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PRESS RELEASE

REGIONAL OFFICE MARKETS CONTINUE TO SHOW LARGE POTENTIAL

According to the latest report by BNP Paribas Real Estate Poland entitled At a Glance; Polish Office Market Q IV 2015 summarizing the situation on the office market in 7 largest agglomerations and 9 developing cities, the potential of this sector continues to grow. The total volume of transactions completed last year reached an all-time highest level of 1.3 billion euro and accounted for more than half, i.e. 55%, of the total capital invested in this segment of the market. The authors of the report highlight the fact that this is the first time in history that the value of transactions completed on the regional market was higher than the value of transactions completed in Warsaw.

“In addition to the suitable quality of well commercialized office buildings, it is also the stable rents and positive prospects for the shared service and research and development sectors that act as a magnet for investors seeking investment opportunities outside of the capital city. The significant interest on the part of investors in this particular segment of the market as well as the unflagging demand from tenants could, within the nearest quarters, result in further compression of yields, which are at the moment oscillating around 6.5 – 7.0% for prime locations.” – stresses Anna Staniszewska, Head of Research & Consultancy, CEE, BNP Paribas Real Estate Poland.

Kraków remains the leader in terms of office supply and demand. The office market in Lesser Poland’s capital city, with an estimated 766 000 sq m of available space, accounted for nearly one fourth (24%) of total supply offered by the main regional cities. Wrocław came after Kraków (618 500 sq m) with a 19% share in the market, while the Tri-City took the third position (567 000 sq m) with an 18% share in the market. As forecasted by the authors of the report, the position of the abovementioned three cities will be strengthening, which will be mainly due to a
number of schemes with the total area of approximately 565,000 sq m to be completed by the end of 2017.

It follows from the BNP Paribas Real Estate Poland report that the developing markets which are concentrated around smaller regional cities and offer a total estimated volume of space of approximately 467,000 sq m continue to stand out due to the much lower operational costs, available workforce and – most importantly – significantly lower rents.

BNP Paribas Real Estate Poland experts predict that the record-high volume of space under construction, i.e. 650,000 – 700,000 sq m, which is more than the volume of space under construction in Warsaw, to be completed by the end of 2017 will result in an increase in the vacancy rate in the short- and mid-term perspective. The percentage of preleased space in the main agglomerations is at a level of between 7.3% in Szczecin and 41.6% in Kraków.

“The dynamic growth of supply of new office buildings on the markets referred to could lead to an increase in the volume of vacant space. Some developers, while wishing to avoid this risk, take the decision to execute their developments as built-to-suit schemes, where each individual project is made to meet the needs and expectations of specific tenants and where construction is commenced only when the space available is partially preleased.” – comments Małgorzata Fibakiewicz, Head of Office Agency, BNP Paribas Real Estate Poland.

BNP Paribas Real Estate Poland experts expect that the increase in supply of new space and the increased vacancy rate will put pressure on rents, thus resulting in more attractive lease terms. This trend will be noticeable mainly in respect of medium- and lower-quality space. It is estimated that tenants interested in long-term leases will be able to achieve rents lower by 10 – 15%. As regards prime office schemes, new deliveries will not have a significant impact on rents.

About BNP Paribas Real Estate
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BNP Paribas Real Estate has local expertise on a global scale through its presence in 37 countries with approximately 180 offices and 3,800 employees (16 wholly owned and 21 by its Alliance network, that represents today more than 3,200 people).
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