

# POLISH REGIONAL MARKETS AS AN INVESTMENT PRODUCT

POLAND | 2017



**Deloitte.**  
Legal

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# POLAND BY NUMBERS



38 million  
Population



3.9%  
GDP



7.1%  
Unemployment rate



EUR 1,046\*  
Average monthly salary  
in the enterprise sector



1.5%  
Inflation



9.3 million m<sup>2</sup>  
Office Market



11.2 million m<sup>2</sup>  
Retail Market



12 million m<sup>2</sup>  
Industrial Market



EUR 105.8 bn  
EU funds 2014 – 2020



1,078  
Number of BSS centres



244,000  
Headcount at BSS centres

Sources: Central Statistical Office, June 2017; [www.paih.gov.pl](http://www.paih.gov.pl); Colliers International; ABSL report "Business Services Sector in Poland 2017".

\* EUR 1 = PLN 4,309

# FOREWORD

In recent years, Poland has become the unquestioned leader in the investment market in Central and Eastern Europe. This is confirmed by growing investor confidence in Poland as a stable and relatively mature market. As a result, in their search for high-quality assets, investors are increasingly looking at regional markets, such as Kraków, Wrocław, Łódź, Poznań, Tricity and Katowice.

The report below presents the situation in the office, retail and industrial investment markets in Poland. It describes the real estate yields and investment products available in regional cities. The publication also includes basic information on cities, incentives, business support and the most important investments.

An important part of the report is devoted to legal and tax regulations in Poland that concern the commercial real estate market. This publication from Colliers International and Deloitte Legal is a guide for investors that covers the investment market, types of transactions, taxes, risks, contractual clauses and the government's draft REIT legislation.

We wish you an informative read.

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# ECONOMIC OVERVIEW

Poland is the CEE's largest economy and consumer market and the EU's sixth largest economy. It is the only EU country that avoided recession in 2009 consistently recording stronger economic performance in comparison to the majority of other EU member states.

GDP per capita expressed in purchasing power standards is currently at 69% of the EU-28 (2015). Poland is benefiting from increasing purchasing power (currently at EUR 6,366 per capita per annum), which contributes to higher consumer spending. The economy is forecast to grow approximately twice as fast as the EU. Cumulative GDP growth of over 15% by 2020 is anticipated.

Poland is anchored by conservative local capital, state participation in key industries including the banking sector, low debt levels per capita and a strong domestic consumer market. The public debt burden of 54.4% of GDP is among the lowest in the EU and favourable compared to +90% in the EU, and ca. 100% in the US.

Poland has been a member of the European Union since 2004, which allocated EUR 101.5 billion to Poland for the period 2007 - 2013, including EUR 68 billion in cohesion funds. An even higher amount totaling EUR 105.8 billion, including EUR 72.9 billion under cohesion policy funding, was agreed for 2014 - 2020. As a result, Poland is enjoying a rapid development of its transportation infrastructure with the delivery of a number of motorway sections, express and ring roads, development of new airports as well as the modernisation of railway tracks.

The Polish economy is a part of EU with a coherency factor of over 80%. Germany is Poland's biggest trading partner with volumes of trade reaching in 2015 ca. EUR 48.5 billion (27% of total exports) and EUR 40 billion (23% of total imports). In terms of exports, Poland's biggest partners are the UK, Czech, France, Italy,

the Netherlands, Russia, Sweden, Hungary and Spain, and in terms of imports China, Russia, Italy, the Netherlands, France, Czech Republic, UK, USA and Belgium.

Poland benefits from a well-educated, comparatively inexpensive and highly motivated labour force, making it the manufacturing and financial services hub of Europe, with numerous businesses setting up back offices for their European operations (Credit Suisse, HP, UBS, IBM, Google, HSBC, Sony). With over 240,000 jobs in over 1,000 service centres, the modern business services sector is one of the main drivers of the development of modern office stock in Warsaw and regional cities.

Resilience to the recent financial crisis, a strong economic performance, a conservative and safe domestic banking sector and a constantly developing and modern commercial real estate stock with the majority of well-represented asset classes, translate into significant investment volumes recorded every year. Poland is perceived as a transparent and increasingly core European market.



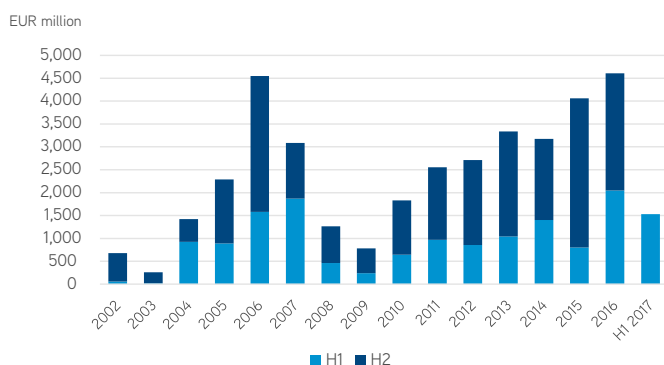
# INVESTMENT MARKET IN POLAND

Poland remains the leading market in the CEE region in terms of diversity and liquidity; while the Czech Republic (ca. EUR 2.2 billion) recorded a strong performance in H1 2017, Poland is expected to remain the pace setter.

The total investment volume for H1 2017 amounted to ca. EUR 1.53 billion, with over 30 transactions and 50 commercial properties traded, which is the second best first half of the year since 2008 following the record results of the last year (EUR 2.1 billion in H1 2016).

Taking into account number of transactions under negotiation and due diligence, there are good prospects for record 2017 year-end results and a further continuation of the increase in investment volumes in Poland (2014 – EUR 3.1 billion, 2015 – EUR 4.1 billion, 2016 – EUR 4.6 billion).

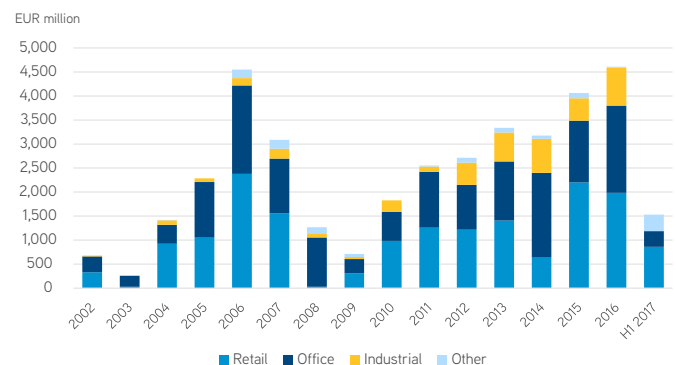
## Poland investment volumes, H1 vs. H2



Source: Colliers International

Over EUR 0.9 billion was invested in retail assets accounting for 60% of the total investment volume in H1 2017. EUR 260 million was allocated to the office sector (17%). High investment activity in the hotel sector resulted in a historical record of EUR 0.34 billion and 23% market share. No significant investment activity in the industrial sector was noted in H1 2017; however, it is expected that the volume in this sector in 2017 will be high as several deals are at advanced / preliminary agreement stage, including the sale of Logisor, Blackstone's European warehouse operation, to China Investment Corporation, the biggest private equity real estate deal in Europe on record (total volume of ca. EUR 12.25 billion).

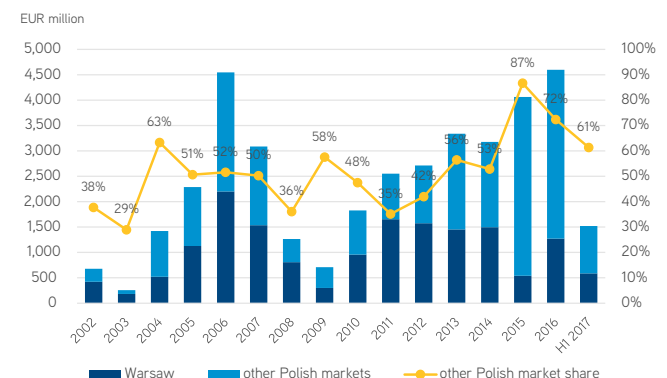
## Poland investment volumes by asset class



Source: Colliers International

Nearly EUR 0.6 billion was invested in Warsaw (39% of overall volume) in H1 2017. Regional markets absorbed EUR 0.9 billion (61%), which is a continuation of the investment trend for search for investment-grade product among all asset classes in dynamically developing regional markets.

## Poland investment volumes, capital city vs. regional markets



Source: Colliers International



## POLAND - CEE REGIONAL DIVERSIFICATION LEADER

Unlike most of its CEE peers, Poland is seeing a substantial proportion of investment channeled into the regions (including second and third-tier cities) versus the capital city, a sustained trend since 2013, which highlights the fact that Poland has been successfully underwritten nationwide by international purchasers. Assets purchased in the Polish regions made up 72% of national flows in 2016 and 61% in H1 2017. The absolute totals of EUR 3.34 billion in 2016 and EUR 0.93 billion in H1 2017 outshone all CEE peers.

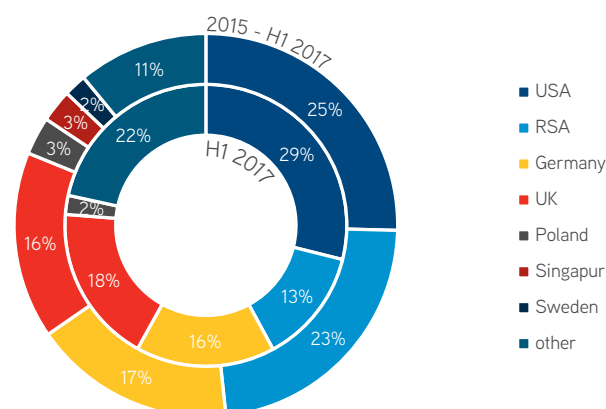
Within the CEE-6 countries, Bulgaria saw the lowest regional proportions, 4% in 2016 and 26% in H1 2017. Highest amongst the peers last year was Czech Republic: 41%. This year Romania recorded an outlying 79% of flow, with Slovakia the next highest with 64%. The Czech Republic stood at 47%. While the H1 2017 Czech regional total of EUR 1.01 billion is impressive, the investor base is more domestic (44%). The bias in the Polish regions is clearly towards international investors, who made up 97% of 2016's volume and 85% of 2017's. Warsaw's non-primacy status in terms of population (3% of Poland's) compared to, for example, Prague (9% of Czech's) and Budapest (10% of Hungary's) and the absolute size of the major Polish regional city markets, explains the popularity of these cities compared to others in CEE.

The populations of the seven key regional cities range from 298,111 (Katowice, GUS\* 2016) to 765,320 (Kraków, GUS\* 2016). Brno (378,327 people in 2013) is the largest regional city in the CEE outside of Poland. Benchmark yield, rent and vacancy data we record are abundant for the key Polish regional cities, whilst being entirely absent due to illiquidity from Slovakia, Romania, Bulgaria and Hungary. We track only Brno and Ostrava in the Czech office arena (yields of 6.5% and 9.0%) and a dozen Czech regions in the industrial sector, where yields range from 6.25% - 7.75%.

\* Central Statistical Office

The capital continues to be deployed by managers from the UK, US, Germany and South Africa (ca. EUR 2.0 billion invested in the last 18 months). The largest players of H1 2017 included Echo Polska Properties, Pradera, DAWM, Octava, U City and CPI Property Group.

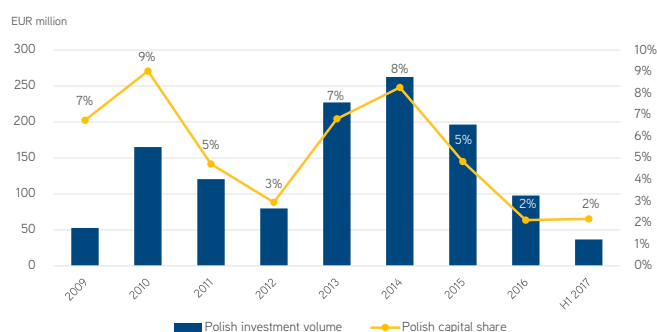
## Origin of investors, 2015 – H1 2017 vs. H1 2017



Source: Colliers International

Polish capital has held a marginal share in total investment volume over recent years. The new law on Polish REITs, which aims to encourage domestic investors to invest in commercial real estate, is currently under preparation, however its structure and asset class composition are not yet finalized and subject to further discussion.

## Domestic capital investment volumes and market share

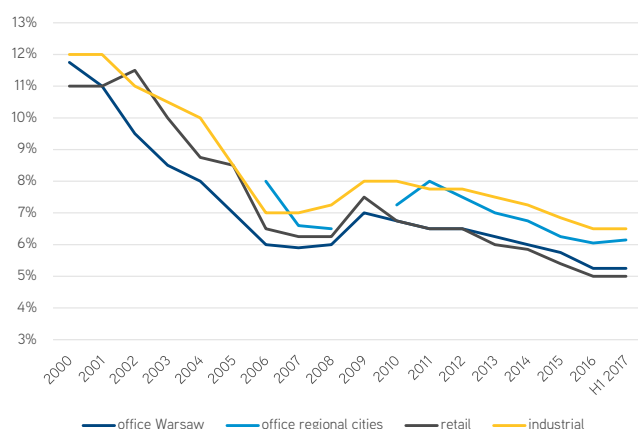


Source: Colliers International

Pricing for core assets continues to be primarily driven by the residual lease term. Reference transactions in H1 2017 did not provide conclusive evidence regarding yield movement, however, on the basis of the transactions, which are currently in due diligence, a downward adjustment is still expected due to sustained investor demand and positive leasing dynamics, particularly in the major regional cities.

Prime office yields for CBD Warsaw are now at 5.25% and at ca. 6.0% in main regional cities (Wrocław and Kraków). Retail yields remain stable in the range 5.0 - 5.5% for Warsaw and major regional cities for modern, 3rd generation, dominant, trophy-type assets, and in the range of ca. 7.0 - 8.5% for shopping centres in smaller cities. Prime logistics BTS assets with a long cash flow are generally traded at ca. 6.5% (but substantially below in the case of very long leases with investment-grade covenants) while traditional prime logistics multi-tenant facilities are in the range of ca. 7.0%.

### Prime historical yields, 2000 – H1 2017



Source: Colliers International

## Investment office market

Total supply in the nine major markets in Poland at the end of 2017 is estimated at nearly 10 million m<sup>2</sup>. Warsaw is the largest office market in Poland with 5.2 million m<sup>2</sup> of total stock. Among regional cities, Kraków (1 million m<sup>2</sup>), Wrocław (874,000 m<sup>2</sup>) and Tricity (646,000 m<sup>2</sup>) offer the highest amount of modern office space. Other cities such as Poznań, Katowice and Łódź have more than 400,000 m<sup>2</sup> of office space each.

Activity among developers remains at a high level with - over 1.7 million m<sup>2</sup> of modern office space is under construction. Over 40% of the total amount of space under construction is in Warsaw - 720,000 m<sup>2</sup>, while in regional cities most space is being built in Kraków (275,000 m<sup>2</sup>), Wrocław (240,000 m<sup>2</sup>) and Łódź (152,000 m<sup>2</sup>). Over the first six months, developers completed over 300,000 m<sup>2</sup> of office space. Another 500,000 m<sup>2</sup> is planned to be delivered by the end of the year, which will be close to the result from 2016, when almost 900,000 m<sup>2</sup> of office space was delivered to the market.

The vacancy rate in Poland recorded a slight decrease to 11.9% compared to 12.1% at the end of Q1 2017. In regional markets, the lowest vacancy rates were recorded in Łódź (6.0%) and Tricity (7.8%). Investments delivered to the market in H1 2017 were commercialised up to 53%.

The total demand registered in H1 2017 in Poland amounted to 723,000 m<sup>2</sup>, which is a 15% increase compared to the same period of the previous year. Contracts signed in planned buildings and those under construction accounted for about 22% of the total leasing transaction volume, which translated into 157,000 m<sup>2</sup> of leased space in these projects. In the analysed period, net absorption amounted to 342,000 m<sup>2</sup>, with 119,000 m<sup>2</sup> of this in Warsaw. In regional markets, the highest absorption was recorded in Wrocław (58,000 m<sup>2</sup>) and Kraków (51,000 m<sup>2</sup>).

Base rents remained stable. Office space in Warsaw was offered from EUR 12 to EUR 22/m<sup>2</sup> per month, while in regional cities from EUR 10 to EUR 16.5/m<sup>2</sup> per month. The high supply of office space favours tenants as developers are offering interesting office designs and large incentive packages.

The largest and dynamically developing office stock in CEE, strong demand and a diverse pool of investment products available in Warsaw and other major regional markets continue to attract different group of investors and different investment strategies. The office market has maintained high dynamics with EUR 1 billion of annual capital inflows a year since 2013 and a 33% share in the overall investment volume in Poland since 2009.

### Office investment volumes and market share

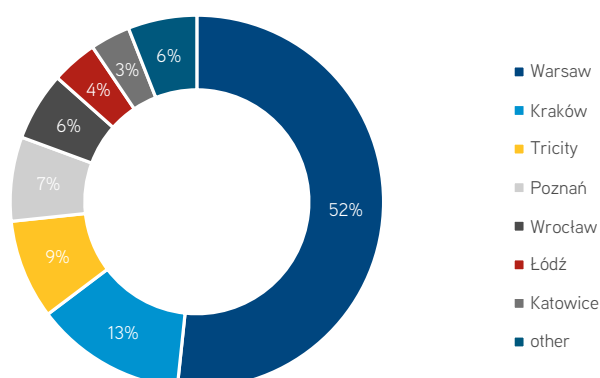


Source: Colliers International

During the last 30 months, the market has recorded 90 office assets sold in over 60 transactions, accounting for a total value of ca. EUR 3.45 billion. There are a number of office buildings currently under negotiation and due diligence, which provides good prospects for year-end results.



## Office investment volumes by markets, 2015 – H1 2017



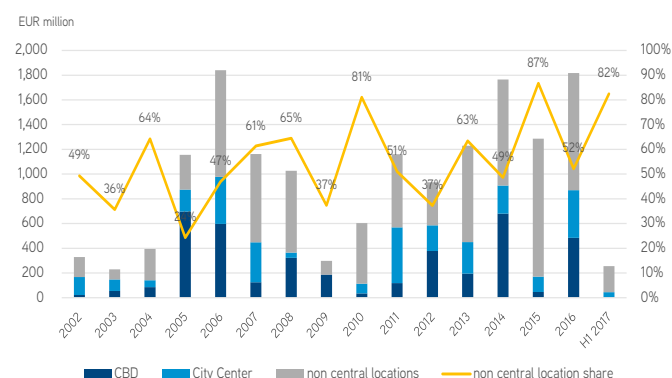
Source: Colliers International

The market is dominated by single asset transactions, however, we notice increasing demand for portfolio and platform acquisitions. Portfolio deals have accounted for only ca. 12% of office investment volume since 2009, (14% during the period from the beginning of 2015).

Warsaw remains the most liquid office investment market in CEE. With the exception of 2015 when only EUR 0.45 billion was transacted (due to limited availability of products for sale), since 2011 the market has recorded on average ca. EUR 1 billion in investment volume p.a., which translates into sales of ca. 20 office buildings annually.

During the last 30 months, the capital city market has witnessed over 30 investment transactions with over 40 assets sold. The investment volume during this period amounted to EUR 1.7 billion.

