

REGIONS BUILDING AT BREAKNECK SPEED, WELL OVER 700,000 SQM ARE UNDER CONSTRUCTION.

According to a report published by BNP Paribas Real Estate Poland, around 715,000 sqm of modern office space was under construction within Poland's eight largest markets at the end of 2021. Experts also note the further strengthening of the hybrid work model, the increasing popularity of various forms of flexible office working, and the growing importance of ESG solutions. An important factor shaping the market in the nearest future will be the rising costs of living, which will ultimately mean higher base rents and increased service charges.

In total, in the eight most significant office markets within the regions, the supply of modern office space surpassed the 6 million sqm threshold. Last year, lease agreements were concluded for a total of nearly 600,000 sqm of space. The last quarter, which comprised of agreements for a total of 215,000 sqm of office space, turned out to be the busiest. The report's authors emphasize that in 2021 the demand structure was dominated by new contracts (47%), followed by renewals (43%) and expansions (8%). The situation was slightly different in the fourth quarter itself, where the share of contract renewals - amounting to 48% - turned out to be higher than newly signed agreements (41%).

Krakow turned out to be the regional leader again, with the largest supply of modern space (over 1.6 million sqm) and which sparked the greatest interest among potential tenants, accounting for 26% of total demand in 2021. The second largest office hub is Wrocław, with current office stock exceeding 1.25 million sqm. The third place is the Tricity area, whose main driving force in 2021 were IT & services and business services, responsible for nearly 60% of the total gross demand, which amounted to 108,000 sqm for the entire year.

BNP Paribas Real Estate Poland's report, reveals that at the end of 2021 there was just over 850,000 sqm of space, ready to accept new tenants immediately. The tenantless properties ratio at the end of December 2021 was 14.1%, and was +1.4% higher than a year earlier. Compared to the penultimate quarter of 2021, the vacancy rate also increased, by 0.6%. Leading experts from BNP Paribas Real Estate Poland, indicate that last year it was easiest to find a free office in the capital of Lower Silesia, where the vacancy rate oscillated at 16.7%. At the other end of the spectrum, there is Szczecin, where only 5.3% of the availability - the smallest of all the scrutinized regional cities - was found to have hardly free space.

In 2021, regional markets grew by over 225,000 sqm of modern office space. The most significant, accounting to over 73,000 sqm, was the new supply in Tricity. Kraków took second place on the podium (60,000 sqm), and third place, with a significant gap to the leaders, was Poznań (37,500 sqm). The report indicates that the last quarter was relatively busy, resulting in the delivery of total of over 79,000 sqm of new offices, located in seven buildings. Among them, the 3T Office Park complex in Gdynia, turned out to be by far the largest.



- 2021 was to a large extent the year of lease extensions. Out of the six largest contracts concluded, five were prolongations of existing contracts and one was a pre-lease agreement. We can see that despite the declarations of many companies and employees regarding their willingness to return to their desks, many tenants are still very prudent about this topic. Moreover, it turns out that the office, is a key factor within the context of development, creating new jobs or making strategic decisions regarding various work models, including remote or hybrid working - emphasizes **Michał Karolkiewicz**, Consultant from the Office Agency at BNP Paribas Real Estate.

The largest transaction in 2021 was concluded at the Green Horizon complex in Łódź. It was the renewal of a contract by a tenant representing the IT & Services sector, who extended the agreement for over 24,000 sqm of space. The next in line was the extension of a contract with an expansion by Rockwell Automation (19,500 sqm) at the A4 Business Park III office building in Wrocław, and the third, was the renewal of a contract for a confidential tenant from the financial sector (17,400 sqm) at the Poznań Business Garden complex.

The report's authors draw attention to the fact, that in 2021 tenants, employees, managers, developers and, above all else, the offices themselves, quite efficiently adapted to the hybrid work model. The result, is freshly thought-out and arranged spaces, that effectively support employees and teams in performing various tasks at any time.

- The health crisis and uncertainty about the further evolution of the pandemic, but also changes in work styles, greater mobility, technological advances and the growing importance of the shared economy, have provided a solid base enabling the development of various forms of flexible office solutions. Last year has shown that people readily work at desks within flex spaces, not only in the capital city, but also more and more willingly in regional cities - emphasizes **Małgorzata Fibakiewicz**, Head of Business Intelligence Hub at BNP Paribas Real Estate Poland.

From BNP Paribas Real Estate Poland's analysis, it can be readily noted, that in the coming quarters, important criteria for selecting an office, in addition to location and commercial parameters, will be effective solutions that meet the requirements of sustainable development and ESG. This will be particularly important in the case of older buildings, especially in the forthcoming lease cycles. In order to meet the applicable standards, they will require modifications in addition to the obligatory investment outlays.

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