

MARKETBEAT

POLISH OFFICE MARKET

Summary of Q2 2024

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OFFICE MARKET

Poland, Q2 2024

H1 2024

% change*

Total office stock**	12,987,000 sq m	▲	+2%
New supply	125,000 sq m	▼	-7%
Gross take-up	602,300 sq m	▼	-8%
Net take-up	299,600 sq m	▼	-30%
Vacancy rate**	14.4%	▲	+0.3 pp
Prime headline rents in the surveyed cities**	Warsaw: EUR 22.0-26.0 Regional cities: EUR 12.5-16.5/sq m/month		
Absorption	67,600 sq m	▲	+114%
Office investment volume in Poland	EUR 800.5m		

According to the National Bank of Poland (NBP), Poland's GDP will rise by around 3% in 2024, with this year's average annual rate of inflation expected to be in the range of 3.5-4.0%. The Polish Economic Institute expects the unemployment rate to remain low at just over 5%.

At the end of the second quarter of 2024, the combined office stock of Poland's largest markets (Warsaw, Krakow, Wrocław, Tricity, Katowice, Poznań, Łódź, Lublin, and Szczecin) amounted to nearly 13 million sq m. New office supply reached approximately 125,000 sq m and most of that space came on stream in Warsaw, Wrocław and Krakow. The largest office completions were Cavatina's Quorum Office Park A in Wrocław (18,200 sq m), Yareal's Lixa E in Warsaw (16,900 sq m), the refurbishment of CA IMMO's Saski Crescent in Warsaw (15,500 sq m), and Ghelamco's Vibe I in Warsaw (15,000 sq m).

The pace of office deliveries slowed significantly in the last three years. Although a handful of office projects broke ground in this period, development activity remains subdued, with Warsaw's overall construction pipeline falling from nearly 750,000 sq m in early 2020 to approximately 215,000 sq m. In regional cities there is around 210,000 sq m of new office space under construction, down from the pre-pandemic 850,000 sq m.

The downturn in development activity is due to high office construction costs and a weaker leasing market when compared to pre-pandemic times.

Cushman & Wakefield estimates that approximately 225,000 sq m, including office completions in the year to date, will be delivered onto the Polish market in 2024, followed by another 240,000 sq m in 2025. Higher supply levels are unlikely to be seen until after 2026.

Total leasing activity in Warsaw for the first half of 2024 amounted to 316,400 sq m, down by a mere 2% from the same time in 2023. This is attributed to gradual stabilization on the office rental market and a trend towards optimizing office footprints.

In the first half of 2024, the structure of demand in Warsaw was dominated by renewals which accounted for approximately 51% of all deals. New leases and expansions made up 42% and around 7% respectively.

Leasing activity in regional cities amounted to 286,000 sq m, down by 14% from the first half of 2023. Take-up predominantly came from the IT, service and manufacturing sectors. The structure of demand was similar to that recorded in Warsaw, with renewals accounting for a large share of take-up at 49%, followed by new leases and expansions which made up 46% and 5% respectively. In the second quarter of 2024, absorption in regional cities slightly exceeded new supply.

At the end of the second quarter of 2024, Poland's overall vacancy rate was 14.4%, down by 0.1 pp over the quarter but up by 0.3 pp year-on-year. Warsaw's vacancy ratio stood at 10.9%, a decrease of 0.1 pp compared to where it was in the previous quarter. Of all the regional cities, Tricity and Wrocław recorded the largest drops in vacancies, with Łódź and Szczecin seeing the largest increases. The average regional city vacancy rate was 17.7%. Office availability in all the surveyed markets amounted to 1.87 million sq m, representing a 4% increase compared with the first half of 2023.

In the second quarter of 2024, prime office rents in Warsaw stood at EUR 22.00-26.00/sq m/month in the Centre and at EUR 13.50-16.50/sq m/month in non-central locations. Average prime office rents in central locations in regional cities were EUR 12.50-16.50/sq m/month, with new office buildings in prime locations commanding above average rental rates.

Elevated office construction, fit-out and project financing costs continue to significantly impact rental rates in projects underway. Rents in existing office buildings largely depend on the attractiveness of a building to prospective tenants and individual market dynamics.

