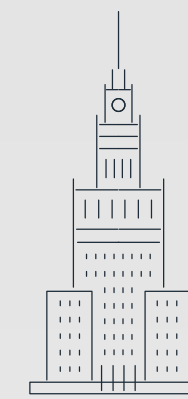


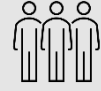




AT A GLANCE

Q4 2021

WARSAW OFFICE MARKET



Economic indicators- Warsaw

	Population (June 2021)	1.79 M
	Unemployment rate (November 2021)	1.8%
	Average salary PLN gross (November 2021)	7,249
	Number of students (academic year 2020/2021)	256,000
	Number of universities (academic year 2020/2021)	69

Source: Statistics Poland

Highlights

- The office sector closes 2021 with nearly 325,000 sqm of new space which translates into 3% growth, compared to 2020
- Increasing number of contract renewals - changes in the demand structure
- The vacancy rate goes up again - 12.7%
- The supply gap becomes visible on the horizon
- 'Flexibility' is the key word in the office market in 2021



6.15 M sqm
EXISTING OFFICE SPACE

31,500 sqm
NEW SUPPLY Q4

347,000 sqm
SPACE UNDER CONSTRUCTION
(2022-2025)

12.7%
AVERAGE VACANCY RATE

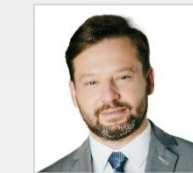
251,000 sqm
GROSS DEMAND Q4

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

646,500 sqm
GROSS DEMAND 2021



Expert comment



Mikołaj Laskowski
Head of Office Agency
BNP Paribas Real Estate

'Flexibility' - the key word in the office market in 2021

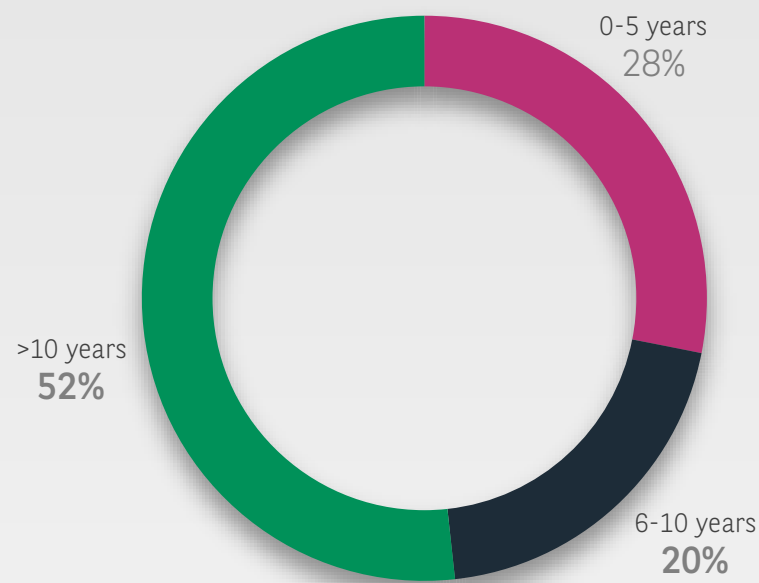
2021 was a time when the market experimented and evaluated various types of work styles, implemented a variety of hybrid work management methods, and finally analyzed various strategies regarding a return to office. Whatever the diverse motivational aspects and reasons, it all boiled down to the flexibility that employees, customers and suppliers expected. So, the demand for flexibility has also permeated the analysis of tenants' needs for office space. Therefore, in Q4, despite a record number of sqm transacted compared to the other quarters of 2021, the overall leasing structure altered. 50% of the share in this structure, are renewals of contracts, tenants capitalizing on the overall situation and optimizing the occupied space, bearing in mind need for flexibility. In the whole of 2021, this share is 45%, which means +9% increase compared to 2020.



Over 6.15 M sqm of existing office space, of which more than half are buildings over 10 years old.

