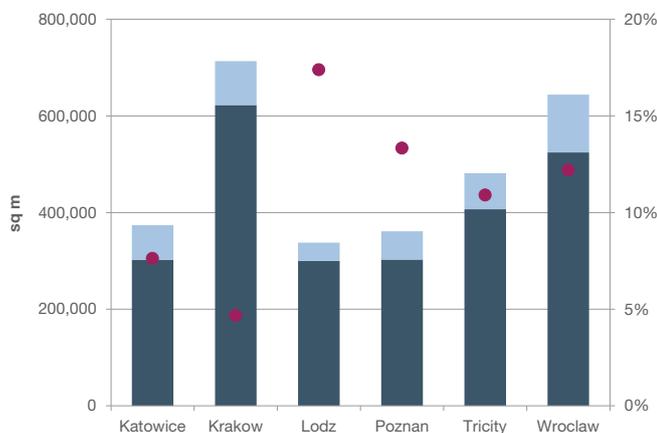


Market in Minutes

Poznan office market

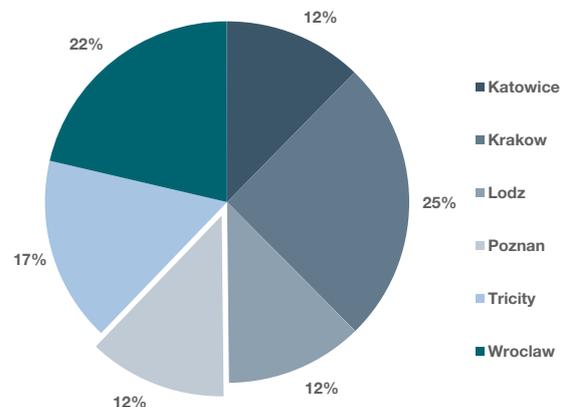
November 2013

GRAPH 1
Stock, developments and vacancy rate



Graph source: Savills

GRAPH 2
Office stock in major regional markets by city



Graph source: Savills

SUMMARY

Overview

■ Modern office stock in Poznan exceeded ca. 302,700 sq m at the end of Q3 2013.

■ New supply is relatively low this year, with ca. 20,700 sq m completed so far, and only 600 sq m to be completed in the last quarter of the year. In 2012 new office supply in Poznan was almost twice higher.

■ The largest completion this year was Malta House (14,700 sq m of offices). The largest project under construction is Business Garden Poznan (40,900 sq m) by SwedeCenter to be delivered in early 2015.

■ The average vacancy rate is high at 13.3%, and is expected to remain high in 2014-2015 due to increased development.

■ Letting activity in Q1-Q3 2013 reached 30,200 sq m, which already is the highest annual volume in the last five years. Net absorption was low at only 8,000 sq m.

■ Prime office rents are at €13.00-14.50 per sq m/month and may decrease slightly in short-term due to relatively high availability of office space.

“New supply in Poznan is low this year, but development activity is going to significantly accelerate in 2014-2015. We expect over 110,000 sq m of new office space to be completed by the end of 2015.”

Tomasz Buras, Savills Office Agency

➔ **Poznan**

Poznan is the fifth biggest city in Poland in terms of population whereas over 128,200 students make it the fourth biggest education centre. There are 27 higher education institutions in the city of which the leading are Adam Mickiewicz University, Poznan University of Technology, Poznan University of Life Science and Poznan University of Economics.

There are over 102,500 business entities registered in Poznan which reflects the ratio of 186 entities per 1,000 inhabitants – the highest level among all regional cities (excluding Warsaw). Unemployment in Poznan remains low, at only 4.2%, whereas the average salary is PLN 4,120 per month, ca. 8.7% above the average for Poland.

One of the objectives of the city's development strategy to 2030 is to support activity and entrepreneurship and attract investments by improving the spatial, infrastructural, legal and administrative conditions for enterprises. Local authorities plan to focus on high tech industries, creative industries and SME sector and also the development of cooperation with Poznan universities and science/ research institutions.

The city is famous worldwide thanks to the Poznan International Fair (Miedzynarodowe Targi Poznanskie) which is the leader in Polish exhibition industry with 60% share in the sector. Last year there were 80 exhibitions visited by over 0.5 million people

“Office market in Poznan grew by only 125% over the last ten years, whereas most other regional markets in Poland recorded a growth of ca. 300%.”

Tomasz Buras, Savills Office Agency

organized at the MTP.

