At a glance Q2 2016
Office Market in Warsaw

A substantial surge in completions resulted in a vacancy rate increase. This trend is likely to continue as the pipeline supply remains high, providing occupiers with great opportunities for relocation, both in terms of efficiency, standard and operational costs.

**Headlines**

**ONE**

Supply surpasses 5 million sqm for the first time.
Completion of around 240,000 sqm in Q2 surged the Warsaw office stock passed 5 million sqm. The bulk of space was delivered in office towers located in the central office district. A further 100,000 sqm should be ready by the end of 2016.
A clear development spree continues as the volume of projects currently under construction can be estimated at around 650,000 sqm. Additionally, BNP Paribas Real Estate is aware of approximately 1 million sqm at the initial stages of planning.

**TWO**

Occupiers take advantage of attractive market offers.
New deals, pre-lets and extensions completed in Q2 totalled around 130,000 sqm, further supporting that occupiers profit from favourable conditions.
City centre and fringe of centre buildings continue to attract most attention from tenants – confirmed by 65% of take-up occurring in these subzones.
Clearly, the metro line has had a major impact on the areas north and west of the city centre, shown by the success of schemes located close to the Dworzec Gdański and Rondo Daszyńskiego stations.
Occupiers are still likely to be on the move over the next quarters, taking advantage of their strong negotiating position.
THREE

Availability continues growing with clear differences in terms of location and quality.

The vacancy rate increased to 15.2% at the end of June 2016, indicating a 0.7 p.p. growth compared to the first quarter. Such a trend is a direct consequence of supply increase over the H1 2016.

However, the picture is patchy when analysing particular sub-zones as well as quality of buildings. In terms of locations, the highest vacancy of around 18-19% is recorded within central areas and in the Upper South subzone (Mokotów) where it has reached 17-18%.

When analysing availability of recently built vs. more mature schemes, the bulk of vacant space is in offices older than 10 years. It is particularly visible in certain subzones such as the Core and City Centre, where the occupancy rate ranges from 7-10% in newly constructed projects to 20-30% in older schemes.

Despite a sustainable level of take-up forecast for the upcoming quarters, the vacancy rate is likely to rise to 17-18% by the end of 2016 and beginning of 2017, mainly attributable to the new market deliveries that are scheduled.

FOUR

The right time for occupiers willing to improve their operational performance.

While some trophy assets continue to quote from €21-22 per sqm, the vast majority of existing and pipeline office schemes compete fiercely for tenants, offering very attractive rental rates and accompanying incentive packages.

The headline city centre rates for good quality assets were at a level of €19.00 to €20.00 per sqm/mth. Average headline rates were in the range of 16.00-18.00 per sqm/mth. In case of large occupiers (over 2,000 sqm), incentive packages lower the effective rents by up to 20-30%.

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 the tenant’s requirement, the effective rents may also be up to 30% lower.

Rents will bottom out over Q4 2016 / Q1 2017, leading to a period of stability expected in the second half of next year.
New office, H1 2016

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Office area (sqm)</th>
<th>Subzone</th>
<th>Developer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warsaw Spire A</td>
<td>60,000</td>
<td>City Centre</td>
<td>Ghelamco</td>
</tr>
<tr>
<td>Gdański Business Center D</td>
<td>29,300</td>
<td>North</td>
<td>HB Reavis</td>
</tr>
<tr>
<td>Proximo I</td>
<td>28,700</td>
<td>West</td>
<td>Hines</td>
</tr>
<tr>
<td>PRIME Corporate Center</td>
<td>20,900</td>
<td>City Centre</td>
<td>Golub GetHouse</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>Mennica Legacy Tower</td>
<td>64,000</td>
<td>City Centre</td>
<td>Golub GetHouse</td>
<td>2017</td>
</tr>
<tr>
<td>Business Garden 3-7</td>
<td>61,000</td>
<td>South West</td>
<td>Vastint</td>
<td>2017</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 II</td>
<td>20,500</td>
<td>West</td>
<td>Hines</td>
<td>2017</td>
</tr>
<tr>
<td>Generation Park X</td>
<td>19,300</td>
<td>City Centre</td>
<td>Skanska</td>
<td>2017</td>
</tr>
<tr>
<td>Wronia 31</td>
<td>16,000</td>
<td>City Centre</td>
<td>Ghelamco</td>
<td>2017</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

Major office lease transactions, H1 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>Samsung</td>
<td>ICT</td>
<td>Warsaw Spire</td>
<td>City Centre</td>
<td>22,000</td>
<td>Pre-let</td>
</tr>
<tr>
<td>PZU</td>
<td>FIRE</td>
<td>Konstruktorska Business Center</td>
<td>Upper South</td>
<td>18,000</td>
<td>New</td>
</tr>
<tr>
<td>ARIMR</td>
<td>Public</td>
<td>Poleczki BP</td>
<td>Lower South</td>
<td>17,000</td>
<td>Reneg</td>
</tr>
<tr>
<td>EY</td>
<td>BS</td>
<td>Warsaw Financial Center</td>
<td>Core</td>
<td>13,000</td>
<td>Reneg</td>
</tr>
<tr>
<td>Aviva</td>
<td>FIRE</td>
<td>Gdański Business Center II</td>
<td>North</td>
<td>12,500</td>
<td>New</td>
</tr>
<tr>
<td>HP</td>
<td>ICT</td>
<td>University Business Park</td>
<td>Lower South</td>
<td>10,400</td>
<td>Reneg</td>
</tr>
<tr>
<td>Phillip Morris</td>
<td>Manufacturing</td>
<td>Gdański Business Center II</td>
<td>North</td>
<td>5,000</td>
<td>New</td>
</tr>
<tr>
<td>Richo</td>
<td>Manufacturing</td>
<td>Business Garden</td>
<td>South West</td>
<td>2,800</td>
<td>Reneg</td>
</tr>
<tr>
<td>Accenture</td>
<td>BS</td>
<td>Grzybowska Park</td>
<td>City Centre</td>
<td>2,600</td>
<td>New</td>
</tr>
<tr>
<td>Operator Logistyczny Pali Plynnych</td>
<td>Other</td>
<td>Intraco City</td>
<td>North</td>
<td>2,500</td>
<td>New</td>
</tr>
<tr>
<td>Calypspo</td>
<td>Other</td>
<td>Warsaw Spire</td>
<td>City Centre</td>
<td>1,500</td>
<td>New</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

ICT – Information, Communication, Technology; FIRE - Finance, Insurance, Real Estate; BS - Business Solutions

WARSZAW OFFICE SUBZONES

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6 BUSINESS LINES in Europe
A 360° vision

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