

## Office Market Profile Poland

December 2011

Booming  
Construction  
Activity!

BPO/SSC  
Sector  
As a Demand  
Driver

More confident  
Tenants

?

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# City Highlights

**Szczecin**

- The third biggest city in Poland in terms of occupied area (302 km<sup>2</sup>).
- In 2011 the Society of Polish Town Planners judged Szczecin to be the city with the best organized public area in Poland.
- The third best of Poland's eleven biggest cities in terms of living conditions (PwC, 2011).
- 0.27 million passengers served in 2010 by Goleniów Airport.
- BBB+ rating from Fitch Ratings

**Poznań**

- Poznań International Fair is the country's largest trade-fair.
- Five times in a row won the award for the best borough in the country organized annually by "Rzeczpospolita".
- For almost ten years, Poznań has been the country leader in terms of number of students per 1,000 inhabitants.
- Since 2000, Poznań has had the lowest unemployment rate among major Polish cities.
- One of the host cities for Euro 2012.
- Poznań airport is the sixth busiest in Poland (1.4 million passengers in 2010).
- A3 rating from Moody's.

**Łódź**

- The third biggest city in Poland in terms of population, behind only Warsaw & Kraków.
- More than 100,000 students in the city.
- 22% growth in GDP per capita between 2007 and 2010.
- 0.4 million passengers served in 2010 by Władysław Reymont Airport.
- BBB+ rating from Fitch Ratings.

**Wrocław**

- Selected as a European Capital of Culture for 2016.
- Wrocław is the most attractive city in Poland for people who have higher education (Newsweek, 2010).
- 46% of the city is covered by master plans, the largest share among the analyzed cities.
- More than 3,000 people work in Wrocław's R&D centres, the highest number among all Poland's cities.
- One of the host cities for Euro 2012.
- Wrocław airport is the fifth busiest in Poland (1.6 million passengers in 2010).
- BBB+ rating from Fitch Ratings.

**Tri-City**

- The only metropolitan area in northern Poland located directly next to the sea.
- The two biggest Polish seaports, Gdansk and Gdynia.
- 14% growth in number of passengers in Lech Wałęsa airport in Gdańsk between 2008 and 2010 (-1% for Poland in general).
- Highest "growth capital" increase between 2006 and 2010 among the 11 largest agglomerations in Poland (PwC 2011).
- One of the largest shale gas reserves in Poland; possible boom in fossil industry in upcoming years.
- Gdańsk is one of the host cities for Euro 2012.
- BBB+ rating for Gdańsk from Fitch Ratings.
- 59% of people who speak Nordic languages in Poland reside in the Pomeranian region (ABSL Report).

**Warsaw**

- Warsaw is the main financial hub in Central & Eastern Europe.
- Warsaw accounts for 17% of Poland's GDP.
- In H1 2011 more than 1,500 new companies with foreign capital were established in Poland, of which 462 were registered in Warsaw.
- Warsaw ranks fourth among European cities with the best development prospects of real estate market ("Emerging trends in Real Estate Europe" PwC and ULI 2011).
- One of the host cities for Euro 2012.
- In 2010 8.7 million passengers were served by Warsaw Chopin Airport.
- AAA rating from Fitch Ratings.

**Lublin**

- The major academic hub for eastern Poland (84,000 students).
- The "most attractive city for business" (with over 300 thousand inhabitants) (Forbes 2010).
- 19.1% growth in GDP per capita between 2007 and 2010.
- International airport in Lublin (Świdnik) under construction.

**Katowice**

- The first Polish city to enter the IBM Smarter Cities Challenge (a three-year program aimed to plan the modernization of a city).
- Main city of the largest agglomeration in Central Europe (nearly 2.7 million inhabitants).
- Katowice agglomeration has the lowest poverty rate in the country, according to Social Diagnosis, a comprehensive study of the conditions and quality of life of Poles (2011).
- Katowice airport is the third busiest in Poland (2.4 million passengers in 2010).
- A- rating from Fitch Ratings.
- One of the most attractive cities in terms of culture events and image (PwC report, 2011).
- Excellent road and rail infrastructure, the junction of two national highways (A4 & A1).

**Kraków**

- Ranked first in the list of the Top Ten Emerging Outsourcing Cities published by Global Services & Tholons (2010).
- Almost 16,000 people are employed in BPO/SSC and ITO centres in Kraków, the highest number among Polish cities.
- One of the most attractive cities in terms of FDI locations in Eastern Europe (European Cities & Regions of the Future 2010/2011; Financial Times, FDI).
- Jagiellonian University is ranked seventh among TOP Central and Eastern European universities (Webometrics, 2011).
- Kraków airport is the second busiest in Poland (3 million passengers in 2010).
- A- rating from Standard & Poor's.

## Economy

### Outlook

Even though Polish GDP growth for the second half of 2011 is expected to slow down, it remains one of the strongest in Europe and Poland will maintain the pattern of the economic recovery. Although Poland has experienced a decrease in external demand, domestic consumer demand, reflected in retail sales growth, remained strong, as retail sales grew by 12% by the end of H1 2011. Investment is gathering further traction during the last months of 2011 thanks to EU infrastructure projects and preparations for the UEFA football championship in 2012. The latter will also lend modest support to consumption. Private-sector spending will not overheat though, so Poland's external deficit will remain manageable and widen only modestly. The Polish economy's strong fundamentals, combined with progress in terms of policy tightening, will support the zloty toward the end of the year 2011 and further out.

The stable economic climate, the constantly improving infrastructure, the availability of modern office space, an attractive system of incentives and the young, highly qualified work force are the main reasons why Poland has become one of Europe's prime locations for BPO/SSC and R&D centers. At the end of 2010, there were 282 service centers across the country, concentrated mainly in Kraków, Warsaw and Wrocław. They employ 69,000 people (mostly in finance and accounting and IT), which is an 48% increase since 2008. In total, companies from more than 20 countries have already located their outsourcing/offshoring businesses in Poland. Key players include IBM, Citibank, Infosys, HP, Fujitsu, Royal Bank of Scotland, Google and Shell. Organizations representing the BPO/SSC sector in Poland also co-operate with each other and exchange experiences with regard to setting up businesses through such platforms as the Association of Business Service Leaders, founded in 2009, and Aspire in Kraków.

In 2010 ten existing international airports in Poland served over 29 million passengers. In comparison with 2000, when only 5.8 million people used air transport, these results demonstrate dynamic growth, which is in particular due to the low-cost airlines which started their expansion on the Polish market after 2004. According to a forecast from the Office of Civil Aviation, by 2020 the overall capacity of Polish airports will exceed 37 million people and in 2030 Polish airports will be able to serve approximately 60 million passengers per year. This will result from major infrastructure investment being carried out, for example in Warsaw, Gdańsk, Wrocław, Poznań and Kraków. In total, Poland will invest nearly PLN 4.73 billion in airport infrastructure improvement programs which are scheduled for completion by 2015.

Almost PLN 1.24 billion of this amount has been invested at Warsaw Airport Okęcie, which has already developed a new passenger terminal and completed important road infrastructure projects in the vicinity of the airport. In addition a rail line tunnel linking the airport with the city centre is planned for completion in the first quarter of 2012. Kraków Balice Airport is investing PLN 900 million on a passenger terminal extension, which will be completed by 2014. There are also going to be two new airports: one is under construction in Lublin and another is planned for Białystok.

### Unprecedented road and railway investments

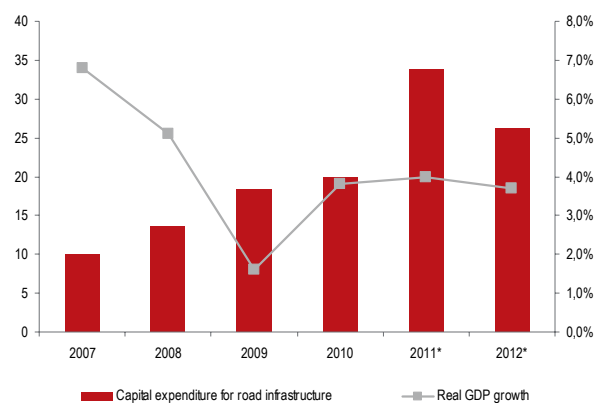
In 2010 the total volume of road infrastructure investment was, according to GDDKiA, nearly PLN 20 billion. Never before has such amount been invested in road construction. In comparison with 2005, it represents an increase of 300%. Between 2008 and 2010, 1,167 km of roads in Poland were completed or upgraded. The road infrastructure improvement program in Poland for 2011 to 2015 is worth PLN 72.4 billion. Some projects are already underway and others will be started before 2013. The implementation of the whole program will result in nearly 1,500 km of new highways and nearly double that much of new express routes.

Major investments, worth almost PLN 2.5 billion, are also conducted and planned for the rail transport network. Between November 2007 and mid-2011, the reconstruction of nearly 1,450 km of railway tracks was completed. Train stations in almost 80 cities will also be renovated: construction work has already started in Łódź, Tarnów, Warsaw, Gdynia and Katowice.

### Government support for the growth of BPO

According to the "Program to support investments of high importance to the Polish economy for 2011-2020" adopted in July 2011, companies interested in locating BPO/SSC enterprises in Poland may apply for government grants. The total value of the program is PLN 727 million, out of which PLN 27 million has been assigned for 2011. It is the framework for an effective support policy for existing investments and subsidies for new investors.

### GDP and Capital Expenditure for Road Infrastructure



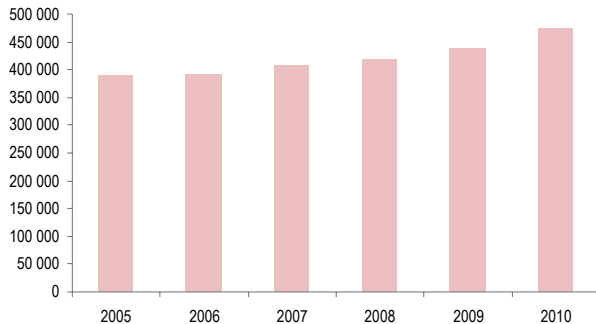
Source: CSO, Eurostat, Ministry of Infrastructure \*-forecast

# Labour Market & Quality of Life

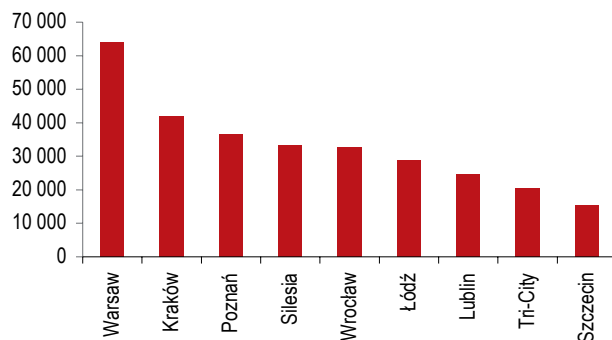
Warsaw, Kraków, Łódź, Wrocław, the Silesian metropolis, Poznań, the Tri-City, Szczecin and Lublin are the major markets in Poland, taking into consideration demographic aspects such as number of inhabitants, level of education, and population growth rate and density.

Each city has a different level of development; however, for the past 10 to 15 years we have seen a common trend: the economy changing and employees moving from the industrial sector to specialized services sectors. This trend is only possible due to the accessibility and popularity of higher education, which also makes the above-mentioned cities top educational markets. The stable or increasing inflow of fresh graduates to the labour market annually attracts investments and enables the development of outsourcing businesses, such as SSC and BPO/ ITO.

## Y-o-Y Increase in the Number of Graduates in Poland



## Total Number of Graduates

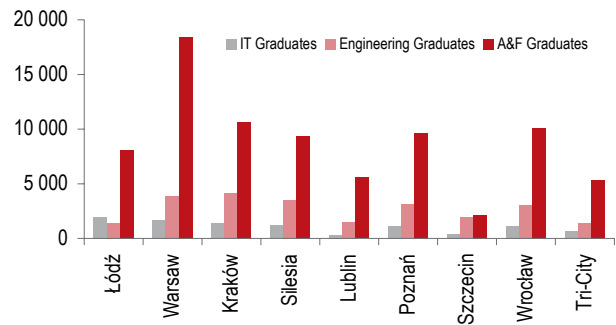


Source: Both charts: Statistic Office, 2009/2010

Poland is recognized worldwide as a market offering well educated people and the highest class specialists; therefore, more developed processes, such as KPO and R&D, are being set up and transferred to major Polish cities.

A significant number of graduates in Finance & Accounting, IT and Engineering are needed for the above-mentioned processes. It is worth noting that the Polish Ministry of Science and Higher Education introduced in 2010 an educational programme which encourages young people to study in those fields by giving students additional scholarships and funding.

## Number of IT, F&A, and Engineering Graduates in Each Market



Source: Statistic Office 2009 / 2010

The number of graduates in different fields in each city influences the cities' business environments and creates certain market specializations.

