OFFICE OCCUPIER

# Warsaw Office Market

**H1 2024**

**The Warsaw office market has entered a period of stabilization, with development activity continuing at a moderate but steady pace. During the second quarter of 2024, the Polish capital's vacancy rate edged down over the quarter, while more and more tenants chose to renegotiate leases. Meanwhile, the growing occupier demand for sustainable and high-tech offices led to an increase in refurbishment or repurposing projects.**

Modern office stock in Warsaw stands at nearly 6.26 million sqm. This total comprises five new office buildings that contributed a combined 63,700 sqm in the first half of 2024, including Vibe A (15,000 sqm), which was delivered in the City Centre West in the second quarter. Total new office supply is expected to slightly exceed 100,000 sqm in 2024 but is likely to double next year. Interestingly, nearly 30% of this volume will return to the market through refurbishments of such buildings as V-Tower and G5 Prime Offices.

Development activity on the Warsaw market has continued at a relatively moderate but steady pace for several quarters. At the end of June 2024, there was just over 280,000 sqm of office development underway – a volume comparable to that recorded in the previous quarter. Of that total, nearly 60,000 sqm was under construction in office buildings undergoing refurbishment. Over 80% of the development pipeline is concentrated in central locations, mostly in the vicinity of Daszyńskiego Roundabout.

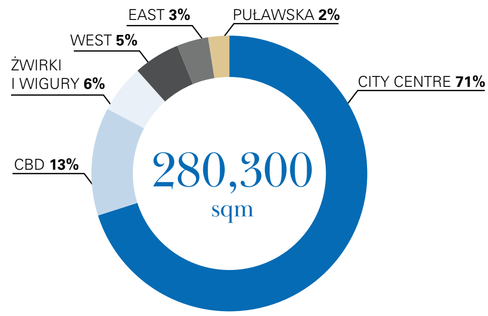
Total office take-up for the first half of 2024 reached nearly 316,400 sqm, of which just over 56% (178,400 sqm) was transacted in the second quarter. Leasing activity on the Warsaw office market for the three months to end June 2024 increased by over 29% quarter-on-quarter but for the first half of 2024 was down by just under 2% year-on-year. There were two leases for over 10,000 sqm signed on the Warsaw office market in the second quarter of 2024. Most transactions were then made for space in non-central locations which accounted for over 60% of total take-up in the year to date (190,100 sqm). Central office zones saw a total of 126,300 sqm leased.

The structure of demand for the first half of 2024 was dominated by renegotiations/renewals and new leases which accounted for 51% and 37% of all deals respectively. The remaining 12% was spread across expansions (7%), owner-occupier transactions (4%) and pre-lets (1%). The share of renegotiations and renewals hit a record high of 63% in the second quarter of 2024, with the highest recorded in non-central locations: in Służewiec (nearly 83% of this zone's total take-up), Żwirki Wigury (83%) and Jerozolimskie (70%). The most active tenants on the Warsaw office market in the first half of the year were companies from such sectors as financial (17.4%), manufacturing (12.5%), professional services (12.1%) and IT (10.2%).

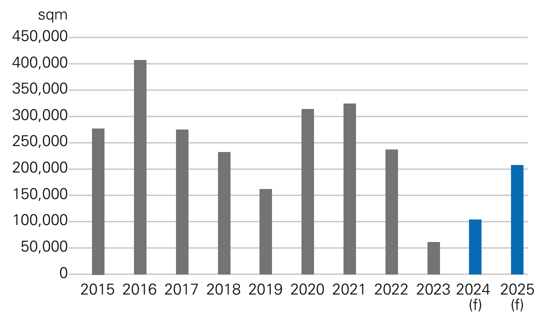
Warsaw's vacancy rate was 10.9% at the end of June 2024, down by a mere 0.1 pp over the quarter and by 0.5 pp year-on-year. In absolute numbers, this translated into nearly 680,450 sqm of unoccupied office space. Looking ahead, vacancy rates are expected to edge down in the coming quarters, especially in non-central locations, including Służewiec, where older office buildings are being pulled down to make space for new developments. This is well exemplified by the acquisition of Sirius, Orion and Saturn - the three office buildings of the former Empark Business Park - by Archicom, which is planning to use the site for the expansion of the Modern Mokotów housing estate.

At the end of the second quarter of 2024, prime office rents remained rather stable over the quarter at EUR 22-27/sqm/month in the city centre and EUR 16-18/sqm/month in non-central locations. The highest rental rates were in office buildings built to high technical and environmental standards and enabling tenants to take care of employees, their needs and wellbeing. At the same time, the rental gap between prime and secondary office locations continued to widen.

