MARKET IN MINUTES
Savills Research

Poland – January 2025

Warsaw Office Market

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Poland & Warsaw key economic indicators

2024: **3.6%**
2025: **4.4%** (f)
Inflation in Poland

Poland: **2.3%**
Warsaw: **3.0%**
GDP growth
2024 (f)

Poland: **3.0%**
Warsaw: **1.2%**
Unemployment rate
2024 (f)

Poland: **8,478**
Warsaw: **9,940**
Average salary
in 2024 (PLN)

Source: Oxford Economics, Statistics Poland

Economic overview

Solid GDP growth in Warsaw in 2024 and 2025 at 3.0% and 4.5% respectively

Warsaw's GDP is expected to record a solid growth in 2024. According to forecasts by Oxford Economics (OE), the economy will expand by 3% (compared to a 2.3% increase in Poland's GDP and only 0.8% in the eurozone). Forecasts for 2025 are even more optimistic, with growth projected at 4.5% in Warsaw and 3.3% in Poland. In comparison, the eurozone is expected to increase its economy by only 1.2% during this period.

Poland has one of the lowest unemployment rates in the European Union. According to OE forecasts, in 2024, the unemployment rate was less than 3% nationwide and only 1.2% in Warsaw (International Labour Organisation definition). In the eurozone, the unemployment was 6.4%.

The labour market outlook for the coming years in Warsaw is positive, with further declines in unemployment predicted (similarly in Poland and the eurozone).

One of the main challenges facing the Polish economy in recent years has been elevated inflation. Although inflation decreased in 2024 compared to 2023 (11.4% y-o-y), it remains above the target set by the National Bank of Poland and reached 3.6%. The level of 3-4% will persist for the next few years.

Inflation in the eurozone has been contained and, according to OE analyses, 2024 data will show 2.4%, with a further decline to below 2% expected in the coming years.

Warsaw office market in 2024

Office stock
6.29
million sq m

Under construction
227,700
sq m
-14% y-o-y

New supply
104,400
sq m
+71% y-o-y

Vacancy rate
10.6%
+20 bps y-o-y

Gross take-up
740,200
sq m
-1% y-o-y

Net absorption
86,700
sq m
-38% y-o-y

Stock & new supply

Total modern office supply stood at 6.29 million sq m at the end of 2024. Currently, 45% of the space is located in central zones (CBD with 1.01 million sq m and City Centre with 1.84 million sq m), while the remaining portion is situated in non-central zones. The largest non-central zones are Służewiec (1.05 million sq m), Jerozolimskie corridor (768,900 sq m), and Mokotów (403,000 sq m). Other zones have a supply of less than 300,000 sq m each.

In 2024, a total of 104,400 sq m of new office space was delivered across 9 projects, representing a y-o-y increase of over 71%. While significant, this volume remains below historical averages. The 2023 figure marked a record low for new supply, at just under 61,000 sq m. The current volume is more than two times less compared to the average for 2019-2023 period, which was nearly 220,000 sq m. New supply was dominated by projects located in central zones (86,200 sq m or 83% of the total), with 70,700 sq m concentrated in the City Centre West subzone around Rondo Daszyńskiego roundabout. Notable completions exceeding 10,000 sq m included The Form by Lincoln Property (29,400 sq m), the third phase of Lixa (D&E) by Yareal (26,300 sq m), and Vibe A by Ghelamco (15,000 sq m), all located in the City Centre West subzone. Additionally, the refurbishment of Saski Crescent by CA Immo (15,500 sq m) was completed in the CBD.

