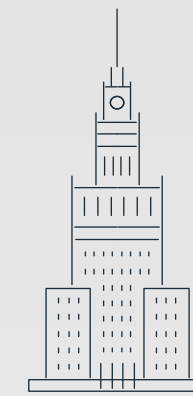


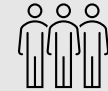




AT A GLANCE

Q4 2023

WARSAW OFFICE MARKET

Economic indicators – Warsaw



 Population (June 2023)	1.86 mln
 Unemployment rate (November 2023)	1.4%
 Average salary PLN gross (November 2023)	9,058
 Number of students (academic year 2022/2023)	250,100
 Number of universities (academic year 2022/2023)	64

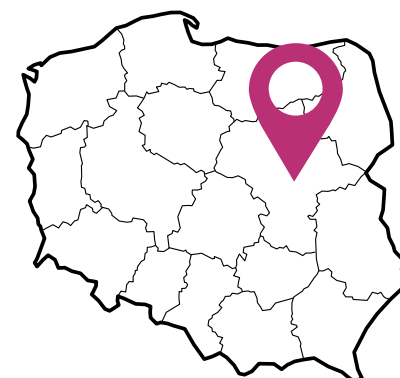
Source: Statistics Poland

Highlights

- Warsaw sees an uptick in office occupier activity
- Prime office availability continues to shrink
- Developers step up construction activity
- Vacancy rate edges down over the quarter
- ESG-driven refurbishments
- Office rental rates hold firm



Source: BNP Paribas Real Estate Poland



6.2 M sqm
EXISTING OFFICE SPACE

238,000 sqm
SPACE UNDER CONSTRUCTION
(2024-2026)

29 EUR
(sqm/mth)
PRIME RENT

40,600 sqm
NEW SUPPLY Q4

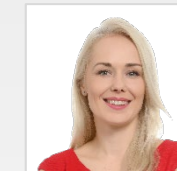
10.4%
AVERAGE VACANCY RATE

255,600 sqm
GROSS DEMAND Q4

748,800 sqm
GROSS DEMAND 2023

-0.2 pp
q/q

Expert comment



Małgorzata Fibakiewicz

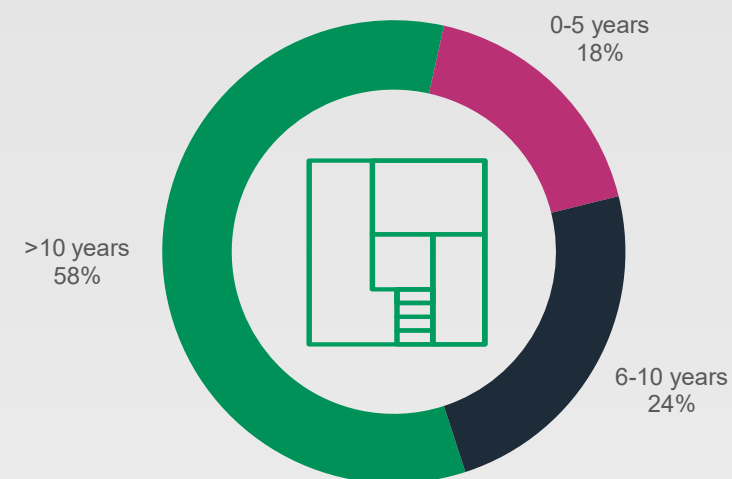
Head of Office Agency
BNP Paribas Real Estate Poland

