

Market in Minutes

Warsaw Office Market

October 2018

SUMMARY

Overview

- Strong take-up volumes, along with the lowest new supply (since Q2 2005) and vacancy rate (since Q2 2013) were the main characteristics of the Warsaw office market in Q3 2018. Central zones kept attracting the majority of both tenants and developers' activity in the city. Currently, Warsaw has 5.42 million sq m of office space, with a strong concentration in Central zones followed by Mokotów office area (39% and 26% of the entire stock respectively).
- After a strong first half of 2018, in Q3 2018 modern office stock in Warsaw increased by 16,300 sq m in just two office buildings (Park Avenue and Koneser, building C); and it was the lowest quarterly value since Q2 2005. In the last quarter of the year further 35,000 sq m is scheduled to come to the market. Next substantial new supply volume is expected in H2 2019 when such projects are to be completed: Mennica Legacy Tower, Chmielna 89, Wola Retro or Generation Park Z.
- The Warsaw market keeps witnessing a quite extensive construction activity, as ca. 740,000 sq m is currently ongoing. Central zones are being home to the almost 80% of the developed space, with a clear concentration in the City Centre West subzone (416,400 sq m).
- With take-up of almost 632,000 sq m in the first nine months of 2018, Warsaw letting market has achieved 77% of the total occupier activity recorded in an entire 2017 and it was 7% up on the same period last year. The take-up is almost evenly split between Central and non-central locations (the difference is

MAP 1

Warsaw office zones

- CBD**
City Centre
1 – City Centre North
2 – City Centre East
3 – City Centre South
4 – City Centre West
- East**
Jeruzolimskie Corridor
5 – Upper
6 – Lower
Mokotów
7 – Służewiec
- North**
Puławska Corridor
Ursynów, Wilanów
- West**
Żwirki i Wigury Corridor
PULAWSKA CORRIDOR



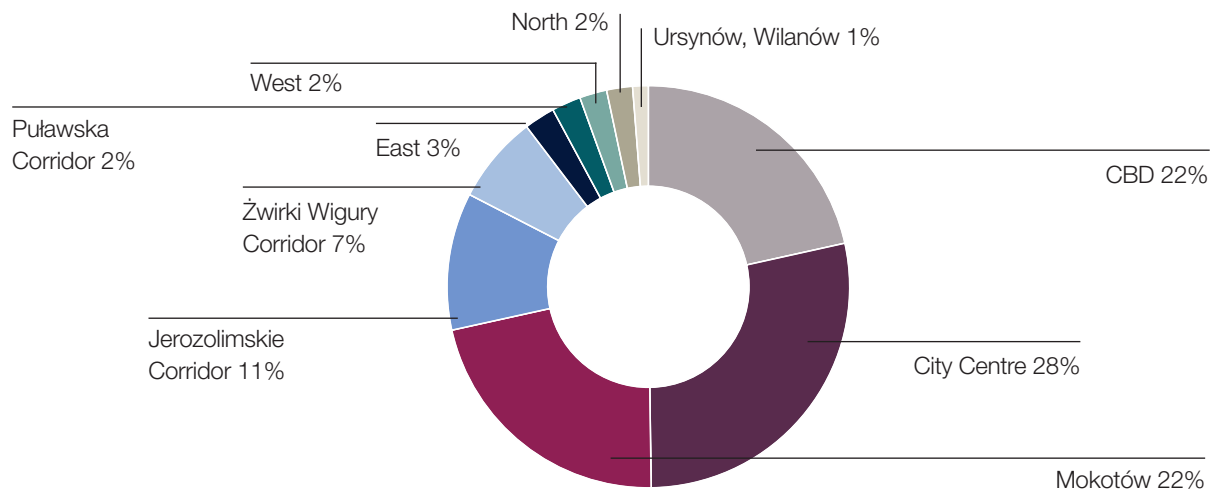
Source: Savills

less than 3,000 sq m in favour of the non-central locations).