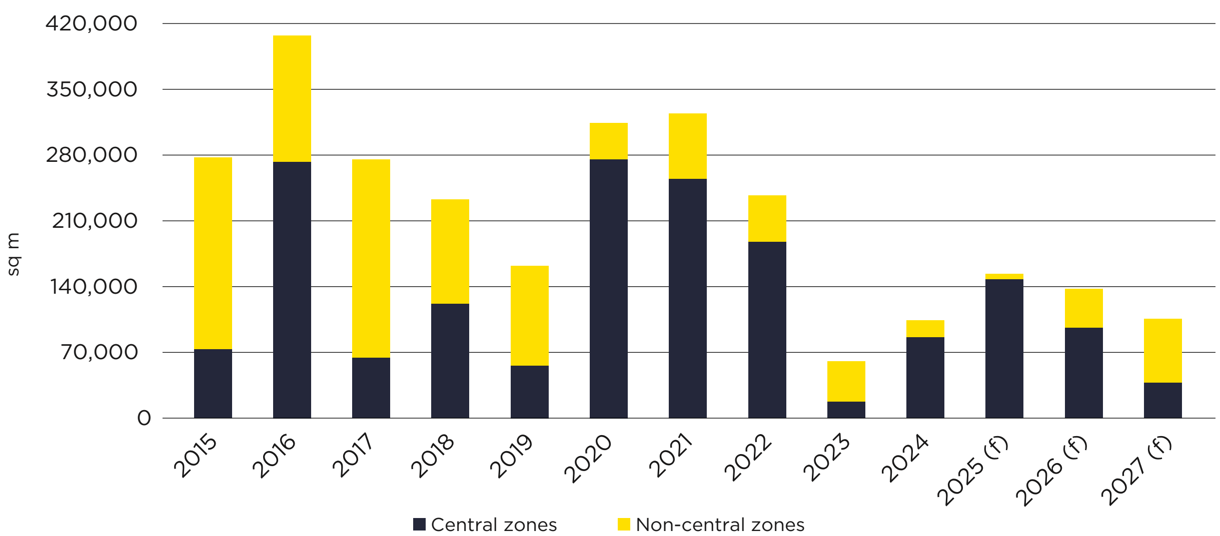
The average commercialization rate of projects completed in 2024 upon completion was 68%. The project that achieved the highest commercialization rate was The Form (79%).

In addition to new supply, we have observed a growing trend of demolishing older, underperforming office buildings. Historically, most of the demolished office buildings were more than 20 years old and have been located in Służewiec. 2024 was no exception, as Curtis Plaza, a 14,400 sq m building from 1993, was demolished. To our knowledge, developers in this area plan to demolish several more projects, and change the use of sites primarily for residential purposes.

Developer activity remains limited, with less than 230,000 sq m under construction (a 14% y-o-y decrease), and only two projects totalling 21,000 sq m are being developed outside the central zones. While the first half of 2024 was challenging for developers (with only 3800 sq m leased as pre-lets), large transactions in the second half significantly improved their position, securing further construction phases and strengthening their negotiating position (the volume of prelease agreements reached 46,600 sq m in H2). In addition to low construction volumes, a significant portion of projects planned for 2025 has already been pre-leased (commercialization rate at 35% on average). The past two years low volume of new supply, combined with persistently low volumes of under construction space, will result in shortage of new offices in the next 2-3 years, prolonging the supply gap.

In the years 2025-2027, considering the most favourable scenario for developers and an increase in pre-lets (which will contribute to the resumption of some of the projects that were temporarily put on hold or the launch of new investments requiring pre-let to secure financing), less than 400,000 sq m may be developed.

