AT A GLANCE Q2 2021

REGIONAL OFFICE MARKETS IN POLAND

As at the end of H1, the volume of office space in the regions stood at nearly 5.96 million sqm, which means that the total stock in the eight key cities is now in the pursuit of the volume of supply in Warsaw**.** Since the beginning of the year, the modern office stock in regional cities have increased by 126,000 sqm. At the same time, two office buildings in Kraków, one in Katowice and one in Wrocław were granted occupancy permits. In the second quarter, there was also one office building ready to open its doors for new tenants, in the Tricity - a market, which in 2021 has a chance to exceed the barrier of one million square meters. Office resources under construction in eight major regional cities exceed 630,000 sqm, of which over 30% is being built in Katowice alone.

LEGEND:

Existing office stock

Office stock under construction

Source: BNP Paribas Real Estate Poland

Highlights

- Office demand in Q2 2021 increased almost by 45%
- Renegotiations record the highest share – 47% - in the office demand structure
- 70% of lease agreements were concluded in 3 cities: Kraków, Katowice & Tricity

KEY FIGURES

Over 5.96 M sqm EXISTING OFFICE SPACE

80,000 sqm NEW SUPPLY

13.4% AVERAGE VACANCY RATE

633,000 sqm OFFICE SPACE UNDER CONSTRUCTION (2021-2022)

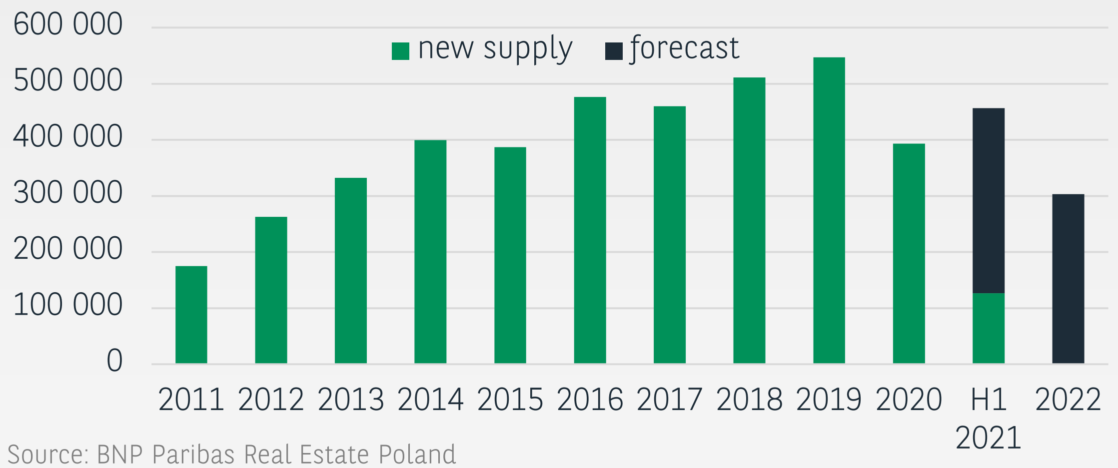
118,000 sqm ABSORPTION (q/q)

166,000 sqm GROSS TAKE-UP

88,000 sqm NET TAKE-UP

Source: BNP Paribas Real Estate Poland

Annual office supply in the regional markets (sqm)



Source: BNP Paribas Real Estate Poland

Top 3 office markets in the regions

1. Kraków 27%*
2. Wrocław 21%
3. Tricity 16%

*share of a regional city in the total available office space in the regions

Source: BNP Paribas Real Estate Poland

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

In Q2 2021, the average vacancy rate in the region increased by 0.8 p.p. compared to the previous quarter. The highest level was recorded in Łódź - 18.3% - which was undoubtedly influenced by the negative quarterly absorption. The highest increase was noticed in Lublin - from 11.7% to 15.2%, however, this increase results only from the fact office buildings with partial vacancy were added to the stock. The lowest rate was again recorded in Szczecin, where despite very limited demand - below 5,000 sqm - and thanks to unchanging supply, the vacancy rate remains relatively stable and amounts to approx. 14,000 sqm. Upward changes were recorded in Kraków, Poznań and the Tricity, which was a result of new office facilities put into use. On the other hand, Wrocław and Katowice can boast a downward movement of the indicator, in both cases by 0.1 p.p.

Vacancy rate

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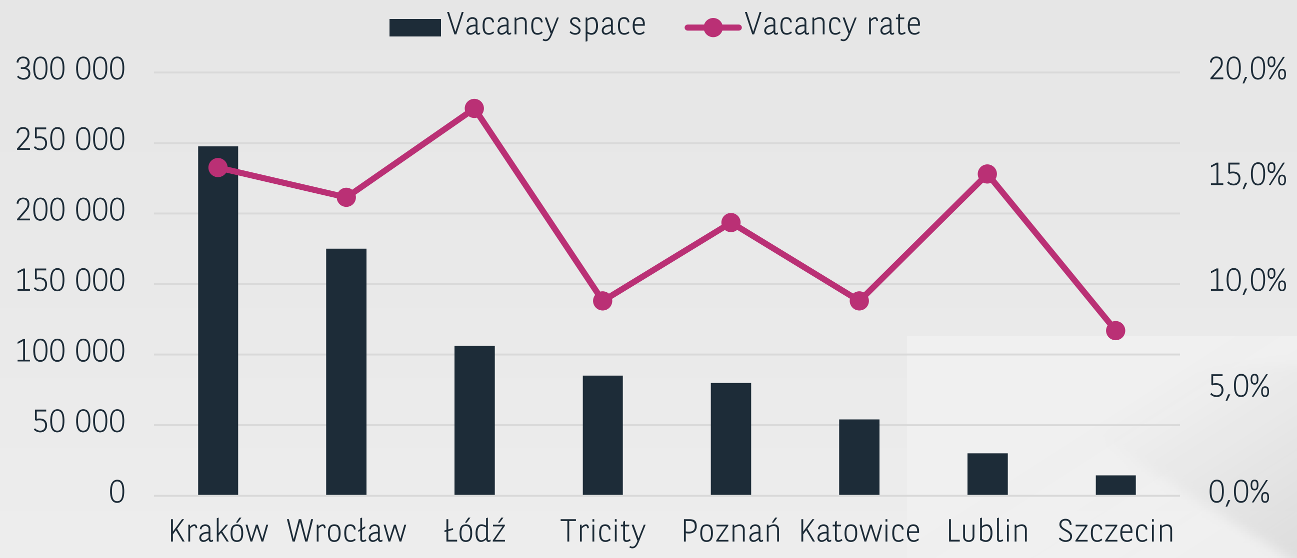
13.4% average vacancy rate in the Regions



