



Market Report

Warsaw, Poland

What happened in 2021

2021, like 2020, turned out to be a time of uncertainty in the office space market as a result of Covid-19 pandemic. Uncertainty both from landlords and tenants; landlords found it difficult to forecast the actual demand and tenants wondered how to approach planning of the office space in the new realities of hybrid work. After two years in a pandemic, we already know that the office market has defended itself so far. Admittedly, we have observed an increasing vacancy rate, which exceeded 12.5% (it increased by over 2.5% in the last 12 months), but it still has not disturbed the market significantly.

Despite unfavorable market conditions for landlords in the last 24 months, the rent levels have been stable and have not not decreased. We have only been observing slightly more flexibility when it comes to incentive packages for tenants. The first half of 2021 brought the lowest volume of signed lease agreements in 10 years, amounting to 250,000 sq m. Total demand in 2021 amounted to less than 650,000 sq m. The new modern office space supply increased by 320,000 sq m.

For more information contact:



Jakub Sarzynski | jakub.sarzynski@brookfield.pl | +48 500 246 880

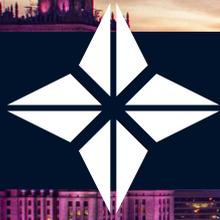
Fundamentals

Market Size	6.1 million sqm
Under construction	360.000 sqm
Total vacancy	12.5%
Take-up	250.000 sqm

Average Commercial Terms

Service charge	4-6 EUR/sqm/month
Prime rents	25 EUR/sqm/month
Rent free period	5-8 months
Lease length	60 months
Fit-out contributions	250-400 EUR/sqm





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Forecasts for 2022

We are observing a greater propensity of tenants to reduce the occupied space in office buildings. Companies no longer assume that all employees will be in the office at the same time. We are observing transactions in which tenants reduce the demand for space by as much as 30-40%. This behavior is now common in the market and we believe this trend may continue. This is evidenced by the attitude of employees. If they have a choice, they often choose to work remotely. Conversations with our clients show that the greatest challenge for them is to encourage employees to work from the office. If the preferences of employees do not change and their productivity does not drop, it will have an impact on the office space market in the coming years. On the other hand, we see that very rarely organizations decide to go full into 'remote work' mode and traditional office space is a must. Therefore, based on our recent observations we are quite optimistic about the future of the office market in the long term.

Major new developments

Development	Size	Developed By
Varso Tower, GLA	68.000 sqm	HB Reavis
Forest, GLA	52.000 sqm	HB Reavis
The Bridge	47.000 sqm	Ghelamco
Skysawa	34.000 sqm	PHN

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