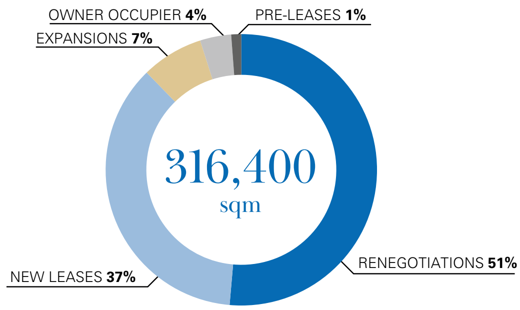
## UNDER CONSTRUCTION BY ZONES, Q2 2024




## NEW SUPPLY EVOLUTION, 2015-2025 F



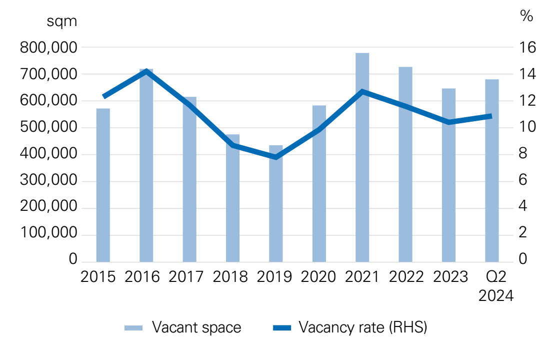

## TAKE-UP STRUCTURE, H1 2024




## TOP OFFICE TRANSACTIONS

| Quarter | Building | Tenant | Size | Lease type |
|---|---|---|---|---|
| Q2 | Varso Place 2 | Bank Gospodarstwa Krajowego | 13,600 sqm | Renewal |
| Q2 | T-Mobile Office Park | Undisclosed tenant from banking sector | 13,100 sqm | Renewal |
| Q2 | myhive Nimbus | Mercer | 7,300 sqm | Renewal |
| Q1 | Makro Cash and Carry | Makro Cash and Carry | 6,950 sqm | Owner occupier |

