

Warsaw Office Market

Q1 2024

The Warsaw office market is entering a period of an increased focus on the repurposing and refurbishment of office buildings. As office availability in central Warsaw declined in the first quarter of 2024, occupiers' interest shifted towards non-central locations. Development activity remained stable but relatively weak, with a significant concentration of new office projects in central zones, which accounted for nearly 90% of the total office stock under construction.

The completion of over 48,700 sqm in the three months to March 2024 brought Warsaw's total office stock to more than 6.24 million sqm at the end of the first quarter. New supply comprised space delivered through three new builds and one refurbishment. The largest office completions included LIXA buildings D and E with a combined area of more than 26,000 sqm in the City Centre West, and the revamped Saski Crescent (15,500 sqm, the Central Business District). 2024's total new supply is expected to surpass 100,000 sqm, up by nearly 70% year-on-year but still the second-lowest volume in the history of the Warsaw office market.

As of the end of March 2024, there was nearly 280,000 sqm of office development underway – a volume comparable to that recorded in the fourth quarter of last year. Of that total, more than 41,000 sqm was under construction in office buildings undergoing refurbishment. The coming years are likely to see upgrading and repurposing gather momentum, with demolition of older buildings expected to make way for new office builds. It is also worth emphasising that refurbishment is also an excellent opportunity to improve the energy efficiency of an office building in line with the standards resulting from EU regulations. The end result is lower energy consumption that will reduce both environmental impact and service charges for tenants.

Gross office take-up in Warsaw for the first three months of 2024 reached nearly 139,400 sqm, down by more than 11% year-on-year and by 45% compared with the fourth quarter of 2023, with no leases for over 10,000 sqm reported in the surveyed period.

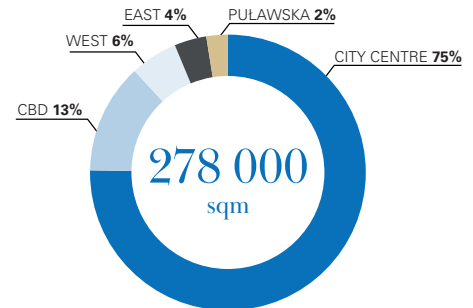
Due to the shrinking letting office options in central locations, occupiers' focus shifted towards non-central locations which accounted for more than 64% of the total leasing volume, or 89,300 sqm. Central office zones saw a total of 50,100 sqm leased.

New leases accounted for the largest share of take-up at 45%, with the remaining 55% spread across renegotiations and renewals (36%), expansions (10%), owner-occupier transactions (6%) and pre-lets (3%). The most active tenants on the Warsaw office market in the past quarter were companies from such sectors as manufacturing (13.0%), IT (12.7%) and retail (10.4%).

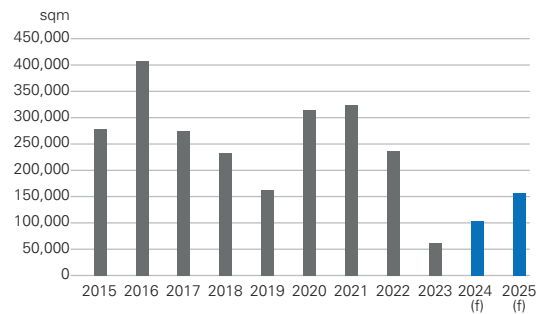
At the end of March 2024, Warsaw's vacancy rate was 11.0%, marginally up by 0.6 pp over the quarter and down by 0.6 pp year-on-year. This equates to nearly 725,000 sqm of unoccupied office space. Interestingly, office availability in buildings completed in central locations post-2020 was just over 55,000 sqm, translating into a vacancy rate of around 7.1%, well below the capital's average.

