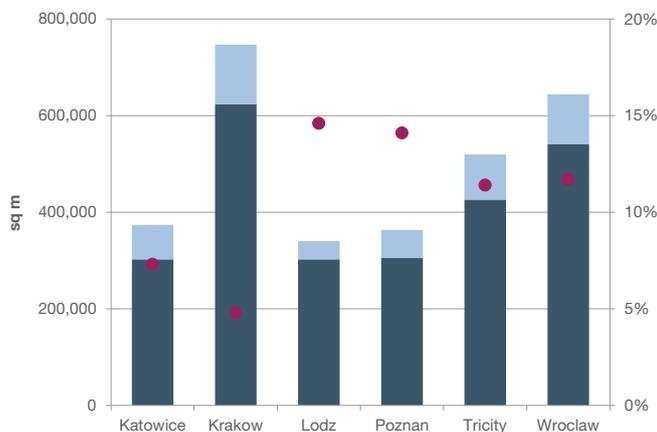


# Market in Minutes

## Tricity office market

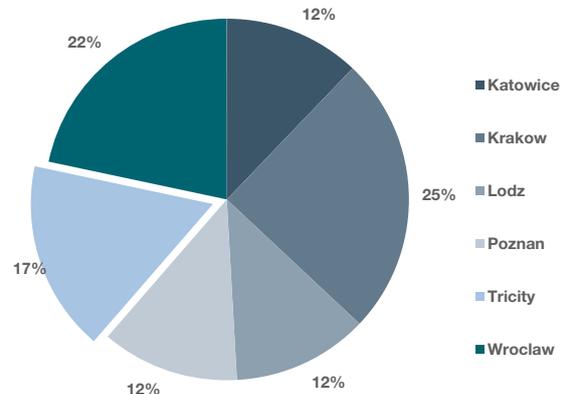
April 2014

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

■ The total stock of modern offices in Tricity reached 426,000 sq m at the end of 2013, of which ca. 65% is located in Gdansk.

■ 2013 is a record year in terms of new office supply in Tricity. With ca. 88,600 sq m of offices delivered throughout the year, Tricity was the fastest growing office market among Polish regional cities.

■ Development activity remains high and we expect a further 55,000 sq m to be completed in 2014 and ca. 64,000 sq m in 2015.

■ Following a period of increased supply, the average vacancy at the end of 2013 was 11.4%, reflecting a growth by 170 bps year on year.

■ Letting activity in 2013 was 43,400 sq m, ca. 28% lower compared to 2012 which was a record period in Tricity in terms of take-up with 60,100 sq m let.

■ Prime office rents are at €12.00-14.00 per sq m/month and may decrease slightly in the short-term due to a relatively high level of new supply.

“With ca. 426,000 sq m of modern offices, Tricity is the third largest regional office market in Poland just behind Kraków and Wrocław. About two third of the total Tricity office stock is located in Gdansk.”

Tomasz Buras, Savills Office Agency

➔ **Tricity**

Unlike in other regional cities, Gdansk, Gdynia and Sopot should be considered as one urban area. These three cities are connected via the Tricity bypass and SKM (Szybka Kolej Miejska / Fast City Rail) so the borders between cities are losing in importance for the locals. Their inhabitants often live in one but work and do business in another. A further contributing factor is the number of smaller, neighbouring towns and cities that create a larger agglomeration. Gdansk, Gdynia and Sopot are inhabited by almost 747,400 people with a further 0.5 million people living in the Tricity Metropolitan Area.

Tricity, with Sopot in particular, is considered to be the summer capital of Poland with the number of tourists in excess of 8 million per annum.

There are 22 higher education institutions with almost 99,000 students and 26,000 graduates. The number of business entities registered in Gdansk, Gdynia and Sopot is almost 112,700 which reflects one of the highest ratios in Poland of 164 entities per 1,000 people.

**General Overview**

Tricity, after Krakow and Wroclaw, is the third largest office market in Poland outside of Warsaw accounting for ca 17% of total office stock located in major regional cities (Krakow, Wroclaw, Lodz, Katowice, Poznan and Tricity). At the end of 2013 the total stock of modern offices in Tricity exceeded 426,000 sq m.

.....  
 “The office market in Tricity is dominated by local developers and this is expected to continue despite an increasing activity of international developers like Hines or Swedecenter.”  
 .....  
 Tomasz Buras, Savills Office Agency  
 .....

The majority of office space (65%) is located in Gdansk which is considered to be the business centre of Tricity. Due to the City Centre’s historic character office buildings are located outside the centre in Wrzeszcz and Oliwa districts along Al. Grunwaldzka and in the vicinity of the airport in Rebiechowo. Office buildings that are located in the City Centre are usually low class, refurbished tenement houses.

Approximately 28% of total office stock is located in Gdynia. The most popular office locations in Gdynia are ul. Slaska, Wladyslawa IV and Morska.