- New agreements (including pre-leases) accounted for almost 61% of the total volume of take-up whereas the share of lease renewals and renegotiations was close to 27%. Expansions accounted for approximately 10% of the total letting activity in Q1-Q3 2018. Pre-leases accounted for 15% of gross take-up.
- New supply shortage and healthy take-up volumes have pushed vacancy rate in Q3 2018 down to 10.0% (110 bps lower when compared quarter on quarter and 290 bps lower when compared with Q3 2017), and such a low result was last seen in Warsaw in Q2 2013.
- The highest vacancy rate, similarly to the last quarter, was recorded in Żwirki i Wigury corridor (17.2%), nevertheless this office zone has recorded also the highest decrease compared to the previous quarter (249 bps). The lowest rate of 2.4% was again seen in the North zone, which is one of the smallest in terms of office supply.
- Prime headline rents in Q3 2018 remained rather stable - in the CBD and City Centre ranging from EUR 21.00 per sq m/month up to EUR 25.00 per sq m/month in top floors in tower buildings and in Służewiec between EUR 13.00 and 14.75 per sq m/month.
- Due to the shortage of available best quality office space in the most sought-after office zones in Warsaw incentives are decreasing. Growing labour and construction material costs result in decreasing rent free periods and allocating additional means to the fit-out budget offered to the potential tenant.