Location	Specialization
Warsaw	Finance & Accounting, Customer Service
Kraków	Finance & Accounting, IT
Wrocław	IT, R&D
Silesia	IT, Finance & Accounting
Łódź	Finance & Accounting, IT
Tricity	IT, R&D, Finance & Accounting
Poznań	Finance & Accounting
Lublin	Finance & Accounting, Customer Service
Szczecin	Customer Service, R&D

Source: ABSL 2011, own analyses based on market research

When assessing talent pool from the SSC/BPO perspective, a fluent knowledge of foreign languages is fundamental. University students are mainly required to study two foreign languages and to pass at least B1/B2 level exams in order to graduate. A recent survey of students in Poland shows the popularity of different foreign languages in each market.

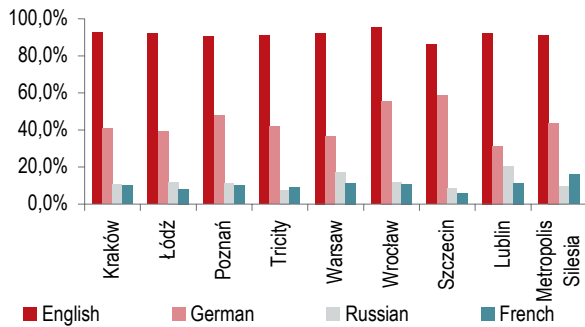
English is currently being treated as a given (approximately 90% of respondents stating that they know English) and is no longer recognized as an extra skill when applying for a position.

With regard to other languages, the survey shows that German is most popular in the western markets (Poznań, Wrocław, Szczecin) with over 50% of respondents stating that they know the language. This is the natural result of the region's proximity and historical connections with Germany.

A similar situation can be seen with Russian in the eastern part of the country (in Lublin more than 20% of respondents stated that they know the language). Proximity to and market

connections with Scandinavia result in the popularity of the Nordic languages in the northern Poland (the Tri-City). There is a higher popularity of the French language in the south, especially in Silesia (the declared knowledge being approximately 20%). Language knowledge in the central markets (Warsaw and Łódź) is generally good and diversified, as the centre attracts students from different regions.

### Students' Language Knowledge



Source: BKL Survey 2011

The Polish government recognize the importance of the teaching of languages. Universities in major cities offer a broad range of foreign language departments, including niche languages such as Swedish, Dutch, Arabic and Hebrew. Local authorities are also implementing additional educational programs and developing the language skills which are especially needed by investors. One example is close co-operation among businesses and universities which results in the creation of desired language faculties or the funding of the language courses by city councils.

If there is a certain language or other skill shortage on a local market, companies have the opportunity to attract talent from other regions or from abroad. Currently, SSC/BPO companies in Poland employ a workforce from all over the globe. Employers are able to attract talent from western Europe and north America, despite the salary level in Poland still being much lower. Average monthly gross salary in service centres at the level of a specialist is approximately PLN 3500 to PLN 4500. Salary ranges differ depending on the market, professional skills and languages required.

Foreigners typically decide to live and work in Poland due to personal reasons. Often they are also wish to gain work experience in CEE and Poland is currently recognized as that region's top market. When convincing candidates to relocate to a particular city, quality of life is of crucial importance. One of the most recognized and respected surveys in Poland concerning quality of life (Diagnoza Społeczna 2009) gives the following places as the top destinations to live and work, with the highest happiness / emotional well-being rating:

- 1<sup>st</sup> position – the Pomeranian region (the Tri-City);
- 2<sup>nd</sup> position - the Malopolska region (Krakow);
- 3<sup>rd</sup> position – the Dolnośląskie region (Wrocław).

Hays has undertaken a survey among foreign nationals living and working in SSC/BPO centres in Poland.

### Average Monthly Salary (Gross in PLN)

Position	From	To
Junior Specialist (up to one year's experience)	2 200	3 500
Specialist (One to two years' experience)	3 000	4 500
Senior Specialist (more than two years' experience)	4 500	6 500
Team Leader	7 500	9 000
Manager	9 000	18 000

Source: HAYS Poland, data based on own analyses

The general idea was to learn their opinion of the market, taking into considerations aspects such as:

- quality and affordability of housing;
- quality of and access to healthcare;
- quality and availability of education;
- quality of locally available goods and services;
- cost of goods and services;
- infrastructure;
- working environment.

In general, foreigners are happy to live and work in Poland and most of them stated an intention to stay in Poland for much longer. All the respondents rated quality of housing high; with regard to affordability, employees working on a specialist level in the biggest cities, such as Warsaw or Krakow, had difficulties paying for a flat in a city-centre area and either moved to the suburbs or shared an apartment. All the respondents had access to private healthcare, funded by the employer, but persons who had been hospitalized in public institutions were satisfied with the quality of treatment.

A few respondents had moved to Poland to study and later decided to start their career in the same city. They believe that level of education is high and there is a wide range of courses available in English.

Quality of locally available goods and services was ranked high; many respondents complemented Polish food products and were satisfied with the prices (which are much lower in comparison with western countries).

By contrast, foreigners complain about the poor condition of roads, although they are aware of infrastructure development projects. Foreign nationals living in the major cities appreciate the accessibility of low cost public transport.

Respondents mostly work in international teams and are happy with the work environment and atmosphere. They do not have any professional difficulties, even if they do not speak Polish, and believe they have many job opportunities on the local market.

# Office Market in Poland

Churn on the market in Poland. A more confident approach from developers and increasing tenant activity: these are the main factors characterizing the present situation.

The office market in Poland is still dominated by Warsaw, which has a 65% share of the total supply. Two other major office hubs include Kraków and Wrocław, with a total stock of 480,000 m<sup>2</sup> and 370,000 m<sup>2</sup> respectively. The Tri-City is third in terms of office supply.

Smaller markets with less than 300,000 m<sup>2</sup> include Poznań, Katowice and Łódź. Szczecin and Lublin are considered tertiary office markets in Poland. There are also some emerging markets, such as Rzeszów, Bydgoszcz, Toruń, Olsztyn, Kielce and Białystok.

Construction activity is booming all across Poland. Currently nearly 1,000,000 m<sup>2</sup> is at the construction stage. This is clearly one of the highest levels of construction seen in Poland this century.

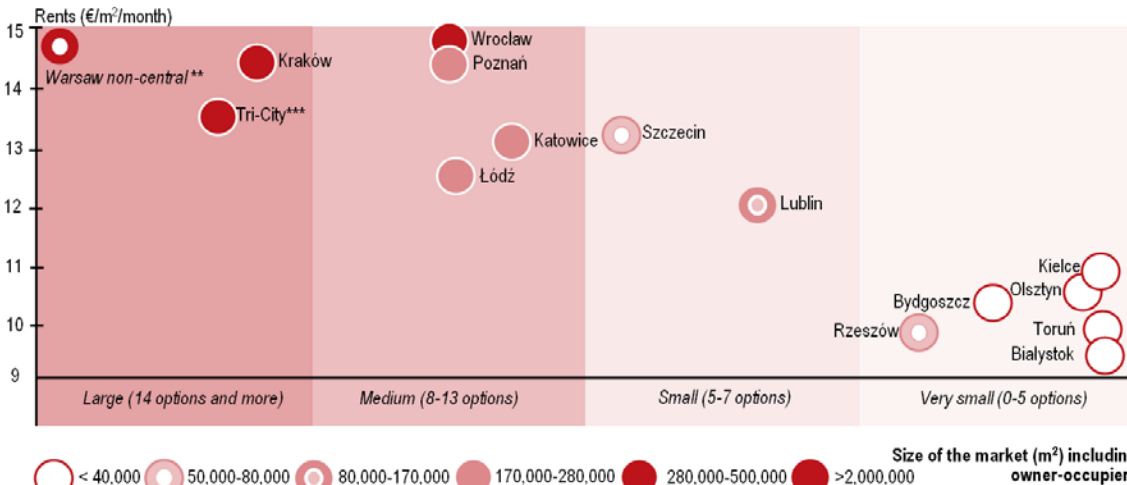
2009 to 2010 saw tenant-favourable conditions with market features such as a growing sublease market as well as downward pressures on rents. In 2010, however, the situation on the market stabilised and currently some cities are gradually becoming more balanced. This is mostly pronounced in Warsaw and Wrocław, which have already entered on the growth path in terms of rents for office space. Looking forward to the fourth quarter, Kraków should join these two cities as well.

As the markets in Poland are still at various stage of development and are characterised by different market conditions, there is no common picture or collective trend for all cities.

## Prepared to meet tenants' needs

Demand for office space in Poland, especially in regional markets, is mainly driven by the BPO/SSC sector. Currently nearly every major city in Poland provides an immediate entry option when it comes to availability of office space.

## Availability\* of modern office space (over 1,000 m<sup>2</sup> by the end of 2012)



\*The availability of modern office space is from a single tenant perspective; one option is equivalent to a building with availability of office space of over 1,000 m<sup>2</sup>.

\*\* The number of lease options in Warsaw non-central area is much greater than in other regional office markets in Poland (57).

\*\*\* Gdansk, Gdynia, Sopot

We see constant occupier activity on both the Warsaw and regional markets.

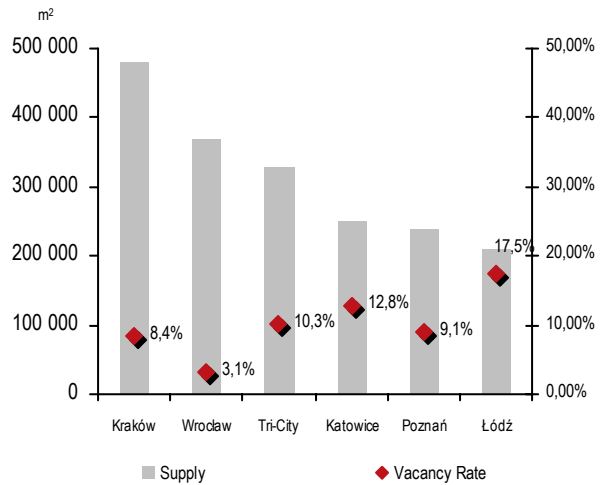
## Short-Term Rental Cycle



Source: Jones Lang LaSalle, Q3 2011

Vacancy rates range between 3.1% (in Wrocław) to 17.5% (in Łódź). We expect that the vacancy rate in cities characterized by a sound demand (e.g. Warsaw and Kraków) will be pushed down in the short-term perspective.

## Vacancy Rate & Stock in Major Polish Cities (excl. Warsaw)



Source: Jones Lang LaSalle, Q3 2011

Prime headline rents in Poland range between €11-13/ m<sup>2</sup>/ month (in Lublin and Łódź) up to €15-15.50/ m<sup>2</sup>/ month (in non-central Warsaw). Warsaw, Wrocław and Kraków look set for rental increases.

## Warsaw

Warsaw is still the largest and the most dynamic office market in Poland. The improving situation on the market has encouraged developers to start many new office projects, which, after a period of undersupply, may change the market picture.

### Supply gap

2011 completions in Warsaw will be very limited, estimated at only 130,000 m<sup>2</sup>. This is the second lowest figure, after 2005, in the last 13 years.

The supply gap, which is clearly a factor characterizing 2011, may have a significant impact on the market in the next two to three years. After a sharp decrease in development pipeline, the situation on the market has encouraged developers to undertake large-scale projects. The volume of new supply scheduled for delivery (especially in 2014) may change market conditions in tenants' favour. In 2013, the market will see three or four new office developments, each larger than 40,000 m<sup>2</sup>. In addition to this, many smaller office buildings are to be delivered, totalling approximately 350,000 m<sup>2</sup>.

Green and sustainable development is clearly becoming more common on the Warsaw market. The LEED and BREEAM certification systems are the most popular. Looking more closely at the pipeline it seems that nearly 50% of supply scheduled for delivery in 2012 in Warsaw will be certified, whereas in Prague and Bucharest the figure is 35% and 28%, respectively. For comparison, more than 93% of London city centre deliveries will have a BREEAM certificate.

It is worthy of note that the skyline of Warsaw's City Centre may change within the next three to four years, due to a number of high-rise office blocks planned for the central area. Examples include Warsaw Spire in the Wola district, which is currently under construction. The building will offer more than 95,000 m<sup>2</sup> in total and will be the first tower office building added to the market since the completion of Rondo 1. We are aware of 23 planned high rise buildings in the wider City Centre, some of which have already obtained an outline building permit.

### Is there a risk of immediate oversupply after the 2011 supply gap?

Demand generated by occupiers is constantly pushing down vacancy rates, helping the market to absorb both new completions and available space in existing buildings. Unsurprisingly, along with Poland's economic growth and the main beneficiary thereof, i.e. Warsaw, registered take-up strengthens year-on-year. Our estimate for 2011 would be similar to 2010's figure: approximately 550,000 m<sup>2</sup>.

