CEE Office Market Figures

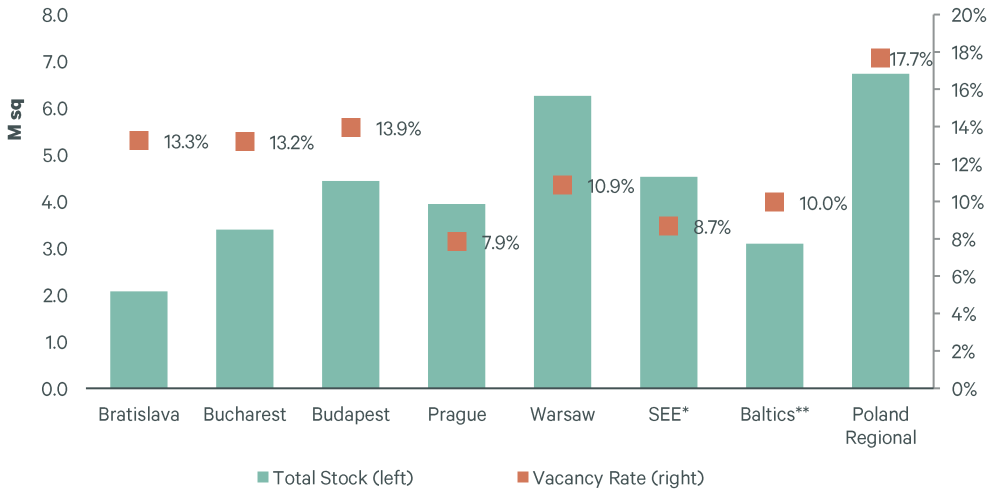
In 2024, we see stronger demand and further decreasing development activity in the CEE office market. Total take-up in the region amounted to 1,020k sq m, up by 12% y/y. We registered significantly stronger new demand in Q2 than in Q1 in all markets except for Poland, where leasing activity was up due to renewals only. Prague had the highest take-up (177k) in H1 due to a large owner-occupation, followed by SEE(146k). The relatively weak demand in Warsaw was caused by the lack of new supply: office stock in th Polish capitl is pracitcally flat for a year due to withdrawals from the old supply.

The net absorption in the region totaled to 290,000 sq m in the first six months of the year, which is 10% above last year's value. At the same time, the significant difference between the level of net absorption and take-up shows that we can speak of tenants' relocations and footprint reductions in case of many new lease contracts.

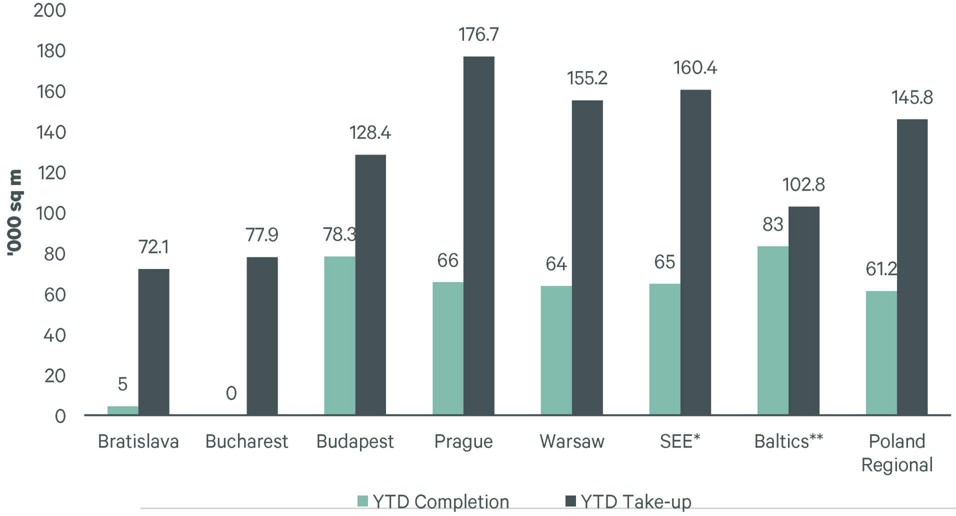
In contrast to the demand, the level of new completion reached only 420,000 sq m, 17% less than in H1 2023. We can anticipate weak new delivery volume in near future as well. There are currently 1.7 M sq m of office space under construction in the region. 372,000 sq m of new supply is expected to be handed over this year; a third of this takes place in the cities of the SEE. For next year we expect a similar annual volume as this year (804,000 sq m), but this level recedes to 520,000 sq m in 2026.

In terms of U/C volume, Budapest is in first place; however, the majority of the pipeline here consists of BTS. At the same time, in the cities of the SEE and Baltics, the availability in the U/C pipeline is up to 8-10 %. This value is below 3% for other markets in CEE. In Prague, the pipeline is completely dry until 2026 (major new addition to the stock in expected in 2027) and similarly strongly decreasing in Bucharest, where strict construction regulations prevent further developments.