General Overview

By year end Poznan's office stock will have grown by ca. 125% since the end of 2003, whereas most other regional markets in Poland have grown by ca. 300%. In 2003 it was the third largest regional market. Today the size of the market is almost in line with Lodz and Katowice and significantly behind Krakow, Wroclaw and Tricity.

Some of the most popular office locations in the city are: Plac Andersa with Poznan Financial Center, Andersia Tower and Andersia Business Center, the neighbourhood of Malta Lake with developments by Echo Investment (Malta Office Park) and Skanska (Malta House) and western parts of the city with PGK Centrum, West Point and Business Garden Poznan the latter currently under construction by SwedeCenter.

At the end of the third quarter of 2013

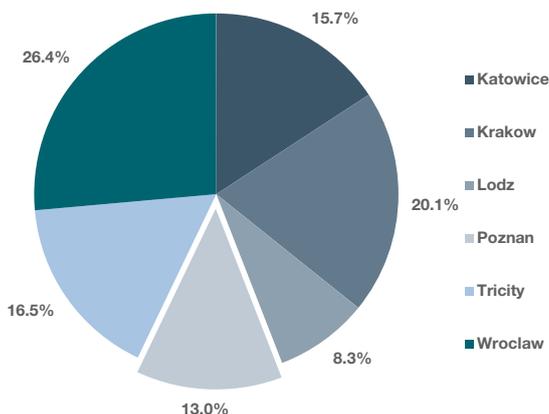
the average vacancy rate in the city was 13.3%. High availability of office space and development activity is expected to force some decrease in rental levels in the city.

New Supply

The pace of office development in Poznan is relatively low as average annual supply in 2000-2012 was only 20,100 sq m (compared to ca. 42,800 sq m in Kraków and 33,400 sq m in Wroclaw). Total new supply in 2013 is expected to reach 21,300 sq m of which 6,000 sq m was completed in the first half of the year within three properties: office part of 2,400 sq m at Galeria MM by Ataner; 2,000 sq m Piatkowska Office by BTE Inwestycje and Roch Office by private investor (1,600 sq m). The largest office building completed this year is Skanska's Malta House with 14,700 sq m of rentable office space, delivered in the third quarter of 2013.

No significant completions are

GRAPH 3 **Developments by city**



Graph source: Savills

GRAPH 4 **New supply, net absorption and vacancy in Poznan**



Graph source: Savills

expected in the last quarter of the year. Development activity is expected to accelerate in 2014. Completion of Business Garden Poznan by SwedeCenter will significantly boost supply in 2014. The project, currently under construction, is located in the western part of the city and will comprise four office buildings with a total rentable office area of ca. 40,900 sq m. It is expected that Business Garden Poznan will be completed in the last quarter of the next year.

Demand

The Financial Times listed Poznan as one of the 10 best locations in Europe for investment. Local authorities provide strong support to modern business services of which the priority sectors are: Business Process Outsourcing (BPO), Shared Services (SSC), Research & Development (R&D) and hi-tech manufacturing and also activities related to organisation of congresses, fairs as well as sports and entertainment infrastructure.

“Increase in vacancy rate should be expected at the end of 2014 and in 2015 resulting from significant growth in supply, which is likely to outpace increasing letting activity.”

Tomasz Buras, Savills Office Agency

Availability

Vacancy rate reached high level of 13.3% at the end of September 2013 which means that there were almost 40,400 sq m of vacant space in Poznan. Almost 60% of the vacant area was located in only six buildings with an excess of 2,000 sq m of space ready to be let. The average vacancy rate has been above 10% since 2009.

We expect vacancy rate to decrease slightly in the last quarter of 2013 and probably further in the first half of 2014, however, it may increase again at the end of next year, once Business Garden Poznan is completed.

Similarly to other leading regional cities, BPO/SSC and R&D are those branches which currently create most of the demand for office space in the city.

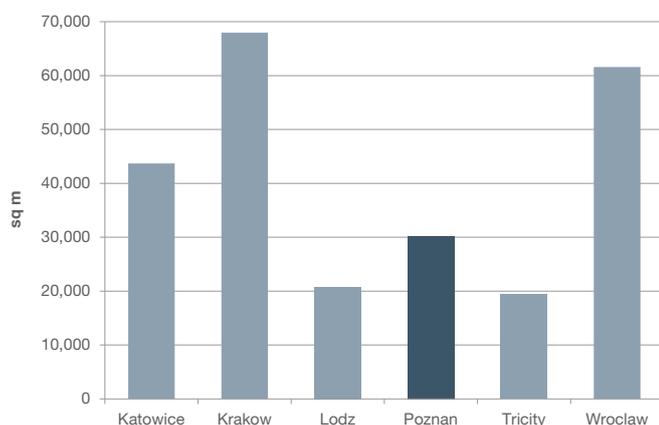
Letting activity recorded during Q1-Q3 2013 was 30,200 sq m whereas last year's volume was 24,800 sq m. Net absorption during the first half was 8,000 sq m. Average annual net absorption from 2007 is 17,300 sq m. Some of the biggest transactions from the last 18 months were: Franklin Templeton at Malta House (3,100 sq m); Roche at Malta Office Park →