GRAPH 1

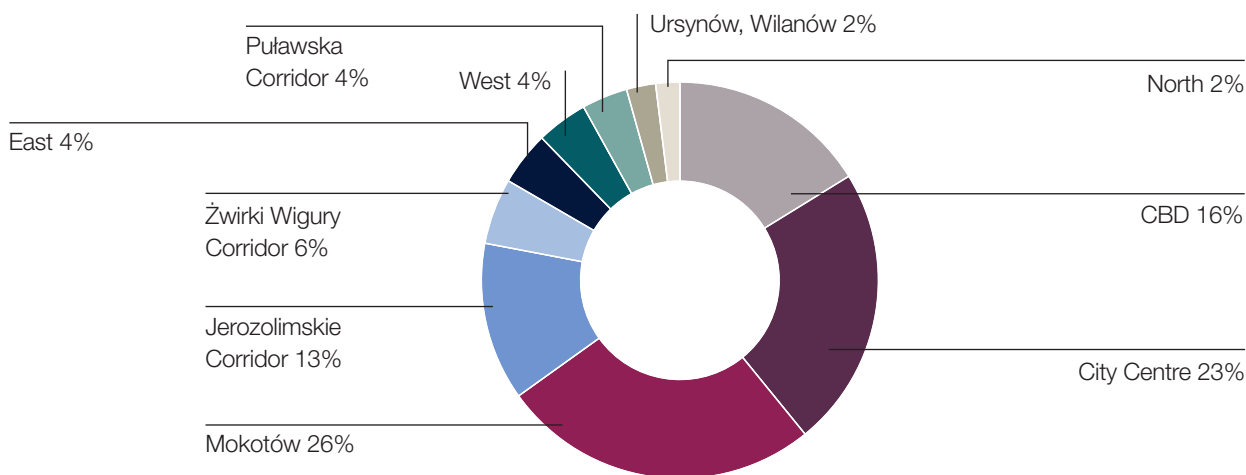
Take up Q1-Q3 2018



Source: Savills

GRAPH 2

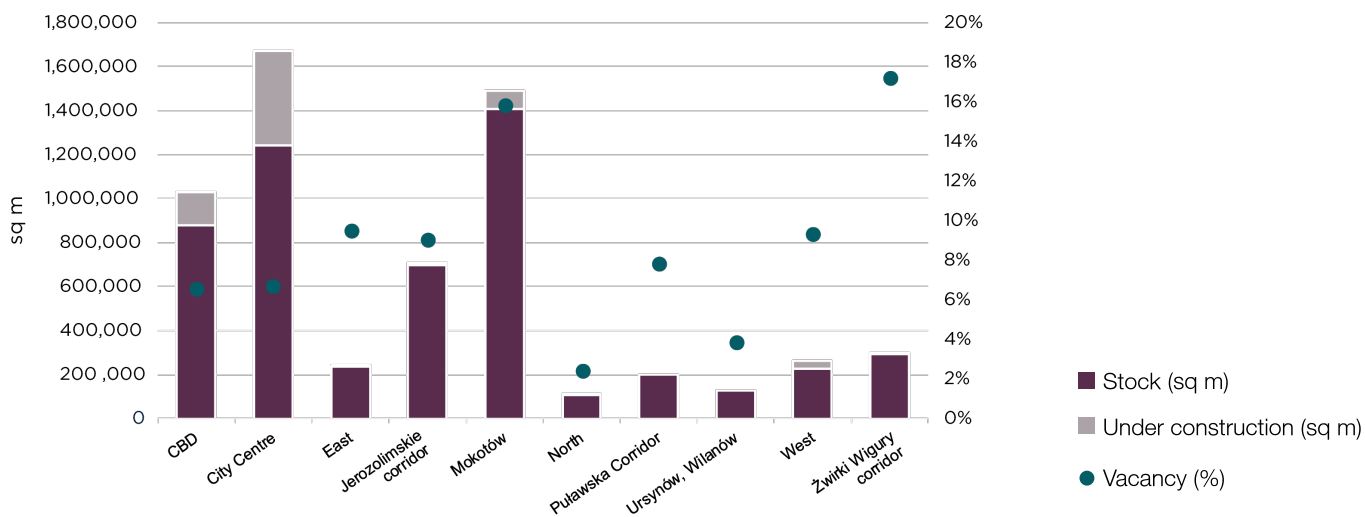
Stock Q3 2018



Source: Savills

GRAPH 3

Stock, under construction & vacancy rate Q3 2018



Source: Savills

TABLE 1

The largest transactions in Q1-Q3 2018

Zone	Building	Tenant	Office space (sq m)	Type of lease
CBD	Q22	Deloitte	22,100	Lease renewal & expansion
City Centre (South)	P20	Komisja Nadzoru Finansowego	14,800	New lease / Relocation
City Centre (West)	Mennica Legacy Tower (West)	WeWork	14,200	Pre-lease
CBD	Varso Place II	Cambridge Innovation Center	13,500	Pre-lease
Żwirki i Wigury corridor	PLL LOT HQ	LOT	11,850	Lease renewal
CBD	Wolf Marszałkowska	Ad Pilot	10,300	New lease

Source: Savills

TABLE 2

The largest completions in Q1-Q3 2018

Zone	Building	Developer	Address	Office space (sq m)
East	Koneser	BBI Development and Liebrecht & wood	Ząbkowska 27/31	21,100
City Centre (West)	Proximo II	Hines Polska	Przyokopowa 26	19,950
Jerozolimskie Corridor	Equator IV	Karimpol	Al. Jerozolimskie 100	19,200
Mokotów	Graffit	Hines Polska	Domaniewska 28	16,600
City Centre (East)	EC Powiśle B4&B5	White Star Real Estate	Elektryczna 2a	16,200
CBD	CEDET	Immobel Poland	Krucza 50	14,300
CBD	Centrum Marszałkowska	BBI Development	Marszałkowska 126/134	13,100
CBD	Park Avenue	Park Projects	Wspólna 70	12,500
Jerozolimskie Corridor	The Park 5	White Star Real Estate	Orzechowa / Krakowiaków	11,400
City Centre (West)	Spark C	Skanska Property Poland	Al. Solidarności 173	11,350
City Centre (West)	Nowogrodzka Square	Yareal Polska	Al. Jerozolimskie 93	10,900

