

Poznań Office Market

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Upcoming high level of new completions

The economic and geopolitical situation in the region is challenging. Rising inflation and interest rates, combined with the situation across the country's eastern border, are causing an economic slowdown across the world. Despite the challenging environment, according to Oxford Economics, Poland's economy will grow at a relatively high level, even though recent forecasts have been lowered. GDP growth for Poland in 2022 will be 5.7%. The city of Poznań, one of the country's major economic centers, will also maintain a high level of GDP growth (5.6%). Moderate growth is predicted for 2023, when the city's economy will grow by 2.2% (vs. 1.8% in Poland). Forecasts for the unemployment rate (ILO) shows that the city's rate will remain at very low levels over the coming years at below 1%, while falling even further in the next few years. Lower unemployment means more employment, implicitly a fair amount of which will require office space, which should further increase demand for this type of real estate.

At the end of June 2022, the total supply of office space in Poznań reached 620,400 sq m. As the office market has grown, five natural office zones have formed in the city, which are: City Centre, the largest in terms of space (269,700 sq m), followed by West (196,000 sq m), the East zone with 77,200 sq m, North, where a total of 46,200 sq m has been developed, and the smallest South zone with a supply of 31,500 sq m. No office building has been delivered so far in 2022, developers have postponed their activity to 2023-2024.

Development activity in Poznań is at a high level bearing in mind the existing stock in the city. Currently, 80,300 sq m is under construction in Poznań, which accounts for a 13% increase compared to the current supply. Five projects are currently under construction, of which three with a total area of 38,500 sq m are scheduled for 2023, while the remaining two projects of 41,800 sq m are planned for 2024. The vast

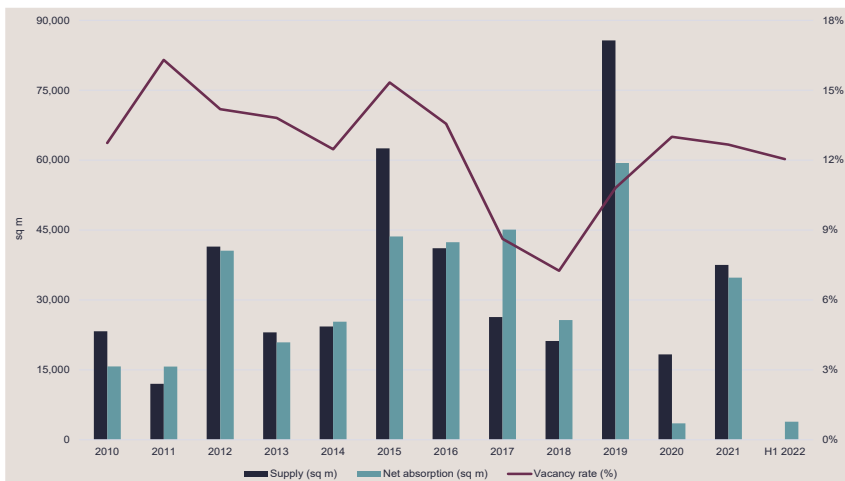
majority of the space under construction is in the City Centre zone (80%), where the largest buildings are under construction - Andersia Silver by Van der Hayden Group (37,800 sq m, due in 2024) and Nowy Rynek E by Skanska (26,500 sq m, due in 2023). In West zone, a 7,000 sq m building is under construction, intended for Tetos' own use. In the South zone, a Pollux building of just under 5,000 sq m is under construction, developed by Everest Development. The last and smallest building under construction in Poznań is the next phase of the Mercator complex (4,000 sq m) in the East zone.

During the first half of 2022, tenants in Poznań leased a total of 27,100 sq m of modern office space. This is a moderate result compared with other regional cities and 38% higher than in the same period last year. For comparison 72,700 sq m was leased in the whole of 2021, which was the second highest result ever. The current level of demand is 25% higher than the half-year average for 2017 - 2021.

Tenant activity was mainly concentrated in two zones that generated practically all the demand. These were: City Centre, where a total of 18,400 sq m was leased, and West, where gross demand of 7,700 sq m was reached.

The average transaction size in the city is approximately 1,000 sq m. Among the largest transactions were the renegotiations of OLX and Bridgestone in the Marathon A building, at 7,500 sq m and 2,500 sq m, respectively. Both transactions took place within the City Centre zone, while the next largest transaction was the renegotiation of ADM for (2,000 sq m) signed in the Business Garden in the West zone.

New supply, absorption and vacancy rate, 2010-H1 2022



Source: Savills Research

👉 Once completed in 2024, Andersia Silver with 37,800 sq m, will be the largest single office building in Poznań.👉

Key office data H1 2022:



620,400 sq m
Total office supply



80,300 sq m
Total space under construction
(16% up y-o-y)



0 sq m
New supply
(37,500 sq m in 2021)



12.0%
Vacancy rate,
(90 bps down y-o-y)



27,100 sq m
Total take-up
(38% up y-o-y)



3,900 sq m
Net absorption
(88% down y-o-y)

The main tenants who accounted for the vast majority of demand (79%) were representatives of: the business services sector (33%), whose tenants signed deals for a total of 9,000 sq m, the retail sector (32%) with deals for 8,700 sq m, and tenants representing the manufacturing sector, where deals were signed for a total of 4,000 sq m, or 14% of total demand in the city.

