Poland Commercial – November 2024

MARKET IN MINUTES

Savills Research

Regional Office Market

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Despite lower completions, vacancy stabilised

At the end of September 2024 the total supply of office space in 8 regional cities stood at 6.74 million sq m. The largest markets, exceeding 1 million sq m of modern office supply, include: Kraków (1.82m sq m), Wrocław (1.37m sq m) and Tricity (1.07m sq m). Medium markets are: Katowice (752,000 sq m), Poznań (674,200 sq m) and Łódź (644,700 sq m). The smallest are Lublin and Szczecin (220,900 sq m and 187,200 sq m respectively).

Between Q1-Q3 2024, a total of 76,600 sq m was delivered to the market (67% less y-o-y). The largest volume of space was delivered in Wrocław (32,300 sq m), Tricity (19,500 sq m) and Kraków (14,400 sq m). The largest projects were: Quorum Office Park A (Wrocław, 18,200 sq m), Waterfront phase II (Tricity, two buildings totalling 14,500 sq m), B10 (Wrocław, 14,100 sq m) and Brain Park C (Kraków, 13,000 sq m). 50% of space delivered in 2024 remains vacant.

At the end of September 2024, 214,400 sq m of modern office space was under construction. The largest volume is being built in Poznań (55,400 sq m), Katowice (46,200 sq m), Wrocław (41,600 sq m) and Kraków (37,100 sq m). The very low level of pre-letting is having an impact on the prolonged commercialisation process of projects under construction, which, combined with the difficulties related to financing, has forced some developers to suspend projects they have started. Currently, on hold status relates to ca. 107,000 sq m (resumption requires a pre-let or securing financing in a new form). Considering the most positive scenario up to 382,000 sq m in total is scheduled in regional cities for 2025-2026, with ca. 141,000 already under construction.

Between Q1-Q3 2024 tenants leased ca. 509,300 sq m of office space (4% less y-o-y). The most space was leased in Kraków (178,500 sq m, 47% increase y-o-y), Wrocław (95,800 sq m, 21% decrease y-o-y) and Tricity (92,800 sq m, 27% decrease y-o-y). Additionally in Poznań demand stood at 53,500 sq m, while in Łódź it was 45,100 sq m and in Katowice it was almost 35,000 sq m. In Lublin and Szczecin leasing activity totalled less than 9,000 sq m.

In Q1-Q3 2024 most of space leased space was signed as renegotiations (ca. 53% of total demand) To compare in the same period of 2023 it was only 35%. City with largest renegotiation share was Kraków (60%), while the lowest was recorded in Poznań (37%). New leases added 42% (including owner occupier transactions), while expansions stood at a 4% share. Pre-leases were limited to 1%.

The leader in terms of take-up volume was the IT sector (26% of the total or 134,500 sq m, of which over 53,000 sq m in Kraków alone). In addition, the business services (16% or 79,500 sq m), manufacturing (15% or 74,400 sq m) and finance (11% or 54,900 sq m) sectors stood out.

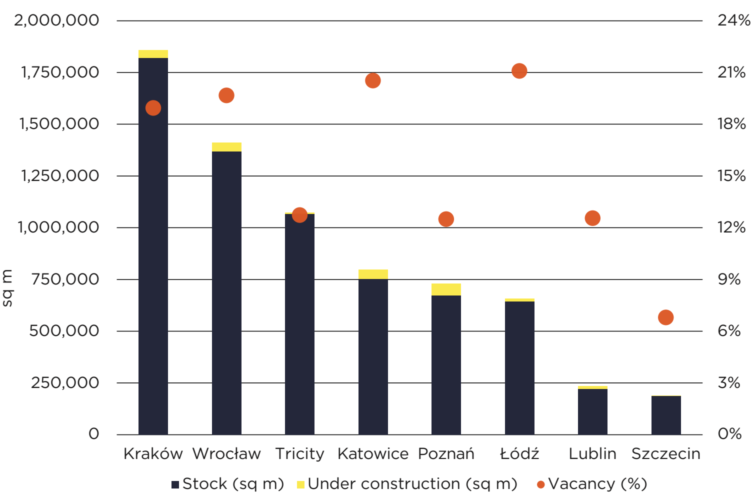
At the end of September 2024, there were 1,165,200 sq m of office space available in regional cities, which translated into a vacancy rate of 17.3% (a minimum increase of 3 bps y-o-y).

Vacancy rates vary by city. The lowest level was in Szczecin (6.8%), while the highest was in Łódź (21.1%). The vacancy rate remains at around 20% in Katowice (20.5%), Wrocław (19.7%) and Kraków (18.9%). In Tricity, Poznań and Lublin the vacancy rate did not exceed 13%.

Net absorption in Q1-Q3 2024 recorded a level of 79,800 sq m absorbed among regional cities meaning 7% increase y-o-y. Only in two cities - Lublin and Szczecin - the net absorption was negative at -1400 sq m and -2100 sg m respectively. The highest positive volumes were recorded in Kraków (26,800 sq m), Tricity (23,600 sq m) and in Poznań (14,600 sq m).

At the end of Q3 2024 headline rents in A class buildings averaged between EUR 12.00-17.00/sq m/month among regional cities. The highest rents are noted in Poznań (EUR 17.00/sq m/month), Kraków and Wrocław (both up to EUR 16.50). In Szczecin rents can quote up to EUR 15.50, while slightly lower (EUR 15.00) are recorded in Tricity, Katowice and Łódź. The lowest rents are in Lublin - prime properties quote up to EUR 14.25. Additionally to rents tenant have to pay service charge, which can reach up to PLN 36.00/sq m/month.

Stock, under construction and vacancy rate, Q3 2024



Source: Savills Research

Key office data Q1-Q3 2024:

6.74 million sq m
Total office supply

214,400 sq m
Total space under construction (56% down y-o-y)

76,600 sq m
Completions (67% down y-o-y)

17.3%
Vacancy rate (3 bps up y-o-y)

509,300 sq m
Total take-up (4% down y-o-y)

79,800 sq m
Net absorption (7% up y-o-y)

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Savills Research
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