

DTZ Property Times Warsaw Office Q3 2012

A surge in supply



23 October 2012

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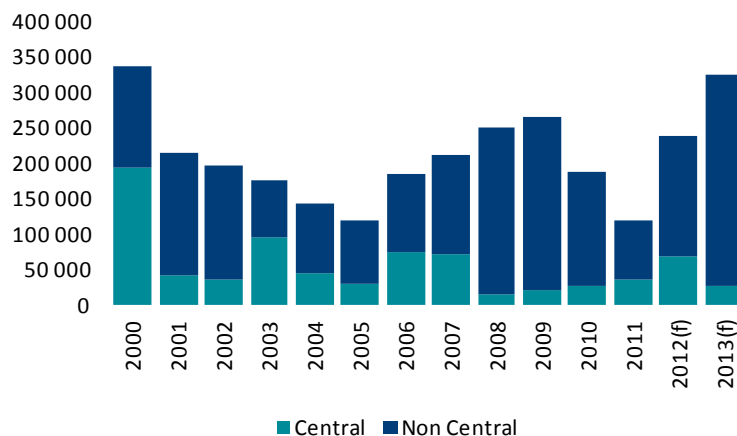
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- After the delivery 56,000 sqm, the modern office stock in Warsaw reached almost 3.75 million sqm at the end of Q3 2012. The new completions occurred in three subzones: South East, City Centre and South West.
- New supply over the entire 2012 is estimated at approximately 230,000-240,000 sqm and in 2013 as much as 320,000-330,000 sqm may be completed which will be the highest value recorded on the market since 2000.
- The strong demand for office space in Q3 2012 was reflected in a high take-up level of 123,300 sqm, up by 7% from Q2 and 30% from Q3 2011.
- At the end of Q3 2012, the vacancy rate stood at 8.1%, which represent an increase by 0.7 pp in comparison to the value recorded in Q2 2012.
- Prime asking rents remained stable and were at a level of €25-27 per sqm per month in the central locations and €14-16 per sqm per month out of the city centre.

Figure 1

Annual office supply, sqm



Source: DTZ

Warsaw Office Q3

Supply

In Q3 2012, office stock in Warsaw increased by 56,000 sqm to reach almost 3.75 million sqm. The new completions occurred in three subzones: South East, City Centre and South West. Taking into consideration the period of Q1 to Q3 2012, the volume of new deliveries was close to 150,000 sqm, which is more than over the whole of 2011 (120,000 sqm).

The level of new completions scheduled for 2012 is estimated at 230,000-240,000 sqm and the supply pipeline for 2013 stands at a higher level (320,000-330,000 sqm). If the level of deliveries in 2013 reaches the forecasted value, it will be the highest volume observed on the Warsaw office market since 2012.

The majority of new completions until the end of 2013 will be located in three subzones: Upper South, South West and City Centre, which are going to strengthen their position as the main business clusters in the city.

Demand

In Q3 2012 demand for office space in Warsaw remained strong, which was reflected in the high level of take-up. The volume of leasing transactions excluding renegotiations reached 123,300 sqm, up by 7% from Q2 2012 and 30% from Q3 2011.

The take-up volume in the first three quarters of this year reached 323,000 sqm, a level slightly higher than in the period Q1-Q3 2011.

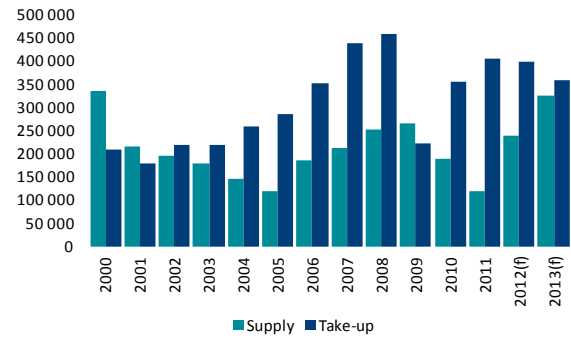
The largest volume of lease transactions in Q3 2012 was recorded in the Upper South, City Centre and South East.

The total volume of leasing transactions in Q3 2012 exceeded 157,000 sqm, out of which renewals/renegotiations accounted for 22% (compared to 33% in Q2 2012). Pre-leases were a very popular market practice in Q3 and the total volume of such deals reached almost 65,000 sqm (41% of the total volume).

Demand is likely to remain relatively stable until the end of 2012 and the level of take-up should reach a similar value as in 2011. The leasing activity in 2013 may drop as a result of the forecast economic slowdown.

Figure 2

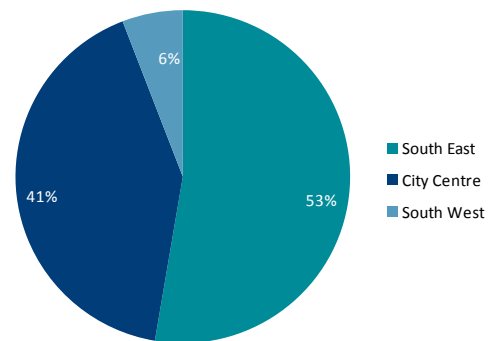
Annual office supply and take-up, sqm



Source: DTZ, (f) Forecast

Figure 3

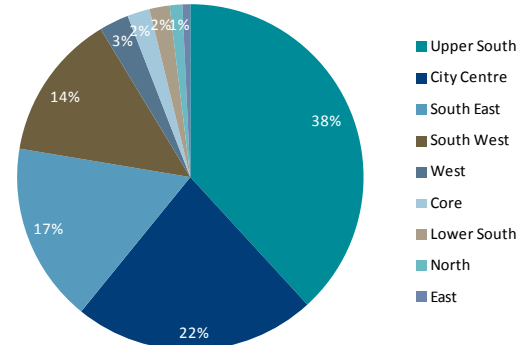
Office supply by subzones, Q3 2012



Source: DTZ

Figure 4

Office take-up by subzones, Q3 2012



Source: DTZ

Warsaw Office Q3

Vacancy

The vacancy rate increased from 7.4% recorded in Q2 2012 to 8.1% at the end of Q3 2012. In the central subzones the availability ratio reached 8.7% (compared to 8.1% in Q2 2012) and in non central locations it stood at 7.8% (7% in Q2).

