

AT A GLANCE

Q4 2023

REGIONAL OFFICE MARKETS IN POLAND



Highlights

- Vacancy rates in existing office buildings in regional cities hit all-time highs
- Office development pipeline continues to shrink
- Tenants remain focused on optimizing office footprints and occupancy costs
- High borrowing costs hamper expansion plans for some tenants, with caution being a prevailing market sentiment



Source: BNP Paribas Real Estate Poland

6.67 M sqm
EXISTING OFFICE SPACE

44,700 sqm
NEW SUPPLY Q4

366,800 sqm
OFFICE SPACE UNDER CONSTRUCTION (2024-2026)

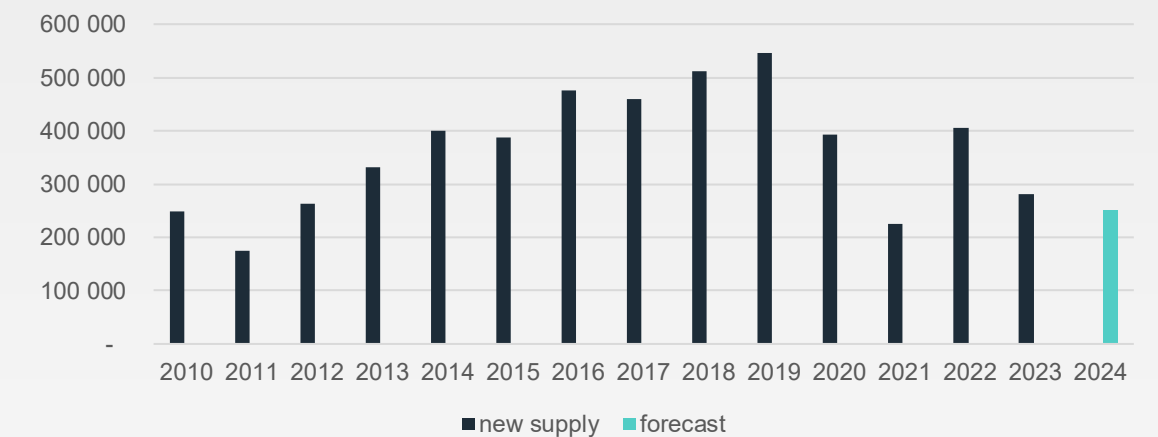
17.5%
AVERAGE VACANCY RATE
 +0.2 p.p. q/q

219,100 sqm
GROSS TAKE-UP Q4

751,100 sqm
GROSS TAKE-UP 2023

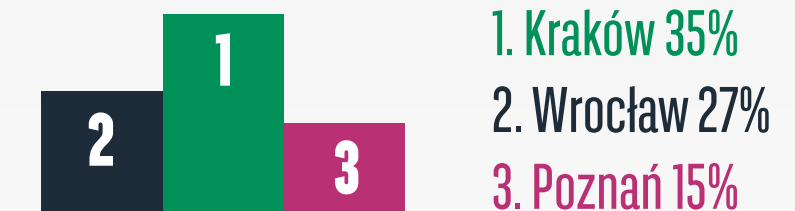
” At the end of the fourth quarter of 2023, the combined office stock of Poland’s eight key regional cities was 6,675,300 sqm. In 2023 as a whole, almost 280,000 sqm was delivered through 21 office projects; of that total, around 16%, or 44,700 sqm, came on stream during the fourth quarter. Last year’s largest office completions included Ocean Office Park B (Krakow, Q1), Craft (Katowice, Q3), Nowy Rynek E (Poznań, Q2) and Kreo (Krakow, Q3). The biggest projects delivered in the fourth quarter were Mogilska 35 Office (Warimpex, 11,900 sqm) and The Park Krakow II (White Star, 11,700 sqm) – both in Krakow – and the new headquarters of Tetos (Tetos, 10,800 sqm) in Poznań. According to reports from developers, regional office markets are expected to surpass Warsaw in the coming quarters in terms of office completions: 366,800 sqm versus 238,000 sqm. For today, a smaller supply of office space and the prospect of rapid absorption of space already under construction may encourage developers to launch more projects.