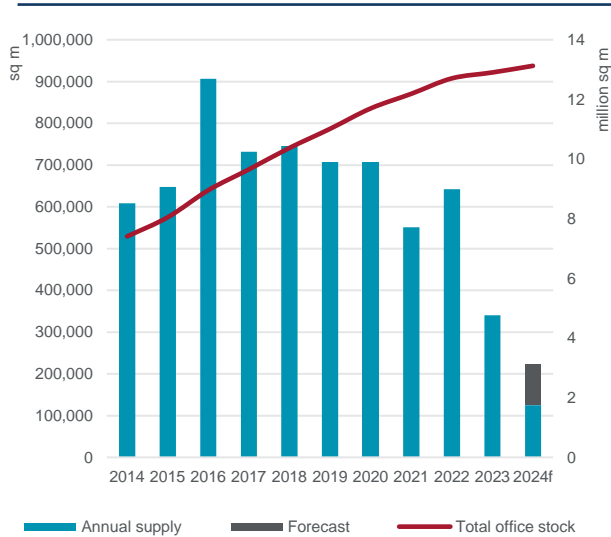
* Year-on-year change

** As at the end of the quarter

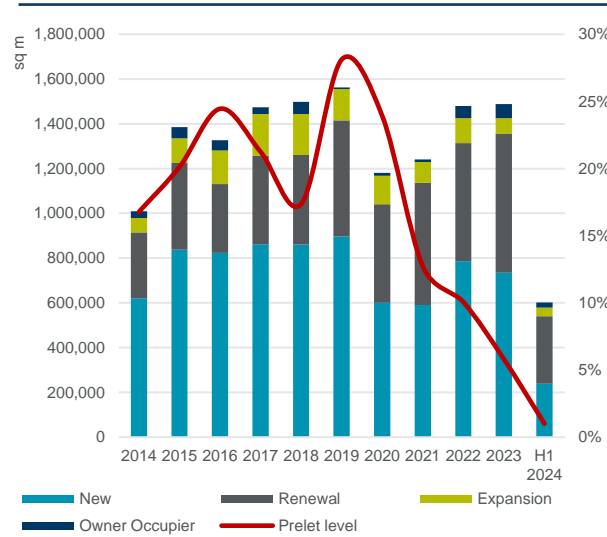
OFFICE MARKET

Poland, Q2 2024

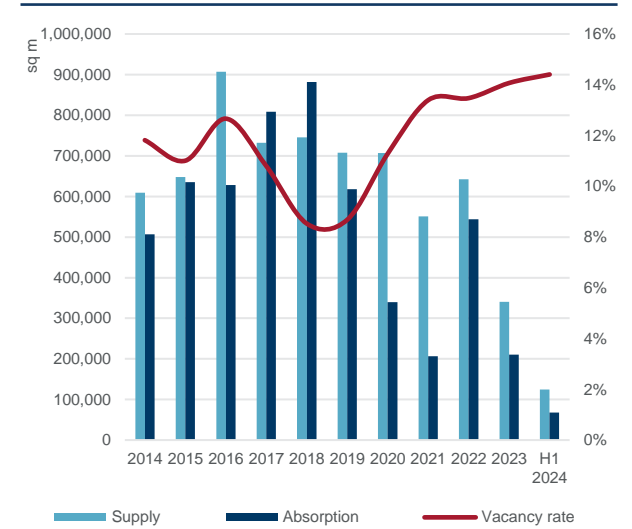
OFFICE SUPPLY AND STOCK



TAKE-UP BY TRANSACTION TYPE



ABSORPTION, SUPPLY AND VACANCY RATE



KEY OCCUPIER TRANSACTIONS

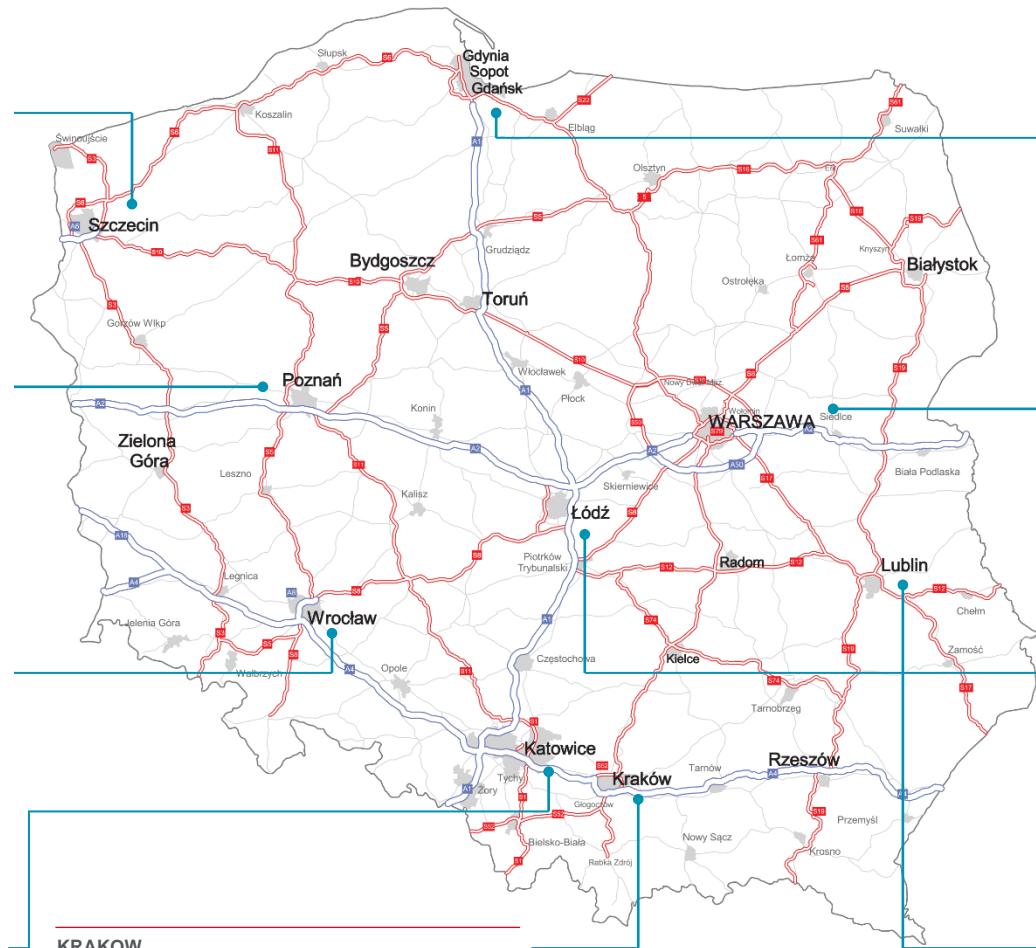
Tenant	City	Building	Sq m	Lease type
Bank Gospodarstwa Krajowego	Warsaw	Varso II	13,600	Renewal
Aptiv Services	Krakow	Enterprise Park F	10,300	Renewal
Żabka Polska	Poznań	Nowy Rynek A	10,300	Renewal
Volvo Tech Hub	Krakow	Brain Park C	10,100	New lease
Mercer	Warsaw	myhive Nimbus	7,300	Renewal

OFFICE COMPLETIONS

Building	City	Tenants	Sq m	Developer
Quorum Office Park A	Wrocław	-	18,200	Cavatina
LIXA E	Warsaw	Sanofi Aventis, Stora Enso	16,900	Yareal
Saski Crescent	Warsaw	Moonactive, Dorako	15,500	CA Immo
Vibe I	Warsaw	Reckitt Benckiser, MDDP	15,000	Ghelamco

OFFICE MARKET

Poland, Q2 2024



SZCZECIN

Office stock (sq m)	187,200
Office take-up (sq m)	1,200
Office supply (sq m)	1,800
Vacancy rate (%)	6.3%
Headline rent (EUR/sq m/month)	12.75–13.50

POZNAŃ

Office stock (sq m)	674,200
Office take-up (sq m)	30,800
Office supply (sq m)	
Vacancy rate (%)	13.9%
Headline rent (EUR/sq m/month)	13.50–15.50

