OFFICE OCCUPIER

Office Market in Regions H1 2022

Occupier demand remained relatively strong in Poland's regional city office markets throughout the second quarter of this year amid gradually shrinking office availability. However, persistently high construction costs and rising financing costs continued to limit developers activity on the regional office markets.

At the end of Q2 2022, the combined office stock of Poland's eight largest regional city office markets (Krakow, Wrocław, Tricity, Katowice, Poznań, Łódź, Lublin, and Szczecin) surpassed 6.34 million sqm. The pace of office completions slowed significantly in the second quarter of the year following the record-breaking delivery of over 243,500 sqm in the first three months. The new supply in the second quarter comprised just over 68,000 sqm delivered in 10 buildings. The largest completions in H1 2022 included buildings A1 and A2 of the Global Office Park in Katowice (55,200 sqm, Q1), .KTW II in Katowice (39,900 sqm, Q1), Midpoint71 in Wrocław (36,200 sqm, Q1), buildings C and D of Fuzja in Łódź (18,700 sqm, Q2), Format in Tricity (16,000 sqm, Q1) and CZ Office Park D in Lublin (15,000 sqm, Q1).

The office development pipeline in Poland's major regional cities shrank for another consecutive quarter. At the end of Q2 2022, stock under construction comprised close to 560,000 sqm, down by 10% on the previous quarter and by over 30% year-on-year. The number of new projects breaking ground is falling due to both persistently high construction costs and rising financing costs.

Occupier activity is growing by the quarter. In Q2 2022, leasing transactions in the major regional office markets reached close to 190,000 sqm, representing an increase of almost 24% on the previous quarter and of over 12% year-on-year. Office lettings in the first six months of 2022 totalled almost 343,000 sqm, the highest result for the first half of a year in the history of the regional office markets. Close to a half of the office take-up came from the business services and IT sectors – 24.8% and 22.1%, respectively. Manufacturing came third, accounting for 13.1% of the total leasing volume.

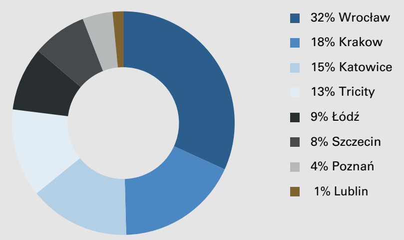
Similarly, as with Warsaw, the regional city office markets also reported increases in lease renegotiations and renewals. Such deals accounted for 35% of the total regional take-up in Q2 2022, up by 18 pp on Q1 2022, and for 27.0% in the first six months. New leases made up 48.4%, while the remaining 24.6% was spread across pre-lets (12.4%), expansions (6.9%) and owner-occupier deals (5.3%).

At the end of Q2 2022, the overall vacancy rate on major regional office markets stood at 15.2%, down by 0.3 pp on Q1 2022, but up by 1.7 pp year-on-year. Vacancy rates rose in Szczecin, Tricity, Krakow and Łódź, but edged down in Katowice, Lublin and Wrocław, with Poznań's rate remaining unchanged. The combined office availability in the eight regional cities amounted to over 961,000 sqm, with the largest volumes of unoccupied space in Krakow and Wrocław.

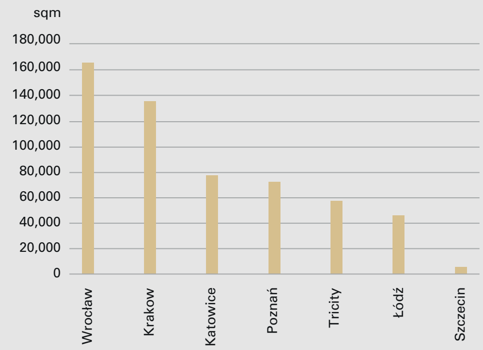
All the regional city office markets in Poland continue to experience upward pressure on rents as developers and landlords are scaling down lease incentives, especially in prime buildings and locations with limited office availability.

QUARTER	BUILDING	TENANT	SIZE (SQM)	LEASE TYPE
Q2	Fabryczna Office Park B5	Capgemini	13,800	Pre-lease
Q1	.KTW II	PwC	12,900	Pre-lease
Q2	Enterprise Park C	Cisco Systems Poland	12,500	Renegotiation
Q1	Global Office Park A1	Keywords Studios	9,300	New deal

