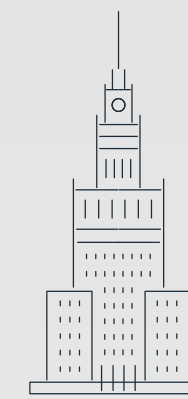


# AT A GLANCE

## Q3 2021

# WARSAW OFFICE MARKET



## Highlights

- Growing tenants' activity followed by change in take-up structure indicates the office sector revival
- The vacancy rate growth has decelerated
- A noteworthy rise in operating and construction costs will put pressure on rents' increase in the mid-term



**6,160,000 sqm**  
EXISTING OFFICE SPACE

**67,600 sqm**  
NEW SUPPLY Q3

**291,000 sqm**  
SPACE UNDER  
CONSTRUCTION  
(2021-2022)

**12.5%**  
AVERAGE VACANCY RATE



**23-24 EUR  
(sqm/mth)**  
PRIME HEADLINE RENT

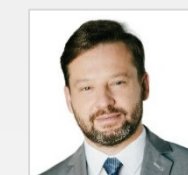
**149,000 sqm**  
GROSS DEMAND

## Economic indicators- Warsaw

	Population (December 2020)	1,79 mln
	Unemployment rate (August 2021)	1.9%
	Average salary PLN gross (August 2021)	7,046.23
	Number of students (December 2020)	231,000
	Number of universities (December 2020)	64

Source: Statistics Poland

## Expert comment



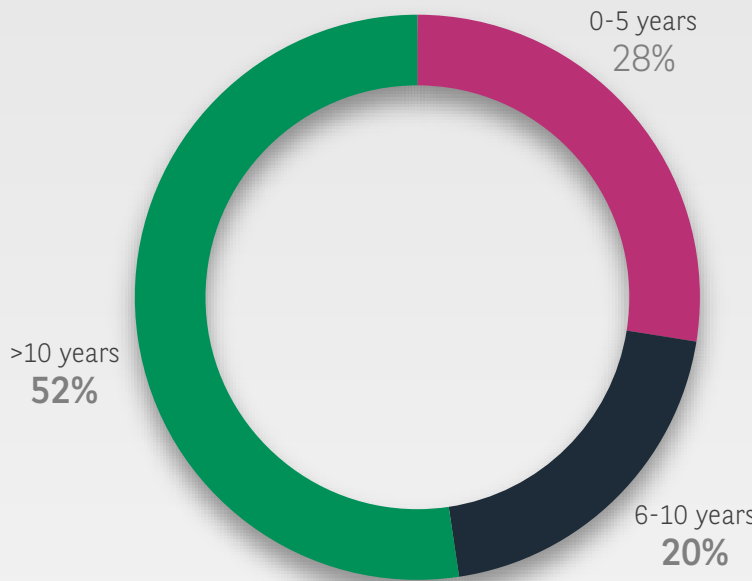
**Mikołaj Laskowski**

Head of Office Agency  
BNP Paribas Real Estate

### An awakening on the office market

**Take-up volume has picked up this quarter as processes that were underway in the previous quarters are turning into transaction. This raises the level of optimism within the sector.** Tenants' activity is followed by an ever increasing expectation level by employees returning to their offices. Today, we estimate that the office population is around 40-45%. A return to pre-pandemic levels will not be possible, as employees expect greater flex in working arrangements, and also because efficient office strategies, from the outset, do not inherently guarantee desks for everyone. This is the moment for a profiled analysis of needs, individual projects that will generate an effective space enabling the exchange of experiences and enhancing communication between office employees.