## Office investment volumes by Warsaw zones



Source: Colliers International

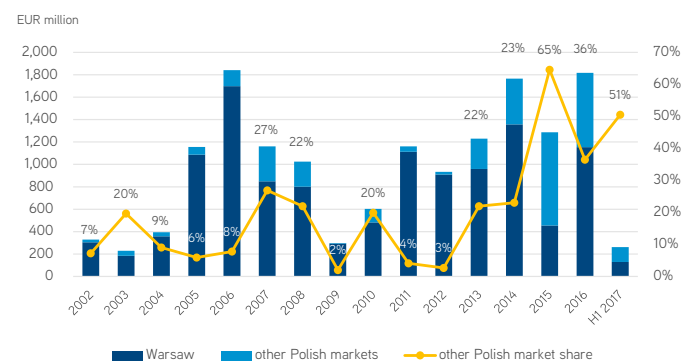
Investors' interest has not been limited only to the CBD and the City Centre, but extends to fringe locations as well. Capital follows new supply of well leased assets and available prime products across all office zones. There is increasing interest in manage-

to-core and add-value opportunities, in particular in portfolio transactions (acquisition of the BPH portfolio by Octaba, acquisition of the pan-European SEB fund by Goldman Sachs).

Prime office yields in Warsaw are reported slightly above 5.0% for prime city centre and CBD assets and below 7% for city center fringe locations. Służewiec, Mokotów's office sub-district, reported a prime yield of ca. 7.5% (sale of Konstruktorska Business Center by HB Reavis to Golden Star Group) in 2016, however there is limited transactional evidence as the district undergoes major leasing and infrastructural changes. Pricing (in particular in non-central locations) is driven mostly by the residual lease term. We note substantial demand for ticket sizes in the range of EUR 50-100 million.

Unlike other CEE countries where most of the investment activity is concentrated in capital cities, Poland offers institutional quality office buildings with international investment-grade covenants in other major regional markets (Kraków, Wrocław, Tricity, Poznań, Łódź and Katowice). Each of them continues to attract corporate occupiers with large space requirements from the dynamically growing modern business services (BPO, SSC) sector. The share of regional investment volumes in the office sector (as well as other asset classes) has been growing substantially since 2013.

## Office investment volumes, capital city vs. regional markets

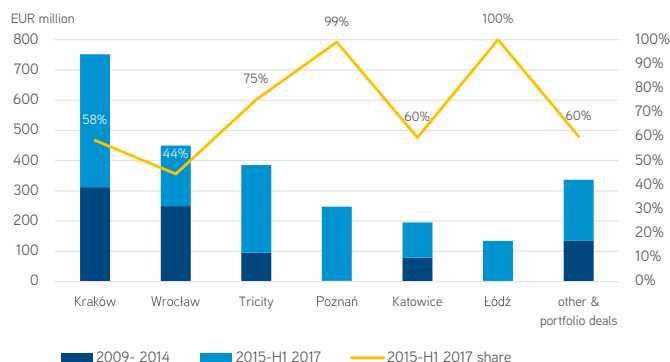


Source: Colliers International

Kraków and Wrocław are fully underwritten by core investors and regularly record the highest capital inflow. Tricity, Poznań, Łódź and Katowice are now emerging with strong growth in liquidity and increasing pricing, underpinned by favourable leasing dynamics.

The total investment volume during the last two and half years in the regional office markets reached the level of EUR 1.6 billion (nearly as much as the Warsaw market) and EUR 2.53 billion in total since 2009. This demonstrates a significant shift in investor interest in particular towards younger markets such as Tricity, Poznań, Łódź and Katowice, which have significant capital appreciation potential. In the period 2015 - H1 2017, 50 office buildings were sold in over 30 investment deals.

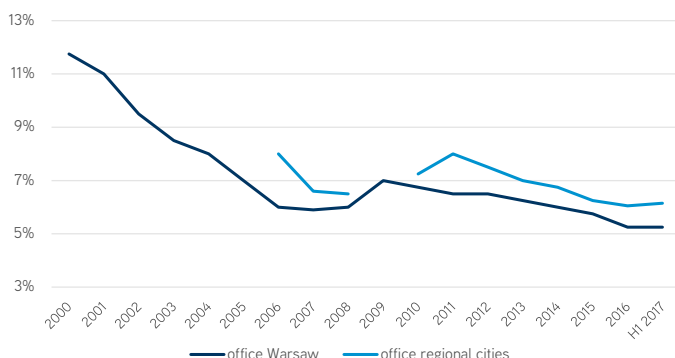
## Office investment volumes by markets, 2009 – 2014 vs. 2015 – H1 2017



Source: Colliers International

Pricing for prime office buildings in regional cities has converged in the last 24 months with the gap now well below 100 bps (down from 150 basis points in 2011). Currently, prime office yields in regional cities are reported at ca. 6.0 – 6.25%.

## Office historical yields, 2000 – H1 2017



Source: Colliers International

Nearly 40% of capital in the office market in Poland was invested by US investors during the period 2015 – H1 2017. German investors, who have been market-makers for prime assets for the best part of the last 10 years, maintained a 14% share. Domestic (Polish) capital remains behind investors from South Africa and the United Kingdom with only a 7% market share and showing little activity in the marketplace.

Since 2014, the largest share has been held by US-based capital and Germany-domiciled money managers reaching deeper into the regional office markets and investing not only in prime products but also looking for add-value and opportunistic investments

## IMPORTANT OFFICE DEALS IN POLAND



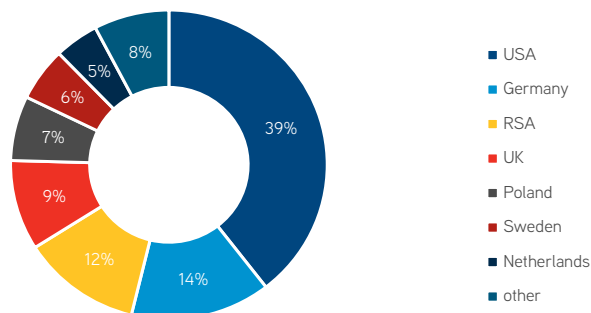
The acquisition of Q22, the brand-new iconic 39-storey office tower with ca. 54,000 m<sup>2</sup> of GLA located in the Warsaw CBD, by Invesco for EUR 273 million is the largest office investment transaction in Poland since the beginning of 2015 and one of the the largest in the CEE region in 2016.

Other important office transactions in Warsaw in 2016 include the sale of Gdański Business Center by developer HB Reavis to Savills Investment Management for EUR 183 million, the acquisition of Konstruktorska Business Center at Mokotów Służewiec by Golden Star Group for ca. EUR 120 million and the acquisition of Prime Corporate Center a GLA 21,000 m<sup>2</sup> office building in City Center West by Warburg-HIH Invest Real Estate for ca. EUR 91 million also in 2016.

The largest single-asset, benchmark-setting office transaction in a regional city was the sale of Dominikański, a modern office asset with GLA 40,000 m<sup>2</sup>, prominently located in Wrocław city centre for ca. EUR 117 million in 2015, by Skanska to Union Investment

Major important office transactions in regional cities include the acquisition of Skanska's regional portfolio comprising office buildings in Kraków and Katowice (Axis, Kapelanka, Silesia Business Park) by NIAM, the purchase of B4B office project in Kraków by TPG for EUR 95 million in 2015, the acquisition of Maraton office building developed by Skanska with GLA 23,600 m<sup>2</sup> by Union Investment for EUR 62 million in Poznań in 2017.

## Office investors origin, 2015 – H1 2017



Source: Colliers International

# Investment retail market

The total stock of modern shopping centre space at the end of June 2017 reached about 11.2 million m<sup>2</sup>. The largest retail markets in Poland remain the Warsaw agglomeration (46 schemes and total space of 1.5 million m<sup>2</sup> GLA) and the Katowice conurbation (44 projects, 1.1 million m<sup>2</sup> GLA). At the end of June 2017, the retail space density ratio in Poland amounted 293 m<sup>2</sup>/1,000 inhabitants. Among the largest agglomerations, the highest density is noted in Poznań (832 m<sup>2</sup>/1,000) and in Wrocław (826 m<sup>2</sup>/1,000), while among medium size cities the highest density is in Lublin (959 m<sup>2</sup>/1,000).

At the end of Q2 2017, almost 750,000 m<sup>2</sup> of shopping centre space was under construction, approximately 47% of which will be completed in July-December 2017. Shopping centres are mainly being built in the largest agglomerations (71% of space) and also in the smallest cities below 100,000 inhabitants (21% of space). Supply for 2017 is estimated at a similar level compared to the previous year (almost 400,000 m<sup>2</sup>).

At the end of June 2017, the average vacancy rate in shopping centres for the eighteen biggest Polish cities was 4.1% and was 0.6 p.p. higher than in December 2016. The lowest vacancy rate among major retail markets is in Warsaw (2.6%). However, the largest amount of available space is in Katowice (5.9%).

Prime rents vary between the capital and regional cities. The highest rents are recorded in prime shopping centres in Warsaw at the level EUR 115-120/ m<sup>2</sup>/month (100-150 m<sup>2</sup> unit for fashion) compared with EUR 43-45/ m<sup>2</sup>/month in Wrocław, Kraków or Poznań.

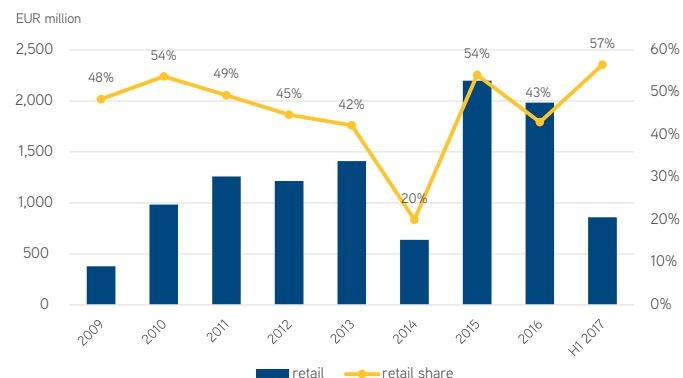
Dynamic 4% GDP growth resulting from the advantageous macroeconomic situation, low inflation, the historically low unemployment rate, increasing potential of the middle class are just few factors attracting capital to the retail market.

Retail has remained the dominant investment asset class since 2009 with a 45% share in the market. In 2010 and 2015, retail asset investments exceeded 50%. In 2014, when only a few assets were available for sale, the retail share was low at 20%.

Since the beginning of 2015, ca. EUR 5.0 billion has been invested in retail asset class.

The core retail investment product is a 3rd generation, dominant retail shopping centre in a large city with a strong catchment. However, more and more investors are looking for convenience retail and dominant shopping centers as well as retail parks in smaller cities.

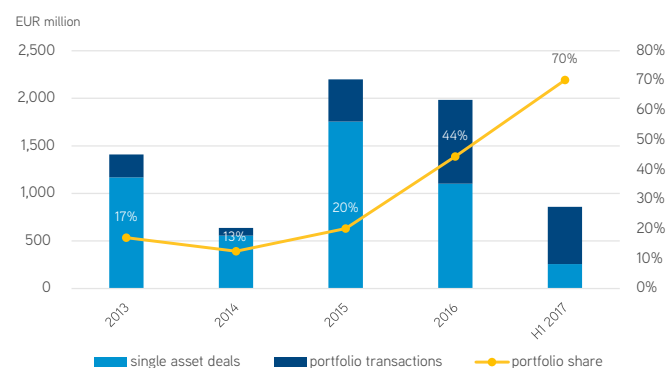
## Retail investment volumes and its market share



Source: Colliers International

We note an increase in portfolio transactions as more investors are looking for scale as well as platform opportunities, which can be efficiently scaled up by new acquisitions in order to build a larger critical mass.

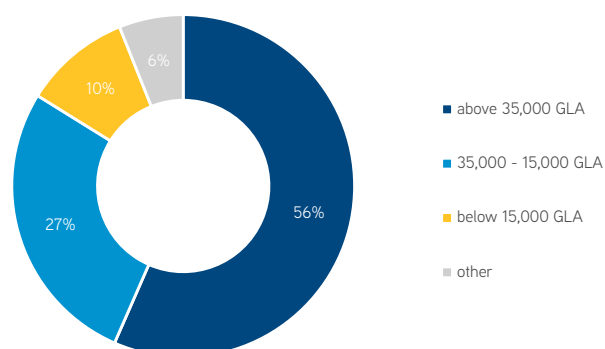
## Share of retail portfolio transactions



Source: Colliers International

56% of invested capital was allocated to large (above 35,000 m<sup>2</sup> GLA) and usually dominant shopping centers, 27% - mid size retail assets (from 35,000 to 15,000 m<sup>2</sup> GLA) and the remainder (EUR 0.38 billion) into smaller projects in period 2015 to H1 2017. EUR 0.3 billion was allocated to other retail deals.

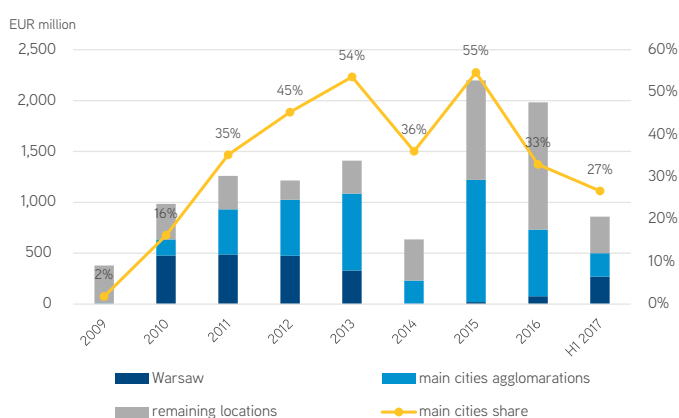
## Retail investment volumes by asset size, 2015 – H1 2017



Source: Colliers International

Warsaw, the largest retail market in terms of existing stock and tenant base, is characterized by a low share in retail investment deals due to a lack of retail assets available for sale due to the fact that the market is dominated by long-term holders. Over EUR 2 billion was invested in main regional cities and agglomerations (Kraków, Wrocław, Poznań, Tricity, Katowice and Łódź) representing 40% of total retail investment volumes in 2015 to H1 2017. Investors are targeting sub-markets with appropriate purchasing power and catchment, not necessarily only the largest urban centers and with proven liquidity.

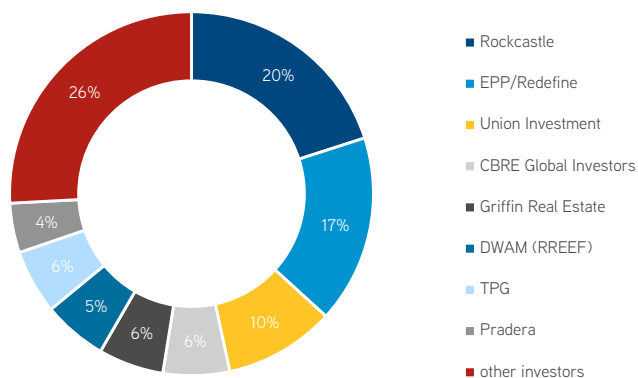
### Retail investment volumes locations, 2015 – H1 2017



Source: Colliers International

Since 2013, prime retail yields have been slightly lower than prime office yields, although the gap is not significant. For prime products, investors have paid below 5.5% in main regional cities (Kraków, Wrocław, Poznań, Tricity, Katowice and Łódź). In second and third tier cities, prime yields are reported in the range of 7.0 – 8.5%, depending on the quality of the asset and the size of the catchment area. It is expected that yields for Warsaw prime assets would be at or below 5.0%, even though there is no supporting transactional evidence

### Retail investors origin, 2015 – H1 2017



Source: Colliers International

The retail investment market is currently dominated by large institutional investors. The capital from the Republic of South Africa (Echo Polska Properties/Redefine, Rockcastle) dominated the retail market with over 40% share (nearly EUR 2 billion invested) during the period 2015-H1 2017, however large ticket transactions have also been completed by German-domiciled buyers.

## IMPORTANT RETAIL DEALS IN POLAND

The largest retail portfolio deals in 2015 - H1 2017 include: acquisition by Echo Polska Properties/Redefine of a 75% stake in the office and retail portfolio owned by Echo Investment SA, with the value of the underlying retail component of Pasaż Grunwaldzki in Wrocław, Galaxy in Szczecin, Galeria Echo in Kielce, Galeria Amber in Kalisz, Galeria Veneda in Łomża, Outlet Park in Szczecin, Galeria Sudecka in Jelenia Góra, Galeria Olimpia, Centrum Echo in Bełchatów and Centrum Echo in Przemyśl was estimated at ca. EUR 0.66 billion (the transaction was completed in 2016); the acquisition of the Ikea Center portfolio consisting of Park Handlowy Janki, Park Handlowy Franowo, Park Handlowy Targówek and Park Handlowy Rawa by Pradera for EUR 220 million in 2017 (as a part of a pan-European portfolio); and the sale of Focus Mall Zielona Góra and Focus Mall Piotrków by Aviva Investors to Rockcastle for ca. EUR 160 million in 2016.

The largest retail single asset deals in 2015 - H1 2017 include the sale of Bonarka City Center in Kraków by TPG to Rockcastle for ca. EUR 360 million in 2016, the acquisition of Riviera Shopping Center in Gdynia by Union Investment for EUR 291 million in 2015, the acquisition of Stary Browar by DAWM for EUR 285 million in 2015 and the acquisition of the Sfera shopping center in Bielsko Biala by CBRE Global Investors for ca. EUR 203 million in 2015.





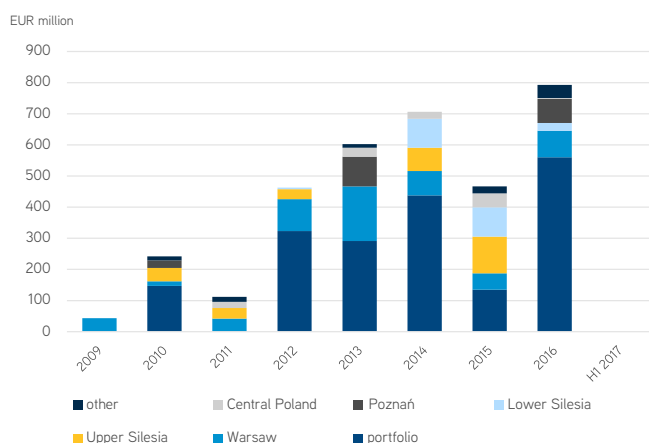
# Investment industrial market

At the end of H1 2017, the total supply of modern industrial space exceeded 12 million m<sup>2</sup>. Most of the supply is located within Warsaw (3.22 million m<sup>2</sup>), Upper Silesia (2.11 million m<sup>2</sup>) and Poznań market (1.68 million m<sup>2</sup>). The Polish industrial market is still showing an upturn and we will observe further high demand for industrial and logistics space. In H1 2017, developers were most active in the Warsaw (115,800 m<sup>2</sup>), Toruń (113,000 m<sup>2</sup>) and Poznań (111,800 m<sup>2</sup>) markets. The remaining regional markets experienced minor increases in new industrial space.

At the end of H1 2017, 1.6 million m<sup>2</sup> of industrial space was under construction in Poland. In H1 2017, a 36% growth in supply was observed (1.4 million m<sup>2</sup> in H1 2016) in relation to the same period in the previous year, while most of space was leased in Central Poland (440,000 m<sup>2</sup>). Tenants representing the 3PL sector constituted one-third of total demand in H1 2017. The vacancy rate in the Polish industrial market stood at 5.9% and the lowest vacancy rate was recorded in Central Poland – 0.3%. Rental rates in Polish industrial market vary from EUR 1.9 in Wrocław and Warsaw zone II up to EUR 4.8 in Warsaw zone I. These values often depend mostly on the tenant and building specification.

Performance and prospects of the logistics and industrial market in Poland, in particular favourable leasing dynamics, and still attractive pricing in comparison to west European markets, have continued to attract global capital.

