BNP PARIBAS
REAL ESTATE

Real Estate
for a changing
world

RESEARCH

At a glance H1 2017

Office market in 8 Polish agglomerations

In addition to further growth of the largest regional markets – Cracow and Wrocław, the first half of 2017 revealed the potential of the Tri-City and Łódź attracting great interest from tenants. Vacancy rate is on a decline in nearly all the cities analysed, while quick absorption of new space tempts developers. They are not slowing down and undertake new projects.

1
FIRST MILLION

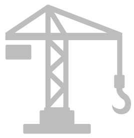
Completion and delivery to the market in H1 2017 of schemes with the total area of 61,700 sqm means that office stock in Cracow reached a volume of 1,032,700 sqm. Consequently, the capital city of Lesser Poland is now the first city to follow in Warsaw's footsteps and have office supply in excess of 1 million sqm.

1,032,700 m²
Office stock in Cracow

2
ANOTHER MILLION UNDER CONSTRUCTION

At the end of June, total volume of office space under construction in the eight main regional cities exceeded 1 million sqm. When we add to this the buildings with a building permit in place, the volume exceeds 1.2 million sqm, where completion will be possible within the next 24 months. This means an increase by 47% as compared to a corresponding period last year and at the same time represents the highest result in history.

It has to be pointed out that 65% of the space under construction is being developed on the three main markets, i.e. in Cracow, Wrocław and the Tri-City.

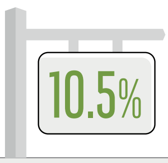


1,003,800 m²
under construction

3
VACANCY RATE DROPS, HOWEVER NOT EVERYWHERE

Growing interest from tenants in regional cities led to a 0.8 p.p. drop in average vacancy rate for regional cities as compared to the end of 2016 and currently stands at 10.5%. A decrease in vacancy rate has been recorded in all regional cities except Cracow, where completion and delivery to the market of numerous new schemes resulted in an increase in vacancy rate up to 10%.

The lowest volume of vacant space is recorded in Łódź (5.8%) and the Tri-City (6.9%). In turn, the highest volume is recorded in Szczecin (14.3%) and Poznań (14.1%).



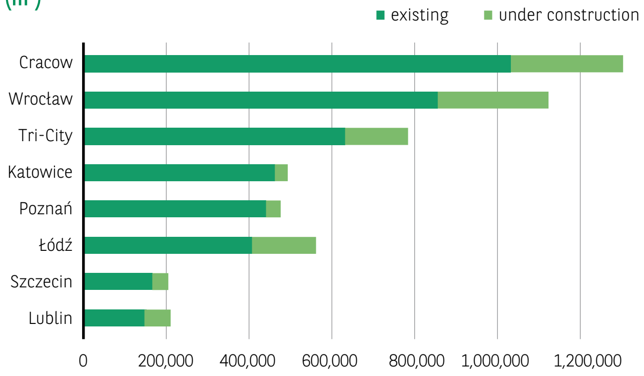
Wacancy rate in regional
cities at the end of H1 2017

4
STABLE LEASE TERMS

High increase in supply of office space is balanced out by growing demand from tenant. This means that in the majority of regional cities asking rents remain stable. Slight decrease can be observed only on the smallest office markets, i.e. in Szczecin and Lublin and in schemes that for a long time now have struggled to find tenants. Highest rents are recorded for schemes in Cracow and Wrocław, while cheapest space is found in Lublin and some areas in Łódź.

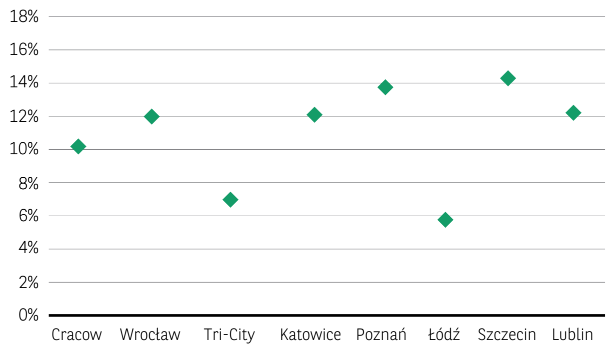
Companies looking for more attractive lease terms should consider what the schemes currently under construction have to offer as there is always more room for negotiation there. Average take-up for schemes under construction is 33.6%.

Total existing stock and supply under construction (m^2)



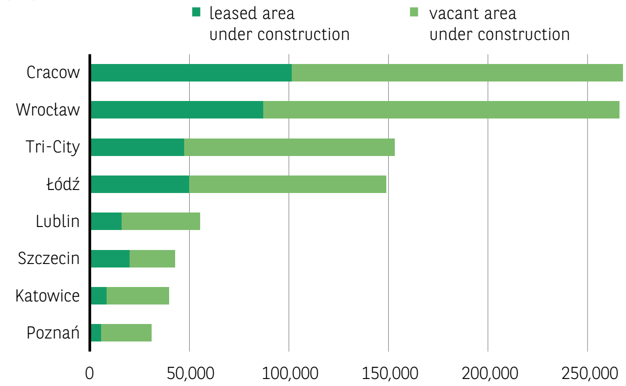
Source: BNP Paribas Real Estate

Vacancy rate in regional cities



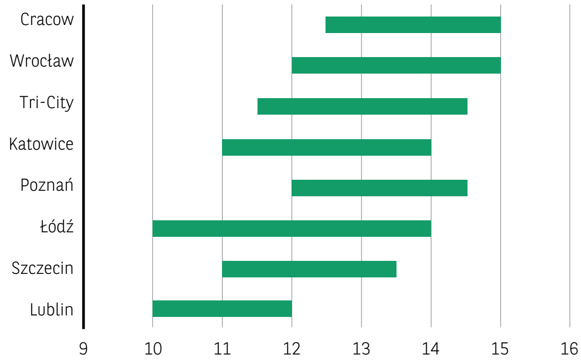
Source: BNP Paribas Real Estate

Pre-lets level (m^2)



