

Poland - Warsaw

Key Performance Indicators

Prime Yield

5,25%

Expected Investment Returns
Change YoY: 75 bps

Prime Rent

€ 26,00

Monthly, per sq m
Change YoY: 2,0%

Average Rent

€ 19,80

Monthly, per sq m
Change YoY: 7,0%

Office Investment Volume

€ 82M

In Warsaw during Q4 2022
€ 1.05B (Rolling 12 months)

Take Up

149K

Square Meter
529K Year2Date

Vacancy Rate

11,59%

Percentage of Stock vacant
Change YoY: -107 bps

Completions

9K

Square Meter
237K Year2Date

Total Stock

6 269K

Square Meter
5 542K Occupied Stock

(Forecast) Completions

232K (2022)

Square Meter
65K (2023) // 42K (2024)

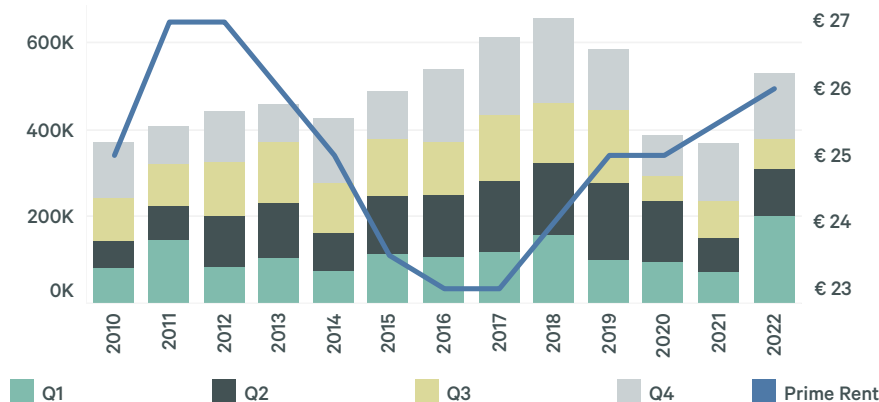
Tight supply continues.

2022 ended with a moderate number of new completions, bringing 236,800 sq m to the market, of which only one project (HQ) was delivered in Q4. A record low 179,000 sq m remains under construction with 64,000 sq m planned for 2023. The total supply stands at 6.27 m sq m, which was also depleted by nearly 90,000 sq m removed from stock because of future refurbishments or repositioning.

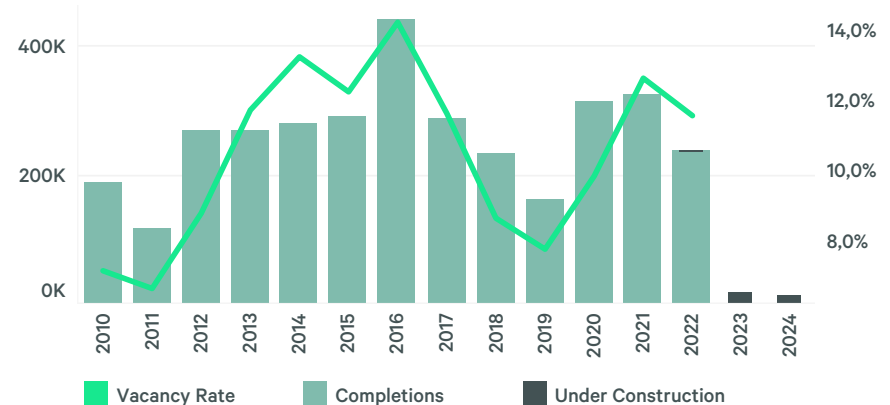
The forecasted supply gap is met with a reviving demand level, which is back on track after the pandemic - the total leasing activity in 2022 reached 860,000 sq m. The activity was 33% higher than the previous year and only 3% weaker than the record 2019 demand. The share of renegotiations decreased to 40%, whereas expansions totalled 8% of the demand for the first time in four years. New deals constituted 39%, whilst pre-let agreements took a 10% share and owner-occupier's share amounted to 3%. Among the most active sectors were the Business Services, IT and Financial sectors, with the largest transaction being a new lease by Lionbridge in Sluzewiec (13,000 sq m).

