



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world

STANDING OUT FROM THE CROWD

A NEW BREATH OF LIFE
FOR BOUTIQUE OFFICE BUILDINGS
WITHIN WARSAW CITY CENTRE



CONTENTS

IN A NUTSHELL	4
CLOSER THAN YOU THINK	8
DEVIL IN THE DETAIL	14
CONNOISSEURS OF BOUTIQUE OFFICES	16
NUMBERS SPEAK LOUDER THAN WORDS	18
ADVICE CORNER	20
CONCLUSIONS	21

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Whether strolling along Three Crosses Square or Nowy Świat Street on a quiet Sunday morning or rushing through Marszałkowska Street or Jerozolimskie Avenue on a busy workday, inevitably you pass by them. Often hidden in courtyards or neatly lined up in a row with street frontage, they are like a diamond in the rough standing out from the dull social-real architecture of the past era.

These are boutique offices – the preferred choice of connoisseurs, both landlords and occupiers alike.

Taking a short-cut and developing on a greenfield site is relatively easy. It is far more challenging to create something unique by restoring and reviving the historical character of a building which was lost in the 2nd World War or under the previous regime. Boutique office developers and landlords know this well. This is probably why there are so few of them, as the investment process can be long and costly, burdened with high risks such as restitution claims or monument conservator restrictions. Still, when analysing rent and occupancy ratios, these schemes hold up relatively well recording stable headline rents, which are 10-15% higher than those of traditional modern offices. Also, they don't go "out-of-date" so quickly.

Occupiers of boutique projects are also very unique in their preferences. Despite a broad selection of modern offices, they have an appreciation for boutique projects which offer a certain sense of intimacy and uniqueness. The appeal of the boutique building is not only thanks to its historic style, but also to modern office space solutions, which increase comfort for end-users making the project more competitive in a today's commercial real estate market. It is true that occupiers of boutique offices are more demanding, but also generally more appreciative of the fact that they can enjoy a higher quality of management and more tailored-made services.

Value has many dimensions. In this report, we show that apart from financial benefits of boutique office buildings as an asset class, reconstruction, refurbishment, reconfiguration, rejuvenation and restoration of old or run-down buildings provide intangible added-value to its occupiers, city dwellers as well as the urban landscape



Anna Staniszewska
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IN A NUTSHELL

We are pleased to present you with our special report entitled *Standing out from the Crowd: A breath of new life for boutique buildings within Warsaw city centre* that sheds new light on a specific type of building – boutique offices, forming an inherent part of Warsaw’s city centre urban landscape.

There is no single definition of a boutique office. The schemes identified include both tenement houses as well as palaces. For the purposes of this report, the BNP Paribas Real Estate research team has analysed existing and planned provision of historical and or fully or partially refurbished or rebuilt buildings within sections of Warsaw’s city centre and the Old Town area, varying in terms of size (max. 15,000 sqm), age and technical specification (as marked on map 1).

Here are the key trademarks of boutique offices, which make them stand out from the conventional modern office buildings built on greenfield sites. These include both quantitative as well as qualitative attributes, such as

▶ LOCATION

Boutique office buildings are usually located within central urban areas with excellent access to amenities, good transportation but limited provision of dedicated parking.

▶ IDENTITY WHILE MAINTAINING HIGH QUALITY STANDARDS

Boutique office buildings typically have a highly historical character, regardless of whether they are a refurbished tenement house or palace or a rebuilt building filling in the gap of an urban setting. This gives them a strong identity, which appeals to selective groups of occupiers. They also form a part of genius loci (spirit of a place), re-establishing a once lost character of an urban area.

▶ LOYALTY OF OCCUPIERS

Once the space is let, boutique office buildings benefit from stronger tenant retention. Occupiers appreciate the sense of uniqueness, often combined with a top class technical specification, high level of finishes and tailor-made management.



“A central location is an unquestionable advantage, in addition to unique interiors and a comfortable working environment, tenants benefit from numerous amenities connected with urban centre life.” Alicja Gieros, IVG Development

“Our buildings are unique. They have a story to tell, which is not the case of standard offices. Additionally, occupiers are not lost with multitude of other tenants, which helps give them a sense of identity. This in turn has other positive aspects, connected with a more tailor-made and sophisticated package of services provided by asset managers, who are much closer to their clients.” Łukasz Laskowski, GLL

“Boutique-type schemes stand out from the rest due to their intimate climate and special image. Each building has its own character and style, ensuring one’s “own address”, which guarantees recognition and image enhancement to occupiers, who have chosen to locate their HQ to this type of space.” Alicja Gieros, IVG Development

“Tenant retention rates are much higher when compared with standard offices, in many cases oscillating around 70-80%.” Łukasz Laskowski, GLL

➤ SOMETIMES TROUBLESOME BUT REWARDING

Frequently boutique buildings have a longer development timeline and special requirements on materials used (and hence higher costs) due to listing and monument protection. Conforming to the current technical and construction regulations, such as fire protection, while at the same time trying to preserve the historic character may prove difficult. Also, there may be some unusual overheads (including archaeological works, worsening of condition of neighbouring buildings).

Moreover, certain inefficiencies of floor plates may be unavoidable due to historic architecture. Generally boutique offices are more suited for smaller tenants and thus are more management intensive.

Still, despite these risks and disadvantages, boutique office buildings are considered to be sound investment products, reflected in lower yields achieved for this type of asset. They age slower than conventional modern office buildings and achieve higher rents.

"Having gained experience in Germany, boutique offices should work in Warsaw, too. Still, the market remains relatively immature. At the moment, many landlords are faced with restitution claims, which hinder potential investments. Another drawback are risks connected with unexpected construction costs, monument conservator restrictions or lack of flexibility regarding the proposed functions. Boutique offices in Warsaw are assets for a patient investor, looking for a long-term allocation of capital and who supports corporate social responsibility.", Robert Mandżunowski, LHI.

"You have to be patient, when trying to lease boutique offices, but it is generally worth it. Sure, costs of refurbishment and fit-out of a boutique office exceed the regular budget, however when considering the achievable rents and loyalty of occupiers, it is a sound investment.", Rafał Krzemień, PHN

KEY NUMBERS OF THE REPORT

NUMBER
OF BUILDINGS

73

TOTAL
LETTABLE AREA

310,700 sqm

NUMBER
OF TENANTS

525

RANGE OF PRIME
HEADLINE RENT

€23-26 sqm/mth

RANGE OF AVERAGE
HEADLINE RENT

€19-22 sqm/mth

AVERAGE
VACANCY RATE

12.4%

YIELD RANGE FOR
PRIME ASSETS

6.00-6.25%

A SOUND, BUT LONG-TERM INVESTMENT PRODUCT

Competition for prime boutique buildings is strong as these assets are unique and have sustainable rental values, higher than in typical modern office buildings.

