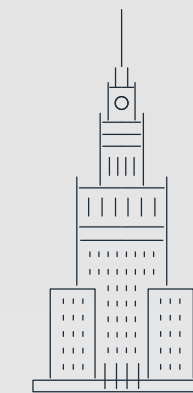


AT A GLANCE

Q3 2022

WARSAW OFFICE MARKET



Economic indicators – Warsaw

	Population (December 2021)	1.79 mln
	Unemployment rate (August 2022)	1.7%
	Average salary PLN gross (August 2022)	8,028
	Number of students (academic year 2021/2022)	264,200
	Number of universities (academic year 2021/2022)	63

Source: Statistics Poland

Highlights

- **Varso Tower** - the tallest building in EU with use permit
- **Is the demand slowing down?** 128,700 sqm gross take-up of modern office space in Q3 2022 - 13.3 p.p. less than in Q3 2021
- **Significant rent indexation and settlement of service charges** ahead of tenants in 2023
- Labour Code amendment containing **provisions regulating remote work** has been submitted to Parliament for voting



Source: BNP Paribas
Real Estate Poland



KEY FIGURES

6.34 M sqm

EXISTING OFFICE SPACE

99,100 sqm

NEW SUPPLY Q3

180,600 sqm

SPACE UNDER
CONSTRUCTION
(2022-2025)

12.1%

AVERAGE VACANCY
RATE

26-27 EUR (sqm/mth)

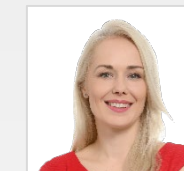
PRIME HEADLINE RENT

128,700 sqm

GROSS DEMAND
Q3



Expert comment



Małgorzata Fibakiewicz

Head of Business Intelligence Hub
BNP Paribas Real Estate Poland

2023 will bring many challenges for the office sector

Next year will be exceptional in terms of increases in rents and service charges. In the history of the modern office space market, which began to take shape after 2000, we did not have to deal with such an indexation of rents, as is ahead of tenants in 2023, in the light of current inflation rates. In addition, the energy crisis will become evident in the service charges and costs of utilities paid by tenants. Office buildings proactively analyze the possibilities of reducing the electricity consumption, in order to minimize the incoming gigantic increases in energy prices. This is being done by usage of LED lamps or photovoltaics, securing generators, introducing motion sensors that switch electricity on and off, extensive BMS, energy-absorbing facades. On this basis, ESG gains even more importance. The passive buildings, being therefore completely self sufficient, are still a mile away, but the efforts to reduce the carbon footprint of the real estate industry at every stage of the property life cycle (construction and operation) is an undeniable fact.

