

AT A GLANCE

Q3 2022

REGIONAL OFFICE MARKETS IN POLAND

Highlights

- **Low quarterly supply and slowing demand** – two characteristic factors summarizing office market in 8 major regional cities
- **Vacancy rate** growing again (q/q)
- **Supply gap** looming on some of the markets already
- **Cavatina** sells three office buildings in Kraków and Wrocław

The supply of modern office space in the 8 largest regional cities in Q3 2022 exceeded 6.35 million sqm. Only 2 assets in Wrocław were commissioned, with a total area of 20,200 sqm. In the last decade, regional cities were characterized by dynamic growth of office space, which increased on average 2.5–4 times in individual cities. The total stock of office space in cities such as Kraków and Wrocław exceeded one million square meters in less than ten years, at the end of Q3 2022 offering 1.65 and 1.32 million square meters, respectively. A dynamic growth of supply was a response to the increasing demand for modern office space. The currently observed decline in demand for offices, due to the temporary hold on tenants' development plans as well as the uncertain economic situation have led to the suspension of the new projects launches, planned for construction in 2020-2021. This, in the longer term, leads to a supply gap, which the sector will face in 2023–2025.



Source: BNP Paribas Real Estate Poland



6.35 M sqm
EXISTING OFFICE SPACE

20,200 sqm
NEW SUPPLY Q3

15.2%
AVERAGE VACANCY RATE

638,400 sqm
OFFICE SPACE UNDER CONSTRUCTION (2022-2024)

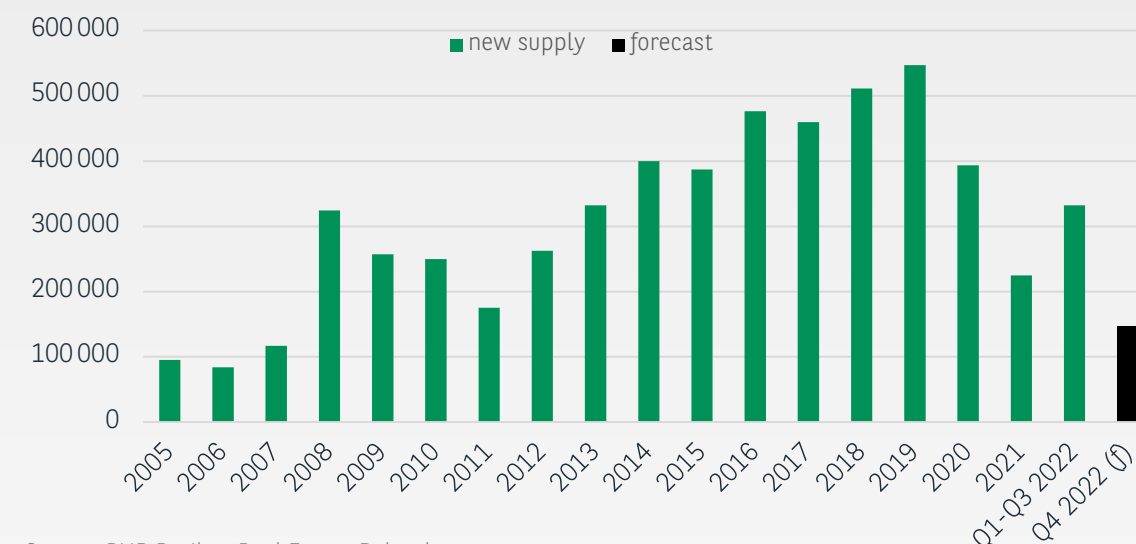
241,400 sqm
ABSORPTION Y/Y

106,300 sqm
GROSS TAKE-UP Q3

79,700 sqm
NET TAKE-UP Q3

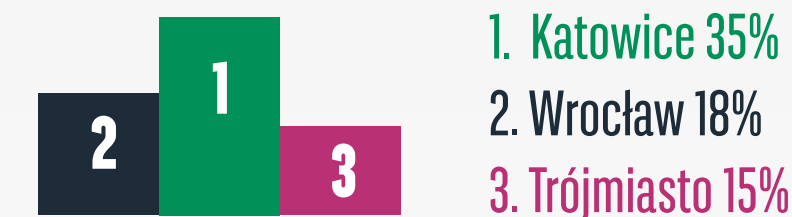
Source: BNP Paribas Real Estate Poland

Annual office supply in the regional markets (sqm)