For the purpose of the report, due to a lack of coherent and comprehensive data, public administration buildings, occupied by Ministries, State Agencies, courts and other central Governmental offices were excluded from the analysis.

The report aims to show the current market composition in terms of stock and tenant-base, as well as vacancy and rent levels. Apart from quantitative market indicators, the analysis also provides qualitative assessment of the boutique office market and presents its key differentiating factors when compared to traditional modern office buildings.

The total lettable area of nearly 73 boutique office buildings has been estimated at 310,700 sqm, of which 252,300 sqm is dedicated to office functions and the remaining space to retail and services. In terms of the type of boutique offices, with over 64 buildings, restored tenement houses are dominant, followed by 10 palaces and the remaining schemes are fully reconstructed new schemes.

The report analyses the tenancy structure within boutique offices, which seat 525 occupiers. It also provides some indicative rental levels for space in these type of buildings, achieving prime levels of €23-26 and average of €19-22 per sqm per month, which is above the current rates for typical modern office buildings in the analysed area.

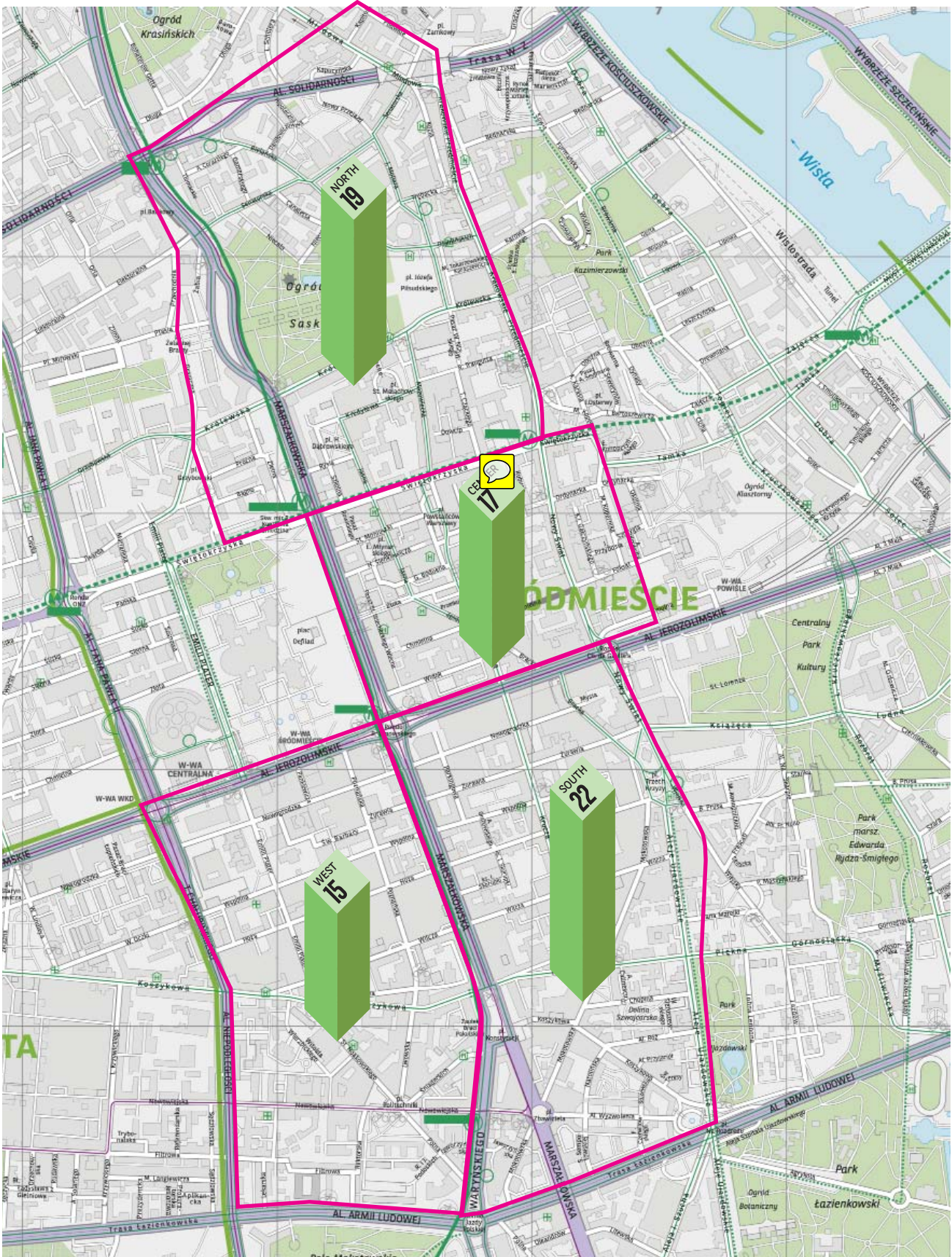
Since the investment market for such asset types is relatively immature, the bulk of boutique offices is in the hands of wealthy individuals. Yet, BNP Paribas Real Estate identified around 10 institutional investors and developers, who consider boutique offices a sound investment.

"Convenient lot size (around €20-40 million), prominent location, relatively high liquidity, higher rents, and good tenant retention rate are key reasons why both funds as well as private investors are keen to invest and willing to pay a yield premium of around 0.25 p.p." Łukasz Laskowski, GLL

"Kulczyk Silverstein Properties has always been pursuing a defensive strategy to invest in most central locations and outstanding assets which appeal to occupiers who look for prestige, brand exposure and differentiation in addition to the highest efficiency and quality of office accommodation. From the investment point of view, boutique offices tend to maintain the value much better than commodity buildings, which are easier to develop, but equally easy to be outstripped by new competitors in terms of specification or efficiency." Joanna Kowalska-Szymczak, Kulczyk Silverstein Properties.

"IVG's strategy on the Warsaw market is concentrated on the purchase and asset management of refurbished boutique style historic office properties. These are unique properties with soul that can offer tenants their "own address" which is a guarantee of recognition. We noticed that companies are beginning to return to such unique class 'A' addresses, preferring such properties to huge tower blocks." Alicja Gieros, IVG Development.

DELIMITATION OF FOUR HOTSPOTS OF BOUTIQUE OFFICES



CLOSER THAN YOU THINK

The total supply of lettable space in boutique buildings within the analysed area reached 310,700sqm, with office space constituting nearly 80%. In nearly all of the projects, ground floor units were occupied by services (especially from financial and insurance sector as well as cafes and restaurants) or retailers.

