

Warsaw Office Market



Slowdown in occupier activity

At the end of June 2023 total supply of office space in Warsaw was at 6.25 million sq m. The distribution of office zones is slowly equalizing - currently 44% of the city's modern office space is located in the central zones, while 56% is located outside the centre with Służewiec, which is still the largest non-central office zone, contributing 17% of the city's supply. The largest zone in central zones, being City Centre, is slightly larger than Służewiec resulting in almost 18% of the city's supply of modern office stock. Upcoming supply which is mainly focused on central zones shall result in further equalizing.

During H1 2023, a total of 18,700 sq m was delivered across three projects, all of which were completed in the second quarter. This result is 86% lower than the same period last year. The largest projects include The Park 9 with total area of over 11,000 sq m built by White Star Real Estate in the Jerozolimskie Corridor zone and Wał Miedzeszyński 628 (6,000 sq m) built by Semi Line Group in the East zone.

At the end of June 2023, more than 249,300 sq m of office space was under construction. 82,400 sq m of new developments was commenced in 2023. The largest projects launched in this period are: the first phase of Towarowa 22 (by Echo Investments, 31,100 sq m) and The Form (by Lincoln Property, 28,000 sq m). Almost three quarters of the space under construction was in the central zones (180,500 sq m). Invariably, the City Centre West sub-zone is the main area of activity with over 165,000 sq m of developers activity.

After the previous year's high level of letting activity, in 2023 we are seeing a slowdown in this field. Demand in H1 2023 totalled 325,700 sq m (158,600 sq m in Q1 and 167,100 sq m in Q2), down 32% y-o-y. 58% of demand was generated by the central zones (122,800 sq m) in City Centre zone and 65,800 sq m in CBD zone) and the remaining 42% by the non-central zones, with the highest take-up in the Jerozolimskie Corridor zone (49,600 sq m) and in the Służewiec zone (44,200 sq m), which accounted for almost 70% of non-central demand.

Demand in H1 2023 was dominated by new leases, which generated 57% of total volume of space let (43% in 2022). Renegotiations accounted for 35% of the total (39% in 2022), while expansions and pre-letting accounted for only 4% each (8% and 10% in 2022 respectively).

In H1 2023, the business services sector was the clear leader in terms of take-up, generating 20% of total demand. Financial services amounted to 10%, while the IT sector generated 12% and the energy sector accounted for almost 9% of total demand. Flexible office providers leased over 6,100 sq m in three locations resulting in less than 2% of total demand.

At the end of June 2023, there was 714,400 sq m of office space available in Warsaw, which translated into a vacancy rate of 11.4% (decrease by 20 bps q-o-q and 50 bps y-o-y). The vacancy rate in the central zones was 9.9% (170 bps lower y-o-y). On the other hand, the vacancy rate in non-central zones was 12.7%, meaning an increase by 40 bps y-o-y.

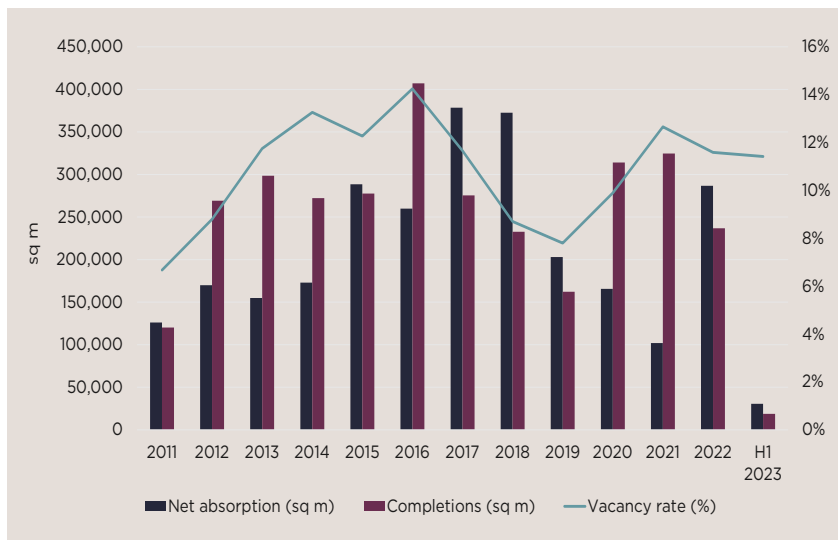
There are three office zones with vacant space exceeding 100,000 sq m: Służewiec (223,000 sq m, vacancy rate of 20.6%), City Centre (151,800 sq m, vacancy rate of 8.5%) and CBD (122,700 sq m, vacancy rate of 12.4%).

Net absorption in H1 2023 recorded a low level, with 30,600 sq m absorbed city-wide (81% less y-o-y).

At the end of Q2 2023 headline rents in prime locations in the CBD averaged between EUR 22.50-25.50/ sq m/ month. There are several buildings in central zones, that quote higher rents, exceeding EUR 27.00/sq m/month for the most attractive premises. Stable rents remain in the largest non-central zone, Służewiec, where rents have maintained a level of EUR 13.00- 15.00/sq m/month.

Following the announced increases in service charges, we are currently seeing high levels of such charges, in many cases exceeding PLN 30.00/sq m/month. Levels above PLN 35.00 are also no exception.