New supply and pipeline in Warsaw by central and non-central zones



Source: Savills Research

Top 3 zones with lowest vacancy rate

6.2%
Ursynów, Wilanów

6.0%
Puławska corridor

5.5%
North

Top 3 zones with highest vacancy rate

19.7%
Służewiec

11.9%
Żwirki i Wigury corridor

10.2%
Jerozolimskie corridor

664,300 sq m
Vacant space in Warsaw

414,500 sq m
Vacant space in non-central zones

249,800 sq m
Vacant space in central zones

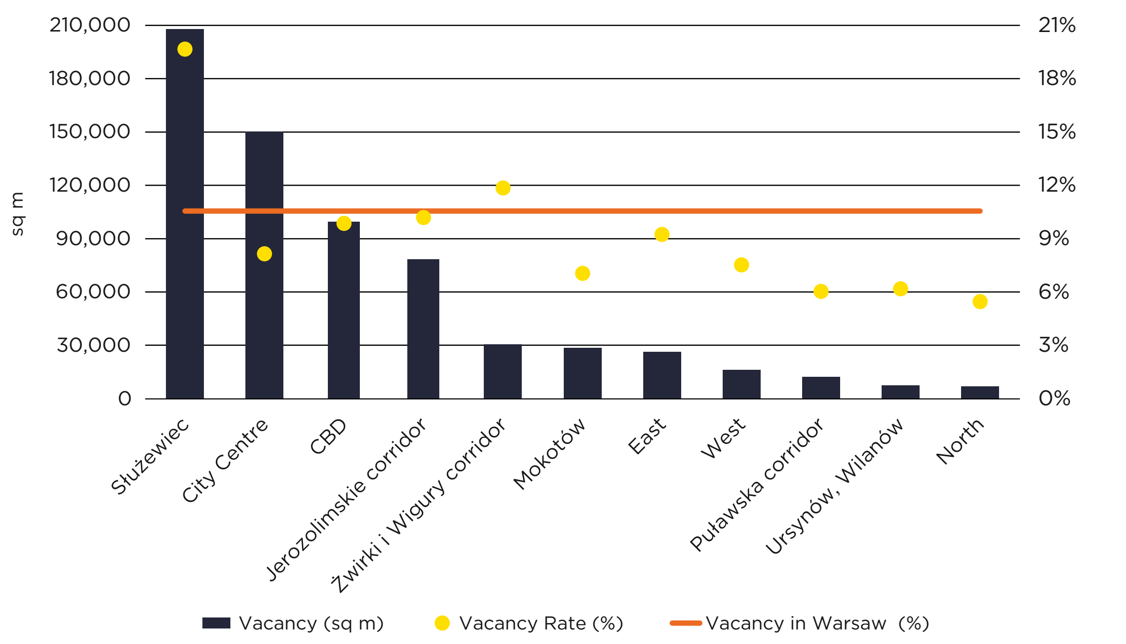
Vacancy rate

At the end of Q4 2024 vacancy rate in Warsaw stood at 10.6% (a slight increase by ca. 20 bps y-o-y) which corresponds to ca. 664,000 sq m of available office space. In Central zones vacancy rate is much lower, resulting in 8.8% or 249,800 sq m. On the other hand, non-central zones recorded vacancy rate at 12% and offered ca. 414,500 sq m of space for immediate lease.

Among the analysed zones, Służewiec (207,800 sq m) and the City Centre (150,300 sq m) have the largest available area, exceeding 100,000 sq m each. A significant portion of the available space in the City Centre, over 55%, was located in the City Centre West subzone. Additionally, the CBD offered 99,600 sq m of vacant space. On the other hand, zones with the smallest available area, not exceeding 10,000 sq m, are North (6900 sq m) and Ursynów, Wilanów (7600 sq m).

Although the vacancy rate in the city is generally high, available spaces are scattered and come in various sizes and units. Tenants looking for large, open floor plans might have a hard time finding the right building. At the end of last year, there were just 5 projects in the city with vacancy larger than 10,000 sq m in total. Spaces between 5000 and 10,000 sq m could be found in 30 buildings, and those between 3000 and 5000 sq m were available in 33 other buildings.

Vacancy and vacancy rate in Warsaw office zones



Source: Savills Research

Most active sectors in 2024
(share in total take-up)

19%
Finance
(141,400 sq m)

13%
Business services
(98,900 sq m)

13%
Manufacturing
(94,100 sq m)

11%
IT
(80,400 sq m)

Leasing activity & net absorption

Total leasing activity in Warsaw in 2024 reached approximately 740,200 sq m, slightly lower than the previous year's figure of 746,800 sq m. Non-central zones accounted for 53.4% of demand, while the remaining 46.6% was generated in central zones. In contrast, in 2023, the situation was reversed, with slightly more (51%) of the leased space being located in the central zones. The two largest zones, City Centre with nearly 200,000 sq m of demand and Służewiec with almost 143,000 sq m of leased space, remained the most active. Additionally, take-up in the CBD and the Jerozolimskie corridor exceeded 100,000 sq m with 146,100 sq m and 113,700 sq m, respectively. Other active zones included Mokotów (41,400 sq m), the Żwirki i Wigury corridor (33,300 sq m), and the Puławska corridor (22,000 sq m). Demand in the remaining zones did not exceed 20,000 sq m each.

In 2024, we observed a notable increase in the share of lease renegotiations, which accounted for 46% of the total transacted area. New leases, including owner-occupier transactions, constituted 40% of the overall demand. Pre-lets and expansions share was 7% each. In comparison, in 2023, renegotiations represented 43% of the market, new leases 44%, while pre-lets and expansions made up 9% and 4%, respectively.

