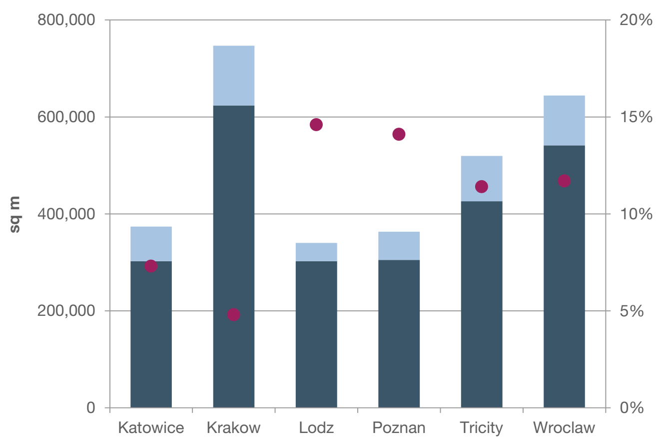
Market in Minutes
Poznan office market

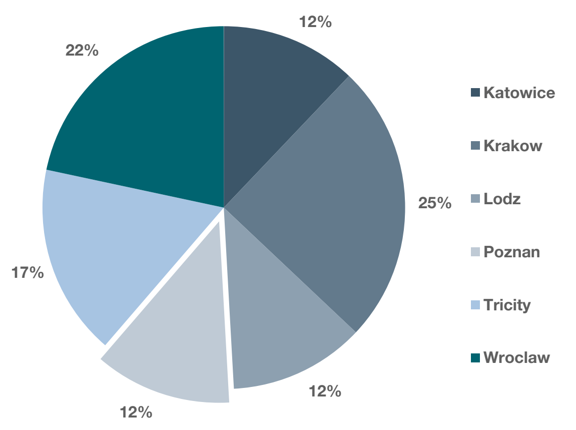
March 2014

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

- Modern office stock in Poznan reached nearly 305,300 sq m at the end of 2013.
- New supply was relatively low last year, with ca. 23,200 sq m, almost twice less than in 2012. The largest completion last year was Malta House (14,700 sq m of offices).
- There is ca. 58,000 sq m of new offices under construction of which only 12,000 sq m is scheduled for 2014. 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 14.1%, but is expected to decrease slightly in 2014.
- Letting activity in 2013 reached 36,200 sq m, reflecting a 50% growth year-on-year. Net absorption was 20,900 sq m.
- Prime office rents are €13.00-14.50 per sq m/month and may decrease slightly in the short-term due to relatively high availability of office space.

"Despite the sluggish pace of development in recent years, Poznan is one of the most attractive office markets in Poland, for both developers and tenants with its prime time still ahead."
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 a ratio of 186 entities per 1,000 inhabitants – the highest level among all regional cities (excluding Warsaw). Unemployment in Poznan remains low, at only 4.1%, 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 entrepreneurship and attract investments by improving the spatial, infrastructural, legal and administrative conditions for enterprises. The local authority plans to focus on high tech industries, creative industries and SME (small and medium enterprises) sector and also develop cooperation with the city's universities and science/research institutions.

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

"New supply will still be low this year with only 12,000 sq m of office space completed but will grow up to ca. 60,000 sq m in 2015, boosted mainly by development of Business Garden Poznan by SwedeCenter."

Mark Freeman, Savills Valuation & Consultancy

General Overview

The total stock of modern offices in Poznan reached ca. 305,000 sq m at the end of 2013, which is almost in line with such regional markets as Lodz and Katowice, but significantly less than in TriCity, Wroclaw and Krakow.

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.

New Supply

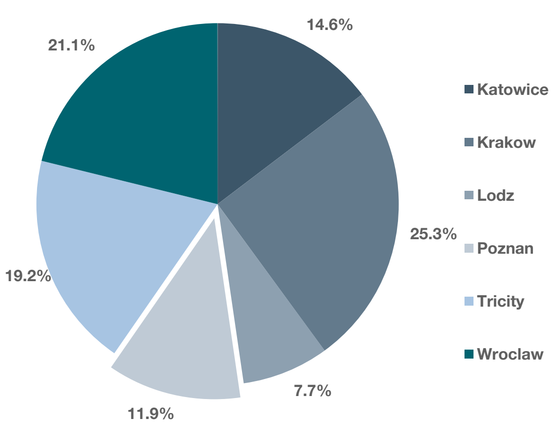
Over the last ten years, the average level of new office supply was 17,600 sq m, which is the lowest level among the six major regional cities in Poland and nearly three times less than the annual average new supply in Krakow, the largest regional office market.

