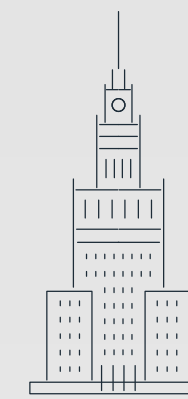


AT A GLANCE

Q2 2022

WARSAW OFFICE MARKET



Economic indicators – Warsaw

	Population (December 2021)	1.79 M
	Unemployment rate (May 2022)	1.8%
	Average salary PLN gross (May 2022)	7,823
	Number of students (academic year 2020/2021)	256,000
	Number of universities (academic year 2020/2021)	69

Source: Statistics Poland

Highlights

- Office space demand again broke the level of 200,000 sqm
- Downward vacancy trend – Q2 with 11.9%
- New quarterly supply delivered only in PHN buildings
- Renewals are increasing their share in the take-up structure



Source: BNP Paribas Real Estate Poland



6.27 M sqm
EXISTING OFFICE SPACE

35,600 sqm
NEW SUPPLY Q2

227,000 sqm
SPACE UNDER CONSTRUCTION (2022-2025)

11.9%
AVERAGE VACANCY RATE



25-26 EUR (sqm/mth)
PRIME HEADLINE RENT

212,200 sqm
GROSS DEMAND Q2

Expert comment



Mikołaj Laskowski

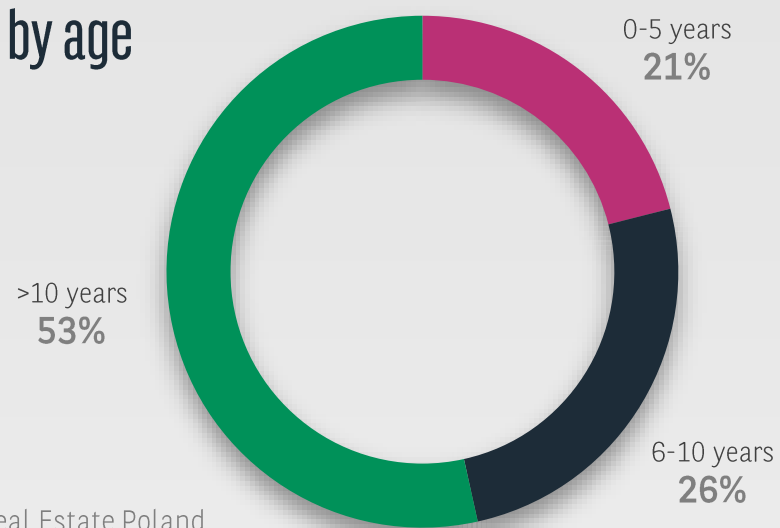
Head of Office Agency
BNP Paribas Real Estate Poland

Office sector undergoing further changes

The supply gap, the war on the territory of Ukraine and rising inflation have already translated directly into the office real estate sector. Apart from the high costs of finishing office space, changes in the structure of incentives – replacing rent free periods with fit-out contributions – or extending the terms of new contracts, we have been observing an increase in the share of renewals in the demand structure from quarter to quarter. Having added to this the rising fuel costs translating into higher commuting costs for employees, the conclusion can be drawn that the hybrid work will undergo further evolution and definition changes. So far though, the offices are occupied in ca. 50%-60%, which proves the willingness and need to come back to office. The trend is uprising, yet, it remains under influence of further evolution of pandemic, which another wave is expected in Autumn and / or macroeconomic, fuel prices in particular.



