

■
SŁUŻEWIEC
THEN AND NOW

■
OFFICE
MARKET

■
RESIDENTIAL
MARKET

■
HOTEL
MARKET

■
LOCAL
COMMUNITY

@Służewiec:

#live #reside #work

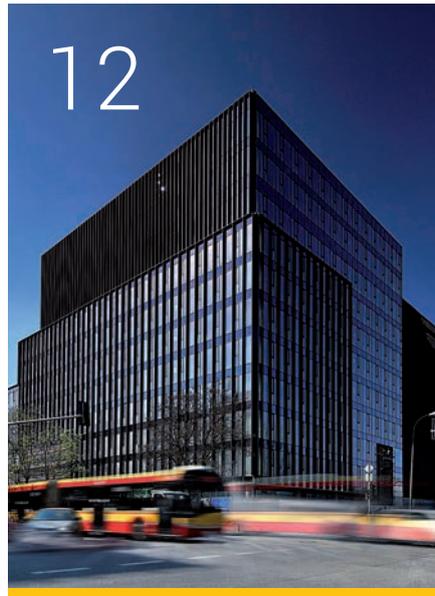


CONTENTS



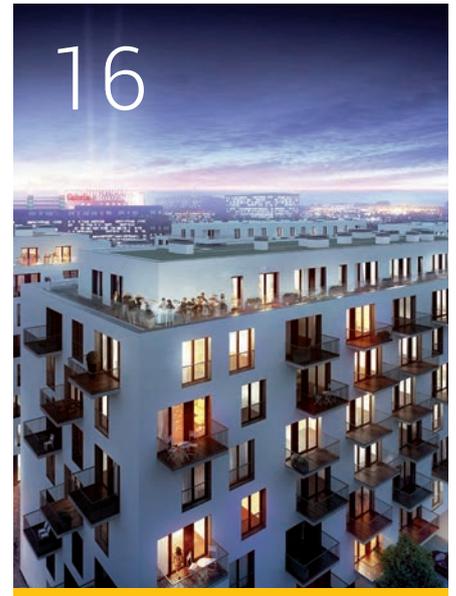
06

SŁUŻEWIEC
NOW AND THEN



12

OFFICE
MARKET



16

RESIDENTIAL
MARKET



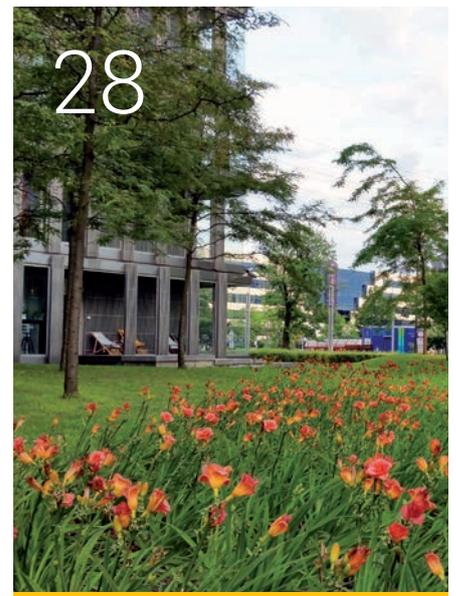
20

HOTEL
MARKET



22

LOCAL
COMMUNITY



28

SUMMARY

■ **Front cover photo:** Platinum Business Park. The extension of a nearly 14,000 sq m lease in this building by Publicis Groupe was 2016's largest deal brokered by an agent on the Warsaw market. Real estate advisor Savills represented the tenant in the transaction. (Author: Jakub Jurkowski)



@Służewiec:
INTRODUCTION

➔ Służewiec represents the history of the Polish property market in a nutshell. When the first modern office building was delivered to the market in Wołoska Street exactly 25 years ago, no-one imagined that the largest business district in Poland would come into existence in this very spot.

#25yearsoftheOfficeMarket #SymbolofBusinessWarsaw #PlaceToLive #Służewiec'sImage

2012 marked another anniversary. Office take-up in Służewiec hit a record high exactly five years ago as nearly 200,000 sq m of office space was leased within the space of 12 months.

The residential market of Służewiec is now experiencing a similar boom with hotel operators also noticing the district's potential: Warsaw's largest office hub currently has no hotel base, but this will soon change.

The office sector is now facing a series of challenges. A new business district has recently sprung up in Warsaw's Wola district, one which Służewiec needs to compete with for tenants. Office property managers are taking up a number of initiatives engaging the local community to enliven this part of Mokotów. Służewiec is going through a transformation: from a rapidly growing business district where infrastructure lagged behind into a place both for work and for living.

Infrastructure redevelopments that are currently under way are expected to considerably improve public transport

in the area. Upon their completion, the office district's somewhat pejorative nickname of "Mordor" is also likely to change in meaning.

“ Służewiec is going through a transformation: from a rapidly growing business district into a place of living.

The sociological phenomenon which is under way in Służewiec is becoming more pronounced and the district has become a unifying element for the young people who work here. For this reason, the image of Służewiec is likely to improve soon but this will, however, depend on a number of factors to be explored in this publication.

We kindly invite you to read our latest market report: the most up-to-date and comprehensive analysis of the Służewiec property market.

We are the first to explore this issue, focusing on the people who create Poland's most famous office hub - rather than merely on the buildings. We also take a look at Służewiec's history and make an attempt to outline potential scenarios of its further growth. Irrespective of what the future holds, Służewiec will always stand as a symbol of Warsaw's business growth, providing us with a fascinating topic for analysis and,

I hope, providing you the reader with a pleasant read.



Tomasz Buras
Managing Director
Savills Poland

According to the Polish Office Research Forum, the Służewiec office zone is delineated by:

North	South	East	West
Woronicza St.	Bokierska St.	Modzelewskiego St.	Railway track

■ On the left: Curtis Plaza. Curtis Plaza, the first modern office building constructed in Służewiec and which launched the growth of a new business district – one that later came to be known as "Mordor" (Source: Marcin Gorgolewski)



@Służewiec:
SŁUŻEWIEC THEN AND NOW

➔ The intersection of Domaniewska and Wołoska Streets is today considered the focal point of what is Warsaw's largest office hub. To explore the history of Służewiec we should move slightly southwards to the corner of Wyścigowa Avenue and Bartłomieja Street, where the village of Służewiec once was.

#history #changes

The first records of Służewiec date back to the 14th century. The name itself did not come to public awareness until 1886, the year in which Fort VIIA - part of a system of fortifications of the Warsaw Fortress - was built. Although the fort was formally located within the Służew area, it was commonly known as "Fort Służewiec".

In 1938 Służewiec was incorporated into Poland's capital and soon thereafter became home to the Służewiec Horse Race Track, which has been associated with Służewiec for many years - although officially it is in fact part of the Ursynów district.

In 1951 the decision was taken to create an industrial district in Warsaw, on 250 hectares of arable land in Służewiec. The general designer appointed for the industrial project was J. Krotkiewski of the Warsaw Industrial Building Design Office. One of the first companies to be set up in the newly-established district was the Factory of Technological Machines and Equipment Unitra-Unima at 42/44 Domaniewska Street. Residential dwellings were also constructed in parallel with the development of new plants to accommodate factory workers.

In 1992, a mere three years from the beginning of Poland's political transformation, Curtis Plaza was developed in Służewiec. When delivered to the market - exactly 25 years ago today - this first modern office building was ahead of its time. The boom on the office market came much later, culminating as it did in 2008-2009.

In the meantime, Służewiec came to be associated with another landmark: the Galeria Mokotów shopping centre, opened in 2000.

The Służewiec area is currently covered by three zoning plans and it continues to develop, spurred on primarily by the robust activity of office developers. It is also growing in popularity as a location for residential and luxury apartment developments.

