Poland – March 2025

MARKET IN MINUTES

Savills Research

Office market in regional cities, 2024

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Poland - economic brief

Poland noted solid GDP growth in 2024 and 2025 at 2.9% and 3.3% respectively

Poland key economic indicators

2024: **3.6%**
2025: **4.4%** (f)
Inflation

2024: **2.9%**
2025: **3.3%** (f)
GDP growth

2024: **3.0%** (f)
2025: **2.8%** (f)
Unemployment rate

2024:
PLN 8478
Average salary

Source: Oxford Economics, Statistics Poland

Patryk Kosmider/Shutterstock.com

Polish GDP grew by a solid 2.9% in 2024. To compare eurozone grew only by 0.8% in this period. According to forecasts by Oxford Economics (OE), the economy in 2025 will expand by 3.3%, while eurozone is forecasted to grew only by 1.2%.

Poland has one of the lowest unemployment rates in the European Union. According to OE forecasts, in 2024, the unemployment rate was ca. 3% nationwide (International Labour Organisation definition). In the eurozone, the unemployment rate was 6.4%.

The outlook for Poland's labor market over the next few years is encouraging , as unemployment is projected to decrease further (similar to the eurozone).

In recent years, one of the primary obstacles for the Polish economy has been elevated inflation. Although inflation decreased in 2024 compared to 2023 (to 11.4% y-o-y), it remains above the National Bank of Poland's target at 3.6%. This rate is projected to stay within the range of 3-4% for the next few years.

Inflation within the eurozone has been managed effectively . According to OE analyses, data for 2024 indicates an inflation rate of 2.4%, with expectations of it falling below 2% in the years ahead.

Regional cities office market in 2024

Office stock
6.78
million sq m

Under construction
203,400
sq m
-41% y-o-y

New supply
123,800
sq m
-56% y-o-y

Vacancy rate
17.8%
+30 bps y-o-y

Gross take-up
714,000
sq m
-4% y-o-y

Net absorption
87,600
sq m
-9% y-o-y

Stock & new supply

At the end of 2024, the total modern office supply in regional cities stood at 6.78 million sq m (an increase of 2% y-o-y). The regional market can be divided into three groups based on market size. The largest markets—over 1 million sq m—include Kraków (1.83 million sq m), Wrocław (1.38 million sq m), and Tricity (1.07 million sq m). Medium-sized markets are those between 500,000 and 1 million sq m, including Katowice (777,700 sq m), Poznań (675,700 sq m), and Łódź (645,700 sq m). The smallest markets—less than 300,000 sq m—include Lublin (220,900 sq m) and Szczecin (187,200 sq m).

In 2024, a total of 123,800 sq m of new office space was delivered across 17 projects, translating into a 56% decrease in terms of new supply volume year-on-year. 2024 results remain significantly below the 2019-2023 average new supply volume (370,300 sq m), showing a 67% decrease. Only three cities exceeded volume of 20,000 sq m in new supply: Wrocław (38,400 sq m), Katowice (26,600 sq m) and Kraków (24,100 sq m). The Tricity market grew by 19,500 sq m, while in Łódź by 10,900 sq m. Poznań and Szczecin saw very limited deliveries, with only 2600 sq m and 1800 sq m respectively.

While the average size of the new project delivered in 2024 stood at 7300 sq m, only seven of 17 projects exceeded such result. Notable completions exceeding 10,000 sq m were Grundmanna Office Park A in Katowice (20,700 sq m), Quorum Office Park A in Wrocław (18,200 sq m), both by Cavatina Holding, B10 in Wrocław (14,100 sq m by Vastint) and Brain Park C in Kraków (13,000 sq m by Echo Investment)

The average commercialization rate of projects completed in 2024 upon completion was 42%. The large scale project that achieved the highest commercialization rate was Brain Park C, which was fully let.

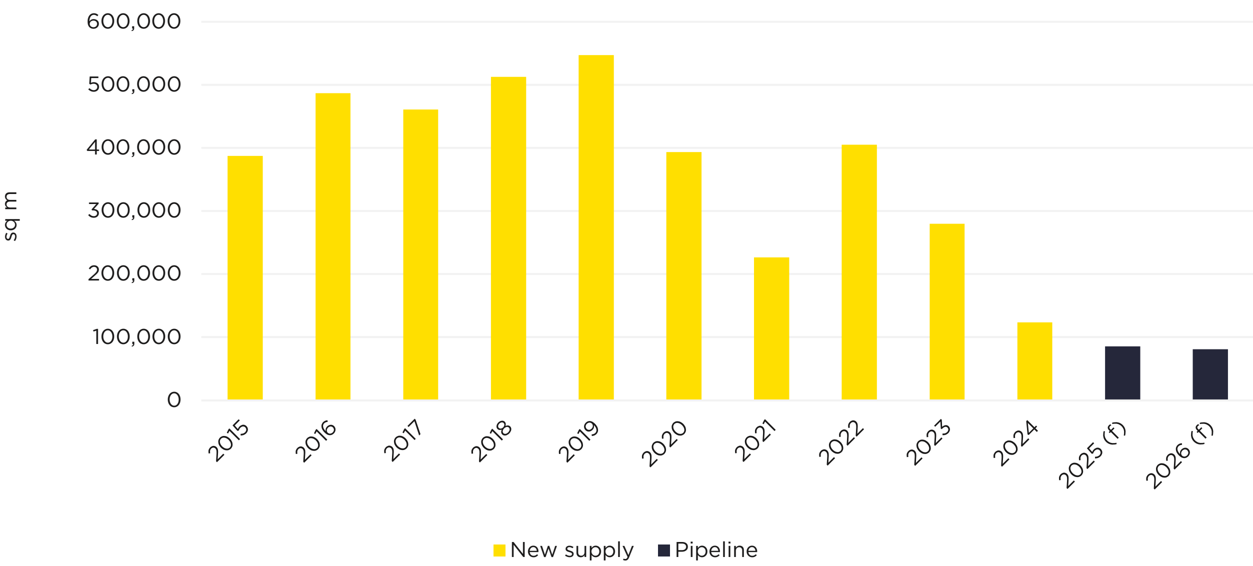
In recent years, we have seen a systematic decline in development activity in regional cities. While the average under construction in regional cities remained between 750,000 sq m and 850,000 sq m between 2019 and 2021, at the end of 2024 it was 203,400 sq m (a decrease of 41% y-o-y).