Existing stock by age



Source: BNP Paribas Real Estate Poland

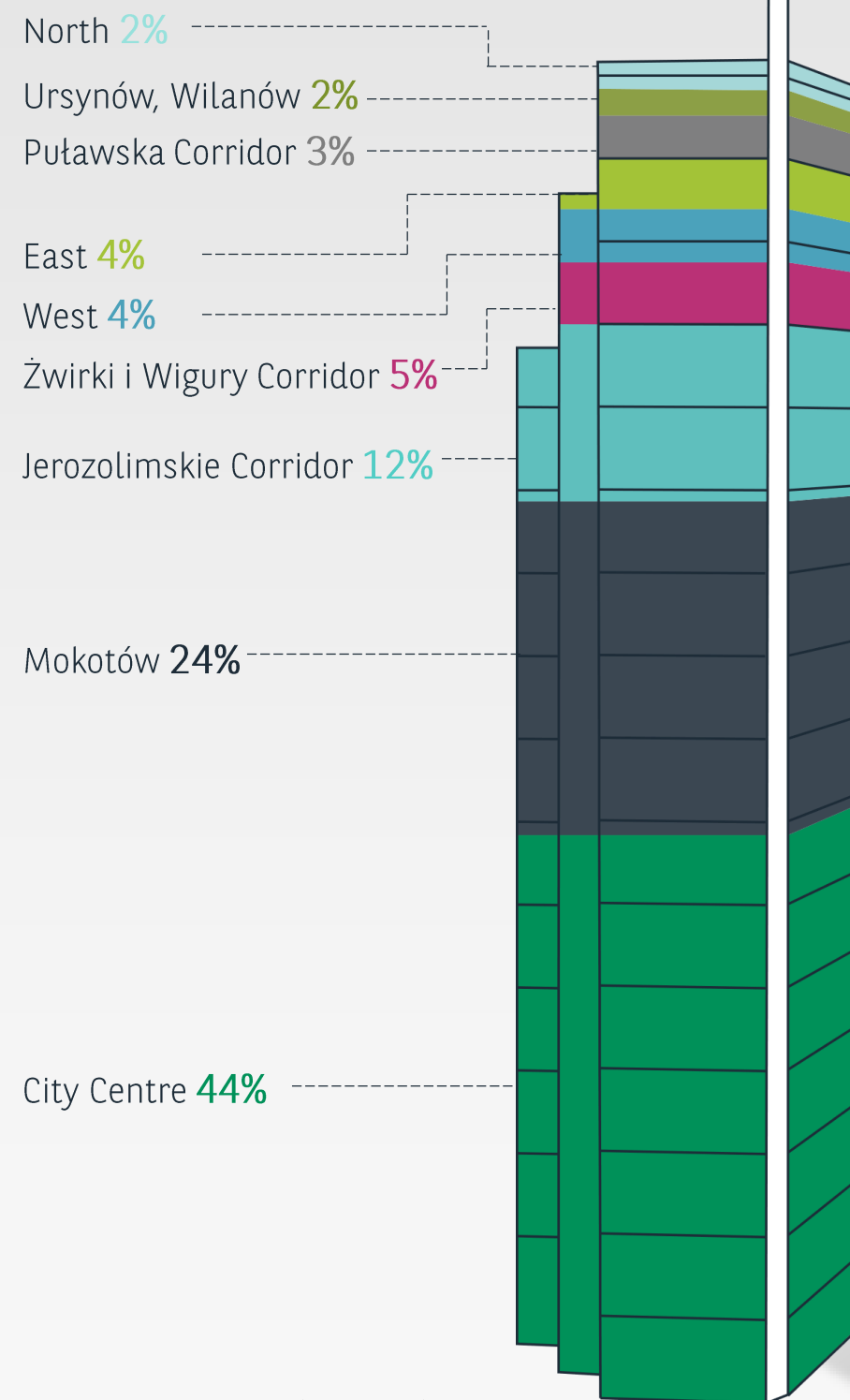
The Warsaw office stock amounts to 6.27 million sqm, out of which roughly half is over 10 years old. There is a visible trend in the market to undertake the refurbishments and modernizations of buildings which are over 10-15 years old. All in order to make the space for tenants more attractive, technologically advanced and economically friendly. Older properties can be leased, but they must be adapted to the expectations of tenants or have a different plan. This can be a change of function to an aparthotel, hotel, apartment or PRS. We can look for such examples, e.g. in Służewiec.

