

# Warsaw Office Market

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## Slow march towards lower vacancy

At the end of Q3 2023 total supply of modern office space in Warsaw amounted to 6.2 million sq m. 55% of total supply is located in non-central zones (3.43 million sq m), while 45% or 2.76 million sq m is located in central zones. Invariably, two zones exceeded 1 million sq m of supply, namely City Centre (1.77 million sq m) and Służewiec (1.08 million sq m). Another zone that will exceed 1 million sq m in 2024 is the CBD.

Between January and September 2023, only 20,300 sq m in four projects were delivered to the market. This means a 91% lower result than for the same period last year and also the lowest result in market's history. Newly developed projects include The Park 9 in Jerozolimskie corridor zone (11,000 sq m by White Star) and three projects in East zone: Wał Miedzeszyński 628 (6,000 sq m by Semi Line Group), S-Bridge Office II (1,900 sq m by MAK DOM) and Bohema Glicerynownia (1,400 sq m by Okam).

At the end of September 2023 almost 263,000 sq m of modern office space was under construction across the city. Pipeline is dominated by central zones (with strict concentration in City Centre West subzone), where over 216,000 sq m is under construction (82% of total). Further 47,000 sq m is being developed in non-central zones. According to the developers' plans, an additional 143,000 sq m should be built by the end of 2024, with approximately 47,000 sq m expected in Q4 2023 and the remaining (less than 100,000 sq m) throughout 2024. After a systematic decline in space under construction that has continued since the outbreak of the pandemic in 2020, in the current year we have seen a reversal of the trend and the launch of five new developments. Three of which exceed 20,000 sq m. A total of over 115,000 sq m of projects were launched in 2023. Some of the largest projects under construction include The Bridge (City Centre West subzone, 47,000 sq m by Ghelamco, due 2025), Upper One (CBD zone, 35,500 sq m by Strabag, due 2026) and Towarowa 22 B (City Centre West subzone, 31,100 sq m by Echo Investment, due 2025).

After last year's records in demand, we are now seeing a slowdown. Demand in Q1-Q3 2023 totalled 496,600 sq m, a decline of 18% y-o-y. Although we are seeing a slight increase in demand from quarter to quarter (157,400 sq m in Q1, 165,200 sq m in Q2 and 174,000 sq m in Q3). 262,600 sq m was leased in central areas and 234,000 sq m in non-central zones.

The largest share in leasing activity was generated by new leases (52% or 288,600 sq m).

Additionally pre-lets generated nearly 7% of total demand (32,400 sq m) and expansions just under 4%. Tenants renegotiated almost 189,000 sq m meaning 38% share in total demand. To compare in whole 2022 renegotiations amounted to 39%, new leases to 43%, expansions 8% and pre-lets up to 10%.

In Q1-Q3 2023 four sectors were the most active among tenants, generating over 53% of total demand. This include business services sector with nearly 97,000 sq m of leased space (or 19%), manufacturing sector (57,200 sq m or 12%), IT sector (55,400 sq m or 11%) and financial sector with almost 53,000 sq m (11%) of demand. Flexible office operators leased 10,600 sq m in 6 transactions, of which 3 were new locations.

Available space in the city has been steadily declining since the end of Q3 2022, when it stood at 770,200 sq m (the second highest result ever recorded). Total vacant space available at the end of September 2023 amounted to 657,400 sq m, meaning vacancy rate at the level of 10.6%.

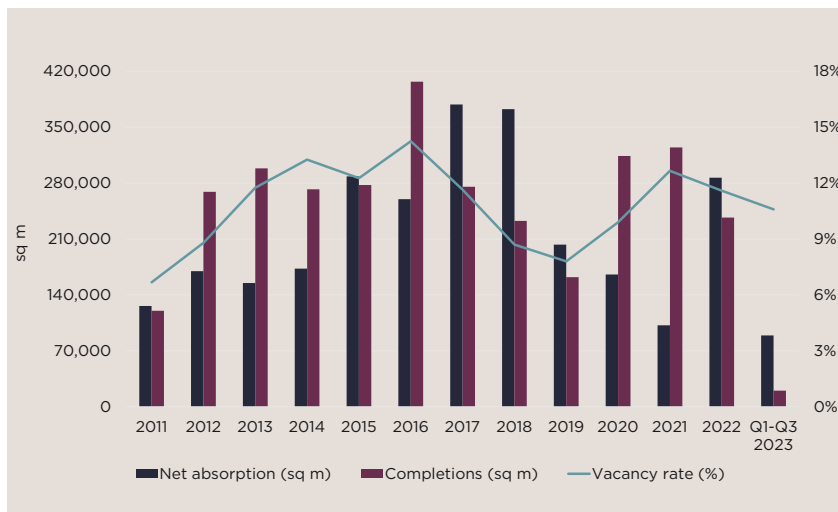
The vacancy rate in the central zones was 9.1% (200 bps lower y-o-y). On the other hand, the vacancy rate in non-central zones was 11.8%, meaning an decrease by 120 bps y-o-y.

Zones with the largest vacant space include: Służewiec (218,400 sq m, vacancy rate of 20.2%), City Centre (135,800 sq m, vacancy rate of 7.7%) and CBD (114,900 sq m, vacancy rate of 11.6%).

Net absorption in Q1-Q3 2023 stood at almost 90,000 sq m across the city (-23% y-o-y) and is evenly distributed (42,500 sq m in central zones and 46,700 sq m in non-central zones).

