



RESEARCH



AT A GLANCE Q3 2020

REGIONAL OFFICE MARKETS IN POLAND



- **Two record-breaking leases by Nokia put Wrocław in the lead in terms of take-up**
- **Reinforced changes in take-up structure – yet another quarter with renewals ahead of net take-up**
- **High volume of new supply reflected in vacancy rates**

In Q3 2020, approx. 129,500 sqm of new office space were delivered on the eight* regional markets. As a consequence, the office stock in the regions has exceeded 5.7 million sqm at the end of September. Kraków, with 26% of the total volume of existing space, continues to lead in the regions. Additionally, the city is in the lead in terms of the volume of stock under construction, holding 24% of the space currently under development. The other two markets to make the top-three list are: Katowice (24%) and Wrocław (13%).

Gross take-up on the regional markets, amounting to 126,500 sqm, was approx. 10% higher than in the previous quarter, however a significant drop (by 40%) was recorded as compared to the corresponding period last year. The highest volume of take-up was recorded in Wrocław – around 46,000 sqm, largely due to two leases, each for approx. 14,000 sqm, signed by Nokia Solutions and Networks

for the West Link and West Gate buildings. In addition, Amrest signed a lease for 7,000 sqm in the newly delivered Centrum Południe. The second quarter in a row now, average vacancy rate in the regions exceeded the 10% threshold for reaching at the end of September nearly 12%. To a large extent, this is due to the high volume of new supply, in excess of 300,000 sqm, completed in the regions since the beginning of the year. Take-up in the schemes completed and delivered to the market in Q3 of this year stood between 45% and approx. 70% depending on the region. The highest take-up in new office buildings, nearly 70%, was recorded in the Tricity. The change in take-up structure, caused by market turbulence resulting from the global pandemic, is now being reinforced. As in the previous quarter of this year, the volume of renewals in the July-September period exceeded net take-up.

OFFICE MARKET IN FIGURES (Q3 2020)



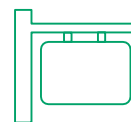
5.7 M sqm
EXISTING
OFFICE SPACE



129,500 sqm
NEW SUPPLY,
Q3 2020



800,000 sqm
SPACE UNDER
CONSTRUCTION
to be completed by 2023



11.9%
AVERAGE
VACANCY RATE



126,500 sqm
GROSS TAKE-UP
Q3 2020

*Kraków, Wrocław, Tricity, Poznań, Katowice, Łódź, Lublin, Szczecin

SUPPLY

2020 marks another year where developers have shown increased activity in the regions. Q3 of this year saw the delivery to the market of 129,500 sqm of new office space, while altogether more than 300,000 sqm have been delivered since the beginning of the year. New supply in the corresponding period last year was at a similar level, however market conditions then were unquestionably more conducive to balanced growth of the office sector.

Approx. 49,000 sqm, which accounts for nearly 40% of new supply in the regions, were delivered in Wrocław as part of three major schemes: Centrum Południe, West 4 Business Hub I and City 2 within the City Forum complex. The second largest market in Q3 2020 in terms of new supply was Kraków with 38,200 sqm of space in four office buildings, including: Podium Park B, Zabłocie Business Park B and Eastern Office Building within the Unity Centre complex. The Tricity market, with 30,400 sqm of new office space, came third. One of the schemes delivered in the region was Wave Gdańsk A. In turn, new supply in Łódź, where in the previous two quarters more than 51,000 sqm of office space were delivered to the market, was moderate in Q3 at approx. 12,000 sqm completed in three boutique buildings which included: Cross Point C and Łódź.Work. The last market in which an increase in office stock was recorded was the Metropolis GZM (Katowice region), where the small DTŚ Office Center building was delivered in Chorzów.

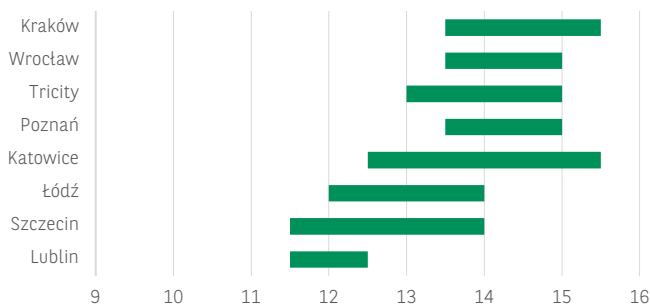
Since the beginning of 2020, the highest volume of new space has been delivered on the Kraków (140,000 sqm) and Wrocław (approx. 109,000 sqm) markets.

