

MARKETBEAT

# CENTRAL EUROPE

Office Q4 2021



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Bratislava (SK)

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Bucharest (RO)

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Budapest (HU)

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Prague (CZ)

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Sofia (BG)

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Warsaw (PL)



**11.70%**  
Vacancy Rate

YoY  
Chg

12-Mo.  
Forecast



**€16.50**  
Prime Rent, PSM



**5.25%**  
Prime Yield



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

## ECONOMIC INDICATORS Q4 2021

**143,400**

Bratislava Region  
Employment

QoQ  
Chg



**3.8%**

Bratislava Region  
Unemployment Rate



**7.4%**

Slovakia  
Unemployment Rate



*Source: ÚPSVaR, Moody's*

## ECONOMY: Supply-Side Shortfalls and Rising Prices Take Over as the Main Themes of the Quarter

The end of the year was marked by rising prices resulting from supply-side shortfalls, which affected not only production but also the transport of goods. The acute shortage of components has reduced the production of the automotive industry by almost a third, which has a negative impact on exports and economic growth forecasts. According to the National Bank of Slovakia, the situation in chip imports should stabilize by the end of 2022, which would help exports and compensate producers for losses from previous periods. The situation is also aggravated by the shortage of skilled workers, but the reopening of the economy drives the growth of total employment. Accelerating price growth caused a decline in real household incomes at the end of the year, pushing consumers to use mainly their accumulated savings for spending. However, strong wage growth continues, especially in industry and services due to the need to attract new workers. The favourable development of the domestic part of the economy helped tax revenues. Bratislava's office-using industries should continue to provide a steady stream of well-paying jobs mainly from the tech sector. These high-wage jobs will have important downstream effects on local consumer-driven industries.

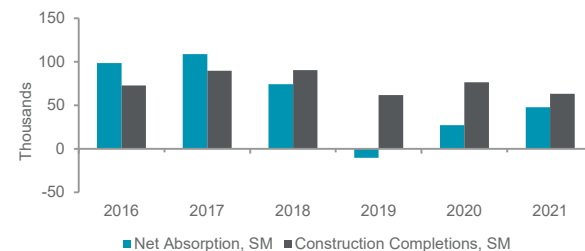
## SUPPLY & DEMAND: Office Market Saw One of the Strongest Quarters Yet as Take-up Soared

In the fourth quarter, take-up hit record high with the total leased amount of 97,900 sq m, representing an impressive year-on-year growth of 49.7%. Public sector took lead in the office demand in Bratislava as a significant new lease was signed in Tower 115, representing 21,500 sq m out of the total 53,300 sq m of new leases signed. Additionally, 23 other deals exceeded 1,000 sq m. New leases have surpassed renegotiations for the fifth quarter in a row, supporting the trend of occupiers seeking newly built office buildings in order to relocate. As a result of these relocations, which happened at the expense of the previous generation's projects, we expect developers to refocus on leasing these secondhand office spaces in the upcoming year. Bratislava saw the completion of one new project in the fourth quarter, Galvaniho V, which increased the total stock by 15,900 sq m. Total occupied space grew by 26,700 sq m, the most in the last three years with absorption surpassing new supply. As a result, the three-year trend of rising vacancy rate has reversed as the fourth quarter recorded a modest decrease to 11.7%. All of this indicates one of the strongest quarters we have seen recently in all indicators.

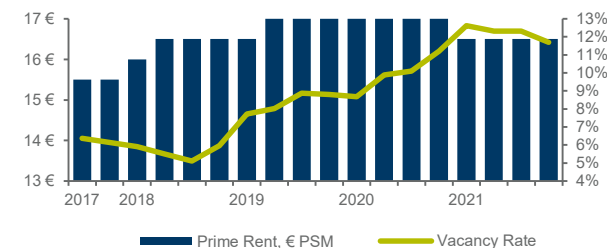
## PRICING: Investors Increasingly Demand Income Security, Yields Remain in a Downtrend

Prime rent remained stable at 16.50 euros per sq m per month as occupiers, whose business thrived during the pandemic, looked for modern office space in prime locations. Recently closed and ongoing transactions in this sector confirm the narrowing of prime yield which reached 5.25% and we expect further yield compression during 2022. Investors increasingly demand income security, so a product with long WAULT and high occupancy is especially attractive in a tenant's market.