Completions Q2 2022

BUILDING	ZONE	OFFICE SPACE (sqm)	DEVELOPER
1 SkySAWA II	CBD	22,800	PHN
2 Intraco Prime	Centre	12,800	PHN

Source: BNP Paribas Real Estate Poland

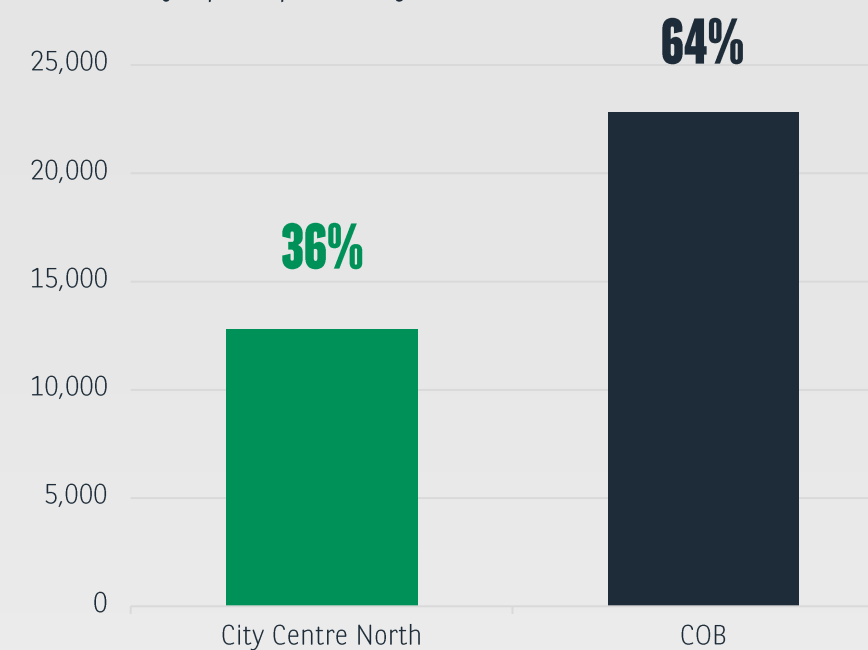
Existing stock by zone Q2 2022



Source: BNP Paribas Real Estate Poland

New supply Q2 2022

Number of sqm / quarter by zones



Source: BNP Paribas Real Estate Poland

In the second quarter of 2022, the Warsaw office market increased by over 35,600 sqm, in two buildings owned by PHN.

At the turn of March and April, the occupancy permit was received by the Intraco Prime office building (12,800 sqm). The building will be ready to welcome the first tenants in Q3 2022. A few weeks later after Intraco delivery, an occupancy permit was granted for the SkySAWA II building (22,800 sqm), which is PHN's flagship project.

Expert comment



Klaudia Okoń

Consultant Business Intelligence Hub & Consultancy
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Workplace follows the ESG rules

In the coming future, modern workplaces that use new technologies and create a friendly environment for end users will continue to gain more importance.

The leading position will be taken by office buildings operating in line with ESG rules and principles, new environmental, social and corporate governance. This will be expected mainly from those located in central city areas. ESG-related aspects will have a significant impact on the real estate market in the coming years and, above all, on the valuation of assets. Investors and tenants will expect low-emission office buildings or plans to achieve it. Facilities offering solutions in the area of climate technologies will gain a competitive advantage. Trends related to the certification of buildings in terms of user-friendly impact and guaranteeing their full safety will also gain strength.

”

At the end of the second quarter of 2022, the vacancy rate in Warsaw reached 11.9% (a decrease by 0.3 pp. compared to the previous quarter and by 0.6 pp. compared to the corresponding period in 2021). The availability of office space was at the level of 747,700 sqm. In central areas, the vacancy rate fell to 11.6%, while outside the city center it reached 12.2%. Most office zones recorded a decrease in the vacancy rate. Only Mokotów, Północ and the Żwirki & Wigury corridor recorded a slight increase. Despite the delivery of over 35,000 sqm of new space in the Central zone, the vacancy rate decreased slightly (q/q) by 0.1 pp. This is due to high demand registered in the zone, constituting nearly 62 % of the total demand for offices in Warsaw in Q2.

