

Prepared
in cooperation with



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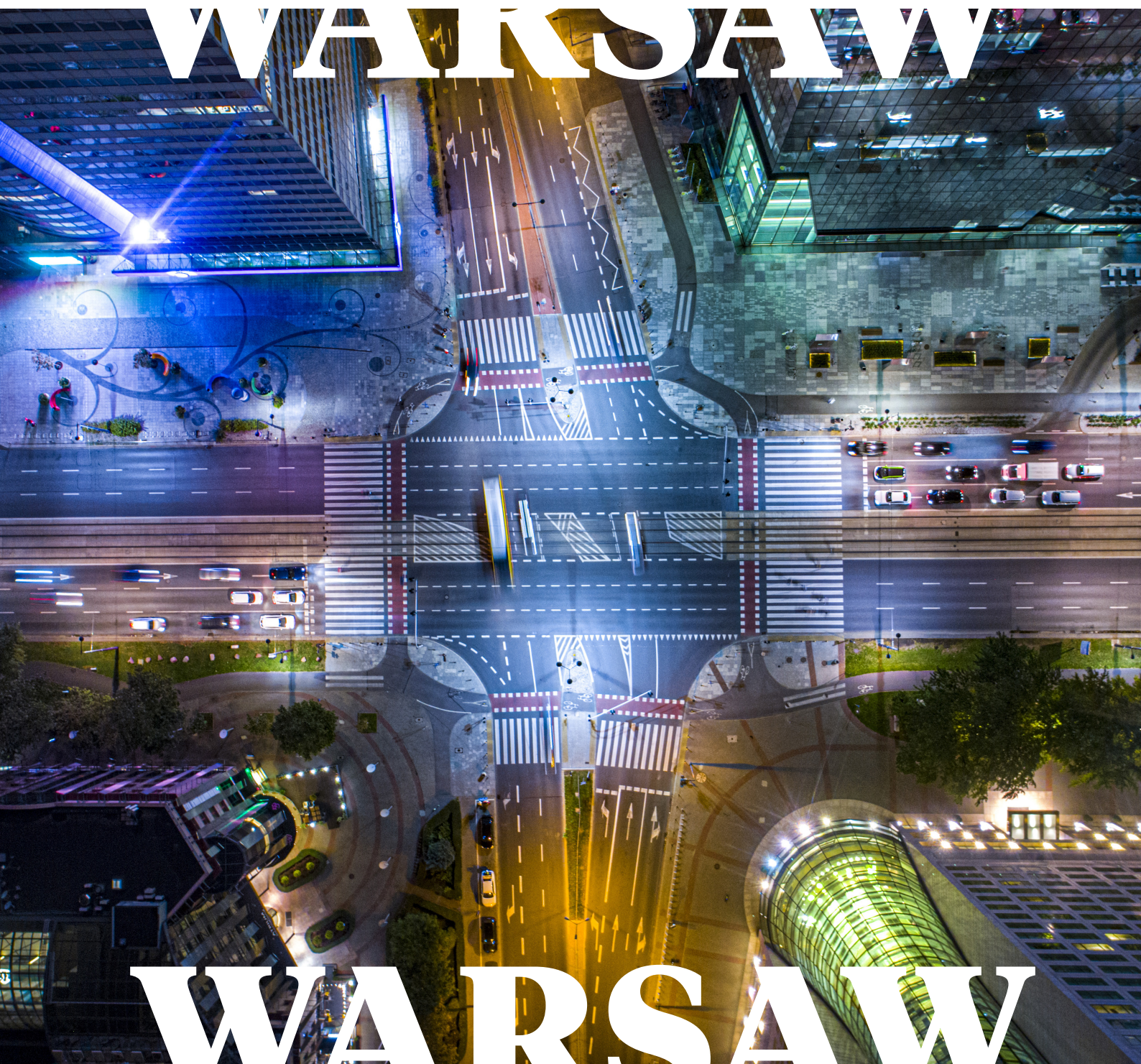


WARSAW

City attractiveness and office market

Q3 2021

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CITY ATTRACTIVENESS

WARSAW

FACTS & FIGURES



CITY AREA

517.2 sq km



POPULATION

1,794,166



POPULATION FORECAST

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



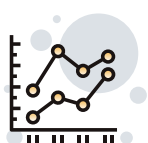
MIGRATION BALANCE

(+) 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:

- 113 museums and art galleries;
- 37 theatres and music institution;
- 30 cinemas;
- 3,500 restaurants;
- Over 1m sq m of commercial retail space;
- 308 outdoor gyms;
- 56 water parks 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



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



321

BSS SECTOR - NUMBER OF EMPLOYED



over **70,000**

RATING

A-

RATING AGENCY

Fitch

WARSAW

Q3 2021



EXISTING STOCK

6.16m sq m



SUPPLY UNDER CONSTRUCTION

353,000 sq m



VACANCY RATE

12.5%



NEW SUPPLY (Q1-Q3)

293,000 sq m



TAKE-UP (Q1-Q3)

398,000 sq m

The first three quarters of 2021 in the Warsaw office market closed with a new supply of almost 300,000 sq m – a figure only 5% lower than that for the entire 2020. Total modern office stock thus approached the level of 6.16m sq m. It is worth mentioning that about 1/3 of the newly developed office space was in four large-scale buildings: Skyliner (48,500 sq m, Karimpol Polska), Generation Park Y (44,200 sq m, Skanska Property Poland), Warsaw

UNIT (56,400 sq m, Ghelamco), and Widok Towers (28,600 sq m, S+B Gruppe). In terms of location, the highest share of supply, some 80%, was to be found in the central zones.

Analysis of the office space currently being built shows that approximately 60,000 sq m should be completed by the end of 2021, and unless developers put back their opening dates, 2021 should see the second highest supply side result

in the history of the Warsaw office market. Looking at current developer activity, it can be said with high probability that 2022 will be one of the weakest years in terms of new supply, bucking recent trends. Projects due for delivery in 2022 offer over 230,000 sq m of office space. This level is a direct result of 2020's COVID-19 pandemic uncertainty, which has resulted in many decisions on commencement of new investments being put on hold until the pandemic is firmly over and tenants are

SELECTED SCHEMES UNDER CONSTRUCTION

VARSO TOWER

- 68,500 sq m
- Q2 2022
- HB Reavis

FOREST II

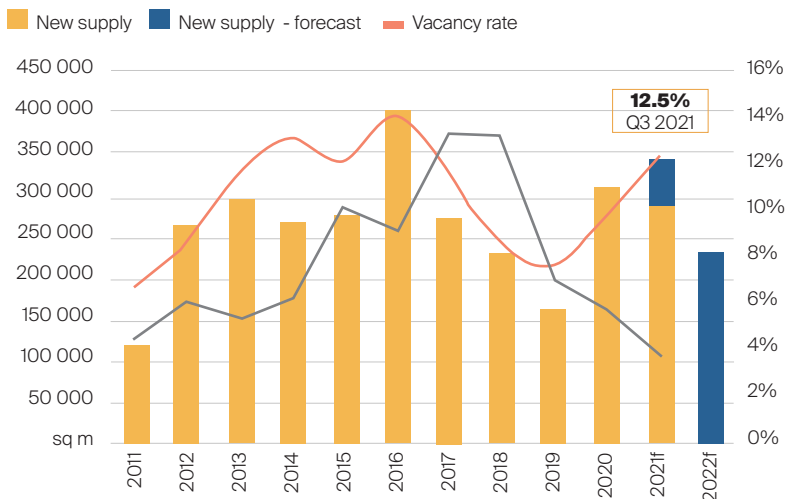
- 52,000 sq m
- Q1 2022
- HB Reavis

SKYSAWA

- 34,200 sq m
- Q4 2021/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 MONTHS