Sopot is perceived as a popular tourist destination and a large portion of office space is located in villas adapted to office functions. A significant contribution to office stock in Sopot is made by Hestia (over 15,000 sq m) and SKOK (4,000 sq m) headquarters.

The market is dominated by local developers (Allcon, Torus, Hossa, TPS)

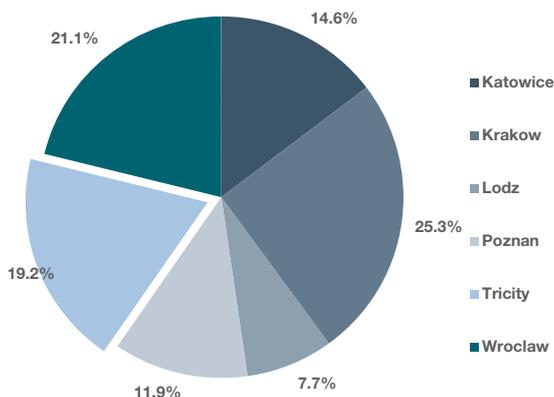
which are both investors and general contractors. It is an insurmountable barrier that up to today has been broken by only a few (e.g. Hines, SwedeCenter). This is not expected to change in the near future since those developers are very active with a number of projects in the pipeline.

**New Supply**

In 2013 new supply of office space was 88,600 sq m, the highest level among regional cities. This was the highest volume of supply ever completed in Tricity, and almost 180% higher than in 2012.

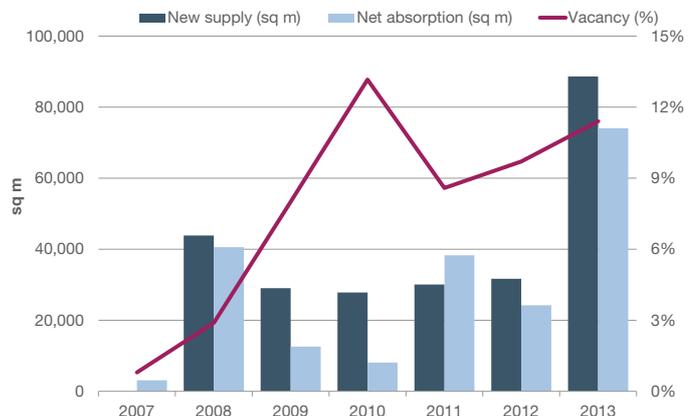
As at January 2014 there were nine buildings totalling 108,000 sq m of office space under development of which 17,300 sq m in Gdynia and the rest in Gdansk. Three projects of those nine under construction are developed by country-wide known investors (Echo Investment, SwedeCenter and Hines) and the other six by local developers (Allcon, Euro-Styl, Torus,

GRAPH 3 **Developments by city**



Graph source: Savills

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



Graph source: Savills

TPS and Domotel).

In 2014 new supply is expected to be at approximately 55,800 sq m of which 55% located in Gdansk and the remaining 17,300 sq m in Gdynia. It should be noted that more than 40% of the space under construction has been already committed.

### Availability

Vacancy rate in Tricity accounted for 11.4% of total stock at the end of 2013 reflecting 48,500 sq m of office space ready to be let in the city. Only six buildings accounted for more than half of total available space having vacancies above 2,000 sq m, most of

### Demand

Letting activity in 2013 was close to 43,400 sq m which is less than in Krakow, Wroclaw or Katowice, but more than in Poznan or Lodz. Almost 66% of that was let in Gdansk whereas the rest of the letting activity took place in Gdynia.

The largest new leasing transactions were 2,700 sq m by Sii in Olivia Business Centre, 2,600 sq m by Kemira and 2,500 sq m by Gdanskie Wydawnictwo Oswiatowe both in Alchemia.

More than half of total letting activity accounted for new leases. Remaining

“Letting activity in 2013 was relatively low, compared to the record high take-up recorded in 2012, but still ca. 33% higher than the long-term average.”

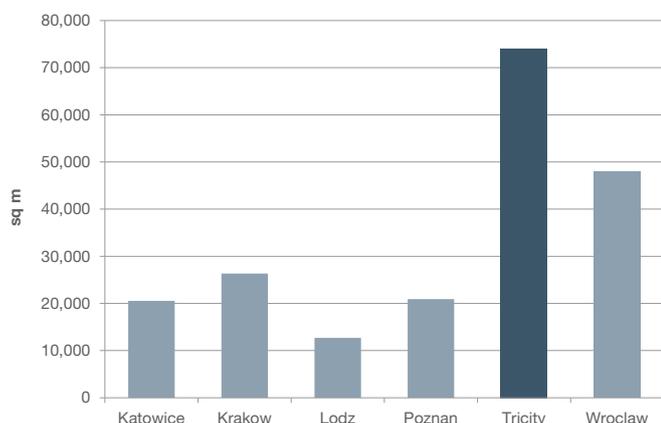
Tomasz Subocz, Savills Tenant Representation

them were completed within the last 18 months. Vacancy increased by 1.7 pp when compared to the corresponding period a year ago.

