3.9 million m² modern office stock

Key market indicators for Kraków, Wrocław, the Tri-City, Katowice, Poznań, Łódź, Lublin and Szczecin

819,700 m² under construction

585,700 m² gross demand in 2016

502,400 m² net-absorption in 2016

491,400 m² completions in 2016

152,100 staff in the services centres

632 number of business services centres
2016 was definitely a spectacular year for the regional markets: developer activity and net absorption there far outstripped that of Warsaw, with the large leases that were signed in most of the markets and stable rents being the major contributing factors for such a result. The eight major cities outside of Warsaw have kept up a robust pace in all aspects of the market. Among the stars of 2016 were, as usual, Kraków and Wrocław, joined this year by an amazing performance by Łódź, which attracted a number of large, international companies and finished the year with the lowest vacancy rate in Poland. 2017 will undoubtedly continue with the rapid growth and further development of the market.

Demand for office space in 2016 was almost 585,700 m², with the two unquestionable leaders, Kraków and Wrocław (187,800 m² and 124,500 m² leased, respectively), accounting for 53% of the total take-up. Approximately 38% of all signed transactions (222,000 m²) were pre-lets, followed by new deals in existing building (33%, i.e. 190,700 m²) and renewals (16%, i.e. 94,700 m²). Expansions accounted for 78,300 m².

Among the most notable transactions closed in 2016 were: a 16,000 m² owner-occupier deal by Kaufland in Wrocław, a 10,800 m² renewal by Credit Suisse in Grunwaldzki Center in Wrocław, a new deal for 10,800 m² by Intel in Tryton Business House in the Tri-City, a pre-let for 10,700 m² by Aon in Enterprise Park in Kraków, a pre-let for 10,500 m² by BNY Mellon in Sagittarius Business House in Wrocław and a pre-let for 10,000 m² by Euroclear in Bonarka for Business G in Kraków. Also worth mentioning is a double deal by Ericsson, a 8,000 m² pre-let in DOT Office E in Kraków and 8,400 m² new deal in University Business Park in Łódź.

Interestingly, seven of the nine transaction for more than 10,000 m² signed in Poland were for properties in regional cities. Once again demand was driven by companies from the modern business services sector, which accounted for 59% of all of the deals in markets outside of Warsaw. In all major cities except Poznań and Szczecin the share of this sector in total take-up exceeded 50%. The growth forecasts for this sector remain very positive, which will further enhance the market.
2016 brought a record breaking volume of new supply (more than 491,400 m²) to the eight major office markets outside of Warsaw. Kraków and Wrocław together accounted for almost 59% of that space; however, completion volumes were also substantial in the Tri-City and Katowice. The largest 2016 openings included: Business Garden I (36,600 m²) in Wrocław, Tryton Business House (21,300 m²) in the Tri-City, Axis (19,300 m²), O3 Business Campus I (19,200 m²), both in Kraków and University Business Park B (18,700 m²) in Łódź. The forecasts for 2017 are for approximately the same level as 2016, so one can expect a busy year on the supply side of the market. There are a number of large-scale projects scheduled for completion in 2017, some of which are already well-let.

Construction activity is still substantial, with 819,700 m² of office space under construction, of which almost 33% is pre-leased. Kraków is the clear frontrunner in that respect, with more than 259,000 m² under construction, while the Tri-City and Wrocław have 40% lower developer activity than that of Kraków. Another city which sees strong construction activity is Łódź, which also boasts the highest ratio of pre-leased space in Poland (more than half of the space is secured with pre-lease transactions).

Most of the regional office markets saw minor fluctuations in quarterly vacancy rates over the course of 2016. Poznań and Łódź had falls the vacancy rates compared to Q4 2015, while most other cities had increases of their rates. The Tri-City’s vacancy rate remained stable.

One of the notable features of last year was a change of the city with the lowest vacancy rate. For the last few years Kraków had been the leader in that respect, but in Q4 2016 Łódź took the number one spot (6.2% in Łódź vs 7.2% in Kraków). And that situation should continue in 2017, as the pipeline developments in Łódź are extremely well-let. In total the eight major office markets outside of Warsaw had almost 423,600 m² of vacant space.

Rents remained relatively flat throughout Q4, with a minor correction noted in Poznań. Currently, prime headline rents range between €11 to €12 / m² / month in Lublin and €14 to €14.5 / m² / month in Wrocław. The outlook for rents in 2017 is stable, with some slight corrections possible. However, due to the fierce competition on the leasing market tenants may expect some generous incentive packages.
General Data on the Office Market in Poland 2016

**Szczecin**
- Stock (m²): **156,150**
- Vacancy rate (%): **14.7**
- Demand (m²): **4,800**
- Prime rents (€/m²/month): **11.5-13**
- Under construction (m²): **18,300**

**Warszawa**
- Stock (m²): **915,800**
- Vacancy rate (%): **7.2**
- Demand (m²): **187,800**
- Prime rents (€/m²/month): **13.5-14.5**
- Under construction (m²): **259,300**

**Kraków**
- Stock (m²): **915,800**
- Vacancy rate (%): **7.2**
- Demand (m²): **187,800**
- Prime rents (€/m²/month): **13.5-14.5**
- Under construction (m²): **259,300**

**Łódź**
- Stock (m²): **360,000**
- Vacancy rate (%): **6.2**
- Demand (m²): **66,700**
- Prime rents (€/m²/month): **11.5-12.9**
- Under construction (m²): **124,500**

**Poznań**
- Stock (m²): **427,800**
- Vacancy rate (%): **13.6**
- Demand (m²): **64,100**
- Prime rents (€/m²/month): **13.7-14.2**
- Under construction (m²): **40,700**

**Lublin**
- Stock (m²): **443,100**
- Vacancy rate (%): **14.0**
- Demand (m²): **40,900**
- Prime rents (€/m²/month): **11.5-13.5**
- Under construction (m²): **33,500**

**Tri-City**
- Stock (m²): **633,900**
- Vacancy rate (%): **11.1**
- Demand (m²): **93,200**
- Prime rents (€/m²/month): **12.75-13.5**
- Under construction (m²): **150,400**

**Warsaw**
- Stock (m²): **5,045,350**
- Vacancy rate (%): **14.2**
- Demand (m²): **754,900**
- Prime rents (€/m²/month): **20.5-23.5/11-17.5**
- Under construction (m²): **675,000**

**Katowice**
- Stock (m²): **360,000**
- Vacancy rate (%): **6.2**
- Demand (m²): **46,100**
- Prime rents (€/m²/month): **11.5-12.9**
- Under construction (m²): **124,500**

**Łódź**
- Stock (m²): **847,800**
- Vacancy rate (%): **12.5**
- Demand (m²): **124,500**
- Prime rents (€/m²/month): **14-14.5**
- Under construction (m²): **146,900**
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