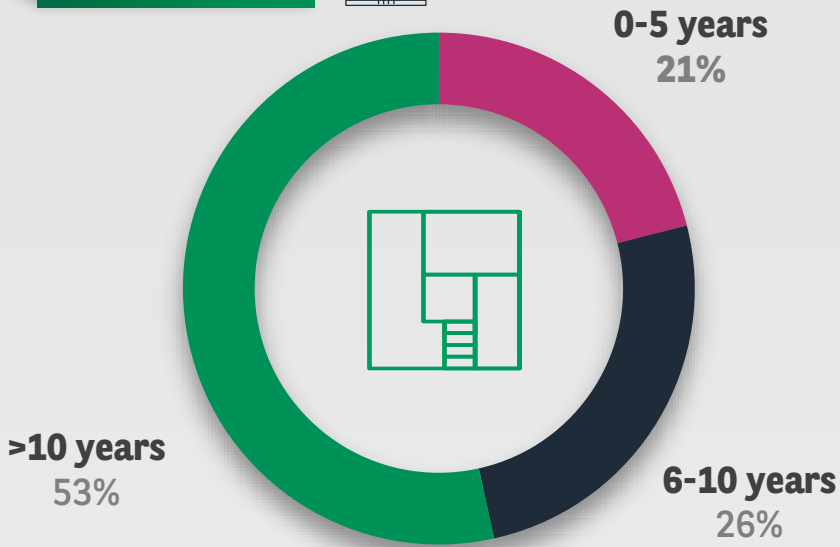


Existing stock by age

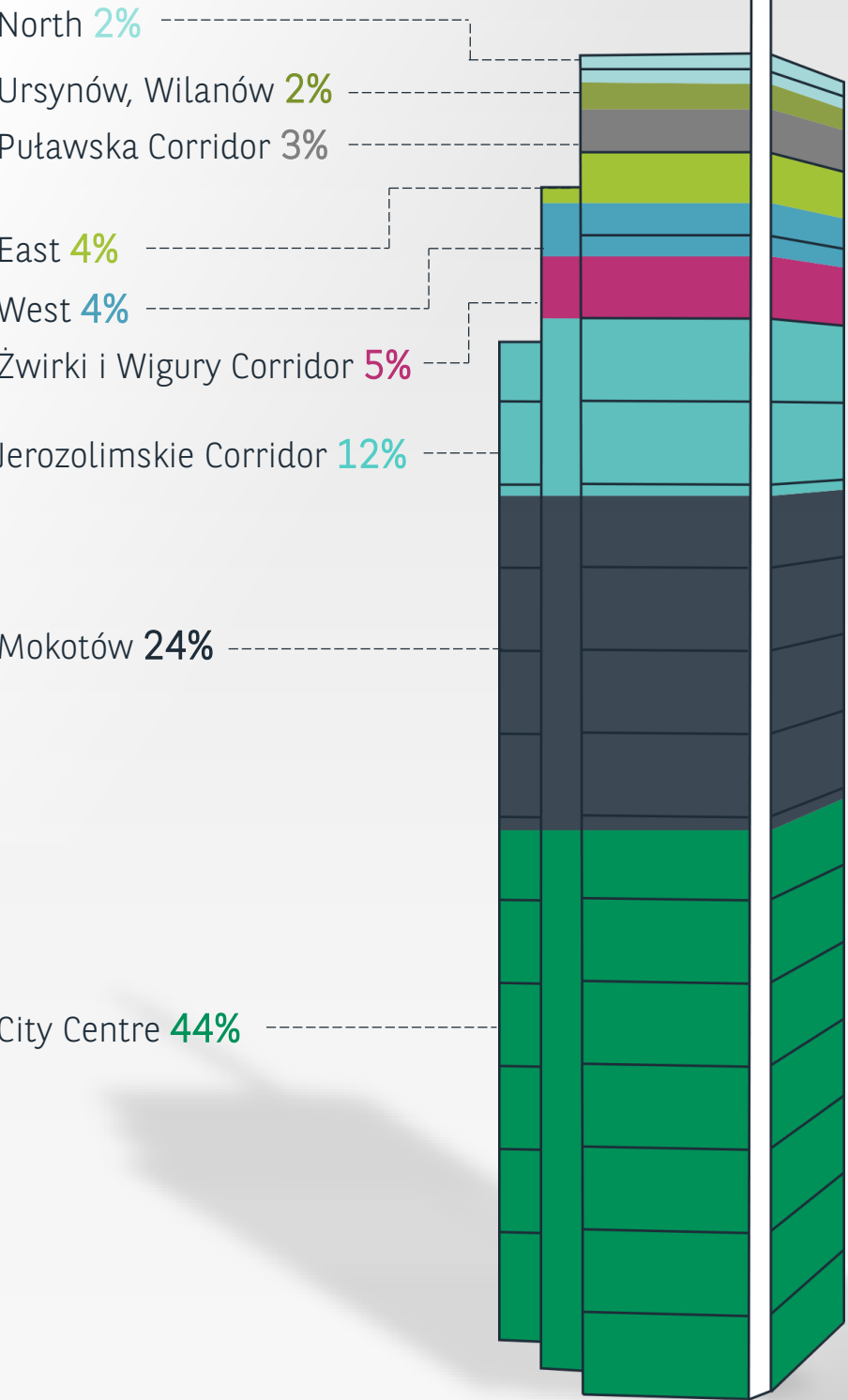
Source: BNP Paribas Real Estate Poland



The Warsaw office stock is 6.34 million sqm, of which roughly half are buildings over 10 years old. The coming supply gap will not change much in this structure. Fortunately, planned office projects appear on the horizon, although their scale is much smaller than it was a few years ago. A few projects are worth of mentioning: multifunctional project Towarowa 22 (30,000 sqm of offices), launched by Echo Inv. and AFI, the construction of which will begin in Q1 2023. PHN is preparing the VENA office project, located at Prymasa Tysiąclecia Street. The project will include almost 15,000 sqm of modern office space and will start in Q1 2023. Last but not least, Ghelamco, has launched its VIBE project at the intersection of Towarowa and Kolejowa streets. It will offer 15,000 sqm of GLA and will be ready in the first quarter of 2024. Its construction started at the beginning of October 2022.



