

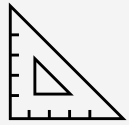
■ Q3 2020

# Warsaw Office Market



# Market data Q3 2020

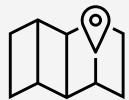
## Warsaw / Regional market



**5,82 / 5,5 mln m<sup>2</sup>**  
stock



**131 500 / 80 000 m<sup>2</sup>**  
new supply



**110 000 / 220 000 m<sup>2</sup>**  
demand



**690 000 / 950 000 m<sup>2</sup>**  
under construction



**9,5% / 10,2%**  
vacancy rate

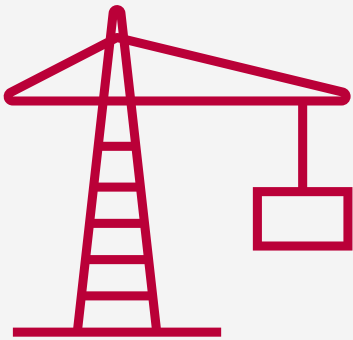
## ■ Asking rent

- The level of rents remains unchanged. The most attractive office space in the Center is valued at EUR 25 / m<sup>2</sup>.
- Outside the Center, the base rate is EUR 15.00-15.50 / m<sup>2</sup> / month.
- In older buildings, rents are respectively 16.00 - 19.00 EUR / m<sup>2</sup> / month in the Central Zones and approximately 12.00 - 14.00 EUR / m<sup>2</sup> / month outside the Center.



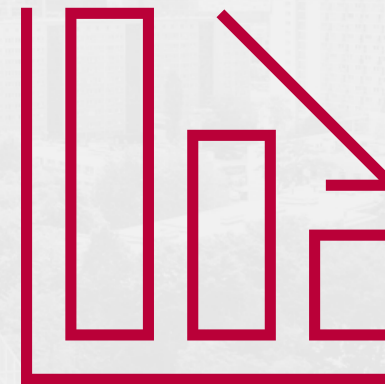
# Developers are not slowing down

- Despite the difficult economic situation, over **130,000 m<sup>2</sup>** of new office space has been delivered to the Warsaw market.
- Almost 70% of the above are two The Warsaw HUB complex buildings where tenants have already started their work.



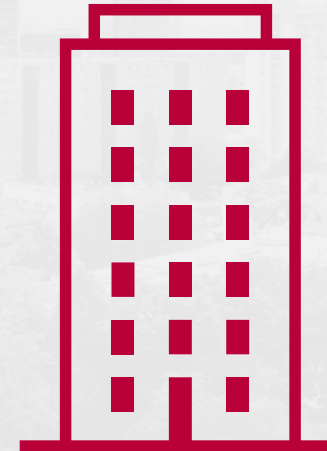
## ■ Lower demand due to the difficult economic situation

- **447,500 m<sup>2</sup>** - this was the demand for modern office space in the first three quarters of 2020. The highest tenant activity, amounting to **195,400 m<sup>2</sup>** of modern office space leased, was recorded in Q2 this year. However, from the beginning of July to the end of September, there was the lowest tenant activity observed in the first three quarters of 2020 – **113,200 m<sup>2</sup>**. Invariably, the Central and Mokotów zones enjoyed the greatest interest from tenants.
- The structure of demand in Q3 2020 is as follows: **47.9%** – new lease agreements (including pre-let agreements), **47.6%** – renegotiation of existing contacts, **4.5%** – expansions.
- The largest transactions in the third quarter of 2020 were renegotiations, signed by: Medicover (6,200 sq m) in Equator II, Santander (5,500 sq m) and DLA Piper (5,300 sq m) in the Atrium 2 building.



## ■ Supply and vacancy

- 5,822,400 m<sup>2</sup> - this is the amount of modern office space in Warsaw at the end of Q3 2020.
- In the third quarter of 2020, six office projects were commissioned for use on the Warsaw market, adding approximately 131,500 m<sup>2</sup> of modern office space to the existing stock. The largest of them are The Warsaw HUB complex, with a total of 89,000 m<sup>2</sup> in two buildings, and the Malthouse Office building (24,000 m<sup>2</sup>), both located in the Center zone. Additionally, 11,900 m<sup>2</sup> of office space was delivered to the market in the Jerozolimskie zone – The Park 7 (10,000 m<sup>2</sup>) and Bolero Office Point II (1,900 m<sup>2</sup>). Other buildings completed were Kolonia Sielce Office (2,600 m<sup>2</sup>) in the Mokotów zone and Kosmatki 8 office building (4,000 m<sup>2</sup>) in the East zone.
- At the end of September this year, the vacancy rate in the capital city reached 9.6% (an increase of 1.7 pp. compared to the previous quarter and an increase of 1.4 pp. compared to the comparable period in 2019). The total available office space was 559,200 m<sup>2</sup>. In the Central zones, the vacancy rate was 8.4%, while outside the city center it was 10.4%.
- A new trend is the increased supply of office space for sublet. There are many reasons why companies choose such a solution often it is a consequence of a strategy adopted even before the pandemic outbreak.

