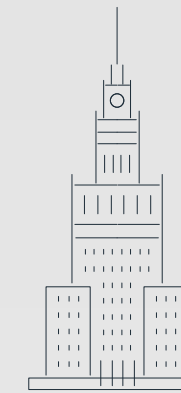


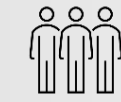




AT A GLANCE

Q4 2022

WARSAW OFFICE MARKET

Economic indicators – Warsaw



	Population (December 2021)	1.86 mln
	Unemployment rate (November 2022)	1.5%
	Average salary PLN gross (November 2022)	8,128
	Number of students (academic year 2021/2022)	264,200
	Number of universities (academic year 2021/2022)	63

Source: Statistics Poland

Highlights

- High gross demand, only 2 p.p. lower than recorded in the record-breaking 2019
- The vacancy rate is slowly falling
- The declining supply of office space will put pressure on the growth of base and effective rents
- Flexy on the growing wave of tenants' interest
- Brownfield investments: Upper One and Drucianka



Source: BNP Paribas Real Estate Poland



6.26 M sqm
EXISTING OFFICE SPACE

8,700 sqm
NEW SUPPLY Q4

185,500 sqm
SPACE UNDER CONSTRUCTION
(2023-2025)

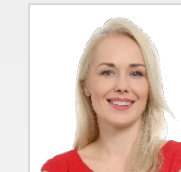
11.6%
AVERAGE VACANCY RATE

26-28 EUR
(sqm/mth)
PRIME HEADLINE RENT

253,400 sqm
GROSS DEMAND Q4
860,000 sqm
GROSS DEMAND 2022



Expert comment



Małgorzata Fibakiewicz
Head of Office Agency
BNP Paribas Real Estate Poland

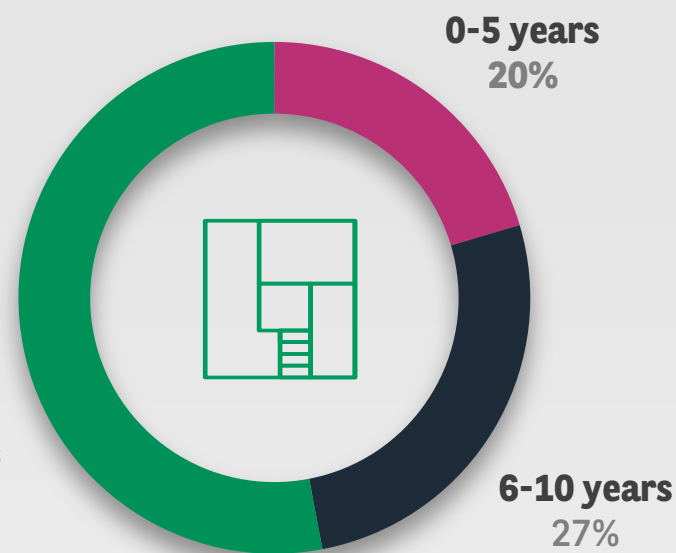
Summary of 2022 and new challenges of 2023

For the Warsaw office market, 2022 was a year of mitigating the consequences of the war in Ukraine, high office construction and fit-out costs, and the expansion of the hybrid working model. The key challenges ahead include shrinking office availability and the ensuing growth in both headline and effective rental values. In addition, the pace of this sector's growth is likely to decelerate in the medium term due to the overall macroeconomic situation, coupled with the high costs of financing new projects and stalling business investment across Europe. Meanwhile, the hybrid work model has taken root on the Polish office market, with tenants increasingly expecting landlords to show flexibility and to respond to their needs quickly. Consequently, co-working offices, as a fusion of traditional leases and flexible office space, are gaining traction.



