

AT A GLANCE

Q1 2024

REGIONAL OFFICE MARKETS IN POLAND



Highlights

- Leasing activity slows down in Q1 2024
- Regional cities and Warsaw report similar office take-up levels
- Vacancy rates set new highs
- New leases and renewals account for 47% of total take-up each
- A 4-day work week



Source: BNP Paribas Real Estate Poland

6.7 M sqm
EXISTING OFFICE SPACE

31,200 sqm
NEW SUPPLY Q1

335,000 sqm
OFFICE SPACE UNDER CONSTRUCTION (2024-2026)

17.8% **+0.3 p.p. q/q**
AVERAGE VACANCY RATE

140,000 sqm
GROSS TAKE-UP Q1

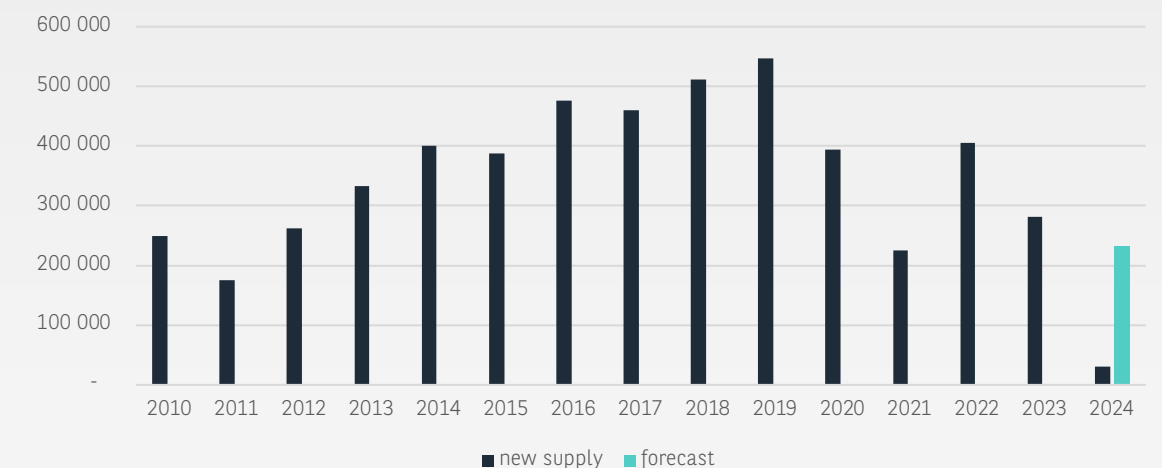
74,800 sqm
NET TAKE-UP Q1

Source: BNP Paribas Real Estate Poland

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At the end of the first quarter of 2024, the combined office stock of Poland's eight largest regional cities (Krakow, Wrocław, Tricity, Katowice, Poznań, Łódź, Lublin, and Szczecin) was more than **6.7 million sqm**. With 1.82 million sqm of office stock, Krakow remains the second-largest office market in Poland after Warsaw and ahead of Wrocław (1.37 million sqm) and Tricity (1.04 million sqm). 31,200 sqm of new supply was delivered during the three months to March 2024 through two projects: Cavatina Holding's Quorum Office Park A in Wrocław (18,200 sqm) and Echo Investment's Brain Park C in Krakow (13,000 sqm). According to reports from developers, regional cities are likely to surpass Warsaw in the coming quarters in terms of office completions with 335,000 sqm of new deliveries versus 280,000 sqm respectively. Further decisions on whether to build or expand office projects will depend on demand for office space and the macroeconomic situation.

Annual office supply in the regional markets (sqm)



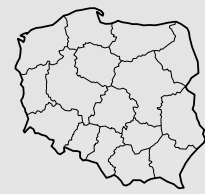
Top 3 cities with the highest new supply in Q1 2024



Source: BNP Paribas Real Estate Poland



At the end of March 2024, office availability on the eight key regional city markets amounted to approximately 1,192,100 sqm, equating to a vacancy rate of 17.8% (up by 0.3 pp q-o-q and 1.9 pp y-o-y). Regional office vacancy rates which had been on an upward trend since the second quarter of 2022 set new highs in the first three months of 2024. At the end of March 2024, the highest vacancy rate of 21.3% was in Łódź, with the lowest of 5.5% in Szczecin. Quarter-to-quarter, the Łódź office market reported the highest increase in vacancies of 1.0 pp, while Katowice experienced the sharpest fall of 1.0 pp. Looking ahead, office vacancy rates in regional cities are forecast to edge down by the end of 2024 amid a slowdown in new construction starts.