Source: BNP Paribas Real Estate

Average rent ranges (€/m^2/mth)



Source: BNP Paribas Real Estate

Kazimierz Office Centre, Cracow

Source: BNP Paribas Real Estate photo library

PRIMARY REGIONAL MARKETS

CRACOW

- In H1 2017 supply of office space exceeded 1 million sqm.
- Largest schemes completed and delivered to the market in H1 2017 were Astris (12,100 sqm), DOT Office D (11,500 sqm) and Zabłocie Business Park A (10,400 sqm).
- Completion of new schemes led to considerable increase in vacancy rate from 6.2% at the end of 2016 up to 10.2% at the end of H1 2017.
- Following Warsaw, Cracow is the largest university city in Poland. At the end of 2016 there were more than 154,000 students in the city, and each year Cracow universities release 40,000 graduates.
- According to the latest Tholons Services Globalization City Index 2017 ranking, Cracow holds second place in Europe and eighth in the world as a BPO/SSC business destination.

KEY INDICATORS
FUTURE TRENDS* (↗)

Population[1]	765,300
Unemployment rate – Cracow / Małopolskie[2]	3.2% / 5.8%
Number of students in the city[1]	154,300
Average monthly salary (PLN)[3]	4,864

1,032,700 m^2
Office stock

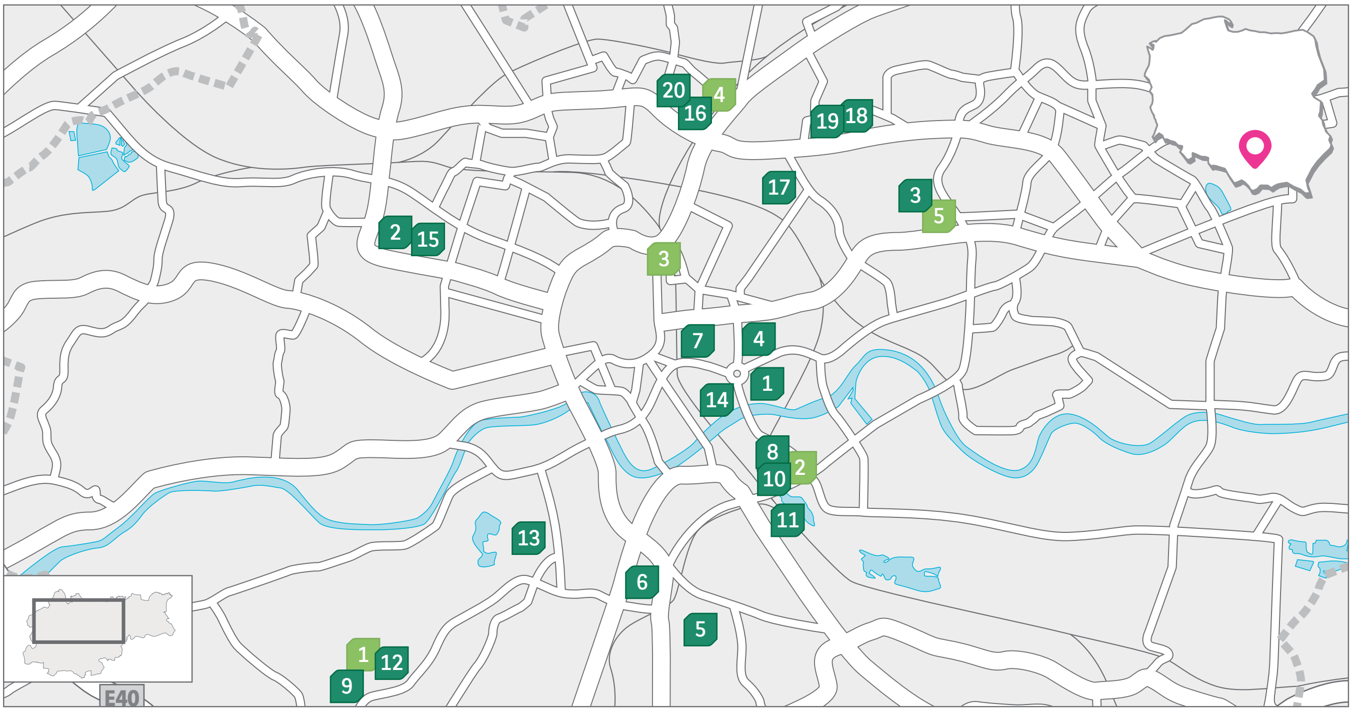
10.2% ↘
Vacancy rate

267,800 m^2
Office supply under construction[3]

12.5-15 EUR →
Rent range (m^2/mth)

*for the next 6 months
Source: GUS, BNP Paribas Real Estate, 1. As of December 2016, 2. As of June 2017, 3. Average of May 2017

SELECTED OFFICE BUILDINGS



Source: BNP Paribas Real Estate

EXISTING	
1. Al. Pokoju 5	al. Pokoju 5
2. Avatar	ul. Armii Krajowej 28
3. Avia	ul. M. Życzkowskiego 20
4. Axis	ul. Przy Rondzie 4
5. Bonarka for Business	ul. Puszkarska 7
6. Buma Square Business Park	ul. Wadowicka 6-8
7. Centrum Biurowe Lubicz	ul. Lubicz 23
8. Diamante Plaza	ul. J. Dekerta 24
9. DOT Office A, B, C, D	ul. Czerwone Maki 5a
10. Enterprise Park AB, C, D	al. Powstanców Wielkopolskich 13e
11. Equal Business Park	ul. Wielicka 30
12. Green Office	ul. Czerwone Maki 82
13. Kapelanka 42	ul. Kapelanka 42
14. Kazimierz Office Center	ul. Podgórska 36

