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Editorial note
Will Polish manufacturers be able to find suitably qualified employees in the future?

This was the question posed at the second meeting of the BPCC’s Manufacturing Industries Group, held at the Puławy Science and Technology Park (PPNT) on 18 November. It was jointly organised with Grupa Azoty Zakłady Azotowe S.A. and PPNT.

Poland continues to advance in global rankings assessing investment attractiveness; in the 2016 World Bank Doing Business survey, Poland is now in 25th place, up from 75th place just four years ago.

In the Polish inward investment agency PAIiIZ’s reports, Investment Climate and Investor Satisfaction, the potential, qualification and availability of Polish workforce is highly rated, as is increasingly its loyalty. Confirmation that decisions to invest in Poland were sound is borne out in the results of a report published by the German chamber of commerce in Poland in 2015, according to which 96% of German companies would once again invest in the country.

At the same time, however, there are reports suggesting a shortage of qualified manual workers, as well as specialists. Among the skills sought by employers are programmers, engineers, but also mechanics, lathe operators or welders. As Ewa Tomczak, senior consultant and managing partner at Diversa Talentor, said: “in Poland we have a paradoxical situation – despite relative high unemployment [in September 2015 it stood At 9.7%], employers are indicating difficulties in finding workers”. This has an effect on companies’ competitiveness.

Zenon Pokojski, vice-president of the management board of Grupa Azoty Zakłady Azotowe Pulawy, said: “we have taken issue with the problem of shortage of skilled workers here at the nitrogen plant in Pulawy. We are Poland's largest – and the EU’s second largest – producer of nitrogen-based fertilisers, as well as being the world’s third largest producer of melamine. A company with such a strong position on the market is forced to take care of its human resources,” said Dr Pokojski, adding that the company is also preparing to face the changes in the labour market as well as in industry.

Zakłady Azotowe is in a privileged position because every fifth person employed in Pulawy an employee of the plant. It also has loyal employees, with average length of employment being 18 years. The average age of those working in the plant is around 42. Azoty actively engages in building its employer brand as a socially responsible company.

Five years ago, Zakłady Azotowe began cooperating with the Maria Sklodowska-Curie Technical Schools in Pulawy. As a result of this cooperation, Azoty has had the opportunity to influence the direction of teaching in the school, thereby gaining suitably qualified young workers. High-school students also have the opportunity to undergo training at the plant, and the top 10 graduates from each academic year get a job at the company.

Azoty Group has also established cooperation with a local institution of higher education – the Pulawy campus of Lublin’s UMSC university. Here, a faculty of Technical Chemistry was established under the auspices of Azoty. The best graduates from this department are also offered the opportunity of employment at Azoty.

The town’s most important education institutions, the main employer in the region and the local labour office cooperate closely, and the effects are tangible. Their joint initiatives are beneficial to all.
Robert Fila from the Tarnobrzeg office of ARP, the industrial development agency, says that the needs of investors are particularly listened to. The Wisłosan Special Economic Zone took the initiative to bring together interested parties—local employers, representatives of education and the labour office. “It is important that they talk around the same table, rather than just send official letters to one another,” said Mr Fila. “Cooperation between science and business has improved and has become less bureaucratised as both sides realise that they must work together if they are to face up to the changing demands of the market.”

During a panel discussion, participants positively assessed recent developments concerning dual vocational training, providing employers with the opportunity to influence the content of the curriculum through practical activities carried out at the employer’s premises. Panellists stressed that industry currently suffers the consequences of the way vocational education was run down in the 1990s. “We had a really good system, we have to adapt it to current realities. Does Poland need 41% of its population with higher education?” asked the Dr Pokojski. “It is necessary to work on restoring the positive image of vocational education,” said Teresa Modzelewska, chief specialist, from the Office of the Marshal of Lublin Province’s Department of Culture, Education and Sport.

Pulawy Science and Technology Park was an excellent place to showcase ARP’s Platform for Technology Transfer (PTT) (http://www.ptt.arp.pl/). “This technology transfer platform combines owners of innovative solutions, those who wish to purchase them and experts willing to share their knowledge. All this has a single purpose: to commercialise technologies for the benefit of Polish industry,” said Jakub Moskal, director of the in-house projects at ARP.

PTT is based on the concept of open technologies. “Companies are becoming aware that innovation does not necessarily have to be sourced from within, from a company’s own resources and own research results, but also from commercially available external resources that exist in the company’s neighbourhood. These are worth reach out for,” said Mr Moskal.

“And here in Pulawy, home of Poland’s largest chemicals plant, it’s worth saying that our database currently contains 141 technologies from the field of chemistry. This should be good news for our domestic fertiliser champion.

By 2020, the Ministry of Education plans to allocate €120m of EU funds from the current financial perspective on vocational education, while at the regional level, almost €700m has been reserved for this purpose. There are funds to be used; this represents an opportunity for the Polish economy in the context of plans to re-industrialise the country, participants heard.

After a networking lunch, there was a chance to visit the Azoty Pulawy plant, as well as to see the Science and Technology Park.

Spotting Polish real estate investment opportunities

The BPCC, together with PAiiIZ, the trade and investment section of the Polish Embassy in London, Jones Lang Lasalle and Cushman & Wakefield, held a seminar to outline the main investment opportunities in the real estate sector for foreign investors. The event was held on the evening of 26 November 2015 at the Polish Embassy. The focus was on commercial, retail and industrial properties.

After an introduction and welcome from Jerzy Bartosik, minister-counsellor, head of the trade and investment section at the Embassy, and Michael Dembinski, the BPCC’s chief advisor, participants were presented with an overview of Poland’s macroeconomic prospects by Witold Kowalczyk, head of the Public Aid Group at PAiiIZ, the Polish
Information and Foreign Investment Agency. Mr Kowalczynk mentioned the advances in Poland's attractiveness to foreign investment, not least its jump up the World Bank's Doing Business ranking. “In terms of ease of doing business, Poland is now 25th in world, up from 74th four years ago,” he said. From the point of real estate investment, Mr Kowalczynk mentioned that permits for EEA nationals or businesses registered in the EEA wishing to purchase property would no longer be needed after 2 May 2016.

The next three presentations broke down the Polish real estate by sector. Anna Bartoszewicz-Wnuk, head of research & consulting at Jones Lang Lasalle, outlined the Polish retail market. She said that Poles have become accustomed to shopping in modern retail spaces. “They love shopping and shopping centres – mainly because there’s a lack of traditional high streets,” she said. Ms Bartoszewicz-Wnuk gave an overview of the different sizes of city and town in Poland, suggesting that investors should have a look at the smaller towns, not so well-served with modern retail centres as Warsaw and the other big Polish agglomerations. Comparing provision of top-quality malls with towns across Western Europe, the big Polish cities do well.

Anna Kwiatkowska, associate, landlord representation manager at Cushman & Wakefield, presented a city-by-city office-space guide for investors. She went through the supply, vacancy and pipeline data for top-quality office space across the main Polish cities. Much of the development is driven by the inflow of business process outsourcing/shared services centres to Poland, a sector growing at over 20% a year. BPO/SSC hotspots such as Kraków and Wrocław have very low office vacancy rates, which makes them a good location for new developments, she said. As well as ultra-modern, state-of-the-art workspaces for global corporations, there’s also a need for ‘funky projects’ that will attract young start-ups, said Ms Kwiatkowska, citing Warsaw’s Art Norblin and Google Campus projects at the type of space that tech firms are interested in. “Edge-of-town campuses are no longer of interest to today’s breed of IT start-up,” she said; “they want to near the city centres, where the action is.”

JLL’s Ms Bartoszewicz-Wnuk returned to the podium to cover the industrial and warehouse property market in Poland, which she said had the economic rationale for the fastest growth. She said that speculative development showed that this sector of the market was becoming more confident, with firms like Pannatoni, Goodman, SEGRO and Prologis taking the lead. Poland’s strong performance in export-led manufacturing explains the take-up for industrial space over the past three years, she said, while the rapid development of Poland’s transport infrastructure network has been creating new logistic hubs – not only by the biggest motorway junctions, but also near smaller towns that until now had not been well served by warehouse facilities.

The formal part of the event over, participants went downstairs for the cocktail reception and had a chance to have one-to-one discussions with the expert speakers and swap business cards with each other.

Start-ups and their role in urban regeneration

At a joint meeting of the BPCC’s Real Estate & Construction and TMT policy groups at Teatr Scena Prezentacje on 28 October 2015, BPCC members had a chance to look into the future of Warsaw. Capital Park and Cushman & Wakefield hosted the event at the former, 19th Century Norblin factory, located in the centre of Warsaw, which is to become the ArtN project - a revitalised, mixed-use destination, where startups and corporations can cooperate with each other.
The world’s cities are constantly reinventing themselves. As 19th and 20th-Century manufacturing moves away from city centres, the premises it once inhabited have the potential to become home to 21st-Century high-tech start-ups. They are looking for real estate that’s not only functional, but also well located close to the heart of the city, and full of character. Post-industrial buildings, if sensitively and intelligently refurbished, can form prestigious locations for new, growing businesses seeking headquarters with character. How can cities revitalise themselves by turning heritage buildings into hubs of IT activity? This event offered members the chance to witness one such project, and at the same time to discuss the future of cities, based on the needs of tomorrow’s tenants and employees from Generation Y.

Deputy mayor of Warsaw, Michał Olszewski, presented an overview of the city’s strategy for development. It centres on the idea of keeping the young in town. “No out-of-town campuses for Warsaw’s universities, no 1960s-style technology parks built on the city’s edge” he said. “Start-ups need to recruit and retain the best talent – young people who want to work and spend time in the centre of a thriving city,” For them, he said, post-industrial spaces full of character and in good locations are preferable to sterile buildings in a distant business park.”

The future, he said, will be around notions such as co-creation, open innovation, shared ideas and experience; what will be needed are spaces that create an environment that fosters such symbiosis. By mixing startups spaces with retail and corporates, start-ups can test their innovative products on real consumers and clients, and bring them to market quicker as a result. The places for such start-ups to operate are Warsaw districts such as Praga, Wola and Ochota, that still have plenty of post-industrial brick buildings available for revitalisation. Mr Olszewski called this the szlak czerwonej cegły (red-brick way).

Anna Kwiatkowska, Landlord representation manager at Cushman & Wakefield provided an overview of the ArtN project [click here for link to presentation]. Ms. Kwiatkowska stressed the first-class public transport links – tram, suburban train, metro, cycle paths. She also mentioned the historic touch of the place and the innovative retail concept with 7 thematic zones ranging from slow retail to high tech. Mikołaj Niemczycki, Junior negotiator at Cushman & Wakefield presented the ArtN project as a response to the co-creation movement, offering dedicated coworking and private office space for startups, regular networking events for all tenants in the building, pop-up shops and a tech demo zone for startups to get feedback on their products. He called this type of building ‘TECHfriendly’ - a new wave of buildings that will one day become a standard in the office market like eco-friendly buildings have become in the past.

Anna Walkowska from Startup Grind and WAW.ac talked about the need for high-quality premises for this type of business. She defined start-ups as new businesses working on an immature business solution that needs to test its business model until it gains a path to sustainable growth. The key thing is doing it first, experimenting in business. Ms Walkowska stressed that business accelerators and incubators only worked if there was a critical mass of firms in close proximity to one another, and they had the opportunity to constantly exchange ideas and experiences. Developments such as the ArtN project would create the right conditions for a start-up ecosystem.

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After a Q&A session with panel, there was time for a look-and-feel walk-through on the development site with Artur Setniewski the CEO of the Open Museum of the Former Norblin Factory Foundation, who explained the history of the factory and how it will be developed, to retain as much of its character as possible while becoming a thoroughly modern retail and commercial complex.
7 October, Doing Great Business with Great Britain. Develop your business and export to the UK.

WSEZ Invest- Park Wałbrzych

The Wałbrzych Special Economic Zone Invest-Park with the British Polish Chamber of Commerce organised a training session for local exporters entitled Doing Great Business with Great Britain. Develop your business and export to the UK.

The meeting began with Michael Dembiński, the BPCC’s chief advisor giving an macroeconomic introduction into the dynamics of the economic relations between the Poland and the UK as well as an analysis of the UK market in terms of demand for Polish products. He drew the attention of listeners to legal and cultural differences between the UK and Poland, and talked about the size and importance of the Polish Diaspora. Mr Dembinski then outlined the BPCC’s four-phase export support service presented aimed at Polish firms interested in entering the UK market. Jacek Tacik from 1MoneyMail explained how bet to transfer money between the UK and Poland, explaining the benefits of using a service tailored to a single corridor (UK->Poland) as opposed to letting a bank to it. He also talked about the possibilities of monitoring business and financial transactions by verifying a potential customer in UK. He said that 18% of all cross-border fraud out of the UK is between our two countries.

After a networking lunch break, Piotr Smagała from Smagała Strzelczyk law firm introduced the role of contracts in international business. He said that the biggest single cause of conflict between business partners is niedomówienie – a word that is inadequately translated into English as ‘understatement’, but which more accurately means ‘leaving too much unsaid’. He also drew attention to securing payment and guaranteeing of the proper performance of the contract, and said that it was difficult to agree which court should be used in the case of dispute – a Polish or UK one. Contracts should be written down, either in long form, or better still – short form. Mr Smagała also went over the latest Incoterms, explaining the rights and responsibilities of exporter and importer. He suggested that exporters hold back some 2%-4% of the transaction as ‘retention money’ to cover small repairs.

After the presentations, there was a discussion in which fraudulent transactions were the biggest issues Mr Dembinski pointed participating Polish exporters to the website of the Trade and Investment Promotion Department at the Polish Embassy in London.

IT in healthcare – the promises and barriers

The BPCC’s Healthcare policy group met at the British Embassy on 1 October to discuss the implications of advances in IT for Poland’s healthcare sector.

