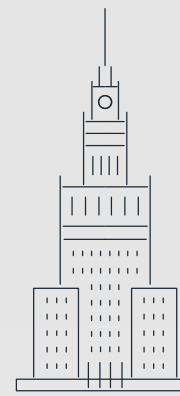


# AT A GLANCE

## Q2 2021

# WARSAW OFFICE MARKET



## Highlights

- Warsaw's office market still in a tight corner, though with the worst seemingly behind it
- Waiting for tenants to return to offices and occupancy levels to go up
- A barrage of questions on future work models, including remote work, affecting office demand
- Flex space and subleases as a way of generating savings



**6,096,000 sqm**  
EXISTING OFFICE SPACE

**59,300 sqm**  
NEW SUPPLY Q2

**359,000 sqm**  
SPACE UNDER CONSTRUCTION  
(2021-2022)

**12.5%**  
AVERAGE VACANCY RATE



**23-24 EUR (sqm/mth)**  
PRIME HEADLINE RENT

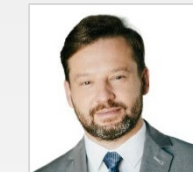
**140,000 sqm**  
GROSS DEMAND

## Economic indicators - Warsaw

	<b>Population (2020)</b>	1,79 mln
	<b>Unemployment rate (May 2021)</b>	2.0%
	<b>Average salary PLN gross (May 2021)</b>	6,949.29
	<b>Number of students (2019)</b>	225,500
	<b>Number of universities (2019)</b>	64

Source: Statistics Poland

## Expert comment



**Mikołaj Laskowski**

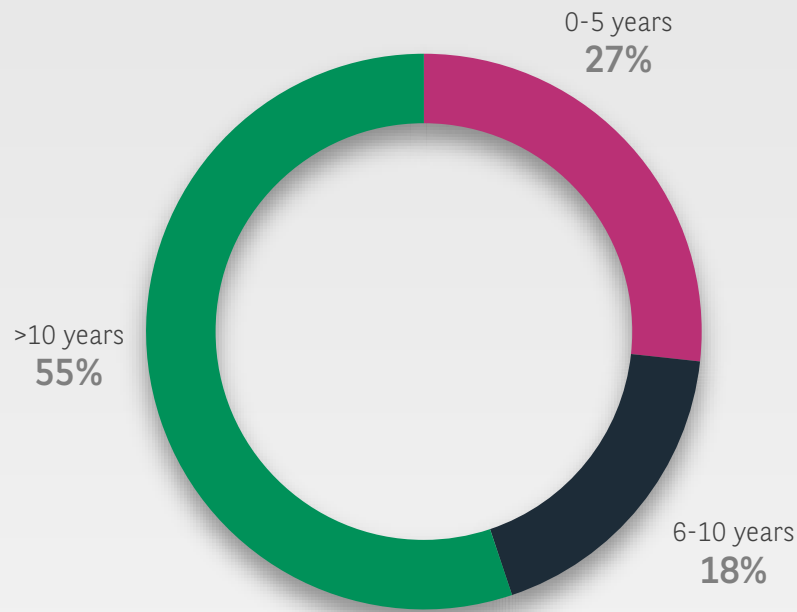
Head of Office Agency  
BNP Paribas Real Estate Poland

A return to offices? The largest players are getting ready

**Raising number of organizations are planning to return to offices in the autumn, expecting that the start of a new school year will be relatively safe in terms of the pandemic situation.** Despite the fact that companies tend to take an extremely diverse approach, greater flexibility is the common denominator. This would be the time to examine the outcomes to see what solutions are more effective, what might not be working as successfully, and the reasons for it. The hype today is that remote work is here to stay, which is why it has to be implemented in a carefully thought-out manner, with the solutions tailored to the specific needs of the organization. Employees are expressing a desire to continue hybrid working, thus making it easier for employers today to develop new working arrangements.



