Poland: New Office Locations

May 2014

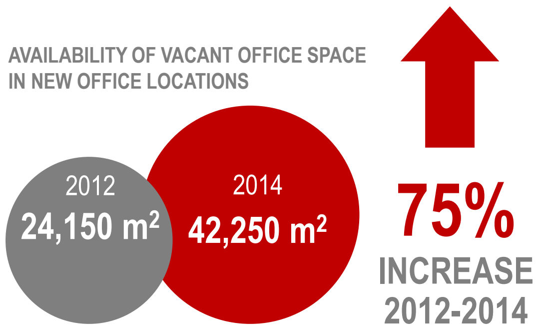
New office locations in Poland market analysis Białystok, Bydgoszcz, Kielce, Olsztyn, Opole, Radom, Rzeszów and Toruń

JLL 20 years in Poland

Warsaw was the first city in Poland where a modern office market emerged. After the capital city, investors and developers gradually started to look at opportunities in other major cities in Poland, such as Kraków, Wrocław, the Tri-City, Katowice, Poznań and Łodź, and lately in Szczecin and Lublin. Now those nine office centres are the most dynamically developing office markets in Central and Eastern Europe. The existence of many office locations is a distinguishing feature which differentiates Poland from other countries in the region.

The natural course of further office market development will therefore focus on smaller urban centres, which due to their potential will gain in importance and will gradually attract new investments, especially ones from the modern business services sector. We believe that cities such as Białystok, Bydgoszcz, Kielce, Olsztyn, Opole, Radom, Rzeszów and Toruń are highly convenient locations for outsourcing services, shared services, or even disaster recovery centres, which typically require up to 1,000 m² of modern office space.

Access to qualified labour, attractive real estate costs and developing road and office space infrastructure are underlying the attractiveness of these cities. In addition, these locations offer excellent brand recognition opportunities, which is an advantage over more mature and popular destinations.

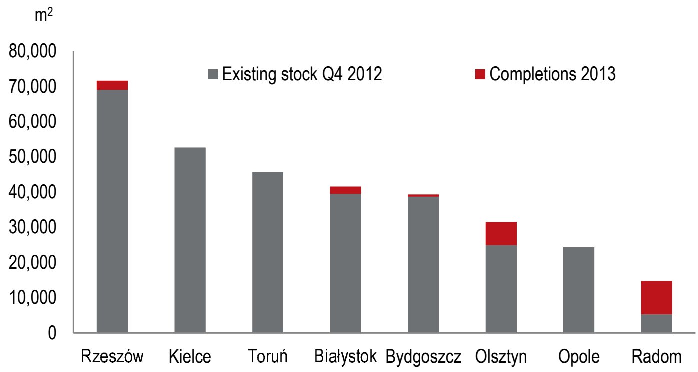


Supply

Modern office space in the eight analysed cities totals more than 321,500 m² (a volume comparable to that in Poznań or Katowice). This currently represents 4.4% of the entire available office stock in Poland.

The vast majority of the existing modern space in these locations offers relatively moderate quality compared to larger office markets in Poland. The picture on these markets is, however, changing, and in 2013 alone, two major A class projects were delivered to the market i.e. Cezal Business Center A (6,600 m²) in Olsztyn and Radom Office Park A (4,850 m²) in Radom. Due to the limited availability of speculative office supply, many companies operating in these cities (e.g. banks) have built office space for their own use.

Office Stock and Completions

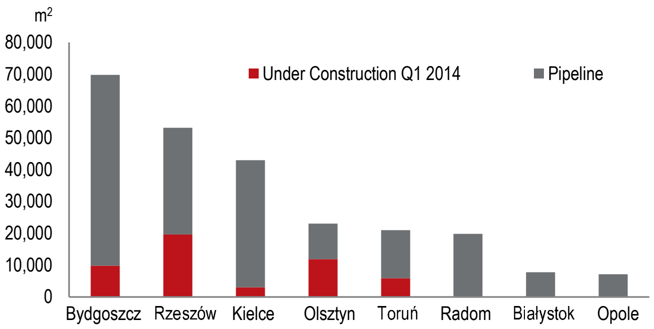


Source: JLL, Q1 2014

However, as these cities develop, new speculative office space is arriving to these markets. Currently, almost 50,300 m² is under construction in the analysed locations. The majority of that will come to the market in Rzeszów (19,700 m²), Olsztyn (11,900 m²) and Bydgoszcz (9,800 m²).