Tomasz Judycki, deputy chairman of Atende Medica, gave an overview of the technologies that would be revolutionising healthcare in coming years. He mentioned the Internet of Things, telemonitoring via wearable...
devices, speech recognition for doctors, and the
digital pen which, taking 50 photos a second, can
enter handwritten data into computers. Mr Judycki
passed the digital pen around the participants so
they could try it for themselves. He also talked
about more controversial technologies, such as
expert systems, which doctors fear will supplant
their own knowledge.

IT systems also offer solutions for hospital
management. In the same way as monitoring
devices can create smart homes, so sensors in
hospital refrigerators and generators can save time
on manual checking. Patients too can be
monitored – blood pressure, temperature and pulse
– and the data stored. And finally hospitals’
administration can be fully integrated, he said.

Dr Andrzej Osuch, director of business
transformation at Luxmed, Poland's largest private
healthcare provider, talked about the
implementation of an IT system that linked
Luxmed's 180 hospitals, clinics and surgeries and
1,600 cooperating healthcare professionals. He put
this 13-month project into the context of falling
numbers of doctors (down to 78,000 from 100,000
over the past 20 years) and rising co-morbidity in
patients (with 12% having six or more chronic
conditions – and these patients being responsible
for nearly half of all healthcare costs).

He said that data processing and patient
engagement will become increasingly important,
with patients demanding greater online access to
their records. Data needs to be stored for five to 30
years (average length 20 years). Luxmed's aim
was to totally do away with paper originals, and to
ensure privacy through cryptography. The system
is currently dealing with 2.1 million documents a
month, a has peaked at 32 documents a second,
dealing with 2,700 sessions at the same time.

Dr Osuch talked about e-prescriptions, e-referrals
and telemedicine. The e-sick-note, however
belongs to the realm of social security. He also
outlined changes to the law as it affects
telemedicine, as set out in the third

reading of the current draft, now on its way to the
Senate before becoming law. He mentioned an
absurdity that had been picked up – a doctor
providing remote medical services – sitting at a
computer and looking at ECG results or ultrasound
scans – no longer needs to be located in a room
with washable white tiles on the wall.

Smarter implementation of IT solutions will offer
greater coordination and interoperability,
personalised medicine and remote diagnosis. By
allowing doctors to focus on their patients, rather
than on administration, they'll be able to achieve
more in the same working hours. By 2020, the EU
will face a shortage of one million healthcare
professionals, and around 220,000 fewer doctors
than required. Intelligent use of cutting-edge IT may
be the answer, said Dr Osuch.

The biggest barriers to the implementation of these
solutions are regulatory rather than technical in
nature. Dr Ewa Bukiewicz and Sylwia Paszek
from Wardyński & Partners law firm focused on
the legal question marks hanging over the
development of telemedicine in Poland. The
biggest one relates to data protection issues. In
Poland, written consent for the storage and
processing of personal data is needed – simply
clicking ‘OK’ is not enough. Providers of healthcare
services need to be registered with Poland's data
protection registrar, GIODO. When wearable
devices such as smart watches begin to monitor
patients’ health parameters such as pulse or blood
pressure, additional safeguards are needed.

The presentations were followed by a lively
discussion into the matters raised. Expert
systems, so feared by doctors, are not intended to
replace doctors, only to stand in for them when
they are physically not present. Mr Judycki
mentioned a case of a hospital Warsaw where two
patients died from strokes over the weekend
because there was no specialist on hand to
diagnose their symptoms. An expert system would
have detected the risk.

Streamlining the 'patient journey' is crucial. Saving
time where possible – two minutes per patient on a nurse’s round, for example – will bring huge benefits to efficiency.

There was a general agreement that the Polish healthcare system needs to adapt to technology. The deficit of knowledge was underlined, as was the need to training and communication.

Opportunities and threats for Poland’s renewable energy sector to 2050

The BPCC’s CleanTech & Energy policy group met at the British Embassy in Warsaw on 15 October for an overview of where Poland stood in the area of renewable energy.

The event allowed BPCC members to get together will representatives of the public sector and NGOs and discuss the current state of power generation from renewable sources. Local authorities, investors, engineers, consultants and ecologists had a chance to exchange views. Although there was a strong consensus in favour of renewable energy, there were differences of opinion regarding subjects such as waste-to-energy, nuclear power and the economic costs and benefits of going green.

Acting director of UKTI in Poland, Ewa van Veenendal-Rawicz opened the meeting by setting out how the UK was doing in the area. “Renewable energy is better for health and for the environment, she said. The UK had already invested £8bn in renewable energy, and had hit its 2020 target, by generating more than 20% of its energy from renewable source. Ms van Veenendal-Rawicz said that the sector was experiencing jobs growth at a rate seven times faster than the UK economy as a whole. Over 120,000 people are currently employed in generating electricity from renewable sources in UK, she said. She also spoke of the cooperation between the UK and Poland in the nuclear industry as well as in renewable energy.

Beata Wiszniewska, director-general of the Polish chamber of renewable and distributed energy, PIGEOR, gave an overview of the state of renewables in Poland today and up to 2050. She said that Poland still has some way to go to meet the 20% target by 2020. She highlighted the conflict between the EU’s goal of decarbonisation of the economy with Poland’s current dependence on coal. “Each country can choose the renewable energy mix it will choose to hit the 2020 targets, which are “3 x 20” – reducing carbon dioxide emissions by 20%, increase the share of power generated from renewable sources to 20%, and improve energy efficiency by 20%. Building a single European energy market was another goal of the EU for this period.

Ms Wiszniewska explained that the targets for 2030 were more stretching – a 40% reduction in greenhouse gases, and renewables’ share up to 27%. By 2050, renewables would have a dominant role and there would be a 80-95% reduction in greenhouse gases. She said that in contrast with the UK and Scandinavian countries, Poland has no vision of how to get there. “Today’s mix is 51% hard coal and 35% brown coal. Currently, 86% of Poland’s energy is generated by burning coal). Only 6% comes from renewable sources. Many power stations will have to be closed over next 10-15 years due to old age. The will have to be replaced. We don’t know by how much demand for energy will grow. Will electric cars become commonplace? Factors like this will determine our future usage,” she said, saying that it is a good moment to think about development.

Other factors that must be borne in mind are energy security and the need to distribute generation – bringing it as close as possible to the consumer.

Local generation from sources
such as solar, water, wind, and biogas plants would need to come from millions of small-scale investments across the countryside. Ms Wiszniewska mentioned the falling cost and rising effectiveness of wind and photovoltaic technologies. Costs would continue to fall, while conventional power generation costs would remain the same.

The main technical problem facing wind and solar energy was the unstable delivery, with peaks and troughs. “The storage of electrical power is where we expect breakthroughs. It is expensive at present; solutions include pumping water up hill with cheap power, and dropping it back down through turbines when power is needed,” she said.

Ms Wiszniewska covered co-fired power generation, where biomass (renewable) and coal (not renewable) are burnt together. “This should not be considered a renewable source of energy. It leads to absurdities, such as feedstock being transported from distant countries so as to earn green certificates. Co-firing will finish in 2016,” she said. Ms Wiszniewska also spoke about prosumers – small businesses or households generating their own electricity from solar panels or micro-windmills, and selling the surplus power to the grid.

Paweł Puacz from law firm Clifford Chance spoke about the legal framework within which renewable energy operates in Poland.

“If there were no laws, there’d be no renewable energy in Poland other than a few pre-war hydro plants. The development of renewable energy only began in earnest after EU accession as the first systems based on green certificates started in 2004,” he said. Mr Puacz spoke about the new law introduced this year, where public support for renewable energy will be based on an auction system. He said that the government’s goal was to hit the 20% renewables target by 2020 – but to go no further. “If we are to reach the target, we will need several hundred renewable energy source power plants plugged into the network each year, as we once did,” he said. The next government will determine the reference prices and organise the auctions: “The support mechanism depends on political will. The risk to investors is minimised, but their appetite is suppressed, due to uncertainty.”

Anna Trudzik, a project engineer from AECOM, talked about waste-to-energy plants. She had worked on the newly-opened Bydgoszcz plant. There were questions from participants as to whether waste-to-energy should qualify as a renewable source. Oil has to be burnt to initiate the incineration process, and part of the waste stream used as feedstock for such plants comes from non-renewable sources such as plastics.

But once the incineration process begins, it heats water, drives turbine, generates electricity, and the heat is reclaimed and used to heat local housing estates.

The EU has set challenging targets for Poland to reduce the amount of waste that goes into landfill. And so, EU funds have been successfully used to build waste incineration plants, in Bydgoszcz, Konin, Szczecin, Białystok and Kraków all have them.

But is there enough feedstock? Surely as much waste as possible should be recycled, asked several of the participants. Once the plastic, card, paper, textiles and food waste have been segregated, is there enough left over – and is it suitably calorific for incineration? Another issue is the transportation of waste. Often it has travel a long distance to reach the incineration plant.

Ms Trudzik said that waste-to-energy is governed by 10 different sources of law – four EU Directives, four Polish laws and two regulations from the Ministry of the Environment. The development of waste-to-energy has contributed to Poland having reduced its CO2 emissions by 47.6% compared to 1990.

In order to meet the criteria for claiming the waste-to-energy incineration is indeed
a renewable energy source, operators have to prove that at least 42% of the feedstock is biodegradable. This needs to be sampled, four times a month, each sample must show that the calorific value of the waste is sufficiently high. However, with targets set for recycling and reducing the waste stream, there is a hierarchy of what should be done with the waste, with incineration at the very bottom. First, you must recycle, and then, in the end, you can incinerate what’s left. Yet that has to tick nine boxes if you want that to qualify as renewable energy source, said Ms Trudzik.

Participants voiced their concerns about landfill, the cost of which varies between 240zł/tonne in Warsaw and 30zł/tonne in the Kaszuby region. The new Polish law on waste collection spells out who owns the rubbish – the municipal authorities – and thus it is that the municipal authorities direct where the rubbish goes, and this often decides the fate of a waste-to-energy plant. Co-firing waste with coal is also controversial – waste being brought in from abroad in order to qualify for tradable green certificates.

The final presentation was from Tomasz Hoffman, managing partner of PNO CEE Consultants, a firm focused on securing EU funds for projects. Setting the scene, Mr Hoffman said that the current debate was about the scale and nature of public-sector intervention – how to use public money wisely to reach long-term goals. If we don’t take steps to protect the environment, our children and grandchildren will suffer, he said. In the late 19th and early 20th century there was lobby against sewer systems in towns – agriculture was said to die if that happened. Fossil fuels will eventually run out – so how will we cope, if we don’t invest in renewable energy sources now, even though they are not competitive without subsidies?

There was a discussion about why Germany has such expensive energy. On the one hand, the closure of the nuclear sector means that more investment is needed in renewable sources, but as it does so, emissions of CO2 are rising, as more brown coal from the east is having to be burnt. High taxes on energy are transferring money from manufacturing industry to the social security system, making the economy less competitive. At the same time, we learned in August that as sun and wind peaked, Germany managed to generate 80% of its energy needs from renewable sources.

Mr Hoffmann outlined the accents of national and regional operational programmes in Poland. In total, more than €150m has been earmarked for larger-scale renewable energy schemes, up to a maximum level of 85% of the capital costs. However, unlike previous EU budgets, the current financial perspective foresees the funds taking the form of repayable loans, rather than grants. The capital costs must, in the end, be repaid out of operating revenues. A further €150m is to be made available for small scale distributed prosumer schemes – micro-generation for homes and small business.

Following the coffee break, a panel discussion took place moderated by Ms Wiszniewska, during which Arkadiusz Sekściński, a board member of the Polish wind-power association, PSEW, Dariusz Szwed, advisor to the mayor of Słupsk, Mariusz Popiołek, advisor to the climate protection department at the national environmental protection fund, NFOŚiGW, and Paweł Puacz, answered questions from the floor.

A networking lunch concluded the meeting.
"Can we be hackers’ target?" is no longer the question. It’s now "When?"

The cyber security landscape is changing rapidly thanks to our greater dependency on the virtual world. One examples of the growing symbiosis between man and the cyber world is the Internet of Things. This increased reliance on the internet and technology has sadly gone hand-in-hand with greater frequency, sophistication and professionalism of hacking.

While until recently companies asked whether there’s a chance that they can find themselves in the crosshairs of hackers, now they are posing the question, "when?".

During the meeting of the BPCC’s Technology, Media and Telecoms (TMT) policy group held on 3 November 2015 members had the chance to learn about the various threats and the possibility of risk management, connected with the company’s presence in the virtual world.

Roman Skrzypczyński, PwC’s cybercrime issues expert, began by showing the scale of the problem. The number of cyber attacks is increasing dramatically. It grew by 48% from 2013 to 2014. The business sectors at greatest risk to hacking are: financial services, energy, technology and healthcare. "Given the amount and the importance of information which are processed by those sectors, it is right that there should be so much attention given protecting it," he said.

To emphasize the massive scale of failures associated with poor securing the data processed, Mr. Skrzypczyński presented the results of 20 simulated attacks carried out on Polish companies. Most of the companies were found to have very poor security measures – the average time it took to break into their systems was a mere four hours. In addition, only 10% of organisations detected and responded to the attack. What was perhaps most shocking, 100% of employees revealed (consciously or unconsciously) a password. Improving security comes from a heightened awareness of who is usually a cybercriminal, and what errors are the most common. Perhaps it’s not so obvious, but 70% of abuse is committed by the current (often unconsciously) or former employees, and only 35% by skilled hackers: "An employee is just a medium for transferring malicious software," said Mr Skrzypczyński, who ended his presentation by pointing out the most important things to keep in mind: speed of response, assessment of the scale of crime, damage limitation, coordinated communication. Above all, he said, "if we cannot secure experts to look after the information and data used by us, employ an external contractor. The measurability of material loss is difficult to determine – it can be huge; but the damage done to the company’s image is far worse. This is war! They will attack us, and we must be able to react," he added.

