

MARKETBEAT

CENTRAL EUROPE

Office Q1 2021



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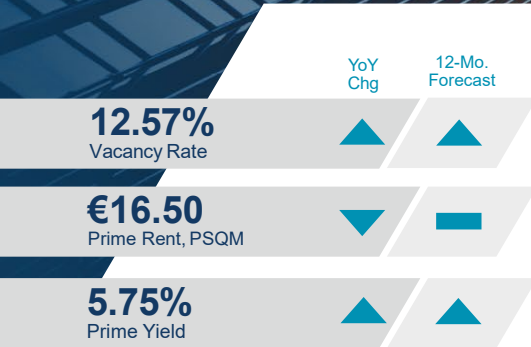
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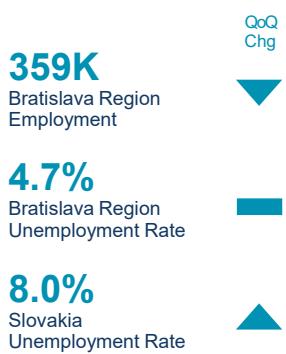
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Source: Bratislava Research Forum (figures are based on class A+B stock only)

ECONOMIC INDICATORS March 2021



Source: ÚPSVaR

ECONOMY: Prolonged Lockdowns Weighed On the Economy, but Pent-up Demand Should Accelerate Upcoming Recovery

The prolonged restrictions introduced due to the second wave of the COVID-19 pandemic weighed on the real output of Slovakia, resulting in a 5.2% contraction of GDP in 2020. The gradual easing in the second quarter of 2021 along with the continued government support is expected to contribute to the rebound in GDP growth, mostly driven by pent-up demand and maintained low borrowing costs. Slovakia's heavy focus on manufacturing is both a blessing and a curse, as the industrial sector is proving to be shielded from the direct impacts of the pandemic. Housing market has been bolstered by lower interest rates together with buyers, whose economic situation was not negatively affected by the lockdown, looking for more living space as commuting times matter less. With the assumed reopening of the economy in the later first half of 2021, a sharp rebound in spending should prop up consumer-oriented businesses.

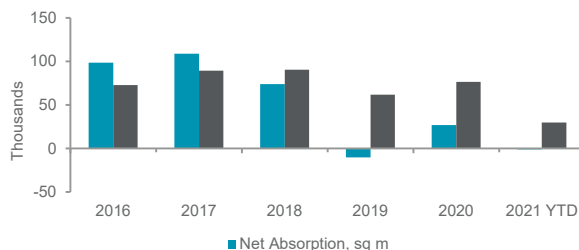
SUPPLY & DEMAND: Corporate Relocations Offer Opportunity for Landlords Amid Rising Vacancy

Larger sized lease negotiations in the office sector are sparse which might indicate a drawback in the overall leasing activity for this year in Bratislava. Some tenants report efforts to renegotiate their leasing contracts or relocate and release excess space which would count in and improve the gross take-up. Nevertheless, the first quarter's figures still indicate a solid net take-up share of 78%, although it was partially driven by occupiers which already had operations in Bratislava and relocated under more competitive conditions. Total leasable area under construction reached 6-quarter low of 127-thousand square metres as Sky Park Offices opened for tenants. We record a further increase in the office vacancy rate which is expected as new supply emerges. Net absorption recorded a minor decrease of 1,000 sq m which shows that the addressable market remains roughly the same size after growing by 27-thousand square metres a year prior.

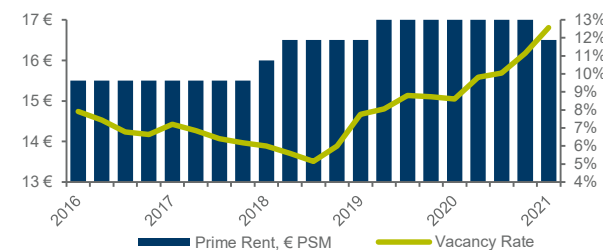
PRICING: Growing Supply and Slowing New Demand Prompt Landlords to Revise Asking Rents

After the investment "de-risking" period, which largely benefited the industrial property sector, a partial rotation back towards other segments of real estate is anticipated in 2021. The assumed shift from unknown risks to known risks, as well as the easing of government restrictions support the ongoing negotiations which now indicate revival of investment activity across the commercial real estate landscape. Office investment saw a solid start to the year owing to two major transactions. InTeFi announced its acquisition of a majority stake in Cassovar Business Center in Košice, which includes 13,500 sq m of leasable office areas. The strategically located BBC 1/1 Plus buildings changed hands in the first major office transaction in 2021, which further increases the office market presence of the purchaser, Wood & Company. Pending transactions will decide if the rebounding investor confidence brings the pricing back to the pre-pandemic levels, below the currently achievable prime yield of 5.75%. The two main obstacles to a sharper pricing have been weaker investment liquidity and higher costs to collect full income on properties as the competition tightens. Rental levels are being affected by a growing subleasing market and a decline in larger new deals. Adopting a more flexible approach to office leasing along with more agile office setups is the key to attracting and keeping tenants.