TABLE 1
Poznan - key facts

Population (Dec 2012)	550,742
Unemployment (Sep 2013)	4.2%
Average gross salary (2012)	PLN 4,120 per month
Number of students (2012)	128,212
Number of graduates (2012)	35,424
Higher education institutions	27
International Airport	Poznan Ławica Airport
Number of passengers (2012)	1,560,000 +9.4% y-o-y
Selected BPO/SSC/ IT/R&D companies	Arvato Services, Glaxo Smith Klein, Samsung, Carlsberg, Carl Zeiss, Bertelsmann Media
Modern office stock (Q3 2013)	303,300 sq m
Under construction (Q3 2013)	58,600 sq m
Available office space (Q3 2013)	40,400 sq m
Vacancy rate (Q3 2013)	13.3%
Letting activity (Q1-Q3 2013)	30,200 sq m
Prime headline office rents (Q3 2013)	€13.00-14.50 per sq m/ month

Source: Savills / GUS

GRAPH 5
Letting activity in regional cities in Q1-Q3 2013



Graph source: Savills

TABLE 2
Largest office projects to be completed in 2013 - 2014

Project	Developer	Size (sq m)	Date
Business Garden	SwedeCenter	40,900	Q4 14
Baltyk Tower	Garvest/Vox	12,500	2015
CB Podwale	Machura Bros Corp.	8,000	Q4 14
Ubiq Business Park	Karol Fiedor	5,800	2015
Roch Office II	private investor	4,000	Q4 15
Nobel Tower	Centrum Zaawansowanych Technologii	4,000	Q1 14

Source: Savills

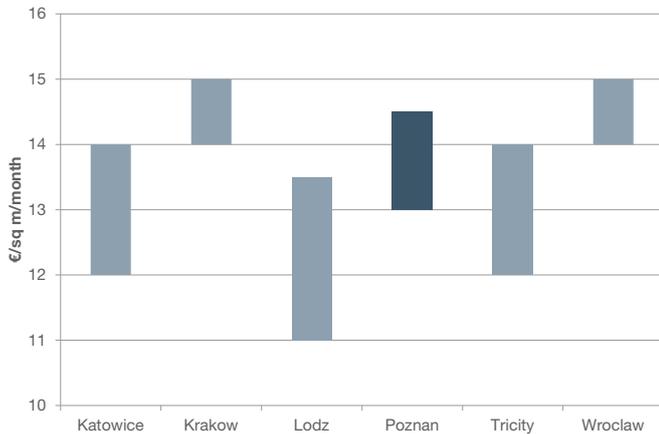
→ (3,200 sq m) and Samsung also at Malta Office Park (2,000 sq m).

Rents

Prime headline rents in Poznan are relatively stable at €13.00-14.50 per sq m/month, however, the high vacancy rate may put some downwards pressure on rents.

Service charges vary between PLN 12.00-16.00 per sq m/month, whereas the cost of underground parking space ranges between €50.00 and €80.00 per month. ■

GRAPH 5
Headline office rents in regional cities



Graph source: Savills

OUTLOOK

Development activity accelerating in response to growing demand

Until late 1990's Poznan used to be a Polish capital of international trade and the fastest developing city in Western Poland. For the last ten years, the city has been still developing well, however, this was not directly reflected in the growth of the office market. This resulted from the city development strategy which focused on development of hi-tech industry and supporting local small and medium enterpreneurships.

Natural consequence of the successful development of local small business is the need to invest in the sector of business services, which has become a major driver of office demand in most of the regional office markets in Poland. Business services sector should benefit from the fact that Poznan is a strong academic centre with high number of students/graduates, especially in economic faculties.

Demand for modern offices in Poznan seems to be growing, and despite the relatively high vacancy rate development activity has already increased to support future demand. The office stock is expected to grow by ca. 110,000 sq m by the end of 2015. This may bring a further growth in vacancy and a downward pressure on rents in the short term.

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