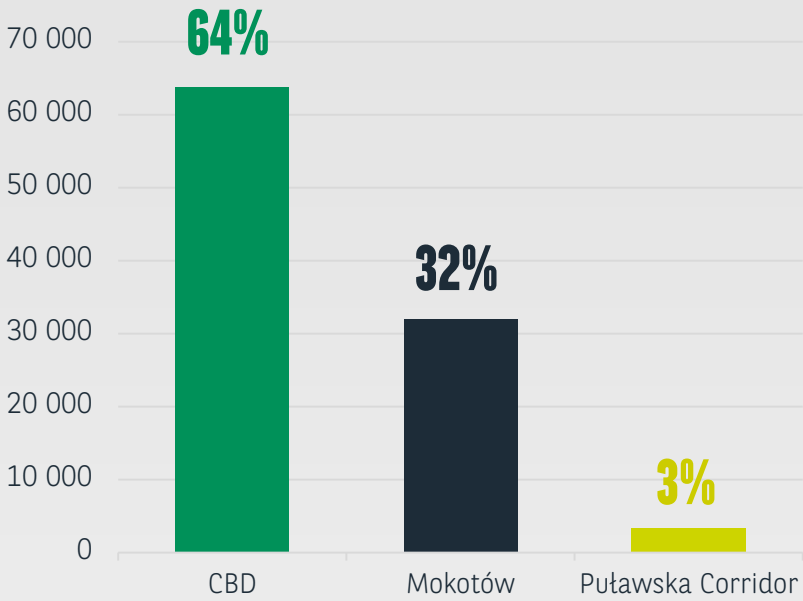
Existing stock by zone Q3 2022



Source: BNP Paribas Real Estate Poland

New supply Q3 2022

Number of sqm / quarter by zones



Source: BNP Paribas Real Estate Poland



In the third quarter of 2022, the Warsaw office market increased by 99,100 sqm due to the delivery of three office buildings. CBD has gained the tallest building not only in Poland, but also in the EU - the Varso Tower office building (63,800 sqm). Mokotów zone has increased by 32,000 sqm of office space thanks to the P180 office building, located near the Wilanowska metro station. In addition, in the Puławska Corridor zone, a small office building Poleczki 32 (3,300 sqm), a development from PID Polska, was put in use.

Expert comment



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

The government regulates remote work. Amendment to the Labor Code with the Parliament now.

A government draft amendment to the Labor Code was submitted to the Parliament, including provisions awaited by employers, which are regulating remote work in details. The regulations currently in force, introduced by the special Covid Act, only say that the employer may instruct the employee to perform duties outside the permanent workplace. The recently submitted draft makes this regulation much more detailed, by introducing an entirely new chapter to the Labor Code. It is to replace the current provisions in the teleworking law. Pursuant to the bill, work may be performed in any place indicated by the employee and agreed with the employer. A completely new option is the introduction of remote work in agreement with the employee or at his request. In addition, the employer will have to cover the costs of electricity and telecommunication services necessary to perform remote work.

Completions Q3 2022

	BUILDING	ZONE	OFFICE SPACE (sqm)	DEVELOPER
1	Varso Tower	CBD	63,800	HB Reavis
2	P180	Mokotów	32,000	Skanska
3	Poleczki 32	Puławska Corridor	3,300	PID Polska

Source: BNP Paribas Real Estate Poland

At the end of the third quarter of 2022 in Warsaw, the vacancy rate reached 12.1% (an increase of 0.2 p.p. compared to the previous quarter and a decrease of 0.3 p.p. for the same period in 2021). The availability of office space amounted to 770,200 sqm. In central zones, the vacancy rate fell to 11.1%, while outside the city center it reached 13.0%. Half of the office zones recorded an increase in the vacancy rate q/q, the largest of which was observed in the CBD zone (3.2 p.p.). When analyzing the subzones in terms of the increase in the vacancy rate, the highest increase q/q was registered in the subzone outside Służewiec (4.9 p.p.) The above-mentioned largest increases in vacancy rates are due to the delivery of new buildings in the analyzed zones: Varso Tower in CBD (62% of lease) and P180 in the subzone outside Służewiec (14.3% of lease).

