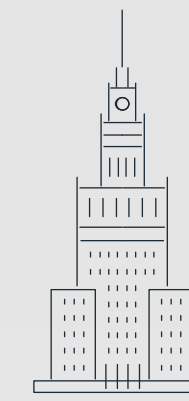


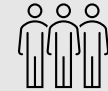




AT A GLANCE

Q1 2024

WARSAW OFFICE MARKET

Economic indicators – Warsaw



	Population (June 2023)	1.86 mln
	Unemployment rate (February 2024)	1.4%
	Average salary PLN gross (February 2024)	9,647
	Number of students (academic year 2022/2023)	250,100
	Number of universities (academic year 2022/2023)	64

Source: Statistics Poland

Highlights

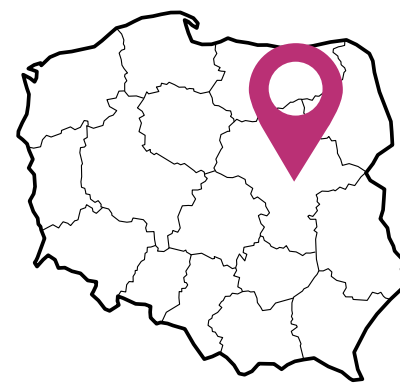
- Office supply in Warsaw remains low, with 67,000 sqm under construction and scheduled for completion by the end of 2024
- Lease renewals account for a growing share of take-up
- Longer lease lengths
- Older office buildings are repurposed for residential use
- The pace of service charge growth slows



Source: BNP Paribas Real Estate Poland




KEY FIGURES



6.24 M sqm
EXISTING OFFICE SPACE

48,700 sqm
NEW SUPPLY Q1

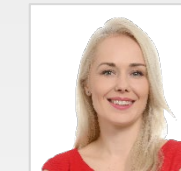
280,000 sqm
SPACE UNDER CONSTRUCTION
(2024-2026)

11.0% 
AVERAGE VACANCY RATE
+0.6 p.p. q/q

29 EUR
(sqm/mth)
PRIME RENT

139,400 sqm 
GROSS DEMAND Q1
-11% r/r

Expert comment



Małgorzata Fibakiewicz

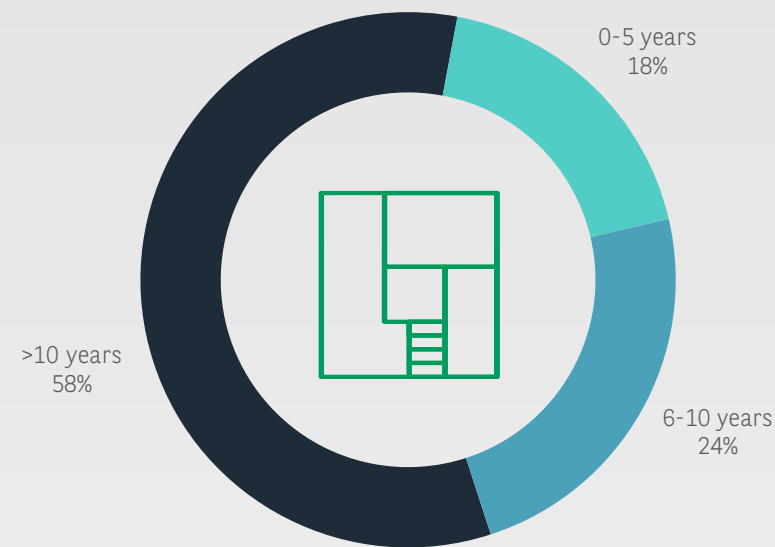
Senior Director, Head of Office Agency
BNP Paribas Real Estate Poland

Warsaw office market in Q1 2024

In 2023, just 60,900 sqm of new office space came on stream in Warsaw – this represented the lowest ever new supply level. This year's supply growth is also expected to remain relatively constrained. Although 48,700 sqm was added to Warsaw's office stock in the first quarter of 2024, only 67,000 sqm of the development pipeline is scheduled for delivery by the end of 2024. The sharp decline in office development activity in the last few years is attributed to several factors, including elevated financing costs due to high interest rates and hybrid working practices that gained traction during the pandemic. This has led to an increase in lease renewals and extensions on the Warsaw office market. And with office fit-out costs remaining high amid a growing focus on ESG-compliance, leases are being increasingly signed for longer periods of 7 to 10 years.