It should be underlined that the insurance & banking branch is bolstering its position in the demand structure after a significant

drop, registered in particular in 2009. Our best knowledge suggests that the IT and public sectors will also increase their share in upcoming years. This is mainly due to dynamic development of the internet and new IT solutions for companies. The public sector in Warsaw, as recent examples have shown, has great potential for consolidations and relocations.

The vacancy rate in Warsaw has been constantly falling since Q3 2010 and reached the level of 6.7% in Q3 2011. Sound demand for offices, combined with reasonable absorption of office space, will handle even the large volume of the new development pipeline coming to the market within the next few years. The vacancy rate may increase in 2013 due to high volume of new completions, however we expect this ratio not to go up significantly.

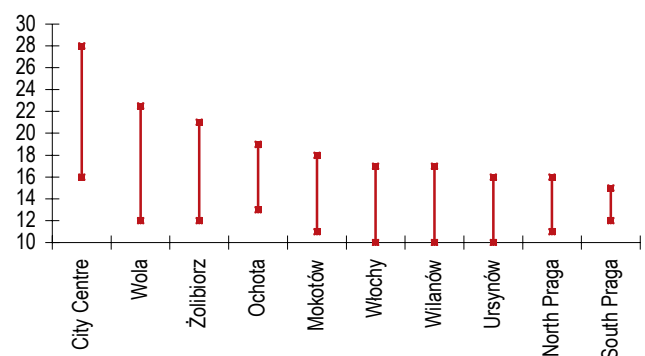
### Upward pressure on rents

Currently the prime office buildings in Warsaw's City Centre are leased at €22-25/ m<sup>2</sup>/ month. It is worth highlighting that the increase started in Q2 2011. Prime headline rents in non-central locations are €15-15.50/ m<sup>2</sup>/ month. We are of the view that rents in Warsaw will slightly increase in the medium-term. The increase may be stopped by the large amount of new office space scheduled to be delivered in 2013.

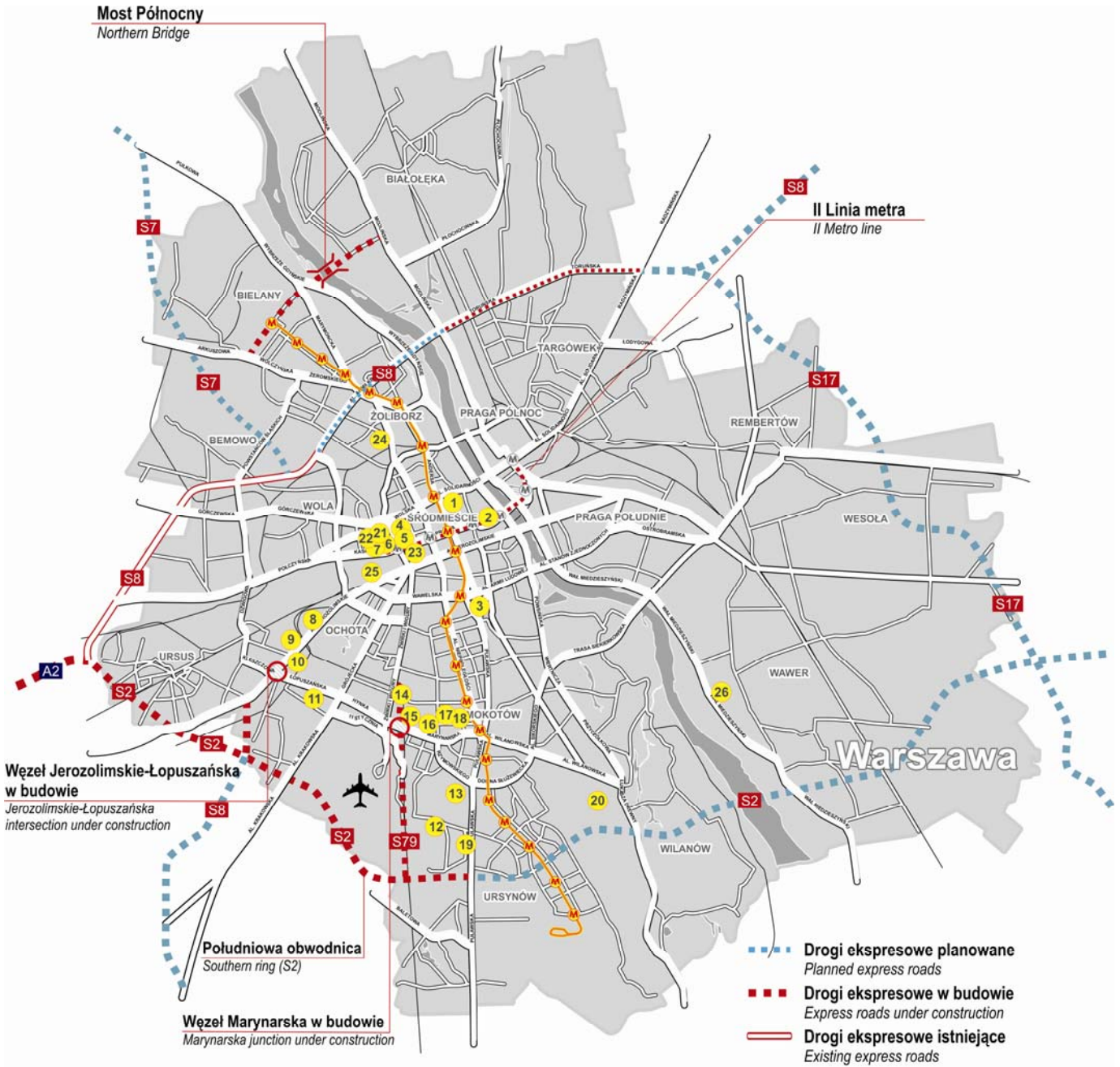
### New roads marking new locations

Warsaw is currently undergoing large-scale road infrastructure improvements. Worth highlighting is the construction of the Northern bridge, which will improve connections between the two banks of the Wisla river. Development of the second metro line, leading from Daszyńskiego roundabout, will have a significant impact on the Wola district in terms of new offices and in a further perspective on the right bank of the Wisla river. Construction of the southern ring road and major road improvements, including work on the Jerozolimskie and Łopuszańska intersection as well as Marynarska junction and a link with Chopin Airport, will definitely have a positive influence on the southern part of the city in terms of new offices.

### Asking Rents by Districts (€/ m<sup>2</sup>/ month)



Source : Jones Lang LaSalle, bazabiur.pl, Q3 2011



**Major Office Buildings Under Construction /  
Główne Budynki Biurowe w Trakcie Realizacji**

- |                               |                                    |
|-------------------------------|------------------------------------|
| 1. Senator                    | 14. Business Garden I-II           |
| 2. Hortus                     | 15. Konstruktorska Business Center |
| 3. Plac Unii                  | 16. Platinum Business Park V       |
| 4. Green Corner               | 17. Mokotów Nova phase II          |
| 5. Warsaw Spire               | 18. Ambassador Office Building     |
| 6. Wola Center                | 19. Puławska 366                   |
| 7. Karolkowa Business Park    | 20. Wilanów Office Park B3         |
| 8. Miasteczko Orange          | 21. Grzybowska 81                  |
| 9. Libra Business Center B    | 22. Concept Tower                  |
| 10. Oxygen Park               | 23. Feniks                         |
| 11. The Park Warsaw           | 24. Akacjowy Park                  |
| 12. Poleczki Business Park II | 25. Kolejowa5/7, phase II          |
| 13. IRIS                      | 26. ATM Studio                     |

# Kraków

Kraków is one of the strongest BPO/SSC destinations in the CEE region. The excellent academic background and the availability of good quality office stock have been the drivers of the outsourcing business in the city.

## Number one BPO/SSC location as ranked by Global Services and Tholons

Over the last couple of years, the city has grown to become one of the leading outsourcing destinations across Poland and CEE. This is proven by Global Services and Tholons ranking Kraków the No. 1 emerging location for BPO/SSC. Amongst the shared service/outsourcing centres from corporate tenants are Shell, HSBC, UBS, Hitachi, Fortis Bank and Google, in addition to third-party outsourcing service providers.

A characteristic feature of the Kraków's economy is its specialisation in high technology and outsourcing, which explains the prevalence of the financial sector, IT and telecom services in the city.

We are of the view that the Business Process Outsourcing and Shared Services sectors (BPO/SSC) will continue to boost demand for office space in the city. Take-up will be generated both by newcomers and by the expansion of companies which already operate in the region. We estimate that currently occupiers are looking for 60,000 m<sup>2</sup> of office space. This significant figure is confirmation of the high level of tenant activity and shows the very positive market situation.

According to the latest data from ABSL (the Association of Business Service Leaders in Poland), more than 15,600 people are employed by BPO/SSC companies, which makes the city the largest BPO/SSC hub in Poland. In addition, it is worth noting that companies from this sector occupy approximately one third of all the modern office space in the city.

## Still room for new occupiers

In recent months, the market has seen a large number of new completions, which have pushed the vacancy rate up. This was caused by a very optimistic approach from developers to construction activity in 2008. The result was the completion of more than 150,000 m<sup>2</sup> of new office space within only 2009 and 2010. Just 24,000 m<sup>2</sup> was delivered in this year. This large amount of new office space was not easily absorbed by the market. Kraków, however, is right now becoming a more balanced market than it was even a few months ago.

The subdued number of new completions, combined with sound demand, has put downward pressure on the vacancy rate in Q3 2011: the rate dropped to 8.4% from the rate of 10.9% seen in the previous quarter.

The stabilization of the market resulted in the unfreezing of the Enterprise Park office development, which had been postponed in 2008. This clearly shows that developers are more optimistic in terms of new construction start-ups.

The improving situation on the market is most pronounced when it comes to occupier activity: Kraków is the hottest regional market in terms of tenants looking for space to let. This is shown by the lease agreements recently concluded, i.e. by State Street taking 6,700 m<sup>2</sup> in a new deal and Shell signing a 16,100 m<sup>2</sup> renewal.

According to Jones Lang LaSalle Office Clock, at the end of Q3 2011 Kraków entered the "rental growth accelerating area". The increases, however, will not be significant. Currently prime headline rents in Kraków are estimated at €14-15/ m<sup>2</sup>/ month.

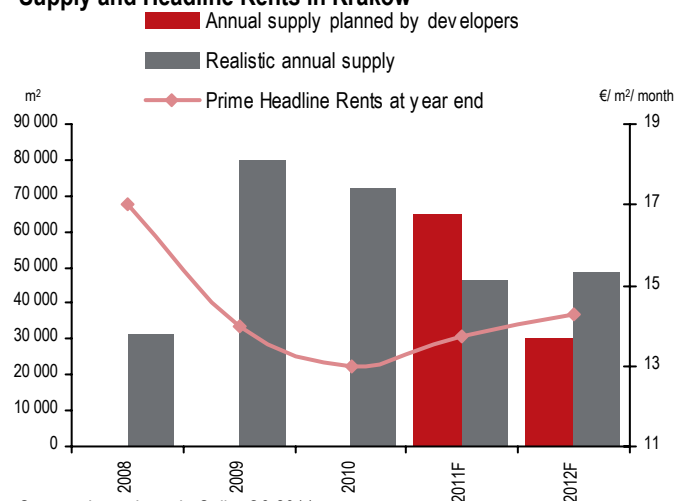
*"Alexander Mann Solutions (AMS) established its Shared Service Center in Krakow in 2005. The organization has grown from a start-up in Poland to almost 450 staff and recently moved into a new purpose built offices. The success of our operations in Krakow can be largely attributed to the strong talent pool availability in the Krakow market, which has allowed our Centre to service our clients in 48 countries across 18 different languages. In addition, Krakow offers a very safe and stable business environment, ease of access and high standard of infrastructure which is firmly establishing Krakow as a destination of choice."*