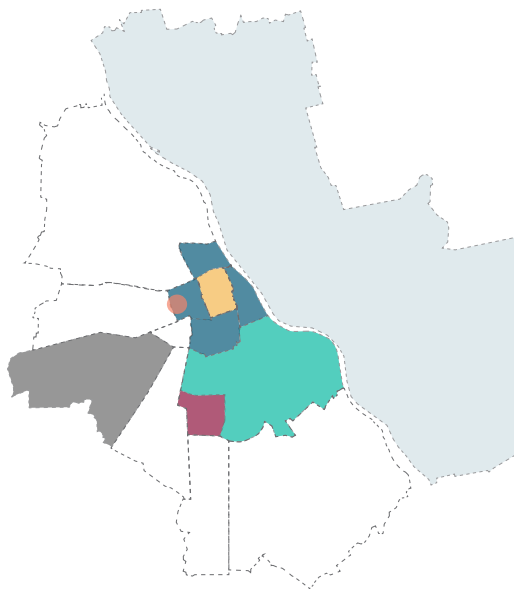
7-10



FIT-OUT BUDGET EUR/SQM

300-450

MAJOR OFFICE CONCENTRATION AREAS



	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
CBD	960,000 sq m	121,000 sq m	13%	EUR 20-25/sq m
CITY CENTRE (EXCLUDING DASZYŃSKI ROUNDABOUT)	1.04m sq m	63,500 sq m	11.3%	EUR 15-22/sq m
DASZYŃSKI ROUNDABOUT	710,000 sq m	87,000 sq m	16.2%	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	9.5%	EUR 12-16/sq m
JEROZOLIMSKIE CORRIDOR	747,000 sq m	0 sq m	8.5%	EUR 12-15/sq m
EAST	257,000 sq m	23,300 sq m	10.7%	EUR 11-15/sq m

back to full activity. Currently, the volume of office projects under construction is the lowest it has been for a decade - 353,000 sq m.

In the third quarter of 2021, lease agreements were signed for almost 150,000 sq m and a further increase in tenant activity was registered when compared to the previous quarter. As a result, the take-up volume recorded from the beginning of 2021 reached almost 400,000 sq m. This was, however, approx. 10% down on the corresponding nine-month demand figure for 2020, and it is the lowest Q1-Q3 demand figure for over 10 years. Another subsequent quarter saw a very high share of renegotiation of lease agreements in the volume of leased space - approx. 41%. Despite the high volume of space under construction, tenant interest in projects under construction was relatively low - the share of pre-lease contracts in total

demand was only 10%, with the average quarterly result for 2011-2020 at some 20%. The location structure of the lease volume for Q1-Q3 shows that the central zones (over 228,000 sq m) and Służewiec (over 60,000 sq m) received the highest attention from tenants.

The increase in tenant activity compared to Q2 2021 along with the relatively small increase in new supply resulted in the vacancy rate in Q3 2021 stabilizing at the June 2021 level. 12.5% of the total modern office stock is still available to the market, translating into some 768,000 sq m of space. The offer is additionally extended by investments with space offered for rent as sublease. In Q3 2021, at least 80,000 sq m of such office space was identified in Warsaw.

The vacancy rate clearly differs in terms of location. In central areas it amounted to 13.2% (a decrease by 0.6 pp on Q2 2021),

while in non-central areas, it was 11.9% (an increase by 0.5 pp q-o-q).

Asking rents in the Warsaw market have remained stable - with slight corrections in Q1 2021, in the region of EUR 0.5, observed mainly in buildings located in central locations. In the Central Business District, with its new, prestigious projects, asking rents are within the range of EUR 20-25/sq m/month, although some prime office space on the top floors of towers may command rents as high as EUR 27-28. In other central locations, rates ranged from EUR 15 to EUR 22/sq m/month. Asking rents in non-central locations ranged from EUR 10 to 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 some 20% lower than asking levels.

TRENDS

Decrease in developer activity in the following quarters because of high vacancy rates and tenant activity being lower than in previous years.

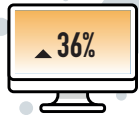
The ongoing slight recovery in tenant activity visible on the market may still turn out to be too low to successfully absorb the currently available and newly completed office space, therefore a slight increase in vacancies can be foreseen in the coming quarters.

An increasing number of companies declaring their return to offices, at the very least in a hybrid form, means a stabilization or a slight recovery in demand for office space can be expected in the coming quarters.

High availability of office space and demand that does not match supply may manifest itself in tenant pressure to renegotiate rent rates.

WARSAW

RECRUITMENT IN THE IT SECTOR



The number of job offers in IT has gone **up by more than 36%**. The majority of the vacancy announcements were made in Warsaw.