Source: BNP Paribas Real Estate Poland

Top 3 cities with the highest supply - YTD 2022



Source: BNP Paribas Real Estate Poland

Q3 2022 saw a slight increase in the average vacancy rate in eight major regional markets. We have been observing its upward trend since the beginning of Q2 2020. At the end of September, 967,200 sqm of office space was immediately available for lease, which corresponds to the vacancy rate at the level of 15.2% (an increase by 0.05 pp q / q. and an increase of 1.7 pp compared to the same period in 2021). The highest vacancy rate was consistently recorded in Łódź, where it broke the psychological barrier and amounted to 22.0%, the lowest was invariably recorded in Szczecin - 3.9%. Half of the regional markets noted an increase of the rate, including Wrocław. It was there that two new office buildings were commissioned: L'Uni, with a rental level of approx. 35%, and Quorum Office Park D, where the space was leased in approx. 54%. The largest drop in the vacancy rate was recorded in the Tricity.

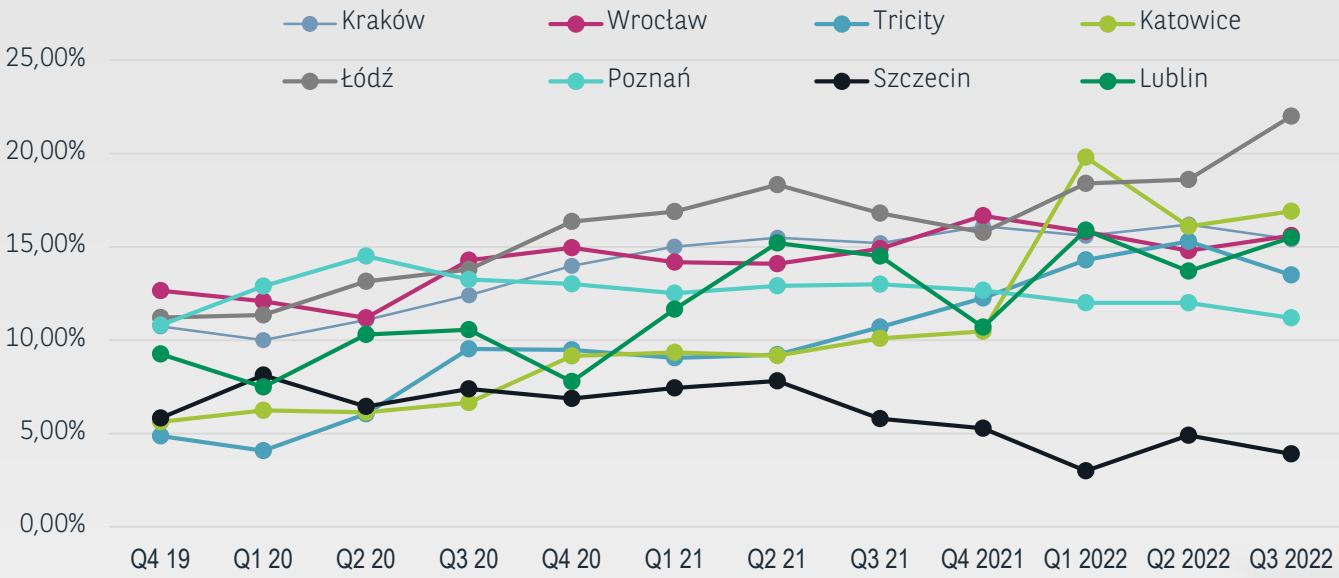
Vacancy rate



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15,2% average vacancy rate in the regions in Q3 2022



Source: BNP Paribas Real Estate Poland

Office buildings completed in Q3 2022

	PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER
1	L'Uni	Wrocław	3950	JP Weber
2	Quorum Office Park D	Wrocław	16 231	Cavatina

Source: BNP Paribas Real Estate Poland

In Q3 2022, only two office buildings with a total area of 20,200 sqm were put in use, both located in Wrocław. The first is the L'Uni office building, located in the neo-renaissance building of the former Pharmacy Department of the Medical Academy. The building has been completely modernized and finished to the highest standard. Its name refers to the French word "L'Université", which is inextricably linked with the history of this place. The second is Quorum Office Park D, developed by Cavatina.