EXISTING	
15. Korona Office Complex	ul. Armii Krajowej 18
16. O3 Business Campus A	ul. Opolska 114
17. Pilot Tower (Alma Tower)	ul. Pilotów 6
18. Quattro Business Park	ul. T. Bora Komorowskiego 25d
19. Rondo Business Park	ul. Lublańska 34
20. Vinci Office Center	ul. Opolska 100

UNDER CONSTRUCTION	
1. DOT Office E	ul. Czerwone Maki
2. Enterprise Park E, F	al. Powstanców Wielkopolskich
3. High Five	ul. Pawia
4. O3 Business Campus B	ul. Opolska 112
5. Podium Park A	ul. Jana Pawła II 43

WROCŁAW

- The capital city of Lower Silesia holds second place amongst regional cities in terms of office supply under construction, which is just slightly behind Cracow.
- Largest schemes under construction include: new phase of the Business Garden Wrocław complex with the total area of 66,800 sqm, Sagittarius (25,000 sqm) and Nowy Targ (22,000 sqm).
- In turn, largest schemes completed and delivered to the market in H1 2017 were Bielany Business Point (12,000 sqm) and Komandorska 12 (3,900 sqm).
- Vacancy rate has not changed significantly and still oscillates around 12%.
- According to the Tholons Services Globalization City Index 2017 ranking, Wrocław holds 78th place, which means it is amongst the 100 top worldwide BPO/SSC business destinations.

KEY INDICATORS
FUTURE TRENDS* (↗)

Population[1]	637,700
Unemployment rate – Wrocław / Dolnośląskie[2]	2.6% / 6.3%
Number of students in the city[1]	119,600
Average monthly salary (PLN)[3]	4,709

854,200 m² ↗
Office stock

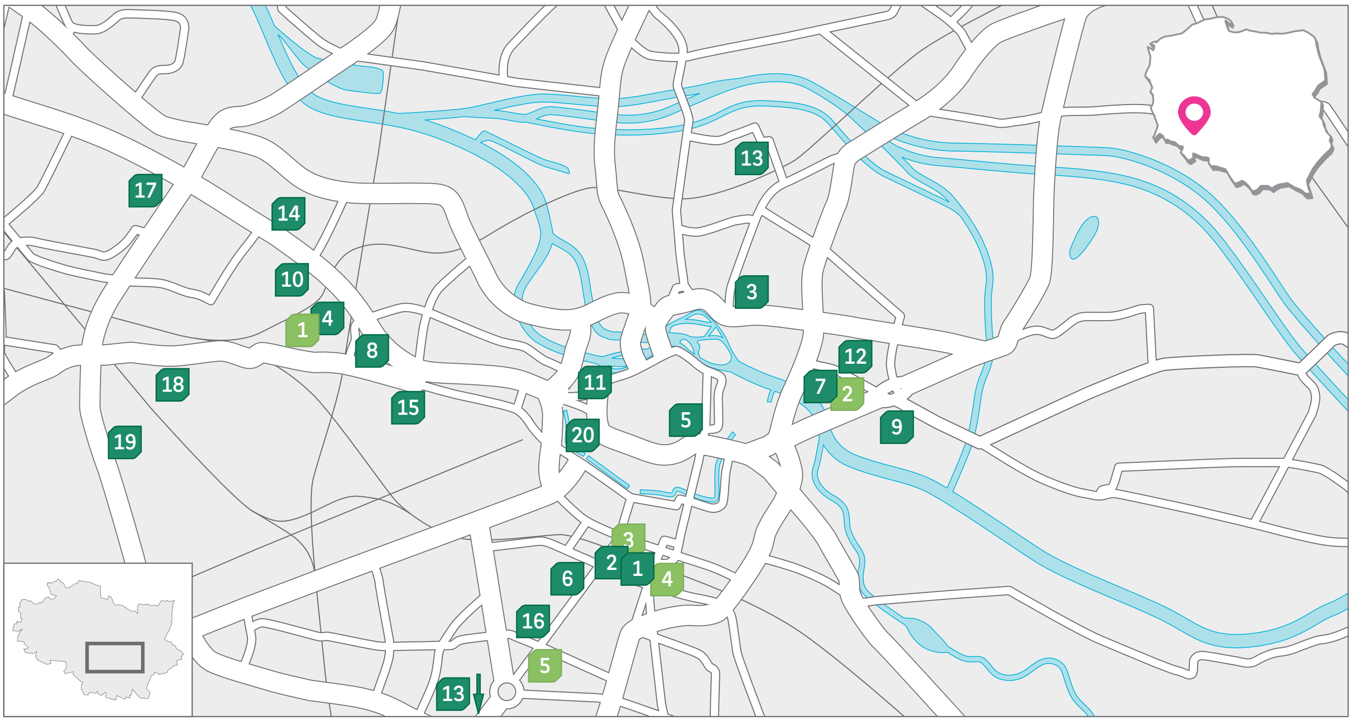
12.0% →
Vacancy rate

265,900 m² ↘
Office supply under construction[3]

12-15 EUR →
Rent range (m²/mth)

*for the next 6 months
Source: GUS, BNP Paribas Real Estate, 1. As of December 2016, 2. As of June 2017, 3. Average of May 2017

SELECTED OFFICE BUILDINGS



Source: BNP Paribas Real Estate

EXISTING	
1. Aquarius Business House I, II	ul. Swobodna 3
2. Arkady Wrocławskie	ul. Powstańców Śląskich 2-4
3. Bema Plaza	pl. J. Bema 2
4. Business Garden Wrocław 1-3	ul. Legnicka 48-50
5. Dominikański	ul. Oławska 33
6. Globis Wrocław	ul. Powstańców Śląskich 7a
7. Green Day	ul. Szczytnicka 9
8. Green Towers	ul. Strzegomska 36
9. Grunwaldzki Center	pl. Grunwaldzki 23-27
10. Legnicka Business House	ul. Legnicka 56
11. Nicolas Business Center	ul. św. Mikołaja 18-20
12. Nobilis Business House	ul. Marii Skłodowskiej Curie 18-20
13. Promenady Wrocławskie - Zita	ul. Słonimskiego 1A
14. Quattro Forum	ul. Legnicka 51-53