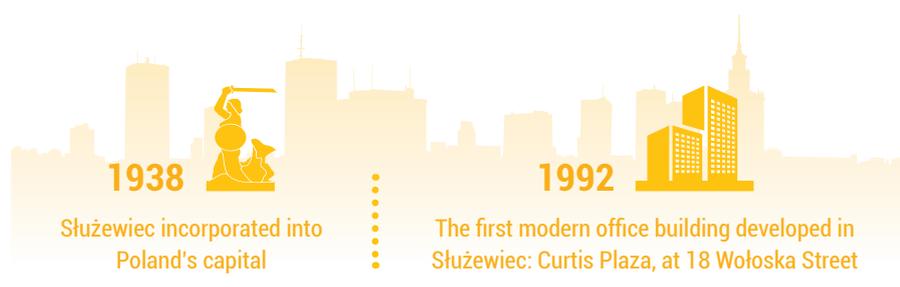
Infrastructure developments and local initiatives are key to building a new image for Służewiec: with these developments are coming improvements to the comfort of local residents and office workers, making the area vibrant after hours. Besides outpatient clinics, fitness clubs and cafés targeting primarily office workers, there are also new restaurants opening up to attract guests outside of lunch hours and at weekends. Entertainment

facilities are also expanding, including the *Hangar 646* trampoline park and *Disco VR*, a club for fans of virtual reality, both being open till late.

Infrastructure developments and local initiatives are key to building a new image for Służewiec.

These changes in Służewiec were necessitated by robust developer activity on the office market, activity that had been the driving force for the district's growth but had also created serious challenges in terms of insufficient transport infrastructure. Until recently Galeria Mokotów had been the only place for those who wanted to spend time in the area, while waiting for the traffic to ease off after hours, before making their journey home. Now they have a growing number of alternatives.

Competition from the new business district taking shape in Warsaw's Wola district is also an important factor. Owners and property managers of office buildings in Służewiec are starting a number of initiatives to make their schemes more attractive to tenants. These initiatives - including food trucks, jogging training sessions and bicycle repair stations - are expected to be stepped up soon and will have a positive impact on Służewiec's image. Life in Służewiec has already clearly become more active than ever before.



OPINION ARTICLE BY A WARSAW AFICIONADO

→ Służewiec changed completely within a few years of Poland's transformation initiated by the 1989 general election. It changed from an industrial zone into a modern office hub.

#NewIndustrialDistrict #memories #architecture

By 2000, many thousands of blue-collar workers had been replaced by approximately ten thousand white-collar professionals, including specialists in IT, electronics, finance and other fields of expertise – professions representing the cornerstone of an efficient modern economy.

“ The construction of Warsaw's first business park was undoubtedly a milestone in Służewiec's transformation.

Industrial Służewiec had been a child of the socialist era. According to a guide to Warsaw from 1962, eleven years after the then government's decision to implement a six-year plan to build a new industrial zone, there were already over 30 plants employing 11,000 staff in this area. It read:

"Plants operating here include Tewa transistor factory, Ewa radio component factory, lifting equipment plants, radio ceramics plants and Plastic fashion accessories plants." I will never forget a story told me by my father who, as a young engineer, had begun work in the Abrasive Machining Research and Development Centre in Suwak Street in Służewiec. The tram-stop he would get off at for work was located in the middle of cornfields and meadows with grazing cows.

One of the most interesting buildings constructed in Służewiec in the 1950s was the multi-level car and bus garage in Woronicza Street, designed by Janusz Czajkowski and Wiesław Żochowski. Some buildings from that time also housed works of art such as the 1969 mosaic by Anna Gosławska, housed in the former Passenger Lift Industrial Group at 12 Postępu Street.

Industrial Służewiec did not look pretty in the 1980s. Although its skyline was not marred by smoking chimneys, the space between factories, vast stacking yards and warehouses looked dreary. It was scary to be out in its empty streets in the evening. Things began to change after 1993 when old factories started to go bust and their buildings were redesigned for other purposes.

Curtis Plaza, which opened at 18 Wołoska Street in late 1992, was the first modern office building to be developed in Służewiec. There it stood, among former factory buildings, quite alone, and featuring glass and metal panel façades which now look very uninspired. The building itself has aged badly. However, back then it appeared as if it were a spaceship from another world that all of a sudden landed in the Służewiec of post-communist Poland. Several years later, a genuine space cruiser - Galeria Mokotów - made its landing nearby.

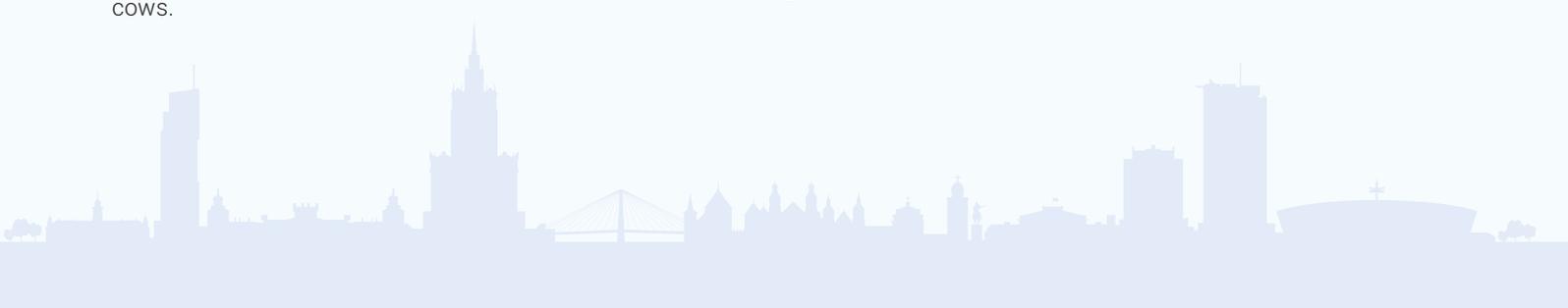
The construction of Warsaw's first business park Mokotów Business Park (now EMPARK), designed by JEMS

Architekci, was undoubtedly a milestone in Służewiec's transformation. The complex stood out against other office buildings; its architecture represented a compromise between the creative temperament of its designers and the efficiency of spatial, technological and functional solutions. The first buildings of the complex were the effect of the redevelopment of post-industrial buildings.

Saturn, in Domaniewska Street, was the first office building constructed from scratch in the area. Following its enormous success, other office buildings sprang up in later years, some featuring interesting architecture. Today, Domaniewska Street includes many well-designed buildings.

Jerzy S. Majewski

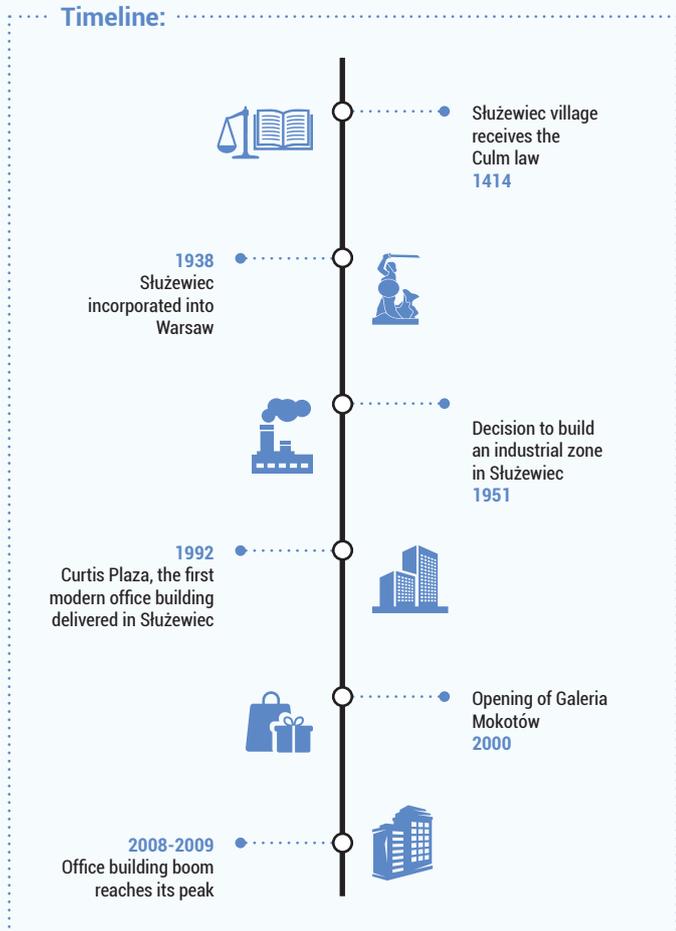
Journalist, commentator, Warsaw expert and aficionado and art historian. He has been writing for *Gazeta Wyborcza* and *Architektura Murator* for over 20 years. The author of dozens of books and guides to Warsaw. The founder of the blog miastarytm.pl.





