AT A GLANCE H1 2020

REGIONAL OFFICE MARKETS IN POLAND

- **Kraków has been strengthening its leading position among regional markets and dominates in terms of space under construction**
- **COVID – 19: Q2 2020 with the highest vacancy rate for 2.5 years and shifts in the take-up structure**

H1 2020 saw an increase in modern office stock in eight* regional markets by around 175,600 sqm, of which 55% was delivered in Q2. By the end of June, the size of the office sector in the regions reached almost 5.6 million sqm.

Kraków, where more than ¼ of the existing regional stock is located, remains a definite leader in this respect. The city continues to strengthen its leading position, concentrating almost 30% of the space currently under construction. The coming years will also be marked by the dynamic development of two smaller markets: Katowice and Tri-City, where many key projects have been launched.

In H1 2020, tenants' interest in office space in regional markets was high and made up about 333,000 sqm of gross take-up, which is 9% higher than in the corresponding period last year. Seven lease transactions with an area exceeding 10,000 sqm each were concluded in regional cities, three of which involved buildings still under construction (the so-called pre-lets).

By the end of June, the average vacancy rate had reached 10.2%, exceeding the 10% threshold for the first time in a couple of years, largely due to the high volume of new supply in the recent months. The current turmoil caused by the global pandemic is reflected by a shift in the lease structure – in the second quarter of this year the volume of renewals exceeded net take-up for the first time in history.

OFFICE MARKET IN FIGURES (H1 2020)

5.6m m^2	175,600 m^2	817,000 m^2	10.2%	333,000 m^2
EXISTING OFFICE STOCK	NEW SUPPLY H1 2020	FLOORSPACE UNDER CONSTRUCTION	AVERAGE VACANCY RATE	GROSS TAKE-UP H1 2020

*Kraków, Wrocław, Tri-City, Poznań, Katowice, Łódź, Lublin, Szczecin

SUPPLY

In H1 2020, 175,600 sqm of office space across 15 buildings were delivered in regional markets. Q2 accounted for about 55% of this volume. By comparison, in H1 2020 in Warsaw there were about 107,000 sqm of new offices delivered.

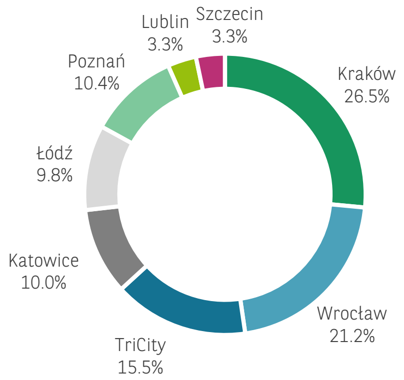
Five office buildings with a total space of about 69,000 sqm were delivered in Kraków, which represents nearly 40% of the new supply in the regional markets in the analysed period. The largest projects completed in Kraków include: High 5ive 4 (23,500 sqm), Tertium Business Park II (13,300 sqm) and DOT Office L1 (13,100 sqm). Recent years have witnessed a very dynamic development of the office property sector in the capital of the Małopolska province. Since the beginning of 2016, the size of the stock has almost doubled, while nearly 230,000 sqm more may be developed in the city by the end of this year.

The second largest market in terms of new supply in H1 2020 is Katowice, where the office space stock increased by 31,000 sqm owing to the completion of two office buildings: Face2Face A (19 600 sqm) and DL Piano (11 500 sqm).

The market in Tri-City ranked third, with 29,900 sqm of new space. Two projects in Gdańsk – Olivia Prime B (25,000 sqm) and Lastadia 2 (2,400 sqm), as well as the first new office project in Sopot since 2016 – Rzemieślnicza 15 (2,500 sqm) – were completed here.

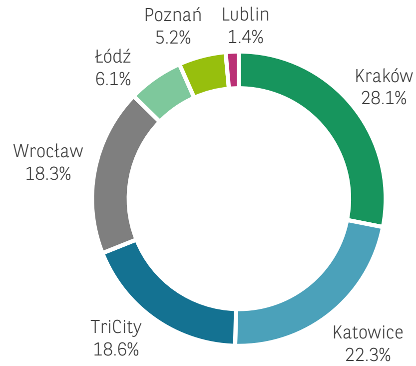
Other major projects completed in the first half of 2020 include: Giant Office in Poznań (15,300 sqm) and City Gate A in Łódź (14,100 sqm). There were no new office buildings delivered to the Lublin market.