At the end of Q3 2023 headline rents in prime locations in the CBD zone noted slight increase and averaged between EUR 22.50-26.00/ sq m/ month. On the other hand prime rents in, - Służewiec (the largest non-central zone) remain stable and range between EUR 13.00-15.00/sq m/month.

### Net absorption, completions and vacancy rate, 2011-Q3 2023



Source: Savills Research

### Key office data Q1-Q3 2023:



**6.2 million sq m**  
Total office supply



**262,600 sq m**  
Total space under construction  
(14% up y-o-y)



**20,300 sq m**  
New supply  
(91% down y-o-y)



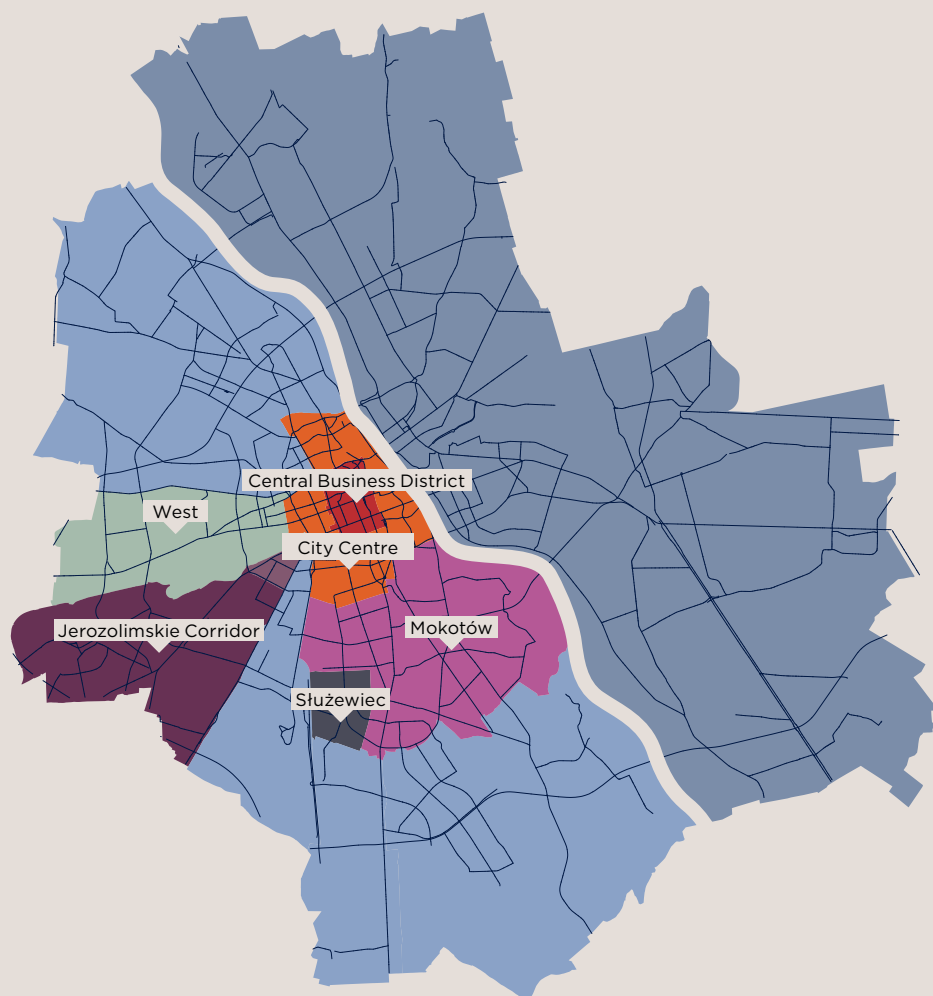
**10.6%**  
Vacancy rate  
(150 bps down y-o-y)



**496,600 sq m**  
Total take-up  
(18% down y-o-y)



**89,200 sq m**  
Net absorption  
(23% down y-o-y)



### City Centre

**Total stock:** 1,773,600 sq m

**Available area:** 135,800 sq m / 7.7%

**Rent:** EUR 18.00-24.00/sq m/month

**Under construction:** 165,500 sq m

### Central Business District

**Total stock:** 994,700 sq m

**Available area:** 114,900 sq m / 11.6%

**Rent:** EUR 21.00-26.00/sq m/month

**Under construction:** 50,500 sq m

### Mokotów

**Total stock:** 377,700 sq m

**Available area:** 21,300 sq m / 5.6%

**Rent:** EUR 15.00-17.00/sq m/month

**Under construction:** 24,000 sq m

### Jerozolimskie Corridor

**Total stock:** 762,100 sq m

**Available area:** 70,000 sq m / 9.2%

**Rent:** EUR 10.00-15.50/sq m/month

**Under construction:** 8,300 sq m

### West

**Total stock:** 232,300 sq m

**Available area:** 21,400 sq m / 9.2%

**Rent:** EUR 12.00-14.00/sq m/month

**Under construction:** 0 sq m

### Służewiec

**Total stock:** 1,081,900 sq m

**Available area:** 218,400 sq m / 20.2%

**Rent:** EUR 13.00-15.00/sq m/month

**Under construction:** 0 sq m

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**Daniel Czarnecki**  
Head of Landlord  
Representation  
+48 519 033 717  
dczarnecki@savills.pl



**Jarosław Pilch**  
Head of Tenant  
Representation  
+48 694 497 800  
jpilch@savills.pl



**Wioleta Wojtczak**  
Head of Research  
+48 600 422 216  
wwojtczak@savills.pl



**Jarosław Jachura**  
Senior Consultant  
Research Department  
+48 507 334 167  
jaroslaw.jachura@savills.pl

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