

YoY change 12-month forecast

11.6%
Vacancy rate in Warsaw

▼ ▼

€22.0–26.0
Prime headline rents

▲ ▲

5.00%
Prime office yields in Warsaw

▲ ▲

SUPPLY: 2023 TO WITNESS SUBDUED DEVELOPMENT ACTIVITY

Over 236,800 sq m came on stream across 12 office projects in 2022, bringing Warsaw's total office stock to around 6.27 million sq m. Last year's largest office completions included HB Reavis' Varso Tower (63,800 sq m) and Forest Tower (51,500 sq m), and Skanska's P180 (32,000 sq m). Warsaw's office development pipeline currently comprises around 181,500 sq m. Cushman & Wakefield expects approximately 66,000 sq m to be added to the Warsaw market this year, which will mark the start of a 'supply gap' that is likely to continue until 2025.

Office construction and fit-out costs will continue to rise in 2023 albeit at a slower and more predictable rate than in early 2022. Better control over the level of development costs is likely to incentivise Warsaw office market players to commence new projects. However, due to the current economic environment, development activity is expected to focus on prime locations enabling developers to maximize their returns on investment.

VACANCY RATE: OFFICE ABSORPTION RATES TO BE DRIVEN BY NEW SOURCES OF DEMAND

Warsaw's vacancy rate continued on its downward trend in late 2022. Office availability in December 2022 amounted to 726,400 sq m, marking a decrease of 52,000 sq m on the same time in 2021. In Q4 2022, the city's vacancy rate stood at 11.6%, down by 0.6 pp quarter-on-quarter and by 1.1 pp compared to where it was a year ago.

Source: Cushman & Wakefield

Economic indicators Q4 2022

YoY change 12-month forecast

1,124,000
Total employment in Warsaw

▲ ▼

1.5%
Unemployment rate in Warsaw

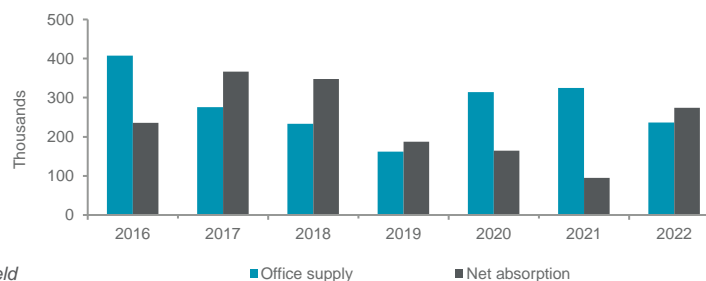
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5.2%
Unemployment rate in Poland

▼ ▲

Source: Statistics Poland (GUS)

OFFICE SUPPLY AND ABSORPTION



VACANCY RATE AND RENTS



Source: Cushman & Wakefield

OFFICE MARKET

Warsaw, Q4 2022

With new supply being constrained in 2023, the city's vacancy rate will remain on a downward path, allowing the market to absorb the surplus office space in the existing stock. The rate of absorption will, however, be strongly correlated with the pace of economic growth, impacting companies' decisions to invest and increase staff levels alike.

TAKE-UP: OCCUPIER ACTIVITY INCREASED DESPITE MARKET UNCERTAINTY

Total leasing activity in 2022 amounted to 860,100 sq m, up by over 33% on 2021 and only 2% lower than pre-pandemic 2019's record performance.

In 2022, robust take-up was powered by both the improving rental market and the accumulation of large-scale deals by tenants from the financial, business services and IT sectors. This is confirmed by the number of transactions finalised in 2022, which totalled 860, representing a year-on-year increase of close to 39%.

In 2022, new leases and renegotiations accounted for 52% and 39% of the total take-up, respectively, while expansions made up 8% of total tenant activity.

The next twelve months on the Warsaw office market will be a year of renewing leases made in the peak years of 2018-2019. The increased number of processes expected to commence this year is likely to boost office demand throughout 2023. However, the prospect of an economic recession and the worsening of occupier sentiment are likely to weigh on office leasing decisions.

In addition, as a result of rising inflation and changes in the market regarding working models in the last three years, tenants are likely to focus more strongly on optimising costs, including extending leases to amortise higher capital expenditure on office fit-outs. Additionally, regearing is set to account for a growing proportion of take-up, overtaking relocations.

RENTAL RATES: RECORD-HIGH RENT INDEXATION TO IMPACT RENTAL GROWTH ACROSS THE MARKET

Office rents came under strong upward pressure in 2022 due to geopolitical uncertainty, the energy crisis and rising construction and fit-out costs, all pushing office maintenance costs up and limiting landlords' profit margin. In the fourth quarter of 2022, prime office rents stood at EUR 22.00-26.00/sq m/month in the Centre and at EUR 13.50-16.50/sq m/month in non-central locations.

Cushman & Wakefield has observed that projects in the pipeline are currently experiencing the strongest upward pressure on office rents due to their significant exposure to both rising construction and fit-out costs. In addition, rent increases in the coming months will be driven by the indexation of EUR-denominated leases, which will be around 7-10%. Office rental growth for the market as a whole will cause landlords to rethink their pricing strategies depending on the location, quality and occupancy levels of their building portfolios.

MARKET STATISTICS

Zone	Total office stock	Availability	Vacancy rate	Gross take-up in Q4 2022	Gross take-up in 2022	Officew deliveries in 2022	Space under construction
Central Business District	991,800	142,800	14.4%	41,800	184,600	99,100	
Centre	1,792,700	150,400	8.4%	51,200	320,900	88,700	105,000
East	273,900	22,300	8.1%	13,900	23,800	5,999	34,500
Jerozolimskie Corridor	751,600	70,100	9.3%	29,200	91,000	8,700	11,000
Mokotów	1,479,300	268,000	18.1%	74,900	164,300	32,000	24,000
North	120,200	8,800	7.3%	3,000	5,400		
Puławska	201,400	15,900	7.9%	8,900	18,800	3,300	7,000
Ursynów, Wilanów	126,600	4,200	3.3%	4,400	6,100		
West	232,300	22,900	9.8%	11,500	23,600		
Żwirki i Wigury	299,100	7,600	7.1%	14,400	21,500		
Warsaw totals	6,268,800	726,400	11.6%	253,300	860,100	236,800	181,500

All space data in square metres

KEY OCCUPIER TRANSACTIONS IN 2022

Building	Zone	Key tenant	Area (sq m)	Lease type
SKYSAWA I&II	CBD	PKO BP	31 300	Pre-let
Forest Tower	Centre North	PEKAO	30 000	Pre-let
Plac Unii	Centre South	ING	23 500	Renegotiation and expansion
Warsaw Spire A	Centre West	Samsung Electronics Polska	21 000	Renegotiation

KEY INVESTMENT TRANSACTIONS IN 2022

Building	Zone	Seller/Buyer	Area (sq m)
The Warsaw Hub	Centre West	Ghelamco / Google	101,000

LARGEST OFFICE COMPLETIONS IN 2022

Building	Zone	Key tenant	Area (sq m)	Developer
Varso Tower	CBD	CMS	63,800	HB Reavis
Forest Tower	Centre North	PEKAO	51,500	HB Reavis
P180	Mokotów	Netguru	32,000	Skanska

Source: Cushman & Wakefield

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