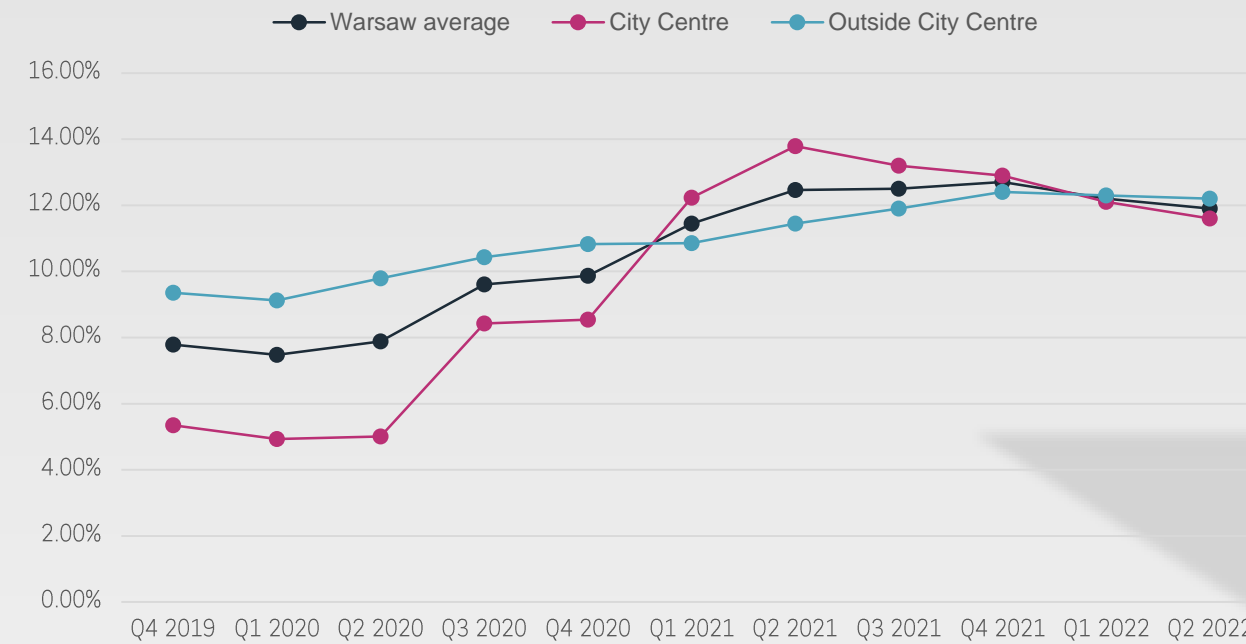
Vacancy rate



AT A GLANCE

Q2 2022

Q2: 11.9% Warsaw average 11.6% City Centre 12.2% outside City Centre



Source: BNP Paribas Real Estate Poland

Rents

- Prime rent: 25-26 EUR/sqm/mth
- Average asking rent in Warsaw office buildings broken down by age*:

16.99 EUR



0 – 5 years

16.08 EUR



6 – 10 years

14.15 EUR



> 10 years

”

A number of macroeconomic factors and the geopolitical situation, as well as the supply gap for 2023-2025 are already stimulating the rise of headline rent. A significant increase will come in 2023, when tenants will have to face the application of inflation ratios included in the lease contract and the annual reconciliation of service charges.

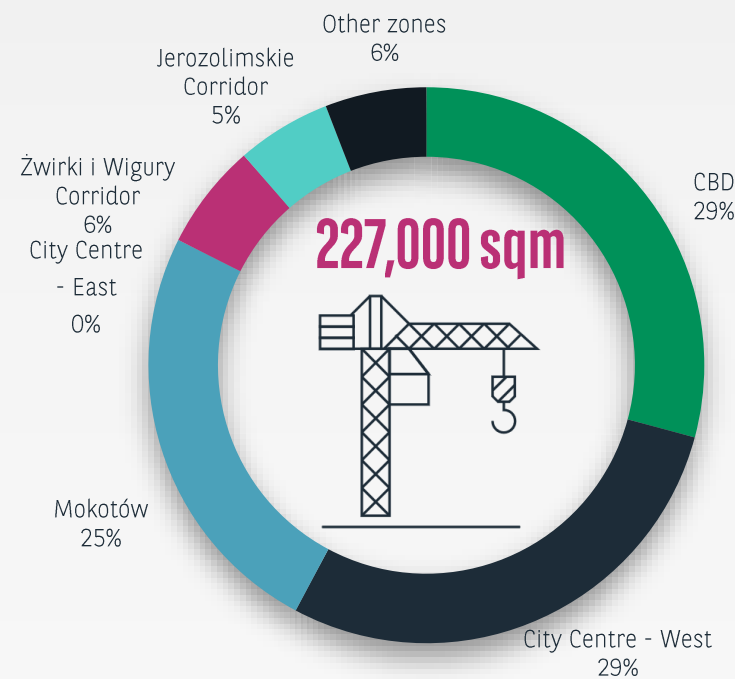
* Average asking rents calculated for buildings that recorded vacancy in a given quarter

Source: BNP Paribas Real Estate Poland

Office space under construction (2022-2025)

In the second quarter of 2022, only 35,600 sqm were delivered to the Warsaw office market.

