

# MARKET COMMENTARY

## Office space market

Office rents fell as much as 15% in Warsaw, and 8-10% in other cities, and vacancy jumped to 6%, as tenants downsized and even sublet their own space.

Building owners offer many incentives to the prospective tenants, such as 3-12 month rent-free periods, landlord sponsored fit-out, and other rebates lowering effective rents.

Today is the best time for tenants who are renegotiating leases or are searching for space for rent.

### Warsaw

In the 3<sup>rd</sup> quarter, as opposed to the 2<sup>nd</sup> quarter, we registered a 15% drop in asking rents. In A-class buildings in the Central Business District they are of 19-26 EUR/sqm, and outside of the CBD 11-16 EUR/sqm.

The vacancy rate in comparison to the 2<sup>nd</sup> quarter rose to 6%. This rate however, is understated, since a lot of office space for subletting has appeared on the market. Including the sublet space, this rate would rise to 6.8%.

### Krakow

In Krakow, an A-class office costs 14-17 EUR/sqm which, in comparison to the 2<sup>nd</sup> quarter means an 8% drop in rents. Due to the increasing amount of free space for subletting, the vacancy rate has risen to 6%.

### Poznan

In Poznan, rents have fallen by 10% in comparison to the 2<sup>nd</sup> quarter. Rents for an A-class office stand at 14-17 EUR/sqm. Due to low supply of office space, the vacancy rate is of 4%.

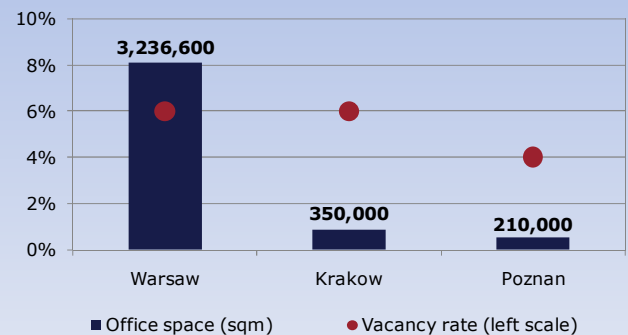
## Retail space market

In Poland, the 3<sup>rd</sup> quarter of 2009, quarter has brought no changes in rents, both at main commercial streets and in shopping malls. Rents remain stable. The difference between the asking rent and the effective rent is rising, however, due to extra-rent incentives (i.e. rent-free periods, participation in the costs of arranging a space).

### Warsaw

In the 3<sup>rd</sup> quarter, rents at main streets stand at 40-85 EUR/sqm (for an area of about 100 sqm). Rents are similar at shopping malls, where a medium-size space costs 50-85 EUR/sqm. The vacancy rate is of 1%, which confirms a high demand for space in shopping malls.

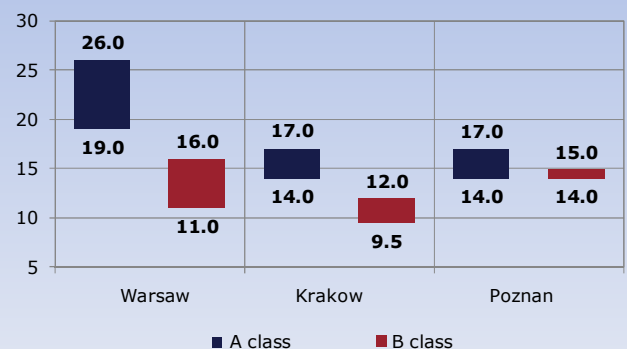
**Modern office stock and vacancy rate**



Source: Ober-Haus

Data: Q3 2009

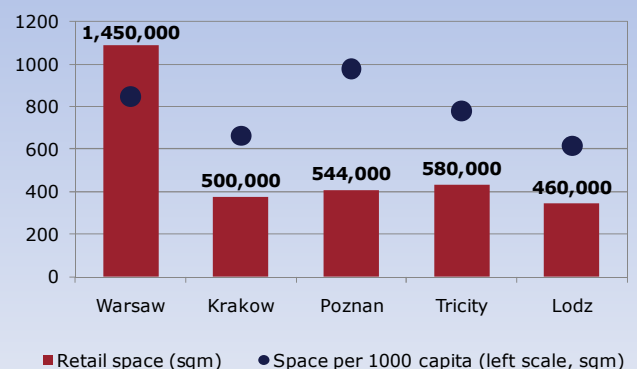
**Modern office rents without VAT (EUR/sqm/month)**



Source: Ober-Haus

Data: Q3 2009

**Shopping centre stock**



Source: Ober-Haus

Data: Q3 2009

**Krakow**

In the 3<sup>rd</sup> quarter of 2009, rents for spaces with an area of about 100 sqm, at main streets, stand at 35-75 EUR/sqm.

