Wrocław
Office Market Report

February 2013

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The city of Wrocław for SSC/BPO centres

Driven by Knowledge

1. **People** – the Wroclaw metropolitan area is home to 1 million people. At its highly regarded universities the city is educating almost 150 000 students. Almost everybody speaks English and the majority speak at least one other foreign language. The inhabitants' potential and creativity make the city unique. Moreover, Wroclavians are hardworking, ambitious, and open to change.

2. **Knowledge Economy** – according to the Association of Business Services Leaders (ABSL) Wroclaw was the most dynamically developing city in the business services sector between 2008 and 2010. The city is the largest R&D center in Poland. It should also be noted that Wroclaw can boast the largest number of Knowledge Process Outsourcing investments in Poland.

3. **Quality of Life** – Wroclaw has won the right to be a European Capital of Culture (ECC) in 2016 and is one of the most rapidly growing cultural centers on the cultural map of Poland and Europe. Its multicultural past opens a dialog about the identity of the New Europe.

4. **Location** – situated strategically between Prague, Warsaw and Berlin, Wroclaw boasts a developed transportation infrastructure that connects the metropolis with the entire European continent and beyond.

5. **Support** – Wroclaw was recently chosen as the best city with regard to co-operation between local authorities (and their subordinate entities) and service centers. The city offers investors a broad range of assistance during an investment process. But what is more important, contact with the companies is maintained after that, via post investment care.

6. **Already Invested –** the favourable investments conditions in Wroclaw have been widely recognized by investors for some years. The companies which have invested in Wroclaw include Qatar Airways, Dolby, Nokia Siemens Networks, HP, McKinsey, Credit Suisse, IBM, Google, 3M, Bosch, LG, Volvo, Wabco and Whirlpool.

Transport infrastructure

Road transport

Wrocław is skirted to the south by the A4 motorway, which enables quick connections with Upper Silesia, Kraków and further east to Ukraine, and with Dresden and Berlin to the west. The A8 motorway (the Wrocław Bypass) to the west and north of the city connects the A4 motorway with the S8 express road that leads to Warsaw and the Eastern border.

Air transport

Wroclaw Copernicus Airport gained a new terminal in 2012 thanks to Euro 2012. The airport, which is located 10 km from the downtown, offers connections to more than 40 destinations, including Warsaw, Frankfurt, London, Munich, Milan, Paris and Rome.

The extensive network of domestic and international flights ensures the region's accessibility. Connections with the global air transport network are provided via three of Europe's large airports: Frankfurt, Munich and Copenhagen.

The dynamic growth of passenger traffic illustrates the increasing role of Wroclaw airport. Since 2000, the airport has recorded a steady annual increase in the number of passengers and the volume of cargo trans-shipped. The passenger flow in the year 2000 stood at 211,000; in 2011 it exceeded 1.65 million.

Railway transport

The Wroclaw agglomeration railway network is now undergoing modernisation in order to provide Wroclavians with another way of getting to the city centre. Park&Ride schemes are designed to encourage car drivers to leave their vehicles, thus reducing traffic within the city and shortening the time it takes to get to work.

Intelligent Transport System

Thanks to an advanced computer system, public transportation in the city of Wroclaw has priority at the majority of crossroads. This encourages people to use modern and comfortable trams and buses instead of private vehicles.

Lower-Silesia Infrastructure Map

Support for investors

Invest in Wroclaw: a first step

Created in 2005, the Wrocław Agglomeration Development Agency (ARAW) was founded specifically as a partnership between Wrocław and the surrounding municipalities. The ARAW provides investors with help throughout the entire investment process and dedicated **post investment care** for companies that have settled in Wrocław and the vicinity.

The ARAW offers investors:

- project management (a tailored one-stop shop) via a dedicated team of specialists;
- collaboration between Wroclaw Business and academic milieus;
- support in promotional campaigns and recruitment;
- public aid submission assistance;
- dedicated analysis and reports;
- investment offers (greenfield, brownfield, office space);
- post investment care.

In 2012, the ARAW conducted a special promotional/recruitment campaign on the Internet which supported companies who wanted to attract talent to work in Wroclaw.

Governmental grants and EU Funds

Grants and funds are targeted at entities planning investments in the following priority sectors: automotive, electronics, aviation, modern services, research, development, and biotechnology. They are provided in the form of grants on the basis of a bilateral agreement concluded between the Minister of Economy and the given investor, pursuant to the Council of Ministers' resolution on the establishment of multi-annual support programs for the completion of investments.