Warsaw office market in 2023

2023 saw only 61,000 sqm of new office space added to the Warsaw market. This represents the lowest total since 2010. 2024 is shaping up to be another year with significantly lower new supply levels not only in the capital, but also in regional cities. The economic downturn, prolonged decision-making processes and budget cuts on the part of tenants, as well as the high cost of completing investments have not been conducive to starting new developments. However, some recovery in this field is already becoming apparent, with some 238,000 sqm of office space currently under construction, and the construction of Studio A starting in the last quarter of 2023. In turn office take-up for the whole of 2023 reached nearly 750,000 sqm, which was lower than in the peak year of 2022 but marks a significant increase compared to the pandemic years 2020-2021. In 2023, the structure of demand was dominated by relocations which accounted for approximately 53% of all transactions. Leasing activity in Warsaw is expected to remain stable in the coming quarters. Prime office rents are likely to remain under upward pressure throughout 2024, especially for projects under construction. In addition, the impact of indexation will continue to be felt in 2024, with indexation under EUR-denominated leases expected to be around 5%.



Existing stock by age



Source: BNP Paribas Real Estate Poland

The first wooden office building in the capital

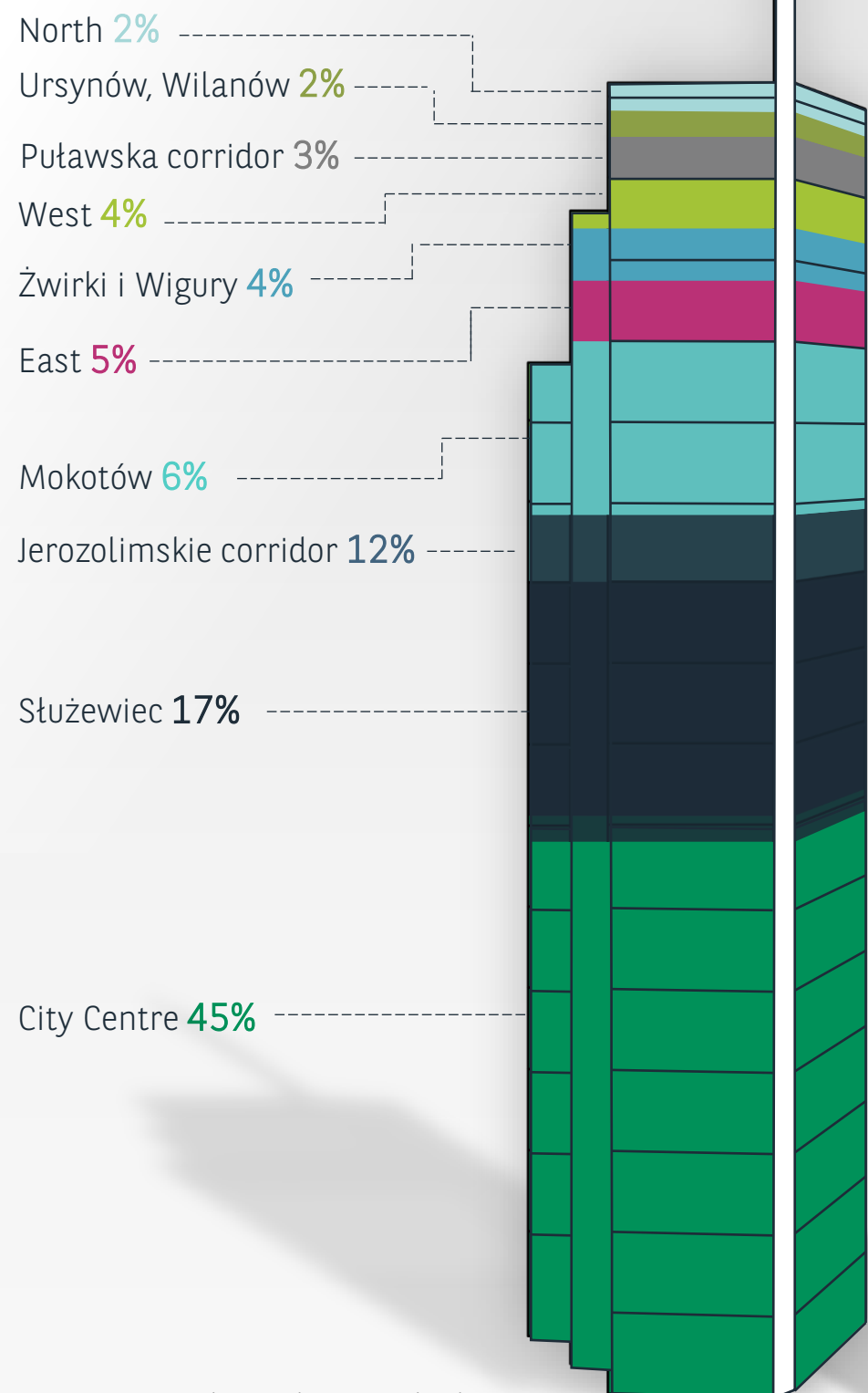
Warsaw will soon gain its first office building with wooden structure. The four-storey building has received planning permission and will be built in the Poleczki Park office complex in the Wyczółki area. It was designed to minimise its negative environmental impact. In addition to timber, the building will also feature a number of solutions to reduce energy consumption and lower its carbon footprint during the use phase. Wooden structure buildings are nothing new in Europe and especially in Scandinavia, where high-rise buildings are being increasingly constructed using glulam, cross-laminated timber panels.