SPACE DEMAND & DELIVERIES



OVERALL VACANCY & PRIME RENT





MARKET STATISTICS

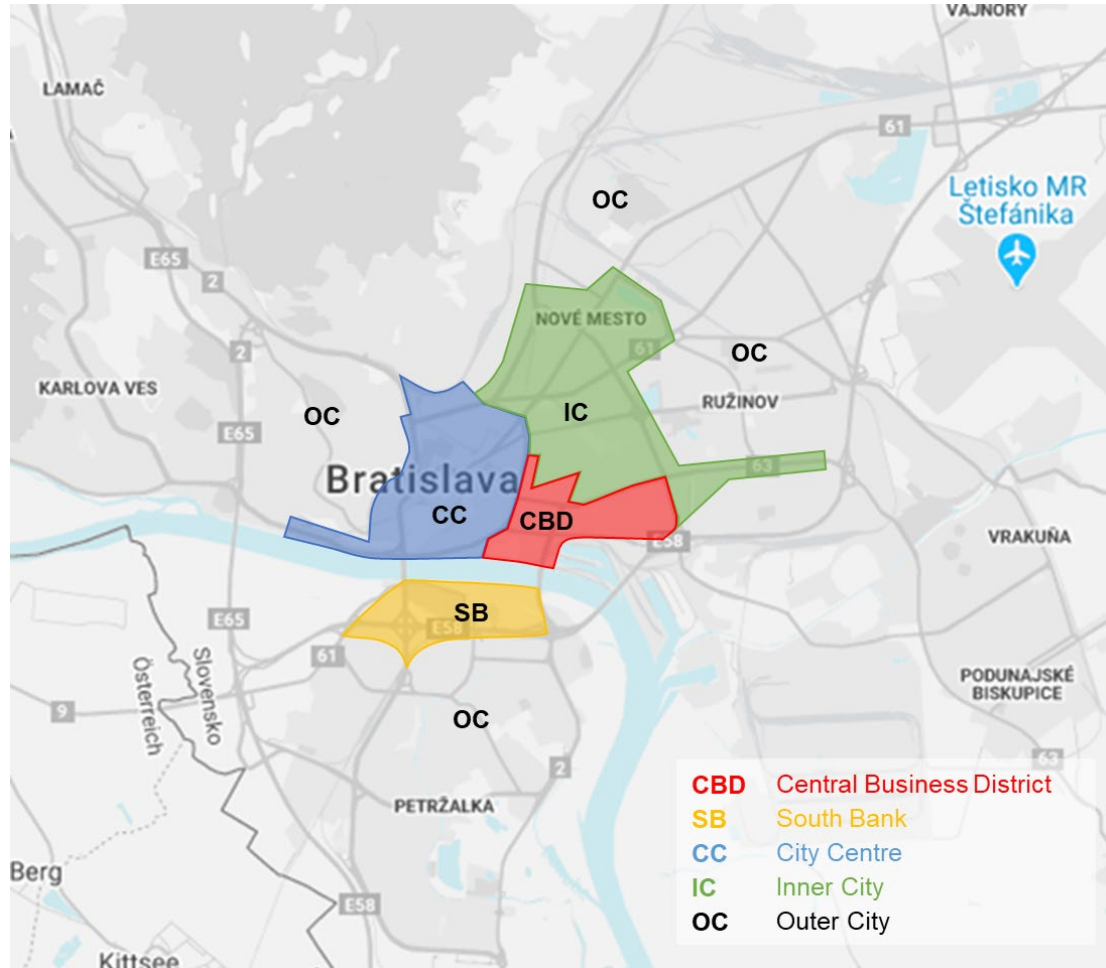
SUBMARKET*	INVENTORY (SM)	AVAILABILITY (SQ M)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP(SQ M)	UNDER CONSTRUCTION (SQ.M)	PRIME RENT
CC	488 000	31 600	6.5%	4 800	4 800	1 200	€16.50
IC	278 100	28 300	10.2%	3 600	3 600	24 700	€14.00
OC	414 900	61 600	14.8%	6 200	6 200	15 900	€11.50
CBD	605 800	96 000	15.9%	44 000	44 000	84 800	€16.50
SB	162 400	27 600	17.0%	200	200	0	€15.00
Grand Total	1 949 200	245 100	12.6%	58 700	58 700	126 500	€16.50

*Bratislava office submarkets are shown on the last page of this report.