### Existing office supply by age

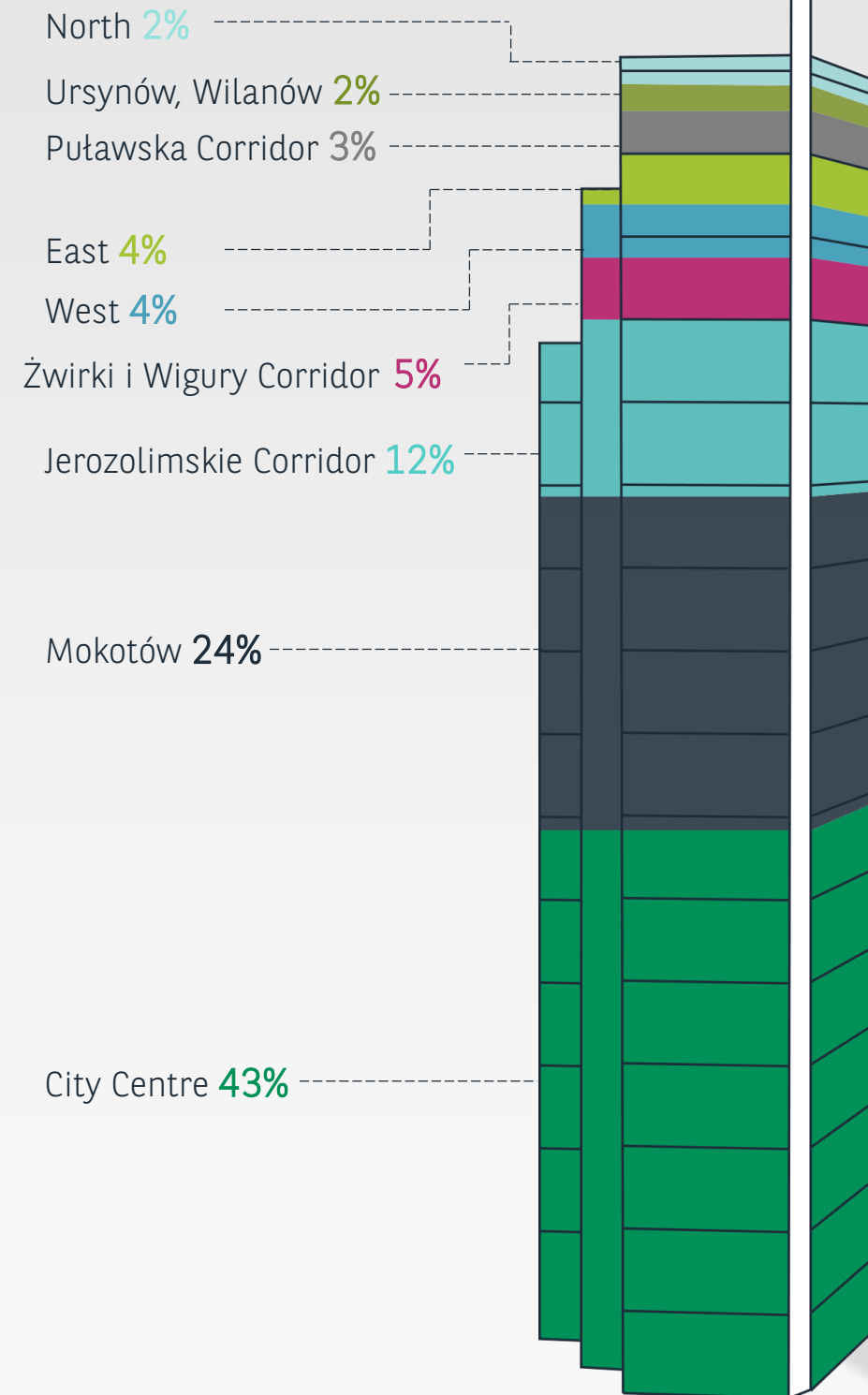


Source: BNP Paribas Real Estate Poland



More than half of Warsaw's existing office stock comes in the shape of buildings constructed more than 10 years ago. 27% of the city's stock is made up of buildings less than 5 years old offering the latest technological solutions and promoting sustainability based on environmentally friendly systems and materials.