WROCLAW

Office stock (sq m)	1,378,400
Office take-up (sq m)	49,900
Office supply (sq m)	32,300
Vacancy rate (%)	18.2%
Headline rent (EUR/sq m/month)	13.50–15.75

KATOWICE

Office stock (sq m)	751,100
Office take-up (sq m)	25,200
Office supply (sq m)	
Vacancy rate (%)	20.8%
Headline rent (EUR/sq m/month)	13.50–15.50

KRAKOW

Office stock (sq m)	1,821,100
Office take-up (sq m)	93,500
Office supply (sq m)	14,400
Vacancy rate (%)	20.2%
Headline rent (EUR/sq m/month)	15.00–16.75

TRICITY

Office stock (sq m)	1,053,000
Office take-up (sq m)	55,800
Office supply (sq m)	5,000
Vacancy rate (%)	12.5%
Headline rent (EUR/sq m/month)	14.00–15.00

WARSAW

Office stock (sq m)	6,255,700
Office take-up (sq m)	316,400
Office supply (sq m)	63,700
Vacancy rate (%)	10.9%
Headline rent in the city centre	22.00–26.00
Headline rent in non-central locations	13.50–16.50

ŁÓDŹ

Office stock (sq m)	645,500
Office take-up (sq m)	23,200
Office supply (sq m)	7,700
Vacancy rate (%)	23.3%
Headline rent (EUR/sq m/month)	12.50–13.75

LUBLIN

Office stock (sq m)	220,900
Office take-up (sq m)	6,500
Office supply (sq m)	
Vacancy rate (%)	12.3%
Headline rent (EUR/sq m/month)	11.50–12.50

*office take-up and supply in the year to date



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