Existing stock by age

Source: BNP Paribas Real Estate Poland



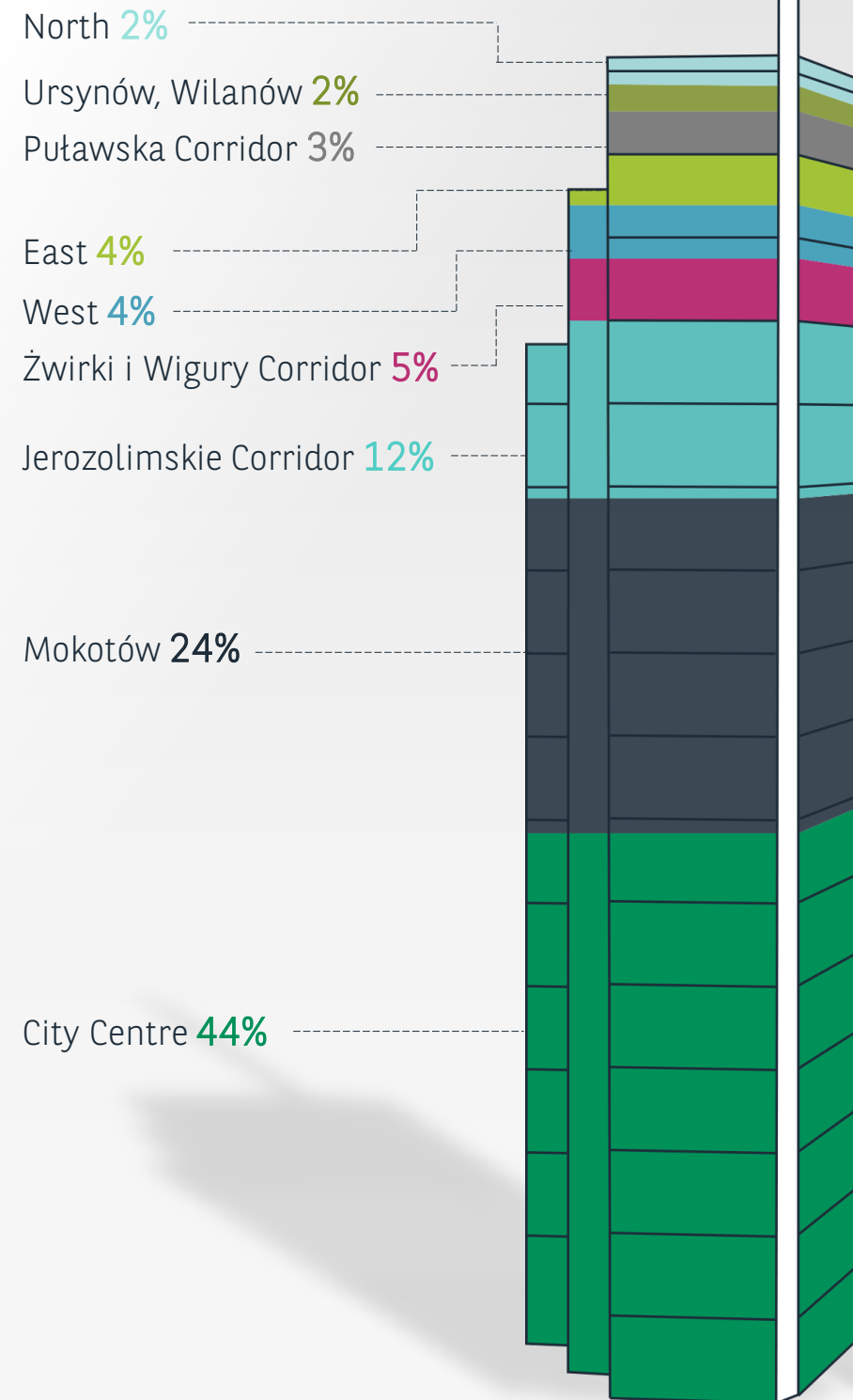
Warsaw's office stock currently stands at 6.26 million sqm, roughly half of which is over 10 years old. The upcoming supply gap is unlikely to change much as some of the older office buildings can no longer be classified as modern office stock and are increasingly being earmarked for demolition. Some vacated land is reused for new office developments or alternative formats such as PRS projects. Developers are also undertaking brownfield projects – Liebrecht & wood has already started preparing its new revitalisation project in Warsaw's Praga-Północ district to redevelop the former Warsaw Wire, Pin and Nail Factory (Drucianka) into Drucianka Campus, an innovative mixed-use complex which will comprise 42,000 sqm of office space and more than 7,500 sqm of retail, services and event space. Drucianka Campus will take around two and a half years to complete, with the total cost of the project coming to almost EUR 150 million.