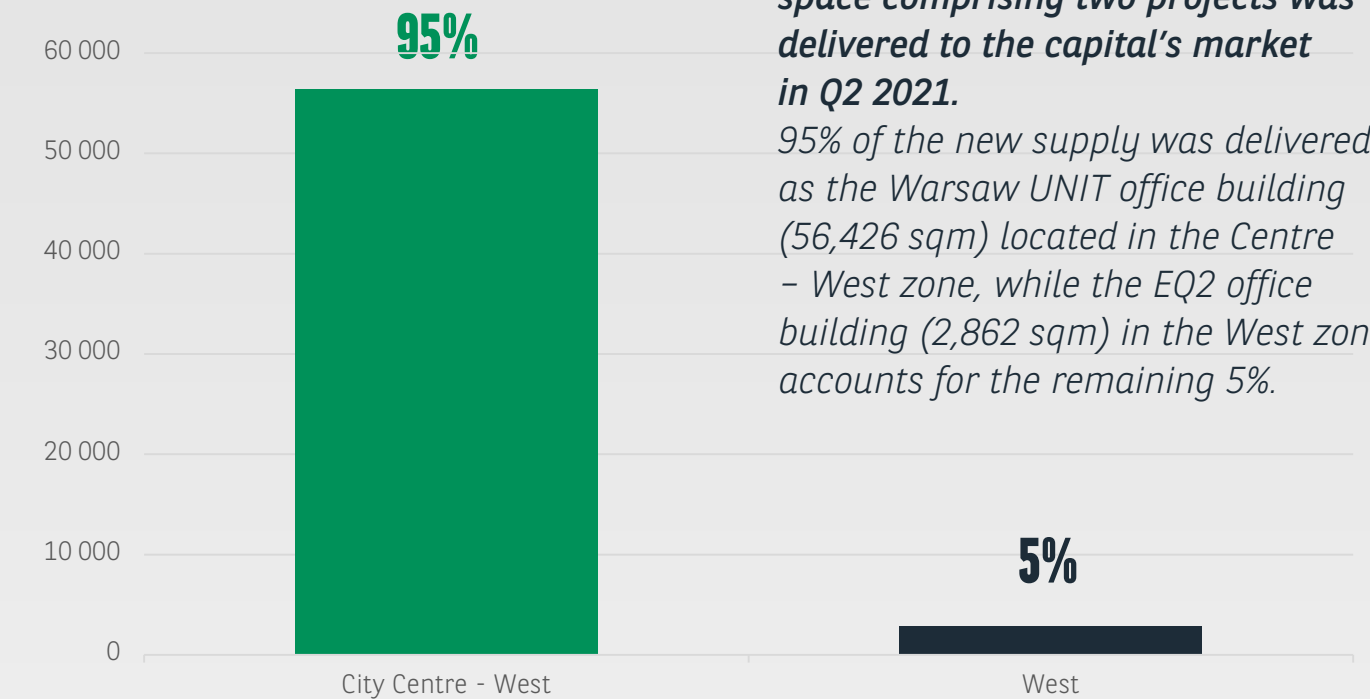
### Existing office space by zone



Source: BNP Paribas Real Estate Poland

### New supply in Q2 2021

Number of sqm/quarter by zones



Source: BNP Paribas Real Estate Poland



A mere 59,300 sqm of modern office space comprising two projects was delivered to the capital's market in Q2 2021. 95% of the new supply was delivered as the Warsaw UNIT office building (56,426 sqm) located in the Centre - West zone, while the EQ2 office building (2,862 sqm) in the West zone accounts for the remaining 5%.

### Completions Q2

	BUILDING	ZONE	OFFICE AREA (sqm)	DEVELOPER
1	Warsaw UNIT	City Centre - West	56,428	Ghelamco
2	EQ2	West	2,862	Waryński

Source: BNP Paribas Real Estate Poland

### Expert comment



**Klaudia Okoń**

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

### Coworking as an alternative to remote working

More than 250,000 sqm of office space designed to be leased on flexible terms have been delivered to Poland's market in the last decade. This is the market's response to the increasing demand for short-term office leases, more varied employment models, and technological advances. The outbreak of the COVID-19 pandemic resulted in a slight shift in terms of the way many companies approach the issue of their office needs and lease terms. Organizations are now looking to find space that will enable them to maximize workplace efficiency and productivity. The main reasons behind those choices include uncertainty as regards making long-term decisions and possibly plans to enter a new market.

