

# Office market in Warsaw



## The lowest vacancy rate in 5 years

■ After record-breaking year 2015 Warsaw office market has once again reached for the pedestal in terms of occupier activity. Vacancy rate is back to the Q4 2012 level and developers' activity is showing no signs of slowdown. Warsaw, with almost 5.5 million sq m of office space, is continuously witnessing strong investor confidence in city's office market.

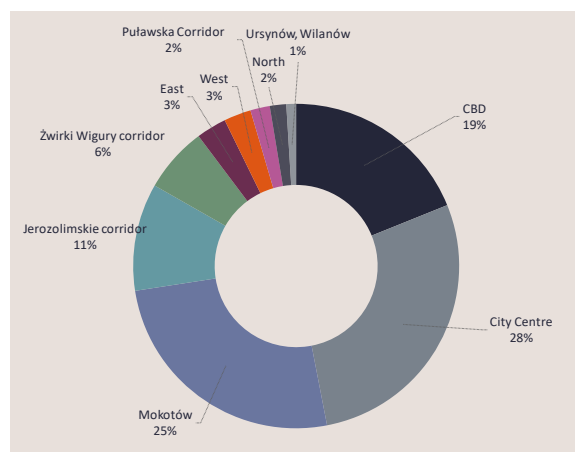
■ New supply in 2018 closed at almost 233,000 sq m in 23 office buildings, including 42,700 sq m delivered in Q4 2018 in six projects. Second quarter of the last year was the most productive, as ca. 150,000 sq m have increased office stock in Warsaw. Largest new annual additions were: Koneser Centrum Praskie C, H, O, P (21,100 sq m, East), Proximo II (19,950 sq m, City Centre West), Equator IV (19,200 sq m, Jerozolimskie corridor), Graffit (16,600 sq m, Mokotów Służewiec) and EC Powiśle B4&B5 (16,200 sq m, City Centre East).

■ Year 2019 is expected to bring further 255,000 sq m of new supply, however more than 60% of that space will be available for potential tenants no sooner than in H2 2019. Almost 40% of planned completion volume is already let.

■ Construction activity on the Warsaw office market still remains substantial – ca. 780,000 sq m is currently ongoing. Central zones are enduringly the leaders of the developed space volume in the city accounting for 73%. Nevertheless non-central locations are slowly picking up as investors have recently started almost 70,000 sq m of new office space there.

■ Take-up for 2018 reached 858,400 sq m, which is the highest level in the Warsaw's history (up 4.7% y-o-y and up ca. 3.0% compared to the record-breaking volume from 2015). During the last quarter non-central locations have surpassed the central ones by 52,000 sq m (13%), when looking at the whole 2018 figures.

### Take-up by zone, 2018



Source: Savills

■ Flexible office provider sector continues to be active on the Warsaw market, with almost 13% of 2018 take-up. The most active provider over 2018 has been WeWork who has acquired five new centres – almost 40,000 sq m in total; all of them located in the Central locations.

■ New agreements (including pre-leases) accounted for almost 62% of the total volume of take-up whereas the share of lease renewals and renegotiations was close to 25%. Expansions accounted for approximately 11% of the total letting activity in Q1-Q4 2018. Pre-leases accounted for 16% of gross take-up.

■ Moderate new supply and sustained healthy take-up volumes have pushed vacancy rate in Q4 2018 further down to 8.7% (130 bps lower when compared quarter on quarter and 300 bps lower when compared with Q4 2017), and such a low result was last seen in Warsaw in Q4 2012. Vacancy index in Central locations has reached the level of 5.4% (120 bps lower when compared quarter on quarter), which indicates that these Warsaw office zones are witnessing strong landlord market.

■ The highest vacancy rate was recorded in Mokotów (15.4%), while the lowest rate (2.0%) was again seen in the North zone, which is one of the smallest in terms of office supply.

■ Net absorption volume in 2018 second year in a row is crossing the 370,000 sq m threshold; and at the same time it is one of the highest figures in the Warsaw office market history. Almost 375,000 sq m absorbed last year is less than just 1% compared to the record-breaking volume from 2017 and over 230% more than in 2009. In the last two years net absorption was clearly exceeding the new supply volumes, which indicates that potential tenants looking for new space have to concentrate either on future projects or take space in already existing ones.

■ In 2018 prime headline rents for the best products in the city have increased slightly over 2%. Currently in projects located in the CBD and City Centre prime rents range from EUR 21.00 per sq m/month up to EUR 25.00 per sq m/month in top floors in tower buildings, while in Służewiec, the largest non-central office zone, range between EUR 13.00 and 14.75 per sq m/month.

■ In 2019 real estate market will have to face such challenges as growing already high labour and construction material costs, uncertain energy prices as well as an increase of the minimal wage, which will impact not only the whole construction process but also the service charges level in the buildings.



