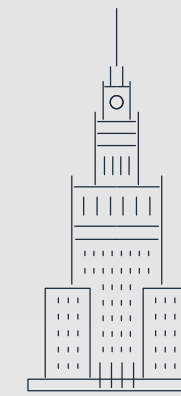


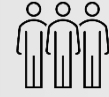




AT A GLANCE

Q3 2023

WARSAW OFFICE MARKET

Economic indicators – Warsaw



	Population (December 2022)	1.86 mln
	Unemployment rate (September 2023)	1.3%
	Average salary PLN gross (September 2023)	8,863
	Number of students (academic year 2022/2023)	250,100
	Number of universities (academic year 2022/2023)	64

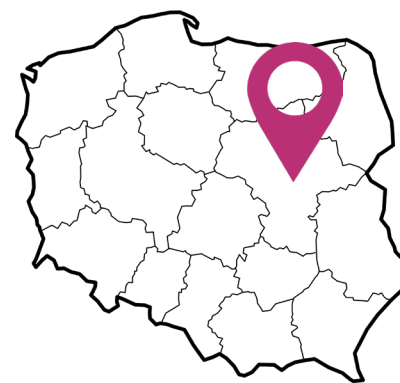
Source: Statistics Poland

Highlights

- Warsaw office vacancy rates fall
- Rental rates remain largely unchanged from Q2 2023
- Recycled offices emerge as a new market trend
- Lease renegotiations provide an opportunity for savings
- Flex offices continue on a growth trajectory
- A supply gap presents a challenge for tenants
- New office supply remains limited



Source: BNP Paribas Real Estate Poland



6.2 M sqm
EXISTING OFFICE SPACE

1,900 sqm
NEW SUPPLY Q3

256,000 sqm
SPACE UNDER CONSTRUCTION
(2023-2026)

10.6%
AVERAGE VACANCY RATE

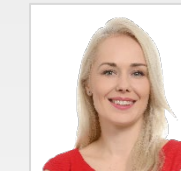
-0.8 pp
q/q

26-28 EUR
(sqm/mth)
PRIME HEADLINE RENT

174,000 sqm
GROSS DEMAND Q3

496,600 sqm
GROSS DEMAND Q1-Q3

Expert comment



Małgorzata Fibakiewicz

Head of Office Agency
BNP Paribas Real Estate Poland

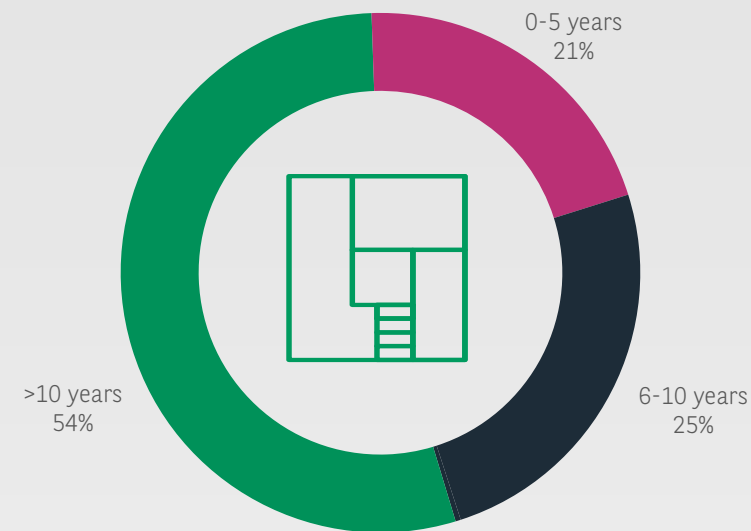
Office availability continues to shrink

Warsaw's office leasing market remained relatively buoyant in the third quarter of 2023, with strong occupier demand despite low new supply levels. Total office take-up in the year to date reached nearly 0.5 million sqm compared to 688,500 sqm for the same time in the peak year 2019. Although the third quarter of 2023 saw the launch of Upper One, developers remain cautious about commencing new office projects compared to the years 2017-2019 when the office development pipeline in the capital averaged nearly 800,000 sqm. As a result, office availability has shrunk. The supply gap pushed Warsaw's vacancy rate down to 10.6%, but in central locations where there is the highest concentration of construction activity only around 9% of office stock is unoccupied. Consequently, large tenants looking for office space to lease before 2026 are likely to face more challenging times. In addition, with fit-out costs remaining high, renewals account for a growing proportion of gross office take-up.



