**IT sector drives demand for offices across Poland**

*The pandemic has translated into a more cautious approach on the market along with lower office demand. Although office development in Poland is at its lowest level for eight years, regional markets are holding their ground with 800,000 sqm under construction.*

**WARSAW, 10 May 2021** – Advisory company JLL summarises Q1 2021 on the office market in Poland.

The reintroduction of COVID-19 restrictions weighed on corporate planning and decision-making processes. As a result, the first three months of 2021 recorded a slowdown in office market activity.

**Demand – IT leads the pack**

Demand for office space in Poland totalled 208,000 sqm between January and March 2021. This is down 41% on the same period last year.

“In the major office markets outside of Warsaw[[1]](#footnote-1), demand in Q1 totalled 98,300 sqm, with tenants at their most active in Tri-City, Kraków and Wrocław. Interestingly, renegotiations made up 45% of total activity in the regional cities”, explains **Karol Patynowski, Director of Regional Markets, JLL.**

Demand for offices in regional markets was driven by IT companies (36% of transaction volume outside of Warsaw), followed by business services (17%) and the financial sector (11%). Including Warsaw, the IT sector continues to lead in terms of take-up (21% of total demand).

Some of the largest lease transactions in Poland for Q1 2021 included a confidential IT tenant in Kraków (11,400 sqm, Korona office complex), Intel in Gdańsk (9,800 sqm, Tryton Business House) and the Public Transport Authority in Warsaw (9,800 sqm, PZO Factory).

"Although many companies in Poland are holding back on final decisions regarding changes to their office portfolio due to the pandemic, we are seeing some recovery in this area and the laying out of strategies for the new normal. For example, in the last few months JLL, has acquired new tenant representation projects for approx.70,000 sqm. About 25-30% of this number are enquiries from newcomers, mainly from the business services, IT and medical sectors, or companies expanding their scope", adds **Karol Patynowski**.

One of the more important "pandemic" trends in Poland has been subletting, used by companies to optimise their portfolios. There is approximately 120,000 sqm available for sublease in Warsaw and 167,000 sqm outside of Warsaw, mainly in Wrocław, Kraków and Tri-City.

**Supply – 200,000 sqm under construction in Katowice**

Between January and March 2021, a total of 213,000 sqm was delivered (over 167,000 sqm in Warsaw, and a mere 46,000 sqm outside Warsaw). Among the regional cities, most office space was completed in Tri-City (25,000 sqm, including e.g. Palio A) and Kraków (21,000 sqm, including e.g. Equal Business Park D). As a result, at the end of the first quarter, total office stock in Poland totalled 11.9 million sqm, with 5.8 million sqm being located on the major regional markets.

”Currently around 1.2 million sqm is under construction in Poland – the market’s lowest level since 2013. In Warsaw, it is 420 000 sqm, which is the city’s lowest result since 2010. Interestingly, developer activity in regional markets remains robust, with 800,000 sqm under construction at the end of Q1. The most impressive regional performance is seen in Katowice with 200,000 sqm in the pipeline," says **Ewa Grudzień, Senior Research Analyst, JLL.**

The largest office schemes currently under construction outside of Warsaw include: Global Office Park (Cavatina) and KTW II (TDJ Estate) in Katowice, MidPoint 71 (Echo Investment) in Wrocław, Nowy Rynek D & E (Skanska Property Poland) and Andersia Silver (Von der Heyden Group) in Poznań, and 3T Office Park (SGPM Sp. z o.o.) in Tri-City.

**Office investment market – record-breaking regions**

"Despite the pandemic, office investor activity remains high. In Q1 2021, the value of office investment transactions was around 605 million EUR, with regional markets accounting for almost 360 million EUR. This is the best ever start to a year by the country’s regional cities. Such a spectacular result was achieved due to the sale of an office building portfolio in Kraków and Wrocław by the Buma Group to Partners Group for over 200 million EUR. Other significant transactions included the sale of Alchemia Neon office building in Gdańsk by Torus to the DWS fund for over EUR 80 million, as well as the acquisition of Brama Portowa in Szczecin by FLE from Vastint", says **Tomasz Puch, Head of Capital Markets, JLL.**

**Vacancy and rents**

Due to the modest new completion performance over the first three months of 2021, the overall vacancy rate for the eight regional markets remained relatively stable q-o-q at 12.6%, compared to 12.7% in Q4 2020. The national vacancy rate currently stands at 12%.

At the end of Q1 2021, the highest rents outside of Warsaw were recorded in Kraków (14-15.5 EUR/sqm/month) and the lowest in Lublin (10.5-11.5 EUR/sqm/month). The next quarters will see prime office rents remaining stable. However, the increase in new supply and the accelerating trend of tenants relocating to better quality buildings will put downward pressure on rents for B-class office space.

More reports and analyses of the office market can be found on [www.officefinder.pl](http://www.officefinder.pl).

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**Contact**: Anna Podolak

**Phone**: +48 502 220 557

**Email**: [anna.podolak@eu.jll.com](mailto:anna.podolak@eu.jll.com)

**Contact**: Anna Drzewiecka

**Phone**: +48 504 020 522

**Email**: [anna.drzewiecka@linkleaders.pl](mailto:anna.drzewiecka@linkleaders.pl)

1. In Kraków, Wrocław, Tricity, Katowice, Poznań, Łódź, Lublin, Szczecin [↑](#footnote-ref-1)