Currently, two cities stand out with greater development activity compared to others (Kraków with 57,500 sq m under construction and Poznań with 52,600 sq m). The next cities are Wrocław (28,600 sq m), Tricity (22,700 sq m), Katowice (15,600 sq m), and Lublin (13,000 sq m). The lowest activity remains in Szczecin (only 2000 sq m under construction).

Currently, low pre-let volumes, difficulties in financing office projects, and an overall decrease in demand for office space in recent years are forcing the suspension of construction on some projects. In extreme cases, developers are deciding to change the purpose of the sites, mainly to residential development.

In 2025-2026, even under optimal market conditions for developers, including an increase in pre-lease agreements that would enable the resumption of suspended projects and the initiation of new investments, the volume of new office space is unlikely to exceed a total of 170,000 sq m in regional cities.

New supply and pipeline in regional cities



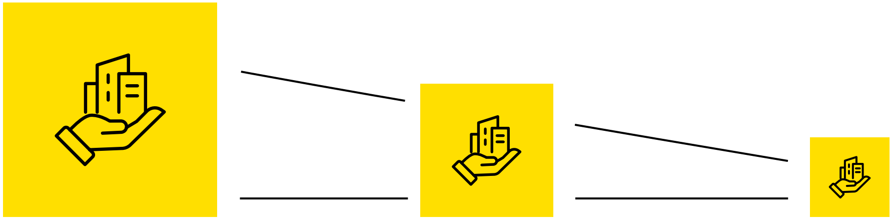
Source: Savills Research

Top 3 cities with lowest vacancy rate

7.7%
Szczecin

11.6%
Lublin

12.5%
Tricity



1,204,500 sq m
Vacant space
in regional cities
Q4 2024

985,100 sq m
Vacant space
in regional cities
Q4 2022

736,600 sq m
Vacant space
in regional cities
Q4 2020

Vacancy

At the end of Q4 2024 vacancy rate in regional cities stood at 17.8% (a slight increase by ca. 30 bps y-o-y) which corresponds to over 1,204,000 sq m of available space.

Among the analysed cities available office space in two cities exceeded 200,000 sq m. The largest volume was recorded in Kraków (347,200 sq m or vacancy rate of 19,0%) and in Wrocław (265,900 sq m, 19.3%). In Katowice over 180,000 sq m was available , which translated into 23.2% vacancy rate, which was the highest one among regional cities. Tricity noted 133,500 sq m (vacancy rate of 12.5%), while Łódź added 146,900 sq m (22.7%). Another 90,400 sq m was located in Poznań (13.4%). The lowest volume of available space was recorded in Szczecin (14,400 sq m, 7.7%) and Lublin (25,600 sq m, 11.6%).

In the analysed cities, there are over 930 modern office buildings, in which the volume of available space varies. At the end of last year, there were just 18 projects among regional cities with vacancy larger than 10,000 sq m in total. Availability between 5,000 and 10,000 sq m could be found in 54 buildings, and those between 3,000 sq m and 5,000 sq m were available in 56 other buildings.

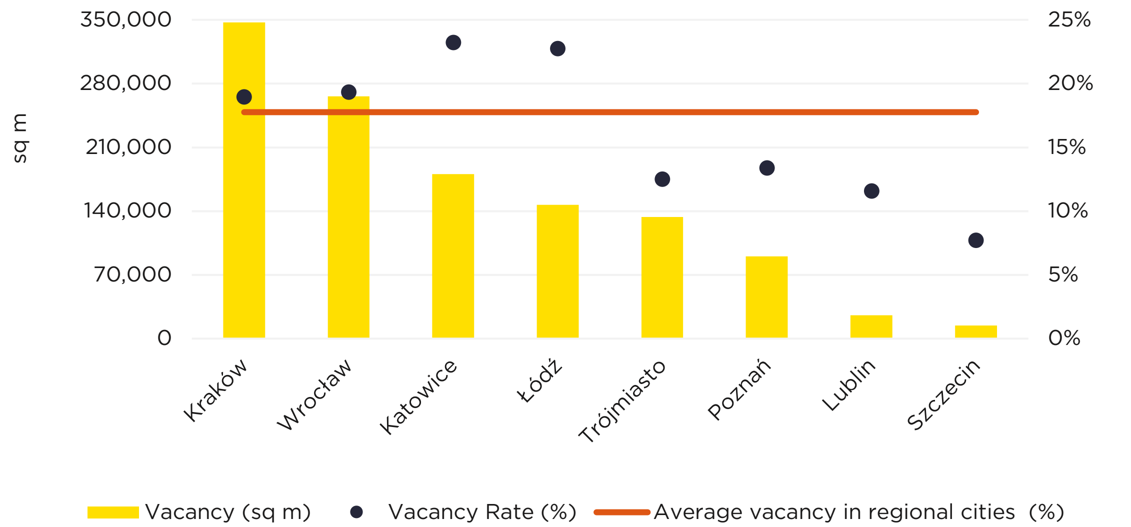
Top 3 cities with highest vacancy rate

23.2%
Katowice

22.7%
Łódź

19.3%
Wrocław

Vacancy and vacancy rate in regional cities



Source: Savills Research

Most active sectors in 2024

(share in total take-up)

27%

IT
(192,500 sq m)

16%

Business services
(117,200 sq m)

14%

Manufacturing
(99,800 sq m)

12%

Finance
(84,000 sq m)

Leasing activity & net absorption

Total leasing activity in regional cities in 2024 reached approximately 714,000 sq m, meaning a 4% decrease y-o-y. The highest volume of leased space was recorded in Kraków (266,700 sq m), Wrocław (146,500 sq m), and Tricity (116,300 sq m). In Poznań, demand reached 66,800 sq m, in Łódź it stood at 59,700 sq m, and in Katowice, it was nearly 47,600 sq m. Lublin and Szczecin demonstrated significantly lower tenants' activity, with 7600 sq m and 2900 sq m respectively. In 2024 only Kraków and Łódź noted increase of demand in compare to 2023 (33% and 9% respectively).

