

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
10.7% Vacancy Rate in Warsaw	▲	▼
€22-26 Prime headline rents	▶	▲
5.75% Prime office yields in Warsaw	▲	▶

Source: Cushman & Wakefield

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
1,125,000 Total employment in Warsaw	▼	▶
1.5% Unemployment rate in Warsaw	▲	▶
5.0% Unemployment rate in Poland	▶	▶

Source: Statistics Poland (GUS), August 2024

SUPPLY: LOW SUPPLY LEVELS LIKELY TO CONTINUE UNTIL 2026

At the end of the third quarter of 2024, Warsaw's total office stock stood at 6.26 million sqm. Cushman & Wakefield estimates that approximately 103,000 sqm of new office space will be added to the Warsaw market this year across nine office buildings. The largest office completions of the third quarter of 2024 included Viridis B (Polkomtel, 7,000 sqm) and Bohema Office D and E (2,600 sqm and 1,700 sqm respectively). There are currently seven projects under construction, totalling 207,300 sqm - well below the average supply levels recorded in 2012-2023.

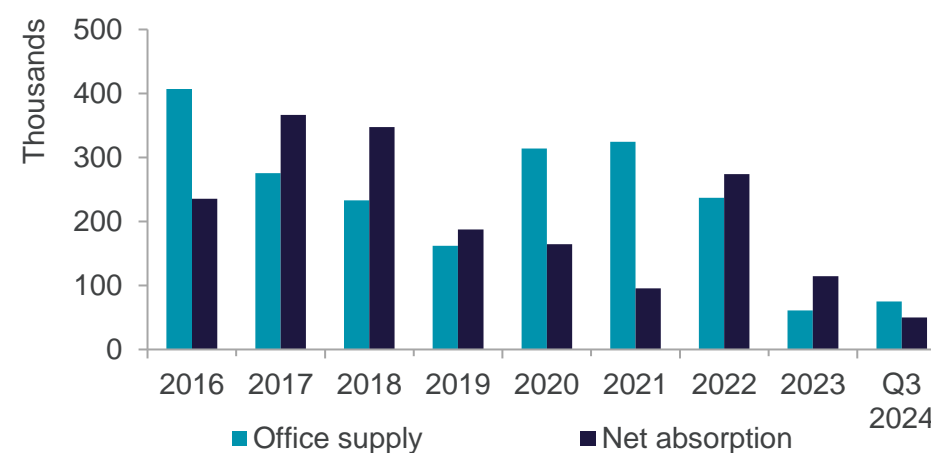
High borrowing costs and only gradually improving institutional investor activity have significantly dampened office construction in Warsaw. According to Cushman & Wakefield, this downturn is likely to continue until the end of 2026. Most projects which are, however, expected to break ground in the next 12-24 months will be in prime locations so that developers can maximize their returns.

VACANCY RATE: OFFICE AVAILABILITY REMAINS ON A DOWNWARD TREND

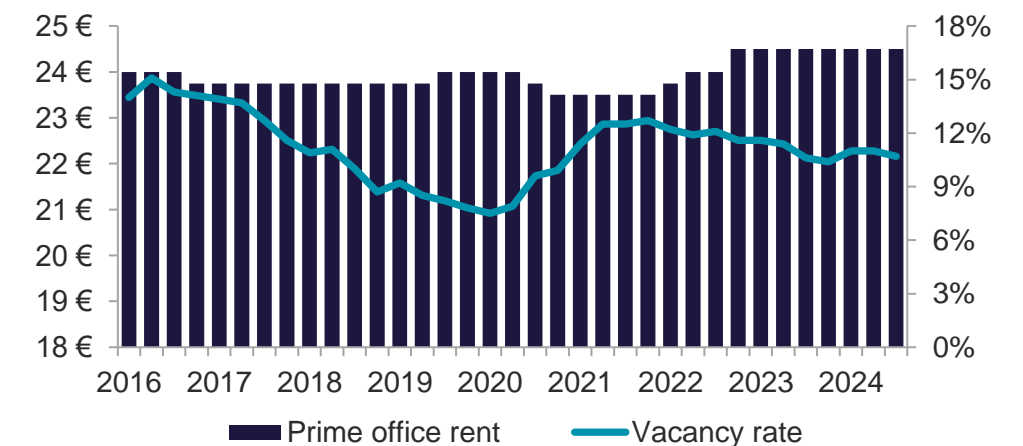
At the end of the third quarter of 2024, Warsaw's overall vacancy rate was 10.7%, up by 0.1 pp year-on-year but down by 0.2 pp from the previous quarter. This equated to 670,700 sqm of unoccupied office space, marking a decrease of approximately 10,000 sqm compared to the second quarter of 2024.

