



At a glance **Q3 2017**

OFFICE MARKET IN WARSAW

In the third quarter this year, the modern office market in Warsaw grew by 76,000 sqm, thus slightly exceeding the threshold of 5.3 million sqm. Another 80,000 sqm of new office space are expected to be delivered by the end of the year, which means that at the end of 2017 the size of the market may reach 5.4 million sqm.

Prime rents in the city centre have remained stable between €20 and €22 per sqm/mth. Compared to previous quarters, average rents increased slightly by approx. €0.5 – €1.0 per sqm due to the improved vacancy rate.

1

RAPID GROWTH OF CITY CENTRE

A large portion of 770,000 sqm of office space currently under construction will be delivered in the city's central zone. There are large schemes in the form of office towers under development at the moment (such as e.g. Varso Place, The Warsaw Hub, Mennica Legacy Tower, Spinnaker and Skyliner) to be launched within the next three years. There arises a seemingly justified question whether this unusually high supply of modern and at the same time prestigious office space will be met with suitably high demand on the market and what will be the rents within both the central zone and the city's areas outside of the centre in the future.



770,000 m²
under construction

2

STABLE DEMAND AT A HIGH LEVEL

In the third quarter of 2017 the net demand (i.e. demand including new transactions, pre-lets and expansions) amounted to approx. 150,000 sqm. Renegotiations generated a further approximate of 45,000 sqm. Undoubtedly, tenants show the highest interest in the central zone, particularly in its western fringes towards which Warsaw's business centre is now shifting steadily. The comprehensive and far-reaching revitalisation of Wola prompted by the construction (and the ongoing extension) of Warsaw's second metro line is changing the city's office market for good.

The high demand is reflected in lowering vacancy rate, which at the end of Q3 fell to approx. 13.3%. Służewiec is the area most distressed by vacant space, which results not only from the general condition on the Warsaw's office market, but also from the infrastructure issues that are becoming apparent in this particular part of the city.

3

A NEW LEASE TREND

The co-working office model initiated over a decade ago in the USA is gradually becoming a fixed feature of Warsaw's office market. Those already to be found there, such as Office Hub, The Brain Embassy, The Heart, Mindspace and Campus Warsaw, are being joined by new players. Co-working space is being implemented into largest and the most modern office schemes and is met with steadily increasing demand from occupiers who, due to being in their growth stage, are not able to accurately predict their long-term needs. Meanwhile, co-working office gives them access to high quality space, professional office equipment as well as meeting rooms of high standard. Co-working office operators are noticing the market's ever increasing potential, and those with experience are expanding their space and opening new locations.

4

A NEW LEASE MODEL

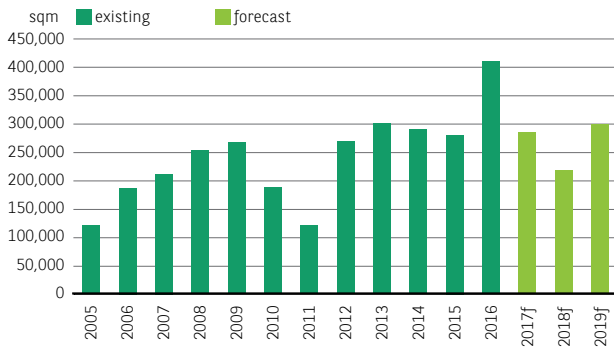
In light of the forthcoming implementation of the International Financial Reporting Standard no. 16 (IFRS 16), tenants are now starting to look at possible implications of the new regulations for their business operations. Leases concluded according to current market practice will to a large degree become a strain on organizations' financial indicators. The potential after-effects could be quite considerable, starting with shorter lease terms with the option of automatic renewal through to acquisition of office space for the purpose of running own operations there. Furthermore, we could also investigate the possible impact of the new financial reporting rules on rents and tenant incentives.