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT SECTOR	RSM	TYPE
Landererova 12 PC III	CBD	Public sector	5,000	new lease
Westend Gate	OC	Public sector	2,350	renegotiation
City Business Center I	CBD	Media	1,570	renegotiation
Apollo Business Center II	CBD	Manufacturing	1,540	renegotiation
City Business Center I	CBD	Consumer Goods	1,280	new lease

OFFICE SUBMARKETS



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	YoY Chg	12-Mo. Forecast
13.5% Vacancy Rate	▲	■
€14.50 Prime Rent, PSQM	▼	■
7.15% Prime Yield	▲	▼

ECONOMIC INDICATORS
Q1 2021

	YoY Chg	12-Mo. Forecast
1.0M Bucharest Employment	■	■
1.2% Bucharest Unemployment Rate	■	■
€897 Net Average Salary In Bucharest	▲	▲

Source: National Institute of Statistics

Moderate supply at the beginning of the year

In Q1 2021, two new buildings were delivered in Bucharest, namely Campus 6.2 (19,800 sq. m GLA), part of the larger Campus 6 project developed in the Politehnica (Central – West) area of the city by Skanska, and Millo Offices (9,700 sq. m GLA) in the Central submarket. The modern office stock of Bucharest will reach the 3 million sq. m threshold (excluding owner-occupier buildings) soon, as important new deliveries are expected in the following months, while the vacancy rate increased to 13.5% overall. A significant difference remains between the vacancy rates for A and B class office buildings, with A class properties recording a level of 10.7%, compared to 22.1% in B-class buildings.

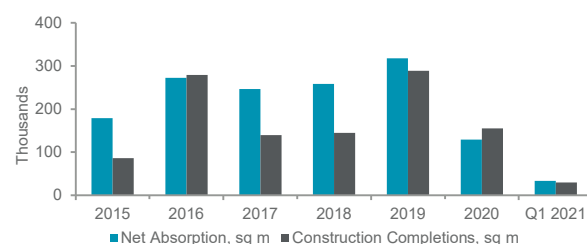
Demand shows signs of recovery

The total leasing activity in Bucharest was of 48,000 sq. m in Q1 2021, with net take-up (excluding renewals) having a robust share of 71%. Compared to Q1 2020, when Covid-19 pandemic was in early stages, demand recorded an 8.6% decrease, thus showing some initial signs of recovery. The largest transaction during Q1 2021 was a pre-lease of 11,000 sq. m signed by Wipro in Globalworth Square, an under construction project in the Floreasca – Barbu Vacarescu area. A number of large transactions are expected to be signed by the end of the year, thus we expect the yearly transactional volume to reach the 300,000 sq. m threshold.

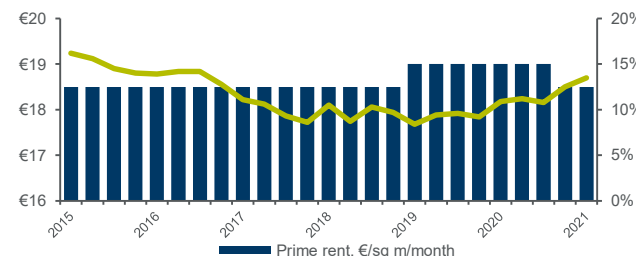
Prime rents remain stable

New projects totaling approximately 373,000 sq. m GLA are currently under construction, with a remaining pipeline of around 220,000 sq. m being announced for 2021. The most active sub-market in terms of deliveries during the following period will be Center-West, with almost 145,000 sq. m under construction (a share of 39%), while the Expozitiei, Central and Floreasca – Barbu Vacarescu submarkets will also see significant deliveries by the end of 2022. The most important developments currently under construction are One Cotroceni Park, J8 Office Park, Globalworth Square or U Center. Prime headline rents in Bucharest remained stable in Q1 2021, ranging between €18.00-18.50/ sq. m/month in the CBD area, while values of €17.50-18.00/ sq. m/month are recorded in the Center and Floreasca - Barbu Vacarescu submarkets.

SPACE DEMAND / DELIVERIES



BUCHAREST VACANCY & ASKING RENT





MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	2021 TAKE-UP (SQ M)	YTD COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (MONTH)
CBD	327,700	34,500	10.5%	5,494	5,494	-	32,300	€18.50
Center	351,700	36,200	10.3%	5,416	5,416	9,700	51,600	€18.00
Floreasca – Barbu Vacarescu	544,100	39,800	7.3%	18,486	18,486	-	48,300	€17.50
Expozitiiei	222,800	31,600	14.2%	2,264	2,264	-	73,400	€17.50
Center - West	477,100	60,800	12.7%	3,750	3,750	19,800	144,500	€15.00
North	159,800	24,100	15.1%	5,350	5,350	-	23,000	€15.00
Dimitrie Pompeiu	440,700	60,300	13.7%	4,967	4,967	-	-	€13.00
Pipera North	210,500	85,000	40.4%	2,078	2,078	-	-	€11.00
West	157,900	4,800	3.0%	-	-	-	-	€12.00
East	51,100	19,300	37.7%	-	-	-	-	€12.00
South	41,800	7,500	17.9%	-	-	-	-	€12.00
Bucharest (overall)	2,985,200	403,900	13.5%	47,805	47,805	29,500	373,100	€18.50