Existing stock by age

Source: BNP Paribas Real Estate Poland



Recycled offices

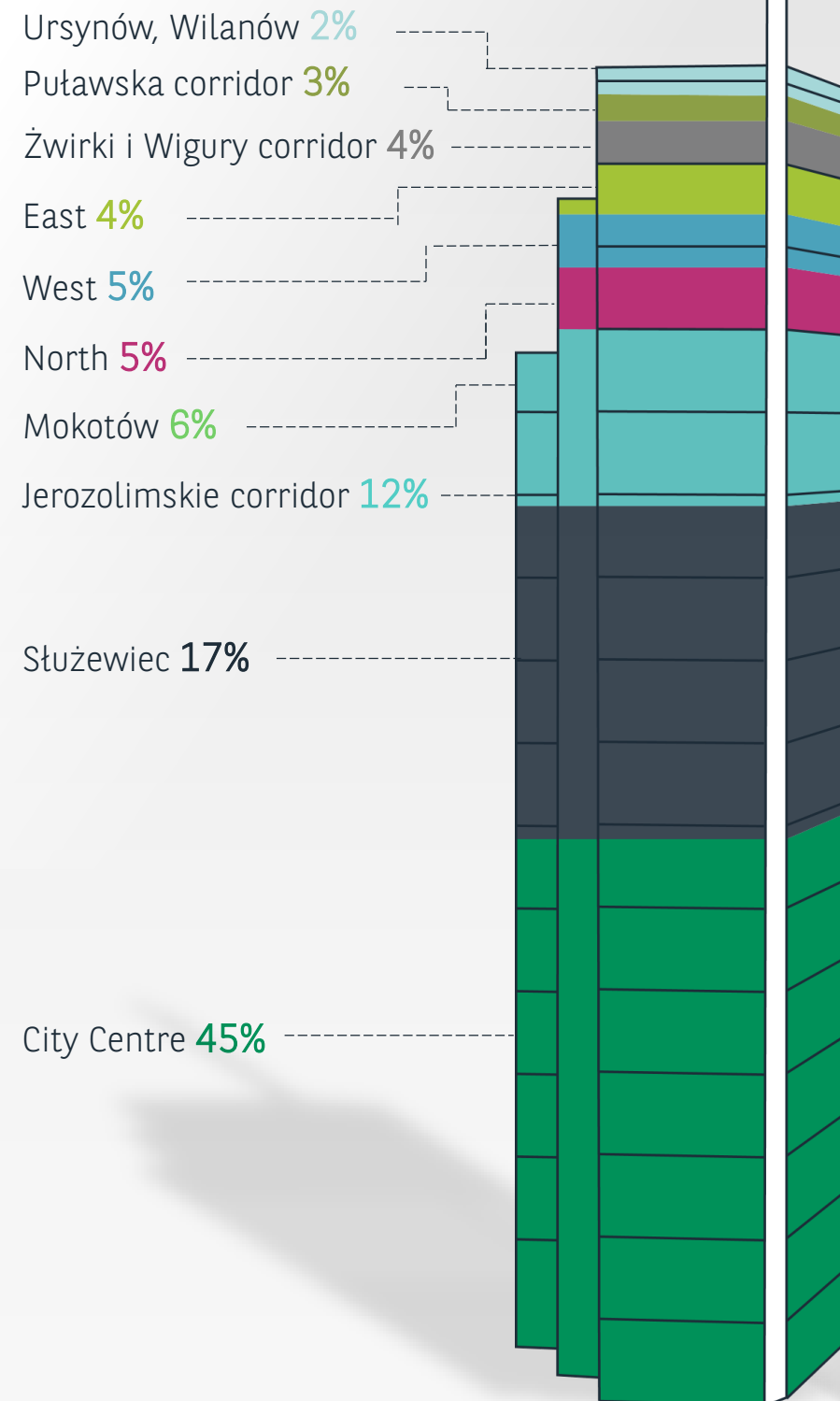
Standard office spaces have a lifespan averaging from 5 to 10 years, with most of the office fit-out becoming waste during this timeframe, which is harmful to the environment. According to the US Environmental Protection Agency, up to 8.5 million tones of workplace assets end up in landfills every year in the US alone. A new trend is emerging: office design with the principle of less waste, i.e. ensuring maximum re-use of available materials, e.g. by incorporating a previous tenant's office fit-out items or heating and cooling devices. This helps reduce the carbon footprint and brings meaningful financial savings.