Completions Q4 2022

BUILDING	ZONE	OFFICE SPACE (sqm)	DEVELOPER
1 DPD HQ	Jerozolimskie corridor	8,704	Hillwood

Source: BNP Paribas Real Estate Poland

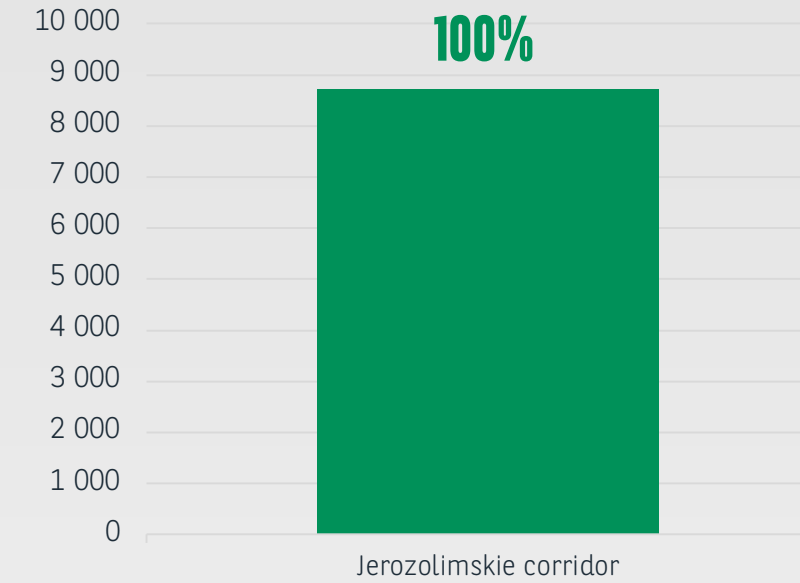
Existing stock by zone Q4 2022



Source: BNP Paribas Real Estate Poland

New supply Q4 2022

Number of sqm / quarter by zones



Source: BNP Paribas Real Estate Poland



In Q4 2022, Warsaw's office market expanded by 8,700 sqm delivered for the new DPD HQ building in the Jerozolimskie Corridor. There has been a noticeable slowdown in development activity on the Warsaw office market. The strong wave of new office supply, which began two years ago, has subsided and the lack of new building permits will result in a supply gap in 2023-2024.

Expert comment



Klaudia Okoń

Consultant, Business Intelligence Hub & Consultancy
BNP Paribas Real Estate Poland

Old office buildings in Warsaw give away valuable land

While there is a growing shortage of vacant building plots in Warsaw, especially in its central districts, demand for development land remains strong. As a result, developers are increasingly targeting parcels of land with old buildings which use is no longer economically viable as they frequently do not meet EU taxonomy requirements, are costly to maintain or are in urgent need of full refurbishment to provide an appropriate standard of office space. An example of this trend is the demolition of Atrium International, which will be replaced by STRABAG Real Estate's Upper One, comprising a 34-floor skyscraper and a 17-floor hotel, scheduled for completion in 2026. Alongside this, some of the office development pipeline is being converted into other formats, predominantly PRS projects.

At the end of Q4 2022, Warsaw's vacancy rate was 11.6% (down by 1.1 pp on the same time in 2021). Around 726,400 sqm of office space was vacant at the end of the year, representing a decrease of 52,000 sqm over the year. Unoccupied office space in Warsaw's central zones accounted for 10.5% of the capital's total stock compared to 12.4% for non-central locations. Most of the office zones recorded falls in vacancies over the quarter, the largest was in Mokotów and Żwirki Corridor (down by 1.3 pp). Of all the office subzones, the Centre East showed the strongest upward movement quarter-on-quarter (+2.1 pp) while the Centre North reported the sharpest fall.