■ Industrial Służewiec in the 1960s. (Author: Zbigniew Siemaszko. Source: National Digital Archives)

Timeline:



■ Intersection of Wołoska Street and Lotników Avenue in Warsaw in the 1950s (Author: Zbigniew Siemaszko. Source: National Digital Archives)



■ Intersection of Wołoska Street and Lotników Avenue in Warsaw in the 1950s (Author: Zbigniew Siemaszko. Source: National Digital Archives)

EXPERT'S COMMENTARY

→ The development of road infrastructure and public transport lagged behind the rapid growth of the Służewiec office market and the strong occupier interest in the area for a long time. The only public transport investment that kept pace with the developer boom in Służewiec was the first metro line - which in turn spurred on developers and contributed to the creation of the Służewiec we know today.

#infrastructure #transport #repairs #CzyDomaniewskaStoi

Tenant retention and acquisition is a major challenge to office building landlords in Służewiec, given the difficult traffic conditions resulting from the modernisation work currently under way. We all have our fingers crossed for the future, and are happy to see that this area is of interest to the authorities who want to improve roads and public transport, all of which is leading to better working conditions.

“ Modernisation works that are currently under way in Służewiec are expected to improve access to office buildings.

The approximately PLN 50 million investment in Służewiec's key access road - including additional traffic lanes in both directions in Marynarska Street, the grade-separated junction with Postępu Street and the liquidation of left turn lanes - is expected to come to a close soon. The redevelopment work is making it hard for many people to commute to nearby office buildings by tram, but in 2018 they will enjoy considerably shortened journey times in peak hours.

Other planned redevelopments include: the extension of Suwak Street to Cybernetyki Street to enable commuters to change at the Fast Municipal Railway (SKM) station - from trains to buses and vice-versa and the

extension of Woronicza Street to Żwirki i Wigury Avenue. In addition, one-way traffic is likely to be implemented in Konstruktorska Street and new bus lines will be opened. A new switch for double-ended trams is expected to be completed next year, and this will increase the traffic capacity for trams running through the Wierzbno metro station. A new tram connection with the Wilanowska metro station is also planned in the more distant future.

All the planned infrastructure developments were published in the *Study on Transport Services in the Office Służewiec Region* by the Office of the Capital City of Warsaw in early 2017. The *Study* also contains a series of additional recommendations which, if implemented, will greatly complement larger-scale investments. These include the proposed introduction of bike taxi services (already available in Amsterdam), and the construction of special frames for cyclists to hold on to when waiting for the lights to change. Development of cycle lanes remains high on commuters' agenda. As revealed by Savills' report *What Employees Want?*, this is important to 46% of the survey respondents.

Apart from infrastructure developments which are already under way, the human factor is having a major impact on the comfort of moving around in Służewiec. The promotion of public transport, cycling to work and carpooling can all ease daily congestion in both Służewiec and other parts of Warsaw. Local communities should be encouraged

to put forward proposals for the city's participatory budgeting process and to present their opinions on draft resolutions.

Problems currently besetting office tenants include the footbridge over the Służewiec Train Station. Many people violate regulations by taking a short-cut across the railway tracks. An underpass is, however, planned and it will provide much more convenient access and improve the safety of train passengers.

Transportation problems in Służewiec are intertwined with those of other regions of the city from which office workers commute, but unfortunately Służewiec has become a symbol of the beleaguered commuter. There is even a special light-hearted website dedicated to traffic jams: czydomaniewskastoi.pl. It is one of many positive initiatives in addition to the monthly *Głos Mordoru* and the fan page *Mordor na Domaniewskiej* which take a humorous look at Służewiec.

Improving Służewiec's image - tarnished as it has been by many years of poor traffic conditions - is likely to be a far greater challenge in the coming years than the modernisation of its infrastructure.

Due to the transportation problems, some tenants are showing increased interest in more central locations. This is a temporary trend, though. Office buildings located along the second metro line that are moving up in popularity are soon likely to face the same problems as Służewiec - which



■ Warsaw-Służewiec train station (Author: Marcin Gorgolewski)

also previously expanded thanks to the appearance of the first underground line.

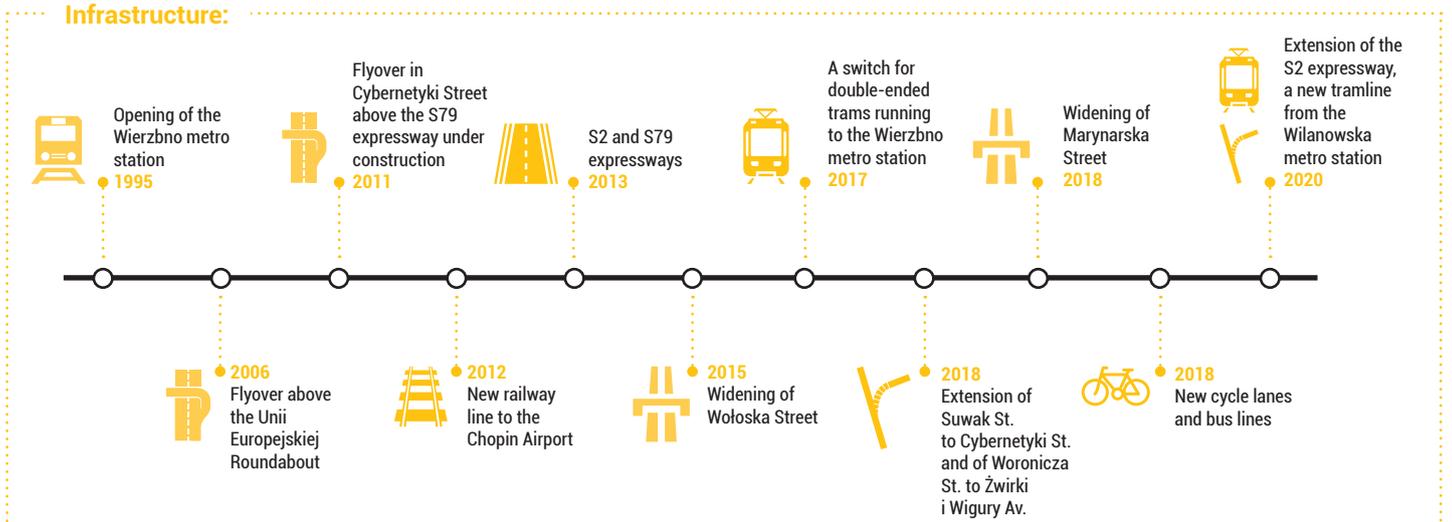
Służewiec has been one of the most attractive office locations in Warsaw for years and, in my opinion, is set to remain a strong business district. Its greatest strengths include the large volume and high quality of available office space and reasonable rent

levels, complemented by the growing supply of residential flats. The road redevelopments and repairs do demand patience from tenants, though. In a year or so, many people may be positively surprised by the radical transformation of Służewiec.



