OFFICE MARKET IN WARSAW

Between January and March 2017, six office schemes were delivered to the Warsaw market, i.a.: the next stage of the Business Garden complex (54,800 sq m in total, Vastint Poland), Eqlibrium (9,900 sq m, Grupa Waryński), Airtech Business Park III (6,700 sq m, Juma). Consequently, at the end of Q1 2017, the total office stock in Warsaw exceeded 5.12m sq m.

After the record-breaking new supply noted in 2016, in Q1 2017 developers approached new projects carefully. Since the beginning of 2017, only two developments have been started - the acknowledged project Rotunda PKO (3,300 sq m, PKO Bank Polski) and the Vector building (13,500 sq m, City Level) located in the north of the city. Nevertheless, developers remained very active with some 662,000 sq m under construction at the end of Q1 2017. If the projects under construction are completed in line with the developers’ schedules, new supply in 2017 may amount to 241,000 sq m. By the end of this year projects such as West Station II (36,900 sq m, HB Reavis), D48 (26,000 sq m, Penta Investments), Bobrowiecka 8 (22,000 sq m, Spectra Development) or Generation Park X (21,400 sq m, Skanska Property Poland) are due to be delivered to the market.

Simultaneously, substantial tenant activity has still taken place in Warsaw. In Q1 2017, take-up reached almost 194,000 sq m. The volume of leased space was nearly 40% higher than in the same period of 2017 and only 12% lower than in Q4 2016. The new lease agreements in existing buildings and schemes under construction accounted for 46% and 8% respectively. Renewals represented some 37% of total take-up and expansions accounted for 9%. High tenant activity was also reflected by the high net absorption, which in Q1 2017 amounted to 86,000 sq m and was 60% higher than the average quarterly net absorption noted within 2012-2016.

In Q1 2017, the vacancy rate was stable in comparison to the last quarter of 2016 and accounted for 14%, while the vacant space amounted to 718,000 sq m. The vast majority of vacant space was offered in the central part...
CHART 2
Total office stock and vacancy rate by location
Q1 2017

<table>
<thead>
<tr>
<th>Location</th>
<th>Total stock</th>
<th>Vacancy rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central zone</td>
<td>2,500,000</td>
<td>30%</td>
</tr>
<tr>
<td>Służewiec</td>
<td>2,000,000</td>
<td>25%</td>
</tr>
<tr>
<td>Mokotów</td>
<td>1,500,000</td>
<td>20%</td>
</tr>
<tr>
<td>East</td>
<td>1,000,000</td>
<td>15%</td>
</tr>
<tr>
<td>Aleje Jerozolimskie</td>
<td>500,000</td>
<td>10%</td>
</tr>
<tr>
<td>North</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Puławska</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Ursynów, Wilanów</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>West</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

of the city – 258,000 sq m and in Służewiec – 200,000 sq m. It is worth mentioning that a significant decrease of vacancy rate to 13.1% was noted in central zones of the city in the last quarter (2.1 pp. down when compared to the end of 2016).

Asking rents have remained stable in most office buildings. Asking rents in the prime buildings in Central Business District ranged between EUR 19-23 per sq m per month, while asking rents in other central locations varied from EUR 13 to EUR 21 per sq m per month. Asking rents in buildings outside the city centre were quoted at EUR 10.5-18 per sq m per month. Effective rents remained lower than the asking level by 15-25%.
The Warsaw office market has been growing dynamically over recent years with developers’ offers becoming more varied and made to measure the individual tenant’s preferences. This trend is especially apparent in the city centre where many boutique projects are being developed right next to large-scale tower investments. Renovation of the historic properties has also gained momentum. From all of the completed investments only 2% of Warsaw’s office stock are spaces located in the renovated tenement houses. Altogether, there are about 20 buildings of this type with a total area of 93,000 sq m. Three new projects of this type offering almost 13,000 sq m of space will be completed in 2017. However, the market in Warsaw is ripening while developers are trying to fulfil the needs of various groups of tenants, even with contrary preferences. Therefore, we can expect the office space offer to become even more diversified in the upcoming years. Legal counsellors, bookkeeping companies or designer firms choose offices in the renovated tenement houses thanks to their smaller and friendlier spaces. Below we present some of the new projects (completed in the last couple of years or still under construction) which combine modern office interiors with sophisticated architecture.
A tenement house (1884) designed for the Krasinski family according to the project of Franciszek Maria Lanci. Deconstructed in 1907 to make room for the residence of count Raczynski (who married the widow of the writer Zygmunt Krasinski). At first, the family was supposed to keep their collection of books and works of art in the building (The Library of Krasinski Ordination). Eventually, the property was rented to wealthy individuals. The ground floor held many shops. During the interwar period, the building housed the female gymnasium (grey uniforms) founded by Janina Tyminska. A nuclear bunker is located beneath the old wing of the building – a remnant of the official institutions located in the property after the war.

