

Contact: Luiza Jurgiel-Żyła, tel. +48 695 795 121, info.poland@cresa.com

Record demand for office space in Krakow

Krakow, 28 November 2019 – According to “Occupier Economics: Office Market in Krakow Q1-Q3 2019”, a report produced by real estate advisory firm Cresa Poland, Krakow’s office stock expanded by more than 10% over the year to 1.35 million sqm at the end of September 2019. The leasing volume in the first three quarters came to almost 235,000 sqm.

Although the influx of new international market entrants to the Krakow market has slowed down recently, companies that have already built a presence in the capital of the Lesser Poland region are growing at a rapid rate and reporting increased office space requirements. Total office take-up reached an annual high of nearly 235,000 sqm in January-September 2019. Given transactions that will be closed in the final quarter, this year’s leasing volume is likely to hit an all-time high.

The largest transactions of the first three quarters of 2019 included UBS’s lease for 19,300 sqm in Fabryczna Office Park, the renegotiation of the 17,100 sqm lease by Motorola Solutions Systems in Green Office, and Sabre’s deal for 16,000 sqm in Tischnera Office.

“Renegotiations of existing leases with an expansion option account for more than half of the leasing volume. Tenants therefore increasingly focus on including priority or expansion rights in lease agreements. To secure growth opportunities some companies lease more space than they currently need and sublet some space to other tenants on a temporary basis. A serviced office in an office complex is also a major advantage of a location as it gives tenants more employment flexibility,” says Karolina Słysz, Advisor, Office Department, Cresa Poland.

Although the third quarter of 2019 saw no office completion in Krakow, office supply came to nearly 90,000 sqm in the year to date.

Office absorption hit nearly 70,000 sqm in the first three quarters of 2019, down by more than 30% on the same period last year, with the last quarter’s volume at just 8,000 sqm.

“At the end of September 2019, Krakow’s vacancy rate stood at 9.5%, representing a 1.1 pp decrease year-on-year. The upward rental trend has eased recently, indicating that the Krakow office market has reached equilibrium,” says Bolesław Kołodziejczyk, PhD, Head of Research & Advisory, Cresa Poland.

Office rents remain flat at EUR 13-15.5 per sqm in the centre of Krakow and at EUR 10-14 per sqm in other locations.

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