Rental growth continues to polarize further on the Warsaw office market, with landlords of secondary buildings increasingly having to offer very competitive rents to attract tenants. Rents for office space in the most sought-after locations and buildings featuring smart technological and ESG solutions remain relatively high as landlords are less willing to make major concessions. At the end of the first quarter of 2024, prime office rents were in the range of EUR 22-26 per sqm in the city centre and EUR 16-18 per sqm in non-central locations.

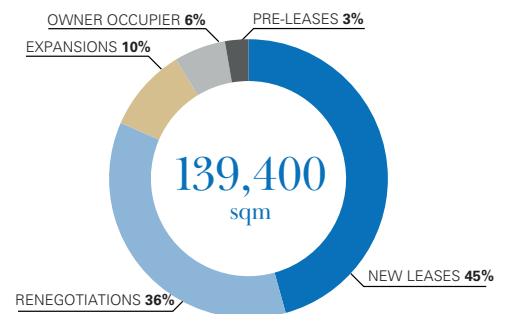
UNDER CONSTRUCTION BY ZONES, Q1 2024



NEW SUPPLY EVOLUTION, 2015-2025 F



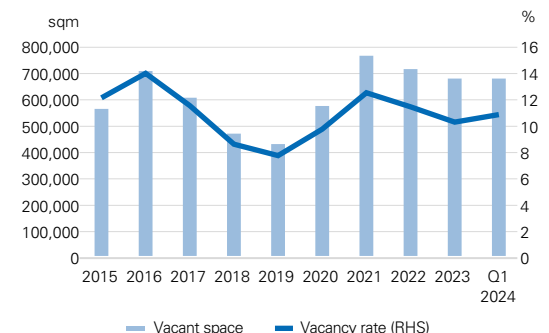
TAKE-UP STRUCTURE, Q1 2024



TOP OFFICE TRANSACTIONS

Quarter	Building	Tenant	Size	Lease type
Q1	Makro Cash and Carry	Makro Cash and Carry	6,950 sqm	Owner occupier
Q1	Vector+	Undisclosed tenant from public sector	6,000 sqm	Renewal
Q1	International Business Center A	Undisclosed tenant from life science	4,050 sqm	Renewal
Q1	Renaissance Plaza	Labour Office	3,700 sqm	New lease