In 2024, renegotiations accounted for 51% of the total leased space, representing a significant increase from 41% in 2023. New leases, including owner-occupier transactions, constituted 44% of the overall demand. Expansions and pre-lets held marginal significance, collectively comprising 5% of the market activity (3% and 2% respectively). For comparison, in 2023, new leases represented 51% of demand, expansions 5%, and pre-lets 3%. In 2024, half of the regional cities exceeded a 50% share of renegotiations. Specifically, these were Kraków (58% of leased space), Wrocław (57%), Szczecin (53%), and Tricity (50%).

The three largest transactions of the past year were all renegotiations in Kraków in Tricity: an undisclosed tenant from the finance sector in Kapelanka 42A for 16,400 sq m, an undisclosed tenant from the IT sector in Tertium BP II for 14,100 sq m, and State Street in Alchemia II in Tricity for 10,500 sq m

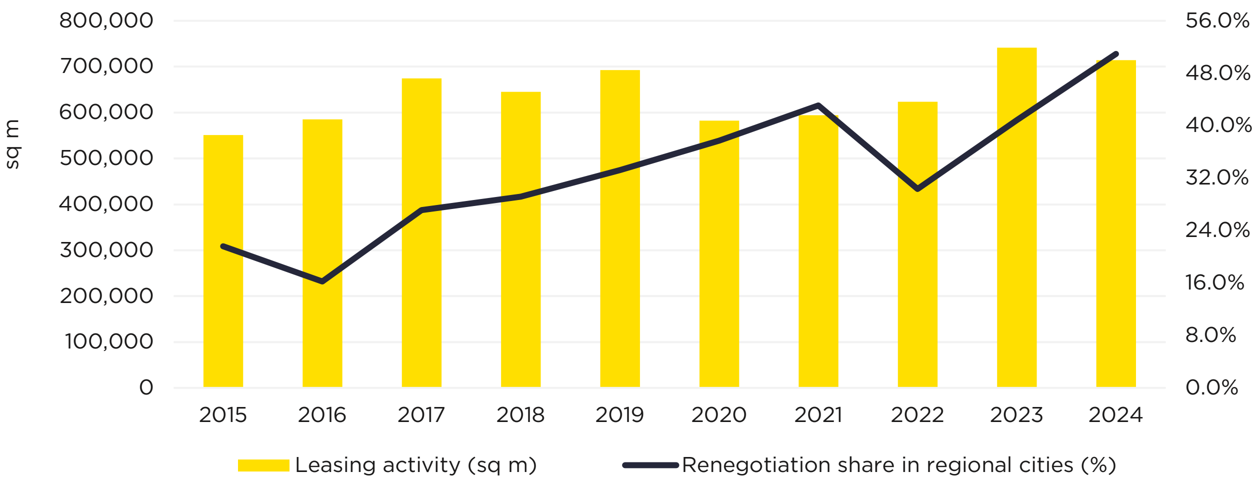
The average transaction size in 2024 was approximately 1150 sq m, indicating a increase compared to 2023 (1040 sq m) but still below the average from 2019-2023 (1420 sq m).

In 2024, the four leading tenant sectors collectively accounted for approximately 70% of the total market demand. These sectors were comprised of IT (27%, equating to 192,500 sq m), business services (16%, or 117,200 sq m), manufacturing (14%, representing 99,800 sq m), and finance (12%, corresponding to 84,000 sq m). The most prominent tenants were companies from the aforementioned IT sector, with the highest concentration of leased space observed in Kraków (83,600 sq m) and Wrocław (54,600 sq m). Collectively, these two cities accounted for nearly three-quarters of the sector's total demand. In the business services sector, tenants in these two cities leased 50% of the total space. Conversely, the manufacturing sector was dominated by Kraków, capturing 39% of the market share, a trend mirrored in the finance sector, where nearly 60% of the leased space was concentrated in Kraków.

In addition to traditional lease agreements, the market also features the option of subleasing space from another tenant. Subleasing is a significant market element that allows tenants seeking new office space to realize cost savings (due to a noticeably lower rental rate compared to a traditional lease agreement). While the sublease volume averaged approximately 20,000 sq m annually in 2021-2022, 2024 saw a decline in this type of transaction to 7,800 sq m (a 44% year-over-year decrease) across regional cities.

Net absorption in 2024 totalled 87,600 sq m, representing a nearly 9% decrease compared to the space absorbed in 2023. The majority of this absorption occurred in Kraków (34,100 sq m), Tricity (26,000 sq m) and Wrocław (19,000 sq m). The 2024 result is 47% lower than the average net absorption for the years 2020-2023, which was 164,500 sq m.

Leasing activity and renegotiations share in regional cities



Source: Savills Research

Rents & service charges

Following the rent increases observed in the first half of the year across most markets, rents stabilized in the second half. By the close of 2024, prime rental rates for A class buildings across regional cities ranged from EUR 12.00 to EUR 17.00/sq m/month. Poznań exhibited the highest rental rates, reaching EUR 17.00/sq m/month, followed closely by Kraków and Wrocław, both registering rates up to EUR 16.50/sq m/month. In Szczecin, rental quotations peaked at EUR 15.50/sq m/month, while the Tricity area, Katowice, and Łódź recorded slightly lower rates of EUR 15.00/sq m/month. Lublin presented the most competitive prime rates, with rents reaching EUR 14.25 sq m/month.

Beyond base rental rates, tenants are responsible for service charges, which encompass operational expenditures related to building maintenance and utilities. Following substantial escalations in 2023, 2024 exhibited relative stability, albeit with continued upward pressure on specific cost components, such as cleaning and facility management services. This sustained increase can be attributed, in part, to the lagged effects of the preceding year's inflationary pressures. Furthermore, the dual implementation of minimum wage increments in 2024 contributed to elevated service fees, notably within security service provisions.

It is projected that 2025 will bring increased stability to property management costs, excluding indexation adjustments. A single minimum wage increase is scheduled for the current year. Electricity prices remain a key factor influencing property management expenses. With a well-executed strategy and timely procurement of electricity contracts, tenants can anticipate prices comparable to the previous year, or even reductions. Currently, service charges in regional office buildings can reach values exceeding PLN 30.00/sq m/month.