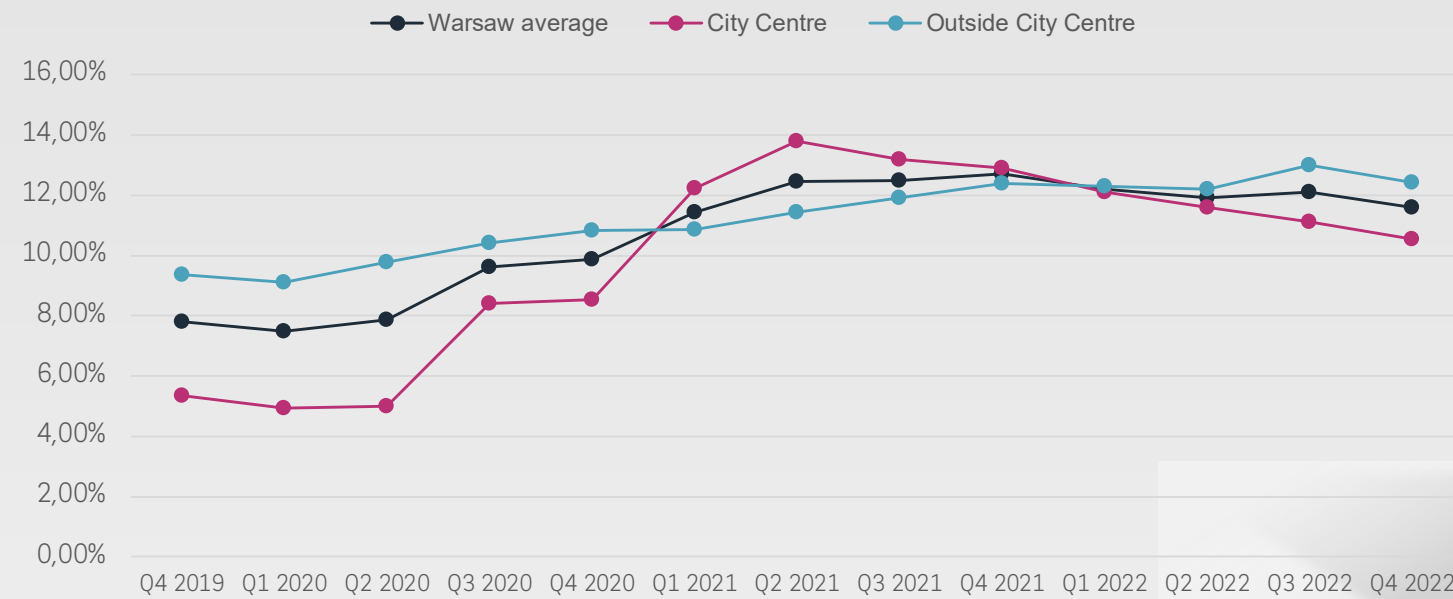
Vacancy rate



AT A GLANCE

Q4 2022

Q4: 12.1% Warsaw average 10.5% City Centre 12.4% outside City Centre



Source: BNP Paribas Real Estate Poland

Rents

- „Prime” rent: 26-28 EUR/sqm/mth
- Average asking rent in Warsaw office buildings broken down by age*:

17,9-18,95 EUR



0-5 years

17,0-17,5 EUR



6-10 years

14,9-15,3 EUR



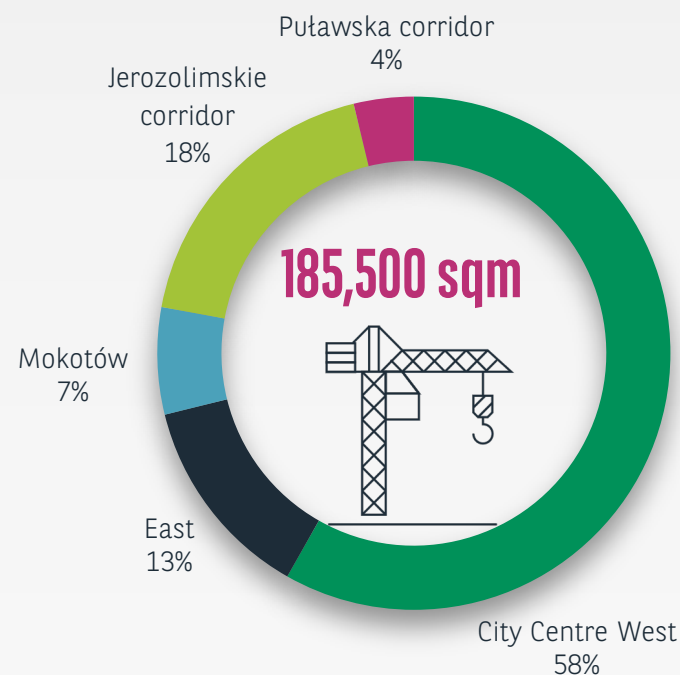
>10 years

Rental and service charges remain on an upward trajectory, with leases becoming significantly longer, while rental rates are subject to increasingly higher indexation. The growth in asking rents has been modest so far, but growing utility costs pushed service charges up by around 25% in the past 12 months.

* Average asking rents calculated for buildings that recorded vacancy in a given quarter

Source: BNP Paribas Real Estate Poland

Office space under construction (2023-2025)



Source: BNP Paribas Real Estate Poland

8,700 sqm was delivered to the Warsaw office market in the last quarter of 2022. The office development pipeline scheduled for completion in 2023-2025 amounts to approximately 185,500 sqm, of which over 74% is expected to come onto the market in the next two years, with the remaining part to be delivered in 2025.

Major projects under construction (2023-2025)

	BUILDING	ZONE	OFFICE SPACE (sqm)	DEVELOPER	OPENING
1	The Bridge	City Centre - West	47,400	Ghelamco	Q1 2025
2	Drucianka B (B1 A & B1 B)	East	25,000	Liebrecht & wood	Q4 2024
3	Lakeside	Mokotów	24,000	Atenor	Q4 2023
4	Lixa E	City Centre - West	18,000	Yareal	Q1 2024
5	Studio phase I	City Centre - West	17,600	Skanska	Q3 2023