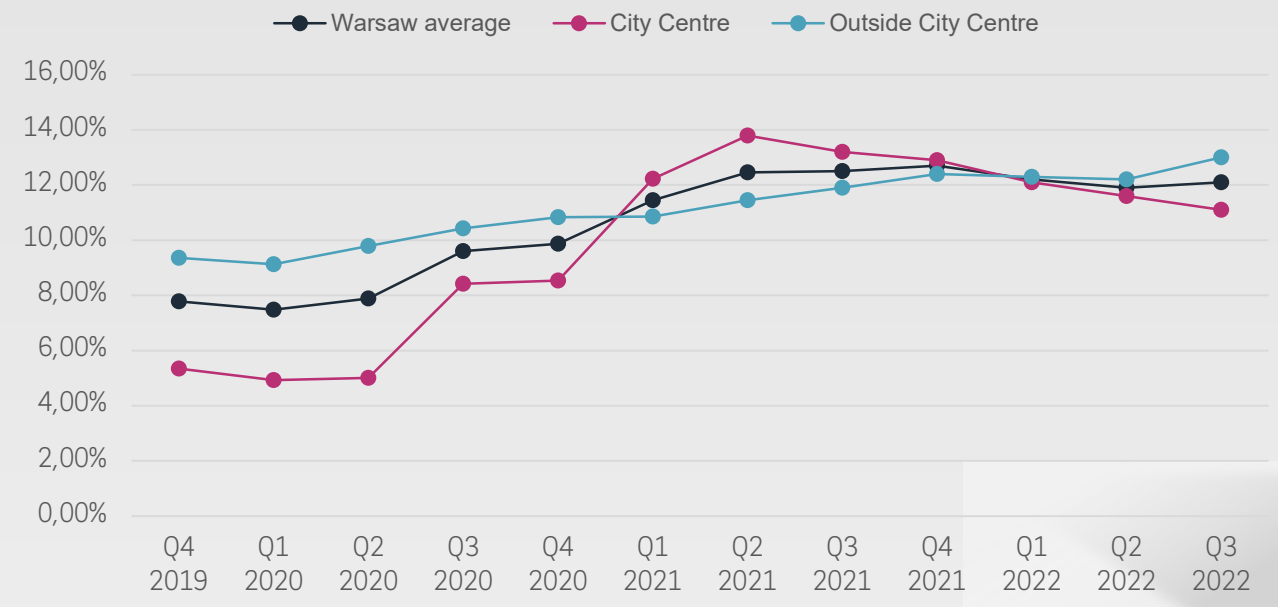
Vacancy rate



AT A GLANCE

Q3 2022

Q3: 12.1% Warsaw average 11.1% City Centre 13.0% outside City Centre



Source: BNP Paribas Real Estate Poland

Rents

- „Prime” rent: 26-27 EUR/sqm/mth
- Average asking rent in Warsaw office buildings broken down by age*:

17.42 EUR

0-5 years

16.66 EUR

6-10 years

14.21 EUR

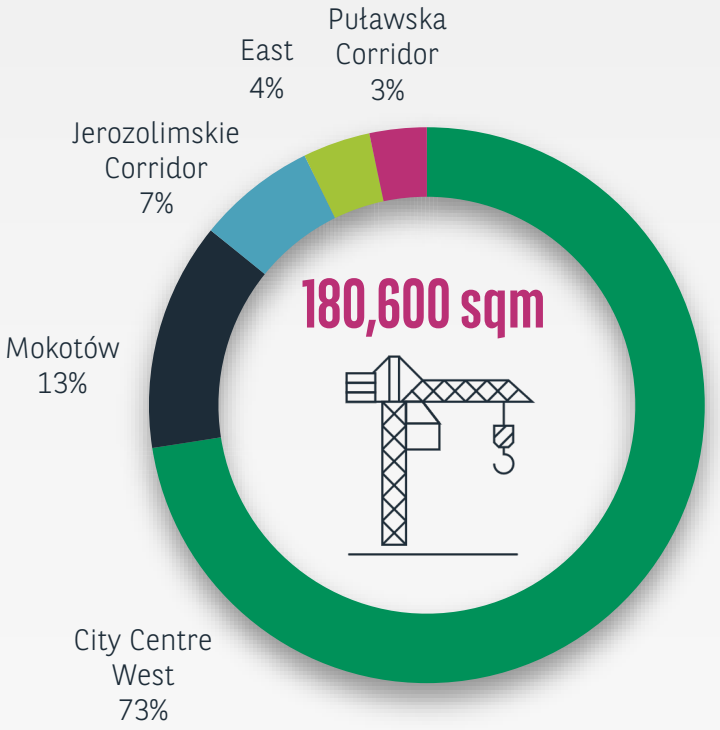
>10 years

Rent and service charges are rising, lease periods are lengthening, and contracts are subject to higher and higher annual indexation of rates. So far, the increase in asking prices is small, in the range of EUR 0.25-0.75. However, higher utility costs also translate into an increase in service charges, which jumped by about 20-30 percent year on 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)



In the third quarter of 2022, 99,100 sqm of space were delivered to the Warsaw office market. The pool of projects under construction planned for delivery by the end of 2022 has practically emptied. Approx. 180,600 sqm of office space is planned to be delivered to the market between 2023 and 2025, with over a half of it in 2025.

Source: BNP Paribas Real Estate Poland

Major projects under construction (2022-2025)

	BUILDING	ZONE	OFFICE SPACE (sqm)	DEVELOPER	OPENING
1	The Bridge	City Centre - West	47,400	Ghelamco	Q1 2025
2	Skyliner II	City Centre - West	38,000	Karimpol	Q4 2025
3	Lakeside	Mokotów	24,000	Atenor	Q4 2023
4	Lixa E	City Centre - West	18,000	Yareal	Q1 2024
5	Studio phase I	City Centre - West	17,600	Skanska	Q3 2023

Source: BNP Paribas Real Estate Poland

Expert comment



Dorota Mielke
Associate Director, Office Agency
BNP Paribas Real Estate Poland

Employees return to offices - how to meet their requirements?

Recent studies carried out on behalf of Skanska show that over 50% of Polish office workers from large cities work in a hybrid model. This is 20 p.p. more than in May 2021, when 32% of the respondents worked in this model. Employers are trying various ways to encourage employees to return to their offices. One of such arguments, apart from the convenient location is also the attractiveness of the office. Tenants looking for new office space to let are aware of what space they need. The result of these searches are usually tailor-made offices, that will allow to meet the diverse expectations of the four generations of employees, who work together on the labour market now. Research shows that in order to increase the commitment and loyalty of the young generation, a new concept of motivation-hygge - the Scandinavian concept of happiness (friendly space, focusing on other people), could be used. Thanks to the ideas behind hygge philosophy, young employees can become more loyal and more engaged in their work.

In the first three quarters of 2022, the gross demand for modern office space in Warsaw exceeded 608,000 sqm, including 128,700 sqm in Q3 2022. In the period July - September 2022, the tenants were most interested in office space in Centre locations, CBD and Mokotów zones. The result generated in this period is 13.3 p.p. lower than in the corresponding period of the previous year. In the third quarter, the demand structure was dominated by new contracts, which constituted 48% of all contracts signed in Warsaw, and renegotiations constituted slightly less, i.e. 45% of all contracts. Expansions, on the other hand, accounted for only 5% of all contracts. In the Warsaw office market, there is also a trend of renting an office for owner's needs, in Q3 the demand for this type of office amounted to almost 1,800 sqm, which constitutes approx. 1% of the quarterly gross demand.

