BNP PARIBAS REAL ESTATE

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RESEARCH

AT A GLANCE Q4 2019

REGIONAL OFFICE MARKETS

- **2019 – a year of record breaking volume of new supply**
- **Kraków strengthens its position as the leading regional market**
- **Katowice in the lead in terms of space under construction**

NEW SUPPLY – THE REGIONS SUSTAIN THEIR DYNAMIC PACE OF GROWTH

The record-breaking volume of new office space delivered to the market in 2019 led to the eight key regional markets exceeding the threshold of 5.6 million sqm at the end of December – a result putting them ahead of Warsaw in this respect for the first time ever.

In 2019 Kraków itself saw the completion and delivery of the same volume of office space as the market in the capital. Additionally, the volume of new supply on the Wrocław market was only marginally lower than the result recorded in the capital.

In turn, the nearest future will be marked by the dynamic growth of two smaller markets, i.e. Katowice and the Tricity, where construction of numerous new schemes was commenced in 2019. The average vacancy rate increased in 2019 to reach 9.6% at the end of Q4. This increase was largely due to the record-breaking volume of new office supply.

The volume of net take-up recorded in 2019 in the regions was similar to the result achieved in the previous year. Nearly half of the volume was accounted for by space leased in buildings still under construction (pre-let agreements).

OFFICE MARKET IN FIGURES

5.6 mln m^2	546,900 m^2	771,800 m^2	9.6%	11.2%
OFFICE STOCK	NEW SUPPLY, 2019	SPACE UNDER CONSTRUCTION	AVERAGE VACANCY RATE	INCREASE IN OFFICE SPACE (y-o-y)

SUPPLY

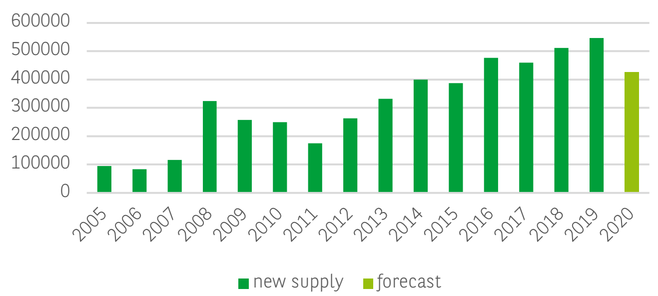
In 2019 a record-breaking total of 547,000 sqm of modern office space was completed and delivered on the eight key regional markets, of which more than half was supplied in the two leading regions, i.e. Kraków and Wrocław. The fourth quarter only saw the completion of 238,000 sqm of new space.

Since the beginning of the year Kraków's market increased by 159,100 sqm of office space, which is a volume lower by only 3,100 sqm than that recorded on the four-times-bigger market in Warsaw. The largest schemes completed in Kraków include Tischnera Office (32,800 sqm), the first two phases of the Fabryczna Office Park complex (29,100 sqm) and the V.Offices office building (21,700 sqm). The volume of new supply delivered to the market in Wrocław reached a similar figure (147,300 sqm), which came largely in the shape of one scheme: six buildings delivered to the market under the second phase (76,800 sqm) of the Business Garden Wrocław complex.

The Poznań office market is also worthy of a mention with its nearly 18% of growth as compared to the end of 2018, and thus becoming Poland's fastest growing regional market. Approximately 86,000 sqm of office space were delivered there through, amongst others, Business Garden Poznań (46,100 sqm) and two phases of the Nowy Rynek complex (30,700 sqm).

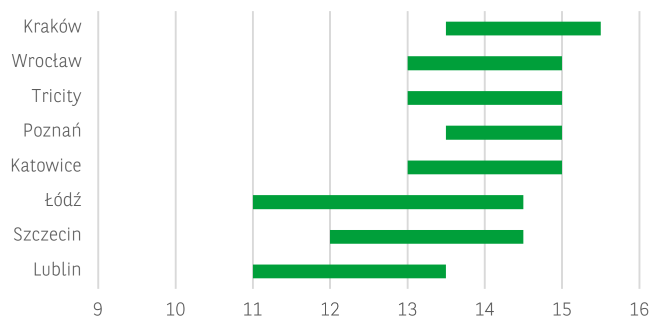
Other significant schemes completed in 2019 include: another phase of Gdańsk's Alchemia – Neon (33,700 sqm) and the first phase of the Brama Miasta complex in Łódź (25,500 sqm).