## VACANT SPACE & VACANCY RATE EVOLUTION, 2015 - Q2 2024




*Source: Newmark Polska*

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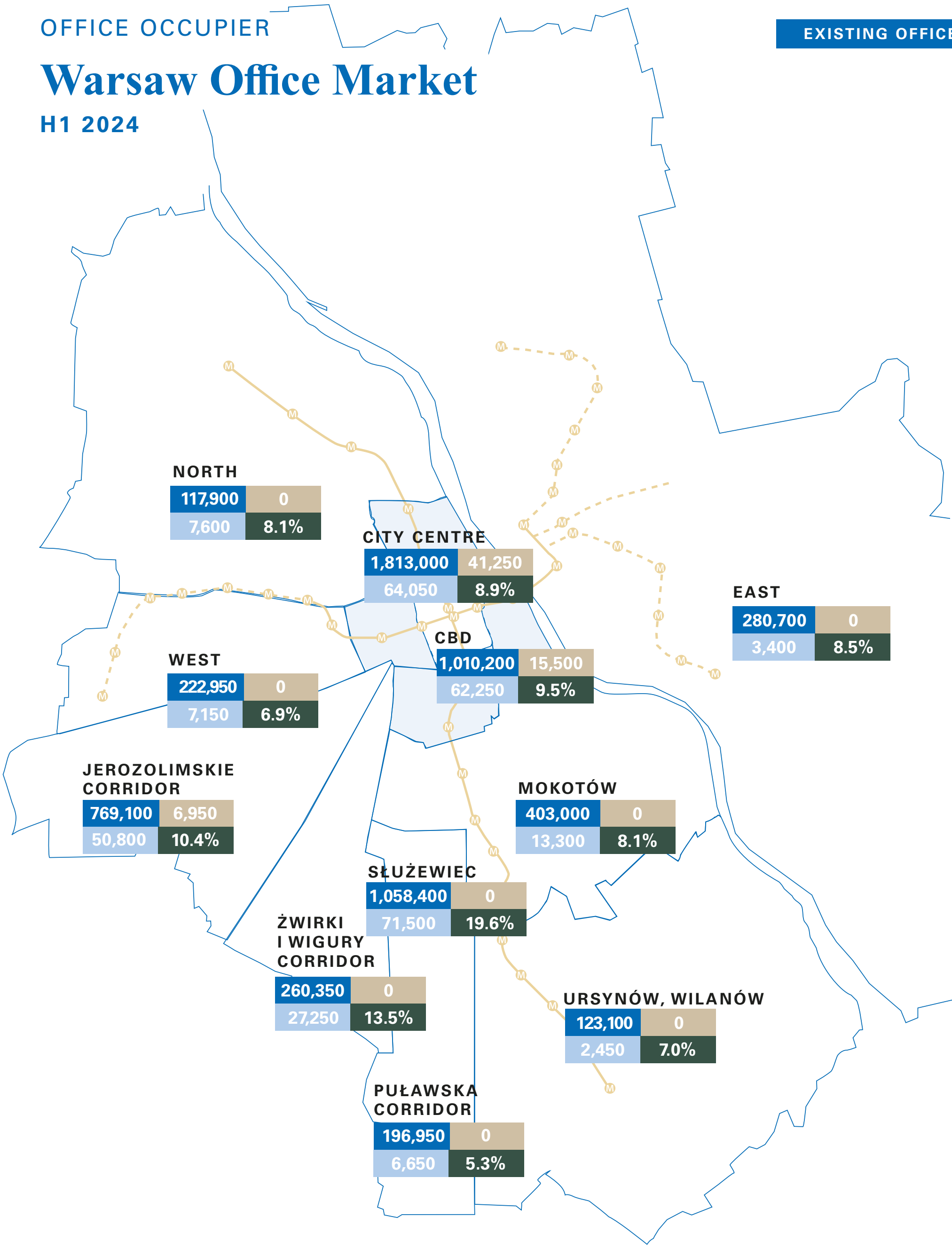
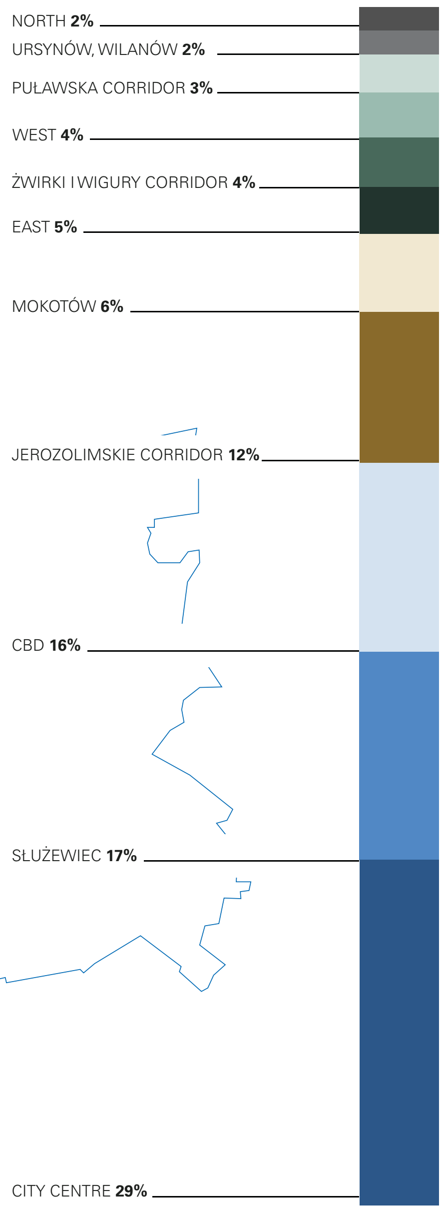
**H1 2024**




**EXISTING OFFICE SPACE BY ZONES**




## 6,255,650 sqm

0.0% y-o-y

**STOCK**

Non-central locations, including Służewiec with its 1.06 million sqm of office space, account for 55% 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.

## 63,700 sqm

▲ 247,1% y-o-y

**NEW SUPPLY**

Just over 100,000 sqm is expected to be added to Warsaw's office stock by the end of 2024. Nearly 64% of this year's development pipeline was delivered during the first half of 2024. More than 80% of office completions scheduled for this year will be in central locations. The Warsaw office market will see only one significant completion during the second half of the year: The Form (28,000 sqm), which is being developed in the City Centre West.

## 316,400 sqm

▼ 1.7% y-o-y

**TAKE-UP**

The strongest leasing activity in the first half of 2024 was recorded in Służewiec (71,500 sqm), the City Centre (64,050 sqm, of which nearly 50% in the City Centre West), the Central Business District (62,250 sqm) and Jerozolimskie (50,300 sqm). The two largest office leases for over 10,000 sqm were reported in the CBD and Służewiec.

## 10.9%

▼ 0.5 p.p. y-o-y

**VACANCY**

At the end of the second quarter of 2024, office vacancy rates stood at 9.1% in the centre and at 12.3% in non-central locations. The highest were in Służewiec (19.6%), Żwirki i Wigury (13.5%) and Jerozolimskie (10.4%). The lowest vacancy rates were recorded in Puławska (5.3%) and the West (6.9%).

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