



**AT A GLANCE
Q4 2019**

OFFICE MARKET IN WARSAW

- **The exceptionally high level of tenant demand in office space in Warsaw has translated into a record-breaking low vacancy rate and a previously unseen volume of leases signed.**
- **If completed according to plan, the schemes delivered will make 2020 a record-breaking year in terms of new supply.**

A RECORD-BREAKING YEAR

2019 was, in many respects, a time for breaking records on Warsaw office market. Total demand stood at 878,000 sqm, which is a record-breaking result for the office sector in the capital. The mBank agreement (45,600 sqm) for nearly all the space in the Mennica Legacy Tower building was the largest lease transaction to have ever been concluded there. Moreover, it was not the only one of such scale. There was a total of 12 leases signed for individual office space of in excess of 10,000 sqm. As a result of the high level of interest in office space, the vacancy rate dropped to 7.8% at the end of December 2019, a result that has not been as low as this for seven years. This

refers mainly to the central areas, where availability of larger office space in existing buildings is particularly limited. Numerous new office schemes are being developed in response to the exceptionally high level of tenant interest. The total area of the buildings currently under construction is in excess of 775,000 sqm, out of which more than 400,000 sqm are to be completed and delivered to the market by the end of this year. If completed according to plan, all the schemes delivered will make 2020 a record-breaking year in terms of new supply, thus exceeding the result recorded for 2016 which saw delivery to tenants of buildings such as Q22 and Warsaw Spire.