The second speaker, the special guest at the event, Mark Camillo, head of cyber for EMEA at AIG UK, addressed the topic of cybercrime in the context of insurance. He said: "Because the insurance market of cyber attacks has greatly developed, the nature of threats has also changed. As the global economy is increasingly moved online, cyber disruptions are causing huge financial losses and loss of reputation. Initially they focused on data leaks, while nowadays such insurance also covers issues of business continuity interruption, theft of intellectual property and many others." Thus, so-called ‘cyber-risk’ has evolved from something that only affects IT to enterprise-wide risk management that requires intervention at board level. According to Mr Camillo, the most important thing to do is to take measures to prevent hacker attacks and to raise awareness of the dangers of these crimes, not only among rank and file employees.
but also among board members. “As we learned from a survey conducted by AIG among scores of board-level executives, 50% of them had no idea of the scale of the consequences resulting from cybercrime. "And it is mainly board members who are affected by the consequences of such events," said Mr Camillo.

After the presentations, there was a panel discussion including both speakers, who were joined by representatives of law firm SafeLaw and IT services firm Support Online. The panellists agreed that awareness is the cornerstone for managing cyber risks. Apparently 90% of hacking attacks are carried out using social engineering, so ongoing training was needed, and employees would need to stick to previously established company policy company. Secondly, there is a need for better selection of employees during the recruitment process, and thirdly, to ensure adequate protection of both fixed and mobile devices.

There were many questions from the audience, so the formal part of the event ended, allowing participants to discuss issues informally and exchange business cards over a networking lunch.

We encourage you to look over the attached presentation and to take a ‘guided tour’ of cyber security issues, created to help businesses get a deeper understanding of the risks.

Practical aspects of tax, accounting and legal for enterprises functioning at special economic zones

"Practical aspects of tax, accounting and legal for enterprises functioning at special economic zones" was the title of a training which took place on 6 November at the headquarters of the Kraków Technology Park in cooperation with the BPCC.

The meeting was addressed to those who have started functioning in the zones recently, on the basis of permits issued last year and to those who start to think about locating their businesses in the zones.

The exclusive partner of the training was Rödl & Partner and its experts provided technical expertise to participants of the event. The meeting was officially opened by by Krystyna Sadowska, Director of Promotion and Marketing at KPT, also two other persons from KPT were present and available during the session: Jacek Bielawski, Investor Service Department and Mariola Kokoń, Director of the Legal Department.

The training was started by Anna Smagowicz-Tokarz, Associate Partner, SEZ Team at Rödl & Partner. In her speech Anna focused on issues such as rules of granting the permits to start doing business at special economic zone and a possible change of boundary conditions, increase or decrease capital expenditures, increasing and decreasing staff numbers, changing the date of execution or non-fulfillment of the investment.

This part of the training has already generated a discussion on the possible risk that arises in connection with the failure to achieve the conditions granted by ministerial decision. Anna encouraged entrepreneurs to notify as soon as possible the relevant authorities on the changes of conditions for the functioning of companies to avoid further difficulties and also presented a specific "case study" which described a path of reducing staff numbers by one of the companies. The second part of the training focused strictly on fiscal aspects. Current tax issues for companies operating in the zones were presented Dorota Białaś, Associate Partner, SEZ Team at Rödl & Partner in Wroclaw. Dorota talked on the division of revenues and costs (including the
situation when part of the company’s activity is carried out outside the zone), also showed concrete decisions issued by the directors of tax chambers. The third part of the training and the session of Q&A was run the auditor from Rödl & Partner, Piotr Dylak. The conversations talks were continued afterwards during lunch that was a courtesy of Kraków Technology Park.

Legendary Lech makes BPCC's 23rd Ball an unforgettable night

The BPCC’s 23rd Annual Ball, held this year at the Sheraton Warsaw Hotel, was a fantastic event at which over 200 VIP guests enjoyed a memorable evening. Guest speakers included Lech Wałęsa, legendary Solidarity leader and modern Poland’s first democratically elected president, who spoke about the new Europe, and the need for reform within the free-market democratic system. Other speakers were the Polish Ambassador to the UK, Witold Sobków and Sarah Tiffin, Deputy Head of Mission at the British Embassy Warsaw.

BPCC chairman Antoni Reczek, and CEO Pawel Siwecki took care of the introductions, while a kilted Martyn O'Reilly served as Master of Ceremonies for the event, as well as running the whisky-tasting. The presidents of Grupa Kapitałowa Marvipol SA, the owner of British Automotive Centrum, Mariusz Książek, Arkadiusz Miętkiewicz and Arkadiusz Rutkowski took to the stage and said a few words about the latest Jaguar, Aston Martin and Land Rover cars that graced the ballroom, foyer and hotel drive. They also introduced Mr Wałęsa. Martyn O'Reilly presented Lech Wałęsa with his Wojtek the Bear Tartan tie and a bottle of Benromach 10 year-old Speyside Malt, and told the former president that in Scotland his name translates to 'Wallace' - and he may therefore be related to Mel Gibson!

The menu was phenomenal, featuring English Lamb from EBLEX (the English Beef and Lamb Executive) that was universally acclaimed for its succulence and taste. A tap dancing performance from husband-and-wife team Chris and Joanna Ernest got everyone in the mood for dancing - and indeed the dance floor was full till 2:00am, enjoying the music of band 36i6, while out in the foyer, many attractions diversified the entertainment.

The BPCC would like to sincerely thank the event partners and many sponsors - HSBC Bank Polska and Grupa Kapitałowa Marvipol SA, the owner of British Automotive Centrum; EBLEX for the provision of the excellent English lamb; Meli Melum for our Polish cider; Elgin and Dobre Wina for the whisky tasting and all of the providers of lottery prizes.

This year the BPCC supported Habitat for Humanity, an international development charity that aims to break the cycle of poverty by eliminating poverty housing and homelessness. Over 10,000zł, collected from prize raffle lottery plus 5% of the table proceeds, will go to this charity.
On 5 November 2015, over 70 businesswomen met in Warsaw for an afternoon seminar and networking reception entitled Men as Allies in Achieving Gender Balance in the Workplace.

The event, organised by the K&L Gates Warsaw team in cooperation with the BPCC and Wolters Kluwer publishing house.

Halina Więckowska, partner in K&L Gates’ Warsaw office, responsible for K&L Gates’ Women in the Profession in Poland and Ewa Świętochowska, membership development manager of BPCC welcomed guests, emphasising their organisations’ commitment to celebrating women’s entrepreneurship. They introduced a panel of experts for a discussion on men’s role in supporting women’s careers and business success.

The debate was opened by an inspirational speech, delivered via videoconference by Bryan Olson, chief human resources officer from the K&L Gates Pittsburg office. In his presentation, Mr Olson focused on the challenges relating to gender parity in today’s workplace and shared his experience in dealing with leading diverse teams.

Following the presentation packed with facts and figures, a discussion panel on the role of men in supporting women’s career took place, moderated by Dominika Kozakiewicz, managing director of Marsh & McLennan. High profile panelists including: Włodzimierz Albin, the CEO of Wolters Kluwer and president of the Polish Chamber of Books; Marcin Góral, chief compliance officer at PZU SA; and Magdalena Kicińska, communication, public affairs & sustainable development expert, shared openly their views on the key factors which determine a woman’s career, and how men can support their development.

The panel was followed by a cocktail reception and wine tasting courtesy of a new BPCC Member, Wineonline sp. z o. o. As always, the event was an excellent fact-finding opportunity as well as a chance to make new business contacts and reinforce existing ones. K&L Gates’ office was packed with business women representing key market players in real estate, banking, IT, pharma, media, FMCG and the energy sector. The networking, which lasted over four hours, concluded with a business cards draw for prizes.

Last but not least participants of the meeting are invited to visit one of the eight Winestory.
shops – a retail network owned by Wineonline sp. z o.o., wine & cider importer, which offers BPCC members a special discount for Christmas gift sets. To take advantage of this 15% discount, please contact Maciej Skowronek, B2B manager, on +48 881 004 175, or e-mail: maciej.skowronek@wineonline.pl. Visit a chosen Winestory shop (click here to find one near you) – mention Sojusz Męsko-Damski BPCC and claim 10% discount on wine; 5% discount on spirits and Winestory Loyalty Card. The offer is valid until 31 December.

Photos were taken by Dariusz Iwański and flower arrangements were provided by Sekunda&Sieradzan – Floral Design.

Wrocław Agglomeration Real Estate Forum - Analysis of business development directions of Wrocław

The second in this year edition Wrocław Agglomeration Real Estate Forum took place on Wednesday 18th November 2015 in Radisson BLU hotel in Wrocław in cooperation with Wroclaw Agglomeration Development Agency, AD Capital, CBRE, Kinnarps, Knight Frank, Reesco, Smagała Strzelczyk law firm and Vantage Development SA.

The meeting in which over 100 representants of local business interested in real estate took part, was officially opened by Ilona Chorodowska, British Polish Chamber of Commerce Branch Director Wrocław & Poznań. The Forum was divided to two parts, each ending with discussion panel.

First part was initiated by Łukasz Czajkowski from Wrocław Agglomeration Development Agency together with professor Tomasz Ossowicz from Wrocław Development Office. They presented the most actual development directions and plans of the Wrocław Agglomeration. The real estate market in Wrocław foundation of strategy development of the city and the new land use planning study. Then Krzysztof Cipiur from Knight Frank shared information on the investment market in Wrocław in response to the questions: who's building, who's buying, what investors pay attention to. This was followed by presentation on investing in commercial real estate Marcin Jański from Crownway Investments. There was also entering into legal issues, in presentation by Piotr Smagała from Smagała Strzelczyk law firm focusing on issues surrounding the investment process in commercial real estate. The last lecture in the first part of the conference was about an optimisation of operating costs in A class buildngs as in example of the complex Promenade Building Business Park- Zita presented by Daniel Betlewicz from OPM, Vantage Development SA.

To summarize the first part of the Forum Henryk Wojciechowski Development and Commercialization Director from Vantage Development led discussion with Łukasz Czajkowski from Wrocław Agglomeration Development Agency, Krzysztof Cipiur from Knight Frank, Piotr Smagała from Smagała Strzelczyk law firm, Marcin Jański from Crownway Investments and Paweł Boczar from CBRE.

After the coffee break, during which the Forum participants had the first chance to exchange business cards and make new business contacts, the second panel was opened by Paweł Boczar from CBRE. Paweł shared with participants of the meeting the most important points about preparing the tenant to enter into the lease agreement. Right after that, Dorota Kościeniak, regional director and partner at Knight Frank
in a very interesting way told about renegotiations of lease agreement. Later Artur Winnicki from Reesco told about the process of changing localization as seen by the expert, focusing on structure, communication, timetable, and costs of the process.

The last speech during the Wroclaw Agglomeration Real Estate was by Jaroslaw Solima from Kinnarps, who presented Office Trend Report. He demonstrated interesting and innovative designs for easy and enjoyable time spent in the office for workers.

After the presentations Ilona Chodorowska invited guests to participate in a discussion panel led by Pawel Boczar Senior Property Negotiator from CBRE. Participants of this panel were: Dorota Kościelniak from Knight Frank, Artur Winnicki from Reesco, Jaroslaw Solima from Kinnarps, Marek Stasieńko from Skanska, Pawel Łopatka from SoftServe and Jakub Mirosławski from UBM.

After the official part, all participants of the Forum was invited for a hot lunch and networking in the Aquarelle restaurant.

**Presentations** (in Polish):

- **Wrocław - inwestycje a demografia** - Łukasz Czajkowski, Agencja Rozwoju Aglomeracji Wrocławskiej
- **Obszary rozwoju** - Tomasz Ossowicz, Biuro Rozwoju Wrocławia
- **Wrocław - kupno/sprzedaż** - Krzysztof Cipiur, Knight Frank
- **Inwestowanie w nieruchomości komercyjne we Wrocławiu** - Marcin Jański, Crownway Investment
- **Zagadnienia prawne realizacji procesu inwestycyjnego w nieruchomości komercyjne, Regulacje prawne w praktyce** - Piotr Smagała, Smagała Strzelczyk Kancelaria

**Top Honours for Modry Las Golf Club**

Modry Las Golf Club has been named Poland’s best golf course at a prestigious global awards ceremony in Portugal. For the second consecutive year, the West Pomerania Gary Player designed-course picked up Poland’s national prize at the World Golf Awards which aims to benchmark excellence in golf tourism.

The accolade came in a category that has seen the number of nominees nearly double since the awards were launched a year ago. More importantly, it affirms Modry Las as one of central Europe’s leading golfing venues at a time when Poland is emerging as a bone fide golfing destination.
“It was a great honour to pick up the award at the World Golf Awards, especially as we retained the title from last year,” said Arthur Gromadzki, Chairman at Modry Las. “Golf in Poland has seen huge strides forward in the past few years and we are extremely proud to be at the forefront of this expansion.”

He continued: “Modry Las opened six years ago and since then we have added a fabulous nine-hole course and doubled our on-site accommodation. As a result, much has changed since Gary Player first came to Poland to inspect our beautiful countryside and tranquil lakes. We have achieved a lot, but despite the progress, our objective remains unchanged and that is to deliver a distinctive and exceptional golfing experience.”

Since opening in 2009, Modry Las has added new Garden Suites and a stunning new nine-hole course, Orli Las, which many view as a championship course in miniature, to its acclaimed 18-hole championship. The improvements have attracted universal praise as well as a host of accolades. For instance, Modry Las became the only Polish entry in Germany’s leading golf magazine’s Top 100 list of European golf courses and was named Poland’s best golf course by the country’s leading golf website www.Polishgolf.pl.

This latest award is the culmination of over six months of voting by professionals working within the golf travel and tourism industry, as well as votes cast by the public. World Golf Awards managing director Christopher Frost said: “It is an honour to recognise Modry Las as Poland’s Best Golf Course for a second consecutive year. Our voters, from across the golf hospitality world, have recognised the stunning location, exceptional facilities and pristine environment available at the course as the best on offer and it is with pleasure we present them with the title this evening.”

Modry Las received votes from leading tourism professionals and consumers from across the globe, which Gromadzki said reflects another busy year at the Polish resort. “This award cements Modry Las as a truly international resort,” he said. “This has been an extremely busy year for us with the highest number of international visitors ever. The votes cast for Modry Las only bolsters our determination to create the best possible golf resort experiences.”