Dorota Ejsmont
Head of Landlord Representation
Office Agency, Savills

Infrastructure:





@Służewiec:

OFFICE MARKET

➔ Almost half of office buildings located in Służewiec were built since 2008 and they create ca. 64% of total supply in that part of Warsaw.

#TheLargestOfficeHub #demand #supply #rents

The largest office buildings built since 2008 in Służewiec include: Horizon Plaza, Konstruktorska Business Center, Marynarska 12, Marynarska Business Park, New City, Park Postępu, Postępu 14 and Trinity Park III with a total office area of 302,000 sq m.

Development activity has decreased to 73,100 sq m over the last few months as developers have shifted their activities towards more central locations. However, this does not mean lack of interest in further development of Służewiec. Amongst developers that have sites secured for office developments are: Echo Investment; ECI, Hines; Garvest and Ghelamco, however, commencement date on projects are subject to market conditions.

Out of six projects under construction, only one – D48 by Penta Investments – has an office area greater than 20,000 sq m (24,200 sq m). The other five office developments are: Ocean Plaza by (2,600 sq m); Artico by GTC (7,300 sq m), Neopark by Yareal (first phase: 10,600 sq

m); P4 by Garvest (first phase: 12,500 sq m) and Graffit by Hines (15,900 sq m).

Despite being one of the largest office hubs in Wars, the current sentiment towards Służewiec is rather negative. Traffic jams, development of road infrastructure together with market conditions (attractive offers for tenants in areas located in central locations) were the reasons for tenants to relocate to other office hubs in Warsaw.

Over the years the volume of new supply in Służewiec exceeded the actual needs of tenants willing to locate their offices in that area which resulted in some sharp increase in the vacancy rate; from almost 6% in 2011 to ca. 20% in early 2016. The rate is, however, slowly but surely, decreasing. In March 2017 the rate stood at 18.9% (down 160 bps year-on-year). By the end of 2017 the rate is expected to decrease further as ca. 30% of the pipeline supply has already been pre-let.

Since 2007 (except of 2009) annual letting activity in Służewiec has

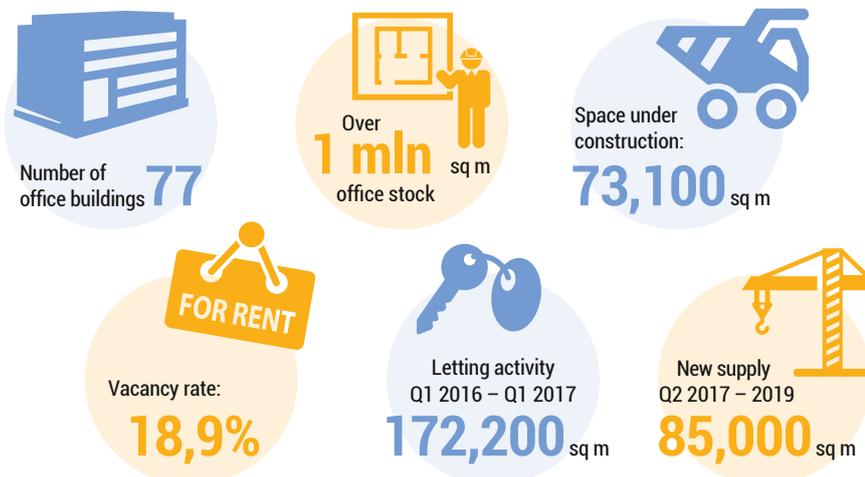
exceeded 100,000 sq m, with record volumes recorded in 2015 (194,100 sq m) and 2012 (198,600 sq m). The annual average over the last 12 years stands at 135,500 sq m. Approximately a quarter of demand for office space recorded in Warsaw since 2005 was generated in buildings located in Służewiec and the share ranged from 18% in 2016 to 33% in 2012.

The largest office occupiers in Służewiec include well known companies such as T-Mobile, Polkomtel, PZU, Netia, AstraZeneca, Poczta Polska, Lux-Med and Nestle.

Demand for office space, despite some challenges Służewiec is currently facing, remains high. From the beginning of 2016 till March 2017, the total volume of letting activity in the region amounted to 172,200 sq m. A large portion of take-up (close to 33%) over the last 15 months were lease renewals and renegotiations proving that a number of tenants are not willing to relocate.

As the development activity in Służewiec is now rather low the share of pre-lease agreements has decreased reaching less than 6% since the beginning of 2016. During the second quarter of 2017 new (pre-lease) transactions signed in Służewiec including Smyk (6,000 sq m) and Inrum Justita (1,600 sq m), both in D48 and Integer (1,100 sq m) and Koning Stahl (700 sq m) in Neopark.

Key data (Q1 2017):



Source: Savills and PORF

■ Left side: D48 office building. Savills is the exclusive agent responsible for the commercialization of the building. (Source: Penta Investments)

Despite the challenges Służewiec is facing, demand for office space in the region remains high.

Office occupiers do appreciate the range of different opportunities: B and A-class office buildings and headline rents which do not exceed EUR 14.00 per sq m/month. As the sentiment

towards Służewiec is currently bearish, tenants can expect attractive packages of incentives both in existing and under construction projects.

INVESTOR'S COMMENTARY

➔ D48 is Penta Investments' first office project in Poland, developed at the junction of Domaniewska and Postępu Streets.

#D48 #NewProject #domaniewska

Warsaw's largest business district, with more than 1.3 million sq m of office space, was chosen as the location for this project deliberately. The current pre-lease level for our project is clear evidence that the Mokotów office hub is becoming increasingly attractive, benefiting from high quality office buildings under construction such as D48 and favourable lease conditions for new tenants. The well-developed and frequently upgraded road infrastructure in this part of Warsaw is also a plus. Quick and easy access to public transport enables rapid travel from district to district. Another key advantage of this location is its proximity to the international airport and Warsaw's southern ring-road, as well as to Galeria Mokotów, one of the biggest and best-known shopping centres in the capital.

D48 will meet all the needs of tenants who are interested in opening head offices in this part of Warsaw. It will offer more than 26,000 sq m of modern office space. Each floor will enjoy maximum daylight thanks to the efficient design and location of the building according to cardinal directions, the clear height of premises and the fully-glazed façade.

“ Służewiec was chosen deliberately. Tenants feel attached to this location.

The office building will also feature spacious terraces overlooking the city centre and green areas with modern outdoor furniture and landscaping. It will also be equipped with a number of sustainable solutions to ensure top energy efficiency and lower service charges, as well as modern smartphone-operated systems. D48 will also provide 480 parking spaces in a two-level underground car park for tenants and a surface car park for visitors with two separate entryways from Domaniewska and Postępu Streets. Both car parks will also have dedicated electric vehicle charging points. Other amenities will include bicycle parking facilities, changing rooms and showers available to cyclists.

The building will also be easily accessible for people with disabilities.

The ground level will feature retail and service facilities, including the Warsztat Kulinaryny restaurant, which will be open on weekdays and at the weekend, for office workers in Mokotów and inhabitants of housing estates currently under construction in the vicinity. D48 has already been awarded LEED Gold precertification.



Damian Grzywacz
Country Managing Director Poland
Penta Investments

PROPERTY MANAGER'S COMMENTARY

➔ Office building managers are taking up an increasing number of initiatives in Służewiec to bring vibrancy to this area and make it a place to be, not only a place to work.

#ActiveManagement #cooperation #HappeninginSłużewiec

As property managers of office buildings in Służewiec, we cooperate with our neighbours from nearby buildings, local organisations and the District Office. By adopting a proactive attitude and being open to dialogue, we can: help build more cycle lanes, improve the quality of paths leading up to buildings, reorganize traffic, improve public transport - including new lines and stops - and implement various other solutions to make parking easier or even to ensure more efficient, comprehensive and coordinated maintenance of green areas.

