

MARKETBEAT

CENTRAL EUROPE

Office Q2 2023



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CEE Summary

Bratislava (Slovakia)

Bucharest (Romania)

Budapest (Hungary)

Prague (Czech Republic)

Sofia (Bulgaria)

Warsaw (Poland)



CENTRAL EUROPE

Economy Q2 2023



CUSHMAN & WAKEFIELD

The economic growth outlook brightens across CEE

CEE economies are rebounding from the impacts of the shocks, mainly stemming from Russia's military aggression toward Ukraine. These shocks have caused additional disruptions in the supply chain and elevated energy prices, resulting in heightened inflation and reduced households' purchasing power.

Despite the challenges, the economies of the CEE countries showcased greater resilience than anticipated by leading think tanks in 2022. This resilience can be attributed to relatively strong consumer demand in most CEE countries due to lifted pandemic restrictions and Ukrainian refugee spending. Additionally, CEE countries maintained tight labour markets with low unemployment rates compared to the rest of the EU.

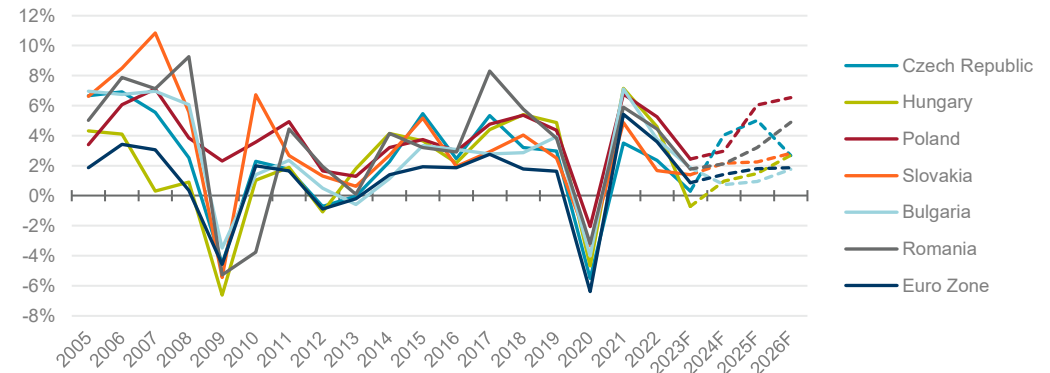
As of July 2023, according to Moody's Analytics projections, all CEE countries, except Hungary, are anticipated to demonstrate modest GDP growth in 2023, reflecting improved expectations compared to April. The region is still predicted to resume steady economic growth in 2024-2025.

CEE stands out with the highest inflation rates in the EU. Across all CEE countries, except for Hungary, the HICP is projected to decrease annually in 2023. Starting in 2024, inflation is expected to recede to single digits, providing additional relief to economies.

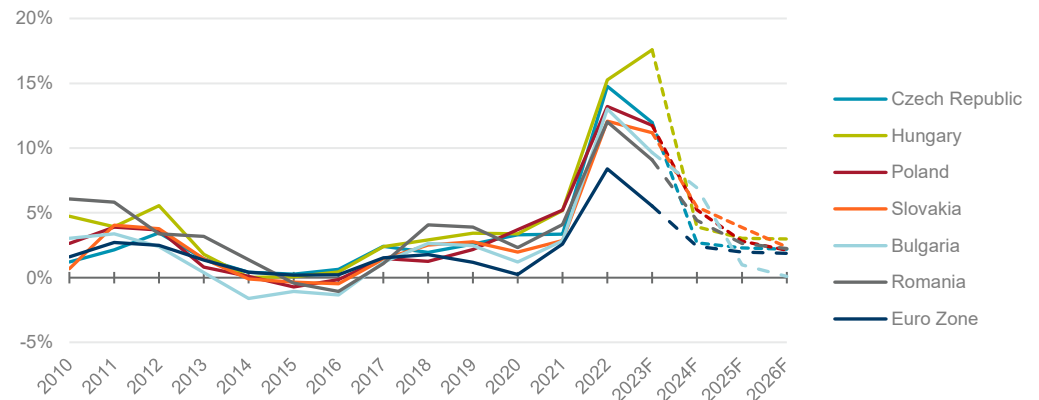
The tightening of financing conditions is expected to weigh on overall investment in CEE and the EU. Still, business investment is likely to grow but at a slower pace, while public investment will remain strong in 2023 and 2024 due to the continued deployment of the Recovery and Resilience Facility (RRF). As economic activity gradually normalises, investment growth is predicted to regain momentum.

In the property market, during H1 2023 CEE saw the lowest H1 investment volumes in a decade as the region adjusts to the higher interest rate environment. The office property sector accounted for around 34% of total investments in the traditional commercial property sectors during the first 6 months of 2023. From a broader perspective, the occupational markets driving real estate income diverge, and recent rapid rental rate increases are expected to level off.

GDP GROWTH IN CEE COUNTRIES (y/y change)



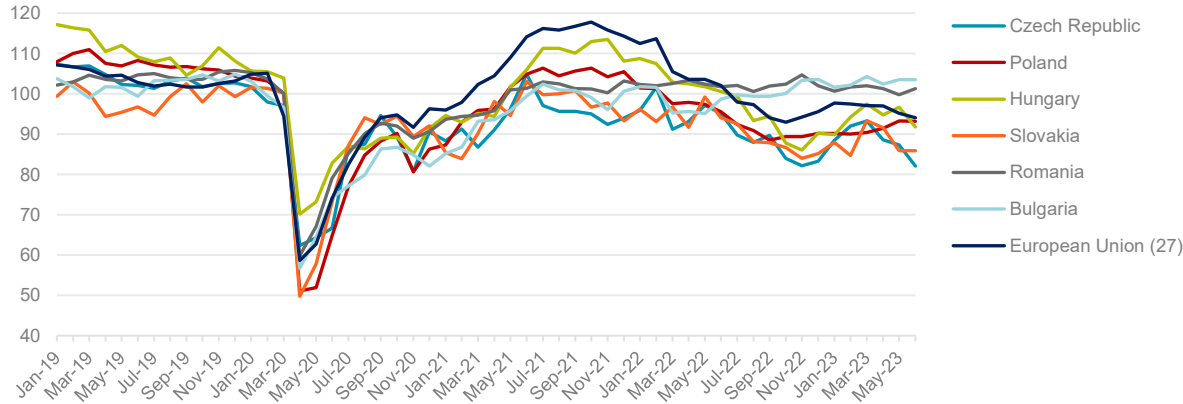
CONSUMER PRICE INDEX: EU Harmonized (Index 2015 = 100, SA, y/y change)



CENTRAL EUROPE

Economy Q2 2023

ECONOMIC SENTIMENT INDICATOR (Index 2000 = 100)



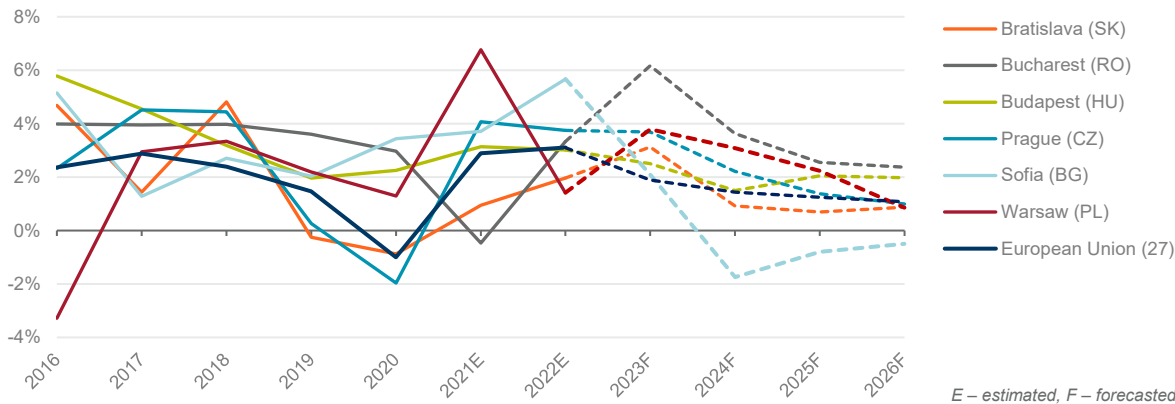
Economic sentiment indicator (ESI)

In the EU, the economic sentiment indicator remained relatively stable in April 2023. This was driven by significantly improved consumer confidence, even though confidence among industry managers declined.