An additional 194,400 m² is in the pipeline, representing an 70% increase compared to Q2 2012. The largest projects are planned in Kielce (Biznes Park, four buildings, 8,000 m² each), Rzeszów (the Dołowa project, three office blocks, 17,000 m² in total) and Bydgoszcz (SCANPARK Business Center II, further plans include construction of 27,800 m² of modern office space and Riverside Business Center, two buildings, 18,900 m² in total).

Under Construction and Planned Office Space



Source: JLL, Q1 2014

New projects under construction and planned typically enjoy convenient locations within the cities, along with good accessibility by both private and public transport.

Demand

Domestic outsourcing companies as well as international service centres with foreign capital employing up to 150 persons are gradually becoming the main demand drivers on these new markets. In our opinion these eight analysed cities are an attractive alternatives for companies looking to establish operations in Poland with the headcount as above, or to expand or relocate their basic/ less advanced functions from the existing centres in the main Polish markets.

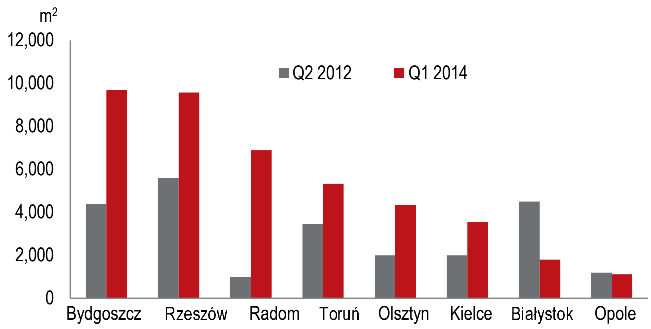
Local developers and city authorities see great potential in creating favourable conditions for potential tenants, especially those from the modern business services sector.

Vacancy

The immediate availability of modern office space in the eight analysed cities is moderate (42,250 m²). The majority of vacant space (62%) is found in three cities: Bydgoszcz, Rzeszów and Radom. However, these markets feature a fairly limited amount of high quality immediately available office space of 1,000 m² and above. Currently they offer in total 12 potential options in existing buildings and 4 in projects under construction (Rzeszów and Bydgoszcz have the highest number of vacant units of this size).

However, as stated earlier, these locations are most often sought after by small and medium size companies from the modern business services sector, and the availability of office units greater than 500 m² is relatively high (24 in existing buildings and 5 in projects under construction). Naturally, each market must be considered individually, with regards to the geography, quantity and quality of office space and many other location decision aspects.

Vacant Space in Analysed Cities



Source: JLL, Q1 2014

Marcin Nowak
Delivery Centre Director
Infrastructure Services Eastern Europe
Capgemini

"Opole is one of five cities in Poland, where Capgemini has its office. It perfectly complements other locations in south-western Poland where we operate. Excellent location and transport infrastructure, as well as good access to young, qualified people, all contribute to building a good investment climate in Opole, which attracts large, international investors, also from the business service sector.

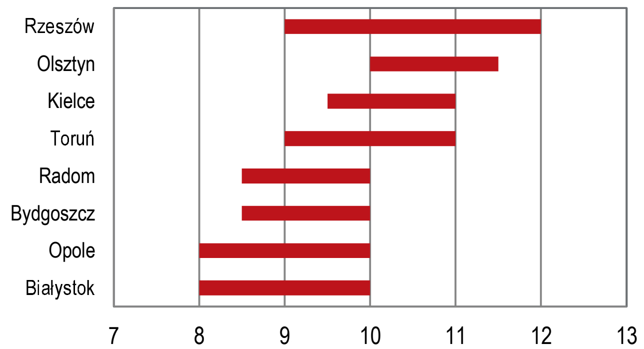
At the moment, Capgemini employs nearly 100 specialists in Opole, who deliver Infrastructure Services for German-speaking clients. Our employees provide IT support, ranging from standard services to advanced technological processes related to our customers' IT infrastructure. The center's good results make us think positively about the future. Every year, we provide processes on an increasingly bigger scale and expand our client portfolio, which in return translates into employment growth."

Rents

Prime headline rents in the analysed cities range between €8 and €12 / m²/ month. However, such buildings as SkyRes Warszawska in Rzeszów (under construction), Marbud Centrum Biznesu in Toruń or Cezal Business Center A in Olsztyn (both existing) quote for selected high quality offices rents higher than the above (€12.5-13.5 / m²/ month). We expect rents to remain stable over the next 12 months.

Rental rates for office developments on these markets are mainly quoted in PLN. Service charges are also set in PLN.

