AT A GLANCE

Q2 2022

REGIONAL OFFICE MARKETS IN POLAND

Highlights:

- Kraków stock with the highest new supply in Q2
- Tricity modern offices supply break one million square meters
- Three biggest deals signed in Kraków
- The vacancy rate has started to drop (q/q)
- Supply gap looming on the regional office markets

The supply of modern office stock in the 8 largest regional cities in Q2 2022 amounted to nearly 6.34 million sqm. Ten buildings of a total area of 68,300 sqm were delivered to the market, and most of them are located in Kraków (approx. 26,300 sqm), Tricity (18,800 sqm) and Łódź (18,800 sqm). Among the newly completed office buildings, the largest one is the first phase of The Park Kraków project (11,700 sqm), built by White Star. Currently, over 500,000 sqm remains under construction, out of which almost 200,000 sqm is scheduled for delivery till the end of 2022.
The declining number of new projects results in choice limitations in regard to the best quality office space, occurring already in some regional cities. At the same time, a clear increase in demand becomes visible as well as a significant increase in tenants' interest in flexible forms of lease in serviced and co-working offices. Some markets in Poland already face the shortage of vacancies in these types of office space.

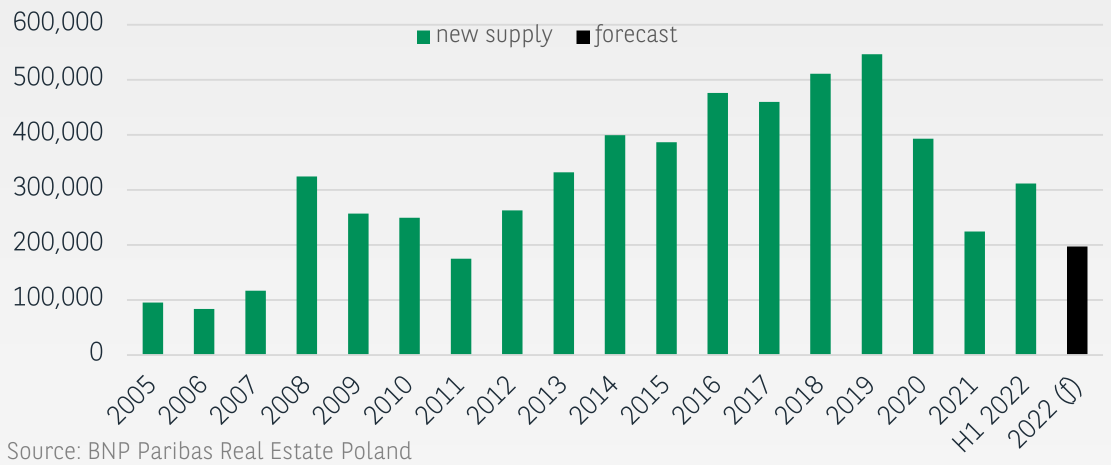
Source: BNP Paribas Real Estate Poland

KEY FIGURES

	6.34 M sqm EXISTING OFFICE SPACE	**68,300 sqm** NEW SUPPLY Q2
15.2% AVERAGE VACANCY RATE	**500,000 sqm** OFFICE SPACE UNDER CONSTRUCTION (2022-2023)	**231,300 sqm** ABSORPTION Y/Y
	189,600 sqm GROSS TAKE-UP Q2	**122,800 sqm** NET TAKE-UP Q2

Source: BNP Paribas Real Estate Poland

Annual office supply in the regional markets (sqm)



Source: BNP Paribas Real Estate Poland

Top 3 cities with the highest supply in H1 2022

1. Katowice 38%
2. Tricity 16%
3. Kraków 15%

Source: BNP Paribas Real Estate Poland

The second quarter of 2022 brought a decline in the average vacancy rate in 8 major regional markets, which has been systematically but slowly increasing since the beginning of Q2 2020. At the end of June, 961,000 sqm of office space remained immediately available for lease, which corresponds to a vacancy rate of 15.2% (a decrease by 0.3 pp. q/q and an increase by 1.8 pp. compared to the corresponding period in 2021). The highest vacancy rate was recorded in Łódź – 18.6%, the lowest in Szczecin – 4.9%. The highest increase in the q/q ratio recorded in Szczecin (by 1.9 p.p.) related to the fact that new office space was delivered to the market, but was not entirely absorbed by it. However, one should remember that Szczecin is the smallest office market out of the pool of analyzed regions, and therefore remains exposed to every change in the relation between supply and demand. On the contrary, Poznań was the only one without a change in the vacancy rate (q/q).

