

Poland: Offices for modern business services

2014



Poland as a Shoring Destination

In the last several years, Poland has become the leader in terms of employment in the modern business services sector in Central and Eastern Europe (CEE) and an important spot on the global offshoring map. At the beginning of 2014 the industry employed approximately 128,000 people and this is more than total employment in the coal mining industry which, until recently, has been one of the leading branches of economy in Poland. This proves that Poland is moving more towards service industry.

Employment in the modern business services sector in Poland has grown in recent years by 10-20% per annum and is expected to continue at the same pace in 2014. New investments, as well as re-investment in existing centres will unquestionably help to promote that growth. This is not only the proof of the quality of the services delivered but also of investors' confidence.

Currently, Poland has 3.4% of all global outsourcing/offshoring jobs, ranking 1st in CEE, 2nd in Europe and 6th globally.¹ Poland is also 3rd in a ranking of destinations for global service centres prepared by Hackett Group. Together with China and India, Poland was indicated one of the best places for running business services investment projects. In the latest report, the company predicts more investments from the sector relocating to Poland.

Moreover, Everest Group describes Poland as the only CEE country to have "mature market", together with Brazil, China and India.

Tholons Top Outsourcing Destinations

	2014	2013	
Kraków	9	10	↑ +1
Warsaw	32	36	↑ +4
Wrocław	65	75	↑ +10

For many years companies have associated Poland with a long-term investment destination in which they may settle, expand and continuously evolve their businesses. They do not simply value it for its cost attractiveness.

According to ABSL, in April 2014, 470 business centres operated in our country. Moreover, Poland has 44% of total sourcing centres in CEE (Everest Group, Feb. 2014) and we believe this share to increase shortly due to the fact that new investments, as well as re-investment in existing centres, will further help to promote that growth.



Krzysztof Luty
Director
DFDS Polska

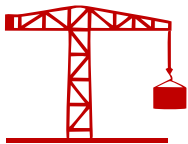
Our shared services center in Poznań supports accounting processes for most of the countries where DFDS carries out its operations. Currently, our company employs 200 people. We decided to launch a SSC in Poland due to analysis of multitude of factors. Business decision was preceded by a thorough examination of several locations, including those outside Poland. The major reason for choosing Poznań was the access to qualified multilingual staff, high quality of life and well developed infrastructure - both in terms of communication and office facilities. Presence of other SSC companies and favorable climate for investors were also of considerable importance. Seeing the extent of new investors being interested in the city, we are convinced that SSC industry still displays a great potential for growth in Poznań.

¹ Source: fDi Markets from the Financial Times, 2003-13; FDI inflow of greenfield projects for Shared Services, Technical Support and Customer Contact.

Real Estate Market

Almost 1.2 million m² of space currently under construction across Poland proves Polish office market to be one of the most dynamic and quickly developing in Europe. With 7.1 million m² of modern office stock, it is also the largest in the entire Central and Eastern Europe.

Poland offers wide range of office locations for potential tenants, beginning with Warsaw, followed by Kraków, Wrocław, Tri-City, Katowice, Poznań, Łódź, Szczecin and Lublin, ending with smaller office markets. No other country in Central and Eastern Europe is able to offer so many potential locations to the modern business services sector which is seeking flexibility and efficiency of office space and security of operations.



1,180,000 m²

Of office space under construction across Poland

High quality office space

Both international and domestic developers are well aware of the specific space requirements anticipated by modern business services sector. Most office buildings in Poland meet A-Class standard (raised floors, efficient air conditioning and ventilation systems, BMS, fibre cable connectivity, possibility to freely choose a telecom operator, etc.). They also offer flexible layouts and effective floor plans so that expansion or internal re-arrangement can be performed efficiently.



580,000 m²

Of office space completed in 2013 across Poland

Availability of office space: wide choice of options

Companies which look for office space should take into account the immediately vacant space in existing buildings (more than 850,000 m² in Poland, of which 68% can be found in Warsaw, followed by Tri-City – 8% and Wrocław 6.5%) as well as available space in the buildings under construction (895,000 m² evenly distributed between Warsaw and other major office markets in Poland).

The high level of construction activity indicates that more quality space will come onto the market in the short and medium term. Over the course of the next 6 months the Polish office stock will increase by additional 375,000 m². In Warsaw alone, the strong developer's activity has resulted in a wide choice of available space. We have, however, observed that, unlike previous years, developers started to be more focused on central locations where currently 50% of new office space is in construction stage (including Warsaw Spire – the largest ongoing office project in Warsaw).



