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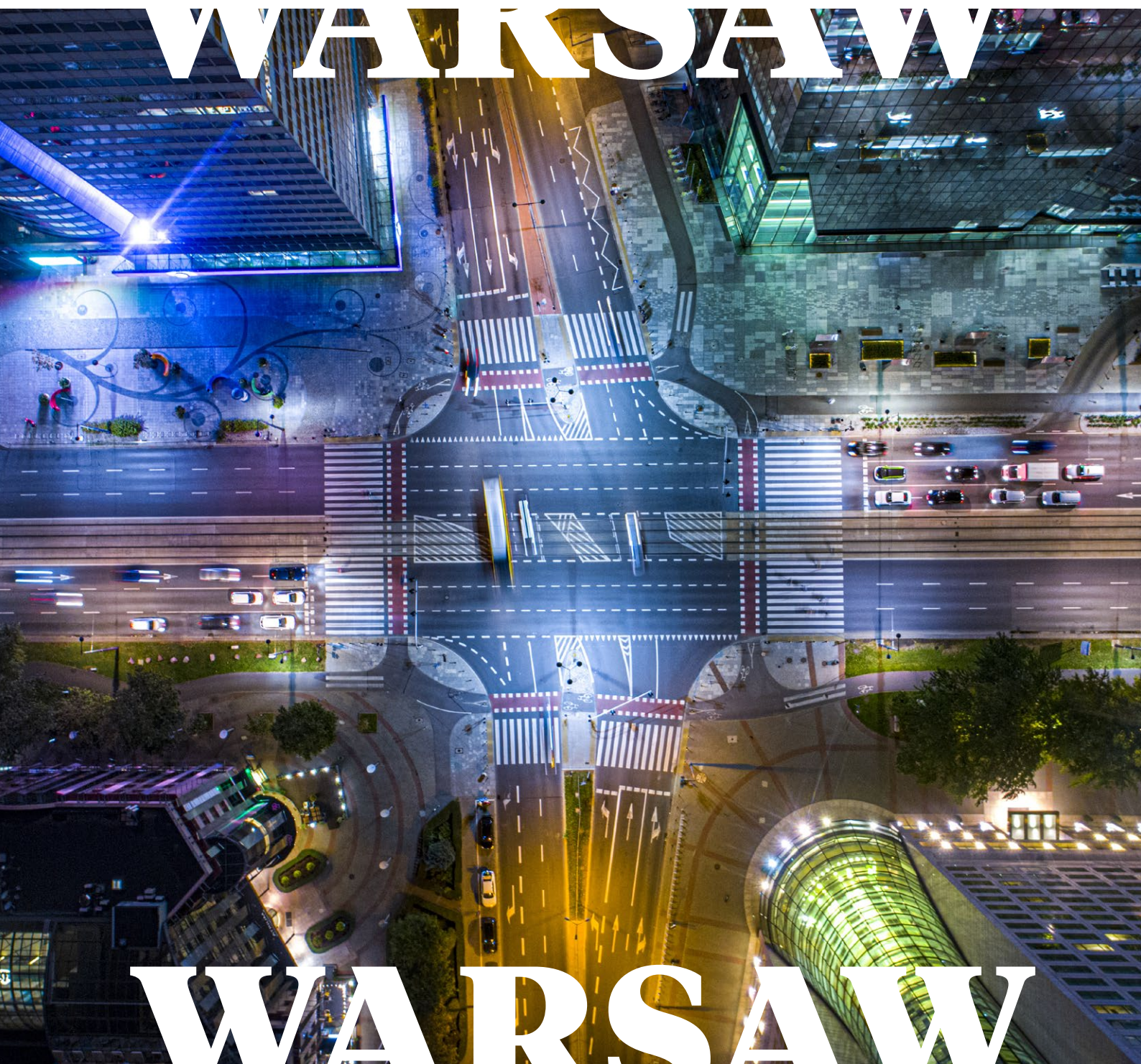


WARSAW

City attractiveness and office market

H1 2021

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WARSAW

FACTS & FIGURES



CITY AREA

517.2 sq km



POPULATION

1,794,166



POPULATION FORECAST

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



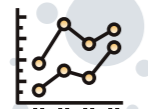
MIGRATION BALANCE

(+) 2,526



GDP GROWTH

7.4% (2018)



GDP PER CAPITA

PLN 163.372 (2018)



AVERAGE SALARY

PLN 7,051 (gross)



UNEMPLOYMENT RATE

2%

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**

1.

1st place in Deutsche Bank ranking Mapping the World's Prices 2019

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**

1.

