

Wrocław Office Market



Highest net absorption among regional cities

At the end of June 2024, total supply of modern office space in Wrocław stood at 1.37 million sq m. Ca. 36% of total supply is located in the City Centre zone with supply of 500,900 sq m. The remaining zones include West with 33% share in supply, South (22%) and North/East (9%).

During H1 2024, a total of 32,400 sq m was delivered to the market in two projects, which were: Quorum Office Park A (18,200 sq m by Cavatina) and B10 Office (14,100 sq m by Vastint). To compare, completions in H1 2023 were only 200 sq m more than the result from this year.

At the end of June 2024, ca. 41,600 sq m was under construction (a decrease by 72% y-o-y). The commenced space is mainly located in South zone (68% or 28,600 sq m). The remaining space is being built in the West zone (13,000 sq m). The largest project under construction is Swobodna Spot A by Echo Investment in the South zone (14,800 sq m). Taking into consideration the most optimistic scenario developers may supply market with additional 90,000 sq m till the end of 2026.

Between January and June 2024, total leasing activity in Wrocław stood at 49,900 sq m (43% decrease y-o-y). Demand almost equalized between each quarter (25,000 sq m leased in Q1 and 24,900 sq m in Q2). In H1 2024 the two zones with the highest tenants activity were City Centre (21,700 sq m) and West (17,000 sq m).

In H1 2024 most space was leased as renegotiations (54%). New leases accounted for another 42% of total take-up (including owner occupier), expansions generated 4% of demand. No pre-lease agreement was recorded in the market in H1 2024.

During H1 2024 most space was leased by tenants from two sectors. The IT sector maintained its high position (46% share or 22,800 sq m) and manufacturing was another important sector (19% or 9300 sq m).

The largest deals were dominated by renegotiations (the largest five deals in H1 2024). The largest transactions were Dolby in Business Garden I (5000 sq m) and Infor Polska in Retro Office House (4900 sq m).

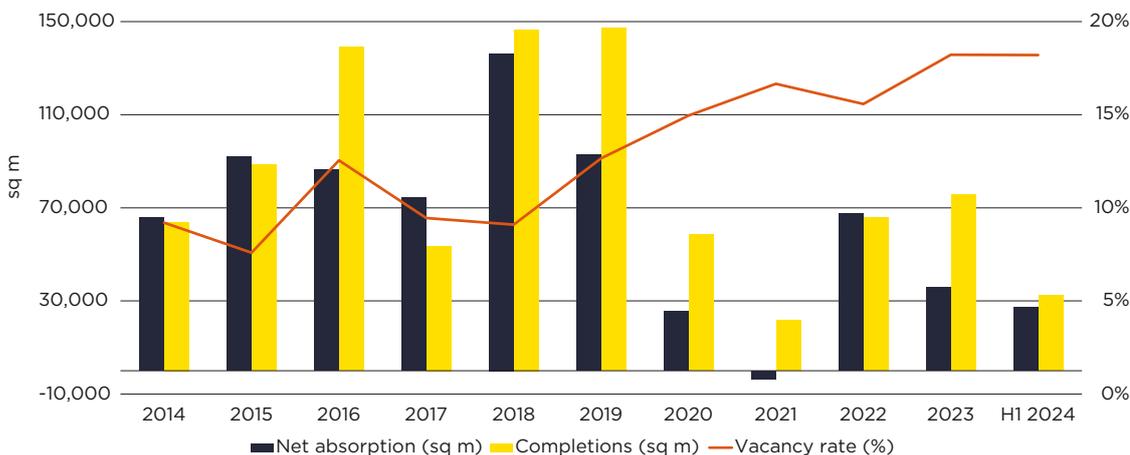
At the end of June 2024, there was 251,500 sq m of office space available in Wrocław, which translated into a vacancy rate of 18.2% (an increase by 210 bps y-o-y). The vacancy rate varies between the zones. The highest vacancy rate is in City Centre (25.8%) and West (17.7%), while the lowest is in South (8.7%).

Net absorption in Wrocław in H1 2024 noted the highest level among regional cities and stood at 27,500 sq m (1% decrease y-o-y).

In the last few quarters, we have seen an increase in rental levels for the best projects in Wrocław. Headline rents in A-class new office buildings are now in the range of EUR 14.00- 16.50/sq m/month. The main reasons for rising rents are the increasing incentives package for tenants offered by landlords, which are offset by higher headline rents.

The service charge level in well-kept and managed properties usually varies between PLN 18.00-27.00/sq m/month, but in some cases the level even exceeding PLN 30.00/sq m/month.

