

Office market in Poznań

savills



Increasing demand and absorption • Stable supply • Prevailing renegotiations

💡 Market growth of 37,500 sq m of office space in 2021 reflects a stable result, beyond to the 2010-2021 average.💡



530,500
Population
(VI 2021)



1.6%
Unemployment
rate (XII 2021)



PLN 7,075
Average salary
(XII 2021)



104,700
Students (2020)



24,900
Graduates (2020)



22
Universities
(2020)

Solid signs of rebound

Economic overview

Despite the fact that less than 2 years have passed since the outbreak of the pandemic, we are still experiencing the negative effects of Covid-19 in both our personal and professional lives. Despite this, we see that business is increasingly adapting to the new challenges and constraints, which is directly reflected in the resumption of leasing processes that were suspended due to the pandemic.

After the global crisis of 2020, which affected most countries in the world, with no exception for Poland, whose GDP fell by 2.5%, the past 2021 was a time of rebound and recovery of economies. According to Oxford Economics forecasts, Poland's GDP in 2021 should grow by 5.1%, which is a very good result in comparison to other developed economies. The biggest challenge last year, apart from the fight against new variants of the virus,

was undoubtedly the inflation rate, which in the second half of the year reached the highest level in over 20 years, in December it amounted to 8.6% year-on-year. In response, the MPC (Monetary Policy Council) decided to raise interest rates three times in a row starting in October, ending 2021 with interest rates at 1.75%, the highest level since 2014. Economists expect further increases in the near future, currently stands at 2.75%.

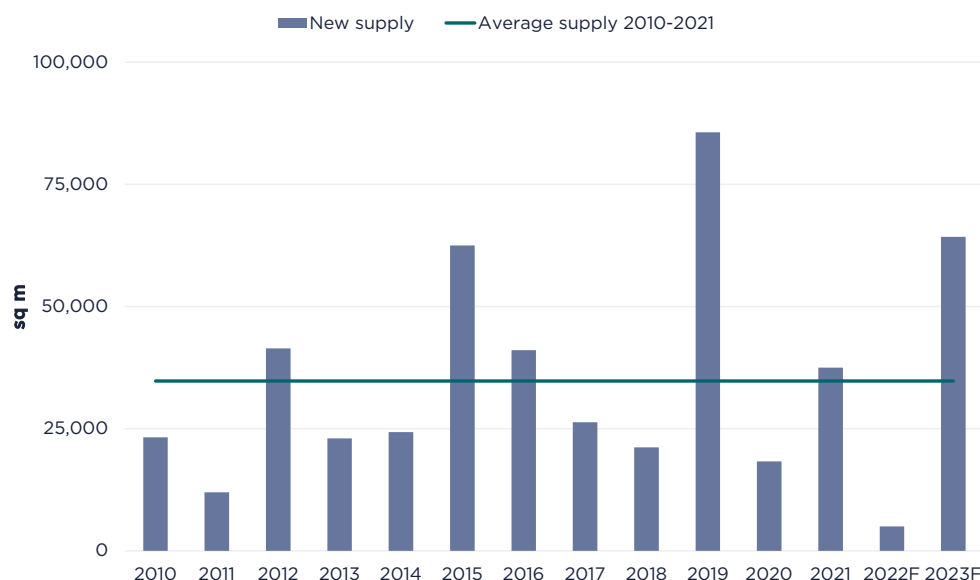
Poznań is one of the largest economic centres in the country. Strong and stable economy of region contributed only 2.1% to the city's GDP decline in 2020, while the outlook for the coming period is positive. In 2021 the economy should grow by 4.6%, and a year later by another 4.4%. Thanks to stable economic foundations and the city's GDP growth, the office market should increase its significance for the region.

Supply

The office market in Poznań is the 4th largest regional market in the country with a total area of 620,400 sqm. It is a medium sized stable market, which accounts for ca. 10% of the regional office market stock. The city has been divided into five office zones, of which the dominant ones in terms of resources are: City Centre (269,700 sq m) and West (196,000 sq m). The remaining zones are East (77,100 sq.m), North (46,100 sq.m) and the smallest zone South (31,500 sq m).

The office market in Poznań in 2021 increased by 37,500 sq m in 2 projects, namely Nowy Rynek D by Skanska in the City Centre zone (35,800 sq m), and a project located at Wilczak 45 in the North zone (1,700 sq m).

Supply development in Poznań between 2021-2023



Source: Savills

53%

Renewals

20%

New leases

20%

Pre-leases

7%

Expansions

Take-up by type in 2021

The Poznań office market is developing systematically, maintaining comparable results over the last few years, which ensured its successive and balanced development, with small outliers in the form of large-scale projects. Currently, there are 3 office buildings under construction for a total of 69,300 sqm.