Expert comment



Agnieszka Witkowska

Consultant, Landlord Representation, Office Sector
BNP Paribas Real Estate Poland

Spaces full of office boxes are a thing of the past

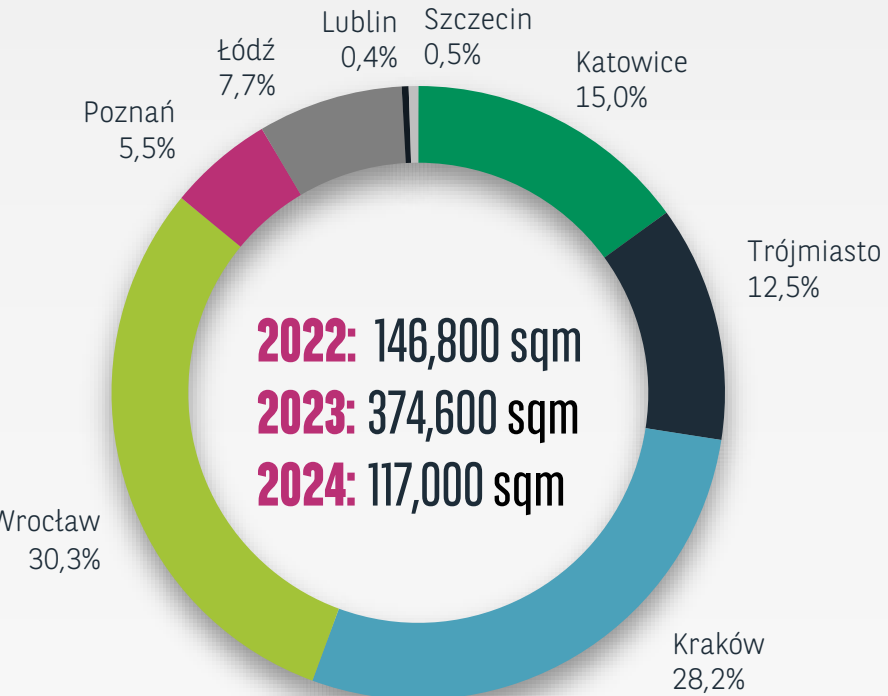
Hybrid work has become the norm, which is why tenants will be looking for assets that offer intelligent technologies, space for cooperation and zones contributing to maintaining the well-being of employees. Offices designed with this in mind are at the top of many organizations' priorities. During the pandemic and working at home, many people complained of feeling lonely and out of place. Today, great emphasis is placed on creating zones intended for joint work and spontaneous meetings, building relationships in teams and supporting their creativity. Currently, employers face the challenge of creating spaces which will be for the employee not only a place to perform official duties, but will also offer a unique experience.

The largest office schemes under construction with delivery date 2022

	PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER	PLANNED OPENING
1	Centrum Południe II	Wrocław	21 500	Skanska	Q4 2022
2	Brain Park II	Kraków	17 000	Echo Inv.	Q4 2022
3	Office Building Elte GPS	Kraków	15 200	ELTE GPS	Q4 2022
4	Brain Park I	Kraków	14 000	Echo Inv.	Q4 2022
5	C300 Office	Gdańsk	13 800	Inopa	Q4 2022

Source: BNP Paribas Real Estate Poland

Office space under construction 2022-2024



Source: BNP Paribas Real Estate Poland

Expert comment



Małgorzata Fibakiewicz

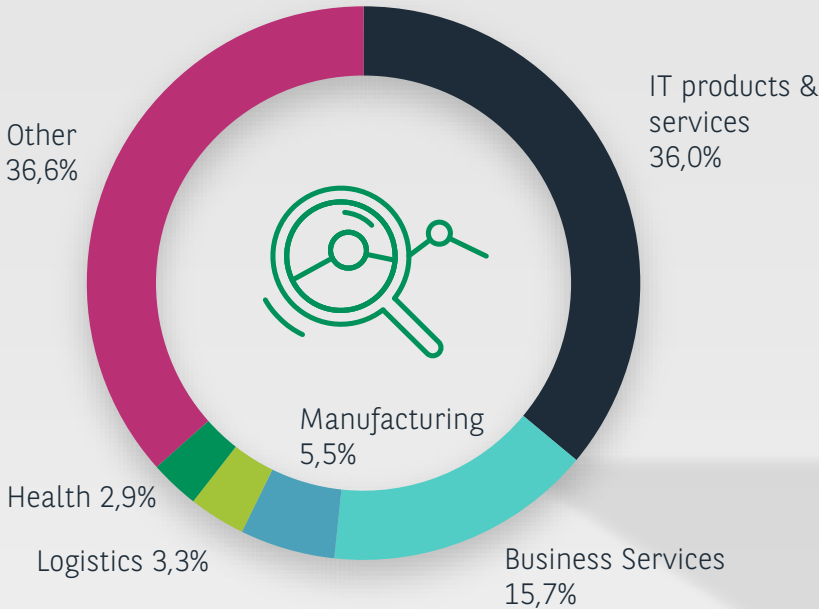
Head of Business Intelligence Hub & Consultancy
BNP Paribas Real Estate Poland