*Vic Khan, Director of Global Client Service Centres, Alexander Mann Solutions*

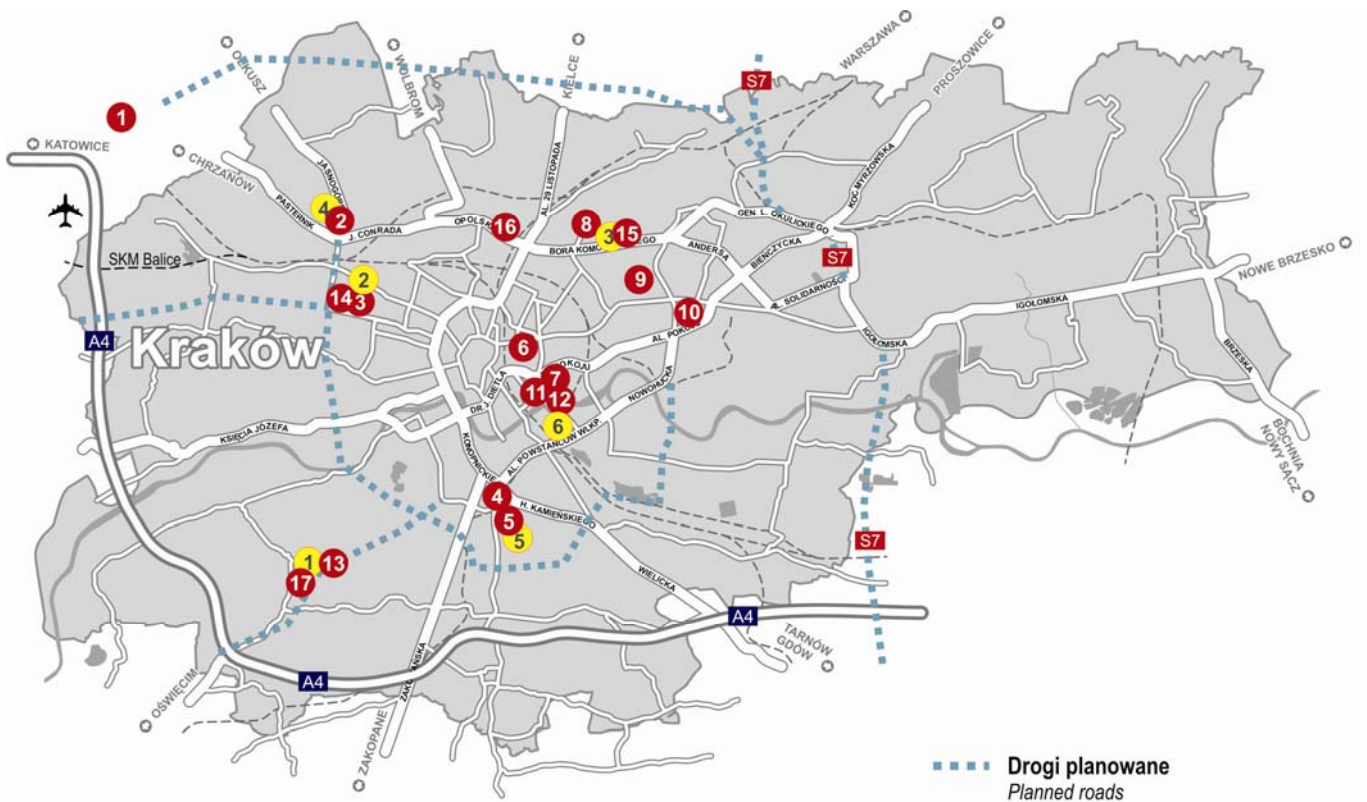
## Improving infrastructure

Significant changes to the road system planned for 2011 to 2020 include: the construction of an additional stretch of the A4 Kraków to Tarnów highway; the construction of the stretch of the 774 road; the development of Trasa Balicka; the opening of a railway line from Kraków to Mydlniki, and then on to Balice Airport; and finally the launch of additional lines and routes of the Kraków Fast Tram.

## Supply and Headline Rents in Kraków



Source: Jones Lang LaSalle, Q3 2011



**Major Existing Office Buildings /  
Główne Istniejące Budynki Biurowe**

1. Kraków Business Park Zabierzów
2. Centrum Biurowe Euromarket
3. Komplex Biurowy GTC (Galileo, Newton, Edison)
4. Buma Square Business Park
5. Bonarka 4 Business A&B
6. Centrum Biurowe Lubicz I&II
7. Cracovia Business Centre
8. Rondo Business Park
9. Komplex Biurowy w ramach krakowskiej Specjalnej Strefy Ekonomicznej, w tym Centrum Biznesu i Innowacji Copernicus
10. Centrum Biurowe Azbud
11. Centrum Biurowe Kazimierz
12. Diamante Plaza
13. Motorola HQ
14. Avatar
15. Quattro Business Park I
16. Vinci
17. Green Office A&B

**Major Office Buildings Under Construction /  
Główne Budynki Biurowe w Trakcie Realizacji**

1. Green Office C
2. Pascal
3. Quattro Business Park II
4. Jasnogórska / Mix
5. Bonarka 4 Business C
6. Enterprise Park A&B

## Wrocław

Wrocław is one of the hottest regional markets in terms of both occupier and developer activity. Demand for office space, generated mainly by the BPO/SSC sector, has outstripped completions.

### Booming Wrocław

The arrival of strategic investors in Wrocław kick-started the development of the office market in the city. As a result, the city has grown to become one of the three largest office hubs in Poland, behind only Warsaw and Kraków. The total modern office stock in Wrocław is currently 370,000 m<sup>2</sup>, with total 2011 completions estimated to be only 12,500 m<sup>2</sup>. New additions to office supply this year are equal to just 13% of the total completions registered in the record-breaking year: 2008.

Nevertheless, developers believe in the strength of the office market in Wrocław and after a period of low levels of construction activity, the market is booming in terms of developments which have been started. This is shown by the 126,000 m<sup>2</sup> which was under construction at the end of Q3 2011 (of which 19,700 m<sup>2</sup> is currently on hold). The largest pipeline developments include: Sky Tower (28,500 m<sup>2</sup>) by LC Corp, which will be the tallest building in the city; platinum LEED pre-certified Green Towers (towers A & B together are 21,600 m<sup>2</sup>) by Skanska; and Aquarius Business House (Phase I -15,000 m<sup>2</sup>) by Echo Investment. The largest amount of construction activity is found in the western and central-southern parts of Wrocław.

### New offices for BPOs

Demand for office space in Wrocław is mainly driven by international corporations who are setting up Shared Service Centres (SSCs) in the city. Among major corporate tenants representing the wider outsourcing/ITO sector are IBM, HP, Google, Nokia-Siemens and Credit Suisse. The total number of BPO/SSC companies with foreign capital in the city is estimated at 38. It is worth noting that one third of the total number of persons employed in the sector work in R&D (Research & Development). This is the highest share of any of the major offshoring hubs in Poland. R&D is considered to be a high-level service and this kind of business is one of those most sought-after by the city authorities, who would like Wrocław to be considered as major R&D and KPO location.

Office take-up in Q1 to Q3 2011 was estimated at approximately 36,400 m<sup>2</sup>, and many companies are currently actively looking for new office space to rent. Demand for office space will be generated mainly by companies already operating in Wrocław who are increasing headcount and are looking for expansion opportunities. The total take-up figure outstripped the volume of new completions in both 2010 and 2011.

Due to the relatively low availability of office space, tenants usually have to sign pre-let agreements in order to secure an appropriate amount of office space to meet their needs. This situation can be compared to 2007/2008, when booming demand quickly absorbed the space delivered to the market.

### Low vacancy rate, but...

Wrocław currently has the lowest vacancy rate found in Poland. Only approximately 3.1% of total office space in Wrocław is vacant. The vacant space (11,900 m<sup>2</sup> in total) is spread between 21 office buildings. Tenants looking for immediately available space of more than 1,000 m<sup>2</sup> have a very limited choice. However, this is likely to change soon due to a number of new completions coming to the market. The large development pipeline will slightly influence the vacancy rate, even taking into consideration the strength of the market in terms of occupier demand. We estimate that within the next 12 months the vacancy rate may increase to 5-6%.

Completions and the sound level of demand should nearly offset, however, bringing more potential entry options for new occupiers.

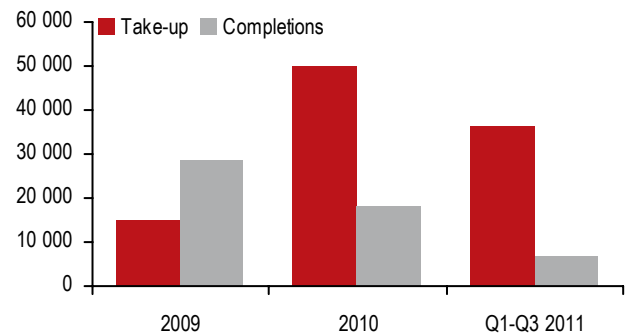
### Rents growing

According to Jones Lang LaSalle Short Term Rental Cycle, rents in Wrocław (along with those in Warsaw and Kraków) have started to increase. Currently prime headline rents in Wrocław are €14.50-15.50/ m<sup>2</sup>/ month. More attractive rents are still achievable in pipeline developments when signing pre-let agreements.

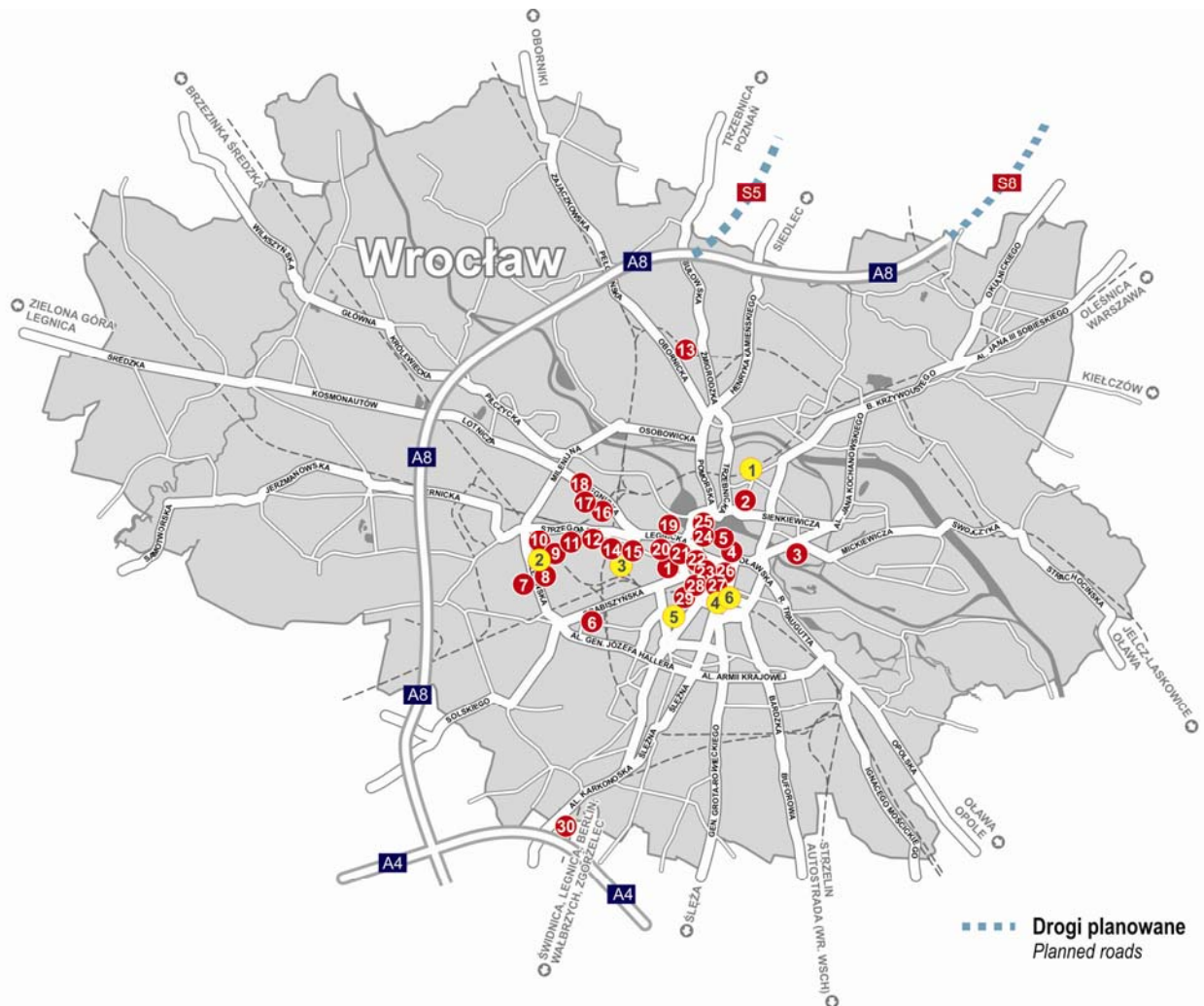
### New ring-road to reduce the traffic within the city

The recently opened Wrocław motorway bypass (AOW – A8) leading from the A4 motorway Wrocław-Południe junction to Wrocław Psie-Pole is a major infrastructural improvement within the city. The ring-road is certain to have a positive influence on the office market, especially in the western and northern parts of the city. In addition, a new terminal at the airport is in the construction stage and will handle its first passengers at the beginning of 2012.

