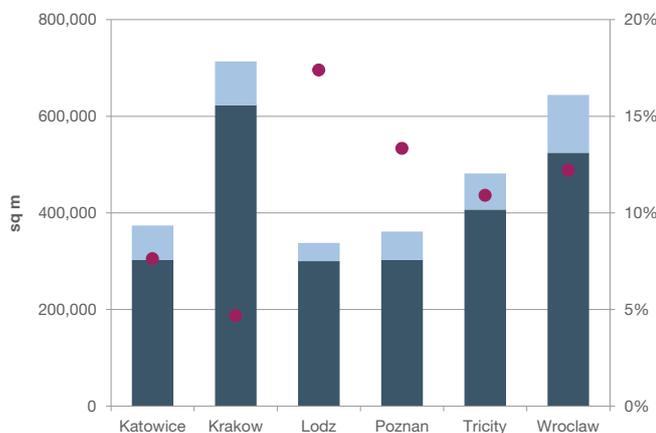


Market Report

Wrocław office market

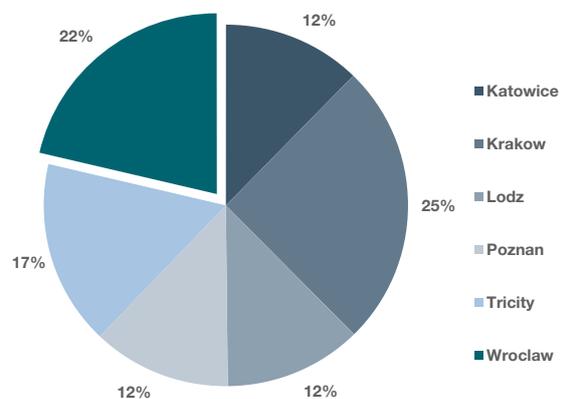
November 2013

GRAPH 1
Stock, developments and vacancy



Graph source: Savills

GRAPH 2
Office stock in major regional markets by city



Graph source: Savills

SUMMARY

Overview

■ Wrocław is the second largest regional office market in Poland. Total modern office stock reached ca. 525,000 sq m at the end of the third quarter of 2013.

■ Availability of office space is currently high, average vacancy rate in Wrocław is 12.2% reflecting 64,000 sq m of available space - the highest volume among regional cities.

■ Despite the increased vacancy, development activity is still high, new supply in the first nine months of 2013 amounted to 56,900 sq m, almost 120,000 sq m is under construction.

■ Letting activity remains strong with ca. 61,600 sq m leased in Q1-Q3 this year (88,800 sq m in the entire 2012).

■ Strong demand and high development activity result in a dynamic growth of the office market in Wrocław.

■ Prime office rents remain stable at €14.00-15.00 per sq m/month.

“Wrocław is an established market in terms of office demand, thus, higher supply of available space may be considered as an advantage compared to cities in which the availability is limited.”

Tomasz Buras, Savills Office Agency

➔ **Wrocław**

With over 631,000 inhabitants Wrocław is the fourth largest city in the country. Wrocław is a strong economic, educational and cultural centre. The city's position as an academic centre is proven by over 134,300 students at 25 higher education institutions of which the largest are the University of Wrocław, Wrocław University of Technology and Wrocław University of Economics.

Approximately 105,100 business entities registered in Wrocław create ca 3% of the country's GDP. The September 2013 unemployment rate was 5.6%, much below the Polish average (13.0%) and the average gross salary was PLN 3,924 per month, ca. 5% higher than the national average (PLN 3,744 per month). The city's economy is diversified from IT companies (e.g. Atos, Dolby, IBM, PGS Software, Sygnity) via financial services (e.g. Credit Agricole, Kruk, VB Leasing) and automotive industry (e.g. Volvo, Faurecia, Wabco) to life sciences (e.g. Hasco-Lek, MacoPharma, US Pharmacia).

Proximity of the A4 motorway ensures convenient access to Krakow, Silesia and Germany. The city's international airport connects to more than 30 European destinations.

General Overview

At the end of the third quarter 2013 modern office stock in Wrocław reached almost 525,000 sq m of which 56,900 sq m was delivered to the market during Q1-Q3 2013. Thus,

.....
 "Development activity in Wrocław is significantly higher than in other regional cities, showing high developer confidence regarding marketability of their projects."

 Tomasz Subocz, Savills Office Agency

Wrocław is the second largest office market among Polish regional cities (excluding Warsaw).

The most popular office locations in the city are The Old Town and its surroundings dominated by tenement houses converted into office buildings and some new developments (Bema Plaza, Grunwaldzki Center); Southern parts of the city along Powstancow St. and Karkonoska St. where Aquarius Business Centre, Rodis Centre and Raclawicka Center amongst others are located and finally Western parts of Wrocław along Strzegomska St., Legnicka St., Lotnicza St. where projects like Wojdyla Business Centre, Green Towers or Millenium Towers are located.