Completions Q3 2023

BUILDING	ZONE	OFFICE SPACE (sqm)	DEVELOPER
1 S-Bridge Office II	East	1,900	MAK DOM
2			
3			

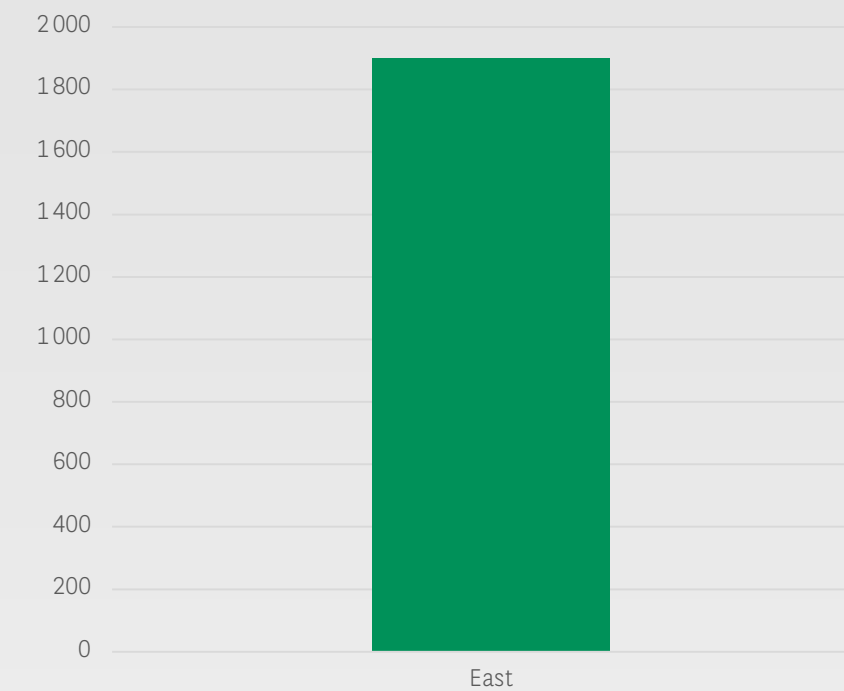
Source: BNP Paribas Real Estate Poland

Existing stock by zone Q3 2023



Source: BNP Paribas Real Estate Poland

New supply Q3 2023



In the third quarter of 2023, only 1,900 sqm of modern office space was added to the Warsaw office market through S-Bridge Office II, located in the East zone. With three office completions in the first half of 2023, this brought Warsaw's total new supply in the year to date to 20,250 sqm - well below the levels seen in previous years (more than 236,000 sqm in the whole of 2022 and nearly 325,000 sqm in 2021).

Expert comment



Ewa Nicewicz
 Consultant, Office Agency
 BNP Paribas Real Estate Poland

Lease renegotiations as a way of making savings

With leases signed in 2018-2019, the peak years for occupier demand, nearing expiry, many organisations will have to make office lease decisions this year. Decision-making will certainly be difficult due to the limited choice of available office space in Warsaw. New supply in the capital in the six months to June 2023 amounted to 18,700 sqm, the lowest first-half total in more than 10 years. And with only 1,900 sqm delivered to the Warsaw market in the third quarter of the year, companies looking for large offices in central locations which have recently been the most favoured have an increasingly limited choice of options. As a result, some organisations are choosing to renegotiate their leases and to continue in their current locations for shorter periods of between two and three years and with still attractive rental rates. However, tenants willing to consider non-central locations or the City Centre West have far more options to choose from.

At the end of the third quarter of 2023, Warsaw's overall vacancy rate was **10.6%**, down by 0.8 pp over the quarter and by 1.5 pp from the same time in 2022, equating to 657,400 sqm of unoccupied stock. The vacancy rate for central zones which are, however, seeing the highest concentration of construction activity edged down to 9.1% while that for non-central locations fell to 11.8%. Most of the office zones recorded falls in vacancies over the quarter, the largest being in Mokotów (down by 4.7 pp). Three office zones (East, Ursynów & Wilanów and Żwirki i Wigury Corridor) showed upward movements, with the strongest reported in Ursynów & Wilanów.