Over the subsequent two months, consumer confidence in the EU continued its recovery, albeit at a lower pace, but the ESI decreased due to lower confidence in industry, services, and retail trade in May and an additional drop in confidence in the construction sector in June.

Across the CEE countries, the economic sentiment indicator displayed varying dynamics in Q2 2023. The ESI deteriorated in Czechia and Hungary while showing slight improvement in Poland. In Bulgaria and Romania, the ESI either rebounded or exceeded the figures from February 2022, when the region was profoundly impacted by the shock of Russia's war in Ukraine.

EMPLOYMENT IN OFFICE-USING INDUSTRIES (y/y change)



Office employment

As of July 2023, Moody's Analytics projects that the office-using industries in all CEE capital cities will experience employment growth in 2023, similar to the EU (27) dynamics. However, growth rates are expected to decelerate in most focal cities and even turn negative in Sofia in 2025.

In the prevailing high interest rate environment, the banking sector, an important source of high-wage jobs, has experienced a slowdown. On the other hand, professional services show a more optimistic short-term perspective despite hiring freezes and layoffs in Q1 2023. Moreover, the stringent economic conditions might favour the business process outsourcing industry, fostering demand and prompting Western European operations to relocate to CEE to harness cost advantages and a skilled workforce, particularly in Budapest, Sofia, and Bucharest. The substantial influx of Ukrainian IT firms establishing their presence in CEE, especially in Poland and Romania, has further positively influenced employment trends.

Nevertheless, the COVID-19 pandemic has fundamentally reshaped companies' stance on office space utilisation, even within traditionally office-using industries.

CENTRAL EUROPE

Office Q2 2023



The office property markets in CEE capital cities were marked by generally stable prime rents, slowing down development activity, declining vacancy rates, occupier demand propelled by lease renewals, and a continued upward correction in prime yields.

Office development activity varied among the CEE capital cities. However, an overall deceleration in new supply dynamics is evident, not only by the declining 12-month rolling indicator of new completions in the region but also by the decreasing **delivery pipeline** currently under construction. Still, around 1 million sq m of offices are currently under construction, with 73% of this on a speculative basis. Budapest and Warsaw collectively account for 50% of the stock under construction in CEE.

In Q2 2023, the CEE-6 aggregate **gross take-up** grew by 12% y/y and by 28% compared to Q1. The cumulative

net absorption experienced, however, a downward trend. In Q2 2023, capital cities across CEE saw a decline in **vacancy rates** compared to Q2 2022, except for Budapest where availability surged by 27%. Since Q4 2018, Prague consistently boasts the lowest office vacancy rate, while Sofia and Bucharest record the highest.

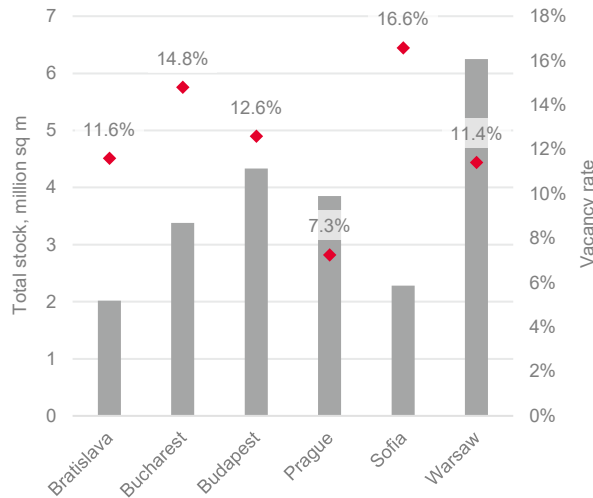
In Q2 2023, **prime office rent** in all CEE capital cities held steady from the previous quarter, except for Bucharest which saw further increases. On an annual basis, rental growth was observed across all the cities in focus, ranging from 2% in Budapest and Warsaw to 16% in Bucharest. Within the region, Prague commands the highest prime rent, followed by Budapest, while Warsaw experienced a more moderate increase in prime office rent during 2022. Sofia maintains the lowest prime in CEE. Rental rates vary significantly between office schemes within each market

based on their specific location and quality attributes.

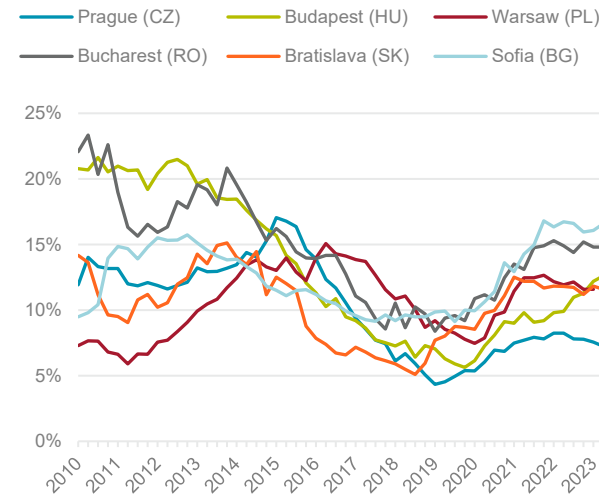
The office segment accounted for around 34% of the total **investment volumes** recorded in the CEE in H1 2023, while in Q2 its share was more than 41%. Major office investment transactions in Q2 2023 in CEE included the acquisitions of Landererova 12 and Lakeside Park 02 in Bratislava, Wola Retro in Warsaw, Vizivaros Office Center in Budapest, and Rohan Business Center in Prague.

During Q2 2023, there was a further increase in **prime office yields** across CEE. Specifically, Bratislava, Bucharest, Prague, and Warsaw saw a quarter-on-quarter increase of 0.25 pp in prime office yields. Additionally, compared to the prime office yields from the previous year's Q2, an upward correction ranging between 0.50 pp and 1.00 pp was reported in all capital cities in the region except Sofia.

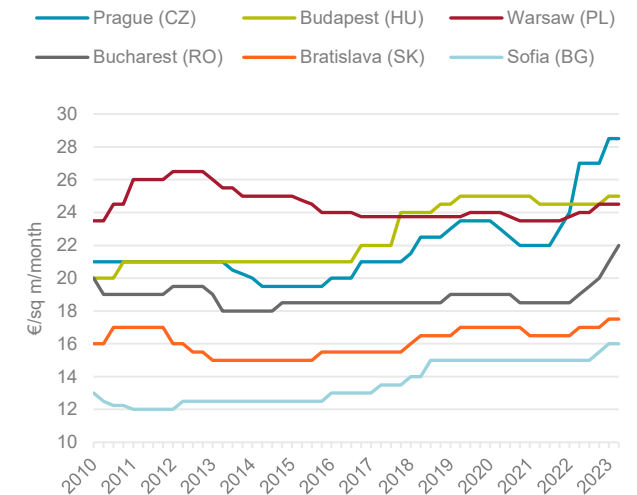
OFFICE STOCK AND VACANCY RATE



VACANCY RATE



PRIME HEADLINE RENTS



CENTRAL EUROPE

Office Q2 2023

€ 0.72 B

Investment Volume H1 2023

- 71%

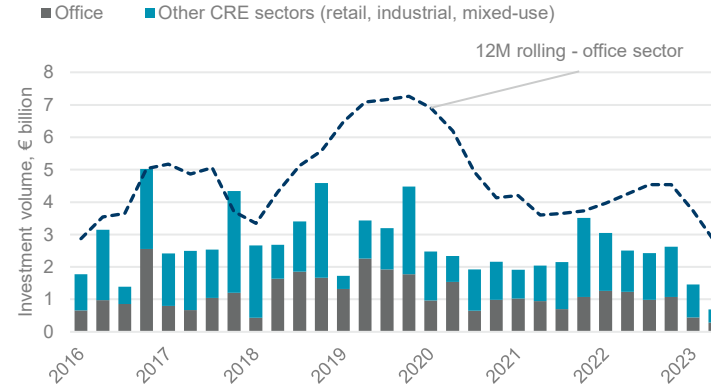
Change y/y

€ 2.49 B

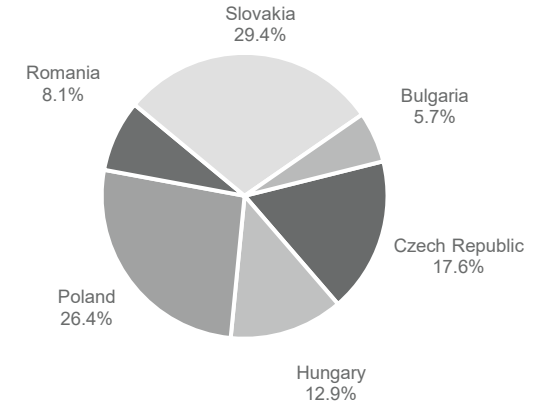
Investment Volume H1 2022

Data includes transactions of office properties (excluding deals of less than €1 million total value) in Czechia, Hungary, Poland, Romania, Slovakia, and Bulgaria.