Special Economic Zones (SEZ)

The four Special Economic Zones in the Wroclaw Agglomeration offer:

- investment plots equipped with all necessary technical infrastructure at attractive prices;
- income tax (personal or corporate) exemptions;
- assistance with regard to the formal side of investment processes;
- free-of-charge support during investment processes.

Exemption from property tax

Total or partial exemption from property tax is possible for businesses that create new jobs or invest money. This exemption is general (i.e. for all businesses that meet certain criteria) and can be considered as regional aid (depending on the specific legal arrangements contained in the given resolution of the relevant municipal council). Property tax exemptions are determined by a resolution of the given municipal council.

Wroclaw Academic Hub

The **Wrocław Academic Hub (WAH)** is a venture of Wrocław Municipality and the first initiative of this kind in Poland. It is a **co-operation platform** for **local government** and the **academic sector** in Wrocław. Its goal is to support activities which foster the development of science and university education in the city by **attracting scientists, researchers and gifted youth.**

The pilot projects designed and implemented by the city of Wrocław include:

- **the Mozart programme** – partnerships/placements for researchers in companies in Wroclaw;
- **Wroclaw Graduate** – extra training conducted at the universities which provides the best students with the skills employers require.

Wroclaw Research Center EIT+

The **Wrocław Research Centre EIT+** is a company which integrates the scientific-research potential of the Lower Silesian academic sector. The shareholders of the company are the largest universities and self-government units from Wrocław.

Research areas:

- nanotechnologies;
- biotechnology and medicine;
- climate and energy;
- information and communication technology.

The Wrocław Research Centre EIT+ has received some **EUR 200 million in EU funds** for the realisation of its projects.

EIT+ offers business joint scientific projects and state-of-the-art laboratories.

Labour market

Poland is currently one of the leading locations globally for the Business Services sector and, according to the international consulting company Everest Group, is one of five mature locations for outsourcing worldwide. The sector is maintaining a constant rapid growth, making it one of Poland's fastest growing industries.

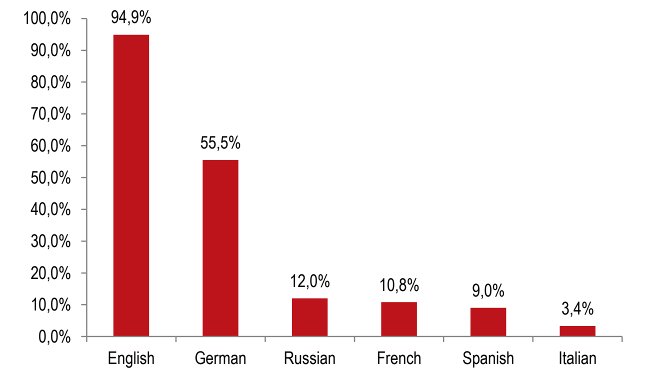
According to ABSL (the Association of Business Leaders in Poland) data, more than 12,500 individuals are employed by Business Services companies operating in Wrocław, making it Poland's third largest market in terms of number of people working with the sector.

Alongside this, Wrocław is also the fastest growing Business Services location in Poland, with 5,900 new workplaces created there between 2009 and 2011 alone, a growth rate of 86%. As a leading education centre in Poland, Wrocław guarantees a constant inflow of well-educated young staff and further growth is therefore expected.

Graduates in Wroclaw

Wrocław has the third largest number of students in Poland and is an important centre for education. There are 30 tertiary education institutions located in the city and nearly 150,000 students in 2011. In the same year, 2,200 people graduated with degrees in IT, 10,000 in economics and 3,000 in engineering: three key faculties for the Business Services Sector.

Knowledge of foreign languages among students in Wroclaw



Source: : Study of Human Capital – 2010, n = 2984

Wrocław is a unique location on the Polish Business Services map: it is the only city where Research & Development centres employ more people than SSC/BPO and ITO centres do. This is creating a huge demand for young people who are prepared for a career specialising in R&D and demonstrates the significance of the city's ability to educate large numbers of engineering students. As Poland's second biggest centre for technical and engineering education, Wrocław is more than capable of meeting that demand.