## SPACE DEMAND & DELIVERIES



## OVERALL VACANCY & PRIME RENT





## MARKET STATISTICS

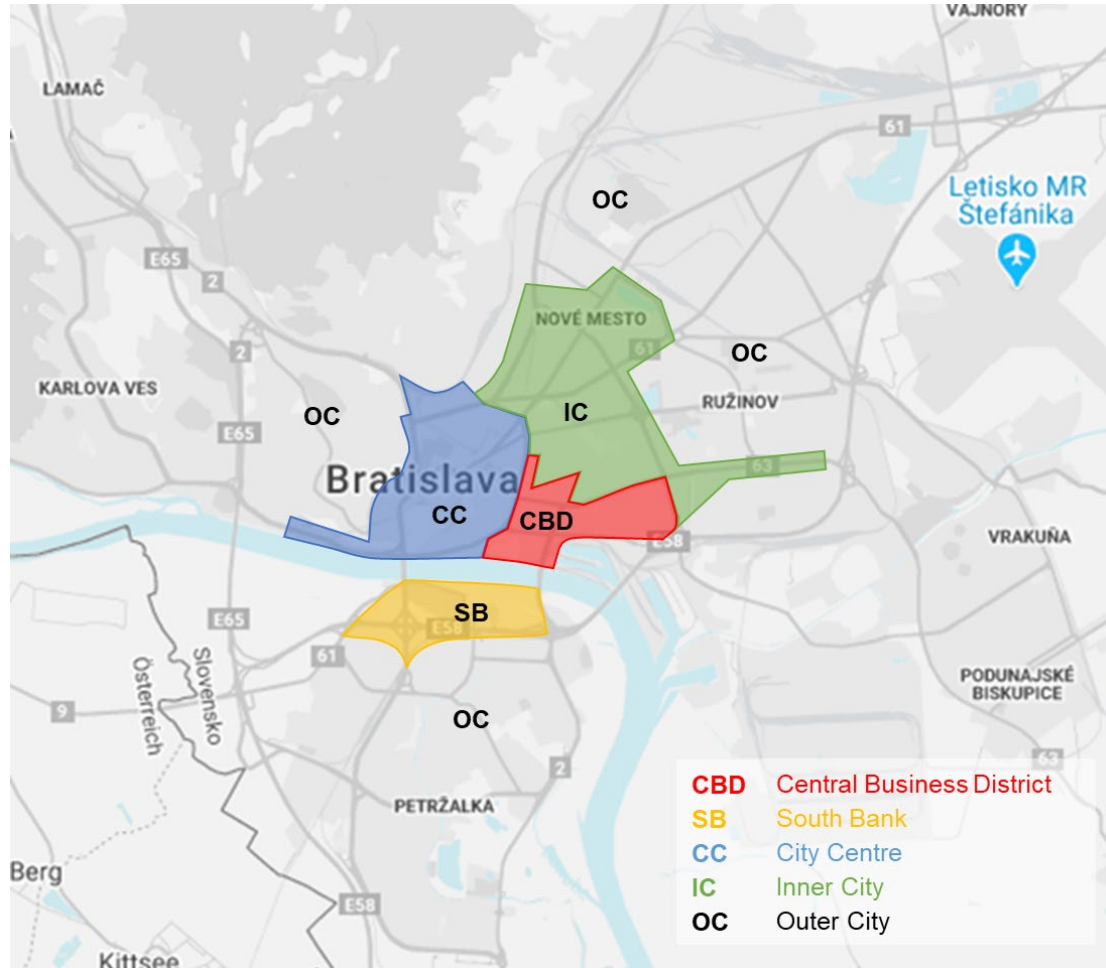
SUBMARKET*	INVENTORY (SM)	AVAILABILITY (SM)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP (SM)	UNDER CONSTRUCTION (SQ.M)	PRIME RENT
CC	493,700	31,300	6.3%	4,900	21,100	0	€16.50
IC	301,900	32,600	10.8%	18,200	30,600	24,700	€14.00
OC	415,600	59,300	14.3%	5,500	23,500	0	€11.50
CBD	620,600	81,800	13.2%	47,200	131,100	122,800	€16.50
SB	162,400	28,300	17.4%	22,200	31,300	0	€14.50
<b>Grand Total</b>	<b>1,994,200</b>	<b>233,300</b>	<b>11.7%</b>	<b>97,900</b>	<b>237,500</b>	<b>147,400</b>	<b>€16.50</b>

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

## KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT SECTOR	RSM	TYPE
Tower 115	CBD	Public sector	21,500	new lease
Sky Park	CBD	IT	6,900	new lease
Rozadol komplex	IC	Public sector	4,400	new lease
Digital Park II+III	SB	Consumer goods	3,900	renegotiation
Digital Park II+III	SB	Pharma/Medical	3,100	renegotiation

OFFICE SUBMARKETS



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**14.9%**  
Vacancy Rate

YoY Chg



12-Mo. Forecast



**€18.50**  
Prime Rent, PSQM



**6.50%**  
Prime Yield



**ECONOMIC INDICATORS Q4 2021**

**248,070**

Bucharest Employment

YoY Chg



12-Mo. Forecast



**3.0%**

Bucharest Unemployment Rate



**€932**

Net Average Salary In Bucharest



Source: National Institute of Statistics, Moody's

**Two new buildings delivered in Q4**

In Q4 2021, there have been two new office buildings delivered in Bucharest, namely the first phase of the One Cotroceni Park mixed-use project (46,000 sq. m GLA) and Miro Offices (22,900 sq. m GLA), thus bringing the total new supply in 2021 at 244,300 sq. m, corresponding to an increase of 57% when compared with 2020. Therefore, the office stock in Bucharest reached 3.19 million sq. m (excluding owner-occupier buildings), as the vacancy rate has slightly increased to 14.9%. However, there is still a wide gap pertaining to A and B class office buildings, with vacancy rates of 12.5% and 23% for A and B-class offices respectively.