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSQM	TYPE
Globalworth Square	Floreasca – Barbu Vacarescu	Wipro	11,000	Pre-lease
Miro Offices	North	COS	4,000	Pre-lease
U-Center	Center	Banca Transilvania	2,800	Pre-lease
Metroffice	Dimitrie Pompeiu	Porr Romania	2,100	Renewal
One Cotroceni Park	Center - West	Conectys	2,100	Pre-lease

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KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SQM	PRICE
Bucharest Financial Plaza	Center	BCR Erste / Immofinanz	26,000	€36M

KEY CONSTRUCTION COMPLETIONS Q1 2021

PROPERTY	SUBMARKET	MAJOR TENANT	PROJECT SIZE (SQM)	OWNER / DEVELOPER
Campus 6.2	Center - West	Microsoft	19,800	Skanska
Millo Offices	Center	-	9,700	Forte Partners

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YoY Chg 12-Mo. Forecast

9.0%
Vacancy Rate



€25.00
Prime Rent, PSQM



5.20%
Prime Yield



(Overall, All Property Classes, as at 31 March 2021)
Source: Cushman & Wakefield, Budapest Research Forum

ECONOMIC INDICATORS Q1 2021

YoY Chg 12-Mo. Forecast

513.2Ths
Budapest Office
Employment (F)



Source: Moody's as at 31 March 2021

3.5%
Budapest Unemployment
Rate (F)



Source: Moody's as at 31 March 2021

4.7%
Hungary
Unemployment Rate (F)



Source: Moody's as at 31 March 2021

ECONOMY: GDP is projected to rebound by about 4.9% per year on average in 2021/2022

Following a contraction of 5.1% in 2020, the Hungarian GDP is expected to rebound this year, supported by strong fiscal and monetary stimulus. Hungary is expected to significantly benefit from the next generation EU recovery fund agreed in 2020 which will provide a stimulus to the Hungarian economy, equal to some 6.7% of GDP in the period of 2021-2025. Restrictions to contain the second and third waves of infections since autumn 2020 are delaying the recovery whereby the economy grew by only 1.4% in Q4 2020 following a robust expansion of 11.4% registered in Q3. As restrictions are gradually lifted, an effective vaccine is deployed, and global trade picks up, domestic and external demand are expected to recover from mid-2021 onwards. Office investment volumes reached Eur 200 million in the first quarter of 2021, driven by GTC's acquisition of Váci Greens D. Activity remains, and still predominated by smaller lot sizes.

SUPPLY AND DEMAND: Market activity remains stable with significant office space to be delivered

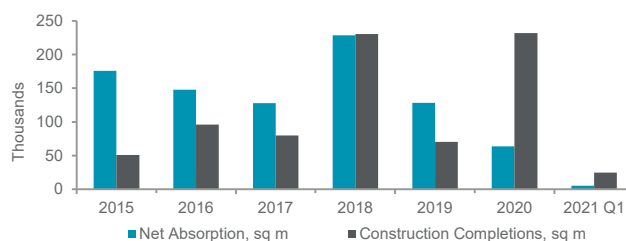
The GKI Business Sentiment Index shows further improvement and has already reached its pre-pandemic level in March 2021. The current occupier sentiment should follow this improvement in accordance with the recently announced easing of lock down measures and the forecast Budapest employment growth in 2021.

Demand in Q1 was dominated by net take-up and remained close to its pre-pandemic 5-year average, whilst pre-leases were pulled back. The net take-up has reached 37,300 sq.m while renewals amounted to 36,300 sq.m. There was one owner-occupation deal of 1,300 sq.m. A total new supply of 24,700 sq.m was delivered to the market of which only 10% was speculative space. Availabilities have slightly decreased and net absorption reached 5,240 sq.m. New supply for 2021-2022 remains constrained with a projected pipeline of 426,000 sq m and a pre-let status of 45% as at the end of the quarter. Development activity will be focused on South Buda and Central Pest submarkets in 2021.