In the third quarter of 2022, several office buildings changed ownership, for which the investors spent over EUR 500 million. The most expensive transaction concerned the Warsaw market (Generation Park Y for EUR 285 million), but it was in the regions where three office projects belonging to one of the largest Polish office developers - Cavatina Holding, were sold. Carbon Tower in Wrocław, Ocean Office Park A and Tischnera Office in Kraków were acquired by the American Lone Star fund. The office buildings in total offer almost 66,000 sqm of space for lease, and their average lease rate is around 90%. Investors' appetite for regional office buildings invariably applies mainly to real estate purchased directly from the developer.



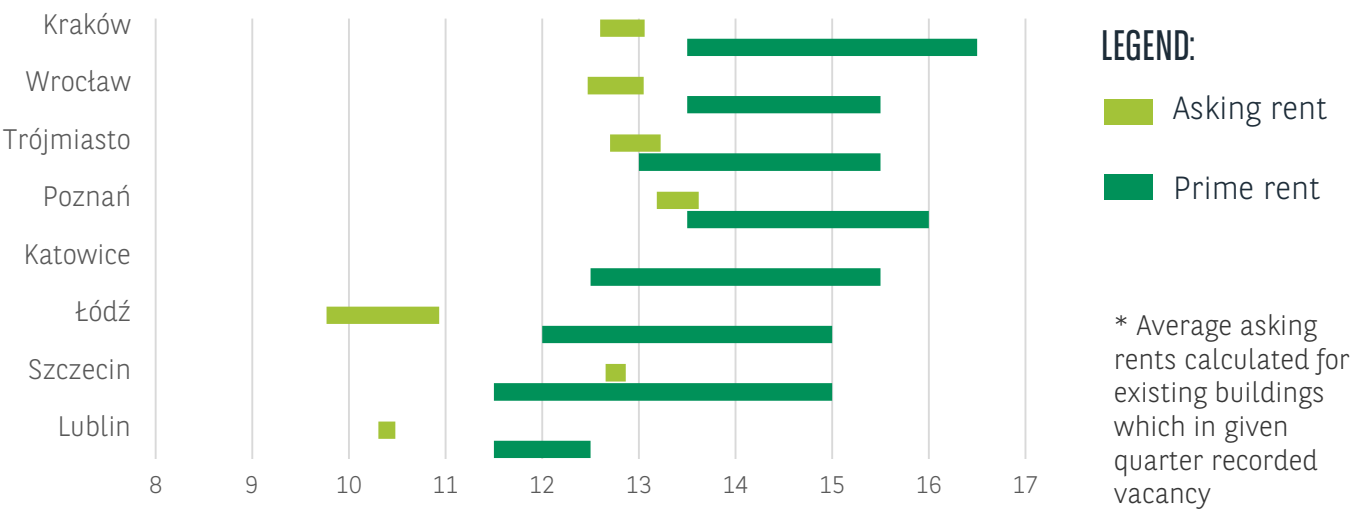
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Gross take-up by sectors Q3



Source: BNP Paribas Real Estate Poland

Average* asking rents vs „prime” rent (EUR/sqm/mth)



Source: BNP Paribas Real Estate Poland

Projects undergoing construction are under the greatest pressure to rise headline rents, which are driven by rising construction and fit-out costs. On the market, we are seeing more and more changes in contract parameters, such as its duration, rent free period or outlays for finishing office space. In the following quarters, cost factors will exert a further influence on the rise in headline rents, additionally compounded by the approaching supply gap already looming in regional markets.