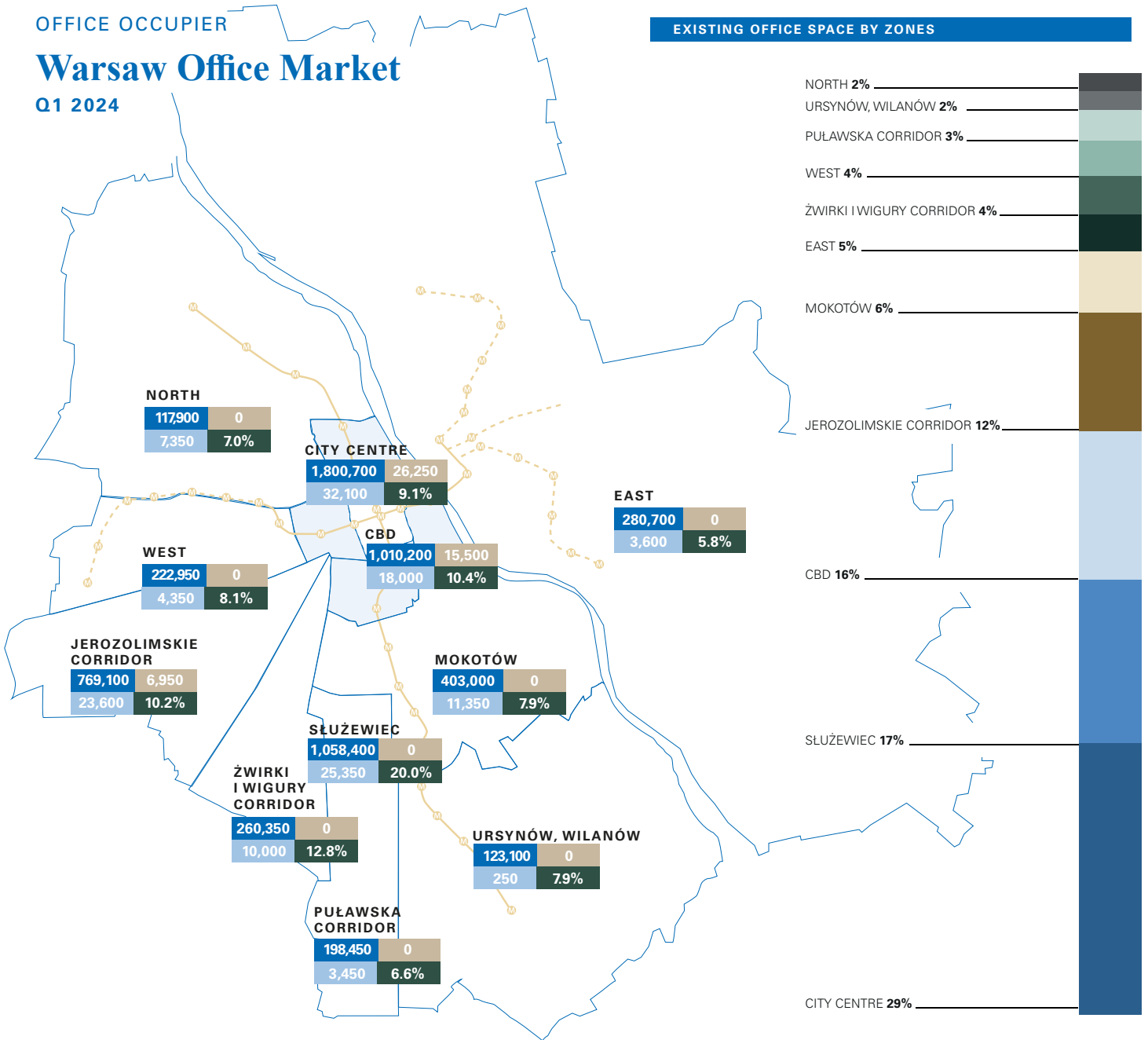
VACANT SPACE & VACANCY RATE EVOLUTION, 2015 - Q1 2024



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EXISTING OFFICE SPACE BY ZONES



6,244,850 sqm

▼ 0.2% y-o-y

STOCK

Non-central locations, including Służewiec with its 1.06 million sqm of office space, account for 55.0% of Warsaw's total office stock, or 3.43 million sqm. However, developer and occupier activity continues to focus on the Centre, which has 1.8 million sqm, making it the largest office zone in the city.

48,700 sqm

Q1 2023 - 0 sqm

NEW SUPPLY

Just over 100,000 sqm is expected to be added to Warsaw's office stock by the end of 2024; of that total, approximately 49,000 sqm was delivered during the first quarter of the year. Central locations are likely to see more than 80% of this year's new supply. The largest office projects slated for completion in the next three quarters of 2024 include The Form (28,000 sqm) and Vibe A (15,000 sqm) – both are underway in the City Centre West.

139,400 sqm

▼ 11.4% y-o-y

TAKE-UP

The strongest leasing activity in the first quarter of 2024 was recorded in the Centre (32,100 sqm, of which nearly 52% was in the City Centre West), Służewiec (25,300 sqm) and Jerozolimskie (23,600 sqm). The two largest office leases for over 5,000 sqm each were reported in Jerozolimskie and the North.

11.0%

▼ 0.6 p.p. y-o-y

VACANCY

At the end of the first quarter of 2024, office vacancy rates stood at 9.3% in the centre and at 12.3% in non-central locations. The highest were in Służewiec (20.0%), Żwirki i Wigury (12.8%) and the Central Business District (10.4%). The lowest vacancy rate was recorded in the East (5.8%).