In 2024, a total of eight transactions for offices exceeding 10,000 sq m were signed, amounting to a leased area of 111,100 sq m. Four of the largest transactions were secured by tenants from the financial sector: a pre-let by Santander Bank in The Bridge (24,500 sq m) and three renegotiations – an undisclosed tenant in Atrium Garden (13,900 sq m), Bank Gospodarstwa Krajowego in Varso Place 2 (13,600 sq m), and Citi Bank Services in T-Mobile Office Park (13,100 sq m). Additionally, an undisclosed company from the logistics sector renegotiated a lease in Domaniewska Office Hub (13,000 sq m.)

The average transaction size in 2024 was approximately 1070 sq m, indicating a slight increase compared to 2023 (990 sq m). The average transaction in 2024 is closer to pre-pandemic levels, where between 2016 and 2018, average transaction sizes ranged from 1000 sq m to 1150 sq m. The exception was one of the record years, 2019, when the average transaction size exceeded 1330 sq m.

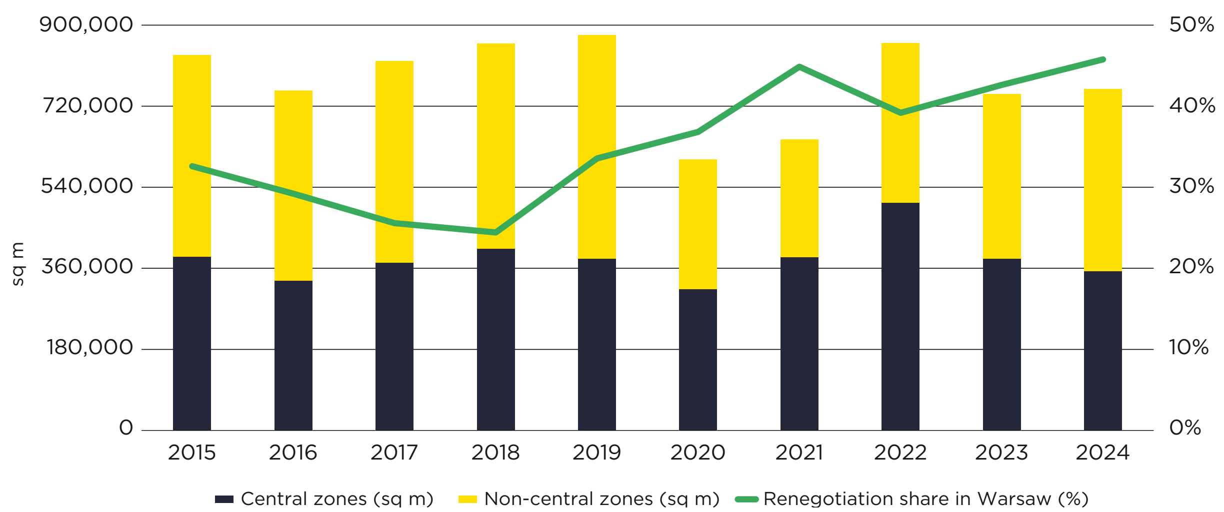
The four most active sectors, represented by tenants, collectively generated 56% of the total demand in 2024. These sectors are finance (19% or 141,400 sq m), business services (13% or 98,900 sq m), manufacturing (13% or 94,100 sq m), and IT (11% or 80,400 sq m).

Moreover, the public sector, driven by a growing focus on environmental sustainability and the potential cost savings associated with modern office buildings, has become an increasingly significant tenant. Last year, this sector generated over 6% of total demand, signing leases for a combined area of almost 47,000 sq m, of which 22,300 sq m were for relocations.

Beyond traditional lease agreements, there has been a growing trend of subleasing, driven by tenants seeking to optimize their occupied space. In 2024, we recorded sublease transactions totalling at least 21,000 sq m (compared to slightly more in 2023 at 22,000 sq m). A significant portion of this, over 19,000 sq m, was concentrated in central zones. Subleasing offers an attractive alternative for tenants seeking cost savings, as it provides a more affordable option compared to direct leases from landlords and enables them to find a furnished office in a prime location within a short timeframe.