”

As at the end of Q2 2021, Warsaw's vacancy rate stood at 12.5% (an increase by 1.1 percentage points when compared to the previous quarter, and an increase by 4.7% percentage points when compared to the corresponding period in 2020). As far as Q2 2021 is concerned, an increase of the vacancy rate when compared to Q1 this year was recorded in all of the capital's zones (save for the North zone), with the highest increases recorded in the Centre - North (20.1%) and Centre - West (17.2%) zones. The increase recorded in the latter zone was the result of delivery to the market of the Warsaw UNIT office building with an area of nearly 56,500 sqm. At the moment of completion, only 45% of the space in the building was leased.

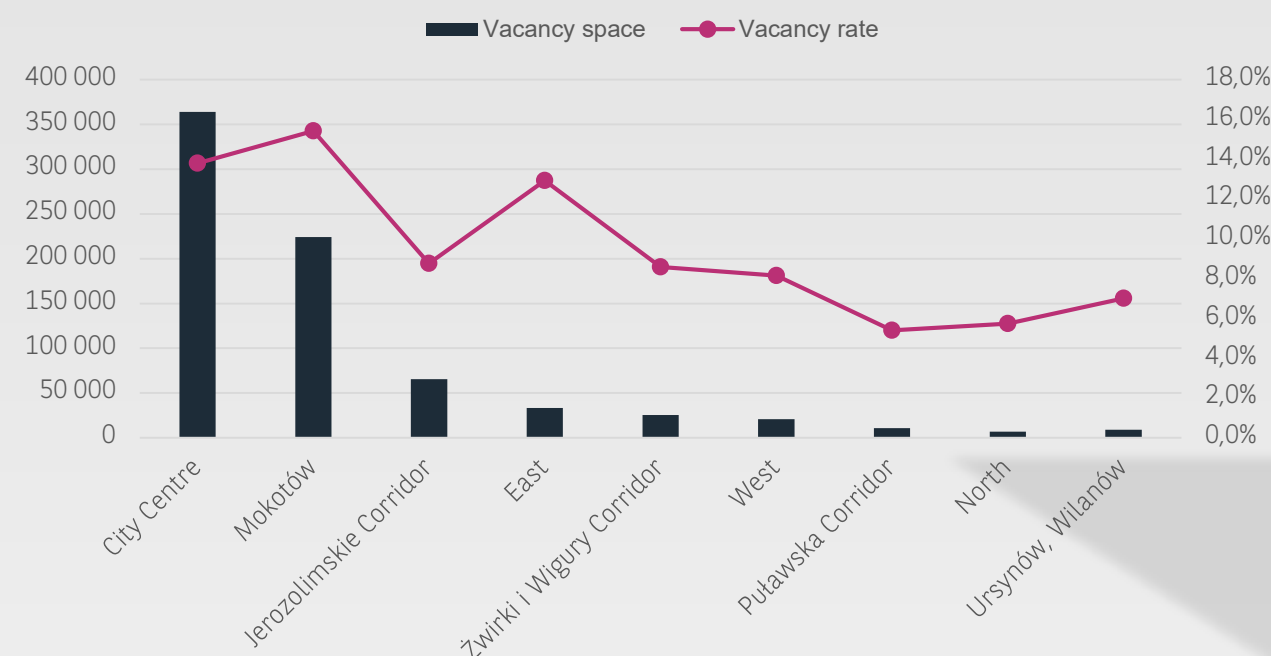
## Vacancy rate



# AT A GLANCE

Q2 2021

12.5% average Warsaw 13.8% City Centre 11.4% outside City Centre



Source: BNP Paribas Real Estate Poland

## Rents

- Prime rent: 23-24 EUR/sqm/mth
- Average asking rent in Warsaw office buildings broken down by age\*:

17.5 EUR



0 – 5 years

16.5 EUR



6 – 10 years

14.0 EUR



> 10 years

”

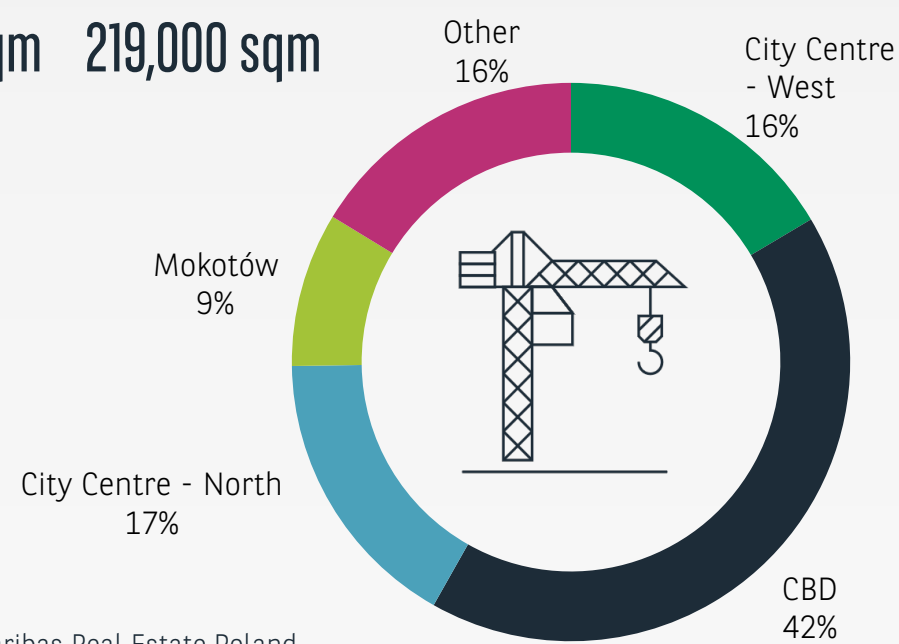
Despite the limited demand and tenants exerting pressure on effective rents, Warsaw's asking rents have remained relatively stable since the beginning of 2021. Slight fluctuations by a maximum of EUR 0.5 are being observed, with more significant instability recorded for buildings with higher vacancies.

Source: BNP Paribas Real Estate Poland

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

## Office space under construction

2021 2022  
139,000 sqm 219,000 sqm



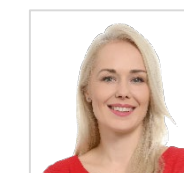
Source: BNP Paribas Real Estate Poland

## Major projects under construction

	BUILDING	ZONE	OFFICE AREA (sqm)	DEVELOPER	OPENING RATE
1	Varso Tower	CBD	66,300	HB Reavis	Q2 2022
2	Forest (Tower)	City Centre - North	46,400	HB Reavis	Q1 2022
3	Fabryka Norblina A and B	City-Centre - West	39,300	Capital Park	Q3 2021
4	Skysawa A and B	CBD	36,500	PHN	2021/2022
5	P180	Mokotów	32,000	Skanska	Q3 2022

Source: BNP Paribas Real Estate Poland

## Expert comment



**Małgorzata Fibakiewicz**

Head of Business Intelligence Hub  
BNP Paribas Real Estate

### We need offices with a different twist on them

The figures for the last quarter do not really reflect the complexity of the situation in which the entire office sector has found itself. Certainly, the crisis brought on by the COVID-19 pandemic has actually accelerated certain processes that sooner or later would have had an impact on the direction in which the office sector is going. Nonetheless, it is now that we need smart and bold ideas for offices that have to be not only greener and more sustainable, but also healthier, safer, and better thought-out to allow for new working models and styles. Fortunately, having happened at the end of the era of single-use offices located in single-use zones, the pandemic showed us where to look for stimuli to create projects and places better for employees, thriving on diversity and shaping the environment they are set in, while at the same time enabling organizations to meet their business goals.