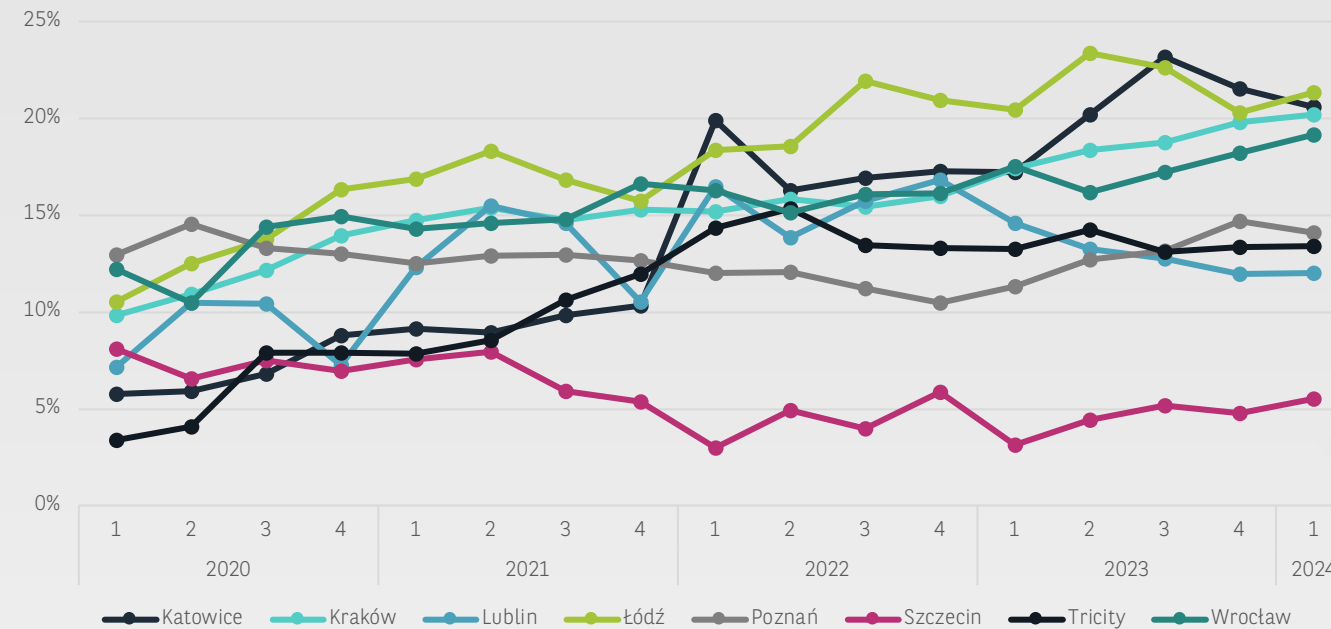


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Vacancy rate

17.8% average vacancy rate in the regions in Q1 2024



Source: BNP Paribas Real Estate Poland

Office buildings completed in Q1 2024

PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER
1 Quorum Office Park A	Wrocław	18,200	Cavatina Holding
2 Brain Park C	Kraków	13,000	Echo Inv.

Source: BNP Paribas Real Estate Poland

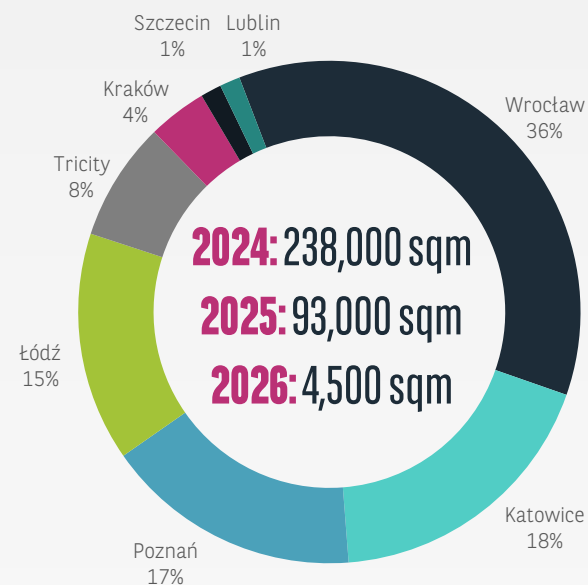
Expert comment



Małgorzata Fibakiewicz

Senior Director, Head of Office Agency
BNP Paribas Real Estate Poland

Office space under construction 2024-2025



Source: BNP Paribas Real Estate Poland

The largest office schemes under construction (delivery date 2024-2026)

PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER	PLANNED OPENING
1 Quorum Office Park B	Wrocław	53,200	Cavatina	Q4 2024
2 AND2	Poznań	37,800	Von der Heyden Group	Q2 2025
3 WI-MA	Łódź	30,000	Cavatina	Q4 2024
4 Grundmanna Office Park A	Katowice	20,700	Cavatina	Q4 2024
5 Quorum Office Park A	Wrocław	17,800	Cavatina	Q1 2024

Source: BNP Paribas Real Estate Poland

The 4-day work week in Poland

Although the 4-day work week has not become the norm in Poland, some companies are experimenting with compressed work schedules, e.g. HerbaPol, which has announced launching such work arrangements with effect from 1 January 2025. According to Eurostat, Poland has the second-longest working hours in the European Union. Poles work 40.4 hours a week on average, yet this does not always translate into productivity. UK studies have found that a 20 percent shorter work week with full pay reduces stress levels, raises employee morale and significantly improves work-life balance, all without sacrificing productivity. Despite the positive results of pilot schemes, the four-day work week has led to employer and national concerns about competitiveness. The Polish economy has been growing for years because productivity grew faster than labour costs. Poland still has to catch up with Western Europe, particularly in terms of productivity which is a major contributor of the competitiveness of the national economy.

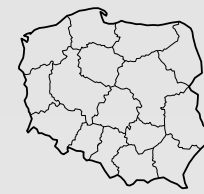
Expert comment



Ewa Nicewicz

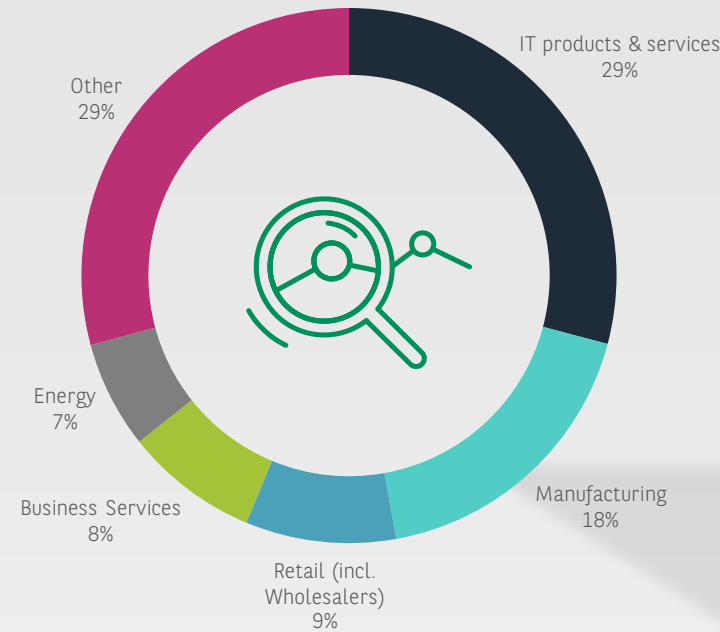
Senior Consultant, Office Agency
BNP Paribas Real Estate Poland

Key themes shaping the Polish office market in 2023 included **shrinking office development pipelines and the continued optimization of office footprints and occupancy costs**. Last year's new supply totalled approximately 280,000 sqm. This represented a significant volume in the post-pandemic era of remote work. By contrast, the first quarter of 2024 saw only 31,200 sqm of office space delivered through two regional projects in Wrocław and Krakow. New supply levels are, however, anticipated to improve markedly in 2024-2026 with the completion of approximately 330,000 sqm. Facing high relocation and fit-out costs, as well as economic uncertainty, many tenants renewed their leases in 2022-2023. In January – March 2024, new leases and renewals accounted for an almost equal proportion of office take-up at approximately 47% each. Four of the five largest transactions of that period were lease renewals.