1st place in **Smart City Awards** during Smart City Forum 2019 in Smart City with over 500k inhabitants

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:

- 115 museums and art galleries;
- 3500 restaurants;
- Over 1m sq m of commercial retail space;
- 37 cinemas (including 14 multiscreen type);
- 100 outdoor gyms;
- 35 water parks and 17 ice rinks;
- 58 theatres and 2 operas;
- 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 (Warsaw Barometer 2019);
- 2 metro lines, 4 lines of Szybka Kolej Miejska, 292 bus lines with approx. 1,400 vehicles (including over 100 hybrid and electric buses);
- Investments for over PLN 2.5bn in public transport and infrastructure (2017-2025);
- 25 tram lines with over 410 trams;
- 83% of city residents consider Warsaw as bicycle-friendly city;
- 5th largest city bike system in Europe; 6,000 city bikes; 355 bike stations;
- 3rd largest electric car system in carsharing in Europe (500 cars).



BIKE PATHS

ponad 675 km



GREEN AREAS

40%

FACTS & FIGURES

NUMBER OF STUDENTS



222,152

NUMBER OF GRADUATES



48,352

NUMBER OF UNIVERSITIES



66

AIRPORT - DISTANCE TO THE CITY CENTRE



9.8 km

AIRPORT - NUMBER OF PASSENGERS



5.482m (2020)
18.860m (2019)

BSS SECTOR - NUMBER OF CENTRES



297

BSS SECTOR - NUMBER OF EMPLOYED



65,000

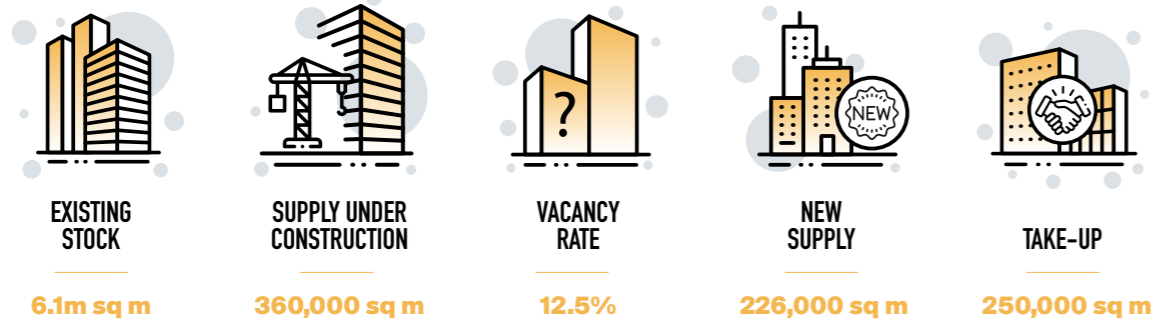
RATING A-

RATING AGENCY

Fitch

WARSAW

H1 2021



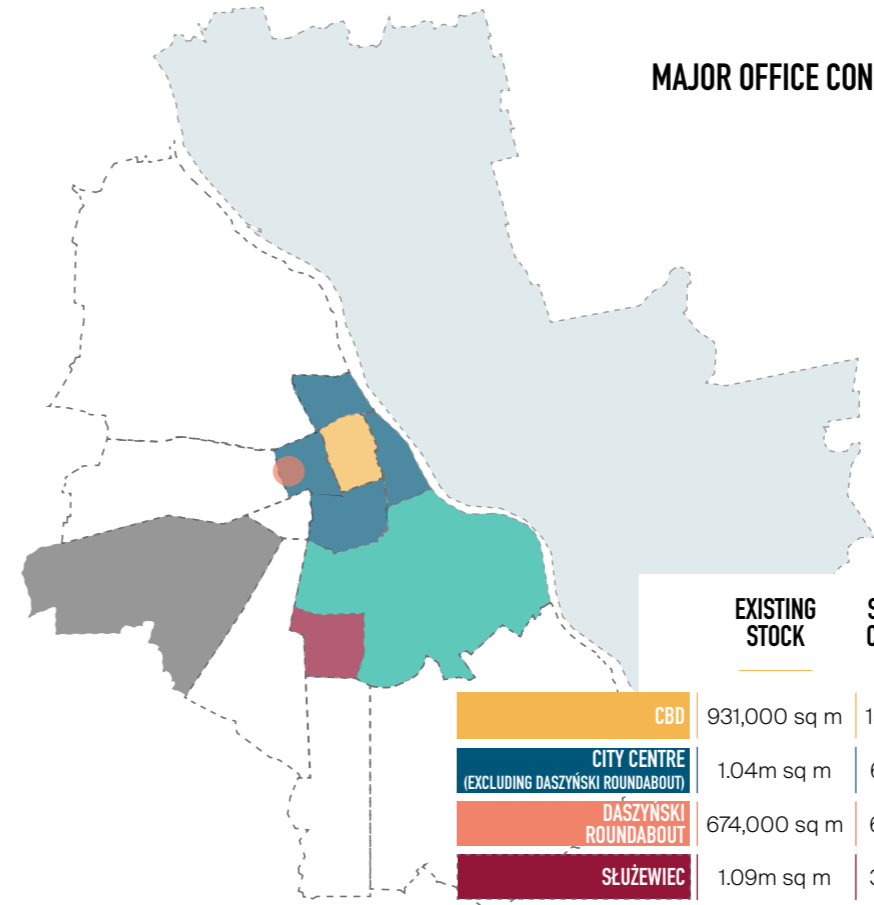
With the significant volume of new supply being delivered to the Warsaw market in H1 2021, the total stock of modern office space reached a level of almost 6.1 million sq m. Over this period, occupancy permits were granted to 10 office buildings with a total area of approx. 226,000 sq m. It is worth noting that 67% of this space was located in only 3 buildings: Skyliner (48,500 sq m, Karimpol Polska); the final stage of the Generation Park complex - building Y (44,200 sq m, Skanska Property

