AT A GLANCE Q4 2022

REGIONAL OFFICE MARKETS IN POLAND

Highlights

- Regional cities overtook Warsaw in terms of office space resources at the end of 2022
- The vacancy rate remains stable and accounts for 15.3% of the available space
- The demand for office space is growing, the market has exceeded the level of 600,000 sqm of leased space throughout 2022

City	Existing office stock	Office space under construction (2023-2025)
SZCZECIN	186 000	2400
POZNAŃ	623 100	73 300
TRICITY	1 012 100	69 600
ŁÓDŹ	631 200	48 100
WROCŁAW	1 327 900	190 500
KATOWICE	726 500	130 700
KRAKÓW	1 707 900	104 400
LUBLIN	223 400	0

LEGEND:
Existing office stock
Office space under construction (2023-2025)

Source: BNP Paribas Real Estate Poland

At the end of Q4 2022, the total stock of modern office space in the eight largest regional markets (except Warsaw) exceeded 6.4 million sqm. This means that the regions overtook the capital in this respect. *The new supply of office space in the regions in 2022 amounted to 405,250 sqm, i.e. almost 80% more than in 2021, but nearly ¼ less than in the record-breaking 2019. The first quarter of 2022 was characterized by the highest activity of office developers, approximately 60% of the total volume of new supply for 2022 hit the market at that time. The largest investments completed in 2022 include: buildings A1 and A2 of the Global Office Park complex in Katowice (a total of 55,200 sqm, Q1), .KTW II in Katowice (39,900 sqm, Q1), Midpoint71 in Wrocław (36,200 sqm, Q1) and buildings A and B within the Brain Park complex in Kraków (a total of 31,000 sqm, Q4). Developer's activity in the regions at the end of 2022 remained at a similar level as in the previous quarter and accounted for over 60% of the average activity from 2015-2019, which was record-breaking on regional markets.*

KEY FIGURES

6.43 M sqm
EXISTING OFFICE SPACE

73,800 sqm
NEW SUPPLY Q4

15.3%
AVERAGE VACANCY RATE

619,000 sqm
OFFICE SPACE UNDER CONSTRUCTION (2023-2025)

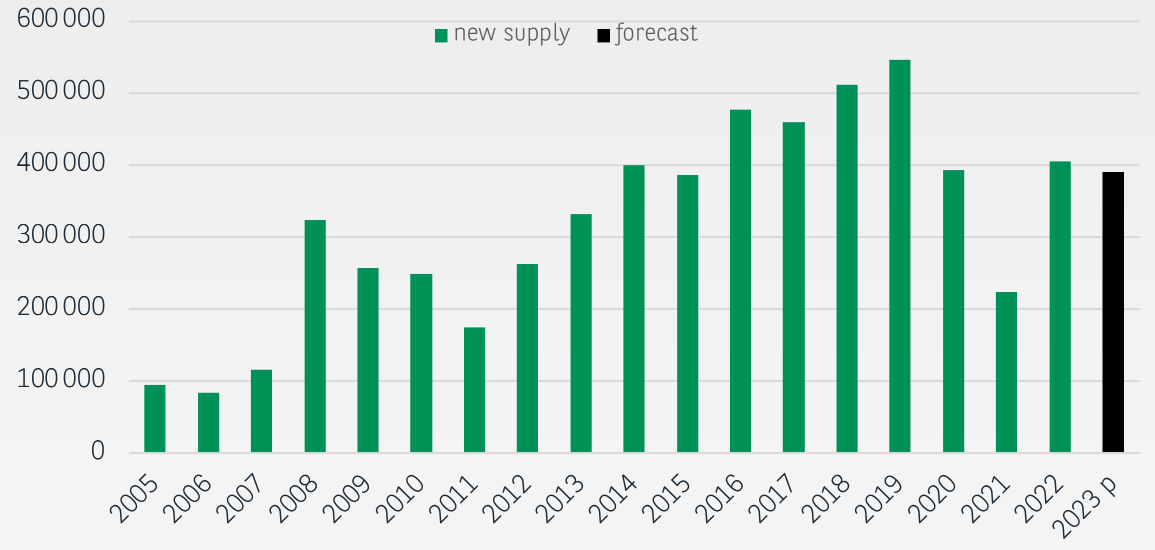
267,900 sqm
ABSORPTION Y/Y

174,600 sqm
GROSS TAKE-UP Q4

623,200 sqm
GROSS TAKE-UP 2022

Source: BNP Paribas Real Estate Poland

Annual office supply in the regional markets (sqm)