In 2013 new office supply in Poznan was 23,200 sq m. The largest project delivered to the market was Skanska's Malta House with 14,700 sq m of rentable space. Other developments were much smaller and included: Temida Offices by Wechta (2,500 sq m), the office part of Galeria MM by Ataner (2,400 sq m); Piatkowska Office by BTE Inwestycje (2,000 sq m), and Roch Office (1,600 sq m).

Currently there is ca. 58,000 sq m of new office space under construction, of which only 12,000 sq m from two office buildings (Centrum Biurowe Podwale and Nobel Tower) is scheduled for this year. New supply will grow in 2015 once Business Business Garden Poznan by SwedeCenter is completed. Business Garden Poznan is the largest office project at the moment in Poznan and comprises four office buildings with a total office space of ca. 40,900 sq m, all scheduled for 2015.

GRAPH 3

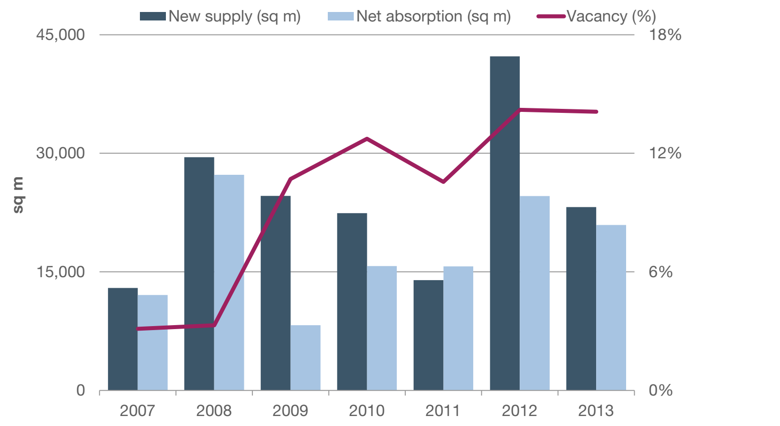
Developments by city



Graph source: Savills

GRAPH 4

New supply, net absorption and vacancy in Poznan



Graph source: Savills

Availability

Average vacancy rate in Poznan is relatively high and at the end of 2013 was 14.1% reflecting ca. 43,100 sq m of avaialable space. Two thirds of the vacant area was located in eight buildings with an excess of 2,000 sq m of space ready to be let.

We expect vacancy to decrease in 2014 to ca. 11-12%, however, it may increase again next year, once Business Garden Poznan is completed, unless it will have been mostly pre-let by that time.

Net absorption amounted to 20,900 sq m, ca. 15% less than in 2012, but slightly above its 7-year average of 17,900 sq m. Absorption is expected to remain stable in 2014 and increase in 2015 reflecting pre-let transactions signed this year.

Among the largest leasing transactions in 2013, were: Franklin Templeton and Skanska in Malta House (3,140 and 2,600 sq m respectively), Go Clever in PBG (2,400 sq m), Newell Rubbermaid in Andersia Business Centre (1,925 sq m) and Arvato Polska in Globis Poznan (renewal of 1,900 sq m).

> "Average vacancy rate is still relatively high, but we expect it to decrease this year, as a result of low new supply. We anticipate demand for office space in Poznan will grow over the next years."
>
> Tomasz Subocz, Savills Tenant Representation.