We also promote the use of environmentally friendly solutions such as carpooling and shuttle bus services for commuters. We encourage everyone to cycle to work by ensuring the presence of amenities such as bicycle racks, changing rooms and bicycle repair stations, or by holding special events for cyclists in Mokotów Plaza - which is under our management.

“ To make the office environment more tenant-friendly we set up relaxation zones in adjacent areas.

To make the office environment more tenant-friendly we set up relaxation zones in adjacent areas.

Deckchairs, tables and food trucks are all available to tenants in the vicinity of office buildings. Other services provided include a drycleaner's, a tailor's, an ATM, a café, a taxi rank and a car wash. Active management was one of the criteria in the selection of the best office building by tenants in a competition held by an industry journal in 2013. The winner was the Tulipan House, which we have the pleasure of managing.

We also do our best to come up with innovative solutions to bring down service charges and improve the level of comfort in office buildings. This helps to add value to office buildings and ensure tenant satisfaction, an extremely important priority for real estate owners. Active management and cooperation with the stakeholders for a given area have a positive impact on the area's image and can pave the way for improvements in conditions for those living and working there.



Agata Janowska
Head of Office Property Management
Property & Asset Management, Savills



■ Food truck (Author: Piotr Stasiak. Source: instagram@piotrstasiak)



■ Bike Day at Mokotów Plaza. Savills is the property manager of the office building. (Source: Bike2Box)



@Służewiec.
RESIDENTIAL MARKET

➔ Located in the south-western part of Mokotów district, Warsaw's Industrial Służewiec (Służewiec Przemysłowy) has been experiencing dynamic changes since the beginning of the 1990s. This warehouse and industrial terrain has been transformed into the biggest business centre in Poland, which now also thrives as a residential area.

#HousingBoom #AttractivePlaceToLive #SłużewiecMyPlace

Mokotów is found to be one of the most attractive Warsaw districts. The view is shared by both buyers of flats and development companies. The supply of flats in Mokotów in terms of quantity is the largest in the capital. Only Wola, Praga Południe and Białołęka have a comparable number of flats offered on the primary market.

In quarter 1 of 2017, Mokotów was placed second in Warsaw in terms of the number of flats sold, behind Wola.

“ At present the area of Służewiec is becoming more and more residential.

Industrial Służewiec has recently become a target for developers' expansion, and it seems that this is only the beginning. Investors have noticed that extensive plots left after former warehouses and industrial plants let them realise various multi-stage residential projects for sale or rent, together with accompanying infrastructure, which will make the neighbourhood even more appealing.

Initially, residential investments centred along such streets as Bokserska, Obrzeżna, Cybernetyki and Postępu; later property developers started to develop plots located in Woronicza Street and Konstruktorska Street. The purpose of such a course of events was to carefully enter the business sections of the city.

When it became clear that there was demand for dwellings located in business areas, investments

started to appear in Garażowa Street, Samochodowa Street and Magazynowa Street. Sales figures confirm that there is demand for projects in such locations. It is especially high among the employees working in neighbouring offices.

The location of flats right next to workplaces is a powerful incentive for buyers. The residential supply of commercially built flats is wide and diversified, and thus it targets both young people and couples looking for compact flats, and families with children who are interested in having comfortable accommodation. These buyers have one thing in common - they all want to save time that they normally would have to spend commuting to work. The flats are also purchased by companies for their employees.

Residential units located in that part of the city enjoy popularity among individual investors who purchase a flat as an investment in order to rent it in the future. This place attracts tenants owing to the vicinity of the business district and its size, and also the proximity of universities. The area is extremely appealing to everyone who likes modern buildings and appreciates easy access to the city centre.

It should be noted that the aesthetics of neighbouring areas is also very important to buyers of flats, similarly as the proximity of green zones and leisure space providing residents with the possibility of spending free time outdoors. In order to meet buyers' requirements, development companies design interestingly organised inner courtyards within their investments, with inter alia playgrounds for children, which improves the comfort of life in those residential estates.

As for the aesthetics of bordering plots and space between buildings, it is upgrading every day thanks to new office and residential buildings, investments in infrastructure realised by the Municipal Council and also activists and social organisations fighting for the improvement of infrastructure in Industrial Służewiec, as it is a workplace for so many people. Furthermore, developers try hard to make their blocks appealing to buyers and ensure that the location aesthetics is an asset of their projects.

At present the area of Industrial Służewiec is becoming more and more residential. It can be expected that, as new investments are completed and the number of residents of that part of Mokotów increases, the accompanying infrastructure of the area will be developing even quicker. Służewiec is already well communicated with other parts of Warsaw, and the vicinity of the business hub lets residents save time when commuting to work.

Owing to the fact that development companies are taking over new post-industrial real property, the aesthetics of the surroundings will be also enhanced. The issue widely discussed is the development of public space between office buildings that at present serves as car parks. Taking into account local area development plans, and the dynamic changes both in residential and office investments, and investments in infrastructure, it should be expected that the area will become a more and more attractive place to live over the course of time.

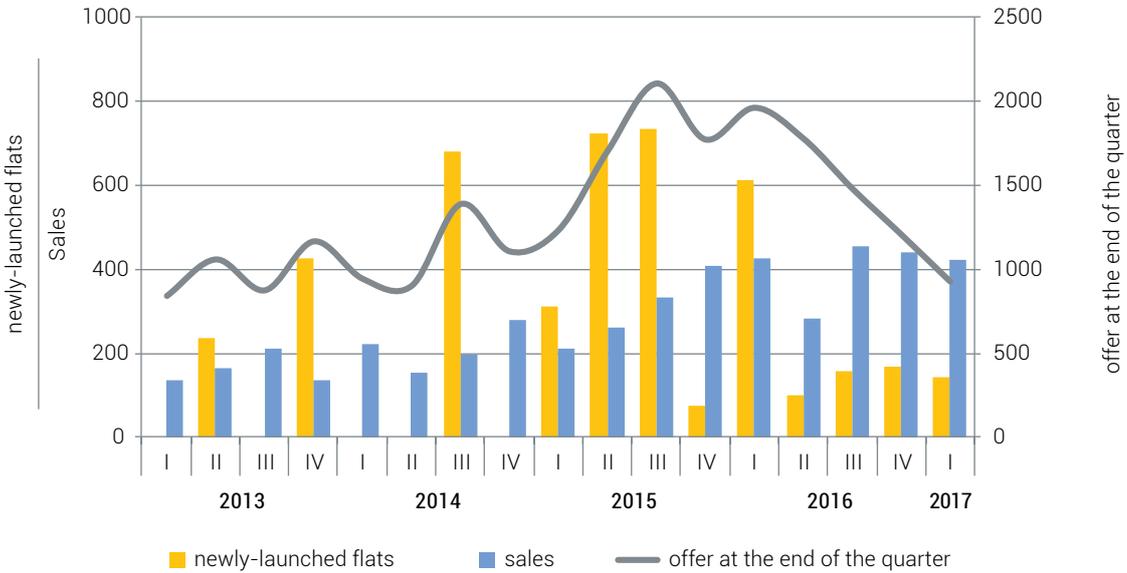


■ Green area around MOKO residential area (Source: Ronson Development)