The majority of boutique type buildings have a prominent, historical location, which is further enhanced by their distinctive character and good visibility. Those along the Royal Route and close to the Old Town enjoy prestige, especially when properly refurbished. Other hotspots of boutique offices can be found in urban quarters west and east of Marszałkowska, as well as along Jerozolimskie Avenue.

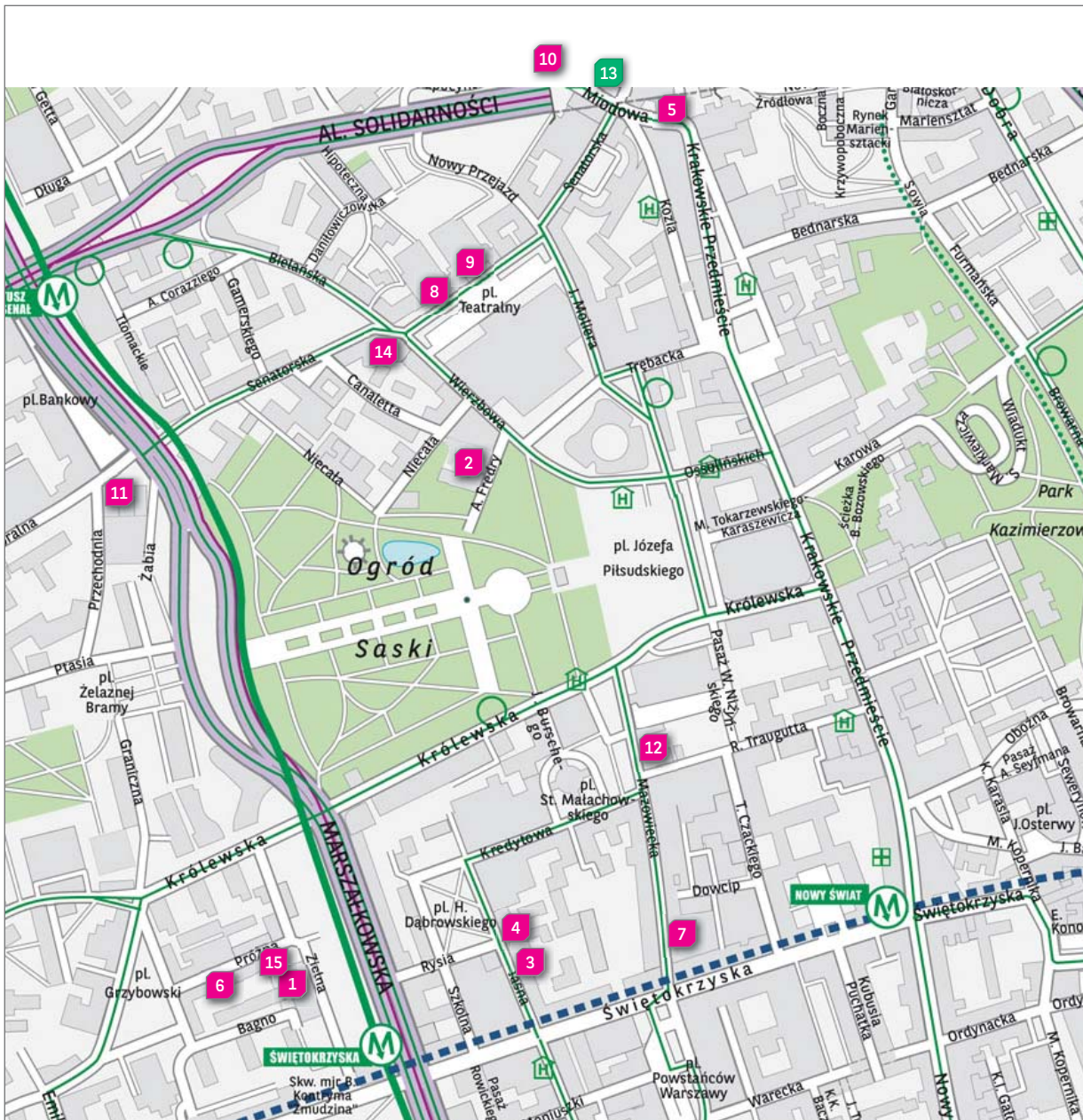
BNP Paribas Real Estate has divided the analysed area into four main clusters:

- ▶ **NORTH** – bordered by Świętokrzyska street to the south, Solidarności avenue to the north, Emilii Plater, Grzybowska to the west and Krakowskie Przedmieście to the east;
- ▶ **CENTRE** – enclosed within Marszałkowska street to the west, Nowy Świat (incl. Krywulfa street), Jerozolimskie avenue to the south and Świętokrzyska street to the north;
- ▶ **SOUTH** – bordering Jerozolimskie to the north, spreading over to Ujazdowskie avenue to the east, Armii Ludowej to the south through Waryńskiego to Krucza to the west;
- ▶ **WEST** – Niepodległości avenue to the west, Krucza to the east, Jerozolimskie avenue to the north and Armii Ludowej to the north.



Griffin House

THE NORTH



SELECTED BOUTIQUE OFFICE BUILDINGS IN THE NORTH HOTSPOT

No.	Name of the building	Address
1.	Centrum Zielna	Zielna 39
2.	Fredry 6	Fredry 6
3.	Jasna 24	Jasna 24
4.	Jasna 26	Jasna 26
5.	Krakowskie Przedmieście 79	Krakowskie Przedmieście 79
6.	Le Palais	Próżna 7-9
7.	Mazowiecka 2/4	Mazowiecka 2/4
8.	Pałac Jabłonowskich (BRE Bank)	Senatorska 18
9.	Pałac Jabłonowskich (Citibank)	Senatorska 16
10.	Pałac Młodziejowskiego	Miodowa 10
11.	Plac Bankowy 1	pl. Bankowy 1
12.	Plac Matachowskiego	pl. Matachowskiego 2
13.	Plac Zamkowy*	Podwale / Senatorska / Miodowa
14.	Wierzbowa 9/11	Wierzbowa 9/11
15.	Wolf Zielna	Zielna 41/43