## Industrial investment volumes by markets



Source: Colliers International

The industrial market has attracted EUR 2.0 billion since beginning of 2015 – representing approx. 50% of the total value

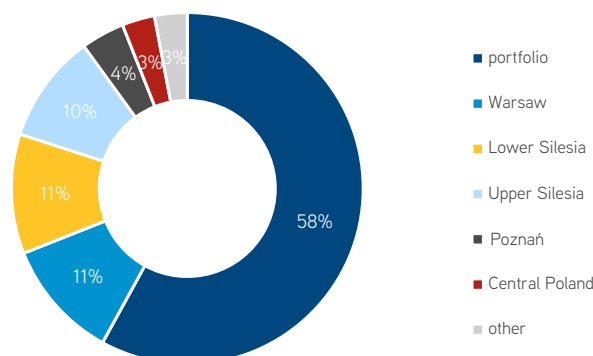
of industrial investment transactions in Poland since 2002. Nearly EUR 0.8 billion was invested in warehouses and light production in 2016 alone, which established a new investment record in the Polish industrial market.

Although no significant industrial deal was finalized in H1 2017, it is expected that the volume in this sector in 2017 will be high as there are several portfolio deals were at an advanced stage as of the end of H1 2017, including the sale of Logicor, Blackstone's European warehouse operation, to China Investment Corporation, the biggest private equity real estate deal in Europe on record (total volume of ca EUR 12.25 billion).

Since the beginning of 2015, nearly 60% of the overall investment volume has been generated by various portfolio and platform transactions.

In terms of single asset deals, ca. 25% of capital was invested within three Warsaw industrial zones. Nearly 50% of single asset acquisitions took place in Lower and Upper Silesia. The remaining 25% was allocated to Poznań, Central Poland and other industrial clusters.

## Industrial investment volumes by markets, 2015 – H1 2017



Source: Colliers International

Prime industrial yields are currently at 6.5% for BTS projects with long lease terms and at ca. 6.75 - 7.0% for multi-tenant assets with shorter weighted average unexpired lease terms. We note that the purchase of Amazon warehouses in Poznań and Wrocław by a fund managed by GLL Real Estate Partners was concluded at a reported yield in the range of ca. 5.5%; however, due to a specific sale and leaseback structure they may not be recognised as benchmark deals for the industrial sector as a whole. Portfolio transactions and ticket sizes in excess of EUR 50 million are currently in high demand.

The most active investors since the beginning of 2015 include: GIC, CBRE Global Investors, GLL Real Estate Partners, Hines, WP Carey, TPG, Deka Immobilien, Exeter Group, Hillwood and Gramercy Property Trust.

## IMPORTANT INDUSTRIAL DEALS IN POLAND

Recent important industrial portfolio deals include: the acquisition of P3/TPG portfolio by Singapore sovereign investment fund GIC as part of a pan-European deal (the value of the Polish part of the portfolio was estimated at EUR 285 million in 2016); the acquisition of Hillwood's industrial portfolio including 7R Logistic Park Kowale I-IV, Panattoni Park Ożarów, Hillwood Błonie, Bielsko Biała and Wrocław by CBRE Global Investors for EUR 155 million in 2016; NBGI Private Equity's sale to Hines of a portfolio of five industrial assets including the Faurecia Automotive plant in Legnica, Intermarche in Upper Silesia and the Cereal Partners industrial site in Toruń for EUR 80 million in 2016 and the purchase of MLP Tychy and MLP Bieruń by DEKA Immobilien for ca. EUR 90 million in 2015.

The largest single asset industrial transactions include the acquisition of Amazon Poznań (100,000 m<sup>2</sup>) and Wrocław (123,000 m<sup>2</sup>) by GLL for EUR 70 million each in 2016; and Hines' acquisition of Annopol Business Park in Warsaw for EUR 40 million.

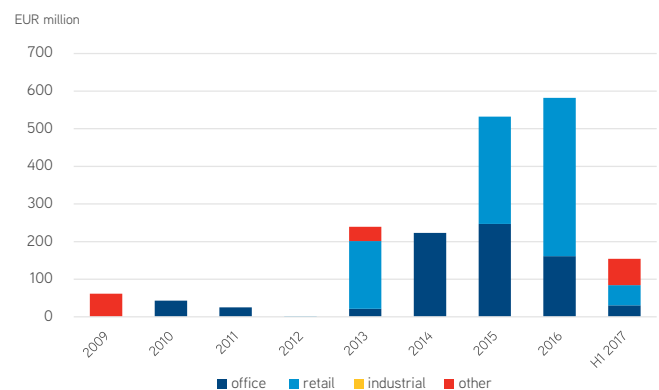


## Regional investment transactions

### Kraków

Kraków is the second largest investment market after Warsaw in Poland with transaction volume of EUR 1.27 billion since the beginning of 2015 and EUR 1.8 billion since 2009 - nearly 30 investment deals (EUR 0.75 billion was invested in office assets and EUR 0.95 billion in retail properties). The balance was invested in 6 hotel projects.

### Kraków investment volumes



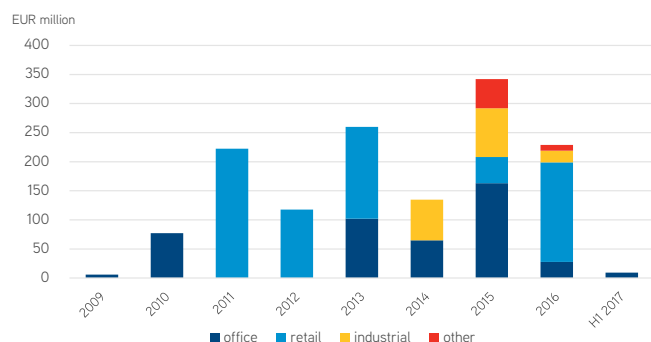
Source: Colliers International

Key retail transactions include acquisition of Bonarka City Center (one of the dominant shopping center in town) by Rockcastle for over EUR 360 million in 2016 and acquisition of Galeria Kazimierz by Invesco from GTC and Avestus joint venture EUR 180 million in 2013. At the office market it is worth to mention sale of Quattro Business Park with 50,000 m<sup>2</sup> GLA by BUMA (a reputable local development company) to Starwood Capital for EUR 115 million Group; acquisition of Enterprise Park (GLA 28,200 m<sup>2</sup>) by Tristan from Avestus in 2015 for EUR 65 million. The benchmark yield was established in 2016 at acquisition of Aleja Pokoju 5 from BUMA by Warburg-HIH Invest Real Estate at reported yield ca 6.1%.

### Wrocław

Since the beginning of 2009 Wrocław attracted nearly EUR 1.4 billion and EUR 0.6 billion in the last 30 months, which places the city as the third investment market in Poland after Warsaw and Kraków. In addition to strong retail and office volumes, the industrial sector was also an important contributor, largely due to the scale of development along the A4 motorway. Investors which purchased commercial real estate in Wrocław since 2009 include: Blackstone Real Estate; Union Investment; Atrium European Real Estate, Griffin Real Estate, GLL, Hillwood,

## Wrocław investment volumes



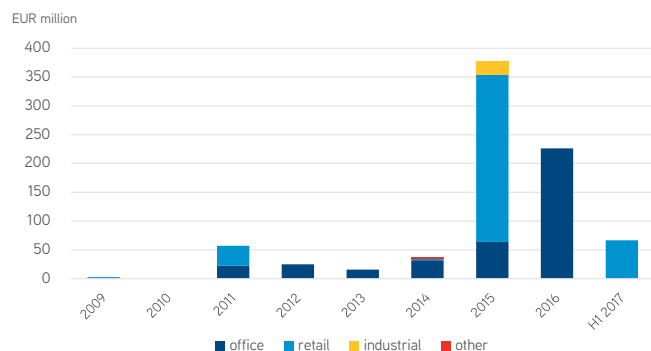
Source: Colliers International

DAWM (RREEF), Azora, EPP/Redefine, LaSalle Investment, GNT Ventures and Warburg-HIH Invest Real Estate

## Tricity

The investment market in Tricity was quiet until the end of 2014, with only a few notable transactions such as acquisition of Arkońska Business Park by PZU (2011-2013), sale of BPH headquarters by Eurostyl to Javin Group (2014), sale of Fashion House (phase II) to Polonia Property Fund (2010) or acquisition of Ossowa retail gallery by Pradera (2011).

## Tricity investment volumes



Source: Colliers International

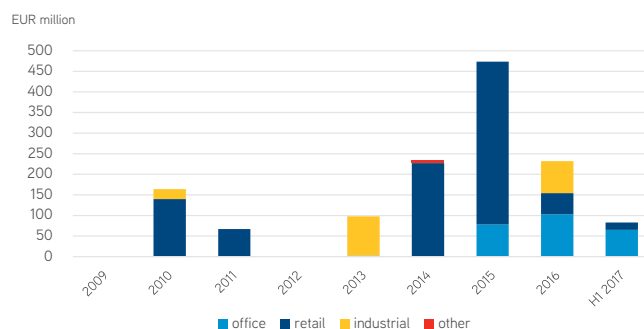
The agglomeration became a target for investors in 2015 when Union Investment acquired Rivera shopping Center in Gdynia for EUR 291 million and Reino Partners with Bluehouse bought building 1 of Alchemia, a prime Tricity office project developed by local developer Torus (also responsible for Arkońska Business Park).

In last two and half years, the total investment volume amounted to EUR 670 million with EUR 290 million allocated to the office market. Only in 2016 the market witnessed 5 office transactions including acquisition Alchemia building 2 by PHN Group, Allcon Intel Office by Intel (the sole occupier of the park), Neptun Office Park by GTC from Hines and Opera office building from Euro Styl by Benson Elliot. The prime office yield was reported in 2016 at 7.0%.

## Poznań

Out of EUR 1.35 billion invested in Poznań since the beginning of 2009, over 60% of this volume was realized in last two and half years. EUR 0.9 billion (70% of total volume) was allocated to the retail sector with focus on dominant shopping centers. The key transactions included the acquisition of Poznań City Center by ECE and Resolution (EUR 230 million, 2014), the acquisition of Poznań Marcelin by King Cross Group (EUR 100 million, 2016) and the acquisition of Stary Browar by DAWM (ca. EUR 285 million, 2016).

## Poznań investment volumes



Source: Colliers International

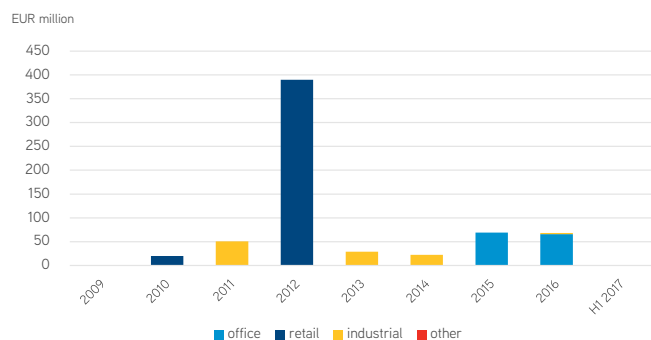
Office investments during 2009 – H1 2017 amounted to EUR 248 million (ca. 20% of the invested capital in this period) with the majority of transactions taking place during the last two and half years. The most important office deals included Union Investment's acquisition of Maraton office building (developed and sold by Skanska Property Poland) for ca EUR 62 million in 2017, acquisition of Andersia Business Park by PHN Group (ca. EUR 40 million, 2015). In 2015 Malta House of Skanska Property Poland was sold to joint venture of Reino Partners and Bluehouse for ca. EUR 38 million. The prime office yield for this submarket is currently ca. 7.0%.

EUR 190 million was recorded in the industrial sector since the beginning of 2009 in 7 transactions translating into ca. 300,000 m<sup>2</sup>. In 2013 Invesco sold the H&M distribution facility with 80,000 m<sup>2</sup> GLA to WP Carey for ca. EUR 64 million. In 2016 Amazon warehouse (ca. 100,000 m<sup>2</sup> GLA) was acquired by a fund managed by GLL Real Estate Partners (acting on behalf a South Korean investor) for EUR 70 million.

## Łódź

Łódź is the third largest city in Poland (after Warsaw and Kraków) and benefits from a favourable location at the intersection of A1 and A2 motorways and proximity of the capital city. Since the beginning of 2009 Łódź market absorbed EUR 0.65 billion with the third largest single asset transaction in the history of Polish commercial real estate – acquisition of Manufaktura shopping center, ca. 91,000 m<sup>2</sup> GLA development of Fonciere Euris/ Apsys by Union Investment for EUR 390 million at reported yield of 6.0% in year 2012.

## Łódź investment volumes



Source: Colliers International

Since the beginning of 2015 there were 6 office deals accounting for EUR 134 million including acquisition of Skanska's Green Horizon, a prime office building with GLA 33,000 m<sup>2</sup>, by Griffin Real Estate for EUR 65 million in 2015, sale of Forum 76 by Virako, sale of Sterlinga Business Center by Hines for EUR 27 million in 2016.

Despite relatively low investment volumes in comparison to other regional markets, that has started to city attract more attention of international investors due to competitive yields, high quality of office buildings developed by the most renowned developers as well as substantial tenant demand.

## Katowice

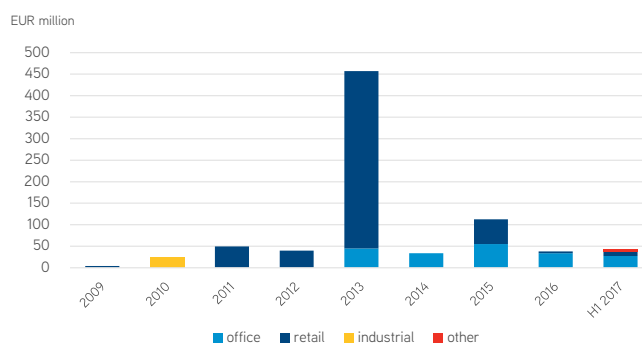
The total investment volume in Katowice amounted to EUR 0.8 billion since 2009. Half of this volume was generated in a single transaction – the acquisition of Silesia City Center, a nearly 90,000 m<sup>2</sup> shopping centre (owned by Immofinanz) by a consortium of investors including Allianz and ECE for EUR 412 million in 2013 – the second largest single asset commercial real estate deal in Poland so far (after acquisition of Złote Tarasy in 2012).

As in the case of other cities, tenant demand, particularly from BPO/SSC sectors has fueled the supply pipeline. As a consequence of the above as well as growing recognition of the conurbation, the market recorded nearly EUR 200 million in closed deals since 2009 and EUR 115 million in the last 30 months. Key office transactions include acquisition of two first

buildings of Silesia Business Park of Skanska Property Poland by a Scandinavian Institutional Investment Fund NIAM as part of Skanska regional office portfolio for over EUR 50 million in 2015 and acquisition of Katowice Business Point (as a part of 3 asset office portfolio) by Starwood from Ghelamco in 2014.

Katowice is the capital of Upper Silesia region - one of the fastest growing and largest warehouse and industrial market in Poland accounting for additional EUR 300 million of industrial investment deals since 2009 with nearly 400,000 m<sup>2</sup> of high quality industrial space sold. One of the most notable transactions in the last 2 years, was the sale of the MLP Portfolio (Tychy and Bierun) to Deko Immobilien in 2015 for ca. EUR 90 million.

## Katowice investment volumes



Source: Colliers International





# THE REAL ESTATE BUSINESS IN POLAND

This overview of the Polish legal system covers the basic legal regulations which govern investments in real estate in Poland.

## 1. System

The Polish legal system is based on a comprehensive codification of substantive and procedural law. The codified law is supported by the judgments of common courts, on the basis of which it is interpreted for the purposes of particular cases.

## 2. Real estate registers

There is no cadastre registry system in Poland, but there are two official registers which contain the most important data regarding real properties:

- › the land and building register (in Polish rejestr gruntów i budynków), which is kept by local government units and contains information on mainly the physical features of real properties;
- › the land and mortgage register (in Polish księgi wieczyste), which is kept by district courts and contains information on the legal status of real properties.

## 3. Main principles of land and mortgage registers

The governing principles of land and mortgage registers (LMRs) are:

- › public availability (one cannot plead ignorance of entries in an LMR or applications logged therein);
- › presumption of the veracity of entries (the rights disclosed in an LMR are true and reflect actual legal status of the given real property);
- › guarantee of title (in case of any discrepancy between the legal status of the given real property reported in an LMR and its actual legal status, a person who acquired the ownership or limited property rights to such real property through a legal transaction executed with the person

appropriately entitled according to the contents of the LMR benefits from the protection of such acquisition in good faith);

- › priority of recorded rights (a limited property right to real property which is recorded in an LMR has precedence over the same type of limited property right not recorded in the LMR; in addition, generally the priority of satisfaction of such rights depends on the order of entry in the LMR).

## 4. Titles to real estate

Titles to real estate are:

- › ownership and right of perpetual usufruct;
- › limited property rights (inter alia usufruct, easement, servitude, and mortgage);
- › rights arising from contractual relationships (for example lease and tenancy).

### 4.1. Ownership

Ownership is the most extensive legal title to real estate and is limited by law, the social and economic purpose and the general principles of community life. The owner of a real property is entitled to use it, collect profits and other revenues, encumber it, and, of course, freely transfer the ownership thereof.

In order to be valid, the transfer of ownership of a real property must be performed by way of the conclusion of an agreement in the form of a notarial deed. The ownership of a real property cannot be transferred conditionally or with the reservation of a time limit under pain of nullity.

Ownership is disclosed in the relevant LMR (the acquisition thereof is effective as of the date of the conclusion of the relevant sale agreement and the entry in the LMR is declarative in nature, meaning that it only confirms the transfer of the title).

## 4.2. Perpetual usufruct

RIGHT TO LAND:	<b>Owned by the State Treasury or by a unit of local government.</b>
PERIOD:	<b>Up to 99 years, which can be further extended, (in special circumstances for a shorter period but for at least 40 years).</b>
FACILITIES:	<b>The buildings and other facilities erected on a real property by the perpetual usufructuary thereof (and those acquired at the time of the establishing of the right of perpetual usufruct) become the property of that perpetual usufructuary.</b>
DISPOSAL:	<b>Only the joint transfer of (i) the ownership of buildings and facilities and (ii) the right of perpetual usufruct with regard to the land is legally possible and valid.</b>
FEES:	<b>There is an initial fee and an annual charge, in an amount depending on the type of the real property (for example, 3% of the value of a commercial property).</b>

A right of perpetual usufruct is created by a contract concluded in the form of a notarial deed between the State Treasury or the relevant unit of local government and the holder of the perpetual usufruct. Such contract should specify the manner in which the land will be used (i.e. for commercial, residential or other purposes). The public authority may terminate the agreement if the land is used in a manner evidently inconsistent with the use thereof specified in the agreement (in particular if, despite the relevant wording of the agreement, the perpetual usufructuary has not constructed the specified buildings or facilities on it).

In the past this right could also be established by law and confirmed in an administrative decision.

The right of perpetual usufruct is transferable; however, an agreement in the form of a notarial deed and an entry made in the relevant LMR are both required for the transfer of the title (therefore the relevant entry in the LMR has a constitutive character).

## 4.3. Limited property rights

These are the rights concerning someone else's property. They consist of the exercising of certain powers vested in ordinary circumstances to the owner and as such burden the given real property.

The most important types of these rights are usufruct, easement and mortgage.

There are two categories of limited property rights:

- › rights limiting the use of a given real property (usufruct and easement);
- › rights which give the ability to satisfy the claims of the holder thereof (mortgage).