Source: Savills

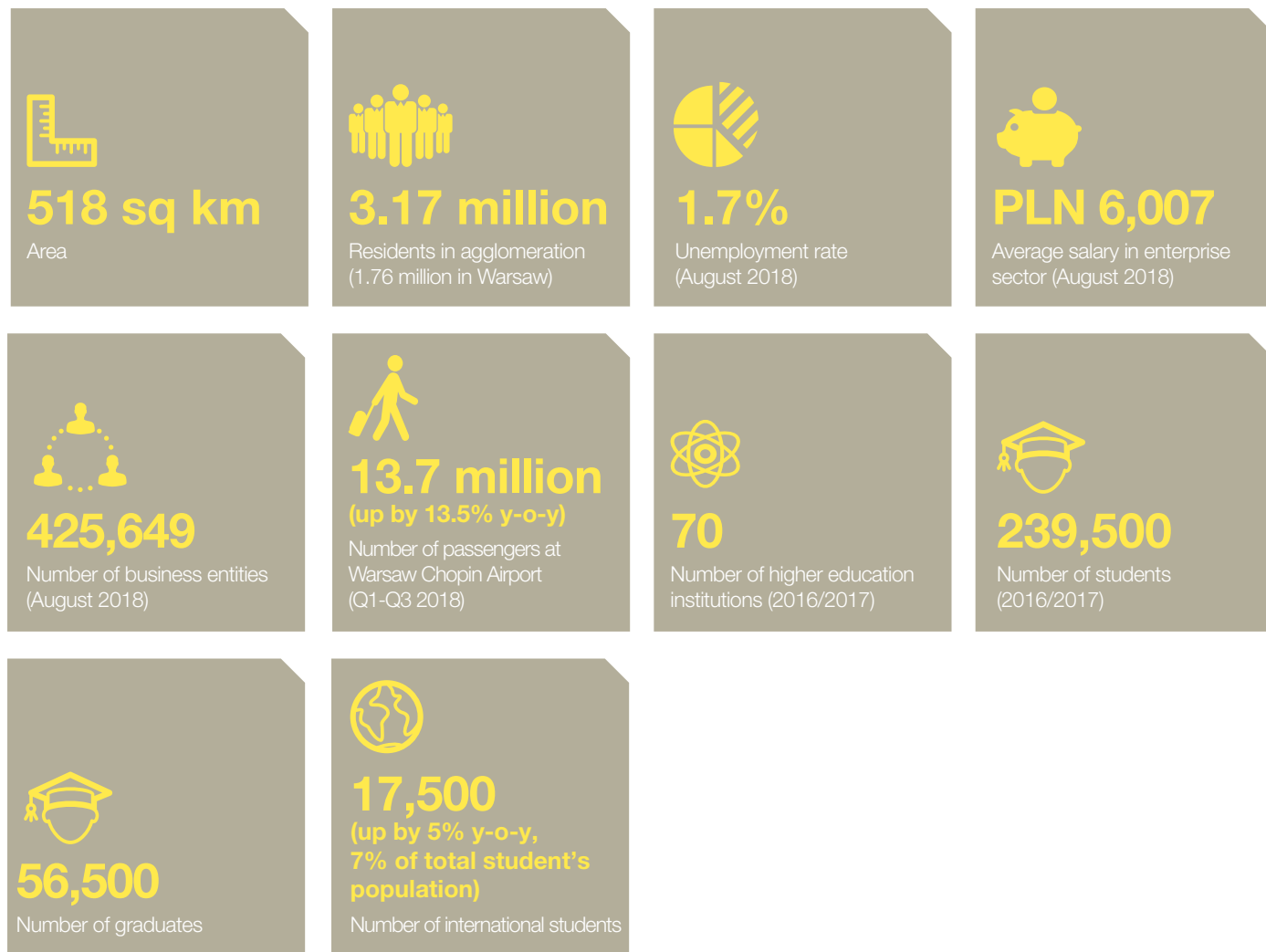
TABLE 3

The largest buildings under construction across Warsaw

Zone	Building	Developer	Address	Office space (sq m)	Planned completion
CBD	Varso Place	HB Reavis	Chmielna 73	101,700	2020 / 2021
City Centre (West)	The Warsaw Hub	Ghelamco	Rondo Daszyńskiego 2	90,300	2020
City Centre (West)	Mennica Legacy Tower	Mennica Polska & Golub GetHouse	Pereca 21	63,800	2019
City Centre (West)	Generation Park Y&Z	Skanska Property Poland	Towarowa 28	57,500	2019 / 2020
City Centre (West)	Spinnaker Tower	Ghelamco	Prosta	56,300	2020

Source: Savills

WARSAW – KEY INFORMATION



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