Existing stock by age



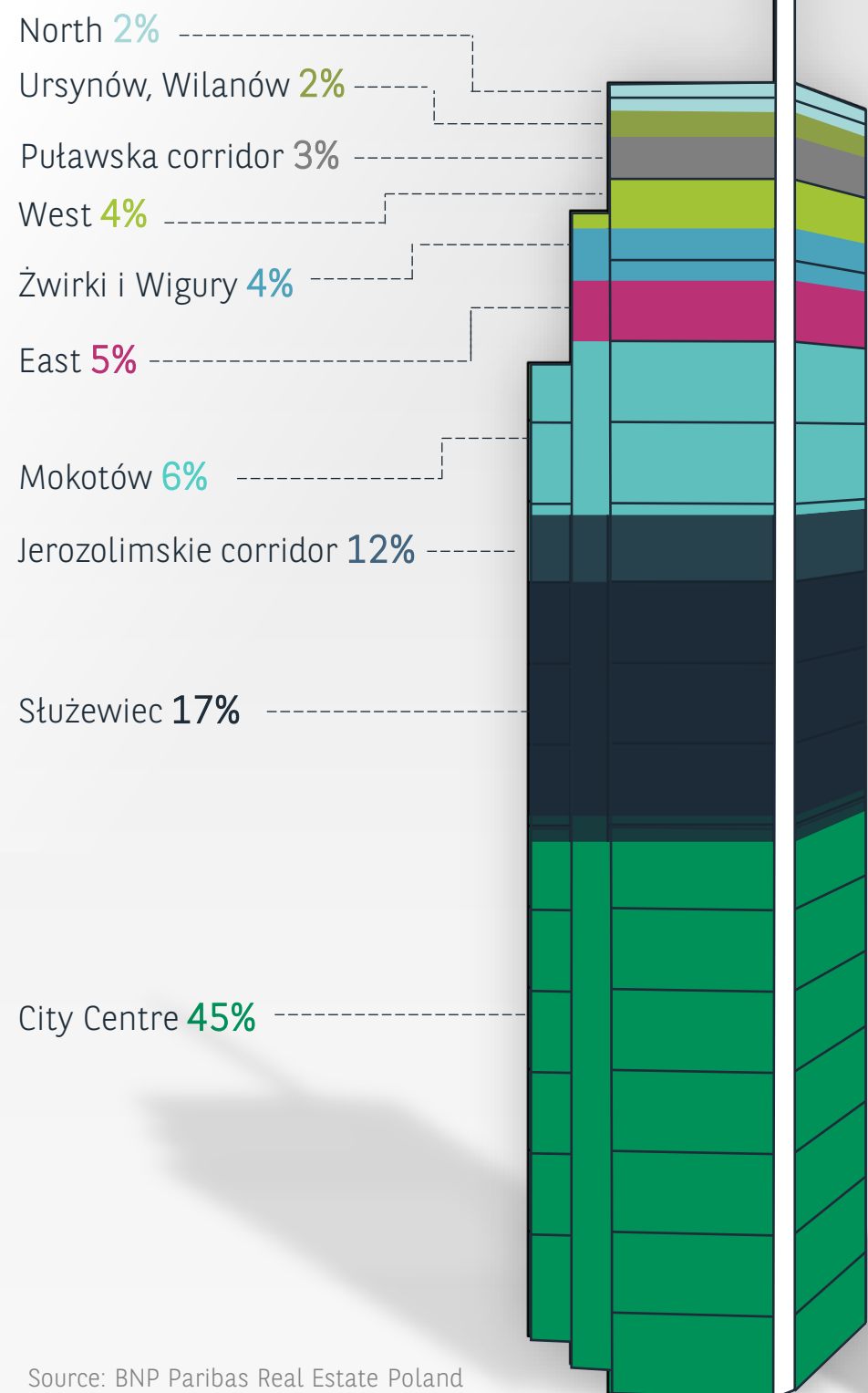
Source: BNP Paribas Real Estate Poland

Completions Q1 2024

BUILDING	ZONE	OFFICE SPACE (sqm)	DEVELOPER
1 Lixa E	City Centre West	16,900	Yareal
2 Saski Crescent (renovation)	CBD	15,500	CA IMMO
3 Lixa D	City Centre West	9,300	Yareal
4 Makro Cash and Carry	Jerozolimskie Corridor	6,900	Makro

Source: BNP Paribas Real Estate Poland

Existing stock by zone Q1 2024



Source: BNP Paribas Real Estate Poland

New supply Q1 2024



Source: BNP Paribas Real Estate Poland

The first quarter of 2024 saw 48,700 sqm of new office space delivered to the Warsaw market through four projects: Lixa E & D (City Centre West), Makro Cash and Carry – developed for owner-occupancy (Jerozolimskie Corridor), and Saski Crescent (the CBD), which had been upgraded and refurbished over the past year to tailor it to the growing needs of tenants and ESG requirements.

Expert comment



Małgorzata Karczewska

Senior Consultant, Office Agency
BNP Paribas Real Estate Poland

Service charge growth slows

2023's key topic which stirred a lot of emotions was service charge growth in office buildings. The record high inflation, coupled with rising electricity and gas charges, pushed office maintenance to new highs. The service charge growth was also fuelled by the growing expectations of office sustainability and technology standards. Monthly advance service charges are estimated to have risen in 2023 on average by around 25% year-on-year, growing at an unprecedented rate for this market sector. With electricity prices being stable, the pace of service charge growth slowed significantly in the three months to March 2024 compared to the same time last year. That said, service charges continue to account for a substantial proportion of office costs for tenants, while the prospect of any further increases is forcing landlords to look for ways to optimize operating costs.

At the end of the first quarter of 2024, Warsaw's vacancy rate stood at 11.0%, up by 0.6 pp over the quarter, but down by 0.6 pp year-on-year. Office availability amounted to 689,800 sqm. Warsaw's central zones recorded a vacancy rate of 9.6%, while non-central locations reported 12.3% of their office stock remaining unoccupied. The uptick in vacancies in January-March 2024 is attributed to the delivery of more than 48,000 sqm in projects that were 28-72% let, as well as a flurry of office construction in the past few years. Large volumes of new supply encouraged many tenants to relocate to new offices, which pushed the vacancy rates in older buildings up. In addition, many companies that had embraced hybrid working opted for optimizing their office footprints.