The potential of Wrocław's graduates makes it the location of choice for investments requiring highly specialised knowledge, the 'KPO' (Knowledge Process Outsourcing) centres. The city has also taken steps to further assist the supply of suitable candidates entering the job market by establishing the Wrocław Academic Hub: a body responsible for co-operation between the universities and the business sector which aims to co-ordinate education policies with market requirements and to meet the expectations of both employers and graduates.

Experienced workforce

The availability of an experienced workforce is another example of the great potential that exists within Wrocław, which is the location of choice amongst leading international companies such as IBM, Hewlett Packard, CapGemini, Credit Suisse, Google and Nokia Siemens Network for their European operations. The specialists employed in Wrocław's centres speak the majority of European languages, including popular languages such as English, German, French, Russian and Spanish, as well as niche languages such as Dutch, Swedish and Finnish.

Another important factor is the high quality of life enjoyed in Wrocław: the city has been awarded the title of European Capital of Culture for 2016. The attractiveness of the region will facilitate the relocation of candidates from other cities and this further enhances the available talent pool.

Salaries in the sector

One of the main factors analysed in the process of selecting a location for a new service centre is the estimated investment costs, including labour costs. Salaries in Wrocław are still lower than in Warsaw, despite the comparable quality of life. Of course, as in every knowledge-based industry, the salaries in the Business Services sector are dependent not only on where the company is based but also on a number of other factors, such as availability of rare skill sets, required sector experience and knowledge of foreign languages and market saturation.

Average Gross Monthly Salaries for selected positions in Wrocław

Position (only English required)	Salary	
	Min (PLN)	Max (PLN)
Junior Accountant	2,800	3,500
Accountant	3,300	4,500
IT Administrator	3,500	6,000
Senior IT Administrator	4,000	8,000
(Senior) Java Developer	6,000	10,000
Accounting Team Leader	6,500	10,000

Source: Hays Poland, October 2012

Office Market

Wrocław is the third largest office market in Poland in terms of stock, after Warsaw and Kraków. The history of the office market in Wrocław dates back to the 1990s; however, the most rapid development occurred after the year 2000. Currently, the total office supply in the city is estimated at 463,000 m².

Originally, the buildings in the city center were developed for the needs of their owners and revitalised and adapted to office building standards. Gradually, as the market started to also develop outside of the city center, with new office districts starting to emerge.

Currently, there are a few main office hubs in Wrocław. These include the city center, which are predominately offices located in renovated tenement houses.

The western part of the city, offering convenient access to the airport, especially the areas around Strzegomska and Legnicka streets, is developing rapidly. Such buildings as Legnicka Business House, Quattro Forum, Millenium Tower I and II, Wrocław Business Park, Wojdyła Business Park and the Green Towers complex, amongst others, are located in this office hub. Another region of the city where developers have focused their attention are the areas south of the city center. This is where one finds such buildings as Globis, Arkady Wrocławskie and Aquarius Business House I. In addition to those, the 212 m tall Sky Tower, which has undoubtedly already become an iconic spot on the map of Wroclaw, is to be delivered in this area in Q1 2013 (retail part of the building was delivered in 2012). The northern part of Wroclaw also has some office resources. The largest project in this part of the city is Wrocław Business Park II.

Thanks to Wroclaw's well-developed public transport network, other parts of the city also have significant potential in terms of office developments.

Significant construction activity

Wrocław is one of the most dynamic office markets in Poland in terms of developments under construction, being second only to Warsaw. At the end of 2012, there was approximately 104,000 m² of modern office space at the construction stage in 13 developments. Additionally, 24 office blocks (totalling 450,000 m²) are at the planning stage. It is worth noting that 54% of the developments under construction are already pre-leased.

These figures show that the developers are following the demand generated by tenants, and that they believe in the strength of the Wrocław market.

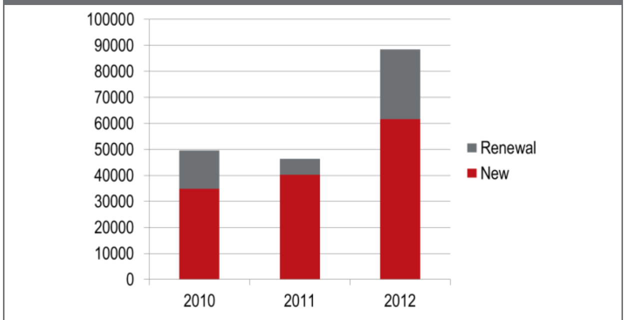
Interestingly, given the current construction activity, Wroclaw may approach Kraków this year in terms of total office stock.

