

Office market in regional cities



Reduced absorption reflected in vacancy

At the end of September 2023, the total supply of modern office space in regional cities amounted to 6.63 million sq m. There are three regional cities exceeding 1 million sq m of modern office stock, the largest one being Kraków with 1.77 million sq m, Wrocław with 1.35 million sq m and Tricity with 1.04 million sq m. Tier two cities are Katowice (748,500 sq m), Poznań (661,300 sq m) and Łódź (636,700 sq m). The two smallest markets are Lublin (220,900 sq m) and Szczecin (186,500 sq m).

Between Q1 and Q3 2023 almost 236,000 sq m was delivered to the market (down by 29% y-o-y). Wrocław and Kraków are the leaders in terms of new supply delivered in 2023 (75,700 sq m and 66,600 sq m respectively). Poznań grew by 32,400 sq m, Tricity by 29,800 sq m and Katowice by 26,700 sq m. In Szczecin one project with total area of 2,900 sq m was finished, likewise in Łódź - one project with office area of 1,900 sq m. There were seven projects delivered to the market, that exceeded 20,000 sq m of office space each. The largest projects finished in 2023 include: Ocean Office Park B5 by Cavatina in Kraków (28,600 sq m), Craft by Ghelamco in Katowice (26,700 sq m) and Nowy Rynek E by Skanska in Poznań (25,100 sq m).

Close to 481,6,000 sq m (decrease by 19% y-o-y) of office space was under construction across regional cities at the end of September 2023. Almost 92,000 sq m is scheduled for Q4 2023, while over 227,000 sq m should be delivered in 2024. Another 160,700 sq m is currently under construction due in 2025. Wrocław is a leader in terms of space under construction (121,700 sq m), while in Kraków almost 86,000 sq m is under construction, similar volume to Katowice (84,200 sq m).

Gross take-up in Q1-Q3 2023 in regional cities was at 531,700 sq m (19% increase y-o-y). The highest volume was noted in Tricity (127,100 sq m), Wrocław (121,900 sq m) and in Kraków (121,100 sq m). Other cities did not exceed 50,000 sq m of demand.

The highest demand was noted in the IT sector, where tenants leased over 148,000 sq m (28% of total demand). Demand from manufacturing sector generated 12% share, while business services sector another 11% and financial sector generated 10%. Flexible office providers generated over 19,000 sq m of demand (4% share).

Q1-Q3 2023 renegotiations accounted for only 35% of the total transaction volume, while new contracts and relocations accounted for 55%. In addition, expansions represented 6% of

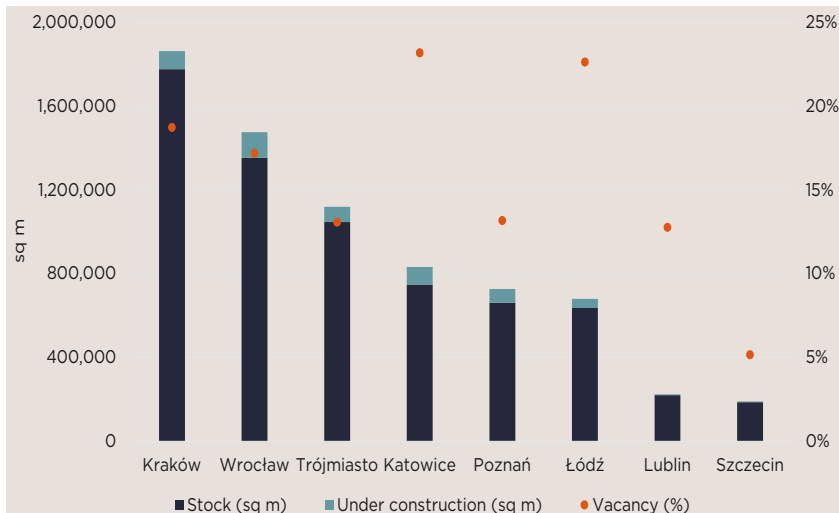
the total and pre-leases 4%, with the highest volume of pre-lease agreements in Poznań (6,600 sq m) and Kraków (5,800 sq m).

Net absorption between Q1-Q3 2023 amounted to 76,000 sq m. The level of absorption varies and depends on the city. For example, most space was absorbed in Wrocław (49,700 sq m) and Tricity (27,300 sq m), while Katowice and Łódź recorded negative absorption (-22,300 sq m and -9,700 sq m respectively).

Vacancy rate at the end of Q3 2023 stood at 17.3% (an increase by 210 bps y-o-y), meaning over 1.14 million sq m of vacant space. When comparing with the same period of 2022 only two cities noted decrease in vacancy rate - Tricity by 40 bps to 13.1% and Lublin by 280 bps to 12.8%. The highest level of vacancy rate is noted in Katowice (23.2%) and in Łódź (22.6%). The largest markets, such as Kraków and Wrocław, also have high vacancy rate, 18.7% and 17.2% respectively. The lowest vacant space, less than 10,000 sq m is noted in Szczecin, which translates into only 5.2% vacancy rate.

Recent months have witnessed a slight increase in rents in Kraków to EUR 14.00-16.00/sq m/month and in Wrocław to EUR 14.00-15.75/sq m/month. In Poznań rents now stand at EUR 12.50-16.00/sq m/month. Katowice quotes at EUR 13.00-15.00/sq m/month. Similar values of EUR 12.00-15.00/sq m/month are observed in Łódź. Despite high vacancy levels in Łódź and Katowice, prime headline rents maintain at a high level of up to EUR 15.00/sq m/month, mostly due to high standard of recently developed prime projects. Rents in Tricity are shaping up in the range of EUR 12.50-14.75/sq m/month. The smallest regional market - Szczecin has seen a significant increase in rents in recent quarters, mainly due to very low vacancy rates. At present, rents stand at EUR 11.00-15.00/sq m/month. The lowest rents among regional cities are in Lublin (EUR 10.00-12.00/sq m/month).

Stock, under construction and vacancy in regional cities Q3 2023



Source: Savills Research

Key office data Q1-Q3 2023:



6.63 million sq m
Total office supply



481,600 sq m
Total space under construction
(19% down y-o-y)



236,000 sq m
New supply
(29% down y-o-y)



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



531,700 sq m
Total take-up
(19% up y-o-y)



76,000 sq m
Net absorption
(65% down y-o-y)

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