Completions Q4 2023

	BUILDING	ZONE	OFFICE SPACE (sqm)	DEVELOPER
1	S-Bridge Office II	East	1,900	MAK DOM
2	Studio B	Centrum Zachód	17 900	Skanska

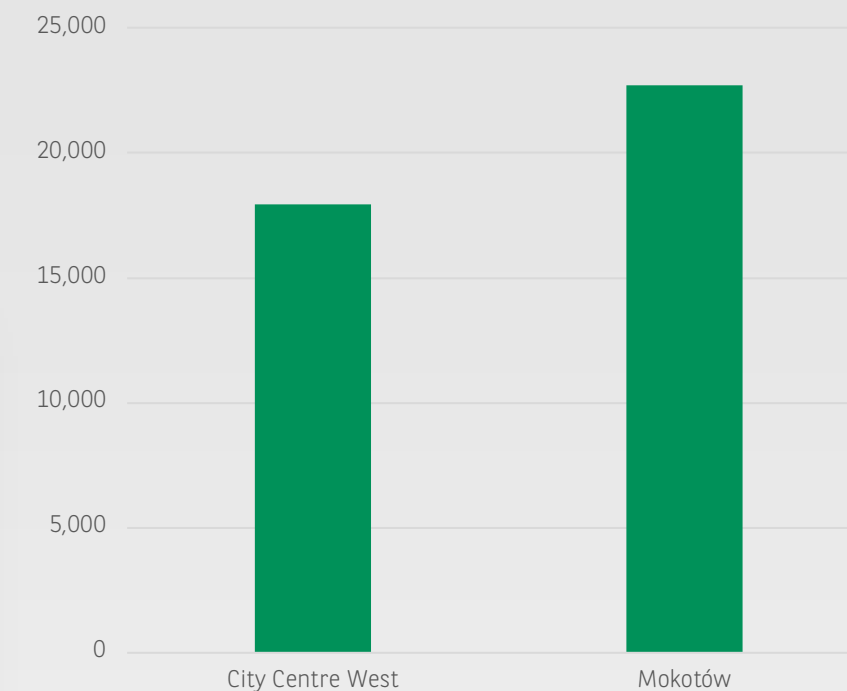
Source: BNP Paribas Real Estate Poland

Existing stock by zone Q4 2023



Source: BNP Paribas Real Estate Poland

New supply Q4 2023



The fourth quarter of 2023 saw 40,600 sqm of new office space delivered to the Warsaw market through two projects: Lakeside in Mokotów and Studio B in City Centre West. Together with four other completions in earlier quarters, this brought 2023's total new office supply to 60,870 sqm. As of the end of Q4, we are experiencing the lowest value of annual new supply over the past five years, with the average for the period at around 220,000 sqm.