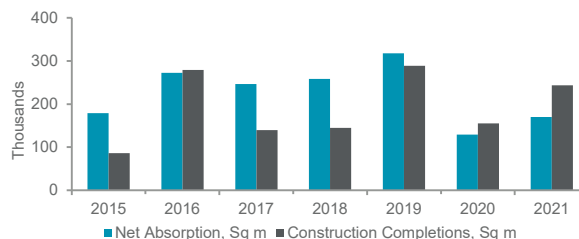
**Consistent demand during the year**

A total leasing activity of 85,400 sq. m has been recorded in Q4 2021, thus bringing the total demand for 2021 to 298,300 sq. m, up 26% compared with 2020. Net take-up (excluding renewals) had an yearly share of 57%, a higher level than in the previous year (54%). The most active tenants in 2021 came from the T&T (31% market share of the total take-up), Medical & Pharma (14%) and Manufacturing / Industrial (7%). Taking into account the existing pipeline and the absorption potential of the currently available office spaces, there is a strong indication that yearly take-up volumes in excess of 300,000 sq. m will be the norm during the next 4-5 years.

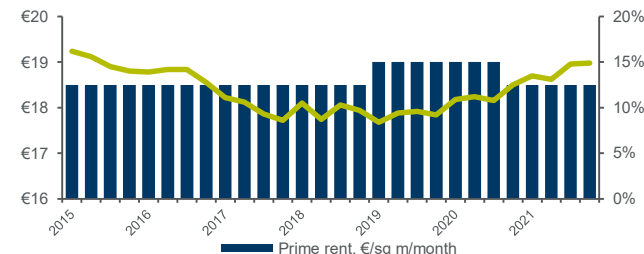
**Slightly reduced pipeline for 2022 - 2023**

New office buildings totaling around 224,000 sq. m are currently under construction and are expected to be delivered in 2022 and 2023, a slightly reduced pipeline when compared with the 2020 – 2021 period. @Expo by Atenor, One Cotroceni Park II, Sema Parc, AFI Tech Park II or Equilibrium II are some of the most important deliveries announced for the following two years. In regards to the prime headline rents in Bucharest, they remained remained stable in Q4, ranging between €18.00-18.50/ sq. m/month in the CBD area, while values of €17.00-18.00/ sq. m/month are recorded in the Center and Floreasca - Barbu Vacarescu submarkets, as a small rental increase is expected in the CBD area by the end of 2022.

**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	360,500	38,400	10.7%	16,163	48,127	31,500	-	€18.50
Center	384,500	40,000	10.4%	12,798	28,613	41,700	56,300	€18.00
Floreasca – Barbu Vacarescu	569,700	60,000	10.5%	20,585	53,426	28,400	19,900	€17.50
Expozitiiei	268,800	57,600	21.4%	11,237	42,236	46,000	56,000	€17.50
Center - West	523,100	72,500	13.9%	8,762	35,044	65,800	91,500	€15.00
North	182,700	44,000	24.1%	2,879	14,637	22,900	-	€15.00
Dimitrie Pompeiu	440,700	44,700	10.1%	592	42,542	-	-	€13.00
Pipera North	210,500	84,200	40.0%	10,318	17,733	-	-	€11.00
West	165,900	11,500	7.0%	600	12,212	8,000	-	€12.00
East	51,100	17,700	34.6%	1,422	3,560	-	-	€12.00
South	41,800	6,300	15.1%	-	162	-	-	€12.00
<b>Bucharest (overall)</b>	<b>3,199,300</b>	<b>476,900</b>	<b>14.9%</b>	<b>85,356</b>	<b>298,292</b>	<b>244,300</b>	<b>223,700</b>	<b>€18.50</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSQM	TYPE
Global City	Pipera North	Michelin	7,800	Renewal
Matei Millo Offices	Center	Estee Lauder	5,400	New lease
Premium Plaza	CBD	Webhelp	4,800	Renewal + Expansion
Riverview	Center - West	PTC	4,800	Renewal + Expansion

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## KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SQM	PRICE
Dacia One	CBD	Atenor Group/ Dedeman	15,000	€50M