Source: BNP Paribas Real Estate Poland

Top 3 cities with the highest new supply in 2022

1. Katowice 32%
2. Kraków 25%
3. Wrocław 16%

Source: BNP Paribas Real Estate Poland

At the end of 2022, the vacancy rate in the eight major regional markets remained stable at around 15.3%. (an increase of 0.1 p.p. q/q and an increase of 1.2 p.p. compared to the same period in 2021). *At the end of December, 985,100 sqm of office space was immediately available for lease. The highest vacancy rate was invariably recorded in Łódź – 21.0%, although q/q it recorded a decrease by 0.1 p.p., the lowest in Szczecin – 5.8% (and it is the only city with a vacancy rate below 10.0%). Five regional markets recorded an increase in the index, the largest of which concerned the office market in Szczecin (by 1.9 p.p. q/q). In Kraków, the vacancy rate increased by only 0.6 p.p. q/q despite commissioning 52,800 sqm of new office space. The occupancy rate of office space in the new supply in Kraków was high and reached almost 80%, which means that the interest of tenants in new office space on this market is high.*

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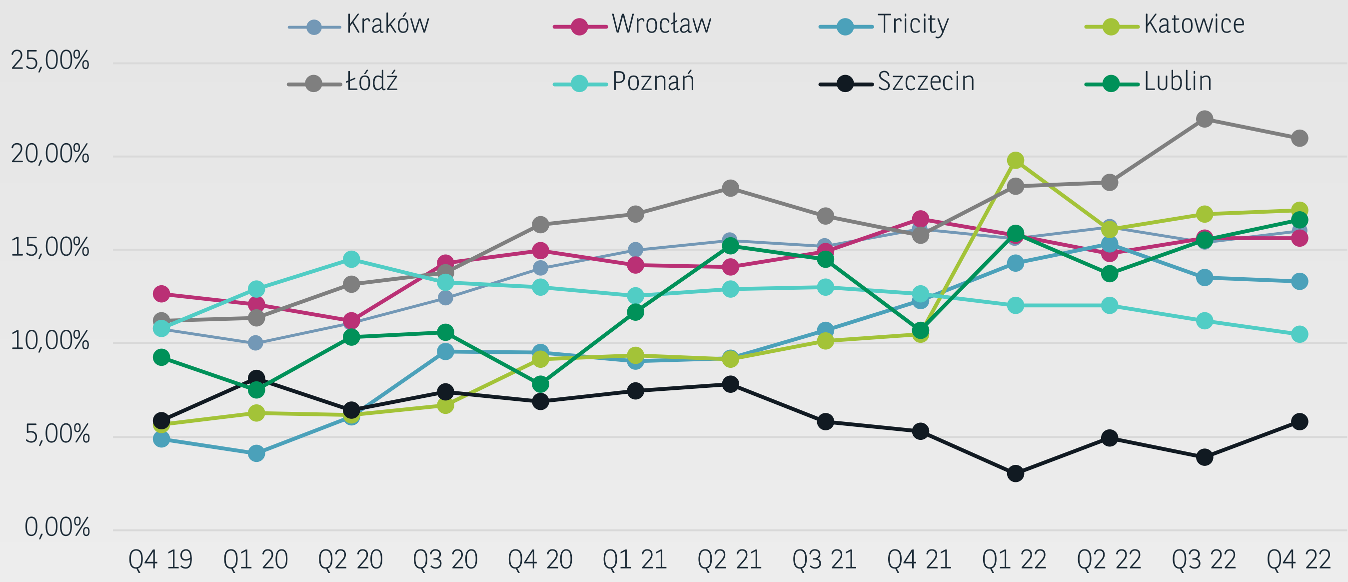
Vacancy rate