Expert comment



Dorota Mielke

Associate Director, Office Agency
BNP Paribas Real Estate Poland

ESG-driven refurbishments

The Polish commercial property market will soon be swept by a wave of refurbishments as approximately 70% of buildings are energy inefficient. Tenants are, in turn, placing increasing emphasis on green and sustainable properties. Refurbishment and repurposing works are now required to adapt buildings to ever-rising ESG standards. This trend can be seen in Poland and beyond as more than three quarters of office stock may be at risk of obsolescence by 2030. Gradual improvement of energy efficiency is one of the biggest challenges facing the commercial real estate sector, which has been mandated by the EU to reduce energy consumption and greenhouse gas emissions as part of its efforts to achieve net zero by 2050. There are three office buildings undergoing refurbishment in Warsaw: Warta Tower and Saski Crescent (both in the Central Business District) and University Business Center II in Mokotów.

As of the end of the fourth quarter of 2023, Warsaw's vacancy rate stood at 10.4%, down by 0.2 pp over the quarter and by 1.2 pp from the same time in 2022. Office availability amounted to 646,700 sqm. Warsaw's central zones recorded a decrease in vacancies to 8.5% while non-central locations saw their average vacancy rate edge up to 11.9%. Warsaw's vacancy rate hit its highest in 2021 at the peak of new office supply in the years 2020-2021. It subsequently began to edge down on the back of a short-term rebound in demand in 2022 and a very low level of new completions in 2023. The vacancy rate is expected to continue to trend downwards, but at a significantly slower pace due to a slow recovery in occupier demand. It is likely to hover around 9% at the end of 2024.