Source: BNP Paribas Real Estate Poland

Expert comment



Dorota Fabisiak

Associate Director, Office Agency
BNP Paribas Real Estate Poland

Growing interest in flex surfaces

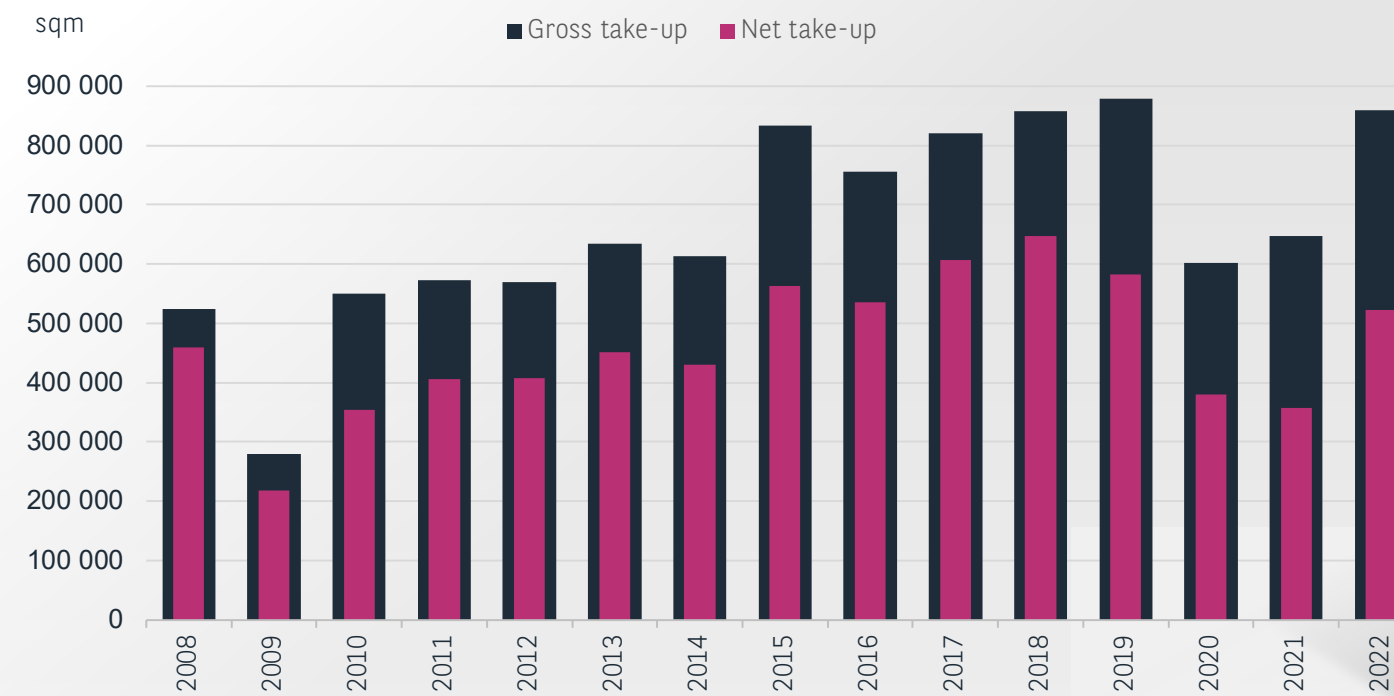
The total modern office stock offered by providers as flexible workspace in Warsaw comprises close to 80,000 sqm. Demand for flexible offices is growing, with occupancy rates reaching 80-90%. Short-term leases offer companies the flexibility they need in the currently challenging market environment, allowing them to respond quickly to changing staffing needs and to optimise overheads. Other factors behind the growing appeal of flexible workspace include the rising fit-out costs of traditional offices and delays caused by increased building material prices and labour shortages. Demand for flex space has also been bolstered by the pandemic, with more employees demanding fully remote or hybrid working options.

In 2022, gross office take-up in Warsaw exceeded 860,000 sqm, of which over 253,300 sqm was transacted in Q4 2022. This represents a decrease of only 2 pp on the peak year of 2019. Occupier activity focused on the City Centre, the Central Business District and Mokotów both during the fourth quarter and in the whole of 2022. In Q4 2022, new leases, including pre-lets, accounted for most of the office deals in Warsaw (52%), while renegotiations made up 41%. The share of expansions was 6%. Take-up by type of transaction for the whole of 2022 was similar: new leases accounted for close to half of the leasing volume, followed by renewals and expansions which made up around 40% and just under 9%, respectively. In addition, the proportion of owner-occupier deals rose from 0.1% in 2021 to 3.0% in 2022.