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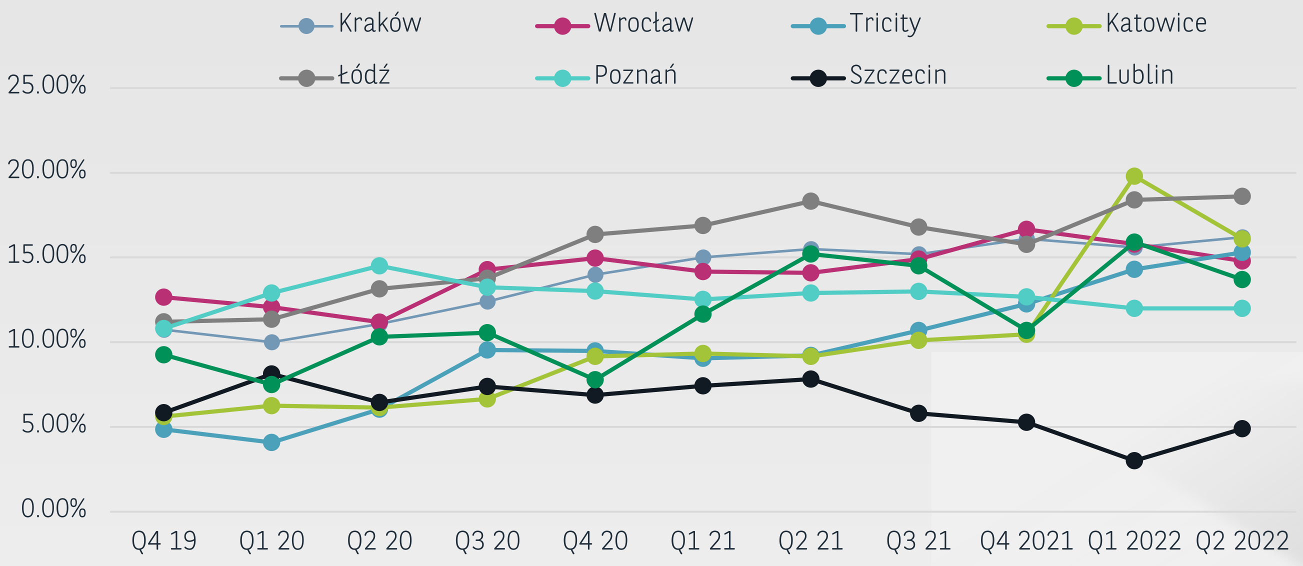
Vacancy rate