Annual office supply in the regional markets (sqm)



Source: BNP Paribas Real Estate Poland

Top 3 cities with the highest new supply in 2023

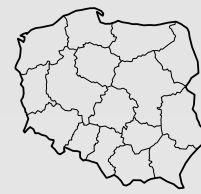


Source: BNP Paribas Real Estate Poland

Source: BNP Paribas Real Estate Poland



At the end of December 2023, office space availability on the eight key regional city markets amounted to approximately 1,168,400 sqm, equating to a vacancy rate of 17.5% (up by 0.2 pp q-o-q and 2.2 pp y-o-y). In 2023, existing unoccupied office stock in regional cities surpassed 1.1 million sqm, the highest total on record. The overall vacancy rate for key regional cities has been on an upward trend since the second quarter of 2022. As of the end of 2023, the highest vacancy rate of 21.5% was in Katowice, with the lowest in Szczecin (4.8%). The Łódź office market reported the sharpest fall in vacancies of 2.3 pp q-o-q, while Poznań experienced the highest increase of 1.5 pp q-o-q. A slowdown in office development activity in regional cities is expected to push regional city vacancy rates down by the end of 2024.

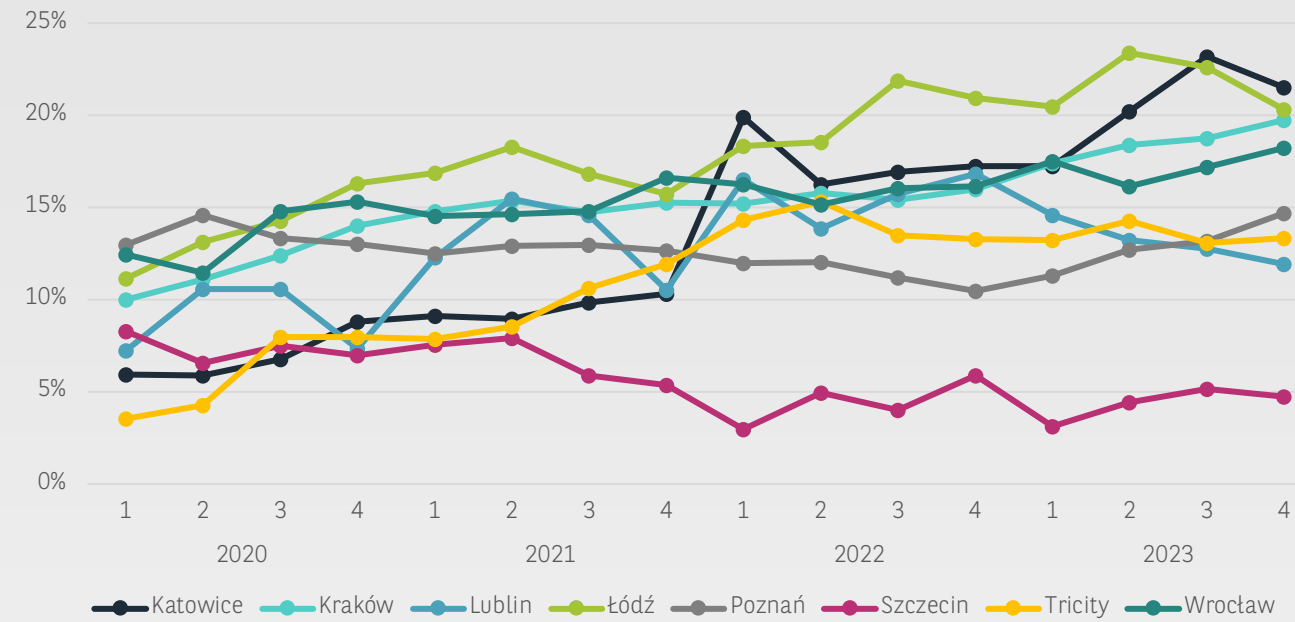


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Vacancy rate

17.5% average vacancy rate in the regions in Q4 2023



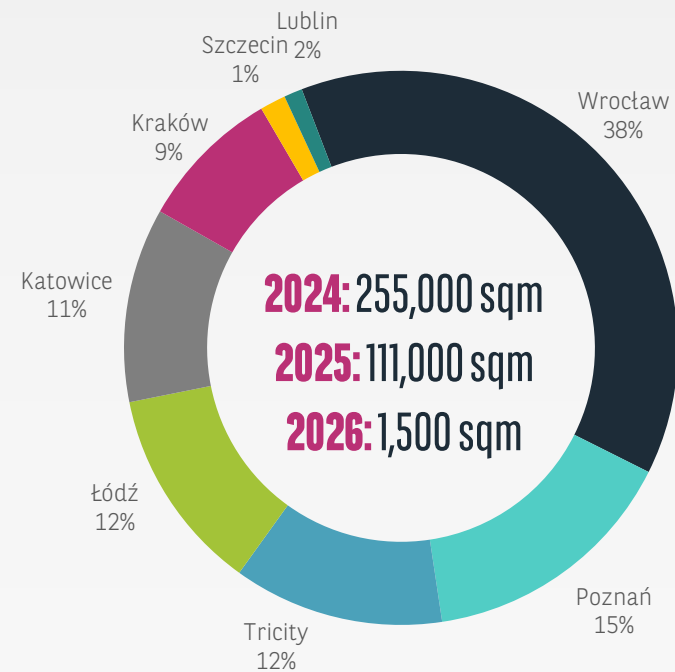
Source: BNP Paribas Real Estate Poland

Office buildings completed in Q4 2023

PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER
1 Mogilska 35 Office	Kraków	11,900	Warimpex Polska
2 The Park Kraków II	Kraków	11,700	White Star
3 Tetos HQ	Poznań	10,800	Tetos