ANNUAL OFFICE SUPPLY IN THE REGIONAL MARKETS (sqm)



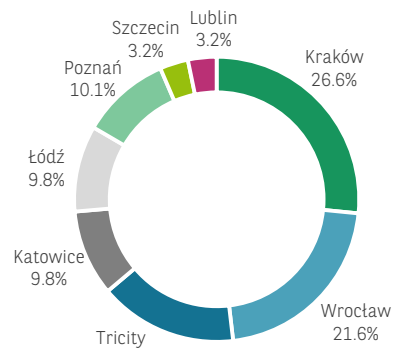
Source: BNP Paribas Real Estate Poland

RENTAL LEVELS (€/sqm/month)



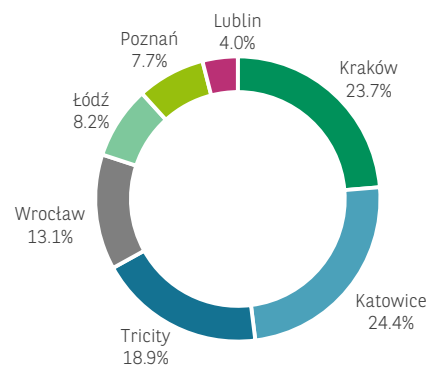
Source: BNP Paribas Real Estate Poland

EXISTING OFFICE SPACE IN REGIONAL MARKETS (%)



Source: BNP Paribas Real Estate Poland

SPACE UNDER CONSTRUCTION BY REGION (%)



Source: BNP Paribas Real Estate Poland

TAKE-UP

Gross take-up in Q3 2020 reached 126,500 sqm. This was yet another quarter where lease renewals accounted for more than half of the total volume of leased space. New leases represented only approx. 30%, while expansions – 17% of the total figure. The global feeling of uncertainty prevailing on the markets since the spring has pushed tenants to renew their leases in exchange for attractive incentives, rather than look for a new location.

Q3 2020 saw Wrocław and the Tricity attract the highest level of tenant interest, where they accounted for 37% and 24% of gross take-up, respectively. The highest demand for office space in Wrocław came from the IT sector – 60% of the total volume of leases signed there. In the Tricity, on the other hand, the retail sector accounted for nearly half of the region's take-up.

STOCK UNDER CONSTRUCTION

At the end of Q3 of this year the volume of space under construction on the eight regional markets was high, amounting to approx. 800,000 sqm, of which approx. 15% are scheduled to be delivered in Q4 this year. As far as space under construction is concerned, Katowice (193,000 sqm), Kraków (188,000 sqm) and Tricity (150,000 sqm) are the leaders. High developer activity is also recorded in Wrocław, where 104,000 sqm of office space are currently under construction. The largest schemes under development are among others: Global Office Park in Katowice (58,800 sqm), .KTW II (42,000 sqm) in Katowice, 3T Office Park (38,500 sqm) in Gdynia, and Mid Point 71 (36,900 sqm) in Wrocław.

VACANCY RATE

The high level of new office supply delivered to the regional markets since the beginning of 2020 (more than 300,000 sqm) has contributed to changes in vacancy rate, which has been exceeding 10% for the past two quarters now. At the end of September, average vacancy rate in the regions increased as compared to both the corresponding period last year and Q2 of this year (2.8 p.p. and 1.7 p.p., respectively). Highest vacancy rates were recorded in Wrocław and Łódź (14.3%), with Katowice (7.0%) and Szczecin (7.4%) recording lowest rates.

Changes recorded in vacancy rates (quarter on quarter) differed between markets. Increases were recorded in seven of the eight markets, the highest in the Tricity (3.4 p.p.) and Wrocław (3.1 p.p.) and the lowest in Lublin (0.1 p.p.). Poznań was the only region where a drop in the volume of vacant space was recorded (1.2 p.p.).