PRICING: No decrease in headline rents but increase in incentive packages

Most occupiers are still in a "wait-and-see" mode and rethinking their future space requirement based on their home office experience. Large occupiers are requiring shorter terms in their renewal negotiations, whilst some excess space has been put on the market for sublease. Prime headline rents remained firm, yet incentive packages is expected to increase further this year.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	YTD COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (SQ M / MTH)
CBD	380 940	31 200	8.2%	5 650	5 650	0	2 730	€25.00
Central Pest	643 590	67 090	10.4%	2 090	2 090	0	66 910	€17.00
Central Buda	439 250	26 400	6.0%	9 420	9 420	0	19 320	€18.00
Non-Central Pest	530 500	59 800	11.3%	2 110	2 110	2 700	74 400	€15.00
North Buda	325 930	15 580	4.8%	3 120	3 120	0	25 500	€15.50
South Buda	458 040	39 390	8.6%	9 390	9 390	22 000	156 120	€17.00
Váci Corridor	1 026 830	77 020	7.5%	38 300	38 300	0	102 500	€17.50
Periphery	130 910	35 960	27.5%	4 820	4 820	0	0	€11.50
BUDAPEST TOTALS	3 935 990	352 440	9.0%	74 900	74 900	24 700	447 750	€25.00

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Globe 13	Váci Corridor	Confidential	11 500	Renewal
Agora Tower	Váci Corridor	Confidential	5 670	New
Green House	Váci Corridor	Confidential	5 530	Renewal
The Quadrum I	Periphery	Confidential	2 300	New

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SQ M
Váci Greens D	Váci Corridor	Skygreen Buildings / GTC Group	16 030
Róbert Irodaház	Non Central Pest	Európa Ingatlanbefektetési Alap / Confidential	9 200

KEY CONSTRUCTION COMPLETIONS 2021 Q1

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
Univerzum Office Building	South Buda	Evosoft	22 000	WING
JA4 Loft Offices	Non Central Pest	-	2 700	Griffon Property

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7.6%
Vacancy Rate

YoY Chg. 12-Mo. Forecast

€22.00
Prime Rent, PSQM

YoY Chg. 12-Mo. Forecast

3.90%
Prime Yield

YoY Chg. 12-Mo. Forecast

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

324K
Prague office-based employment

YoY Chg. 12-Mo. Forecast

3.7%
Prague Unemployment Rate

YoY Chg. 12-Mo. Forecast

4.2%
Czech Republic Unemployment Rate

YoY Chg. 12-Mo. Forecast

Source: Moody's Analytics, Czech Ministry of Labor and Social Affairs

ECONOMY: Prague's recovery will depend on the rate of the nation's vaccination efforts

As Czech Republic emerges from its third COVID-19 lockdown, its economy is at risk of a recession. While total employment in Prague managed to keep its head above water due to a rebound in essential professional/business services and construction in the fourth quarter of 2020, the service-heavy city suffered a sharp decline in GDP, opposing the national trend. Prague's massive accommodation/food service and retail industries are seeing persistent losses as a new widespread variant of COVID-19 threatens the city with the imposition of an even stricter lockdown. The city's unemployment rate rose to 3.7% in March, which still ranks among the lowest in the Czech Republic (with the average of 4.2 %).

SUPPLY AND DEMAND: The lowest level of new supply since 2016 expected to be delivered in 2021

Completions of several projects were postponed to 2021. However, the lowest volume of new supply since 2016 is expected to be added to the stock this year in Prague. A healthy level of pre-lease activity will show in Q2, and higher construction activity should renew in 2022, including long-awaited mixed-use projects Masaryčka, Port 7 and Smíchov City.

The occupational market does not seem to be affected by structural changes, but rather by the possible economic downturn, which may yet reflect in the tenants' activity. The first results from the beginning of 2021 show that while vacancy started growing, the level of demand stayed relatively high in comparison with the beginning of 2020, which was the weakest year since 2013. However, almost half of the of signed leases were renegotiated contracts. Despite the initial lack of interest, the number of sub-lease deals increased, accounting for about 4% of the total take-up in Q1. The next couple of months will see fewer new sub-lease listings, some tenants will take their premises off the market and/or will find subtenants. As a result, we expect the sub-lease space to decrease in the upcoming months.

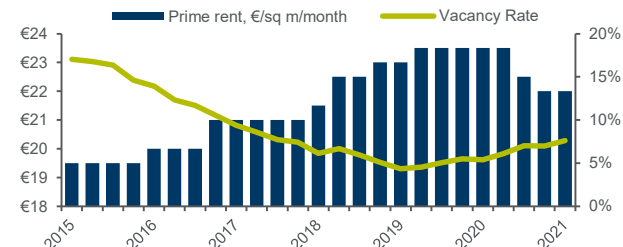
PRICING: Rental rents stable in the prime locations

The pressure on decreasing prime rents is still strong, mainly in the most sought for locations. In city centre, however, the prime rates remain relatively stable at 22.00 €/sq m/month.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