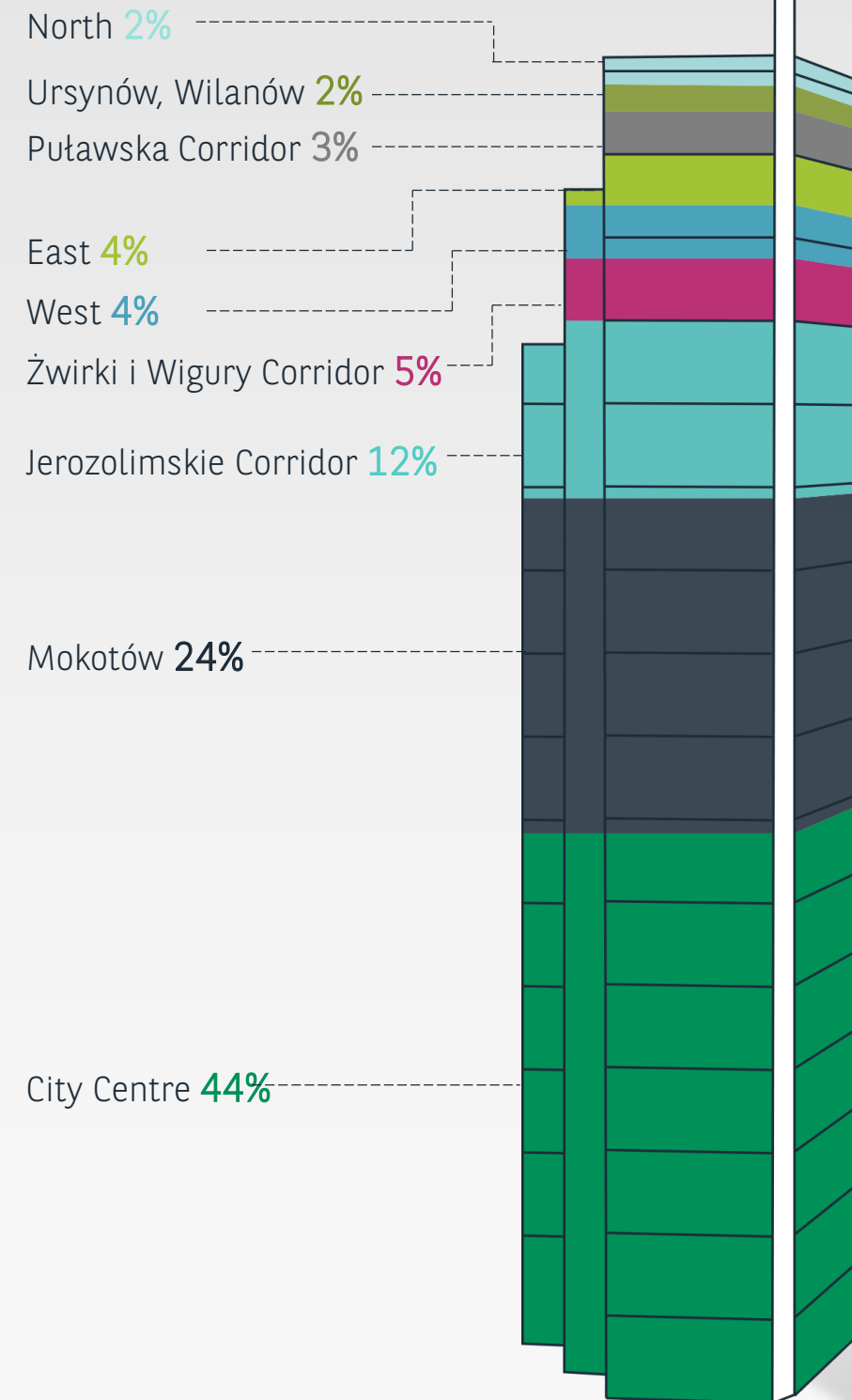
In the era of far-reaching activities aimed at environmental protection and halting the pace of climate change, as well as the expectations of tenants, many owners of older properties will face the dilemma of what to do next? A combined re-development may be the solution, with a mix of various functions being added. A good example of this, is the project at al. Jana Pawła, implemented by Strabag, which is set to replace Atrium Business International.