**Małachowski Square**

**RENOVATION** 2010-2013

**AREA** 14 600 sq m

**PROJECT** KANA – Andrzej i Barbara Kaliszewscy and Bohdan Napieralski

**OFFICE** Europa Capital and White Star Real Estate

An office-service building. The historic facade of the building together with the large glass windows on the ground floor were reconstructed as part of the renovation works. The historic entrance to the building was preserved, while a new wing was built in the back of the property (via the Academy of Fine Arts).

**Renaissance Building**

**BUILT IN** 1895-1896

**STYLE** Neorenaissance

**ARCHITECT** Teofila Lembke

The tenement house was owned by Bronislaw Pawlowicz – master of the stonemason’s guild. He educated young stonemasons and introduced new technologies to construction. Back in the day, stonemasons in Warsaw built in ‘the style of Pawlowicz’.

**RENOVATION** 2004, 2016

**AREA** 5 300 sq m

**PROJECT** JJ. ORY

**OFFICE** GLL

An office building awarded by the Construction & Investment Journal in the Best Office Investment 2004 category. The historic façade and elements of the original elevation were restored. In 2016 the tenement house was fully renovated and the facade modernized. During the Warsaw Uprising the tenement house burned down, but between 1946-1947 it was rebuilt, a storey lower and without balconies.
Before World War II the office building at 40 Polna Street formed part of an urban quarter. It was later cut in half with the newly built Warynskiego street opened after WW2. At the beginning the property was 3 storeys high (the front building and two transverse annexes). In 1916 two storeys were added to the building. At the turn of the 1970s and the 1980s the building was renovated and the eastern annex was deconstructed. The edifice lost its original character. Only the arrangement of windows and the gate survived.

The writer Maria Dabrowska lived in the tenement house designed by Andrzej Kondracki for 37 years and she wrote many of her novels including the famous *Nights and Days*. Jan Dąbrowski, the first Marshal of the Polish Sejm in Communist Poland, also lived in the building. The Society for the Care of the Blind was located in the property. The edifice survived the war and its front façade is currently a registered monument.

Three buildings will be constructed as part of the project: a new class A building (at Warynskiego Street), an office building in the XX century edifice which will be renovated and the renovated historical tenement house at Jaworzynska Street (Maria Dabrowska’s apartment) which will regain its pre-war charm.
Poznańska 37

1903-1904

Neo-renaissance facade with elements of Italian renaissance

Henryk i Leonardo Marconi

Designed by the acclaimed Polish architect of Italian origin – Henryk Marconi, it was opened in 1857 under the name Hotel d’Europe and was the most luxurious hotel in Warsaw for decades. During World War II, it was almost completely destroyed. In 1948, the Bierut Act took the hotel away from the family company H.E.S.A. In the years 1949-1951, the hotel was rebuilt according to Bohdan Pniewski’s project: the historic façade and interior were renovated. From 1951 to 1954 the Military Political Academy had its seat in the building. In 1962, the hotel was re-opened for guests as part of the national network of travel bureaus and hotel Orbis. After many years of struggle, the righteous property owners regained the building in 2005. The Europejski hotel was completely modernized from 2013 to 2017.

2015-2017

4,000 sq m

FS&P ARCUS

Icon Real Estate/Poznańska 37 SPV

The building famous for its rich pre-war history will be adjusted to fit modern-day requirements and offer a total of 4,000 sq m of office and retail-service space as well as a three-level underground car park in the very centre of Warsaw. Poznańska 37 is a unique combination of comfortable offices and access to the wide variety of restaurants and shops on the famous Poznanska Street which it also forms.

Europejski

1855-1857

Neo-renaissance facade with elements of Italian renaissance

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2013-2017

7,000 sq m of office space and 2,700 sq m of retail-service space

SUD Architectes Polska, WWAA, APA Wojciechowski

Hotel Europejski S.A - H.E.S.A

The Europejski was brought back to its former glory according to the strict regulations of the restorer. The building will house not only an 5-star hotel, but also a prestigious office, boutique and gastronomy spaces. Offices, equipped with two independent receptions, will be located on the 4th and 5th floor. 103 rooms and apartments, a 700 sq m spa, swimming pool, conference centre, restaurants, bars, a cigar lounge, 80 parking lots in the underground carpark and 120 around the building will be made available to the guests. The materials and technologies used are of the highest quality. The renovated Europejski combines tradition with the 21st century architecture.
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