	STOCK (SQ M)	AVAILABILITY (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	YTD COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Prague 1	524,529	37,100	7.07%	10,474	10,474	1,496	41,199	22.00
Prague 2	133,978	8,267	6.17%	2,599	2,599	0	2,200	18.50
Prague 3	121,818	6,386	5.24%	1,337	1,337	0	1,718	17.00
Prague 4	964,994	59,066	6.12%	36,710	36,710	2,000	0	17.50
Prague 5	635,752	57,552	9.05%	13,020	13,020	0	17,387	16.25
Prague 6	191,869	27,884	14.53%	1,154	1,154	0	25,635	16.00
Prague 7	241,308	20,208	8.37%	11,500	11,500	0	35,544	15.00
Prague 8	579,303	34,494	5.95%	10,976	10,976	0	45,357	16.25
Prague 9	151,657	19,550	12.89%	815	815	0	30,680	13.30
Prague 10	147,420	10,048	6.82%	1,569	1,569	0	0	12.00
PRAGUE TOTALS	3,692,627	280,555	7.60%	90,153	90,153	3,496	199,720	22.00

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Gemini B	Prague 4	Novartis	14,269	Renegotiation
BB Centrum B	Prague 4	Passerinvest Flex	3,314	New occupation
Táborská 31	Prague 4	Sweco Hydroprojekt	2,861	Renegotiation
Aspira Business Centre	Prague 5	LiveSport	2,214	Expansion

KEY CONSTRUCTION COMPLETIONS 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	VACANCY RATE	OWNER/DEVELOPER
Olbrachtova 5	Prague 4	Undisclosed	2,000	0%	D+D Real
Hybernská 1	Prague 1	Undisclosed	1,496	34%	Lagerris

Source: Prague Research Forum, Cushman & Wakefield

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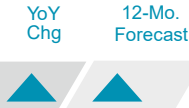
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12.9%
Vacancy Rate



16,073
Prime Rent, PSQM



€15.00
Asking Rent, PSM
(Prime Asking Rents)



ECONOMIC INDICATORS 2020

- 4.2%
Bulgaria
GDP Growth



5.1%
Bulgaria
Unemployment Rate



1.7%
Bulgaria
2020, Annual Inflation



Source: National Statistical Institute

ECONOMY: Reduced Business Activity

The Bulgarian GDP declined by 4.2% in 2020, due to the containment measures and the subdued economic activity. Business sentiments remain cautious at the beginning of the present year, reflecting the uncertainty caused by the pandemic. Although the wage support schemes underpin healthy employment rate, the demand for office space remains predictably frail, since many occupiers are unsure about their future plans. However, first signs of market recovery are expected in the second half of 2021 along with the forecasted economic upturn.

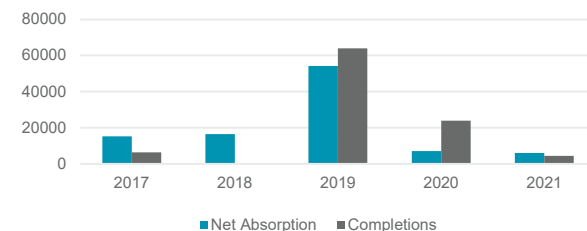
SUPPLY AND DEMAND: Smaller leases drive the market

The office market in Sofia followed the forecasts and remained slow in the first quarter of 2021, with only 16,073 sqm rented space. Compared to the 5-year average, the total volume is down by 46%. Net absorption is slightly below 6,000 sqm which indicates limited expansion activity by occupiers. The main driver in Q1 were small leases, up to 500-600 sqm, mostly relocations and renewals. Large part of inquiries come from companies in the service sector, which aim to move to better location and improve their work environment. The share of IT and BPO industry in the total take up is slightly down, since work from home remains strong trend and make some companies postpone or reconsider their expansion plans. In general, most occupiers plan to start getting back their employees in the office in the autumn. Since most of the companies continue to hire during the home office period, their teams actually grew, which is expected to support the demand of office space. On the supply side, the picture is quite similar, with only two small office building completed in the first quarter of 2021. Despite the lack of new projects, the delayed completions from 2020 keep the pipeline at 346,300 sqm. The vacancy rate remains stable at about 13%, with a noticeable trend towards tenant migration to Class A office buildings. Despite the availability of 30,800 sqm for sublease in Sofia, only single transactions are registered in this market segment at the beginning of 2021. Most occupiers are looking for stability and consistency in their office solutions, which the subleased space cannot provide.