15.2% average vacancy rate in the regions in Q2 2022



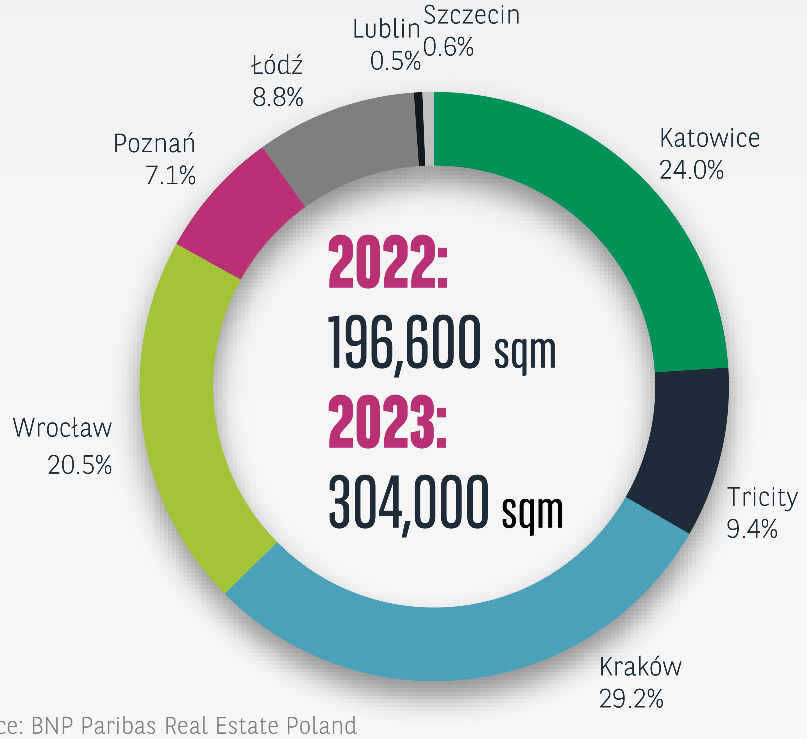
Source: BNP Paribas Real Estate Poland

Office buildings completed in Q2 2022

	PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER
1	The Park Kraków I	Kraków	11,784	White Star
2	MK29	Kraków	11,000	Caishen Capital Group
3	K2	Gdynia	10,919	Vastint
4	Fuzja C	Łódź	9,595	Echo Inv.
5	Fuzja D	Łódź	9,145	Echo Inv.

Source: BNP Paribas Real Estate Poland

Office space under construction 2022-2023



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	Centrum Południe II	Wrocław	21,500	Skanska	Q4 2022
2	Ocean Office Park B	Kraków	19,000	Cavatina	Q4 2022
3	Infinity	Wrocław	18,700	Avestus RE	Q4 2022
4	Quorum Office Park D	Wrocław	16,000	Cavatina	Q3 2022
5	Office Building Elte GPS	Kraków	15,200	ELTE GPS	Q4 2022

Source: BNP Paribas Real Estate Poland

Expert comment

Michał Karolkiewicz
Consultant, Office Agency
BNP Paribas Real Estate Poland

Flex offices on the rise

During the deep lockdowns of COVID-19 pandemic, home office was the dominant form of work in many companies. Back then, flexible offices remained empty. The rebound in the flexible office market came in the fall of 2021 and since then the upward trend continues, with some forecasting that it will reach a boom similar to that of 2019. Flex offices are growing in all regional markets: CitySpace – the flexible space operator – recently entered into Łódź. After Warsaw, Wrocław, Kraków, Katowice and Gdańsk, Łódź is another city where the concept launched by Echo Investment starts its operations. In the second quarter, a new brand of flexible offices also had its debut – Loftmill, which was established on the foundations of the Kraków operator of serviced offices, Rise.pl.

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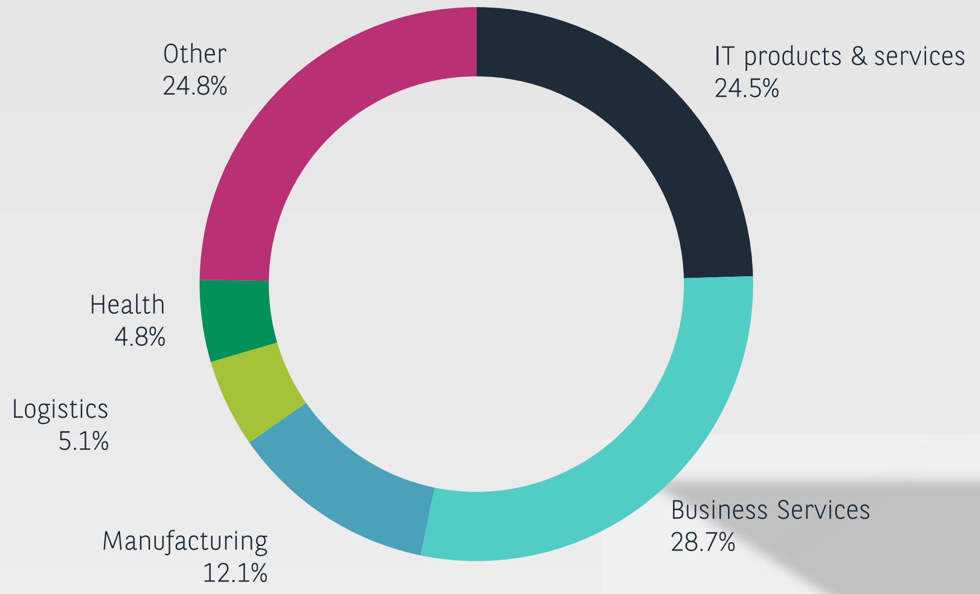
Expert comment

Małgorzata Fibakiewicz
Head of Business Intelligence Hub & Consultancy
BNP Paribas Real Estate Poland

