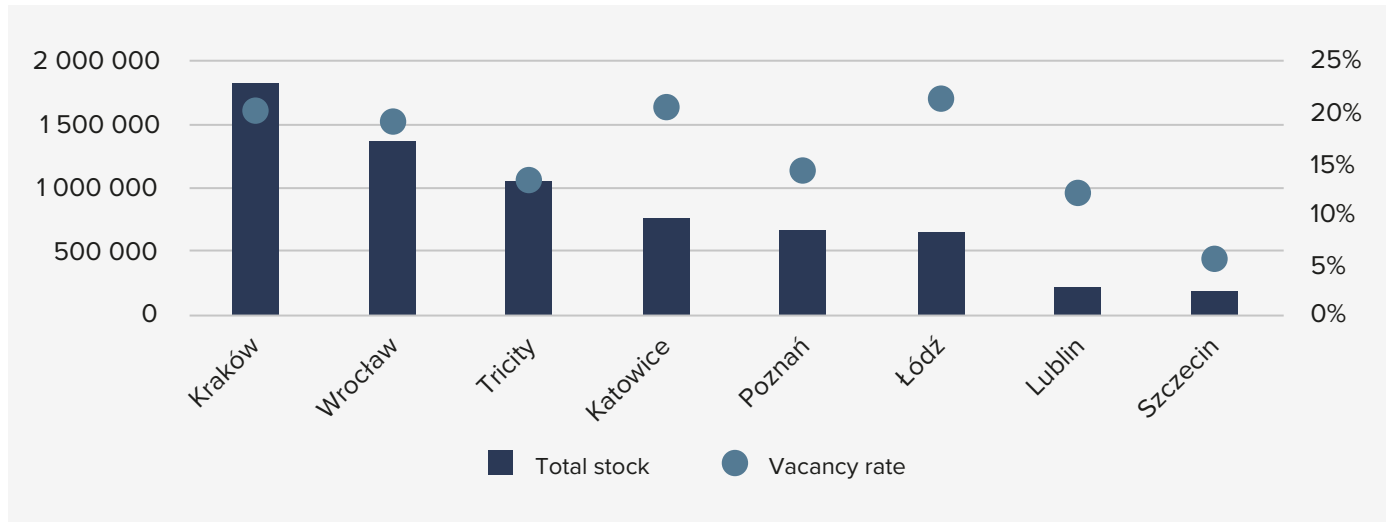




Office market in Tricity Q1 2024

The office market in Tricity is the third largest among the major regional cities. With office stock exceeding 1 million sq m at the end of Q1 2024, it ranks behind Kraków and Wrocław, representing 16% of the total regional stock. The area with the highest concentration of offices remains Gdańsk, particularly the city centre and the region around Aleja Grunwaldzka.

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).

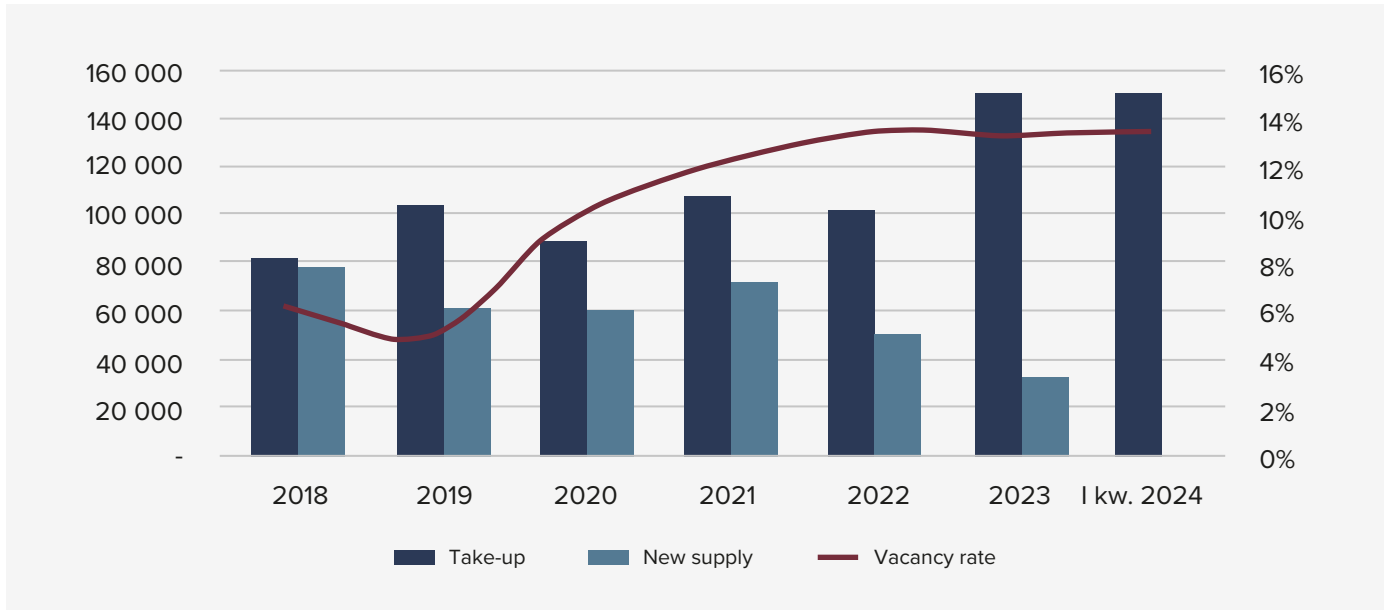
Similarly, developer activity in Tricity remained subdued both in 2023, when only 35,000 sq m of office space was delivered, and in Q1 2024, which saw no new schemes. This represents a year-on-year decline in new supply, with the 2023 figure being the lowest in a decade. The largest project completed in the last year was Intel Technology Park – IGK6 (20,000 sq m), while the other schemes did not exceed 5,000 sq m each. With the volume of space under construction (45,000 sq m), it’s likely that lower activity may be recorded in the upcoming years. This supply is expected to be delivered consecutively in the next two years. The largest project under development is Waterfront II by Vastint Poland (15,000 sq m). It is noteworthy that numerous additional projects are planned.

The demand for office space in the Tricity region experienced a significant surge in 2023, reaching one of the highest figures in the local market's history, 150,000 sq m.

This made it the third highest among regional cities. However, Q1 2024 saw a notable decline, with only 23,000 sq m leased, half of the previous year's figure for the same period. The continued unfavourable economic situation, high costs of office interior finishing, and large-scale remote work verify tenants' approach to relocation or expansion. Notably, expansions accounted for a small share of leasing activity in Tricity, highlighting a prevailing trend towards cost optimisation in leased office space.

The limited new supply, coupled with high tenant activity, contributed to stabilising the vacancy rate, which stood at just over 13% at the end of Q1 2024. This is the lowest rate among regional cities, following Lublin and Szczecin. However, it remains relatively high compared to the figures from the past few years.

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



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 and ranged from EUR 10 to EUR 16 per sq m per month, depending on the project's location and the building standard. Considering the relatively high availability of office space, no increases in rents are forecasted in the upcoming months. Additionally, tenants should be aware of the anticipated increases in service charges, which stood at PLN 15-32 per sq m per month, reflecting the increasing costs of maintaining office spaces.

