

PRESS RELEASE

# STRONG DEMAND FOR OFFICES IN REGIONS. THE KRAKÓW MARKET GREW THE MOST. TRICITY WITH A MILLION SQ M OF OFFICE SPACE.

In the second quarter, the regional office market increased by 68.3 thousand sq m and most offices were delivered in the capital of Małopolska. The quarterly transaction volume amounted to nearly 190,000sq m and was nearly by a quarter bigger than in the period from January to the end of March this year. The authors of the periodic study from the international consultancy company BNP Paribas Real Estate Poland draw attention to the gripes, which affect offices in regions and the capital alike – an increasingly visible supply gap, an increase in labour costs, high costs of materials and services, as well as increasing business costs.

At the end of the second quarter, eight regional office markets stock amounted to a total office space of 6.34 million sq m. Kraków still leads the pack with approx. 1.67 million sq m of offices, being followed by Wrocław with 1.3 million sq m. The third largest regional market is Tricity, which broke 1 million sq m of modern office space in the second quarter.

Between April and the end of June, 10 facilities were delivered for occupancy, the total area amounting to 68,300 sq m. The largest number of new offices can be found in Kraków (26,300 sq m), followed by Tricity (18,700 sq m) and Łódź (18.7 thousand sq m). Kraków also saw the delivery of the largest regional office building in the last quarter (11,700 sq m) – the first building from The Park Kraków complex, being constructed by White Star Real Estate. Ultimately, the complex will consist of eight office buildings with a total area of approximately 100,000 sq m.

The total volume of rental transactions confirms the popularity of the largest office markets in the regions. In the second quarter, demand reached nearly 190,000 sq m and was 24% higher than in the first quarter, and 12% higher than in the corresponding period of 2021. Kraków was the leader in the quarterly demand, with almost 74,000 sq m leased to tenants. Wrocław and Tricity achieved just over a third of that result each

– *The second quarter consists primarily of new agreements, considering pre-lease agreements and the securing of space for the owners' own needs. In the demand structure, they accounted for 57%. The renegotiation and extension of existing contracts accounted for 35%, and expansions finished the quarter with 8% of the share. We see that the regional supply gap is approaching even more quickly, and tenants are looking to secure the space. Curtailed new supply in many companies will translate into a change in the space rental strategy, shifting the focus to long-term planning* – says **Michał Karolkiewicz**, Consultant in the Office Agency Department at BNP Paribas Real Estate Poland.



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Kraków also proved to be an unquestionable leader in terms of the volume of transactions concluded. The three largest agreements of the quarter were signed in Wawel hill's area. They included: the Capgemini pre-lease agreement in the Fabryczna Office Park B5 building (c.a. 14,000 sq m), the renewal of the agreement by Cisco systems Poland in the Enterprise Park C complex (12,5000 sq m), as well as the extension of the lease by Hitachi Energy Poland in the High5ive 1 building (8,400 sq m).

At the end of the second quarter, the volume of unleased space in the main markets of the regions amounted to over 960,000 sq m, which corresponds to the vacancy rate of 15.2%. This is 0.3 pp. less than in the first quarter and 1.8 pp. more than in the second quarter a year ago. Despite the increased demand for space, the decrease in tenants' activity was recorded in Łódź, where the vacancy rate increased by 0.2 pp. to 18.6 %. At the other side of the scale, there is Szczecin, where tenants can only choose from a pool of 4.9 % of available offices. Despite the fact that Szczecin recorded the lowest vacancy rate, in the second quarter it recorded the highest change in the q/q ratio (+ 1.9 pp.)

The authors of the report indicate that the market for flexible offices is expanding in the regions. The number of flexible offices increases in practically all regional cities. The trend towards adjusting office space to the dynamically changing needs of hybrid and remote work is being explored by tenants and operators, as well as by office buildings' owners. The quarter marked a noticeable event – a debut of Loftmill, a new brand of flexible offices created on the foundations of the Kraków operator of serviced offices, Rise.pl. Loftmill announced opening of several new locations, including, but not limited to, the .KTW II complex in Katowice and Brain Park in Kraków. The new network will soon be available to tenants in Warsaw as well.

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