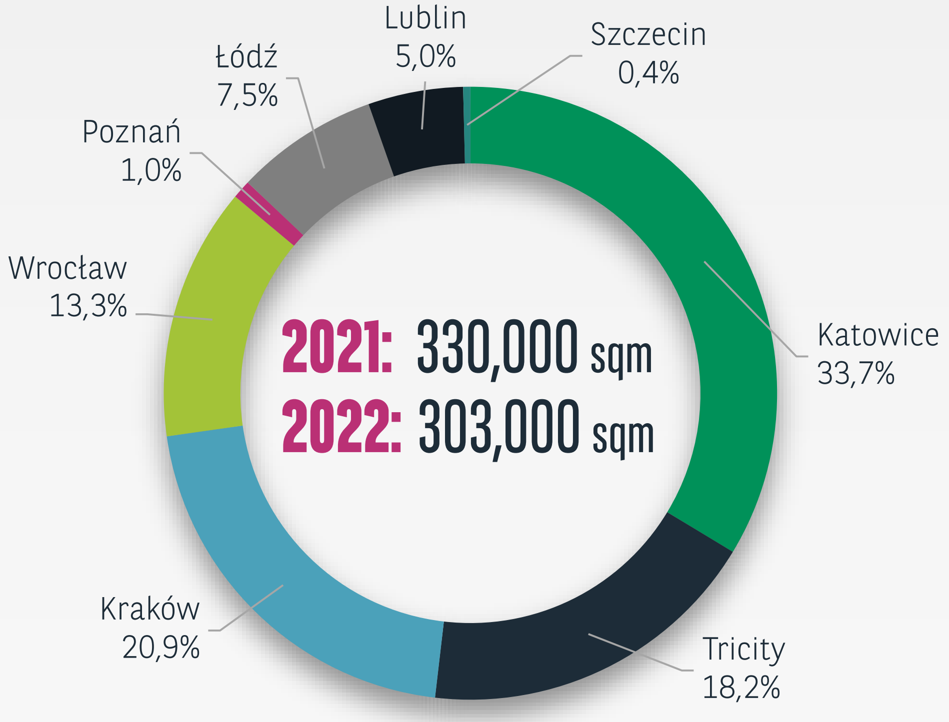
Source: BNP Paribas Real Estate Poland

Office building completed in Q2

	PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER
1	Nowy Rynek D	Poznań	35,800	Skanska
2	Tertium Business Park III	Kraków	13,350	Buma
3	Krakowska 35	Wrocław	11,800	Atal
4	Garnizon GATO	Tricity	10,000	Hossa.biz
5	Aleja Pokoju 81	Kraków	7,600	Atal

Source: BNP Paribas Real Estate Poland

Office space under construction



Source: BNP Paribas Real Estate Poland

The largest office schemes under construction

	PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER	PLANNED OPENING
1	Global Office Park A1 & A2	Katowice	55,100	Cavatina	Q2 2022
2	.KTW II	Katowice	42,000	DJ Estate	Q1 2021
3	3T Office Park	Gdynia	38,500	3T Office Park	Q1 2021
4	Mid Point 71	Wrocław	36,900	Echo Inv.	Q4 2021
5	Brain Park Phase I	Kraków	30,000	Echo Investment	Q3 2022

Source: BNP Paribas Real Estate Poland

Expert comment

Mikołaj Laskowski
Head of Office Agency
BNP Paribas Real Estate Poland

The results achieved by the different regions in Q2 clearly show that both tenants and developers continue to exercise a great deal of prudence when planning their moves and making decisions. The already developed and gradually implemented return-to-office strategies, and spaces that are secure and quite well-adapted to the new reality may be a good prognosis. There is increasing talk about ideas on how to encourage employees to return to their offices. In the second quarter, all of the above translated into greater tenant interest in office space. In the near future, we also expect the decision-making processes themselves to become shorter, which means we are observing the same mechanisms that can be seen in the capital city.

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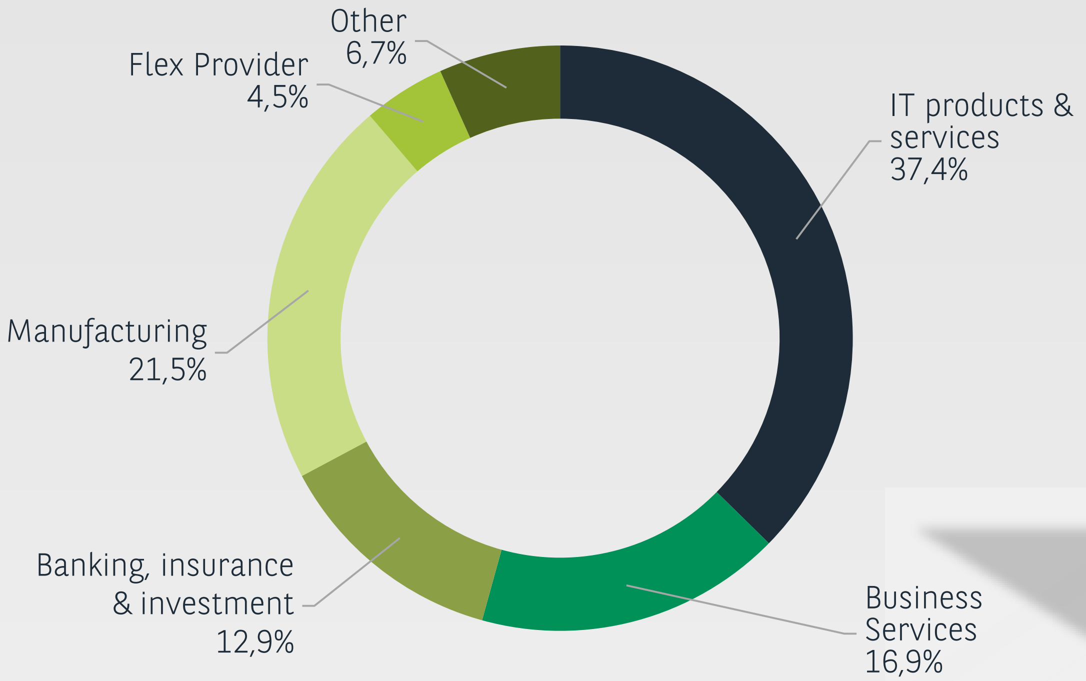
Expert comment

