

DECIPHERING THE 2023 TRENDS



PIOTR KASZYŃSKI, MANAGING PARTNER, NEWMARK POLSKA, WRITES ABOUT WHY 2022 WAS A GOOD YEAR FOR THE COMMERCIAL REAL ESTATE SECTOR AND UNDERLINES KEY DRIVING FORCES BEHIND THE GROWTH OF THE MARKET IN THE MONTHS AHEAD.

In 2022, industrial rental growth accelerated significantly in the second quarter. Companies accepted the new reality fairly quickly and contracted a total of close to 8.7 million square meters of logistics space. Experts from Newmark Polska worked on leases for a combined area of over 500,000 square meters but had it not been for supply chain constraints, the agency would have brokered even more contracts. Despite geopolitical and macro-economic headwinds, most companies in Poland are well-positioned to grow and with this they need manufacturing and warehouse facilities. It all goes to show that Poland is

still a competitive, growth-oriented market that offers some of the cheapest warehouses in Europe. The industrial market is growing at a healthy pace, albeit developers are showing increased caution in calculating warehouse sizes and rental rates for newly-built projects. One of the key industrial market drivers in 2023 will be nearshoring production from Asia to locations closer to target markets. According to the latest report from Reuters entitled "A generational shift in sourcing strategy", Poland will be among the main beneficiaries of this supply chain realignment with e-commerce continuing to drive demand for warehouse space.

Although its growth has somewhat stalled, its penetration rate is still relatively high at 8 percent. This trend will not reverse as a generational change is afoot, with 20-30-year-old consumers shopping mainly online.

LONELY AT HOME

Contrary to their shopping habits, new generations of workers do not tend to work in isolation. They prefer to work along their colleagues at the office. However, some companies will continue using the work-from-home paradigm to cut costs, which is likely to cause mental, cultural, and corporate damage

to young workers. With the pandemic it transpired that the new office concept based on hybrid work is not for everyone. For many people, the lines where they work and compete and where they relax and do what they want is now blurred, creating an unhealthy work model. Many experts argue that home should remain home regardless of the fact that there are first-class professionals who do not mind working independently from home. However, the majority of employees, especially the new generations of professionals, need to be in the same workspace together to confer, dis-

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cuss, and be able to show their best. Remote work tools are not sufficient to make young employees learn new business skills.

OPTIMAL WORKOFFICE

The pandemic has forced companies to review their work models and organization patterns. Office trends have been practically upended. For the five pre-pandemic years, large corporations had viewed the office as an important element of employer branding. They organized games rooms, chillout zones, fruit Wednesdays or yoga classes. The concept of doing everything together prevailed. Co-working, co-living, and even co-eating was the name of the game but it did not stand the test of the pandemic.

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identification with a company. The challenge facing tenants today is how manage office space flexibly and efficiently. This has been always a challenge for companies. However, while before the pandemic companies planned their new office layouts prior to relocating, today, they do so without considering relocating. They try to find out the optimal size for their offices, the best ways to arrange them, and what functions they need to support. They wonder how to provide a comfortable workplace for employees who prefer to work in the office and those opting for a hybrid work setup? And how should they communicate with one another?

ESG REPORTING

As the ESG reporting requirement has become reality it is now a challenge for companies. With this, Newmark Polska has expanded its expertise

to assist its clients in adhering to the ESG requirements in commercial real estate. The ESG awareness is growing among entrepreneurs with green leases taking account of the sustainable performance of buildings already being signed. ESG-related challenges will also include older buildings. Their adaptation will cover air-conditioning improvements, the installation of motion sensors or LEDs. All this is already on the negotiation agenda between tenants and landlords.

GENERATING SAVINGS

All sectors of the commercial real estate will face high service charges stemming from the growing lease costs. Both tenants and developers already take a number of measures to reduce energy consumption. Due to higher rents in new office buildings—a consequence of high construction costs—some tenants will choose to

stay on in their current locations and renegotiate their leases. A recent Newmark Polska research shows that this is already a notable trend—in Warsaw, renegotiations amounted to nearly 40 percent of the 2022 office take-up. Staying on in older buildings may not be the most economical option, however. Modern office buildings with green certificates may offer tenants up to 30 percent lower service charges. Relocating to the city outskirts to save costs is another false economy move. There may be less dining options available in such locations, and other limitations which, in the end, may prove more costly for the tenant. After all, a smaller office in a modern, green building in a prime location may be a sensible proposition for many companies.

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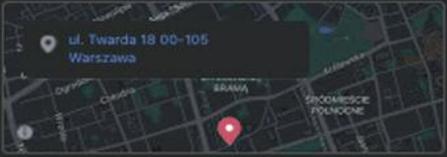
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