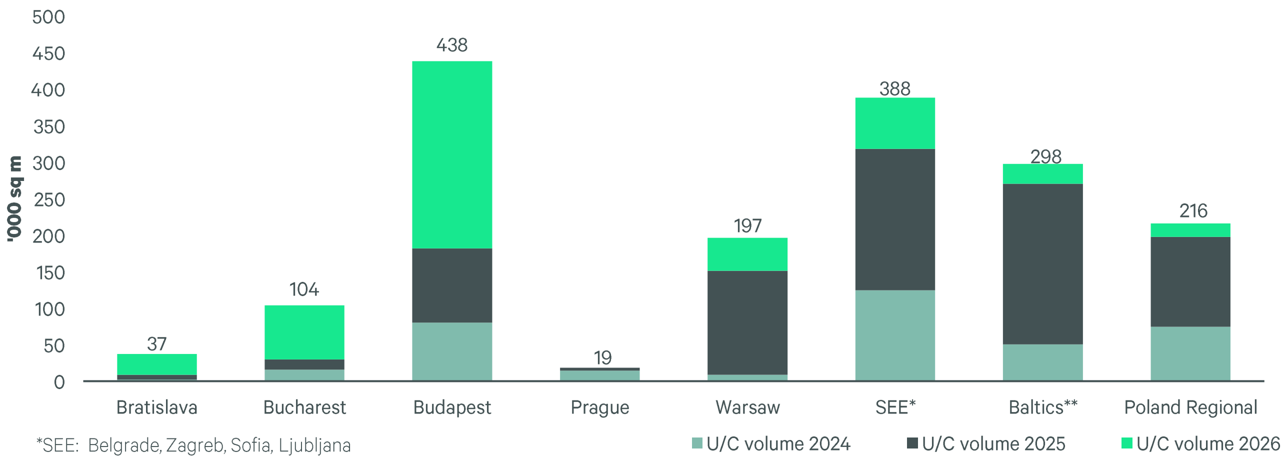
OFFICE STOCK AND VACANCY RATE



OFFICE COMPLETION AND TAKE-UP IN H1 2024



OFFICE PIPELINES UNDER CONSTRUCTION (UNTIL 2026) IN CEE

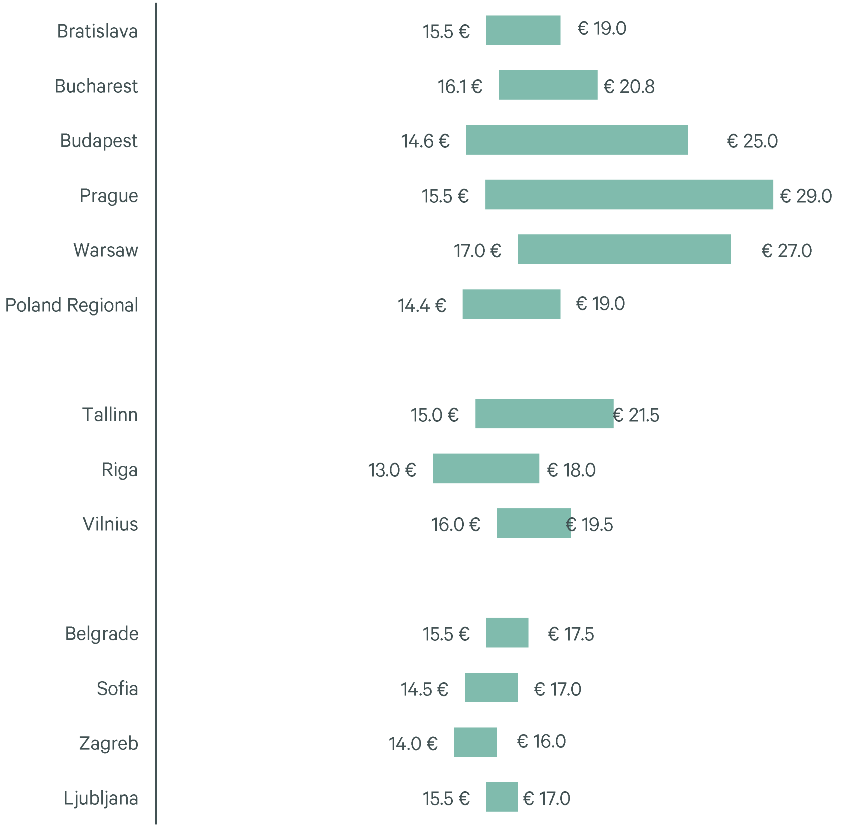


*SEE: Belgrade, Zagreb, Sofia, Ljubljana

**Baltics: Tallinn, Riga, Vilnius

Source: CBRE, 2024

OFFICE ASKING RENTS (AVERAGE – PRIME)



Average rents are quoted as the market average of asking rents quoted for the vacant space in the individual city.

Prime rent refers to the highest available asking rents in the best-in-class properties available on the market for lease.

Source: CBRE, 2024

The average office market vacancy in the region is 11.0%, which is 40 bps lower than at the end of Q1. We see the highest vacancy rate in Poland's regional cities (17.7% on average). The lowest is still Prague at 7.9%. In one year, the rate decreased the most in SEE cities and Bucharest.

Regarding rents, the picture is still mixed. Prime rent have risen almost everywhere y/y, but even on a q/q basis (Bratislava and Prague). On the other hand, the average rents did not change significantly, the rental growth is clearly under inflation. The most expensive cities in the region are Warsaw and Prague, where the prime rent is at 27-29 EUR/sqm/m. Further increase is limited for the next 12-18months due to lack of new projects, but fundamentals are supporting rental increase – especially in Warsaw. In terms of rental quotes for average ‚A' space, there isn't any major deviation within the region; the average rent is around 14-17 EUR/sqm/m. While in some locations average rent is slowly increasing, it is much less dynamic than the prime segment. In some submarkets, rents are coming under pressure due to upcoming second-hand vacancy in older offices.

Office occupiers are juggling various priorities, including managing evolving office attendance patterns, improving cost efficiency, and optimizing flex space usage. While efforts to bring employees back to the office have seen some success, there's still a gap between company and employee expectations. Companies are focusing on reducing portfolio sizes, prioritizing building quality, and intensifying their focus on sustainability as net zero carbon deadlines approach. For further insight, please read our European Office Occupier Sentiment Survey, released recently.

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