

Cushman & Wakefield's report: Warsaw Office Market in Q3 2018

- In the first three quarters of 2018, the total investment volume on the Warsaw office market hit EUR 1.14bn, which represented a threefold increase on the same period in 2017.
- 17% of office space in the pipeline and scheduled for delivery by 2020 has already been secured with pre-lets.
- WeWork becomes the leading co-working provider in Warsaw following two new leases signed for office space in the western building of the Mennica Legacy Tower and at Europejski Offices. It has already secured a total of 28,500 sq m in four locations. The official opening of its first office at CEDET is scheduled for late 2018.
- In the first three quarters of 2018, absorption of office space exceeded the new supply.

Warsaw, 25 October 2018 – Global real estate services firm Cushman & Wakefield presents a summary of Q3 2018 on the Warsaw office market in its report *MARKETBEAT - WARSAW OFFICE MARKET IN Q3 2018*.

“We expect 2018 to be a record year in terms of investment volume, where office assets will represent a substantial component. Warsaw continues to be the preferred destination for core capital and first-time investors and the 2018 development pipeline has catered well to meet new demands. Several of the 2018 office transactions feature co-working tenancy with investors continuing to become more comfortable with underwriting of this rapidly growing occupier category. The main sources of equity inflow continue to be from Germany, South Africa and North America although Korean capital is expected to become increasingly present, following two deals in Warsaw’s CBD, expected to close later this year, backed by Korean equity. Warsaw is likely to continue being a highly attractive proposition to multiple types of equity although the 2019 supply pipeline looks thin,” said **Soren Rodian Olsen, Partner, Head of Capital Markets, Cushman & Wakefield.**

At the end of September 2018, Warsaw’s total office stock stood at 5.42 million sq m. Only 16,300 sq m was delivered to the Warsaw market in two projects (Park Avenue and Koneser Centrum Praskie – building C), indicating a weak supply in Q3 2018, which was due to a large volume of new office space that came on stream in the second quarter (150,000 sq m). Cushman & Wakefield forecasts another 48,800 sq m coming onto the market by year-end 2018, and 209,600 sq m and 405,100 sq m in 2019 and 2020, respectively.

In the three quarters of 2018, total take-up on the Warsaw office market amounted to 634,700 sq m, which represented an 8% increase on 2017’s level. In Q3 2018 alone, leasing activity hit 209,000 sq m, up by 7% on the same period in 2017. The largest lease transactions included Deloitte’s renegotiation and expansion at Q22 (22,100 sq m), a 14,200 sq m pre-let of a global co-working provider WeWork in the western building of the Mennica Legacy Tower and Nestle’s 9,500 sq m renegotiation at Nestle House. New leases accounted for 56% of all deals in Q3 2018 while renegotiations and expansions made up 34% and 11% of the leasing volume, respectively.

“Pre-lets amounted to 34,200 sq m or 17% of the office space currently under construction, accounting for 24% of space secured under pre-lets at buildings to be completed in 2019 and 12% of space at buildings to be delivered to the market in 2020. The City Centre West saw the strongest occupier activity with 22% of office

For Further Information Contact:

Eliza Bingül
Cushman & Wakefield
Tel: + 48 22 820 20 20; 532 115 631
e-mail: media.poland@cushwake.pl

Piotr Sutkowski
First Public Relations
Tel: +48 22 88 00 417; 509 524 876
e-mail: media.poland@cushwake.pl

Marek Czarski
First Public Relations
Tel: +48 22 88 00 706; 502 502 432
e-mail: media.poland@cushwake.pl



space to be handed over by the end of 2020 transacted under pre-lets,” said **report author Jan Szulborski, Consultant, Consulting and Research, Cushman & Wakefield.**

Strong take-up also came from co-working providers who leased 26,900 sq m of office space in Q3 2018, say Cushman & Wakefield’s analysts. The strongest market player in this segment is WeWork, which has already secured 28,500 sq m across four locations. Other notable transactions of Q3 2018 were concluded for office spaces at Chmielna 89 (UMA Coworking), Wola Retro (New Work Offices) and NeoPark B (New Work Offices). According to global real estate services firm Cushman & Wakefield, Warsaw’s total co-working stock will hit 52,800 sq m by year-end 2018.

In Q3 2018, Warsaw’s overall vacancy rate stood at 10.0%, down by 1.1 pp on the previous quarter. The highest vacancy rates were in Żwirki i Wigury (17.2%) and Służewiec (18.6%). Vacancy rates in the Central Business District and in the City Centre stood at 6.5% (down by 1.1%) and at 6.7% (down by 1.5%), respectively.

“The availability of office space in Warsaw has been shrinking due to increased occupier activity, which is reflected in net absorption. In Q3 2018, the Warsaw office market absorbed 69,500 sq m. Net absorption in the year to date hit 237,500 sq m, just 2% below the all-time high recorded in the same period in 2017,” said **report author Jan Szulborski, Consultant, Consulting and Research, Cushman & Wakefield.**

In Q3 2018, prime headline rents stood at EUR 23.75/sq m/month in the city centre and at EUR 14.50/sq m/month in non-central locations. Rents edged up in the period by EUR 0.25/sq m/month in the Fringe, the East and Mokotów.

About Cushman & Wakefield

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For Further Information Contact:

Eliza Bingül
Cushman & Wakefield
Tel: + 48 22 820 20 20; 532 115 631
e-mail: media.poland@cushwake.pl

Piotr Sutkowski
First Public Relations
Tel: +48 22 88 00 417; 509 524 876
e-mail: media.poland@cushwake.pl

Marek Czarski
First Public Relations
Tel: +48 22 88 00 706; 502 502 432
e-mail: media.poland@cushwake.pl