Klaudia Okoń
Consultant
Business Intelligence Hub & Consultancy
BNP Paribas Real Estate Poland

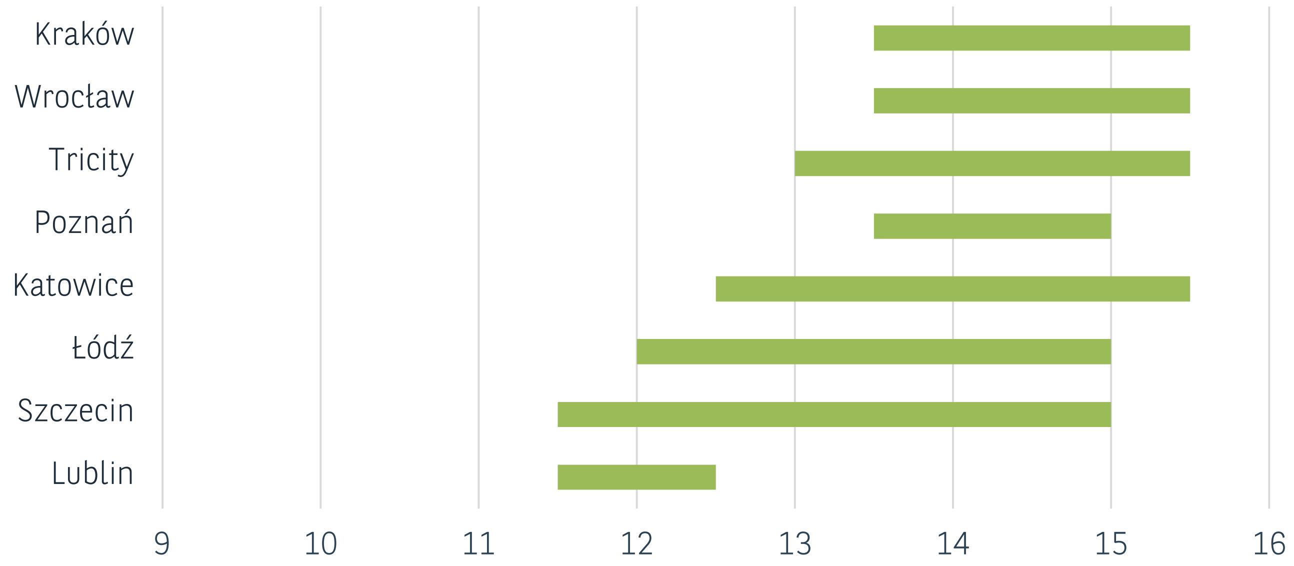
In Q2 2021, the demand for modern office space in the eight key regional markets reached nearly 166,000 sqm. The demand structure was dominated by lease renegotiations (47%) followed by new leases, including pre-lets (45%). Expansions accounted for 8%, and the space used by landlords for their own purposes did not exceed 1% of the total volume. However, the distribution of % between cities is not homogeneous. In Wrocław and the Tricity, new contracts prevailed, while, for example, in Kraków or Poznań, tenants decided to renew more of their contracts. High share of renewals does not have to be just a pandemic effect, but simply be subject to a certain periodicity of extensions, especially of large transactions.

Gross take-up structure by sectors



Source: BNP Paribas Real Estate Poland

Prime asking rents (EUR/sqm/mth)



Source: BNP Paribas Real Estate Poland

Asking rents in the regions remained stable over the course of the first half of 2021. However, the market favouring tenants results in raising expectations towards more attractive incentive packages which widen the gap between headline and effective rents.

Gross take-up by regions

1. Kraków 29%
2. Katowice 21%
3. Tricity 20.7%

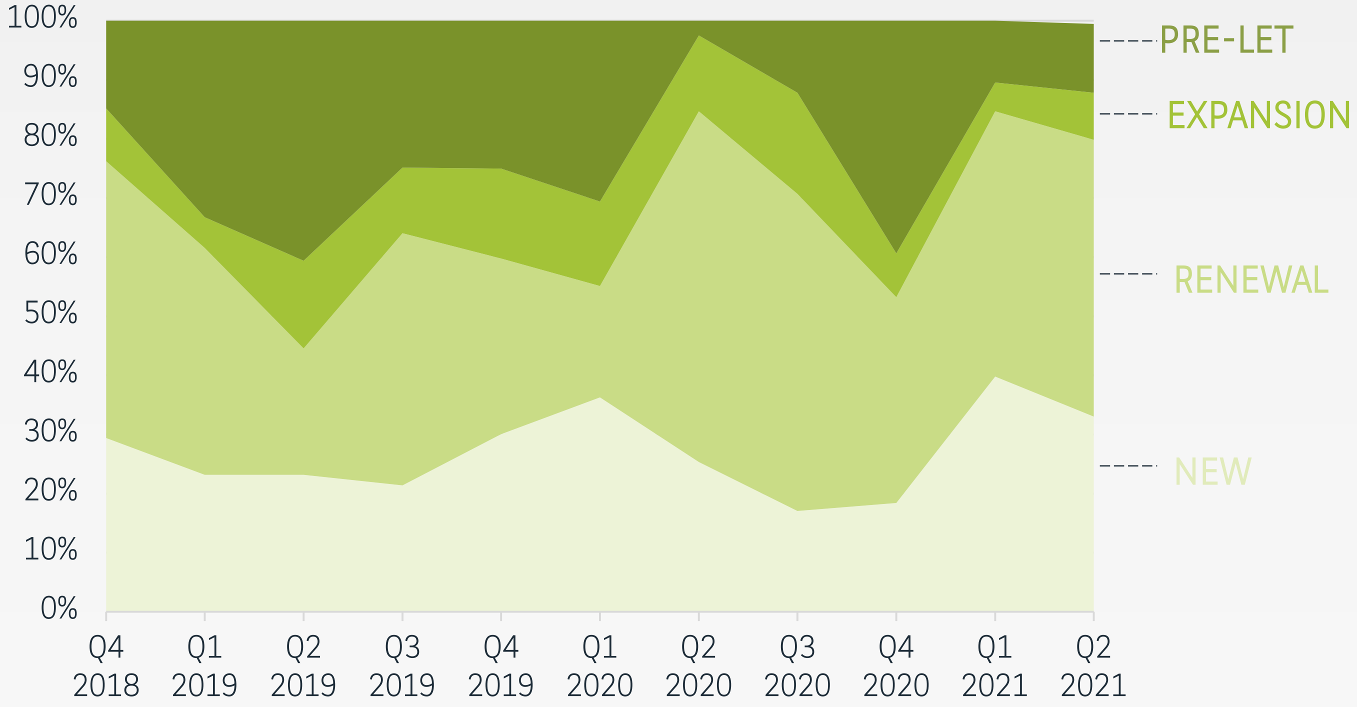
Demand for modern office space in Q2 2021 stood at nearly 166,000 sqm. Kraków, Katowice and Tricity generated almost 70% of it.