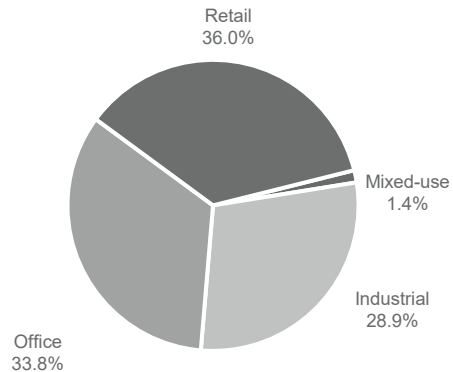
INVESTMENT VOLUMES IN CEE



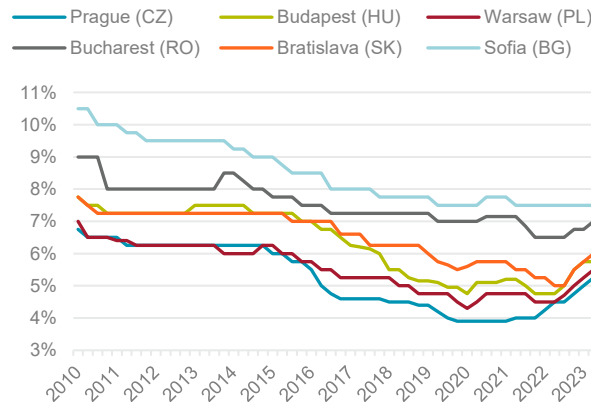
OFFICE INVESTMENT VOLUMES, H1 2023



INVESTMENT VOLUMES IN CEE, H1 2023



PRIME OFFICE YIELD (%)



H1 2023

City / COUNTRY	OFFICES	
	Prime rent, €/sqm/month	Prime yield, %
Bratislava (SK)	€17.50	6.00%
Bucharest (RO)	€22.00	7.00%
Budapest (HU)	€25.00	5.75%
Prague (CZ)	€28.50	5.25%
Sofia (BG)	€16.00	7.50%
Warsaw (PL)	€24.50	5.50%

Shade showing y-o-y trend: red – negative, green – positive, white – no change.

CENTRAL EUROPE

Office Q2 2023

	Supply	Demand	Vacancy	Rents
	<p>While Q1 2023 saw the completion of 51,200 sq m of office space, no new schemes were delivered to the market in Q2. For the remainder of the year, the development pipeline in the sector consists of three office projects totaling around 63,000 sq m, which are presently occupied at 60% of their cumulative area.</p>	<p>The office property market displays commendable resilience regarding strong take-up figures. Gross take-up reached 51,700 sq m, growing by 85% y/y, while net take-up amounted to 28,000 sq m with a 50% y/y increase. The public sector remains a key player, accounting for 44% of take-up in Q2 2023.</p>	<p>In Q2, the vacancy rate slightly declined to 11.6%. Furthermore, increasingly active pre-leasing in three projects scheduled for completion by the year-end positively influences the vacancy outlook.</p>	
Bucharest (RO)	<p>In Q2 2022, the new office supply comprised the second building of the @EXPO project totaling 28,000 sq m. Around 70,000 sq m of offices were delivered during H1 2023, raising the total office stock to 3.38 million sq m. Presently ca. 112,000 sq m is under construction, with an additional 300,000 sq m across the pipeline projects in various planning stages.</p>	<p>The occupier demand experienced a robust rebound in Q2 2023, with gross take-up reaching 134,300 sq m, which is the highest quarterly figure since Q4 2016 and the second-highest ever. Gross take-up in H1 2023 amounted to 190,100 sq m, reflecting a 21% y/y increase, while net take-up had a share of only 50% in the gross take-up recorded in H1.</p>	<p>The vacancy rate remained at 14.8% in Q2 2023, being expected to decrease by the end of the year.</p>	<p>The rental levels continued their upward trajectory in Q2, with a y/y 15.8% increase in prime headline rent in the CBD area to €22 per sq m per month, which was also mirrored in other submarkets across the city.</p>
	<p>The new office supply amounted to 38,000 sq m in Q2 2023. The delivery of new completions is steadily slowing without owner-occupied projects. Around 63,600 sq m of new speculative office space is expected to be delivered in 2023, with an additional 83,100 sq m planned for 2024. Around a quarter of this speculative pipeline is already pre-let.</p>	<p>In Q2 2023, occupier demand displayed positive dynamics, highlighted by gross take-up of 119,895 sq m, marking an 11% y/y increase. The number of lease transactions also experienced a 13% annual growth, remaining unchanged in terms of average transaction size. New leases contributed 45% of the gross take-up, while renewals constituted 42%. The professional services, IT, and technology sectors were the predominant drivers of occupier demand during Q2.</p>	<p>In Q2 2023, the vacancy rate increased by 0.4 pp to 12.6%. The expansion in the space availability rate was primarily driven by the delivery of new supply, while net absorption turned positive during the past quarter.</p>	<p>In Q2 2022, prime rents remained stable compared to the preceding quarter but increased year-on-year in the Buda submarkets, particularly in Central Buda and North Buda. In the short term, further increases in service charges are not expected.</p>

CENTRAL EUROPE

Office Q2 2023

	Supply	Demand	Vacancy	Rents
Prague (CZ)	In Q1 2023, new supply amounted to 38,000 sq m, marking a 45% q/q increase and surpassing the 5-year average. Q2 saw no new delivery, resulting in a 22% y/y decrease in new supply for H1 2023. Despite no new office projects commenced in the past 12 months, ca. 143,600 sq m is under construction, with about 52% already pre-leased. Seven office buildings totaling 66,800 sq m are planned for delivery by the end of 2023.	In Q2 2023, gross office take-up reached around 149,000 sq m, with 53% consisting of lease renegotiations. The record-high (since Q2 2020) quarterly net absorption totaling 53,200 sq m from Q1 2023 was complemented by an additional 13,600 sq m in Q2.	Primary office vacancy further softened by 30 bp over the past quarter, settling at 7.3%.	Prime office rent experienced a 24% increase from the beginning of 2022 until Q1 2023, but in Q2 it remained stable at the highest level among the CEE countries. Moving forward, significant increases in total occupancy costs are not anticipated in the short term.
Sofia (BG)	Construction activity in the sector displayed sluggish dynamics, resulting in a limited new supply of ca. 11,200 sq m in H1 2023. At the end of Q2 2023, around 174,000 sq m of offices were under construction in Sofia, with only 9% of this already pre-leased.	In H1 2023, demand dynamics exhibited a noticeable slowdown, with gross take-up of ca. 75,600 sq m, shrinking by 11.5% y/y. Lease renewals constituted the largest share of the gross take-up, followed by relocations. Although net absorption remained positive over the first half of 2023, it was relatively modest in Q2.	As supply increased while occupier demand tightened, the vacancy rate rose to 16.6% by mid-2023.	After the rental growth at the start of 2023, prime monthly asking rents stabilized at €16 per sq m per month in the CBD and €12-15 per sq m alongside main roads. Service charges also remained unchanged within the range of €3-4 per sq m per month since the end of 2022.
Warsaw (PL)	Total office stock amounted to around 6.25 million sq m, with 18,700 sq m added within three non-central office projects in H1 2023. Four office projects of cumulative GLA of 47,500 sq m are planned for delivery by the year-end, and thus the annual new supply is likely to be the lowest in nearly 25 years. Currently, 220,900 sq m of offices are under construction, of which 60,000 sq m commenced recently. C&W expects that in 2024-2025 development activity will remain well below pre-pandemic levels.	During H1 2023, the gross take-up amounted to 325,700 sq m, decreasing by 32% y/y, mainly due to a high base effect in Q1 2022, while the leasing market is showing signs of recovery, as indicated by the number of transactions completed. In H1 2023, relocations dominated the demand structure with around 61% of the gross take-up, followed by renegotiations and expansions accounting for 35% and 4% of gross take-up, respectively.	In June 2023, office availability amounted to 714,400 sq m, decreasing by 33,300 sq m from a year ago. At the end of Q2, the vacancy rate stood at 11.4%, dropping by 0.5 pp y/y and 0.2 pp q/q. Due to limited pipeline stock for 2023-2025, the vacancy rate is expected to remain on a downward trajectory.	In Q2 2023, prime office rents held steady further at €22-26 per sq m in the Centre and €13.50-16.50 per sq m in non-central locations. Notably, projects in the pipeline faced the strongest upward pressure on rents due to their significant exposure to rising construction and fit-out costs.