With regard to the volume of new supply to be completed by 2014 year end, we expect vacancy rate in the city to remain at a relatively high level of 11-12%.

47% were renewals and expansions. Gross take-up in 2012 was at record high level of 60,100 sq m mostly thanks to the BPH pre-lease of 18,800 sq m at Euro Office Park that changed its name into BPH Office Park. The second biggest lease from 2012 was also by a financial institution - 5,800 sq m of office space was leased by Meritum Bank at building Alfa of Oliva Business Park.

GRAPH 5 Absorption of office space in regional cities in 2013



Graph source: Savills

TABLE 1 Tricity - key facts

Population (Dec 2012)	747,370
Unemployment (Dec 2013)	6.5%
Average gross salary (2012)	PLN 4,308 per month
Number of students (2012)	98,699
Number of graduates (2012)	25,950
Higher education institutions	22
International Airport	Gdansk Lech Walesa Airport
Number of passengers (2012)	2,862,000 +16.8% y-o-y
Selected BPO/SSC/IT/R&D companies	IBM, General Electric, Thomson-Reuters, Fineos, Sony, Intel, Bayer
Modern office stock (Q4 2013)	426,000 sq m
Under construction (Q4 2013)	108,000 sq m
Available office space (Q4 2013)	48,500 sq m
Vacancy rate (Q4 2013)	11.4%
Letting activity (2013)	43,400 sq m
Prime headline office rents (Q4 2013)	€12.00-14.00 per sq m/month

Source: Savills / GUS

TABLE 2 Largest office projects to be completed in 2014 - 2015

Project	Developer	Size (sq m)	Date
Centrum Biurowe Neptun	Hines	15,900	Q1 14
Olivia Business Centre (Olivia Four)	TPS Otwarda Przestrzen	14,000	Q1 14
Gdynia Waterfront (Nordea HQ)	SwedeCenter	11,500	Q4 14
BPH Office Park C	Euro-Styl	7,000	Q1 14
Tryton	Echo Investment	21,800	Q2 15
Olivia Business Centre (Olivia Five)	TPS Otwarda Przestrzen	15,000	Q4 15
Alchemia II	Torus	16,200	Q4 15

Source: Savills

→ Similarly to other regional cities in Poland, Tricity is one of the BPO/SSC hot-spots with IBM, General Electric, Thomson-Reuters, Acxiom, Fineos, Geoban, Sony, Lufthansa and Bayer, just to name a few, having their business services centres.

### Rents

The level of prime headline office rents in Tricity is in the range of €12.00 – 14.00 per sq m/month. In B-class office buildings they are ca. €2.00 per sq m/month lower than in the best buildings.

Rents for parking spaces range between €50.00 and €80.00 per parking space in the underground garage. Service charges are denominated in PLN and are in the range of PLN 12.00-16.00 per sq m/month.

As the availability of office space is relatively high and the amount of new supply is high which is expected to create a downward pressure on rents in the mid-term perspective. ■

## OUTLOOK

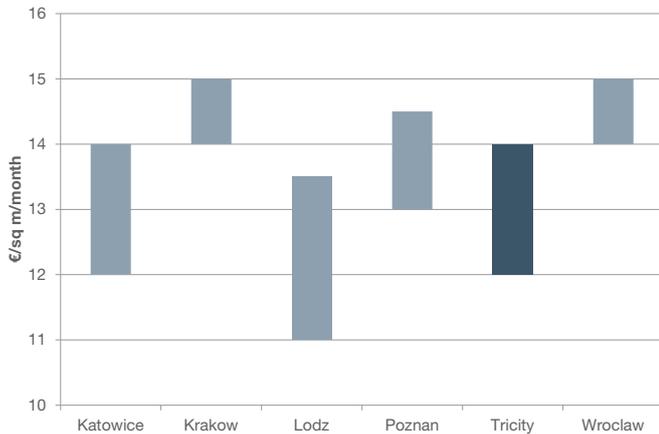
### Tricity's position on the Polish office market is strengthening due to high development

In terms of modern office stock, Tricity's position on the Polish office market is between the leading markets of Krakow / Wroclaw and other regional markets (Lodz, Poznan, Katowice). Increased new supply of offices is strengthening this position and Tricity has a chance to become the third Polish regional office market with the office stock exceeding 0.5 million sq m within the next 18 months.

It is expected, that the availability of office space reflected by the average vacancy rate of 11.4% may increase further in the short term. This should result in easing in effective rental levels, which will constitute a significant incentive for potential occupiers, to renegotiate current lease terms or relocate.

We also expect that the demand for modern office space will be growing in medium and long term, continuing the current trend. We expect more investors to be attracted to invest in Tricity by the strong promotion policy of local authorities as well as improving transport infrastructure in Poland which will facilitate access to Tricity from other parts of the country.

GRAPH 5 **Headline office rents in regional cities**



Graph source: Savills

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