Flexible office market

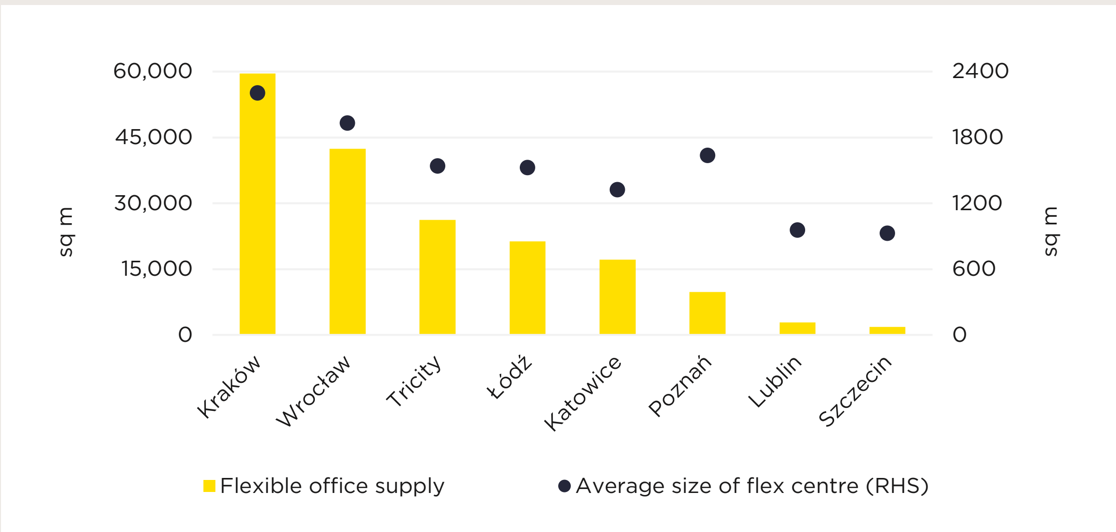
The year 2024 demonstrated robust performance for flexible workspace operators, who collectively leased an additional 24,500 sq m (a 25% year-over-year increase) across 20 locations, with no indication of renegotiations. Landlord-operated concepts accounted for nearly 40% of the total leased space. Notably, The Shire - Beyond Coworking secured the largest area, leasing over 4,500 sq m across two locations in Kraków and Wrocław.

At the end of the year, regional cities boasted 104 flexible office locations, offering a combined area of 181,300 sq m (approximately 22,300 workstations).

A significant 56% share, equating to 102,000 sq m, was concentrated in the two largest markets, each exceeding 40,000 sq m (Kraków with nearly 60,000 sq m and Wrocław with approximately 42,000 sq m of flexible office space).

Moreover, an additional 12,000 sq m of flexible workspace is currently being prepared to be opened in 2025. The type and size of space offered in regional cities varies. The average flexible office space is over 1700 sq m, but locations ranging from a few hundred sq m to even 9000 sq m (Fabryczna Flex in Kraków) can be found.