EXISTING	
15. Silver Forum	ul. Strzegomska 2-4
16. Sky Tower	ul. Powstańców Śląskich 95
17. West Gate	ul. Lotnicza 12
18. West House	ul. Strzegomska 140-148
19. Wojdyła Business Park	ul. Muchoborska 8
20. Wratislavia Tower	ul. św. Antoniego 7-11

UNDER CONSTRUCTION	
1. Business Garden Wrocław 4-9	ul. Irysowa 1
2. Green 2 Day	ul. Szczytnicka 9
3. Retro Office House	ul. Piłsudskiego
4. Sagittarius	ul. Borowska 2
5. Wielka 27	ul. Wielka 27

TRI-CITY

- The largest office market in the north of Poland is divided into two main areas: Gdańsk and Gdynia, which hold 69% and 28% of the Tri-City's office space respectively. Sopot holds the remaining 3%.
- One office scheme was completed and delivered to the market in the Tri-City in H1 2017: Yoko (5,000 sqm). Small increase in new supply meant considerable absorption of previously vacant space and led to highest drop in vacancy rate amongst regional cities from 11.9% at the end of 2016 down to 6.9% at the beginning of July 2017.
- 153,100 sqm of office space remain under construction, where the largest schemes being developed are: Olivia Star (43,700 sqm), the Argon building within the Alchemia complex (36,000 sqm) and Olivia Seven (30,000 sqm).
- The Tri-City as an office markets attracts high interest from tenants due to the presence of the largest university centre in this part of Poland and high quality of life.

KEY INDICATORS
FUTURE TRENDS* (↗)

Population[1]	747,600
Unemployment rate – Tri-City / Pomorskie[2]	3.3% / 5.9%
Number of students in the city[1]	97,500
Average monthly salary (PLN)[3]	5,308

630,500 m² Office stock

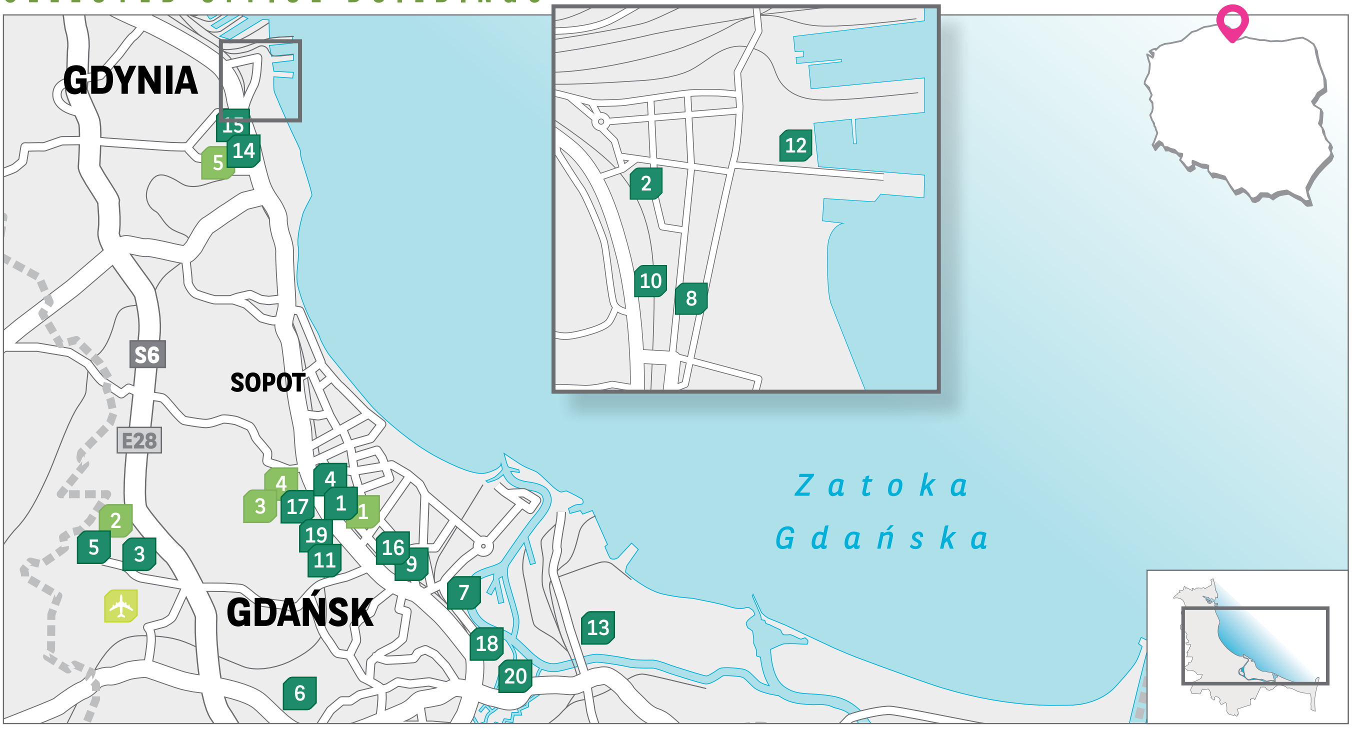
6.9% ↗ Vacancy rate

153,100 m² Office supply under construction[3]

11.5-14.5 EUR → Rent range (m²/mth)

*for the next 6 months
Source: GUS, BNP Paribas Real Estate, 1. As of December 2016, 2. As of June 2017, 3. Average of May 2017