KEY FIGURES



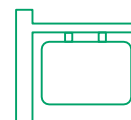
5.59 mln m²
TOTAL OFFICE
STOCK



162,200 m²
NEW OFFICE SUPPLY,
2019



775,000 m²
UNDER
CONSTRUCTION



7.8%
AVERAGE
VACANCY RATE

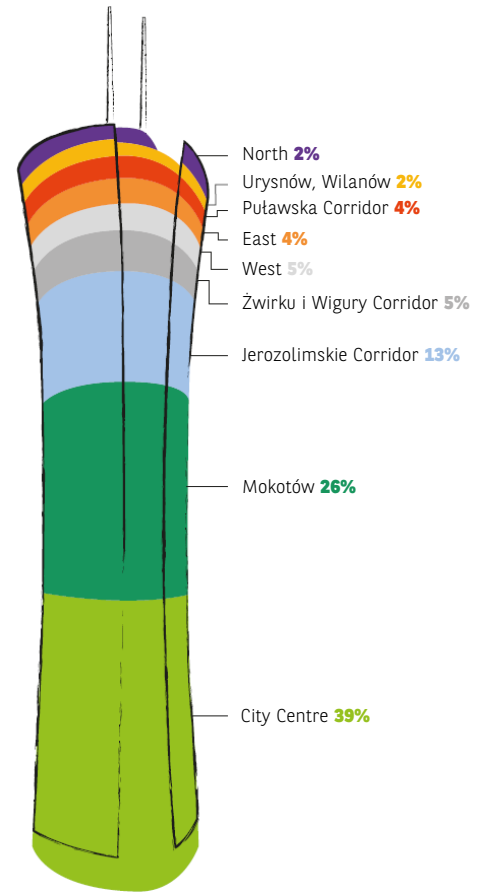


€24/m²/mth
HEDLINE PRIME
RENTS

SUPPLY

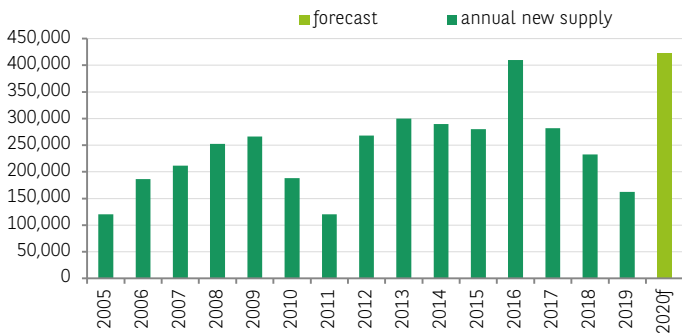
17 office buildings with the total area of 162,200 sqm were completed and delivered to the market in 2019, as a result of which the total stock in Warsaw now stands at nearly 5.6 million sqm. The largest of the new schemes is the Wola Retro complex (24,500 sqm) located in the West zone. Other large office buildings to have been delivered to the market were: Moje Miejsce A (18,700 sqm), Generation Park Z (17,300 sqm), Spark B (15,700 sqm) and Mennica Legacy West (14,900 sqm). There were in excess of 775,000 sqm of office space under construction at the end of 2019. The most development will take place in the City Centre zone, which will see delivery to the market of as much as 86% of the stock currently under construction. The City Centre – West sub-zone is worthy of a special mention, where there are 398 000 sqm of space under construction. Developers seem to favour the area around Rondo Daszyńskiego, a location with convenient transport links, where a number of modern office high-rise towers are being constructed, this to include The Warsaw Hub, Warsaw Unit, Skyliner and Generation Park Y. Other office schemes currently under construction in City Centre – West sub-zone are the Mennica Legacy Tower, Lixa, Fabryka Norblina, Browary Warszawskie and Chmielna 89 complexes. Warsaw’s Central Business District, next to its Central Railway Station, is now the site of construction of the Varso Place complex, which includes what is to be the highest tower in the European Union. Furthermore, the Widok Towers building is currently under development at Rondo Dmowskiego (at the site of a previously demolished building from the 70s).

Existing office space divided into subzones



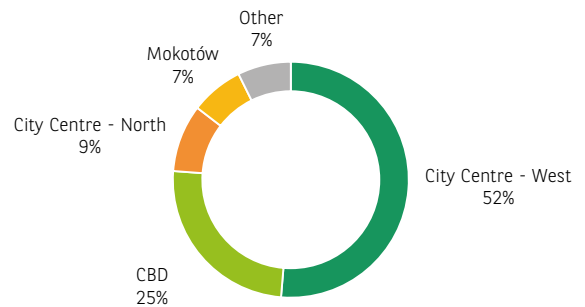
Source: BNP Paribas Real Estate

Annual office supply in Warsaw (sqm)



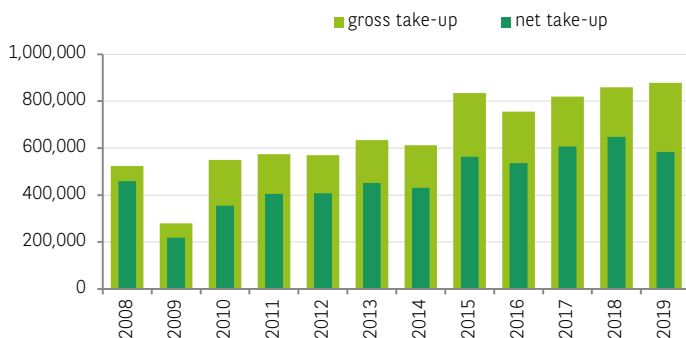
Source: BNP Paribas Real Estate

Space under construction divided into subzones



Source: BNP Paribas Real Estate

Annual office net take-up in Warsaw (sqm)



Source: BNP Paribas Real Estate

DEMAND

Gross take-up in 2019 reached a record-breaking level of 878,000 sqm. In turn, net demand – excluding lease renewals – stood at approx. 583,000 sqm of space, which represents a figure 10% lower than that recorded last year. However, the volume of space leased under lease renewals (for existing space) reached a record-breaking level of 295 000 sqm. Warsaw’s City Centre zone, with its highest concentration of developer activity, is now the location most frequently chosen by tenants looking for new space to base their operations. Consequently, nearly half of the net demand was recorded in this part of the city. In turn, nearly 40% of lease renewals were concluded for the Mokotów zone, the Służewiec sub-zone in particular, where tenants are offered very attractive terms.