Gross and net take-up

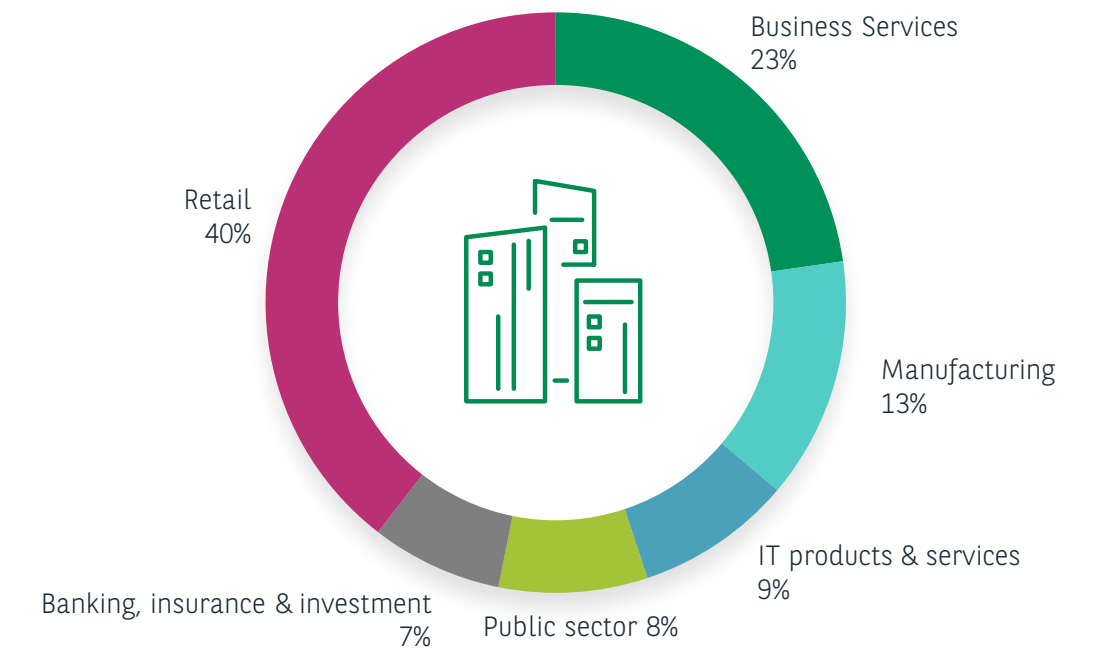
AT A GLANCE

Q4 2022



Source: BNP Paribas Real Estate Poland

Structure of gross demand by sectors Q4 2022



Source: BNP Paribas Real Estate Poland

Gross take-up by zones Q1-Q4 2022



1. City Centre + CBD - 58%
2. Mokotów - 19%
3. Jerozolimskie corridor - 11%

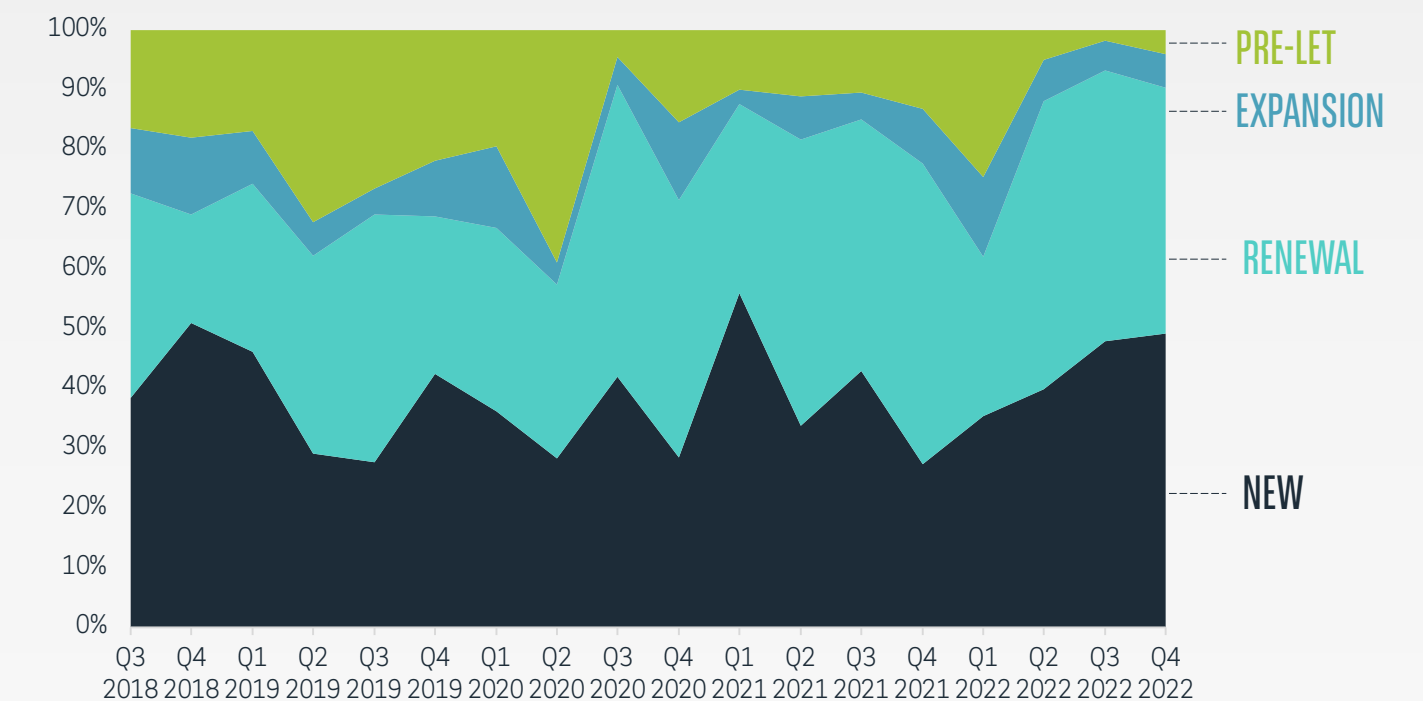
For the last two years, tenants' interest has continued to focus on Warsaw's key office hubs: the City Centre and Mokotów. In 2022, office buildings in the capital's central zones accounted for close to 60% of the total take-up. Mokotów saw over 164,200 sqm transacted while the Jerozolimskie Corridor contributed over 91,000 sqm to the total deal volume.