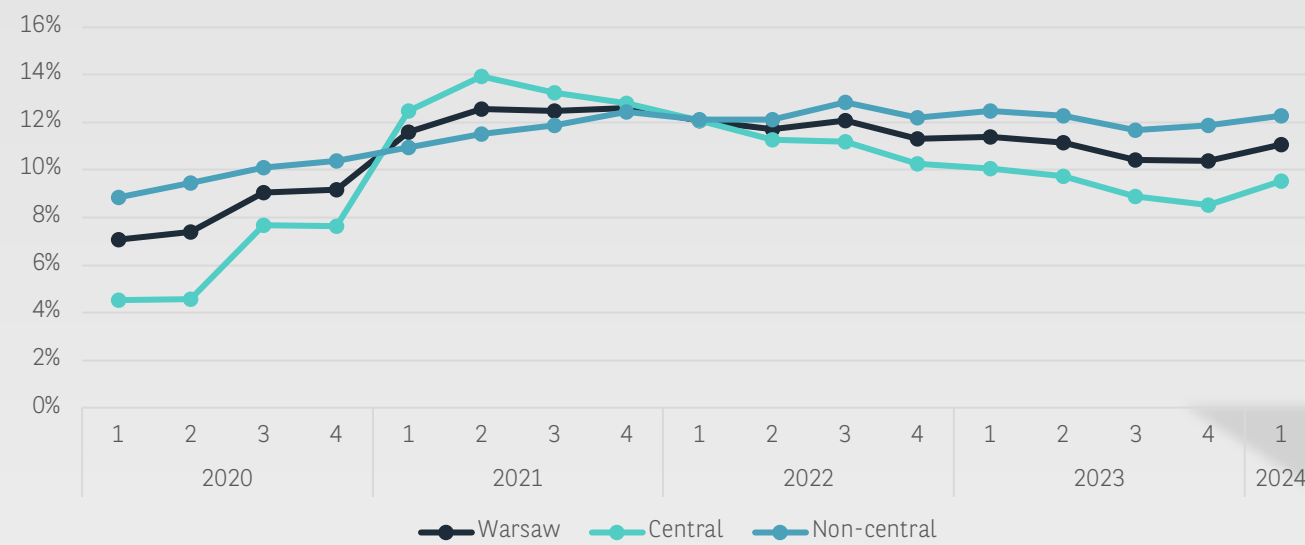
Vacancy rate



AT A GLANCE

Q1 2024

Q1: 11.0% Warsaw average, 9.6% City Centre 12.3%, outside City Centre



Source: BNP Paribas Real Estate Poland

Rents

- „Prime” rent: 29 EUR/sqm/mth
- Average asking rent in Warsaw office buildings broken down by age*:

20,02 – 21,40 EUR



0-5 years

17,48 – 17,91 EUR



6-10 years

14,75 – 15,19 EUR



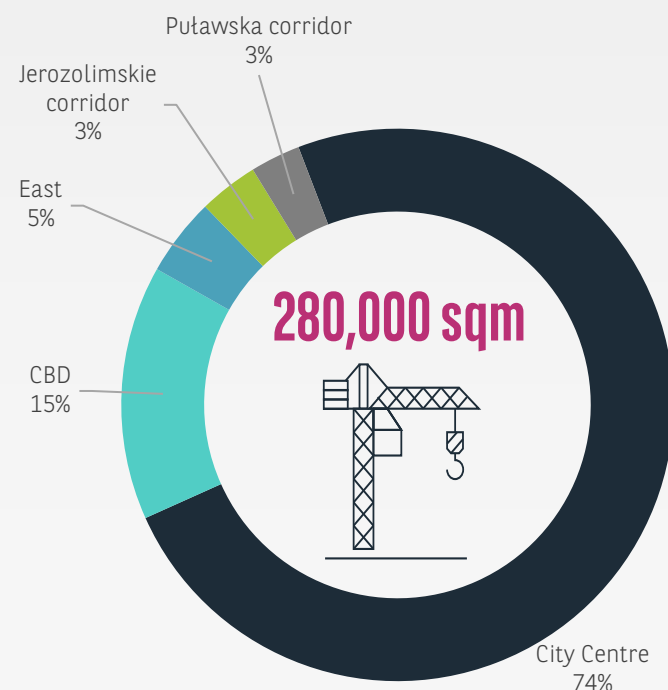
>10 years

Although rental rates held firm across most office zones in 2023, prime office rents began to trend upwards during the second half of the year. Average prime rents now stand at EUR 22.5-26 per sqm per month in the Central Business District and remain unchanged at EUR 13-15 per sqm per month in Służewiec – the largest non-central office zone.

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

Source: BNP Paribas Real Estate Poland

Office space under construction (2024-2026)



Source: BNP Paribas Real Estate Poland

At the end of Q1 2024, the office development pipeline in Warsaw stood at nearly 280,000 sqm, of which more than 62,000 sqm was in office buildings undergoing refurbishment – these included V-Tower (formerly Warta Tower), University Business Center II and G5 Prime Offices (formerly Grójecka 5). While office developers largely focused on the city centre in the past few years, construction activity is now more evenly balanced between central and non-central locations.