Poland); Warsaw UNIT (56,400 sq m, Ghelamco). These three investments are all located in the vicinity of Daszyński Roundabout and as a result the office stock in this sub-area now stands at some 675,000 sq m.

It should, however, be remembered that the high level of new supply does not equate to increased developer activity. Projects started pre-pandemic are being constructed without delays, whereas

many decisions to start new investments remain on hold until the pandemic is over and tenant activity is back to desired levels.

Currently, the volume of office buildings under construction, 360,000 sq m, is at the lowest level for a decade. More than 1/3 of this space is due for completion by the end of 2021 and, as long as developers complete construction works at previously set dates, this year's new supply should approach the second highest result in



MAJOR OFFICE CONCENTRATION AREAS

| | EXISTING STOCK | SUPPLY UNDER CONSTRUCTION | VACANCY RATE | MONTHLY ASKING RENT |
|---|----------------|---------------------------|--------------|---------------------|
| CBD | 931,000 sq m | 152,000 sq m | 11.1% | EUR 20-25/sq m |
| CITY CENTRE (EXCLUDING DASZYŃSKI ROUNDABOUT) | 1.04m sq m | 63,500 sq m | 12% | EUR 15-22/sq m |
| DASZYŃSKI ROUNDABOUT | 674,000 sq m | 62,000 sq m | 20.3% | EUR 16-25/sq m |
| SŁUŻEWIEC | 1.09m sq m | 32,000 sq m | 18% | EUR 10,5-15/sq m |
| MOKOTÓW (EXCLUDING SŁUŻEWIEC) | 365,000 sq m | 0 sq m | 7.7% | EUR 12-16/sq m |
| JEROZOLIMSKIE CORRIDOR | 747,000 sq m | 0 sq m | 8.8% | EUR 12-15/sq m |
| EAST | 257,000 sq m | 23,300 sq m | 12.9% | EUR 11-15/sq m |

the history of the Warsaw office market (behind 2016). Over 75% of the supply under construction is in the central business zones, which is unsurprising given that this is where the largest office towers are currently being built - including Varso Tower, the highest in the European Union (68,600 sq m, HB Reavis), and Skysawa, with its direct metro station connection (34,200 sq m, Polski Holding Nieruchomości).

In the second quarter of 2021, lease agreements for approximately 140,000 sq m were signed, and tenant activity in Q2 2021 exceeded the level recorded over the first three months of the year. The total volume of 250,000 sq m, however, is the lowest six-month result on the demand side in the last 10 years. In the first half of 2021, central zones were the most preferred by tenants. In the CBD and in the vicinity of Rondo Daszyńskiego, 60,000 sq m and 52,000 sq m were leased respectively. The Służewiec area ranked third in terms of take-up volume (almost 35,000 sq m).

New lease contracts and expansions accounted for almost half of the six-month take-up, although tenant interest

in projects under construction declined significantly - the share of pre-lease contracts in total demand was only 11%. In the Warsaw office market tenants are still more willing to renegotiate existing contracts than they had been pre-pandemic. Extensions of existing agreements accounted for over 40% of the volume of space leased in the first half of 2021.