15,3% average vacancy rate in the regions in Q4 2022



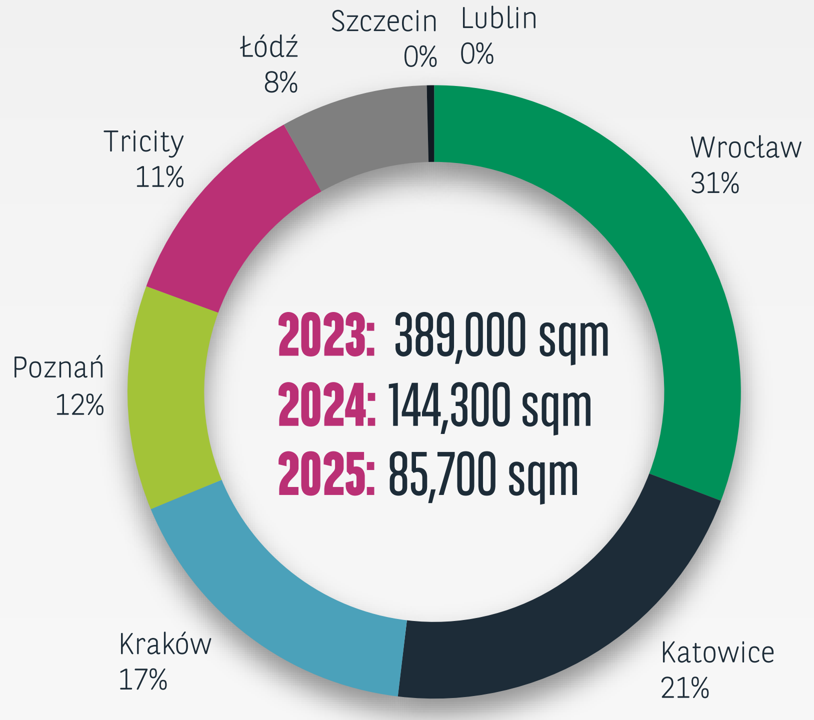
Source: BNP Paribas Real Estate Poland

Office buildings completed in Q4 2022

	PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER
1	**Brain Park B**	Kraków	17,100	Echo Investment
2	**Brain Park A**	Kraków	13,900	Echo Investment
3	**Fabryczna Office Park B4**	Kraków	12,200	Inter-Bud
4	**Fabryczna Office Park H1**	Kraków	9,600	Inter-Bud
5	**Supersam – reconstruction**	Katowice	8,300	Globalworth

Source: BNP Paribas Real Estate Poland

Office space under construction 2023-2025



Source: BNP Paribas Real Estate Poland

The largest office schemes under construction with delivery date 2023

	PROJECT	CITY	OFFICE AREA (sqm)	DEVELOPER	PLANNED OPENING
1	**WI-MA**	Łódź	33,800	Cavatina Holding	Q4 2023
2	**Carft**	Katowice	26,700	Ghelamco	Q2 2023
3	**Nowy Rynek D**	Poznań	26,450	Skanska	Q4 2023
4	**KREO**	Kraków	24,100	Ghelamco	Q1 2023
5	**Centrum Południe II**	Wrocław	21,500	Skanska	Q1 2023

Source: BNP Paribas Real Estate Poland

Expert comment

Agnieszka Witkowska
Consultant, Landlord Representation, Office Sector
BNP Paribas Real Estate Poland

Offices are getting more expensive

Rents for offices in regional markets range from EUR 10 to 15 per sqm, record inflation will cause them to increase significantly as a result of indexation. Tenants also have to take into account the high costs of adapting the space, and the increasing costs of utilities and energy translate into rising service charges. The year 2023 on the rental market will be marked by the pursuit of cost optimization. The persistently high costs of finishing space and the growing interest in modern solutions in the field of energy efficiency mean that lease contracts for longer periods are signed more and more often – for 7 or 10 years, compared to the previous standard of 3-5 years. This is related to the need to balance higher expenditures incurred by office building owners, as well as the growing awareness of tenants regarding the more responsible use of offices.