The structure of demand by the type of contracts signed in H1'22 reveals tenants' continued uncertainty about the future need for office space. Hence the direct predominance of renewal contracts in demand, which accounted for 15,700 sq m, or 58% of the total. In contrast, the sum of space leased in new contracts was 9,700 sq m, or 36% of the total. Expansions accounted for 6% of demand. So far in 2022, no pre-leases have been signed.

Net absorption for the first half of 2022 in Poznań amounted to 3,900 sq m, despite the high share of renegotiations, the low level of development activity contributed to the gradual absorption of some existing office space and a reduction in the city's vacancy rate. In the corresponding period of 2021, absorption amounted to 34,200 sq m. By comparison, absorption for all of 2020 was 3,500 sq m, and for 2021 it was 34,800 sq m.

At the end of June 2022, there was 74,800 sq m of vacant space in Poznań, which translated into a 12.0% vacancy rate. Thanks to the positive absorption rate in recent times, the city's vacancy rate is falling, down 70 bps from the end of 2021, and down 90 bps from the same period in 2021. Available space in the city is distributed according to the following zones:

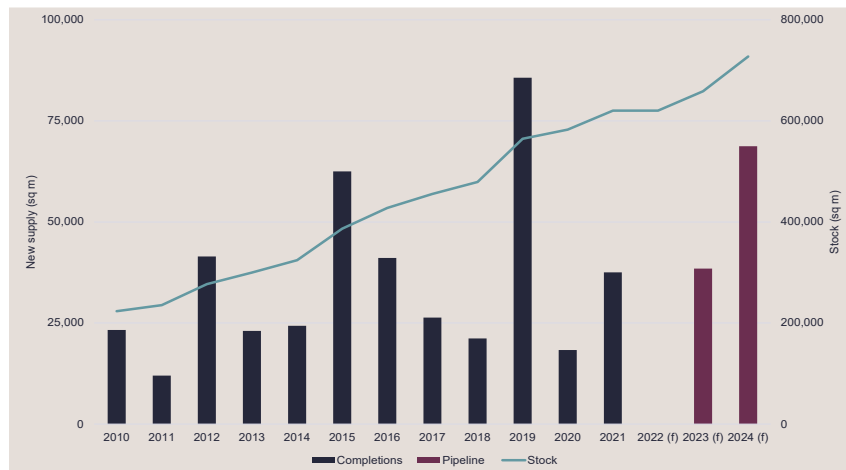
- City Centre – 17,800 sq m (or vacancy rate at 6.6%),
- West – 43,800 sq m (22.3%),
- East – 1,900 sq m (2.4%),
- North – 3,100 sq m (6.6%),
- South – 8,300 sq m (26.2%).

The commercialization of buildings delivered in 2020-2021 (no completions so far in 2022) stands at a high 73%. All completed buildings are fully leased with the exception of the Giant Office building, which is still undergoing commercialization.

The level of rents in Poznań remains stable and average headline rents in the city are EUR 12.50-15.50/sq m/month. In the current situation, that is, a steady increase in inflation combined with rising construction costs will gradually increase pressure on rental prices, especially in the most attractive buildings and locations.

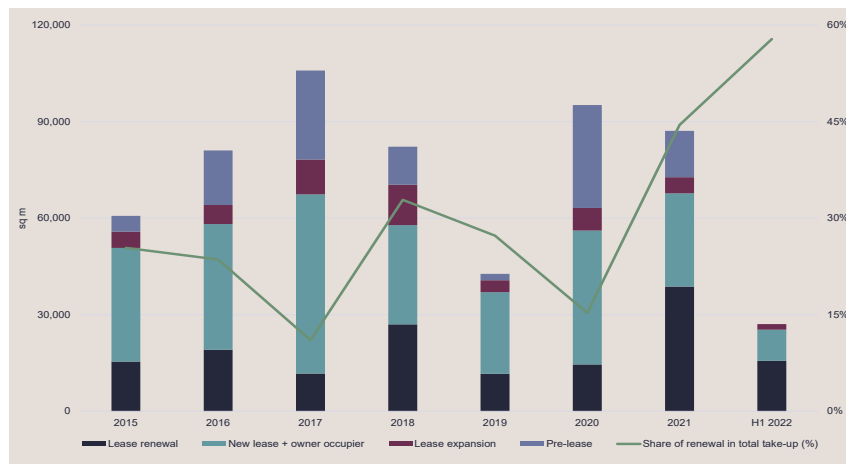
🗨️ The share of renewal agreements signed in H1 2022 is close to that achieved in the same period of 2021