Two of the under construction projects are located within the City Centre zone: Andersia Silver by Van der Hayden Group (37,800 sq m, due in 2023) and Nowy Rynek E by Skanska (26,500 sq m, due in 2023). The third building, Pollux by Everest Development (5,000 sq m, due in 2022) is located in the South zone. The slowdown in developers' activity for 2022 is somewhat due to the uncertainty caused by the pandemic and the suspension of investments by investors who are waiting with projects for a pre-lease agreement and / or better economic situation.

Letting activity

Despite the pandemic, demand for office space in Poznań remains at high levels recorded up till 2019, when take-up reached only 40,700 sq m. A total of 72,700 sq m was leased in 2021, which translates into an 79% increase compared to the weaker 2019, which saw the first signs of a slowdown. In addition, despite the high levels of office supply in recent years, absorption in 2021 was at a high level of 34,800 sq m, which is

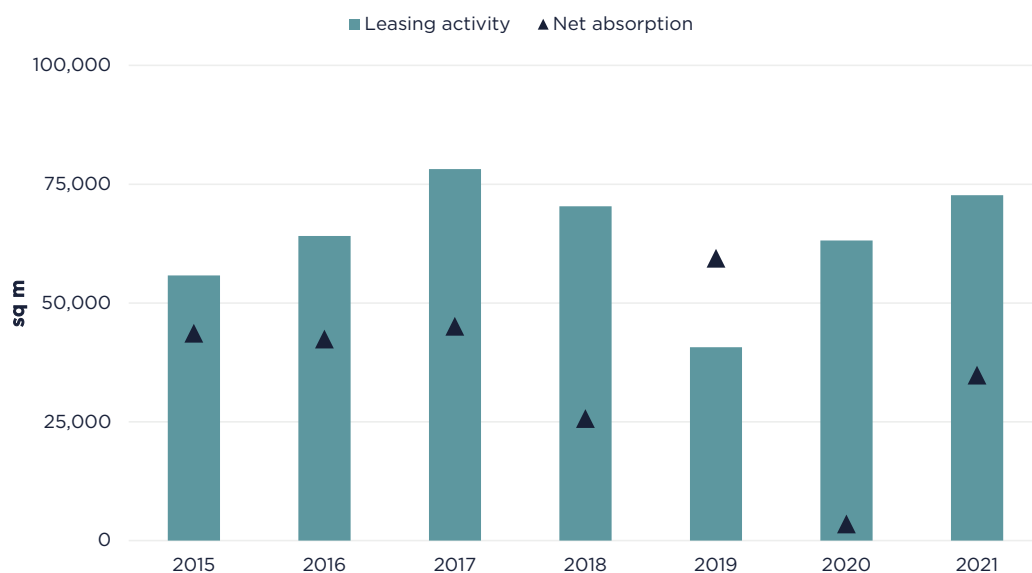
a good result considering the pandemic and compared to the 2015-2021 average of 36,400 sq m. The high year-on-year increase in absorption is mainly resulted by delivering to the market almost fully leased buildings.

In 2021, office transactions in Poznań were dominated by renegotiations (53%), which is a sign that tenants are still considering the impact of the pandemic their long term decisions. New agreements accounted for 20%, while expansions accounted for 7% of transactions. A good trend is the high ratio of pre-lease agreements, which generated 20% of total demand.

In 2021, demand was dominated by tenants from the top three sectors (74%). Almost ¾ of the total demand was generated by tenants from sectors such as: finance sector (27%), business services sector (27%), and IT sector (20%).

Companies looking for savings will probably more and more focus on serviced office space. Desired efficient management of leased space and supplement temporary increased demand for office space for their employees can be met due to the flexibility of serviced offices. This solution can work well both with a hybrid work model, where some work will be done remotely or for companies whose employment is dependent from ongoing projects. As this trend was developing rapidly before pandemic, it is likely to continue after its end.

Leasing activity in Poznań between 2015-2021

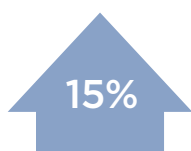


Source: Savills

2021, change over year



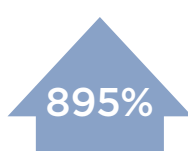
New supply



Leasing activity



Vacancy rate



Net absorption



Under construction

Key office Indicators 2021

**620,400 sq m**

Total supply of office space

**69,300 sq m**

Total under construction space

**37,500 sq m**

New supply

**12.7%**

Vacancy rate, Q4 2021

**72,700 sq m**

Total take-up

**34,800 sq m**

Net absorption

🔗 Despite the pandemic vacancy rate increased moderately, while leasing activity remain stable same as rental levels. 🔗

Flexible office

In general, during the last years flexible office market was one of the most trending aspects of office market globally, which thanks to the pandemic should accelerate.