Net absorption, completions and vacancy rate, 2014-H1 2024



Source: Savills Research

Key office data H1 2024:



1.37 million sq m
Total office supply



41,600 sq m
Total space under construction
(72% down y-o-y)



32,400 sq m
Completions
(1% down y-o-y)



18.2%
Vacancy rate
(210 bps up y-o-y)



49,900 sq m
Total take-up
(43% down y-o-y)



27,500 sq m
Net absorption
(1% down y-o-y)

Wrocław office market trends



Renegotiations mixed with reductions

Lease renewals and renegotiations in Wrocław accounted for 54% of total demand in the first half of the year. Also in the last few years the share was significant and we expect that to continue as new supply forecasted for the next years is rather low.

In conversations with tenants, the topic of reducing their leased space also comes up quite frequently. This has to do, among other things, with the widely introduced hybrid working model, as a result of which, the tenant's space requirements are smaller, very often above 30% of the total size of the rentable area.

It is worth emphasising that there is a way out of such a seeming impasse. One possibility is, if the end date of the contract is approaching, to renegotiate it and lease a smaller space on market terms.

Other possible solutions, but much more advanced within the process include: space reduction in exchange for lease extension, one-time payment of the contractual penalty, or a „monthly rent for reduction“ constituting the equivalent of the reduction penalty agreed between the landlord and tenant which is spread over time.

The most important thing for both parties involved in negotiations is to find the best possible and the most optimal solution in the process of reducing the lease area.



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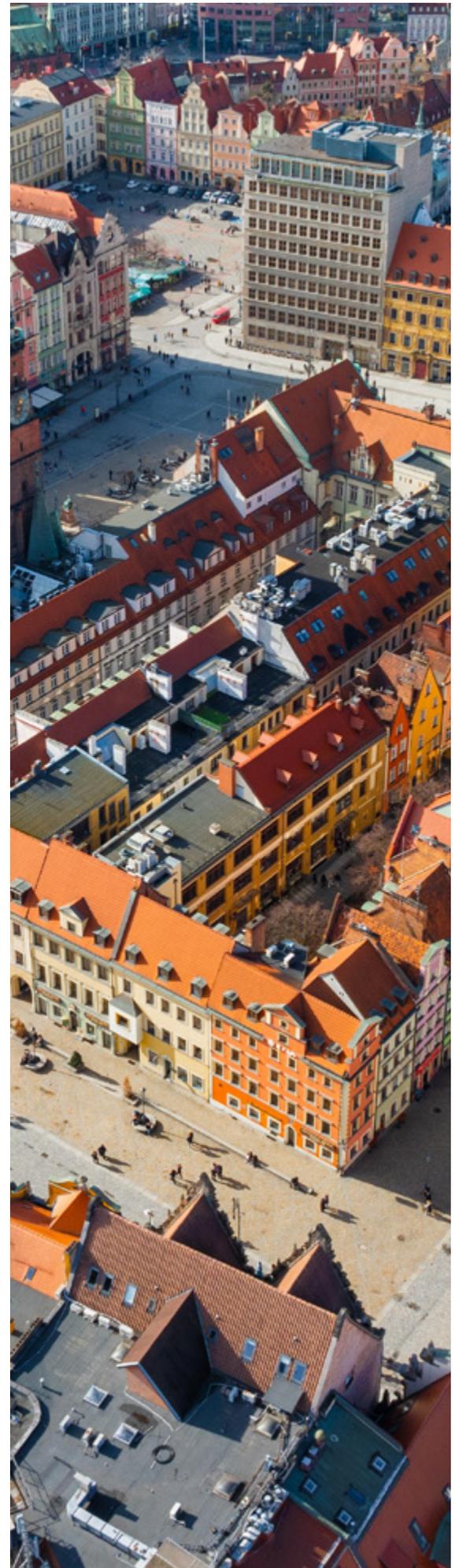


Synergy with industrial & logistics sector

The Wrocław market is also one of the most important manufacturing and logistics hubs in Poland, which is also reflected in the office market.

Companies from these sectors accounted for around 21% of gross demand in the first half of this year, with a higher share of 24% recorded throughout 2023.

Total demand for last 18 months generated by tenants from manufacturing and logistics sector stood at over 50,000 sq m. Some companies, in order to attract office workers, choose to rent space in office buildings located in the city instead of developing offices in a warehouse or industrial facilities located outside the city limits.



Wrocław office zones



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

City Centre

	500,900 sq m
	129,200 sq m / 25.8%
	21,700 sq m
	9500 sq m
	0 sq m

West

	444,500 sq m
	78,900 sq m / 17.7%
	17,000 sq m
	5200 sq m
	13,000 sq m

North/East

	124,600 sq m
	16,500 sq m / 13.2%
	4500 sq m
	4500 sq m
	0 sq m

South

	308,400 sq m
	26,900 sq m / 8.7%
	6700 sq m
	4000 sq m
	28,600 sq m

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