## KEY CONSTRUCTION COMPLETIONS Q4 2021

PROPERTY	SUBMARKET	PROJECT SIZE (SQM)	OWNER / DEVELOPER
One Cotroceni Park I	Center - West	46,000	One United
Miro Offices	North	22,900	Speedwell

YoY Chg      12-Mo. Forecast

**9.2%**  
Vacancy Rate



**€24.50**  
Prime Rent, Sq m/month



**4.75%**  
Prime Yield



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

## ECONOMIC INDICATORS Q4 2021

YoY Chg      12-Mo. Forecast

**565,130**  
Budapest Office Employment (F)



Source: Moody's as at 31 December 2021

**2.90%**  
Budapest Unemployment Rate (F)



Source: Moody's as at 31 December 2021

**3.78%**  
Hungary Unemployment Rate (F)



Source: Moody's as at 23 February 2022

## ECONOMY: GDP is projected to rebound by 7.9% in 2021 and 5.5% in 2022 respectively

The Hungarian economy is on its way to recovery from the pandemic-induced recession. Moody's Analytics estimate that GDP growth decelerated in Q3 2021 following two strong quarters as the boost from reopening measures ran its course. Office employment in Budapest has showed resilience in 2021, steadily expanding by 5% y-o-y in the last two years and indicating a trend which is expected to continue in 2022 and beyond. Inflation is above the National Bank's target and in order to curb inflation pressures and limit currency stress, an accelerated pace of base rate hikes have been executed and the key monetary policy rate now sits at 2.9%. The GKI Business Sentiment Index shows optimism in the business sector with the index reaching 2.5-year peak in November 2021. 2021 investment volume has reached EUR 1.13 billion with offices continuing to be the dominant sector, delivering 74% of the market. GTC's acquisitions account for over 29%, and other significant transactions such as Union Investment's acquisition of Szervita Square or S-Immo's acquisition of BudaPart Gate illustrate Hungary's strong performance.

## SUPPLY AND DEMAND: Increased market activity with significant office space to be delivered

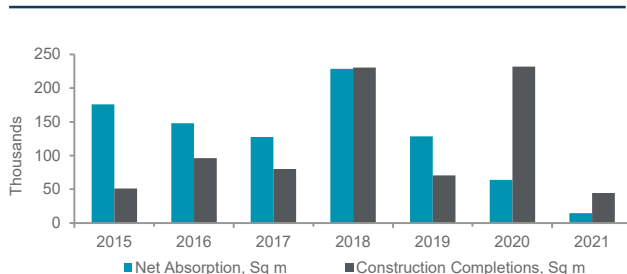
Demand in Q4 has reached its highest level since the appearance of the Covid – 19 pandemic, and equaled 111,370 sq m. Overall 2021 demand has reached 365,780 sq m, showing the signs of recovery with an increase of 8.5% y-o-y. Budapest's proximity to WE's developed economies will attract office-using industries, its concentration in finance and banking with new IT centres will be an advantage going forward. Net take-up was most dominant in 2021 with a share of 59% from total demand. Pre-leases had a reduced share compared to previous years, indicating the impact of improved new supply planned to arrive in 2022/2023. Vacancy rate stands at 9.2% as at the end of 2021.

In Q4 there were no new completions, as most projects planned to be delivered in 2021, were pushed to the first half of 2022. The end year completions amounted to 44,460 sq m in 2021, and the 2022 pipeline includes 368,080 sq m of new space in 19 schemes. If all deliver, new supply would mark a new record level.

## PRICING: Headlinerents remain firm in Q4

Albeit prime headline rents have remained firm compared to the last quarter, are likely to grow due to rising cost of construction. Prime rents currently stand at EUR 24.50/ month in the CBD and at EUR 17.50/ month in the Váci Corridor.

## 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	35 530	9,3%	4 320	31 760	0	2 730	€24.50
Central Pest	643 590	79 280	12,3%	12 570	55 730	0	169 520	€17.00
Central Buda	439 250	24 300	5,5%	14 540	40 950	0	54 920	€17.50
Non-Central Pest	530 500	57 120	10,8%	3 430	31 190	2 700	73 290	€14.50
North Buda	325 930	19 660	6,0%	9 170	16 530	0	15 000	€15.50
South Buda	477 800	45 770	9,6%	24 580	49 120	41 760	137 050	€17.00
Váci Corridor	1 026 830	60 720	5,9%	37 260	122 410	0	112 930	€17.50
Periphery	130 730	40 700	31,1%	5 500	18 090	0	0	€11.00
<b>BUDAPEST TOTALS</b>	<b>3 955 570</b>	<b>363 080</b>	<b>9,2%</b>	<b>111 370</b>	<b>365 780</b>	<b>44 460</b>	<b>565 440</b>	<b>€24.50</b>

## KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Center Point	Váci Corridor	KEF	16 000	Renewal + Expansion
Office Garden IV	South Buda	Confidential	5 250	Pre-lease
Office Garden III	South Buda	Confidential	4 500	Renewal
Nordic Light	Váci Corridor	Schneider Electric	3 980	Renewal

## KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SQ M
Infopark portfolio	South Buda	WING / Local investor	47 600
BudaPart Gate	South Buda	Property Market / S-IMMO AG	18 160
Szervita Square	CBD	Horizon Development / Union Investment RE	11 600

## KEY CONSTRUCTION COMPLETIONS 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
Univerzum Office Building	South Buda	Evosoft	22 000	WNG
BudaPart City	South Buda	Bayer	19 760	Property Market
JA4 Loft Offices	Váci Corridor	-	2 700	Grifon Property

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**7.8%**  
Vacancy Rate

YoY Chg. 12-Mo. Forecast



**€23.00**  
Prime Rent, Sq m/month



**4.0%**  
Prime Yield



(Overall, All Property Classes)

**ECONOMIC INDICATORS Q4 2021**

**330K**  
Prague office-based employment

YoY Chg. 12-Mo. Forecast



**1.9%**  
Prague Unemployment Rate



**2.6%**  
Czech Republic Unemployment Rate



Source: Moody's Analytics

**ECONOMY: The recovery of the Czech economy is proceeding slower than expected**

The rebound of the Czech economy from the pandemic-induced recession was not as strong as expected, with quarterly increases well below 2%. The primary drag in expenditures was net exports, which decreased dramatically, so much so that they turned negative for the first time in almost two decades. This is a reflection of global supply-side issues, which have weighed on the industrial sector and especially the auto sector, which is extensive and firmly focused on exports. Global factors have also played a significant role in the recent spike in inflation, which reached nearly 7% in Q4, but domestic price pressures are also substantial. The central bank has responded with rapid tightening, increasing the policy rates by 3.0 percentage points since August. The labour market in the Czech Republic remained relatively healthy during the worst of the pandemic. As a result, the unemployment rate increased by only a tiny amount and is still the lowest in the EU.

**SUPPLY AND DEMAND: The demand revived in the second year of the pandemic**

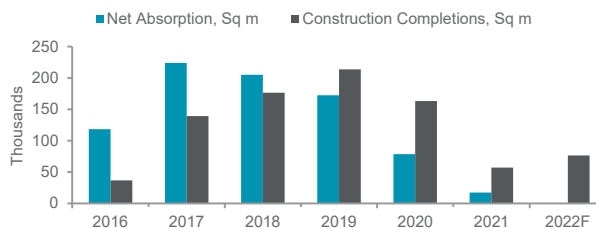
The new office supply was the lowest in 2021 compared to the last five years, as the ongoing pandemic forced both office developers and tenants to postpone their decisions. The development activity had been negatively affected before the Covid-19 crisis due to the rising construction costs, and recently the sector has been facing a severe lack of workers. As a result, the pipeline for 2022 remains below average, while most of the projects currently under construction should be completed in 2023.

Demand for offices increased by 6% y-o-y, although it remains below the pre-pandemic level. The period of extensive work from home seems to be over, as companies realize the importance of an office as a workspace. Many firms also left the strategy of sub-leasing the free space within their offices. The vacancy rate growth halted in the end of 2021, but it remains relatively high.

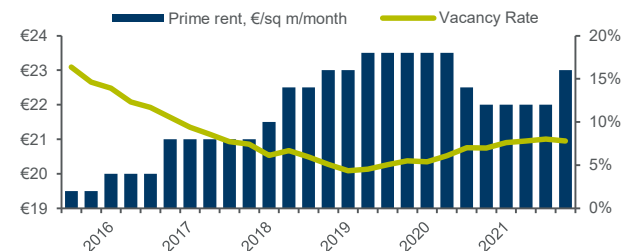
**PRICING: Rental increase accompanies the growing demand for offices**

The prime headline rents reached €23.00 per sq m per month in the city centre at the end of 2021. They kept stable in the inner-city locations (€16.00) but decreased slightly in the outer city (€13.90). Rising construction costs are also reflected in fit-out contributions and other incentives.

**SPACE DEMAND / DELIVERIES**



**OVERALL VACANCY & PRIMER RENT**



MARKET STATISTICS

SUBMARKET	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	524,124	38,351	7.3%	14,712	51,769	1,496	37,557	23.00
Prague 2	128,978	9,766	7.6%	2,592	15,449			18.50
Prague 3	123,536	18,430	14.9%	2,030	6,341	1,718		17.00
Prague 4	964,994	71,372	7.4%	26,255	85,782	2,000	21,500	17.50
Prague 5	635,249	51,205	8.1%	18,924	67,262	2,000	42,959	16.25
Prague 6	217,253	21,119	9.7%	6,379	26,725	25,384	-	16.00
Prague 7	244,839	11,769	4.8%	11,326	39,681	3,531	31,439	15.00
Prague 8	599,930	41,045	6.8%	20,656	71,297	20,627	38,864	16.25
Prague 9	144,357	21,004	14.6%	3,033	18,731		24,352	13.30
Prague 10	147,420	8,600	5.8%	937	4,021		-	12.00
<b>PRAGUE TOTALS</b>	<b>3,730,679</b>	<b>292,661</b>	<b>7.8%</b>	<b>106,844</b>	<b>387,058</b>	<b>56,756</b>	<b>196,671</b>	<b>23.00</b>