Existing stock by age Q4 2021



Source: BNP Paribas Real Estate Poland

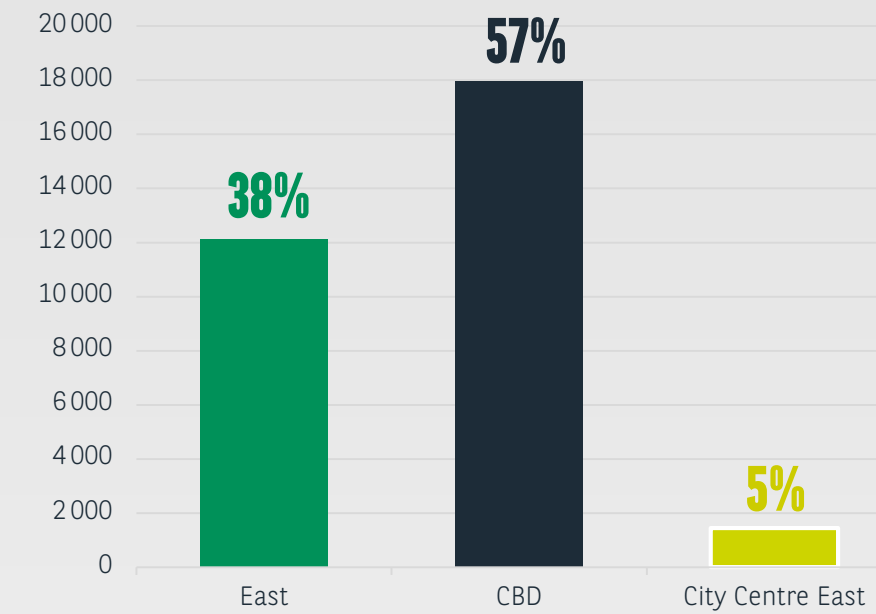
Existing stock by zone Q4 2021



Source: BNP Paribas Real Estate Poland

New supply Q4 2021

Number of sqm / quarter by zones



Source: BNP Paribas Real Estate Poland



In Q4 of 2021 the Warsaw office market expanded by 31,500 sqm. The CBD zone grew by 18,000 sqm, thanks to the Central Point building delivered by the Belgian developer Immobel. Also, in the eastern district, WhiteStar commissioned the first phase of the PZO Factory, which was entirely leased to for the requirements of ZTM.

Completions Q4

BUILDING	ZONE	OFFICE AREA (sqm)	DEVELOPER
1 Central Point	CBD	17,975	Immobel
2 Fabryka PZO I	East	12,122	WhiteStar
3 EC Powiśle D3	City Centre East	1,450	WhiteStar

Source: BNP Paribas Real Estate Poland

Expert comment



Klaudia Okoń

Consultant Business Intelligence Hub & Consultancy
BNP Paribas Real Estate Poland

Serviced offices respond to tenants' needs

Space optimization, a phenomenon that we have been observing essentially since the beginning of the pandemic, is the result of both hybrid working, which in the main, makes use of the employee's home as a workplace, but also a consequence of the wider and more appropriate offer of serviced offices.

The first lockdown in March 2020 forced us out of offices, leading to questioning their future and the role they will play. In December 2021, however, we knew that the office is a place necessary for the exchange of thoughts and experiences, to strengthen team integration, as well as to build interpersonal relationships. However, it goes without saying, that this happens in a traditional office environment. More and more companies are making of the opportunity of using serviced offices, as a result of which, employees have constant contact with each other, and the company benefits from the flexibility of the contract, which turns out to be worth its weight in gold during difficult times.



At the end of Q4 2021, the vacancy rate in Warsaw continued its growth, with a temporary halt during Q3, eventually reaching 12.7%. This means that nearly 780,000 sqm is still waiting for tenants. Most of the free sqm prevail in the central zone, although as ever, the highest rate is in Mokotów. The ratio for this quarter was influenced by the completion of the Central Point building, which at the time of hand-over still had almost 85% of space available for lease. In addition, the quarterly demand indicates that many tenants have prolonged their lease contracts instead of relocating, doing the space optimization at the same time. In 2022, the office market will be sensitive to remote working and returns to offices, all dependent on the further evolution of the pandemic.

