



**AT A GLANCE  
Q2 2020**

**OFFICE MARKET IN WARSAW**

- **A record breaking lease – 46,500 sqm at Generation Park Y for PZU**
- **Covid-19 resulted in renegotiations of lease agreements**
- **Many sectors saw popularity of remote working during the pandemic and in the following months**

**SOLID TAKE-UP IN Q2, UNCERTAINTY IN MONTHS TO COME**

In Q2 2020, 100,000 sqm of office space was delivered, which accounts for approximately 62% of the space delivered throughout 2019. By the end of the year, the market is expected to grow by a further 219,000 sqm, unless there are significant delays in construction schedules and completion dates for office buildings already under construction. Even given the crisis scenery, another record has been set on the Warsaw market – PZU Group has leased 46,500 sqm of office, retail and warehouse space in Generation Park Y. Gross take-up in Q2 2020 amounted to about 196,000 sqm, which is significantly better than in January-March, though it accounts for 74% of the volume reported in the same period last year. Net demand was lower by about 20%.

Renewals of lease agreements, especially in the areas of the Centre, CBD and Mokotów, accounted for about 31% of gross take-up. By the end of June, the vacancy rate recorded a slight increase – to 7.9% for entire Warsaw and 5% for the Central zone. Projected for the first time in nearly 30 years, the recession of the Poland’s economy and the observed increase in unemployment are likely to affect the office market in the coming months. The market is currently witnessing a significant increase in the volume of office space offered for sublease. For many companies this is an effective way to look for savings. In the following quarters this trend may accelerate.

**KEY FIGURES (Q2 2020)**



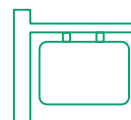
**5,69** m m<sup>2</sup>  
EXISTING  
OFFICE SPACE



**100,000** m<sup>2</sup>  
NEW SUPPLY  
Q2 2020



**718,000** m<sup>2</sup>  
SPACE UNDER  
CONSTRUCTION



**7.9%**  
AVERAGE  
VACANCY RATE



**€24/m<sup>2</sup>/mth**  
PRIME HEADLINE  
RENT

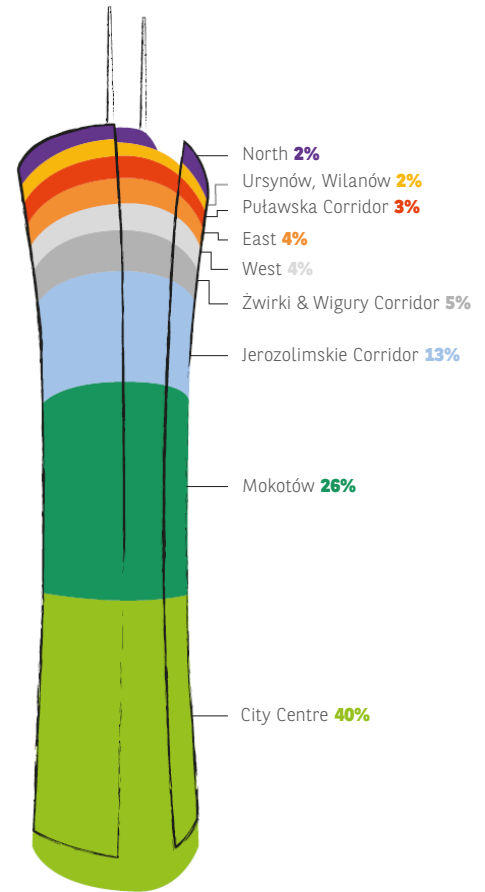
**SUPPLY**

In Q2 2020, 100,000 sqm were delivered in four buildings, representing approximately 62% of the office space delivered throughout 2019 in the Warsaw market. At the end of June, the office stock in Warsaw amounted to nearly 5.7 million sqm. The largest building delivered in Q2 2020 was the second office building in the Varso Place complex (40,000 sqm). The market also saw the completion of: Chmielna 89 (25,000 sqm), DSV's own office building (20,000 sqm) and the next phase of the Browary Warszawskie complex - Biura przy Willi (15,000 sqm).