### Take-up vs. Completions (m<sup>2</sup>)



Source: Jones Lang LaSalle, Q3 2011



● **Major Existing Office Buildings /  
Główne Istniejące Budynki Biurowe**

- |  |                             |
|--|-----------------------------|
| 1. ASCO Business Center                | 16. Quattro Forum           |
| 2. Bema Plaza                          | 17. Legnicka Business House |
| 3. Grunwaldzki Center A,B,C            | 18. Legnicka Park Popowice  |
| 4. Oniro                               | 19. Cuprum Business Center  |
| 5. Kameleon                            | 20. Centrum Orłąt           |
| 6. Grabiszyńska Office Centre          | 21. Wall Street House       |
| 7. WPT I-CT                            | 22. Wratislavia Tower       |
| 8. WPT DINT                            | 23. Pod Złotym Dębem        |
| 9. Wojdyła Business Park I             | 24. CitiBank                |
| 10. Muchoborska 6, B1&B2               | 25. Wratislavia Center      |
| 11. West Forum A                       | 26. Renoma DTC              |
| 12. Wrocławski Park Biznesu I          | 27. Focus Plaza             |
| 13. Wrocławski Park Biznesu II (B1&B2) | 28. Arkady Wrocławskie      |
| 14. Millenium Tower I&II               | 29. Centrum Biurowe Globis  |
| 15. Silver Forum                       | 30. Office Interiors        |

● **Major Office Buildings Under Construction /  
Główne Budynki Biurowe w Trakcie Realizacji**

1. Promenady Wrocławskie - Epsilon
2. Wojdyła Business Park II
3. Green Towers A&B
4. Aquarius Business House I
5. Sky Tower
6. Centrum Metropol

## Tri-City

Tri-City (Gdańsk, Gdynia and Sopot) is the major office hub in the northern Poland and has promising development prospects. Increasing choice coupled with reasonable low rents should attract new investors to the region.

### Getting more international

Tri-City is the only major agglomeration in Poland which is dominated by local developers. More than 95% of total stock in the region was delivered by local companies, in some cases for their own needs. With a supply totalling 327,000 m<sup>2</sup>, it is currently the fourth largest market in Poland in terms of office stock.

Gdańsk is seen as the leading office location, with more than 50% of the Tri-City's supply located within its municipal boundaries. Gdynia accounts for approximately 40% of the total stock and Sopot for 10%.

It is worth mentioning that some international companies, such as Hines and Capital Park, have announced that they are going to develop office buildings in the Tri-City. This will definitely increase the number of options for potential occupiers.

Also, leasing practices have become more international and currently the market is based on common standards widely used on other markets. Within the last few years the region has clearly matured in this respect.

### Extensive development plans

The volume of development pipeline is high. There are two office projects with a total space of more than 100,000 m<sup>2</sup> each: Olivia Business Centre and Garnizon Business Space. In addition, there are other planned or already under construction developments, such as OPERA Office, BCB Business Park, Neptun and Alchemia, among others. The increase in choice will definitely have an influence on the attractiveness of the region. It will also be reflected by more competitive rents and incentives which potential tenants will be able to negotiate.

Currently, take-up is mostly generated by relocations and the number of newcomers is fairly limited. Gdańsk will be hosting matches during the Euro 2012 tournament and the promotion of the region will be significant. This may increase the level of demand for office space coming from the BPO and SSC sectors and companies which work closely with companies from Scandinavia. We are of the opinion that the Tri-City region has the potential to grow as a destination for shoring activities. The tourist attractions and good quality of living support this opinion, as do other important factors such as the availability of well educated labour with a good command of foreign languages.

The major lease contracts signed over the last 12 months included Thomson Reuters (9,000 m<sup>2</sup>), Energa (8,000 m<sup>2</sup>), Jappesen Poland (2,500 m<sup>2</sup>), Meritum Bank (2,000 m<sup>2</sup>), Transcom (2,000 m<sup>2</sup>), Wolters Kluwer (2,000 m<sup>2</sup>), Lux-Med (2,000 m<sup>2</sup>), Polkomtel (1,900 m<sup>2</sup>), and Sony Pictures

Entertainment (1,250 m<sup>2</sup>). The IT, finance & insurance and energy sectors are amongst the most active occupiers of Tri-City office buildings.

*"In 2007 Gdańsk became the seat of the second Polish branch of Transcom Worldwide. It was a conscious and thought out decision. In our opinion, Gdańsk is a perfect location for business. The Tri-City is one of the most important academic centers in the country. As the seat of 24 universities with a total of about 85 thousand students it gives a wide range of opportunities for a company where ambitious people with a fresh look at the business are a fundamental value. Transcom employs around 550 people now and continuously provides an opportunity for well educated students and graduates, offering them a first job and a chance to develop their potential."*

*Marek Szul, Call Centre Manager Poland, Transcom*

### Still a tenant-favourable market

As demand is still considered moderate, market conditions in the Tri-City will remain tenant-favourable in a mid-term perspective. Office take-up and absorption will not be able to push the vacancy rate down, even taking into account that some of the pipeline developments may be put on hold and rescheduled.

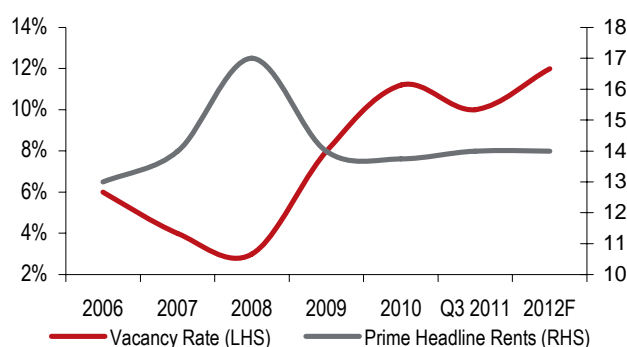
We expect that the vacancy rate will remain at a level of 10% to 15%, keeping rents at a relatively low level compared to other cities in Poland.

Prime headline rents are currently at the level of €12-14.00/ m<sup>2</sup>/ month. The highest rents within the Tri-City are found in Gdynia.

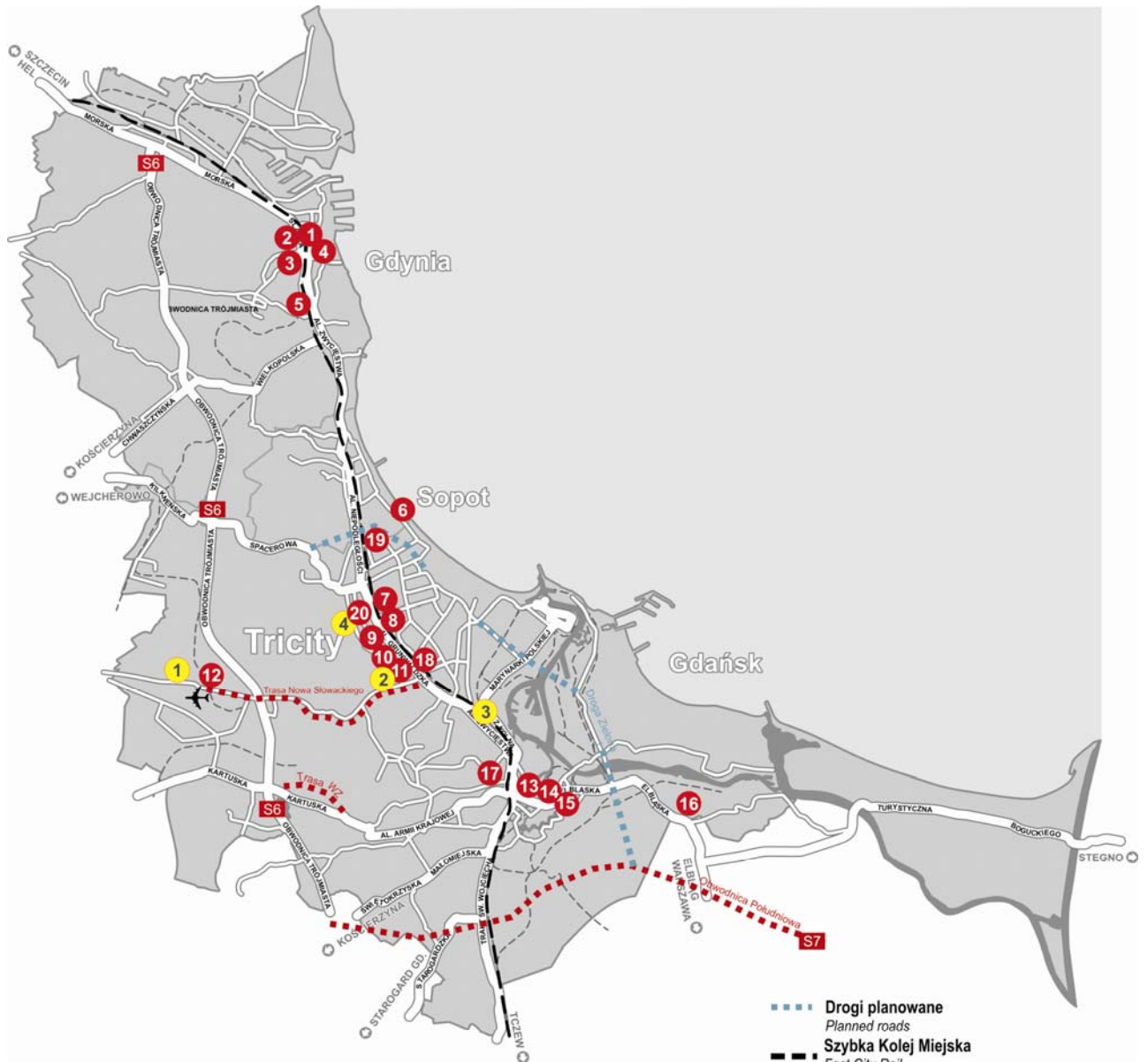
### Creating the main office hub

Road infrastructure improvements in the Tri-City, such as those in Slowacki and Sucharski, will create new office locations. Areas close to the international airport in Gdańsk and sites along the Tri-City's bypass are becoming more attractive for potential tenants due to rents being lower than those in more central locations. The area close to Gdańsk Oliwa, located in the proximity of the main arterial road and offering convenient access to the Fast City Rail which links Gdańsk, Gdynia and Sopot, is becoming the main office hub.

### Vacancy Rates & Prime Headline Rents (€/ m<sup>2</sup>/ month) in the Tri-City



Source: Jones Lang LaSalle, Q3 2011



**Major Existing Office Buildings /  
Główne Istniejące Budynki Biurowe**

1. Alfa Plaza Business Center
2. Baltic Business Center
3. Prokom HQ
4. Centrum Biurowe Hossa
5. Łużycka Office Park
6. Hestia HQ
7. Arkońska Business Park
8. Grunwaldzka 413
9. Abraham 1A
10. Centrum Biurowe Vigo
11. Garnizon.biz
12. Allcon@park
13. Centromor
14. Artus Park

15. Sadowa Business Park
16. Lotos HQ
17. Ka5
18. Office Island
19. Rzemieśnicza 17/19
20. Olivia Business Centre - Olivia Gate

**Major Under Construction Office Buildings /  
Główne Budynki Biurowe w Trakcie Realizacji**

1. BCB Business Park - B1
2. Garnizon.biz - Omega&Gamma
3. OPERA Office
4. Olivia Business Centre - Olivia Point & Olivia Tower

## Poznań

Poznań is constantly developing its office infrastructure and wishes to attract new tenants, especially those from the BPO/SSC sector.

### Developing at its own pace

Poznań is considered to be the one of the most balanced office markets in Poland. Between 2007 and 2011 the average annual new office supply amounted to 26,000 m<sup>2</sup> and the moderate demand of around 20,000 m<sup>2</sup> in these years nearly offset the completions.

Despite recent office development activity, a discrepancy between Poznań and the other regional office markets in Poland still exists. At present, the total amount of modern office space is 237,300 m<sup>2</sup>, larger only than that of Łódź, when one is assessing the six major regional office markets. A further 55,000 m<sup>2</sup> of modern office stock is currently under construction, which equals a 23% increase in office supply. In addition, approximately 35% of the space under construction has been secured with pre-let agreements, including the largest deal signed in the Poznań market's history: Allegro taking 14,600 m<sup>2</sup> in Pixel, the first building of the Klaster Grunwaldzka office complex.

A few large office developments are currently in the pipeline. Some of those may be put on hold due to the relatively high vacancy rate; however, we expect to see some new construction start-ups in the medium-term perspective.

### Sound demand?

After a quiet start to the year, leasing activity increased significantly over Q2 and Q3 2011. Take-up was boosted by the 14,600 m<sup>2</sup> pre-let to Allegro. We expect that in the entire 2011 the overall level of demand will significantly exceed the 2010 figure.

The vacancy rate reached 9.1% at the end of the third quarter 2011, which corresponds to a total vacant area of below 21,500 m<sup>2</sup>. Interestingly, 70% of the available space is located in just four buildings.