Flexible offices in regional cities



Source: Savills Research

Kraków office market in 2024

Office stock
1.83
million sq m

Under construction
57,500
sq m
+77% y-o-y

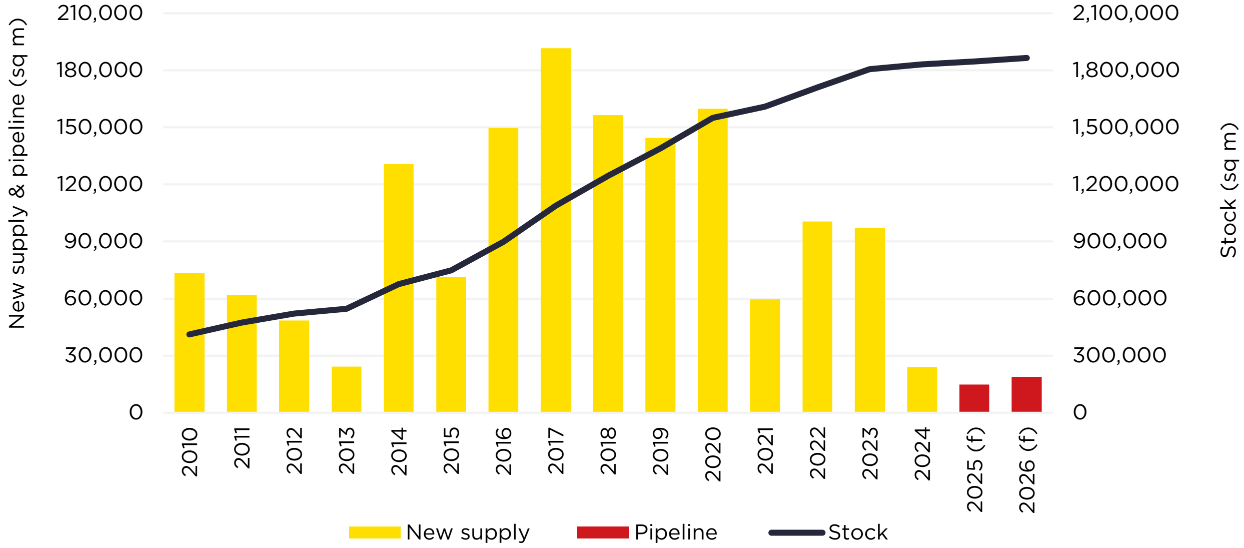
New supply
24,100
sq m
-75% y-o-y

Vacancy rate
19.0%
-80 bps y-o-y

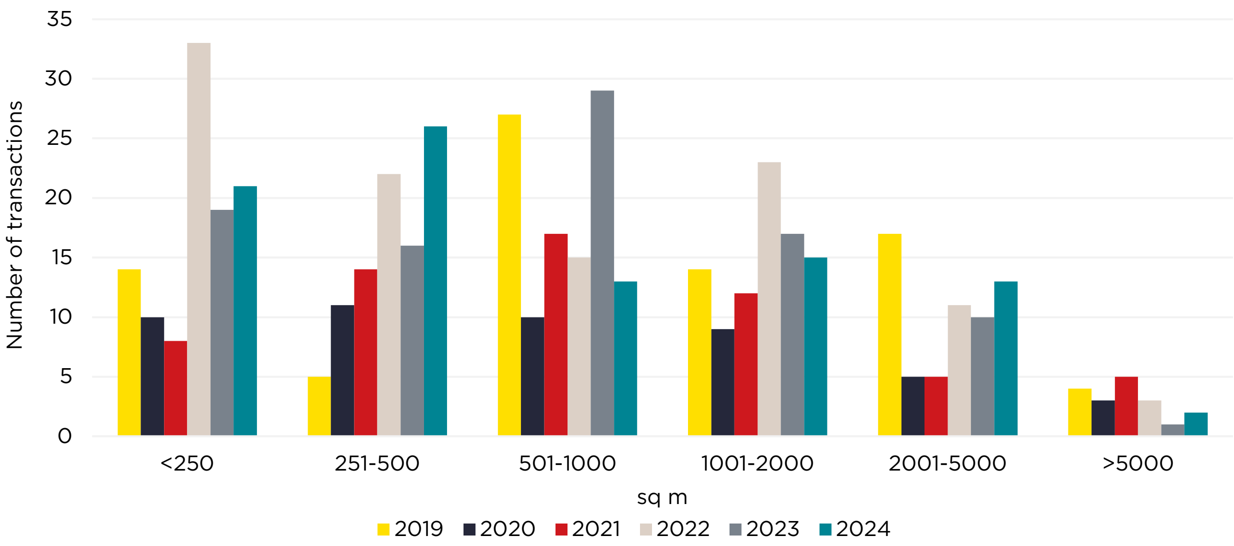
Gross take-up
266,700
sq m
+33% y-o-y

Net absorption
34,100
sq m
+151% y-o-y

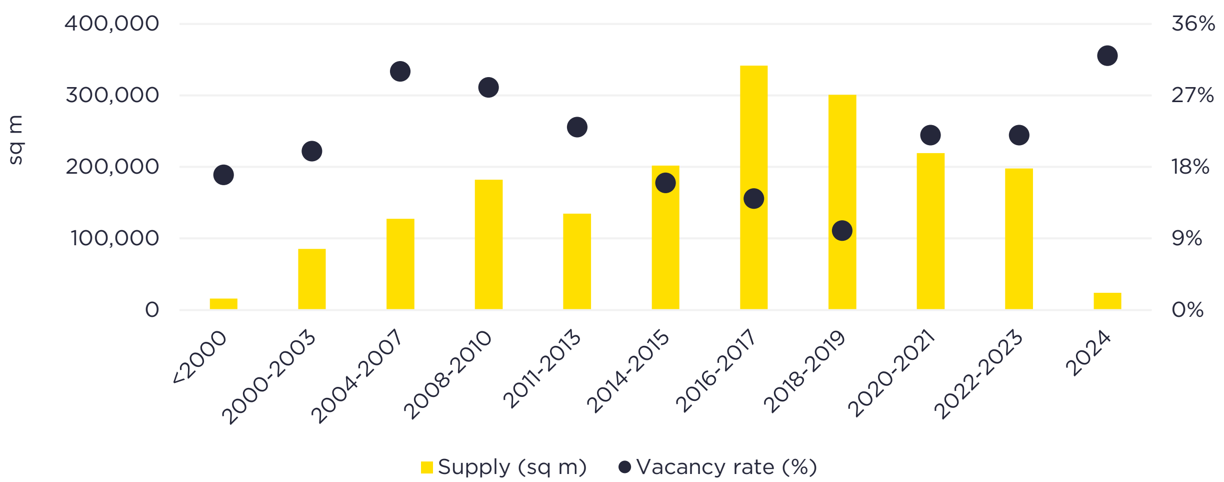
New supply and pipeline in Kraków



Leasing activity by size of transaction in Kraków (only new leases & relocations)