Currently, developers put the main emphasis on the southern part of the town, close to the city centre, where approximately 45,700 m² of modern office space is at the construction stage, including such projects as Aquarius Business House II (10,000 m²) and Sky Tower (28,500 m²).

Another interesting region in which developers are placing their new office developments is the western part of the city. So far this office hub has been the largest in terms of office stock after the city center.

Projects under construction include such buildings as Green Towers II (10,700 m², 100% leased), Millennium Tower IV (7,800 m²) and West Forum 1B (12,500 m²). Located in the south-western part of the city and currently under construction is Racławicka Center (5,000 m²). A few office developments are also at the planning stage, including Business Garden, Gamma Office and Synergy Business Park.

Office Space Take-up in Wrocław (m²)



Source: Jones Lang LaSalle, 2013

New office buildings will also be constructed in other parts of the city in the future, but most of the planned developments are concentrated in the western and southern parts of Wrocław. Nevertheless, locations in other areas of the city have the potential to become interesting alternatives to the most popular locations and to help widen the choice of options for potential tenants.

Towards a balanced market?

The high level of construction activity has already put some upward pressure on the vacancy rate. The vacancy ratio increase from 5.7% registered in Q3 2012 to 8.8% at the end of 2012. It is worth highlighting that during the last two years the vacancy rate in Wrocław has stood at approximately 3%. This rate had an influence on the market in terms of the limited availability of lease options for potential occupiers. The increasing number of immediately available lease options is creating more favorable conditions for tenants, especially those from the BPO/SSC sector looking for relatively large offices (i.e. over 1,000 m^2) and provides convenient extension possibilities.

During 2012, tenants in Wrocław signed lease agreements for a record-breaking volume of 88,000 m^2, which is nearly twice higher than a total take-up volume registered in 2011. The largest lease agreements signed in 2012 in Wrocław include pre-let deals signed by a confidential IT firm in Green Towers (14,400 m^2) and a company from the financial sector in Green Day (10,500 m^2). It is worth underlining that mainly the second part of 2012 was very dynamic in terms of office space take-up.

Demand for office space comes mainly from companies which already operating in the city and wish to expand (e.g. UPS, Tieto and Capgemini) as well as from new players coming to the Wrocław market, companies including, among others, BD Europe and the Qatar Airways European Contact Centre which have decided to start operations in Wrocław last year. We believe that Poland is an attractive country for BPO/SSC companies and will attract new companies, some of which will certainly locate their operations in Wrocław.

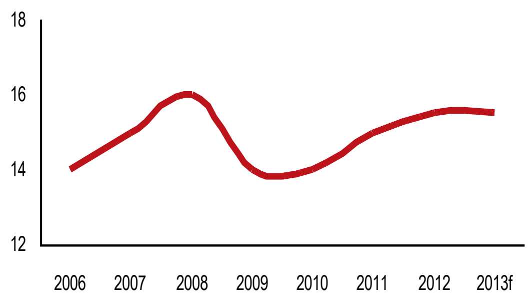
Stable rents

At the end of 2012, prime headline rents in Wrocław stood at €14.50 to €15.50 / m^2 / month for medium-size agreements, with the highest rents being found in the city center. Rents in Wrocław seem to be at a similar level to those found in other major cities in Poland. Moreover, developers continue to attract tenants by offering additional incentives, such as rent-free periods and/or fit-out contributions, the level of which depends on the original standard of the space.

Taking into account these additional tenant inducements, effective rents are typically 10% to 20% lower than the headline rents.

We are of a view that office market conditions within the next several months will be balanced between the bargaining positions of tenants and developers.

Prime Headline Rents in Wrocław (€/ m^2/ month)