**IFRS 16 enters into
force on January 1st 2019**

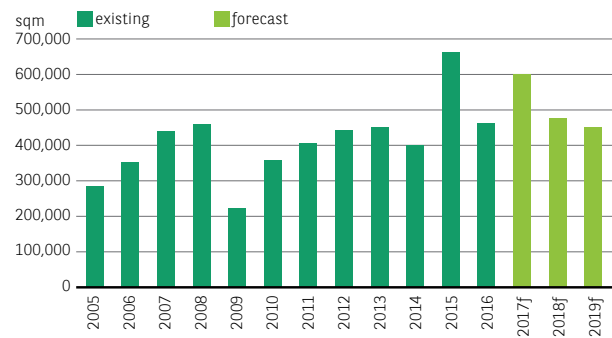
Office Snapshot

Annual office supply



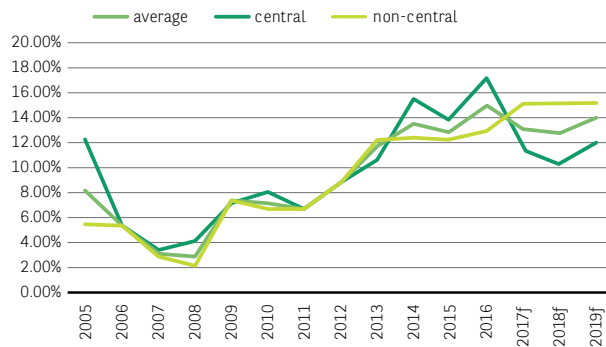
Source: BNP Paribas Real Estate, f - forecast

Annual office net take-up



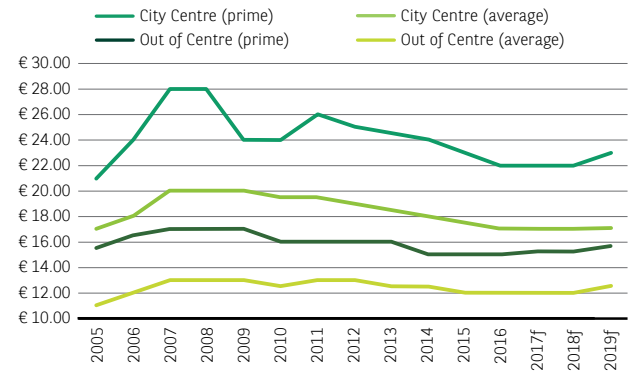
Source: BNP Paribas Real Estate, f - forecast

Vacancy rate in %



Source: BNP Paribas Real Estate, f - forecast

Prime and average rents per sqm/mth



Source: BNP Paribas Real Estate, f - forecast

Major new completions, Q1-Q3 2017

Scheme	Office area (sqm)	Subzone	Developer
Business Garden III - VII	54,800	South West	Vastint
West Station II	34,200	South West	HB Reavis
D48	24,500	Upper South	Penta Investments
Wronia 31	14,400	City Centre	Ghelamco
Ethos	12,500	City Centre	Kulczyk Silverstein Properties
Equilibrium	9,900	West	Waryński

Source: BNP Paribas Real Estate

Major schemes under construction, Q4 2017 - 2020

Project	Office area (sqm)	Subzone	Developer	Year planned
Varso	130,000	Core	HB Reavis	2019-2020
The Warsaw Hub	76,000	City Centre	Ghelamco	2020
Mennica Legacy	61,000	City Centre	Golub GetHouse	2018-2019
Skyliner	44,000	City Centre	Karimpol	2020
Spinnaker Tower	40,000	City Centre	Ghelamco	2020
Business Liner	28,000	Upper South	Universale International	2019
EC Powiśle	23,000	City Centre	White Star / Tristan Capital Partners	2019
Bobrowiecka 8	22,500	South East	Spectra Development	2017
Equator IV	21,000	South West	Karimpol	2018
Proximo II	20,500	West	Hines	2017
Generation Park X	20,000	City Centre	Skanska	2017
Koneser	20,000	East	BBI Development NFI	2018