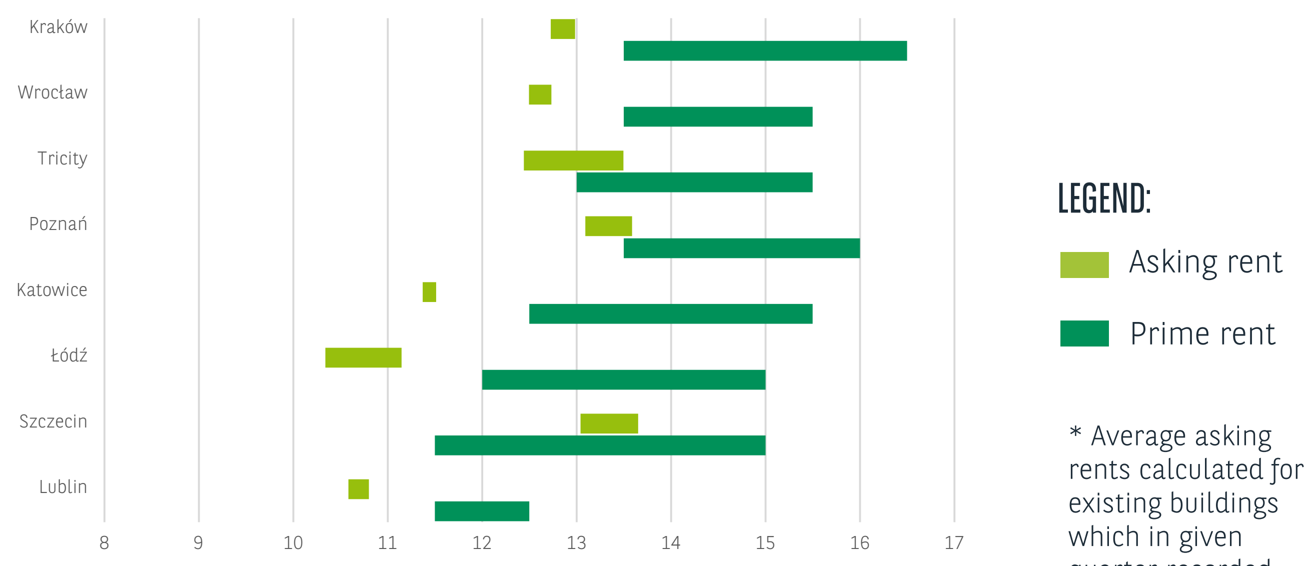
In the second quarter of 2022, gross demand for office space in the 8 largest regional cities amounted to close to 190,000 sqm, which, together with the first quarter results, amounts to 343,000 sqm. This translates into over 28% increase compared to the result recorded in the first half of the 2021. The three largest quarterly transactions were concluded in Kraków and included: Capgemini (13,793 sqm), Cisco Systems (12,536 sqm) and Hitachi Energy (8,370 sqm). The demand structure in the first half of 2022, was dominated by new contracts (57% and 61% respectively). Concerns about rental rates rises and the upcoming regional supply gap, stimulates tenants to make decisions to secure office space for the future

Gross take-up by sectors Q2



Source: BNP Paribas Real Estate Poland

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



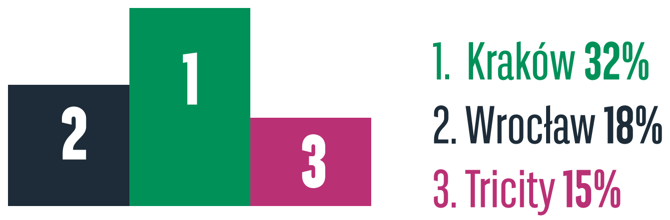
* Average asking rents calculated for existing buildings which in given quarter recorded vacancy

Source: BNP Paribas Real Estate Poland

Throughout 2021, asking rents for prime assets remained stable. Since the beginning of 2022, we have been observing an upward trend fueled by number of factors, all increasing the costs of office maintenance. Currently, tenants signing lease agreements today feel the rents raising. In 2023, the increase will affect everyone, as landlords will apply inflation to rent rates and will reconcile the service charges.