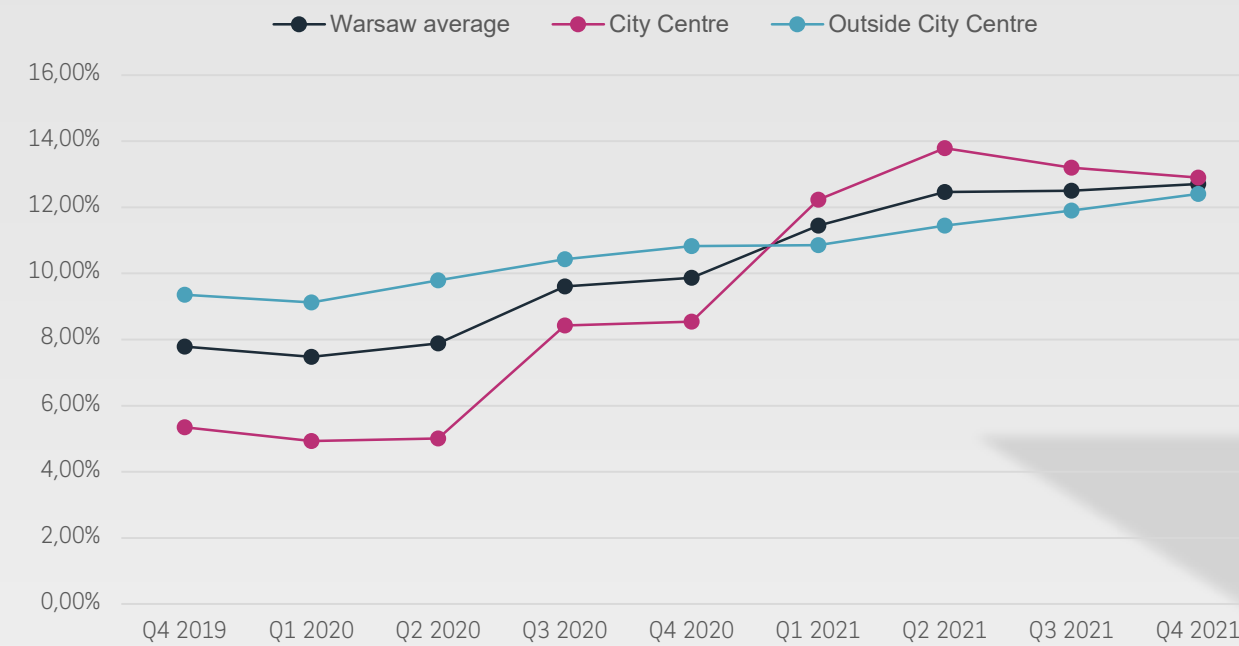
Vacancy rate



AT A GLANCE

Q4 2021

Q4: 12.7% Warsaw average 12.9% City Centre 12.4% 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*:

16.5 EUR



0 – 5 years

15.9 EUR



6 – 10 years

13.5 EUR



> 10 years



Galloping inflation, increases in utility and construction material costs, an increase in tax burdens, as well as the supply gap that the Warsaw office market will have to face in 2023-2025, will result in higher base rents and operating costs this year.

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

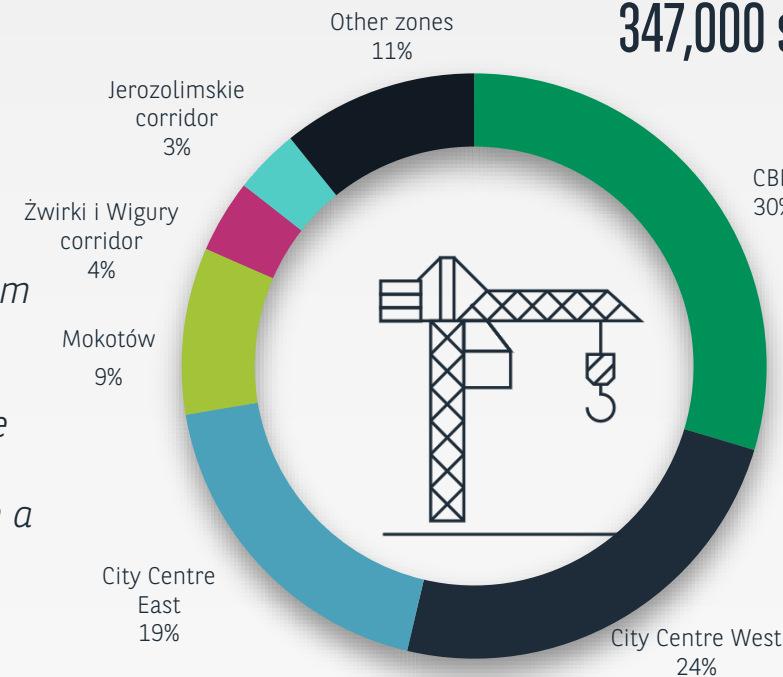
Source: BNP Paribas Real Estate Poland

Office space under construction (2022-2025)

2022-2025

347,000 sqm

Without a doubt, the Warsaw office market faces a supply gap. While in 2021, nearly 325,000 sqm was delivered to market, today, there is little more currently under construction, with a delivery expectation of 2025.



