

Warsaw Office Market

Q1-Q3 2024

In the third quarter of 2024, both leasing and development activity on the Warsaw office market remained largely consistent with the levels recorded in the previous quarter. Office take-up, previously dominated by renewals, saw a notable increase in pre-lets which accounted for 22% of the total leasing volume. Meanwhile, Warsaw's vacancy rate continued its downward trend observed since the beginning of the year.

Warsaw's total office stock currently stands at 6.26 million sqm, with new supply remaining constrained since the fourth quarter of 2022. Just under 75,000 sqm was delivered in the period January-September 2024, nearly 65% of which was completed in the first quarter. In the third quarter of 2024, the Warsaw office market expanded by just over 11,000 sqm. According to analysts from Newmark Polska, the annual development pipeline scheduled for completion in 2024 is expected to surpass 100,000 sqm, marking the second-lowest volume recorded in Warsaw after 2023.

Developers continue to closely monitor and analyse market statistics, particularly tenant office requirements, and EU regulations regarding energy efficiency and the environmental impact of the built environment. As a result, development activity on the Warsaw office market remains relatively restrained. At the end of September 2024, Warsaw's development pipeline stood at just over 273,000 sqm, down by nearly 3% from the previous quarter but up by almost 8% year-on-year. No major office project broke ground in the third quarter of 2024.

Leasing activity has remained relatively stable in the year to date, particularly in the last two quarters, which saw 178,100 sqm and 176,100 sqm transacted respectively. Total take-up for the period January-September 2024 reached nearly 492,200 sqm, a volume slightly lower than in the same period in 2023 (492,900 sqm). Non-central locations attracted the strongest occupier interest in the nine months to September, accounting for almost 57% of take-up. However the office zones with the largest shares of the leasing volume were the City Centre (nearly 26.5%) followed by Służewiec (21%).

In the third quarter of 2024, pre-lets accounted for an exceptionally large share of total take-up at nearly 22%. The remaining 78% was spread across new leases (34%), renewals (26%), owner-occupier transactions (11%) and expansions (7%). However, office take-up for the first three quarters of 2024 continued to be dominated by renegotiations which made up more than 42% of all deals. The most active tenants on the Warsaw office market from January to the end of September 2024 were financial services (17%), followed by professional services and IT (12% each).

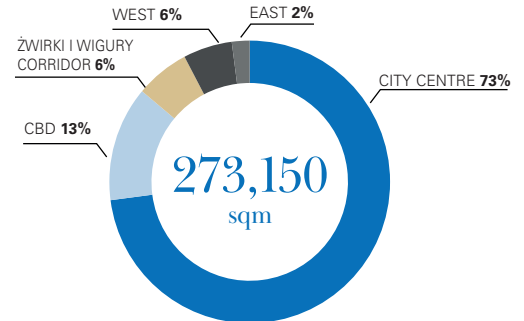
At the end of September 2024, Warsaw's vacancy rate stood at 10.7%, down by 0.2 pp from the previous quarter but up by 0.1 pp year-on-year. The vacancy rate is expected to continue its downward trajectory over the coming quarters due to moderate development activity and an increasing focus on the refurbishment or repurposing of existing office buildings, leading to their temporary or permanent withdrawal from the office market.

In the third quarter of 2024, prime office rents remained unchanged over the quarter at EUR 22-27/sqm/month in the city centre and at EUR 16-18/sqm/month in non-central locations. There continues to be strong occupier demand for offices featuring advanced technological and environmental solutions that improve energy efficiency, help optimise costs and support the ESG agenda. Consequently, owners of such office buildings have the upper hand in lease negotiations.