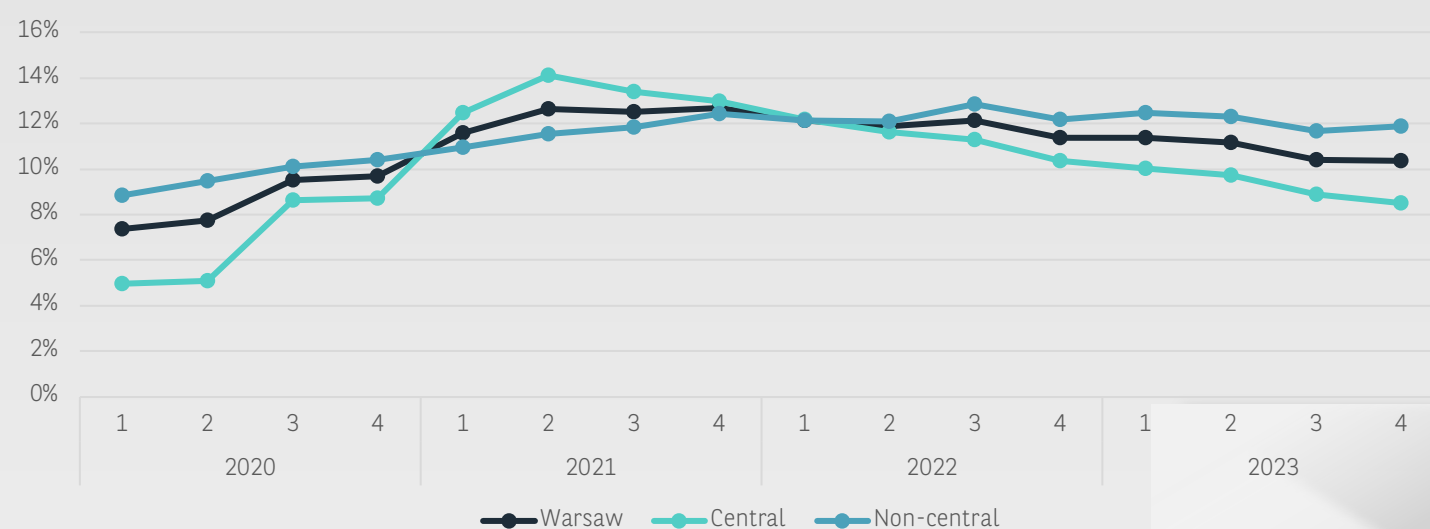
Vacancy rate



AT A GLANCE

Q4 2023

Q4: 10.4% Warsaw average, 8.5% City Centre 11.9%, outside City Centre



Source: BNP Paribas Real Estate Poland

Rents

- „Prime” rent: 29 EUR/sqm/mth
- Average asking rent in Warsaw office buildings broken down by age*:

18,80-19,60 EUR



0-5 years

18,20-18,60 EUR



6-10 years

15,00-15,50 EUR



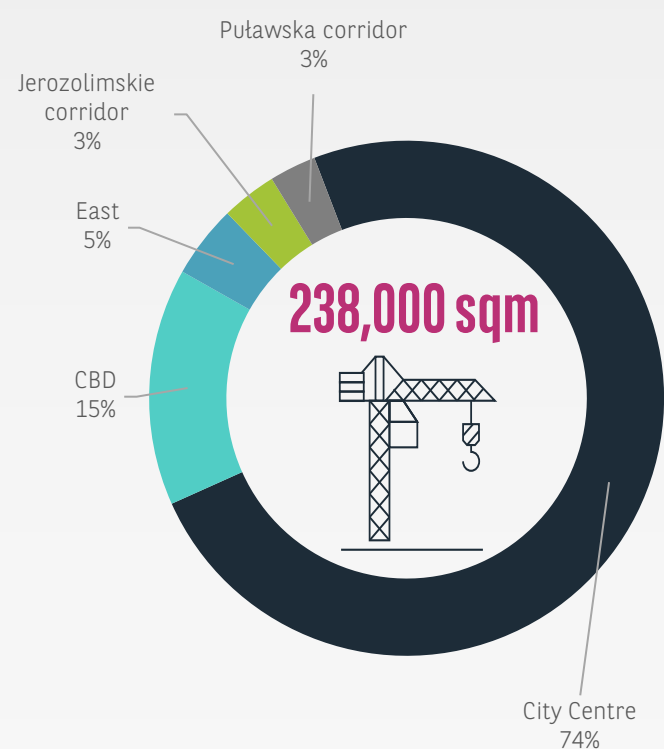
>10 years

Prime office rents remained unchanged in Warsaw from the end of 2022 and in 2023 they stood at EUR 22-26/sqm/month in the Centre and EUR 13.50-16.50/sqm/month in non-central locations. Upward pressure on rental rates will continue throughout 2024, particularly for projects underway.

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

Source: BNP Paribas Real Estate Poland

Office space under construction (2024-2026)



As of the end of Q4 2023, approximately 238,000 sqm of modern office space was under construction and in the last quarter of the year only one new office project was announced: Skanska's Studio A (26,600 sqm). The first quarter of 2024 will, in turn, see construction works begin on PHN's Vena (15,000 sqm) and the second phase of Karimpol's Skyliner (26,000 sqm). The number of new office projects breaking ground in the coming years is expected to remain relatively low and subdued development activity is likely to last until 2026.

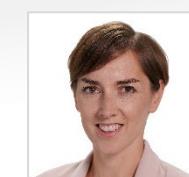
Source: BNP Paribas Real Estate Poland

Major projects under construction (2024-2026)

	BUILDING	ZONE	OFFICE SPACE (sqm)	DEVELOPER	OPENING
1	The Bridge	City Centre West	47,400	Ghelamco	Q1 2025
2	Upper One	CBD	35,500	Strabag	Q4 2026
3	Office House	City Centre West	31,100	Echo Inv.	Q2 2025
4	Warta Tower (modernisation)	CBD	30,800	Cornerstone	Q1 2025
5	The Form	City Centre West	28,500	Lincoln Property	Q4 2024