Paweł Oszczyk announced chef of the year 2016 by "Gault & Millau"

Paweł Oszczyk from La Rotisserie restaurant in Mamaison Le Regina Hotel was announced the Chef of the Year 2016 by the prestigious international culinary guide “Gault & Millau” 2016. On 29 November 2015 at the Służewiec Racetrack the Polish edition of the “Gault & Millau” guide held its ceremony and gala dinner for more than 500 guests and presented 2016 edition of the yellow guide.

It’s the first time in the 50 year history of this French origin publication that the local edition is bilingual – Polish and English. “Gault & Millau” 2016 presents 390 restaurants and 100 hotels from the whole country, all verified by the professional inspectors. Mamaison Hotel le Regina and its La Rotisserie restaurant have been recommended with a very high rank this year – 3 chef hats and 15 of 20 points.
“I’m very happy to be here as the part of this great culinary celebration” – said Paweł Oszczyk from the scene shortly after being voted the CHEF OF THE YEAR 2016. “Every single day, for more than 11 years, my talented team has been focused on serving the top quality food based on the finest and freshest ingredients, with matching top wines. The quality is our goal and motto, we do not agree on any compromises in that field. Thank you for this award, it goes to the whole team of La Rotisserie restaurant!” – Paweł added.

For this very special occasion 6 chefs from the group of the top nominees created a unique 6-course gourmet menu with alcohol pairing. Chef of the Year 2016 was responsible for the planning and managing the work of the whole kitchen team. During the gala he was hard working behind the scenes to satisfy more than 500 hungry guests, including chefs from the whole country. Paweł Oszczyk had prepared a unique cold starter: smoked cold water trout, parsley and wild plum served with Riesling 2013 Constance Muller, France, selected by the sommelier Chloe Bey.

MORE ABOUT LA ROTISSERIE RESTAURANT
The cozy La Rotisserie restaurant is set within boutique Mamaison Hotel Le Regina Warsaw. Chef Paweł Oszczyk presents unique gourmet menu available during business lunches, dinners and Sunday Linners. During Christmas season the restaurant becomes a great venue for corporate dinners and parties. Elegant New Year’s Eve Dinner includes eight culinary masterpieces paired with Andrzej Strzelczyk, sommelier champion of Poland 2012 and 2013, wines and subtle live music to make this evening unforgettable.

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Helping put Mazovia’s heritage on the International Stage

Friday saw the official launch at the International Travel Show TT Warsaw of three new tourist heritage trails across Poland’s Mazovian Province.

The trails, which are accompanied by expertly-written guides available in four languages, a mobile app and dedicated website, are the latest in a line of initiatives of the Mazovian Regional Tourism Organisation, and part of an EU co-financed project entitled “Tourist trails of Mazovia’s cultural heritage”.

The trails provide visitors with a wealth of information, and access to historic sights and monuments. The first of the trails relates to the dukes and rulers of Mazovia during the middle ages, whilst the second is a two-part trail tracing the footsteps and life of Frederick Chopin during the first twenty years of his life in Poland. The third of the trails provides unrivalled insight into the events and places surrounding the battle on the Vistula in 1920 when Poland’s newly formed army, through a series of spectacular military victories, saw off the threat of the Soviet Bolsheviks, and in doing so changed the course of twentieth century European history.
Lacrosse is proud to have been involved in this prestigious project, through its work on preparing versions of the accompanying guides and information boards on the route of the trails, into English, German and Russian, so that as many foreign visitors as possible will be able to enjoy to the maximum the many cultural and historical attractions of the region.

The Guides received a commendation at a recent competition – Regional Roses 2015, and are considered to be among the best regional guides in Poland at present. The awards were announced in October at the “Tour Salon” Fairs in Poznan.

We are also very proud to be able to say that the Chopin guides in the four language versions available already made a great impact and were enthusiastically received by visitors from across the globe who attended the XVII edition of the International Chopin Competition held in Warsaw in October.

As a result of this project, Mazovia now has over 1000 kilometres of dedicated themed cultural tourism trails, there are a total of 36,000 guides available in Polish, English, German and Russian, 400 road signs indicating the trails, 100 information boards along the routes, 60 monuments dedicated to the trails, a mobile app and dedicated website – www.dziedzictwomazowsza.pl, and a programme in place to promote and develop the tourist trails and the cultural heritage of the region.

We encourage you to spend your holidays in this region, and to get to know its rich historical

and cultural treasures!

Last mile distribution may be better off grounded. Commercial drone deliveries not a real option yet - says Colliers International’s report

Huge rise in demand for urban logistics space as most companies deliver goods in cities. New analysis suggests that commercial drone deliveries may prove impossible due to extensive government regulation.

Warsaw, November 20, 2015 – A new report entitled European Retail & Logistics Insights – From Sheds to Shelves, by Colliers International has said that the future of drone deliveries may be at risk due to soaring property costs and calls from the European Commission for tighter regulation.

“Realistically with rising rents and increasing complication of airspace regulation drones may become more trouble than they’re worth,” said Tim Davies, head of EMEA industrial and logistics at Colliers International.

As more sales are conducted online, there is a growing need for local delivery hubs to ship goods to consumers.

Analysis in the report has shown that industrial property has outperformed all other types of commercial real estate. Demand for space from companies like Amazon has seen a reversal of fortunes for the sector with values now rising. Costs for last mile deliveries will be driven by land constraints around cities such as London, where other uses such as housing often receive greater political support.
While property costs make moving goods around more expensive, it is like to be regulation that creates a real barrier for drone deliveries. The European Commission said last year that it wanted further regulation on commercial drones that would apply across the EU.

The announcement specified that further regulation would be needed to prevent issues with safety, privacy and data protection.

Worries around privacy for residents, businesses and public bodies in the flight path of commercial drones carrying recording devices have led to worries around national security and breaches of privacy as well as noise pollution.

Head of EMEA industrial and logistics, Tim Davies, predicts that increasing anxiety over the place of commercial drones within airspace regulations could scupper plans for a high-tech delivery revolution.

“The report suggests that retailers may instead be looking to better utilise existing modes, such as increasing network of Uber taxies or in-store collection,” explained Paul Souber, Head of Central London Retail Agency.

Amazon’s announcement in 2013 that deliveries in selected areas would be carried out by commercial drones from 2015 sparked mass excitement about a deliveries ‘space age’. But as of yet, it hasn’t managed to get off the ground.

For more information or to download the report, visit: http://goo.gl/AKRhSL

**European Retail & Logistics Insights From Sheds to Shelves 2015**

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**New office of ARP S.A. (IDA JSC) was officially opened in Wroclaw**

On 26 November 2015 a new office of ARP S.A. (IDA JSC) was officially opened in Wroclaw. The office of the Wroclaw-Kobierzyce Sub-Zone Team was relocated from the centre of Wroclaw to the outskirts of the city to ensure even better sub-zone management.

The ceremony was opened by Przemyslaw Strzelec, Deputy Director of the Euro-park Wistosan Tarnobrzeg Special Economic Zone. “9 September 2015 marks the tenth anniversary of operation of the Wroclaw-Kobierzyce Sub-zone in the EURO-PARK Wistosan Tarnobrzeg Special Economic Zone. Taking into consideration the hitherto dynamic development of the industrial park, which was set up in the Kobierzyce Commune as a result of signing investment contracts with the LG Group in 2005, with a view to cooperation with existing Investors and future investment projects, to improve management of the area and cooperation with companies running their business activities within the zone, the IDA resolved to relocate the office from the centre of Wroclaw to be closer to the Sub-Zone,” he said.

Mr Marcin Zieliński, Vice-President of IDA JSC, emphasized that “After the ten years, the
rural Commune of Kobierzyce may serve as an example to follow for local authorities not only in Poland, but also all over Europe. Credit for the success achieved by the Wrocław-Kobierzyce Sub-Zone goes out to various communities: entrepreneurs, MPs, state institutions and employees who are always open to cooperation.”

The meeting was attended by foreign investors who had located their investment projects within the Wrocław-Kobierzyce Sub-Zone (representatives of such companies as LG Display, LG Chem, LG Innotek, Kessel, Lapp Kabel, Samwha, Linde- Gaz and other), as well as representatives of local authorities and foreign chambers of commerce. All of them expressed their appreciation for the zone’s managers. “I am surprised with the way the Sub-Zone is growing, it is fantastic, the entire infrastructure, excellent roads, great connection with the airport, motorways. Over the last few years, our cooperation with the Industrial Development Agency, with the Kobierzyce Commune, has been going so well that we plan to continue the growth,” said Leszek Sobczyk, Vice-President of the Management Board of Kessel Sp. z o.o.

The plots of land offered by the Tarnobrzeg Special Economic Zone in Lower Silesia are unrivalled when it comes to road and power supply infrastructure. A network of local and transit roads, an international airport, a network of passenger and freight rail and connections with the European motorway network are among the incentives for investing in our sub-zone, and thus the investment land continues to attract numerous foreign entrepreneurs. Mr Maciej Ślęzak, Head of the TSEZ, said: “The fact that the Wrocław-Kobierzyce Sub-Zone is the area of the largest concentration of foreign capital commits us to create favourable conditions for the growth of our existing and future investors, so that they can take decisions, implement their plans, and create new jobs. We hope that with the new location of the office, our staff can become even more effective in welcoming investors, managing the Wrocław-Kobierzyce Sub-Zone and taking care of existing Investors.”

The Wrocław-Kobierzyce Sub-Zone within the Euro-Park Wisłosan Tarnobrzeg Special Economic Zone was set up in 2005 in Biskupice Podgórné, Kobierzyce Commune, to establish the first European technological cluster of the world’s leading LCD producer, LG Philips, in the vicinity of Wrocław. The special economic zone set up in the Kobierzyce Commune attracted other foreign investors. Initially, the zone covered approximately 275 ha and it was the place of business for LG factories and their sub-suppliers. Currently its area is 410 ha, and, apart from the group of Korean companies, its investors include: UPM Raflatac, Linde Gaz and large international companies such as Compal, Lapp Kabel, or Amazon.

The new ARP office in Wrocław is located at ul. Wyścigowa 56e.
The Second Congress of Polish Entrepreneurs in the UK took place on 16 October at the premises of RBS in the City of London.

The high-profile event was judged by participants to have been a huge success, both in the amount of business knowledge imparted and the effective networking that the Congress afforded. With delegates coming from all over the UK as well as from Poland, the Congress brought together successful owner-managers of high-growth businesses in one place to learn, share experiences and swap business cards.

With innovation as the main theme of this year's Congress, the day-long event was divided into a motivational session, a business clinic addressing specific issues relevant to running a firm in the UK today, and a panel discussion which focused on case studies of innovative Polish businesses and the cultural differences between running businesses in both countries.

The event was opened by His Excellency Witold Sobków, the Polish Ambassador to London, Michael Dembinski, the BPCC's chief advisor, and Bartek Kowalczyk, the driving force behind the PBlink.co.uk series of events and business websites. Ian Spero, founder of Creative Skills For Life and a strategic advisor to Innovate UK, outlined the role of Innovate UK as a source of grants for innovation-led businesses, "free money" as he put it, which hardly any UK-based Polish entrepreneur had heard about. Veronica Heaven, owner and founder of The Heaven Company London Ltd, spoke compellingly about the need to put sustainability into the heart of business. Working with British firms that are currently run by the fourth or fifth generation of the founder's family, she stressed the importance of taking the long-term view of business growth, that takes account of society and the environment as well as the bottom line. Marcin Zaba from crowdfunding platform Syndicate Room explained how crowdfunding works as a way through which entrepreneurs can finance their innovative ideas. He said there were three models - equity, loan and donation. Participants had the chance to hold one-to-one meetings with the speakers during a 45-minute long structured networking coffee break.

Following the break, the Business Clinic concentrated on the day-to-day aspects of entrepreneurship. Neil Butler, from Companies House, explained how this institution works, how entrepreneurs can set up Limited Liability Companies in the UK, the duties and responsibilities of company directors, and the amount of information that is freely available from Companies House - which can help entrepreneurs assess the trustworthiness of potential business partners. Bartosz Maj
from Simpkins & Co. Solicitors spoke about the major changes to the state pension scheme, and how auto-enrolment will affect every single employer in UK, regardless of size. He explained steps that employers need to be taking now to be ready for the introduction of auto-enrolment in 2017. Peter Lorenz from UK Trade & Investment highlighted the advantages that the UK can offer as a base for entrepreneurs from around the world. As an inward investment destination, the ease of doing business (the eighth best in the world, the second - after Denmark - best in the EU) makes the UK an ideal springboard for global expansion. Serial entrepreneur Helen Roberts from CPG Executive Consulting, originally from Ireland, followed on along this theme, explaining the many ways in which the UK can help entrepreneurs boost their business success.

After a networking lunch, again with structured one-to-one meeting opportunities with the speakers, the third session - focused on innovation - commenced. Michael Dembinski, from the BPCC introduced the session, saying how important it is to the future direction of Poland. "Either Poland can remain an operation economy, outsourcing manufacturing and services to more advanced countries - or it can become a strategic economy setting the course for innovative growth for others to follow," he said. Lack of access to financing innovation and outdated structures in Polish universities hold the country back, but EU funds in the 2014-2020 financial perspective, driven by private-sector initiatives, offer hope for a step-change in how Poland approaches innovation. Ziemowit Ekiert from Acuarius Consulting spoke about market entry in both directions - finding suitable business partners in Poland and in the UK, while Patrick Ney, director of BPCC Trade, talked about the key barriers holding back UK businesses from entering the Polish market - lack of commitment, budgets and marketing. Marcin Kozlowski from Business Link put Polish start-ups into a global perspective, pointing out the comparative cost advantage of doing R&D or IT work in Poland.