### Existing stock by age Q3 2021



Source: BNP Paribas Real Estate Poland

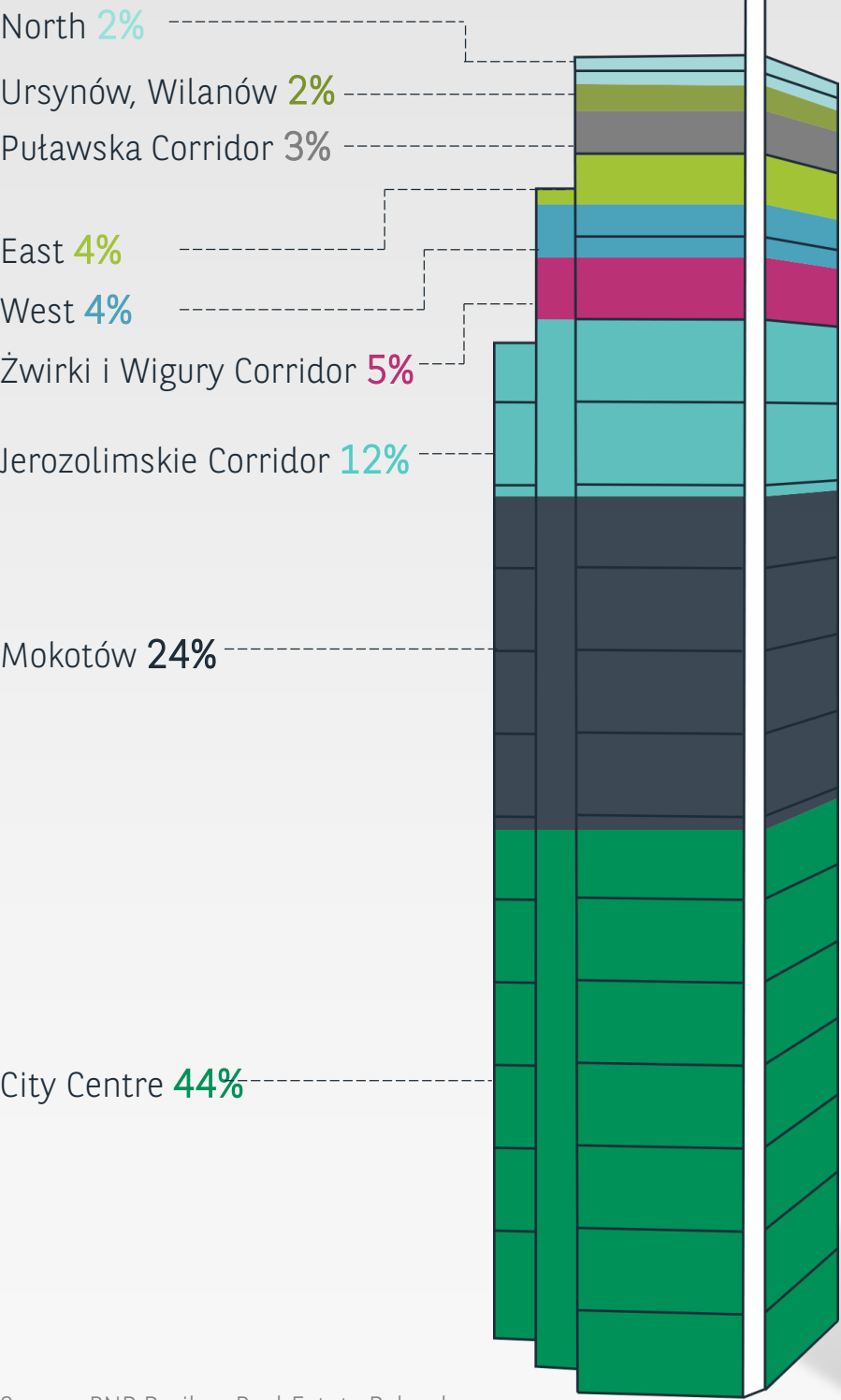
Together with the handing over of new facilities into the market, the age structure of Warsaw's office buildings is slowly improving. Even so, more than half of the office premises are already in their 'teens'. Only 28% are new generation buildings accredited in 2016 or thereafter, which offer modern solutions that go hand in hand with the need for eco-friendly activities.