Local developers such as Archicom, Descont, Devco, Fig, Gant, Wojdyla Budownictwo play an important role developing some of the most recognizable buildings in the city.

New Supply

The pace of development averaged 33,400 sq m per annum between 2000 and 2012 ranging from as little

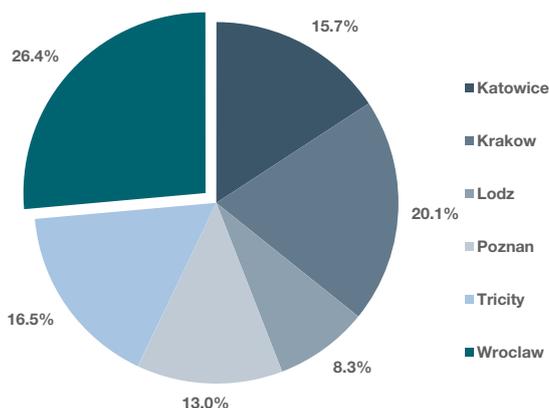
as 6,800 sq m in 2002 to as much as 119,600 sq m in 2008. Last year's supply was close to 66,000 sq m followed by another 56,900 sq m completed so far in 2013.

The newest projects in the city are Sky Tower by LC Corp (28,100 sq m), second building at Green Towers by Skanska (10,800 sqm), West House by Archicom (6,000 sq m), Delta 44 by Vantage Development (2,800 sq m) and Eco Office by DiJo (1,900 sq m).

Development activity in Wrocław is the highest among regional cities with almost 120,000 sq m of office space under construction, of which 25,000 sq m is expected to be delivered in the last quarter of 2013. The biggest office buildings due this year: the second phase of Aquarius Business House by Echo Investment (9,000 sq m) and Millenium Tower IV by Descont (8,000 sq m).

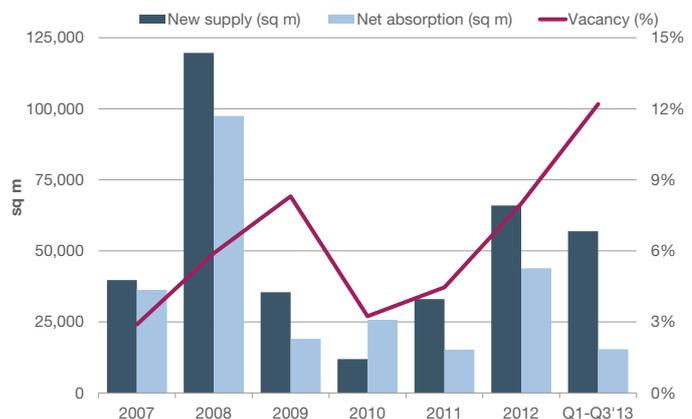
As in other regional cities some new developments are solely for sale rather than lease (Szkocka Point of 1,800 sq m; Kwidzyska 11 of 1,000 sq m or Botanica Residence of 2,500 sq m) or

GRAPH 3 **Developments by city**



Graph source: Savills

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



Graph source: Savills

both options are considered (Hubska Center of 1,800 sq m or Fabryczna Office Park of 3,000 sq m).

Availability

For years availability of office space in Wrocław was one of the lowest in the country. As a result of increased development activity, the volume of available office space increased to 64,000 sq m at the end of Q3 2013 which represented 12.2% of total stock (compared to ca. 8.0% at the end of 2012 and ca. 4.5% at the end of 2011).

space has been already committed to.

Demand

Wrocław, with its large students and graduates population, skilled workforce and the local authority's commitment to attract investors, remains one of the most attractive cities for incoming business. In 2012 the city was nominated by BiznesPolska Media and Outsourcing in Poland as Best-Performing City of the Decade and Best City of the Year respectively.

“The average vacancy rate in Wrocław will remain high in 2014, allowing tenants to put some downward pressure on effective office rents”

Tomasz Buras, Savills Office Agency

Developers remain confident about marketability of their projects. For such an established market like Wrocław, higher availability may in fact constitute a strong competitive advantage, especially for tenants entering the Polish market, for whom the choice of available office space in Krakow, the direct competitor of Wrocław, is currently limited.

Over 60% of total vacancy is located in 14 schemes with vacancy in excess of 2,000 sq m. As far as the office buildings under construction are concerned, approximately 40% of

There are approximately 50 service centres operating in the city and the employment in those amounts to ca 18,600 people. Companies that have invested in the city since January 2012 include: BNY Mellon; Dolby Laboratories; Becton, Dickinson and Company; Qatar Airways; Luxoft and Infusion.