The highest vacancy rate was recorded in the Lower South and East subzones, and the lowest in the South West and North.

The availability ratio should remain relatively stable until the end of 2012. Taking into consideration the strong pipeline supply expected in 2013 and decreasing demand, the vacancy rate may grow throughout next year. However as large amount of the office space scheduled for completion in 2013 is pre-let, it should not exceed 10%.

Rents

Prime asking rents in Warsaw remained stable in Q3 2012; they varied from €25-27 per sqm per month in central locations and €14-16 per sqm per month outside of the city centre.

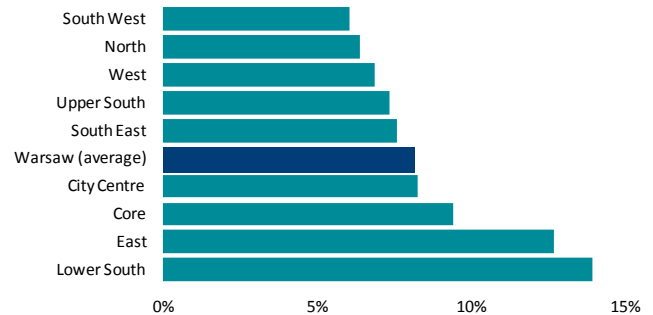
For B-class properties or buildings characterized by worse locations and accessibility, asking rents ranged between EUR 19 - 22 per sqm per month in the city centre and EUR 12-14 per sqm per month in other districts.

Depending on the size of the requirement and development stage of a project, effective rents over the last three months were approximately 10-20% lower than asking rents.

Asking rents are likely to remain relatively stable until the end of 2013; however the gap between effective and asking may widen due to strong competition among landlords.

Figure 5

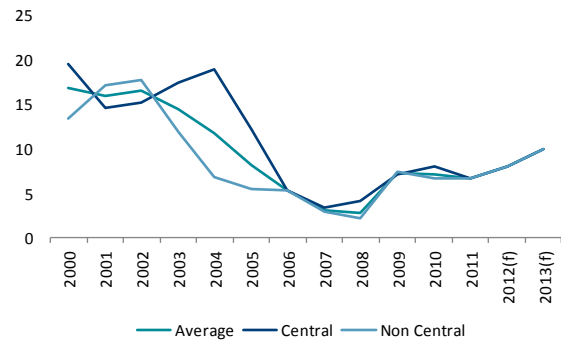
Office vacancy by subzones, Q3 2012



Source: DTZ

Figure 6

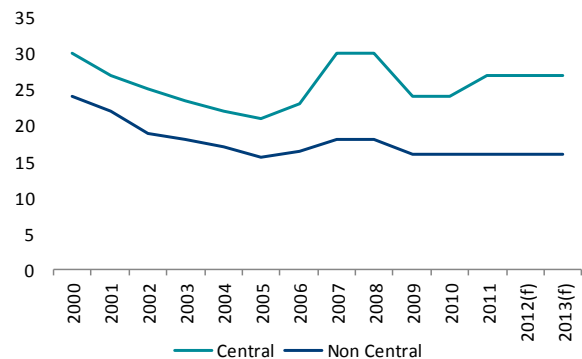
Office vacancy levels, %



Source: DTZ, (f) Forecast

Figure 7

Prime office rental levels, €/ sqm/month



Source: DTZ, (f) Forecast

Warsaw Office Q3

Table 1

Major office buildings completed in Q3 2012

Building	Office area (sqm)	District	Developer	Vacancy at completion date
Senator	23,250	City Centre	Ghelamco	30%
Wilanów Office Park A (Asseco)	20,400	South East	Polnord	0%
Wilanów Office Park B3	9,150	South East	Polnord	97%

Table 2

Major pipeline office projects scheduled for Q4 2012 and 2013

Building	Office area (sqm)	District	Developer
Konstruktorska Business Center	45,000	Upper South	HB Reavis
Miasteczko Orange	43,700	South West	Bouygues Immobilier
Plac Unii	41,300	Upper South	Liebrecht & wood / BBI Development
T-Mobile Office Park	37,000	Upper South	Ghelamco
Wola Center	27,500	West	Euoplan Development

Table 3

Major leasing transactions concluded in Q3 2012

Tenant	Office area leased (sqm)	Building	District	Type of transaction
Poczta Polska	12,600	Domaniewska 37C	Upper South	Pre-let
Generalna Dyrekcja Dróg Krajowych i Autostrad	11,700	Green Corner	City Centre	Pre-let
Generali	7,700	Marynarska Point	Upper South	Renewal / renegotiation
IPN	6,500	Empark Mars	Upper South	New transaction
Dalkia	5,900	Plac Unii	City Centre	Pre-let
Alcatel Lucent	4,200	Cirrus	Upper South	Renewal / renegotiation

Warsaw Office Q3

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Obligations of Occupation EMEA 2012

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