4 Ocean Office Park D	Kraków	7,000	Cavatina
5 Oliwa 501	Gdańsk	3,300	Moderna Investment

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 WI-MA	Łódź	30,000	Cavatina	Q4 2024
4 Grundmanna Office Park A	Katowice	20,700	Cavatina	Q4 2024
5 Quorum Office Park A	Wrocław	17,800	Cavatina	Q1 2024

Source: BNP Paribas Real Estate Poland

Expert comment



Małgorzata Fibakiewicz

Head of Office Agency
BNP Paribas Real Estate Poland

Most companies have downsized their offices by around 20-30% over the last two to three years compared to pre-pandemic office lease sizes. Most have embraced hybrid working patterns with two or three in-office days. The office itself has also radically transformed – it has become a collaborative space. After the pandemic it was predicted that Polish people would be buying larger flats to have a separate room they could use as a home office. However, with flat prices being where they are, few employees can afford larger homes. While home offices proved not entirely successful, office spaces have transformed and are beginning to resemble private flats. To encourage employees to return to the office, companies are increasingly prioritizing amenities supporting employee wellbeing. Most amenities focus on the physical or mental aspect of wellbeing and include chillout rooms, access to fresh air and silent spaces for reflection to name just some. In addition, employees going back to the office also expect access to catering, fitness and healthcare facilities in an office building, as well as free meals.