The office market in Poznań is developing gradually and steadily. At the moment it can be said that the market is quite conservative, because in the whole city there are only several locations offering serviced offices of the total area of approx. 6,000 sq m. This translates into approx. 1% flex saturation across the city (the ratio of flexible space to traditional space).

The low share of serviced space in the city and accelerated and changing trends in the labour market allow us to conclude that this type of services in Poznań in the near future will experience a significant increase in space and importance.

Flexible office is a vital part of the global office market, and the changes in the organization of work that have happened since the outbreak of the pandemic will only accelerate its growth. Demand is now being driven not only by small, start-up companies looking to cut costs and who are unsure about their future. More and more global corporations are considering and accepting this type of solution as a support and help to manage their lease portfolio.

Vacancy evolution in Poznań between 2019-2021



Source: Savills

Vacancy

At the end of 2021, 78,600 sq m of office space was available in Poznań, which corresponds to a 12.7% vacancy rate in the city. Currently, the vacancy rate compared to the pre-pandemic period at the end of 2019 has only increased by 190 bps from 10.8%. Thanks to low pre-pandemic vacancy rates and stable demand levels, the city has maintained a relatively low vacancy rate. Buildings that were constructed between 2019 and 2021, with over 39,800 sq m of vacant office space currently available are responsible for nearly half of the vacancy in the whole city.

Compared to 2019, vacancy increased in every zone with only exception to the East office zone (a decrease of 170 bps). In contrast, the North zone (up by 380 bps) and City Centre zone (up by 280 bps) saw the largest increases, while

South and West zones increased by 210 bps each. The highest increases in vacancy correspond to supply volumes between 2019 and 2021, where the largest office space was delivered to the City Centre and West zone – 93% of total supply.

Rents

Prime headline have stabilised at EUR 12.50 - 15.50 per sq m per month. Taking into consideration the market performance - no rapid movement in rental levels is predicted in nearest future

However, we observe changes in effective rents, mainly due to increased incentives packages such as increased rent free periods or higher fit-out contributions, which in the long term could cause slight upward trend in rental levels due to constant increase of finishing costs and office standards.

Outlook

All indications indicate the pandemic situation is slowly stabilizing, and business has learned how to operate in its environment.

The solid projected economic rebound across the region, as well as the reorganization of supply chains, will no doubt contribute to the region's prosperity, which will directly translate into higher demand for commercial real estate, including office space.

Stable and steady supply growth and high levels of demand will result in office absorption that will contribute to a reduction in available space, especially in 2022, for which a low supply of office space is projected. Despite reduction of vacant space, rental levels shall remain relatively stable, the same as during pandemic.

🔗 Transitional supply gap in 2022 will contribute to a gradual reduction of vacant space in the city. 🔗



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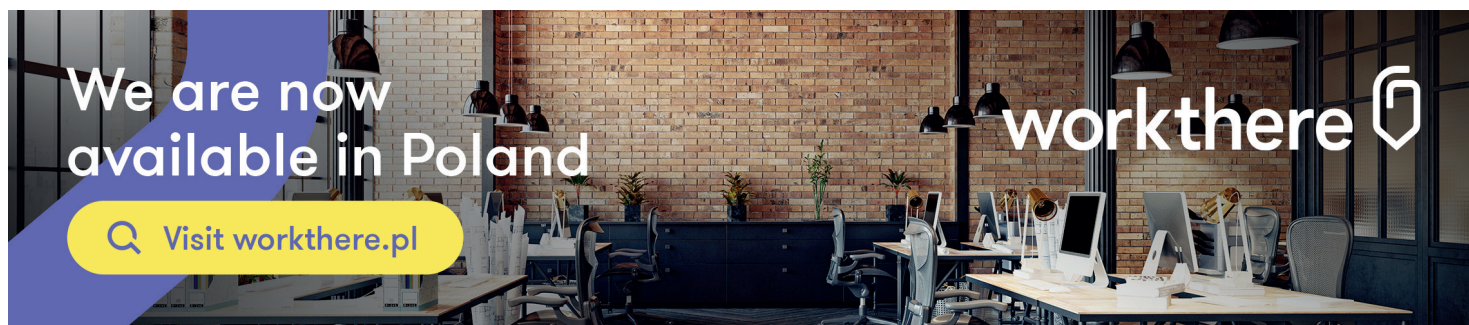
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