CENTRAL EUROPE

Office Q2 2023



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KEY MARKET TRENDS

The structural change in the office property market continues, as most companies in CEE have now adopted some form of hybrid work model. In H1 2023, the sector experienced a slowdown in both development and occupier activity, the latter primarily driven by lease renewals, decreasing vacancy rates, and rental stability.

A pandemic-induced hybrid work model has been favored by employees

Employers are exploring ways to attract employees back to the office, viewing the office space as a valuable tool for this purpose. Employees regard the office as a place for collaboration and socializing, a trend that is driving occupiers' interest in more flexible space and lease options beneficial for effective footprint management.

Focus on prime space as firms embrace the new purpose of offices

According to C&W's report '[Obsolescence Equals Opportunity](#)', both in Europe and the US, the pandemic-induced hybrid working patterns have led to a significant occupier preference for high-quality office spaces both in terms of office space itself and amenity facilities available. In the past eight years, demand for top-grade space has been on an upward trajectory across Europe as occupiers prioritise best-in-class office space that provides the best sustainable solutions and aids in attracting and retaining talented staff.

This trend will only accelerate as we anticipate demand for top-grade space exceeding supply in many markets, including Prague, Budapest, and Warsaw. In the short term, economic flexibility may be key to occupiers, but the quality of space will become increasingly important in the longer term.

In the new book '[Reworking the Workplace](#)' published by C&W with RIBA, the experts explore the future of work, workplace and the city in the face of global disruptors. It provides data, concepts and frameworks, historic analysis, and 50+ cutting-edge case studies, across three thematic areas: People, Purpose, and Place.

Fit-out and other relocation costs vs current occupation costs

The renegotiations of leases signed during the peak years of 2018-2019 have been stimulating office demand in many CEE capital cities during 2023. Many tenants consider vacating their current premises upon lease expiration in favour of upgraded spaces with better amenities and location.

However, the rise in relocation and fit-out costs may result in many occupiers eventually preferring to renegotiate their existing lease contracts instead of relocating or downsizing their offices. Still, this strategy is likely to be only a short-term solution. Check our [Office Fit Out Cost Guide](#) for more insights.

Developers adjust their strategies in view of the changing occupiers' needs

As the relationship between job growth and office demand has fractured, the office sector faces a period of structural change that will pressure operating fundamentals and property income.

Risks in office assets arise from their capacity to effectively adapt to changing work patterns and consequent shifts in occupier demand in terms of space size, layout, flexibility, and the vibrant urban environment nearby. Heightened regulatory measures on minimum sustainability standards by European governments and an uncertain economic environment also impact the future operating performance of office properties.

The owners of obsolescent office properties, particularly those located outside the central areas of CEE capital cities, are compelled to evaluate the potential for upgrades through repositioning or repurposing them to alternate uses. This may present a genuine opportunity and often a necessity to avert diminishing returns.

The integration of [Flexible Office Offerings](#) can also present additional possibilities for landlords.

Occupational costs have peaked in most CEE capitals

During 2022 and Q1 2023, headline office rents and service charges were subject to upward pressure due to rising construction and fit-out costs and increased energy prices. Q2 experienced rent stabilisation across CEE, with significant office rent hikes in the near future appearing unlikely.

Importantly, the shift in occupier demand toward top-grade office space has amplified the disparity in rents and values between prime and secondary offices, further accelerating the industry's transformation. Nevertheless, occupier demand dynamics might differ based on market particulars, including space availability and pricing strategies in CBD vs. other submarkets in the city.

Bratislava / SLOVAKIA

BRATISLAVA

Office Q2 2023



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11.6%

Vacancy Rate

YoY
Chg.12-Mo.
Forecast

€17.50

Prime Rent, Sq m/month



6.00%

Prime Yield



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

ECONOMIC INDICATORS
Q2 2023YoY
Chg.12-Mo.
Forecast

151K

Bratislava Region
office-based employment

2.3%

Bratislava Region
Unemployment Rate

6.4%

Slovakia
Unemployment Rate

Source: Moody's Analytics (August 2023 release)

ECONOMY: Rebounding industrial production and easing inflation are helping the economy to avoid recession

Slovakia's economy is recovering from a prolonged period of weak growth as the effects of adverse shocks are starting to diminish. Despite facing challenges, it has shown resilience, especially compared to major economic partners like Germany and Czechia. Inflation, though still double-digit in June, decreased by around 3% in Q2, mainly driven by slowing food and energy price rises. Consumer spending declined, affecting the retail market, with real disposable income dropping by 5%. However, the labour market remains robust in Slovakia, further enhanced by the country's competitive cost benefits, which continue to lure companies seeking outsourcing, expansion, or relocation opportunities, especially during periods of tight profit margins. In Q2 2023, prime yield increased in Q2 2023 to over 6%, reflecting yield shifts in neighbouring countries and Europe.

SUPPLY & DEMAND: The office sector demonstrates resilience, yet subleasing space availability grows

Despite the economic downturn, the Bratislava office property market displays commendable resilience, with strong take-up figures. Gross take-up reached 51,700 sq m, growing by 85% y/y, while net take-up amounted to 28,000 sq m with a 50% y/y increase. The public sector remains a key player, accounting for 44% of take-up in Q2 2023.

Despite ongoing challenges like downsizing, the slowdown in construction activity in the upcoming years presents an opportunity for market stabilisation and absorption of available space, thereby reducing vacancy. In Q2, the vacancy rate slightly declined to 11.6%. Increasingly active pre-leasing in three projects scheduled for completion by the year-end positively influences the vacancy outlook.

In addition, subleasing has been a recent trend on the market, particularly in its Central Business District, with around 7,300 sq m sub-leased during the past quarter. However, what will happen with 35,000 sq m of subleases once they expire becomes increasingly important. Tenants now prioritise certified buildings with a growing demand for carbon-free schemes. Workplace strategies are evolving to adapt to hybrid work, relocations, and changing workspace needs. A noteworthy market movement was the merger of TAM and Alto Real Estate, combining a major developer with an investment fund.

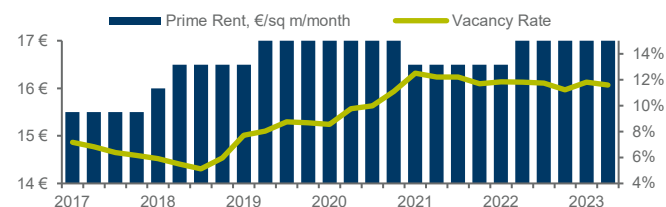
PRICING: Stable rents combined with increasing yields

Lease renegotiations are increasingly viewed as the preferred way to optimise occupational terms. Tenants can secure lower rental rates and optimise their office space, while landlords aim to increase headline rents through indexation, which is now achievable only in the best properties. Consequently, the prime monthly rent has stabilised at €17.5 per sq m, while headline rents have remained stable across submarkets. No further rental increases are anticipated in the near term, though there is a possibility of prime yield growth.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
CBD	666,800	91,600	13.73%	30,700	52,900	63,000	€17.50
City Centre	452,500	37,800	8.36%	3,600	5,500	0	€16.00
Inner City	312,700	28,900	9.24%	5,800	8,300	0	€14.50
Outer City	430,500	65,900	15.32%	4,000	16,400	0	€12.50
South Bank	154,000	9,700	6.28%	7,600	13,800	0	€15.00
BRATISLAVA TOTAL	2,016,500	233,900	11.60%	51,700	96,900	63,000	€17.50