The final part of the conference was a panel discussion, in which five entrepreneurs swapped opinions about running a business in the UK, based on their own case studies. Michal Krajewski, from Polsteel Ltd, Michal Wojnar, from Team@One Ltd, Paulina Sygulska from GrantTree, Przemyslaw J. Sulich, from A1 Europe and Andrew Humphries, the co-founder of business incubator The Bakery and a UKTI global entrepreneur dealmaker, exchanged views about some of the soft issues that make such a difference in operating in a multi-national business environment. There was an observation that Polish entrepreneurs - with their drive, vision, intelligence and capacity for hard work - often under-sell themselves when pitching to UK clients of potential business partners. Mr Humphries observed that they have no need t0 feel inferior as they are sharp and able.

After closing remarks from Nick Howe of NatWest Business Banking, the main networking session began. As well as Congress delegates, additional Polish entrepreneurs came along, just for the evening mixer. Every person had a 30-second opportunity to introduce themselves and their businesses, after which the informal networking began in earnest, interrupted only for the business card draw. At eight o'clock, the day-long event came to an end, but delegates carried on across the road at a pub until closing time!

The BPCC would like to thank Bartek Kowalczyk for his sterling work in bringing together the Polish entrepreneur community; Confidalia Events from Leeds which put together such a well-organised conference; and RBS for hosting the Congress in its excellently equipped conference facility.

Photo gallery http://pblink.co.uk/galeria
Presentations http://www.pblink.co.uk/download
https://youtu.be/RS2oY0bSWSU
The Visit of BPCC Representatives at the Świętokrzyskie province

At the invitation of the Marshal of the Świętokrzyskie province, Adam Jarubas, the BPCC paid an official visit to Kielce on 20 October. The aim was to establish working links with the province. The meeting, held in the marshal’s office, was attended by Urszula Kwaśniewska, director of the BPCC’s Kraków office Kraków, Marta Smolarek, the BPCC’s export consultant, and Michael Dembinski, the BPCC’s chief advisor.

Mr Jarubas was joined by Cezary Tkaczyk, the CEO of the Starachowice Special Economic Zone (SEZ), Gregory Orawiec, director of the province’s Regional Policy Department, and Andrzej Lukasik, the marshal's adviser on international cooperation.

The meeting was focused on two areas: first the promotion of the investment opportunities that the province and the SEZ can offer British firms, the second was the help that the BPCC and its members can offer firms from the province in entering the UK market. Ms Kwaśniewska outlined how the BPCC’s Kraków office supports inward investment and Polish exporters, as well as the networking benefits the Chamber offers. Mr Dembinski presented the latest data on trade between Poland and the UK, underlining the success of many Polish brands. He also pointed to the strong growth trend in demand for products from Poland. “According Poland's central statistical office, during the first eight months of this year, the value of Polish exports to the UK was up by almost 14% compared to the same period last year. The UK is a great partner for Poland, because its economy - the world's fifth-largest - is growing faster than any other large western European country, and because there are a million Poles living in the UK who can act as ambassadors for Polish brands. Over 22,000 limited liability companies belong to Polish entrepreneurs in the UK, and a further 65,000 Poles living there are self-employed," said Mr Dembinski.

President of Cezary Tkaczyk, who is also head of the Chamber Staropolska Industry and Commerce, said: "We want to present our offer and to work together to raise the profile of the UK as a destination market for exports from our province. This requires bilateral contacts and the full use of all the tools which we have at our disposal." The meeting was a follow-up to an earlier meeting between Mr Jarubas and Her Majesty’s Ambassador to Poland Robin Barnett, held in Kielce the previous month.

The BPCC delegation was hosted in VI Liceum high school in Kielce, renowned as the city’s best. Classes are taught in Poland and English. Mr Dembinski compared the quality of education in both countries and the cultural differences in communication, directly connected with the knowledge of foreign languages. Pupils had many questions relating to the appropriate
choice of study to improve their competitiveness on the labour market. Ms Kwasniewska stressed the importance of foreign language skills in the recruitment process, as well pointing out the importance of additional activities undertaken by students such as internships. She explained how such internship programmes work at institutions such as the BPCC.

Later in the day the BPCC visited at Targi Kielce, Poland’s second-largest trade fair (after Poznań). Targi Kielce is a first-class international venue for conferences and exhibitions, and the BPCC looks forward to organising events here. This was followed by a visit to the newly opened Regional Science and Technology Centre in Podzamcze near Checiny. The centre is focused on life sciences, which is logical for a region that offers healthcare tourism to two large spa complexes - at Busko Zdrój and Solec Zdrój.

The first of the BPCC events aimed at presenting its export services to entrepreneurs from the province will be held in Kielce in January.

**Business Travel Survey - Kraków Airport**

This will be a record year for Kraków Airport. For the first time in history we will exceed 4 million passengers handled throughout a year. This great result is due to the attractiveness of Kraków and the region of Małopolska, but also our efforts to expand our route network, make it more interesting every year and bring in more and more airlines.

In the Summer 2015 season Kraków Airport offered 61 regular direct connections and 10 charter connections in cooperation with 17 airlines, including Europe’s biggest carriers such as KLM, British Airways, Lufthansa, Ryanair and easyJet. Our Winter 2015/16 season offer is appealing too, with four new regular direct connections added to our route network: Tenerife, Gran Canaria, Eilat Ovda and Olsztyn Mazury.

We are focused not only on attractive destinations, but also on the high standard of passenger service. Kraków Airport has changed a lot over the recent months. A new terminal - spacious, with modern infrastructure and very interesting architecture was put into operation in autumn. Conversion of the old terminal will be completed by the middle of next year and the two parts of the building will be combined into one, European-class facility.

In November we also completed a thorough restructuring of the operating area of our airport. Taxiways have been upgraded and additional aircraft parking spaces have been added. As a result, we are able to take in more aircraft and the level of safety of flight operations has improved.

We work to provide our passengers with the best travelling experience from Krakow Airport. I encourage you to personally see how we change by choosing to fly from our airport. Below you will find a link to a short survey on the travel preferences of passengers, the purpose of which is to expand our offer of direct connections from Kraków Airport. I would be much obliged if you could help us by filling it out.

Jan Pamula
President of the Board of Kraków Airport

https://www.surveymonkey.com/r/KrakowAirport
please fill out the survey by 18 December 2015.
Quality space prime locations will always make money

Michael Dembinski talks to Mike Strong, Executive Chairman of CBRE for EMEA

These are challenging times for investors. Interest rates are at a historic low, stock markets are underperforming, government bond yield rates are flat and emerging-market growth is evaporating.

So are investors choosing to move into real estate as an asset class? Mike Strong, Executive Chairman of CBRE for EMEA, says that this is the case. “There has been a readjustment in the total invested universe, something like a 1% shift in weighting towards real estate – though as you can imagine, that 1% is a very large number,” he said.

“Volumes were last at this level back in 2006-2007, but then a large amount of it was funded by debt. Bank leveraging was heavy and widespread. This led to a development boom,” said Mr Strong. The results of that debt-fuelled boom could be seen in countries like Ireland and Spain – developments standing unfinished for many years. “There’s nothing like those levels of debt leverage this time. The market is better funded,” he said. “The yield gap between a 10-year treasury bond and well-positioned real estate with a solid rental income has never been as great, it’s currently around three to four percent above the risk-free rate.”

“More equity is currently aimed at real estate than has ever been seen – more than in the previous peak in 2007. It is coming from multiple sources – China, the Pacific Rim, the Middle East, Europe – although the ‘New Europe’ is not so prominent – and Norway. Most Sovereign Wealth Funds are present in real estate markets, many having entered only four-five years ago; traditionally SWFs have invested in bonds, equities and cash. We’ve also seen the Canadian pension funds very active in real estate over the past four-five years.

Greater diversity of investors, with a deep pool of equity. They don’t need to leverage when buying.”

We go into greater detail. Which sector of real estate attracts the most investment? “By value the biggest component is still offices,” says Mr Strong. “There are a number of dynamics converging. Supply of new, high-quality office space is at a very low level in absolute terms. And what are the occupiers doing? They’re using floor space more efficiently and flexibly. People are still the biggest cost for business; attracting and retaining the best talent is the biggest challenge. The trend is less space per head in the best-quality buildings. And the focus is on prime property – there’s not much about, tenants are chasing it. At the same time, less-than-prime space on the peripheries of cities is being turned into residential and being adapted for other uses. Landlords in such areas need to do something or lose tenants to better quality, better located property.”

Corporates have always been big drivers of trends in commercial real estate. But there are new players entering the market – tech start-ups in cities like London and New York. “Tech start-ups have different occupational needs,” said Mr Strong. “They tend to cluster around the outer ring of the city’s Central Business District (CBD). Start-ups don’t feel comfortable with big corporate neighbours. The model we’ve seen from the 1970s and 1990s – business parks custom-built on the edge of town, the US model – is coming to an end. Google is into the heart of the city. Predictions that everyone would work from home have proved far-fetched. Young employees want to socialise and work in an interesting environment.” And not only employees. Yahoo!’s CEO, Marissa Mayer, stopped home working in February 2013, to improve collaboration, internal communication and the speed and quality of work.

In the tech world, chance meetings and conversations can spark new creative ideas. For Google, the coffee machine is a key office installation. In today’s war for talent, the quality of the working conditions determine whether
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an employer holds on to the best people. “New users want vibrancy of workplace. They like the new ways of working; the cellular office is outdated. Employers are seeking to provide the best environment for everyone.”

These trends affect everyone. “Investors and developers need to enhance, not restrict. This flexibility is not limited to the lease terms; everything has to be flexible – new fit-out, private rooms for quiet work, co-working environment,” said Mr Strong.

Retail property trends are also changing along with our cities. The biggest game-changer has been the rapid development of e-commerce. “It’s a small- to medium-sized revolution. There are clear trends. The best malls have prospered, even though the economic environment has been rocky. In Europe, there’s been a strengthened trend for destination and experience shopping – food and entertainment along with retail. The best malls have tenants waiting – leisure, retail, food courts. They are going up-market, with fine dining and art galleries. This is good for consumers and tenants,” said Mr Strong.

A similar picture has emerged with the high streets. “The very best high streets have maintained their positions or have even strengthened. As for the rest – it’s too early to say.”

We talk about the challenges that e-commerce has brought to retailing. Mr Strong points out that there have been hiccups along the way. “The issue of the last kilometre - distribution to the consumer remains a problem. The complexity of deliveries and returns of faulty goods cause massive logistics problems for online shops. It looks like there’s a second level of retailing taking shape, with the biggest players in e-commerce looking to open physical shops, so they can get closer to the consumer. But it’s too early to say if there’s a clear trend there. And pop-up stores are appearing to fill the gaps, another new trend we’ve noticed.”

Food retailing is also undergoing change. The growth in building edge-of-town hypermarkets is clearly slowing. “Retailers are coming to neighbourhood retailing – this is where we see massive expansion. And it’s affecting the shape of our cities. In London, New York, Paris or Berlin, car usage has been dropping progressively. Citizens are turning to bicycles and public transport, moving away from cars. They don’t have to worry about car parking-space angst. They want to be near cinema, sports, fitness, theatre, art galleries,” says Mr Strong.

“City centres are giving over less space for parking, broadening pavements. And public transport is being prioritised. Without good connections, even the best building with the lowest rent is not going to fly. The young want to live near their workplace. I go back to the war for talent – short commuting time is shown in survey after survey as being more important than a higher salary. There’s a cycling revolution going on. Cities are following the examples set by Holland and Denmark in providing safe, segregated cycle paths. London’s Cycle Superhighway will be an excellent facility. This is a trend that’s coming globally. The old trend to move out into the ever-more distant suburbs has been reversed, people are living closer and closer, ideally within walking distance to their place of work, which ideally is situated in the city centre,” he says.

Today’s city dwellers “don’t want to waste a single minute of their time,” says Mr Strong. This leads to an exceptionally dynamic, well-balanced mix of office, leisure facilities in a prime city location. Cities are being more lived in cities – Paris, he believes, shows the way forward, as opposed to the City of London which still has low levels of residential occupancy. Optimising cities for 27/7 living, working, shopping and relaxing will inevitably push up property values; investors are sensing this. In manufacturing another big trend is being reversed – to move offshore, to the Far East, but now manufacturing trend is to bring it back. Smaller batches, mass customisation, and new technologies such as 3D printing will bring manufacturing back, nearer
to the consumer, as well as higher social and environmental awareness. This – along with the warehousing implications of this shift – will inevitably have some impact on the real estate market.

Mr Strong also talked about CBRE as an employer in Poland. “As well as the 250 staff we have advising clients, who are working here in Rondo ONZ 1 in Warsaw, we employ a further 600 people in our GBS (Global Business Services) outsourcing hub in Służewiec. This is working exceptionally well for us.”

A look at the Export Insight Visit to Poland 6-8th October 2015

13 British companies representing 9 different sectors arrived in Warsaw on Tuesday, October 6th to participate in a 3-day Export Insight Visit (EIV) organising by BPCC Trade and UK Trade & Investment (UKTI) South West.

The visit, full of meetings and seminars, was a great opportunity to gain knowledge about the process of exporting, an in-depth understanding of the Polish market opportunity, as well as insight into other CEE markets, including Romania, Hungary and the Czech Republic.

The first day of the EIV was divided into three segments. During the morning session the delegates were welcomed by HMA Robin Barnett, UKTI Regional Director Tom Salusbury, as well as BPCC Trade Director Patrick Ney who also introduced the participants to the Overseas Business Network Initiative (OBNi), the markets of Central and Eastern Europe, as well as provided top tips on how to be a successful exporter.

The second session involved round-table discussions (one table for each market) as well as 1-2-1 meetings with trade consultants who discussed how we the OBN and UKTI could help with the export journey. After lunch the delegates were invited to a seminar session, where they listened to two successful British businesses already exporting to Poland - Loake and Roman Ltd. Afterwards, experts in the field of retail and distribution, e-commerce, as well as logistics delivered a thorough overview of these sectors.

The first day concluded with a networking reception in the British Embassy, which was an excellent opportunity to meet new contacts, exchange remarks and business cards.
The second day of the Export Insight Visit began in the beautiful office of Accreo located on the historic Próżna Str. The delegates had an opportunity to listen to two presentations delivered by experts in the fields of language, cultural, legal and tax issues associated with doing business in Poland.