Top 5 lease transactions

	TENANT	PROJECT	CITY	OFFICE AREA (sqm)	TYPE OF LEASE
1	Rockwell Automation	A4 Business Park III	Katowice	19,500	Renewal + expansion
2	Confidential	Kapelanka 42a	Kraków	15,600	Renewal
3	Confidential	Kazimierz Office Centre	Kraków	12,700	Renewal
4	3M	MidPoint71	Wrocław	12,300	New
5	Heineken SSC	Podium Park A	Kraków	8,600	New

Source: BNP Paribas Real Estate Poland

Gross take-up structure in the regions



Source: BNP Paribas Real Estate Poland

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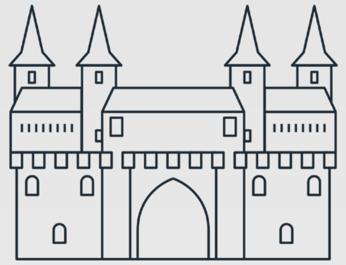
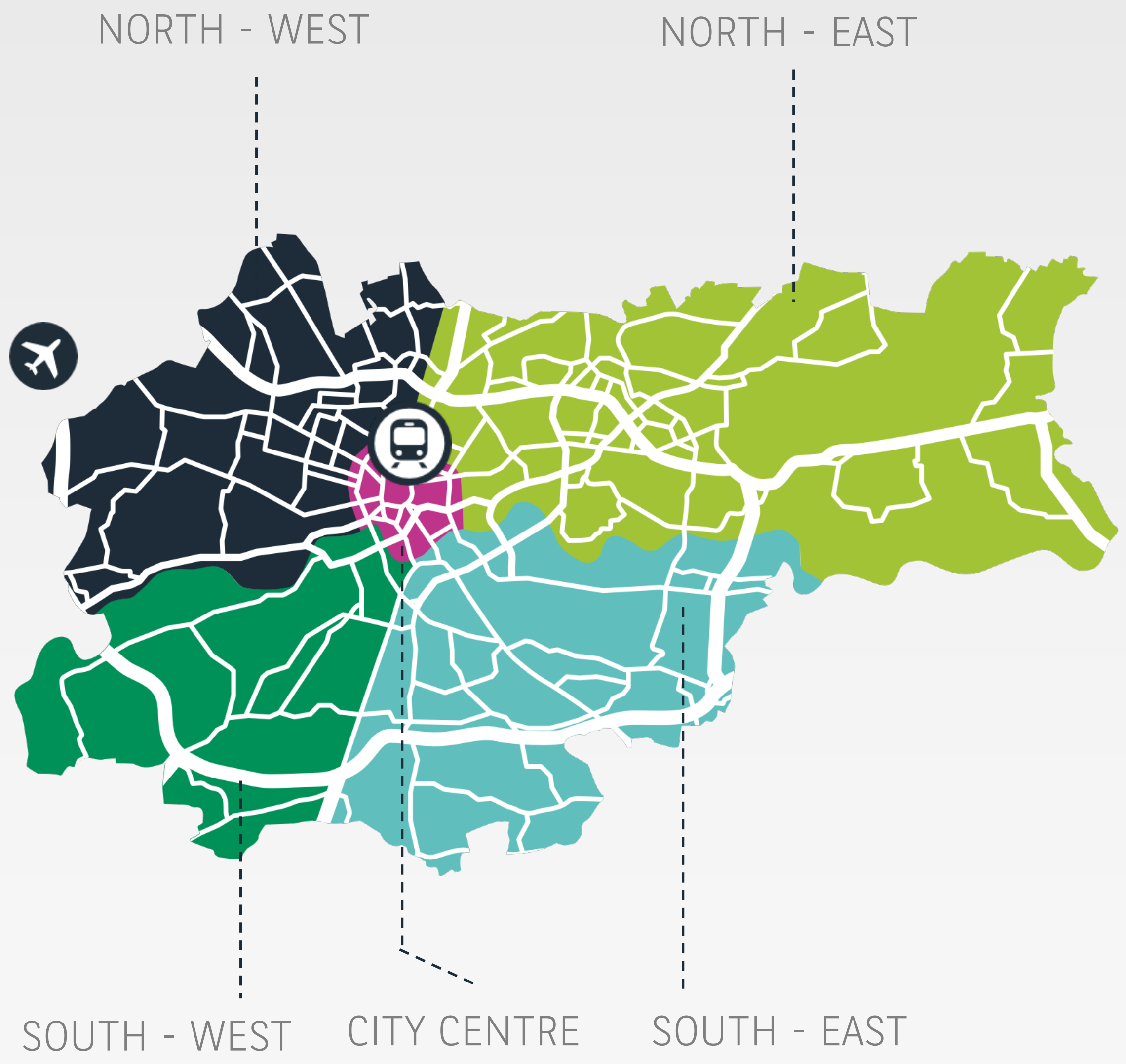
OFFICE MARKET IN KRAKÓW





Source: BNP Paribas Real Estate Poland

> Kraków – the leading market across the regions in terms of existing office space as well as the demand for office buildings, generating 27% of the total demand in Q2 2021.