The largest area is the City Centre Zone, where over 40% of the existing office space are located. It covers the CBD and four subzones: City Centre - North, City Centre - East, City Centre - South and City Centre - West. The latter is by far the fastest developing area in Warsaw, with 175,000 sqm of new space to be delivered in the next few months. City Centre - West has become very popular among tenants as it offers new, high standard office spaces located close to the city centre, providing good access to public transport (including the 2nd underground line, which is being extended).

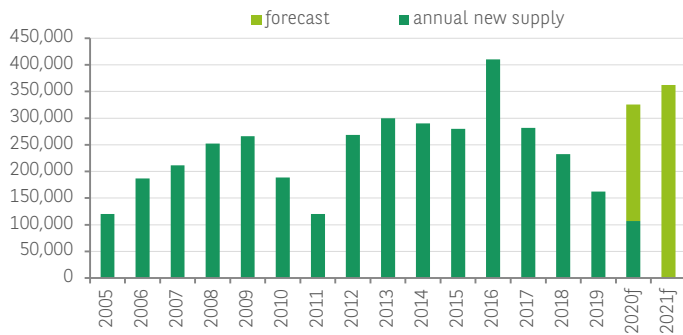
The second largest zone stock-wise is the Mokotów zone, which includes more than 26% of the Warsaw's office stock, of which the majority is located in the Stuzewiec subzone. The area is facing a demanding challenge of retaining current tenants and attracting new ones. A number of improvements in the transport infrastructure in the area and a shift away from the dominant office function of this area, due to new residential and hotel developments, are expected to achieve this.

**EXISTING OFFICE SPACE BY LOCATION**



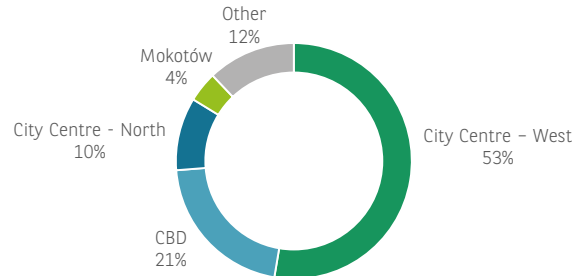
Source: BNP Paribas Real Estate Poland

**ANNUAL OFFICE NEW SUPPLY IN WARSAW (sqm)**



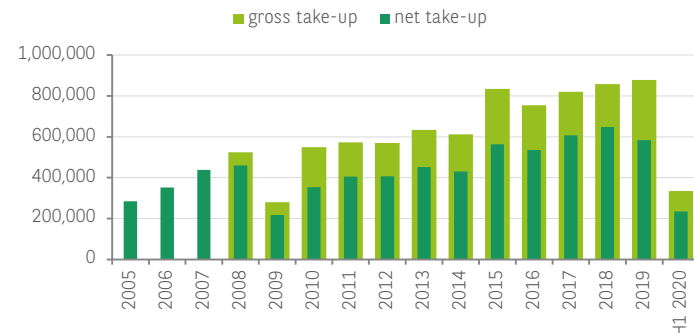
Source: BNP Paribas Real Estate Poland  
f - forecast

**SPACE UNDER CONSTRUCTION BY OFFICE ZONES (%)**



Source: BNP Paribas Real Estate Poland

**ANNUAL OFFICE NET TAKE-UP IN WARSAW (sqm)**



Source: BNP Paribas Real Estate Poland

**DEMAND**

In Q2 2020, gross take-up for office space in Warsaw amounted to 196,000 sqm, of which approximately 71% was attributed to net demand, including new agreements, extensions and owner occupier premises.

The City Centre and Mokotów zones enjoyed the greatest interest of tenants, together accounting for almost 79% of gross take-up. In the City Centre zone, net take-up represented about 39% of the total volume of leased space.

The Mokotów zone offers the widest selection of opportunities for which the most flexible commercial lease terms can be negotiated. As a result, many tenants are willing to renew their existing leases (over 48% of gross take-up in the Mokotów zone) or lease additional space.