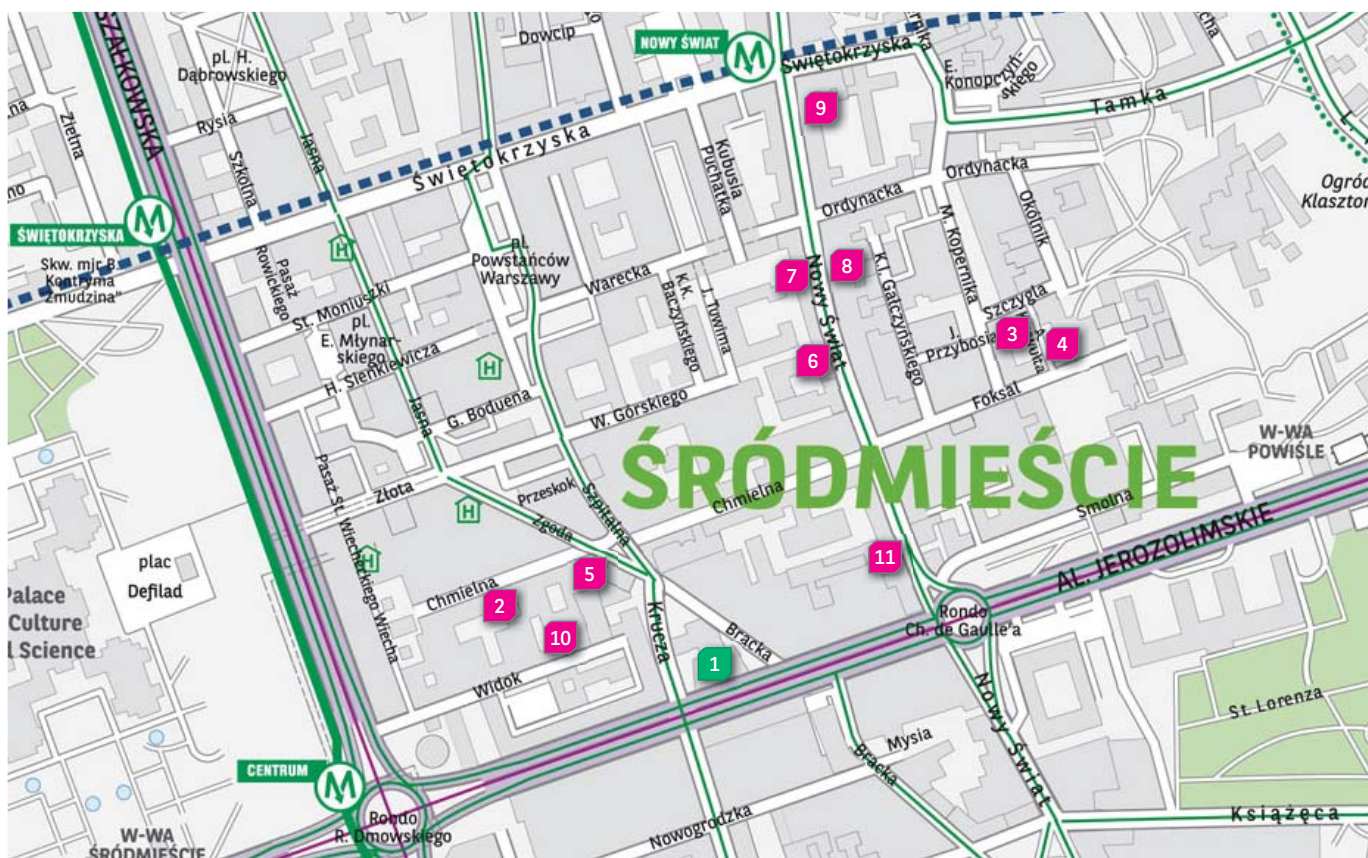
*Pipeline

The North hotspot, which includes some parts of the Old Town and Royal Route, features some of the finest examples of refurbished or rebuilt palaces and tenement houses, such as Pałac Jabłonowskich, Pałac Młodziejowskiego, Plac Matachowskiego, Le Palais or Plac Bankowy 1.

104,000
sqm
TOTAL LETTABLE AREA

19
BUILDINGS

THE CENTRE



SELECTED BOUTIQUE OFFICE BUILDINGS IN THE CENTRE HOTSPOT

No.	Name of the building	Address
1.	Cedet*	Jerozolimskie / Bracka
2.	Chmielna 25	Chmielna 25
3.	Foksal City	Krywulka 2
4.	Foksal 10A	Foksal 10A
5.	Nowy Dom Jabłkowskich	Chmielna 19
6.	Nowy Świat 39	Nowy Świat 39
7.	Nowy Świat 47	Nowy Świat 47
8.	Nowy Świat 54/56	Nowy Świat 54/56
9.	Nowy Świat 64	Nowy Świat 64
10.	Opera House	Widok 8
11.	Pałac Kossakowskich	Nowy Świat 19