1,599,173 sqm EXISTING OFFICE SPACE

20,950 sqm NEW SUPPLY

132,294 sqm OFFICE SPACE UNDER CONSTRUCTION

15.5% AVERAGE VACANCY RATE

13.5-15.5 EUR PRIME ASKING RENTS

47,400 sqm GROSS TAKE-UP

Source: BNP Paribas Real Estate Poland

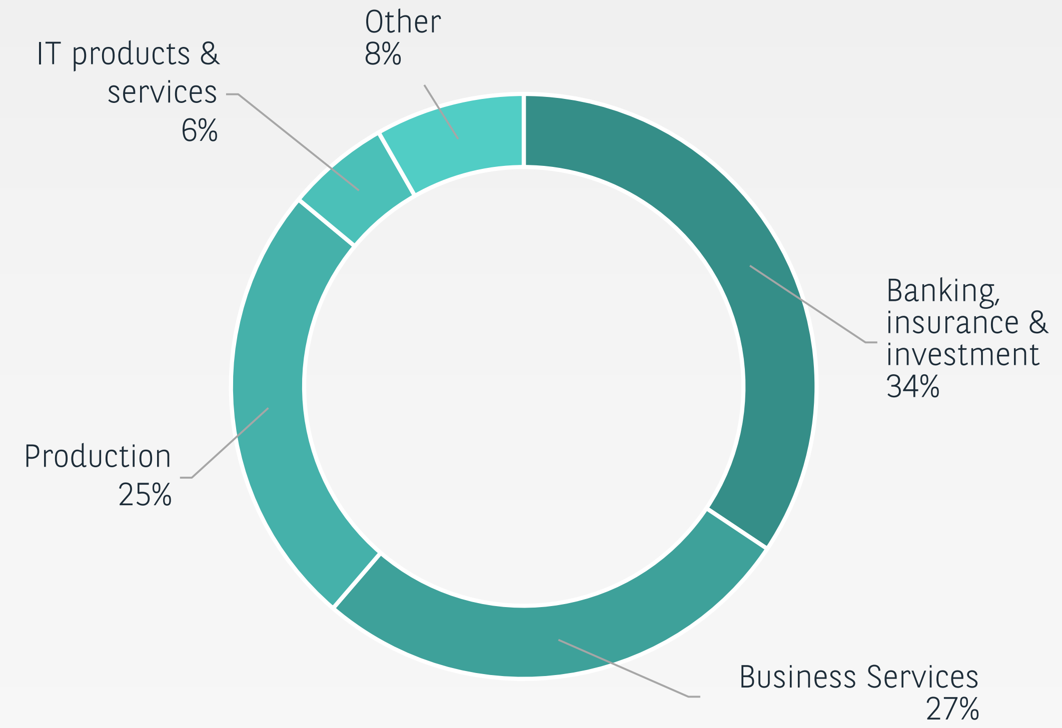
At the end of Q2 2021, the stock of modern office space in Kraków increased by almost 21,000 sqm, due to the delivery of two projects, including Tertium Business Park III. As a result, the stock in this city approaches the level of 1.6 million sqm. The vacancy rate increased, but only by 0.5 p.p, thanks to the fact that in the period from April to June 2021 47,400 sqm of office space has been leased. The demand structure was dominated by contract renewals (approx. 62%), mainly due to two large renewals of lease agreements for confidential clients from the financial and business sectors (over 28,000 sqm in total), concluded in Kapelanka 42 and Kazimierz Office Center buildings.

Kraków macroeconomic indicators

Population (31.12.2020)	780,000
Unemployment rate (June 2021)	3.3%
Average salary (PLN gross, June 2020)	7,063
Number of students (2019)	129,300
Number of universities (2019)	20

Source: Statistics Poland

Gross take-up structure by sectors



Source: BNP Paribas Real Estate Poland

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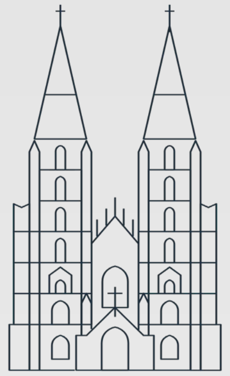
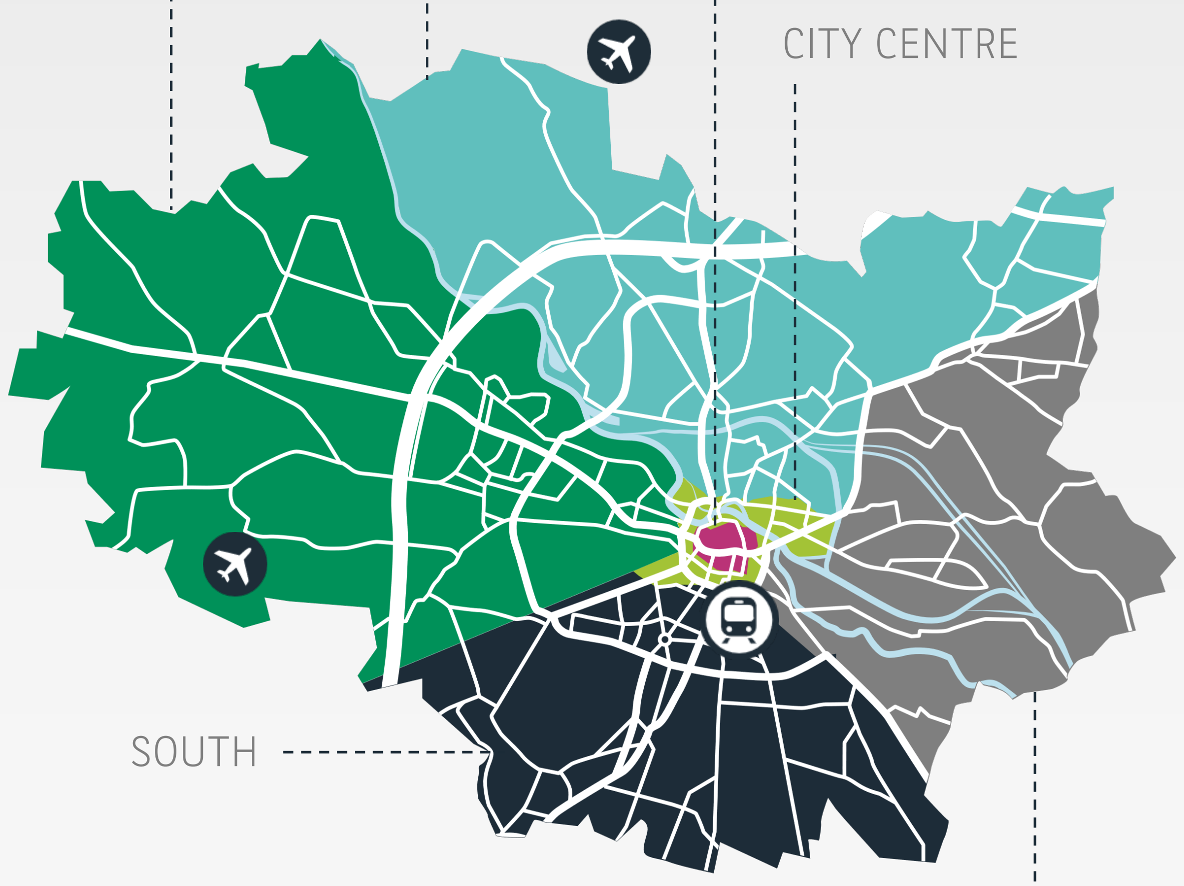
OFFICE MARKET IN WROCŁAW





Source: BNP Paribas Real Estate Poland

Wrocław – the second largest regional market in terms of existing office stock, which amounts to over 1.2 M sqm. The city ranks fourth, after Kraków, Katowice and Tricity, with regards to office space demand.