Vacancy rate by building completion date in Kraków



Source: Savills Research

Wrocław office market in 2024

Office stock
1.38
million sq m

Under construction
28,600
sq m
-77% y-o-y

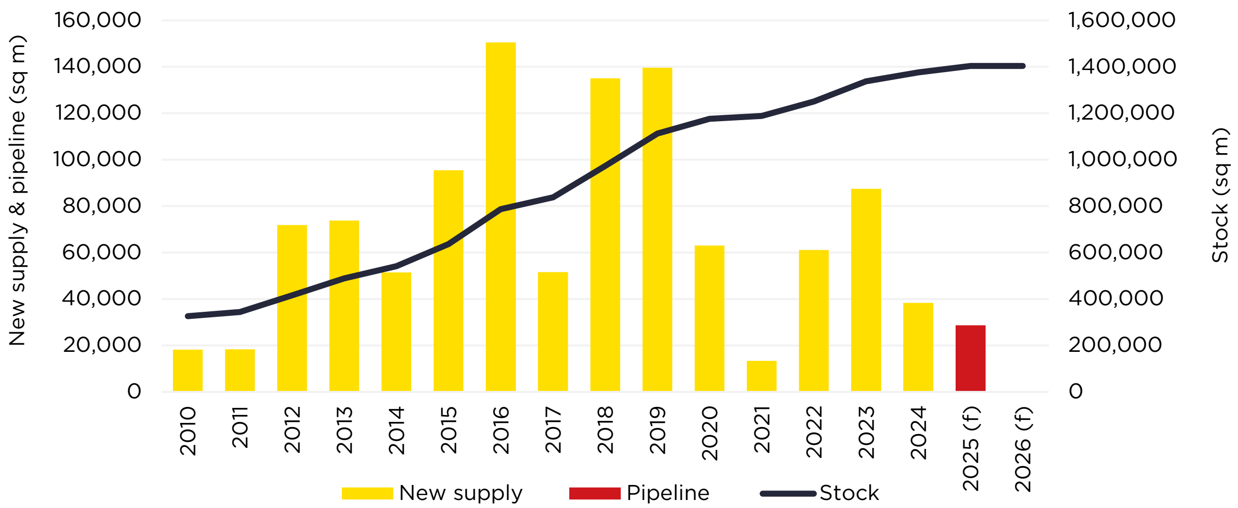
New supply
38,400
sq m
-49% y-o-y

Vacancy rate
19.3%
+110 bps y-o-y

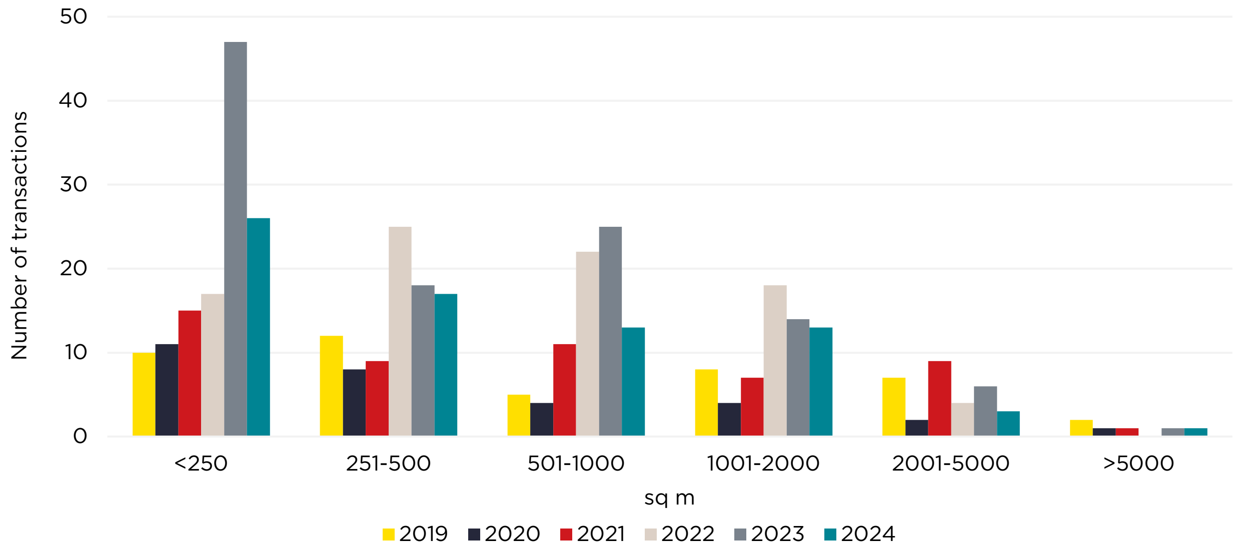
Gross take-up
146,500
sq m
-11% y-o-y

Net absorption
19,000
sq m
-47% y-o-y

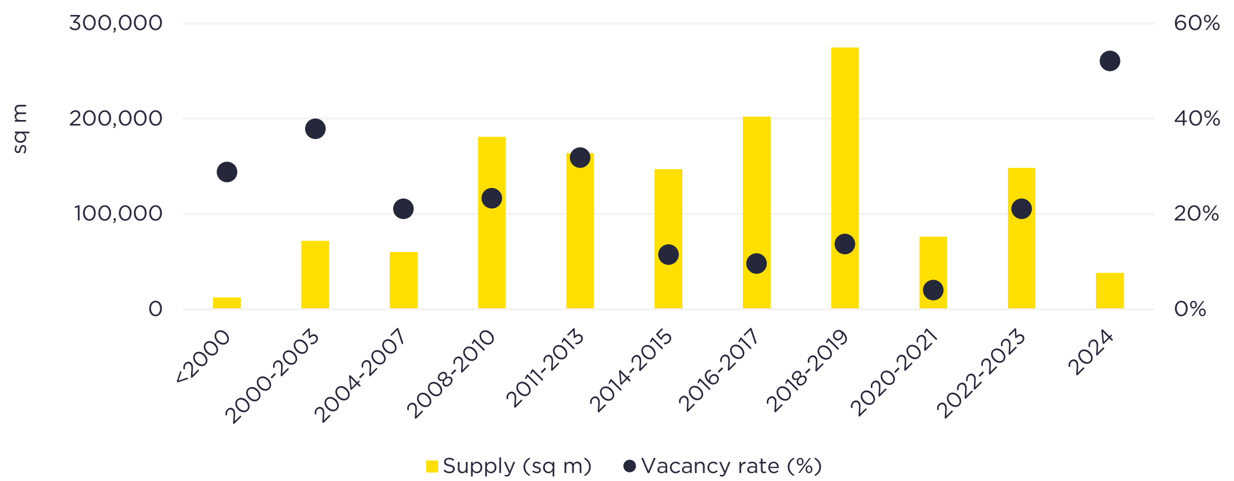
New supply and pipeline in Wrocław



Leasing activity by size of transaction in Wrocław (only new leases & relocations)