The EIV concluded with a visit to the British Polish Chamber of Commerce, where the delegates had one more opportunity to talk to their dedicated export consultants, as well as discover the rich history of Poland in a presentation delivered by Patrick Ney, BPCC Trade Director.

The Export Insight Visit was the first visit of its kind organised by BPCC Trade and UK Trade & Investment, and it is considered a success with many delegates providing positive feedback and thank you notes:

“Many thanks for your e-mail and in particular for the support and assistance which I received from you and your team last week. It was pleasure to have been a part of the Export Insight Visit to Warsaw and I will now pursue the possible leads which I made, as well as using the information to expand my business into Central Europe.” - Don Gillanders, Chief Executive, Airboss Limited.

“Very helpful. I learned more in short space of time than I could with a number of ‘unassisted’ visits.” - Gareth Leonard, Managing Director, Regenesis.

“Great presentations, informative 1-1 meetings with country experts...this would have taken me months of research and time that I just don’t have...” - Tim Lovell, Director, Talkback Communications.

“Well organised, informative, lots of help and advice available to make exporting easier.” - James Browne, Managing Director, Click Innovation.

The BPCC has great contacts with exporters across Poland wanting to sell to the UK. Use our service to help you buy directly from them. In response to strong interest from Polish manufacturers wishing to export their products and services to the UK, last year the BPCC launched a support service intended to help businesses from all over Poland by matchmaking them with potential British partners.

The focal point is to identify the suitable UK importer, buyer, agent, distributor and end-user. Additional help is provided by BPCC members operate in sectors such as translation, logistics, marketing, legal and IT. The entire process is supported by utilising the BPCC’s unrivalled expertise and its strong B2B networks across both countries.

The BPCC spreads the word about export opportunities to the UK by organising conferences, seminars and workshops across Poland. This year it held 13 such events – more than one a month on average, visiting Kraków, Katowice, Wrocław, Warsaw, Toruń, Białystok, Lublin, Opole and Wałbrzych. Demand for information was such in some cities – Toruń, Lublin, Wrocław and Katowice, were visited twice. The meetings provide a unique opportunity for local exporters to learn from the BPCC and its members more about the UK market, product demand,
export procedures and finally partner acquisition. The next event of the series takes place in January in Kielce. The number of Polish exporters represented at these seminars ranges between 20 and 80. The culmination of this series of meetings will be the second Export Forum scheduled for Thursday 19 May in Kraków.

Typical Polish firms attending these events are medium-sized firms that are already successfully exporting to countries like Germany, Sweden or Czech Republic, and are now looking to enter the UK market. Increasing numbers of Polish firms are from eastern Poland, finding their traditional markets of Russia and Ukraine no longer as open as they once were. For these firms, the UK market represents a major challenge, not least because of the different business culture.

The most difficult and challenging task in trade support is to find an appropriate business partner. For this reason, following the demands of the exporters, the BPCC is making every effort to establish cooperation between the parties. The chamber collaborates with Polish companies operating in different business sectors, and seeks to identify and create new export opportunities to the British Isles.

At the moment, the BPCC cooperates with the following Polish producers:

- **Miwex**, manufacturer of tomato ketchups, condiments and sauces
- **Beer Fingers**, manufacturer of savoury snacks
- **Lider Trade**, manufacturer of fresh and frozen fruits and vegetables
- **Walpol**, manufacturer of meat and sausage and provider of meat processing services, i.e. slaughtering, cutting and boning
- **Scorpio Poland**, manufacturer of children’s clothing and accessories
- **Bialcon**, manufacturer of women’s clothing
- **LIM**, manufacturer of women’s footwear
- **Sanwil**, manufacturer of leather-like products,
- **coated materials, PVC and PU products for furniture and for the medical industry**
- **Libella**, manufacturer of household cleaning products
- **Al-Tech**, manufacturer of aluminium windows and doors
- **BP Techem**, manufacturer of doormats and floor mats
- **Inject Plast**, producer of plastic elements manufactured with injection method

UK-based companies looking to buy from Poland should contact:

**Marta Smolarek**
Export Consultant

Mobile: +48 660 761 300
Email: marta.smolarek@bpcc.org.pl
Angel Plaza, ul. Zwierzyniecka 24 / A 206
31-105 Kraków
Taste of Britain hits Poland for the third time

UK Trade and Investment and the BPCC organised a series of trade meetings for food and drink producers from the UK on the 23 and 24 November 2015. The trade meetings were organised as part of the Taste of Britain Series 3 programme.

Taste of Britain is an original project devised by the Food is GREAT team working at the BPCC. The project aims to launch and promote selected UK food and drink products onto the Polish market. Thanks to the project, around 300 British food and drink products have already been launched, and around 30 UK producers have started running their businesses in Poland, either directly or via distributors.

The Food is GREAT team has run successful events such as British Week (in Polish, Dni Brytyjskie) at the Alma delicatessen chain – an upmarket retailer similar in profile to Britain’s Waitrose, and The British Aisles (in Polish, Brytyjska Wyspa Smaków) organised in collaboration with the Kuchnie Świata chain, a specialist retailer selling exotic foods from all over the world in smaller-format stores situated in top malls around Poland.

The companies that have taken part in Taste of Britain Series 3 were Musk’s Sausages, Fairfields Farm, Linwoods, Scarlett & Mustard, Rakusen’s, Asiana, Saitaku, SHS Drinks, Hogan’s Cider and brewers Pistonhead. Throughout the event, which was held over two days, there were over 70 face-to-face trade meetings organised between the British firms and Polish distributors, retail chain representatives and other companies from the food sector.

New Flavour in Town – Building a Successful Export Strategy for North East coffee company Beanies

Durham based producer of premium freeze dried coffees Beanies Flavour Company has lifted the lid on the Polish market thanks to BPCC Trade, innovative products and a great market entry strategy.

‘Europe is a key focus for our export strategy and we’re looking at markets with a clearly defined and mature retail supply chain, so Poland was absolutely one of those’ John Evans, Beanies’ Managing Director, told us, and little wonder since Poland is the 6th largest population in Europe.

Beanies have embarked on a long-term project to enter Poland backed by a dedicated team of Food Sector advisors, amongst them BPCC Trade’s Małgorzata Kaczmarek who told us, ‘the thing that’s great about working with Beanies is their commitment to their own success and their perseverance throughout, which is not something every British exporter brings to the table.’ Thanks to the support of BPCC Trade and this committed approach, Beanies now have listings in Poland’s largest independent food and drink retailer and distributor Kuchnie Świata and have recently entered all 52 major stores of one of Poland’s largest retailers, Auchan, with their unique range of flavoured coffees. ‘We’d had some limited sales in Poland, mostly on the web, but our journey into market has been much faster thanks to BPCC Trade,’ John told us, ‘and working with a clearly defined sales plan our growth has taken off.’ Key to Beanies’ success has been tailoring their sales and marketing to the Polish consumer, something that BPCC Trade advises call companies to consider: ‘Beanies have adapted to the market and responded to our feedback on sales and marketing, including designing a new label in Polish and investing...’
energy into Facebook B2C marketing, which is crucial in a competitive sector like food and drink,’ Malgorzata said. Polish consumers all across the country now have the chance to wake up and smell the coffee on hundreds of new British food and drink products entering the market thanks to Malgorzata and her colleagues.

For more information about Beanies please contact malgorzata.kaczmarek@bpcc.org.pl.

Chairman & CEO Note

Dear Members,

December is traditionally the time to reflect on significant changes and developments that have happened throughout the year, so we thought that we would look back over the last 11 months and remind you what has been happening at the Chamber as 2015 has been a memorable year for the BPCC.

Needing a new home after HSBC’s kind grant of rent-free offices ended with the bank’s move to other premises, the chamber has settled in at its prestigious and convenient city-centre location on ul. Zielna 37. The 250 m² of class A office space equally funded by UKTI will hopefully serve for longer than the current three-year lease. The office on Zielna is already known for its great “views and coffee”. Please stop by anytime you are nearby!

On the staff side we sadly waved goodbye to Marta Mikliszańska who joined our member firm CEC Government Relations in May. We very quickly thereafter welcomed Agnieszka Garbacz, Marta’s replacement who very efficiently moved to lead our policy groups. She brings with her seven years of experience and government contacts from her previous job at Polish inward investment agency, PAiIZ. In June the number of groups increased to 12, with the Manufacturing Industries policy group being our latest initiative in this area.

Michael Dembinski will continue to be our chief policy advisor. Michael has been carrying out this role since 2003, after 16 years experience at the CBI. Its hard to think of anyone who has been at the Chamber that deserves a bigger thanks for magnificent effort.

Poland’s most important political event of the year was the parliamentary elections which took place on 26 October. They have resulted in a new government that our policy groups will be engaging with for the objectives of generating an open public–private dialogue and to share best practice across wide range of topics. A calendar
of policy meetings for Q1 of 2016 will be gradually uploaded on our events calendar.

Of equal importance to our policy work is our export support project for British SMEs. The BPCC has become part of the UKTI Overseas Business Network initiative which has successfully entered its third consecutive year. UK Trade and Investment has tasked 41 delivery partners including the BPCC to double British exports by 2020. Much effort has been put to meet this target by BPCC’s eight full-time export consultants and several researchers, led by Patrick Ney and Russell Towison. Russell told our trade success story to the UK trade minister, Lord Maude, who visited the BPCC in September. Our export consultants who support British SMEs entering the Polish market have achieved global recognition for being one of the leaders in the network of 41 countries who form the OBN – well done all!

A younger brother of the OBN initiative was set up from the scratch in our Kraków’s office. This October, Marta Smolarek completed her first year with the BPCC. Marta is leading on export support activities for the Polish firms wanting to trade with the UK. The BPCC’s youngest export service has already made a big impact. There have been 13 ‘Export to the UK’ events across Poland this year, from Bialystok to Walbrzych, from Toruń to Kraków. Marta has assisted clients from all parts of Poland and will soon be adding to her team. We like to think that our efforts in the trade field have contributed to what will be a record year when it comes to the value of trade flows between Poland and the UK.

Many members and friends have noticed the new face of the Chamber with the re-launch of www.bpcc.org.pl on 1 September. A new look with improved functionalities to our website was unveiled. The changes were managed by Dorota Kierbiedź and Kuba Piegat. Look out for further enhancements in 2016. Many thanks to Dorota and Kuba for their commitment and skill on this initiative.

The BPCC’s regional work is a natural extension of our central offerings from Warsaw, so please don’t forget that your membership is corporate and covers all activities that are happening be they in Kraków, Wrocław and London and across the UK. Urszula, Ilona and Michael are eager to welcome you at the BPCC offices and events that are taking place in the regions.

In the UK, we have supported the hard work of Bartek Kowalczyk at Polish Business Link, who has done so much to integrate Polish entrepreneurs that have set up businesses in the UK. The BPCC has supported Bartek in the organisation of the First Congress of Polish Entrepreneurs in London, which attracted over 180 participants, as well as a Scottish forum in Edinburgh, and numerous seminar-mixer events up and down the UK from Southampton to Glasgow.

As ever, the social highlight of the year was the Annual Ball, held for the 23rd time on 25 October. As well as great entertainment, a display of Jaguar and Land Rover cars and fabulous food (English lamb), there was a surprise special guest – Solidarity legend, and modern Poland’s first president, Lech Walesa.

At the AGM in April, Antoni Reczek was unanimously elected for his fourth year as the BPCC’s chairman, while Nicholas Richardson and Michael Clay both retained their position as vice-chairmen. Additionally Katarzyna Chabinka of KMC Services and Patrycja Rogowska-Tomaszycka of Provident were elected as board directors, and Ewa van Veenendaal-Rawicz of UK Trade & Investment Poland has joined the board as ex-officio director. The next AGM is confirmed for 27 April. Please save the date in your calendars if you wish to participate in person.

The chamber’s honorary presidents, Witold Sobków, the Polish Ambassador to the Court of St James’s and Her Majesty’s Ambassador to Warsaw Robin Barnett, have attended numerous BPCC events and we would
like to thank both presidents for the tremendous support that the two embassies have lent our organisation, in particular for acting as marvellous hosts to so many events hosted in the respective embassies. Teamwork between the BPCC and the embassies has never been better. Sadly, there is a farewell ahead of us, as HMA Robin Barnett will be leaving his post in Warsaw after four years – please join us for Christmas Carols on Wednesday 16 December at the British Embassy in Warsaw to say good bye! Last but certainly not least, we would like to express our deepest gratitude to our staff for their dedication, hard work and great ideas in 2015. All that’s been mentioned above could not have happened without the work of all our staff, who day-by-day support our members, clients, partners and friends and further build the wealth of British-Polish business relations. Words can only partly express our gratitude and we simply want to say: thank you and dziękujemy for all that you have delivered!

To our members who ensure the Chamber’s financial stability and who collectively form, under the BPCC umbrella, a vibrant business network that so effectively links our great nations, we say ‘keep on doing it’!

We wish a very Merry Christmas and a Happy 2016 to our members, friends, partners and indeed all our readers.

How hotels can save money with LED lighting

by Kinga Raczk, biuroKR architectural practice, and Mateusz Szubel, Estera Przenzak and Wojciech Goryl, AGH University of Science and Technology, Faculty of Energy and Fuels

Poland has over 2,250 hotels, of which over 350 are premium class, four- and five-star hotels. These facilities are built with the intention to satisfy the customer by offering comfortable, functional space and also excellent service.

Many of these hotels demonstrate an original architectural concept. An annual hotel industry award recognises outstanding projects. Winners of the Hotel With A Concept award include Hotel Arłamow (2014), Narvil Conference Spa Serock (2013), Pure Hotel Wrocław (2012), and Hilton Gdańsk, the Andel’s hotels in Lodz and Krakow in previous years.

In the era of architecture with pro-environmental vision, does the term ‘concept’ also apply to the efficient use of energy? If so, what kinds of solutions are most often applied? Are they the result of the economic balance of an investment, or are they as well a response to an increasing customers’ awareness regarding the environmental protection?
From the investor’s point of view, long-term savings are achieved for example by using heat recovery in air-conditioning units with recuperation, monitoring and fluid temperature adjustment in the rooms and energy-efficient light sources. For the customer, important elements affecting the comfort of the stay in the room include adjustable lighting (adjustment of its colour as well as intensity), de-chlorinated bath water, air purity and noise level.