Net absorption in 2024 stood at 86,700 sq m, which translates into almost 38% decrease in comparison to absorbed space in 2023. Most of space was absorbed in central zones (84%). 2024 result is 50% lower than average net absorption for years 2020-2023 (173,700 sq m).

Leasing activity and renegotiations share in Warsaw by central and non-central zones



Source: Savills Research

Rents & service charges

At the end of 2024, headline rents in prime locations in the CBD averaged between EUR 22.50-26.00/sq m/month and remained stable when compared with the end of 2023. The most attractive premises, mostly in projects being under construction can quote higher, up to EUR 28.00/sq m/month. In Służewiec, headline rents for prime premises quote EUR 13.25-15.00/sq m/month and noted slight increase compared to last year (EUR 13.00-15.00/sq m/month), mostly due to increase of fit-out costs, which in some cases resulted in lower return on investment with old rental rates.

In addition to rent, tenants are obligated to pay service charges – operational costs associated with maintaining the building and utilities. After significant increases in these charges in 2023, the year 2024 was calmer, although it still saw an increase in certain costs (e.g., cleaning services or facility management), partly due to the previous year's inflation level. Another factor contributing to the increase was the twofold increase in the minimum wage in 2024, which was reflected, among other things, in security service fees.

The year 2025 should also be characterized by more stability (apart from indexation), with one minimum wage increase planned for this year. A significant factor influencing the cost of property management is the price of electricity. With a properly selected strategy and timing of electricity purchase contracts, tenants can expect prices similar to last year's, or even decreases. Currently, the level of service charges in Warsaw office buildings can even exceed PLN 40.00/sq m/month.

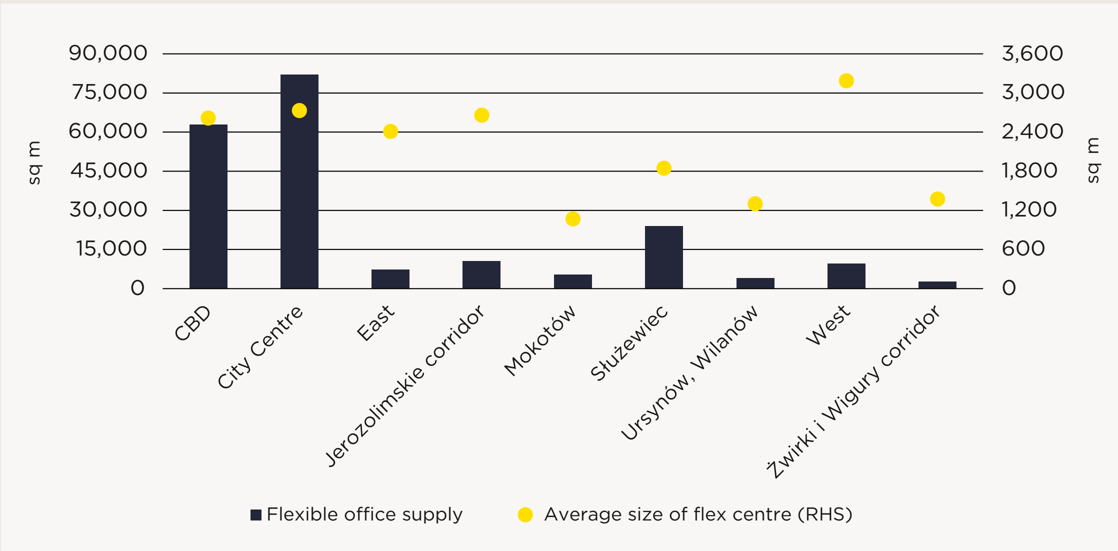
Flexible office market

The year 2024 was a dynamic one for flexible workspace operators, who collectively leased approximately 28,600 sq m (almost 70% y-o-y increase) across 16 locations, with 23,600 sq m (12 locations) representing new contracts. The Shire – Beyond Coworking was the most active operator in Warsaw, leasing over 9400 sq m across 5 locations.

At the end of the year, Warsaw boasted 87 flexible office locations, offering a combined area of 208,200 sq m (ca. 25,400 working stations).