The form of a notarial deed is necessary for a statement by the owner of a property on the establishing of such rights. In the case of a mortgage, an entry in the relevant LMR is also required to establish such a right.

### 4.3.1. Usufruct

The right of usufruct consists of an entitlement to use a real property and to gain profits from it. The owner of the real property is in exchange entitled to rent. Usufruct is disclosed in the relevant LMR; however, an entry therein is not necessary for the validity of a relevant agreement. The usufruct expires if it is not exercised for 10 years and, importantly, it cannot be transferred.

Usufruct does not bind only the parties to the agreement, it is also effective with regard to third parties.

### 4.3.2. Easement

Easement is a limited property right encumbering a real property in order to: (i) enhance the usability of a beneficiary real property (land or transmission easement); or (ii) make possible the satisfaction of the specific needs of a natural person (personal servitude). An easement limits the possibility of the using of the encumbered real property by its owner.

The Polish Civil Code makes possible three types of easements: land easement, personal servitude and transmission easement.

LAND EASEMENT	PERSONAL SERVITUDE	TRANSMISSION EASEMENT
<ul style="list-style-type: none"><li>› Established in favour of the owner (perpetual usufructuary) of the beneficiary real property.</li><li>› Encumbers the servient real property in order to increase the usefulness of the beneficiary real property.</li></ul>	<ul style="list-style-type: none"><li>› Established in favour of a specific natural person.</li><li>› Encumbers the servient real property in order to meet the specific needs of the beneficiary.</li><li>› Expires with the death of the beneficiary, at the latest.</li><li>› Non-transferrable.</li></ul>	<ul style="list-style-type: none"><li>› Established in favour of a business entity that intends to construct or owns transmission facilities such as pipes, cables, etc.</li><li>› Allows the using of transmission facilities for the supplying or discharging of liquids, steam, gases, electricity, etc.</li><li>› Is transferred to the acquirer of an enterprise or the acquirer of the facilities.</li></ul>

Easements can be acquired on the basis of an agreement, a court judgment, acquisitive prescription, and administrative decision.

A right of easement may be entered in the relevant LMR, but such entry is not necessary for the validity of the establishing the easement.

#### 4.3.3. Mortgage

A mortgage is a legal institution which secures the receivables resulting from a legal relationship under which the mortgage creditor may claim satisfaction from each then current owner (or perpetual usufructuary) of a real property.

A mortgage creditor has priority over the personal creditors of each subsequent owner of a mortgaged real property. The sale of the real property by the debtor does not affect the mortgage creditor's right who can claim satisfaction from each subsequent owner or perpetual usufructuary of the real property.

An entry in the relevant LMR is needed to establish a mortgage. Moreover, a mortgage cannot be transferred without the debt which it protects.

#### 4.3.4. Rights arising from contractual relationships (lease and tenancy)

On the basis of lease or tenancy agreements lessees and tenants, respectively, are able to use someone else's real estate.

The parties to both agreements are able to freely arrange the contractual relationship between them, with the provision of the

limitations contained in statutory regulations.

Both lease and tenancy can be disclosed in the relevant LMR, which results in their effectiveness with regard to third parties.

The most characteristic features of each type of contractual relationship are listed below.

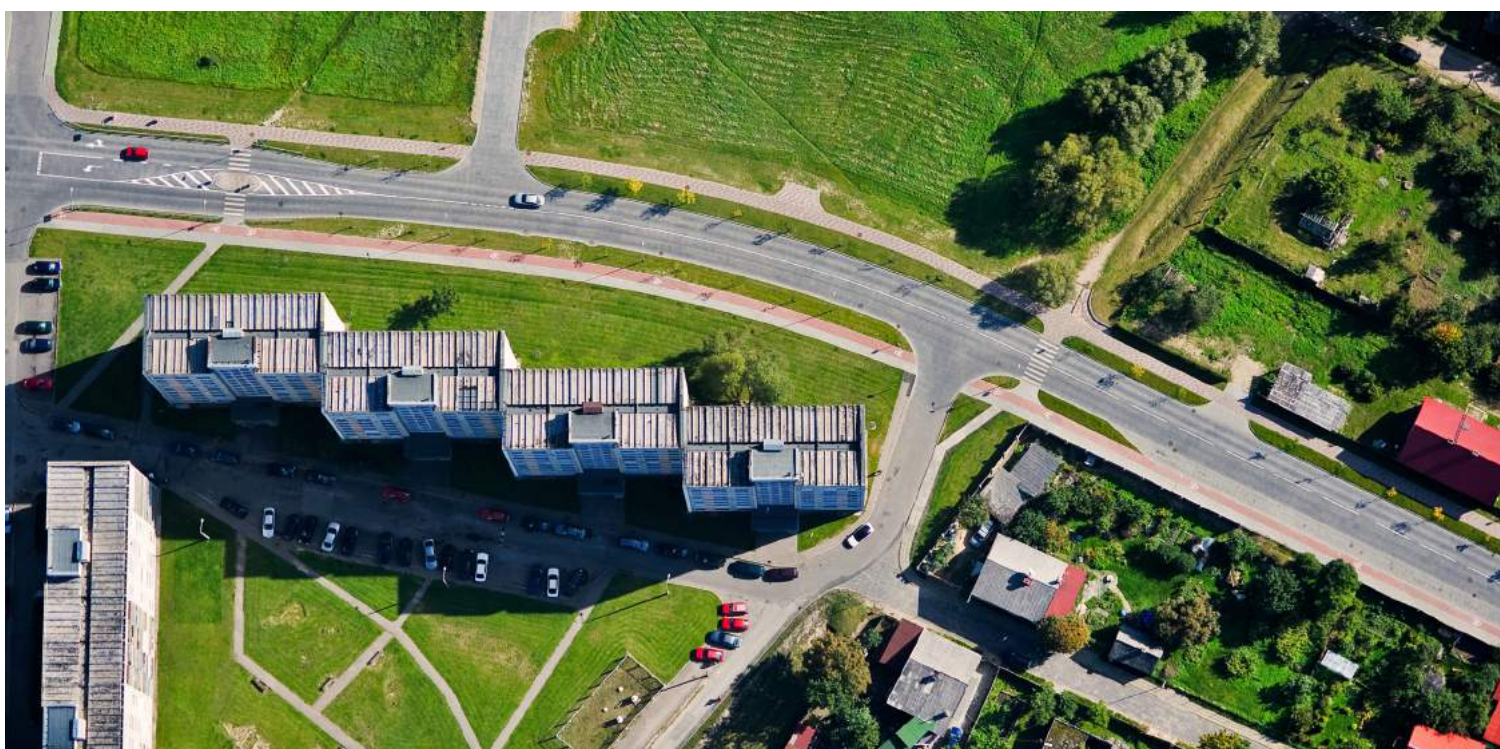
##### A. Lease

A lease agreement (in Polish "najem"):

- gives the lessee with right to use the real property in return for the payment of rent;
- can be concluded for definite or indefinite period (if it is concluded for a definite period, it can only be terminated due to important reasons specified in the agreement; if the term of the agreement is indefinite, each party may terminate it with relevant notice) – a lease concluded between business entities for a period of longer than 30 years is after that time regarded as being concluded for an indefinite period;
- can concern only items and premises (with the exclusion of enterprise and agricultural enterprise).

A lessee can sublet a real property if no reservation to the contrary was provided in the agreement.

It should be noted that there are special provisions regarding the lease of residential premises under which lessees are entitled to additional privileges.





## **B. Tenancy**

A tenancy agreement (in Polish “dzierżawa”) is distinguished by the fact that:

- the tenant is entitled to use the real estate and (unlike in case of a lease agreement) collect profits from it, and the tenant is required to pay rent to the landlord;
- the subjects of such agreement are not only items but also rights and (unlike in case of a lease agreement) enterprises, including agricultural enterprises;
- a tenancy agreement concluded for a period of longer than 30 years is after that time regarded as being concluded for an indefinite period;
- in case of the termination of a tenancy of agricultural land one year’s notice (effective at the end of the tenancy year) is a standard rule, in other cases a tenancy may be terminated with six months’ notice (before the end of the tenancy year) unless the parties agree otherwise – if a tenancy agreement has concluded for a fixed term, it can be terminated only due to the reasons set forth in the agreement;
- the tenant is protected in case of a reduction of its income – there is the possibility to reduce the rent which the tenant should pay;
- the tenant cannot pass the real property to a third party for free-of-charge use or sublet it without the landlord’s consent.

## **C. Commercial lease or tenancy agreements**

The provisions of lease and tenancy agreements arising from the Polish Civil Code are supplemented by the parties in a manner consistent with their business requirements.

In particular, in the case of commercial lease or tenancy agreements the following specific issues (in addition to the issues resulting from the provisions of the Polish Civil Code) are usually addressed:

- rent given in EUR;
- additional fees, such as marketing fees;
- service charges;
- add on factors;
- indexation of rent and maintenance fees on the basis of HICP (MUICP);
- collateral, in the form of cash deposits or bank guarantees / corporate guarantees;
- tenant incentives (fit-out allowances, rent-free periods, step rents, etc);
- arrangements regarding the execution of fit-out works;
- limitation of liability;

- penalties for non-performance of the contract;
- very limited possibility to terminate the agreement before its agreed term;
- provisions on extension of term or expansion of space;
- insurance obligations;
- confidentiality clause;
- provisions on restrictions regarding sub-lease and assignment of lease;
- non-compete obligations.

## **5. Foreign investors**

No permits for acquisitions of real estate are required in the case of entities with their seat in the European Economic Area (EEA). Therefore Polish-based SPVs acting as purchasers, even if they are fully controlled by entities from outside the EEA, are considered to be Polish.

The acquisition of a real property by a foreigner with its seat outside the EEA requires an adequate permit, issued in the form of an administrative decision by the Minister of Internal Affairs on the condition that no objection is raised by the Minister for National Defence or, in the case of agricultural real properties, the Minister for Rural Development. The permit is given at the request of an interested party (a foreigner).

From 30 April 2016 additional restrictions regarding the acquisition of agricultural real properties have been introduced and are binding upon most entities (including foreigners).

## **6. Limitations on the acquisition of agricultural land**

From 30 April 2016 only a person with status of an individual farmer is entitled to freely acquire agricultural land in Poland, and even such individual farmer is only allowed to freely purchase an agricultural area not exceeding a total of 300 hectares.

The above-mentioned restrictions do not apply:

- to certain kinds of entities (relatives of the seller, local government units, the State Treasury and its agencies, the Roman Catholic Church and other religious associations);
- in case of inheritance, recorded debt collection, the acquisition of neighbouring areas (when a constructed building crosses a real estate border), requests to transfer property situated on land when the value of the property is higher than the value of the land and in case of certain restructuring proceedings.

In other cases of a planned acquisition of agricultural land, the buyer (or a natural person that intends to set up a family farm) needs to obtain the required approval of the Agricultural Property Agency. That approval may be issued under specific conditions; inter alia the seller of the agricultural land applying for approval



of the Agricultural Property Agency has to prove that it was not possible to sell the land to an individual farmer or for example relatives, the State Treasury, a local government unit, the Roman Catholic Church or by way of inheritance.

As a rule, the acquirer of agricultural land (except for relatives, the State Treasury, local government unit, Roman Catholic Church, an acquirer by way of inheritance, etc) is required:

- › to conduct the agricultural activities for at least 10 years from the date on which he/she acquires the agricultural land;
- › not to dispose of the acquired agricultural land for at least 10 years from the date of the acquisition thereof.

Moreover, in every case of the acquisition of agricultural land of an area of at least 0.3 ha.:

- › the current tenant of the land (under some additional conditions, inter alia that the tenancy agreement has been in force for at least three years and has been concluded in writing with a certified date)
- › or if there has been no tenancy agreement, the Agricultural Property Agency, is entitled to a right of first refusal.

Additionally, the Agricultural Property Agency, except in some situations, has the right of first refusal with respect to a sale of shares in a company which owns agricultural land. The above-mentioned right of first refusal does not apply to the sale of shares admitted to trading on stock market. Also, such right of first refusal does not apply when a sale involves shares in a company which owns shares in another company which is the owner of agricultural land.

The above-described restrictions do not apply to real estate indicated as non-agricultural in the local zoning plan, as well as real estate for which a final zoning permit (in Polish “decyzja o warunkach zabudowy”) had been issued by 30 April 2016.

## 7. Special economic areas

A Special Economic Area (SEA) is a separate administrative area which is intended for the conducting of economic activities on preferential terms.

Entities investing in SEAs are entitled to income tax exemptions, as well as total or partial property tax exemptions in some municipalities, and can rely on a variety of additional benefits.

## 8. Right of first refusal

With regard to specific plots of land, certain entities may be entitled to a right of first refusal.

This right of first refusal:

- › consists of the right to purchase the property for the price which is offered by a third-party buyer;
- › may be established on the basis of a legal act (a statutory

pre-emption right) or contract (a contractual pre-emption right).

If a right of first refusal is reserved, the parties who wish to sell a real property subject thereto should conclude a conditional sale agreement in which they provide a stipulation according to which the ownership or perpetual usufruct of the property will be transferred if the entitled entity does not take advantage of its right of first refusal.

Upon the conclusion of a conditional sale agreement, the entitled entity is informed about the possibility to execute its right of first refusal by submitting an appropriate declaration. If a right of first refusal is exercised, the seller and the entitled entity are bound by an agreement on the same conditions as that concluded by the seller and the initial buyer.

In the case of:

- › a statutory right of first refusal: an unconditional sale of a property will be deemed invalid if such result has been stipulated in law;
- › a contractual right of first refusal: a sale executed without notifying the entity benefitting from the right of first refusal will be generally valid, but such beneficiary may demand compensation of damages or the unconditional agreement can be determined by a court to be invalid in respect of the beneficiary of the right of first refusal.

The entities entitled to a statutory right of first refusal include, in particular, municipal authorities, the Agricultural Property Agency and the administrator of an SEA.

## 9. The new planning and construction code

The Polish Ministry of Infrastructure and Construction is working on a new Planning and Construction Code (the “Code”).

The Code aims at the comprehensive regulation and structuring of:

- › zoning policy;
- › pre-investment processes (including division, consolidation and expropriation of real estate);
- › development processes (construction);
- › maintenance of buildings.

The Code will replace in full or in part of several dozen currently binding legal acts. The adoption of the solutions proposed in the Code means the end of the current construction procedure, which is well known and has been used for many years in Poland. The conclusion of the relevant legislative work is planned for the end of this year.

# THE REAL ESTATE MARKET IN POLAND

This overview covers the basic information on the rules governing the real estate transactions in Poland.

## 1. The most typical transaction methods – a comparison of the basics

The most typical transaction methods are:

- › share deals (“**SD**”);
- › asset deals (“**AD**”);
- › deals involving enterprises or organised parts of enterprises (“**ED**”).

**These three transaction methods are characterised by the following features:**

### 1. The object of the sale

- › **SD:** Shares in the share capital of the target, who holds a legal title to the given real property.
- › **AD:** The assets of the seller. In the case of the sale of real estate, the real estate or the title to real estate (perpetual usufruct), the contracts related to its operation are usually terminated.
- › **ED:** Alternatively, a transaction may be structured as an enterprise transaction in which all of the assets and liabilities allocated to an enterprise or a part thereof, including all of the agreements required for the proper operation of the enterprise or part thereof, are transferred along with the enterprise or part thereof.

### 2. Title risks

- › **SD:** The risk of buying a legal title to a real property from a person who is not entitled to such title cannot be excluded but it can be minimised by including in the sale agreement representations and warranties given by the seller with regard to the legal title. In practice legal title insurance is becoming increasingly popular (general or covering specific risks).
- › **AD and ED:** In addition to the same tools which can be used

in share deals, in asset deals and enterprise deals a good-faith buyer benefits from the protection given by the principle of the public credibility of land and mortgage registers.

### 3. Agreements and decisions

- › **SD:** There is no need to transfer agreements or administrative decisions: party thereto or addressee thereof remains the same company. Some lease agreements may contain clauses that requires notification or permission in the case of a change of control on pain of termination of the given lease agreement.
- › **AD:** In the case of a sale of real estate some administrative decisions or contractual rights which are necessary for such real estate and usage of movables, etc must be transferred. Furthermore, appropriate new agreements enabling the correct functioning of a real property (i.e. a building) after the transaction must be concluded with, for example, providers of utilities or services.
- › **ED:** The basic aim is to transfer to the buyer as many contracts as possible.

### 4. Liability for obligations

- › **SD:** Full liability for the target’s obligations.
- › **AD:** Restricted liability for the seller’s obligations:
  - secured by mortgages on real estate;
  - arising from lease agreements, e.g. settlements or conflicts with tenants (depending on the subject matter).

As a rule there is no assumption of the seller’s tax liabilities in an asset deal (nevertheless, potentially the buyer may be responsible for the seller’s unexpired tax liabilities which were incurred prior to 2009).

- › **ED:** Restricted liability for the seller’s obligations:
  - secured by mortgages on real estate;
  - arising from lease agreements, e.g. settlements or conflicts with tenants (depending on the subject matter).



The assuming of the seller's tax liabilities by the buyer may be limited to the amount of the tax liabilities disclosed in tax clearance certificates.

## 5. Existing funding and encumbrances

- **SD:** The buyer can choose whether these remain (in such case supplementing of securities will most likely be required) or are repaid (or re-financed) as part of the transaction and the securities will then be released (which is the more common option).
- **AD:** Basically, the repayment of existing funding and the release of securities encumbering the real estate are embedded in the structure of the transaction.
- **ED:** The aim is to transfer the existing funding to the buyer.

## 6. Due Diligence

- **SD:** More detailed, covers not only asset deal due diligence elements but also the target company, that company's tax history (until the lapse of statute of limitations) and all agreements concluded thereby.
- **AD and ED:** The main subject of the due diligence is the real estate and lease agreements and main issues relating to that real estate (construction process administrative decisions, agreements with construction work contractors ensuring quality guarantees or warranties, project copyrights, environmental issues, etc). The complexity of the due diligence depends on the type of real estate and the representation and warranty accuracy guarantees.

## 7. Agreement type

- **SD:** In the case of a sale of shares in a limited liability company the agreement needs to be in writing, with the signatures confirmed by a notary. The manner of the disposal of shares in a joint-stock company depends on their nature.
- **AD and ED:** Notarial deed.

## 8. Transaction taxation:

- **SD:** 1% PCC calculated on the basis of the market value of the company.

- **AD:** The sale of real estate is subject to the tax on civil law transactions or VAT. The form of taxation applicable to the given transaction (i.e. VAT or civil law transaction tax) depends on the type of real estate, the history of the real estate and the circumstances of the given transaction. Prior to every transaction the history of the property should be carefully reviewed. If the transaction is exempt from VAT, tax on civil law transactions is imposed. The rate of the aforementioned tax is 2% of the market value of the property and is to be paid by the buyer to the notary public. When the exemption from VAT is not applicable, the sale will be subject to VAT at the applicable rate.
- **ED:** The transaction is subject to tax on civil law transactions. The tax base for the calculation of tax on civil law transactions is the market value of the sold assets (the applicable tax rate is 2% for property and movables and 1% for other rights). The taxpayer is the buyer.