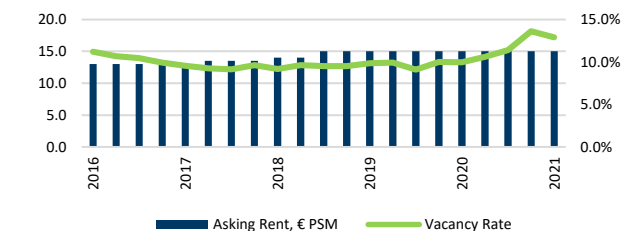
PRICING: More incentives

Despite the low leasing activity, asking rents in Sofia remain relatively stable at 15 euro/sqm for prime CBD locations and 12-14 euro/sqm for Class A projects alongside the main roads. Growing competition make landlords more prone to incentives, such as step rents, rent free periods, fit-out contributions and short term solutions. Class B office prices are under increasing pressure, with asking rents moving down to 8 euro/sqm, about 10% decrease from the previous quarters.

SPACE DEMAND / DELIVERIES Q1



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SQ M)	AVAILABILITY (SQ M)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP(SQ M)	UNDER CNSTR (SQ M)	PRIME RENT	PRIME YIELD
Sofia	2,104,789	272,057	12.9%	16,073	16,073	346,289	€15.00	7.75%
TOTAL	2,104,789	272,057	12.9%	16,073	16,073	346,289	€15.00	7.75%

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Varna Towers	Varna	Paysafe	2,700	New entry
Synergy Tower	Sofia	Robert Bosch	2,749	Prelease
NV Tower	Sofia	Proxiad Bulgaria	1,200	Prelease

KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M	OWNER / DEVELOPER
Graphite Business Center	Sofia	-	900	VAS Metal
BIA Sky Office Building	Sofia	BIA	3,500	BSK Imoti

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Office Q1 2021

ECONOMY: POLAND'S ECONOMY TO BOUNCE BACK AS EARLY AS Q2 2021

In 2020 the coronavirus pandemic pushed Poland into its first recession in 30 years with a GDP contraction of around 3.7%. In line with Moody's forecasts, implications of another wave of the pandemic reverberated through the economy also during the first quarter of 2021. The second quarter is, however, likely to see a recovery and this year's GDP growth is expected to reach approximately 4.5%. The pandemic has also had a knock-on effect on the Polish labour market - the unemployment rate stood at 6.4% at the end of 2020, up by one percentage point from the previous year. The jobless rate is, however, expected to fall by around 1.0 pp in the fourth quarter and to continue its downward trend next year.

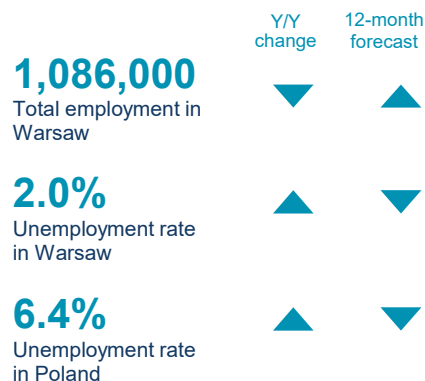
SUPPLY: WARSAW'S TOTAL OFFICE STOCK EXCEEDS 6 MILLION SQ M

In the first quarter of 2021, the total office stock in Warsaw topped 6 million sq m, with the capital's office market becoming similar in size to that of Barcelona or Vienna. The three months to March saw more than 167,100 sq m come on stream, accounting for close to 50% of the total office supply scheduled for delivery in 2021. The largest office completions include Karimpol's Skyliner (48,500 sq m), Generation Park Y built by Skanska Property Poland (44,200 sq m) and the first phase of Forest developed by HB Reavis (18,500 sq m). Warsaw's development pipeline currently stands at nearly 405,000 sq m which is due for delivery in 2021-2022. Cushman & Wakefield estimates that close to 320,000 sq m will be added to the market in 2021, followed by approximately 230,000 sq m in 2022. Given the current pandemic situation and subdued occupier activity, we expect a limited number of new projects coming onto the market in 2023-2024, which is likely to result in an undersupply in those years.



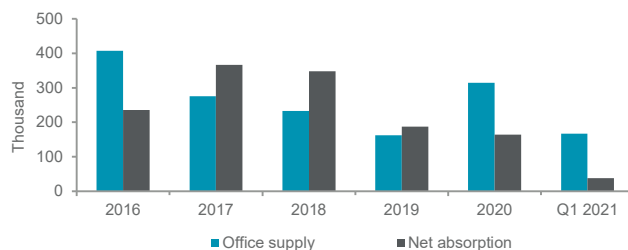
Source: Cushman & Wakefield

Economic indicators Q1 2021



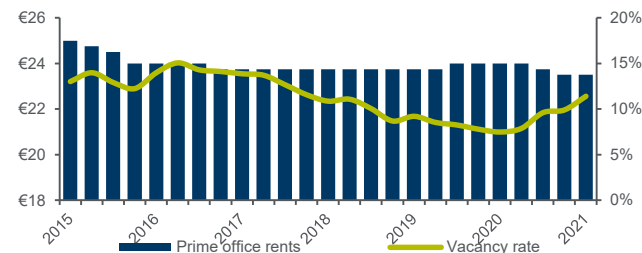
Source: Central Statistical Office (GUS)