Office space absorption in 2022 amounted to 169,900 sq m, out of which 91% was absorbed in Central Warsaw.

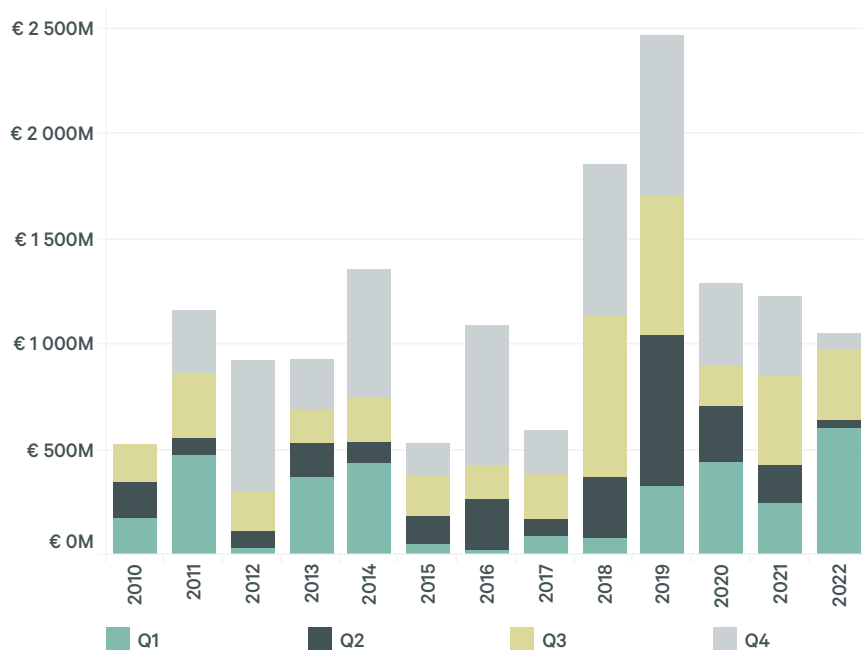
Market Trend (Take-Up | Prime Rent)



Development Activity (Completions | Vacancy Rate)



Warsaw Office Investment Volumes



The market is calibrating.

The slowing of construction and tenants' activity led to a -1.1p.p. annual vacancy fall to the current level of 11.59%. One of the most noticeable vacancy drops was witnessed in City Centre West, where the annual difference was recorded at -5.2 p.p. (the end-of-Q4 level is 8.3%). As the 2023-2024 pipeline is limited to only 106,000 sq m (which is already 30% pre-let) and tenants' activity is showing growth, a further vacancy decrease is forecasted to take place during 2023 and 2024.

Prime rents remain stable at 26 EUR/ sq m/ month, however current rental evidence shows an upward pressure on headline rents in the City Centre Fringe and a few other locations, fuelled by rising inflation influencing construction costs, new market additions offering a higher standard, but also primarily by passing rents at a substantial 2022 indexation.

Although the high demand and the experience of the last two years proved that the office as a tool is even more important than ever, the role of the office space is changing considerably. Tenants' consciousness, in terms of their requirements and amenities in a building and its neighbourhood, is increasing and therefore aspects such as ESG compliance, energy efficiency and the presence of a flex operator seem crucial for a growing number of companies.

Contacts

Katarzyna Gajewska
Associate Director Research & Consultancy
katarzyna.gajewska@cbre.com
+48 693 330 163

Łukasz Kaładkiewicz
Senior Director, Head of A&T Services, Head of Office Sector
lukasz.kaledkiewicz@cbre.com
+48 501 501 586

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