Annual office supply in the regions



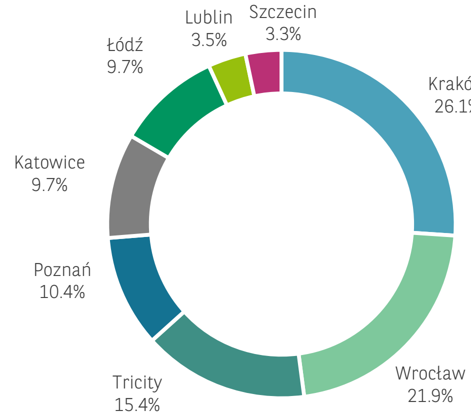
Źródło: BNP Paribas Real Estate

Prime asking rents (€/sqm/month)



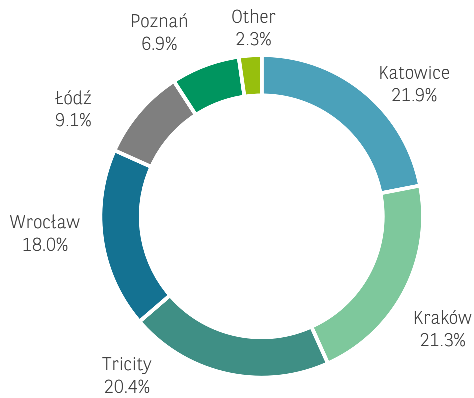
Źródło: BNP Paribas Real Estate

Existing office space in the regions (%)



Source: BNP Paribas Real Estate

Space under construction by region (%)



Source: BNP Paribas Real Estate

DEMAND

Net take-up in the regions in 2019 reached 462,900 sqm, which is a result similar to that recorded in the previous year. Without doubt, Kraków was the city to have attracted the most interest from tenants, generating 39% of the total net demand recorded. In the regions, six lease agreements for office space in excess of 10,000 sqm each were concluded, of which four in Kraków. The largest lease was executed in the Fabryczna Office Park (Kraków) complex with UBS leasing 19,300 sqm there.

Approximately 46% of the net demand recorded in 2019 was generated by space leased in buildings still under construction (pre-let agreements).

SCHEMES UNDER CONSTRUCTION

There were 772,000 sqm of office space under construction on the eight regional markets at the end of Q4 2019, with delivery of 426,000 sqm planned for 2020. The highest level of developer activity is recorded in Katowice and the Tricity, which account for more than 42% of all space currently under construction. The largest schemes being developed include the Face2Face complex (45,000 sqm in two buildings) and .KTW II (42,000 sqm) in Katowice and 3T Office Park (38,500 sqm) in Gdynia (Tricity).

VACANCY RATES

The delivery of a large volume of new office space to the market resulted in an increase in the vacancy rate at the end of 2019 to 9.6%, i.e. by 1.2 p.p. as compared to the corresponding period in the previous year. The highest vacancy rate was recorded in Wrocław (12.7%), while the lowest in the Tricity (4.9%).

The highest increase in the vacancy rate in 2019 was recorded in Poznań and Wrocław, which is the consequence of delivery of a large volume of new office space to the markets there.