The visible decline in tenant activity and the high supply of new space (which was only 55% leased at the time of delivery) led to a further increase in the vacancy rate. After two years at levels below 10%, the vacancy rate at the end of Q2 2021 stood at 12.5%. The rate in Warsaw increased by 1.1 pp over the quarter, and by some 4.6 pp. compared to the corresponding period of 2020. This vacancy rate translates into almost 760,000 sq m of space available for immediate lease, of which almost 110,000 sq m is in investments completed in the first and second quarters of 2021. It should be remembered that the actual

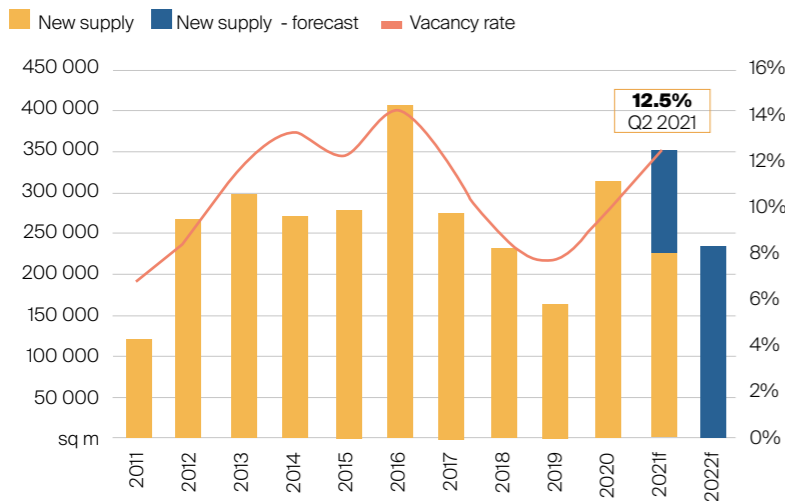
volume of space for rent is higher, as the market also contains space offered for sublet lease.

Despite the changing market situation, asking rents in the Warsaw market have thus far remained stable, although the beginning of 2021 has already seen slight corrections, in the region of EUR 0.5/sq m/month. These changes can be observed mainly in projects located in central locations. In the CBD rents fall within the range of EUR 20-25/sq m/month, although some prime office space on the top floors of the towers may command rents as high as EUR 27-28/sq m/month. In other central locations, rates ranged from EUR 15 to EUR 22/sq m/month. Asking rents in non-central locations range from EUR 10 to EUR 15/sq m/month. Due to the wide package of incentives on offer from landlords to potential tenants, even more so during the COVID-19 pandemic, effective rates remain approx. 20% lower than asking levels.

SELECTED SCHEMES UNDER CONSTRUCTION

| VARSO TOWER | FOREST II | SKYSAWA |
|--------------------|-----------------|------------------------------|
| 68,500 sq m | 52,000 sq m | 34,200 sq m |
| Q2 2022 | Q1 2022 | Q3 2021/Q3 2022 |
| HB Reavis | HB Reavis | 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 MONTHS**
7-10
- FIT-OUT BUDGET EUR/SQM**
300-450



CONTACT IN POLAND:

+22 596 50 50
www.KnightFrank.com.pl

RESEARCH

Elżbieta Czerpak
elzbieta.czerpak@pl.knightfrank.com

COMMERCIAL AGENCY - OFFICE

L-REP Janusz Garstka
janusz.garstka@pl.knightfrank.com

T-REP Karol Grejbus
karol.grejbus@pl.knightfrank.com

Regions: Kraków, Katowice, Wrocław
Monika Sułdecka-Karaś
monika.suldecka@pl.knightfrank.com

CAPITAL MARKETS

Krzysztof Cipiur
krzysztof.cipiur@pl.knightfrank.com

PROPERTY MANAGEMENT

Izabela Miazgowska
izabela.miazgowska@pl.knightfrank.com

**PROPERTY MANAGEMENT
COMPLIANCE**

Magdalena Oksańska
magdalena.oksanska@pl.knightfrank.com

PROJECT MANAGEMENT

Urszula Łuszczyńska
urszula.luszczyńska@pl.knightfrank.com

VALUATION & ADVISORY

Grzegorz Chmielak
grzegorz.chmielak@pl.knightfrank.com

STRATEGIC CONSULTING EMEA

Marta Sobieszczak
marta.sobieszczak@pl.knightfrank.com

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PARTNER OF THE PUBLICATION:**CONTACT IN CITY
COUNCIL'S OFFICE:**

www: biznes.um.warszawa.pl
promocjagospodarcza@um.warszawa.pl

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