OFFICE SUPPLY AND ABSORPTION



Source: Cushman & Wakefield

VACANCY RATE AND RENTS



Source: Cushman & Wakefield

VACANCY RATE: BUILD-UP OF NEW SUPPLY PUSHED OFFICE AVAILABILITY UP

Warsaw's vacancy rate has continued its upward trend since the second quarter of 2020, largely driven by economic uncertainty caused by the outbreak of the Covid-19 pandemic. Amid subdued occupier activity in recent quarters and a build-up of new supply in the last three months, the vacancy rate rose to 11.4%, up by 1.6 pp quarter-on-quarter and by 4.0 pp year-on-year. In absolute numbers, this translates into 691,000 sq m of unoccupied office space. Additionally, office projects completed in the first quarter were over 50% let and are likely to see space availability rates fall further in the coming quarters.

The Warsaw office market has witnessed an increase in sublease listings ever since the pandemic began. The total volume of office space for subletting is estimated to have surpassed 138,000 sq m in the first quarter of 2021, up by 30,000 sq m on the fourth quarter of 2020.

DEMAND: THE RATE OF VACCINATION WILL DETERMINE WHEN EMPLOYEES WILL RETURN TO OFFICES

Occupier activity has continued a downward trend since the onset of the pandemic. The third lockdown and economic instability caused by Covid-19 have triggered a slowdown in leasing activity which climbed to 109,300 sq m in the first quarter of 2021. Office take-up was down by 21% compared to the same period in 2020. In the first quarter of 2021, net take-up, comprising new leases and expansions, accounted for approximately 70% of all deals, a figure comparable to that recorded in the same period last year.

Future directions of travel for the office market will largely depend on how the pandemic unfolds and on the rate of vaccination. We are currently at a point where several countries are beginning to gradually return to normal thanks to massive vaccination programmes. With high vaccination rates, such countries as the US, the UK and Israel are now gradually reopening their economies while many companies are opting for a phased return to office work. In our opinion, this will provide an important incentive to resume office leasing processes that were put on hold due to the pandemic, with effects likely to be seen in late 2021 and early 2022.

RENTAL RATES: RENTS UNCHANGED SINCE LAST YEAR

Following a downward rental correction in the last 12 months, prime headline rents currently stand at EUR 23.00–25.00/sq m/month in the Centre and at EUR 13.50–16.50/sq m/month in non-central locations. Looking ahead, headline rents are expected to remain stable in the coming quarters, supported by a gradually improving pandemic situation and a recovery in leasing activity.

Warsaw market metrics

Zone	INVENTORY(SQ M)	AVAILABILITY (SQ M)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP(SQ M)	Office completions in Q1 2021	Space under construction
Central Business District	931,500	88,000	9.4%	17,900	17,900		151,200
Centre	1,658,600	112,400	13.8%	22,350	22,350	112,400	176,500
East	256,800	32,600	12.7%	14,000	14,000	17,700	14,100
Jerozolimskie	747,400	64,100	8.6%	7,200	7,200		
Mokotów	1,452,900	209,100	14.4%	33,000	33,000	28,900	39,300
North	120,200	6,700	5.6%	1,400	1,400		
Puławska	200,600	10,600	5.3%	350	350		7,000
Ursynów, Wilanów	126,600	4,900	3.8%	900	900		
West	252,400	17,700	7.0%	5,200	5,200		2,900
Żwirki i Wigury	296,300	29,200	9.9%	7,000	7,000		
Warsaw	6,043,300	691,600	11.4%	109,300	109,300	167,100	405,500

All spatial data are in square metres

KEY OCCUPIER TRANSACTIONS IN Q1 2021

Building	Zone	Tenant	Area (SQ M)	Lease type
Fabryka PZO	East	Warsaw Transport Authority	9,000	Pre-let
Atrium II	CBD	Credit Suisse	7,500	Renegotiation
Wiśniowy Business Park E	Żwirki i Wigury	Royal Bank of Scotland	5,700	Renegotiation
Villa Offices	Centre West	Confidential	4,000	New lease

KEY INVESTMENT TRANSACTIONS IN Q1 2021

Building	Zone	Seller/Buyer	Area (sq m)
Villa Offices	Centre	KGAL / Echo Investment	16,700
Spark B	Centre	Stena / Skanska Property Poland	18,700

LARGEST OFFICE COMPLETIONS IN Q1 2021

Building	Zone	Anchor tenant	Area (SQ M)	Developer
Skyliner	City Centre West	MicroStrategy	48,500	Karimpol
Generation Park Y	City Centre West	PZU	44,200	Skanska Property Poland
Forest I	City Centre West	Leroy Merlin	19,700	HB Reavis

Source: Cushman & Wakefield

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ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

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