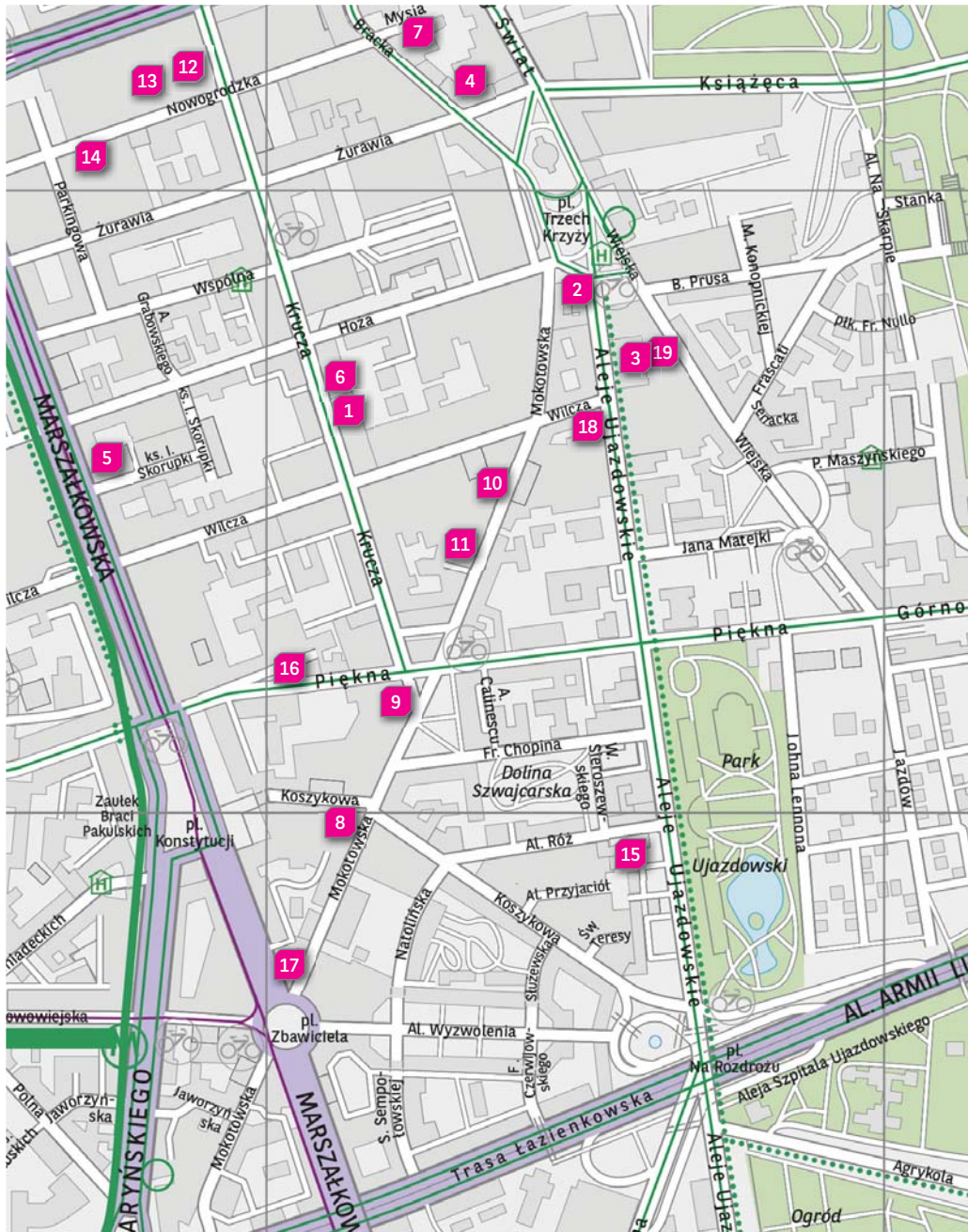
*Pipeline

The existing supply of boutique offices in the Centre hotspot is estimated at 43,000 sqm, located in 17 schemes, mainly tenement houses. The majority of the stock is situated along Nowy Świat.

43,000
sqm
TOTAL LETTABLE AREA

17
BUILDINGS

THE SOUTH



SELECTED BOUTIQUE OFFICE BUILDINGS IN THE SOUTH HOTSPOT

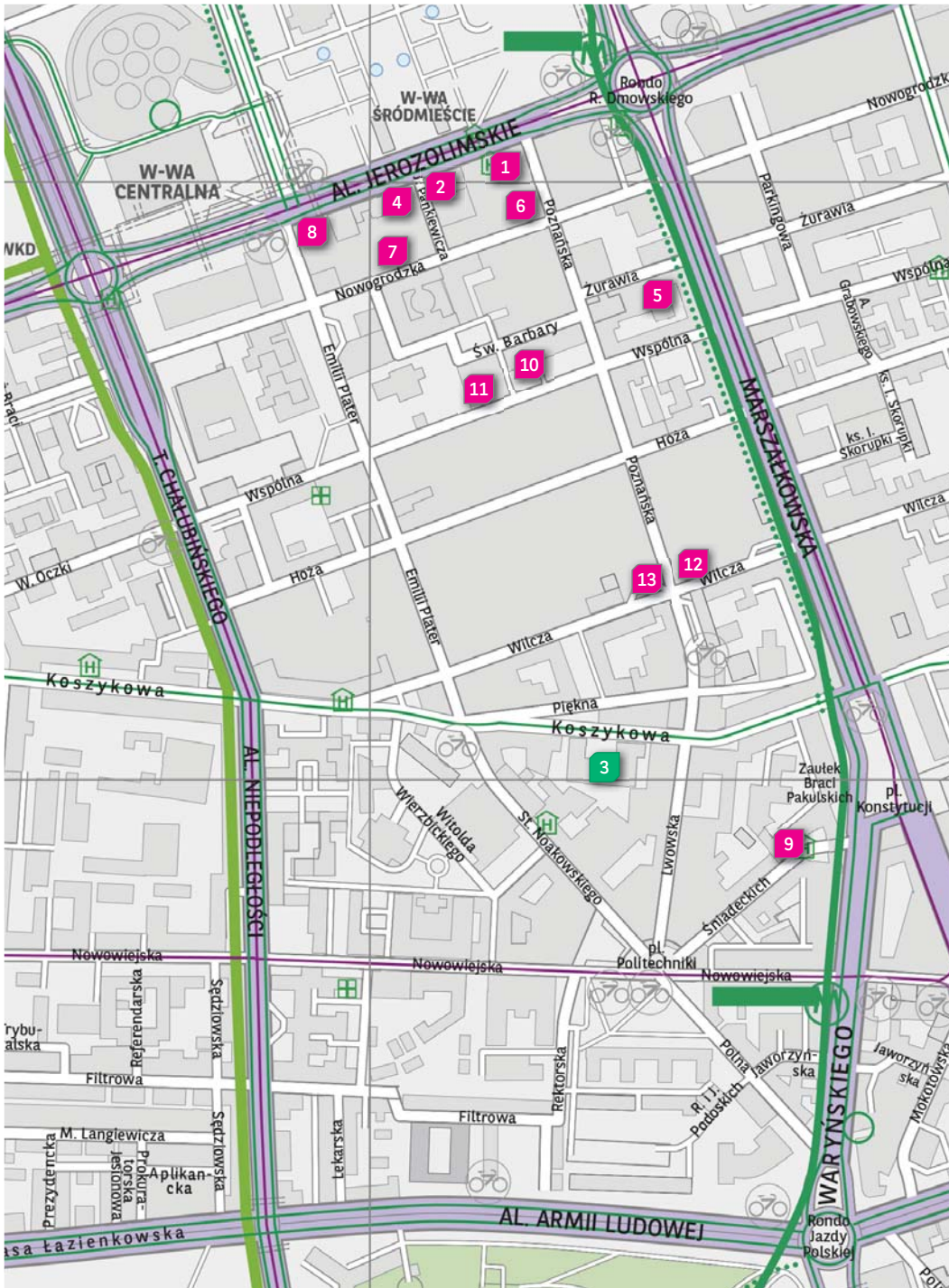
No.	Name of the building	Address
1.	Centrum Biurowe Krucza	Krucza 16/22
2.	Dom Dochodowy o Trzech Frontach	Mokotowska 64 / Al. Ujazdowskie 51 / pl. Trzech Krzyży 3
3.	Dom pod Gigantami	Al. Ujazdowskie 24
4.	Griffin House	pl. Trzech Krzyży 18
5.	Kamienica Taubenhaua	Marszałkowska 72
6.	Krucza House	Krucza 24/26
7.	Liberty Corner	Mysia 5
8.	Mokotowska 33	Mokotowska 33/35
9.	Mokotowska 43	Mokotowska 43
10.	Mokotowska 55	Mokotowska 55
11.	Mokotowska Square	Mokotowska 49 A
12.	Nowogrodzka 10	Nowogrodzka 10
13.	Nowogrodzka 12	Nowogrodzka 12
14.	N21	Nowogrodzka 21
15.	Patacyk Wielkopolskich	Al. Róż 1
16.	Piękna 19	Piękna 19
17.	Renaissance	Mokotowska 19
18.	Royal Trakt Offices	Ujazdowskie 41
19.	Wiejska 17	Wiejska 17

The South area is a seat to 22 boutique schemes offering 99,400 sqm of space. Due to its prestigious location, with the Parliament and many embassies nearby, this hotspot has recorded the highest rental values among the analysed clusters.