## 9. Tax risks

- **SD:** In the case of the acquisition of a company the most important risks are directly attributable to its tax settlements within the statutory limitation period, including, in particular, any restructuring and/or optimisation processes and/or previous real estate acquisition transactions.
- **AD and ED: Risks for the buyer:** The risk related with the reclassification of a transaction from an asset deal (which is subject to VAT) to the sale of an enterprise or an organised part thereof. Reclassification, in addition to the obligation to correct VAT settlements, may trigger a 30% VAT sanction calculated on the unduly deducted VAT, increased by penalty interest; **Risks for the seller:** The reclassification of an enterprise transaction to an asset deal which is subject to VAT will result in the seller having tax liability equal to the unpaid VAT and, additionally, may trigger a 30% VAT sanction calculated on the unpaid VAT, increased by penalty interest. The reclassification of an enterprise deal to an asset deal which is exempt from VAT may result with the seller being required to correct the VAT deducted on the acquisition/development of the asset within the 10 years preceding the transaction.

## 2. The main stages of real estate transactions

Very often transactions are conducted in stages, mainly due to:

- > the necessity to satisfy a number of conditions, e.g. those stemming from due diligence or eliminating problems resulting from due diligence;
- > a pre-emptive right resulting in the necessity to conclude a conditional agreement, whereby only in the event of an entitled entity not exercising pre-emptive rights can the transaction be finalised by concluding a transfer agreement.

*\* See graph below*

Due diligence in real estate transactions covers issues from various areas, including: (i) legal; (ii) tax; (iii) technical; (iv) commercial; (v) environmental and other. Due diligence results are relevant to sale agreement provisions concerning, inter alia, calculation and payment of the price, liability, establishing additional securities, and adding new obligations.

## 3. Contract clauses

Typical clauses of agreements in real estate transactions cover:

- > a full description of the parties and the sale object;
- > in preliminary contracts, a list of the conditions enabling the conclusion of a final agreement:
  - usually there is a condition requiring approval from the Office of Competition and Consumer Protection (the UOKiK) for the execution transaction (if such approval will be needed);

- another typical condition is obtaining pay-off letters from any financing entities along with commitments to issue (after the repayment of the relevant debt) release letters enabling release of securities established on the real estate (or the company);
- a commonly found condition is the presentation of a full range of clearance certificates from Tax Office with regard to the real property;
- other conditions in general stem from the given due diligence;

- > representations and warranties regarding the real estate and in a share deal also the company, lease agreements, other agreements, administrative decisions issued as part of the investment process, intellectual property rights, existing guarantees and warranties, environmental issues, etc.;
- > usually specific contractual elements which change the liability regime from that resulting from the provisions of the Civil Code, providing time constraints and limitation of the value of this liability – the most common solution here is the introducing of warranties and guaranties from a parent company or insurance (of title or representations and warranties);
- > in a preliminary contract, price adjustment and possible regulations with regard to the suspending parts of payment until the satisfaction of particular conditions and any reduction of the price in the event of particular liabilities not being satisfied within a certain period of time – in share deals additional price adjustment as per the date of the conclusion is used – generally the price is transferred to an escrow account and released no earlier than the repayment of existing indebtedness, so it is possible to release securities encumbering the real estate (or the company);
- > contractual penalty provisions and the circumstances in which it is possible to withdraw from the agreement;

**\* The sequence of the stages of a transaction is as follows:**

2 – 6 WEEKS		2 – 8 WEEKS		2 – 8 WEEKS		2 – 6 WEEKS	
> the signing of an engagement letter giving an exclusivity period for due diligence needs and concluding the necessary sale/transfer agreement;		> due diligence, which usually takes between two and six weeks;		> a preliminary agreement setting out a list of the conditions for the concluding of the sale agreement – sometimes this takes place, at least partly, at the same time as the due diligence – usually this stage lasts between two and eight weeks;		> if any right of first refusal is involved, a conditional sale agreement in which the only condition is failure to exercise the right of first refusal – depending on the other conditions which need to be satisfied, one should usually allow between two and eight weeks for this;	
						> sale/transfer agreement, i.e. the completion of the transaction – depending on how much time is needed to deal with any right of first refusal, this usually takes between two and six weeks.	



- › court jurisdiction in the case of disputes arising in connection with the performance of the agreement (arbitration is a common option);
- › confidentiality provisions;
- › other liabilities of the parties, e.g. the seller's liabilities with regard to the meeting of its obligations stemming from real estate issues – sometimes these obligations result from contracts accompanying the basic agreements entered into by the seller or companies from the seller's group (rent guarantees, master leases, guarantees for the satisfying of contractual obligations, for example those resulting from representations and warranties, etc.).

After a transaction it is important to ensure that all formalities involving the registration of any new entitled entity with regard to real estate are met (or shares in an SPV) and there is the release of any securities on the basis of a release letter issued by the repaid banks (relevant clauses regarding the real estate and entries in the land and mortgage register are included in notarial deeds).

## 4. Legal effects of the preliminary sale agreement

Under Polish law each party to the preliminary sale agreement is entitled to:

- › seek damages if the other party is no longer interested in conclusion of the final agreement;

- › demand the executing of a final sale agreement if the given preliminary sale agreement meets specific requirements as regards its form (i.e. notarial deed) and content.

In addition, a preliminary agreement can be registered in the land and mortgage register book so as to inform any interested party (e.g. a party considering the purchase of the property) about the expected sale.

## 5. Main costs connected with the sale of the property

Some additional costs, such as notary fees and court fees, are normally incurred in connection with the sale of real estate.

The exact amount of notarial fees paid by the parties to a sale agreement (the seller or the buyer) is in each case defined by the notary who prepares the notarial deed. Polish regulations provide maximum amounts for notarial fees that are calculated on the basis of the value of a property.

In order to enter a purchaser's data in the land and mortgage register it is necessary to pay a court fee, which usually amounts to PLN 200 per application. In some cases, depending on the type of the title being the basis of the acquisition of the property (e.g. inheritance), the fee may be lower.



# THE DRAFT OF A NEW ACT ON REAL ESTATE INVESTMENT TRUSTS

In May 2017 the Polish Ministry of Finance published another draft of an **Act on Real Estate Investments Trusts (“REITs”)**, which aims to introduce this type of trust into the Polish legal environment.

These regulations are intended to increase the involvement of domestic private capital in the real estate market. Representatives of the Ministry of Finance have recently indicated that the works on the draft of the act are in progress, in particular because numerous comments made during the process of public consultation need to be analysed.

The Act provides a special status for real estate investment companies (in Polish these are known as spółki rynku wynajmu nieruchomości, with the commonly used abbreviation being SRWN) acting in the form of Polish joint-stock companies which have been admitted to trading on an official stock exchange in Poland. The primary goal of SRWNs is **obtaining revenues from the lease and sale of real estate**, which will be subsequently **paid to the shareholders as regular dividends**. The above-mentioned draft act initially contained quite a wide catalogue of types of properties which could be part of the portfolios of SRWN, but a representative of the Ministry of Finance announced at the conference organised by the Association REIT Polska on 19 September 2017 that a decision had been made that the vehicles will only invest on the residential market. This narrowing of opportunities to invest received quite a sceptical reaction from the market, which will now watch further developments closely, in particular whether the government, in response to the market's reaction and arguments, decides to return to the initial concept. The other option is that the narrowed opportunities for the SRWNs to invest is supposed to serve as a kind of a pilot scheme preceding the introduction of a regulation enabling investments in commercial properties in the future.

Under the current wording of the draft legislation SRWNs will benefit from **preferential taxation status**. The proposed draft envisages that the income of SRWNs' subsidiaries and

the distribution of their profits to SRWNs will be **exempt from corporate income tax**. Income generated by SRWNs intended for distribution will be taxed at a **lowered corporate income tax rate of 8.5%**, without any possibility of deducting depreciation on leased property. At the above-mentioned conference a representative of the income tax department of the Ministry of Finance indicated that it is necessary to align the rates of taxation of all entities (including natural persons) active on the real estate market and that a model is considered under which after exceeding an income threshold of more than PLN 100,000 the rate of the tax would be 12.5%.

One should also note that at the level of investors dividends received from SRWNs will be **exempt from income tax**, both with regard to shareholders subject to corporate income tax and those who pay personal income tax.

Some real estate players have already tried to create Polish versions of structures similar to REITs without any dedicated legislation under Polish law or the tax benefit of the “Polish REIT”, which shows there is significant interest in this subject. Investors expect that the introduction of SRWNs will be the impetus for further growth of the Polish real estate sector, particularly because this business model has a well-established position in both global and European markets.

As the final draft of the Act is still being worked on by the Council of Ministers, its provisions may be subject to significant changes. Please note that this summary has been prepared on the basis of the version of the draft which was made available by the Ministry of Finance on 19 May 2017 and statements by representatives of the Ministry of Finance at the conference held on 19 September 2017 and organised by the Association REIT Polska.

# COMMENTARY

The commercial real estate market in Poland is one of the largest and most attractive in Europe. It has been developing for 25 years with only minimal participation from Polish investors. Without systemic and proven solutions, there will not be a permanent and significant change to this situation, which will cause considerable damage to Polish investors and the Polish economy. In the opinion of our association it is of key importance to immediately introduce the act concerning REITs in Poland.

During a conference held on September 19 by our Association representatives of the Ministry of Finance revealed that this new regulation will most likely apply only to investment in residential real estate.

The legislative process is ongoing and is currently at the stage of making further amendments to the second version of the draft of the act. We are looking forward to the next version. We hope that the arguments we put forward will result in a change of the plan of the Ministry and the regulation also covering commercial real estate.

Currently Polish investors can benefit from the REIT instrument on Western markets. However, we know that investors are waiting for the Polish equivalent of this institution, especially given that the situation on the commercial market is stable and offers good value compared to the markets of Western Europe.



**MAŁGORZATA KOSIŃSKA**

President of REIT Polska Association





## W pierwszej 5 największych kancelarii prawniczych w Polsce\*

**100 prawników** z różnych specjalizacji

**10 lat na rynku** – nowa strategia rozwoju od 2016 r.

**7 biur** w kluczowych dla biznesu miastach w Polsce

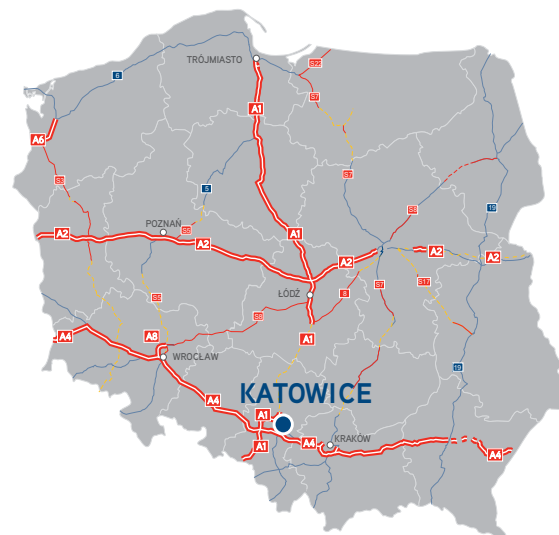
**One-stop shop:** multidyscyplinarne podejście do realizacji projektów

\*5 miejsce według Rankingu Kancelarii Prawniczych „Rzeczpospolitej” 2017.



SILESIA VOIVODESHIP

# KATOWICE



Katowice is a rapidly growing city of about 300,000 inhabitants located in southern Poland. Together with the rest of the region, it forms the unique metropolitan area, which is inhabited by more than 2.2 million people.



298,100

Population

4.6 million

Population (voivodeship)

- Katowice is an important academic, cultural and economic centre in this part of the country. Universities in Katowice provide businesses with qualified human capital. There are 20 universities in the region with currently over 90,000 students.
- The city is located at the intersection of major European transport routes. It has access to the A1 motorway, which connects north and south, and to the A4 motorway, which runs from west to east. Katowice's notable advantage is not only good international transport links, but also the proximity of 3 international airports.
- Thanks to a skilled labour force, academic facilities, a favourable location and the extraordinary character of the region, Katowice and the metropolitan area are the perfect place for new investments. In 2017, planned inflows to the city budget are estimated for PLN1.8 billion and total expenditures are forecasted for PLN2 billion, of which 21.5% will be allocated to investment projects, including those proposed by inhabitants.
- The Katowice sub-region may also be proud of its GDP growth of 1.9% (2013-2014) and low unemployment rate – 2.4% in Katowice at the end of July 2017.
- The agglomeration is a home to over 80 business service centres, which employ almost 19,000 people. Companies such as IBM, General Motors, Capgemini, PwC, Accenture, Rockwell Automation, Teleperformance, Sapiens, Epam, Guardian Industries, Arvato Bertelsmann, Knauf and many others have invested here.
- The city is also a significant conference centre and a venue for many international exhibitions and fairs. Because of these great events, the city created the Culture Zone with facilities such as Spodek, a sports and entertainment hall, and the International Congress Centre, which together can accommodate 26,000 people at the same time. This place is a home for European Economic Congress – one of the biggest business events in Central Europe. It is worth emphasising that the City of Katowice has obtained the prestigious title of the UNESCO City of Music.



1.9%\*

GDP



2.4%

Unemployment rate



EUR 1,224

Average monthly gross salary

Source: Central Statistical Office;  
\* Katowice sub-region



Source: Katowice City Hall

## Growth accelerators and investment incentives

**Effects of scale resulting from the establishment of the metropolitan area** – the largest metropolitan area in the country covering an area of 2,500 km<sup>2</sup> and with enormous human capital potential – 4.6 million people in the Silesia voivodship and over 2.2 million people in metropolitan area.

**The best developed infrastructure in Poland** – superior transport accessibility, highly dense infrastructure thanks to the network of express roads and motorways connecting major cities in Poland and European capitals; proximity to the Czech Republic and Slovakia; access to international airports and expanded cargo traffic; one of the largest and most important railway hubs in the country (LHS - Wide Steel Line).

**Katowice occupied the 5th place** among large European cities (among others in front of Rotterdam and Frankfurt) in terms of strategies to attract foreign direct investment in the ranking of “European Cities and Regions of the Future 2016/17” (fDi Magazine).

**Economic stability** – Katowice is consistently implementing the city’s development strategy. Thanks to this, Katowice is perceived as one of the most important economic centres in Poland.

**Katowice Special Economic Zone** – is a leader among Polish special economic zones. It occupies an area of over 2,600 ha. At present, over 260 companies have already invested over



### KEY FACTS

BSS CENTRES	86
HEADCOUNT AT BSS CENTRES	19,000
NUMBER OF UNIVERSITIES	20*
NUMBER OF STUDENTS	90,000*
NUMBER OF GRADUATES	25,000*

Source: ABSL report: „Business Services Sector in Poland 2017”, Katowice City Hall (\* metropolitan area)

EUR 6.6 billion and have created 65,000 new jobs. The biggest investment in the zone is General Motors’ OPEL automotive plant. In addition, GM Opel located in Tychy produces diesel engines. The second biggest investment is Japanese company NGK Ceramics Polska, its 3 plants produce diesel particulate filters. Other significant investments are i.a.: Fiat Powertrain’s engine plant in Bielsko-Biała and Guardian’s glass factory. The KSEZ was ranked first in Europe in 2015 and 2016 by the Financial Times fDi Magazine. In addition, it was ranked as the best zone in Europe for small and medium enterprises and best support for start-ups.

**Strong academic centre** – the region has more than 90,000 students attending universities, two-thirds of whom study in Katowice. The most popular fields of study are business, administration and engineering, all of which are useful in business services sector. Top-tier universities are: University of Silesia, Silesian University of Technology, University of Economics in Katowice and Medical University of Silesia.

# “KATOWICE SPECIAL ECONOMIC ZONE IS A LEADER AMONG POLISH SPECIAL ECONOMIC ZONES.”



Source: Katowice City Hall/Radosław Kaźmierczak

**High quality of life** - Katowice is a green place - over 45% of the city are green areas - a favourite place for residents and tourists. Some of the forest area is a part of the Silesian Forest and one of the most interesting preserved areas of it is the Murckowski Forest nature reserve with beech trees from 150 to 220 years old. Cyclists will find here more than one hundred kilometres of cycle routes, including: the Kościuszko Park and the Valley of Three Ponds and other interesting ones.

**Investors Assistance Department** - established within Katowice's City Hall to provide professional assistance in a long-term perspective. The department can assist in the preparation and implementation of an investment project:

- providing market analysis (workforce availability, costs, quality of infrastructure and other useful information),

- preparing location specific data,
- organising investor's site visits and holding meetings with the mayor, regional authorities and universities.

Every investor, also a potential one, is appointed a project manager, who is responsible for assistance with the administrative procedures involved in making investments in the city.

**Real estate tax relief** - Katowice City Hall offers real estate tax relief under de minimis assistance, as well as real estate tax relief constituting regional investment assistance. Furthermore, a resolution of Katowice City Council is in force which provides real estate tax relief for buildings and their parts built before 1945 situated in the city in which renovations of their facades have been performed.

**Marketing support** - Katowice offers organising marketing campaign for investments in Katowice which includes the use of outdoor advertisements and on-line ads in social media and the press.

**Office space** - during the preparatory phase of an investment, City Hall and the Poviats Labour Office may provide space in which a recruitment team can conduct interviews or trainings.

**Public transport adjustment** - in Katowice it is possible to organise additional bus stops (or bus connections) for the employees of a strategic investor.

**Employee recruitment** - Katowice and the Poviats Labour Office offer support when recruiting employees, for example through organising job fairs. In cooperation with City Hall, Academic Career Centres can create dedicated websites and places for publishing job offers, for example special wall boards. Career centres maintain databases that greatly simplify the search for suitable candidates. The Poviats Labour Office also offers assistance in: traineeships, grants for the establishment of teleworking positions and reimbursement of equipment costs or retrofitting of workstations.



# Investment offer

As far as coverage of the city's area is concerned, local spatial development plans at the end of June 2017 cover:

- > 25.8% - regarding the whole area of the city,
- > 42.4% - excluding agricultural and forest land.

The city has a very rich offer of investment areas  
– more info: <http://pl.invest.katowice.eu/biznes>.

The most attractive investment offers are as follows:

- > **Korfantego Avenue** - located in the very centre of the city, 0.75 ha.
- > **Olimpijska Street** - located in the immediate vicinity of the International Congress Centre and the Culture Zone, 0.75 ha.

The location of the above properties makes them an excellent investment offer for locating office, hotel, residential or other facilities in the centre of the region.

An investor who decides to invest in Katowice can count on help and support of the Investors Assistance Department of Katowice City Hall, as well as numerous institutions such as local development agencies, chambers of commerce, craft and other business support centres. Moreover, another possibility is to invest within the Katowice Special Economic Zone, which offers additional business incentives.



KEY FACTS	OFFICE	RETAIL*	INDUSTRIAL*
TOTAL MODERN STOCK M <sup>2</sup>	458,800	1,122,700	2,108,600
SPACE UNDER CONSTRUCTION M <sup>2</sup>	40,000	81,000	298,500
RENTS EUR/M <sup>2</sup> /PER MONTH	12.5-14.5	41-43	2.0-2.7
VACANCY RATE %	12.7	5.9	3.7

Source: Colliers International, June 2017;

\* data for the region;

Rents: office base rents, retail prime rents, industrial effective rents.

## 3 Maja Street



Source: Katowice City Hall

## Silesian Museum



Source: Katowice City Hall/Radosław Kaźmierczak

## Spodek and International Congress Centre



Source: Katowice City Hall/Alex Wiśniewski



MAŁOPOLSKIE VOIVODESHIP

# KRAKÓW



Kraków, as the second largest city in the country, is the economic centre of the Małopolskie voivodeship. The city has a population of almost 770,000 and the number of people who use the city, including inhabitants, commuters and students, is estimated for approximately 1.3 million.