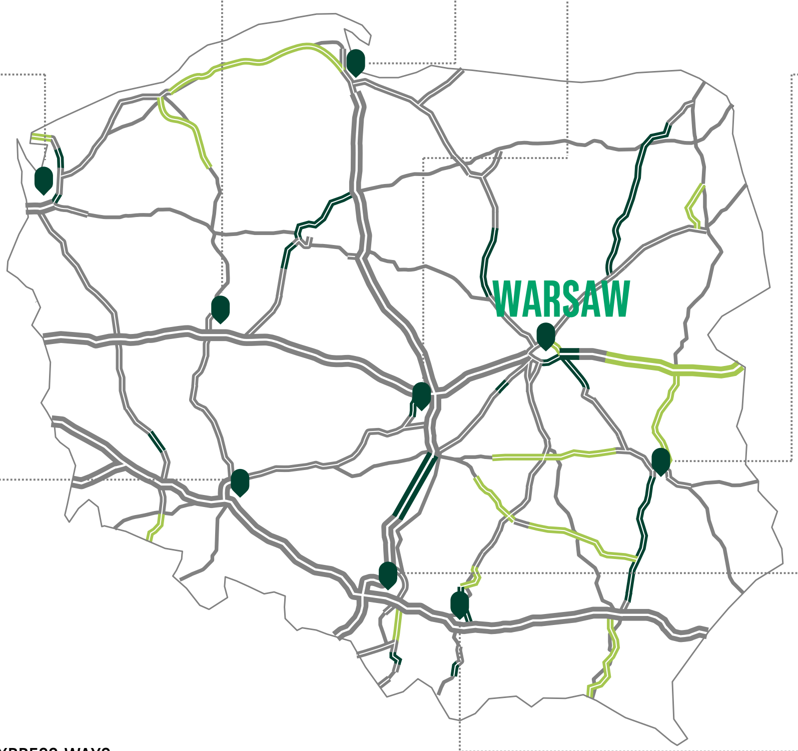
The absence of new supply in 2019 enabled absorption of a considerable volume of available space in Lublin where the vacancy rate dropped gradually during the year to 9.3% at the end of December, which is a result by 6.1 p.p. lower than that recorded last year.

VACANCY RATE, Q4 2019

ZONES

KEY INDICATORS	POZNAŃ	TRICITY	ŁÓDŹ
Stock	564,800	838,600	528,300
Gross Demand (SQM)	40,700	101,000	53,500
Prime asking rent	13.5 – 15 €	13 – 15 €	11 – 14.5 €

	SZCZECIN	LUBLIN	WROCŁAW	KATOWICE	KRAKÓW
Stock	180,800	191,200	1,188,400	528,400	1,416,700
Gross Demand (SQM)	13,600	8,900	123,500	84,800	266,700
Prime asking rent	12 – 14.5 €	11.5 – 13.5 €	13 – 15 €	13 – 15 €	13.5 – 15.5 €



MOTORWAYS:
- Existing
- Under construction
- Planned

EXPRESS WAYS:
- Existing
- Under construction
- Planned

1. Data as at the end of December 2019
Source: BNP Paribas Real Estate

LARGEST OFFICE SCHEMES COMPLETED AND DELIVERED TO THE MARKET IN THE LAST 12 MONTHS

BUILDING	OFFICE AREA (SQM)	CITY	OPENING DATE	DEVELOPER
Business Garden Wrocław II	76,800	Wrocław	Q4 2019	Vastint
Business Garden Poznań	46,100	Poznań	Q1 2019	Vastint
Alchemia IV – Neon	33,700	Gdańsk	Q4 2019	Torus
Tischnera Office	32,800	Kraków	Q4 2019	Cavatina
Nowy Rynek A, B	30,700	Poznań	Q2, Q4 2019	Inter-bud

Source: BNP Paribas Real Estate

LARGEST OFFICE SCHEMES UNDER DEVELOPMENT

BUILDING	OFFICE AREA (SQM)	CITY	DEVELOPER	PLANNED OPENING
Face 2 Face	44,800	Katowice	Echo Investment	2020
.KTW II	42,000	Katowice	TDJ Estate	2022
3T Office Park	38,500	Gdynia	3T Office Park	2021
Mid Point 71	36,900	Wrocław	Echo Investment	2021
Nowy Rynek D	35,800	Poznań	Skanska	2021

Source: BNP Paribas Real Estate

LARGEST LEASE TRANSACTIONS, 2019

TENANT	BUILDING	CITY	AREA LEASED (SQM)	TYPE OF LEASE
UBS	Fabryczna Office Park	Kraków	19,300	pre-let
Motorola	Green Office	Kraków	17,100	renewal
Sabre	Tischnera Office	Kraków	16,000	pre-let
Akamai1	Vinci Office Building	Kraków	15,000	renewal + expansion
Google	Quatro Business Park	Kraków	12,700	renewal + expansion

Source: BNP Paribas Real Estate

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