Source: BNP Paribas Real Estate Poland

Major projects under construction (2022-2025)

	BUILDING	ZONE	OFFICE AREA (sqm)	DEVELOPER	OPENING DATE
1	Varso Tower	CBD	66,300	HB Reavis	Q4 2022
2	Forest (Tower)	City Centre North	51,700	HB Reavis	Q2 2022
3	The Bridge	City Centre West	47,400	Ghelamco	Q1 2025
4	P180	Mokotów	32,000	Skanska	Q4 2022
5	Skysawa B	CBD	25,000	PHN	Q3 2022

Source: BNP Paribas Real Estate Poland

Expert comment



Małgorzata Fibakiewicz

Head of Business Intelligence Hub
BNP Paribas Real Estate

The supply gap becomes visible on the horizon

2014 - 2019 were record years in office market history regarding office development in the city, where on average 460,000 sqm was being handed-over, with a record year in 2019, where the market grew by almost 550,000 sqm. The pandemic, which in 2020, seriously hurt the favourable condition of the Warsaw office market, has resulted in far-reaching revisions of development plans. As a result, some developers and owners have transformed office projects into multi-functional ones, while some have been postponed in anticipation of better times ahead. Consequentially, the supply gap, anticipated for 2023-2025, will have an impact on demand levels and its overall structure, while further investments in this sector will inevitably cause an increase in rents. Currently, less than 350,000 sqm is under construction, of which almost 82% is planned for delivery in 2022.



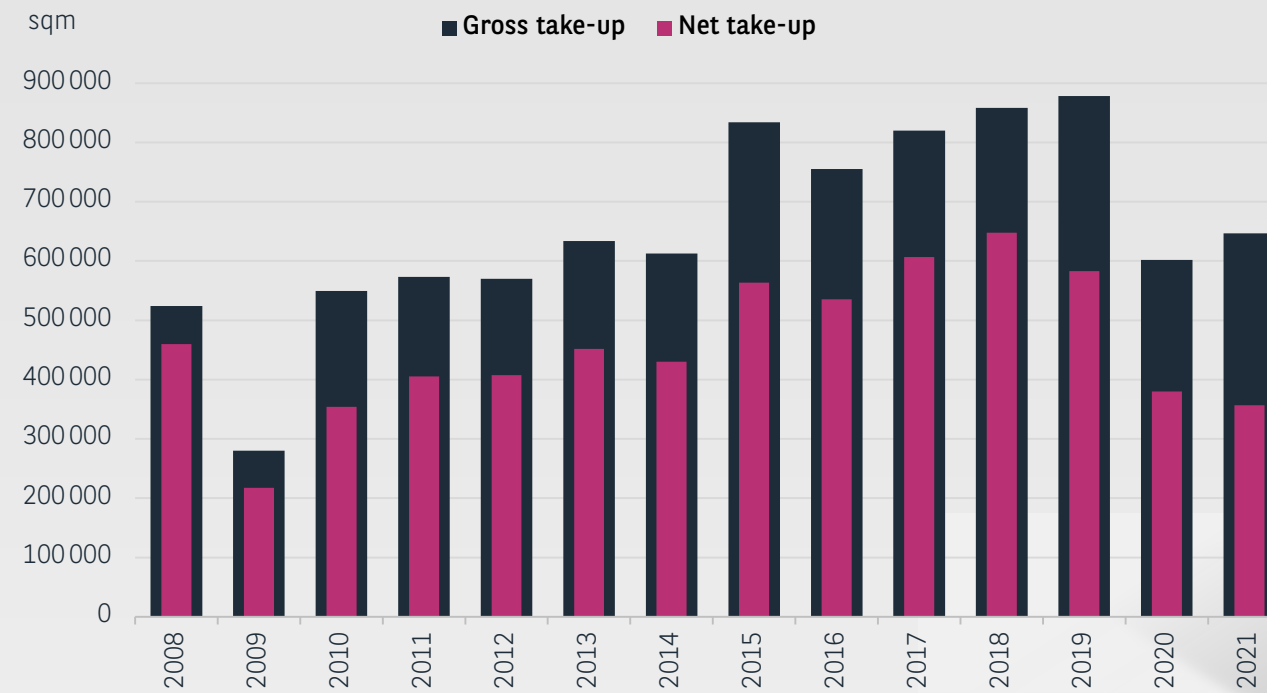
Q4, usually considered the most dynamic throughout the year, did not disappoint, as transactions for a total of nearly 251,000 sqm were concluded.