A significant 70% share equating to 144,800 sq m, was concentrated in central locations across 54 addresses. Moreover, an additional 5200 sq m of flexible workspace is currently being prepared to be opened in 2025. Operators in Warsaw have prepared a diverse range of spaces, from smaller locations of a few hundred square meters to the largest exceeding several thousand (the biggest being WeWork in Mennica Legacy Tower West, spanning 13,800 sq m). The average size of a flexible office centre in the city is almost 2400 sq m.

Flexible offices in Warsaw by zones



Source: Savills Research

2025 trends and predictions

The supply gap, rents and the relocation process

Despite an increase in planned supply for 2025, a significant portion of the space has been leased already. Combined with low supply in 2023 and 2024, this will result in a shortage of available space. Consequently, companies will compete more intensely for attractive locations, driving up rents. In this scenario, tenants will be forced to make quicker leasing decisions to secure their desired office space.

Difficulties in attracting staff to the office

In the current climate, where employees are in a strong position in the market and can work remotely, companies will be forced to create comfortable and well-designed workplaces. Only in this way will they manage to convince teams to stay in the office on a regular basis. If the office space does not meet the expectations of employees, there is a real danger that valuable professionals will decide to change employers. Offices are being designed more towards an inclusive and creative function, with less classic 'open space' and more emphasis on meeting areas, project rooms and relaxation zones.

The growing importance of renegotiating leases

Due to significant expenses associated with preparing and fitting out new offices, in many cases the most optimal solution for companies will be to extend their current leases on new terms. In addition to costs, this decision will be influenced by the supply gap, which significantly narrows the options for choosing a new headquarters (especially for smaller offices in newly developed projects, where priority is given to large tenants). In response, landlords will be forced to demonstrate flexibility - both in terms of contract terms and assistance with refreshing occupied office spaces. However, if tenants decide to relocate to a new space, they should expect longer lease terms. While 5-year leases were the standard a few years ago, now it is 7 years, and there is a trend towards extending contracts to even 10 years (especially in new projects). The current market trend is shifting in favour of landlords, particularly for large new spaces. Tenants interested in such leases must secure the entire process well in advance. Available spaces, if any, are often dispersed across multiple buildings and units.

Ready-to-use offices and flexible arrangements

To attract smaller companies seeking a quick start, landlords and asset managers will be increasing their offerings of fully furnished office spaces. This will allow tenants to avoid the 6-month wait for space customization and make the entire process of moving into a new office much simpler and faster.

Continuing the trend for flexible spaces

In 2025, we can expect to see a continued rise in the popularity of flexible office models such as hot-desking and coworking, which allow companies to quickly adjust their square meterage to meet current needs. These flexible office spaces may face competition from aforementioned pre-fitted units, owned and rented by landlords on shorter-than-standard lease terms.