### Completions Q3

	BUILDING	ZONE	OFFICE AREA (sqm)	DEVELOPER
1	Fabryka Norblina – Galwan	City Centre West	19,500	Capital Park
2	Fabryka Norblina – Plater	City Centre West	19,500	Capital Park
3	Widok Towers	CBD	28,600	S+B

Source: BNP Paribas Real Estate Poland

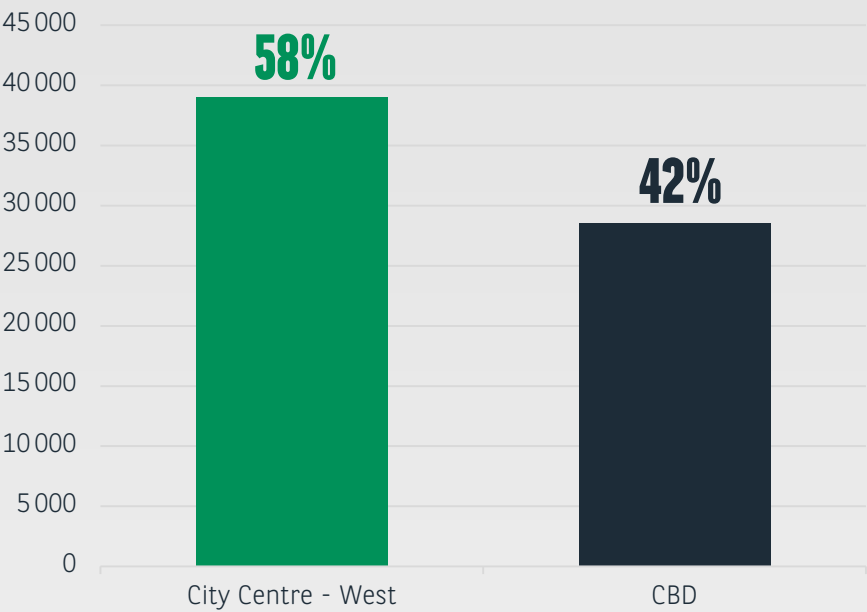
### Existing stock by zone Q3 2021



Source: BNP Paribas Real Estate Poland

### New supply Q3 2021

Number of sqm / quarter by zones



Source: BNP Paribas Real Estate Poland

In the third quarter of 2021, Warsaw grew by two office projects delivered to central zone. 39,000 sqm is available to potential tenants at the Norblin Factory complex, housed in two buildings, Galwan and Plater. Another 28,600 sqm is at Widok Towers, realized by the Austrian developer S + B, which welcomes the capital's City Hall as a tenant.

### Expert comment



**Klaudia Okoń**  
 Consultant Business Intelligence Hub & Consultancy  
 BNP Paribas Real Estate Poland

### The flexibility drill is in full-swing

Flexibility, in whatever way you choose to call it, has not lost any of its appeal, especially at a time when tenants' activity is on the up, and the market is on its way back to a sense of stability. Tenants expect their landlords to retain a flexible approach to their needs that change over time, even during the term of the same lease agreement. Tenants want to be in a position to increase or decrease their leased area, extend or shorten contract timelines, make use of offers from serviced offices and co-working spaces, that any self-respecting office building should have almost as standard today. However, flexibility comes at a price. The value of the building is a derivative of the length of the lease and the timeliness of the contract, so we can expect that the pressure to increase rents will follow on from the apparent flexibility.

”

*At the end of Q3 2021, the upward march of vacancy rate in Warsaw stopped at 12.5% (unchanged vs previous quarter and an increase of 2.9 p.p. compared to same period a year ago). In the central areas, the vacancy rate was 13.2%, while outside of the City Centre it was 11.9%. Total office space area availability was 767,800 sqm, big chunk of which was recorded in the Mokotów area – 242,500 sqm translating into a 16.7% vacancy rate, and the lowest was recorded in the Ursynów, Wilanów areas – 6,000 sqm (4.8% vacancy rate).*

