

Regional office markets

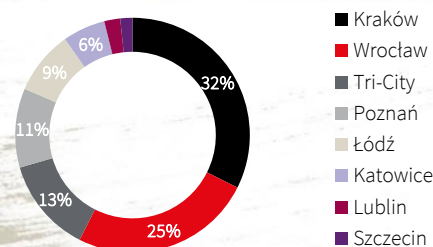
2018 was a year of economic prosperity for Poland. In addition to the Tholons ranking (where four Polish cities made it into Top 100 Super Cities), CEOWORLD Magazine named Poland as the second-best country to invest or do business in for 2018 (behind only Malaysia). That classification was based on 11 factors, including workforce, infrastructure, quality of life, investor protection and taxes. These spectacular achievements directly translate into the booming office market in the entire country. The year saw big players already present in Poland strengthening their positions here (such as Santander in Wrocław and Poznań, Credit Agricole in Wrocław, and Capgemini in Kraków) and also some newcomers entering regional markets (e.g. Havi Service Hub, WorlRemit and Varroc Lighting Systems opened centres in Kraków, as did Fujitsu Global Delivery Centre in Katowice and Olympus, and Smith & Nephew and Schaeffler all opened offices in Wrocław).

Poland isn't only attractive for established businesses: in 2018 CEOWORLD Magazine listed the world's 50 Most Start-up Friendly Countries and Poland jumped six places comparing to the previous year, now ranked seventh in the world and third in Europe (behind the United Kingdom and Germany). As it was published in 'Polish Startups 2018', Wrocław was second best in terms of the activity of young tech firms (after Warsaw). According to the report from the previous year more than 500 start-up/prop-tech events are organised in Kraków every year.

Business 'new-borns' develop extremely quickly and they need flexible lease agreements with the option of renting extra work stations, access to creative spaces and places where they can make new connections with other companies. As flexible office spaces answer all these needs, they are a perfect solution for such companies. This was clearly reflected in the market here: 2018 was a record year for both start-ups and firms offering flexible office space. Currently the major flexible space operators have approximately 60,000 m² in Poland's regional cities (outside Warsaw).

In terms of demand in 2018 Kraków most certainly had the best year. Total take-up volume there was 208,800 m² was 32% of all demand of the major markets in Poland (excluding Warsaw). Tenant activity in the biggest Polish cities totalled over 644,800 m² of office space, of which 200,700 m² came from new deals in existing buildings. Pre-lets accounted for a further 126,000 m², with extensions of lease agreements amounting to 188,200 m² and expansions another 93,400 m². The most notable transactions included three deals by Santander: an owner-occupier deal for 17,000 m² in Wrocław, a renewal and expansion for 14,800 m² in Business Garden Poznań and a new lease for 10,000 m² in Business Garden in Wrocław. Other big deals included also: a renewal by IBM for 17,800 m² in Wojdyła Business Park in Wrocław, a renewal by Nokia for 16,200 m² in Green Towers in Wrocław, a renewal and expansion by Aptiv for 14,700 m² in Enterprise Park in Kraków and a renewal by Nokia Solutions and Networks for 14,100 m² in West Gate in Wrocław.

Demand distribution in Poland's regional office markets in 2018

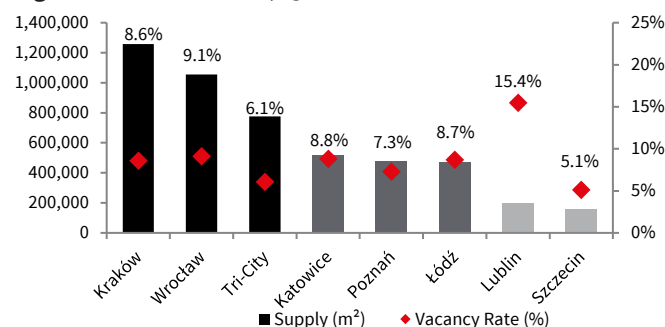


Source: JLL, Q4 2018

The office market is developing dynamically. Two cities with office stock in excess of 1 million m² (Kraków and Wrocław) are being chased by the Tri-City (with more than 775,000 m²) and Katowice, which now has more than 500,000 m² of modern office stock. In 2018 57 developments entered the market outside of Warsaw, offering a total of almost 511,200 m² (a ten percent increase y-o-y), including: Olivia Star and Olivia Prime A in the Tri-City (by Olivia Business Centre); Sagittarius Business House in Wrocław (by Echo Investment, subsequently sold to Warburg-HIH Invest); Ogrodowa Office in Łódź (by Warimpex); and Equal Business Park C in Kraków (by Cavatina).

Under-construction space in the major regional markets amounts to 900,000 m² and is mainly concentrated in Kraków, Wrocław and the Tri-City. The biggest, and already very well-let, development at the moment is located in Wrocław: Business Garden (II phase) with 70,000 m².

Office stock levels and vacancy rates across Poland's regional office markets, Q4 2018



Source: JLL, Q4 2018

The overall vacancy rate for the eight regional cities is decreasing and standing now at 8.4%. All eight major regional cities saw their rates fall year-on-year, the biggest drops were in Szczecin (-4.9 pp y-o-y), Lublin (-4.2 pp y-o-y) and Katowice (-2.5 pp y-o-y). At the end of 2018 Szczecin replaced Poznań as the city with the lowest vacancy rate in Poland.

General Data on the Major Office Markets in Poland in Q4 2018

Tri-City

	775,000
	6.1
	84,400
	12.75-14
	77,200

Szczecin

	159,400
	5.1
	10,900
	11.5-14
	2,400

Poznań

	479,100
	7.3
	70,400
	13.6-14.5
	21,200

Wrocław

	1,054,200
	9.1
	161,600
	13.7-14.5
	146,600

Warsaw

	5,461,700
	8.7
	858,400
	20.5-23.5 / 11-15
	232,700

Łódź

	468,900
	8.7
	56,700
	11.5-13.5
	32,500

Lublin

	194,200
	15.4
	14,100
	10.5-11.5
	25,400

Katowice

	519,300
	8.8
	38,000
	12.75 - 14.5
	50,800

Kraków

	1,257,500
	8.6
	208,800
	13.5-14.6
	155,200

Source: JLL, Q4 2018

Stock (m²) Vacancy rate (%) Demand (m²) Prime rents (€/m²/month) New supply (m²)

In terms of rental conditions in the major office markets in Poland, prices have remained relatively stable. In 2018 a few cities saw an uptick in the upper (and lower in Katowice) band of prime headline rents: Łódź (now leasing at €11.5 to €13.5 / m² / month), Katowice (now leasing at €12.75 to €14.5 / m² / month), Poznań (€13.6 to €14.5 / m² / month) and Szczecin (€11.5 to €14 / m² / month). Currently the highest rents are quoted in Kraków (€13.5 to €14.6 / m² / month) and Wrocław (€13.7 to €14.5 / m² / month), while the lowest are found in Lublin (€10.5 to €11.5 / m² / month). Some minor changes are expected in the next few quarters.



Hanna Dąbrowska

Research Analyst
Research & Consultancy
hanna.dabrowska@eu.jll.com
+48 22 167 0837



Mateusz Polkowski

Head of Research & Consultancy
Associate Director
mateusz.polkowski@eu.jll.com
+48 22 167 0042