Vacancy rate by building completion date in Wrocław



Source: Savills Research

Tricity office market in 2024

Office stock
1.07
million sq m

Under construction
22,700
sq m
-47% y-o-y

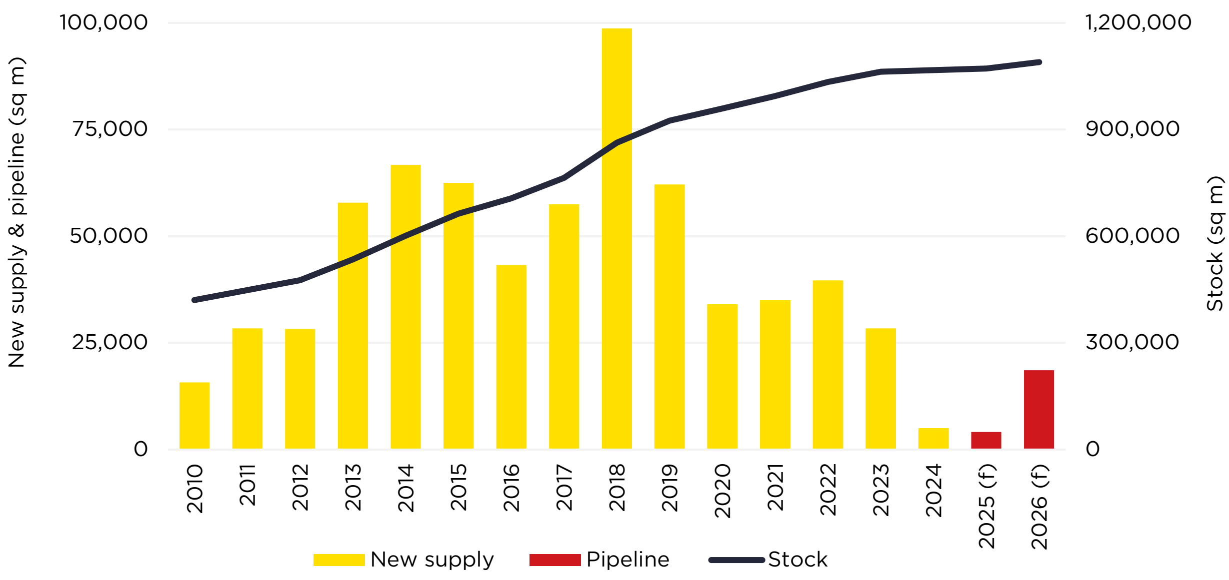
New supply
19,500
sq m
-41% y-o-y

Vacancy rate
12.5%
-80 bps y-o-y

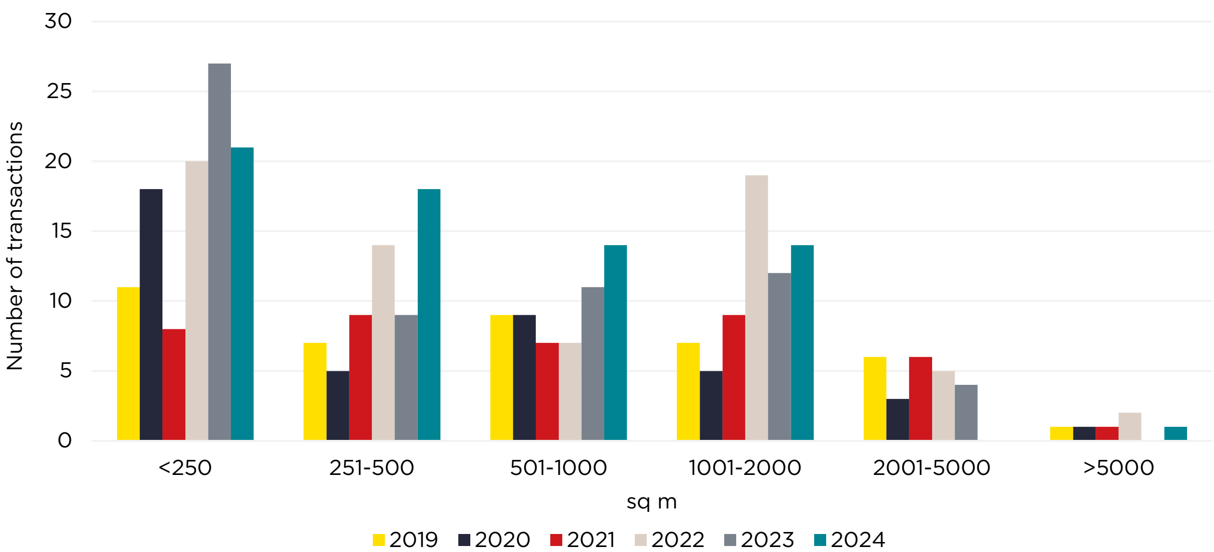
Gross take-up
116,300
sq m
-19% y-o-y

Net absorption
26,000
sq m
-6% y-o-y

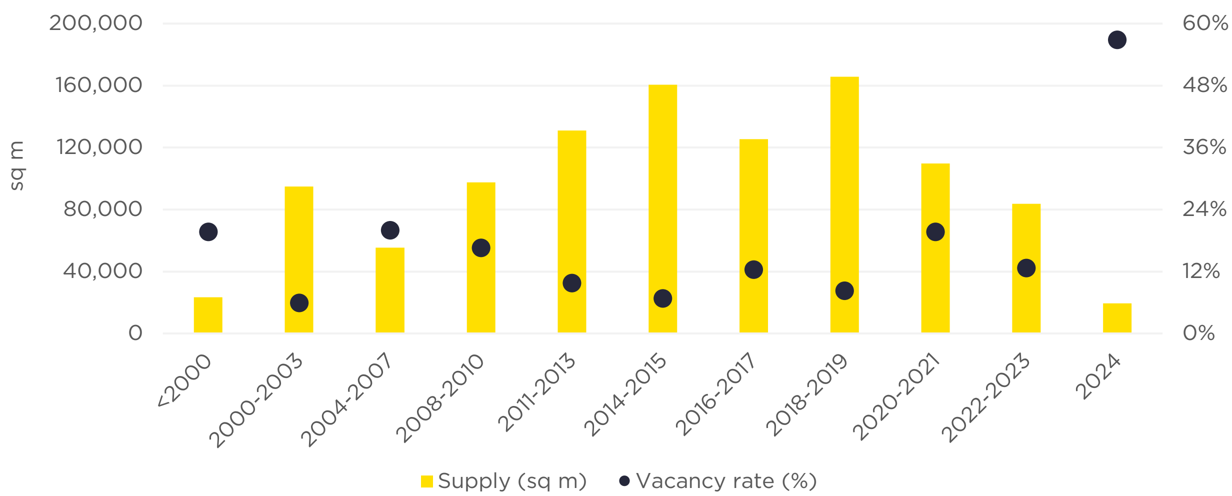
New supply and pipeline in Tricity



Leasing activity by size of transaction in Tricity (only new leases & relocations)