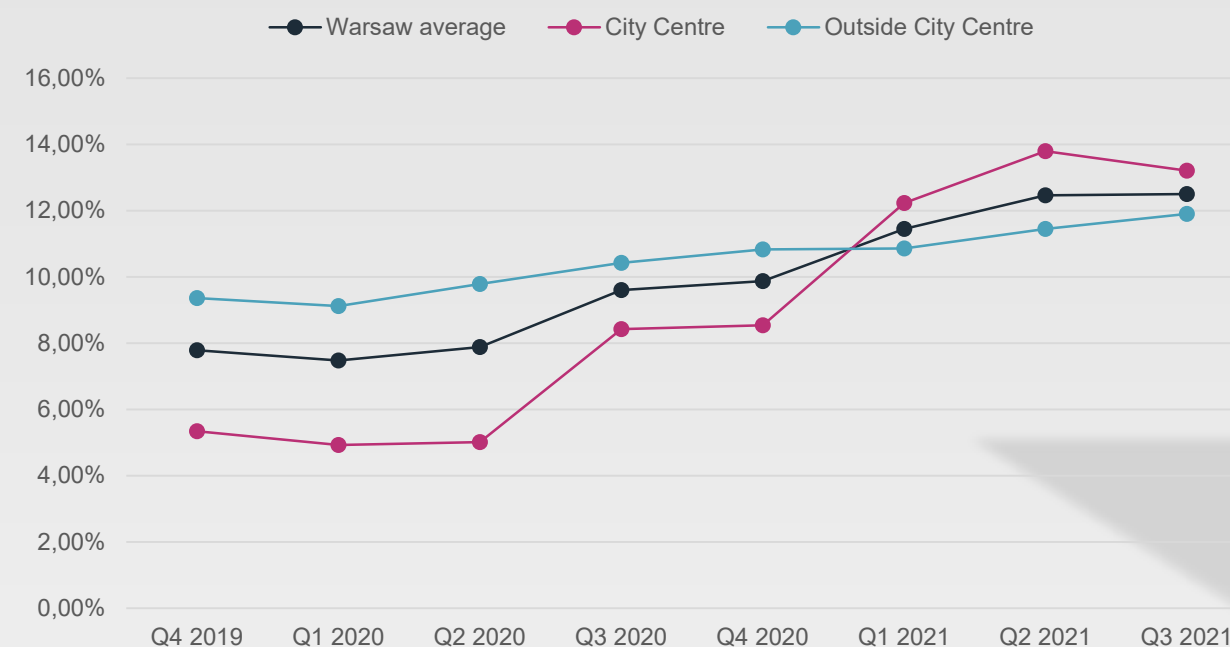
## Vacancy rate



### AT A GLANCE

Q3 2021

**Q3: 12.5%** Warsaw average **13.2%** City Centre **11.9%** outside City Centre



Source: BNP Paribas Real Estate Poland

## Rents

- Prime rent: 23-24 EUR/sqm/mth
- Average asking rent in Warsaw office buildings broken down by age\*:

**17.5 EUR**



0 – 5 years

**16.0 EUR**



6 – 10 years

**13.0 EUR**



> 10 years

”

*Despite increased tenants' activity, rents have remained relatively stable, peaking at a maximum alteration amounting to around 0.5 EUR/sqm. In the medium term, the situation may be impacted by rising building maintenance costs, together with building material costs, which naturally lead to an increase in fit-out costs for tenants.*

\* Average rents calculated for buildings that recorded vacancy in a given quarter

Source: BNP Paribas Real Estate Poland

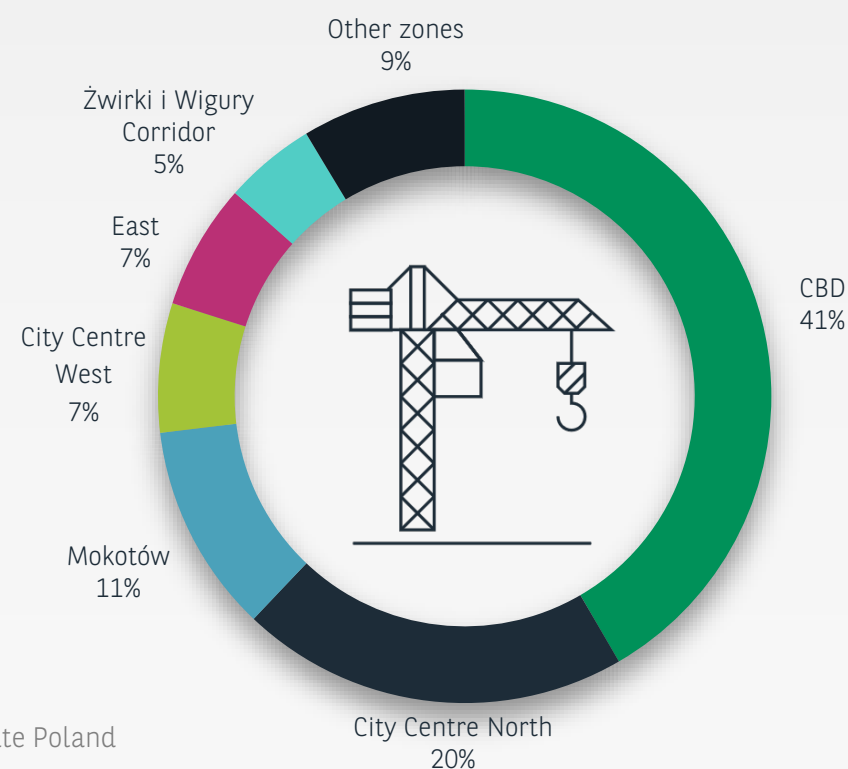
## Office space under construction (2021-2022)