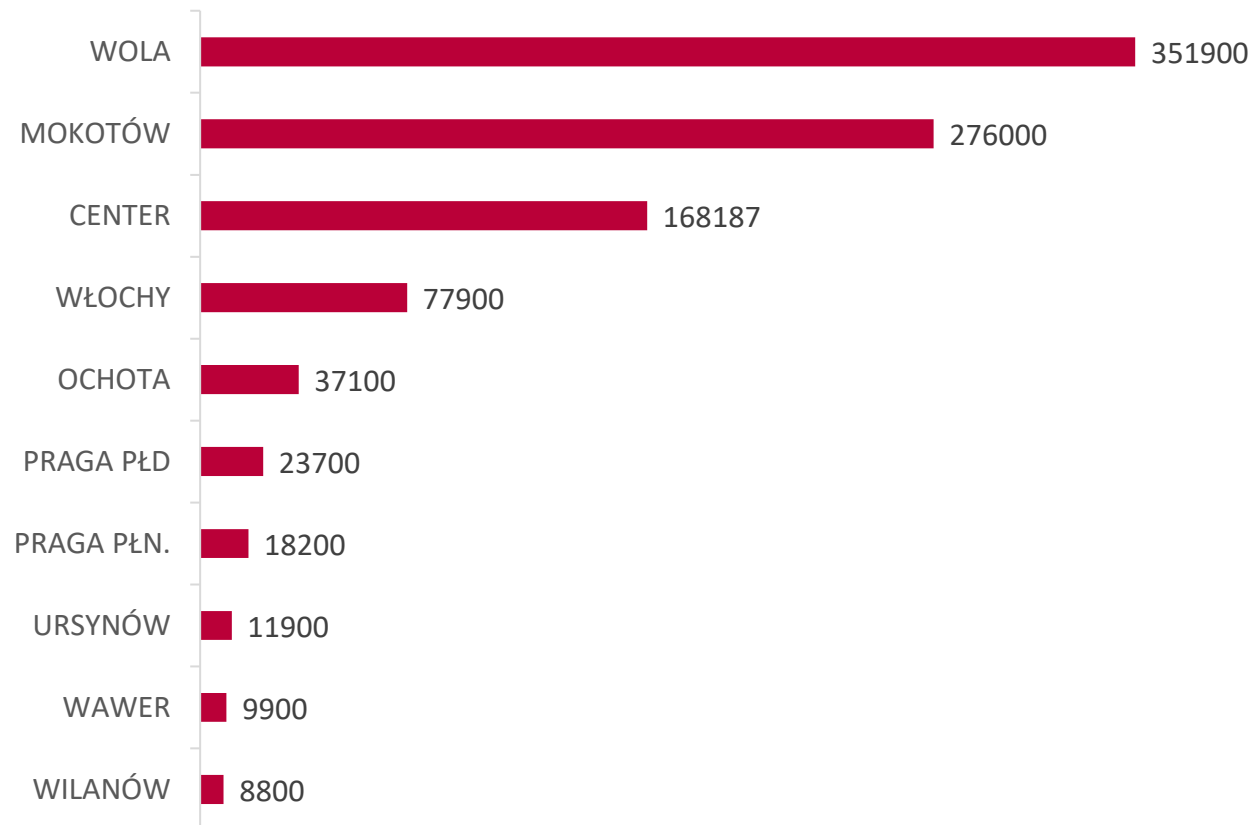


# Vacant office space

- Wola remains the leader (mainly around Rondo Daszyńskiego), where over 350,000 square meters of modern office space is currently under construction.



