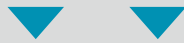
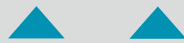


YoY change 12-month forecast

11.6%
Vacancy rate in Warsaw



€22.0–26.0
Prime headline rents



5.25%
Prime office yields in Warsaw



Source: Cushman & Wakefield

Economic indicators Q1 2023

YoY change 12-month forecast

1,128,000
Warsaw office-based employment



1.5%
Unemployment rate in Warsaw



5.4%
Unemployment rate in Poland



Source: Statistics Poland

SUPPLY: THE NUMBER OF NEW PROJECTS LIKELY TO BREAK GROUND IN THE CENTRE OF WARSAW IN 2023 IS ON THE RISE

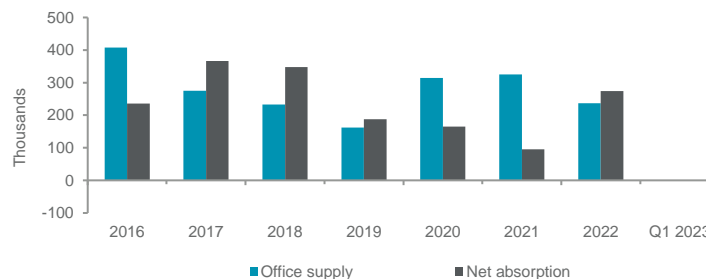
In the first quarter of 2023, the total office stock in Warsaw was 6.26 million sq m. Cushman & Wakefield estimates that this year the Warsaw office market will expand by around 66,000 sq m to be delivered across seven office projects. Of that total, as much as 80% will come on stream in non-central zones. The number of projects underway is, however, relatively low compared to the development activity recorded in the years 2012-2022. Around 181,500 sq m is currently under construction, but several new office starts are expected in the centre of Warsaw in the coming months - these include The Form (Lincoln Properties, 28,000 sq m), Skyliner II (Karimpol, 24,000 sq m) and UpperOne (Strabag, 36,000 sq m), which are scheduled for delivery in 2025-2026. That said, the Warsaw market will continue to suffer a supply gap until late 2025.

Office construction and fit-out costs will continue to rise in 2023, but at a slower and more predictable rate than in early 2022, says Cushman & Wakefield. The greater control over development costs is likely to incentivize investors to launch new office projects. However, most projects which are expected to break ground in the next 12 months will be in prime locations so that developers can maximize their returns.

VACANCY RATE: OFFICE AVAILABILITY TO REMAIN ON A DOWNWARD TREND THROUGHOUT 2023

In March 2023, office availability amounted to 724,600 sq m, marking a decrease of 35,100 sq m compared to the same time in 2022. In the first quarter of 2023, Warsaw's vacancy rate stood at 11.6%, down by 0.6 pp year-on-year but unchanged quarter-on-quarter.

OFFICE SUPPLY AND ABSORPTION



VACANCY RATE AND RENTS



OFFICE MARKET

Warsaw, Q1 2023

With new office supply expected to remain limited in 2023-2025, the city's vacancy rate will remain on a downward path, allowing the Warsaw market to absorb the surplus office space from existing stock, which occurred due to the temporarily weaker demand in 2020-2021. The rate of absorption will, however, largely depend on the pace of economic growth, which will impact investment and staff hiring decisions alike.

TAKE-UP: THE WARSAW OFFICE MARKET IS ENTERING A PHASE OF RENEWING LEASES MADE IN THE PEAK YEARS OF 2018-2019

Total office take-up for the first three months of 2023 amounted to 158,900 sq m, down by 40% from the same time in 2022. This year-on-year decline was, however, due to a high base effect. In 2023, the Warsaw office market has entered a period of renegotiating leases made in the peak years of 2018-2019. The increased focus on renewals expected this year is likely to boost office demand throughout 2023. However, economic uncertainty reflected in worsening economic indicators is likely to weigh heavy on this year's total leasing activity.

In the first quarter of 2023, the structure of demand was dominated by relocations which accounted for around 70% of all deals. Renegotiations and expansions made up 25% and 5% of the leasing activity, respectively.

The largest transactions of the first quarter of 2023 included the renewal of Accenture's lease of 8,800 sq m in Proximo II, DPD's lease of 8,700 sq m in its new headquarters and a lease for 7,000 sq m in P180 signed by a confidential tenant from the business services sector.

RENTS: THE LOCATION, QUALITY AND OCCUPANCY LEVELS OF OFFICE BUILDINGS TO BE KEY DRIVERS OF OFFICE RENTAL GROWTH IN 2023

In the first quarter of 2023, prime office rents in Warsaw remained unchanged since 2022 and 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 experiencing the strongest upward pressure on rents due to their significant exposure to rising construction and fit-out costs. In addition, rental growth for the broader office market will be driven by the record-high indexation under EUR-denominated leases, rising construction, fit-out and operating costs. However, the pricing policy of landlords will largely depend on the location, quality and occupancy levels of their buildings portfolios.

MARKET STATISTICS

Zone	Total office stock	Availability	Vacancy rate	Gross take-up in Q1 2023	Office deliveries in 2022	Space under construction
Central Business District	991,800	133,200	13.4%	25,900	99,100	
Centre	1,783,700	149,300	8.4%	61,500	88,700	105,000
East	273,900	22,700	8.3%	5,200	5,000	34,500
Jerozolimskie Corridor	751,600	72,800	9.7%	19,400	8,700	11,000
Mokotów	1,479,300	275,000	18.6%	37,500	32,000	24,000
North	120,200	8,100	6.7%	600		
Puławska	201,400	12,900	6.4%	4,900	3,300	7,000
Ursynów, Wilanów	123,100	7,400	6.0%	1,200		
West	232,300	20,800	9.0%			
Żwirki i Wigury	299,100	22,200	7.4%	2,800		
Warsaw totals	6,256,300	724,600	11.6%	158,900	236,800	181 500

All space data in square metres

KEY OCCUPIER TRANSACTIONS IN Q1 2023

Building	Zone	Tenant	Area (sq m)	Lease type
Proximo II	Centre	Accenture	8,800	Renegotiation
DPD HQ	Jerozolimskie Corridor	DPD Polska	8,700	Owner occupier
Towarowa 25a	Centre	Urząd Regulacji Energetyki	5,700	New lease
Annapol Logistic Park	East	FedEx	3,700	Renegotiation

KEY INVESTMENT TRANSACTIONS IN Q1 2023

Building	Zone	Seller/Buyer	Area (sq m)
Moje Miejsce II	Mokotów	Echo Investment/Trigea Reas Estate	17,200

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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ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 52,000 employees in 400 offices and 60 countries. In 2022, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com follow @CushWake on Twitter.

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