By the end of 2022, the market will increase by approximately 135,000 sqm, which is currently under construction. For the years 2023-2025, only 93,000 sqm of office space is planned for completion and it is unlikely that further projects will be launched.



Source: BNP Paribas Real Estate Poland

Major projects under construction (2022-2025)

	BUILDING	ZONE	OFFICE SPACE (sqm)	DEVELOPER	OPENING
1	Varso Tower	CBD	66,300	HB Reavis	Q3 2022
2	The Bridge	City-Centre West	47,400	Ghelamco	Q1 2025
3	P180	Mokotów	32,000	Skanska	Q3 2022
4	Lakeside	Mokotów	24,000	Atenor	Q4 2023
5	Studio phase I	City-Centre West	17,600	Skanska	Q3 2023

Source: BNP Paribas Real Estate Poland

Expert comment



Małgorzata Fibakiewicz

Head of Business Intelligence Hub
BNP Paribas Real Estate Poland

Further into 2022 – new office reality becomes a fact

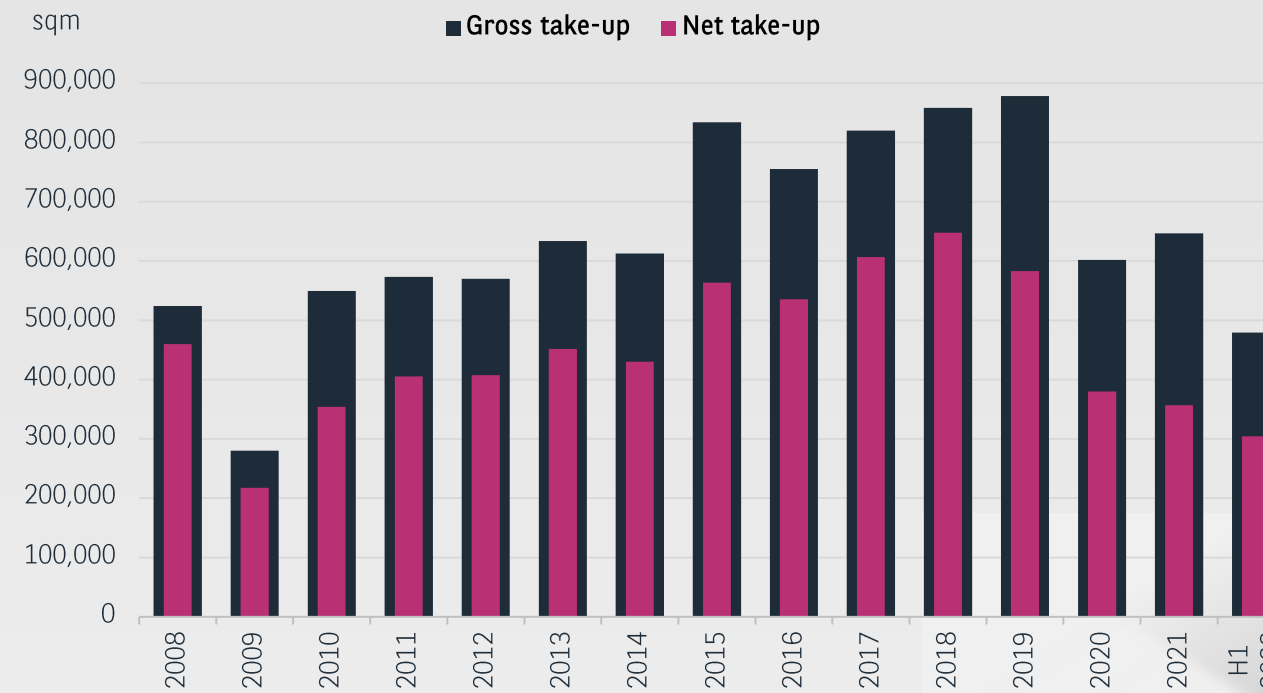
In the Warsaw office market, not only is the increase in headline rents noticeable, but also the extension of a lease period. These are the most important factors that will shape the demand in the office market in the near future. New office deals include largely 7 years lease periods. All to cover the cost of office fit-out, which is currently valued at an average of EUR 800-850 / sqm from shell & core. Due to the high costs of purchasing materials or their limited availabilities, the landlords are cautious to present renewal leasing offers for expiries beyond 2022. Adding the factor of the specter of a supply gap, which will become a reality in a few quarters, the office market will witness processes of mergers, consolidations or subleases. It will also be a proving test for advisors operating on the commercial real estate market, who will be expected to provide comprehensive and multi-level consulting.