Vacant office space in existing and under construction buildings



## ■ Selected projects under construction

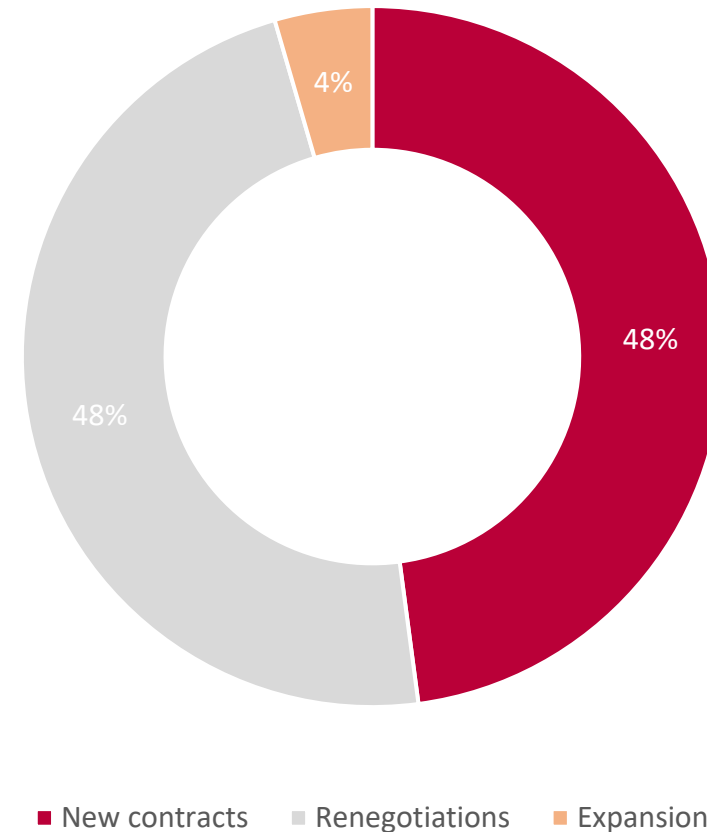
Name	Total area (m <sup>2</sup> )	Landlord / Developer
Forest	72 000	HB Reavis
Varso Tower	69 000	HB Reavis
Warsaw UNIT	57 000	Ghelamco Poland
Mennica Legacy Tower I	51 000	Golub Gethouse
Skyliner	45 000	Karimpol
Skysawa	34 000	Polski Holding Nieruchomości
Widok Towers	31 000	Commerz Real AG; S + B Gruppe
Central Point	18 000	Immobel Poland
Bolero Office Point II	14 000	Real Management
Intraco Pime	12 800	Polski Holding Nieruchomości
Fabryka PZO	10 000	White Star Real Estate
Bohema	7 000	Okam Capital



## ■ Lease structure in Warsaw

- In the period from July to the end of September 2020, new contracts had the highest share in the demand structure - 47.9% (including pre-let contracts).
- Renegotiations and extensions of existing contracts accounted for 47.6% of registered demand, and expansions - 4.5%.

Lease structure in Warsaw



## ■ Lease contracts in the era of a pandemic

- The crisis following the COVID-19 pandemic has forced many tenants to reduce their activities. As a result, clients were often looking for a possibility to make their obligations more flexible – traditionally however, most lease contracts are concluded for a fixed period.
- Conditions to terminate the contract early are very restrictive, and the break option is rarely applied in modern office buildings. Most companies with contracts expiring in the first quarter of 2020 or later have signed short-term extensions only until the end of the year to wait through this difficult period.
- The situation in schools was a significant risk factor. Students went back to school for a while, but principals could choose to switch to hybrid (i.e. partially remote) mode to prevent cross-contamination. This meant that parents were unable to return to their office desks for some time.
- Another, perhaps more permanent, factor was the change in work culture. In most companies remote work has passed the exam. Both employers and employees seem to find this way of performing their tasks effective. It is difficult to say how long this trend will continue, but it certainly impacts on the tenants' decisions in the coming months.
- The large absence of employees increased the supply of sublets available. Companies decided to sublet some or all the office space rented for a fixed period. This is a good opportunity for new tenants (and sub-tenants). It opens the possibility of leasing an attractive space on flexible terms.
- When concluding new contracts, companies drew more attention to the possibility of early termination. Large companies with financial reserves have not felt the crisis as much as small entrepreneurs who have to fight to survive. Nevertheless, tenants, without any major exceptions, expect that it will be possible to introduce the early termination option in an unexpected and difficult situation.



# Contact us



Michał Porzycki  
Associate Director  
+48 734 219 814  
[michal@hamilton-commercial.com](mailto:michal@hamilton-commercial.com)



Mateusz Byczenko  
Consultant  
+48 734 219 813  
[mateusz@hamilton-commercial.com](mailto:mateusz@hamilton-commercial.com)