SELECTED OFFICE BUILDINGS



Source: BNP Paribas Real Estate

EXISTING	
1. Alchemia	al. Grunwaldzka 409-411
2. Alfa Plaza Business Center	ul. S. Batorego 28/32
3. Allcon @ Park	ul. J. Słowackiego 171
4. Arkońska Business Park	ul. Arkońska 2
5. BCB Business Park I	ul. Azymutalna 9
6. BPH Office Park	ul. Leszczynowa 6
7. C-200	ul. Marynarki Polskiej 169
8. Centrum Biurowe Hossa	ul. Władysława IV 43
9. Centrum Biurowe Neptun	al. Grunwaldzka 103a
10. ENTER	ul. Śląska 49
11. Gamma & Omega	al. Grunwaldzka 184-190
12. Gdynia Waterfront	ul. J. Waszyngtona 1
13. Koga	ul. Nowe Kaczeńce
14. Łużycka Office Park	ul. Łużycka 6

EXISTING	
15. Łużycka Plus	ul. Łużycka 3c
16. Office Island	al. Grunwaldzka 163
17. Olivia Business Centre	al. Grunwaldzka 470-472
18. Tryton Business House	ul. Jana z Kolna 11
19. Vigo	ul. K. Szymanowskiego 2
20. Waterside	ul. Długie Ogrody 6-14

UNDER CONSTRUCTION	
1. Alchemia III – Argon	al. Grunwaldzka 409
2. BCB Business Park II	ul. Azymutalna 9
3. Olivia Seven	al. Grunwaldzka
4. Olivia Star	al. Grunwaldzka
5. Tensor Z	ul. Łużycka 8

KATOWICE

- Katowice is the fourth largest office market amongst regional cities, slightly ahead of Poznań and Łódź.
- The capital city of the largest urban area in Poland successively attracts new tenants, which led to a drop in vacancy rate in the first half of the year from 16.8% down to 12.1%.
- In H1 2017 total office stock in Katowice increased by more than 6,000 sqm due to completion and delivery to the market of the BREMA building in April.
- Katowice authorities are actively striving to promote the city's image as a convenient business location, as demonstrated by development of one of the most contemporary conference centres in Poland and proactive assistance in planning transport solutions for the schemes being developed.

KEY INDICATORS
FUTURE TRENDS* (↗)

Population[1]	298,100 / 1,779,000**
Unemployment rate – Katowice / Śląskie[2]	2.4% / 5.7%
Number of students in the city[1]	93,800**
Average monthly salary (PLN)[3]	4,857

458,400 m² Office stock

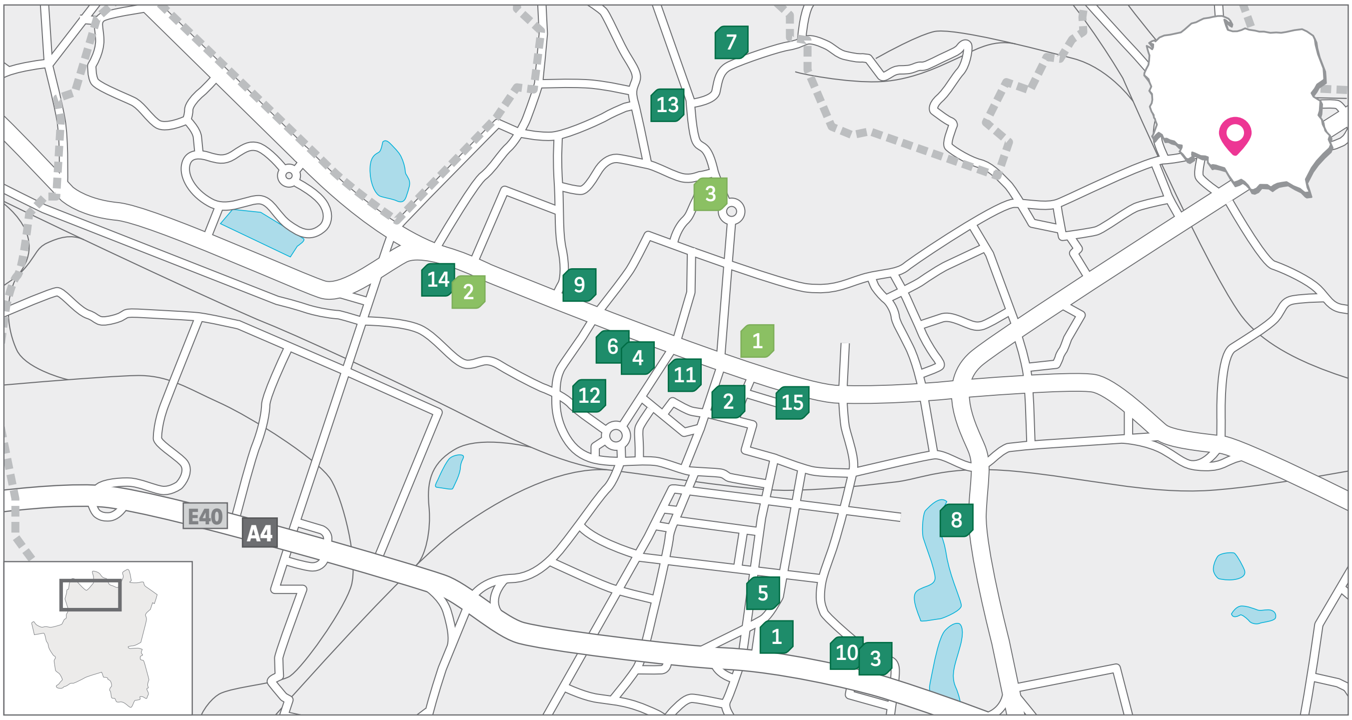
12.1% → Vacancy rate

39,800 m² Office supply under construction[3]

11-14 EUR → Rent range (m²/mth)