Source: BNP Paribas Real Estate Poland

Expert comment



Klaudia Okoń

Senior Consultant, Business Intelligence Hub & Consultancy
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Office space availability

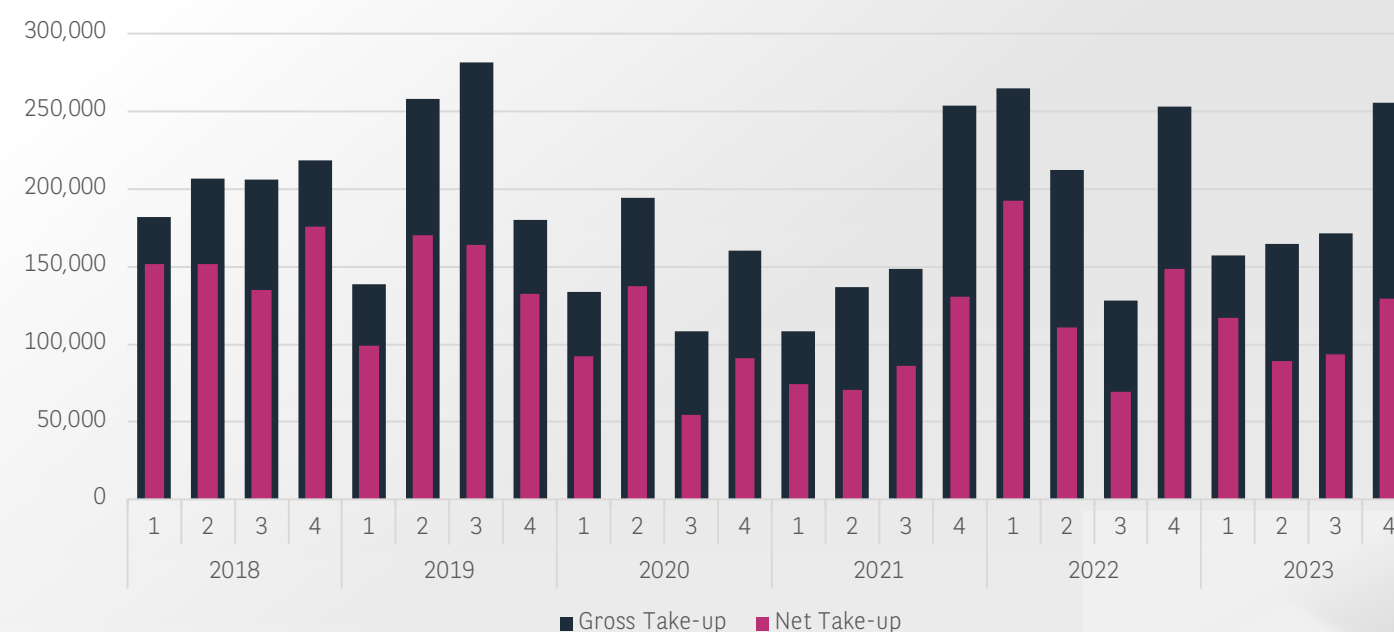
Office availability in Warsaw is shrinking, especially in central locations. This is due to several factors including the limited new supply in 2023 – a result of decisions taken in the two previous years, during the pandemic, when few developers launched new projects amid market and economic uncertainty. Although development activity has recently picked up, new supply is still failing to keep pace with demand for office space. Secondly, occupier activity remained relatively strong in 2023, which was reflected in leasing volumes. Another factor impacting office availability in Warsaw is the market's maturity as older office buildings are being gradually put out of use for modernization or repurposing.

