

## Regional Office Markets in Poland

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Q4 2016



# 3,9

million m<sup>2</sup>  
modern office stock

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

819,700

m<sup>2</sup> under  
construction

491,400

m<sup>2</sup> completions  
in 2016

585,700

m<sup>2</sup> gross demand  
in 2016

152,100

staff in the services  
centres

502,400

m<sup>2</sup> net-absorption  
in 2016

632

number of business  
services centres



# Major Office Markets

(outside Warsaw)

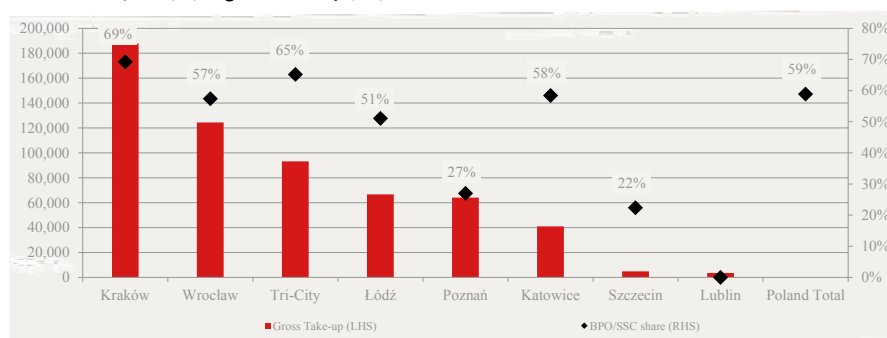
2016 was definitely a spectacular year for the regional markets: developer activity and net absorption there far outstripped that of Warsaw, with the large leases that were signed in most of the markets and stable rents being the major contributing factors for such a result. The eight major cities outside 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 m<sup>2</sup>, with the two unquestionable leaders, Kraków and Wrocław (187,800 m<sup>2</sup> and 124,500 m<sup>2</sup> leased, respectively), accounting for 53% of the total take-up. Approximately 38% of all signed transactions (222,000 m<sup>2</sup>) were pre-lets, followed by new deals in existing building (33%, i.e. 190,700 m<sup>2</sup>) and renewals (16%, i.e. 94,700 m<sup>2</sup>). Expansions accounted for 78,300 m<sup>2</sup>.

Among the most notable transactions closed in 2016 were: a 16,000 m<sup>2</sup> owner-occupier deal by Kaufland in Wrocław, a 10,800 m<sup>2</sup> renewal by Credit Suisse in Grunwaldzki Center in Wrocław, a new deal for 10,800 m<sup>2</sup> by Intel in Tryton Business House in the Tri-City, a pre-let for 10,700 m<sup>2</sup> by Aon in Enterprise Park in Kraków, a pre-let for 10,500 m<sup>2</sup> by BNY Mellon in Sagittarius Business House in Wrocław and a pre-let for 10,000 m<sup>2</sup> by Euroclear in Bonarka for Business G in Kraków. Also worth mentioning is a double deal by Ericsson, a 8,000 m<sup>2</sup> pre-let in DOT Office E in Kraków and 8,400 m<sup>2</sup> new deal in University Business Park in Łódź.

Interestingly, seven of the nine transaction for more than 10,000 m<sup>2</sup> 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.

Share of BPO/SSC (%) in gross take-up (m<sup>2</sup>)



Source: JLL, PORF, Q4 2016

# Major Office Markets

2016 brought a record breaking volume of new supply (more than 491,400 m<sup>2</sup>) 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 m<sup>2</sup>) in Wrocław, Tryton Business House (21,300 m<sup>2</sup>) in the Tri-City, Axis (19,300 m<sup>2</sup>), O3 Business Campus I (19,200 m<sup>2</sup>), both in Kraków and University Business Park B (18,700 m<sup>2</sup>) 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.

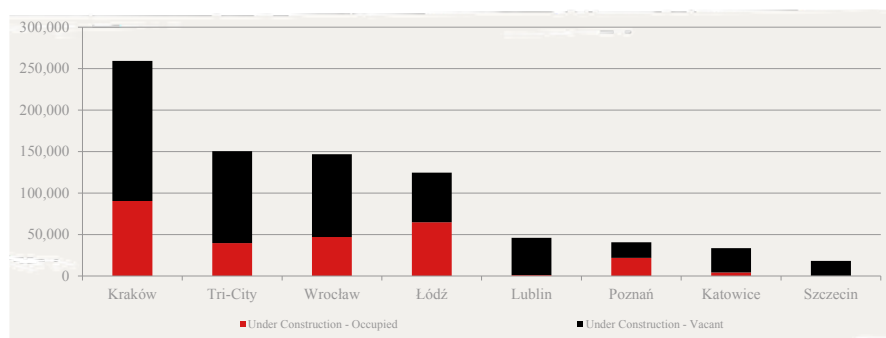
Construction activity is still substantial, with 819,700 m<sup>2</sup> of office space under construction, of which almost 33% is pre-leased. Kraków is the clear frontrunner in that respect, with more than 259,000 m<sup>2</sup> under construction, while the Tri-City and Wrocław have 40% lower developer 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 m<sup>2</sup> 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 / m<sup>2</sup> / month in Lublin and €14 to €14.5 / m<sup>2</sup> / 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.

