

Prepared
in cooperation with



Michael Page



WARSAW

City attractiveness and office market

2021

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FACTS & FIGURES



CITY AREA

517.2 sq km



POPULATION

1,794,166



POPULATION FORECAST

2,132,000 (2030)
2,249,000 (2050)



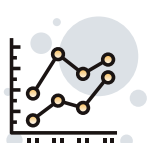
MIGRATION BALANCE

(+) 2,526



GDP GROWTH

7.4% (2018)



GDP PER CAPITA

PLN 163,372
(2018)



AVERAGE SALARY

PLN 7,051
(gross)



UNEMPLOYMENT RATE

1.8%

INVESTMENT ATTRACTIVENESS

1. RANKINGS INDICATING THE INVESTMENT ATTRACTIVENESS OF THE CITY

1.

1st place in fDi ranking in Eastern European Cities of the Future 2020/21
- **Best City in Eastern Europe category**

2.

2nd place in fDi ranking in Major European Cities of the Future 2020/21
- **Business Friendliness category**

3.

3rd place in **The Business Friendly City Perception Index**

5.

5th place in **Deloitte ranking „Connecting Global FinTech” 2017**, among developing tech-hubs

2. INVESTMENT INCENTIVES

INVESTMENT SUPPORT

Offer for investors:

- individual approach;
- assistance at every stage of the investment, including the organization of reference visits;

- back office support;
- providing necessary information on available public aid;

- by the City Council resolution in 2017 Warsaw has introduced an aid program aimed at investors enabling real estate tax exemption.

KEY AREAS OF SUPPORT

Information activities:

- assistance in obtaining data;
- providing industry know-how;
- city information pack.

Support in acquiring office space:

- access to information on municipal real estate;
- support in choosing a location;
- cooperation with real estate agencies.

Recruitment activities:

- cooperation with academic centres and universities;
- cooperation with HR agencies;
- coordination of joint activities with universities.

Post-investment support:

- support in day-to-day operations in the form of obtaining industry information;
- undertaking joint activities for the development of sectors;
- coordination of joint projects;
- support in corporate social responsibility projects.

QUALITY OF LIFE

3. RANKINGS ON THE QUALITY OF LIFE IN THE CITY

1. 1st place in Europolis 2019 ranking as a **Youth-friendly City**

A title of Investor-friendly city in the **Prime Property Prize 2021** contest

3. 3rd **the most vegan-friendly city in Europe**, 6th in the world - on HappyCow 2020 ranking

1. 1st place in **Access City 2020** organised by European Commission and European Disability Forum as the most friendly city in Europe for people with disabilities.

4. QUALITY OF LIFE IN NUMBERS

Culture and recreation:

- 113 museums and art galleries;
- 37 theatres and music institutions;
- 30 cinemas;
- 3,500 restaurants;
- Over 1m sq m of commercial retail space;
- 308 outdoor gyms;
- 56 swimming pools and 16 ice rinks;
- 6 beaches along the banks of the Vistula;
- water trams and ferries on the Vistula, canoes and water skis.

Public transport:

- 2nd capital city in Europe in terms of the share of public transport in city travel, 87% of citizens express positive opinion on Public Transport Authority (Warsaw Barometer 2019);
- 2 metro lines, 3 lines of Szybka Kolej Miejska, 301 bus lines with approx. 1,880 vehicles (including over 230 hybrid and electric buses);
- Investments for over PLN 6.9bn in public transport and infrastructure (2017-2025);
- 26 tram lines with over 410 trams;
- 83% of city residents consider Warsaw as bicycle-friendly city;
- 4,500 city bikes; 300 bike stations;
- 3rd largest electric car system in carsharing in Europe (500 cars).



BIKE PATHS

over **686 km**



GREEN AREAS

40%

FACTS & FIGURES

NUMBER OF STUDENTS



222,152

NUMBER OF GRADUATES



48,352

NUMBER OF UNIVERSITIES



68

AIRPORT - DISTANCE TO THE CITY CENTRE



9.8 km

AIRPORT - NUMBER OF PASSENGERS



7.474m (2021)
5.482m (2020)

BSS SECTOR - NUMBER OF CENTRES



321

BSS SECTOR - NUMBER OF EMPLOYED



over **70,000**

RATING **A-**

RATING AGENCY **Fitch**

WARSAW

Q4 2021



EXISTING STOCK

6.15m sq m



SUPPLY UNDER CONSTRUCTION

337,000 sq m



VACANCY RATE

12.7%



NEW SUPPLY (2021)

325,000 sq m



TAKE-UP (2021)

650,000 sq m

2021 brought an improvement in tenant mood in the office market in Warsaw. The effects, however, of the slowdown caused by 2020's pandemic were still visible in both developer activity, which systematically decreased, and the vacancy level, which grew from quarter to quarter.