*for the next 6 months, **data for the agglomeration
Source: GUS, BNP Paribas Real Estate, 1. As of December 2016, 2. As of June 2017, 3. Average of May 2017

SELECTED OFFICE BUILDINGS



Source: BNP Paribas Real Estate

EXISTING	
1. A4 Business Park I - III	ul. Francuska 42
2. Altus	ul. Uniwersytecka 13
3. Atrium	ul. Graniczna 54
4. Centrala ING Banku Śląskiego	ul. Sokolska 34
5. Centrum Biurowe Francuska A, B	ul. Francuska 34
6. Chorzowska 50	ul. Chorzowska 50
7. GPP Business Park	ul. Konduktorska 39
8. Green Park I-III	ul. Murckowska 20
9. Katowice Business Point	ul. P. Ściegiennego 3
10. Millenium Plaza	ul. J. Sowińskiego 46
11. Nowe Katowickie Centrum Biznesu	ul. Chorzowska 6

EXISTING	
12. Opolska 22	ul. Opolska 22
13. Reinhold Center	al. W. Korfantego 138
14. Silesia Business Park A, B, C	ul. Chorzowska 152
15. Silesia Star I, II	al. W. Roździeńskiego 10

UNDER CONSTRUCTION	
1. .KTW I	al. W. Roździeńskiego 1
2. Silesia Business Park D	ul. Chorzowska
3. Tayama Office Center	al. W. Korfantego 110

POZNAŃ

- Poznań office market increased in H1 2017 by 12,500 sqm due to completion of the Bałtyk office building.
- There is currently a total of 30,600 sqm of office space under construction, where the largest schemes are: Pixel IV (9,000 sqm) and Pixel V (8,500 sqm).
- Poznań has one of the highest vacancy rates in the country; however it is now continually decreasing. Over the first six months of 2017, vacancy rate has dropped by 1.3 p.p. and currently stands at 13.7%. High vacancy rate means that tenants' negotiating position is now strengthening.
- A characteristic common for the majority of Greater Poland is the extremely low unemployment rate standing at only 1.8% in Poznań itself. This translates into increased quality of live and wealth of society on the one hand, leading however to increasing difficulties in finding workforce on the other hand.

KEY INDICATORS
FUTURE TRENDS* (↗)

Population[1]	540,400
Unemployment rate – Poznań / Wielkopolskie[2]	1.7% / 4.2%
Number of students in the city[1]	112,000
Average monthly salary (PLN)[3]	5,317

445,900 m²
Office stock

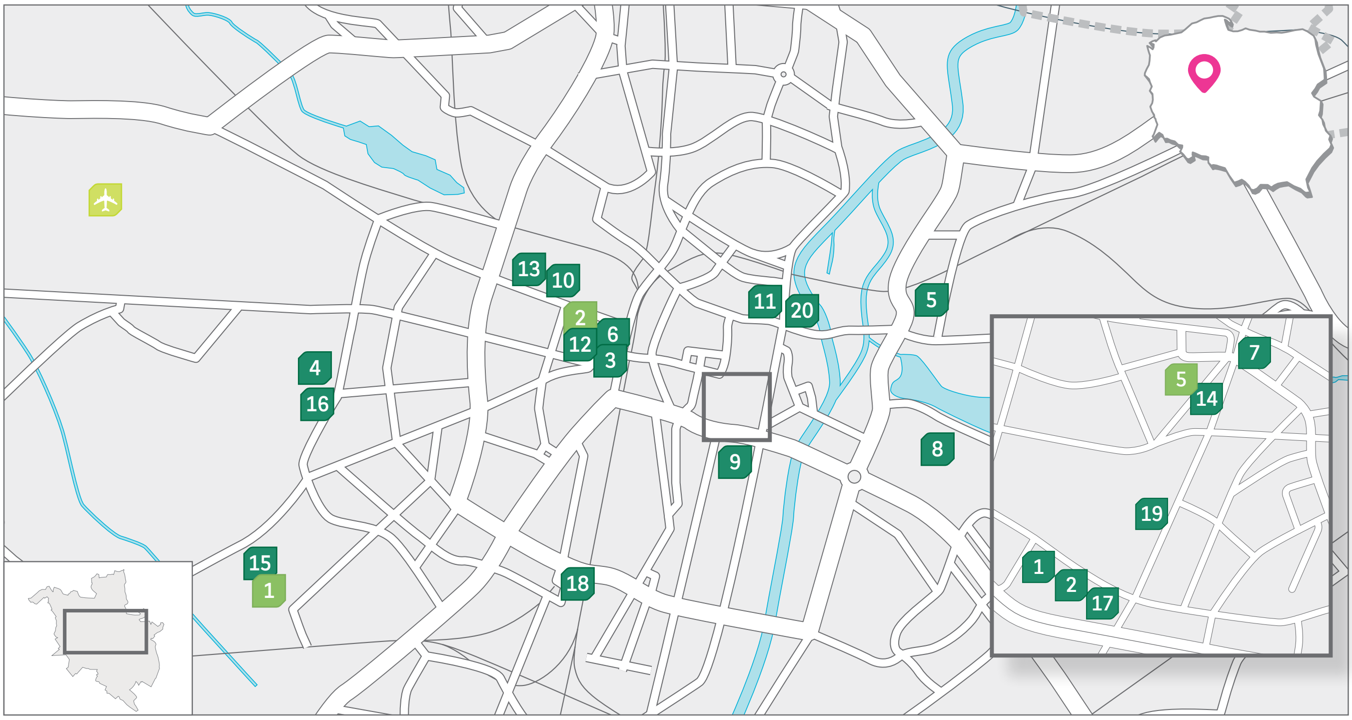
13.7% ↘
Vacancy rate

30,600 m²
Office supply under construction[3]

12-14.5 EUR ↘
Rent range (m²/mth)

*for the next 6 months
Source: GUS, BNP Paribas Real Estate, 1. As of December 2016, 2. As of June 2017, 3. Average of May 2017