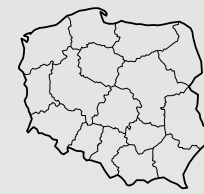
Expert comment



Dorota Mielke

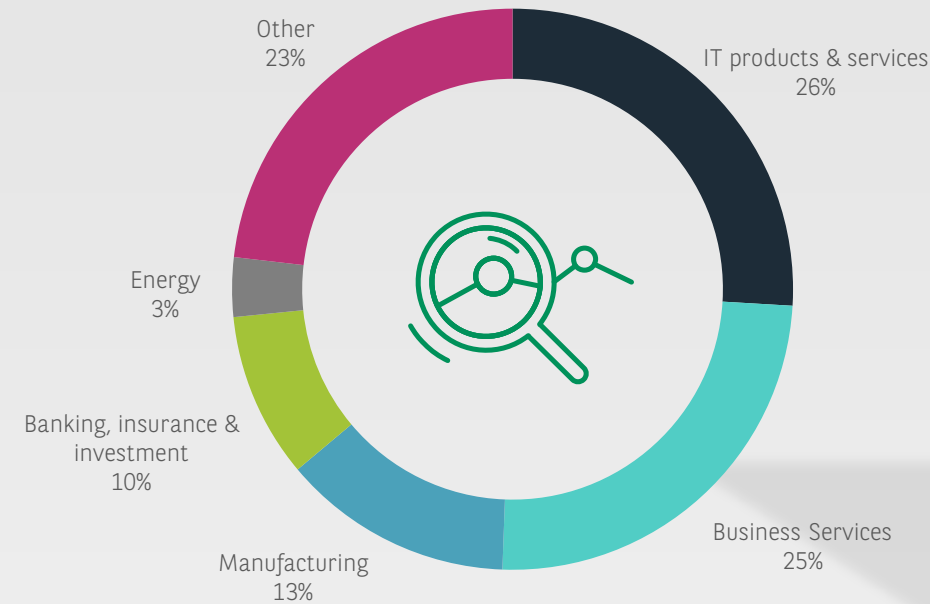
Associate Director, Office Agency
BNP Paribas Real Estate Poland

Key themes shaping regional city office markets throughout 2023 included shrinking office development pipelines and a continued focus on office optimization. At the end of December 2023, there was approximately 367,000 sqm of office space under construction, a decrease of 40% year-on-year. Leasing activity remained relatively stable, with more than 750,000 sqm transacted on Poland's eight key office markets in 2023 as a whole, up by 20% compared to the previous year. Tenants continue to adapt offices to the requirements of hybrid working patterns, which suggests that they are no longer taking extra office space just in case. Office optimization has also resulted in the decline in the average lease size, which was 938 sqm at the end of 2023, down from 996 sqm in the previous year. Occupier activity in 2024 will depend on the overall macroeconomic situation and corporate expansion plans. In addition, many companies are expected to focus on ensuring ESG compliance.



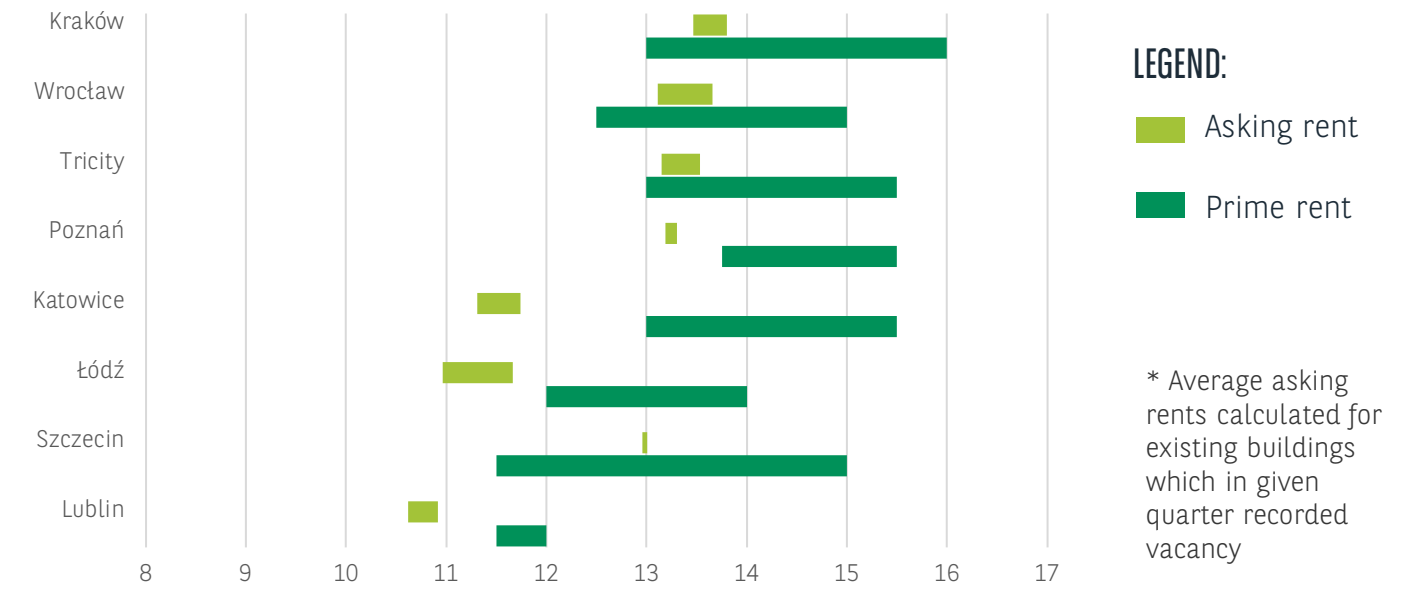
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Gross take-up by sectors Q4