Due to the future completion of four office buildings in Poznań with a total office space of 55,000 m<sup>2</sup> (of which almost 38,500 m<sup>2</sup> remains vacant currently), we expect that in 2012 this will turn into the balanced market and a slight upward pressure on the vacancy rate may be seen.

### Becoming a service hub?

Poznań has attracted many corporate investors from sectors such as the automotive sector, the FMCG sector, the pharmaceutical industry and services using global IT networks.

As a result, corporate tenants on the local market include Allied Irish Bank, Bridgestone, Dalkia Group, GlaxoSmithKline, Kronospan, Unilever, Nivea Beiersdorf, Pernod Ricard, SABMiller, Wrigley, BZWBK, Franklin Templeton Investments and Ciber Polska.

Due to the relatively extensive availability of office space of 1,000 m<sup>2</sup> and upwards (four options in existing buildings and six in blocks to be delivered by 2012), the city often appears on the short-lists of companies which want to open a BPO/SSC in Poland. So far the companies which have chosen Poznań for such include KPMG, Microsoft Innovation, Roche, GlaxoSmithKline, IKEA, Arvato Services and others.

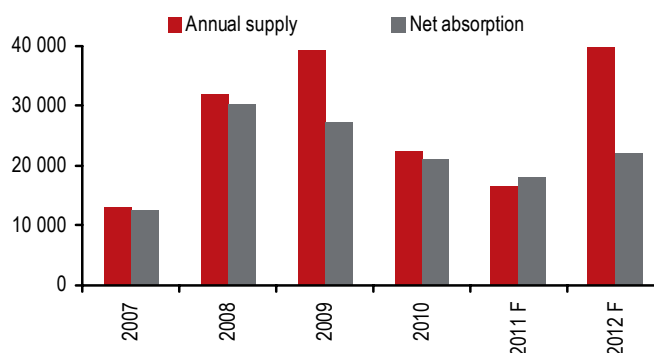
### Still expensive

Poznań prime headline rents are at a comparatively high level, €14.5-16.5/ m<sup>2</sup>/ month, second only to Warsaw. A slight downward pressure on prime headline rents can be expected in buildings being currently under construction.

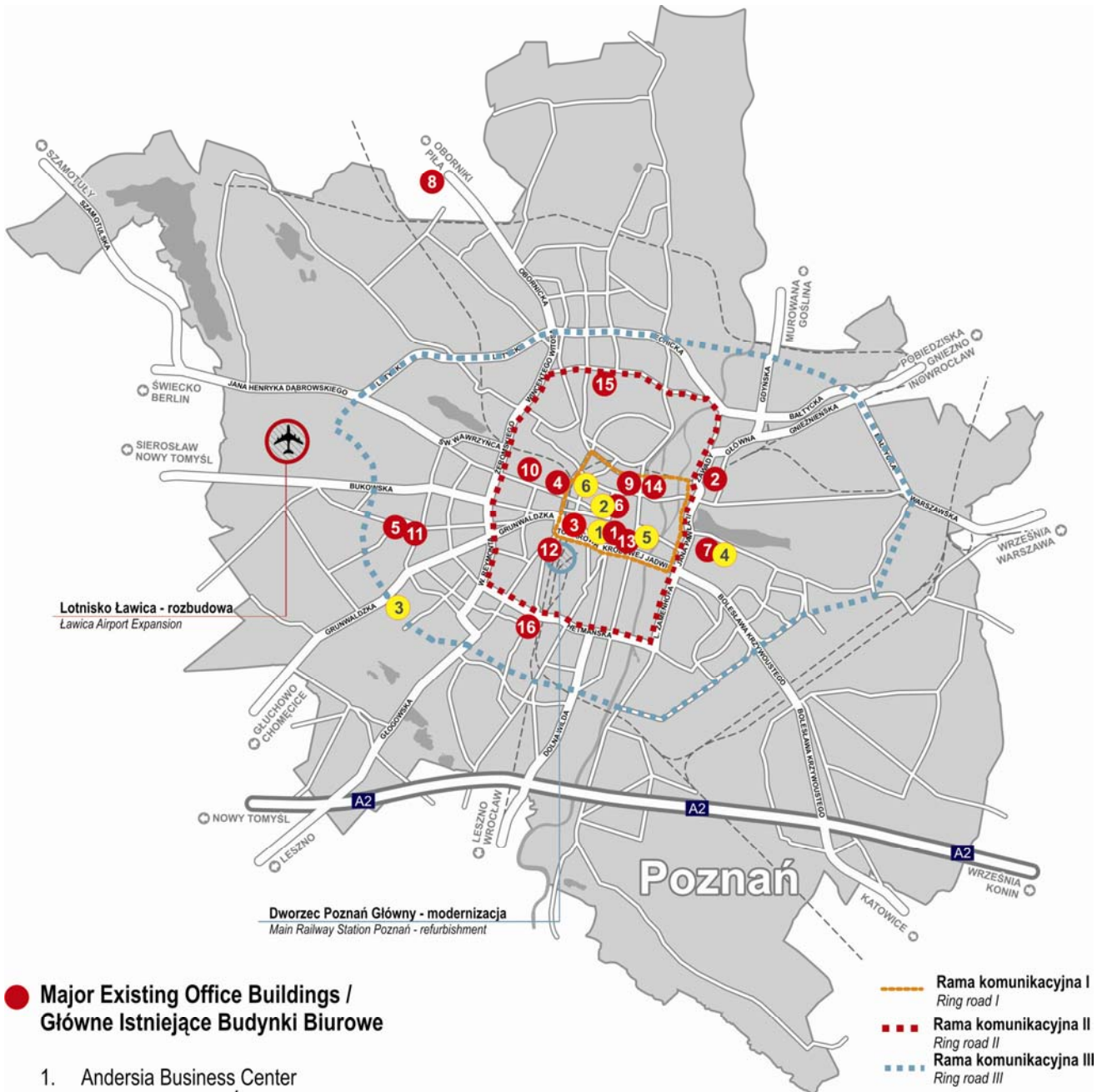
### Hosting EURO 2012

Poznań is to be one of the host cities for Euro 2012. Due to this, many infrastructure improvements and new developments are being conducted in the city (e.g. the extension of the "PESTKA" fast train towards Kaponiera roundabout, the renovation and upgrade of Poznań Główny station with the TriGranit shopping gallery and the expansion of the Ławica airport). Additional road investments include the western bypass (part of the S11 express road investment) and construction of the Poznań-Gniezno part of the S5 express road.

### Annual Supply and Net Absorption (m<sup>2</sup>)



Source: Jones Lang LaSalle, Q3 2011



Poznań

## Katowice

Construction activity in the Katowice conurbation has started to increase slightly; however, as occupier confidence is moderate and in our opinion will remain moderate until the end of 2012, developers may have to postpone projects.

### Developers wait for better times

Katowice, the office hub of the Silesian conurbation, currently offers more than 250,000 m<sup>2</sup> of modern office space and is ranked fifth in terms of office stock in Poland (after Warsaw, Kraków, Wrocław and Tri-City).

The spectacular arrival of international companies during 2007 and 2008 pushed Katowice's vacancy rate to the lowest level ever seen in the market's history (1.2% in Q4 2008). Growing demand and the limited availability of office space in existing buildings encouraged investors to undertake subsequent office projects on a speculative basis. This has led to an oversupply on the office market and increasing levels of vacant space in the city (almost 45,000 m<sup>2</sup> in Q2 2010). Currently the vacancy rate stands at 12.8% and we expect it to remain at around 10% during 2012.

Construction activity has been almost frozen since Q1 2010 and currently there is only 19,500 m<sup>2</sup> of active development, of which only 24% is secured by pre-lease agreements.

Due to these circumstances, we do not expect developer activity to increase until the substantial amount of available space has been soaked by the market. Taking into account the quite modest levels of take-up, the majority of planned and existing vacant space will be absorbed by the market no sooner than second half of 2012.

### Occupiers remain cautious

Existing buildings provide around 32,000 m<sup>2</sup> of space available for rent, of which more than 70% is located in four buildings: Centrum Chorzowska 50, Atrium, and GTC Francuska buildings A and B. Another 14,000 m<sup>2</sup> is vacant in developments currently under construction. These aspects enable us to assume that tenant-favourable market conditions will continue in Katowice during 2012 and even in 2013.

Leasing activity was up slightly during Q1 to Q3 2011, totalling 33,000 m<sup>2</sup>. However, almost 32% of signed leases were renewals and it is worth noting that no pre-lease agreements were concluded.

The average deal size for the majority of transactions remained relatively small, with only six deals larger than 1,000 m<sup>2</sup>. The

larger deals were Tauron (5,700 m<sup>2</sup>), Capgemini (5,700 m<sup>2</sup>), Opal Development (4,400 m<sup>2</sup>), Mentor Graphics (3,100 m<sup>2</sup>), Grupa Żywiec (2,500 m<sup>2</sup>) and Ruch S.A. (2,400 m<sup>2</sup>). However, we expect that the majority of signed deals in 2012 will not exceed 1,000 m<sup>2</sup> as newcomers will tend to adopt a 'wait and see' strategy or lease small units of up to 600 m<sup>2</sup>. General occupier confidence will continue to be moderate.

Katowice and its conurbation is an attractive alternative for corporations from the business services sector as the city features quite significant immediate availability of institutionally acceptable office space of 1,000 m<sup>2</sup> and more. Tenants typically choose this location having analyzed the costs, such as rental levels for office space, and the immediate access to the more than 2.2 million people who live within the wider Katowice metropolitan area.

### Have rents bottomed out?

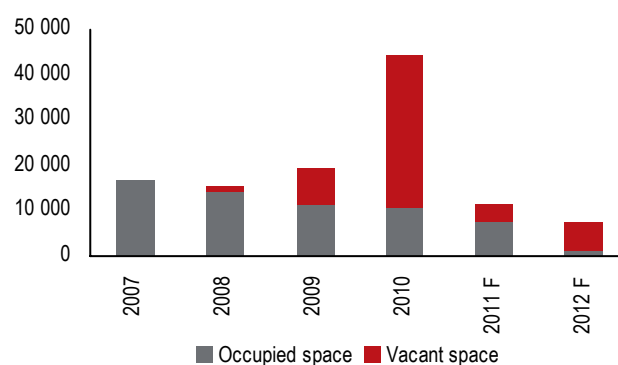
The deteriorating market conditions have forced developers to make significant concessions to potential tenants. As compared to the beginning of 2009, transactional rates in Katowice have undergone a strong adjustment and reached the current level of €12.00–13.50 /m<sup>2</sup>/month. We expect the lower limit of this price range to continue in 2012.

### Improving connectivity

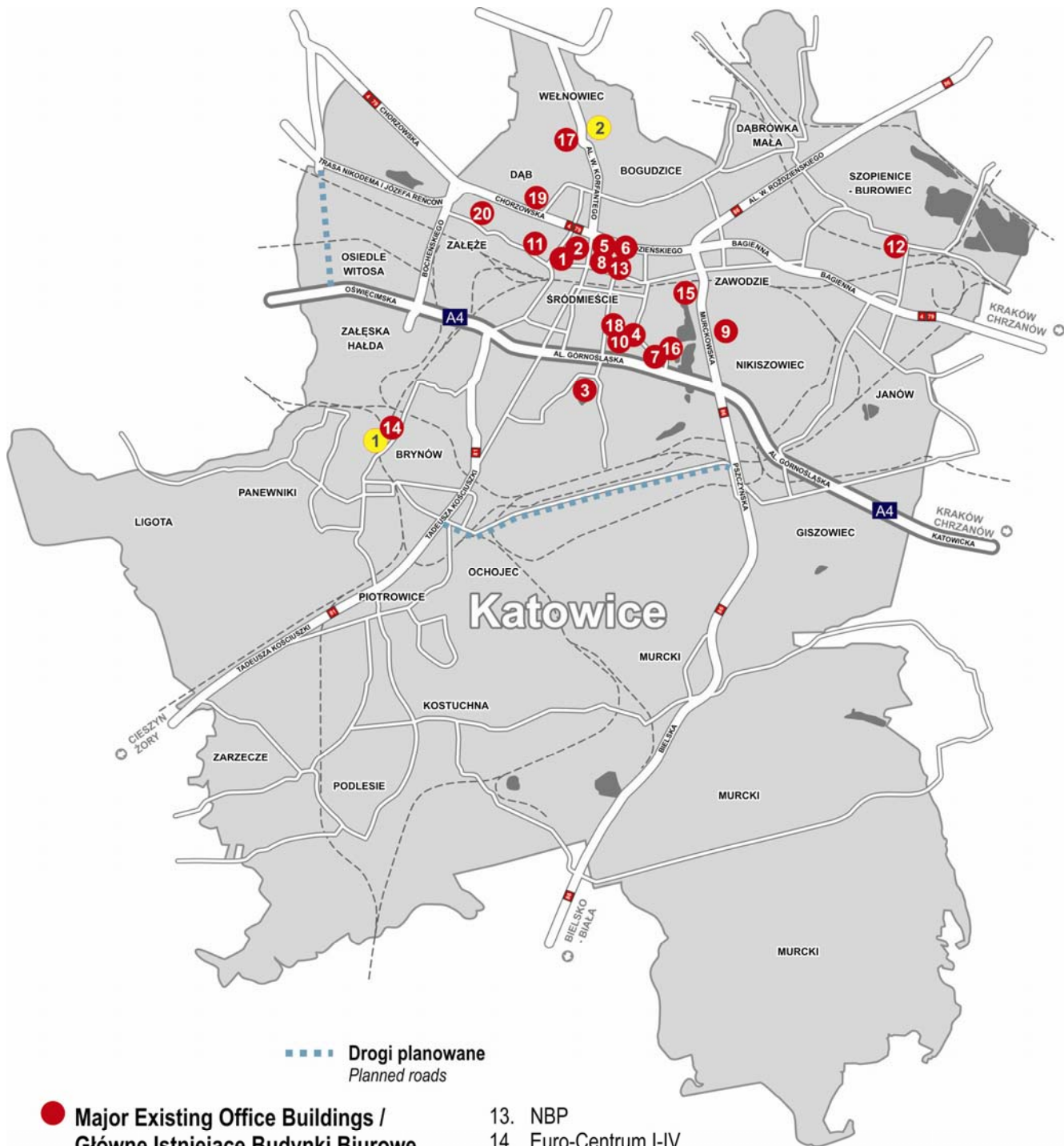
Numerous road improvement and new infrastructure projects are currently underway in the region and in the city itself. The main improvements in the conurbation are the following:

- The construction of the A1 highway from Gliwice Sośnica to Pyrzowice (the main airport for Katowice).
- The development of Drogowa Trasa Średnicowa (DTŚ) Katowice – Gliwice. The Katowice–Zabrze section is already operational. Future plans include the extension of this road to the west (Zabrze-Gliwice) and the alternative to the S1 road (Katowice-Dabrowa Górnicza).
- The upgrading of Pyrzowice airport (started in June 2011).

### Occupied Space vs Vacant Space in Office Buildings Upon Completion (m<sup>2</sup>)



Source: Jones Lang LaSalle, Q3 2011



1. Energomontaż
2. CitiBank
3. Plus Centrum
4. BRE Bank
5. Centrum Chorzowska 50
6. ING Bank Śląski
7. Millenium Plaza
8. Altus
9. Atal
10. Bank PKO BP
11. Opolska 22 (A,B,C,D,E,F)
12. Stary Browar

13. NBP
14. Euro-Centrum I-IV
15. Green Park I-III
16. Atrium
17. Reinhold Center A&B
18. GTC Francuska A&B
19. Katowice Business Point
20. Opal Gliwicka

**Major Office Buildings Under Construction / Główne Budyńki Biurowe w Trakcie Realizacji**

1. Euro-Centrum V - Green Building
2. GPP Business Park

## Łódź

The Łódź office market currently offers a variety of options for potential tenants (from 57 m<sup>2</sup> to over 10,000 m<sup>2</sup>). However, due to significant oversupply, future market development will depend upon the level of demand for office space.

### Plans put on ice

The increased interest in the city from international investors such as Accenture, Bosch, Infosys, Unicredit, Indesit, Fujitsu or Dell was mirrored by the rapid development of the office market in Łódź, with current modern office stock standing at over 210,000 m<sup>2</sup>.

Construction activity has, however, dropped from almost 90,000 m<sup>2</sup> under construction in Q1 2010 to slightly over 46,000 m<sup>2</sup> in Q3 2011. This is mainly due to the significant availability of vacant space. Looking forwards, we expect that at the end of 2011 only 20,000 m<sup>2</sup> will remain under construction, of which 80% is already secured by pre-lease agreements (including the largest deal signed in the Łódź market history: Infosys taking 11,500 m<sup>2</sup> in Green Horizon phase I).

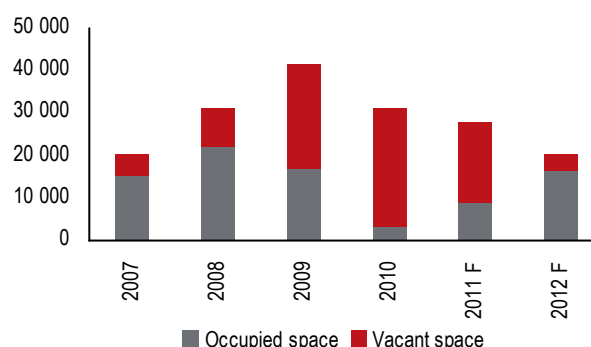
The majority of announced projects have been put on hold (e.g. University Business Park II) or their commencement is a subject to pre-letting (e.g. Aurus, Park Biznesu Teofilów II or Cross Point Łódź II). We are unlikely to see any new speculative starts in the short term as developers exercise caution and wait until the current oversupply of office has been absorbed by the market, i.e. by the beginning of 2013.

### City well prepared for large tenants

Currently, the city offers six office lease options for a minimum of 1,000 m<sup>2</sup> in existing buildings and five in blocks which are to be completed by the end of 2012. Overall, potential tenants may choose from almost 37,000 m<sup>2</sup> of immediately available office space and from 23,000 m<sup>2</sup>\* located in projects which are currently under construction. Interestingly, 80% of the existing vacant space is to be found in buildings which were delivered to the market in the last two years.

Regardless of the willingness and readiness of developers to conclude transactions for over 1,000 m<sup>2</sup>, the average deal size in H1 2011 was 520 m<sup>2</sup> (excluding a pre-let to Infosys). In comparison to the same period in 2010, the current level is down by almost 50%. Overall leasing activity is also down, especially over Q2 and Q3 2011, totalling less than 6,500 m<sup>2</sup>. We expect to see increased take-up activity in 2012 due to some renegotiation/extension of leases signed in 2007 and 2008.

### Occupied Space vs Vacant Space in Office Buildings Upon Completion (m<sup>2</sup>)



Source: Jones Lang LaSalle, Q3 2011

### Bargain rents have become standard market practice

Following the completion of two office buildings totalling 31,300 m<sup>2</sup> in 2010 which were only 20% pre-leased, the vacancy rate went above 20% and only in Q3 2011 did it drop below that level, currently standing at 17.5%. Bearing in mind the still quite significant level of construction activity in Łódź and the moderate level of demand, we are of the view that the vacancy rate may increase by a further three to five percentage points. At the moment, Łódź features the lowest prime headline rents in the country: prime office buildings in the city commanding rents of €11-13.50/ m<sup>2</sup>/ month. Further slight downward pressures in the short term (i.e. over the next two years) are possible, but mostly in buildings which currently offer a considerable amount of vacant office space.

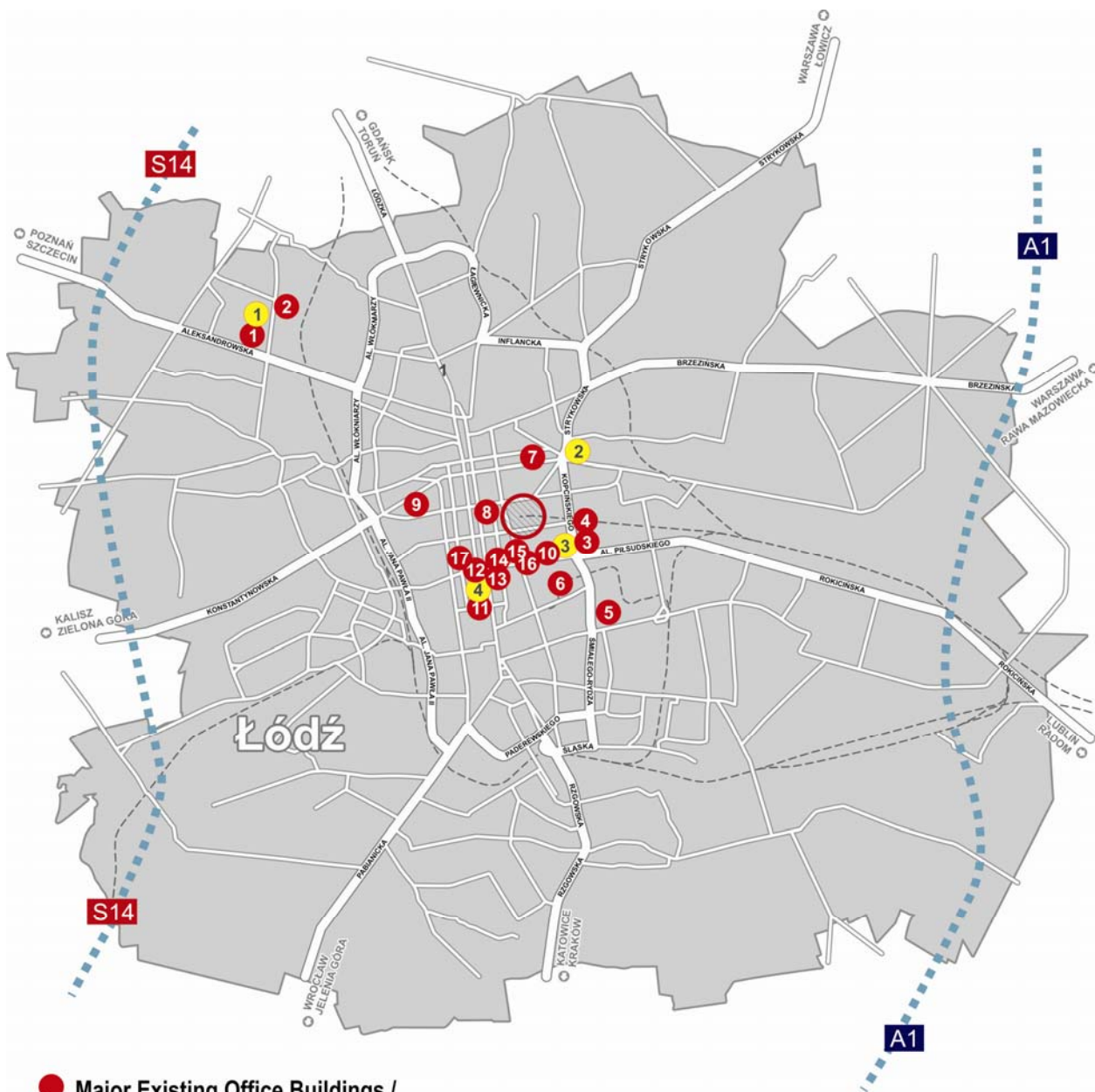
### New infrastructure developments still in the planning stage

The city plans to start several new infrastructure projects in the very near future. The road investments relate mainly to connectivity and road capacity in Łódź, e.g. the planned Stryków-Tuszyn section of the A1 highway, the southern city bypass as part of the S8 expressway project (currently a public tender therefor is in progress), the western bypass as part of the S14 expressway (at present the section at the exit of Pabianice is under construction). Inside the city the most significant infrastructure improvement includes the renovation and development of Łódź Fabryczna station, where the city plans to create the "Nowe Centrum Miasta" with an underground station and a new public area on the surface.

*"We decided to invest in Łódź due to its large potential in terms of an office destination. Currently the city is seen as an excellent location for companies from the modern business services sector. Adding Łódź growing attractiveness as a central major communication hub in the country, large pool of human resources, its considerable size as a third Polish city and we strongly believe that it is one of the best location for modern offices in Poland."*

*Waldemar Olbryk  
Regional Director, Skanska Property Poland*

\* Excluding University Business Park II (18,700 m<sup>2</sup>), which has a shell-and-core status and with a significant pre-lease can be completed within a four-month period.



**Major Existing Office Buildings /  
Główne Istniejące Budynki Biurowe**

1. Aleksander Plaza
2. Park Biznesu Teofilów I
3. Forum 76
4. Centrum Finansów i Biznesu A, B, C
5. Cross Point Łódź I
6. Textorial Park B1, B2, B3
7. Sterlinga Business Centre
8. ING Bank Śląski
9. Business House Żeligowskiego
10. Centrum Targowa 35 I
11. University Business Park I
12. Synergia I
13. Łódzkie Centrum Biznesu
14. RED Tower
15. Orion
16. Centrum Usług Księgowo-Finansowych Infosys
17. Gdańska 47/49, A&C

**■ ■ ■ Drogi planowane**  
Planned roads

**○ Nowe Centrum Miasta**  
New City Centre

**Major Office Buildings Under Construction /  
Główne Budynki Biurowe w Trakcie Realizacji**

1. Rossmann
2. Green Horizon I
3. Centrum Targowa 35 II
4. University Business Park II

## Szczecin

### Booming construction activity

Szczecin has made enormous progress in the preparation of real estate infrastructure for potential tenants. The overall supply in Szczecin by the end of H1 2011 was more than 71,000 m<sup>2</sup>. Until the end of 2010 construction activity by developers was quite limited, but the success of the OXYGEN building has demonstrated that the demand for modern office space in the city exceeds the supply. This has encouraged other developers to start new investments.