KEY FIGURES

1,242,563 sqm EXISTING OFFICE SPACE	11,810 sqm NEW SUPPLY
84,389 sqm OFFICE SPACE UNDER CONSTRUCTION	14.1% AVERAGE VACANCY RATE
13.5-15.5 EUR PRIME ASKING RENTS	214,400 sqm GROSS TAKE-UP

Source: BNP Paribas Real Estate Poland

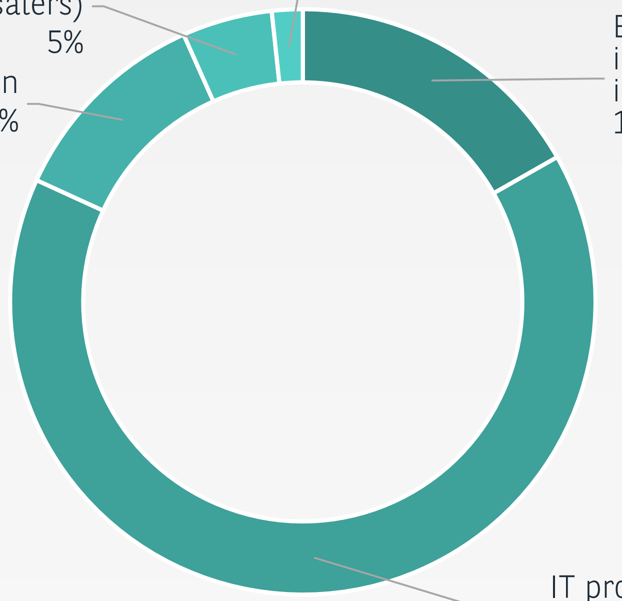
The stock of modern office space in Wrocław in Q2 2021 increased by almost 12,000 sqm. The office building at 35 Krakowska street was the first and so far the only building completed in the whole 2021 in Wrocław. The vacancy rate at the end of Q2 stood at 14.1%, which is a marginal decrease compared to Q1 2021 (14.2%). Gross demand was the fourth highest registered demand among regional cities and amounted to 24,400 sqm. The demand structure was dominated by new contracts (69%), contract renewals accounted for 31%. The largest contract in the region was a new lease for over 12,000 sqm concluded in the MidPoint 71 building by 3M Service Center EMEA.

Wrocław macroeconomic indicators

Population (31.12.2020)	641,900
Unemployment rate (June 2021)	2.5%
Average salary (PLN gross, June 2021)	6,022
Number of students (2019)	110,100
Number of universities (2019)	24

Source: Statistics Poland

Gross take-up structure by sectors



Source: BNP Paribas Real Estate Poland

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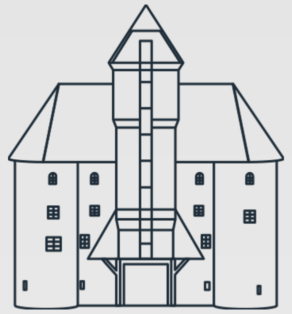
OFFICE MARKET IN TRICITY



Source: BNP Paribas Real Estate Poland

> The Tricity – the total office stock in the conurbation exceeded already 900,000 sqm and are approaching to break the level of 1 M sqm, chasing Kraków and Wrocław. The region ranks third in terms of the office demand in Q2 – 34,300 sqm.

923,955 sqm EXISTING OFFICE SPACE

10,000 sqm NEW SUPPLY

115,036 sqm OFFICE SPACE UNDER CONSTRUCTION

9.2% AVERAGE VACANCY RATE

13-15.5 EUR PRIME ASKING RENTS

34,300 sqm GROSS TAKE-UP

Source: BNP Paribas Real Estate Poland

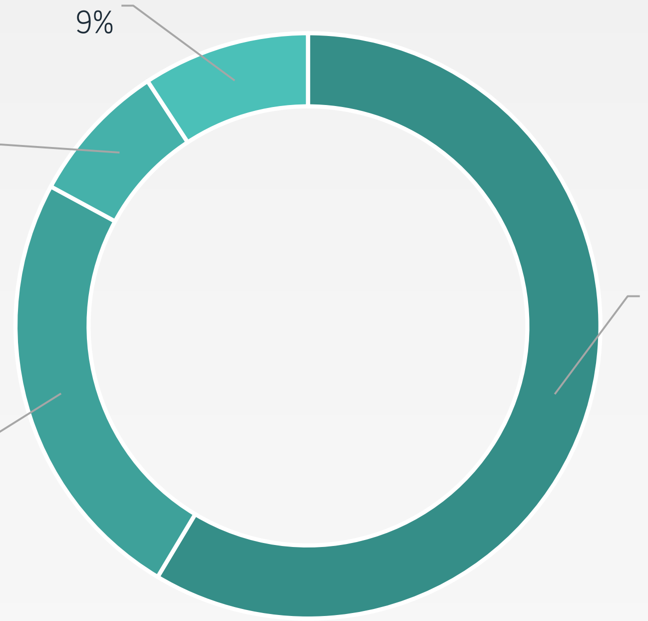
As at the end of the second quarter of 2021, the office stock in the Tricity increased by almost 10,000 sqm, thanks to the Garnizon GATO building completed, which was raised by the developer Hossa.biz. As a result, the office stock in this region increased by 10,000 sqm. Despite the delivery of a new office facility to the market, the vacancy rate slightly increased, only by 0.1 p.p. This was possible due to third highest demand in the regions, which amounted to over 34,300 sqm. The demand structure was dominated by new contracts (55%). In turn, extensions of existing contracts are over 33%, and expansions are almost 12%. The Tricity's largest deal was the renewal of a confidential tenant from the business services sector, which leased over 6,000 sqm in the Yoko building.