In the second quarter of 2022, the demand for modern office space reached 212,200 sqm. This is the second quarter in row, in which the demand for Warsaw offices exceeded the level of 200,000 sqm. The CBD and Central zones attracted the biggest chunk of the total demand. In the first half of the year, the total demand for offices amounted to almost 479,400 sqm. The result generated between April and June is higher by 45% than in the corresponding period of 2021. In the second quarter, the demand structure saw a significant increase in the share of renewal contracts, which accounted for 48% of all deals signed in Warsaw. It's about 21% more than in the first quarter of this year. We anticipate that in the coming quarters the share of renegotiations and renewals will increase proportionally to the decreasing supply and increasing costs of office fit-outs.

Gross and net take-up

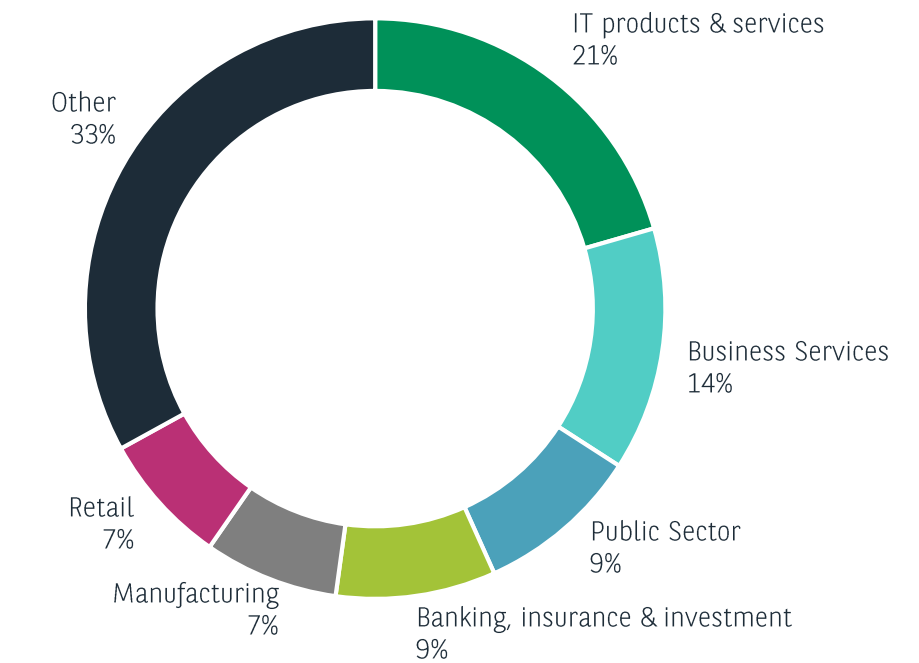
AT A GLANCE

Q2 2022



Source: BNP Paribas Real Estate Poland

Structure of gross demand by sectors Q2 2022



Source: BNP Paribas Real Estate Poland