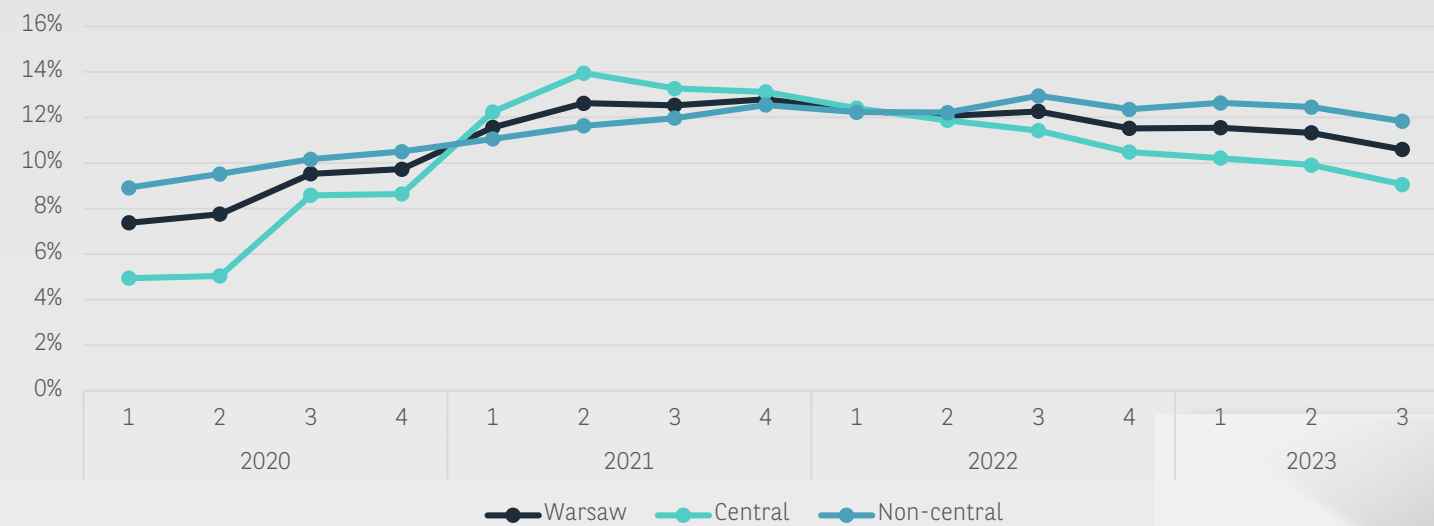
Vacancy rate



AT A GLANCE

Q3 2023

Q3: **10.6%** Warsaw average, **9.1%** City Centre **11.8%**, outside City Centre



Source: BNP Paribas Real Estate Poland

Rents

- „Prime” rent: 26-28 EUR/sqm/mth
- Average asking rent in Warsaw office buildings broken down by age*:

19,40-20,25 EUR



0-5 years

16,90-17,30 EUR



6-10 years

14,60-15,20 EUR



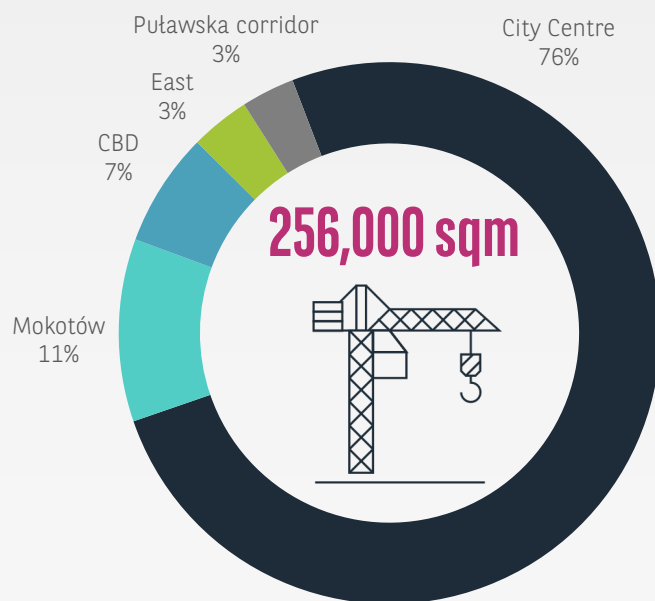
>10 years

Office rents remained largely unchanged from the second quarter of 2023, with landlords scaling down lease incentives amid office supply constraints.