Warsaw's annual office supply in 2021 exceeded 2020's level, reaching almost 325,000 sq m. Thus, the capital achieved

its second highest supply side result for the previous ten years (after 2016, when over 400,000 sq m was delivered). As a result, the Warsaw office market currently has 6.15 million sq m of office stock.

As much as 255,000 sq m of new supply is to be found in developments in central areas. Over 55% of the space was in three high-rise buildings located beside Daszyński Roundabout - Skyliner (45,000 sq m, Karimpol), Generation Park Y

(44,200 sq m, Skanska Property Poland), and Warsaw UNIT (56,400 sq m, Ghelamco).

The 20 months of the pandemic saw few developers deciding to start new projects. This was mainly due to the growing vacancy rate and high availability of office space on the Warsaw market. Other investors justified their inactivity by citing the uncertainty related to the ongoing COVID-19 pandemic and related reduced

SELECTED SCHEMES UNDER CONSTRUCTION

VARSO TOWER

- 69,000 sq m
- Q2 2022
- HB Reavis

FOREST II

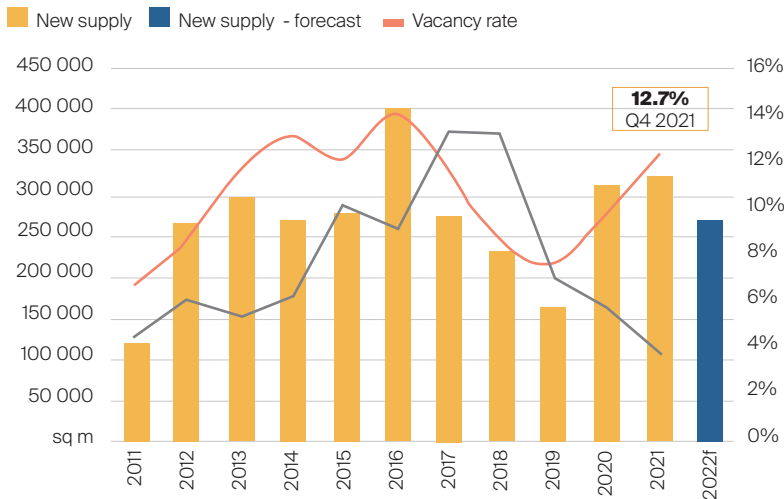
- 52,000 sq m
- Q1 2022
- HB Reavis

SKYSAWA

- 34,200 sq m
- Q3 2022
- Polski Holding Nieruchomości

Total office space
 Completion date
 Developer / Owner

ANNUAL SUPPLY AND VACANCY RATE



f-forecast based on schemes under construction

STANDARD LEASE TERMS IN NEW BUILDINGS



SERVICE CHARGE
PLN/SQM/MONTH

16-27



RENT-FREE PERIOD
MONTHS

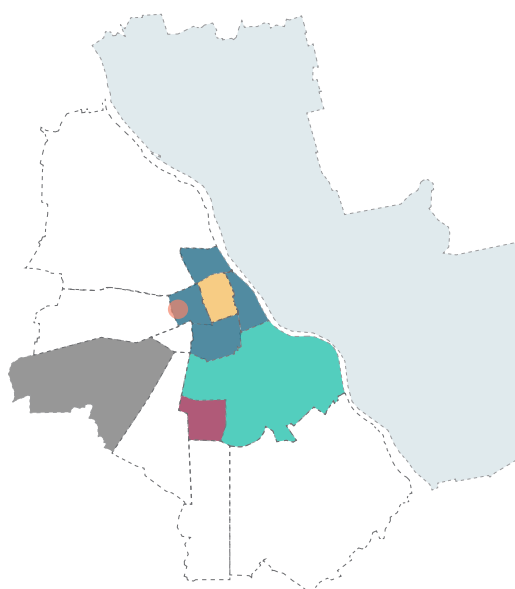
7-10



FIT-OUT BUDGET
EUR/SQM

200-600

MAJOR OFFICE CONCENTRATION AREAS



	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
CBD	971,500 sq m	102,800 sq m	14.3%	EUR 20-25/sq m
CITY CENTRE (EXCLUDING DASZYŃSKI ROUNDABOUT)	1.01m sq m	47,000 sq m	11.5%	EUR 15-22/sq m
DASZYŃSKI ROUNDABOUT	710,000 sq m	87,000 sq m	13.1%	EUR 16-25/sq m
SŁUŻEWIEC	1.09m sq m	0 sq m	20.1%	EUR 10.5-15/sq m
MOKOTÓW (EXCLUDING SŁUŻEWIEC)	365,000 sq m	32,000 sq m	10.0%	EUR 12-16/sq m
JEROZOLIMSKIE CORRIDOR	747,000 sq m	12,550 sq m	10.3%	EUR 12-15/sq m
EAST	269,000 sq m	13,100 sq m	9.8%	EUR 11-15/sq m

tenant activity. As a result, by the end of 2021, only approx. 337,000 sq m was identified as being under construction (the lowest result since 2009), of which some 273,000 sq m is to be delivered in 2022. It is probable that 2022-2023 will be one of the weakest years in terms of supply in the last decade.

Although 2021 saw an increase in tenant activity compared to 2020, the volume of transactions remained far below the results for 2017-2019. Over the 12 months, lease agreements were signed for almost 650,000 sq m - 7.5% more than in 2020. Some 45% of this volume came in renegotiations of existing contracts; a continuation of a trend in this category observed since 2020. The increase in the share of renegotiated contracts came at the expense of contracts in buildings under construction. In 2021, tenant interest in projects under construction remained relatively low - the share of pre-lease contracts in total demand was only 11%. Additionally, relatively few tenants expanded their leased space. In 2021, expansion agreements were signed for only 42,000 sq m - 6.5% of the annual volume. Analysis of demand by location shows that the central zones (60%, 385,000 sq m) and Służewiec (15%, almost 97,000 sq m) were again the most popular with tenants.