VACANCY RATE

2019 saw the average vacancy rate for Warsaw's office buildings drop by 0.9 pp, as a result of which at the end of December it stood at 7.8%, which is the lowest result recorded in seven years. As far as tenant interest is concerned, there is a clear disparity visible between the City Centre zone - where the vacancy rate dropped to 5.3% - and the areas outside of the city centre where the average vacancy rate stands at 9.4%. Availability of larger office space in existing buildings in the City Centre zone is particularly limited. The results recorded outside of the city centre are mainly influenced by the situation in the Mokotów zone with its high level of supply and the still high vacancy rate standing at 13.4%. This is particularly noticeable as regards older buildings (more than 10 years old), tenant interest is flagging there and they are in need in considerable refurbishment and modernization.

VACANCY RATE, Q4 2019



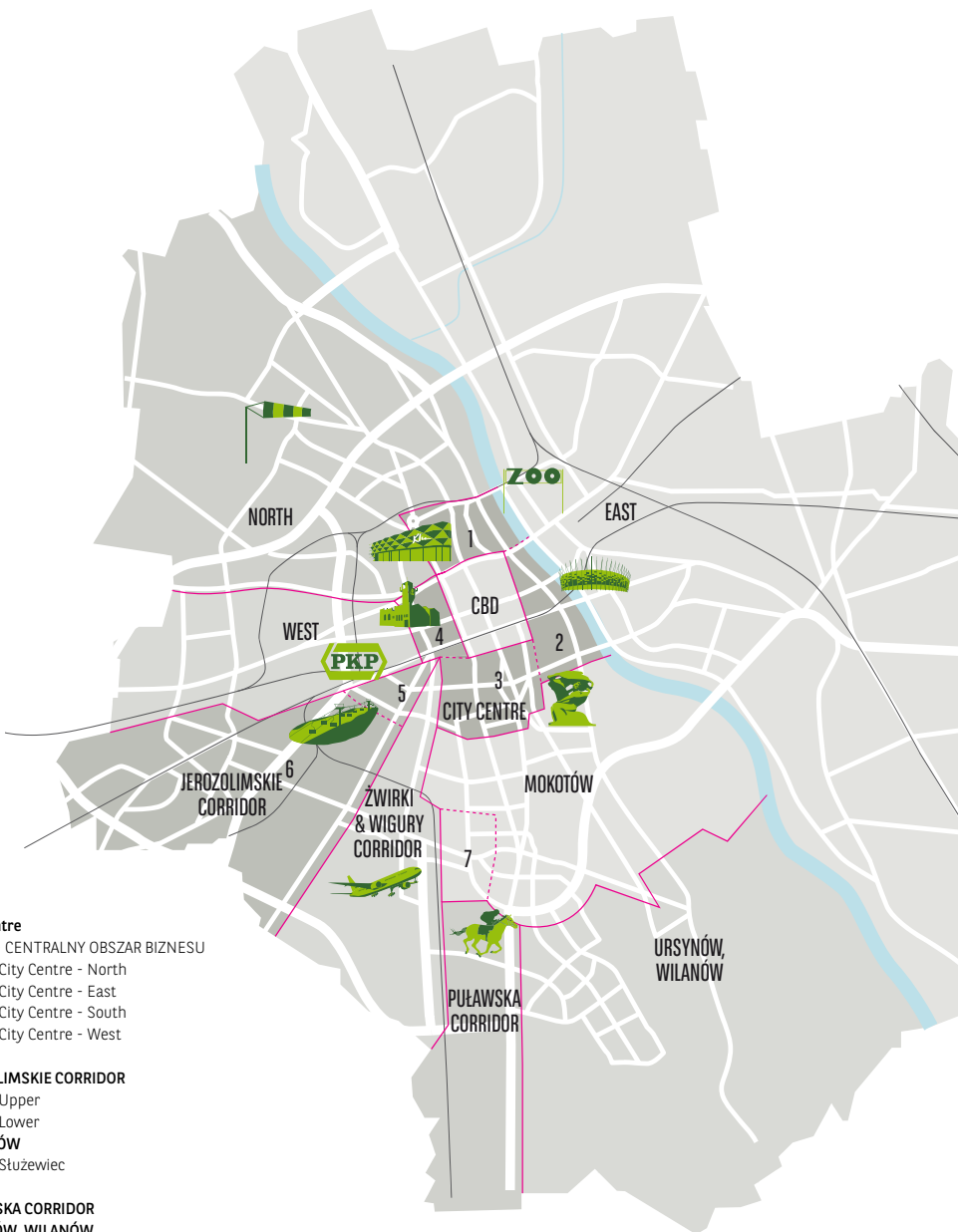
7.8%
WARSAW
- AVERAGE



5.3%
CITY CENTRE



9.4%
OUTSIDE
CITY CENTRE



- City Centre**
- CBD - CENTRALNY OBSZAR BIZNESU
- 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 - Stłużewiec
- NORTH**
- PUŁAWSKA CORRIDOR**
- URSYNÓW, WILANÓW**
- WEST**
- ŻWIRKI I WIGURY CORRIDOR**

Source: BNP Paribas Real Estate

ZONES

NORTH	
Stock	122 700 m ²
Vacancy rate	5,9%
WEST	
Stock	252 400 m ²
Vacancy rate	7,8%
EAST	
Stock	235 100 m ²
Vacancy rate	7,1%
CITY CENTRE	
Stock	2 185 900m ²
Vacancy rate	5,3%
MOKOTÓW	
Stock	1 439 500 m ²
Vacancy rate	13,4%