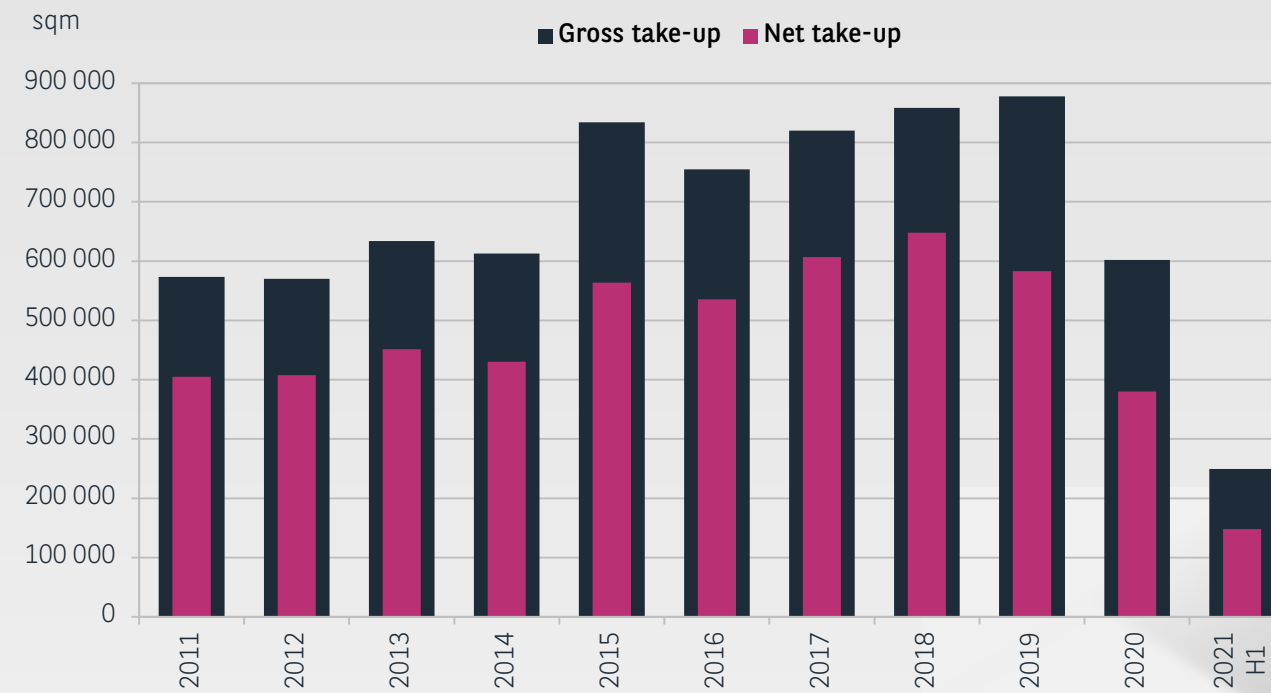
The total volume of transactions recorded in Q2 2021, i.e. slightly over 140,000 sqm, is more than one quarter lower than the result achieved in the corresponding period last year when leases for 194,000 sqm of modern office space were signed. The shortness of breath troubling the capital's office market is best seen when we set this year's second quarter against the same period in the pre-pandemic 2019 with its volume of lease transactions exceeding the current figure by more than 45%. With a 48% share held in gross demand, lease renewals accounted for a significant part of all the transactions concluded. New leases (including pre-lets) represented 45% of total demand, expansions held a 7% share therein, while space used by landlords for their own purposes accounted for the rest of the total figure. The high lease renewal level has a direct impact on absorption.

