

Office market in Warsaw



Spectacular take-up and low vacancy continues

Warsaw has seen the highest Q1-Q3 2019 take-up figures on record, while availability of office space continues to fall and is currently at its lowest level since Q3 2012.

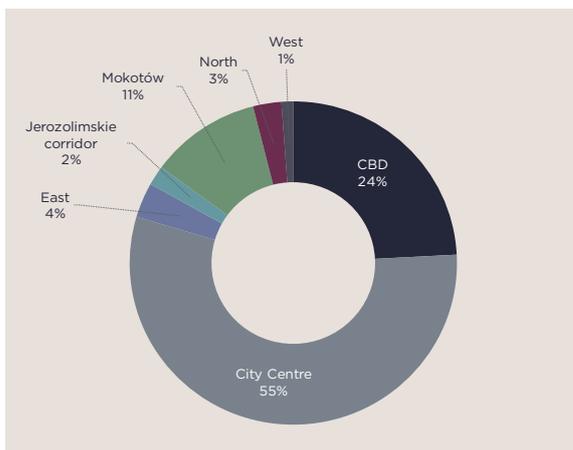
Polish economy remains resilient to the economic slowdown experienced by some of our European neighbours. The investors' confidence in Poland in general is still strong, while the economy has witnessed a solid GDP growth at 4.5% in Q2 2019, with the projection for 2019 at 4.0% (Oxford Economics).

Total Warsaw supply rose slightly during Q1-Q3 2019 by less than 1% of total stock and currently stands at close to 5.6 million sq m of office space. In Q3 2019 61,700 sq m was delivered to the market in five office buildings. The largest are: Wola Retro in the West office zone (24,500 sq m) and Generation Park Z in the City Centre zone, West subzone (17,300 sq m). In the last quarter of the year further 118,500 sq m is scheduled to come to the market, but given the current stage of construction work some projects may be delayed until 2020.

The office market is still witnessing a rather extensive construction activity, as ca. 760,000 sq m is currently ongoing. Central zones are being home to almost 80% of the developed space, with a clear concentration in the City Centre West subzone (414,600 sq m). More than 50% of the commenced office space is currently pre-leased or secured with the Letter of Intent (LOI).

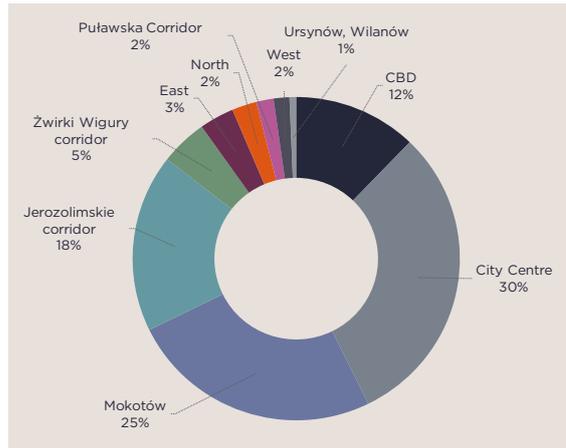
Total take-up in Q1-Q3 2019 exceeded the one recorded in the corresponding period in the previous year by 10% and the 5-year average by 24%. During the Q1-Q3 2019 occupiers activity in Warsaw reached 689,300 sq m, with ca. 58% falling for non-central locations, including Mokotów were almost 47% of all non-central deals took place. Q3'19, with 284,400 sq m of total tenants activity, was the highest volume recorded during one quarter in the Warsaw's history ever.

Under construction by zone, Q3 2019



Source Savills Research

Take-up by zone, Q1-Q3 2019



Source Savills Research

Four deals signed in Q3 2019 have exceeded 10,000 sq m, which adds up to 11 such transaction in 2019 so far. The largest ones in Q3 were two pre-leases, namely: mBank for 45,600 sq m in Mennica Legacy Tower and WeWork for 10,550 sq m in The Warsaw HUB and two lease renewals: 44,850 sq m renewed by Orange Polska in Miasteczko Orange and T-Mobile in Marynarska 12 for 27,400 sq m. The last quarter of the year is usually perceived to be one of the strongest (the last quarter of the year average from the last five years stands at 219,600 sq m), albeit Q4 2019 is expected to be rather moderate, as Q2 and Q3 were very fruitful for the Warsaw's office market, with almost 550,000 sq m signed.

New agreements (including pre-leases) accounted for 59% of the total volume of take-up whereas the share of lease renewals and renegotiations was close to 35%. Expansions accounted for approximately 6% of the total letting activity in Q1-Q3 2019. Pre-leases accounted for 27% of gross take-up.