Annual gross take-up by regions Q1-Q3 2022



1. Kraków 30%
2. Wrocław 19%
3. Tricity 17%

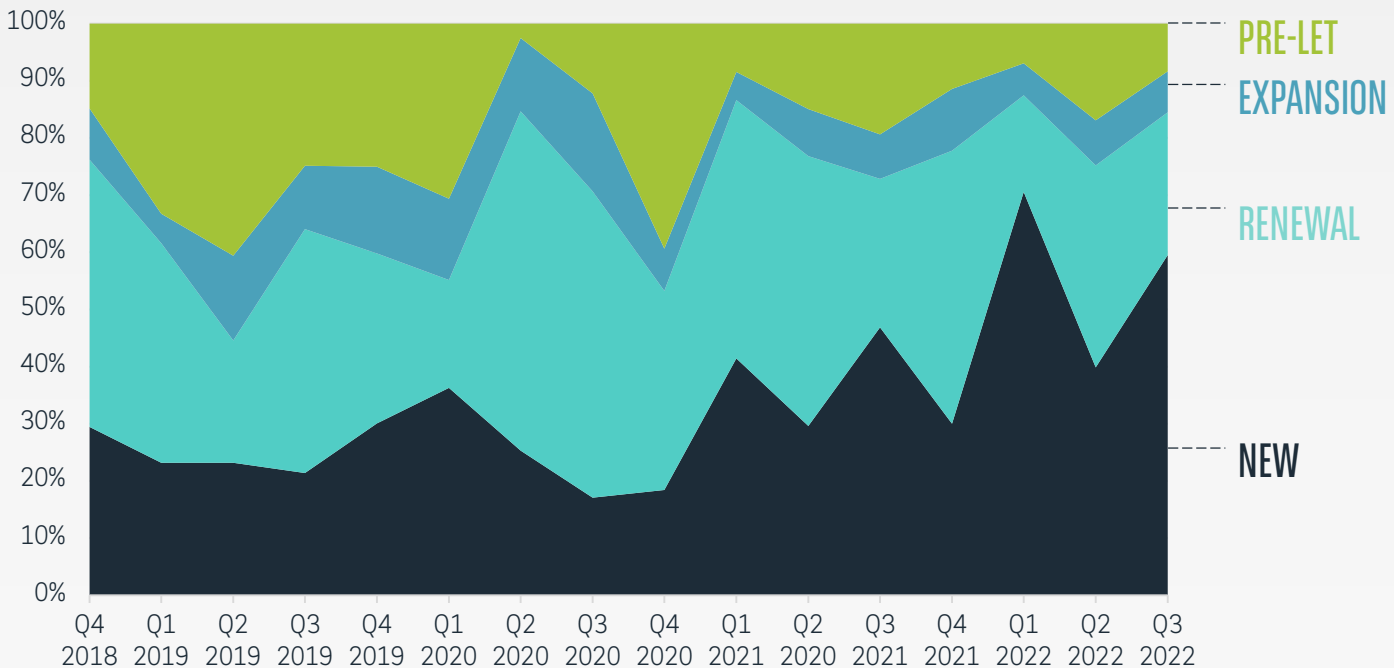
In the first three quarters of 2022, total gross demand in regional cities amounted to 450,600 sqm, which means its increase by 18.6 pp. compared to the same period of 2021. Kraków, Wrocław and the Tricity, i.e. the three largest regional markets, account for 65% of the total demand registered in this period.

Top 5 lease transactions

	TENANT	PROJECT	CITY	OFFICE AREA (sqm)	TYPE OF LEASE
1	Confidential	Ocean Office Park D	Kraków	4712	pre-let
2	Keywords Studios	Global Office Park A1	Katowice	3781	Expansion
3	TietoEvry	Green 2Day	Wrocław	3733	renewal
4	TietoEvry	Piastów Office Centre C	Szczecin	3413	renewal
5	Confidential	Avia	Kraków	3259	new

Source: BNP Paribas Real Estate Poland

Gross take-up structure in the regions Q3



Source: BNP Paribas Real Estate Poland



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AUTHOR

Klaudia Okoń

Consultant
Business Intelligence Hub & Consultancy
klaudia.okon@realestate.bnpparibas

Małgorzata Fibakiewicz, MRICS

Head of Business Intelligence Hub
& Consultancy
malgorzata.fibakiewicz@realestate.bnpparibas

CONTACTS

Dorota Mielke

Associate Director
Office Agency
dorota.mielke@realestate.bnpparibas

Agnieszka Żygielo

Associate Director
Office Agency
agnieszka.zygielo@realestate.bnpparibas

Piotr Rusinek, BSc (Hons), MRICS

Head of Project and Development Consultancy
piotr.rusinek@realestate.bnpparibas

Michał Pszkit

Head of Property Management
Member of the Board
michal.pszkit@realestate.bnpparibas

Erik Drukker

President of the Board
erik.drukker@realestate.bnpparibas

Mateusz Skubiszewski, MRICS

Head of Capital Markets
mateusz.skubiszewski@realestate.bnpparibas

Arkadiusz Bielecki, MRICS

Head of Valuation
arkadiusz.bielecki@realestate.bnpparibas

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BNP Paribas Real Estate
Poland Sp. z o.o.

ul. Grzybowska 78,
00-844 Warsaw
Tel. +48 22 653 44 00

www.realestate.bnpparibas.pl