Net absorption, completions and vacancy rate, 2011-H1 2023



Source: Savills Research

Key office data H1 2023:



6.25 million sq m
Total office supply



249,300 sq m
Total space under construction
(18% down y-o-y)



18,700 sq m
New supply
(86% down y-o-y)



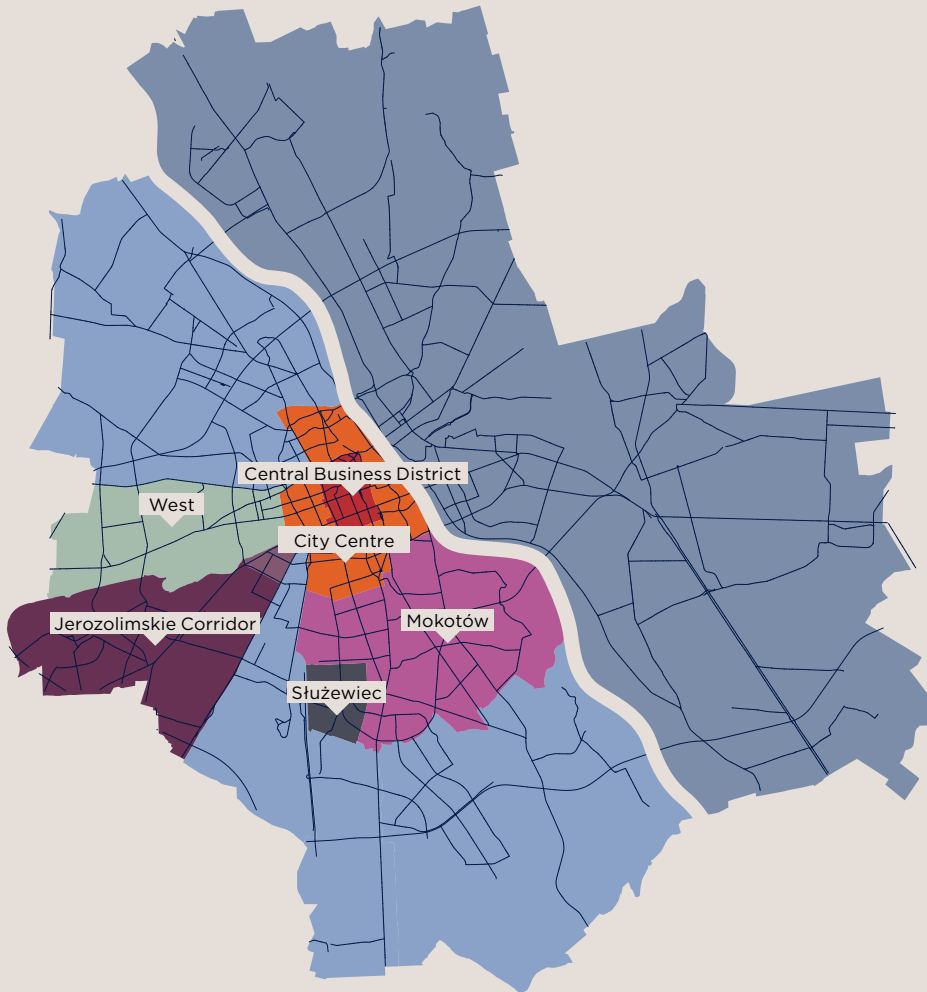
11.4%
Vacancy rate
(50 bps down y-o-y)



325,700 sq m
Total take-up
(32% down y-o-y)



30,600 sq m
Net absorption
(81% down y-o-y)



City Centre

Total stock: 1,785,200 sq m
Available area: 165,500 sq m / 8.5%
Rent: EUR 17.50-23.00/sq m/month
Supply under construction: 165,500 sq m

Central Business District

Total stock: 991,800 sq m
Available area: 122,700 sq m / 12.4%
Rent: EUR 21.00-25.50/sq m/month
Supply under construction: 15,000 sq m

Mokotów

Total stock: 377,700 sq m
Available area: 38,800 sq m / 10.3%
Rent: EUR 15.00-17.00/sq m/month
Supply under construction: 24,000 sq m

Jerozolimskie Corridor

Total stock: 762,600 sq m
Available area: 75,900 sq m / 9.9%
Rent: EUR 10.00-15.50/sq m/month
Supply under construction: 8,300 sq m

West

Total stock: 232,300 sq m
Available area: 20,800 sq m / 9.8%
Rent: EUR 12.00-14.00/sq m/month
Supply under construction: 0 sq m

Służewiec

Total stock: 1,081,900 sq m
Available area: 223,000 sq m / 20.6%
Rent: EUR 13.00-15.00/sq m/month
Supply under construction: 0 sq m



Savills Research

We provide bespoke services for landowners, developers, occupiers and investors across the life cycle of commercial, residential or mixed-use projects. We add value by providing our clients with research-backed advice and consultancy through our market-leading global research team.

Daniel Czarnecki
 Head of Landlord
 Representation
 +48 (0) 519 033 717
 dczarnecki@savills.pl

Jarosław Pilch
 Head of Tenant
 Representation
 +48 (0) 694 497 800
 jpilch@savills.pl

Wioleta Wojtczak
 Head of Research
 +48 (0) 600 422 216
 wwojtczak@savills.pl

Jarosław Jachura
 Senior Consultant
 Research Department
 +48 (0) 507 334 167
 jaroslaw.jachura@savills.pl