

YoY change 12-month forecast

10.9%

Vacancy rate in Warsaw



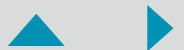
€22.0–26.0

Prime headline rents



5.75%

Prime office yields in Warsaw



SUPPLY: THE DOWNTURN IN OFFICE CONSTRUCTION ACTIVITY LIKELY TO LAST UNTIL 2026

In the second quarter of 2024, Warsaw's total office stock was 6.26 million sq m. Cushman & Wakefield estimates that approximately 98,000 sq m of new office space will be added to the Warsaw market this year through seven projects; of that total, 65%, or 63,700 sq m, had been completed by the end of June 2024. There are currently eight projects under construction with a combined area of approximately 215,000 sq m - well below the average supply levels seen in 2012-2023.

High project financing costs and relatively low liquidity on the investment market have significantly dampened office development activity in Warsaw. According to Cushman & Wakefield, this downturn is likely to continue until the end of 2026. Most projects which are, however, expected to break ground in the next 12-24 months will be in prime locations so that developers can maximize their returns.

VACANCY RATE: OFFICE AVAILABILITY IS GRADUALLY SHRINKING

At the end of the first half of 2024, Warsaw's vacancy rate was 10.9%, down by 0.1 pp from the first quarter of 2024 and by 0.4 pp year-on-year. This equated to 680,400 sq m of unoccupied office space, marking a decrease of 9,400 sq m from the first quarter of 2024 and 26,000 sq m from the first six months of 2023.

Source: Cushman & Wakefield

Economic indicators Q2 2024 (May)

YoY change 12-month forecast

1,129,000

Total employment in Warsaw



1.4%

Unemployment rate in Warsaw



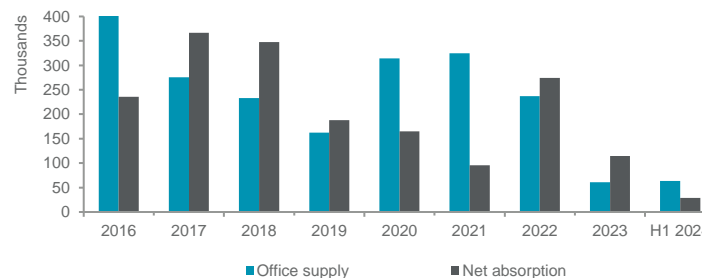
5.0%

Unemployment rate in Poland



Source: Statistics Poland (GUS)

OFFICE SUPPLY AND ABSORPTION



VACANCY RATE AND RENTS



OFFICE MARKET

Warsaw, Q2 2024

With new office supply expected to be constrained in 2024-2026, the city's vacancy rate will remain on a downward path, allowing the Warsaw market to absorb the surplus office space from existing stock. In addition, vacancy rates vary by location, with the highest of 12.3% reported for non-central zones - on a par with that recorded in 2021-2023 - and the lowest of 9.1% at the end of June 2024 in the Centre, down by 3.8 pp compared to where it was at the end of 2021.

TAKE-UP: LEASING ACTIVITY BY NUMBER OF TRANSACTIONS REMAINS STRONG

Total leasing activity for the first half of 2024 amounted to 316,400 sq m, a comparable figure to that posted the same time last year - down by a mere 2% year-on-year. This is attributed to gradual stabilization on the office rental market and a trend towards optimizing office footprints.

The first six months of 2024 saw 362 office transactions take place - almost on a par with the figure recorded in the same period in 2023. The relatively large number of signed leases is testament to high leasing market liquidity despite the continued economic downturn, while office downsizing is part of a broader strategy of tenants adapting to the challenges of new work models.

In the first half of 2024, the structure of demand in Warsaw was dominated by renewals which accounted for approximately 51% of all deals. New leases and expansions made up 42% and around 7% respectively.

The largest transactions of the first half of 2024 saw Bank Gospodarstwa Krajowego renegotiate its lease for 13,600 sq m in Varso II, a financial company renew its 13,100 sq m lease in T-Mobile Office Park, and Mercer renegotiate its lease for 7,300 sq m in Nimbus.

Leasing activity on the Warsaw office market is expected to remain stable in the coming quarters. It is, however, may be impacted by the general economic sentiment and the cost-cutting and expansion strategies of multinational companies.

RENTS: OFFICE LOCATION, QUALITY AND OCCUPANCY LEVELS REMAIN KEY DRIVERS OF RENTAL GROWTH

The upward pressure on rents on the broad market was driven in the last 24 months by a record high indexation rate for lease agreements indexed to the HICP rate (8.4% and 6.2% y-o-y for the eurozone in 2022 and 2023 respectively).

In the second quarter of 2024, prime office rents in Warsaw remained unchanged since the end of 2023 and stood at EUR 22.00-26.00/sq m/month in the Centre and EUR 13.50-16.50/sq m/month in non-central locations.

MARKET STATISTICS

Zone	Total office stock	Availability	Vacancy rate	Gross take-up in H1 2024	Office deliveries in H1 2024	Space under construction
Central Business District	1,010,200	96,000	9.5%	62,200	15,500	35,900
Centre	1,813,000	160,600	8.9%	64,000	41,300	156,400
East	280,700	24,000	8.5%	3,400		
Jerozolimskie Corridor	769,100	80,300	10.4%	50,800	6,900	
Mokotów	1,461,400	240,500	16.5%	84,800		
North	117,900	9,600	8.1%	7,600		
Puławska	196,900	10,400	5.3%	6,600		7,000
Ursynów, Wilanów	123,100	8,600	7.0%	2,400		
West	223,000	15,400	6.9%	7,200		15,000
Żwirki i Wigury	260,400	35,100	13.5%	27,200		
Warsaw totals	6,255,700	680,400	10.9%	316,400	63,700	214,300

All space data in square metres

KEY OCCUPIER TRANSACTIONS IN H1 2024

Building	Zone	Tenant	Area (sq m)	Lease type
Varso II	Central Business District	BGK	13,600	Renewal
myhive Nimbus	Jerozolimskie Corridor	Mercer	7,300	Renewal
Makro Cash and Carry	Jerozolimskie Corridor	Makro	6,950	Owner-occupancy
D48	Mokotów	Smyk	6,000	Renewal

KEY INVESTMENT TRANSACTIONS IN H1 2024

Building	Zone	Seller/Buyer	Area (sq m)
Concept Tower	Centre	CPI Group/Wood & Company	9,000
Metron	Mokotów	Patrizia/Alides	9,700

LARGEST OFFICE COMPLETIONS IN H1 2024

Building	Zone	Key tenants	Area (sq m)	Developer
Lixa E	Centre	Sanofi, Stora	16,950	Yareal
Vibe I	Centre	Reckitt Benkiser	15,000	Ghelamco

Source: Cushman & Wakefield

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ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of \$9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more.

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