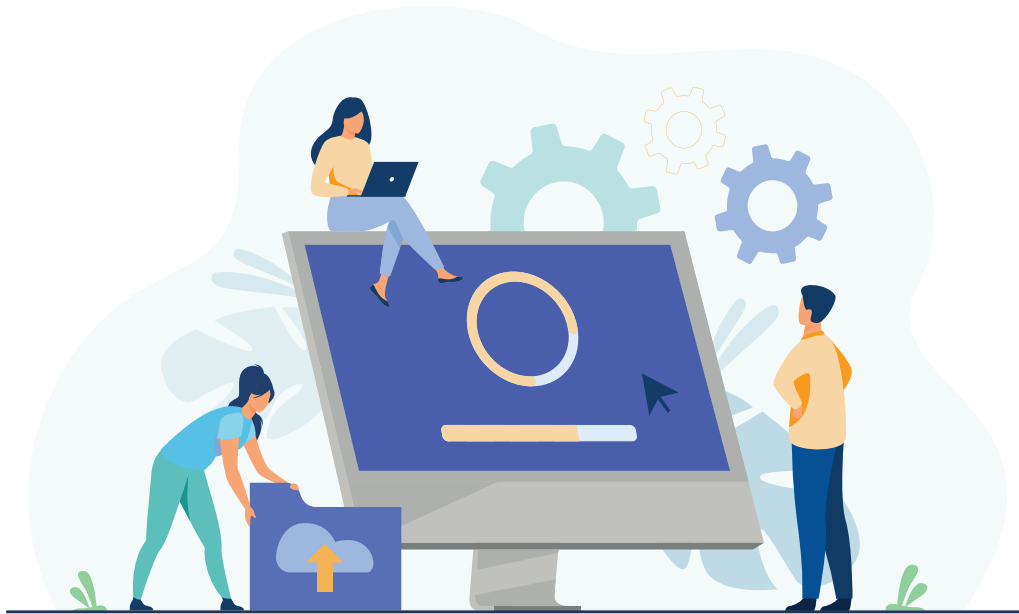
65% of the candidates presented by us who were applying for the positions of developers preferred a **B2B** type of contract.



Over the last year, the rates of IT specialists in all areas have increased; in some areas, even **by 30-40%** compared with the spring of 2020.



Since the beginning of the year, there has been a growing demand for Mid positions: currently, the number of job offers in this field goes beyond **50%**.



TOP 3

1.

JAVA SOFTWARE ENGINEER/DEVELOPER

PLN 14,000 - 25,000 gross

2.

DEVOPS

PLN 15,000 - 27,000 gross

3.

SAP CONSULTANT/ENGINEER/ OPERATIONS MANAGER

PLN 17,000 - 30,000 gross



THE CRISIS IN THE HR SECTOR WAS INTENSE, BUT RELATIVELY SHORT

It looks like the changes brought about by the pandemic are here to stay. Both recruiters and candidates have openly appreciated the separation of the recruitment process from the physical location. Online job interviews will surely become a trend that will take root for a long time to come once the COVID-19 epidemic has been combatted. Online recruitment sessions simply save a lot of time to both parties of the process. Face-to-face meetings will now only be held at the final stages of the hiring procedure and will involve exclusively a handful of most promising candidates. There were already some feeble symptoms of recovery in July, followed by a calm and more holiday-like August. September, in turn, has seen a major upward trend, which is still in full swing. Those clients who earlier on preferred to hold back on taking major steps have now started to feel the need to hire additional staff on a mass scale.

THE DAWN OF THE DIGITAL TRANSFORMATION OF RECRUITMENT

In the past, it was common practice to vet candidates on the phone at the preliminary stage of recruitment, which in most cases eventually led to face-to-face meetings. Since the pandemic, new standards have been set, making video interviews a permanent fixture in modern hiring practices, forcing consultants to instantly shift to the virtual world. About 99% of recruitment procedures, including final meetings, are now conducted online. The force of habit of the past seems to have made room for the new pandemic-driven reality of the present. Despite the initial uncertainty, it has turned out that at the end of the day it is perfectly possible to use online tools to hire specialists, managers, or top-level managers.



THE ROLE OF MOTIVATION THROUGHOUT RECRUITMENT

In the era of the COVID-19 pandemic, particular emphasis is placed on issues related to work motivation, which are often raised at job interviews. Currently, the risk that a potential employee will change his/her place of employment after a few months is extremely high, and employers strive to avoid such situations. Candidates are also asked to explain why they are looking for a new job, and what factors lie behind their choices when deciding to change jobs. In this way, it is possible to check whether an applicant will successfully settle down within the structure of a given organisation, and whether his/her values coincide with its mission. Potential employees are expected to freely and honestly answer the questions they get during an interview. If they want to stay with the company for longer, they also need to be sure that they will adapt to its organisational culture. Since remote work to some extent hinders the mutual understanding and bonds between employers and employees, businesses often ask candidates about their attitude to the idea of coming back to traditional work in the office, even on a part-time basis.



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