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT SECTOR	AREA (SQ M)	DEAL TYPE
ZSE Centrala	CBD	Public	10,000	Pre-lease
Einsteinova Business center	South Bank	IT	5,000	Renegotiation
City Business Center III	CBD	IT	2,100	Renegotiation
Pribinova 40	CBD	IT	1,800	Pre-lease
R10	City Centre	Public	1,700	New lease
Twin City B	CBD	Other	1,700	Renegotiation
Pribinova 40	CBD	Finance/ Banking / Insurance	1,700	Pre-lease
Pribinova 19	CBD	Pharma / Medical	1,300	Renegotiation
Nivy Tower	CBD	Finance / Banking / Insurance	1,200	New lease
Nivy Tower	CBD	Finance / Banking / Insurance	1,200	New lease

LUKÁŠ BRATH

Research Analyst

+421 (0) 904 325 358

lukas.brath@cushwake.comcushmanwakefield.com

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Bucharest / ROMANIA



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Echinox

BUCHAREST

Office Q2 2023



14.8%
Vacancy Rate



€22.00
Prime Rent, Sq m/month



7.00%
Prime Yield



ECONOMIC INDICATORS Q2 2023

319K
Bucharest office-based employment



3.5%
Bucharest Unemployment Rate



5.9%
Romania Unemployment Rate



Source: Moody's Analytics (August 2023 release)

ECONOMY: Decreasing inflation and steady economic growth

The inflation rate in Romania has been steadily declining in Q2, registering a year-on-year level of 10.7% by the end of H1 2023, and experts predict it to drop to single digits starting from Q3. The National Bank of Romania has refrained from raising the monetary policy rate since January, maintaining it at 7%, but there may be potential downward adjustments at the year-end. Despite facing inflationary pressure and various geopolitical challenges, the local economy has been among the best performers in Europe, with solid economic growth in both Q1 and Q2 at 3.2% and 2.3%, respectively. Looking ahead, consistent GDP growth of 2.1% is projected for 2024, which will be the year with four rounds of elections scheduled in Romania.

SUPPLY & DEMAND: Rebound in occupier demand in Q2

During Q2 2023, new supply comprised the completion of the second building of the @EXPO project developed by Atenor Group in the Expozitiei submarket. This addition contributed 28,000 sq m, bringing the total new supply for H1 2023 to 70,000 sq m, thus raising the office stock in Bucharest to 3.38 million sq m.

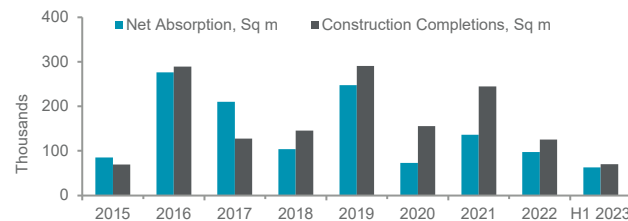
The current stock under construction in Bucharest is relatively modest, comprising 112,000 sq m GLA. Additionally, around 300,000 sq m is in pipeline within projects in various planning stages, but progress on many of them is contingent upon resolving the existing urbanistic blockages at the municipality level. Among the major developments scheduled for completion by 2025 are U-Center II, ARC Project, Promenada Offices, and AFI Loft. Beyond this timeline, there remains uncertainty due to ongoing bureaucratic challenges related to the Bucharest municipality.

The occupier demand experienced a robust rebound in Q2 2023, with gross take-up reaching 134,300 sq m, which is the highest quarterly figure since Q4 2016 and the second-highest in Bucharest's office market history. Consequently, gross take-up in H1 2023 amounted to 190,100 sq m, reflecting a 21% increase compared with the same period of 2022, while net take-up constituted only 50% of the total H1 demand. Four lease transactions of 10,000 sq m or more occurred in Q2 2023, including 2 renewals and 2 new leases, with several blue-chip tenants firmly consolidating their presence in Romania. The vacancy rate remained at 14.8% in Q2 2023, being expected to decrease by the end of the year.

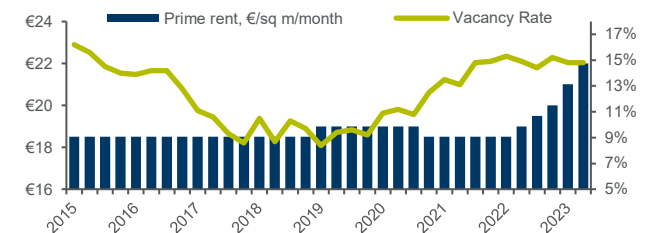
PRICING: Rents continue to increase

The rental levels continued their upward trajectory in Q2, with a 15.8% y/y increase of the prime headline rent in the CBD area to €22 per sq m per month, which was also mirrored in other submarkets across the city.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING 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)
CBD	357,300	26,500	7.4%	4,400	15,200	-	-	€20.00 - 22.00
Center	412,500	32,800	8.0%	7,200	27,000	-	40,000	€16.00 - 18.00
Floreasca – Barbu Vacarescu	589,600	41,200	7.0%	27,500	38,500	-	27,500	€15.50 - 17.50
Expozitiei	325,300	98,000	30.1%	7,100	11,500	35,500	-	€15.00 - 16.50
Center - West	614,100	92,700	15.1%	18,100	20,600	34,500	44,500	€15.50 – 16.50
North	182,700	36,800	20.1%	300	3,700	-	-	€12.00 - 15.00
Dimitrie Pompeiu	440,700	52,900	12.0%	58,900	62,000	-	-	€11.00 - 13.00
Pipera North	201,300	88,200	43.8%	1,600	2,400	-	-	€9.00 - 11.00
West	165,900	11,500	6.9%	3,100	3,100	-	-	€12.00 – 13.50
East	51,100	15,700	30.7%	-	-	-	-	€9.00 - 12.00
South	41,800	2,800	6.7%	6,100	6,100	-	-	€9.00 - 12.00
BUCHAREST TOTAL	3,382,300	499,100	14.8%	134,300	190,100	70,000	112,000	€22.00

* Prime rent is indicated as asking base rent.

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	DEAL TYPE
Upground BOC	Dimitrie Pompeiu	Honeywell	24,000	Renewal / Renegotiation
Upground BOB	Dimitrie Pompeiu	DB Technology	12,700	Renewal / Renegotiation
Globalworth Square	Floreasca – Barbu Vacarescu	eMAG	10,000	New lease
Green Court A	Floreasca – Barbu Vacarescu	Banca Transilvania	10,000	New lease

KEY CONSTRUCTION COMPLETIONS H1 2023

	SUBMARKET	AREA (SQ M)	OWNER / DEVELOPER
One Cotroceni Park II	Center - West	34,500	One United Properties
@EXPO II	Expozitiei	28,000	Atenor Group
Muse	Expozitiei	7,500	Primavera Development

VLAD SAFTOIU

Head of Research

+40 21 310 3100 /

vlad.saftoiu@cwechinox.com

CRISTINA LUPASCU

Director PR & Research

+40 21 310 3100 /

cristina.lupascu@cwechinox.com

cwechinox.com

cushmanwakefield.com

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Budapest / HUNGARY

BUDAPEST

Office Q2 2023

12.6%
Vacancy Rate



€25.00
Prime Rent, Sq m/month



5.75%
Prime Yield



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

570K
Budapest office-based employment



2.9%
Budapest Unemployment Rate



4.0%
Hungary Unemployment Rate



Source: Moody's Analytics (August 2023 release)

ECONOMY: Rebounding from recession, growth outlook from 2024 onwards

Hungary's economy outperformed most EU countries in H1 2022. However, by early 2023, its growth rate slowed down, leading to a mild recession by the end of Q1. Moody's Analytics predicts Hungary's economy bouncing back from this recession by Q3 2023. After reaching its peak in Q1, inflation has now subsided to around 22%, and it is projected to decrease further to single digits by the end of 2024. The National Bank of Hungary announced that it will continue to adopt a 13% base rate to combat inflation, as well as the forint should be able to stabilise further against the Euro and the US dollar until early 2024. The forecast for annual GDP growth for 2023 remains modest, as it is expected to gain momentum only from the year-end. Office employment in Budapest continues to be the highest in CEE, displaying steady growth over the past few years, with this upward trend expected to persist.

Investment activity remained subdued in H1 2023, with only two office investments finalised in Budapest during Q2 and a few more in the pipeline for 2023. Total office investments will remain moderate throughout the year, in line with global market activity.