For the whole of 2021, the total transaction volume amounted to 646,500 sqm, which means a 7% increase compared to the result of 2020. 60% of transactions were concluded in central zones, which is justified considering the intensive development of these zones. Compared to 2020, the demand structure has changed, as in 2021 the share of lease renewals increased, going up from 36% in 2020 to almost 45%. There are many factors that contribute to this result, the important ones being: hybrid working and the desire to optimize space, increasing fit-out costs, and the looming supply gap spectre drawing ever closer.

Gross and net take-up

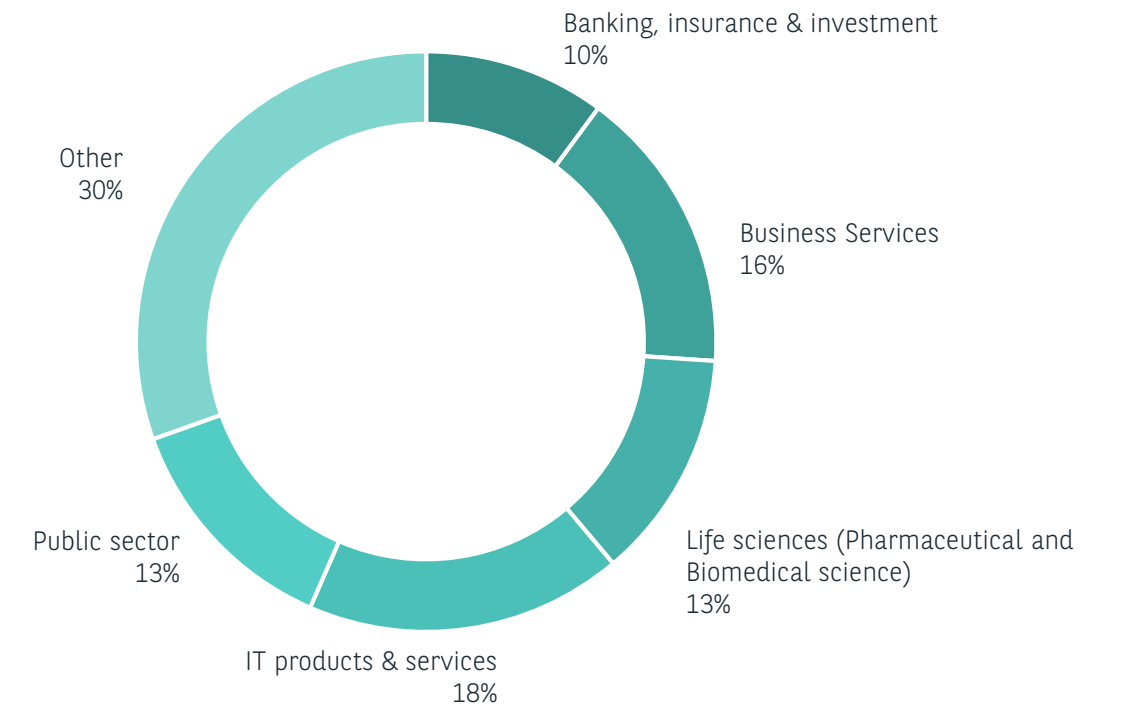
AT A GLANCE

Q4 2021



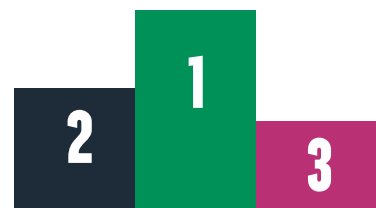
Source: BNP Paribas Real Estate Poland

Structure of gross demand by sectors Q4



Source: BNP Paribas Real Estate Poland

Gross take-up by zones



1. City Centre (City Centre + CBD)
2. Mokotów
3. Jerozolimskie corridor