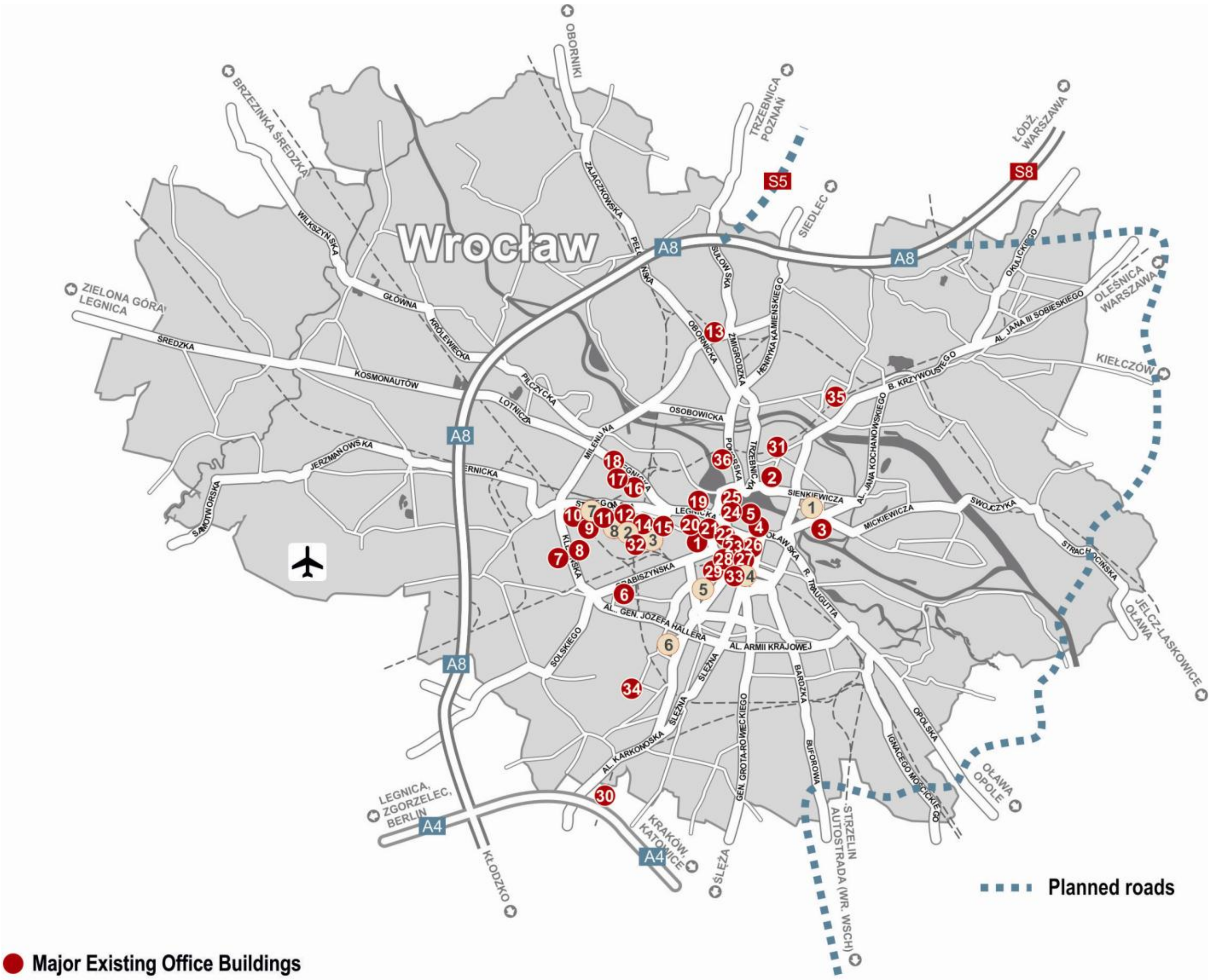
Source: Jones Lang LaSalle, 2013

Capgemini, with around 110,000 people in 40 countries, is a global leader in consulting, technology, outsourcing, and local professional services. The Capgemini Software Solutions Center, operating in Wrocław, specialises in the development and integration of IT solutions for corporate customers based in Poland and Germany. The young and open-minded people who have created the Capgemini Software Solutions Center in addition to their everyday intensive work develop their technical and personal competencies. They are the main reasons for the success of the on-going projects.

Wroclaw was chosen as the location for the Capgemini Software Solutions Center due to the availability of highly qualified graduates from technical universities. Since the beginning of its operations in 2004, the center has grown rapidly: we currently employ 500 IT experts and in the coming years we expect further development of the cenetr not only in terms of size but also in terms of the scope of the services provided."

Piotr Poprawski
Head of the Capgemini Software Solutions Center

Map of selected office developments in Wrocław



Major Existing Office Buildings

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

Major Office Buildings Under Construction

1. Green Day
2. Millenium Tower IV
3. Green Towers B
4. Aquarius Business House II
5. Sky Tower
6. Racławicka Bizness Centrum
7. West Forum 1B
8. Wagonowa Business Park

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Real value in a changing world

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