**Under Construction (m<sup>2</sup>)**



Source: JLL, Q4 2016

## General Data on the Office Market in Poland 2016

### Szczecin

Stock (m<sup>2</sup>): **156,150**  
 Vacancy rate (%): **14.7**  
 Demand (m<sup>2</sup>): **4,800**  
 Prime rents (€/m<sup>2</sup>/month):  
**11.5-13**  
 Under construction (m<sup>2</sup>):  
**18,300**

### Tri-City

Stock (m<sup>2</sup>): **633,900**  
 Vacancy rate (%): **11.1**  
 Demand (m<sup>2</sup>): **93,200**  
 Prime rents (€/m<sup>2</sup>/month):  
**12.75-13.5**  
 Under construction (m<sup>2</sup>):  
**150,400**

### Warsaw

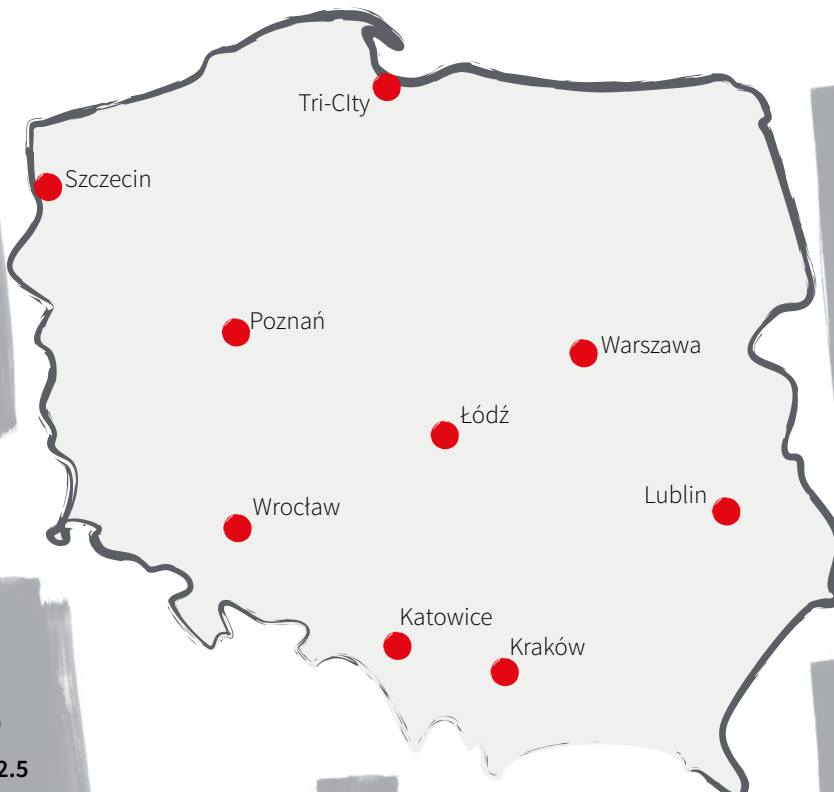
Stock (m<sup>2</sup>): **5,045,350**  
 Vacancy rate (%): **14.2**  
 Demand (m<sup>2</sup>): **754,900**  
 Prime rents (€/m<sup>2</sup>/month):  
**20.5-23.5/11-17.5**  
 Under construction (m<sup>2</sup>):  
**675,000**

### Poznań

Stock (m<sup>2</sup>): **427,800**  
 Vacancy rate (%): **13.6**  
 Demand (m<sup>2</sup>): **64,100**  
 Prime rents (€/m<sup>2</sup>/month):  
**13.7-14.2**  
 Under construction (m<sup>2</sup>):  
**40,700**

### Lublin

Stock (m<sup>2</sup>): **140,400**  
 Vacancy rate (%): **10.9**  
 Demand (m<sup>2</sup>): **3,600**  
 Prime rents (€/m<sup>2</sup>/month):  
**11-12**  
 Under construction (m<sup>2</sup>):  
**46,100**



### Wrocław

Stock (m<sup>2</sup>): **847,800**  
 Vacancy rate (%): **12.5**  
 Demand (m<sup>2</sup>): **124,500**  
 Prime rents (€/m<sup>2</sup>/month):  
**14-14.5**  
 Under construction (m<sup>2</sup>):  
**146,900**

### Łódź

Stock (m<sup>2</sup>): **360,000**  
 Vacancy rate (%): **6.2**  
 Demand (m<sup>2</sup>): **66,700**  
 Prime rents (€/m<sup>2</sup>/month):  
**11.5-12.9**  
 Under construction (m<sup>2</sup>):  
**124,500**

### Katowice

Stock (m<sup>2</sup>): **443,100**  
 Vacancy rate (%): **14.0**  
 Demand (m<sup>2</sup>): **40,900**  
 Prime rents (€/m<sup>2</sup>/month):  
**11.5-13.5**  
 Under construction (m<sup>2</sup>):  
**33,500**

### Kraków

Stock (m<sup>2</sup>): **915,800**  
 Vacancy rate (%): **7.2**  
 Demand (m<sup>2</sup>): **187,800**  
 Prime rents (€/m<sup>2</sup>/month):  
**13.5-14.5**  
 Under construction (m<sup>2</sup>):  
**259,300**

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