Dynamic growth of Polish regional office markets

According to the latest report prepared by BNP Paribas Real Estate Poland, “Polish office market, the first half of 2015”, Polish regional office markets are growing very fast, both in terms of developer activity, volume of space leased and interest from investment funds.

The main driving force continues to be the following sectors: BPO (business process outsourcing), SSC (shared service centres) and ICT (information, communication, technology), as well as R&D (research & development). Demand for office space is additionally created by the local divisions of international corporations and the exceptionally active sector of locally operating small and medium-sized enterprises.

Total supply in the cities analysed (main: Cracow, Wrocław, the Tricity, Poznań, Katowice, Łódź, Szczecin; and those with further growth potential: Lublin, Kielce, Olsztyn, Bydgoszcz, Białystok, Rzeszów, Opole, Radom) amounted to 3.6 million sq m, of which 87% is located in the main regional cities. It should be noted that due to the dynamic growth in those cities, Warsaw’s share in Poland’s total volume of office space is gradually decreasing. It was as late as 2012/2013 that the capital provided approx. 70% of modern office stock, whereas by the end of June 2015 the share decreased to approx. 55%.

In terms of the volume of supply, Cracow remains in the leading position with 740 000 sq m of office space. The two subsequent positions are occupied by Wrocław and the Tricity with a total supply of office space of respectively 633 000 and 525 000 sq m. It should be stressed that the coming quarters will see a record increase in supply, which by the end of 2016 will reach a level of approx. 918 700 sq m on the main markets and approx. 90 000 sq m in those with further growth potential.

“Cracow invariably occupies the leading position as one of Poland’s main business services markets which are the primary source of demand in the city. Developers, encouraged by the continuously low vacancy rate in the city (5.1%), are being extremely active, which will consequently translate into increased availability of space over the next two years and may additionally exert pressure in respect of lowering the prevailing rents.” – comments Anna Staniszewska, Head of Research & Consultancy, BNP Paribas Real Estate Poland.

Over the past few quarters, as regards the majority of regional markets, the rents remained at a relatively stable level oscillating between 14 and 16 Euro per sq m / month for prime locations and between 10 and 13 Euro per sq m / month for mid-range office space. Due to the rapid increase in new supply of office space in the second half of 2015 and in 2016, which in many cities will also mean an increase in vacant space, competition among owners of office buildings will become fiercer. Therefore, tenants can expect that effective rents will be lowered over the coming quarters.

“We are following the situation on the office markets with further growth potential, where in terms of total supply Lublin and Kielce occupy the leading positions with 140 000 sq m and 100 000 sq m and new schemes currently under development, which will increase the available stock by respectively 40 000 sq m and 32 000 sq m. As regards the remaining cities analysed: Olsztyn, Bydgoszcz, Toruń, Białystok, Rzeszów, Opole and Radom, we are observing slight fluctuations in demand, which results in a stable level of rents and the vacancy rate.” – concludes Małgorzata Fibakiewicz, Head of Office Agency, BNP Paribas Real Estate Poland.
The continuing positive trends in Poland's regional cities translate into interest from institutional investors. As a result of low availability of top quality office space in Warsaw and the imbalance between supply and demand leading to an increase in vacant space and the lowering of rents, investors are more and more willing to consider the potential of regional markets, which in turn leads to an increase in the volume of transactions concluded.

"The analysis in respect of the past six months shows that Poland's regional office markets are now ahead of Warsaw in terms of the volume of funds invested. Transactions concluded in Cracow, Wrocław and Łódź amounted to 68% of the 354 million Euro spent on office property in Poland."— adds Anna Staniszewska.

BNP Paribas Real Estate

One of the leading international real estate providers, offers its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.

As regards the CEE Region, BNP Paribas Real Estate provides services in respect of Capital Markets, Property Management, Transaction, Consulting and Valuation. Furthermore, all departments are supported by the Research Team, which provides knowledge regarding real estate markets, thus enabling BNP Paribas Real Estate clients to make the most suitable long-term business decisions.

BNP Paribas Real Estate has local expertise on a global scale through its presence in 37 countries with more than 180 offices and 3,800 employees. BNP Paribas Real Estate is a subsidiary of BNP Paribas Group.

More information: [www.realestate.bnpparibas.com](http://www.realestate.bnpparibas.com)

Kontakt dla Mediąw

Katarzyna Lemańska
Marketing & PR Director CEE
Tel.: +48 668 330 727, +48 22 653 44 00
E-mail: katarzyna.lemanska@bnpparibas.com