SUPPLY AND DEMAND: Growing occupier demand, easing of new completions from the peak levels

The office property market in Budapest experienced an active Q2 2023, with significant figures for both gross and net take-up. Gross take-up amounted to 119,895 sq m, increasing by 11% compared to Q2 of the previous year. The number of lease transactions also saw a 13% y/y increase, while the average transaction size essentially remained unchanged.

Within the occupier demand structure, new leases constituted 45% of gross take-up, while renewals accounted for 42%. Office demand was dominated by companies from the professional services, IT, and technology sectors.

In Q2 2023, the new office supply amounted to 38,000 sq m. Notably, the delivery of new completions is steadily slowing without owner-occupied projects. For the coming years, it is projected that 63,600 sq m of new speculative office space will be delivered in 2023, with an additional 83,100 sq m planned in 2024. Around a quarter of this expected speculative new supply is already pre-let.

At the end of Q2 2023, the vacancy rate reached 12.6%, increasing by 0.4 percentage points from Q1. The expansion in the space availability rate was primarily driven by the delivery of new supply, while net absorption turned positive during the past quarter.

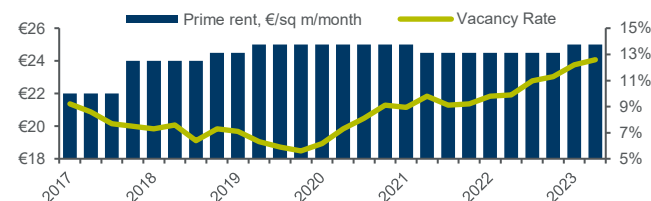
PRICING: Prime rents hold steady, with limited scope for short-term rental growth

In Budapest, prime rents remained stable compared to the preceding quarter. Nevertheless, when considering a year-on-year perspective, prime rents in the Buda submarkets, particularly in Central Buda and North Buda, experienced an increase. Looking ahead, further increases in service charges are not expected in the short term.

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/MONTH)
CBD	383,485	48,485	12.6%	5,295	12,610	-	1,380	€25.00
Central Pest	679,605	110,300	16.2%	24,215	41,970	17,525	95,735	€18.00
Central Buda	422,840	21,315	5.0%	14,405	25,930	-	28,880	€21.50
Non-Central Pest	590,065	75,480	12.8%	13,415	14,875	8,530	79,310	€15.50
North Buda	347,085	24,210	7.0%	9,310	12,140	15,535	-	€18.00
South Buda	649,145	95,795	14.8%	10,665	19,595	22,465	26,075	€18.00
Váci Corridor	1,139,710	128,485	11.3%	39,810	63,280	-	47,220	€18.00
Periphery	122,940	42,780	34.8%	2,780	6,160	-	-	€11.50
BUDAPEST TOTAL	4,334,875	546,850	12.6%	119,895	196,665	64,055	278,600	€25.00

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	TYPE
Millennium Tower I	Central Pest	Confidential	8,100	New
Hungária Office Park Building VII	Non-Central Pest	Lightware	7,100	New
Promenade Gardens	Váci Corridor	SSC	5,400	Renewal

KEY SALES TRANSACTIONS H1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQ M)
Forest Offices Debrecen	Debrecen	GTC / University of Debrecen	22,000
Víziváros Office Center	Central Buda	CA Immo / FLE	13,500
Németvölgyi 97	North Buda	DGRT / end-user	3,600

CONSTRUCTION COMPLETIONS Q2 2023

PROPERTY	SUBMARKET	MAJOR TENANT/S	AREA (SQ M)	OWNER/DEVELOPER
RoseVille	North Buda	Veeva Systems / L'Oréal	15,535	Atenor
BudaPart Downtown	South Buda	Mediator Group	8,425	Property Market Zrt.
F99	South Buda	Prodominantly IT companies	14,100	Proform

Source: Cushman & Wakefield, Budapest Research Forum

Orsolya Hegedús MRICS

Partner, Head of Business Development Services Budapest

Mobile: +36 30 399 5106

Orsolya.hegedus@cushwake.com

Edit Jakab

Senior Research Analyst Budapest

Mobile: +36 70 373 7482

[Edit.Jakab@cushwake.com](mailto>Edit.Jakab@cushwake.com)

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An aerial, monochromatic blue-tinted photograph of Prague, Czech Republic. The image captures the dense urban landscape of the city, with the Charles Bridge spanning the Vltava River in the foreground. In the background, the Prague Castle complex is visible on a hillside. The sky is overcast with soft clouds. A large red diagonal shape is present in the bottom right corner of the image.

Prague / CZECH REPUBLIC

PRAGUE

Office Q2 2023



YoY Chg. 12-Mo. Forecast

7.3%

Vacancy Rate



€28.50

Prime Rent, Sq m/month



5.25%

Prime Yield



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

360K

Prague office-based employment



1.6%

Prague Unemployment Rate



2.7%

Czech Republic Unemployment Rate



Source: Moody's Analytics (August 2023 release)

ECONOMY: Despite a period of economic slowdown, the outlook remains positive

Czechia's economy has experienced three consecutive quarters of mild contraction since H2 2022. In Q1 2023, there was a year-on-year decrease in GDP, the first since early 2021. Such economic decline was mainly driven by a significant drop in private consumption and a reduction in inventories, partially offset by higher government consumption and net exports. However, Moody's Analytics anticipates that the decline in household consumption may have reached its lowest point in Q1 2023, and there are indications of improving disposable income as inflation decreases. Moreover, the inflation rate has been gradually moderating, and the labour market has remained relatively resilient with a well-educated and growing talent pool.

Moody's Analytics predicts that Prague's economy will outperform other Central European capital cities thanks to its strategic location, skilled workforce, and favourable business opportunities. Despite a significant slowdown in hiring during the year, it is unlikely that office-using industries will experience substantial layoffs and payroll reductions.

SUPPLY AND DEMAND: Reduced vacancy amidst no new supply in Q2, renegotiations dominate again

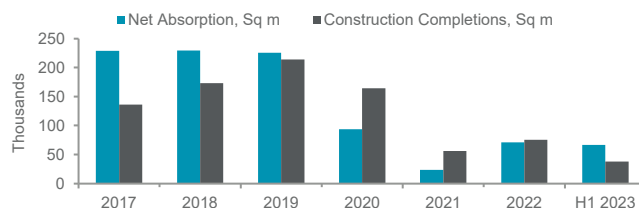
In Q1 2023, new supply reached around 38,000 sq m, marking a 45% increase compared to the previous year's Q1 and surpassing the 5-year average. However, Q2 saw no new delivery in the sector, resulting in a 22% decrease in new supply for H1 2023 compared to the corresponding period in the previous year. Despite no new office projects breaking ground in the past 12 months, Prague has almost 143,600 sq m under construction, with about 52% already pre-leased. Scheduled for completion by the end of 2023 are 66,800 sq m of offices across seven buildings.

In Q2 2023, gross office take-up reached around 149,000 sq m, with 53% consisting of lease renegotiations. The record-high (since Q2 2020) quarterly net absorption of 53,200 sq m from Q1 2023 was complemented by an additional 13,600 sq m in Q2. Primary vacancy further softened by 30 bp over the past quarter, settling at 7.3%.