VACANCY RATE, Q3 2020 (%)



Source: BNP Paribas Real Estate Poland

OFFICE REGIONS

KEY INDICATORS	
	Stock
	Gross take-up (sqm)
	Asking prime rents

POZNAŃ	
	579,900
	7,300
	13.5 - 15 €

TRICITY	
	898,800
	30,400
	13 - 15 €

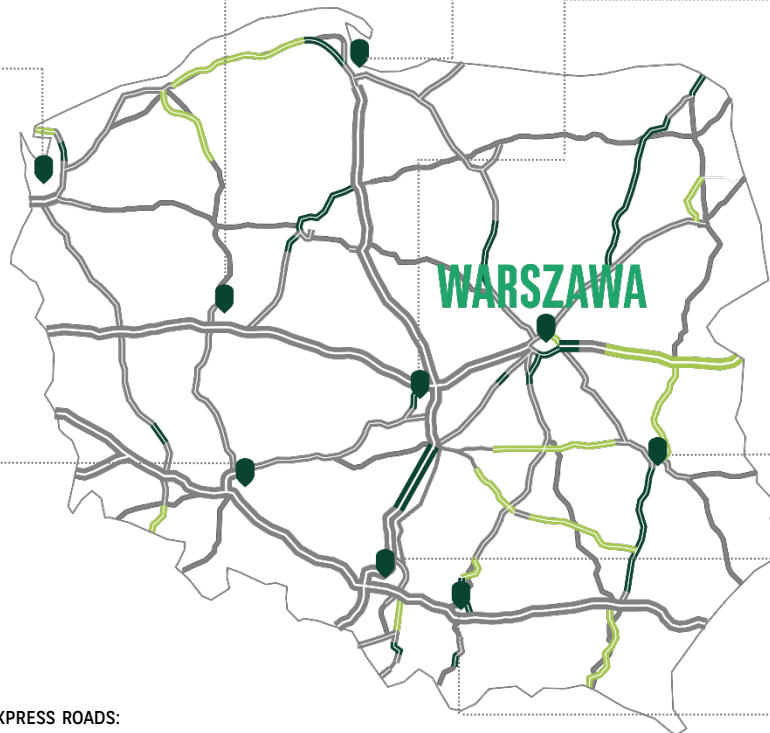
ŁÓDŹ	
	560,000
	8,600
	12 - 14 €

SZCZECIN	
	184,200
	900
	11.5 - 14 €

LUBLIN	
	185,800
	90
	11.5 - 12.5 €

WROCŁAW	
	1,235,000
	46,200
	13.5 - 15 €

KATOWICE	
	559,500
	7,500
	12.5 - 15.5 €



MOTORWAYS:	
	Existing
	Under construction
	Planned

EXPRESS ROADS:	
	Existing
	Under construction
	Planned

KRAKÓW	
	1,521,400
	25,400
	13.5 - 15.5 €

Source: BNP Paribas Real Estate Poland

OFFICE BUILDINGS IN THE REGIONAL CITIES DELIVERED IN Q3 2020

PROJECT	OFFICE AREA (sqm)	CITY	OPENING DATE	DEVELOPER
Centrum Południe	23,600	Wrocław	Q3 2020	Skanska
Wave A	23,600	Gdańsk	Q3 2020	Skanska
Podium Park B	16,400	Kraków	Q3 2020	Podium Investment
West 4 Business Hub (1 phase)	14,400	Wrocław	Q3 2020	Echo Investment
Zabłocie Business Park B	12,800	Kraków	Q3 2020	IMS Budownictwo

Source: BNP Paribas Real Estate Poland

SELECTED MAJOR PROJECTS UNDER CONSTRUCTION, Q3 2020

PROJECT	OFFICE AREA (sqm)	CITY	DEVELOPER	PLANNED OPENING
Global Office Park A1, A2, C	58,800	Katowice	Cavatina Holding	2021-2022
.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

SELECTED LARGEST LEASE TRANSACTIONS, Q3 2020

TENANT	PROJECT	CITY	LEASED SPACE (sqm)	AGREEMENT TYPE
Nokia Solutions and Networks	West Link	Wrocław	14,440	renewal
Nokia Solutions and Networks	West Gate	Wrocław	14,100	renewal
Ista Shared Service	DL Prime Gliwice	Gliwice	7,800	new
Amrest	Centrum Południe I	Wrocław	7,000	new
Confidential client	Olivia Business Centre: Olivia (Point i Tower)	Gdańsk	7,000	renewal

Source: BNP Paribas Real Estate Poland

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