The situation is similar at shopping malls, where rents for best spaces reach 35-50 EUR/sqm. The vacancy rate is still very low, at 1.5%,

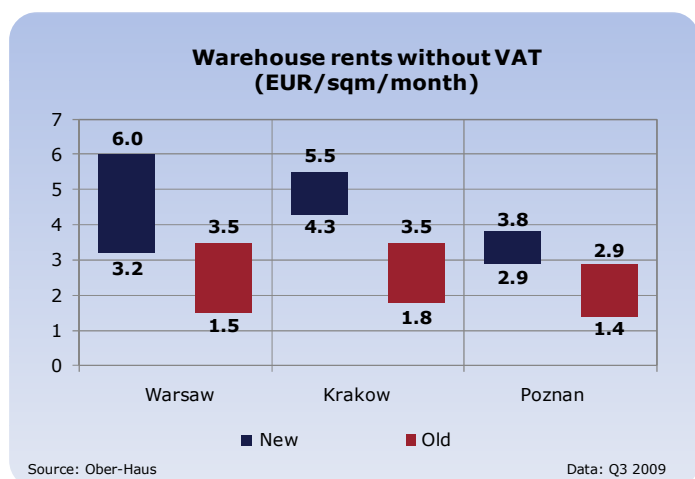
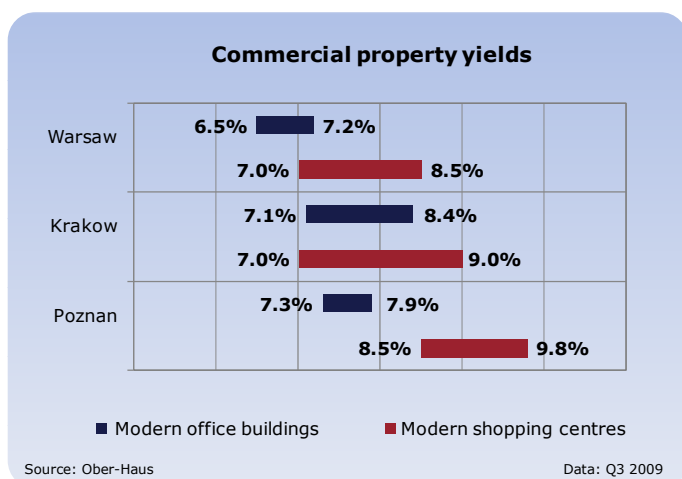
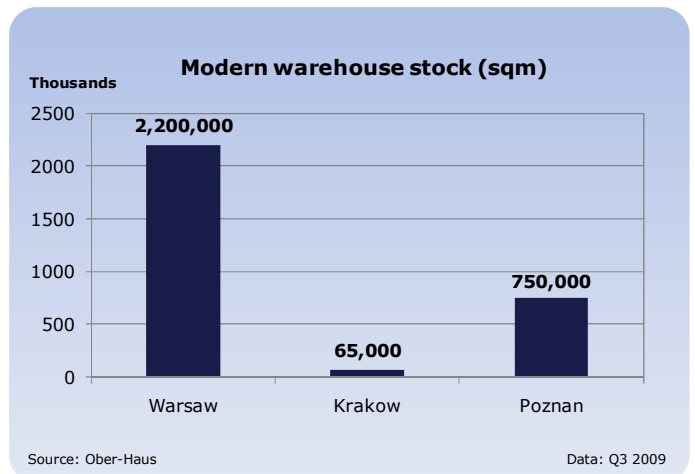
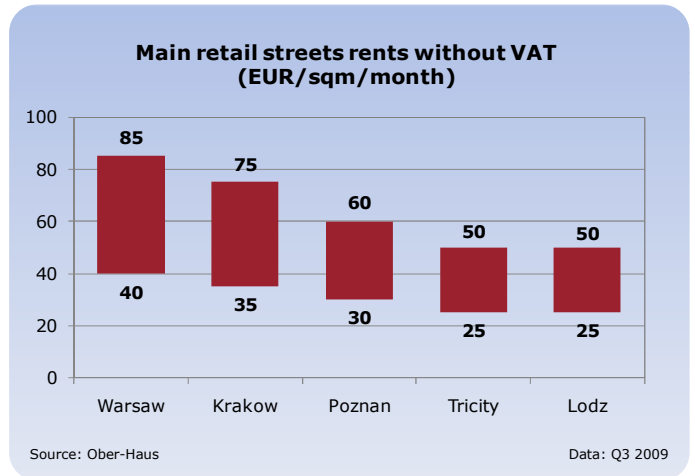
**Poznan**

Rents at main streets for spaces with an area of about 100 sqm reached from 30 to 50 EUR/sqm in the third quarter of 2009. The best spaces at shopping malls cost 30-45 EUR/sqm. Exceedingly quick expansion has pushed many companies to close up some of their shops or to declare bankruptcy, which has brought the vacancy rate up to over 2%.

**Investment real estate market**

The 3<sup>rd</sup> quarter of 2009 can be described as a period of calm on investment markets. Despite this, investors are visibly returning to commercial real estate markets. The main reason for the increased interest in the market is the improving access to bank credit. In spite of the continuous difficulties in securing financing, the banks are more and more willing to grant credit for well-planned investments which guarantee an appropriate rate of return.

Investment yields in the office sector in Warsaw stands at 6.50% to 7.20%, in Krakow – 7.10% to 8.40%, and in Poznan from 7.30% to 7.90%. For the retail sector, the figures are as follows: Warsaw – 7% to 8.50%, Krakow – 7% to 9% and Poznan – 8.50% to 9.80%.



If you wish to receive any additional information about development of the real estate market in Poland, Latvia, Estonia and Lithuania; or you would like to order a special report on the part of the market relevant to you or the market of the project in progress, please contact Ober-Haus Real Estate Advisor market analysts:

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