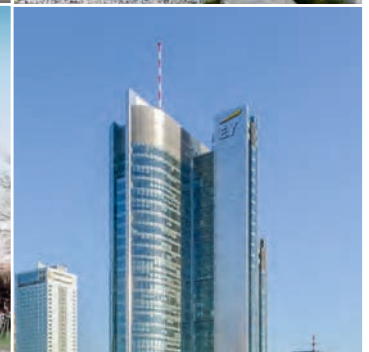
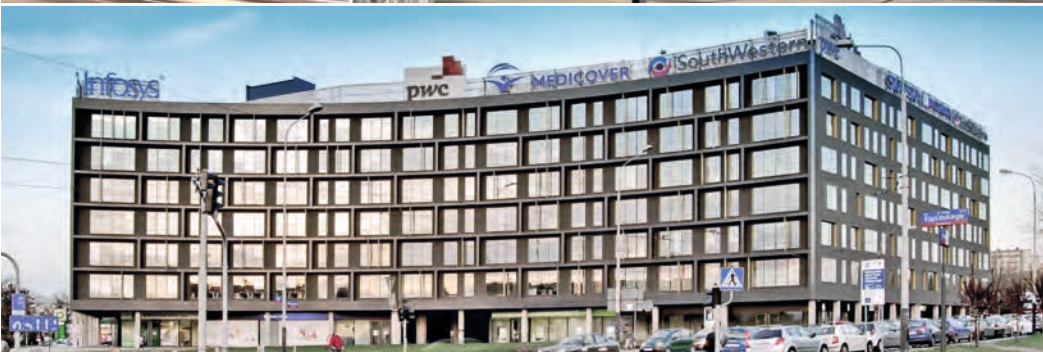
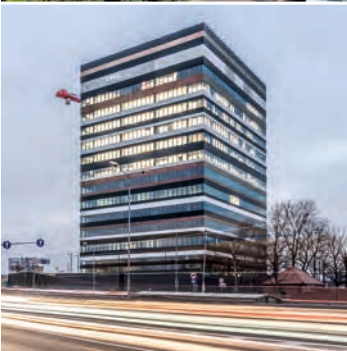


Supplying the office demand in Poland

March 2015

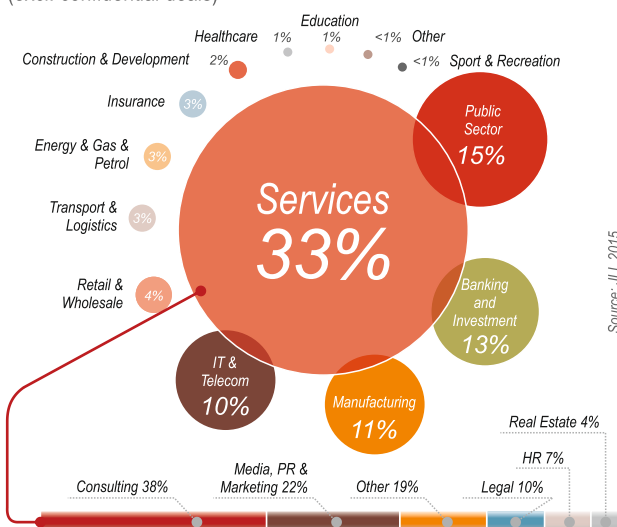


2014 was hot in terms of demand for office space across Poland, with more than 1 million m² of modern offices being let.

Last year's take-up was extraordinary and outperformed the record-breaking 2013. We expect that this trend will continue going forwards as a result of the sound economic development of Poland. We have, therefore, made an in-depth analysis of the office demand drivers for Warsaw and the remaining Polish office hubs, respectively.

Take-up structure in Warsaw in 2014

(excl. confidential deals)



Office space demand in cities such as Kraków, Wrocław, the Tri-City, Katowice, Poznań and Łódź is heavily driven by the services sector too, and, more specifically, a variety of business services performed by shared service centres (SSC) and third-party business process outsourcing centres (BPO). This sector generated over 65% of total take-up volume in 2014 alone.



Mateusz Polkowski

Associate Director, Research, Poland

"Markets outside Warsaw are highly services driven and the modern business services sector clearly dominates in the take-up structure. This is both in respect of the amount of the space leased across Poland (over 268,000 m²) as well as the number of deals (estimated at 125). Without this critical industry, the office markets in Poland (apart from Warsaw) would be at a different stage of development. Indeed, the BPO/SSC sector was responsible for over 81% of office take-up in Wrocław last year, whilst in Kraków it accounted for nearly 69%. Conversely, in Poznań the modern business services sector had only a 13% share in the take-up structure. This may explain why the take-up in Poznań was subdued (only 18,800 m²) in comparison to other major cities in Poland. This sector looks set to remain the pre-dominant occupier group for modern office buildings across Poland. The rationale behind that is a consistent growth of the corporations already operating in Poland as well as new entrants from the modern business services sector."