Expert comment

Dorota Mielke

Associate Director, Office Agency
BNP Paribas Real Estate Poland

The office markets of the eight largest cities outside Warsaw return to the results recorded before the pandemic and definitely strengthen. Demand in these markets for the entire 2022 exceeded 600,000 sqm and was 5% higher than a year earlier. The highest tenant activity was recorded in Kraków, where they leased almost 200,000 sqm, it is also worth mentioning Wrocław and the Tricity, where tenants leased 137,000 sqm 101,000 sqm of office space respectively throughout 2022. We can talk about a gradual return of tenant activity in the regions to pre-pandemic levels. Companies from the IT and business services sectors had the largest share in the demand in regional cities – 26% and 19%, respectively. In turn, the structure of demand in 2022 was dominated by new contracts and pre-leases (59%), followed by renegotiations and contract renewals (30%), and expansions accounted for only 6%.

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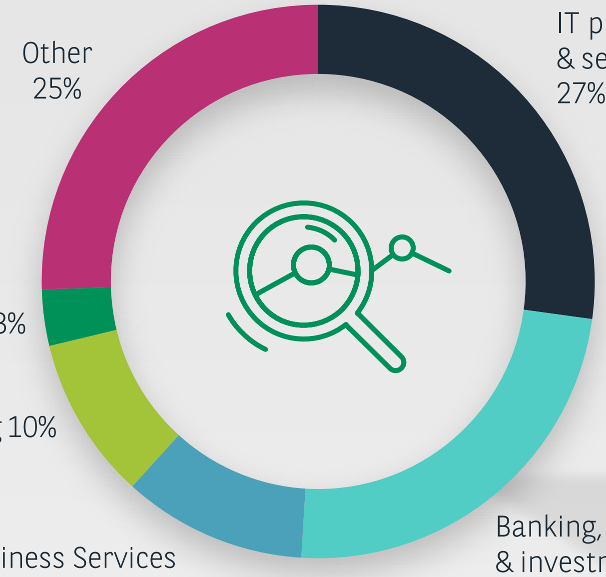
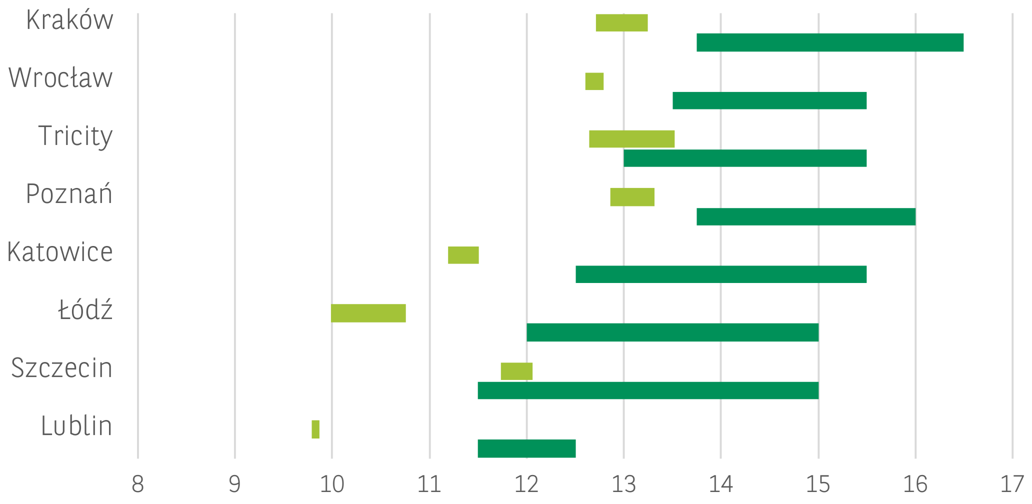
Gross take-up by sectors Q4



Source: BNP Paribas Real Estate Poland

Average* asking rents vs „prime" rent (EUR/sqm/mth)



* Average asking rents calculated for existing buildings which in given quarter recorded vacancy

Source: BNP Paribas Real Estate Poland

In most of the major regional markets, 2022 saw an increase in rental rates for prime properties. *Developers in the regions are starting to offer longer lease periods (7 years), which are becoming more and more common in Warsaw. Increased activity on the part of tenants after the pandemic, high costs related to the arrangement of space or construction of new facilities result in upward pressure on rental rates for the best office space. This will continue in the coming quarters.*