With new office supply expected to be constrained in 2024-2026, the city's vacancy rate is likely to remain on a downward trajectory, enabling the Warsaw market to absorb surplus office space from existing stock. Vacancy rates also vary by location, with the highest of 12.3% reported for non-central zones - a figure similar to levels seen in 2021-2023. In contrast, at the end of September 2024, the City Centre reported a vacancy rate of 8.9%, down by 4.0 pp compared to where it was at the end of 2021.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



TAKE-UP: CITY CENTRE CONTINUES TO ATTRACT THE LARGEST TENANTS

Total leasing activity for the first three quarters of 2024 amounted to 492,200 sqm, a figure comparable to that posted in the same period last year. This stability is attributed to the gradual stabilization on the office rental market and a trend among tenants towards optimizing their office footprints.

The first nine months of 2024 saw 537 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 ongoing economic downturn, while office downsizing is part of a broader strategy by tenants to adapt to the challenges of new work models.

From January to September 2024, new leases dominated the structure of demand in Warsaw, accounting for approximately 44% of all deals. Renewals also had a significant share at 42%, while expansions and owner occupier deals made up around 7% of the total leasing volume each.

The largest transactions of the third quarter of 2024 included Santander Bank's pre-lease of 24,500 sqm in The Bridge, a confidential media company's pre-lease of 10,100 sqm in the Office House and an owner-occupier's deal for 8,000 sqm in Domaniewska Office Park Beta.

Leasing activity on the Warsaw office market is expected to remain stable in the coming quarters. It is, however, likely to be impacted by general economic sentiment and the cost-cutting or 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% year-on-year for the eurozone in 2022 and 2023 respectively).

In the third 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 YTD 2024	Office completions YTD 2024	Under construction
Central Business District	1,010,200	98,000	9.7%	83,200	15,500	35,900
Centre	1,813,400	152,800	8.4%	130,100	41,200	156,400
East	285,000	25,500	8.9%	6,100	4,250	
Jerozolimskie Corridor	768,900	75,600	9.8%	75,800	6,950	
Mokotów	1,461,000	238,700	16.3%	126,100		
North	126,400	5,800	4.6%	8,800		
Puławska	203,900	12,900	6.3%	14,800	7,000	
Ursynów, Wilanów	123,100	7,600	6.2%	3,600		
West	214,500	14,500	6.8%	12,900		15,000
Żwirki i Wigury	258,600	39,200	15.2%	30,900		
Warsaw totals	6,264,900	670,700	10.7%	492,200	75,000	207,300

All space data is provided in square metres

KEY LEASE TRANSACTIONS YTD 2024

Property	Zone	Tenant	Lease type	Area (sqm)
The Bridge	Centre West	Santander	Pre-let	24,500
Varso II	Central Business District	BGK	Renewal	13,600
Domaniewska OP Beta	Mokotów	Gpoland	Owner occupancy	8,100
myhive Nimbus	Jerozolimskie Corridor	Mercer	Renewal	7,300

KEY SALES TRANSACTIONS YTD 2024

Property	Zone	Seller	Buyer	Area (sqm)
Studio B	Centre	Skanska	Stena RE	18,000
Concept Tower	Centre	CPI Group	Wood & Company	9,000

KEY CONSTRUCTION NEW COMPLETIONS YTD 2024

Property	Zone	Major tenants	Developer	Area (sqm)
Lixa E	Centre	Sanofi, Stora	Yareal	16,950
Vibe I	Centre	Reckitt Benkiser	Ghelamco	15,000

EWA DERLATKA-CHILEWICZ

Head of Research

+48 606 116 006

ewa.derlatka-chilewicz@cushwake.com

JAN SZULBORSKI

BD & Insights Manager

+48 722 202 933

jan.szulborski@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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. For additional information, visit www.cushmanwakefield.com.

©2024 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable, including reports commissioned by Cushman & Wakefield ("CWK"). This report is for informational purposes only and may contain errors or omissions; the report is presented without any warranty or representations as to its accuracy.

Nothing in this report should be construed as an indicator of the future performance of CWK's securities. You should not purchase or sell securities—of CWK or any other company—based on the views herein. CWK disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CWK as well as against CWK's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.