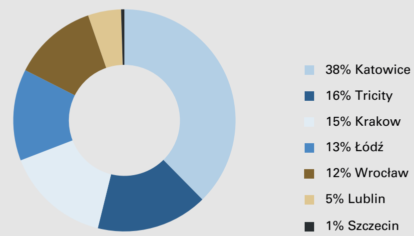
Take-up by city, H1 2022



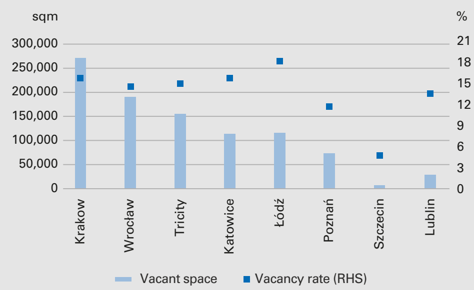
Under construction by city, H1 2022



New supply by city, H1 2022



Vacant space & vacancy rate by city, H1 2022



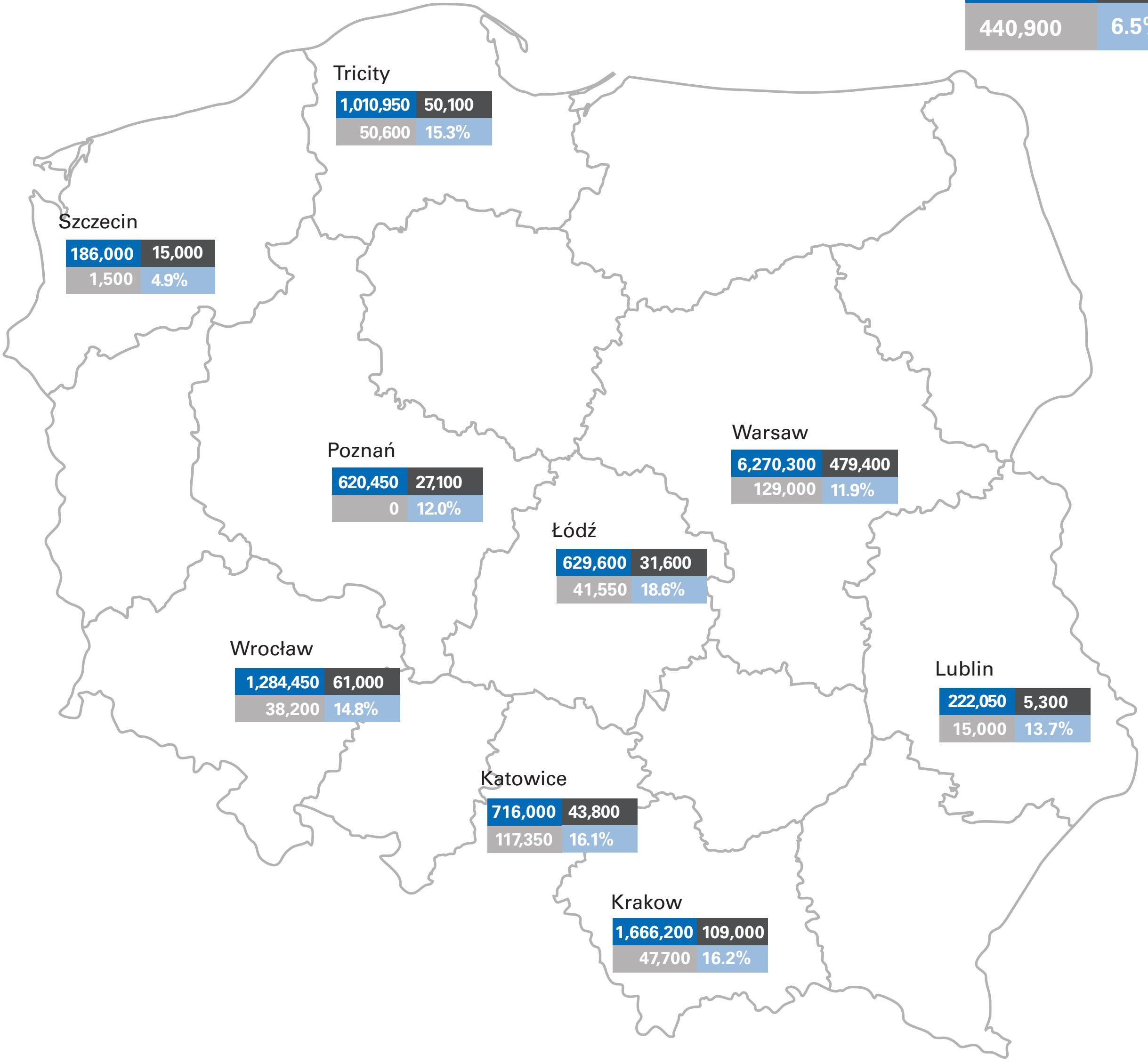
Source: Newmark Polska

NEWMARK
POLSKA

Office Market in Regions
H1 2022

Poland

12,606,000	822,300
440,900	6.5%



6,335,700 sqm
↑ 6.7% y-o-y

Stock

At the end of Q2 2022, Poland already had three regional office markets with more than a million square metres of office space each – Tricity joined the ranks of Krakow and Wrocław. At the other end of the spectrum, Lublin and Szczecin offer a combined area of close to 410,000 sqm. The remaining cities (Poznań, Katowice and Łódź) account for more than 31% of the total regional city office stock.

342,900 sqm
↑ 29% y-o-y

New Supply

In H1 2022, of all the regional cities, Katowice reported the highest volume of new supply of over 117,000 sqm. It was followed by Tricity (50,600 sqm), Krakow (47,700 sqm) and Łódź (41,500 sqm).
No new office project was delivered in Poznań.

311,900 sqm
↑ 146% y-o-y

Take-up

Leasing activity in H1 2022 hit its highest level in Krakow, which saw 109,000 sqm of office deals. The runner-up was Wrocław with almost 61,000 sqm transacted while office take-up in Tricity and Katowice surpassed 40,000 sqm. In the second quarter of 2022, the highest quarter-on-quarter growth in leasing volumes was reported in Poznań (up by close to 281%) and in Krakow (up by over 110%). The lowest leasing activity was in Lublin and Szczecin, which saw 5,300 sqm and 15,000 sqm of office transactions, respectively.

15.2%
↑ 1.7 pp y-o-y

Vacancy Rate

At the end of Q2 2022, the highest vacancy rates were in Łódź (18.6%), Krakow (16.2%) and Katowice (16.1%). The largest amounts of vacant space were reported in Krakow (269,500 sqm), Wrocław (189,700 sqm) and Tricity (154,900 sqm), accounting for close to 64% of the total volume of unoccupied office space in the regional cities. The lowest vacancy rate of 4.9% was in Szczecin, which equated to 9,050 sqm of vacant office space.

NEWMARK
POLSKA

Agnieszka Giermakowska
Director Research & Advisory, Newmark Polska
+48 734 141 435
agnieszka.giermakowska@nmrk-global.com

nmrk.pl