SELECTED OFFICE BUILDINGS



Source: BNP Paribas Real Estate

EXISTING	
1. Andersia Business Center	pl. W. Andersa 7
2. Andersia Tower	pl. W. Andersa 3
3. Bałtyk	ul. F. Roosevelta 22
4. Business Garden Poznań	ul. Bułgarska 101
5. Centrum Biurowe Podwale	ul. S. Małachowskiego 10
6. Globis	ul. F. Roosevelta 18
7. Kupiec Poznański	pl. Wiosny Ludów 2
8. Malta Office Park A-D	ul. abp A. Baraniaka 88
9. Maraton Business Garden	ul. Królowej Jadwigi 43
10. Nobel Tower	ul. J. H. Dąbrowskiego 77
11. Nowe Garbary Office Center A, B	ul. Małe Garbary 9
12. Nowe Jeżyce	ul. J. Kraszewskiego 30
13. Omega	ul. J. H. Dąbrowskiego 81-85
14. P-2	ul. Półwiejska 2

EXISTING	
15. Pixel I	ul. Grunwaldzka 182
16. PGK Centrum I, II	ul. Marcelińska 90
17. Poznań Financial Center	pl. W. Andersa 5
18. Skalar Office Center	ul. Górecka 1
19. Stary Browar	ul. Półwiejska 32
20. Szyperska Office	ul. Szyperska 14

UNDER CONSTRUCTION	
1. Pixel IV, V	ul. F. Roosevelta 22
2. Zajezdnia Poznań	ul. Sienkiewicza

ŁÓDŹ

- Development of Nowe Centrum Łodzi (NCŁ), a complex urban scheme aiming to create convenient and accessible business space in the city centre became the driving force for growth of the office sector in the city
- There is currently a total of 148,300 sqm of office space under construction in Łódź, where completion and delivery thereof to the market will increase the city's total stock by 36%.
- Largest schemes currently under construction are: Brama Miasta A and B (42,300 sqm), Nowa Fabryczna (21,500 sqm) and Piotrkowska 155 (21,000 sqm). It has to be stressed that the first two schemes are being developed within the Nowe Centrum Łodzi area.
- Vacancy rate in the city at the end of June stood at 5.8%, which represents lowest value amongst all regional cities. This confirms the high level of interest from tenants attracted by low rents, broad access to workforce and high quality of modern office buildings.

KEY INDICATORS
FUTURE TRENDS* (↗)

Population[1]	696,500
Unemployment rate – Łódź / Łódzkie[2]	7.3% / 7.4%
Number of students in the city[1]	74,000
Average monthly salary (PLN)[3]	4,128

412,400 m²
Office stock

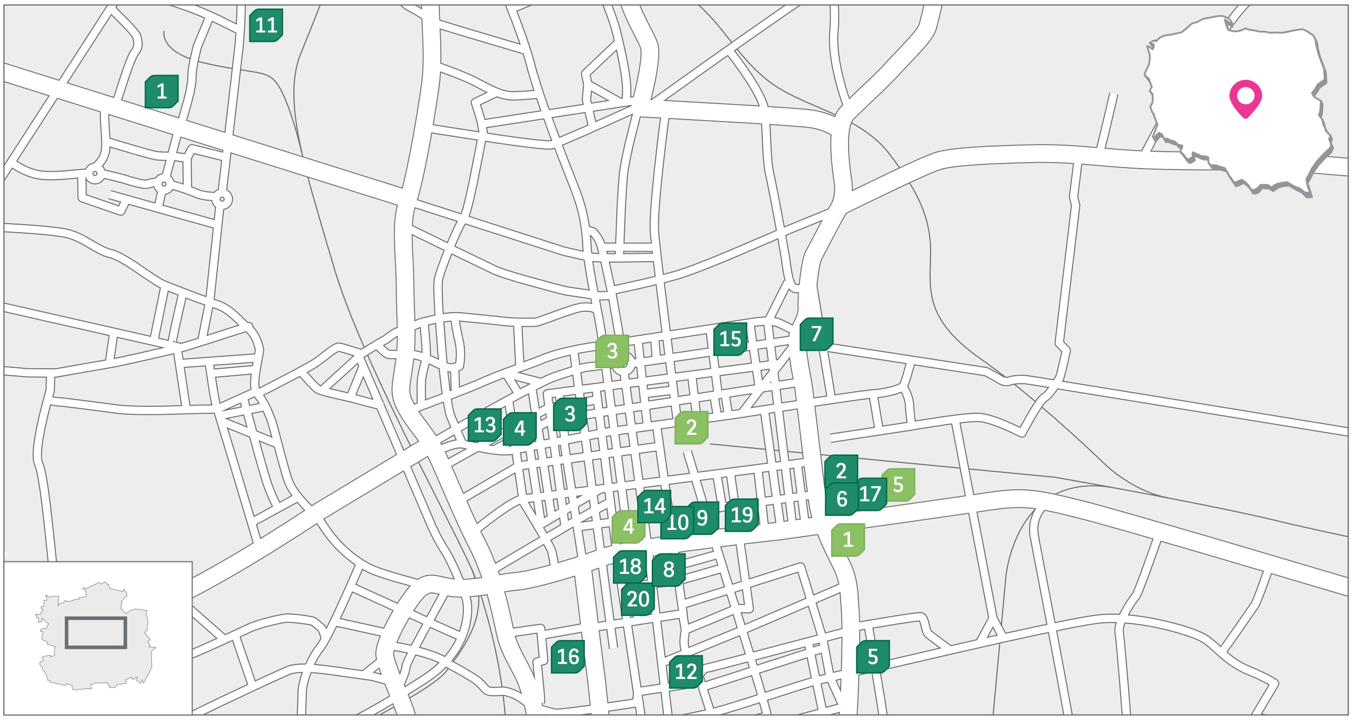
5.8% ↗
Vacancy rate

148,300 m²
Office supply under construction[3]