Gdańsk macroeconomic indicators

Population (31.12.2020)	470,900
Unemployment rate (June 2021)	3.7%
Average salary (PLN gross, 2019)	6,154
Number of students (2019)	65,400
Number of universities (2019)	13

Source: Statistics Poland

Gross take-up structure by sectors



Source: BNP Paribas Real Estate Poland

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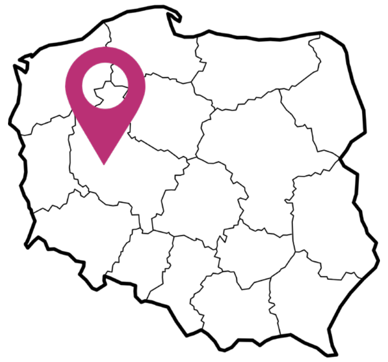
OFFICE MARKET IN POZNAŃ

Poznań – the fourth regional market in terms of total modern office space. In Q2 2021 it has increased by almost 36,000 sqm thanks to the delivery of Nowy Rynek D building, developed by Skanska.

Source: BNP Paribas Real Estate Poland

KEY FIGURES



618,747 sqm EXISTING OFFICE SPACE	35,800 sqm NEW SUPPLY
6,178 sqm OFFICE SPACE UNDER CONSTRUCTION	12.9% AVERAGE VACANCY RATE
13.5-15 EUR PRIME ASKING RENTS	14,917 sqm GROSS TAKE-UP

Source: BNP Paribas Real Estate Poland

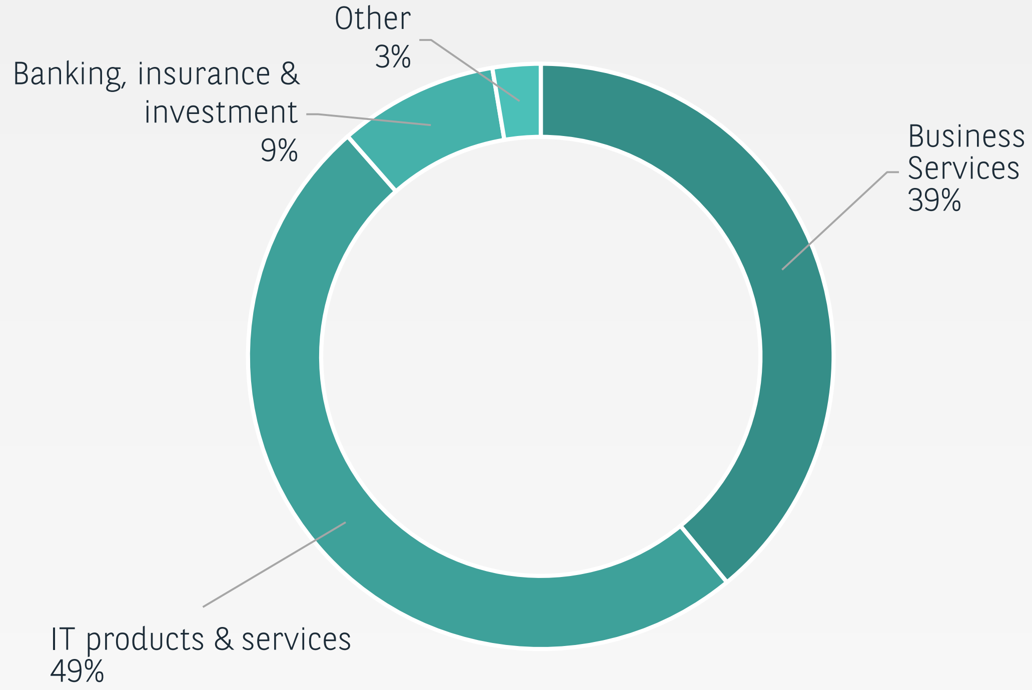
The total supply of modern office space in Poznań at the end of Q2 2021 amounted to nearly 620,000 sqm, thanks to the completed fourth stage of the Nowy Rynek (D) office complex with an area of 35,800 sqm. The vacancy rate at the end of June increased by 0.4 p.p., from 12.5% recorded in the previous quarter. This was due to significant new supply and rather moderate demand in the city. The total volume of signed lease contracts did not exceed 15,000 sqm. Almost 49% of the demand structure were renewals, and new contracts and expansions respectively 38% and 13%. The two largest contracts are a pre-let for 3,500 sqm in Andersia Tower and a renewal of over 3,400 sqm in the Maraton building. Both tenants represent the IT Products & Services sector.

Poznań macroeconomic indicators

Population (31.12.2020)	532,048
Unemployment rate (June 2021)	2,0%
Average salary (PLN gross, 2019)	6,167
Number of students (2019)	113,200
Number of universities (2019)	24