**2021**

**72,000 sqm**

**2022**

**219,000 sqm**



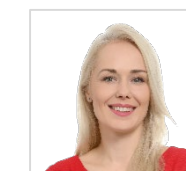
Source: BNP Paribas Real Estate Poland

## Major projects under construction (2021-2024)

	BUILDING	ZONE	OFFICE AREA (sqm)	DEVELOPER	OPENING DATE
1	Varso Tower	CBD	66,300	HB Reavis	Q2 2022
2	The Bridge	City Centre West	47,400	Ghelamco	Q4 2024
3	Forest (Tower)	City Centre North	46,400	HB Reavis	Q1 2022
4	Studio	City Centre West	43,000	Skanska	Q3 2023
5	P180	Mokotów	32,000	Skanska	Q3 2022

Source: BNP Paribas Real Estate Poland

## Expert comment



**Małgorzata Fibakiewicz**

Head of Business Intelligence Hub  
BNP Paribas Real Estate

### Rising costs will put pressure on rents

**The revival of the office market is being overshadowed by an galloping increase in inflation, which affects all of the cost components that ultimately shape rent and office maintenance costs.** The already declared further increases in electricity prices, or the forecast increases in the remaining utilities, will undoubtedly impact operating costs, that will have to be borne by tenants. If we add to this prices of construction materials spiraling out of control due to production impediments, or unstable supply chains, followed by the additional tax obligations foreseen upon the recently adopted Polish governance declaration, or finally the expected materials supply gap resulting from the pandemic, we have, in the short term, a ready recipe for an increase in rents and other contractual burdens.



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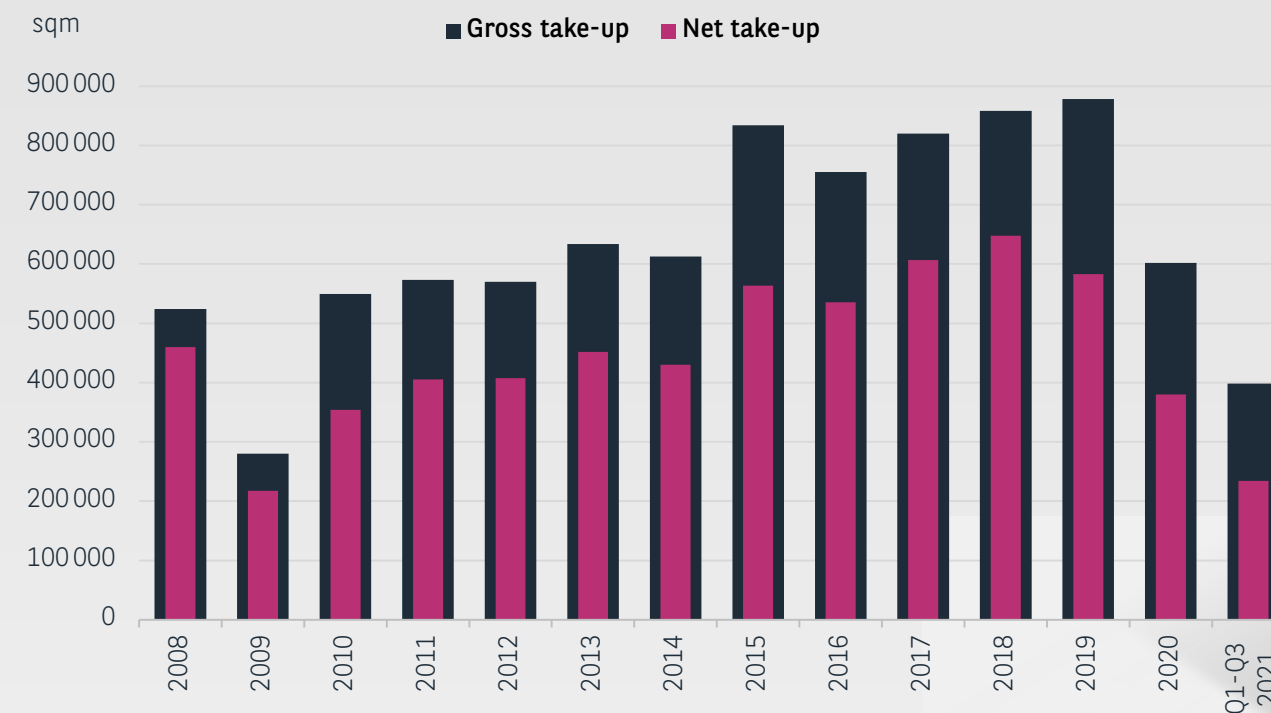
The total volume of transactions concluded in the third quarter of this year – almost 150,000 sqm – is ca. 7% higher than in the previous quarter, 37% higher than in the first quarter and over 35% higher than in the corresponding quarter of last year.