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

Source: BNP Paribas Real Estate Poland

Office space under construction (2023-2025)



The third quarter of 2023 saw the start of construction works on a new office and hotel complex Upper One to replace the Atrium office building, which had already been knocked down. It is scheduled for completion in 2026 and is expected to provide 35,900 sqm, most of which will be modern office space, and approximately 11,000 sqm for hotel rooms in a 55-metre-high building.

Source: BNP Paribas Real Estate Poland

Major projects under construction (2023-2026)

	BUILDING	ZONE	OFFICE SPACE (sqm)	DEVELOPER	OPENING
1	The Bridge	City Centre West	47,400	Ghelamco	Q1 2025
2	Upper One	CBD	36,000	Strabag	Q2 2026
3	Towarowa 22 B	City Centre West	31,100	Echo Inv.	Q1 2025
4	The Form	City Centre West	28,500	Lincoln Property	Q4 2024
5	Lakeside	Mokotów	24,000	Atenor	Q4 2023

Source: BNP Paribas Real Estate Poland

Expert comment



Klaudia Okoń

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

Flex offices continue on a growth trajectory

There are over 30 flexible office operators in Warsaw offering more than 190,000 sqm of office space and approximately 26,000 desks. The first flex office was opened by Regus in Warsaw's Sheraton Hotel in Plac Trzech Krzyży in the 1990s. Today, flex office stock is also growing in non-central locations, including in the capital's residential districts. Short leases and ready-to-occupy offices are in strong demand, especially in the currently challenging and volatile economic situation in Poland. With flex office demand on the rise, there has been an increase in new supply and new hybrid concepts. ESG is also an important driver of this sector's growth. More and more flex offices are opening in buildings boasting international green or sustainable construction certificates awarded for featuring and implementing sustainable solutions.

