Office market in Wrocław Q1 2024

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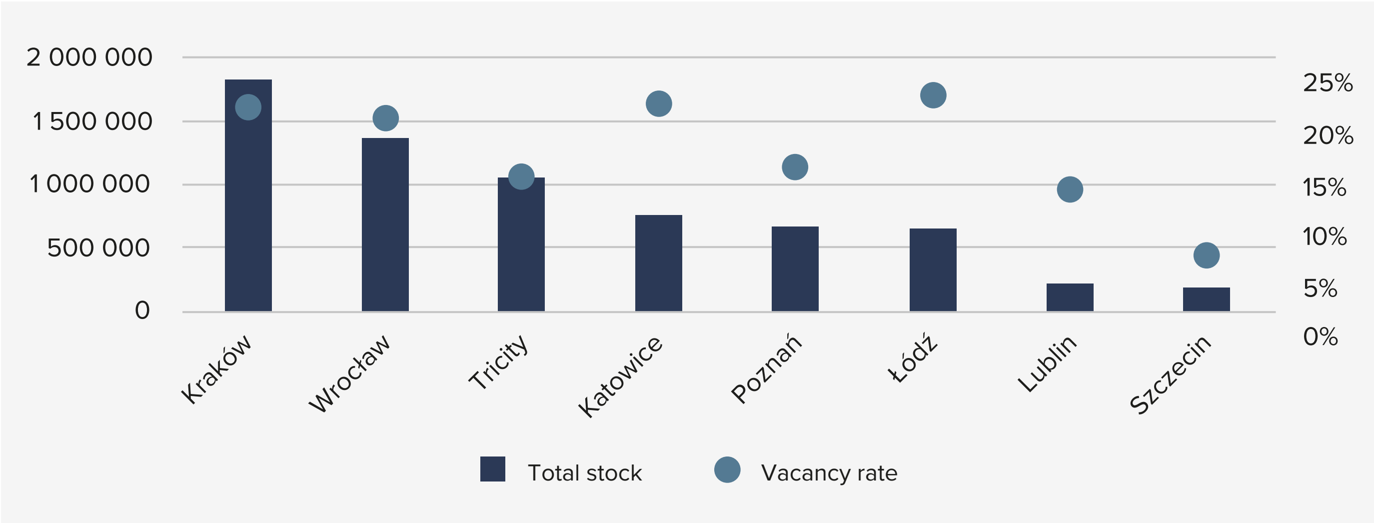
Office stock in Wrocław totalled approximately 1.35 million sq m at the end of Q1 2024, the second largest among regional markets (following Kraków). This constituted a 20% share of the total office stock in regions. In contrast to Kraków, the vast majority of the existing supply is located in the city centre.

Total office stock (sq m) and vacancy rate in the major regional office markets (Q1 2024)



Developer activity in the Polish office market was exceptionally constrained in 2023 due to high inflation, rising construction costs, high financing costs, economic uncertainty, and suspension of many projects during the pandemic. This led to the lowest new supply volume in the office market's history, approximately 350,000 sq m. This trend continued in Q1 2024, with just over 30,000 sq m delivered in two projects (in Wrocław and Kraków).

After years of slow development of the office market in Wrocław, 2023 saw a revival. New supply amounted to approximately 80,000 sq m, the highest level since 2019 when new supply approached a record 150,000 sq m. The largest project completed in 2023 was Infinity, (Avestus Real Estate), offering nearly 20,000 sq m. In Q1 2024, only one project was delivered to the market, Quorum Office Park A, with an area of approximately 18,000 sq m (Cavatina Holding).

Developer activity slowed down at the end of 2023, and 2024 will be weaker regarding new supply. Nearly 50,000 sq m was identified under construction, with a gradual completion in the next two years.

In 2023, the demand for office space in Wrocław remained at a stable high level, the second highest in the history of the local market, amounting to 170,000 sq m.

Approximately 20% of the demand recorded in the largest regional cities pertained to Wrocław.