Some of the most active sectors in Q1-Q3 2019 were insurance and financial (23%), business and consumer services (22%) and tech, media and telecoms (12%). Serviced office providers were also active on the Warsaw's office market. WeWork, IWG (Spaces and Regus), New Work, rent24 and couple of others have all taken space in Warsaw during Q1-Q3 2019 signing for a combined 33,000 sq m of space.



5.6 million sq m
Total supply of office space



760,000 sq m
Total under construction space



8.2%
Vacancy rate
(down 180 bps yoy)



689,300 sq m
Total take-up



50%
Share of secured space in under construction projects

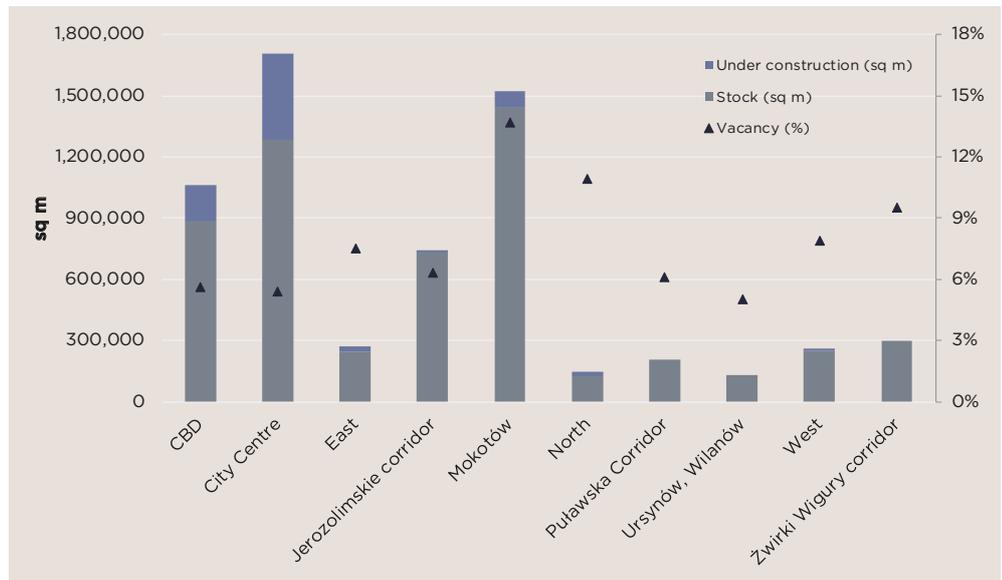
The vacancy rate at the end of September 2019 stood at 8.2%, down 30 bps on the previous quarter and by 180 bps when compared with Q2 2018, with 461,100 sq m available across the city.

Mokotów offered the largest choice of the available office space – 196,700 sq m vacant, which translates into a vacancy rate of 13.7%. The lowest both vacancy rate and space availability is currently found in Ursynów, Wilanów office zone (5.0% or 6,400 sq m vacant). We expect the vacancy rate to continue to decrease till the end of the year, as planned new supply in Q4 is in 87% pre-leased or secured with LOI.

The shortage of space, especially in Central locations – where vacancy is 5.5%, is likely to remain the dominant issue until the end of the year. Incentives packages and fit-out contribution offered for prime units situated in the most sought-after locations remain limited.

In CBD and City Centre prime rents are unchanged since the last quarter and range from EUR 22.50 per sq m/month up to EUR 25.50 per sq m/month in top floors in tower buildings. In Służewiec, the largest non-central office zone, rents have remained stable and range between EUR 13.00 and 15.00 per sq m/month.

Stock, under construction & vacancy rate, Q3 2019



Source Savills Research

TOP 5	
Largest developments completed	Largest under construction projects
Wola Retro, West 24,500 sq m, Develia	Varso Place, CBD 102,000 sq m HB Reavis
Moje Miejsce B1, Mokotów 18,700 sq m Echo Investment	The Warsaw Hub, City Centre West 90,300 sq m Ghelamco
Generation Park Z, City Centre West 17,600 sq m Skanska Property Poland	Mennica Legacy Tower, City Centre West 62,200 sq m, Mennica Polska & Golub GetHouse,
Spark B, City Centre West 15,700 sq m Skanska Property Poland	Warsaw Unit, City Centre West 56,300 sq m Ghelamco
Vector+, North 13,700 sq m Profbud	Generation Park Y, City Centre West 42,800 sq m Skanska Property Poland

Source Savills Research



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