Due to the low share of pre-lease contracts in the take-up volume, buildings delivered in recent quarters have relatively low lease levels (e.g. buildings completed in Q4 2021 were approx. 50% leased at completion date). The relatively low

share of expansions in the structure of lease agreements is also not without significance. These factors have a direct impact on the vacancy rate, which has systematically increased in Warsaw since 2019. At the end of 2021, almost 780,000 sq m of office space was available in Warsaw - 12.7% of the city's stock. Compared to Q3 2021, this ratio increased by 0.2 pp; compared to Q4 2020, by 2.8 pp. The vacancy rate varies by location. In central areas it stood at 12.9% (a 0.3 pp. decrease compared to Q3 2021), while in non-central areas, it was 12.4% (an increase of 0.5 pp. over the quarter).

The rental offer is still growing due to the availability of office space for sublease. In Q4 2021, at least 87,000 sq m of such office space was available in Warsaw.

Despite the changing market conditions, asking rents in Warsaw remained stable. Asking rents in the Central Business District, including those in prestigious new projects, were in the range EUR 20-25 / sq m / month, although the best office space on the top floors of towers commanded a level of EUR 27-28. In other central locations, rates ranged from EUR 15 to EUR 22 / sq m / month. Asking rents outside the city centre ranged from EUR 10 to 15 / sq m / month. Due to the wide package of incentives on offer from building owners to prospective tenants, especially during the COVID-19 pandemic, effective rates remained some 20% lower than asking rates.

TRENDS

The limited number of projects commenced in 2022 is a consequence of a relatively high vacancy rate, the high availability of office space in newly completed office buildings, and reduced tenant willingness to sign contracts in ongoing projects compared to before the pandemic. Tenants still prefer to renegotiate lease agreements in existing locations rather than taking on new long-term commitments.

Over the two years of the pandemic, many tenants have developed operational strategies suited to the new reality. This is confirmed by the recovery in the activity seen in 2021 and gives rise to the expectation that the recovery in tenant activity will continue in the coming quarters.

The relatively low level of new supply expected for 2022 and tenant activity not lower than 2021 levels may, however, not prove sufficient to reverse the upward trend in the vacancy rate in 2022.