The demand structure is also changing noticeably, which before, influenced by the pandemic, has moved towards renewals – as an organizationally safer and cost-effective transaction. It is now returning back to new contracts, which include relocations, space expansions and pre-let. 58% – this was the share of net demand in total demand. We are still a bit short of a balanced market, but the results seem optimistic.

## Gross and net take-up

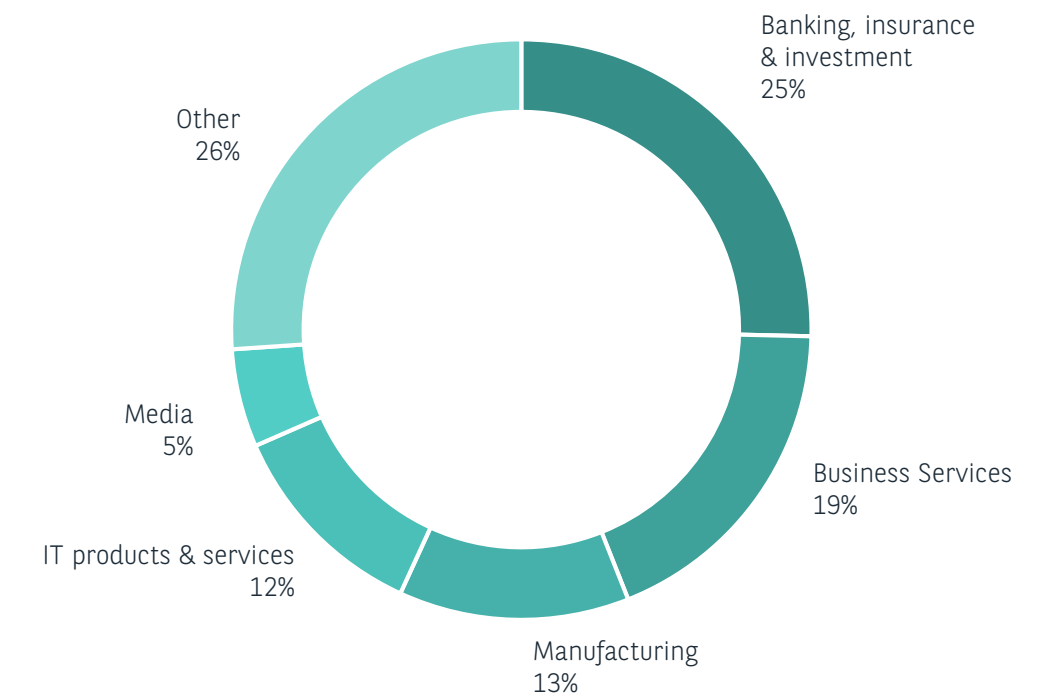
## AT A GLANCE

Q3 2021



Source: BNP Paribas Real Estate Poland

## Structure of gross demand by sectors Q3



Source: BNP Paribas Real Estate Poland

## Gross take-up by zones



1. Center 38%
2. Central Business District 23%
3. Mokotów 19%

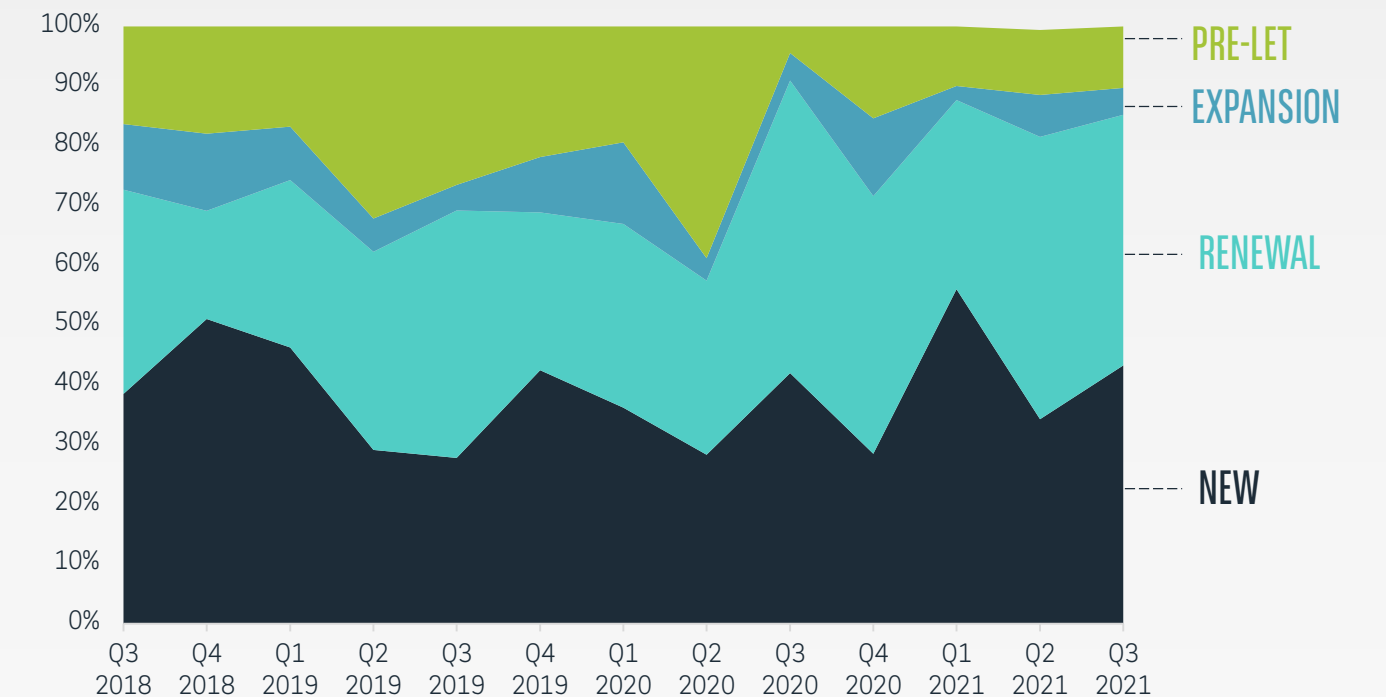
For a number of quarterly periods, the central zones and Mokotów have enjoyed the most interest. This is largely due to the fact that they are the largest office zones in Warsaw. Within the central zone, the City Centre West sub-zone, has recorded the biggest interest among tenants (57% share in a total demand for tenants in the City Centre).

## Top 5 Lease Transactions

	TENANT	BUILDING	ZONE	ARE LEASED (sqm)	TYPE OF AGREEMENT
1	Confidential	Atrium Garden	CBD	13,900	renewal
2	CMS	Varso Tower	CBD	7,000	pre-let
3	Confidential	Wiśniowy Business Park E	Żwirki i Wigury Corridor	5,700	renewal
4	Nationale Nederlanden	Hortus	City Centre	5,100	renewal
5	Greenberg Taurig	Varso Tower	CBD	5,000	pre-let

Source: BNP Paribas Real Estate Poland

## Structure of gross demand Q3



Source: BNP Paribas Real Estate Poland



# AT A GLANCE

## Q3 2021

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