GRAPH 1

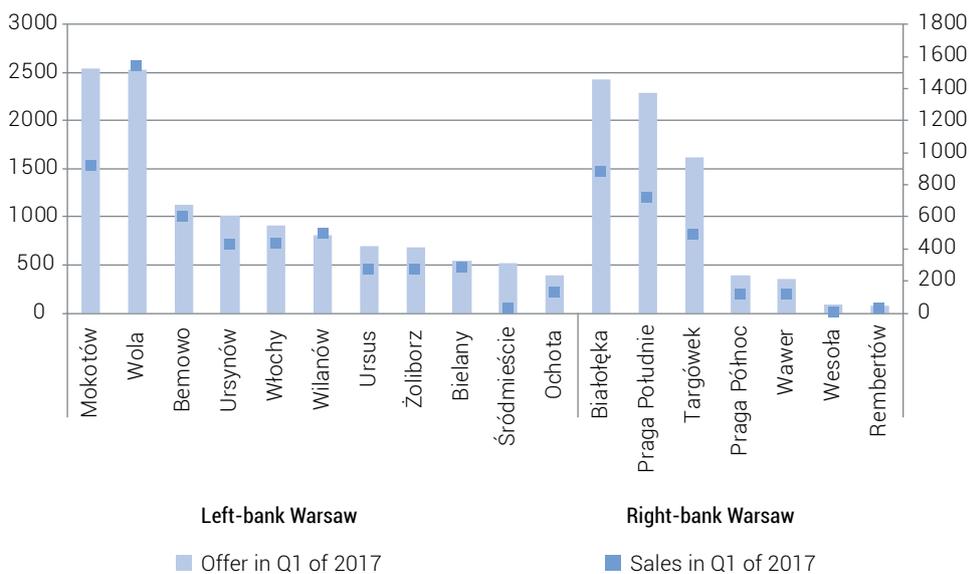
Offer, sales and flats newly launched onto the primary market in the area of Industrial Służewiec



■ Graph: Offer, sales and flats newly launched onto the primary market in the area of Industrial Służewiec (Source: redNet Property Group, Consulting Department)

GRAPH 2

Flats on offer and sales of flats on the primary market in Warsaw in quarter 1 of 2017



■ Graph: Flats on offer and sales of flats on the primary market in Warsaw in quarter 1 of 2017 (Source: redNet Property Group, Consulting Department.)



@Służewiec:
HOTEL MARKET

➔ Local community in Służewiec region needs to have a year round life in flourish. For this to happen hotels need to be a significant part of the development of this part of the city.

#HotelHospitalityPotential #SustainableDevelopment

For the past 15 years the Mokotów district has been developing at morphed speed. The phenomenal growth of office space was, of course, always feeding the demand for peripheral office accommodation with affordable rent options, large office floorplates, within well connected public transportation, relatively close to the airport and the CBD Warsaw.

Plenty of infrastructure improvements have been realized, although in my opinion, not enough to make the locality easy to in and out vehicle transit. What does help in loading and offloading the workforce to these buildings is the public transport. Buses, metro stations Wilanowska and Służewiec service approximately 50% of the daily office commuters.

It is important to keep in mind that Mokotów became a financial driving force for the city of Warsaw and an estimated 6 billion PLN per year are generated in this area in rents, salaries and commercial daily transactions (excluding yearly trading at Galeria Mokotów). This volume of commercial activity does not include the property, individual and corporate taxes. It is definitely a vibrant economic zone, which contributes to the Warsaw suburban diversity.

The region has challenges and opportunities, daily commuting is the main culprit, also the lack of proper affordable residential units, hotels, service points, bars, restaurants, clubs and strip malls. Some of these are being looked after like the roads Wołoska and the N-S Marynarska Streets. Some residential projects are coming into the market and more apartments for rent are being built.

For a community to flourish it needs to have a year-round life, not just come in to work and leave. So, in our opinion for this to happen, hotels need to be a significant part of the immediate future.

In the year 2002, we declared that at least 500 new hotel rooms were needed for the office and commercial developments to be sustainable, so far, no hotels have been added to the CBD Mokotów and the Służewiec Przemysłowy region remains a white spot on the hotel map of Warsaw.

“ Approx. 1 000 new hotel rooms are needed in Służewiec region.

As such, with the new projects announced, by 2020 approximately

1,000 – 1,100 rooms will be delivered to the neighborhood, which with the office space supply forecasted at 1.15-1.2 million m2, should satisfy the demand for hotel rooms in the Służewiec region for years 2020-2025. We estimate that with this new hotel inventory delivered demand for new hotel rooms in the neighborhood will again arise after 2025.

The question is, how does Służewiec become the community that grows and expands with the lifestyle of the Berlin Potsdamer Platz neighborhood. To get there, we see that a mix of transitional steps should be made for the community to become the vibrant part of Warsaw it deserves to be. More BPO's need to take up the empty spaces, as well as the setup of Start-Up's Ombudsman Center, we see the need for open format public libraries with activities and events that connect the local inhabitants to their politicians, artists and actors, language classes, family story reading time, motivational meetings with the business leaders of the area.

The need to light up the spirits on the weekends is certainly the most challenging for the community but the City Council should set up a citizen committee to create the activity calendars with all of the leisure enterprises in the area. Theatres, children play zones, restaurants, pubs, clubs, coffee shops, retail and parks can become part of this committee.

Developers should be an important part of the above mission, after all they are the ones that benefit from the ongoing building boom in the area. They need to feel and be committed to the sustainability of the area.

Alex Kloszewski
Managing Partner, Hotel Professionals

New Hotel Pipeline in the Służewiec Region 2018-2020

Hotel	No. of Rooms	Location	Planned Delivery Date	Category	Chain
Four Points by Sheraton	192	7 Suwak Street	Q2 2018	★★★	Marriott International
Hampton by Hilton	163	7 Postępu Street	Q4 2018	★★★	Hilton Worldwide
Holiday Inn Express Mokotów	167	-	2019	★★★	InterContinental Hotels Group
Moxy and Residence Inn	300	372 Wilanowska Street	2019/2020	★★★/★	Marriott International
Focus Hotel Premium	238	Woronicza Street	2020	★★★★	Hotele Focus



@Służewiec:
LOCAL COMMUNITY

➔ The number of people working in Służewiec is estimated to be between 80,000 and 100,000. This figure is likely to be as high as 250,000 if we include clients, sub-suppliers and other businesses with operations related to this area.

#community #SociologicalPhenomenon #humour

The largest employers in Służewiec include advertising, telecommunications, IT and BPO companies. The workforce is highly diversified in terms of age, sex and profession. However, despite this variety, a local community has clearly formed here. Służewiec, a large office hub and a location of many workplaces, has become a strong binding force for its community.

“ The thousands who make up the local community in Służewiec are its greatest asset and potential.

The desire to share common concerns is likely to have been the underlying force behind the formation of the local community as a unified society. Tens of thousands of people meet one another on the way to work every day. Traffic conditions and public transport have naturally been a frequent talking point since the early days of Poland's largest business district.

With employment in Służewiec on the rise, the transport infrastructure

has become an ever-pressing issue - its development lagged behind the growth dynamics of local office supply. Poland's first metro line is a quick and convenient means of transport, but the peak-hour overcrowding, particularly where passengers change to trams or buses, is one of the key areas for improvement. Frequent road repairs have caused even more inconvenience in recent years. However, the modernisation works currently under way are expected to considerably improve traffic conditions in Służewiec in the near future.

The Polish office market has grown hand in hand with Poland's overall economic growth. The number of companies interested in opening head offices in Warsaw, including this part of the Mokotów district, has been steadily rising. Annual office take-up in Służewiec has exceeded 120,000 sq m since 2010, with record volumes of office space leased in 2012 and 2015: 198,600 sq m and 194,100 sq m, respectively. Workplace internationalization, the implementation of global standards and procedures, and the focus on performance have together stirred strong emotions in employees. With time, work for corporations has become another factor unifying the local community in addition to traffic.

That community had no name or logo, but it embodied the stereotypical characteristics of many organisations. However, the newly-born Służewiec community found a way to deal with changes and strengthen its ties: humour.

