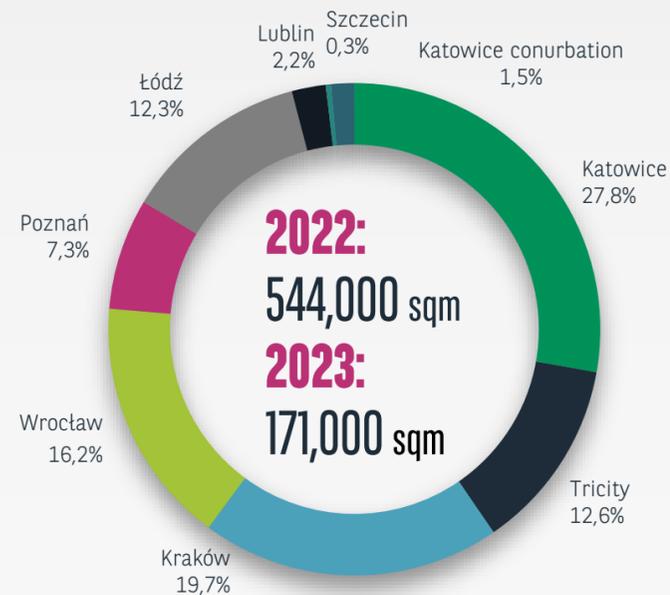
Source: BNP Paribas Real Estate Poland

### Office buildings completed in Q4

	PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER
1	3T Office Park	Tricity	38,200	3T Office Park
2	Wadowicka 3	Kraków	10,400	Buma
3	Wrocławski Park Biznesu	Wrocław	10,000	Devco
4	G7 Inter Office	Lublin	9,200	G7 Inter Office
	W9	Lublin	6,900	W9, Urban

Source: BNP Paribas Real Estate Poland

### Office space under construction



Source: BNP Paribas Real Estate Poland

### The largest office schemes under construction with delivery date 2022

	PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER	PLANNED OPENING
1	Global Park A1&A2	Katowice	55,000	Cavatina	Q3 2022
2	.KTW II	Katowice	42,000	TDJ Estate	Q1 2022
3	Mid Point 71	Wrocław	36,900	Echo Investment	Q1 2022
4	Brain Park Phase I	Kraków	30,000	Echo Investment	Q3 2022
5	Craft	Katowice	26,700	Ghelamco	Q4 2022

Source: BNP Paribas Real Estate Poland

### Expert comment



**Michał Karolkiewicz**

Consultant, Office Agency  
BNP Paribas Real Estate Poland

Offices are still being heavily affected by the ongoing changes taking place, which are either as a result of the pandemic, that has been persistent for nearly two years, or have been emphasized by it. The hybrid model of working has become a fixed aspect of the Polish labour market. In an era of continuing uncertainty related in the main to further pandemic developments, it is becoming a preference, desired not only by employees, but also ever more willingly proposed by employers, as it permits for business continuity. The expected flexibility in all dimensions, has also resulted in an increased demand for flexible office solutions. We are seeing lifestyle changes, social and behavioural change, all set in motion by the evolving home working policies during the pandemic, and flexible working is coping much better to this turmoil, than traditional offices as we have seen so far.

## Expert comment



### Małgorzata Fibakiewicz

Head Business Intelligence Hub & Consultancy  
BNP Paribas Real Estate Poland

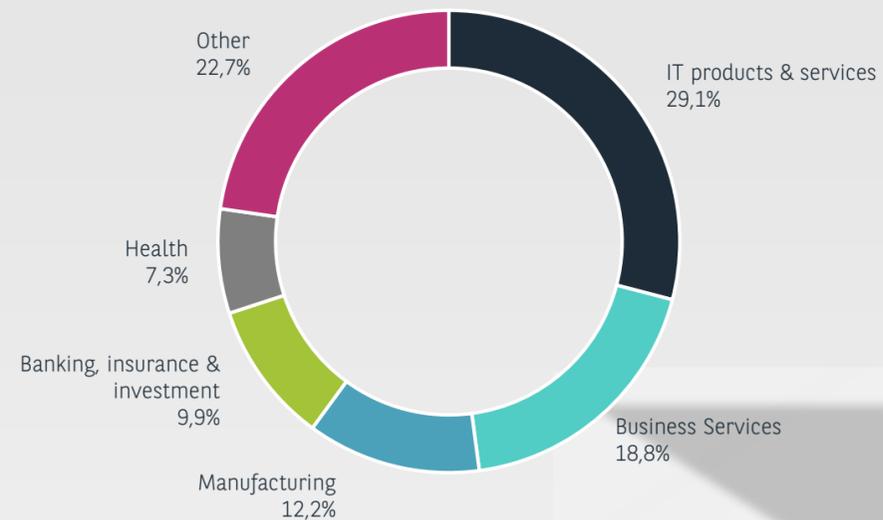
In 2021's final quarter, the gross demand for offices amounted to almost 215,000 sqm, thanks to which, 2021 concluded with a result of almost 595,000 sqm. This indicates a slight increase of +2% compared with the result at the end of 2020. Wrocław was the city where transactions for the largest number of metres were finalized in Q4 of the year, while throughout 2021, Wrocław gave way only to Kraków. Although the demand structure in 2021 was dominated by new contracts and extensions (55%), their share compared to 2020 decreased by 5% in favour of lease renewals. Three industries dominated the overall demand, amounting to a total of 63% - IT & Services (Wrocław the location most eagerly chosen), Business Services and Production.