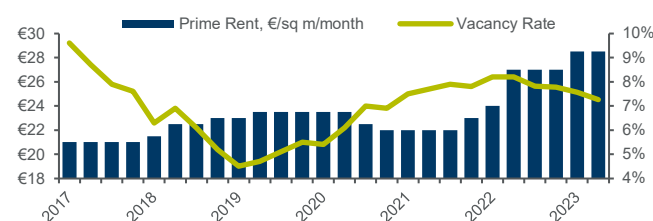
PRICING: Prime office rent further increased in Q1 2022, nearing its peak level

Prime office rent experienced a substantial 24% increase from the beginning of 2022 until Q1 2023, largely driven by the construction of prime office schemes in central Prague. In Q2 2023, prime rent remained stable at the highest level among the CEE countries. Moving forward, significant increases in total occupancy costs are not anticipated in the near future.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME 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	535,800	44,200	8.3%	20,700	27,800	0	37,200	€ 28.50
Prague 2	130,600	8,700	6.7%	1,900	7,200	0	0	€ 23.00
Prague 3	122,200	24,900	20.4%	3,900	15,500	0	0	€ 17.00
Prague 4	969,200	53,800	5.6%	61,100	83,800	0	21,700	€ 18.00
Prague 5	647,000	50,700	7.8%	23,900	50,300	0	27,300	€ 17.80
Prague 6	217,300	12,900	5.9%	6,100	11,900	0	0	€ 16.50
Prague 7	275,700	27,800	10.1%	5,600	20,900	30,900	0	€ 16.00
Prague 8	631,500	24,400	3.9%	20,500	50,000	7,100	17,400	€ 19.00
Prague 9	170,600	24,500	14.4%	2,500	11,000	0	11,100	€ 15.00
Prague 10	153,400	7,700	5.0%	2,600	6,400	0	28,900	€ 16.00
PRAGUE TOTALS	3,853,200	279,600	7.3%	148,800	284,700	38,000	143,600	€ 28.50

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	TYPE
The Park - building 5	Prague 4	DHL Information Services	18,000	Renegotiation
Brumlovka Delta	Prague 4	Microsoft	16,100	Renegotiation
Zlatý Anděl	Prague 5	confidential	6,600	Renegotiation
Florentinum	Prague 1	Dr.Max	6,200	Renegotiation & expansion
Enterprise Office Center	Prague 4	Sandoz	5,700	New occupation
The Park - building 2	Prague 4	IBM	4,000	Renegotiation

KEY CONSTRUCTION COMPLETIONS 2023

PROPERTY	SUBMARKET	MAJOR TENANT	AREA (SQ M)	OWNER / DEVELOPER
Port7 – Edinburgh	Prague 7	Scott.Weber Worspace	23,900	Skanska
Red Court	Prague 8	Czechoslovak Group	7,100	BlackBird Real Estate/ J&T Real Estate
Port7 – Alexandria	Prague 7	Direct Pojišťovna	4,200	Skanska
Port7 – Dover	Prague 7	MANTA	2,800	Skanska

Source: Prague Research Forum, Cushman & Wakefield

MARIE BALÁČOVÁ

Partner, Head of Business
Development Services, CEE+Nordics
+420 605 440 693 / marie.balacova@cushwake.com

RADKA NOVAK

Head of Office Agency, CEE
+420 602 249 119 / radka.novak@cushwake.com
[cushmanwakefield.com](https://www.cushmanwakefield.com)

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Sofia / BULGARIA



CUSHMAN &
WAKEFIELD



FORTON

SOFIA

Office Q2 2023

CUSHMAN & WAKEFIELD

F FORTON

YoY Chg. 12-Mo. Forecast

16.6%  

Vacancy Rate

€16.00  

Prime Rent*, Sq m/month



7.50%  

Prime Yield

**Prime asking rent*

ECONOMIC INDICATORS Q2 2023

YoY Chg. 12-Mo. Forecast

341K  

Sofia office-based employment

3.1%  

Sofia Unemployment Rate

4.3%  

Bulgaria Unemployment Rate

Source: Moody's Analytics (August 2023 release)

ECONOMY: On a positive trajectory

All things considered, halfway through 2023, Bulgaria's economy is performing quite well. Inflation, which had posed a significant challenge for most CEE countries, has receded to single digits, reaching 7.5% in June, which stood just above the Eurozone average of 5.5%. The key economic indicators for Q1 2023 all reflect positive trends. The number of unemployed individuals declined by 6% y/y, while the number of employed experienced a slight increase both nationally and in the capital city. Additionally, the country's GDP grew by 2.1% y/y, surpassing the EU average growth rate by more than double.

SUPPLY AND DEMAND: Increasing vacancy rate

The dynamics of the office property market in Sofia noticeably slowed down in H1 2023, with gross take-up amounting to around 75,600 sq m, shrinking by 11.5% compared to the respective period of the previous year. Lease renewals constituted the largest share of the gross take-up, followed by relocations. The ongoing trend of hybrid work has prompted many occupiers to optimize their office spaces while renewing lease agreements, and this resulted in weak organic growth and a drop in net absorption to only 457 sq m in Q2 2023.

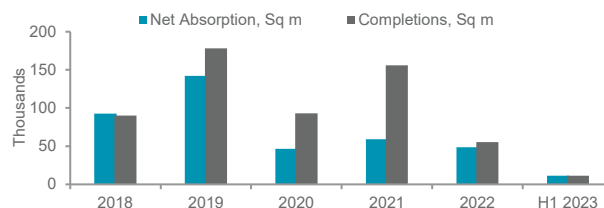
This slowdown of leasing activity has translated into sluggish office construction over the past year, leading to a low volume of new completions. In Q2 2023, the office pipeline in Sofia remained below 200,000 sq m, with the delivery of a small office building in the CBD and an office component within a mixed-use project. As supply increased while occupier demand tightened, the vacancy rate rose to 16.6% by mid-2023.

A positive trend is the evolution of the shared offices segment. An increasing number of office projects integrate coworking space within their structure to attract growing businesses and offer flexible solutions to current occupiers. By the end of H1, the supply of coworking space and serviced offices in Sofia reached approximately 63,000 sq m, with an additional 10,000 sq m in the pipeline.

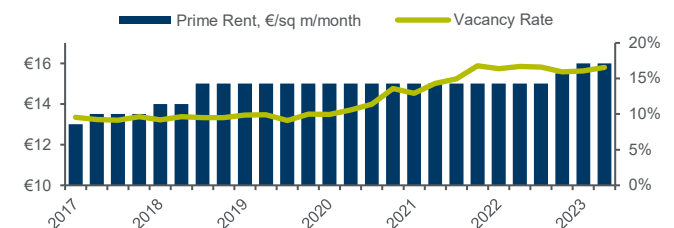
PRICING: Rent stabilisation

After the rental growth at the start of 2023, the mid-year trend in Sofia showed signs of rent stabilization. The monthly rents for prime locations in the city's Central Business District remained at €16 per sq m, while for class A properties along the main roads were in the range of €12 and €15 per sq m. Service charges in the sector were stable within the range of €3-4 per sq m per month, a level that was reached by the end of 2022.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME ASKING RENT



MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT* (€/SQ M/MONTH)
Sofia	2,278,613	377,695	16.6%	33,797	75,598	190,560	€16.00
SOFIA TOTAL	2,278,613	377,695	16.6%	33,797	75,598	190,560	€16.00

* Rental rates reflect asking rents

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	AREA (SQ M)	TYPE
Sofia Airport Center	Sofia	IBM	10,225	Renewal
Space Tower	Sofia	Experian	4,019	Renewal
Office X	Sofia	ResultsCX	1,142	New lease
Tetrix Office Center	Sofia	WorkHub Serviced Offices	516	New lease

RADOSTINA MARKOVA

Local Market Research Lead

Direct: +359 (2) 805 90 12

Mobile: +359 883 260 333

radostina.markova@cwforton.com

cwforton.com

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Warsaw / POLAND

WARSAW

Office Q2 2023



11.4%
Vacancy Rate

YoY Chg. 12-Mo. Forecast



€24.50
Prime Rent, Sq m/month



5.50%
Prime Yield



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

533K
Warsaw office-based
employment

YoY Chg. 12-Mo. Forecast



1.2%
Warsaw
Unemployment Rate



4.1%
Poland
Unemployment Rate



Source: Moody's Analytics (August 2023 release)

SUPPLY AND DEMAND: An inverse relationship between office availability and proximity to the city centre

Total office stock in Warsaw amounted to 6.25 million sq m after three new office projects of a cumulative area of 18,700 sq m were completed in non-central locations. The largest completion in H1 2023 was the next phase of The Park of 11,000 sq m developed by White Star Real Estate. Cushman & Wakefield projects that during the remainder of 2023 approximately 47,500 sq m of offices will be delivered across four office projects, bringing the year's total new supply to around 66,000 sq m. Respectively, total development activity in 2023 is expected to be the lowest in nearly 25 years, as a result of fewer new projects breaking ground due to muted occupier demand in 2020-2021 along with rising financing, construction, and fit-out costs in 2022. At the same time, the development pipeline grew by almost 60,000 sq m to 220,900 sq m, thanks to commenced construction of Towarowa 22 (phase 1) by Echo Investment and The Form by Lincoln Properties, both located near Daszyńskiego Roundabout. We expect that in 2024-2025 development activity will remain significantly below pre-pandemic levels.