In 2023 as a whole, gross office take-up reached 748,800 sqm. Of that total, 255,600 sqm was transacted during the fourth quarter of 2023. Occupier demand focused on the City Centre, the Central Business District and Służewiec. In the period between October and the end of December 2023, renegotiations accounted for as much as 49.3% of the total leasing volume as tenants continued to prioritize cutting costs associated with relocations and adapting offices to their needs. New leases, including pre-lets, made up 43.2%, while expansions and owner-occupier transactions contributed 4.2% and 3.3% respectively. The largest transactions of Q4 2023 were the renewal of GDDKiA's lease of 12,900 sqm in Green Corner B, Lux Med's pre-let for 12,000 sqm in Lakeside, and Lionbridge Poland renewing and expanding its lease to 7,300 sqm of office space in Astrum Business Park I.

Gross and net take-up

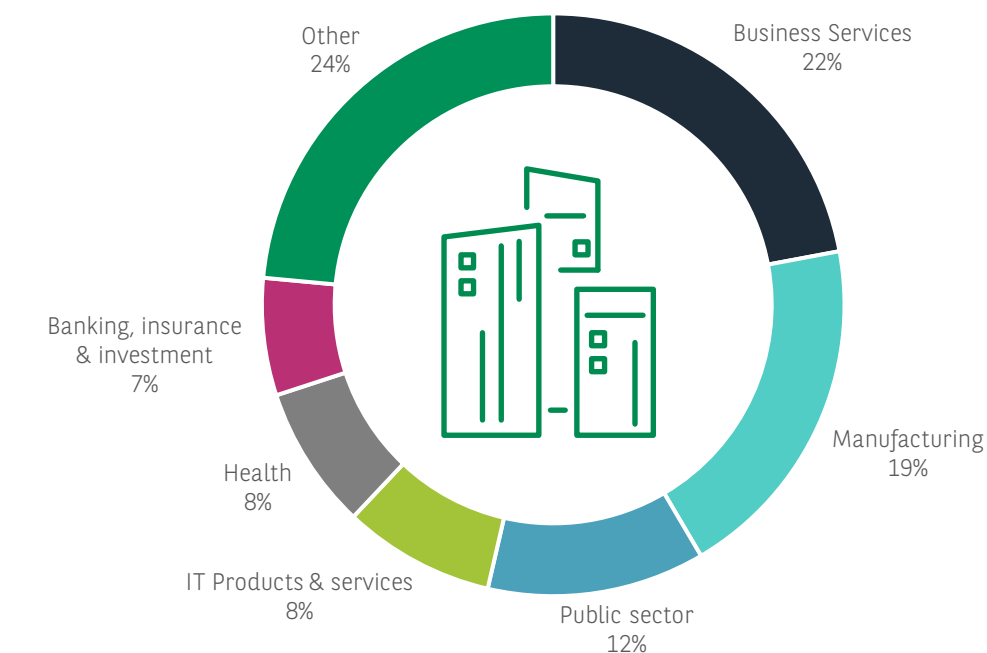
AT A GLANCE

Q4 2023



Source: BNP Paribas Real Estate Poland

Structure of gross demand by sectors Q4 2023



Source: BNP Paribas Real Estate Poland