The high availability of office space, along with demand that does not match this supply, suggests an expectation that tenants will take an interest in renegotiating rent rates and seeking incentive packages. On the other hand, rising construction costs (an increase in the price of building materials and labour costs), coupled with an increase in the costs of construction loans, may effectively inhibit investor openness for lease negotiations, especially in new buildings. In all projects, however, an increase in service charges is to be expected, due to the ongoing increase in prices for services and costs of utilities.

WARSAW

FP&A – SPECIALISTS AND MANAGERS

It looks like Financial Planning and Analysis (FP&A) is becoming one of the most popular financial functions currently placed in business centres on a massive scale. Once the accounting functions have proved their undeniable quality and effectiveness, companies have started looking for the same assets in financial analysis, planning and broadly understood controlling – apparently with outstanding results. Here, gross monthly wages of specialists start at PLN 11,000 and tend to go up to PLN 15,000–16,000, while managers can expect as much as PLN 17,000–25,000. What is more, additional benefits seem to be more and more a stock-in-trade of modern businesses with company cars for the managerial staff becoming common practice.



AVERAGE SALARY:

SPECIALIST

PLN 11,000 - 15,000
gross

MANAGER

PLN 17,000 - 25,000
gross



CUSTOMER SERVICE – ONE OF THE MOST “CAPACIOUS” FUNCTIONS PLACED IN BUSINESS CENTRES ACROSS POLAND

Customer service has become to a much lesser extent than before a simple “call centre” that solves the basic problems of customers, or the staff of the parent company. These days, it is more and more often geared towards advanced roles that revolve around the sale of products and services or its support, after-sales service, or second or third customer support lines tasked with the handling of more complex matters. Here, the wages of specialists are strongly correlated with the level of the required foreign language, which in a vast majority of cases makes them “language-dependent” roles. This means that the core competence actually lies in an excellent command of the language of the country or region where a person is going to work. Experienced candidates can expect a monthly salary ranging from PLN 7,000 gross (for those who know English only) to PLN 9,000-10,000 (for those who know other Western European languages, such as German, Italian, French, Spanish, as well as Scandinavian languages), or even all the way up to PLN 11,000-12,000 in the case of extremely niche languages – though gaining more and more popularity – such as Chinese, Arabic, or Hebrew.



AVERAGE SALARY:

SPECIALIST WITH ENGLISH LANGUAGE

PLN 7,000 - 9,000 gross

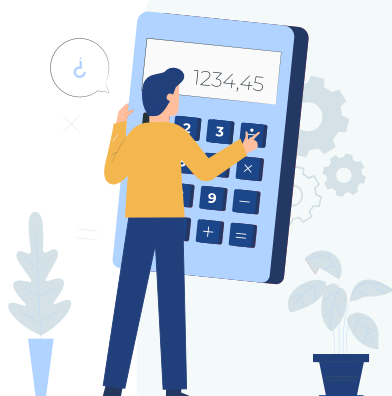
SPECIALIST WITH A WESTERN EUROPEAN LANGUAGE

PLN 9,000 - 10,000 gross

SPECIALIST WITH A NICHE LANGUAGE

PLN 11,000 - 12,000 gross

TAXES AND REPORTING



Accounting done in business centres no longer rests on plain transaction roles, which increasingly more often end up in Asian SSCs nowadays, but above all on such areas as intercompany, statutory, tax, compliance, or reporting. The successful centralisation of these functions has encouraged more and more companies to include this service in the portfolio of the services provided in the business centre, and to further penetrate this area within the already existing structures. In fact, these roles are often not dependent on the knowledge of foreign languages other than English, which allows you to recruit excellent specialists who can still be found in rather satisfying numbers on the Polish job market. Monthly wages in this sector start from PLN 8,000 gross for those with basic experience and can reach PLN 14,000-15,000 gross for accomplished experts with extensive expertise and additional certifications.

AVERAGE SALARY:

JUNIOR

PLN 8,000 gross

SPECIALIST

PLN 14,000 - 15,000 gross

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Warsaw has a lot to offer both for tourists and those who are thinking about staying here as residents, investing, opening a branch of your company or starting new business. For the investors we offer:

- individual approach;
- assistance at every stage of the investment, including the organization of reference visits;
- administrative support;
- providing necessary information on available public aid.