## Gross and net take-up



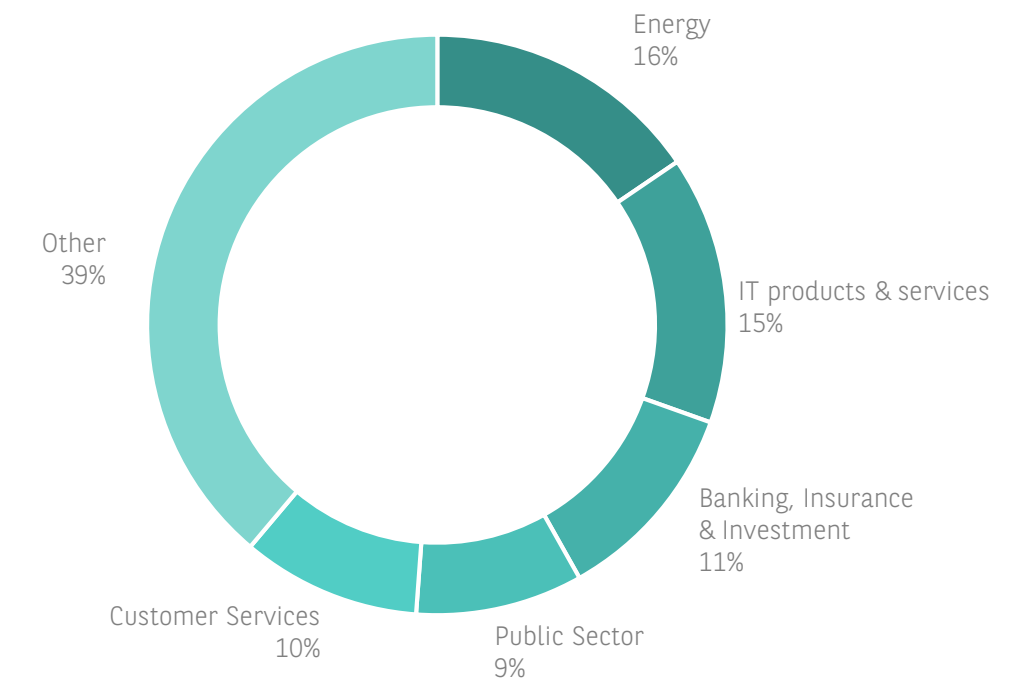
# AT A GLANCE

Q2 2021



Source: BNP Paribas Real Estate Poland

## Structure of gross demand by sectors



Source: BNP Paribas Real Estate Poland

## Gross take-up by zones



1. Center 41%
2. Central Business District 29%
3. Mokotów 11%

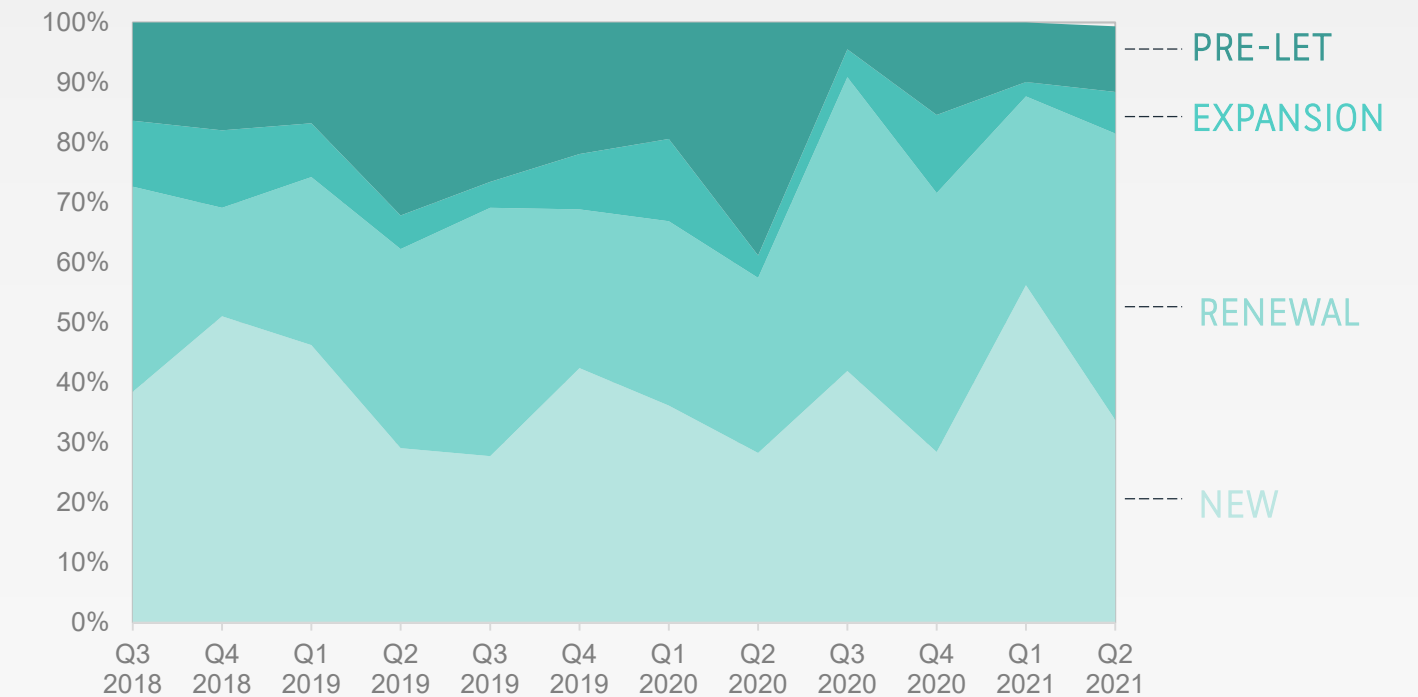
Demand for modern office space in Q2 2021 stood at more than 140,000 sqm, with tenants continuing to show the most interest in the central zones and Mokotów.

