In the third quarter this year, the modern office market in Warsaw grew by 76,000 sqm, thus slightly exceeding the threshold of 5.3 million sqm. Another 80,000 sqm of new office space are expected to be delivered by the end of the year, which means that at the end of 2017 the size of the market may reach 5.4 million sqm.

Prime rents in the city centre have remained stable between €20 and €22 per sqm/mth. Compared to previous quarters, average rents increased slightly by approx. €0.5 – €1.0 per sqm due to the improved vacancy rate.

**RAPID GROWTH OF CITY CENTRE**

A large portion of 770,000 sqm of office space currently under construction will be delivered in the city's central zone. There are large schemes in the form of office towers under development at the moment (such as e.g. Varso Place, The Warsaw Hub, Menicca Legacy Tower, Spinnaker and Skyliner) to be launched within the next three years. There arises a seemingly justified question whether this unusually high supply of modern and at the same time prestigious office space will be met with suitably high demand on the market and what will be the rents within both the central zone and the city’s areas outside of the centre in the future.

**STABLE DEMAND AT A HIGH LEVEL**

In the third quarter of 2017 the net demand (i.e. demand including new transactions, pre-lets and expansions) amounted to approx. 150,000 sqm. Renegotiations generated a further approximate of 45,000 sqm. Undoubtedly, tenants show the highest interest in the central zone, particularly in its western fringes towards which Warsaw's business centre is now shifting steadily. The comprehensive and far-reaching revitalisation of Wola prompted by the construction (and the ongoing extension) of Warsaw’s second metro line is changing the city’s office market for good.

The high demand is reflected in lowering vacancy rate, which at the end of Q3 fell to approx. 13.3%. Służewiec is the area most distressed by vacant space, which results not only from the general condition on the Warsaw’s office market, but also from the infrastructure issues that are becoming apparent in this particular part of the city.

**A NEW LEASE TREND**

The co-working office model initiated over a decade ago in the USA is gradually becoming a fixed feature of Warsaw’s office market. Those already to be found there, such as Office Hub, The Brain Embassy, The Heart, Mindspace and Campus Warsaw, are being joined by new players. Co-working space is being implemented into largest and the most modern office schemes and is met with steadily increasing demand from occupiers who, due to being in their growth stage, are not able to accurately predict their long-term needs. Meanwhile, co-working office gives them access to high quality space, professional office equipment as well as meeting rooms of high standard. Co-working office operators are noticing the market's ever increasing potential, and those with experience are expanding their space and opening new locations.

**A NEW LEASE MODEL**

In light of the forthcoming implementation of the International Financial Reporting Standard no. 16 (IFRS 16), tenants are now starting to look at possible implications of the new regulations for their business operations. Leases concluded according to current market practice will to a large degree become a strain on organizations’ financial indicators. The potential after-effects could be quite considerable, starting with shorter lease terms with the option of automatic renewal through to acquisition of office space for the purpose of running own operations there. Furthermore, we could also investigate the possible impact of the new financial reporting rules on rents and tenant incentives.

IFRS 16 enters into force on January 1st 2019
Office Snapshot

Annual office supply

![Graph showing annual office supply](image)

Source: BNP Paribas Real Estate, f - forecast

Vacancy rate in %

![Graph showing vacancy rate](image)

Annual office net take-up

![Graph showing annual office net take-up](image)

Source: BNP Paribas Real Estate, f - forecast

Prime and average rents per sqm/mth

![Graph showing prime and average rents](image)

Source: BNP Paribas Real Estate, f - forecast

Major schemes under construction, Q4 2017 - 2020

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Office area (sqm)</th>
<th>Subzone</th>
<th>Developer</th>
<th>Year planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Varso</td>
<td>130,000</td>
<td>Care</td>
<td>HB Reavis</td>
<td>2019-2020</td>
</tr>
<tr>
<td>The Warsaw Hub</td>
<td>76,000</td>
<td>City Centre</td>
<td>Ghelamco</td>
<td>2020</td>
</tr>
<tr>
<td>Mennica Legacy</td>
<td>61,000</td>
<td>City Centre</td>
<td>Golub GetHouse</td>
<td>2018-2019</td>
</tr>
<tr>
<td>Skyliner</td>
<td>44,000</td>
<td>City Centre</td>
<td>Karimpol</td>
<td>2020</td>
</tr>
<tr>
<td>Spinaker Tower</td>
<td>40,000</td>
<td>City Centre</td>
<td>Ghelamco</td>
<td>2020</td>
</tr>
<tr>
<td>Business Liner</td>
<td>28,000</td>
<td>Upper South</td>
<td>Universale International</td>
<td>2019</td>
</tr>
<tr>
<td>EC Powsle</td>
<td>23,000</td>
<td>City Centre</td>
<td>White Star / Tristan Capital Partners</td>
<td>2019</td>
</tr>
<tr>
<td>Bobrowiecka 8</td>
<td>22,500</td>
<td>South East</td>
<td>Spectra Development</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>Generation Park X</td>
<td>20,000</td>
<td>City Centre</td>
<td>Skanska</td>
<td>2017</td>
</tr>
<tr>
<td>Koneser</td>
<td>20,000</td>
<td>East</td>
<td>BBI Development NFI</td>
<td>2018</td>
</tr>
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</table>

Source: BNP Paribas Real Estate
Major office lease transactions, Q1-Q3 2017

<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>Millennium Bank</td>
<td>FIRE</td>
<td>Harmony Office Center</td>
<td>Upper South</td>
<td>18,300</td>
<td>renewal</td>
</tr>
<tr>
<td>Citi Service Center Poland</td>
<td>FIRE</td>
<td>Generation Park</td>
<td>City Centre</td>
<td>13,600</td>
<td>pre-let</td>
</tr>
<tr>
<td>Alor Bank</td>
<td>FIRE</td>
<td>Łopuszańska Business Park</td>
<td>South West</td>
<td>13,400</td>
<td>renewal and extension</td>
</tr>
<tr>
<td>AstraZeneca</td>
<td>Pharma</td>
<td>Postępu 14</td>
<td>Upper South</td>
<td>13,200</td>
<td>renewal and extension</td>
</tr>
<tr>
<td>Lux Med</td>
<td>BS</td>
<td>Myhive Park Postępu</td>
<td>Upper South</td>
<td>9,500</td>
<td>renewal and extension</td>
</tr>
<tr>
<td>Diebold Nixdorf</td>
<td>BS</td>
<td>West Station II</td>
<td>South West</td>
<td>9,800</td>
<td>pre-let</td>
</tr>
<tr>
<td>BNP Paribas Securities Services</td>
<td>FIRE</td>
<td>Wronia 31</td>
<td>City Centre</td>
<td>8,000</td>
<td>pre-let</td>
</tr>
<tr>
<td>Public Transport Authority</td>
<td>public</td>
<td>JM Tower</td>
<td>City Centre</td>
<td>7,300</td>
<td>renewal</td>
</tr>
<tr>
<td>confidential</td>
<td>public</td>
<td>G9</td>
<td>West</td>
<td>7,200</td>
<td>new</td>
</tr>
</tbody>
</table>

FIRE - Finance, Insurance, Real Estate; BS - Business Solutions

Source: BNP Paribas Real Estate
6 BUSINESS LINES in Europe
A 360° vision

Main locations*

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FRANCE
Headquarters
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Investment Management
Tel.: +352 26 26 08 06

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