5.5 million sq m  
Total supply  
of office space



780,000 sq m  
Total under construction  
space



8.7%  
Vacancy rate  
(300 down bps yoy)

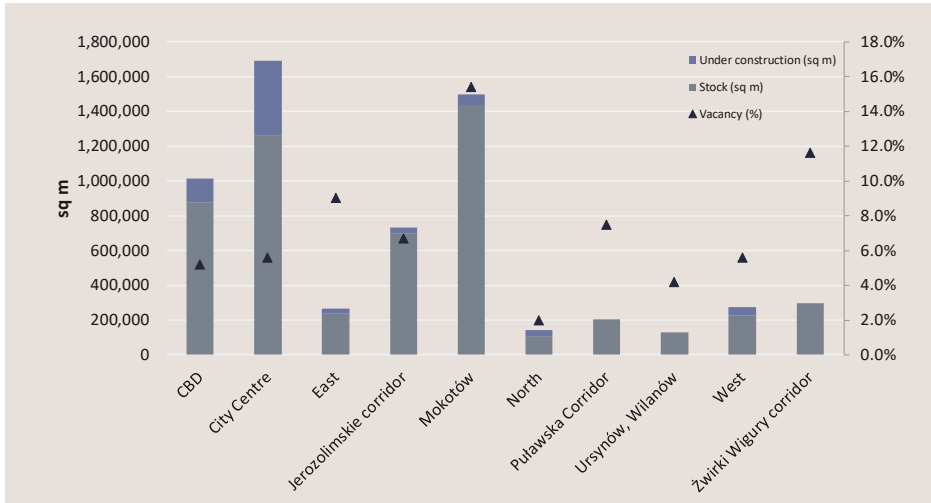


858,400 sq m  
Total take-up  
(4.7% up yoy)

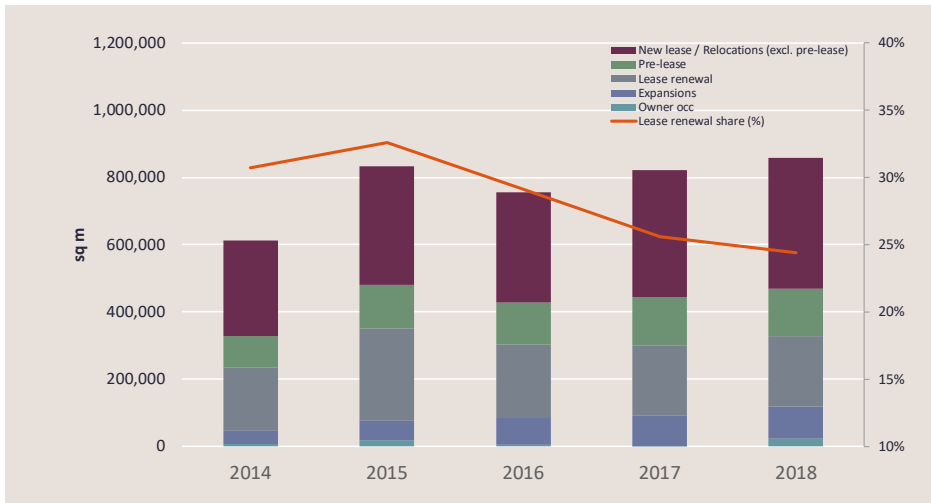


375,000 sq m  
Net absorption  
(1% down yoy)

Stock, under construction & vacancy rate, Q4 2018



Take-up by type



Source: Savills

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Top 5 developments completed	Top 5 lease signed	Top 5 under construction projects
Centrum Praskie Koneser, 21,100 sq m, BBI Development and Liebrecht & wood, East	Deloitte, Q22, 22,100 sq m, lease renewal & expansion CBD	Varso Place, 101,700 sq m, HB Reavis, CBD
Proximo II, 19,950 sq m, Hines Polska, City Centre	Komisja Nadzoru Finansowego, P20, 14,800 sq m, new lease, City Centre	The Warsaw Hub, 90,300 sq m, Ghelamco, City Centre
Equator IV, 19,200 sq m, Karimpol, Jerozolimskie Corridor	WeWork, Mennica Legacy Tower, 14,200 sq m, pre-lease, City Centre	Mennica Legacy Tower, 62,200 sq m, Mennica Polska & Golub GetHouse, City Centre
Graffit, 16,600 sq m, Hines Polska, Mokotów	Cambridge Innovation Center, Varso Place, 13,500 sq m, pre-lease, CBD	Generation Park Y&Z, 58,500 sq m, Skanska Property Poland, City Centre
EC Powiśle B4&B5, 16,200 sq m, White Star Real Estate, City Centre	LOT, PLL LOT HQ, 11,850 sq m, lease renewal, Żwirki i Wigury corridor	Warsaw Unit, 56,300 sq m, Ghelamco, City Centre