## Top 5 Lease Transactions

TENANT	BUILDING	ZONE	AREA LEASED (sqm)	TYPE OF AGREEMENT
1 Confidential	Senator	CBD	20,600	renewal
2 Urząd Miasta	Widok Towers	CBD	11,300	pre-let
3 Jansen Cilag	Wiśniowy Business Park F	Żwirki i Wigury Corridor	7,500	renewal
4 KMD	Gdański Business Center	City Centre	6,200	renewal
5 X-Trade Brokers	Skyliner	City Centre	4,400	new

Source: BNP Paribas Real Estate Poland

## Structure of gross demand



Source: BNP Paribas Real Estate Poland



# AT A GLANCE

## Q2 2021

### AUTHORS

#### Klaudia Okoń

Consultant  
Business Intelligence Hub & Consultancy  
[klaudia.okon@realestate.bnpparibas](mailto:klaudia.okon@realestate.bnpparibas)

#### Małgorzata Fibakiewicz, MRICS

Head of Business Intelligence  
Hub & Consultancy  
[malgorzata.fibakiewicz@realestate.bnpparibas](mailto:malgorzata.fibakiewicz@realestate.bnpparibas)

### CONTACT DETAILS

#### Mikołaj Laskowski

Head of Office Agency  
[mikolaj.laskowski@realestate.bnpparibas](mailto:mikolaj.laskowski@realestate.bnpparibas)

#### Piotr Rusinek, BSc (Hons), MRICS

Head of Project and Development Consultancy  
[piotr.rusinek@realestate.bnpparibas](mailto:piotr.rusinek@realestate.bnpparibas)

#### Michał Pszkit

Head of Property Management  
Central and Eastern Europe  
Member of the Board  
[michal.pszkit@realestate.bnpparibas](mailto:michal.pszkit@realestate.bnpparibas)

#### Erik Drukker

President of the Board  
Central and Eastern Europe  
[erik.drukker@realestate.bnpparibas](mailto:erik.drukker@realestate.bnpparibas)

#### Mateusz Skubiszewski, MRICS

Head of Capital Markets Poland  
[mateusz.skubiszewski@realestate.bnpparibas](mailto:mateusz.skubiszewski@realestate.bnpparibas)

#### Izabela Mucha, MRICS

Head of Valuation  
Central and Eastern Europe  
[izabela.mucha@realestate.bnpparibas](mailto:izabela.mucha@realestate.bnpparibas)

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**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](http://www.realestate.bnpparibas.pl)