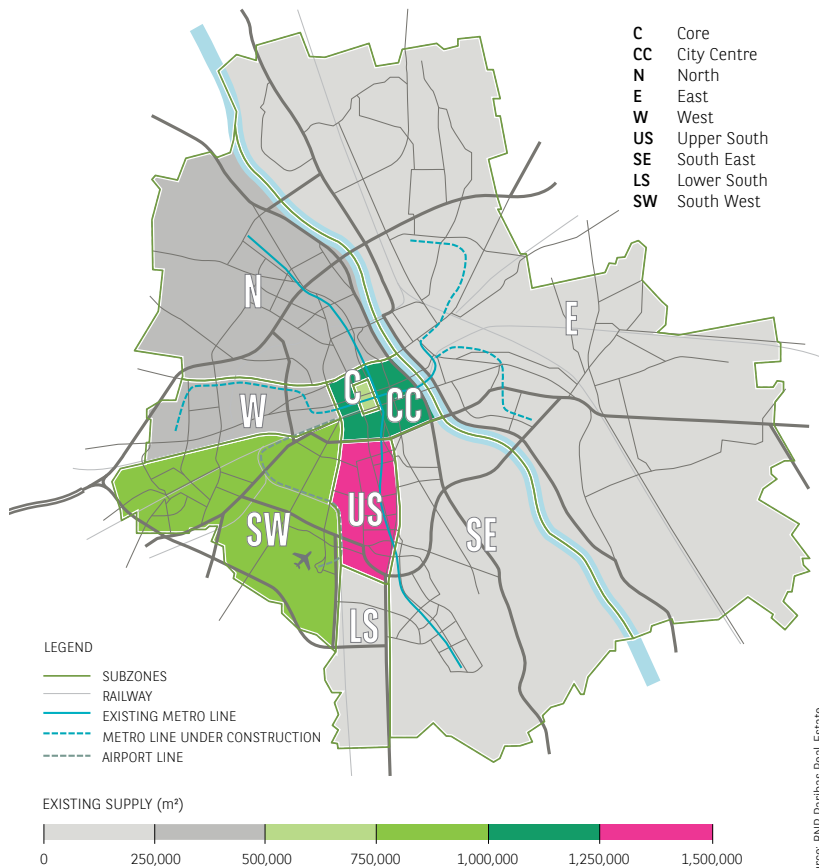
Source: BNP Paribas Real Estate

Major office lease transactions, Q1-Q3 2017

Tenant	Sector	Building	Subzone	Area leased (sqm)	Type
Millennium Bank	FIRE	Harmony Office Center	Upper South	18,300	renewal
Citi Service Center Poland	FIRE	Generation Park	City Centre	13,600	pre-let
Alior Bank	FIRE	Łopuszańska Business Park	South West	13,400	renewal and extension
AstraZeneca	Pharma	Postępu 14	Upper South	13,200	renewal and extension
Lux Med	BS	Myhive Park Postępu	Upper South	9,500	renewal and extension
Diebold Nixdorf	BS	West Station II	South West	9,800	pre-let
BNP Paribas Securities Services	FIRE	Wronia 31	City Centre	8,000	pre-let
Public Transport Authority	public	JM Tower	City Centre	7,300	renewal
confidential	public	G9	West	7,200	new
confidential	FMCG	Bobrowiecka 8	South East	6,800	new

FIRE - Finance, Insurance, Real Estate; BS - Business Solutions
 Source: BNP Paribas Real Estate

WARSAW
OFFICE
SUBZONES



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6 BUSINESS LINES in Europe

A 360° vision

Main locations*

EUROPE

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Alliances*

ALGERIA

AUSTRIA

CYPRUS

DENMARK

ESTONIA

FINLAND

GREECE

HUNGARY **

IVORY COAST

LATVIA

LITHUANIA

MOROCCO

NORTHERN IRELAND

NORWAY

PORTUGAL

SERBIA

SWEDEN

SWITZERLAND

TUNISIA

USA

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