99,400
sqm
TOTAL LETTABLE AREA

22
BUILDINGS

THE WEST



SELECTED BOUTIQUE OFFICE BUILDINGS IN THE WEST HOTSPOT

No.	Name of the building	Address
1.	AL. Jerozolimskie 49	Al. Jerozolimskie 49
2.	AL. Jerozolimskie 53	Al. Jerozolimskie 53
3.	Hala Koszyki*	Koszykowa
4.	Kamiennica Franciszka Łapińskiego	Al. Jerozolimskie 55
5.	Kamiennica Felixa Stabrowskiego	Zurawia 43
6.	Kamienica Żitowów	Nowogrodzka 42
7.	Nowogrodzka 50	Nowogrodzka 50
8.	Pasaż Lipińskiego	Al. Jerozolimskie 61-63
9.	Śniadeckich 10	Śniadeckich 10
10.	Św. Barbary 1	Św. Barbary 1
11.	Ufficio Primo	Wspólna 62
12.	Wilcza 46	Wilcza 46
13.	Wilcza House	Wilcza 52

*Pipeline

The West boutique hotspot is mostly developed with both fully renovated as well as unrefurbished tenement houses. The total space for lease in 15 buildings is estimated at 64,200 sqm.

64,200
sqm
TOTAL LETTABLE AREA

15
BUILDINGS

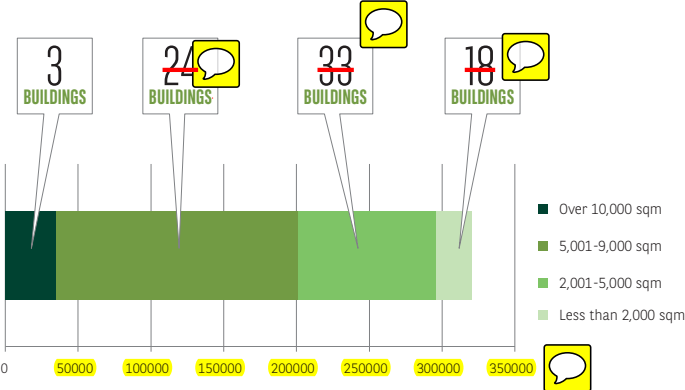


Plac Małachowskiego

DEVIL IN THE DETAIL

The conducted analysis took into consideration many tangible features of boutique office buildings. When examining the number of schemes, the vast majority of boutique offices (36 schemes) range from 2,001 to 5,000 sqm, but in terms of volume, 46% of space is located in buildings of 5,001 to 10,000 sqm.

VOLUME AND NUMBER OF BOUTIQUE OFFICES, SPLIT BY SIZE



Source: BNP Paribas Real Estate





Royal Trakt Offices

Boutique offices vary in their type and standard of finishes. The analysed pool can be divided into two major groups:

- ▶ fully renovated / refurbished or completely rebuilt, replacing the rundown buildings which meet the highest standards of modern office buildings
- ▶ partially renovated / refurbished or only repainted, which do not meet the highest technical standards of modern office buildings.

The first group includes boutique projects which have the highest technical specification, allowing them to be qualified among the premier league of modern office buildings. They are equipped with BMS, 4-pipe air conditioning, suspended, and very often very high ceilings, raised floors, structural and computer cabling. Special attention is paid to property management related services. Some boutique offices received green certificates such as LEED or BREEAM.

With the exception of larger schemes, which are mostly palaces, the majority of analysed buildings have floor plates of 300-500 sqm.

Parking ratios are generally lower than with standard offices, which stems mainly from their central location, site limitations and accessibility constraints. They tend to range from 1:100 to 1:200.

Additionally, the quality of finishing materials is of a much higher standard, including wood, sandstone or marble.

In the first group, which totals 20 buildings, the most spectacular representative offices include: Liberty Corner, Plac Małachowskiego, Le Palais, and Nowy Dom Jabłkowskich. The remaining space is located in generally smaller and less technically advanced buildings.

Elegant and distinctive architecture is yet another characteristic attributed to boutique offices in both groups. Over 31 schemes out of the analysed pool are protected by the Monument Conservator.

CONNOISSEURS OF BOUTIQUE OFFICES

LANDLORDS

The conducted analysis clearly shows that over half of the schemes researched are in the hands of wealthy individuals. The market remains relatively immature for such type of properties with much room for improvement in terms of refurbishment process, management and positioning on the market, which very often does not correspond to a scheme's potential.

Still there is a small group of developers and institutional tycoons, who have invested in portfolios of boutique office buildings. Despite possible pitfalls connected with restitution claims, unclear zoning status, accessibility issues and sometimes an unfavourable functional split imposed by the city authorities, both German as well as Polish institutional investors have taken advantage of the benefits connected with this office category and have professionally mitigated these risks.

The list of properties owned by institutional investors is relatively short, however when considering their location and quality, the majority of assets is in the premier league of boutique offices.

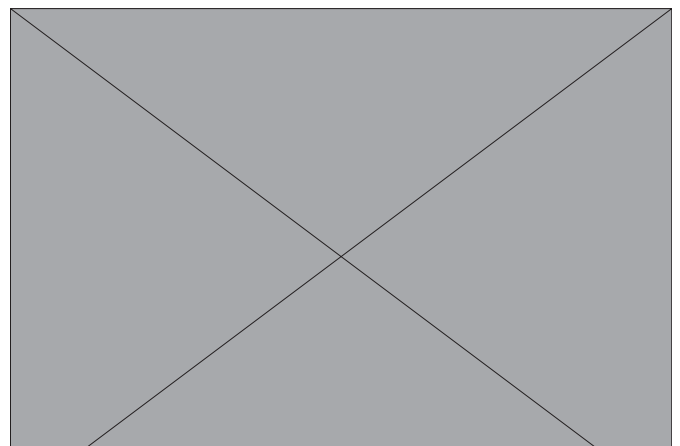
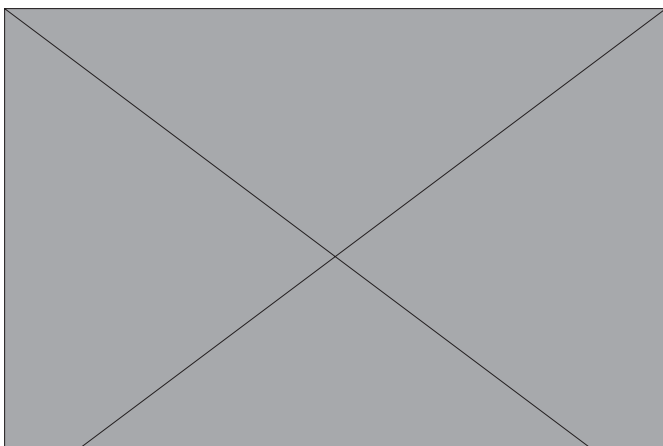
The remaining boutique office group consists of city or borough owned properties.