Gross take-up by zones



1. City Centre (City Centre + CBD) - 62%
2. Mokotów - 11%
3. Jerozolimskie corridor - 7%

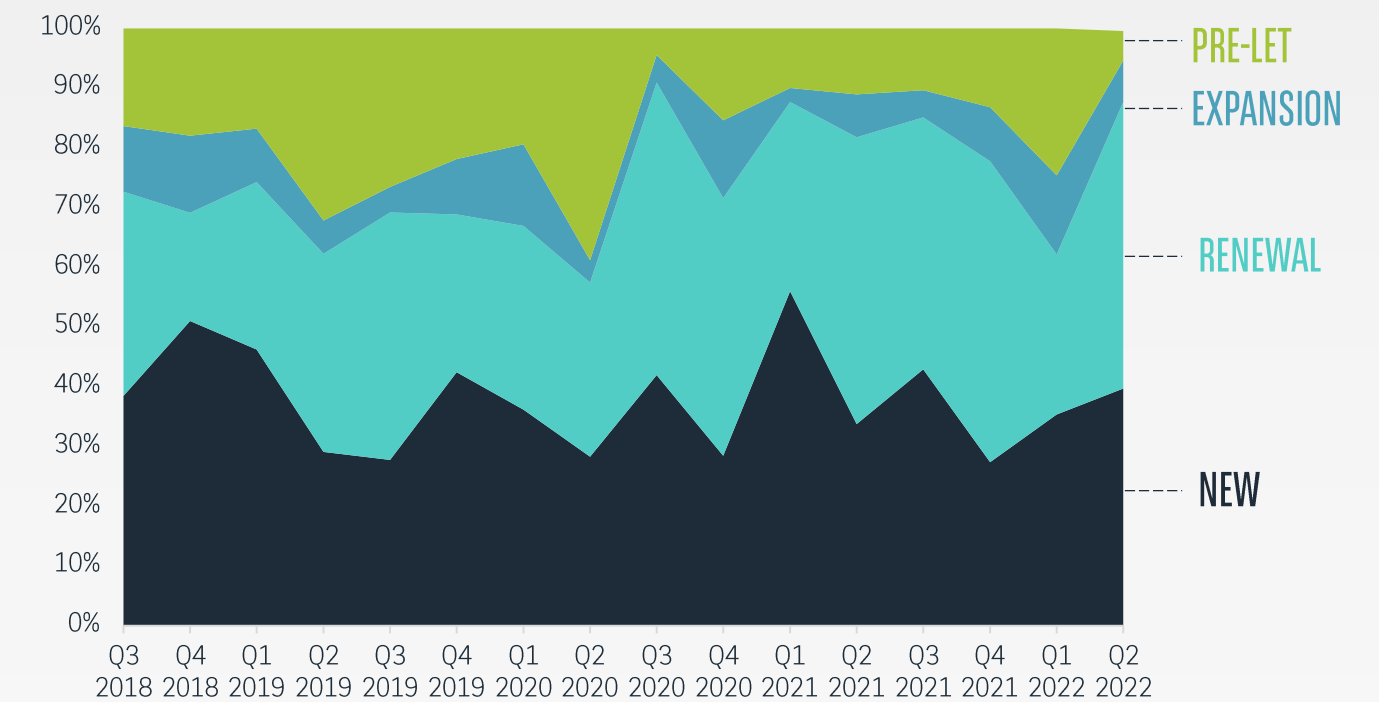
For many quarters, the two largest office hubs in Warsaw – Central and Mokotów – have been enjoying the greatest interest among tenants. The record 62% share in total demand once again belongs to the center of the capital. Contracts for over 23,000 sqm were signed in Mokotów and the Jerozolimskie Corridor added another 14,500 sqm.

Top 5 Lease Transactions

LESSEE	BUILDING	ZONE	LEASED SPACE (sqm)	TYPE OF AGREEMENT
1 Samsung Electronic Polska (R&D)	Warsaw Spire C	City-Centre West	21,044	renewal
2 KOWR	Karolkowa Business Park	City-Centre West	9,848	renewal
3 Confidential client	Warsaw Financial Centre	CBD	9,540	renewal
4 Euro RTV AGD	The Park 9	Jerozolimskie corridor	8,800	new
5 Schneider Electric	Park Rozwoju II	Mokotów	8,500	renewal

Source: BNP Paribas Real Estate Poland

Structure of gross demand 2018-Q2 2022



Source: BNP Paribas Real Estate Poland



AT A GLANCE

Q2 2022

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