10-14 EUR ↗
Rent range (m²/mth)

*for the next 6 months
Source: GUS, BNP Paribas Real Estate, 1. As of December 2016, 2. As of June 2017, 3. Average of May 2017

SELECTED OFFICE BUILDINGS



Source: BNP Paribas Real Estate

EXISTING	
1. Aleksander Plaza	ul. Aleksandrowska 67/93
2. Aviator	ul. S. Kopcińskiego 56
3. Business House Gdańska	ul. Gdańska 47
4. Business House Żeligowskiego	ul. L. Żeligowskiego 8/10
5. Cross Point	al. E. Rydza Śmigłego 20
6. Forum 76	al. J. Piłsudskiego 76
7. Green Horizon I, II	ul. Pomorska 106
8. Łódzkie Centrum Biznesu	al. J. Piłsudskiego 3
9. Łódź 1	al. J. Piłsudskiego 20/22
10. Orion	ul. H. Sienkiewicza 85/87
11. Park Biznesu Teofilów	ul. Traktorowa 141/143
12. Piotrkowska 270	ul. Piotrkowska 270
13. Przędzalnia Braci Muehle I	ul. L. Żeligowskiego 3/5
14. Red Tower	ul. Piotrkowska 148/150

EXISTING	
15. Sterlinga Business Centre	ul. S. Sterlinga 8a
16. Sukcesja	al. Politechniki 1
17. Symetris Business Park I	al. J. Piłsudskiego 86
18. Synergia	ul. Wólczańska 128
19. Targowa 35	ul. Targowa 35
20. University Business Park I, II	ul. Wólczańska 178

UNDER CONSTRUCTION	
1. Imagine	al. Piłsudskiego / E. Rydza-Śmigłego
2. Nowa Fabryczna	ul. J. Składowa 31/37
3. Ogrodowa Office	ul. Ogrodowa 8
4. Piotrkowska 155	ul. Piotrkowska 155
5. Symetris Business Park II	al. J. Piłsudskiego 86

SZCZECIN

- As compared to other regional cities, Szczecin is still a small office market, however it has great growth potential.
- The city's location means that it is becoming an attractive location for Scandinavian and German businesses looking to optimize their costs.
- A drop in vacancy rate from 16.8% down to 14.3% was recorded in the first half of 2017. However, this still represents highest value amongst all regional cities.
- There is currently a total of 42,800 sqm of office space under construction developed mainly as part of the Posejdon (20,000 sqm) and Szczecin Odra Park (10,900 sqm) schemes. Nearly 50% of the space under construction is already leased.

KEY INDICATORS
FUTURE TRENDS* (↗)

Population[1]	405,400
Unemployment rate – Szczecin / Zachodniopomorskie[2]	4.1% / 9.3%
Number of students in the city[1]	37,300
Average monthly salary (PLN)[3]	4,750

165,000 m² Office stock

14.3% ↘ Vacancy rate

42,800 m² Office supply under construction[3]

11-13.5 EUR → Rent range (m²/mth)

*for the next 6 months
Source: GUS, BNP Paribas Real Estate, 1. As of December 2016, 2. As of June 2017, 3. Average of May 2017

LUBLIN

- Lublin is the largest office market in the east of Poland. It attracts tenants looking for lower costs and broader access to workforce.
- Office stock in this still small cluster will increase rapidly due to the schemes currently under construction with the total area of 55,000 sqm. Completion and delivery to the market of all projects will lead to a 35% increase in supply.
- Vacancy rate decreased in the first half 2017 by 2.5 p.p. and currently stands at 12.4%.
- As at the end of June, a slight decrease of lease costs was recorded as compared to a corresponding period last year. This trend applies mainly to schemes with continuously high vacancy rate.

GŁÓWNE WSKAŹNIKI
TRENDY* (↗)

Population[1]	340,200
Unemployment rate – Lublin / Lubelskie[2]	6.6% / 8.9%
Number of students in the city[1]	64,300
Average monthly salary (PLN)[3]	4,159

156,900 m² Office stock

12.4% → Vacancy rate

55,500 m² Office supply under construction[3]

10-12 EUR → Rent range (m²/mth)

*na najbliższe 6 miesięcy
Źródło: GUS, BNP Paribas Real Estate, 1. Stan na grudzień 2016 r., 2. Stan na czerwiec 2017 r., 3. Średnia na maj 2017 r.

About BNP Paribas Real Estate

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AUTHOR

Szymon Dołęga Junior Consultant, Research & Consultancy Department, szymon.dolega@bnpparibas.com

CONTACTS

Anna Staniszewska Head of Research & Consultancy Central & Eastern Europe, anna.staniszewska@bnpparibas.com
Małgorzata Fibakiewicz MIRCS Head of Office Agency, malgorzata.fibakiewicz@bnpparibas.com
Michael Richardson MIRCS Director, Corporate Services, Central and Eastern Europe, michael.richardson@bnpparibas.com
Adrian Bojczuk Associate Director, Landlord Representation, Office Agency, adrian.bojczuk@bnpparibas.com

Patrick Delcol Chief Executive Officer, Central and Eastern Europe, patrick.delcol@bnpparibas.com
Erik Drukker Managing Director, Agency & Valuation, Central & Eastern Europe, erik.drukker@bnpparibas.com
Anna Baran MIRCS acting Director, Head of Valuation, Central & Eastern Europe, anna.baran@bnpparibas.com
John Palmer FRICS SIOR Director, Industrial Investments & Valuations, Central & Eastern Europe, john.palmer@bnpparibas.com

BNP Paribas Real Estate Poland Sp. z o.o.
al. Jana Pawła II 25, 00-854 Warsaw
Tel. +48 22 653 44 00
www.realestate.bnpparibas.pl