Top 5 Lease Transactions

	LESSEE	BUILDING	ZONE	LEASED SPACE (sqm)	TYPE OF AGREEMENT
1	Lionbridge	Konstruktorska Business Center	Mokotów	13,969	new
2	Budimex	Wola Retro	West	8,713	renewal
3	Roche	Graffit	Mokotów	8,375	renewal
4	Confidential	Artico Office Building	Mokotów	6,207	renewal
5	IKEA Purchasing	Metro	Żwirki i Wigury corridor	6,000	new

Source: BNP Paribas Real Estate Poland

Structure of gross demand 2018-Q4 2022



Source: BNP Paribas Real Estate Poland



AT A GLANCE

Q4 2022

AUTHORS

Klaudia Okoń

Consultant
Business Intelligence Hub & Consultancy
klaudia.okon@realestate.bnpparibas

CONTACT DETAILS

Małgorzata Fibakiewicz, MRICS

Head of Office Agency
malgorzata.fibakiewicz@realestate.bnpparibas

Piotr Rusinek, BSc (Hons), MRICS

Head of Project and Development Consultancy
piotr.rusinek@realestate.bnpparibas

Mateusz Skubiszewski, MRICS

Head of Capital Markets
mateusz.skubiszewski@realestate.bnpparibas

Erik Drukker

President of the Board
erik.drukker@realestate.bnpparibas

Michał Pszkit

Head of Property Management
Member of the Board
michal.pszkit@realestate.bnpparibas

Arkadiusz Bielecki, MRICS

Head of Valuation
arkadiusz.bielecki@realestate.bnpparibas

KEEP UP-TO-DATE WITH
BNP PARIBAS REAL ESTATE'S NEWS,
WHEREVER YOU ARE



www.realestate.bnpparibas.com
#BEYONDBUILDINGS



All rights reserved. At a Glance is protected in its entirety by copyright. No part of this publication may be reproduced, translated, transmitted, or stored in a retrieval system in any form or by any means, without the prior permission in writing of BNP Paribas Real Estate.

**BNP Paribas Real Estate
Poland Sp. z o.o.**
ul. Grzybowska 78,
00-844 Warsaw
Tel. +48 22 653 44 00
www.realestate.bnpparibas.pl