Demand

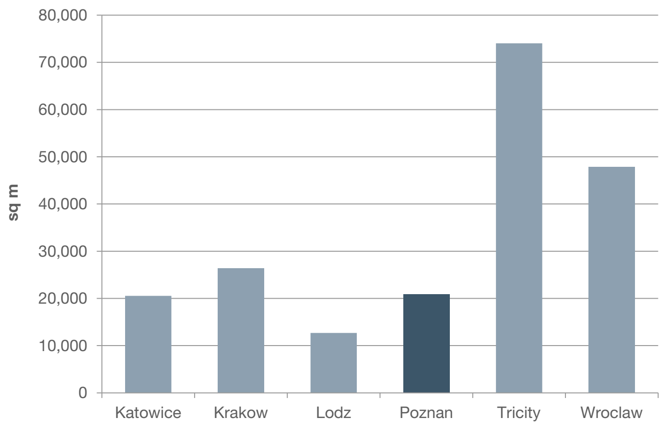
Letting activity recorded in 2013 was ca. 36,000 sq m, reflecting growth of ca. 46% year-on-year and the highest volume in recent six years.

New leases accounted for over 75% of the volume of recorded transactions, expansions ca. 9% and renewals ca. 14%. Pre-let transactions had a relatively low share at 16%.

Similarly to other leading regional cities, BPO/SSC, IT and R&D are those branches which currently create significant share of the demand for office space in the city. This might be even more visible in 2014-2015.

GRAPH 5

Absorption in regional cities in 2013



Graph source: Savills

TABLE 1

Poznan - key facts

Population (Dec 2012)	550,742
Unemployment (Dec 2013)	4.1%
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 (Q4 2013)	305,300 sq m
Under construction (Q4 2013)	58,000 sq m
Available office space (Q4 2013)	43,100 sq m
Vacancy rate (Q4 2013)	14.1%
Absorption (2013)	20,900 sq m
Prime headline office rents (Q3 2013)	€13.00-14.50 per sq m/ month

Source: Savills / GUS

TABLE 2

Largest office projects to be completed in 2014 - 2015

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

Source: Savills

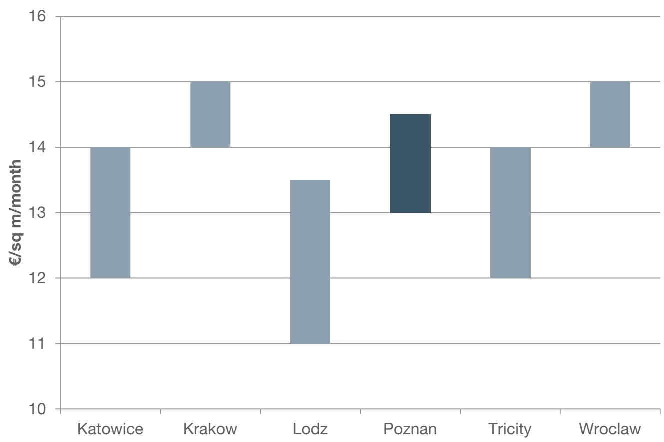
Rents

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 effective levels. Typical incentives include rent-free periods of 1-2 months per one year of lease term as well as fit-out contributions. The cost of underground parking space ranges between €50.00 and €80.00 per space per month.

Service charges are denominated in Polish Zloty and range between PLN 12.00-16.00 per sq m/month.

GRAPH 5

Headline office rents in regional cities



Graph source: Savills

OUTLOOK

Development activity accelerating in response to growing demand

Until the 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 has not been directly reflected in the growth of the office market. This resulted from the city's development strategy which focused on development of hi-tech industry and supporting local small and medium enterpreneurships.

A natural consequence of the successful development of local small business is development of the sector of business services, which has become a major driver of office demand in most of the regional office markets in Poland. The 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 at least 58,000 sq m by the end of 2015. This may result in temporary fluctuations in vacancy and effective rents, however, the growth of the market should accelerate in mid-term.

Savills contacts

Please contact us for further information

Brian Burgess
Managing Director
+48 (0) 22 222 4004
bburgess@savills.pl

Mark Freeman
Director, Valuation
+48 (0) 22 222 4040
mfreeman@savills.pl

Tomasz Buras
Director, Office Agency
+48 (0) 22 222 4020
tburas@savills.pl

Tomasz Subocz
Associate Director, Tenant Representation
+48 (0) 22 222 4026
tsubocz@savills.pl

Piotr Skuza
Senior Consultant, Negotiator
+48 (0) 61 853 4298
pskuza@savills.pl