MARKET IN MINUTES

Savills Research

Office market in regional cities, Q1 2025

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Supply squeeze in regional cities

The overall supply of office space in eight regional cities reached 6.76 million sq m at the end of March 2025. 63% of the total supply is located in the largest markets, exceeding 1 million sq m (Krakow, Wrocław and Tricity). The medium-sized markets (600,000-800,000 sq m), which are Katowice, Poznań and Łódź, account for 31% of the supply. The smallest markets, namely Lublin and Szczecin, together make up 408,000 sq m, representing 6% of the total.

During the first quarter of 2025, the regional cities' office market recorded no new supply, with the exception of the Dymka 188 development in Poznań (comprising 2,400 sq m). This represents the lowest volume of new space on record. In contrast, the average for the first quarter supply from 2015 to 2024 was over 100,500 sq m.

Regional office construction is down 26% y-o-y at roughly 203,000 sq m, significantly lower than the 2015-2019 (908,000 sq m) and 2020-2024 (522,000 sq m) averages. Kraków (65,000 sq m), Poznań (52,000 sq m), and Tricity (34,000 sq m) account for most of it. Optimistically, up to 475,000 sq m could be delivered by 2027, with the majority expected that year. However, this remains subject to various factors, including securing financing, achieving pre-lets, and absorption of current vacancies.

During the first quarter of 2025, demand for office space in regional cities reached 176,900 sq m, marking a 27% increase from the same period last year. This figure also exceeds the average first-quarter demand recorded between 2020 and 2024 (151,500 sq m) by 17%. Kraków and Wrocław were the most dynamic locations for office space leasing, with 56,600 sq m and 43,800 sq m transacted respectively. Significant activity was also observed in Tricity (26,400 sq m), Katowice (18,500 sq m), Poznań (14,500 sq m), and Lublin (10,700 sq m). In contrast, the combined demand in Łódź and Szczecin was considerably lower, amounting to around 6,400 sq m.

Four key sectors – IT, manufacturing, business services, and finance – were the main drivers of office demand, making up 58% of regional lettings. IT took 18%, followed by business services (16%) and manufacturing (14%). Finance sector leased up to 10%. Flexible office providers accounted for an additional 5%.

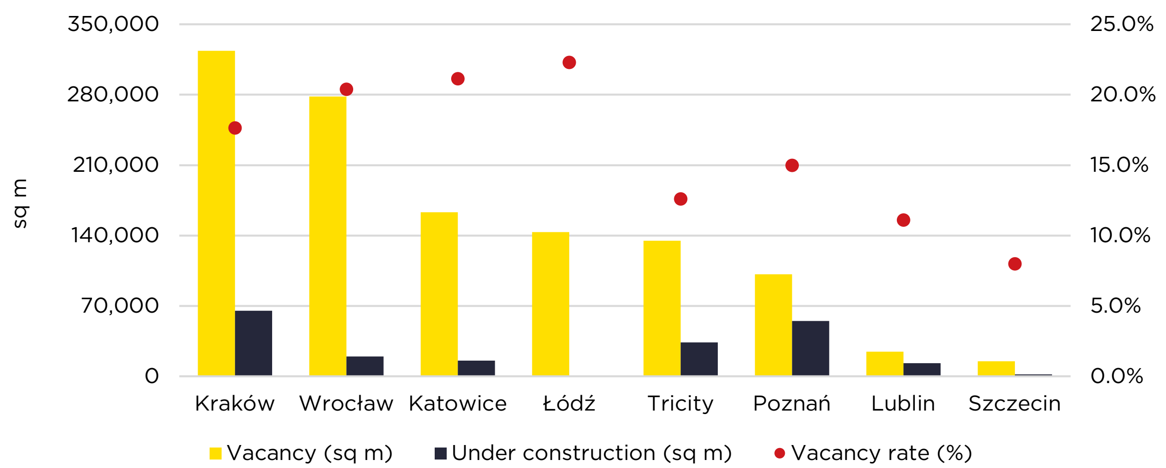
In Q1 2025, regional office demand was largely driven by renewals, which accounted for 48% - closely mirroring the 47% seen in Q1 2024. New leases, including owner-occupiers, made up 41%, while expansions contributed 8%. Pre-lets remained minimal at just 3% of the total.

At the end of the first quarter of 2025, there was nearly 1,184,000 sq m of vacant office space in the regional cities, equating to a vacancy rate of 17.5% (a decrease of 30 bps y-o-y). The highest levels of unoccupied space, exceeding 20%, were recorded in Łódź (22.3%), Katowice (21.1%) and Wrocław (20.4%). Conversely, Szczecin had only 8% (only 15,000 sq m available), along with Lublin (11.1%) and Tricity (12.6%). Furthermore, Kraków's vacancy rate stood at 17.6%, which translated to the largest amount of available space (323,700 sq m), while in Poznań it stood at 15.%

Net absorption of office space in regional cities reached 23,000 sq m in Q1 2025, a significant increase from the 7,500 sq m in Q1 2024, though still 58% lower than the average for the first quarter of 2020-2024.

At the end of Q1 2025, headline rents in class A buildings in the regional cities averaged between EUR 12.00- 17.00/ sq m/ month. The highest rents at EUR 17.00/sq m/month were quoted in Poznań, closely followed by Kraków and Wrocław (both up to EUR 16.50). Szczecin quotes up to EUR 16.00, while Tricity, Katowice, and Łódź recorded slightly lower figures of EUR 15.00. Lublin offered the most affordable prime rents, reaching EUR 14.25. Additionally, a service charge of up to PLN 37.00/ sq m/month applies on top of the rent.

Vacant space, vacancy rate and under construction in regional cities



Source: Savills Research

Key office data Q1 2025:

6.76 million sq m
Total office supply

202,500 sq m
Total space under construction (26% down y-o-y)

2,400 sq m
New supply (31,200 sq m in Q1 2024)

17.5%
Vacancy rate (30 bps down y-o-y)

176,900 sq m
Total take-up (27% up y-o-y)

23,000 sq m
Net absorption (209% up y-o-y)

Poland regional cities

Total stock | Available area | Gross take-up | Under construction

Kraków
1,834,700 sq m
323,700 sq m / 17.6%
56,600 sq m
65,200 sq m

Wrocław
1,364,700 sq m
278,300 sq m / 20.4%
43,800 sq m
19,800 sq m

Tricity
1,067,000 sq m
134,700 sq m / 12.6%
26,400 sq m
33,700 sq m

Katowice
771,700 sq m
163,100 sq m / 21.1%
18,500 sq m
15,600 sq m

Poznań
678,100 sq m
101,400 sq m / 15.0%
14,500 sq m
52,600 sq m

Łódź
642,300 sq m
143,300 sq m / 22.3%
5,900 sq m
700 sq m

Lublin
220,900 sq m
24,500 sq m / 11.1%
10,700 sq m
13,000 sq m

Szczecin
187,200 sq m
15,000 sq m / 8.0%
600 sq m
2,000 sq m

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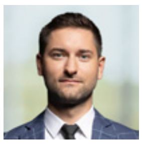

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