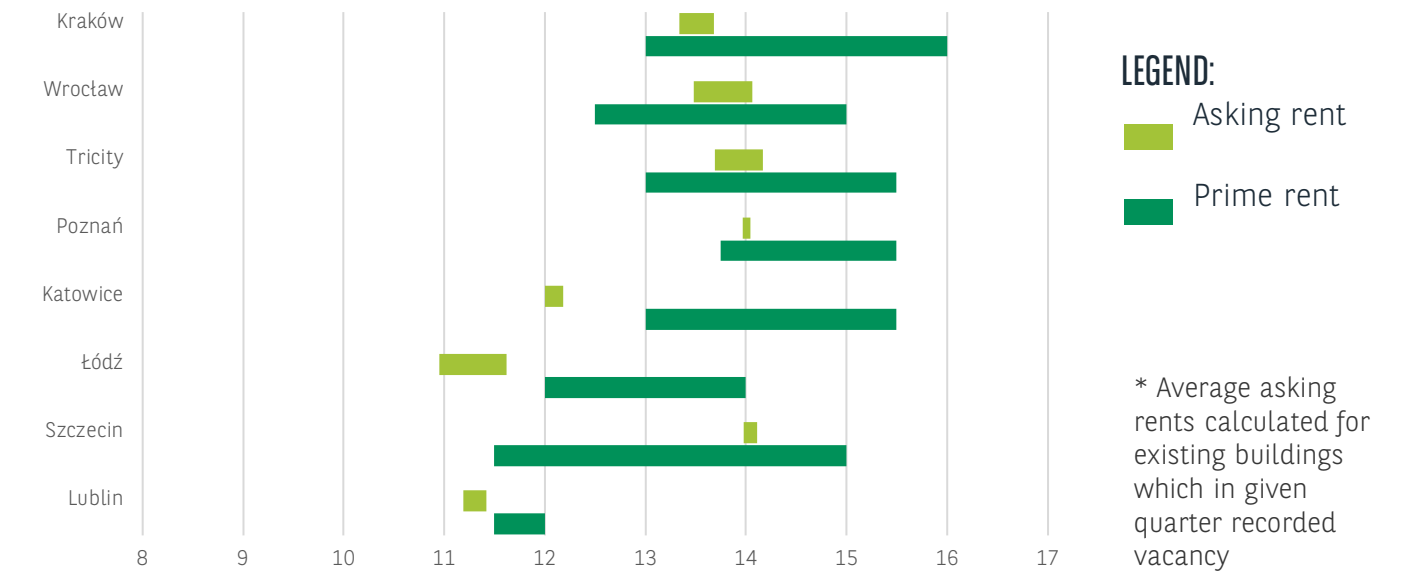
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Gross take-up by sectors Q1



Source: BNP Paribas Real Estate Poland

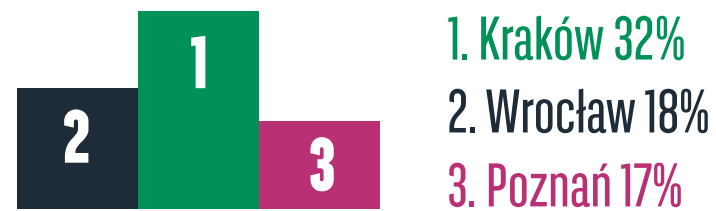
Average* asking rents vs „prime” rent (EUR/sqm/mth)



Source: BNP Paribas Real Estate Poland

Prime office rents on the core regional city markets remain high, reaching EUR 16.00-17.00/sqm/month. In addition, with substantial volumes of vacant office stock – both standing and under construction, rental rates are expected to hold firm in the near future.