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
BB Centrum office Park (villas)	Prague 4	Thales DIS Czech Republic s.r.o.	4,362	Renegotiation
PORT 7 - A	Prague 7	Direct Pojišťovna	4,225	Pre-lease
PORT 7 - E	Prague 7	Scott.Weber Workspace	3,800	New occupation
River Garden II & III	Prague 8	STRV	3,491	Renegotiation

KEY CONSTRUCTION COMPLETIONS 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	VACANCY RATE	OWNER/DEVELOPER
Bořislavka	Prague 6	Undisclosed	25,400	0%	KKCG
Mississippi House	Prague 8	Adastra	13,300	18%	CA Immo
Missouri Park	Prague 8	Allen&Overy	7,300	60%	CA Immo

Source: Prague Research Forum, Cushman & Wakefield

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**16.8%**  
Vacancy Rate



**46,328**  
Take-Up sqm



**€15.00**  
Asking Rent, PSM

(Prime Asking Rents)



## ECONOMIC INDICATORS Q3 2021

**2.77%**  
Bulgaria  
GDP Growth



**7.86%**  
Bulgaria  
Unemployment Rate



**299,260**  
Sofia  
Office based employment



Source: National Statistical Institute, Moody's

## ECONOMY: Rising inflation

The Bulgarian economy experienced a fragile recovery, with moderate growth and rising inflation in the fall of 2021. The increase of GDP in the third quarter was 4.6% which was the lowest rate among the EU countries. Inflation continued to accelerate, reaching 7.8% y-o-y in December as a result of the galloping global energy and fuel prices. The increase of consumer prices peaked to 10-year maximum, reflecting the rising transport, utilities and food costs. Since the inflation suppresses private consumption, it is expected that the economic performance in 2022 will depend to a much greater extent on public investments compared to the previous years.

## SUPPLY AND DEMAND: Decreasing pipeline

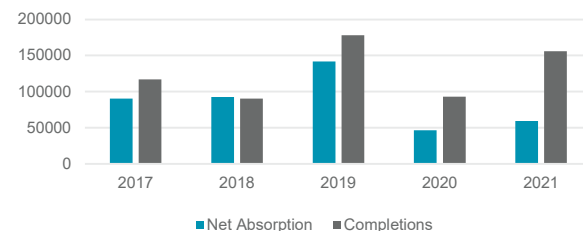
The Sofia office market ended 2021 with another increase of the vacant space, fueled mostly by the Class B segment. The available units reached 16.8% of the total supply in the last quarter, following a year of gradual increase. The rising vacancy reflects the continuing trend towards space consolidations and tenant migration to higher class office buildings. However, the share of available space is growing in the conditions of rapidly increasing supply and is expected to subside with the market rebalancing. Despite the high volume of completions - 155,700 sqm in 2021, the last quarter contributed only 12,900 sqm of new office space. Due to the tight tenant market, some deliveries were pushed over to the new year. In the meantime, development activity continued to diminish. The office pipeline dropped to its five-year low in the last quarter of 2021, with only 190,355 sqm under construction. Opposed to the high rate of completions, few projects started over the year.

The leasing market remains driven by renewals and relocations, while expansions and new business keep moderate share. The last quarter of 2021 registered 46,328 sqm of take up in Sofia and 153,991 sqm for the total year. These figures are more optimistic compared to 2020 (107,382 sqm), although far below 2019 (175,832 sqm). Net absorption remains low, with only a 15,976 sqm increase of the physically occupied space in the last quarter of 2021.

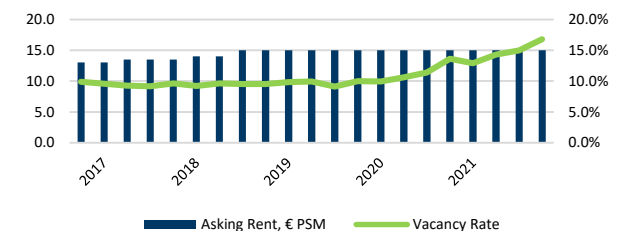
## PRICING: Stable Rents

The prime office segment in Sofia demonstrates stable performance. Asking rents remain 15 euro/sqm in CBD and 12-14 euro/sqm alongside main roads. Prices of the lower-class buildings are under pressure. Yields in the prime segment gravitate around 7.5%.