Annual gross take-up by regions

H1 2022



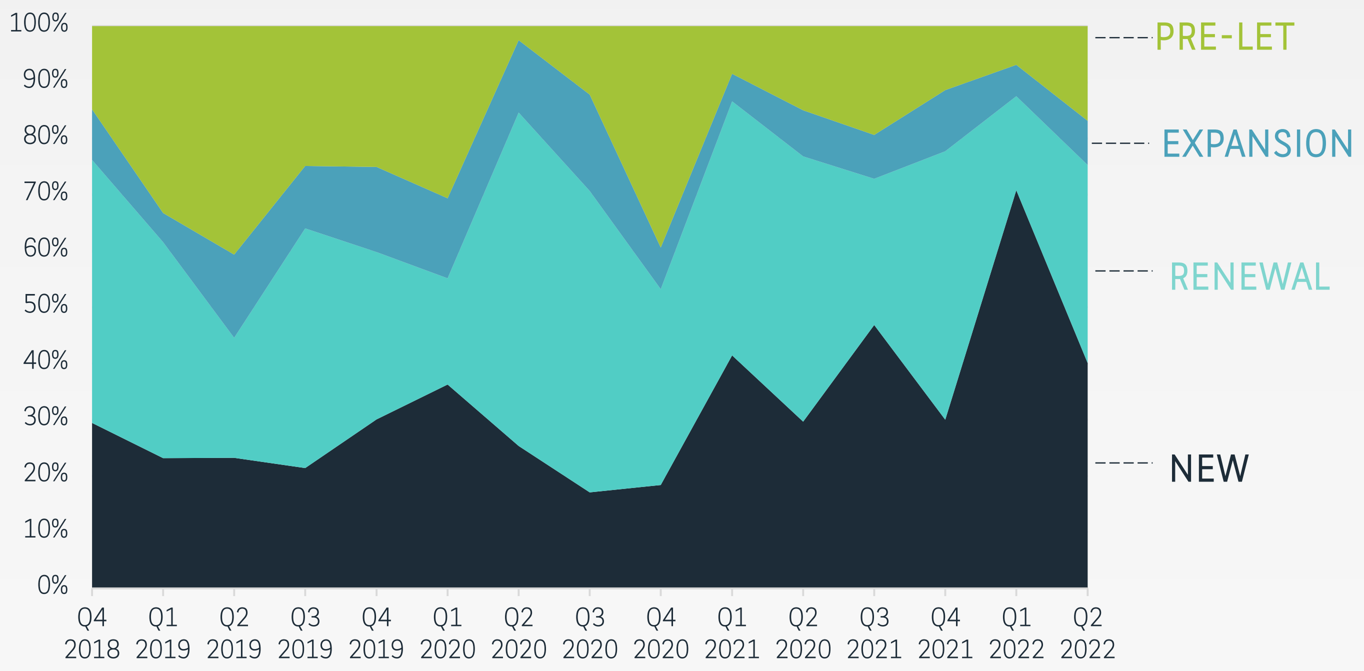
Kraków, Wrocław and the Tricity, i.e. the three largest regional markets, account for 65% of the total demand registered in the first half of 2022. On the opposite, there are the three smallest regional markets (Łódź, Szczecin and Lublin), which together account for 15% of the demand gross.

Top 5 lease transactions

	TENANT	PROJECT	CITY	OFFICE AREA (sqm)	TYPE OF LEASE
1	Capgemini	Fabryczna Office Park B5	Kraków	13,793	pre-let
2	Cisco Systems Poland	Enterprise Park C	Kraków	12,536	renewal
3	Hitachi Energy Poland	High5ive 1	Kraków	8,370	renewal
4	InPost	Ocean Office Park B	Kraków	8,300	new
5	OLX	Maraton A	Poznań	7,500	renewal

Source: BNP Paribas Real Estate Poland

Gross take-up structure in the regions Q2



Source: BNP Paribas Real Estate Poland

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AUTHOR

Klaudia Okoń
Consultant
Business Intelligence Hub & Consultancy
klaudia.okon@realestate.bnpparibas

Małgorzata Fibakiewicz, MRICS
Head of Business Intelligence Hub
& Consultancy
malgorzata.fibakiewicz@realestate.bnpparibas

CONTACTS

Mikołaj Laskowski
Head of Office Agency
mikolaj.laskowski@realestate.bnpparibas

Michał Pszkit
Head of Property Management
Member of the Board
michal.pszkit@realestate.bnpparibas

Mateusz Skubiszewski, MRICS
Head of Capital Markets
mateusz.skubiszewski@realestate.bnpparibas

Erik Drukker
President of the Board
erik.drukker@realestate.bnpparibas

Izabela Mucha, MRICS
Head of Valuation
izabela.mucha@realestate.bnpparibas

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Poland Sp. z o.o.
ul. Grzybowska 78,
00-844 Warsaw
Tel. +48 22 653 44 00
www.realestate.bnpparibas.pl