The interests of service providers and recipients often diverge. However, the lighting aspect seems to be equally important for the investor – in economic point of view – and for the customer who wants to relax after a hard day’s work in a room with the adequate quality and intensity of light.

In recent years classic incandescent light bulbs have been replaced with fluorescent lamps, and now increasingly often with light-emitting diodes (LEDs). This is due to the significant difference in the efficiency of these light sources. Efficiency in lighting is called ‘luminous efficacy’ – the amount of luminous flux that can be radiated from one watt of electric energy supplied to a certain source. This parameter may also be given as a percentage of the ideal source (which emits a maximum of 683 lumens per one watt). Luminous efficacy of a traditional, incandescent bulb is only 1-3%. This means that the remaining 97-99% is lost mainly in the form of heat. For fluorescent lamps this parameter is varied in the range of 6-17%, while LED lights are definitely the favourite here, with the luminous efficacy at a level of up to 44%.

The costs of lighting of a typical hotel room – lit by two bracket lamps above the bed, a small desk lamp, and armchair lamp, and general room lighting – depend on the bulbs used. With traditional lighting, this would look as follows: bracket lamps: 2x15W, desk lamp: 75W, armchair lamp: 75W, general lighting: 75W. In total, the power needed to illuminate a room with incandescent light bulbs is 255W. But use instead LEDs, and the power requirement is as follows: bracket lamps: 2x2W, desk lamp: 9W, armchair lamp: 9W and general lighting 9W. The total power needed now falls to a mere 31W. Such a set of LED lamps was used in the project of a relatively small (25-room) 5-star hotel in Krakow.

The authors of this analysis have modelled the following average consumption of lighting: in the six summer months, one hour in the morning and three hours in the evening. For the six winter months, two hours in the morning and six hours in the evening. The analysis assumes 100% occupancy of hotel rooms and the use of installed light sources. The total time of lighting used during the winter amounts to 2,920 hours, whereas during the summer – 730 hours. The total energy consumption of incandescent light bulbs is 744.6 kWh over the winter and 186.2 kWh over the summer. In total, for incandescent light bulbs, annual energy consumption in one hotel room is around 930 kWh. Using LEDs, energy consumption drops to 90.5 kWh (winter) and 22.6 kWh (summer), which averages out at 113 kWh per year (more than eight times less energy than with conventional lighting). Assuming the average price of electricity in Poland is 0.56/kWh zlotys, this works per room at out at 521 zlotys for incandescent light bulbs, and 63 zlotys for LEDs. Over all 25 rooms in the space of one year,
LED lighting saves around 11,500 zlotys compared to the use of traditional light bulbs.

Now, if we look at larger hotel facilities, the savings resulting from the use of LEDs compared to incandescent light bulbs are as follows:

- Nosalowy Dwór Resort (263 rooms): 120,000 zlotys
- Hotel Arłamów (250 rooms): 115,000 zlotys
- Hotel Hilton Wrocław (189 rooms) 86,000 zlotys,
- Hotel Dr Irena Eris (85 rooms): 39,000 zlotys.

However, given that the average annual occupancy rates of hotels are less than 100% (72% in Warsaw, 75% in Krakow, 65% in the Tri-City and 64.3% in Wrocław), actual energy consumption and the potential benefits of LED lighting are correspondingly smaller. But this study does shows huge potential savings for the owners of hotel facilities willing to replace traditional bulbs with LEDs.

The decision to use LED light sources in a hotel results from the investor’s economic interests but should also take the customers’ requirements for comfort into consideration. Lighting needs to be integrated into the intelligent building automation system (Building Management System). The adjustment of LED light sources should depend on the natural flow of light through the windows, without sacrificing efficiency, resulting in additional savings ranging from a few to a dozen percent. Effective collaboration of LED lamps with programmable power supplies facilitates the creation of so-called ‘scenes’, popular with guests because of the possibility to adjust the atmosphere in the room depending on the situation.

So far, we've looked at the energy- and cost savings of using LEDs. But what about the comfort of staying in the hotel room – how does the quality of light emitted by LEDs affect the guests? You don’t need sophisticated measuring equipment to determine that the colour of light emitted by traditional light bulbs is different to the colour of fluorescent lamps or some LED lamps.

This is because different light sources are characterised by a different colour temperature. A classic light bulb gives a warm light, creating a pleasant, relaxing atmosphere. The colour temperature of this source is relatively low. Wherever the light should stimulate, it is reasonable to use lighting with high colour temperature, which gives the effect of a cold light, characteristic of fluorescent lamps. Manufacturers of fluorescent and LED lamps today offer sources of different colour temperature, depending on the customer’s requirements.

Why, then, an investor considering various alternatives for light bulbs should decide to choose LED lamps, and not for example fluorescent lamps? The quality of light is not due solely to its colour temperature. A very important parameter is the CRI - Colour Rendering Index. It ranges from 0-100, where the highest value means that the colour of illuminated surfaces is rendered the same way as by solar radiation (sunlight). Due to the principle of operation of an incandescent light bulb, it is characterised by a CRI of 100. Nowadays, you can get the same result using LEDs with the colour of the light corresponding to individual components of white light (red, green, blue). Good colour rendition is, however, difficult to obtain from fluorescent sources. In the case of hotel interiors, this parameter may be of particular importance: the light with poor CRI characteristics may cause rapid eye fatigue. In addition, it is necessary to provide colour rendering close to 100% for lighting works of art. Good quality LED lamps are one of the best light sources available on the market. The quality of light emitted from the LED is comparable to the light coming from the incandescent bulbs and much better than from the fluorescent lamps. And compared to conventional sources, LED consumes much less energy to emit the same amount of light. The price of these modern energy-efficient light sources is continuing to decrease, which causes a significant increase of interest in their use.
Do fund managers and investors understand the investment opportunities for office property in Polish regional cities?

by Soren Rodian Olsen, associate, head of office & industrial investments, Cushman & Wakefield, Poland

The large regional cities of Poland

In addition to the capital, Poland has six large regional cities with populations between 400,000 and 1,000,000 people. These include Kraków, Łódź, Wrocław, Poznań and the respective agglomerations of Tri-City (Gdańsk/Gdynia/Sopot) on the coast and Katowice in the southern part of the country.

Similar to large cities in Germany, these six Polish cities have a specific heritage and role in the Polish economy e.g. shipping and trading with Scandinavia in Tri-City, textile and film industries in Łódź, heavy industry and mining around Katowice, trade and exhibitions in Poznań, as well as business process services in Kraków and Wrocław.

Following Poland’s EU accession in 2004, the country saw constant road/rail infrastructure improvements across the country as well as a gradual, positive change in the way local authorities support foreign investors, improving the ease of doing business. Subsequently, Polish regional cities have emerged as Central Europe’s best-in-class locations for setting up new business. Poland’s large regional cities enjoy a purchasing power parity 15-35% above the national average, sub-7% unemployment levels and excellent access to young talent from numerous, highly reputed universities.

The take-off of Business Process Outsourcing (BPO) and Shared Service Centres (SSC)

Whereas Kraków has enjoyed many years of being a sought-after destination for BPO/SSC industries, the cities of Wrocław, Tri-City and Łódź have started to catch up during the past two to three years.

Polish regional cities offer easy access to young, multi-lingual talent, availability of new, modern office buildings – sometimes build-to-suit – accessibility either via international airports or high-speed trains, as well as tax incentives for corporations that generate new work places. The fact that one can arrive to Poland
by plane from any Western or Northern European capital within 2½ hours supports Poland’s image as Europe’s ‘near-shoring darling’. The BPO sector is steadily moving up in the value chain, offering more advanced services that can easily be offered from Poland due to access to high-educated resources.

Major international corporations that have chosen Polish regional cities as their BPO or SSC hubs include among other Capgemini, Infosys, Lufthansa Systems, State Street, ThyssenKrupp, Amazon, Bayer, Thomson Reuters, Arla Foods, Deloitte, PwC, Jeppesen, Accenture, Wipro, EY, McKinsey, Credit Suisse, 3M, IBM, Alexander Mann Solutions, Delphi, Cisco, Heineken, HSBC, Rolls-Royce, RWE UBS and Motorola.

Polish regional cities rarely compete against one another for BPO/SSC occupiers, although newcomers do pay careful attention to the availability and potential drain of human resources in specific markets. The cities seem to have specialised in specific industry segments that has created a win-win situation for the major cities and the country as a whole. That said, smaller university cities such as Opole, Rzeszow and Bialystok are becoming increasingly “aggressive” in the offering incentives for new, large employers.

In 2014 and 2015 Kraków was ranked by Tholons as the world’s ninth best outsourcing location, and No. 1 in Europe. An outstanding achievement and recognition.

What does that mean for the office market in Polish regional cities? During the past two to three years both office stock and employment in the business services sector have substantially increased. According to a research by the Association of Business Service Leaders (ABSL) in Poland, the number of employees in service centres with foreign capital have increased by more than 33% between 2013 and 2015. In order to cope with the growing demand for modern office space, driven by new entrants to the market, in particular in regional cities, as well as expansion of existing
service sector occupiers, Poland’s large regional cities have seen the take-up of office space more than doubling between 2010 and 2015. Today the combined office stock of these regional cities accounts for approx. 3,000,000m², or 66% of Warsaw’s total office stock. During the first three quarters of this year, the net absorption of office space has outstripped new supply in Kraków, Wrocław and Łódź. The average vacancy rate of the six large regional cities has been stable around 9% since 2012; evidence of a good balance between supply and demand.

The organic growth combined with stable rent levels and falling vacancy levels have attracted international core capital to focus on offices in Polish regional cities, with particular interest in the three largest markets, Kraków, Wrocław and Tri-City. In 2015 Cushman & Wakefield research estimates that over 50% of total office investment volume in Poland will derive from transactions in the six large regional cities – a record and high, never seen before in any market in Central and Eastern Europe.

Three-year outlook Cushman & Wakefield expects BPO/SSC growth in Polish cities to continue, driven by the availability of highly skilled young labour and increasing availability of high-quality office stock, in particular in Tri-City and Łódź, that historically have had low office stock and low attractiveness for corporate occupiers and investors. Whereas Kraków and Wrocław are now well-established BPO and SSC locations within Europe, and will continue to be, the new growth is likely to be seen in Tri-City and Łódź and potentially in Katowice.

In terms of the investment aspect, Cushman & Wakefield envisages a continuing yield compression, moving from a prime initial yield level of 7.25% in 2014, expected 7.00% in 2015, towards to 6.50-6.75% in 2016 for assets with long-term leases and outstanding tenant covenants.

The time is now for investing in offices in Polish regional cities

With a mid-term outlook anticipating stable rent levels, average stable vacancy and significant growth in leasing take-up, net absorption driven by a combination of new demand as well as expansion of established occupiers, Cushman & Wakefield expects the international inflow of core and core+ capital sources to grow in Polish regional cities. Selected transactions in 2015 point in a direction of a narrowing yield gap between Warsaw and regional cities during the next two to three years, offering compelling opportunities for both short-term and long-term investors, looking for sustainable growth and income. Cushman & Wakefield expects, everything else being equal, the prime yields in major regional cities to compress 50-75 basis points during the next 24 months and that 2016 will be “an open window” for capitalising on the opportunity to capture prime office assets in Polish regional cities.
yet at discounted price levels.

**Renovate or relocate? 10 tips that will help you decide.**

*by Jarosław Pilch, associate director, head of tenant representation at Savills Office Agency*

It’s hard to define a good formula for a suitable working space that will please every company. Currently, average leases are signed for around five years. No later than one year before the lease agreement expires, a tenant should consider the future of their office space.

It’s worth remembering that in case of extending the contract, an additional fit-out budget can be renegotiated. Take this opportunity – or consider relocation to a more modern and newer building. Occupiers can count on fit-out incentives and free rent if they relocate to a new development. In the current market, occupiers have more power to negotiate rates and incentives.

Consider these aspects before taking a decision:

- **Your company’s current situation and its plans for the next five to seven years.** Analyse the current working style of your company and compare it with plans for the future. Do your office space and its location correspond with the values proclaimed by your company and represent you proudly? Should the floor space be increased, decreased or simply changed? Perhaps you should decide to consolidate some functions of your firm to one location.

- **A suitable location**

  According to What Workers Want? published in 2013 by Savills and the British Council for Offices (BCO), 73% of employees aged 18-34 years rated location as the greatest influencer on employment decisions. Ask yourself the following questions: Is the building located near transportation hubs? Are there any amenities available? Is the location optimal? Is it easily and quickly accessible for employees and your clients?

- **Age of the building**

  Depending on the age of a building’s fittings, facilities and equipment, the property will wear out differently over time. This depends on the quality of construction materials, where older fittings systems generating higher operating costs. Therefore, relocating to a new and more modern building, often with green certification and covered by the developer’s guarantee, is a more frequent choice. Usually such a decision leads to savings in operating costs and enhances the prestige of a tenant.

- **Availability of a parking space**

  How big is the car fleet owned by your company? How many employees drive to work? In the city centre with dense settlements, there are only underground car parks available as city councils attempt to reduce traffic by limiting the number of parking lots in new office developments. Consequently the price of a parking space is high as there are not enough parking facilities and the costs of building an underground parking is high. Generally, the further away from the centre, the cheaper parking space is, especially surface parking.

- **The condition and quality of common space**

  When considering lease extension in the current location, take into account conditions and the quality of common space, including air-conditioning, tidiness and state of toilets and quality of lifts. The reference point could be other buildings, especially new ones. In new office schemes, to increase the comfort of tenants, developers provide many facilities, including relaxation zones with Wi-Fi.

- **Property manager and technical support**

  A well-managed building operates more efficiently. Property managers working on behalf of the owner take responsibility for the efficient maintenance of equipment, in order to avoid problems and failures connected with their exploitation. The
property manager is responsible for many important issues, including cleanliness. If it is possible, ask other tenants for their opinion on the property manager of the building you are considering.