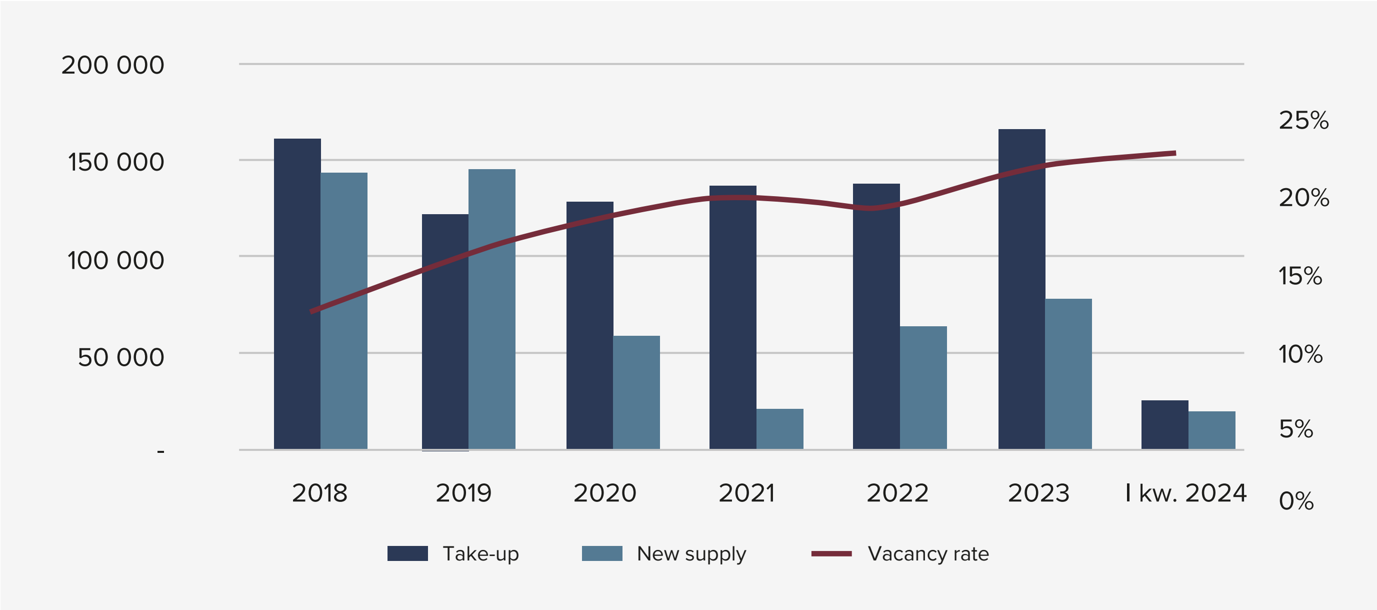
A significant share also belonged to renegotiations, with an exceptionally low share of expansions, which accounted for only 5% of the annual demand.

More than half of the demand in 2023 consisted of new leases, the highest level in several years.

25,000 sq m of office space was leased in Q1 2024, a lower result than in the corresponding period in 2023.

Despite high tenant activity in the Wrocław market, the relatively high new supply increased the vacancy rate to 18% at the end of 2023. In Q1 2024, there was a further increase to 19%, the highest level in at least ten years. This is also the fourth-highest rate compared to other regional office markets. Assuming that demand improves in the following quarters, a gradual absorption of available space is expected, leading to a decrease in the vacancy rate.

Activity of developers and tenants (sq m) and vacancy rate in Wrocław



In 2023, there was an increase in asking rents for office space in every market, especially in modern office buildings. In Q1 2024 rents stabilised, with levels in Wrocław starting from EUR 10 per sq m per month to even EUR 17 per sq m per month, depending on the project's location and the building standard. Considering that office availability is relatively high, no increases are forecasted in the coming months. Additionally, tenants must be prepared for further rises in operating costs, which range between PLN 15 and PLN 32 per sq m per month, reflecting the increasing costs of maintaining office spaces.