Poznań office supply and pipeline, 2010-2024 forecast



Source: Savills Research

Take-up evolution, 2015-H1 2022



Source: Savills Research

Vacancy rate by office zone, 2019-H1 2022



Source: Savills Research



125
Number
of BSS centres
(2022)



22,000
BSS sector
employment
(2022)



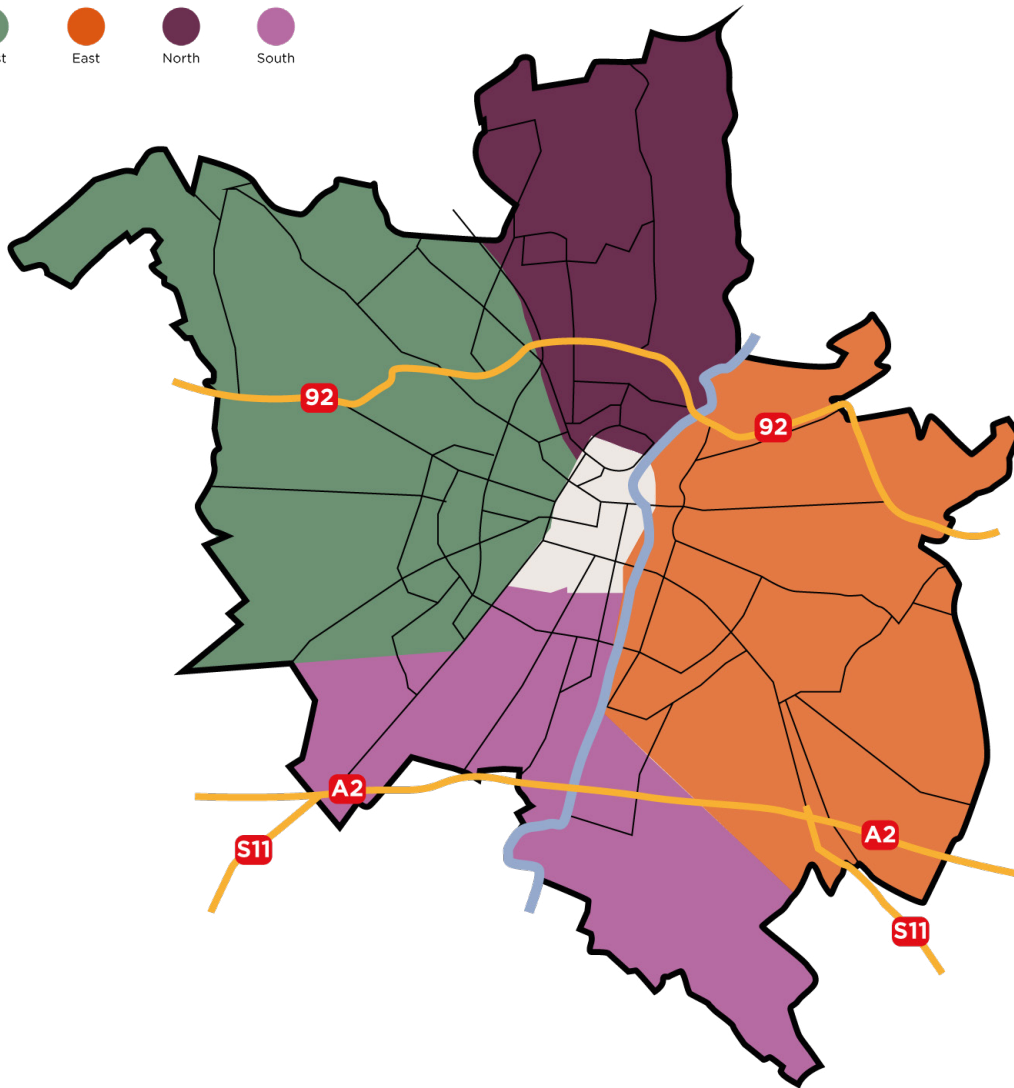
1.2%
Unemployment
rate
(V 2022)



PLN 7,520
Average
monthly salary
(V 2022)

Poznań office market zones

City Centre West East North South



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Office Agency

Daniel Czarnecki

Head of Landlord Representation
+48 (0) 519 033 717
dczarnecki@savills.pl

Jarosław Pilch

Head of Tenant Representation
+48 (0) 694 497 800
jpilch@savills.pl

Piotr Skuza

Associate Director
+46 (0) 600 411 080
pskuza@savills.pl

Mateusz Jakubowicz

Consultant
+48 (0) 600 371 353
mateusz.jakubowicz@savills.pl

Research

Wioleta Wojtczak

Head of Research
+48 (0) 600 422 216
wwojtczak@savills.pl

Jarosław Jachura

Senior Consultant
Research Department
+48 (0) 507 334 167
jaroslaw.jachura@savills.pl