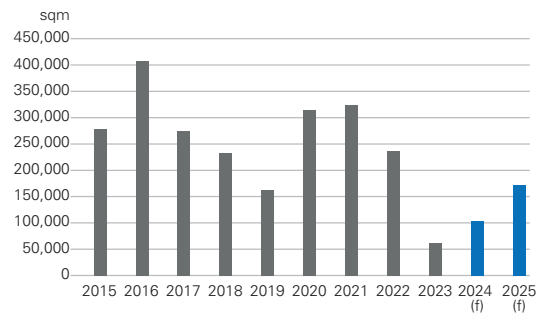
TOP OFFICE TRANSACTIONS

Quarter	Building	Tenant	Size	Lease type
Q3	The Bridge	Santander Bank	24,500	Pre-lease
Q2	Varso Place 2	Bank Gospodarstwa Krajowego	13,600	Renewal
Q2	TMobile Office Park	Undisclosed tenant from banking sector	13,100	Renewal
Q3	Office House	Undisclosed tenant from media sector	10,050	Pre-lease

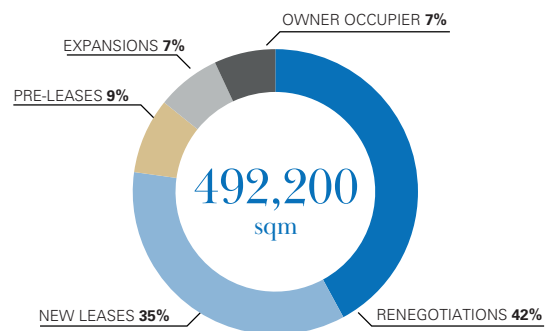
UNDER CONSTRUCTION BY ZONES, Q3 2024



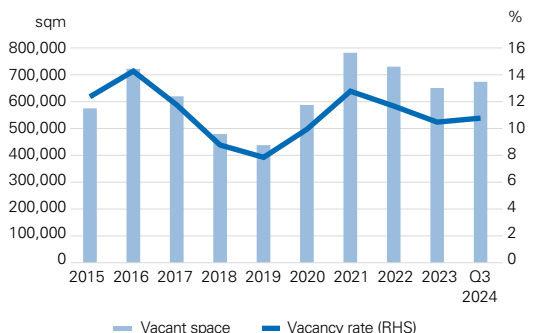
NEW SUPPLY EVOLUTION, 2015-2025 F



TAKE-UP STRUCTURE, Q1-Q3 2024



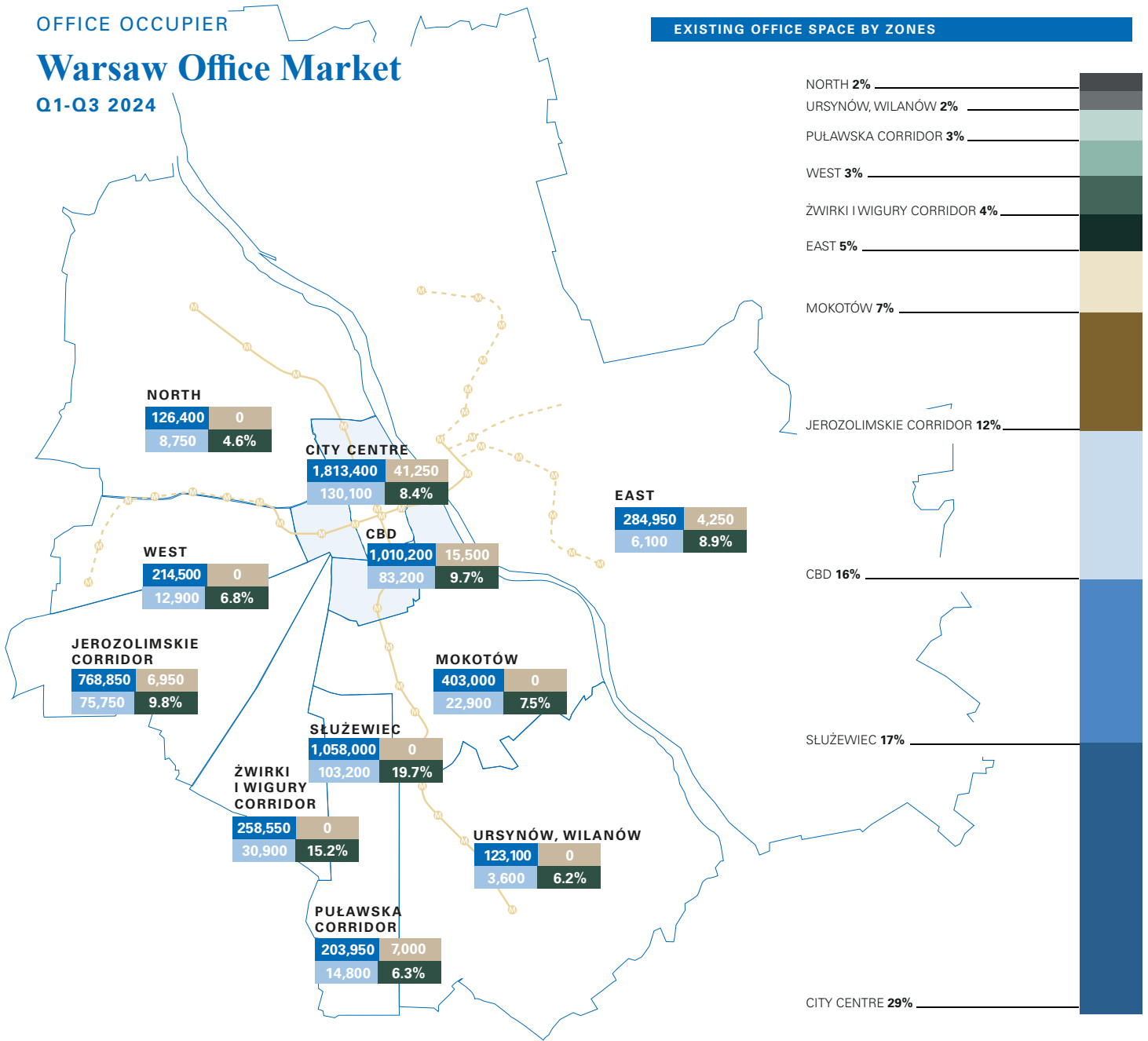
VACANT SPACE & VACANCY RATE EVOLUTION, 2015 - Q3 2024



OFFICE OCCUPIER

Warsaw Office Market

Q1-Q3 2024



6,264,900 sqm

▲ 1.0% y-o-y

STOCK

Non-central locations, including Służewiec with its 1.06 million sqm of office space, account for 54.9% of Warsaw's total office stock, or 3.44 million sqm. However, developer and occupier activity continues to focus on the Centre, which has over 1.8 million sqm, making it the largest office zone in the city.

74,950 sqm

▲ 270.1% y-o-y

NEW SUPPLY

Nearly 103,000 sqm is expected to be added to Warsaw's office stock by the end of 2024, with almost 75,000 sqm of new office space delivered in the first three quarters alone. If all planned projects come to fruition as scheduled, more than 170,000 sqm will come on stream in 2025.

492,200 sqm

▼ 0.1% y-o-y

TAKE-UP

The strongest leasing activity in the period January-September 2024 was recorded in the Centre (130,100 sqm, of which 63.8% was in the Centre West), Służewiec (103,200 sqm) and the Central Business District (83,200 sqm). In the third quarter, the two largest office leases for over 10,000 sqm each were reported in the Centre West.

10.7%

▲ 0.1 p.p. y-o-y

VACANCY

At the end of the third quarter of 2024, vacancy rates stood at 8.9% in the centre and at 12.2% in non-central locations. The highest were in Służewiec (19.7%) and Żwirki i Wigury (15.2%). The lowest vacancy rates were recorded in the North (4.6%), Ursynów and Wilanów (6.2%), and Puławska (6.3%).