More players will be trying their luck at restoring city centre's character adding schemes such as Hala Koszyki on Koszykowa Street by Griffin Real Estate, which will be a reconstruction of a 19th century market hall, enlarged by office space. Another example is the grand refurbishment of CEDET, a former department store, which will get a second life thanks to Immoel commencing construction of a mixed scheme at the corner of Al. Jerozolimskie and Bracka Street.

"Boutique-type office buildings tend to attract lower yields and slightly higher rents, hence higher capital values compared to traditional office buildings. Demand for such investment products typically comes from traditional core funds or private wealth, where security of investment product translates into the highest capital values." Joanna Kowalska-Szymczak, Kulczyk Silverstein Properties

LAND	BOUTIQUE OFFICE BUILDINGS OWNED / DEVELOPED
GLL	Liberty Corner Griffin House Renaissance
IVG	Palais Royal Trakt Offices Pałac Młodziejowskiego N21
Kulczyk Holdings and Kulczyk Silverstein Properties	Ufficio Primo Krucza House Plac Małachowskiego Mazowiecka 2/4
LHI*	Nowy Dom Jabłkowskich Chmielna 25
PHN	Foksal 10 Nowy Świat Wierzbowa
Union Investment	Pasaż Lipińskiego

*Primary investor / developer



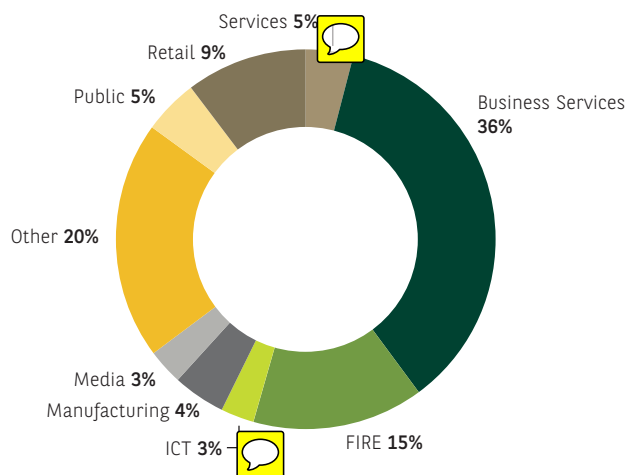
OCCUPIERS

As the analysis of some 500 occupiers shows, boutique offices attract certain groups of tenants. Having a headquarters “with a soul” that meets modern office standards adds a certain prestige. This appeals mostly to business services (36% of all occupiers), of which legal firms take the lead, followed by various consultancies (investment, HR, accounting). Boutique offices are also popular among FIRE companies (Finance, Insurance and Real Estate), which constitute 15% of the tenant pool. This group in turn is mostly represented by developers and investors as well as investment and private banking.

The remaining sectors of ICT, Manufacturing, Public and Media, have a similar market share ranging from 3% to 5%. On average, ground floor tenants, which usually represent the retail sector, account for 6-10% of the occupier pool.

The average size of an occupier ranges from 200 to 500 sqm. Physical constraints connected with smaller floor plates naturally result in such leasing

TENANT-MIX STRUCTURE OF BOUTIQUE OFFICES



Source: BNP Paribas Real Estate



“Boutique offices often appeal to special types of occupiers including law firms, financial advisory, private equity, wealth management, investment funds, executive search companies, small architectural practices and professional services. These companies also locate in typical modern office buildings, however, as the Warsaw market matures and companies can choose from modern offices and historical buildings refurbished to the highest industry standards, there is a range of local firms choosing for brand exposure, prestige and attractive working environment which boutique offices ensure.” Joanna Kowalska-Szymczak, Kulczyk Silverstein Properties

“Boutique office buildings are often an emotional choice. Occupiers have to see and feel the unique X-factor. The tenant pool is relatively large, yet some companies still have to discover the benefits of being in such space.” Rafał Krzemień, PHN

NUMBERS SPEAK LOUDER THAN WORDS

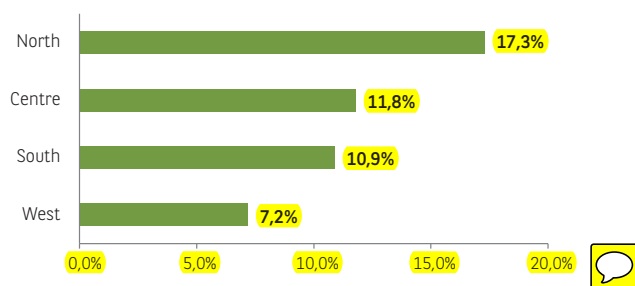
AVAILABILITY

In the 73 analysed boutique office buildings, the average vacancy rate stood at 12.4%, which is 2.8% p.p. lower than the vacancy in modern office buildings in Warsaw city centre recorded by the Warsaw Research Forum at the end of Q4 2014. It should be noted that 57% of space available in boutique schemes is located in 6 projects, contributing 6.7 p.p. to the average vacancy rate.

