There are first signs of imbalance between supply and demand on the Warsaw office market

According to the latest study carried out by the Research and Consultancy Department at BNP Paribas Real Estate Poland, in Q2 2015 the Warsaw office market has grown by 90,000 sq m, thus reaching a total volume of 4.55 million sq m. Approximately 600,000 sq m of space is currently under construction and is set to be completed within the next 24 months, approximately 30% of which is set to be completed by the end of this year.

In Q2 2015, tenants aware of the situation on the office markets readily entered into pre-lease agreements, thus taking advantage of preferential lease terms. This development resulted in a record-breaking volume of demand reaching a level of 175,000 sq m (recording a 60% increase as compared to Q1). The trend is set to continue for the next 18 – 24 months and should result in a volume of demand reaching a level of approximately 400,000 sq m annually in both 2015 and 2016. Rental rates have dropped marginally due to increasing competition. These trends are set to continue at least up to the end of 2016.

The largest transaction in Q2 2015 was the agreement signed by Samsung under which the company leased 21,200 sq m in Warsaw Spire. The largest office building completed was Postępu 14 owned by HB Reavis (34,000 sq m). As compared to Q1 2015, the vacancy rate has increased by 1 pp, thus reaching a level of 14.9% as at the end of June. The majority of available space was located in the central zone, where the vacancy rate reached a level of 15.7%, while outside of the central zone it was 14%. The bulk of vacancies were located in older office buildings completed prior to 2003.

“The approaching wave of new supply should lead to a further increase in the volume of available office space. We estimate that by the end of the year the vacancy rate may reach a level of 16.5%, while by the end of 2016 it might be as much as 17.5-18%. Additionally, there has been a growing interest in leasing space in locations along the second metro line (around Prosta, Towarowa and Kasprzaka), along Aleje Jerozolimskie, as well as to the north of the core city centre. Numerous companies are now taking the decision to relocate outside of Mokotów, which due to traffic congestion is losing its popularity” – comments the author of the report, Anna Staniszewska, Director, Research & Consultancy, BNP Paribas Real Estate Poland.

While asking rents for prime locations and boutique office buildings in the centre of Warsaw are still at a level of € 22-24, average rents have dropped by € 1-2 as compared to the last quarter. Conveniently located buildings of good quality are valued at € 17-19 (asking rent) with rebates of 10-15% for medium-scale tenants. Negotiations for prime, non-centrally located office buildings start at € 14-15, however the average transaction rates in these areas oscillate around € 11-13.
knowledge regarding real estate markets, thus enabling BNP Paribas Real Estate clients to make the most suitable long-term business decisions.

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