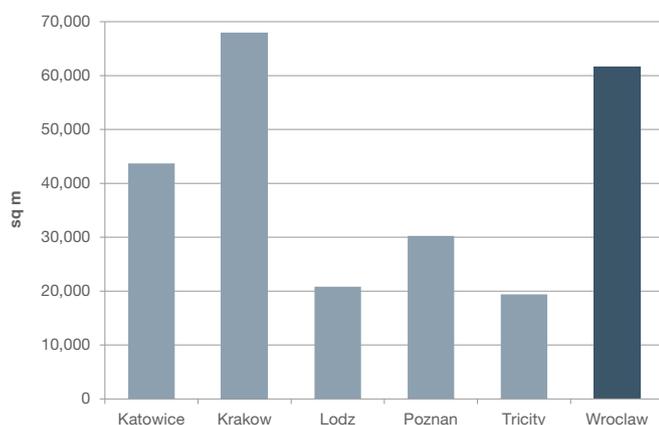
During the first three quarters of the year total letting activity in the city was 61,600 sq m. The biggest leases signed in 2013 so far were: companies from the Getin Group at Sky Tower (11,700 sq m), Kruk at →

TABLE 1
Wrocław - key facts

Population (Dec 2012)	631,188
Unemployment (Sep 2013)	5.6%
Average gross salary (2012)	PLN 3,924 per month
Number of students (2012)	134,383
Number of graduates (2012)	35,151
Higher education institutions	25
International Airport	Wrocław Nicolaus Copernicus Airport
Number of passengers (2012)	1,942,000 +20.9% y-o-y
Selected BPO/SSC/IT/R&D companies	Capgemini, IBM, Nokia Siemens Networks, Tieto, Volvo, UPS, Unicredit, Ernst & Young, Geoban
Modern office stock (Q3 2013)	525,000 sq m
Under construction (Q3 2013)	120,000 sq m
Available office space (Q3 2013)	63,100 sq m
Vacancy rate (Q3 2013)	12.2%
Letting activity (Q1-Q3 2013)	61,600 sq m
Prime headline office rents (Q3 2013)	€14.00-15.00 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	Date
Aquarius Business House B	Echo Investment	9,000	Q4 13
Millenium Tower IV	Descont	8,000	Q4 13
Green Day	Skanska	14,000	Q2 14
Wisher Enterprise	Wisher Enterprise	7,000	Q3 14
West Gate	Echo Investment	16,200	Q4 14

Source: Savills

→ Wroclaw Business Park (7,500 sq m), Credit Suisse expansion at Green Day (4,300 sq m) and Dialog at West House (3,500 sq m). All of those listed transactions were pre-leases which in total gross take-up accounted for 60% of volume.

Total volume of letting activity during the previous year was 88,900 sq m of which pre-leases accounted for almost 50% of the volume.

Net absorption in Q1-Q3 2013 was much lower at only 15,400 sq m whereas in 2012 it was 43,900 sq m.

Rents

Despite the increase in vacancy to 12.2% prime headline rents have moved very little and are in the range of €14.00–15.00 per sq m/month. Rents in older buildings with worse interior specification range from €11.00 to €14.00 per sq m/month. It is a common practice in those buildings to quote rents in Polish zloty.

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

OUTLOOK

Increased development activity expected to boost further competitiveness of the city.

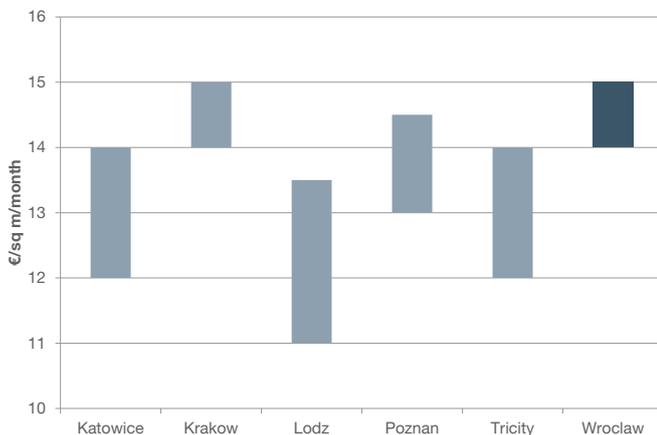
Successful implementation of the development strategy of Wroclaw adopted in 1998 created a strong fundamentals for economic growth of the city and increasing its attractiveness for business. For the last few years Wroclaw has been one of the fastest growing business centres in Poland and is perceived as a business friendly location and a good place for living. This has been also reflected in the rapid growth of the office market, which is expected to continue at even higher pace in the nearest future.

For the moment being and for the next two years, Wroclaw is offering a wide choice of office space to potential investors who would like to set up their business in Wroclaw and start operations within a short time. This in conjunction with high level of education, availability of skilled workforce and successful operations of existing companies, constitutes an important competitive advantage when compared to other regional markets, in which the availability of offices or skilled workforce is currently limited.

In terms of office rents, we anticipate that a temporary downward pressure on effective levels is likely next year, nevertheless, the market seems to be mature enough to avoid significant decrease in headline rents.

GRAPH 5

Headline office rents in major regional cities



Graph source: Savills

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