765,300  
Population

3.4 million  
Population (voivodeship)

- › Kraków is also a supra-regional scientific centre, home to more than 170,000 students annually, including 42,000 engineering students, 26,600 economics and management students and 8,600 language students.
- › Kraków is the largest business services hub in the country with around 160 companies, accounting for almost a quarter of the BSS sector in Poland. Over recent years, the city has seen the highest growth in employment in this sector – 60,500 (planned growth until the end of 2017 – 5 times more than in 2008 – 12,000). The economic value generated by the BSS sector is PLN 8 billion. 29 languages are spoken daily in the shared services sector and over 7,000 foreigners are employed in BPO, SSC and R&D centres in Kraków.
- › Top 100 Outsourcing Destinations 2017 – Tholons – Kraków – the best location for modern services in Continental Europe – 8<sup>th</sup> place among the top 100 destinations for outsourcing in the world.
- › European Cities & Regions of the Future 2016/2017 – Financial Times fDi – Top 10 Large European Cities – Business Friendliness.
- › Due to Kraków's brand, built over many years, as a business-friendly city and one that has favourable conditions for living, some of the world's most recognisable brands have decided to locate their businesses in Kraków, including: ABB, Accenture, Akamai, Alexander Mann Solutions, Amer Aon, Asseco, Brown Brothers Harriman, Capgemini, CH2M, Cisco, Comarch, Delphi, Electrolux, EY, FedEx, FMC Technologies, Google, HCL, Hays, HSBC, IBM, International Paper, Lufthansa, Mitsubishi, Motorola, Nokia, Ocado, Oracle, PerkinElmer, Philip Morris International, Samsung, Shell, Skanska, State Street, Tesco, Uber, UBS, RWE and Zurich Insurance.
- › World Investment Report – UNCTAD – Kraków – the best venue for developing BPO projects.

## One of the city's best assets

is its international recognition and high position in rankings:



4.9%  
GDP



3.2%  
Unemployment rate



EUR 1,076  
Average monthly gross salary

Source: Central Statistical Office

## Growth accelerators and investment incentives

Kraków consistently builds its economic image and brand, and has created dedicated institutions such as the Investor Support Centre, the Entrepreneurs' Growth Centre and the Business Service Point. These centres work closely with other entities operating in the business environment, such as Center Business in Małopolska, Kraków Technology Park and Kraków Chamber of Commerce.

**Investor Support Centre** – a specialised unit of Kraków City Hall whose aim is to help in a wide range of investment activities and whose scope of activities is extremely broad. The centre deals with servicing foreign and domestic investors, monitoring the investment process of its clients, advising investors, creating a database of municipal investment offers and promoting the investment offer of Kraków in Poland and abroad. The centre cooperates with entities and organisations such as CeBiM, MARR, PAIH, PARP, ABSL and ASPIRE. The centre's activities are aimed at all those who are interested in business development in Kraków, ranging from small construction initiatives, through to the location of modern service centres and large investment projects.



### KEY FACTS

BSS CENTRES	160
HEADCOUNT AT BSS CENTRES	60,500
NUMBER OF UNIVERSITIES	21
NUMBER OF STUDENTS	154,300
NUMBER OF GRADUATES	43,700

Source: Central Statistical Office,  
ABSL report: „Business Services Sector in Poland 2017”

monuments, permits and architectural decisions, planning, strategic investments, land and building records, major roads, hydrography, geology, nature conservation, ownership structure, prices of premises, management, utilities and communication. The portal provides data that describes not only the current state of urban space, but also offers historical information and details of future plans. The portal is an intuitive tool, additionally equipped with a tutorial to help visitors navigate.



Source: Paweł Krzan / Archives of the City of Kraków

**Urban Spatial Information System** – the observatory enables everyone, without leaving their home or office, to obtain a lot of information relating to the Kraków area. The website is useful for those planning to build a house or buy an apartment, and also for developers and investors. The observatory is a map service that integrates a lot of data in one place. The service provides the following layers: listed

**“inKRK Initiative”** – an innovative undertaking by Kraków and Kraków-based companies that consists of 4 projects: Business4You inKRK!, inKRK.doc, StartUp inKRK! and Tra-inKRK! The aim of the initiative is to encourage young people to choose Kraków as a place to live and work and to shape the image of the city as friendly for career development.





Source: Paweł Mazur / Archives of the City of Kraków

**BUSINESSPOINT** - City Hall and the ASPIRE Association prepare together a cyclical business newsletter – BUSINESSPOINT, which presents the latest information on Kraków’s urban space, with particular emphasis on news that is important for running a business in the city.

**Kraków Special Economic Zone** – covers an area of more than 866 ha and provides approximately 23,000 work places. The zone is located in three voivodships. In the Podkarpackie region, public aid (exemptions from income tax, CIT or PIT) amounts to 50% for large companies, 60% for medium-sized companies, and 70% for small enterprises. In Małopolskie and Świętokrzyskie regions, the level of aid is 35%, 45%, and 55%, respectively. An entrepreneur can subtract the value of public aid calculated above from the income tax

to be paid until the end of the operation of the zone (currently envisaged for 31 December 2026). Therefore, an entrepreneur may in fact pay no income tax until the amount of aid calculated based on investments made or the costs of creating new jobs has been exhausted. The main investors include ComArch, RR Donnelley, MAN Trucks and Shell Polska.

**BSS Leader** – Kraków is the leader in terms of employment in the BSS sector in Poland: over 60,000 people work across nearly 160 BSS centres. Therefore, this is the most important business service centre in Central and Eastern Europe. In the last three years, employment in shared services centres in Kraków has increased by 80-100%, which shows the dynamic growth of the sector. The development of the sector has led to high demand for office space in the city – the main tenants are shared services businesses. The Kraków office market is the biggest regional office market in Poland and also the first one with total office space exceeding 1 million m<sup>2</sup>. As the largest BSS centre in Poland, Kraków is a very attractive place to live for experienced managers and those with high qualifications, whether in IT, finance or other professions. This diversification makes Kraków a very strong market and its scale and maturity makes it a target destination for many. The city has a constantly growing ability to attract talents from all over the world.

**Tourism** – Kraków is considered as the cultural capital of Poland and the Old Town is listed on a UNESCO World Heritage Site. In 2016, Kraków was visited by over 12 million tourists, including nearly 3 million foreigners. Year by year, the number of visitors is growing. According to a survey conducted in 2016 by the British travel magazine “Which? Travel”, Kraków beat 42 other cities to be recognised as the best tourist destination in Europe. Kraków has an extensive tourist infrastructure: more than 650 accommodation facilities and the second largest airport in Poland serving over 100 destinations throughout the world.

“KRAKÓW IS THE  
STRONGEST  
LEADER IN TERMS  
OF EMPLOYMENT  
IN THE BSS  
SECTOR IN  
POLAND.”

# Investment offer

Kraków's development prospects have been included in the Study of Spatial Development Conditions and Directions of the City of Kraków - a document that defines the city's development model and which is developed in more detail in local spatial zoning plans. The study sets the objectives of spatial development policy, which are related to the strategic development objectives of the city. These envisage that Kraków will become a European metropolis - a centre for modern business, advanced technologies, science, culture and tourism, and also a resident-friendly city that is attractive for living and working.

The vision for Kraków's development is based on a range of strategic activities the main priority of which is the creation of modern areas that are attractive for investment and, simultaneously, friendly and green places for living and relaxation. Investments in infrastructure, from communication and transport solutions to access to modern media, are also important. Development (rather than expansion) is one of the main slogans of the new, creative Kraków.

Its development policy aims to use resources rationally in investments and at the same time it wants to introduce strict protection of green areas. Kraków's Spatial Study is focused on large projects - Nowa Huta of the Future as a sustainable development project, Kraków Airport and Kraków New City. Their objectives are:

- > to create stimuli for new solutions,
- > to provide intensive urbanisation of the city,
- > to create varied functionality,
- > to be based on innovative spatial solutions in both function and form.

These strategic projects also provide an opportunity to situate companies from the BPO/SSC/IT sector in new attractive areas that have not been used for this purpose yet. As at 25 July 2017, 154 local plans exist covering 49.8% of Kraków's area.



KEY FACTS	OFFICE	RETAIL*	INDUSTRIAL*
TOTAL MODERN STOCK M <sup>2</sup>	992,200	548,000	290,900
SPACE UNDER CONSTRUCTION M <sup>2</sup>	275,200	42,000	33,000
RENTS EUR/M <sup>2</sup> /PER MONTH	13.2-15.5	41-43	2.8-4.5
VACANCY RATE %	9.2	5.3	8.9

Source: Colliers International, June 2017;

\* data for the region;

Rents: office base rents, retail prime rents, industrial effective rents.

## Przylasek Rusiecki SPA



Source: Archives of the City of Kraków

## Branice Science and Technology Park



Source: Archives of the City of Kraków

## Kraków Nowa Huta of the Future

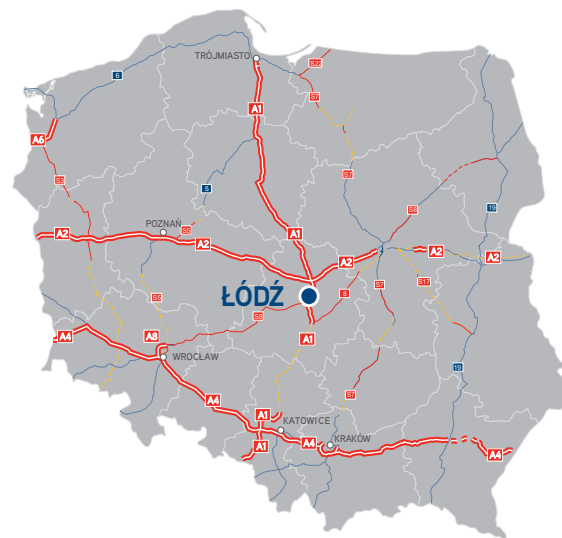


Source: Archives of the City of Kraków



ŁÓDZKIE VOIVODESHIP

# ŁÓDŹ



Łódź is a city located right in the center of both Poland and Europe, surrounded by a network of motorways and expressways, which provide the city with excellent connections to other Polish and European locations.



696,500

Population

2.5 million

Population (voivodeship)

- › The proximity of two international airports is an unquestionable advantage of the city compared to other locations. Łódź is the fourth largest city in Poland (293.2 km<sup>2</sup>) and third in terms of population (approximately 700,000 people). An extensive junction of railways provides convenient connections with other business centers in the country, such as a frequent and quick connection to Warsaw. An important aspect in the context of investments in the city, in particular in terms of the availability of qualified human resources from the Łódź region, is the Łódź Agglomeration Railway, which connects 11 major cities in the region and covers the area of 5 districts.
- › One of Łódź's greatest assets is its academic potential. The city is a strong educational and scientific centre with a well-developed cooperation with 21 universities among which are: the University of Łódź, Technical University of Łódź and the Medical University. Łódź offers a large group of graduates educated in the fields searched for by employers as well as competitive personnel costs compared to other locations in Poland.
- › Large working age population combined with a large number of students constitutes a social and economic potential of highly qualified employees in the labour market. Łódź, once a centres of industrial production, is now one of the leading outsourcing centres in Poland.
- › Apart from logistics and transport, which are the natural direction of Łódź's development due to its central location, the BPO/SSC/R&D sectors are also prior. There are 70 BSS centres in the city, among them: Fujitsu Technology Solutions, Hewlett Packard Enterprise, Accenture and many others, which employ more than 18,000 people. The city is an attractive place for foreigners – about 2,000 foreigners work in BSS centers in Łódź. In 2017, for the second time, Łódź was honored in the ABSL annual report for the first place in the category "Cooperation with local authorities".
- › The Łódź strategy for attracting investors has been noticed by fDi Intelligence, a section of Financial Times that deals with foreign direct investments. Łódź was ranked first in the fDi Strategy category of the Polish Cities of the Future 2015/16 ranking.



2.3%

GDP



7.3%

Unemployment rate



EUR 982

Average monthly gross salary

Source: Central Statistical Office



Source: Łódź City Hall

## Growth accelerators and investment incentives

### Investor Service and International Cooperation Bureau

– Łódź has a wide offer of incentives as regards public aid as well as assistance of a dedicated investor manager from the Investor Service and International Cooperation Bureau and urban authorities, which aim to help in conducting the investment in an efficient and comprehensive manner, in accordance with the investor's plans. The main tasks of the Bureau are: preparation and popularization of information about possibilities and conditions of investing in the city, supporting local investor, who create new jobs, cooperation with universities and handling contacts with foreign investors. Comprehensive assistance includes: gathering basic information and data, support for localization selection, promotional support for recruitment activities, cooperation with the City Hall, support for PR campaigns and further postinvestment care.

**The Youth in Łódź** – a program, which was created as a part of the cooperation of the city with business and higher education institutions. Its aim is to encourage young people to plan for their future in Łódź and to build a positive image of the city as one conducive to professional development. The program is implemented by the Investor Service and International Cooperation Bureau which, in cooperation with



### KEY FACTS

BSS CENTRES	70
HEADCOUNT AT BSS CENTRES	18,100
NUMBER OF UNIVERSITIES	20
NUMBER OF STUDENTS	74,000
NUMBER OF GRADUATES	17,700

Source: Central Statistical Office,  
ABSL report: „Business Services Sector in Poland 2017”

major universities in Łódź and leading employers, launches various initiatives as a part of the program, such as a website with internship and apprenticeship opportunities, a scholarship program, free training courses or a contest for young entrepreneurs. More than 130 companies in Łódź cooperate under the program, including three largest public higher education institutions: the University of Łódź, the Łódź University of Technology and the Medical University of Łódź.

**Łódź Universities** – in order to meet the expectations of employers, the universities offer study programs in English, including such specializations as American Studies and Mass Media or International Marketing Management, and in French. In addition, the city puts great emphasis on fostering positive

“UNIQUE LOCATION – WITHIN 500 KM  
THERE ARE 7 EUROPEAN CAPITALS:  
WARSAW, BERLIN, PRAGUE, VIENNA,  
BRATISLAVA, BUDAPEST AND VILNIUS.”



relations between business and science. Such cooperation between the three parties has resulted e.g. in new study courses, which generate professionals highly sought after by employers in the city, among others in such areas as SSC/BPO and IT. At the University of Łódź “Linguistics for Business” has been created, which prepares graduates to professionally communicate in foreign languages and focuses on the basics of business, economy and finance.

The second program is “Banking and digital finances”, which was created in response to the need, communicated by employers, for specialists in the field of finance, who at the same time possess advanced digital skills. The studies are conducted in cooperation with Thematic Partners: mBank S.A. and Accenture Sp. z o.o. Łódź institutions of higher education carry out projects such as Information Technology Centre of the Łódź University of Technology, which supports education in the scope of developing and using novel information technologies in different areas. Moreover, there is the International Faculty of Engineering (IFE) in the Łódź University of Technology and it offers technical programs in English and French. Thanks to an extensive cooperation with European universities, IFE students also have an opportunity to undertake months-long studies and internships abroad.

**Unique location** – a city is located right in the center of Poland and Europe: within 500 km there are 7 European capitals: Warsaw, Berlin, Prague, Vienna, Bratislava, Budapest and Vilnius. The proximity of two international airports - Reymont Airport and Chopin Airport, one of which is just 15 minutes from Łódź downtown, is an unquestionable advantage of the city. The most important national and European routes meet near Łódź: A1 and A2 motorways intersect in Stryków near Łódź, offering quick access to Warsaw, Poznań, Gdańsk and Toruń, while the proximity of the S8, S14 and other expressways enables quick connections, among others with the Silesian agglomeration and Lower Silesia region. Łódź is also an important railway transport hub with one of the most modern railway stations in Europe - the new Łódź Fabryczna was completed in the end of 2016.

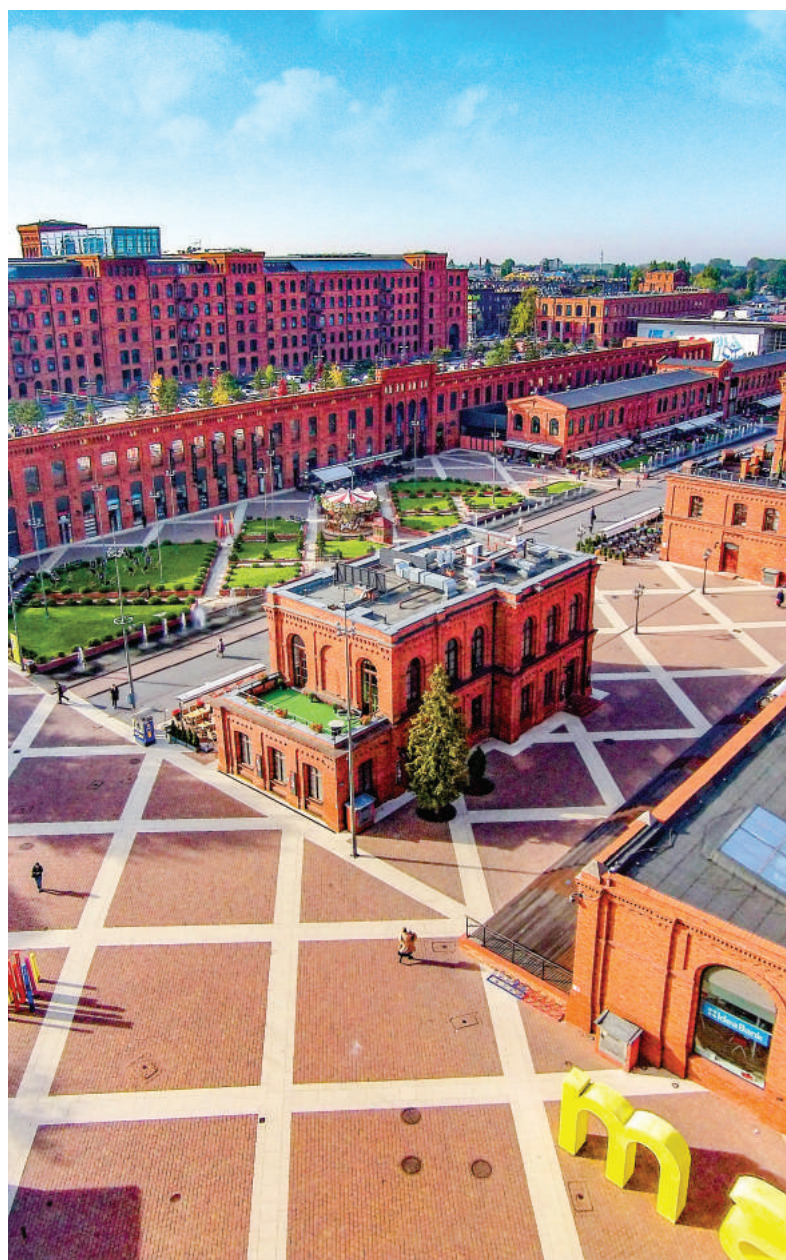
In 2016 the city was awarded by Eurobuild CEE as the **Most Investor-Friendly City** during the annual Eurobuild Awards Gala 2016.

**Łódź Special Economic Zone** – offers a wide range of benefits: investors who run their business in the Zone are offered state aid in the form of exemption from CIT or PIT, and also may be exempt from real property tax. The level of support depends on the size of a given enterprise and may reach even 55% in the case of small companies.

**Łódź Centre for Entrepreneurship** – an initiative supporting entrepreneurs and startups in Łódź. The program offers free consulting and training for Łódź entrepreneurs and people

planning to start a business. Individual consultations and trainings by qualified advisers include: business registration procedures, raising funds for establishment and development of the company, knowledge of labour law and commercial company's law and more.

**Łódź Creates Innovations** – a project promoting innovative solutions introduced by companies and R&D units in Łódź and the Łódź region. The main aim of the project is to present innovative and creative companies, products, services and modern industries, as well as the local R&D sector. The quarterly magazine “Łódź creates innovations” is devoted to the development of entrepreneurship in the Łódź region and the commercialization of research conducted by R&D units. Additionally a nationwide conference focused on promoting Łódź as an innovative and creative city is organized.



