



5.28 M sqm
Stock

275,400 sqm
Supply*

11.7%
Vacancy rate

377,200 sqm
Absorption*

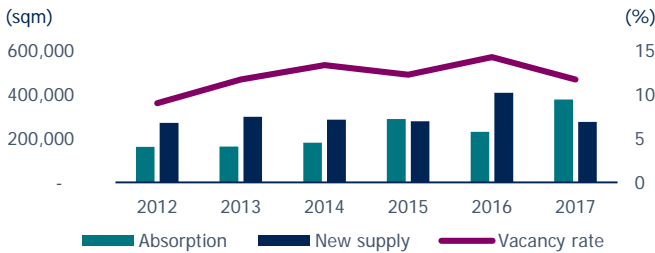
* Q1-Q4 2017

Asking rents
(EUR/sqm/month)

Warsaw's economics

	2012	2013	2014	2015	2016	2017
GDP growth	2.55	3.48	3.36	3.42	6.22 ^f	4.14 ^f
Gross added value (EUR)	44,504	46,323	47,831	49,246	52,449 ^f	54,613 ^f
Workforce (ths)	1,030.1	1,007.2	1,094.6	1,150.6	1,123.4 ^f	1,123.4 ^f
FSB Employment (ths)	437.2	436.1	459.8	483.0	493.3	498.4 ^f
Unemployment (%)	4.1	4.9	4.5	3.7	3.0	2.3 ^a
Unemployment (ILO %)	3.9	4.2	3.8	3.3	2.8	1.7 ^f
Salary (PLN)	5,078	5,226	5,386	5,586	5,740	5,646 ^a

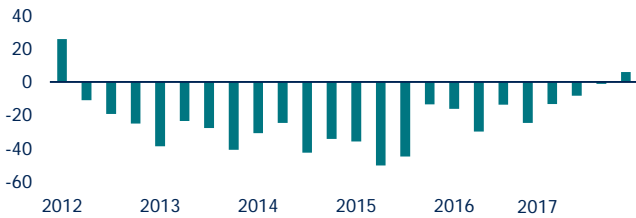
Market trends



Key lease transactions

Property	Zone	Tenant	sqm
Generation Park X	City Centre West	Citi Service Center Poland	18,600
Harmony Office Centre A	Mokotów	Millennium Bank	18,300
Atrium Garden	Central Business District	JP Morgan	15,550
Łopuszańska Business Park B	Al. Jerozolimskie	Alior Bank	13,440
Postępu 14	Mokotów	AstraZeneca	13,200

Occupier Sentiment Index in Poland



Expert opinion



Due to a temporary decline in new supply, larger tenants will find it difficult to find suitable office space in buildings under construction. As a result, landlords will be gaining an upper hand on the market."

– **Bartek Włodarski, Partner, Office Department**

Economic outlook

The Warsaw office market maintains its growth momentum thanks to the strong economic performance and good levels of business confidence. Warsaw continues to power ahead, with GDP forecast to expand by 4.14% this year. At the end of September 2017, the unemployment rate in Warsaw stood at 2.3% (4.5 p.p. below the country's average) due to strong job creation. The rate is already below the point at which pressure on wages increases; in December average salary stood at PLN 5,841 (a 7.5% increase yoy). The Warsaw population is increasing sharply, driven by migration and rising birth rates. With a substantial educational potential, Warsaw continues to attract strong occupier interest. It is ranked number one in Poland in terms of numbers of business-relevant IT, Science and Technology students (nearly 45,500).

Office market

At year-end 2017, Warsaw's total office stock stood at 5.28 million sqm. Last year's supply totalled 275,400 sqm following the completions of Business Garden II (54,800 sqm), West Station II (35,000 sqm) and D48 (23,400 sqm) and other projects. There is currently more than 750,000 sqm of office space under construction. One of the largest schemes in the pipeline is Varso, Poland's tallest office building, which is scheduled to provide nearly 140,000 sqm once completed and delivered to the market in 2020. At the end of 2017, there was 615,700 sqm of vacant space, accounting for 11.7% of the city's total stock (a 2.5 p.p. decrease yoy). Take-up hit 832,000 sqm in 2017, up by 10% on 2016. Last year's absorption set a record high of 377,200 sqm of office space.

Market trends

Leasing changes – Warsaw is expected to see lower supply levels in the next two years. As demand remains healthy, landlords will gain an upper hand in the market. The level of lease incentives should be subject to adjustment. A record-breaking volume of new office space is forecast for 2020 which is likely to fill the supply gap.

Brexit – Warsaw is likely to see strong job creation following the UK's departure from the EU, particularly in mid-tier financial and technological businesses with numerous jobs and rational salaries. The UK is scheduled to leave the EU in H1 2019.

IFRS changes – the upcoming changes may force some tenants and the entire market to adapt to the new situation. Long-term leases are likely to become less attractive and larger multinationals in particular may decide to choose real estate acquisition or construction of schemes for owner-occupation.

Office Occupier Sentiment Index

In Q4 2017, the Occupier Sentiment Index (OSI)** in the Polish office sector reached a level of 5.6 (18 points more than the average for the past four quarters), indicating a steady increase in occupier demand across most locations with rents remaining flat despite high supply volumes.

Statistics based on the NUTS-3 region PL127 | f – forecast | a – actual | FSB – workplace-based employment in financial and business services sectors | Net absorption – increase in occupied space in a specified time | Unemployment – registered unemployment (Central Statistical Office of Poland) | Salary – average monthly salary in the enterprise sector (Central Statistical Office of Poland) | **The Occupier Sentiment Index based on RICS quarterly commercial survey is a composite measure of overall market momentum, encompassing variables on supply, demand and expectations. A higher value would be indicative of tighter market conditions for tenants and therefore more upward pressure on rents.