**VACANCY RATE**

For five years now, the vacancy rate in Warsaw has been gradually decreasing to reach a record low of 7.5% at the end of Q1 2020. By the end of June, the vacancy rate has increased slightly to 7.9%, which is 0.6 p.p. lower compared to the corresponding period last year. In the last 12 months, the greatest improvement in the occupancy ratio was recorded in the zones of Puławska Corridor (vacancy drop by 3.2 p.p.) and Żwirki i Wigury Corridor (vacancy down by 3.8 p.p.). Whereas in the West zone we observe a decline in the level of occupied office space (vacancy rate increased by 2.6 p.p. compared to the same period last year). The result of the non-central area continues to be strongly affected by the situation in the Mokotów zone, where with a large volume of the existing space, the vacancy rate is still high at 14.1%.

Tenants are losing interest especially in older buildings, often inconveniently located, which require significant modernisation or conversion.

Office buildings completed in Q2 2020 are almost fully let. Despite the ongoing crisis and the expected high volume of new supply over the next 18 months, the relatively high level of occupancy of projects under construction allows for an optimistic outlook on the increase in vacancy rates.

VACANCY RATE, Q2 2020



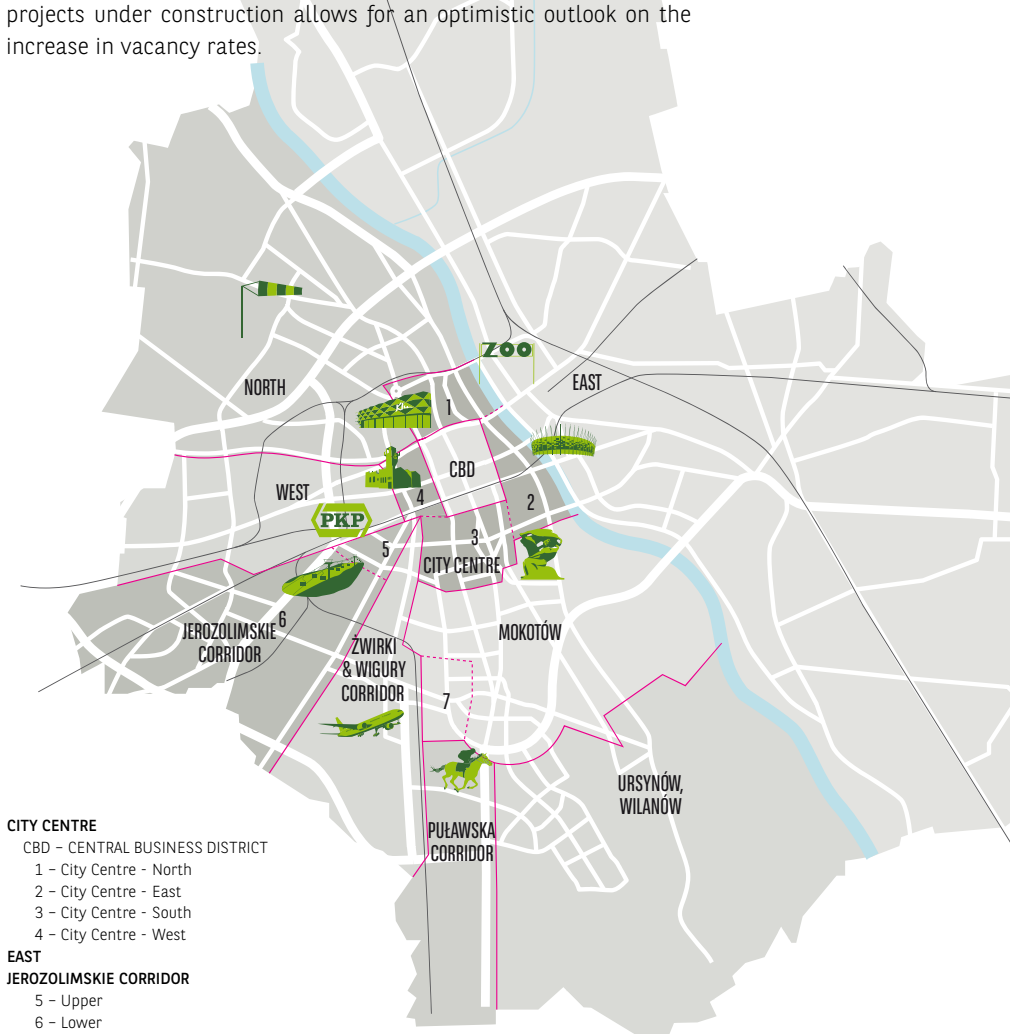
**7.9%**  
WARSAW  
- AVERAGE



**5.0%**  
CITY CENTRE



**9.8%**  
OUTSIDE  
CITY CENTRE



- CITY CENTRE**
- CBD - CENTRAL BUSINESS DISTRICT
- 1 - City Centre - North
- 2 - City Centre - East
- 3 - City Centre - South
- 4 - City Centre - West
- EAST**
- JEROZOLIMSKIE CORRIDOR**
- 5 - Upper
- 6 - Lower
- MOKOTÓW**
- 7 - Stłużewiec
- NORTH**
- PUŁAWSKA CORRIDOR**
- URSYNÓW, WILANÓW**
- WEST**
- ŻWIRKI & WIGURY CORRIDOR**

Source: BNP Paribas Real Estate Poland

ZONES

<b>NORTH</b>	
Office space	120,200 m <sup>2</sup>
Vacancy rate	7.8%
<b>WEST</b>	
Office space	252,400 m <sup>2</sup>
Vacancy rate	6.7%
<b>EAST</b>	
Office space	235,100 m <sup>2</sup>