Source: Łódź City Hall



# Investment offer

**Currently, the City is covered in almost 18% by spatial development plans.**

Currently, in Łódź we observe an increased interest on part of developers both as execution of new investments and purchase of new investment areas are concerned. However, there are still many interesting offers, both provided by the City (in particular in the City centre and concerning office and flat investments) and by private owners. Office developers search for areas mainly in "the New Centre of Łódź" in the neighborhood of the new underground railway station named "Łódź Fabryczna", where costs of parcels are the highest in the city. Many new areas will be released for sale by the City next year after the decision on the location of the Specialized Expo 2022, for which the Republic of Poland is applying. Production and warehouse developers now buy most of the area in the south-east of the city, close to the A1 motorway junction. Here most of the land is sold by private owners.

The flagship project of the city is **the New Centre of Łódź** - one of the key elements of the city centre regeneration project, the aim of which is to rediscover the beauty of "the undiscovered Łódź". The unique character of the place, fully reminiscent of the industrial past of the city, allows us to exploit the potential that it creates, while at the same time allocating it to the functions of modern technology. The New Centre of Łódź encompasses 50 interlinked projects of the total value of approximately PLN 4.7 billion. According to the spatial development plan for the New Centre of Łódź, 19.9% of its area is intended for services-related functions, 46.5% - office functions, 19.0% - residential functions, and 13.0% - hotel functions. The elements of the New Centre of Łódź include, among others, the redeveloped premises of the former EC-1 power plant. Another element is the new underground Łódź Fabryczna railway station, which will become a part of the multimodal transport hub, connecting railway transport services, long-distance bus services, public transport services and road transport, right in the centre of the city. The investment will involve also the alteration of the road system around the railway station, owing to which Łódź will have the opportunity to become one of the locations in the country with best transport connections.



KEY FACTS	OFFICE	RETAIL*	INDUSTRIAL*
TOTAL MODERN STOCK M <sup>2</sup>	397,500	554,600	1,469,600
SPACE UNDER CONSTRUCTION M <sup>2</sup>	152,500	0	204,800
RENTS EUR/M <sup>2</sup> /PER MONTH	12-13,5	35-37	1.9-2.9
VACANCY RATE %	6.0	5.0	0.3

Source: Colliers International, June 2017;

\* data for the region;

Rents: office base rents, retail prime rents, industrial effective rents.

## New Łódź Fabryczna station



Source: Łódź City Hall

## EC-1



Source: Łódź City Hall

## Woonerf, 6 Sierpnia Street

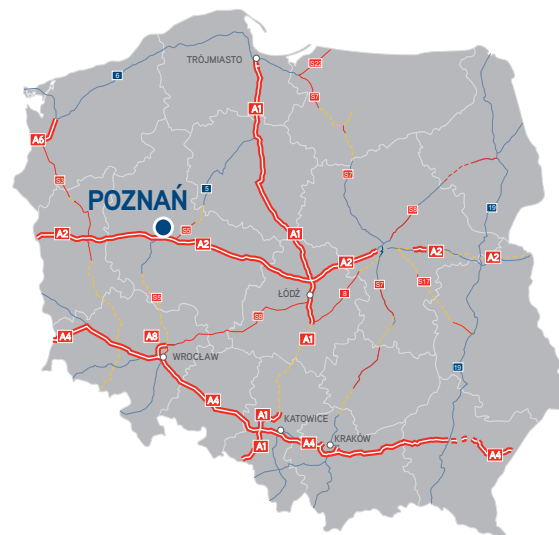


Source: Łódź City Hall



WIELKOPOLSKIE VOIVODESHIP

# POZNAŃ



Poznań, with over 500,000 inhabitants, a strong and diverse economy, is the largest urban centre in the north-western part of the country. Companies from the modern business services, automotive and logistics sectors choose the Poznań agglomeration.



540,400

Population

3.5 million

Population (voivodeship)

- > The value of foreign direct investment since 1990 has already reached USD 9.5 billion. The city attracts investors with qualified staff and an attractive location – midway between Berlin and Warsaw, on the A2 motorway. Poznań International Airport is located just 15 minutes from the city centre and offers easy connections to the largest European hubs: London, Frankfurt, Munich and Copenhagen. New flights have recently started to Kiev and Lviv.
- > The city is appreciated by business environment institutions. In the prestigious fDi Intelligence ranking by financial Times – Polish Cities of the Future 2017/2018, Poznań was recognised as a business friendly city. Also in this year's Forbes ranking of Business Attractive Cities, in the 300,000-plus category Poznań took first place among regional cities. Three times in a row Poznań has been awarded the Outsourcing Star by the Pro Progressio foundation for the largest increase in students and graduates in IT and economic fields.
- > Poznań is a significant academic centre offering access to qualified graduates from 24 Universities and a leader in language education (more than 40 language courses are available at Poznań's universities). This is appreciated by investors who provide services to foreign clients. The largest universities in Poznań are the Adam Mickiewicz University, Poznań University of Technology, the Poznań University of Economics and Business, the Poznań University of Medical Sciences and Poznań University of Life Sciences.
- > In the capital of the Wielkopolskie voivodeship, there are 86 service centres employing 13,500 people, which shows that the Poznań market is one of the fastest growing in terms of BSS centres in Poland. The largest companies in the shared service centre sector are: Franklin Templeton Investments, GSK Services, Allegro Group, McKinsey & Company, Roche and Nivea.
- > Poznań is famous for its entrepreneurship – it occupies third place in Poland in terms of the number of registered small innovative New Connect companies. The total number of companies registered in Poznań is 110,500, which is the second highest in the country. The city has also become a leader chosen by the European Commission in terms of culture and creativity in Poland.



3.3%

GDP



1.7%

Unemployment rate



EUR 1,107

Average monthly gross salary

Source: Central Statistical Office



Source: fotoportal.poznan.pl

## Growth accelerators and investment incentives

**Poznań Science and Technology Park** – was established in 1995 as the first facility of its type in Poland. The park is a place for researchers who want to learn how to raise funds for research and commercialisation of their analysis and for entrepreneurs who want to grow their businesses based on innovation. This is the only technology park in Poland that has the status of a scientific unit, which allows it to apply for research projects. The broad spectrum of the park's activities includes: business support, technology transfer from service to business, research services, a modern Data Centre and rental of office and laboratory space. The park is a member of prestigious international organisations: the International Business Innovation Association, the International Association of Science Parks and the Innovation Areas.

**Beyond.pl** – is the first server in Poland and in the CEE region which has the highest safety according to the American Standard

“POZNAŃ IS A LEADER IN  
LANGUAGE EDUCATION - MORE  
THAN 40 LANGUAGE COURSES  
ARE AVAILABLE AT POZNAŃ'S  
UNIVERSITIES.”

Rating 4. This is the highest rating possible in accordance with American safety standards. The state-of-the-art data centre Beyond.pl guarantees the continuity and energy efficiency of applied



### KEY FACTS

BSS CENTRES	86
HEADCOUNT AT BSS CENTRES	13,500
NUMBER OF UNIVERSITIES	24
NUMBER OF STUDENTS	112,000
NUMBER OF GRADUATES	29,200

Source: Central Statistical Office,  
ABSL report: „Business Services Sector in Poland 2017”

solutions. The Beyond.pl data centre meets the requirements of all areas of certification: architecture, mechanical, electrical, telecomms.

**Poznań International Fair** – the trade fair leader in Poland and one of the largest organisers of such events in CEE. The fair occupies an area of 212.5 ha with 17 pavilions. It belongs to organisations that bring together trade fair leaders from all over the world. The trade fair portfolio consists of over 100 events organised in annual or biennial cycles. In 2016, 63 fair events took place, with more than 10,500 exhibitors and 700,000 visitors. Thanks to its infrastructure and many years of experience in organising fair events, the fairs attract many investors from all over the world.

**YouNick (formerly Nickel Technology Park Poznań)** – the first privately owned technology park in Poland, which has been a place for the development of innovative businesses for 10 years. It is an initiative addressed

to dynamic businesses and research centres to support the development and commercialisation of their ventures. The park's services include the rental of offices, logistic areas and laboratories, as well as business support through project



Source: J. Sokółowski for Garvest

financing, commercialisation, technology concept, concept generation and user research. The YouNick technology park is home to nearly 60 companies employing more than 600 people and includes companies such as Mitsubishi Electric, Pozlab, External Services, Tupperware and other IT, biotechnology, logistics, consulting and service companies.

**Startup Poznań** – an initiative within Poznań, in cooperation with the business community, investment funds and technology companies, supports startups in Poznań. The purpose of the initiative is to support entrepreneurship, provide access to the necessary knowledge and activate the local community. There are currently 250 startups in Poznań, including Qpony.pl, Legimi, jakdojade.pl and Zylia. Smart City Poznań is a Poznań startup initiative promoting modern solutions to help people in their everyday life: access to e-government platforms, access to the Internet in the city and implementation of mobile hotspot networks.

**Research potential** – Poznań is one of the strongest scientific and research centres in Poland. In terms of number of universities, the city is ranked third in Poland. There are 24 higher education institutions in the city (including 8 public)

educating 112,000 students. R&D research is conducted in 40 scientific research institutions, including 18 institutions of the Polish Academy of Sciences, universities and private entities. R&D units employ over 5,000 people, including 1,100 professors. Annual R&D expenditure amounts to almost PLN 800 million.

**Investor Relations Department** – supports companies that choose Poznań as the best place to develop their business. The assistance covers comprehensive investor service.

- › Project manager – a dedicated person who assists during the entire process of preparation and implementation of the investment.
- › Demographic analysis (labour market, number of students and graduates, available office space and storage space).
- › Investor visits – tour of the city and potential investment locations, meetings with city and university authorities, meetings with representatives of HR and real estate sectors.
- › Preparing to start – collecting real estate offers, supporting necessary administrative decisions, including building permits and employment opportunities for foreigners.
- › Employer branding – creating a positive image of the investor as an employer by organising press conferences, distributing materials, organising events.
- › Support for current activities – assistance in obtaining state grants, involvement of investors in CSR actions organised by the city authorities, adapting public transport to the needs of large employers, scholarships for internships for students working in local companies.

#### Activities of the Investor Relations Department:

- › **Stay in Poznań** – the program is aimed at foreign students staying in Poznań as a part of the Erasmus program, who are encouraged to stay in Poznań and start working there. The campaign meets the needs of investors for proficient foreign language workers.
- › **BPO/SSC Week** – this campaign aims to bring BPO/SSC companies closer to university students. The previous five editions were attended by 16 companies, and nearly 1,000 students took part in workshops and visited modern services centres in the city.
- › **Promotion of German** – in Poznań, the largest group of investors are now companies from Germany, indicating a significant demand for German speaking employees. The office promotes the learning of German in Poznań's schools.
- › **Scholarships** – grants are awarded to students from Poznań's universities who obtain internships in a company in Poznań. Scholarships are intended to cover the costs of placement, and in particular: the costs of training, travel, maintenance and accommodation.



# Investment offer

**Coverage of the spatial development plan in Poznań (July 2017) is 43%.**

The unit dealing with the sale and lease of urban real estate is the Department of Real Estate Management of Poznań City Hall, which manages the resources of Poznań within the administrative boundaries.

- The most interesting property is the **Wolne Tory** - a unique property located in the very centre of the city, near the railway station, the Poznań International Fair and the Old Town with a total area of 48 ha. This is a huge space with the potential to build from scratch a new, modern district with residential and service buildings. Wolne Tory is the largest strategic investment for Poznań's development. A modern urban concept has been developed, resulting in a structure of office, residential and service buildings and recreational and green areas. Schools and cultural institutions are also planned in the new district.
- **Kostrzyńsko-Słubicka Special Economic Zone** – offers real estate for investment from the industrial and logistics sector.

Poznań's investment offer also includes attractive real estate for residential, hotel or industrial purposes.

Online information about parcels and communication is available in the Spatial Information System, which allows visitors to view functions, parcel boundaries, possessions and usage.



KEY FACTS	OFFICE	RETAIL*	INDUSTRIAL*
TOTAL MODERN STOCK M <sup>2</sup>	443,300	692,400	1,681,000
SPACE UNDER CONSTRUCTION M <sup>2</sup>	98,000	28,400	122,600
RENTS EUR/M <sup>2</sup> /PER MONTH	12.5-15.5	41-43	2.1-2.7
VACANCY RATE %	12.2	4.5	9.1

Source: Colliers International, June 2017;

\* data for the region;

Rents: office base rents, retail prime rents, industrial effective rents.

## Beyond.pl



Source: Beyond.pl

## Old Brewery



Source: fotoportal.poznan.pl

## Poznań Technology Industrial Park



Source: fotoportal.poznan.pl

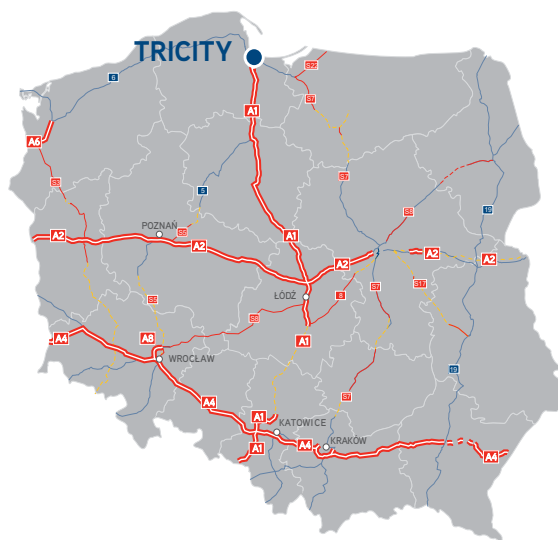


POMORSKIE VOIVODESHIP

# TRICITY

Tricity is the main business agglomeration in the north of Poland and it contains three cities: Gdańsk, Sopot and Gdynia, with more than 1 million inhabitants in the metropolitan area (with neighbouring municipalities). In Gdańsk itself, which is the main economic centre, the population exceeds 460,000.

- Tricity is also the centre of the Gdańsk Industrial District, whose location by the sea is a unique feature. At present, the city is home to shipbuilding, food processing, electrical engineering, energy and petrochemical industries.
- An important asset of Tricity is its high quality of life thanks to sport and recreation areas, cultural and entertainment places and proximity to the Baltic Sea. Tricity's other assets are the presence of a number of universities such as the Gdańsk University, the Gdańsk Medical University, the Gdańsk University of Technology, the Naval Academy in Gdynia and the Marine Academy in Gdynia, which together create a very important academic centre in Poland. Over 100,000 people study annually at 23 universities.



747,600

Population

2.3 million

Population (voivodeship)

- A population of over one million is a big market for potential investors, and the labour market is also attractive because of the large number of workers, engineers, specialists and students (in Tricity nearly three quarters of the population are in working age).
- Tricity's economy is developing very well, as can be seen by the airport development, port investments (Deepwater Container Terminal), shipyards and the production and storage-logistics sector. Many BPO/SSC, IT and finance companies choose Tricity. The biggest employers in the Tricity Metropolitan Area are: LOTOS Group, Energa Group, Ergo Hestia, LPP and Remontowa Shiprepair Yard.



2.9%

GDP



3.3%

Unemployment rate



EUR 1,167

Average monthly gross salary

Source: Central Statistical Office

## Growth accelerators and investment incentives

**Gdańsk Science and Technology Park (GPN-T)** - created in the former Gdańsk Graphics Workshops, the centre was founded at 2008. The GPN-T is a complex of three buildings with a total usable area of about 40,000 m<sup>2</sup>. There are modern laboratories, offices, storage and production areas, a conference centre, a technology incubator and a kindergarden. The institution works on projects that raise economic innovation, solve infrastructure barriers in Pomerania and allow cooperation between science and business, especially with the Pomeranian ICT Cluster and with other business entities. Currently, the GPN-T is working on the European project "Baltic Blue Biotechnology Alliance", which aim is to increase the number of companies from the biotechnology sector and to create the offer of the Baltic Sea Region. Over 60 companies lease office space from GPN-T, mainly from the automation, biotechnology, IT and ICT sectors. It is also possible to open a virtual office with

### KEY FACTS

BSS CENTRES	120
HEADCOUNT AT BSS CENTRES	19,300
NUMBER OF UNIVERSITIES	20
NUMBER OF STUDENTS	73,300
NUMBER OF GRADUATES	18,500

Source: Central Statistical Office,  
ABSL report: „Business Services Sector in Poland 2017”

protection, IT, engineering, social innovation and ICT sectors. There are also a few consulting and training companies. Nearly 180 enterprises operate in the park. The objectives of the park are: the development of the Gdynia and Pomerania economy and the development of cooperation between science and business. Thanks to the park's activities, many work places have been created and entrepreneurs have had a chance to emerge.



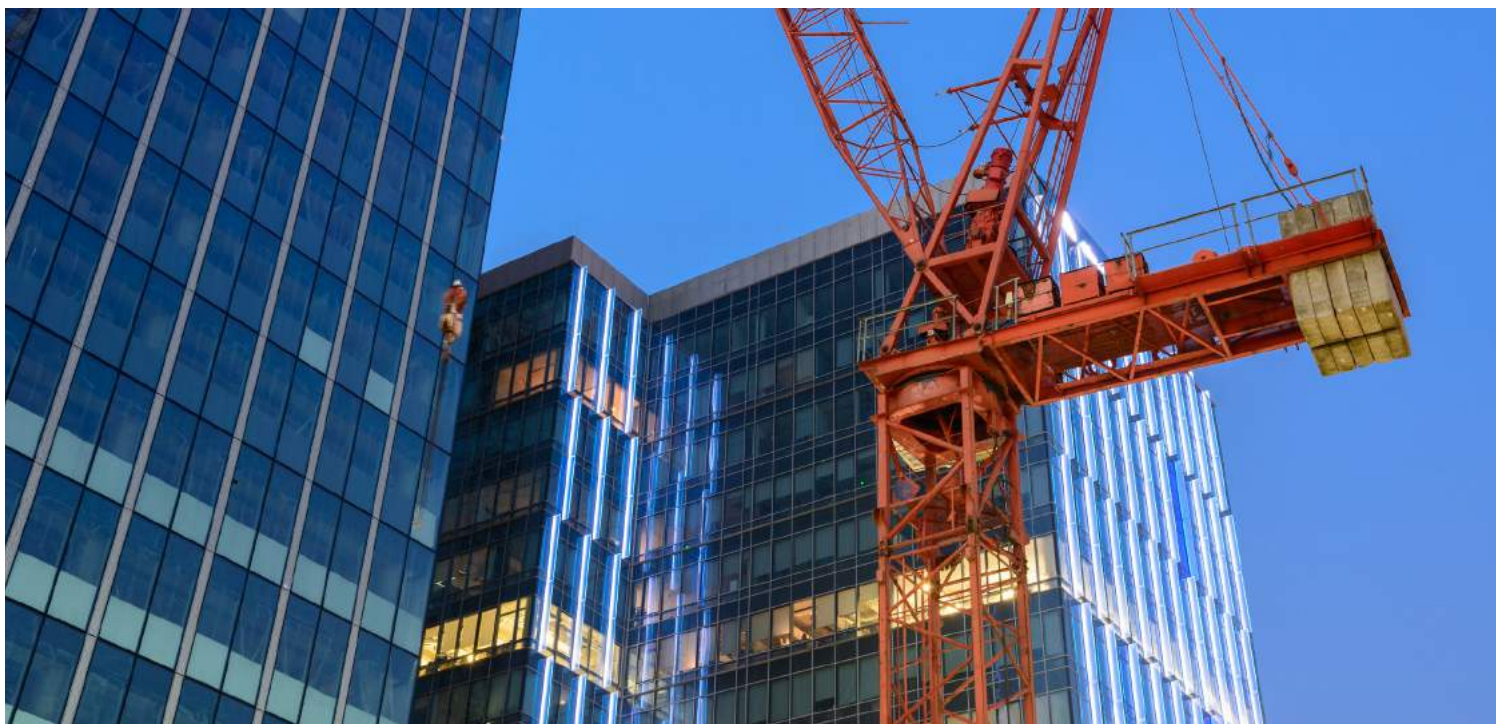
the park's address and a correspondence service, conference space, and discounts on courier services and office items are available.