1,000,000 m²

Of office space leased in 2013

There is, however, no common picture for the other major office markets in Poland (excluding Warsaw). Kraków and Katowice for instance, currently have the lowest level of immediate vacant space but a relatively high volume of projects under construction (vacancy rate: 4.5% and 7.5%; space under construction: 136,500 m² and 54,300 m² respectively). In Szczecin, an extensive construction activity during 2011 and 2012 has led to oversupply with vacancy rate over 20% since H2 2013. In new locations (Białystok, Bydgoszcz, Kielce, Olsztyn, Opole, Radom, Rzeszów and Toruń) office supply and availability is more limited, most notably in respect of areas larger than 1,000 m².

Rents

Prime headline rents are under soft downward pressure in most major cities in Poland. Headline rents for prime quality buildings in established office markets range between EUR 11 and EUR 15 per m² per month. In new or emerging locations, rents are even more attractive, ranging between EUR 8 and EUR 13 per m² per month. The high level of construction activity may result in further downward trend on certain markets.



Jakub Sylwestrowicz
National Director, Head of Tenant
Representation
JLL

In 2013 occupiers representing the business services sector leased approximately 200,000 m² of office space outside Warsaw, which is about 50% of Poland's total office space demand. If we take Warsaw into consideration, the business services sector companies' share in total office space demand was approximately 20%.

The total office space occupied by business services tenants with foreign capital across Poland is estimated at 1.2 million m².

Selected modern business services companies in Poland



Bydgoszcz

Alcatel-Lucent
Atos
Mobica
Teleplan

Katowice Agglomeration

ArcelorMittal
Capgemini
Contact Center
IBM
ING Services Poland
ista
Kroll Ontrack
Mentor Graphics
NGA Human Resources
Oracle
PERFORM
PwC
Rockwell Automation
Saint-Gobain
Sii
Steria
Unilever
Wipro

Krakow

ACS a Xerox Company
Alexander Mann Solutions
Amer Sports
Amway
Aon Hewitt
Asea Brown Boveri (ABB)
Brown Brothers
Harriman (BBH)

Capgemini

Capita
CH2M Hill
Cisco
Delphi Poland
EDF
Electrolux
EPAM Systems
Euroclear
GE Healthcare
HCL Poland
Heineken
Herbalife
Hitachi Data Systems
HSBC
IBM BTO
International Paper
Lufthansa (Airline Accounting Centre)
Lundbeck
Luxoft
MESP Central Europe
Motorola Solutions
Philip Morris International
R.R. Donnelley
Rolls-Royce
RWE
Sabre
Samsung
Serco
Shell Shared Service Centre Kraków
State Street
UBS

Lodz

Clariant
Fujitsu Technology Solutions
GE Power Controls
Infosys
McCormick
Nordea
Rule Financial
Samsung
SouthWestern
Takeda
Tate & Lyle
TomTom
Veolia

Lublin

Convergys
Genpact
Mobica
Orange
Sii

Poznan

arvato Poland
Bridgestone
Carl Zeiss
Carlsberg
CenturyLink
Ciber
Dalkia Services
DFDS
Duni
Ikea
Franklin Templeton
GlaxoSmithKline Services

Grant Thornton

Jerónimo Martins

Kennametal

Lorenz Snack-World

MAN

Mars

McKinsey

Newell Rubbermaid

Propex

Roche

Sii

Unilever

Wikia

Szczecin

Genpact

Convergys

Coloplast

Metro Services

Mobica

Netto

Unicredit

Tricity

Arla Foods

Bayer

Competence Call Center

Compuware

First Data

Geoban

Intel

Jeppesen

Kemira

Lufthansa Systems

Metsä Group

Powel AS

Sony Global Business Services

Thomson Reuters

ThyssenKrupp

Transcom

WNS Global Services

Warsaw

Accenture

Axiom

AVON

Baker Tilly Poland

BNP Paribas

Citi Service Center

Coca Cola Poland Services

Colgate Palmolive

Services Poland

Contract Administration

Goldman Sachs

HP

JLL

Group Services

Linklaters

Lionbridge

Mercer

Mettler-Toledo

Opus Capita

Pandora

Procter & Gamble

ProService AT

Royal Bank of

Scotland (RBS)

Schneider Electric

Stanley Black & Decker

Teleperformance

TNT Express

UCMS Group

Wincor Nixdorf

Xerox Business Services

Wroclaw

Becton Dickinson

BNY Mellon

Capgemini

Credit Suisse

Dolby

EY

Google

HP (Global

e-Business Operations)