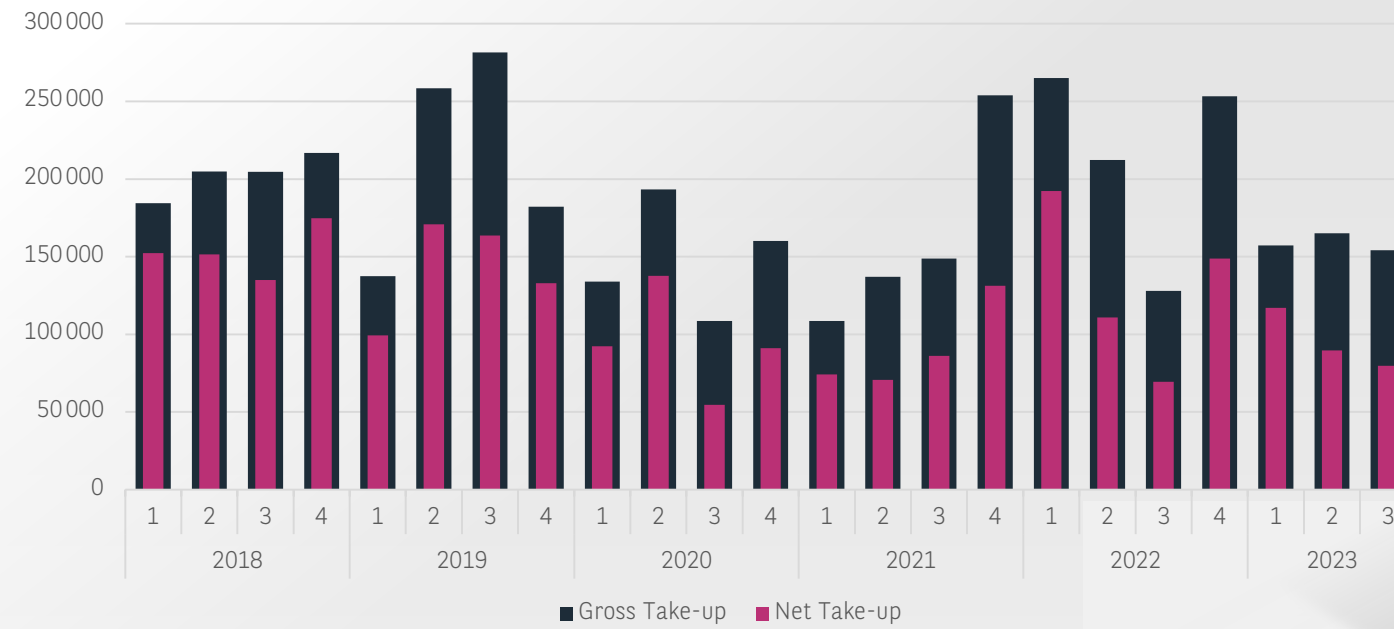


Office take-up for the first three quarters of 2023 reached 496,600 sqm. Of that total, 174,000 sqm was transacted in the third quarter of 2023, up by 5 pp over the quarter and by 36 pp year-on-year. Occupier demand focused on the City Centre, the Central Business District and Służewiec. In the period between July and end September 2023, new leases, including pre-lets, and renegotiations accounted for 52.8% and 42.8% of the total leasing volume respectively. Expansions and owner-occupier deals made up 2.2% each. The largest leases of the third quarter of 2023 - in addition to pre-lets for office space in The Form - were renegotiations; this was largely due to office supply constraints and high office fit-out costs in Warsaw.