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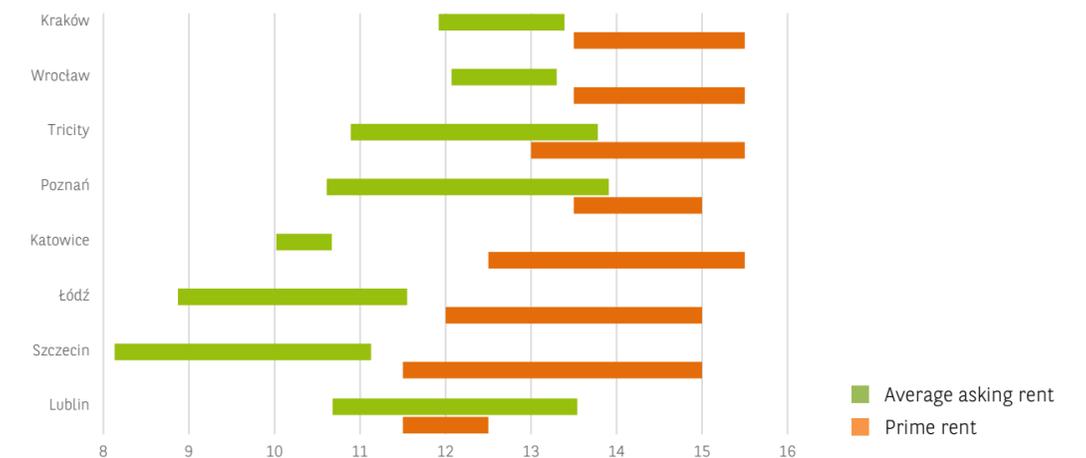


### Gross take-up by sectors Q4



Source: BNP Paribas Real Estate Poland

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



Source: BNP Paribas Real Estate Poland

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

**Throughout 2021, prime facility asking rents remained at stable level.** The predominant tenant market resulted in attractive incentive packages, that significantly influenced levels of effective rents. However, cost increases resulting from, among others, inflation and utility costs, will result in landlords either considering a hike in base rents, or in less favourable incentives for tenants.

### Annual gross take-up by regions



1. Kraków 26%  
2. Wrocław 23%  
3. Tricity 18%

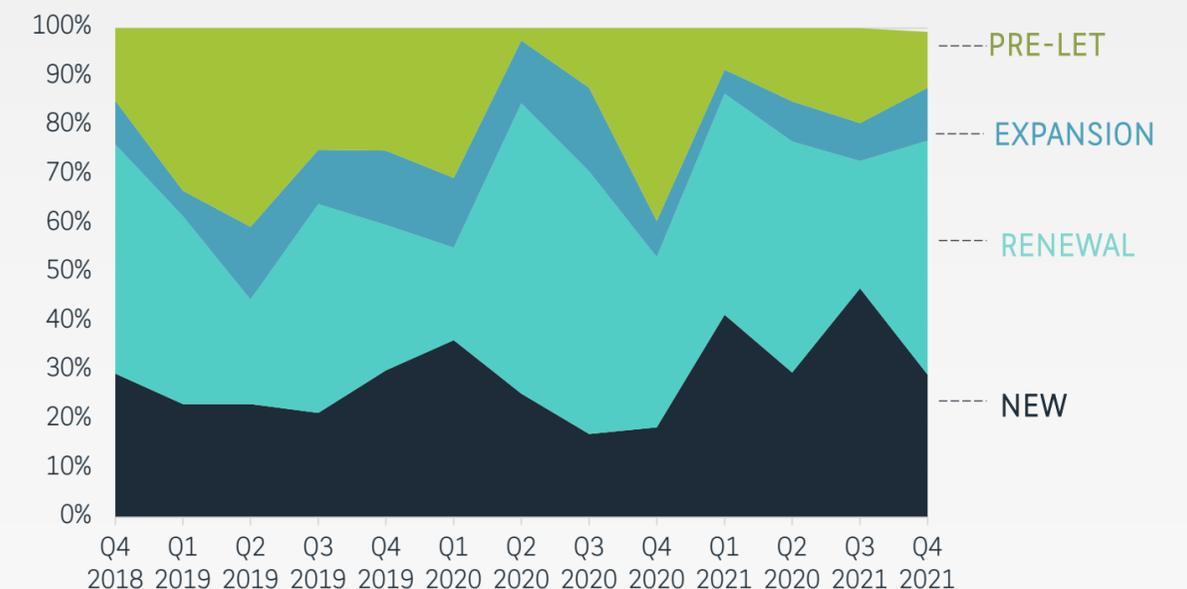
The three largest regional markets attracted 67% of total demand in 2021. The Tricity recorded the biggest increase (+3%) compared to 2020, Wrocław grew by only +1%, and Kraków recorded a loss of -1%. Of the remaining cities, only Poznań had an increased demand (+1%) compared to 2020's result.

### Top 5 lease transactions

	TENANT	PROJECT	CITY	OFFICE AREA (sqm)	TYPE OF LEASE
1	Confidential	Green Horizon	Łódź	24,100	Renewal
2	Confidential	Business Garden	Poznań	17,400	Renewal
3	Aon	Enterprise Park E	Kraków	11,400	New
4	Confidential	Nowy Rynek E	Poznań	9,600	New
5	IBM	Wojdyła Business Park	Wrocław	8,900	Renewal

Source: BNP Paribas Real Estate Poland

### Gross take-up structure in the regions



Source: BNP Paribas Real Estate Poland



# AT A GLANCE

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