## SPACE DEMAND / DELIVERIES 2021



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (\$M)	AVAILABILITY (\$M)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP(\$M)	UNDER CNSTR (\$M)	PRIME RENT*	PRIME YIELD
Sofia	2,242,278	376,882	16.80%	46,328	153,991	190,861	€15.00	7.5%
<b>TOTAL</b>	<b>2,242,278</b>	<b>376,882</b>	<b>16.80%</b>	<b>46,328</b>	<b>153,991</b>	<b>190,861</b>	<b>€15.00</b>	<b>7.5%</b>

\*Rental rates reflect asking rents

## KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSM	TYPE
Garitage Park – Building 4	Sofia	Coca Cola	9,350	relocation
Serdika Offices	Sofia	Swixx Biopharma	650	newcomer
Sopharma Business Tower	Sofia	Liebherr Hausgerte	350	expansion
Megapark	Sofia	Huawei	1,650	renewal

## KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SM	OWNER / DEVELOPER
Synergy Tower	Sofia	Bosch Engineering Center	32,166	BREF REIT
Park Lane Office Center	Sofia	SAP, Allianz Bulgaria Holding	20,900	Parklane Development
NV Tower	Sofia	Acronis, Global Foundries	19,760	Minstroy Holding
Garitage Park – Building 4	Sofia	Coca Cola	19,600	Garitage Investment Management
Obsidian Building	Sofia	EnduroSat	3,000	Kristian-Neiko

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# MARKETBEAT WARSAW



Office Q4 2021

**12.7%**

Vacancy rate

YoY  
change



12-month  
forecast



**€23.0–25.0**

Prime headline rents



**4.50%**

Prime office yields in Warsaw



Source: Cushman & Wakefield

## Economic indicators Q4 2021

**488,180**

Total employment in  
Warsaw

YoY  
change



12-month  
forecast



**3.07%**

Unemployment rate  
in Warsaw



**4.26%**

Unemployment rate  
in Poland



Source: Central Statistical Office (GUS),  
Moody's

## ECONOMY: RISING INFLATION IS EXPECTED TO REMAIN ONE OF THE KEY FACTORS IMPACTING THE OFFICE MARKET IN 2022

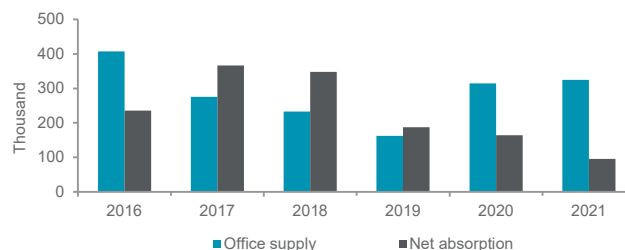
According to data from the Central Statistical Office (GUS), Poland's GDP grew by 5.7% in 2021 relative to 2020. Meanwhile, inflation accelerated significantly throughout 2021 and reached 8.6% in December 2021, its highest level since 2000. High inflation means above all higher office construction and fit-out costs and rising service charges whose key components include soaring energy bills, utility charges and labour costs.

## SUPPLY: ALL THE OFFICE PROJECTS COMMENCED IN THE PRE-COVID-19 ENVIRONMENT ARE EXPECTED TO COMPLETE BY THE END OF 2022

Over 324,000 sq m of office space came on stream in 2021, bringing the total stock in Warsaw to more than 6.15 million sq m. The largest completions included Ghelamco's Warsaw Unit (56,400 sq m), Karimpol's Skyliner (48,500 sq m) and Generation Park Y developed by Skanska Property Poland (44,200 sq m). At the end of 2021, Warsaw's development pipeline scheduled for delivery in 2022-2024 comprised approximately 308,000 sq m, the lowest volume under construction since 2009.

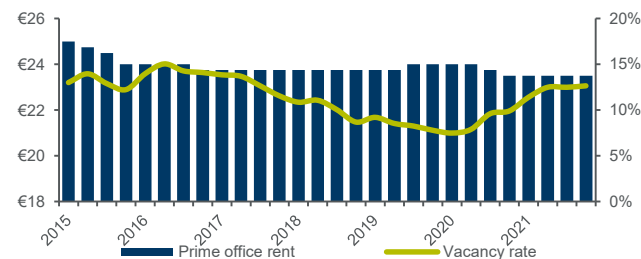
Cushman & Wakefield estimates that 2022's completions will total around 220,000 sq m, a substantial proportion of which is in projects commenced before the outbreak of the Covid-19 pandemic. With fewer office buildings coming onto the Warsaw market since March 2020, new office supply is likely to be significantly constrained and the expected undersupply to carry into 2025. Some developers are, however, stepping up project planning in order to take advantage of less competition. On the back of the improving market sentiment, new speculative projects are expected to be announced in the next 12 months, with a high level of development activity to be seen in the largest office zones, including the Central Business District, Centre West and Mokotów.