EXISTING OFFICE SPACE IN REGIONAL MARKETS (%)



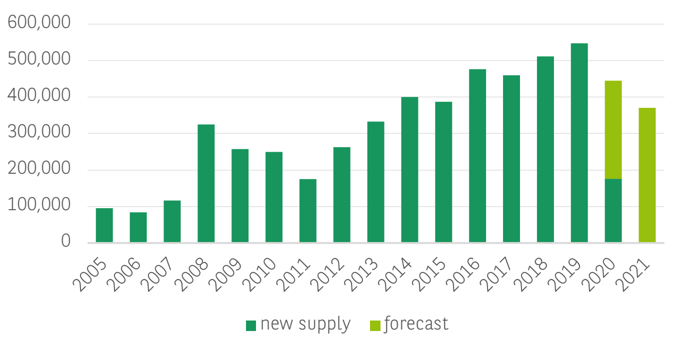
Source: BNP Paribas Real Estate Poland

SPACE UNDER CONSTRUCTION BY REGION (%)



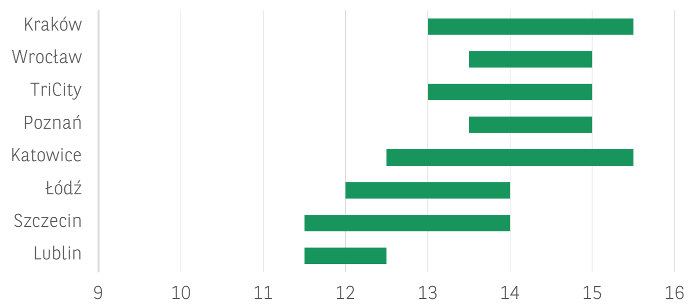
Source: BNP Paribas Real Estate Poland

ANNUAL OFFICE SUPPLY IN REGIONAL MARKETS (m^2)



Source: BNP Paribas Real Estate Poland

RANGE OF ASKING RENTS (€/m^2/month)



Source: BNP Paribas Real Estate Poland

TAKE-UP

The total volume of lease transactions in H1 2020 amounted to 333,000 sqm and was higher than in the corresponding period last year. In the second quarter alone, for the first time in history, renewals accounted for over half of gross take-up – 59%. New contracts accounted for 28% and expansions for 13%.

In the first half of 2020, Kraków enjoyed the greatest interest of tenants, which represented over 34% of gross demand. The companies from the IT and services sector were by far the most active in terms of satisfying their demand for office space, accounting for almost half of the volume of concluded transactions. As much as 47% of the net take-up in the first half of 2020 was space leased in buildings still under construction or in the preparatory stage.

STOCK UNDER CONSTRUCTION

At the end of Q2 2020, there were around 817,000 sqm of office space under construction in eight regional markets, of which over 270,000 sqm are expected to be delivered by the end of this year. In terms of the volume of space under construction, Kraków is definitely in the lead with approx. 228,000 sqm of office space in the pipeline. Developers are also very active in two smaller markets, Katowice and Tri-City, which have 181,600 sqm and 151,000 sqm under construction respectively. The largest projects under way include: .KTW II (42,000 sqm) next to Spodek in Katowice, 3T Office Park (38,500 sqm) in Gdynia and Mid Point 71 (36,900 sqm) in Wrocław.

VACANCY RATE

As a result of the relatively high volume of new supply, at the end of Q2 2020 the average vacancy rate in the regions exceeded the 10% threshold for the first time in a long time. Compared to the corresponding period last year and the first quarter of 2020, it increased by 0.8 p.p.

The highest rate was recorded in Poznań (14.5%), while the lowest in Tri-City and Katowice (6.1%). The dynamics of changes in the vacancy rate (q-o-q) varied depending on the market. An increase in the level of vacant space was recorded in five markets, of which the largest was in Lublin (2.8 p.p.). A decrease in the vacancy rate was recorded in Wrocław, Katowice and Szczecin, the latter of which saw the highest drop (by 1.7 p.p.).

The assets completed in the second quarter of this year were about 60% leased on average. In Kraków, the occupancy rate of delivered office buildings was the highest – almost 100%.