IBM Global Services

Delivery Centre

McKinsey

Merck

Nokia Solutions

and Networks

Parker Hannifin

Qatar Airways

QIAGEN

Ruukki

Siemens

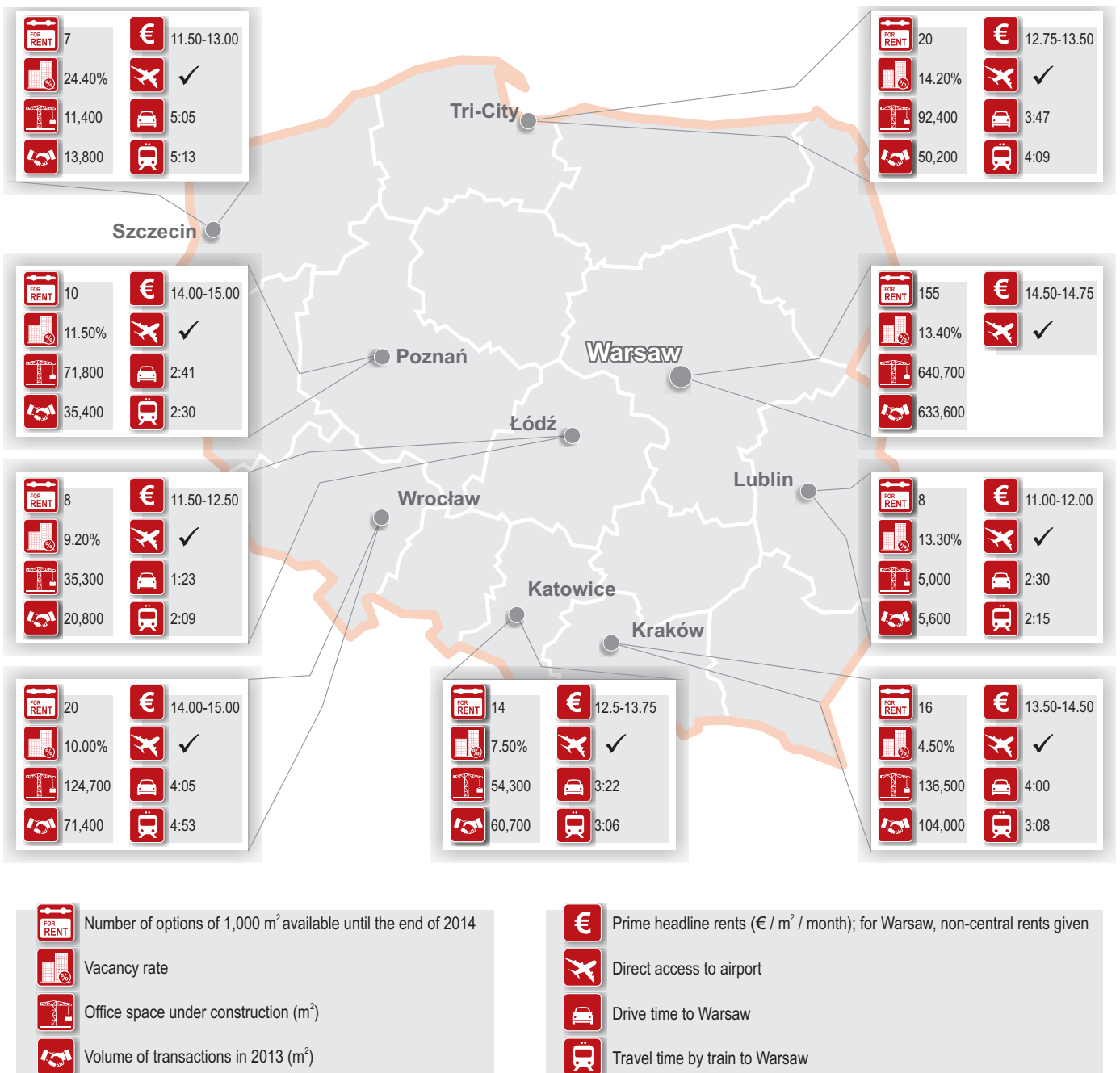
Tieto

Unic Group

Viessmann

Volvo

Office Market in numbers



Source: JLL, Googlemaps, PKP.

Travel time by train to some cities should be reduced upon completion of the new railway infrastructure and the introduction of Pendolino trains.

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