At present, four schemes are under construction (Piastów Office Park I, Brama Portowa I & II, Lastadia Office, Baltic Business Park and Hanza Tower), which, upon completion, will provide more than 88,500 m<sup>2</sup> of office space and double the existing market supply. There is another 64,000 m<sup>2</sup> in planned projects. However, only 10% of the space being developed has been secured with pre-lease agreements.

### Transition to tenant-favourable market conditions

The increased construction activity is certainly very good news for future tenants, but it should nevertheless be noted that the first buildings will be delivered no sooner than the second half of 2012. In 2011, Szczecin's office stock will expand by only 1,500 m<sup>2</sup> (which is located in a renovated tenement building).

Limited modern office supply and a significant recent increase in demand had pushed prime headline rents up and for the most attractive high-standard, city centre space they range from €11.5 to €14 / m<sup>2</sup>/ month. However, a vacancy rate of 9.5% in existing buildings and around 90% in those under construction enables one to assume that Szczecin's office market will soon be characterised by tenant-favourable conditions and continue to be tenant-favourable at least until the end of 2013. Furthermore, companies looking for the space in buildings under construction may count for generous incentives not only with regard to rent level but also with regard to fit-out allowances and length of the rent-free period.

### Improving accessibility

Szczecin is an important transport hub for north-western Poland. The city has a direct connection to Europe's transport network via the A6 highway and to inland Poland via the recently completed S3 expressway to Gorzów Wielkopolski. Even so, Szczecin still lacks a convenient connection to both Bydgoszcz/Toruń and the Tri-City. With regards to the latter, environmental approval has been obtained for improvements route No. 6, and the road will be upgraded to meet express road standards. However, construction will not start before 2013. Additionally, numerous road improvements and new infrastructure projects have been undertaken or are currently planned for the city.

## Lublin

### Local developers create the market

The issue of the lack of modern office space in Lublin is gradually becoming just a memory. The dynamic local market development is dictated by local developers; to be more precise, by three developers, which until now have provided more than 65% of the existing office stock.

The latest addition (Gray Office A, 14,500 m<sup>2</sup>, in Q2 2011) has increased the office supply in the city by almost a quarter and the overall stock is now over 82,000 m<sup>2</sup>.

In nearest future, we expect the office market to remain under the influence of local developers, as they have already secured land for potential new developments.

### Does the limited availability of large units matter?

As Lublin is a city with approximately 84,000 students enrolled at four universities, it offers a significant labour force for potential investors. Various companies have already noticed this and decided to locate their business here (e.g. France Telecom and Polska Grupa Energetyczna).

Lublin's vacancy rate of 7.9% equates to a total vacant area of below 6,500 m<sup>2</sup> (given the small scale of the market). Thus Lublin features limited immediate availability of institutionally acceptable office space of 1,000 m<sup>2</sup> and more.

However, looking ahead, there is some 21,000 m<sup>2</sup> of space which is due to be completed speculatively over 2012 to 2013. As a result, those seeking larger units may have to consider pre-letting options.

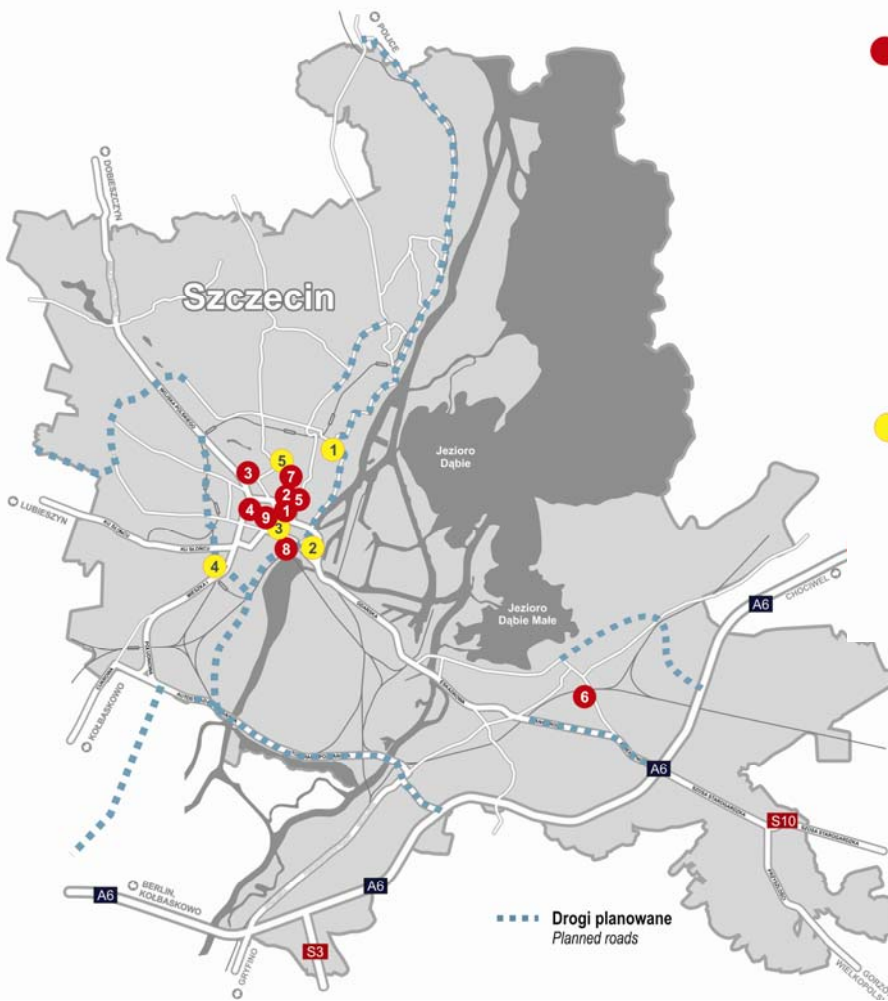
### Will future completions influence rental levels?

Due to the relatively limited availability of class A office space, prime headline rents are at the level of €11-13/ m<sup>2</sup>/ month; however, some office buildings quote asking rents even higher than that. The discrepancy between the prime rents and the rents achievable in other buildings is quite substantial, reaching as much as 30%.

In 2012, we expect slight downward pressure on prime rents driven by the significant future office space to be delivered.

### An airport is on its way

Lublin, as will other major Polish cities, is improving its infrastructure and accessibility. Major road developments include the construction of the Piaski-Lublin-Kurów section of the S17 express road. A city bypass, part of the S17 project, is planned. Additionally, currently under construction and expansion is an airport in Świdnik (12 km from Lublin city centre), which will contribute considerably to the future investment attractiveness of the city. The airport will be able to serve not only local but also international carriers.

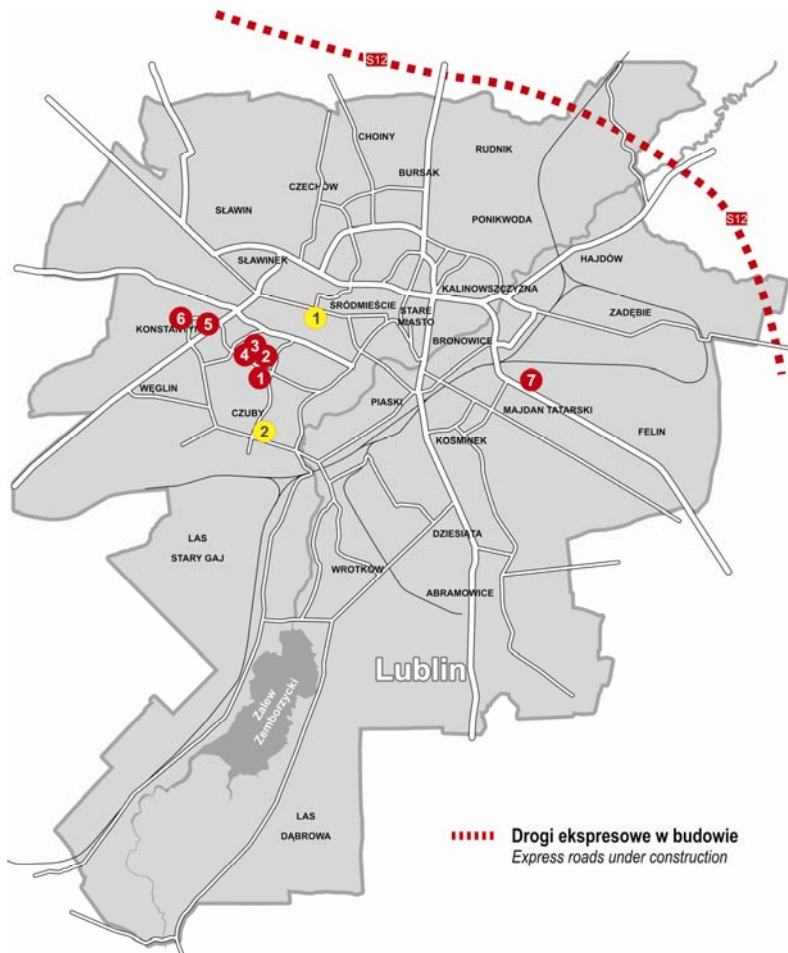


**Major Existing Office Buildings /  
Główne Istniejące Budynki Biurowe**

1. Maris
2. Pazim
3. Buchalter
4. Pentagon
5. Pomeranus
6. Polterm
7. Oxygen
8. Atrium Katedra
9. Pasaż Bogusława 1-2

**Major Office Buildings Under Construction /  
Główne Budynki Biurowe w Trakcie Realizacji**

1. Baltic Business Park
2. Lastadia Office
3. Brama Portowa I&II
4. Piastów Office Centre I
5. Hanza Tower



**Major Existing Office Buildings /  
Główne Istniejące Budynki Biurowe**

1. Centrum Zana I&II
2. Zana Office I&II
3. Gray Office Park C
4. Gray Office Park A&B
5. Batory
6. W9
7. Witosa I&II

**Major Office Buildings Under Construction /  
Główne Budynki Biurowe w Trakcie Realizacji**

1. Rupes
2. Hanski Office Center

## Summary Table

City	Office Supply (m <sup>2</sup> )	Vacancy Rate (%)	Prime Headline Rents (€/ m <sup>2</sup> / month)	Rental Outlook	Selected BPO/SSC/R&D companies	Number of Students (refers to wider regions-voivoidships, data as of 2010)	Unemployment Rate (%) (data as of October 2011)
Warsaw	3,505,000	6.7%	€22-25 (city centre). €15-15.50 (non-central locations)	↑	3M, ABN Amro, Accenture, Citi Group, Esselte, HP, IBM, Itella, Jones Lang LaSalle, Microsoft, P&G, SAP	323,240	3.6%
Kraków	480,000	8.4%	€14-15	↑	Accounting Plaza, Alexander Mann Solutions, Bayer, Capgemini, ComArch, Electrolux, BPN Paribas, Google, HSBC, KPMG, Philip Morris, Motorola, PwC, Sabre, Shell, State Street, UBS	211,938	4.6%
Wrocław	369,000	3.1%	€15.00-15.50	↑	Capgemini, Credit Suisse, E&Y, Google, HP, IBM, Nokia-Siemens, TietoEnator, UPS, Volvo	168,469	4.9%
Tri-City	327,000	10.3%	€12-14.00	→	Intel, Thomson-Reuters, Lufthansa, Axiom, Geoban, Sony Pictures, First Data, Transcom	107,196	5.1%
Katowice	250,000	12.8%	€12-13.50	→	Bombardier, Capgemini, Grupa Żywiec, Kroll, Mentor Graphics, Rockwell Automation, Steria	181,346	4.2%
Poznań	237,000	9.1%	€14.5-16.5	→	Arvato Services, Carlsberg, Franklin Templeton, GlaxoSmithKline, Indesit, KPMG, Roche, Unilever, Inter Ikea	164,198	3.5%
Łódź	210,000	17.5%	€11-13.50	↓	Accenture, Atos, Bosh-Siemens, Ericpol, GE, IBM, Infosys, Mbank&Multibank, SAP, SouthWestern Teletlas	114,942	10.4%
Lublin	82,000	9.8%	€11-13	→	CRH Żagiel, Genpact, Inteligo, PCM, TP S.A.	101,540	9.1%
Szczecin	71,000	7.2%	€11.50-14	↓	Arvato Services, Unicredit, TietoEnator	71,768	9.6%

Source: Jones Lang LaSalle, GUS

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