At a glance Q4 2016

Office Market in Warsaw

With the wave of new supply reaching 410,000 sqm delivered over the course of 2016, the Warsaw office stock reached 5.18 million by the year-end. There is a further 650,000 sqm currently under construction and an additional million sqm at the planning stage giving occupiers plenty of choice for relocations as well as a strong negotiation position in case of re-letting.

Headlines

ONE

Vacancy lower than expected.

Despite a high volume of new supply, the availability in the last quarter only rose by 0.4 p.p. quarter-to-quarter, reaching nearly 15%. It is 2 p.p. higher than at the end of 2015. The bulk of vacant space is located in the Mokotów area, Jerozolimskie corridor and City Centre, which is notable in mature office buildings. This trend is likely to continue over 2017.

BNP Paribas Real Estate forecast the vacancy rate will increase by 1-2 p.p. over the next two years.

TWO

Drop in take-up with diverse structure of demand.

After an exceptional year in 2015 when take-up reached the all-time high of 660,000 sqm, new leases and pre-lets in 2016 amounted to 455,000 sqm, indicating a 31% year-to-year decline.

Occupiers generally preferred to relocate to new premises, however in addition to the take-up, over 300,000 sqm were renegotiated.

Schemes located around Daszyńskiego roundabout, close to Gdańsk station as well as the Jerozolimskie corridor continue to attract the bulk of demand at the expense of the Mokotów / Domaniewska area.
THREE
Effective rents being squeezed.
Except for a few top schemes as well as boutique offices quoting €20-22 per sqm/month, the majority of centrally located projects face very strong competition. The average city centre headline rates dropped by 3-5% over the next year and are currently in the range of 16.50-18.50 per sqm/mth.
Prime office buildings located in non-central business clusters quote €14.00–15.00 per sqm/mth, but the average headline rates in these areas range from €11.00–13.00 per sqm/mth.
Effective rents in case of large occupiers (over 2,000 sqm) for both central and non-central projects are usually lower by 20-30%.

FOUR
Adopt or die.
In order to keep up with competition, attract and retain occupiers, many landlords are undertaking large-scale refurbishment and redevelopment of their existing assets. Currently approx. 280,000 sqm is undergoing various forms of renovation from “face lifting” (new interiors and landscaping) to major structural changes, upgrading technical specifications and introduction of modern amenities.
Such a strategy is proving successful in many cases, especially in well-located schemes.

FIVE
City centre moving westwards.
The area surrounding Daszyńskiego roundabout in all directions is becoming the new office hotspot. Landlords are taking advantage of the valid master plan for the area which allows many sites to be developed with a high density of office space.
While until only two years ago, the area was relatively slow in terms of new developments with the total stock estimated at 150,000 sqm, since then it has noted a hike in terms of supply and demand, supported by excellent transportation links. Over 2015-2016, the hub grew by 130,000 sqm and in the next two years, the supply will increase by further 150,000 sqm. Additional 250,000 sqm is at the planning stage.
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>Warsaw Spire A</td>
<td>60,000</td>
<td>City Centre</td>
<td>Gheeamco</td>
</tr>
<tr>
<td>Q22</td>
<td>50,000</td>
<td>Core</td>
<td>Echo Investment</td>
</tr>
<tr>
<td>Gdański Business Center D</td>
<td>29,300</td>
<td>North</td>
<td>HB Reavis</td>
</tr>
<tr>
<td>West Station I</td>
<td>28,700</td>
<td>South West</td>
<td>HB Reavis</td>
</tr>
<tr>
<td>Proximo I</td>
<td>28,700</td>
<td>West</td>
<td>Hines</td>
</tr>
<tr>
<td>Eurocentrum Office Complex - Delta</td>
<td>25,000</td>
<td>South West</td>
<td>Capital Park</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

Major pipeline schemes, 2017-2019

<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>Warsaw Hub</td>
<td>75,000</td>
<td>City Centre</td>
<td>Gheamco</td>
<td>2019</td>
</tr>
<tr>
<td>Menlica Legacy Tower</td>
<td>65,500</td>
<td>City Centre</td>
<td>Golub GetHouse</td>
<td>2018/2019</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>Skyliner</td>
<td>43,600</td>
<td>West</td>
<td>Karimpol</td>
<td>2019</td>
</tr>
<tr>
<td>West Station II</td>
<td>34,200</td>
<td>South West</td>
<td>HB Reavis</td>
<td>2017</td>
</tr>
<tr>
<td>Mokotów One</td>
<td>30,000</td>
<td>Upper South</td>
<td>Apricot Capital Group</td>
<td>2017</td>
</tr>
<tr>
<td>D48</td>
<td>24,500</td>
<td>Upper South</td>
<td>Penta Investments</td>
<td>2017</td>
</tr>
<tr>
<td>Equator IV</td>
<td>21,000</td>
<td>South West</td>
<td>Karimpol</td>
<td>2018</td>
</tr>
<tr>
<td>Proximo II</td>
<td>20,500</td>
<td>West</td>
<td>Hines</td>
<td>2017</td>
</tr>
<tr>
<td>Bobrowiecka B</td>
<td>20,000</td>
<td>South East</td>
<td>Spectra</td>
<td>2018</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

Major office lease transactions, 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>BGZ BNP Paribas</td>
<td>FIRE</td>
<td>Kasprzaka/Karolikowa</td>
<td>West</td>
<td>22,000</td>
<td>Pre-let</td>
</tr>
<tr>
<td>Publicis Groupe</td>
<td>BS</td>
<td>Platinium Business Park</td>
<td>Upper South</td>
<td>13,800</td>
<td>Renegotiations</td>
</tr>
<tr>
<td>Google</td>
<td>ICT</td>
<td>Warsaw Financial Center</td>
<td>Core</td>
<td>8,300</td>
<td>Renegotiations</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>ncs</td>
<td>Media</td>
<td>Canal+</td>
<td>South East</td>
<td>7,500</td>
<td>Renegotiations</td>
</tr>
<tr>
<td>Credit Suisse</td>
<td>FIRE</td>
<td>Atrium 2</td>
<td>Core</td>
<td>7,500</td>
<td>New</td>
</tr>
<tr>
<td>UPC</td>
<td>Media</td>
<td>Atrium Centre</td>
<td>Core</td>
<td>5,300</td>
<td>Renegotiations</td>
</tr>
<tr>
<td>Stanley Black &amp; Decker</td>
<td>Manufacturing</td>
<td>Proximo I</td>
<td>West</td>
<td>4,400</td>
<td>Pre-let</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate, ICT - Information, Communication, Technology, FIRE - Finance, Insurance, Real Estate, BS - Business Solutions

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* January 2017
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