JERUZOLIMSKIE CORRIDOR	
Stock	735 500 m ²
Vacancy rate	5,5%
ŻWIRKI I WIGURY CORRIDOR	
Stock	296 300 m ²
Vacancy rate	8,0%
PUŁAWSKA CORRIDOR	
Stock	193 900 m ²
Vacancy rate	4,4%
URSYNÓW, WILANÓW	
Stock	126 600 m ²
Vacancy rate	3,9%

MAJOR COMPLETIONS IN THE LAST 12 MONTHS

BUILDING	STOCK (SQM)	ZONE	OPENING DATE	DEVELOPER
Wola Retro	24,500	West	III kw. 2019	Develia
Moje Miejsce B1	18,700	Mokotów	II kw. 2019	Echo Investment
Generation Park Z	17,300	City Centre - West	III kw. 2019	Skanska
Spark B	15,700	City Centre - West	I kw. 2019	Skanska
Mennica Legacy West	14,900	City Centre - West	IV kw. 2019	Golub GetHouse

Source: BNP Paribas Real Estate

MAJOR SCHEMES UNDER CONSTRUCTION, 2019 - 2021

BUILDING	STOCK (SQM)	ZONE	DEVELOPER	OPENING DATE
Varso Place	116,000	CBD	HB Reavis	2020-2021
The Warsaw HUB B, C	78,000	City Centre - West	Ghelamco	2020
Forest	72,000	City Centre - North	HB Reavis	2021
Warsaw Unit	57,000	City Centre - West	Ghelamco	2021
Mennica Legacy Tower	47,900	City Centre - West	Golub GetHouse	2020

Source: BNP Paribas Real Estate

MAJOR OFFICE LEASE TRANSACTIONS, 2019

TENANT	BUILDING	ZONE	AREA (SQM)	LEASE TYPE
mBank	Mennica Legacy Tower	City Centre - West	45,600	pre-let
Orange Polska S.A.	Miasteczko Orange	Jerozolimskie Corridor	43,800	renewal
T-Mobile	Marynarska 12	Mokotów - Służewiec	27,400	renewal
PKO BP	Chmielna 89	City Centre - West	24,000	pre-let
Getin Noble Bank	The Warsaw HUB C	City Centre - West	18,600	pre-let

Source: BNP Paribas Real Estate

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