Source: Statistics Poland

Gross take-up structure by sectors



Source: BNP Paribas Real Estate Poland

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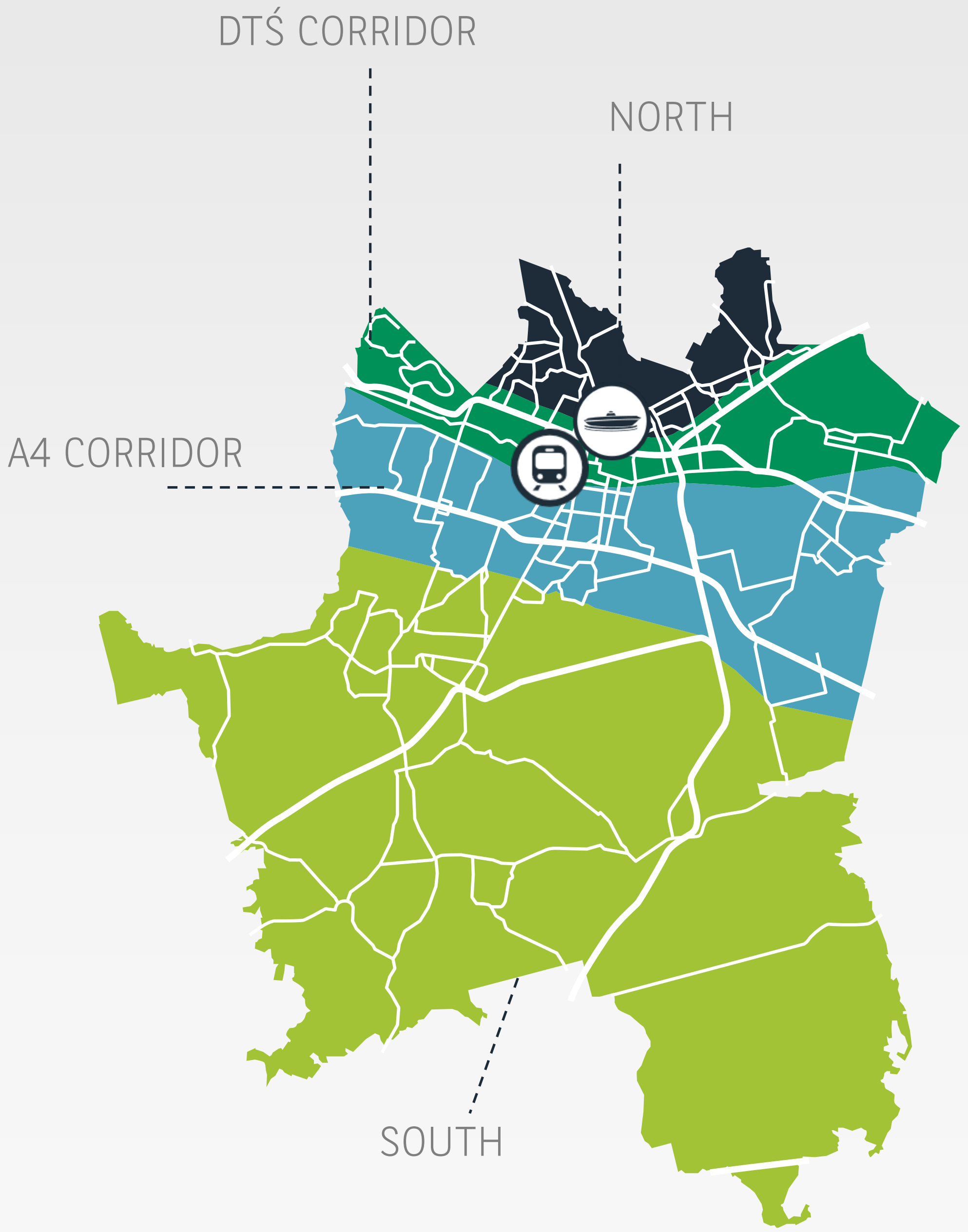
OFFICE MARKET IN KATOWICE



Source: BNP Paribas Real Estate Poland

Katowice – currently the fifth office market outside Warsaw in terms of total office stock, which however, ranks first when it comes to the number of square metres under construction. Together with Kraków it constitutes the most popular BPO/SSC destination in Poland.

KEY FIGURES

591,025 sqm
EXISTING OFFICE SPACE

1,536 sqm
NEW SUPPLY

212,950 sqm
OFFICE SPACE UNDER CONSTRUCTION

9.2 %
AVERAGE VACANCY RATE

12.5-15.5 EUR
PRIME ASKING RENTS

34,975 sqm
GROSS TAKE-UP

Source: BNP Paribas Real Estate Poland

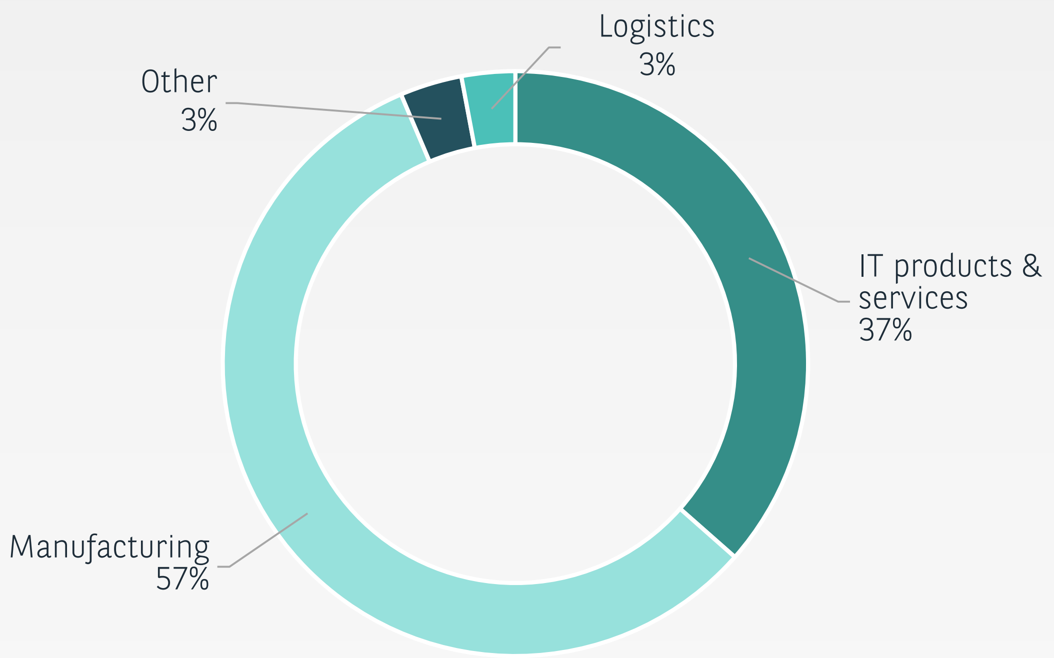
The stock of modern office space in Katowice in Q2 2021 increased slightly, because only one office project - 3Qubes - with an area of just over 1,500 sqm, was delivered to the market. Katowice remains the city in which the most of office space is currently under construction, including one of the largest buildings in Poland - .KTW II with an area of 42,000 sqm. The vacancy rate decreased by 0.1 p.p. in Q2 to the level of 9.2%. In the period between April and June 2021, Katowice recorded the second highest gross office demand – 34,795 sqm. The demand structure was dominated by renegotiations (almost 46%), with the largest contract renewal & expansion signed in Q2 2021 by Rockwell Automation in the A4 Business Park III building, with a total area of nearly 19,500 sqm.

Katowice macroeconomic indicators

Population (31.12.2020)	290,600
Unemployment rate (June 2021)	1.9%
Average salary (PLN gross, June 2021)	6,325
Number of students (2019)	52,500
Number of universities (2019)	20

Source: Statistics Poland

Gross take-up structure by sectors



Source: BNP Paribas Real Estate Poland

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