Estimated Prime Headline Rents (€ / m² / month)



Source: JLL, Q1 2014

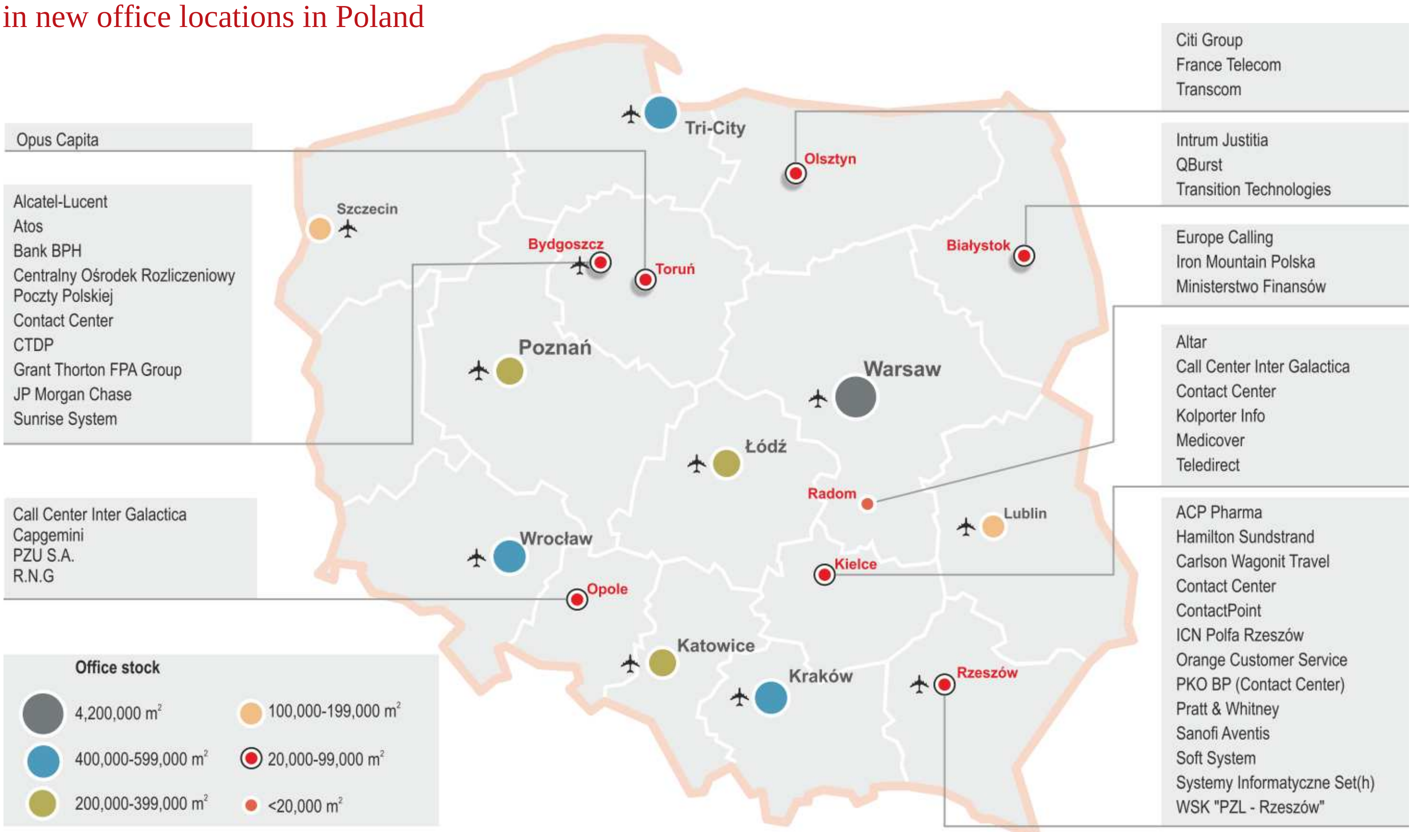
Andrzej Dulka
President of the Board
Alcatel-Lucent Polska

"Alcatel-Lucent is world's leading company in high-tech innovations and one of the most trusted business partners for telecommunications network operators in Poland.

Alcatel-Lucent's production and export hub of the most advanced telecommunications systems, services, software for the biggest telecom operators in North America, Asia, Africa, Australia and most of all, in Europe, employs over 900 highly-qualified engineers and specialists in Bydgoszcz. There are several advanced facilities operating in the city. There is a Bell Labs R&D, where software applications are developed, Global Network Engineering & Integration Center – GNEIC provides advanced design services and Global Network Operations Center – GNOC focuses on remote monitoring of telecommunications networks. Moreover, Industrial Competence Center (ICC) integrates, inter alia, hardware required to provide reliable, ultrafast Internet using fiber optic technology .