Vacancy rate by building completion date in Tricity



Source: Savills Research

Poznań office market in 2024

Office stock
675,700
sq m

Under construction
52,600
sq m
-5% y-o-y

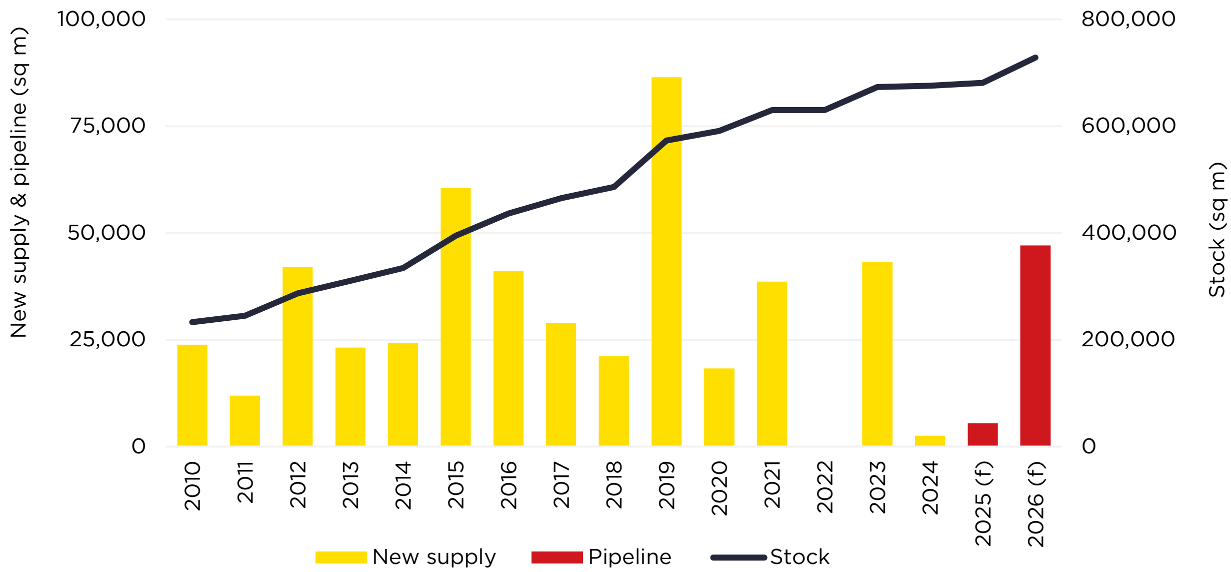
New supply
2600
sq m
-94% y-o-y

Vacancy rate
13.4%
-130 bps y-o-y

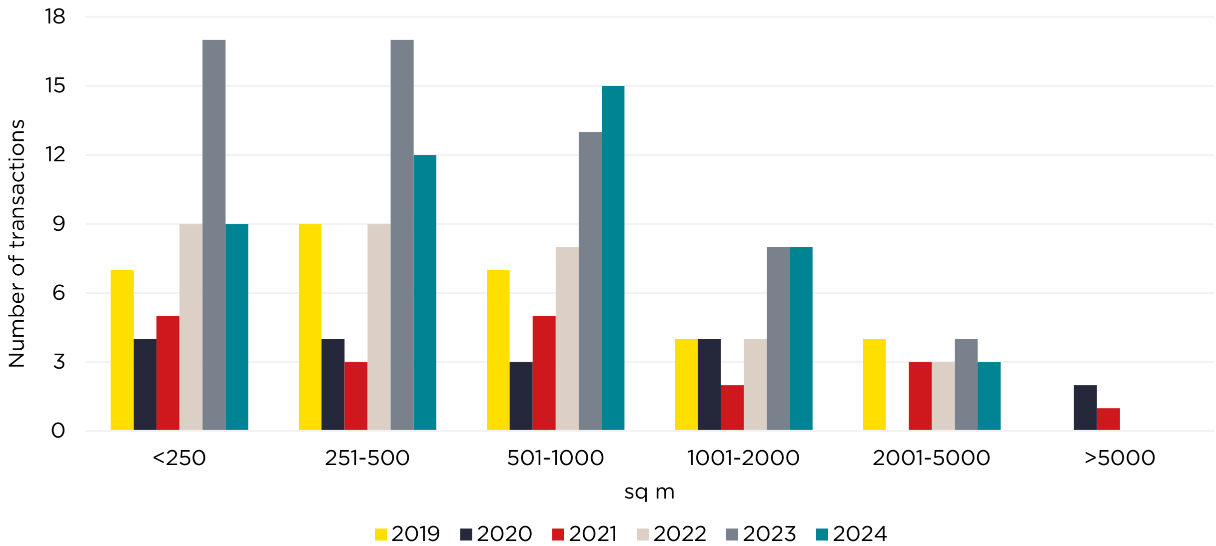
Gross take-up
66,800
sq m
-14% y-o-y

Net absorption
11,100
sq m
+17% y-o-y

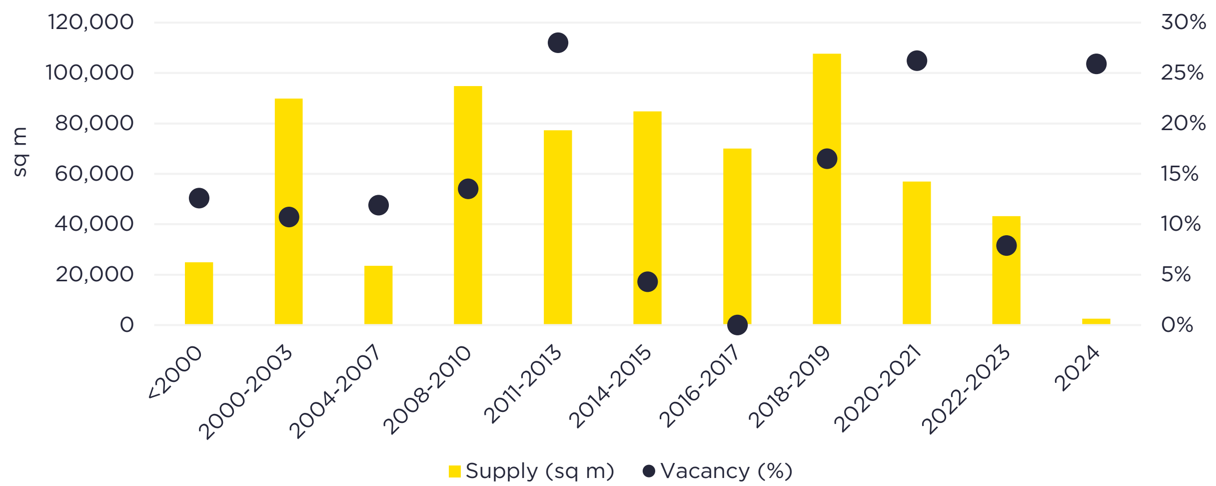
New supply and pipeline in Poznań



Leasing activity by size of transaction in Poznań (only new leases & relocations)



Vacancy rate by building completion date in Poznań



Source: Savills Research

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