Major projects under construction (2024-2026)

	BUILDING	ZONE	OFFICE SPACE (sqm)	DEVELOPER	OPENING
1	The Bridge	City Centre West	47,400	Ghelamco	Q1 2025
2	Upper One	CBD	35,500	Strabag	Q4 2026
3	Office House	City Centre West	31,100	Echo Inv.	Q2 2025
4	Warta Tower (modernisation)	CBD	30,800	Cornerstone	Q1 2025
5	The Form	City Centre West	28,500	Lincoln Property	Q4 2024

Source: BNP Paribas Real Estate Poland

Expert comment



Klaudia Okoń

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

Breathing new life into old office buildings

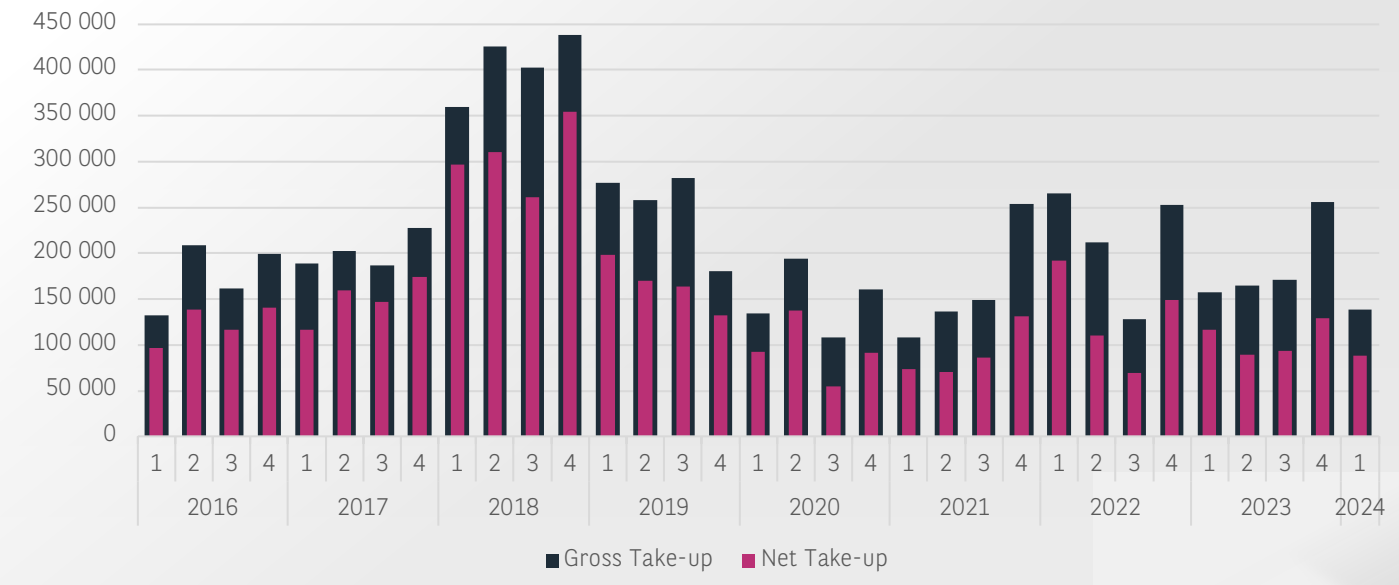
The Polish commercial property market has a strong refurbishment pipeline across the mature office and retail sectors, as well as the industrial segment – the youngest of all. Poland's office buildings are aged 10-15 years on average, while the average for offices in Western Europe is about 40-50 years. This comparison shows that Poland has relatively new office stock. However, due to strict EU requirements, buildings completed two or three years ago no longer meet them and must be upgraded accordingly. The Warsaw office market is seeing a notable trend towards refurbishing obsolete stock. Recent successful refurbishments include Saski Crescent, whose redevelopment began in early 2023 and which was fully revamped and reopened in the first quarter of 2024. The objective of the project was to enhance a user experience and to reduce the building's environmental footprint. Another example is the twenty-year-old office building Grójecka 5, whose new landlord has announced plans for its full refurbishment.