Gross and net take-up

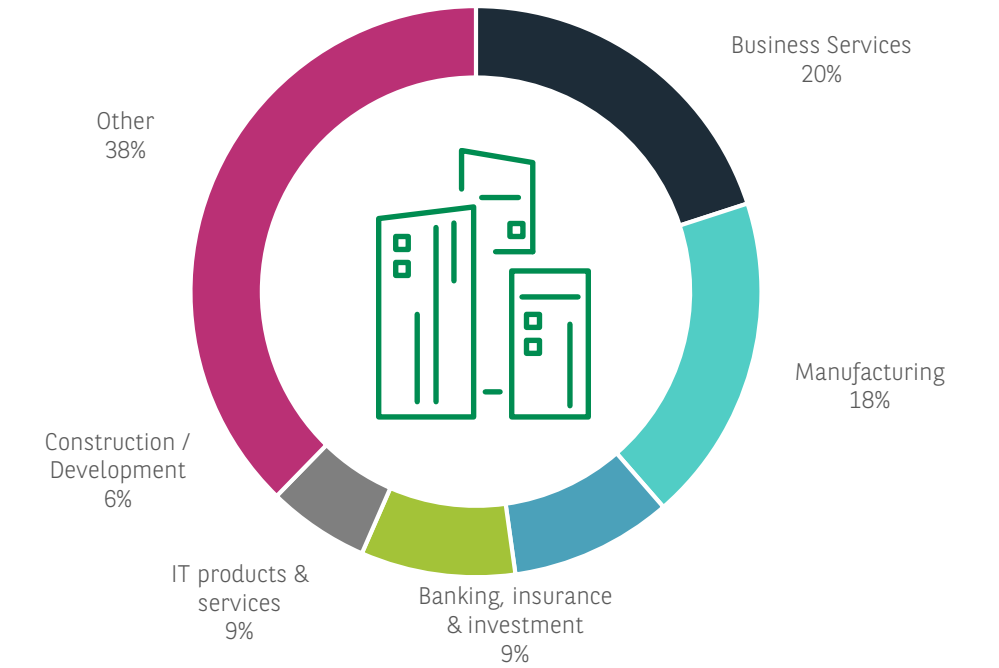
AT A GLANCE

Q3 2023



Source: BNP Paribas Real Estate Poland

Structure of gross demand by sectors Q3 2023



Source: BNP Paribas Real Estate Poland

Gross take-up by zones Q3 2023



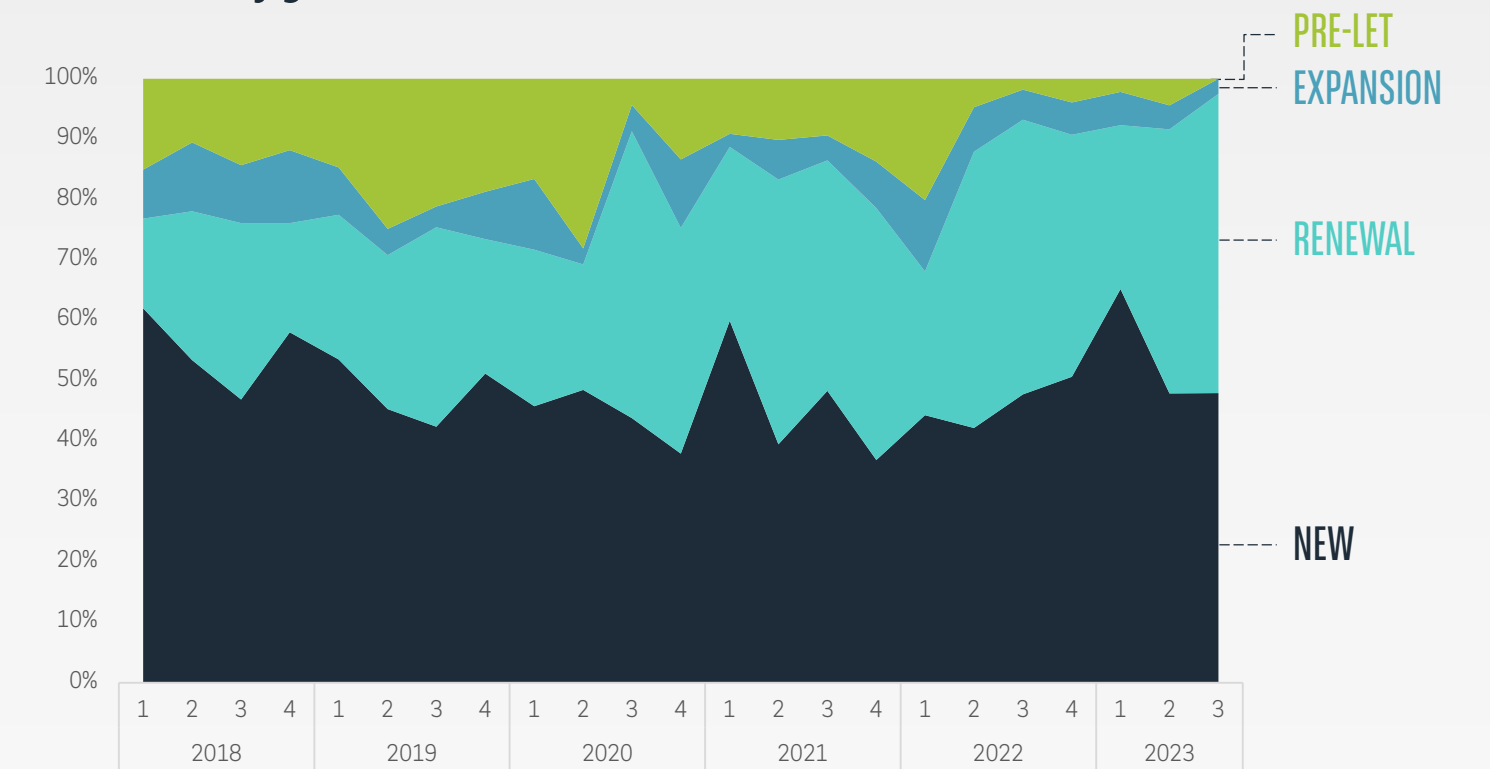
Occupiers have for long displayed a clear preference for the City Centre, the Central Business District (CBD) and Służewiec. The capital's central zones accounted for nearly 44% of Warsaw's total leasing volume in the third quarter of 2023. Służewiec took second spot with more than 33,600 sqm transacted in the period between July and end-September, making up over 19% of all deals signed in the capital.

Top 5 Lease Transactions

	TENANT	BUILDING	ZONE	LEASED SPACE (sqm)	TYPE OF AGREEMENT
1	ING Hubs Poland	The Form	City Centre West	7,000	pre-let
2	Elavon	Europlex	City Centre South	5,482	renewal
3	Johnson & Johnson	Wiśniowy Busienss Park F	Żwirki i Wigury Corridor	4,808	renewal
4	Sii	Metron	Mokotów	4,700	renewal
5	Panattoni	myhive Warsaw Spire	City Centre West	4,497	renewal

Source: BNP Paribas Real Estate Poland

Structure of gross demand 2018-2023



Source: BNP Paribas Real Estate Poland



AT A GLANCE

Q3 2023

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