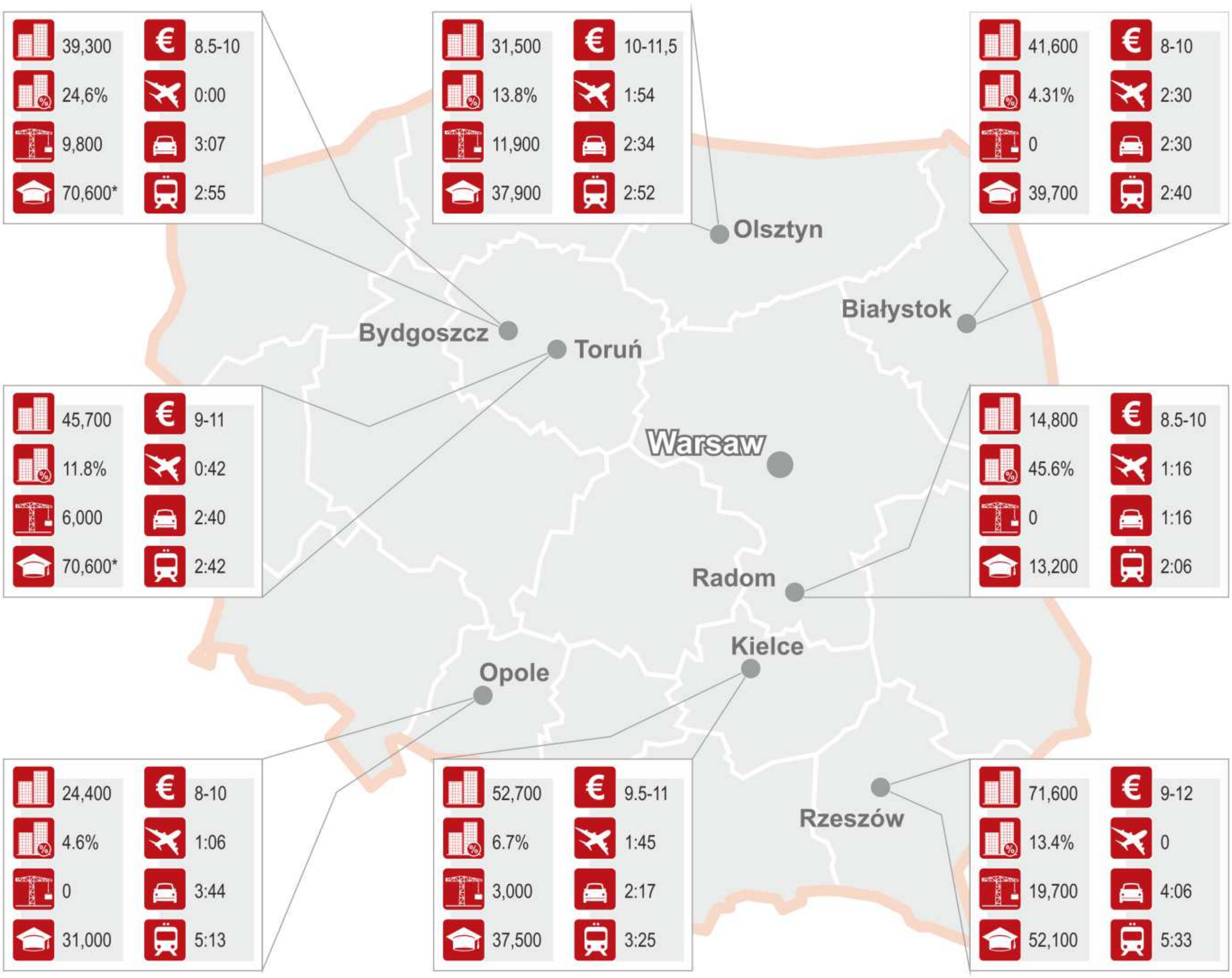
Aforementioned solutions are being developed for customers both in Poland and around the world. It is clear that Bydgoszcz is an important advanced services, production and development center for Alcatel-Lucent globally."

Selected BPO/SSC/ITO/R&D companies
in new office locations in Poland



Source: JLL, PAIiIZ, Q1 2014

Office Market in Numbers



- Stock (m^2)
- Vacancy rate
- Office space in construction (m^2)
- Number of students
- Prime headline rents in € / m^2 / month.
- Drive time to the nearest airport
- Drive time to Warsaw
- Travel time by train to Warsaw

* Data for both Bydgoszcz and Toruń region

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