Source: BNP Paribas Real Estate Poland

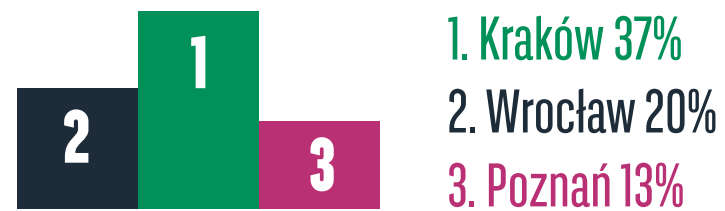
Average* asking rents vs „prime” rent (EUR/sqm/mth)



Source: BNP Paribas Real Estate Poland

Prime office rents on the key regional city markets hold firm at EUR 16.00-17.00/sqm/month. At the end of December 2023, the highest monthly rental rates were in Krakow and Wrocław: EUR 13-16 and EUR 12.5-15 per square metre respectively. Of all the regional cities, Lublin had the lowest rents ranging between EUR 11.5-12 per sqm per month.

Annual gross take-up by regions Q4 2023



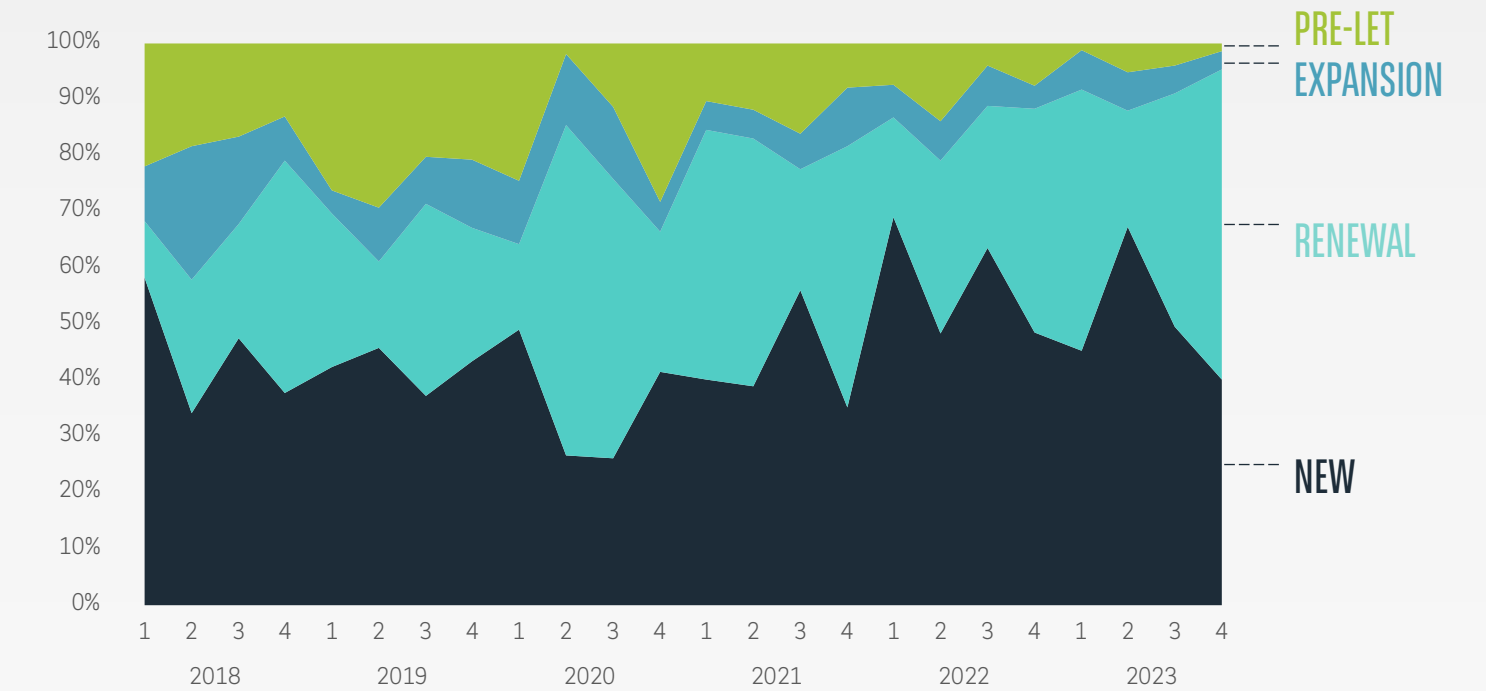
Office gross take-up for the fourth quarter of 2023 came to 219,100 sqm, up by 11% over the quarter and by 25% year-on-year. The strongest occupier activity was recorded in Krakow (80,200 sqm), Wrocław (43,300 sqm) and Poznań (27,700 sqm).