In Q1 2024, office take-up reached 139,400 sqm, down by around 11% year-on-year. Occupier demand focused on the City Centre, Służewiec and Jerozolimskie Corridor. In the three months to end-March 2024, new leases, including owner-occupier deals, accounted for the largest share of total take-up at 54%, followed by renewals and expansions which made up 36% and 10% respectively. The strongest leasing activity was recorded in the City Centre (particularly the City Centre West), Służewiec and Jerozolimskie Corridor. Key deals of Q1 2024 included a public sector company renewing its lease for 6,000 sqm in Vector+, a pharmaceutical company extending its lease for 4,000 sqm in International Business Center A and the Labour Office of the Capital City of Warsaw signing for 3,700 sqm in Renaissance Plaza.

Gross and net take-up

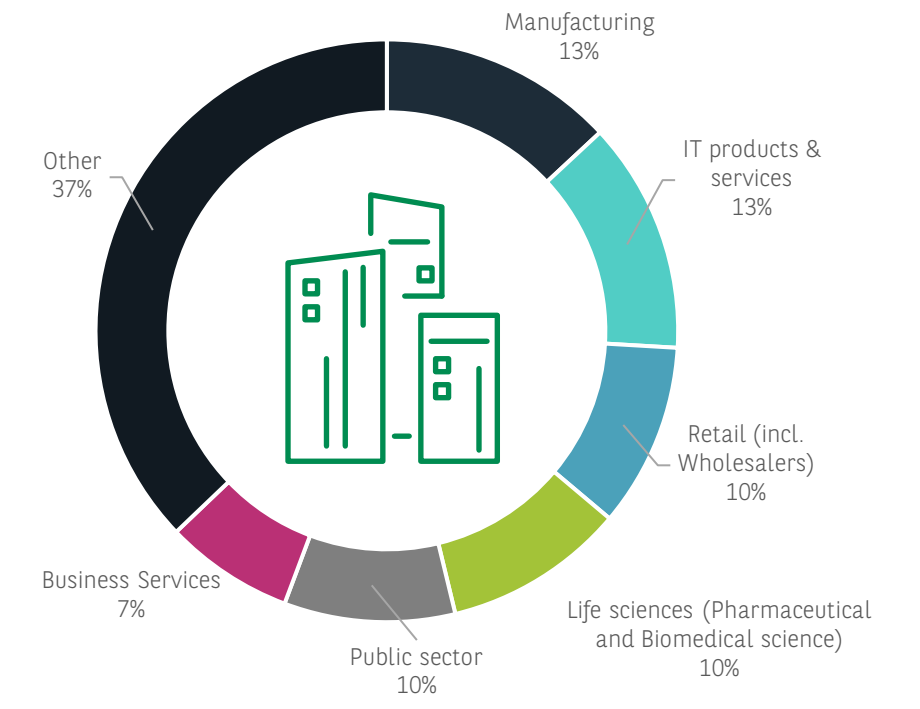
AT A GLANCE

Q1 2024



Source: BNP Paribas Real Estate Poland

Structure of gross demand by sectors Q1 2024



Source: BNP Paribas Real Estate Poland

Gross take-up by zones Q1 2024



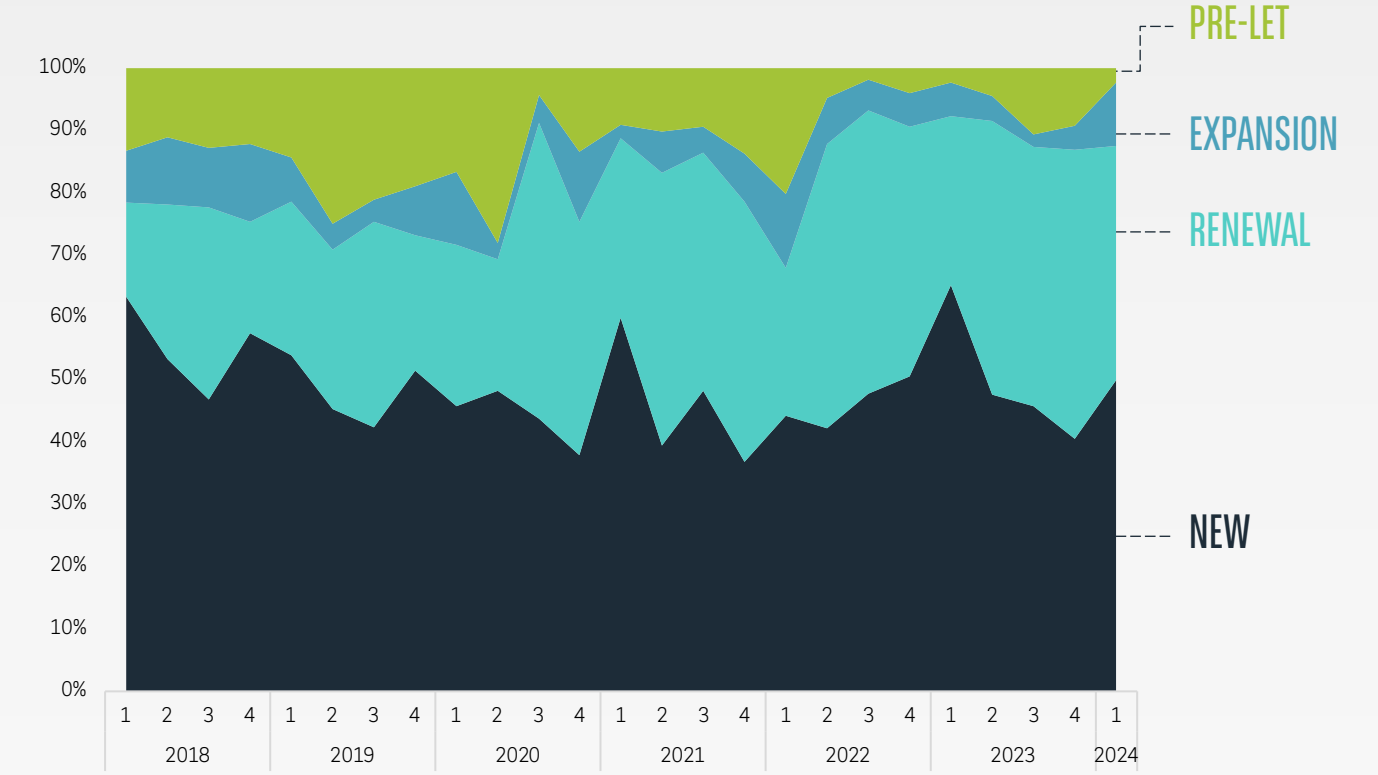