Gross take-up by zones

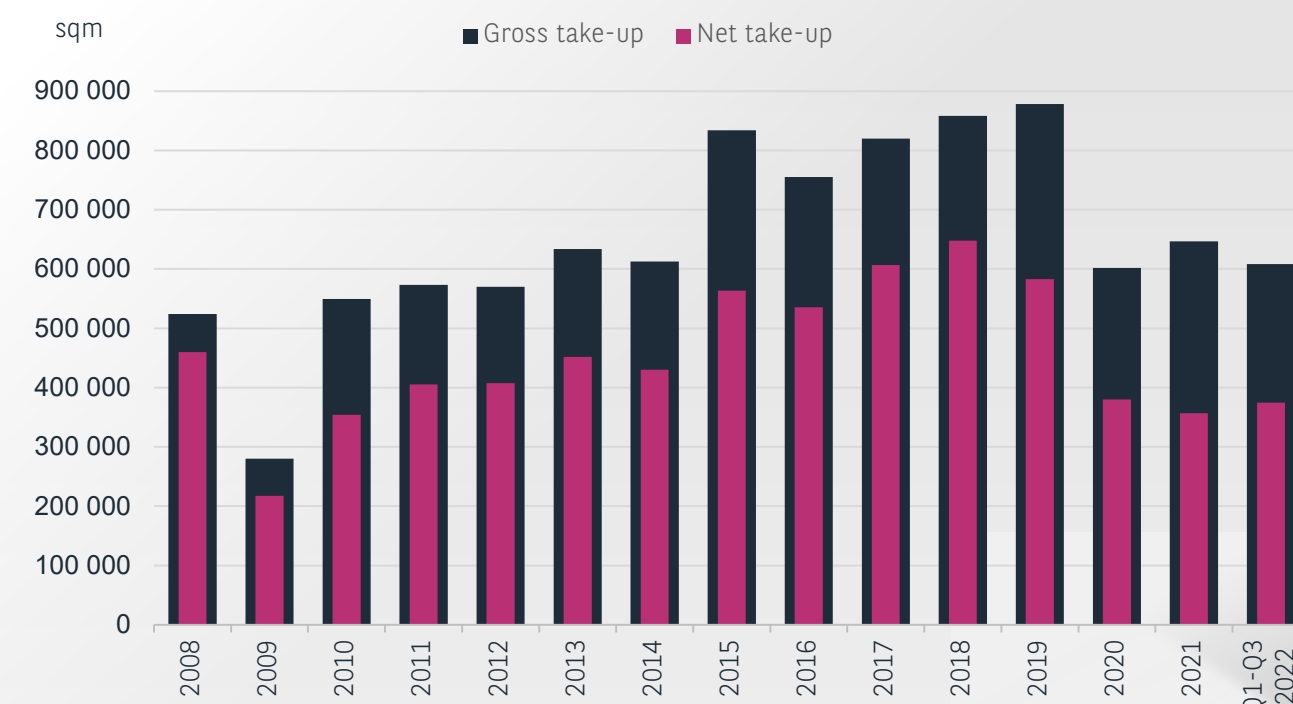


For many quarters, the two largest office hubs in Warsaw – Central and Mokotów – have been enjoying the greatest interest among tenants. The record 54% share in total demand once again belongs to the Central zones of the capital. Contracts for over 27,500 sqm were signed in Mokotów and the Jerozolimskie Corridor added another 22,600 sqm to the pool.

