Poland - TriCity

Key Performance Indicators

Prime Yield	Prime Rent	Average Rent
7,55%	€ 15,00	€ 14,00
Expected Investment Returns	Monthly, per sq m	Monthly, per sq m
Change YonY: 65 bps	**Change YonY: 7,9%**	**Change YonY: 12,0%**

Office Investment Volume	Take Up	Vacancy Rate
€ 354M	23K	13,28%
In Poland during Q4 2022	Square Meter	Percentage of Stock vacant
€ 2.04B (Rolling 12 months)	**23K Year2Date**	**Change YonY: 102 bps**

Completions	Total Stock	(Forecast) Completions
-	1 012K	51K (2022)
Square Meter	Square Meter	Square Meter
51K Year2Date	**878K Occupied Stock**	**67K (2023) // 35K (2024)**

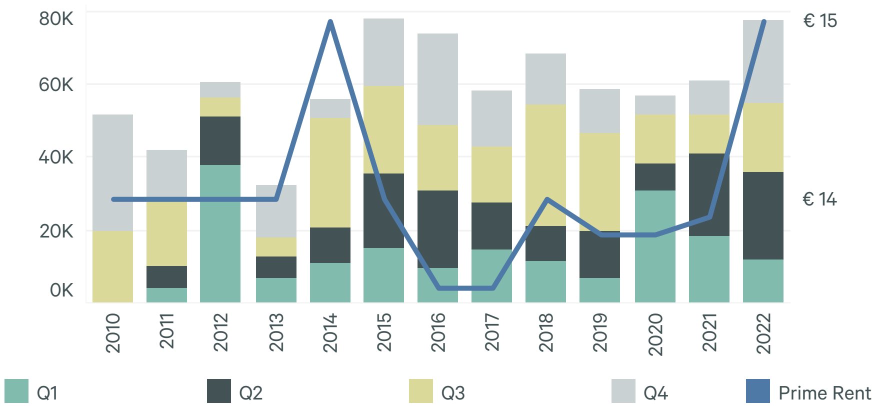
The total office market stock in Tri-City amounts to 1.01 m sq m. In H2 2022, no new buildings were completed, however since the beginning of the year, 50,600 sq m in five projects has been delivered to the market. The new stock is on average 42% let. The largest building constructed in 2022 in Tri-City was the Format building with a total area of 16,000 sq m, which is now 73% leased.

Total demand in 2022 remained strong at 101,000 sq m (despite a 7% y-o-y decrease) - over 24,500 sq m was let throughout Q4 alone. Tenant sentiment is positive, as reflected by new leases' participation (65%). Renegotiations constituted 21%, with expansions at 11% and pre-lets amounting to 3%. The largest transaction in 2022 in Tri-City was LSEG's new lease of 8,300 sq m at 3T Office Park.

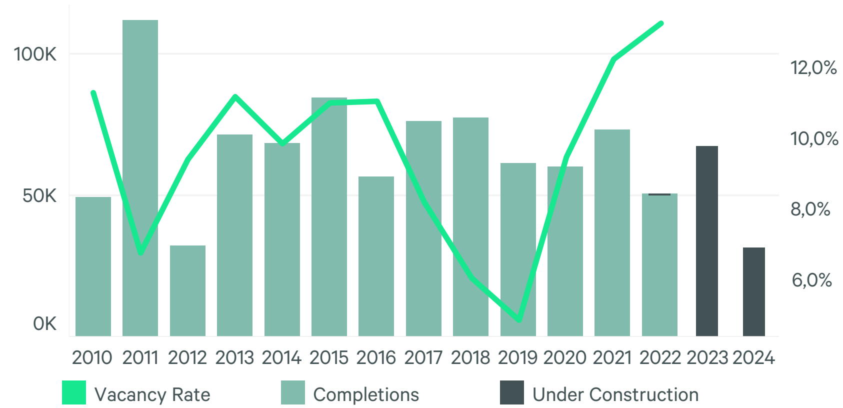
At the end of 2022, the vacancy rate stood at 13.28%, which translates into 134,400 sq m of readily available space. Despite the relatively high demand, an increase of 1.02 p.p. was recorded in the vacancy rate across the city compared to 2021.

The prime headline rent has risen to the level of EUR 15.00/sq m/ month. The average rent increased to 14.00 EUR/sq m/month, while tenants with a standard 5-year agreement may obtain up to 7 months' rent free.

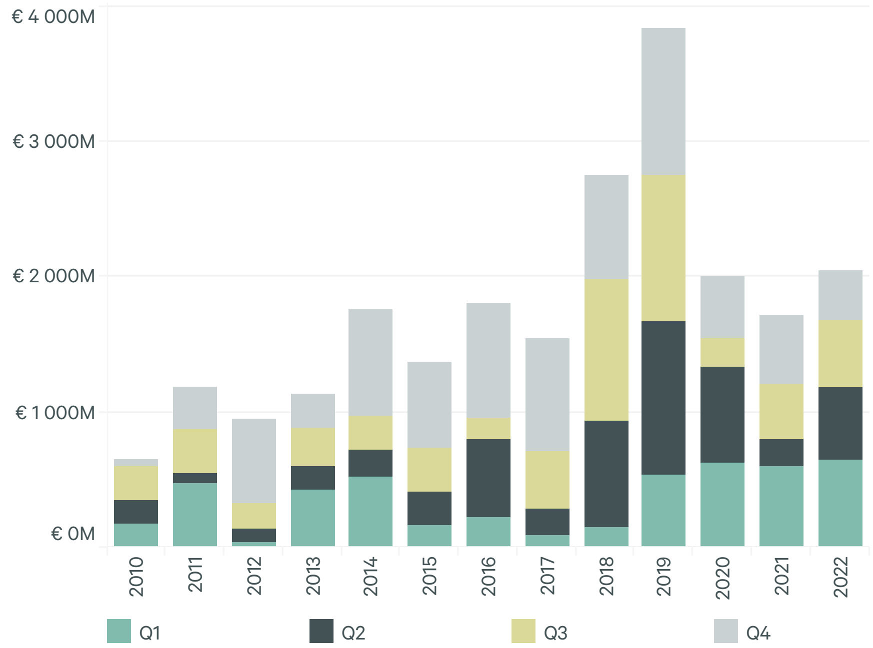
Market Trend (Take-Up | Prime Rent)



Development Activity (Completions | Vacancy Rate)



Poland Office Investment Volumes



In recent years, the Tri-City office market has developed dynamically, and even the outbreak of the pandemic did not cause a significant slowdown. Currently, demand is back on track, which is a positive trend and the BSS sector remains very active, being one of the main driving forces for further development. A total of approximately 101,600 sq m of office space will be developed by the end of 2024, adding more than 10% to the total stock over the next few years.

The first signs of rental increases are now visible across the Tri-City market. Prime asking rents in well-located schemes are beginning to sharpen. Incentive packages, which were rising throughout the beginning of the pandemic, now show signs of stabilization. Nonetheless, in upcoming years we will witness a more distinctive polarization between A and B locations and A and B class assets, which will also result in an increased gap between asking rents across the city.

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