**Pomeranian Science and Technology Park (PPN-T)** - founded in 2001 to support innovative companies, the complex of four buildings is located in the old bus depot. The park includes biotechnology and electronics laboratories, offices, a start-up area, conference centre, design centre, restaurant, gallery and the Science Center EXPERYMENT. The park's companies are from the biotechnology and environmental

Beside science and technology parks, Tricity is also a home to Business Incubators, which aim to help those who want to set up their own company, even if they don't have experience or education in a particular kind of business sector.

The incubators provide office space and additional services such as consulting in accountancy, law, financing and support in running a business.

The oldest incubator in Tricity is **AIP: Academic Business Incubator**, located in Sopot near the management department of the Gdańsk University. Another AIP is located near the



Gdańsk University of Technology and the last one is near the Academy of Physical Education and Sport (AWFiS). All of them are part of the Polish Academic Business Incubators network. AIPs also offer preincubation, namely support before setting up a company. Entrepreneurs have a chance to research the market and have time to prepare new initiatives.

Tricity has two other incubators – **Gdańsk Incubator STARTER** and **Gdynia Business Incubator**, which also help new companies to develop.

**Development Agencies** – focus on the economic development of regions by promoting regions to potential investors. They support local government in regional policy and they coordinate investment processes. The mission of development agencies is to develop the local region. Tricity has three agencies: Pomeranian Development Agency, Gdańsk Economic Development Agency and initiative [investgdynia.pl](http://investgdynia.pl). In addition, within the Pomeranian Development Agency the initiative Invest in Pomerania 2020 operates.

## “CITY OF GDAŃSK HAS A SPECIAL SCHOLARSHIP PROGRAM.”

The objectives of this initiative are to set up industrial investment areas, build a system of investment incentives and promote the region.

The Pomeranian Special Economic Zone (PSSE) is located in Tricity and is one of fourteen Special Economic Zones in Poland. The total area of PSSE is 2246 ha and it has direct access to major sea ports. Entrepreneurs who want to set up a business at the Special Economic Zone can purchase prepared plots with a full infrastructure and have the opportunity to benefit from income tax relief. Furthermore, they can be supported with an organisational help and consulting connected with their investments.

Aside from income tax relief, real estate tax exemptions are also possible. It is a form of public aid granted by the municipality by resolution and it is granted automatically, which means that as soon as an entrepreneur meets the requirements set by the council in the resolution, the grant can be received.

There are many investors in PSSE, including Polpharma, International Paper (former Weyerhaeuser Poland), PKP Cargo and Bridgestone – the largest manufacturer of rubber products and tires in the world. The total number of investors in PSSE is 123, they have created 22,921 work places and their total investment outlays exceed PLN 11 billion. An example of the zone’s work to develop and activate the region is the establishment of the Gdańsk Science and Technology Park and the Baltic Industrial Park.

City of Gdańsk has a special scholarship program for young people, thus encouraging investors to expand the BPO/SSC sector. This program is a financing training for young people. Among companies that benefited from this program are: Lufthansa, Kainos, Acxiom. In addition, a new school dedicated to educating employees in the shared services sector was established in Tricity. It is the only school of this type in Poland.



# Investment offer

Spatial planning in Gdańsk is conducted by the Gdańsk Development Bureau. Coverage by spatial plans in 2006 was at the level of 51.3% of the city's administrative area and increased to 65% by 2016. Economic development of the city is stimulated by the Gdańsk Economic Development Agency (InvestGDA), mainly in industrial areas, especially those present in regional development documents (strategies). In the Tricity's offer, four InvestGDA projects stand out:

- Industrial and Technology Park Maszynowa - almost wholly commercialised,
- Pomeranian Logistics Centre - developed by a foreign investor (Goodman company),
- Industrial Park Płonia,
- Pomeranian Investment Centre (PCI) with KOGA office building.

These projects are part of the offer of the Gdańsk Economic Development Agency. The first provides technical infrastructure for special sites. It was set up in 2012, and the process of selling the remaining investment plots is currently underway. In the Pomeranian Logistics Centre, Goodman is currently building warehouses, meanwhile Industrial Park Płonia is at the planning stage (the necessary technical infrastructure will also be built here). The KOGA office building was built in 2015. InvestGDA acts as the investor and office space is primarily for maritime companies.

The agency is also involved in the creation of technical infrastructure in the Pomeranian Investment Centre – a project in a great location close to the North Harbour and the DCT container terminal. The centre will be used for production and service activity. The 76 ha site is perfectly connected, in the direct neighbourhood of the Sucharski Trail and the newly created prof. Andruszkiewicz Street.

## Green Road Project



Source: Invest in Gdańsk

## Pomeranian Investment Centre (PCI) with KOGA office building



Source: Invest in Gdańsk

## Pomeranian Investment Centre (PCI)



Source: Invest in Gdańsk



KEY FACTS	OFFICE	RETAIL*	INDUSTRIAL*
TOTAL MODERN STOCK M <sup>2</sup>	645,500	747,000	450,600
SPACE UNDER CONSTRUCTION M <sup>2</sup>	108,900	62,000	36,700
RENTS EUR/M <sup>2</sup> /PER MONTH	13-16.5	39-41	2.2-2.9
VACANCY RATE %	7.8	3.1	4.8

Source: Colliers International, June 2017;

\* data for the region;

Rents: office base rents, retail prime rents, industrial effective rents.

DOLNOŚLĄSKIE VOIVODESHIP

# WROCLAW

Wrocław is a leading economic, technology and cultural centre in south-western Poland, and also one of the most rapidly growing metropolitan areas in the country. As a strong business centre, Wrocław is an attractive location for foreign investors and is a home to many companies with Polish capital.



637,700

Population

2.9 million

Population (voivodeship)

- > The city is also a leading academic centre. Approximately 125,000 people study at 26 universities in fields ranging from engineering, information technology and economics to finance and linguistics. Every year, the city produced over 32,000 graduates. As far as language knowledge in Wrocław is concerned, nearly 100% of students speak English, while there are more than 30 foreign languages spoken in shared service centres in the city.
- > Since more than two decades the city has been successfully attracting foreign direct investment and developing modern economy using longstanding industrial traditions, qualities of the citizens and the academic potential.
- > The business-focused approach of the city and its support for foreign and Polish companies is widely appreciated and copied by other cities. Wrocław was ranked the best place to do business by ABSL (Association of Business Service

Leaders) and “Most business-friendly Polish city in 2016” by Forbes. The strong presence of global companies is successively changing the labour market and professionalizing the business environment. The unique business-friendly attitude and the overall economic potential make the city very attractive for new offshore projects.

- > In 2004-2012, Wrocław’s GDP increased by 45%, which means that it is the second (after Warsaw) fastest growing Polish city. The unemployment rate decreased from 8% to 2.6% between 2006 and H1 2017. The growing population is also one of the city’s strengths. In 2005-2015 in the metropolitan area of Wrocław, the number of inhabitants increased by 50,000. Additionally, students from other Polish regions and growing job migration significantly contributed to this result – in 2016 almost 120,000 work permits were issued in the region for Ukrainian citizens alone.



6.4%

GDP



2.6%

Unemployment rate



EUR 1,114

Average monthly gross salary

Source: Central Statistical Office





Source: Wrocław Municipality

## Growth accelerators and investment incentives

The passion for knowledge and growth is fueling creativity in the city. IT, biotechnology, engineering, chemistry and pharmaceuticals are strongly represented in Wrocław both by local start-ups and global leaders like Dolby, IBM, 3M, Macopharma, UTC, McKinsey and Google. Two major economic development accelerators in the city are the Wrocław Technology Park and the Wrocław Research Center EIT+.

**Wrocław Technology Park** is a place where business and science meet advanced technologies; it is a space where innovative ideas are converted into products and services that are able to compete on international markets.

“WROCLAW  
RESEARCH  
CENTER EIT+ IS  
AN ORGANISATION  
OPERATING WITHIN  
THE MINISTRY  
OF SCIENCE  
AND HIGHER  
EDUCATION.”



### KEY FACTS

BSS CENTRES	140
HEADCOUNT AT BSS CENTRES	40,000
NUMBER OF UNIVERSITIES	26
NUMBER OF STUDENTS	125,000
NUMBER OF GRADUATES	32,000

Source: Central Statistical Office,  
ABSL report: „Business Services Sector in Poland 2017”

Thanks to modern research and development facilities, which include not only a modern laboratory, industrial and office areas, but also an extensive professional network and a wide range of know-how, WTP comprehensively supports innovations and transforms them into market successes. Through its activities, WTP wants to support the development of entrepreneurship and create conditions, which will allow the science and industrial potential of Wrocław and Dolnośląskie voivodeship to be fully exploited.

Wrocław Technology Park is currently a home to over 200 companies from the highly-specialised technology sector (a workplace for over 1600 employees). A group of 12 laboratories and prototyping facilities with world-class equipment, the unique Technological Line, a modern office area, investment plots and the “Nowa Siódemka” production and storage hall – all this is at the disposal of the park’s companies.

Additional WPT activities include consulting and training (in technology and business). In WPT, there is a strong focus on R&D – new tools are being implemented to stimulate its growth (two business incubators operate there).

**Wrocław Research Center EIT+** is a research organisation operating within the Ministry of Science and Higher Education. EIT+ has the most comprehensive research infrastructure in Central and Eastern Europe (over 23,000 m<sup>2</sup> of space) and is equipped with the latest lab equipment allowing research projects and basic analysis to be carried



out in global development trends for the needs of industry and modern economy. EIT+ consistently implements the concept of extensive cooperation between scientists representing various fields, drawing on the enormous potential of Wrocław and the nationwide scientific community. WRC EIT+ cooperates with world renowned universities and institutes, such as: Berkeley, Stanford, Princeton, Fraunhofer Institute, Gent University, etc. The scientific staff of EIT+ together with other cooperating scientists conduct research in biotechnology, medical diagnostics, pharmaceuticals, nanotechnology, laser technologies, material engineering and chemistry. The technologies they develop are designed for industrial deployment.

#### **WRC EIT is an ideal partner for entrepreneurs, who:**

- are looking for research cooperation in the development of new products and solutions to technical problems,
- want to outsource R&D or gain IP from the market,
- need innovative technology for effective market competition and business, strategic or technical advice,
- are looking for partners to implement technology commercialisation and protection of intellectual property, project acquisition and consortium building.

#### **It offers:**

- Consulting services of scientific experts in fields such as: biotechnology, microbiology, laser technologies, crystallography, electron and confocal microscopy, polymeric and luminescent materials, laser microprocessor, solid state structure studies and stability studies.
- Analytical and R&D services in the aforementioned areas.
- More than 50 of its own technologies that may be a subject of a license/sale or the basis for a spin-off.
- High-end specialised laboratories and laboratory equipment for rent.

#### **Additionally, in Wrocław there are other reputable research institutions:**

- Lower Silesia Innovation and Science Park,
- KGHM CUPRUM Research and Development Center,
- Automation of Power Systems Institute,
- Wrocław Regional Specialist Hospital Research and Development Center,
- Institute of Low Temperature and Structure Research Polish Academy of Sciences W.Trzebiatowski Institute,
- Ludwik Hirszfeld Institute of Immunology and Experimental Therapy Polish Academy of Sciences.

Entrepreneurs registered and operating in Poland may benefit from various forms of support, for example a company may apply to be incorporated into a Special Economic Zone (SEZ – in the Wrocław agglomeration there are 4 SEZs: Legnica,



Source: Wrocław Municipality

Wałbrzych, Kamienna Góra and Tarnobrzeg); a company may also apply for financial support available through a national fund or EU fund. Operation within an SEZ offers the following:

- exemption of income earned in the SEZ from income tax (CIT or PIT),
- developed investment plots of land at attractive prices,
- unpaid support for formal processes regarding the investment.

Some cities in Poland, including Wrocław, offer local incentives. In Wrocław, a company may apply for real estate tax exemptions or take advantage of the Mozart Programme – a city support programme for the Partnership of Higher Education & Science and Business Activity Sector. The purpose of the project is the initiation, building and coordination of partnerships between higher education and the business sector, aimed in particular at developing and activating the local labour market. However, the key aspect of local support for investors is the activity of the Wrocław Agglomeration Development Agency. WADA (the first agency of this kind in Poland), which offers a wide range of advisory leading to the smooth and timely launch of businesses in Wrocław.

# Investment offer

In Wrocław, the offer of city-owned properties is prepared by the Department of Acquisition and Sale of the Municipal Property of Wrocław. The properties for sale are approved by the Mayor of Wrocław and presented via dedicated web page **"Giełda Nieruchomości"**. The offer includes land (both developed and undeveloped) for different purposes (single or multi-family, commercial and other), buildings, as well as residential and commercial units.

For several years now, the City of Wrocław has been carrying out the Model Housing Estate **„Nowe Żerniki"** project, inspired by WuWA 1929. Today, after over eighty years, Wrocław is joining avant-garde architecture again. This new model housing estate was designed by the best Wrocław's architects, who tried to meet the requirements of modern city inhabitants, to facilitate building social bonds, to meet the standards of ecological construction, and finally to become an architectural showpiece of Wrocław.

The housing estate will comprise large multi-family buildings, as well as smaller units composed of several apartments and single family houses both single and detached. This diversification will enable the achievement of model solutions for buildings of various scale and it will enable the participation of various investors – developers, small cooperatives and individual businessmen.

Thanks to the cooperation of all the interested parties – Wrocław Commune, Wrocław architects, and investors – the project shall also comprise accompanying infrastructure: general utilities, roads and pavements, green areas and fully equipped public and semi-public spaces.

On the other side of **Aleja Architektów**, an office-service complex will be built. There are five plots dedicated to this function, each of approx. 0.38 ha.

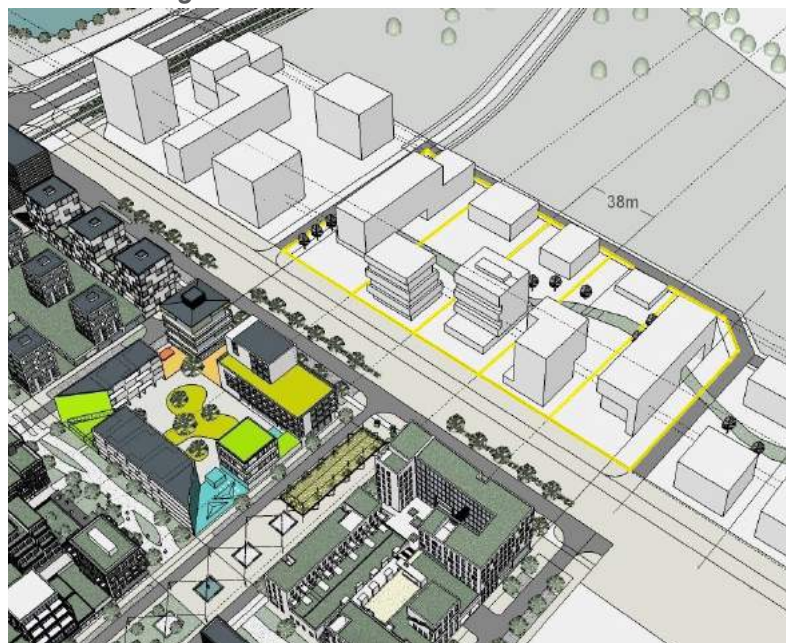
As far as other investment offers are concerned, Wrocław Agglomeration Development Agency has created an investor dedicated website ([www.invest-in-wroclaw.pl](http://www.invest-in-wroclaw.pl)). Investors can find there the right investment plot, warehouse or office space. Wrocław Agglomeration Development Agency cooperates closely with 4 Special Economic Zones present in the region (Wałbrzych, Legnica, Tarnobrzeg and Kamienna Góra), each of which has its own portfolio of investment offers.

## Model Housing Estate "Nowe Żerniki"



Source: Wrocław Municipality

## Model Housing Estate "Nowe Żerniki" - offices



Source: Wrocław Municipality



KEY FACTS	OFFICE	RETAIL*	INDUSTRIAL*
TOTAL MODERN STOCK M <sup>2</sup>	873,100	663,000	1,448,500
SPACE UNDER CONSTRUCTION M <sup>2</sup>	241,600	64,000	54,100
RENTS EUR/M <sup>2</sup> /PER MONTH	13-16	41-43	1.9-3.2
VACANCY RATE %	8.5	4.1	9.0

Source: Colliers International, June 2017;

\* data for the region;

Rents: office base rents, retail prime rents, industrial effective rents.



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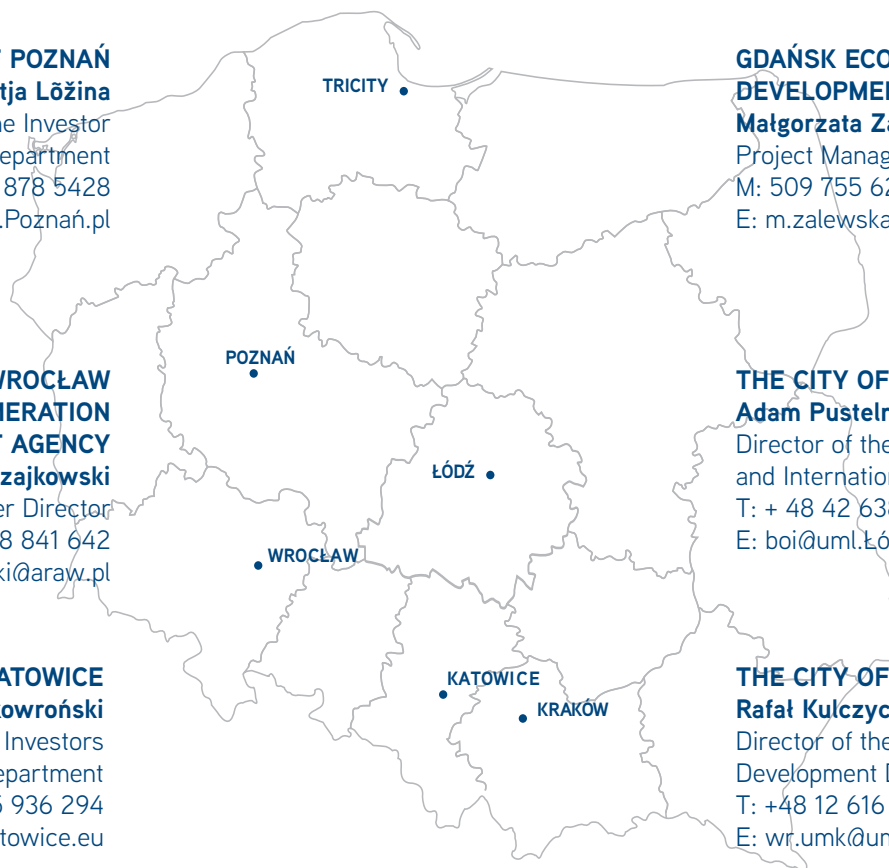
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