Occupiers have for long displayed a clear preference for the City Centre, including the Central Business District (CBD), and Służewiec. In the first quarter of 2024, the capital's central zones accounted for nearly 36% of Warsaw's total leasing volume. Służewiec took second spot with more than 25,300 sqm transacted in the period between January and end-March, making up over 18% of all deals signed in the Polish capital.

Top 5 Lease Transactions

	TENANT	BUILDING	ZONE	LEASED SPACE (sqm)	TYPE OF AGREEMENT
1	Confidential	Vector+	North	6,000	renewal
2	Confidential	International Business Center A	City Centre North	4,000	renewal
3	Urząd Pracy m. st. Warszawy	Renaissance Plaza	West	3,700	new
4	Konica Minolta	The Park 7	Jerozolimskie Corridor	3,000	renewal
5	Samsung	myHive Warsaw Spire	City Centre West	2,900	expansion

Source: BNP Paribas Real Estate Poland

Structure of gross demand 2018-2024



Source: BNP Paribas Real Estate Poland



AT A GLANCE

Q1 2024

AUTHOR

Klaudia Okoń

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

CONTACT DETAILS

Małgorzata Fibakiewicz, MRICS

Senior Director, 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

Senior Director, Head of Capital Markets
mateusz.skubiszewski@realestate.bnpparibas

Erik Drukker

President of the Board
erik.drukker@realestate.bnpparibas

Michał Pszkit

Senior Director, 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