Anna Bartoszewicz-Wnuk

Head of Research in Poland

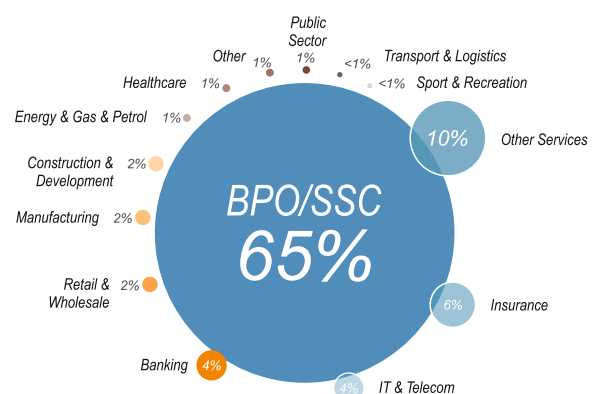
"Warsaw is the most developed office market in the whole of CEE. Therefore, unsurprisingly, the services sector has traditionally had the largest share in take-up volume. In 2014, companies representing the wide services sector accounted for 33% of office space demand in Warsaw. More precisely, the demand last year predominantly came from consultancy companies and media, PR and marketing firms.

It is also worth noting that the public sector has been bolstering its position in take-up structure over the last few years. It had a 15% share last year, and outperformed the banking sector, which has typically made a substantial contribution to office leasing in the capital city. We expect that the public sector will continue to have a positive impact on the office market in Poland, especially in terms of absorption of modern space, because the majority of state-owned companies move out of older, obsolete buildings into new office premises."



Take-up structure in regional cities in 2014

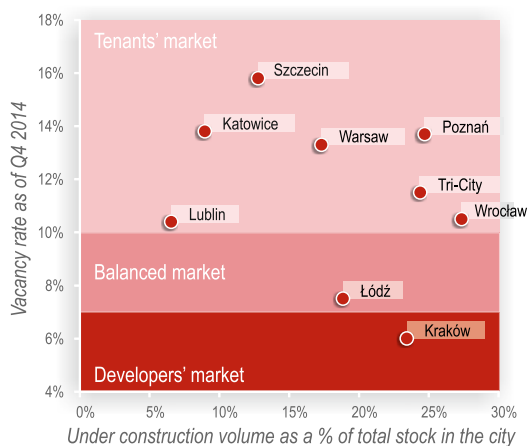
(excl. confidential deals)



Office markets in Poland differ and there is no common picture in terms of availability and market performance.

Office space developers have clearly realised the increasing potential in the main Polish cities and seek to capitalise on that. Therefore the under construction office stock has been at over 1 million m² for the last few quarters, hitting a peak of 1.4 million m² at the end of 2014. Office leasing conditions could not have been unaffected by that and, indeed, the majority of markets are currently tenant-favourable.

Vacancy rate & under construction volume

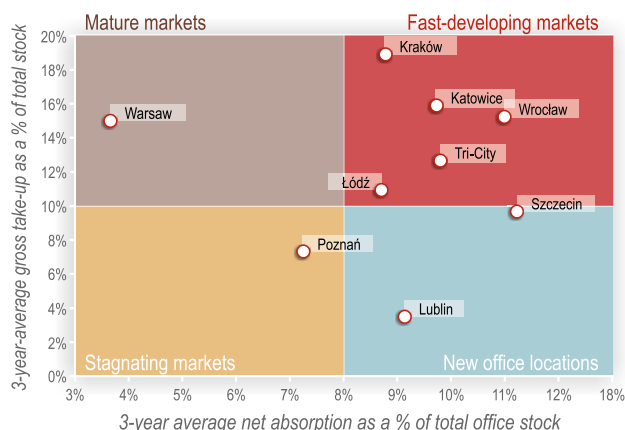


Source: JLL 2015

As mentioned before, in 2014 Poland saw an unprecedented level of demand for modern office space with corporate tenants leasing over 1 million m². We anticipate that this positive demand trend will continue in 2015. More importantly, office markets especially outside Warsaw, feature high absorption rates due to sound demand from growing, existing occupiers and new-comers to Poland.

Take-up and absorption rates

(three-year average as a percentage of the total stock)



Source: JLL 2015



Anna Bartoszewicz-Wnuk

Head of Research in Poland

"Despite the prevailing tenant-favourable market conditions, corporate occupiers with large office space requirements may find it difficult to find an office matching their needs. This is also true in cities which feature a relatively high vacancy rate. Often a pre-let is required in such cases in order to secure office space of sufficient quality and appropriate size. Interestingly, Wrocław currently has the highest 'under construction to total office stock' ratio, estimated at 27%. This corresponds with 160,000 m² under construction, an all-time high for Wrocław. A similar situation is observed elsewhere in Poland, with the exception of Katowice and the newer, less developed in office terms markets of Szczecin and Lublin. This may imply a potential uptick in vacancy rates caused by high pipeline supply. However, the majority of office markets in Poland continue to have a sound demand and I am convinced that even in more competitive environment good quality office developments will perform well."



Mateusz Polkowski

Associate Director, Research, Poland

"This rear-view mirror analysis shows how the markets have been performing recently. Warsaw, as a largest and the most mature market in CEE, saw a high 'three-year average take-up' and a relatively moderate absorption rate. This is typical for well developed, established hubs. Booming markets with high take-up and, even more importantly, sound absorption rates include Kraków, Katowice, Wrocław, the Tri-City and Łódź, which are driven by expanding SSC/BPO companies. Poznań seems to be lagging behind slightly; nevertheless, it is likely to improve its performance in 2015. It is also worth mentioning new blinking points on the radar, such as Szczecin and Lublin, both highly absorptive despite having relatively low registered take-up. I am of the opinion that Polish markets will perform well both in terms of demand and absorption rates, driven by the extremely active modern business services industry".





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