During H1 2023, the gross take-up amounted to 325,700 sq m, showing a decrease of 32% y/y, which was mainly attributed to a high base effect in Q1 2022 when five companies leased more than 110,000 sq m of offices. However, the leasing market is showing signs of recovery, as indicated by the number of transactions completed. In H1 2023, relocations dominated the demand structure with around 61% of all deals. Renegotiations and expansions accounted for 35% and 4% of gross take-up, respectively.

In June 2023, office availability amounted to 714,400 sq m, marking a decrease of 33,300 sq m from a year ago. In Q2 2023, the vacancy rate stood at 11.4%, decreasing by 0.5 pp y/y and 0.2 pp q/q. As new office supply is expected to be limited in 2023-2025, the vacancy rate will remain on a downward trajectory, allowing the market to absorb the surplus space that was accumulated during a period of temporarily weaker demand in 2020-2021. The rate of such absorption will be the fastest in the central zone and modern office buildings with ESG solutions, which are increasingly sought after by occupiers.

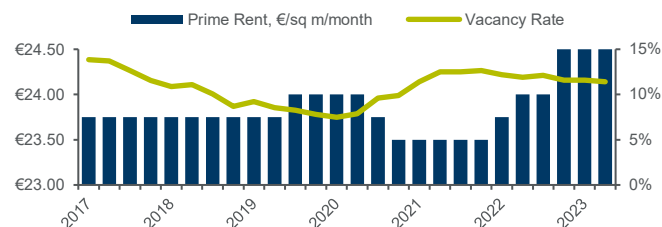
PRICING: Location, quality, and occupancy levels to be key drivers of rental growth across offices in 2023

In H1 2023, prime office rents in Warsaw remained steady, maintaining the same levels since the end of 2022. In the city centre monthly rents stood in the range of €22-26 per sq m, while in non-central locations they varied between €13.5-16.5 per sq m. Notably, projects in the pipeline faced the strongest upward pressure on rents due to their significant exposure to rising construction and fit-out costs. Landlords' pricing strategies for existing office stock will depend largely on factors such as the location, age, quality, and occupancy levels of their buildings and/or portfolios.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD GROSS TAKE-UP (SQ M)	YTD COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (€/SQ M/MONTH)
Central Business District	991,800	122,700	12.4%	40,200	65,800			€24.50
Centre	1,785,100	151,800	8.5%	61,400	122,800		163,000	€21.00
East	271,500	22,800	8.1%	3,900	9,100	7,700	26,900	€15.00
Jerozolimskie Corridor	762,600	75,900	9.9%	30,100	49,600	11,000		€15.00
Mokotów	1,459,600	261,900	17.9%	23,800	61,300		24,000	€14.25
North	120,200	6,100	5.1%	2,000	2,600			€14.25
Puławska	198,400	22,900	11.5%	700	5,600		7,000	€13.25
Ursynów, Wilanów	123,100	7,100	5.8%	0	1,200			€14.75
West	232,300	22,800	9.8%	1,200	1,200			€14.75
Żwirki i Wigury	299,100	20,500	6.9%	3,800	6,600			€14.50
WARSAW TOTAL	6,253,800	714,400	11.4%	167,100	325,700	18,700	220,900	€24.50

KEY LEASE TRANSACTIONS H1 2023

BUILDING	SUBMARKET	KEY TENANT	AREA (SQ M)	LEASE TYPE
Proximo II	Centre	Accenture	8,800	Renegotiation
DPD HQ	Jerozolimskie Corridor	DPD Polska	8,700	Owner-occupation
Taifun	Jerozolimskie Corridor	Lionbridge	7,100	Renegotiation
Towarowa 25a	Centre	Urząd Regulacji Energetyki	5,700	New lease

KEY INVESTMENT TRANSACTIONS 2023

BUILDING	SUBMARKET	SELLER /BUYER	AREA (SQ M)
Moje Miejsce II	Mokotów	Echo Investment/Trigea Reas Estate	17,200

MAJOR OFFICE COMPLETIONS IN 2023

Building	Zone	Key tenant	Area (sq m)	Developer
The Park 9	Jerozolimskie Corridor	Euro RTV AGD	11 000	White Star Real Estate

Source: Cushman & Wakefield

EWA DERLATKA-CHILEWICZ

Head of Research

+48 606 116 006 / ewa.derlatka-chilewich@cushwake.com

JAN SZULBORSKI

Senior Consultant

+48 722 202 933 / jan.szulborski@cushwake.com[cushmanwakefield.com](https://www.cushmanwakefield.com)

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OFFICE MARKET DEFINITIONS

Stock (Total stock): Total Gross Lettable Area of completed space (occupied and vacant) in the office buildings positioned in A and B classes, both leased and owner-occupied, including purpose-built offices, offices converted from other uses and independent office space forming part of a mixed-use development.
Note: Owner-occupied schemes are excluded from the Stock in Romania.

Under construction: The total office space under construction at the end of a specified period. It includes new development, expansion of an existing scheme and comprehensive refurbishment.

- (a) Speculative – space under construction that is available (or will be available upon completion) for occupation on the open market.
- (b) Pre-let – space under construction already pre-committed with the lease agreement and not marketed as available on the open market.

Gross take-up: A figure representing the total floorspace known to have been let or pre-let (for pipeline properties), sold or pre-sold (for pipeline properties) to tenants or owner-occupiers in existing buildings and pipeline schemes to be included in the Stock. Data includes new leases, pre-leases, sub-leases, owner occupation and expansions, and lease renewals. Space is deemed to be “taken up” only when contracts are signed.
Note: Sub-leases are excluded from Gross take-up in Hungary and Slovakia.

Net take-up: The figure is distinct from gross take-up, as lease renewals and sub-leases are excluded.

Net absorption: The net change in physically occupied space over a given period of time, considering vacated and newly constructed space during the definite period.

Vacant space (Vacancy): The vacancy is deemed to be the total Gross Lettable Area in an existing property that is included in the Stock, which is vacant and being actively marketed at the time. Space available for future occupation and sub-lease space opportunities are not included.

Vacancy rate: The share of vacant space as a proportion of stock.

Prime rent: Consistently achievable headline rental rate related to office units of a minimum size of 300 sq m (in Poland – 1,000 sq m) in a new, well-located, highest specification (grade A) office building. If not indicated otherwise, prime rent is given as a base rent, i.e., no service charge, utilities and tax is included.
The prime rent reflects the market's tone at the top end, even if no new leases have been signed within the survey period. One-off deals that do not represent the market are disregarded.

Prime yield: The initial yield is estimated to be consistently achievable as an annual percentage income return for a property of the highest quality and specification, in the best location, fully let long term to a strong covenant/s, and immediately income-producing on present market terms at the survey date.
It is an indicator of the tone in the market and the associated level of risk attached to that investment.

CZECH REPUBLIC



Radka NOVAK

International Partner,
Head of Office Agency |
Czech Republic | CEE

+420 602 249 119
radka.novak@cushwake.com

HUNGARY



Tamara SZÁNTÓ

Partner, Head of
Office Agency | Hungary

+36 (30) 249 5621
tamara.szanto@cushwake.com

POLAND



Paulina MISIAK

Partner
Head of Warsaw Office Agency

+48 601 378 908
paulina.misiak@eur.cushwake.com

SLOVAKIA



Lucia BOJSOVÁ

Associate
Office Agency | Slovakia

+421 901 914 464
lucia.bojsova@cushwake.com

ROMANIA



Madalina COJOCARU

Partner,
Office Agency | Romania

+40 (21) 310 3100
madalina.cojocaru@cwechinox.com

BULGARIA



Yavor KOSTOV

Managing Partner | Bulgaria

+359 2 805 90 80
yavor.kostov@cwforton.com



Marie BALAČOVÁ

Partner, Head of Business
Development Services |
CEE+Nordics

+420 605 440 693
marie.balacova@cushwake.com



Orsolya HEGEDŰS

Partner, Head of Business
Development Services | Hungary

+36 (30) 399 5106
orsolya.hegedus@cushwake.com



Ewa DERLATKA-CHILEWICZ

Head of Research | Poland

+48 606 116 006
ewa.derlatka-chilewicz@cushwake.com



Lukáš BRATH

Research Analyst | Slovakia

+421 904 325 358
lukas.brath@cushwake.com



Vlad SAFTOIU

Head of Research | Romania

+40 (72) 882 5299
vlad.saftoiu@cwechinox.com



Radostina MARKOVA

Head of Research
and Marketing | Bulgaria

+359 (883) 260 333
radostina.markova@cwforton.com