

POLAND Office Market Snapshot

Third Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Upward pressure on effective rents in central zones as well as in most attractive non-central zones.	►
Prime Yields:	Forecasted fall of 25 bps both in central and non-central locations shows continuous downward pressure on yields	►
Supply:	Limited supply in 2019 with high level of pre-let agreements. Above average new supply in 2020 with moderate level of secured office space. New supply in 2021 on a similar level as in 2020.	►
Demand:	Strong demand boosted by solid economic growth.	►

Prime Office rents – September 2019

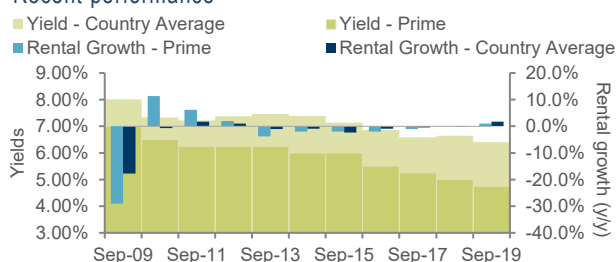
LOCATION	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Warsaw	24.00	288	30.2	0.0	-1.0
Krakow	15.00	180	18.9	0.0	-0.7
Wroclaw	15.00	180	18.9	3.4	-0.7
Gdansk	14.00	168	17.6	0.0	0.0
Katowice	14.00	168	17.6	1.8	0.0
Poznan	14.50	174	18.3	1.7	-0.3
Lodz	13.50	162	17.0	0.0	0.8
Szczecin	13.30	160	16.7	-1.5	-1.0

Prime Office yields – September 2019

LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Warsaw	4.75	4.75	5.00	7.00	4.75
Krakow	5.50	5.75	5.75	8.50	5.75
Wroclaw	5.50	6.00	6.00	8.50	6.00
Gdansk	7.00	7.00	7.00	8.50	7.00
Katowice	7.25	7.25	7.25	8.80	7.25
Poznan	7.00	7.00	7.00	8.50	7.00
Lodz	7.00	7.00	7.00	8.50	7.00
Szczecin	8.25	8.25	8.25	9.25	8.25

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

The GDP forecast for 2019 in Poland prepared by Oxford Economics has been lowered by 0.3 pp. to 4.0%. Nonetheless, Poland is still one of the fastest developing countries in Europe in terms of GDP growth. This situation is mainly caused by strong private consumption boosted by social programs. Additionally, investment slowed, but still posted a solid 1.1% q/q rise. Moderate amount of investment is visible in Warsaw as well as in regional cities. While supply in Warsaw is stabilizing, stock in regional cities is growing dynamically. Prime rents and yields in certain areas are under pressure – upward and downward, respectively.

Occupier focus

In the first three quarters of 2019, the total leasing activity in Warsaw equaled 688,500 sq m, representing an increase of 10% in comparison to the same period of 2018. Tenant activity remains on a relatively high level as observed during the last four years. In Q3 2019, tenants leased approx. 284,400 sq m. Out of which, 40% of total leased area was taken by three tenants. mBank secured a pre-let agreement in Mennica Legacy Tower for 45,600 sq m and two large telecom companies renewed their lease agreements for 45,000 sq m (Orange) and 27,400 sq m (T-mobile).

Investment focus

The office investment volume in Q3 2019 reached EUR 1.06 bn, 64% of the volume transacted in the first half of the year. 15 transactions took place in the 3rd quarter, only 4 of them in Warsaw. The core assets are still of particular interest to investors from APAC region, prominently with South Korean capital. We anticipate the further downward pressure on yields as the market develops and comparing to Western markets offers relatively similar risk profile with considerably lower prices.

Outlook

In the first three quarters of 2019, new supply was 142,300 sq m and was lower by 25% in comparison to analog period in 2018. Nevertheless, total supply in 2019 will be approximately 7% higher than in 2018. The vacancy rate in Q3 2019 decreased to 8.25%. We expect that the vacancy rate in Warsaw will continue to decrease until the end of 2020. The availability of office space may increase in 2021 with second wave of new office developments located in the city centre, especially in the area of Rondo Daszynskiego.

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LOCATION	BUILT STOCK (SQ.M)	AVAILABILITY (SQ.M)	VACANCY RATE (%)	TAKE-UP (SQ.M)	TAKE-UP YTD (SQ.M)	UNDER CONSTRUCTION (SQ.M)
Warsaw	5,589,400	461,100	8.3%	284,400	689,400	766,700
Kraków	1,348,000	125,600	9.3%	101,400	236,300	246,600
Wrocław	1,114,200	111,400	10.0%	19,700	64,700	203,800
Tricity	792,400	38,700	4.9%	39,000	74,200	165,300
Katowice	531,200	41,000	7.7%	30,700	60,500	79,000
Poznań	555,100	63,100	11.4%	10,200	27,300	62,000
Łódź	517,700	62,700	12.1%	10,500	42,700	120,400
Poland (Overall)	10,448,000	903,600	8.6%	495,900	1,195,100	1,643,800

Source: Cushman & Wakefield
(f) - forecast

Key Occupier Transactions*

PROPERTY	SUBMARKET	TENANT	SIZE (SQ.M)	TRANSACTION TYPE
Mennica Legacy Tower	City Center West	mBank	45,600	Pre-let + New
Miasteczko Orange	Jerozolimskie Avenue	Orange	44,850	Renewal
Marynarska 12	Mokotów	T-Mobile	27,400	Renewal
Warsaw Hub	City Center West	Confidential	10,550	Pre-let + New
Warsaw Towers	Central Business District	Accenture	5,900	Renewal

Source: Cushman & Wakefield
*Transactions from Warsaw only

Key Investment Transactions

PROPERTY	SUBMARKET	SELLER / BUYER	YIELD	PRICE € MILLIONS
Warsaw Spire A	Warsaw	Ghelamco / Immofinanz	n/a	386
Astoria Premium Offices	Warsaw	Strabag / Credit Suisse	n/a	n/a
Poznań Business Garden	Poznań	Vastint / Cromwell	n/a	88.5

Source: Cushman & Wakefield, Real Capital Analytics

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