At a glance Q1 2016
Office Market in Warsaw

Considering the forecast vacancy rate will be on the rise over the mid-term horizon, occupiers should take advantage of fierce competition among landlords and consider relocation or renegotiation at attractive lease terms.

Headlines

ONE

Office stock will exceed 5.2 million sqm this year.
With approximately 100,000 sqm delivered in the first quarter, the office stock reached 4.8 million sqm at the end of Q1 2016. The volume of pipeline schemes due for delivery in the next nine months will boost the overall volume to approx. 5.2 million sqm. A further 300,000 sqm could be completed by the end of 2017. This will represent a 27% increase over a 24 month period.
Unlike the last few years, the bulk of new supply will be located within central areas.
The number of planned projects still on the drawing board amounts to around 1.1 million sqm which shows how Warsaw is still an increasingly attractive destination for corporate occupiers, although the timing of the planned schemes are as yet unknown.

TWO

Relatively healthy level of take-up continues.
Take-up in the first three months of 2016, including new deals, pre-lets and extensions amounted to approx. 110,000 sqm. Renegotiations added a further 40,000 sqm to the gross demand recorded. The bulk of transactions were completed in central and fringe of centre areas. The metro lines have definitely become a strong magnet for tenants, keen on renting space in the north and west areas (specifically Dworzec Gdanski and Rondo Daszyńskiego).
Occupiers are likely to be on the move over the next quarters and will continue taking advantage of their strong negotiating position, yet the record level of take-up achieved in 2015 of over 660,000 sqm may not be reached.
THREE
Vacancy rate is on the rise.

As forecast back in 2015, the vacancy rate on the Warsaw office market has continued to rise, reaching 14.5% at the end of the first quarter of this year (an increase of 2 p.p.). The trend resulted from a combination of factors – slightly weaker take-up than in previous quarters as well as a larger volume of new deliveries. There are major differences in terms of locations, with the Core subzone recording the highest amount of available space at approx.16.5% and the North subzone at the opposite end of the scale with a 7.5% vacancy rate.

Due to the amount of new deliveries scheduled for the next few quarters, the overall vacancy rate is likely to rise to a level of 16-18% by the end of 2016, differentiating between location and age of stock.

FOUR
Headline and effective rents for large requirements remain under pressure.

Headline and effective rents for large requirements remain under pressure.

Apart from a handful of trophy assets, the vast majority of existing and pipeline office schemes are facing strong rental pressure.

Over the last six months, the headline city centre rates for top quality properties dropped by some 0.5 – 0.75 euro per sqm and now offer €20.00 to €22.00 per sqm/mth. Average rates have decreased by €1-2 per sqm from previous quarters to €16.00-18.00 per sqm/mth.

Landlords attract occupiers by offering sophisticated and multi-level incentive packages. These can widen the headline to effective rental gap by 20-30% in the case of a large occupier signing a long lease term (5+ years).

Prominent non-central office buildings quote €13.50-15.00 per sqm/mth, while average headline rates in these areas range from €11.00-13.00 per sqm/mth. Depending on the size of tenant’s requirement, the effective rents may also be up to 30% lower.

With the peak of vacancy expected at the end of 2016, rents will bottom out over Q4 2016/Q1 2017 leading to a period of stability over the course of 2017.
New office supply, 2016

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Office area (sqm)</th>
<th>Subzone</th>
<th>Developer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurocentrum Delta</td>
<td>27,000</td>
<td>South West</td>
<td>Capital Park</td>
</tr>
<tr>
<td>Gdanski Business Center C</td>
<td>21,600</td>
<td>North</td>
<td>HB Reavis</td>
</tr>
<tr>
<td>Atrium 2</td>
<td>20,200</td>
<td>Core</td>
<td>Skanska</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

Major pipeline schemes, 2016-2017

<table>
<thead>
<tr>
<th>Project</th>
<th>Office area (sqm)</th>
<th>Subzone</th>
<th>Developer</th>
<th>Year planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Garden 3-7</td>
<td>61,000</td>
<td>South West</td>
<td>Vastint</td>
<td>2017</td>
</tr>
<tr>
<td>Warsaw Spire A</td>
<td>60,000</td>
<td>City Centre</td>
<td>Ghelamco</td>
<td>2016</td>
</tr>
<tr>
<td>Q22</td>
<td>50,000</td>
<td>Core</td>
<td>Echo Investment</td>
<td>2016</td>
</tr>
<tr>
<td>Mokotów One</td>
<td>30,000</td>
<td>Upper South</td>
<td>Apricot Capital Group</td>
<td>2016</td>
</tr>
<tr>
<td>Proximo</td>
<td>28,400</td>
<td>West</td>
<td>Hines</td>
<td>2018</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

Major office lease transactions, Q1 2016

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Sector</th>
<th>Building</th>
<th>Subzone</th>
<th>Area leased (sqm)</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mercer</td>
<td>Business Services</td>
<td>Nimbus</td>
<td>South West</td>
<td>8,000</td>
<td>renegotiation</td>
</tr>
<tr>
<td>Allegro</td>
<td>ICT</td>
<td>Q22</td>
<td>Core</td>
<td>7,600</td>
<td>pre-let</td>
</tr>
<tr>
<td>Pracuj.pl</td>
<td>Business Services</td>
<td>Proximo</td>
<td>City Centre</td>
<td>4,200</td>
<td>pre-let</td>
</tr>
<tr>
<td>William Demant</td>
<td>R&amp;D</td>
<td>Q22</td>
<td>Core</td>
<td>3,000</td>
<td>pre-let</td>
</tr>
<tr>
<td>Ipopema</td>
<td>Business Services</td>
<td>Le Palais</td>
<td>Core</td>
<td>2,500</td>
<td>renegotiation</td>
</tr>
<tr>
<td>Velux</td>
<td>Manufacturing</td>
<td>The Park</td>
<td>South West</td>
<td>1,700</td>
<td>new</td>
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<tr>
<td>Zdroift</td>
<td>Fitness</td>
<td>Gdanski Business Center II</td>
<td>North</td>
<td>1,500</td>
<td>new</td>
</tr>
<tr>
<td>MasterCard</td>
<td>Business Services</td>
<td>Warsaw Spire</td>
<td>City Centre</td>
<td>1,500</td>
<td>new</td>
</tr>
<tr>
<td>AECOM</td>
<td>ICT</td>
<td>Plac Unii</td>
<td>Upper South</td>
<td>1,400</td>
<td>new</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

ICT – Information, Communication, Technology
R&D – Research & Development

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