Gross take-up by zones Q4 2023



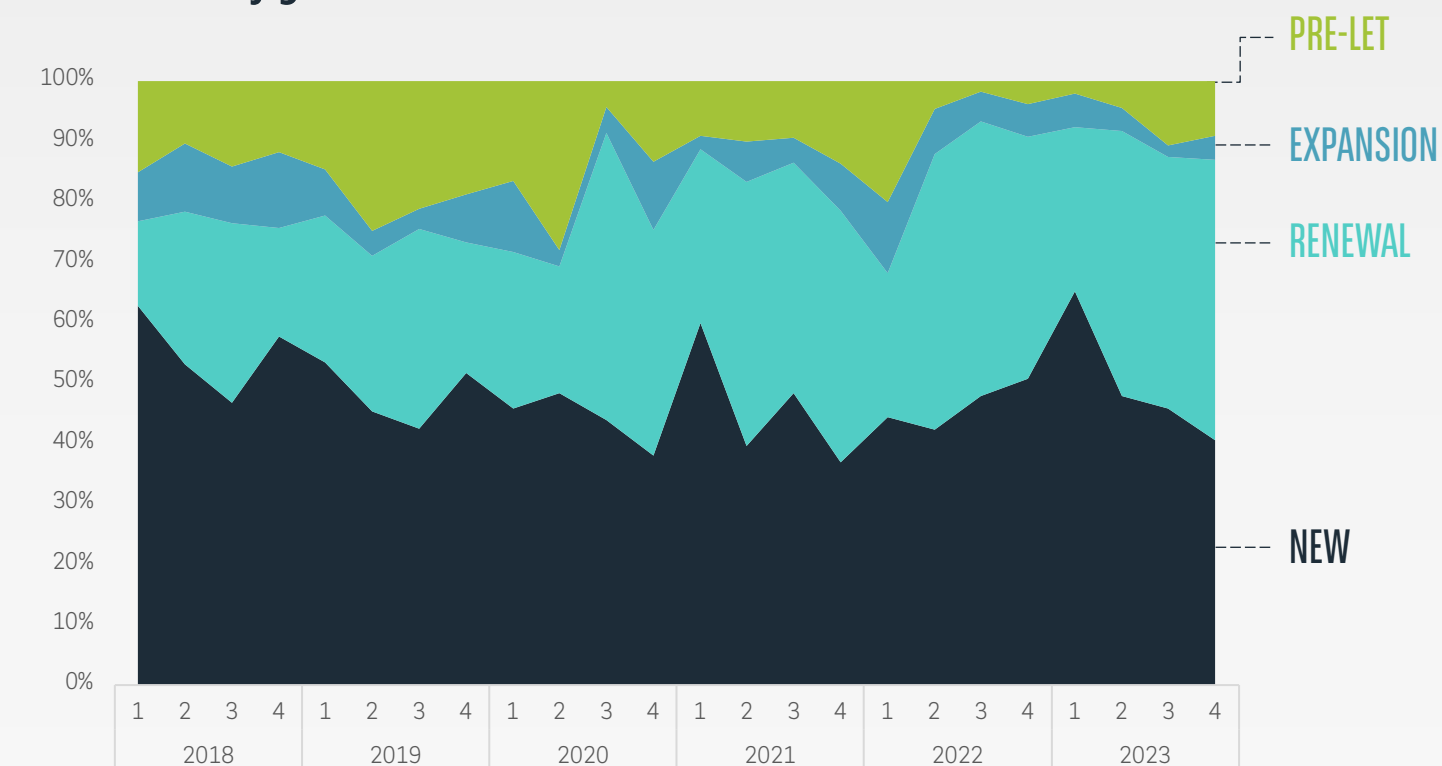
Occupiers have for long displayed a clear preference for the City Centre, the Central Business District (CBD) and Służewiec. The capital's central zones accounted for nearly 47% of Warsaw's total leasing volume in the fourth quarter of 2023. Jerozolimskie Corridor took second spot with more than 46,700 sqm transacted in the period between October and end-December, making up over 18% of all deals signed in the Polish capital.

Top 5 Lease Transactions

	TENANT	BUILDING	ZONE	LEASED SPACE (sqm)	TYPE OF AGREEMENT
1	GDDKiA	Green Corner B	City Centre West	12,882	renewal
2	Lux Med	Lakeside	Mokotów	12,000	pre-let
3	Lionbridge Poland Sp. z o.o.	Astrum Business Park I	Jerozolimskie corridor	7,305	expansion+renewal
4	Poufny	Lixa E	City Centre West	6,922	new
5	L'Oreal	Browary Warszawskie – Biura przy Bramie	City Centre West	6,812	renewal

Source: BNP Paribas Real Estate Poland

Structure of gross demand 2018-2023



Source: BNP Paribas Real Estate Poland



AT A GLANCE

Q4 2023

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