A fan page *Mordor na Domaniewskiej* was created on Facebook in 2013. Its name was taken from the famous fantasy trilogy *The Lord of the Rings*. With the rising popularity of the page, the initially pejorative term *Mordor* for Służewiec began to be tinged with sarcastic humour about the modern labour market. The page itself has been slowly turning into a platform for information sharing by the local community as the use of technological innovations is natural to young people who are present in large numbers in Służewiec.

Mordor na Domaniewskiej now has over 130,000 fans, meaning that it is not only followed by those employed in Służewiec. It has proved immensely successful in social media and is evidence of a sociological phenomenon in this part of Warsaw. No other business district in Poland has generated such a strong local community that is characterised by positive thinking and taking its surrounding reality with a pinch of salt.

The *Mordor na Domaniewskiej* page was a response to the needs of a new group of office workers. It helped Służewiec enter colloquial language and become an intrinsic part of Warsaw's popular culture, a truly unique phenomenon nationwide and on the real estate market alike.

The success of Rafał Ferber's initiative prompted others who saw the potential of the *Mordor* community to act. Which is how the free monthlies *Głos Mordoru*



80 000 – 100 000

people work in Służewiec. The daily number of visitors is estimated at 250,000.



130 000 fanów

of the *Mordor na Domaniewskiej* Facebook page, which itself is a sociological phenomenon in Służewiec.



■ StepStone office in Tulipan House. Star Wars theme of the fit-out. Savills is a property manager of the building (Source: StepStone).

and *Mordor Voice* came to be. Both were initially distributed only in the Służewiec area, but now they have a higher circulation than many popular magazines. What is more, they are distributed to readers in other business

districts and even beyond Warsaw. The thousands who make up the local community in Służewiec are its greatest asset and potential.

#survey #CultPlaces

In May 2017, an internet meme about the 25 years of the Curtis Plaza building appeared on *Mordor na Domaniewskiej*, a result of cooperation between Savills and the Facebook page. The post proved very popular with the local community, getting over 1,000 likes.

It also asked page followers to name other cult places in Służewiec. The top destinations included: Galeria Mokotów, Unitra Cemi factory, office buildings such as Mars, Optimus Business Park, Saturn, Plaza 2000 (now Mokotów Box) and the Zepter Business Center.

EXPERT'S COMMENTARY

➔ Office tenants in Służewiec have a diverse range of preferences and always choose an office location to meet their individual business requirements. And just as there is no one-suits-all office in Służewiec, it would be simplistic to say that there could be one workplace for all Millennials.

#office #layout #employees #millennials

An attractive office is becoming an ever-important factor in the war for top talent in Służewiec. This is a general market trend as employers are increasingly focused on improving employee satisfaction in their working space.

For example satisfaction surveys are carried out among employees to find out their working environment preferences. Three key aspects explored in such surveys are: the office area, the amenities available in the building and the surroundings.

“ An attractive office is becoming an ever-important factor in the war for top talent in Służewiec. This is a general market trend.

There has recently been a shift of focus to ensure appropriate office layout, including solutions to improve employee efficiency, creativity and comfort. Silent rooms, chill-out zones and offices that enable easy

communication between teams are becoming ever more commonplace. Flexibility is key, hence the growing popularity of mobile solutions such as telephone booths that are not permanently fixed to the floor.

Efficient space use that supports integration is also important. The kitchen is not merely an eating place any more. It helps employees to strengthen ties and discuss current projects in a friendly atmosphere.

Mobile walls in conference rooms and staff areas can be used to create space for 'town hall meetings'. Tenants also want to stand out against the competition in order to retain and attract the best talent. IT and creative industry businesses, present in Służewiec in large numbers, are at the forefront of this wave, frequently using unconventional interior design such as theme-based conference rooms or original reception desk fit-outs.

Służewiec boasts a large office stock. With a high office supply projected for the whole of Warsaw in upcoming years, landlords will continue to offer rebates and additional incentives to tenants. This means that a modern, high-quality office can be leased in Służewiec at very competitive rental rates.

Many tenants' attachment to this location is also important. Employees of companies with a long-standing presence in Służewiec have personal preferences about transport connections, for instance. Some have decided to buy or rent a flat in the nearby area. Given the current intense competition for talent on the labour market, office tenants remain very cautious about potential relocations.



Jaroslaw Pilch

Head of Office Tenant Representation at Savills

INTERVIEW

➔ If Warsaw's Służewiec is Mordor, the name of Sauron, the lord of that land, can be given to one person only. Below we present an interview with Rafał Ferber, the founder of *Mordor na Domaniewskiej* on Facebook.

#facebook #mordor #sauron

How did you create the Mordor on Domaniewskiej page?

The original Mordor, inspired mainly by World War II, was conceived by J.R.R. Tolkien. *Mordor on Domaniewskiej* came to my mind, inspired largely by the continuous struggle to meet targets. In 2013, I was working at Curtis Plaza in Wołoska Street - the first office building constructed in this area. A friend of mine told me then that the place was commonly called Mordor.

“As the term Mordor gets more and more popular, the image of this part of Warsaw gets better and better.”

Initially I wanted to christen my Facebook page *Mordor na Wołoskiej*, but the name didn't sound good. Domaniewska Street is a symbol of the corporate world, it fitted, so I went for it. I had no idea that something that was meant to be a joke or to give vent to my emotions would become part of urban pop culture and would enter the Polish language for good. All that has happened thanks to the community making up Mordor.

Can you say that a local community has formed in Służewiec?

I have thought a lot about that. Someone even suggested I should set up a party called *MordOrków*, but it would be a very diversified group of people. What they have in common is their workplace, the problems connected with their office location

and the large concentration of people there. In a traffic jam, you will see both a CEO in his company limo and a call centre employee going home by bus. We are all equal in the face of Mordor problems. Most fans of *Mordor na Domaniewskiej* are very creative people with a sense of humour similar to mine – ironic and sarcastic. They are the source of the large volume of great content on our page. Mordor-related memes and snapshots tend to focus on similar issues: coffee, traffic jams, delays, IT problems, food nicked from fridges or corporate pranks. Despite this repetition, you'll nearly always see spot-on comments. I sometimes have more fun reading them than thinking up memes myself.

Apart from Curtis Plaza, what's your other favourite place in Służewiec?

Galeria Mokotów - until they introduced parking fees [Laughs]. Maybe Orion and Saturn, where I had my first job interviews.

Is there any local initiative in Służewiec that sticks in your memory?

Such a large group of people in one place generates lots of positive initiatives. Last year, for example, EMPARK organized an outdoor cinema that showed films or football matches during EURO 2016 after work. That saved you from being stuck in traffic jams. This year the same office complex will hold the Warsaw Business Run for the second time. Such initiatives are great and liven up this part of Warsaw.

How is Mordor perceived now? Does this word have negative connotations?

In my opinion, as the term Mordor gets more and more popular, the image of

this part of Warsaw gets better and better. It's getting warmer, friendlier. As part of the participatory budgeting, someone has even suggested that in Służewiec we should have an orc figure and a board "Welcome to Mordor". We are all for it on the page.

What else should change in Służewiec?