Vacancy rate	8.6%
<b>CITY CENTRE</b>	
Office space	2,271,400 m <sup>2</sup>
Vacancy rate	5.0%
<b>MOKOTÓW</b>	
Office space	1,457,700 m <sup>2</sup>
Vacancy rate	14.1%
<b>JEROZOLIMSKIE CORRIDOR</b>	
Office space	735,500 m <sup>2</sup>
Vacancy rate	5.7%
<b>ŻWIRKI &amp; WIGURY CORRIDOR</b>	
Office space	296,300 m <sup>2</sup>
Vacancy rate	8.0%
<b>PUŁAWSKA CORRIDOR</b>	
Office space	192,600 m <sup>2</sup>
Vacancy rate	4.8%
<b>URSYNÓW, WILANÓW</b>	
Office space	126,600 m <sup>2</sup>
Vacancy rate	5.6%

## MAJOR COMPLETIONS 2019 – H1 2020

BUILDING	OFFICE SPACE (sqm)	ZONE	OPENING DATE	DEVELOPER
Varso 2	40,000	CBD	Q2 2020	HB Reavis
Chmielna 89	25,200	City Centre – West	Q2 2020	Cavatina
Wola Retro	24,500	West	Q3 2019	Develia
DSV HQ	20,000	Mokotów	Q2 2020	FineTech Construction
Moje Miejsce B1	16,900	Mokotów	Q2 2019	Echo Investment
Generation Park Z	17,300	City Centre – West	Q3 2019	Skanska
Spark B	15,700	City Centre – West	Q1 2019	Skanska

Source: BNP Paribas Real Estate Poland

## MAJOR PROJECTS UNDER CONSTRUCTION, 2020-2021

BUILDING	OFFICE SPACE (sqm)	ZONE	SCHEDULED OPENING	DEVELOPER
The Warsaw HUB (B, C)	78,000	City Centre – West	2020	Ghelamco
Forest	72,000	City Centre – North	2021/2022	HB Reavis
Varso Tower	62,000	CBD	2021	HB Reavis
Warsaw Unit	57,000	City Centre – West	2021	Ghelamco
Mennica Legacy Tower	48,000	City Centre – West	2020	Golub GetHouse
Skyliner	44,000	City Centre – West	2021	Karimpol
Generation Park Y (Tower)	43,000	City Centre – West	2021	Skanska Property Poland

Source: BNP Paribas Real Estate Poland

## MAJOR LEASE TRANSACTIONS, Q2 2020

TENANT	BUILDING	ZONE	FLOORSPACE LEASED (sqm)	TYPE OF AGREEMENT
PZU	Generation Park Y	City Centre – West	46,500	pre-lease
DSV	DSV HQ	Mokotów	20,000	new
Poczta Polska	Domaniewska Office Hub	Mokotów	19,000	renewal+expansion
BGK	Central Tower	CBD	4,200	new
StepStone Services	Tulipan House	Mokotów	4,000	renewal+expansion

Source: BNP Paribas Real Estate Poland

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