## OFFICE SUPPLY AND ABSORPTION



Source: Cushman & Wakefield

## VACANCY RATE AND RENTS



Source: Cushman & Wakefield

### VACANCY RATE: OFFICE AVAILABILITY IS EXPECTED TO FALL GRADUALLY IN 2022

Warsaw's vacancy rate continued to trend upwards since the second quarter of 2020, largely driven by the economic uncertainty caused by the outbreak of the pandemic. The muted occupier activity in recent quarters and the build-up of new supply pushed the vacancy rate up to 12.7%, representing an increase of 2.8 pp year-on-year.

In absolute numbers, this relatively high vacancy rate translates into 778,400 sq m of unoccupied office space. Office availability is expected to fall gradually over the next 12 months amid an uptick in leasing activity, especially by large tenants.

Additionally, it is worth noting that office projects completed in 2021 are over 94% let, which is confirmation of the healthy market fundamentals at a time of heightened economic uncertainty. Relatively robust demand for new space was reported particularly by occupiers opening their first offices in Warsaw and tenants looking for large offices for business consolidation.

### DEMAND: A RECOVERY IN OCCUPIER ACTIVITY

Office demand was weaker between Q1 2020 and Q2 2021 than in the same period 12 months earlier. The downward trend in leasing activity reversed in Q3 2021, for the first time in 18 months, with gross office take-up reaching 250,800 sq m in Q4 2021, close to its pre-pandemic figure. Total occupier activity in 2021 hit 646,500 sq m, representing an over 7% increase on 2020.

In 2021, net take-up comprising new leases and expansions accounted for approximately 55% of all deals, down by 4 percentage points compared to 2020.

On the plus side, office demand in 2021 was driven, among other things, by increasingly active state-owned companies and government bodies and the stable influx of new organisations from the business services sector and tech companies opening their offices in Warsaw.

According to preliminary estimates, office leasing activity in 2022 is expected to maintain the gradual upward trend, which began in the second half of 2021.

### RENTAL RATES: OFFICE RENTS REMAIN UNCHANGED SINCE 2020

Following a downward correction in 2020, prime headline rents stand at EUR 23.00–25.00/sq m/month in the Centre and EUR 13.50–16.50/sq m/month in non-central locations. Looking ahead, headline rents are expected to hold firm as lease incentives are scaled down due to rising office construction and fit-out costs.



## Market statistics

Zone	Total office stock	Availability	Vacancy rate	Gross take-up in Q4 2021	Gross take-up in 2021	Office deliveries in 2021	Space under construction
Central Business District	971,500	138,900	14.3%	63,000	155,100	49,500	103,200
Centre	1,712,900	208,400	12.2%	95,800	229,900	205,500	142,000
East	268,900	26,300	9.8%	2,350	25,300	29,850	1,600
Jerozolimskie	747,400	76,600	10.3%	26,100	54,100	0	0
Mokotów	1,451,400	254,300	17.5%	48,300	124,500	28,900	39,300
North	120,150	6,400	5.3%	1,850	3,900	0	0
Puławska	200,550	13,000	6.5%	700	3,600	8,000	7,000
Ursynów, Wilanów	126,600	5,000	3.9%	1,200	5,000	0	0
West	255,250	20,850	8.2%	8,900	16,300	2,800	0
Żwirki i Wigury	296,300	28,700	9.7%	2,600	28,850	0	14,600
<b>Warsaw</b>	<b>6,150,950</b>	<b>778,450</b>	<b>12.5%</b>	<b>250,800</b>	<b>646,550</b>	<b>324,550</b>	<b>307,700</b>

All space data in square metres

## KEY OCCUPIER TRANSACTIONS IN Q1-Q4 2021

Building	Zone	Tenant	Area (sq m)	Lease type
Postępu 14	Mokotów	AstraZeneca	20,800	Renegotiation
Senator	Centre	Confidential	20,600	Renegotiation
Varso Tower	CBD	Confidential	15,000	Pre-let
Atrium Garden	CBD	Confidential	13,900	Renegotiation

## KEY INVESTMENT TRANSACTIONS IN Q1-Q4 2021

Building	Zone	Seller/Buyer	Area (sq m)
Metropolitan	Centre	Morgan Stanley / DWS	38,300
Villa Offices	Centre	KGAL / Echo Investment	16,700

## LARGEST OFFICE COMPLETIONS IN Q1-Q4 2021

Building	Zone	Anchor tenant	Area (sq m)	Developer
Warsaw Unit	City Centre West	Warta	56 400	Ghelamco
Skyliner	City Centre West	MicroStrategy	48 500	Karimpol
Generation Park Y	City Centre West	PZU	44 200	Skanska Property Poland

Source: Cushman & Wakefield

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