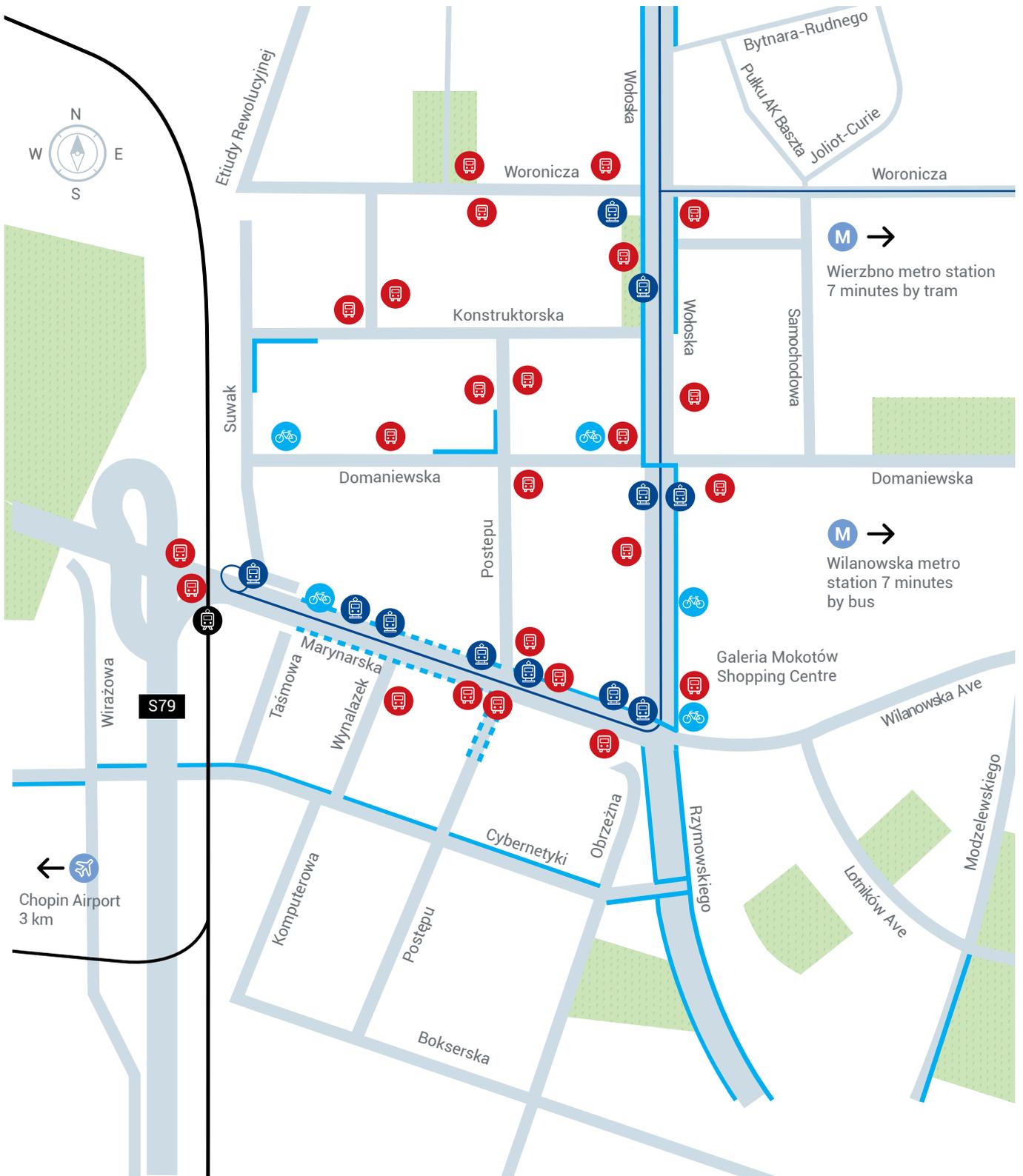
Drivers should change their mentality to start with. Zip merging is rare, leading to many traffic problems. Some enter a junction knowing they won't be able to clear it or think only about themselves when parking. It's one of the key reasons for frustration in this area. Let's keep in mind that Mordor's problems are also the problems of other districts in Poland. We even have a saying: "Mordor is a state of mind".

Is there any other place in Warsaw that could develop a similarly strong community centred on that place?

I've heard about an alternative page *Isengaard za Żelazną Bramą* about a region that's commonly called the second Mordor, but it didn't catch on. I don't think there's any other office location in Warsaw where the phenomenon of *Mordor na Domaniewskiej* could reoccur.

Rafał Ferber

Founder of the *Mordor na Domaniewskiej* Facebook page.
A sales and marketing professional.
An enthusiast of new media and technologies.
He has left Mordor and runs his own social media agency.



M →
Wierzbno metro station
7 minutes by tram

M →
Wilanowska metro station
7 minutes
by bus

←
Chopin Airport
3 km

-  Bus stops
-  Tram stops
-  Train station
-  Bike rental stations
-  Cycle lanes
-  Cycles lanes under construction and planned



@Służewiec:
SUMMARY

➔ With the current changes in Służewiec, questions arise about its future. Three possible scenarios can be outlined based on the review of the district's potential and risks.

#utopia #forecasts #pessimism



Optimistic scenario

PERFECT SUSTAINABLE DEVELOPMENT OF SŁUŻEWIEC
(least likely and best recommended)

1. EXTENSION OF THE FIRST METRO LINE

The planned transport investments will be complemented by two extensions of the first metro line: one in the vicinity of the Wierzbno station (along Woronicza Street up to the railway tracks) and the other running from the Wilanowska station (along Wilanowska Avenue through the Unii Europejskiej Roundabout, the rail and road hub Warsaw-Służewiec, the intersection of Krakowska Avenue and Grójecka Street, up to the Warsaw Raków train station).

2. DEVELOPMENT OF LOCAL INITIATIVES AND POPULARIZATION OF PPP PROJECTS

The local community intensifies its cooperation with both the state administration and investors to shape the local urban fabric. A growing number of companies engage in public-private partnership projects, following the example of Adgar Poland, which will construct a connector between Suwak and Cybernetyki Streets, in partnership with Warsaw's authorities, Starwood and Revetas Capital. Thanks to this multilevel parkings could be built.

3. A CENTRAL PARK IN THE MOKOTÓW DISTRICT

Local inhabitants and office workers can spend free time, eat, do yoga or go jogging in the morning in new green areas created in Służewiec, including a Central Park - just like in New York.



Realistic scenario

THE MOMENTUM OF POSITIVE CHANGES IS MAINTAINED
(most realistic and likely in the longer term)

1. COMPLETION OF REPAIRS

Infrastructure projects planned for upcoming years will be completed and will significantly improve transport conditions for thousands of employees.

2. ALTERNATIVE MEANS OF TRAVEL MORE POPULAR

More people will rely on public transport as a result of new paid parking zones and road alterations, supported financially by developers. Car sharing and car

pooling will become more common. This will include both travelling to work together in a shared car and purchases of vehicles by landlords for tenants. There will also be less road traffic following the extension of the S2 expressway and the construction of a new bridge.

3. REAL ESTATE MARKET CHANGES

The growing demand will push flat prices up, leading some developers to commence construction of residential projects on sites previously earmarked for office developments. This will boost the expansion of retail and services on the ground level of buildings in the area. With fewer office projects delivered to the market, this will lead to the gradual absorption of available space and lower vacancy rates.



Pessimistic scenario

SŁUŻEWIEC'S DEVELOPMENT COMES TO A SUDDEN HALT
(the worst and least likely)

1. TRANSPORT INFRASTRUCTURE CHANGES GO THE WRONG WAY

Certain road projects are put on hold due to financing difficulties, with no improvement to transport in the Służewiec area. Access to air travel for business clients is hindered following the construction of a central hub airport outside Warsaw and the re-profiling of the Chopin Airport.

2. RESIDENTIAL ENCLAVES

Housing estates are closed off to the outside world and the rest of Służewiec without forming a coherent urban fabric.

3. NEW USES FOR OFFICE BUILDINGS

Tenants relocate to other parts of Warsaw, including non-central locations, to have easier access to transport. Landlords choose to convert office buildings into hotels for workers, residential buildings, halls of residence or retirement homes.

About Savills

Savills is a global real estate services provider with a network of more than **33,000 employees** in **over 700 offices** across the world. Savills Poland was established in 2004 and serves clients throughout the country from offices in Warsaw, Wrocław, Poznań and Kraków.

We offer a broad range of professional services for the commercial real estate market, including consultancy, valuation, asset and property management, project management, investment advisory as well as tenant and landlord representation in office, retail and industrial sectors.

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