POLISH REGIONAL OFFICE MARKETS ARE GROWING

According to the latest report entitled *At a Glance; Polish office market H1 2016*, the first half of 2016 saw a continued high growth rate on the regional markets. Despite completion of numerous key projects and a large volume of space currently under construction, the vacancy rate has not increased considerably and, as was the case for some markets, has indeed dropped. Kraków, Wrocław and the Tricity retained their positions on the podium, increasing their lead over the remaining regional markets (Katowice, Poznań, Łódź, Szczecin and Lublin). Kraków remains the leader with a total supply of office space of 894 300 sqm.

The regional markets recorded a large number of pre-lets in respect of office buildings still under construction, which results from high interest on the side of tenants. By the end of H1, an average of 43.7% of office schemes to be delivered were already leased. The best results in this regard were recorded by Poznań (65.7%) and Kraków (57.7%). Szczecin is the weakest market here, where – despite the smallest volume of schemes under construction – only 22.4% of space to be delivered is now leased.

*Despite a rapid increase in available office space, commercialization of new build schemes progresses extremely quickly. Save for the smaller markets, where the space absorption time is longer, the average vacancy rate for new schemes (aged between 1 and 3 years) is only 5.0%. The reason for this is the high standard and efficiency of the newly delivered space.* – comments Anna Staniszewska, Head of Research and Consultancy, BNP Paribas Real Estate, CEE.

Kraków will strengthen its leading position over the coming years due to the largest – amongst the analysed markets – volume of space under construction amounting to 209 000 sqm, out of which nearly 60% is already leased. Kraków can boast of having a marginal vacancy rate of 3.7%, which is impressively low taking into account the delivery in H1 of the current year of several substantial schemes (i.e. O3 Business Campus A, Bonarka for Business F, Quattro Business Park Five) that have increased the existing supply by approximately 40 000 sqm. Rents for the majority of office buildings offered on the Kraków market range between 13€/sqm/m and 15€/sqm/m. Despite high interest on the side of tenants rents remain at a stable level, which is dictated by competition amongst new build schemes.
Wrocław, following Warsaw and Kraków, is the third largest office hub in Poland, where the total supply of modern space exceeds 736,000 sqm and rents oscillate between 12€/sqm/m and 15.5€/sqm/m. The Lower Silesia capital is additionally one of the fastest growing markets in terms of increase in supply, which was reflected in an increase in the vacancy rate from 6.7% at the end of 2015 up to 9% in H1 2016.

The Tricity, the third largest regional market in Poland, recorded in H1 an increase in total supply of office space by 50,000 sqm, thus achieving a result of 611,600 sqm. This sizeable increase in the volume of new space resulted in a jump in the vacancy rate from 11.8% at the end of 2015 up to 14.7% in H1 2016. An adjustment in rents by 5-15% took place as a consequence and rents for the majority of buildings range currently between 12€/sqm/m and 14€/sqm/m.

Absorption of new build space on the regional markets requires time, however this does not mean that we are dealing with a slowdown of the pace of supply growth and it will continue to be extremely dynamic. Kraków, Wrocław and the Tricity will retain their leading positions, while their lead will increase even more over the coming years due to the large volume of schemes under construction. – concludes Małgorzata Fibakiewicz, Head of Office Agency, BNP Paribas Real Estate Poland.

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