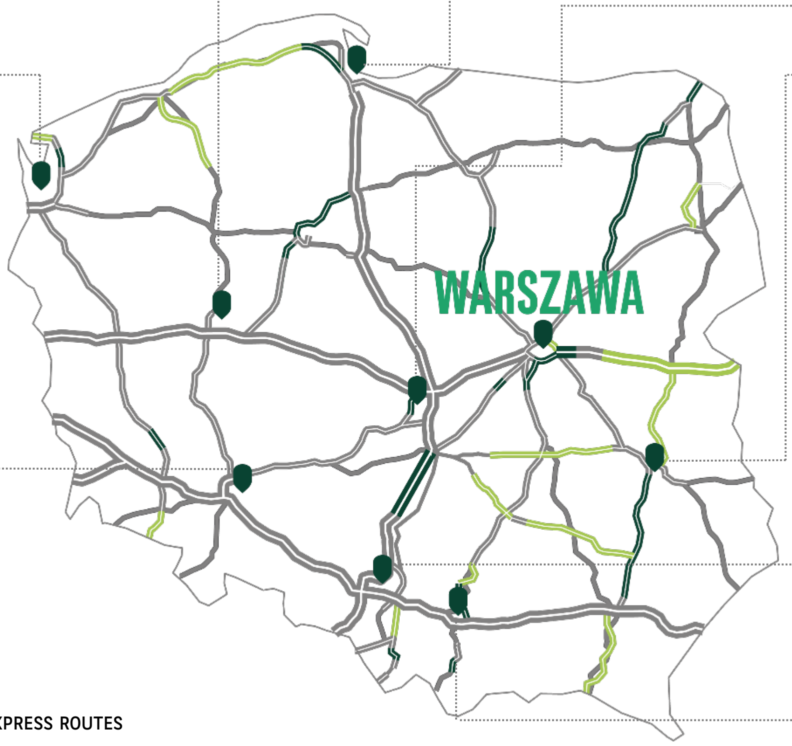
VACANCY RATE, H1 2020

Source: BNP Paribas Real Estate Poland

ZONES

KEY INDICATORS	POZNAŃ	TRI-CITY	ŁÓDŹ
Stock	581 900	868 400	548 000
Gross take-up (sqm)	17 200	51 700	51 100
Asking prime rents	13,5 – 15 €	13 – 15 €	12– 14 €

	SZCZECIN	WROCŁAW	LUBLIN	KATOWICE	KRAKÓW
Stock	184 200	1 186 100	185 800	559 500	1 483 300
Gross take-up (sqm)	3 700	62 600	5 500	26 500	114 700
Asking prime rents	11,5 – 14 €	13,5 – 15 €	11,5 – 12,5 €	12,5 – 15,5 €	13 – 15,5 €



MOTORWAYS:
- Existing
- Under construction
- Planned

EXPRESS ROUTES
- Existing
- Under construction
- Planned

Source: BNP Paribas Real Estate Poland

OFFICE BUILDINGS IN REGIONAL CITIES DELIVERED IN H1 2020

PROJECT	OFFICE AREA (sqm)	CITY	OPENING DATE	DEVELOPER
Olivia Prime B	25,000	Gdańsk	Q2 2020	Olivia Business Centre
High 5ive 4	23,500	Kraków	Q1 2020	Skanska
Face2Face A	19,600	Katowice	Q1 2020	Echo Investment
Giant Office	15,300	Poznań	Q1 2020	Giant
Brama Miasta A	14,100	Łódź	Q2 2020	Skanska

Source: BNP Paribas Real Estate Poland

SELECTED MAJOR PROJECTS UNDER CONSTRUCTION BY THE END OF H1 2020

PROJECT	OFFICE AREA (sqm)	CITY	DEVELOPER	PLANNED OPENING
Global Office Park	58,800	Katowice	Cavatina Holding	2020-2022
.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 Poland

SELECTED LARGEST LEASE TRANSACTIONS, H1 2020

TENANT	PROJECT	CITY	LEASED SPACE (sqm)	AGREEMENT TYPE
ABB	Axis	Kraków	20,000	renewal
Fujitsu Technology Solutions	Fuzja	Łódź	16,300	new, pre-let
Client is confidential	Q2 Business Park Q2	Kraków	14,500	new, pre-let
Client is confidential	Alchemia IV Neon	Gdańsk	12,100	new
Capgemini	Face 2 Face II (Baildon BP) B	Katowice	11,000	new, pre-let

Source: BNP Paribas Real Estate Poland

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