Optimising costs and space

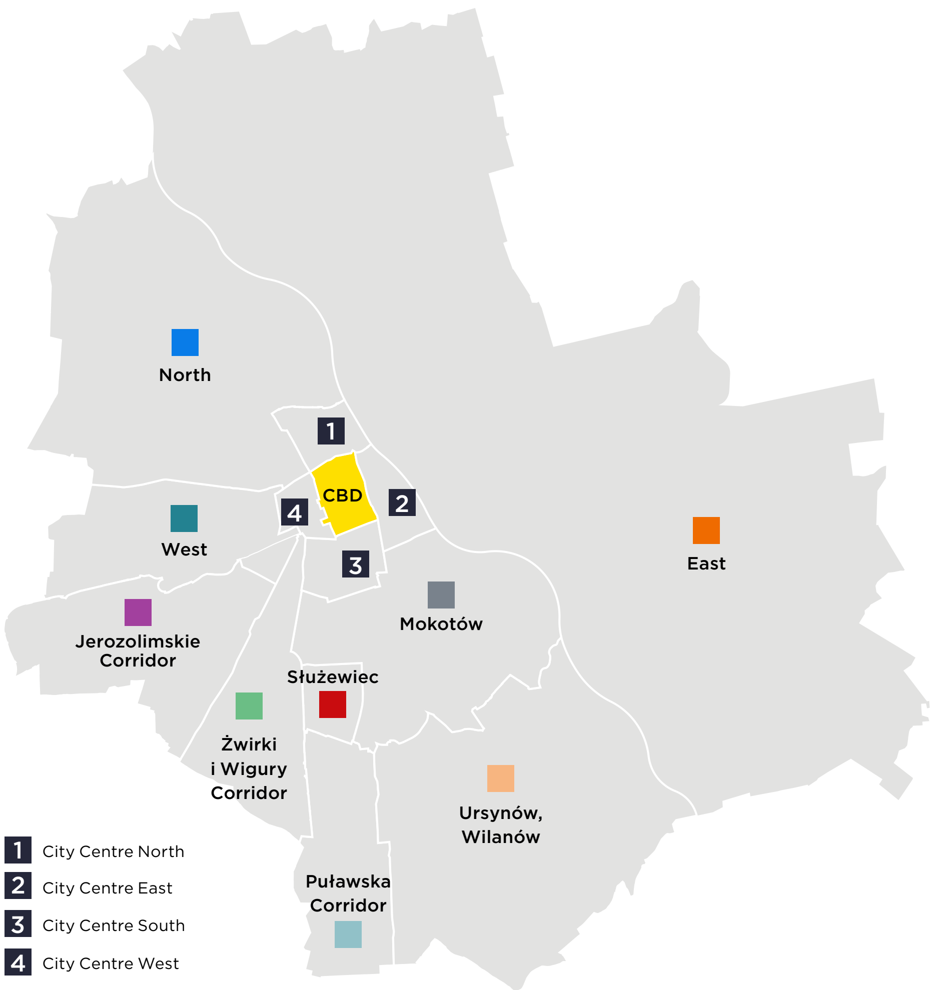
In 2025, the office real estate market will be shaped by the pursuit of cost-efficiency and the customization of spaces to meet individual user needs. Companies will seek smaller but more functional solutions, while landlords will invest in technologies that enable intelligent building management. A deep understanding of employee behaviour and adapting office spaces to their dynamic needs will be the key to success.

Greater emphasis on sustainability

In 2025, the ongoing trend towards sustainable solutions in the office sector will continue. Both investors and tenants are attaching increasing importance to selecting buildings with recognized multi-criteria certifications, such as BREEAM or LEED. The building's energy performance, confirmed by an appropriate certificate, will become a particularly important criterion when making leasing decisions.

Possession of an energy performance certificate is a legal requirement for all sales and rental transactions. The EPBD Directive foresees the gradual introduction of minimum energy performance standards (MEPS) to renovate buildings with the worst energy performance (starting with 16% of buildings with the lowest standard by 2030 and 26% of buildings by 2033). This means introducing rules whereby existing buildings will have to meet energy performance requirements within a specified timeframe, as part of a broad renovation plan for the building stock, or upon sale or rental. These thresholds for Poland have not yet been disclosed. Poland has published a draft National Energy and Climate Plan until 2030, which is still under consultation and is likely to enter into force in 2026.

Warsaw office zones



Total stock | Available area | Gross take-up | Net take-up | Under construction

Służewiec
1,056,700 sq m
207,800 sq m / 19.7%
142,400 sq m
62,700 sq m
0 sq m

Mokotów
403,000 sq m
28,400 sq m / 7.1%
41,400 sq m
22,400 sq m
0 sq m

Jerozolimskie corridor
768,900 sq m
78,300 sq m / 10.2%
113,700 sq m
43,800 sq m
0 sq m

West
214,500 sq m
16,200 sq m / 7.5%
14,900 sq m
13,300 sq m
15,400 sq m

East
285,400 sq m
26,400 sq m / 9.2%
10,400 sq m
6,600 sq m
5,600 sq m

Central Business District (CBD)
1,010,200 sq m
99,600 sq m / 9.9%
146,100 sq m
72,100 sq m
35,500 sq m

City Centre
1,842,800 sq m
150,300 sq m / 8.2%
199,100 sq m
145,400 sq m
171,200 sq m

North
126,400 sq m
6,900 sq m / 5.5%
8,900 sq m
2,000 sq m
0 sq m

Żwirki Wigury corridor
258,600 sq m
30,700 sq m / 11.9%
33,300 sq m
12,500 sq m
0 sq m

Puławska corridor
203,900 sq m
12,300 sq m / 6.0%
22,000 sq m
12,600 sq m
0 sq m

Ursynów, Wilanów
123,100 sq m
7,600 sq m / 6.2%
8,000 sq m
8,000 sq m
0 sq m

Savills Research

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