Annual gross take-up by regions Q1 2024



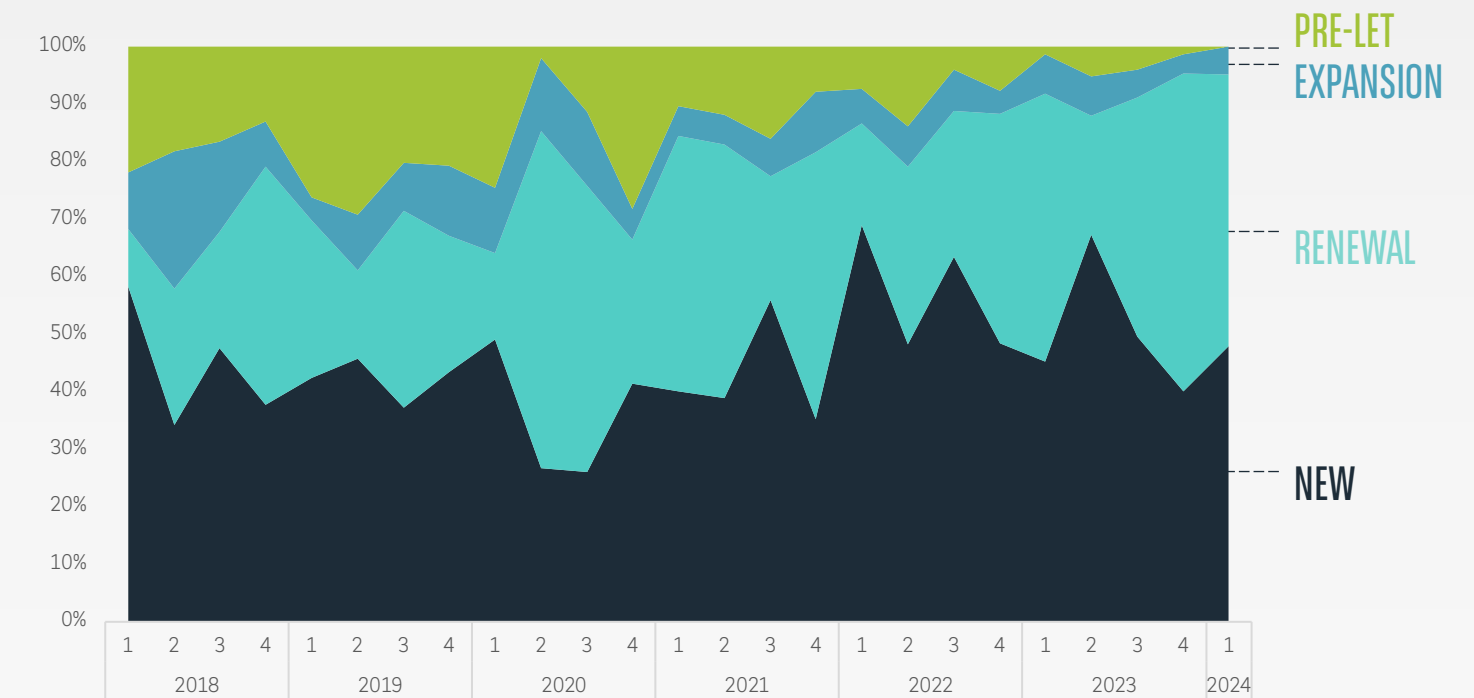
Total office take-up for the first quarter of 2024 reached nearly 140,000 sqm, a decrease of 36% from the previous quarter and 17% from the same time in 2023. The strongest leasing activity in the three months to March 2024 was recorded in Krakow (44,100 sqm), Wrocław (25,000 sqm) and Poznań (24,200 sqm).

Top 5 lease transactions Q1

	TENANT	PROJECT	CITY	OFFICE AREA (sqm)	TYPE OF LEASE
1	Żabka Polska	Nowy Rynek A	Poznań	10,300	renewal
2	Volvo Tech Hub	Brain Park C	Kraków	10,000	new
3	Confidential	Olivia Prime	Gdańsk	7,800	renewal
4	FMC Technologies	Podium Park B	Kraków	6,900	renewal
5	Dolby	Business Garden I	Wrocław	5,030	renewal