Gross and net take-up

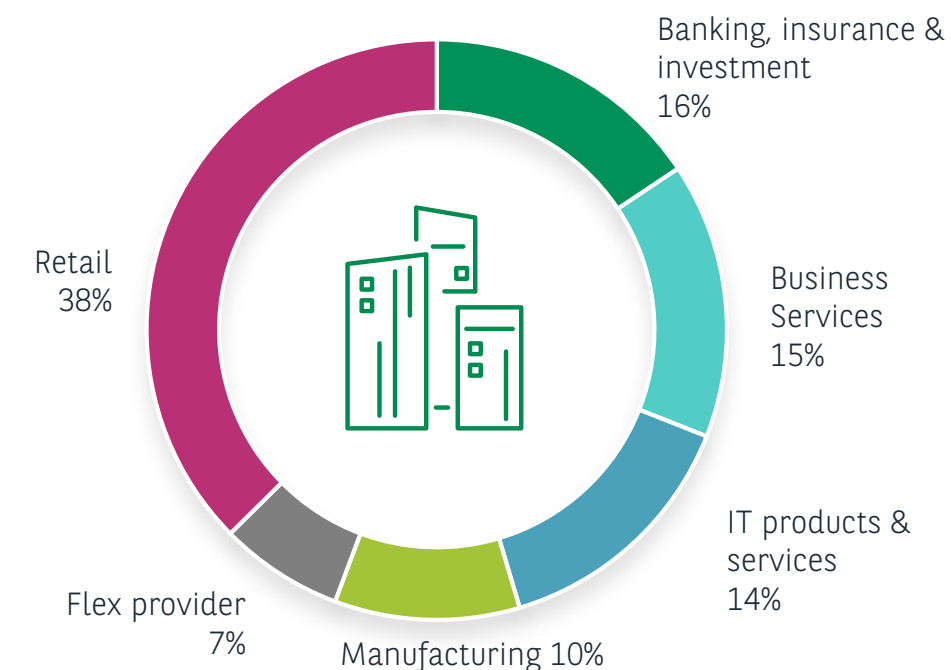
AT A GLANCE

Q3 2022



Source: BNP Paribas Real Estate Poland

Structure of gross demand by sectors Q3 2022



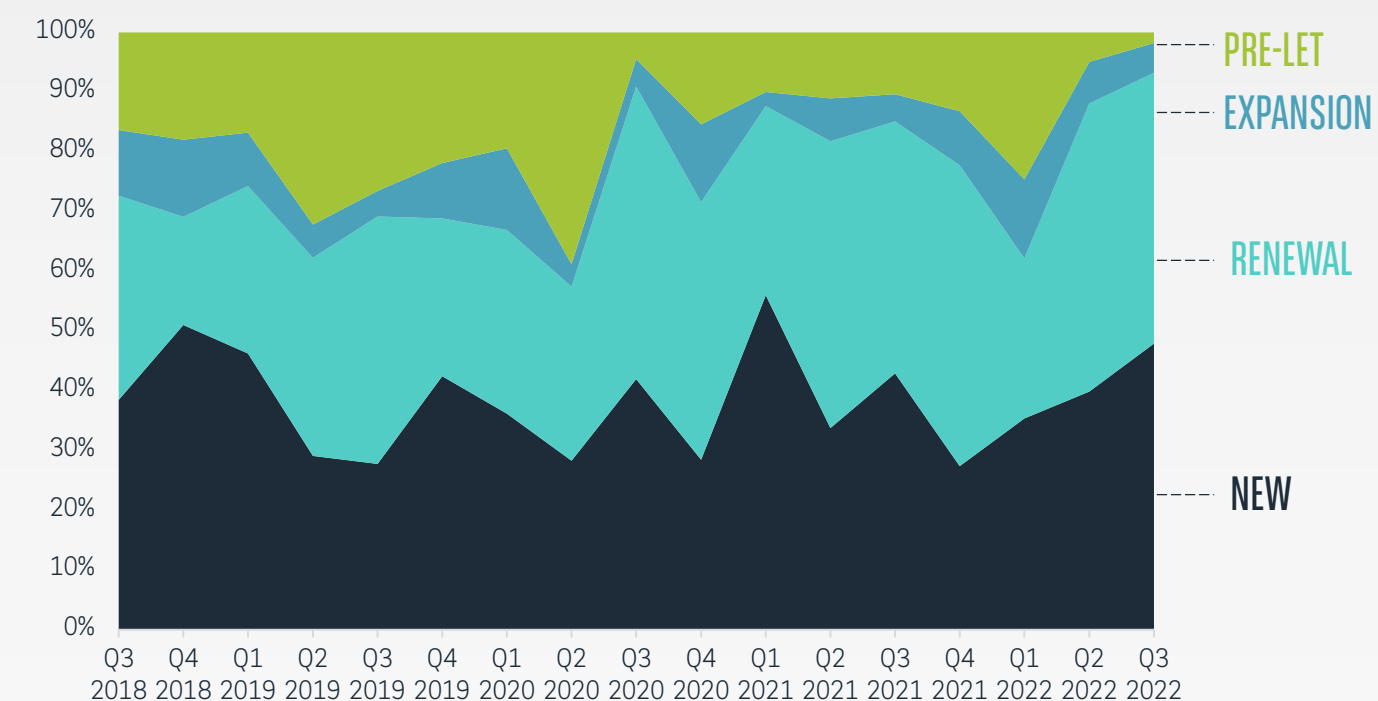
Source: BNP Paribas Real Estate Poland

Top 5 Lease Transactions

	LESSEE	BUILDING	ZONE	LEASED SPACE (sqm)	TYPE OF AGREEMENT
1	Procter & Gamble	Konstruktorska Business Center	Mokotów/ Służewiec	11,300	renewal
2	Confidential	Warsaw Spire C	City Centre - West	6,500	renewal
3	Panattoni	Warsaw Spire A (Tower)	City Centre - West	4,500	renewal + expansion
4	Mindspace	Skyliner	City Centre - West	4,400	new
5	COMP S.A.	Jutrzenki Business Park A & B	Jerozolimskie Corridor	4,200	renewal

Source: BNP Paribas Real Estate Poland

Structure of gross demand 2018-Q3 2022



Source: BNP Paribas Real Estate Poland



AT A GLANCE

Q3 2022

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