Annual gross take-up by regions Q1-Q4 2022

1. Kraków 32%
2. Wrocław 22%
3. Tricity 16%

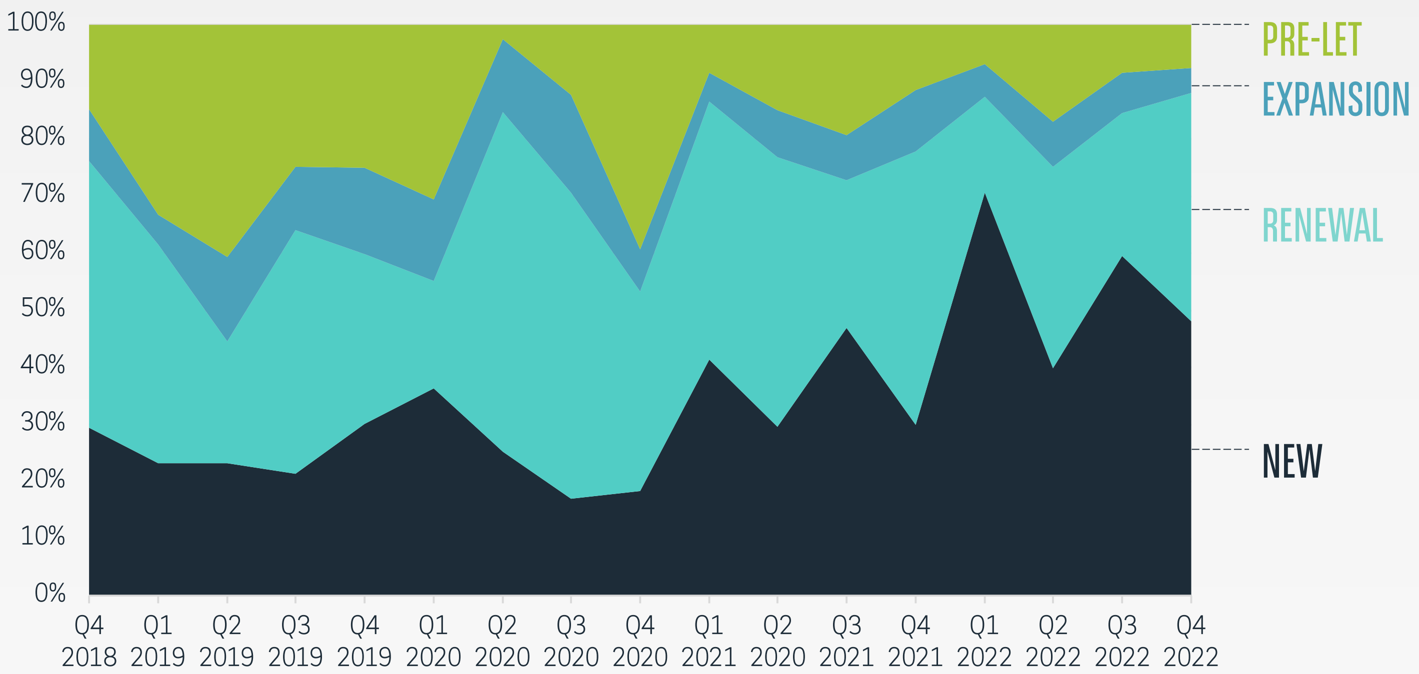
Throughout 2022, the total gross take-up in regional cities amounted to over 623,200 sqm, which means an increase of 5 p.p. compared to 2021. *This means that tenant activity in the regions is slowly returning to pre-pandemic levels. Kraków, Wrocław and the Tricity, the three largest regional markets, account for 70% of the total demand registered throughout 2022.*

Top 5 lease transactions Q4

	TENANT	PROJECT	CITY	OFFICE AREA (sqm)	TYPE OF LEASE
1	**Confidential**	Green Day	Wrocław	14,500	renewal
2	**Confidential**	Fabryczna Office Park H1	Kraków	9,570	owner occupier's needs
3	**LSEG**	3T Office Park	Gdynia	8,338	new
4	**Confidential**	Pegaz	Wrocław	5,670	renewal
5	**Epam**	Brain Park B	Kraków	5,520	new

Source: BNP Paribas Real Estate Poland

Gross take-up structure in the regions Q4



Source: BNP Paribas Real Estate Poland

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