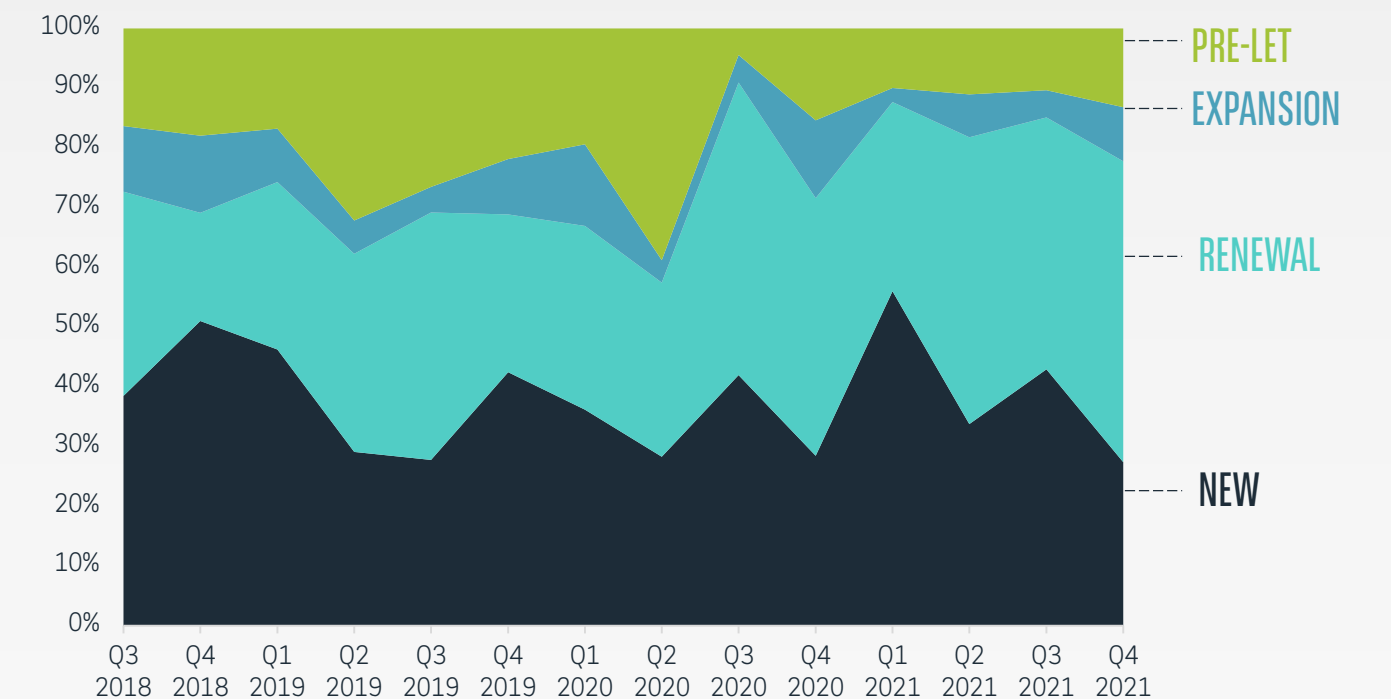
For a number of quarters, the two largest office hubs in Warsaw, the centre and Mokotów, have attracted the greatest levels of interest. 60% of the total demand belongs to the centre of the capital, of which 60% relates to zones outside of the Central Business District. In Mokotów, contracts have been signed for over 48,000 sqm, and the Jerozolimskie Avenue corridor added another 26,000 sqm.

Top 5 Lease Transactions

TENANT	BUILDING	ZONE	ARE LEASED (sqm)	TYPE OF AGREEMENT
1 AstraZeneca	Postępu 14	Mokotów	20,800	Renewal+expansion
2 Confidential	Varso Tower	CBD	15,000	Pre-let
3 GDDaIK	Green Corner B	City Centre West	12,800	Renewal
4 Gaz System	Cristal Park	Jerozolimskie Corridor	9,100	Renewal
5 Narodowe Centrum Badań i Rozwoju	Varso Tower	CBD	8,500	Pre-let

Source: BNP Paribas Real Estate Poland

Structure of gross demand Q4



Source: BNP Paribas Real Estate Poland



AT A GLANCE

Q4 2021

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