Source: BNP Paribas Real Estate Poland

Gross take-up structure in the regions Q4



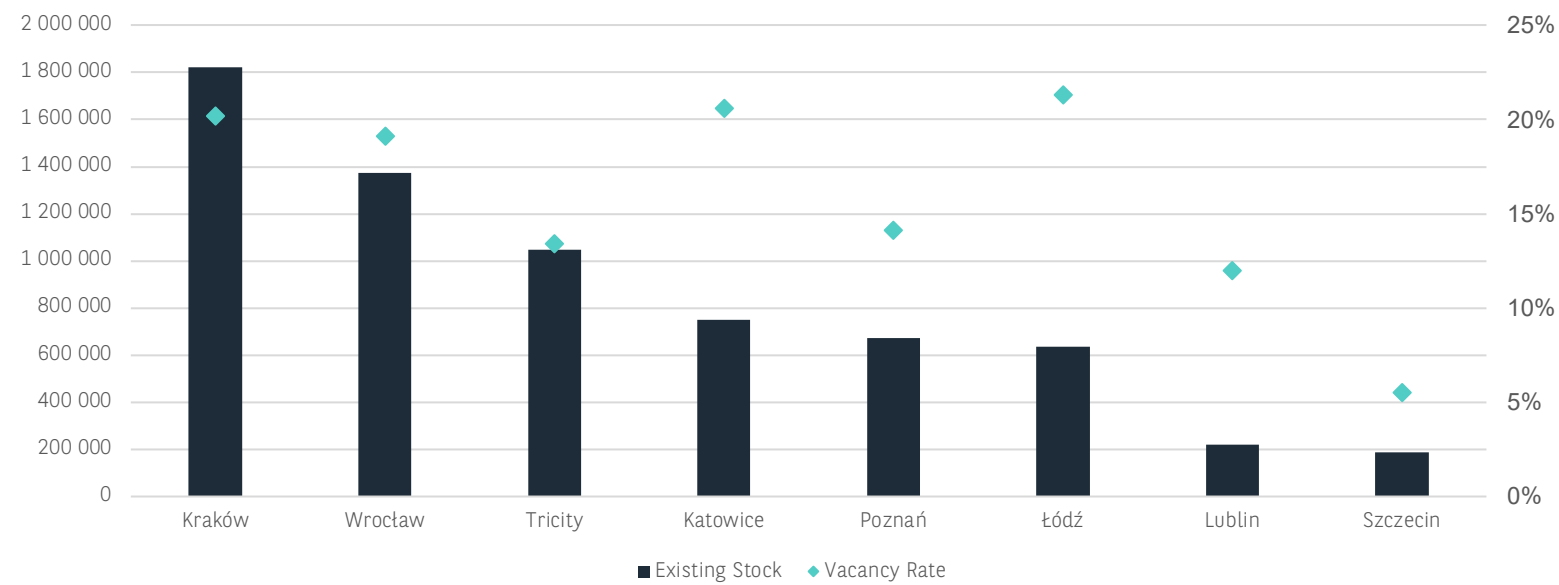
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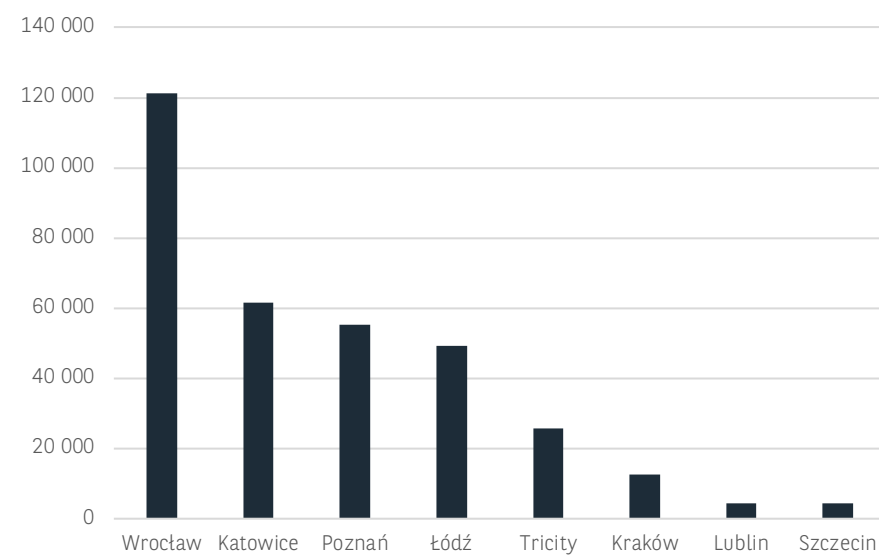
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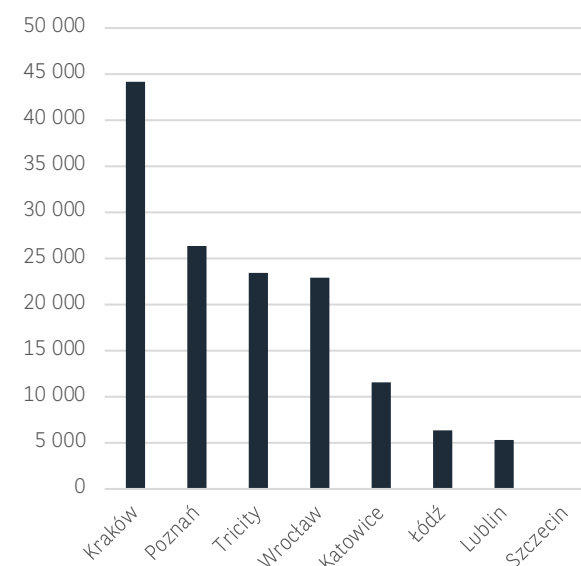
Existing stock & vacancy rates (sqm)



Office space under construction (sqm)



Gross take-up (sqm)



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