Top 5 lease transactions Q4

TENANT	PROJECT	CITY	OFFICE AREA (sqm)	TYPE OF LEASE
1 Confidential	Tertium Business Park I	Kraków	14,000	renewal
2 Confidential	Wrocławski Park Biznesu Bierutowska Park III	Wrocław	14,000	renewal
3 London Stock Exchange Group	3T Office Park	Gdynia	8,800	new
4 Confidential	Quattro Business Park D	Kraków	7,600	renewal
5 Amway Bussiness Centre-Europe	HighFive 4	Kraków	6,500	renewal

Source: BNP Paribas Real Estate Poland

Gross take-up structure in the regions Q4



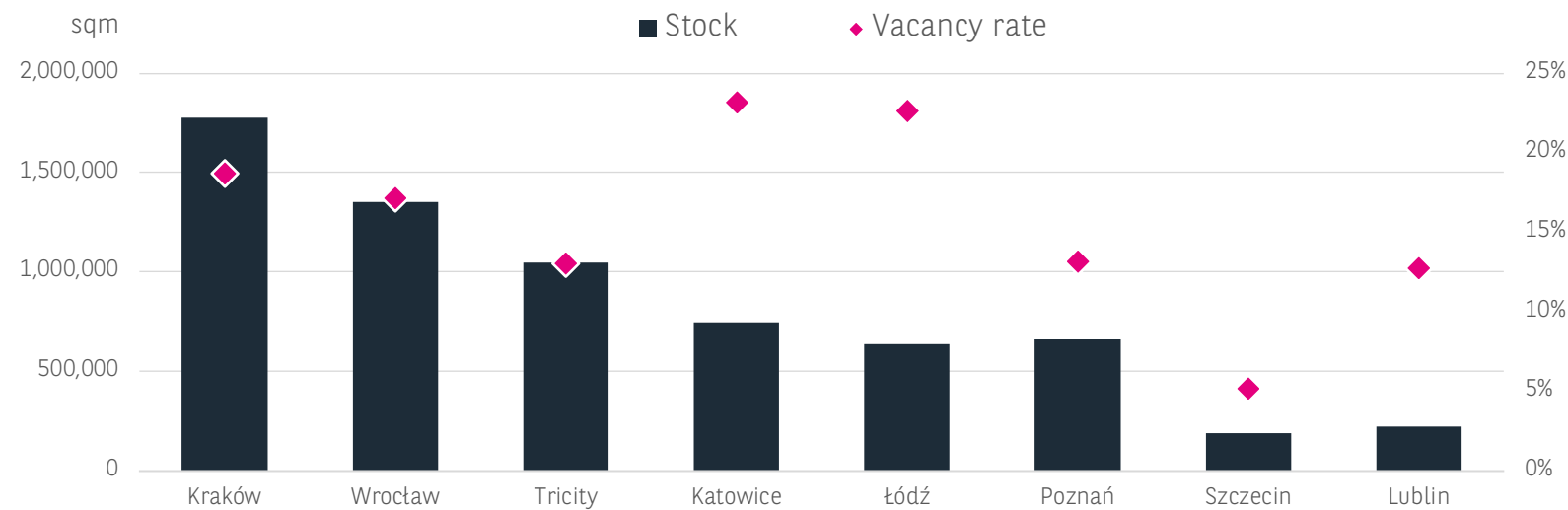
Source: BNP Paribas Real Estate Poland



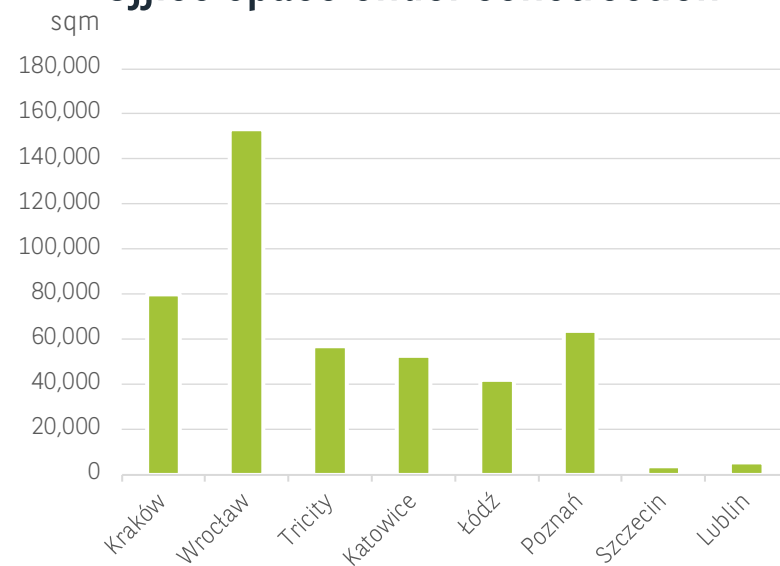
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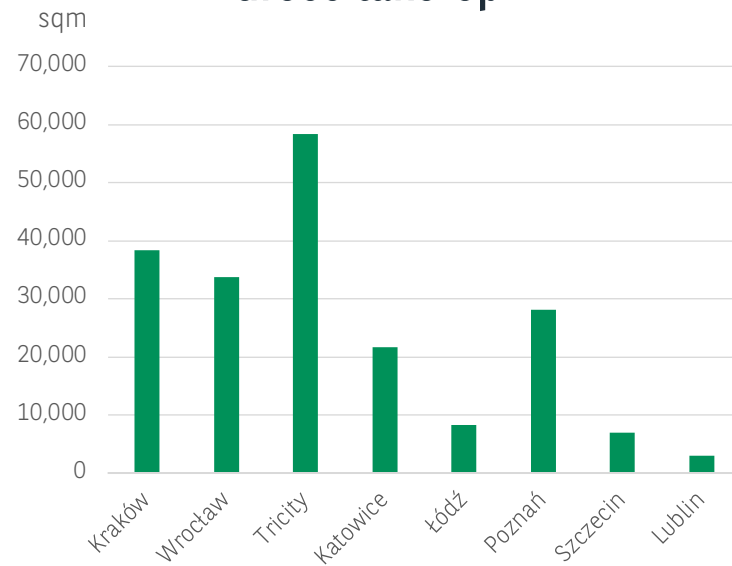
Existing stock & vacancy rates



Office space under construction



Gross take-up



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