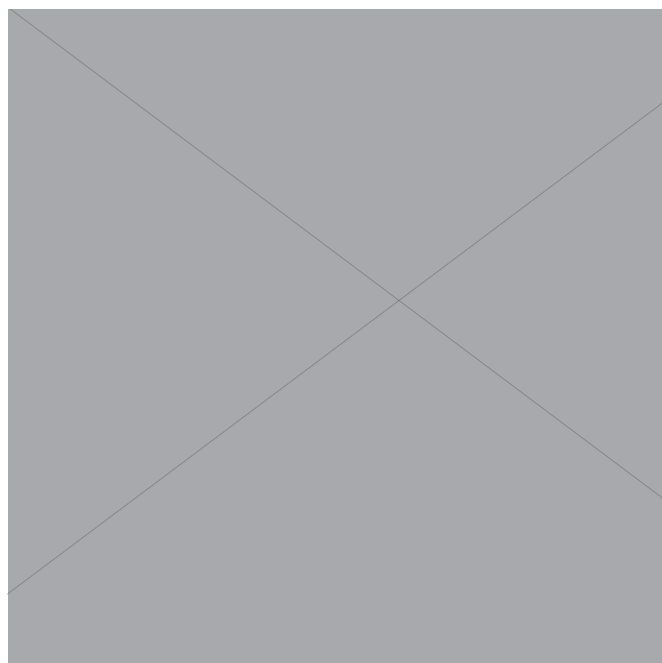
"With rising vacancy rates and pipeline supply scheduled for the next quarters the situation on the office market is not easy for landlords. Yet, considering the typical volume of boutique office investment, manageable size of the letting area, as well as lower volatility of occupier market, this niche is a sound investment class, which does not depreciate quickly." Rafal Krzemień, PHN

When looking at the clusters outlined in the Chapter THEY ARE CLOSER THAN YOU THINK, the North hotspot has the largest provision of office space ready for occupation of around 16,600 sqm (17.3%), mainly due to recent completions of schemes. The West enjoys the lowest vacancy rate at 7.2%, translating into 4,200 sqm.

VACANCY RATE IN BOUTIQUE OFFICE BUILDINGS BY CLUSTER, JANUARY 2015



Source: BNP Paribas Real Estate



RENTS AND YIELDS

Not surprisingly, prestigious locations, high technical specifications meeting all occupiers' requirements as well as the finest quality of external and internal finishes have a certain price tag.

While the prime headline rent for conventional modern office buildings in Warsaw city centre currently ranges from €21 to €23, the boutique schemes are quoted at €23-26 per sqm/month (5 buildings quote that range).

The vast majority of the analysed pool of offices offer space for €19-21 per square metre, again 10-15% higher than the average for centrally located office blocks.

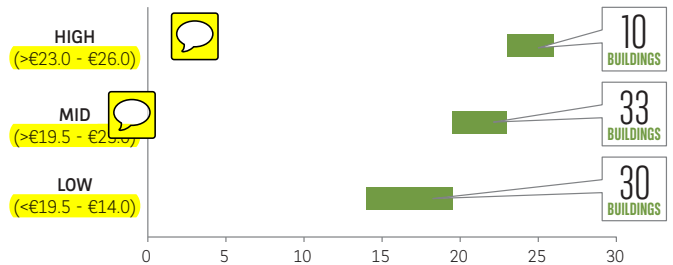
There is also a group of boutique offices which were only partially renovated or only repainted. These assets record much lower rental levels, ranging from €14-18 sqm/month, however occupiers cannot count on any luxuries such as having air conditioning or structural cabling.

When looking at effective rents in all of these groups of boutique offices, transaction levels in case of larger tenants are 10-15% off the headline, against 20-25% for standard office buildings.

When analysing historical rent and yield patterns, boutique office are more resistant to market cycles with less amplitudes recorded. Both parameters confirm the sustainability of boutique office as an asset class.

"High standard of finishes and tailor-made property management contribute to a higher level of rent in boutique office buildings." Łukasz Laskowski, GLL

RENT LEVELS IN BOUTIQUE OFFICE BUILDINGS IN WARSAW, JANUARY 2015



Source: BNP Paribas Real Estate

DODACĆ WYKRES Z HISTORIĄ CZYNSZÓW



DODACĆ WYKRES Z HISTORIĄ YIELDÓW



CONCLUSIONS

- ▶ Boutique offices are an alternative offer of unique character.
- ▶ They invigorate city life and recreate urban space.
- ▶ The current supply of boutique offices is diversified both in terms of geographical location, type of building, size, occupiers, technical specification, rents as well as quality of management.
- ▶ Boutique offices usually target a very specific pool of occupiers and this trend is set to continue. These tenants generally show higher loyalty and retention levels are better.
- ▶ The market remains intransparent and immature, however there is a group of investors focused on this type of asset. Given the market potential of boutique offices, there is an increasing number of interested parties.
- ▶ Given the sustainable nature and slightly higher levels of rent which are proving resistant to market fluctuations, yields achieved have a premium of around 0.25 bps.
- ▶ The offer of prime boutique offices in Warsaw remains fairly limited, however there is a potential to be explored with a number of properties in good locations, yet requiring proper refurbishment and asset management.



ADVICE CORNER



Michał Orłowski

Director, Landlord & Tenant
Representation, Office Agency
BNP Paribas Real Estate

Given the recent surge in office supply in Warsaw, it should come as no surprise that boutique office projects are becoming increasingly attractive to both investors and occupiers alike.

For investors, such projects are typically more resilient to fluctuating market conditions while being more responsive to yield compression trends. For end-users seeking to reaffirm their identity, they provide a viable alternative to a typical generic glass box office. Thus, when designing a boutique project the importance of its external appearance should never be underestimated. Both the design of the façade and common areas should complement the business activity of the targeted tenant group. For instance, companies from the legal, banking, financial, insurance and executive search industries will typically prefer a more traditional finish i.e. elegant limestone façade and regular window grid, with a floorplate suited for cellular offices. On the other hand, tenants from sectors such as fashion, design, retail and new technologies have a much greater appreciation for façades which are unique, modern and bold. Their workplace strategy envisages agile working environments, with open plan layouts to promote exchange of ideas and interaction. The floorplates of a boutique project should be flexible enough to easily accommodate this.

More importantly, the floor layout and location of elevator halls, washrooms, and emergency exits should also allow for floors to be easily split into smaller office units, without substantially increasing the floor add-on factor.

While the focus of most landlords is to secure a single tenant per floor, a division of floors into smaller units is often a must (e.g. with a typical requirement ranging from 200-500 sq. m) to kick-start the leasing process. Also, it is imperative for a building's common areas to be designed so as to ensure functionality and a low building add-on factor, preferably below 7%. Any ground floor retail should complement the office component or at the very least, and not limit the pool of potential tenants. Therefore, landlords should resist the urge to lease the ground-floor retail component first.

Because most boutique projects tend to be centrally located, near a broad selection of public transport options, a parking ratio of 1:120 is generally acceptable. They are also typically located within close proximity to high streets with numerous amenities, so provision of these on-site is not always needed.

There are many other factors to consider when designing a boutique project to ensure its success, so it is crucial to understand the end-users preferences.

This is where an experienced advisor with a sound track record in leasing boutique projects can provide value-added support.



Chmielna 25

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