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.

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.

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%).

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 (m²)

- Krakow
- Wrocław
- Tri-City
- Katowice
- Poznań
- Łódź
- Szczecin
- Lublin

Vacancy rate in regional cities

Average rent ranges (€/m²/mth)

Pre-lets level (m²)

Kazimierz Office Centre, Krakow
PRIMAR Y 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* (\(\text{\(\text{m}^2\)}\))

| Population¹ | 765,300 |
| Unemployment rate – Cracow / Małopolskie² | 3.2% / 5.8% |
| Number of students in the city³ | 154,300 |
| Average monthly salary (PLN)⁴ | 4,864 |
| Office stock | 1,032,700 \(\text{m}^2\) |
| Vacancy rate | 10.2% |
| Office supply under construction⁵ | 267,800 \(\text{m}^2\) |
| Rent range (\(\text{m}^2/\text{mth}\)) | 12.5-15 EUR |

*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

EXISTING
1. Al. Pokoju 5
2. Avatar
3. Avia
4. Axis
5. Bonarka for Business
6. Buma Square Business Park
7. Centrum Biurowe Lubicz
8. Diamante Plaza
9. DOT Office A, B, C, D
10. Enterprise Park A, B, C, D
11. Equal Business Park
12. Green Office
13. Kapelanka 42
14. Kazimierz Office Center
15. Korona Office Complex
16. 03 Business Campus A
17. Pilot Tower (Alma Tower)
18. Quattro Business Park
19. Rondo Business Park
20. Vinci Office Center

UNDER CONSTRUCTION
1. DOT Office E
2. Enterprise Park E, F
3. High Five
4. 03 Business Campus B
5. Podium Park A

Source: BNP Paribas Real Estate
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 (9,900 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* (P)

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

Office stock
854,200 m²
12.0% →
Vacancy rate

Office supply under construction
265,900 m²
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

EXISTING

2. Arkady Wrocławskie ul. Powstańców Śląskich 2-4
5. Dominikański ul. Oławska 33
6. Globis Wrocław ul. Powstańców Śląskich 7a
7. Green Day ul. Szczepicka 9
8. Green Towers ul. Strzegomska 36
10. Legnicka Business House ul. Legnicka 56
11. Nicolas Business Center ul. św. Mikołaja 18-20
13. Promenady Wrocławskie - Zita ul. Stoiniskiego 1A
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. Michoborska 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. Szczepicka 9
3. Retro Office House ul. Piłsudskiego
4. Sagittarius ul. Borowska 1
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.

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**Key Indicators**

**Future Trends**

- **Population**
  - 747,600

- **Unemployment rate – Tri-City / Pomorskie**
  - 3.3% / 5.9%

- **Number of students in the city**
  - 97,500

- **Average monthly salary (PLN)**
  - 5,308

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**Selected Office Buildings**

**Existing**

1. Alchemia ul. Grunwaldzka 409-411
2. Alfa Plaza Business Center ul. S. Batorego 28/32
3. Alkon @ Park ul. J. Słowackiego 171
4. Arkona Business Park ul. Arkona 2
5. BCB Business Park I ul. Azymutalna 9
6. BPH Office Park ul. Letniestwa 6
7. C-200 ul. Marynarki Polskiej 169
8. Centrum Biurowe Hoesa ul. Władysława IV 43
9. Centrum Biurowe Neptun al. Grunwaldzka 105a
10. ENTER ul. Śląska 49
11. Gamma & Omega al. Grunwaldzka 184-190
12. Gdynia Waterfront ul. J. Waszyngtona 1
14. Łężyńska Office Park ul. Łężycka 6
15. Łężyńska Plus ul. Łężycka 3c
16. Office Island al. Grunwaldzka 163
17. Olivia Business Centre al. Grunwaldzka 470-472
19. Vigo ul. K. Szymanowskiego 2
20. Waterside ul. Długi 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. Łężycka 8

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*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
**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* (**)

<table>
<thead>
<tr>
<th>Population</th>
<th>298,100 / 1,779,000**</th>
</tr>
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<tbody>
<tr>
<td>Unemployment rate – Katowice / Śląskie</td>
<td>2.4% / 5.7%</td>
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<td>Number of students in the city</td>
<td>93,800**</td>
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<td>Average monthly salary (PLN)**</td>
<td>4,857</td>
</tr>
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### SELECTED OFFICE BUILDINGS

**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 Francisca A, B ul. Francuska 34
6. Chorzowska 50 ul. Chorzowska 50
7. GPP Business Park ul. Konduktorska 39
10. Millenium Plaza ul. J. Sowińskiego 46

**EXISTING**

12. Opolska 22 ul. Opolska 22
13. Reinhold Center al. W. Korfantego 138
15. Silesia Star I, II al. W. Rodzińskiego 10

**UNDER CONSTRUCTION**

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

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*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
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* (P)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>Population</td>
<td>540,400</td>
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<tr>
<td>Unemployment rate – Poznań / Wielkopolskie</td>
<td>1.7% / 4.2%</td>
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<tr>
<td>Number of students in the city</td>
<td>112,000</td>
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<tr>
<td>Average monthly salary (PLN)</td>
<td>5,317</td>
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</tbody>
</table>

445,900 m² Office stock
13.7% Vacancy rate
30,600 m² Office supply under construction
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

EXISTING
1. Andersia Business Center
   pl. W. Andersa 7
2. Andersia Tower
   ul. W. Andersa 3
3. Bałtyk
   ul. F. Roosevelta 22
4. Business Garden Poznań
   ul. Bulgarska 101
5. Centrum Biurowe Podwale
   ul. S. Małachowskiego 10
6. Globis
   ul. F. Roosevelta 18
7. Kupiec Poznański
   pl. Wosny Ludów 2
8. Malta Office Park A-D
   ul. abp J. H. Dąbrowskiego 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. Mate Garbary 9
12. Nowe Jeżyce
    ul. J. H. Dąbrowskiego 81-85
13. Omega
    ul. J. H. Dąbrowskiego 90
14. P-2
    ul. Półwiejska 2
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
• Development of Nowe Centrum Łodzi (NCL), 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**

<table>
<thead>
<tr>
<th>Source</th>
<th>GUS, BNP Paribas Real Estate, 1. As of December 2016, 2. As of June 2017, 3. Average of May 2017</th>
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<tbody>
<tr>
<td><strong>Population</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td>696,500</td>
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<tr>
<td><strong>Unemployment rate – Łódź / Łódzkie</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td>7.3% / 7.4%</td>
</tr>
<tr>
<td><strong>Number of students in the city</strong>&lt;sup&gt;4&lt;/sup&gt;</td>
<td>74,000</td>
</tr>
<tr>
<td><strong>Average monthly salary (PLN)</strong>&lt;sup&gt;3&lt;/sup&gt;</td>
<td>4,128</td>
</tr>
</tbody>
</table>

**FUTURE TRENDS**<sup>* (P)</sup>

- **Office stock**
  - 412,400 m²
- **Vacancy rate**
  - 5.8%
- **Office supply under construction**
  - 148,300 m²
- **Rent range (m²/mth)**
  - 10-14 EUR

*For the next 6 months*

**SELECTED OFFICE BUILDINGS**

**EXISTING**
1. Aleksander Plaza ul. Aleksandrowska 67/93
2. Aviator ul. S. Kopcińskiego 56
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
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. Wolsztańska 128
19. Targowa 35 ul. Targowa 35

**UNDER CONSTRUCTION**
1. Imagine al. Piłsudskiego / E. Rydza-Śmigłego
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.

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.
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