- Functional division of office space
  Consider whether an area available in the building and its division meet the requirements of your organisation. Currently, we can observe a growing interest of workplace strategy services that analyse office space functionalities. Such an analysis will help you in designing the optimal office space, which could improve employees’ productivity, efficiency and satisfaction.

- Employees’ opinion
  According to What Workers Want? employers should not ignore the expectations of their employees. Therefore, before taking a decision to change your office, find out what your employees think about it.

- Office facilities
  The report also highlights that respondents rated kitchen and good Wi-Fi connection among the most desirable office facilities. Wi-Fi connection allows employees to use tablets or laptops outside their workstation and kitchen serves as a networking and meeting place.

- Design – coherent office fit-out
  We all wish to work in a nice, well-equipped and comfortable office. An office fit-out should be connected with the organisational culture and values. Architects can certainly meet clients’ expectations to design a creative and inspiring office space that will not necessarily break the bank. Choosing the colours associated with the company brand, the purchase of new, comfortable furniture will certainly improve employees’ satisfaction and will raise the prestige of the employer.

Renovation and relocation are associated with high costs. It’s better to avoid hasty decisions and find an experienced advisor to represent your company’s interests and guide you through your options.

**It was a good year for commercial real estate**

*by Magdalena Sobota, senior account manager, real estate expert at Grayling Poland*

Poland remains one of the best-performing markets in the CEE region. A good macro-economic situation, falling unemployment, an uninterrupted flow of EU funds, low interest rates and developed markets continue to stimulate investors’ curiosity in Polish commercial properties and this is not likely to change in the upcoming months.

Thanks to a well-developed telecoms and transport infrastructure, an excellent location and broad availability of an efficient, skilled, and relatively low-cost workforce, Poland will continue to attract foreign investors with plenty of business opportunities. Warsaw will remain the top investment destination in the region.

According to *Marketbeat Poland – Autumn 2015* report from Cushman & Wakefield, a leading global real estate services company, the investment volume in the first half of this year reached €794m, of which the office sector accounted for 47%, followed by retail with 34%, the industrial and warehouse sector taking around 19%. However, compared with the same period last year, the investment volume decreased by 47% and the number of deals was down by 16%. But the experts say this situation is temporary as Poland is becoming increasingly popular among international investors, who not only move here their regional offices, but also BPO/SSC centres that used to be located in such outsourcing heavyweights as Vietnam, China or India. In result, in the coming years we will still be observing the launch of many interesting and high-quality projects.
in each of the three commercial real estate sectors.

**Office sector – high demand, high supply and high vacancy rate**

In the course of 2015, we have recorded strong activity of developers in Warsaw and in regional cities. In Q1 across the whole Poland there was almost 1.4 million m² of office space under construction. In Warsaw alone, 240,000 m² of new office space was completed during the first three quarters of this year. As Cushman & Wakefield reports, by the end of this year and additional 80,000 m² are scheduled for delivery. This means that the annual volume of supply in 2015 may reach 320,000 m² – the highest recorded since 2001.

From the very beginning of this year, the demand for office space was very strong, reflected in the record-breaking volumes of take-up and net absorption. As a result, the vacancy rate dropped from 14.1% at the end of Q2 2015 to 12.9% which is the lowest value recorded on the market since Q1 2014. The positive sentiment in the leasing market is expected to continue into 2016, in line with the economic cycle, strongly spurred by the expiry of ten-year leases signed in 2006-2008 and five-year leases signed in 2011-2013.

However, despite the relatively high leasing activity, the large number of office buildings coming on stream in the nearest months will lead to a rapid rise in vacancies that in 2016 may amount even to 17-20%. The increasing supply of new office space and the rising vacancy rate once again have put tenants in a comfortable position, at the same time enforcing more flexibility from developers. Companies looking for office space are getting more and more demanding. In the light of this trend, only developers who will adequately analyse the market and manage to adapt appropriately their offer to tenants’ demand will succeed in 2016.

**Robust development of logistic and warehousing sector**

2015 was a good year in the logistics & warehouse space real estate sector in Poland. In the course of the first three quarters of this year, more than 839,000 m² was delivered to the market. In result, by the end of Q3 the existing modern warehouse space stock in Poland amounted to over 9.6 million m², what ranks Poland as ninth in Europe.

Since the beginning of the year, gross demand for warehouse space in Poland amounted to 1.6 million m², which pushed the vacancy rate down from 6.8% to 6.5%. The developers’ activity remains very strong – currently there are nearly 663,000 m² of warehouse space under construction, part of which will be delivered by the end of this year. According to the Cushman & Wakefield report, in 2015 Poland’s new supply is likely to exceed 1 million m² and most schemes are either build-to-suit (BTS) projects or have secured substantial pre-lets.

Although the Warsaw region still remains the largest warehouse market in Poland, huge investments in transport infrastructure have spurred development activity in the regional markets such as Upper Silesia, Central Poland, Poznań, and Wrocław whose industrial space accounts for 60% of the country’s total market share compared to Warsaw’s 31%.

**Retail needs more space**

Just as the office and warehouse sectors are looking healthy, so the Polish retail market can also consider the year 2015 a success. According to data from Jones Lang LaSalle, at the end of September 2015 total modern retail stock in Poland increased to 12.58 million m². Cushman & Wakefield reports that in the first half of 2015 over 176,000 m² of modern retail space was delivered to the Polish market. Further 800,000 m² is now under construction with about 439,000 m² to be delivered this year. This means that the total supply of retail space in 2015 will amount to 616,000 m², and will be
30% higher that the supply recorded in 2014. In recent months, demand for modern retail space has remained at a stable level across the major Polish cities. The most successful were high-profile schemes with a large number of visitors and satisfactory revenues. However, schemes located within the existing retail projects that have been recently redeveloped, refurbished or re-commercialised are also getting increasingly popular.

Year by year the Polish retail market is showing the need to develop new formats. Therefore in the coming months we will experience the implementation of specialised projects, including exclusive shops designed for premium brands, convenience shopping centres, strip malls or retail streets.

The road to maturity: Poland’s real estate and construction market since 1989

by Marcin Klammer, CEO and Peter Maitland, business advisory director Arcadis

Those who remember the Polish real estate and construction market as communism was ending are aware of just how far it’s come in such a short time.

There was virtually no open market activity, certainly in commercial space, in the early 1990s and very little funding was available to stimulate activity in construction activities.

Polish companies of a certain size tended to occupy their own buildings which were largely unimproved and were a hark-back to the days in which buildings were over-specified and constructed to give the impression of strength rather than provide the facilities which modern businesses needed. Office buildings provided cellular accommodation but little or no open plan space could be found. Foreign-owned businesses opening their doors in Poland were generally forced, in Warsaw at least, to take space at outrageous rents, in one of the Intraco buildings. The alternative was often to operate out of an apartment with a change of lighting and a telephone switchboard being the only indication of a change of use.

The mid 1990s saw the first real signs of foreign investor interest in Poland. This was early acknowledgement of the potential to come, and stimulated activity by a players who saw the opportunity to provide accommodation for foreign businesses in
modern space comparable to that offered in mature markets.

In Warsaw, one of the first commercial developments was Wiśniowy Business Park, a campus-style office scheme between the city centre and Okęcie airport. It was designed by an international architectural company and launched by a British developer. To ensure that construction standards were at an internationally acceptable level, the developer brought in a UK based general contractor, and employed a British project management company. The sale of Building A, which was leased to Sony and IBM, to Commercial Union (now Aviva) was the first open market investment transaction on the Polish market.

One of the early commissions on which Arcadis (then EC Harris) was engaged was the fit-out of Building B at Wiśniowy Business Park for ABN Amro.

By this time, Polish contractors were winning business as subcontractors to larger general contractors and providing resources in key trades such as concreting, brickwork, MEP (Mechanical-Electrical-Plumbing) and finishing. Close management, however, was still needed to achieve the standards demanded by users and investors and, importantly, to follow stricter health and safety standards on site. At this time it was not uncommon to see workers on site wearing soft or open-toed shoes, no safety goggles and frequently no hard hats.

Mainly British and some international construction consultants also saw opportunities in Poland and opened offices in the early/mid ‘90s; most of them including Arcadis (then EC Harris and AYH Homola) still have a strong presence on the market today. These companies brought in a disciplined approach to project and cost management of projects as well as a focus on health and safety.

The international real estate brokers also saw opportunities in Central and Eastern Europe; by the end of the 1990s most of the large agencies around today had established a presence. The heads of those businesses were mostly British professionals, bringing with them a body of knowledge and expertise into a market that lacked the skills needed in the real estate and construction business as it expanded to take advantage of the drive to rebuild Poland after 45 years of communism.

The Royal Institution of Chartered Surveyors also established a Polish branch in the 1990s. The big consultancies saw the benefit of their staff having an internationally recognised qualification. As a result, RICS membership has grown from about 10 mainly British chartered surveyors to around 300 members today.

Whilst the office market was the first to benefit from this rush of activity, retail started to test the waters with IKEA’s Janki project creating a totally new offering to the Polish market. In order to get shoppers to the centre, IKEA laid on a free bus service from the city centre to Janki. It would be some time before modern city centre shopping developments became commonplace. Since the launch of the first-generation centres however, Poland now has some of the best shopping-centre facilities in Europe. Stary Browar in Poznań, a project in which we were proud to be involved, was the first Polish centre to receive (in 2005) recognition from the International Council for Shopping Centres as the “best new medium-sized shopping centre in the world".
The logistics (warehousing and light industrial) market was a late developer, depending substantially as it does on a good road network. This sector has really taken off in the last five to ten years as Poland has constructed, with significant support from the EU, a national motorway network which has shrunk journey times and dramatically improved the efficiency of the logistics industry. Developers and contractors working in this sector have gained expertise which places them on a par with the best in Europe. The strength of the economy has allowed activity to continue in the Polish market when much of Europe has seen a muted performance.

As regards construction, the most notable change in the last 25 years has been the extent to which the sector has consolidated. Over this period, the construction industry has experienced several episodes of slack activity which squeezed margins and forced many smaller contractors out of the market. They were often caught out by late or non-payment from the main contractor and did not have deep enough pockets to withstand a long downturn. General contractors are even today working on margins which are unsustainable but the pressure on smaller Polish contractors in the 1990s to mid 2000s allowed the large European contractors from Scandinavia, Germany and Austria, to take strategic positions in the market and take over or supplant the local businesses. These large contractor groups were often able to cover deficiencies in their real estate projects by their large infrastructure projects which gave a steady income stream to finance operations.

As Europe struggles to throw off a wide economic inertia, we are seeing threats to economic stability from multiple fronts, the most recent being the unsettling impact of massive migration and challenging security issues. Both of these also create opportunities for the real estate and construction markets in the countries most affected. Poland is currently hardly engaged, but given its demographics there may yet be some reconsideration which would create a boost to domestic activity.

International architecture firm
AHR champions Zero Carbon

by Judit Kimpian, director of sustainable architecture and research at AHR, and chair of the Architects Council of Europe Sustainability Group

‘Nearly Zero Carbon’ is great for architecture

Recent years have seen a plethora of legislation and incentives introduced to improve the energy performance of buildings. It is hardly surprising that built-environment professionals find it challenging to keep track of compliance requirements. At EU level, two Directives driving national regulations are the EU Energy Performance of Buildings Directive (EPBD) and Energy Efficiency Directive (EED). Recent updates to these require the EU to implement a 40% binding reduction in greenhouse gas emissions below 1990 levels by 2030, and for nation states to increase energy efficiency by at least 27%.

So how is the construction industry going to deliver this?

The 2010 recast of the EPBD required that member states ensure that by 31 December 2020, all new buildings are nearly-zero energy buildings (nZEB) and after 31 December 2018 all new buildings occupied and owned by public authorities are nZEBs. The exact definition of ‘nearly zero’ is up to member states. It’s set out by the EPBD as a building with a ‘very high energy performance’ whose very low energy demand should be covered to a significant extent from renewable energy sources.

However, despite the increasingly strict energy efficiency targets, a growing body of evidence points to a sizeable gap between expected and achieved energy performance of new buildings and refurbishments. The UK Green Construction
Board’s latest report states that up to £5 billion is invested in new buildings each year and these buildings on average consume two to three times more energy than intended. In the UK, the Royal Institute of British Architects (RIBA) and Chartered Institute of Building Services Engineers (CIBSE) have a joint benchmarking platform called CarbonBuzz, created with the technical leadership of AHR. CarbonBuzz has demonstrated a one-and-half to two-fold difference between calculated and achieved energy use in the education and office sectors, using crowd-sourced data. Built environment professionals across the EU are rightly asking whether the next recast of the EPBD should target operational outcomes more effectively.

One of the fundamental features of current EU legislation is the lack of a feedback mechanism between as designed and actual performance at both building and stock level. It is currently not required during the design stage to assess construction and operational risks, nor is it required to report the actual operational energy use of a building. Yet these factors have a significant bearing on operational building performance, and can be addressed if planned for from the start of a project.

Influential organisations are taking note. The Architects Council of Europe (ACE) has declared ‘open and harmonised building performance data’ to be a key campaigning priority and has responded accordingly to the recent EPBD consultation. The World Green Building Council now requires the reporting of operational energy use as part of its prestigious sustainability awards. The European Commission is also studying how low impact buildings, certified according to existing schemes, perform in reality.

AHR, building on its expertise gained from the CarbonBuzz project and over 15 building performance evaluations carried out over the past five years, has trail-blazed a new approach.

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AHR, working closely with engineering firm Max Fordham, has designed the recently completed offices and civic centre for Bath and North East Somerset Council in Keynsham, which had set out to target operational energy use from the start.

The process not only delivered innovative architecture but helped eliminate many of the usual problems encountered on other projects arising from the value engineering of critical elements or poor commissioning. Building features relating to the long-term resilience of the building were retained, such as the passive ventilation, floor-to-floor heights, the vent voids, the thermal mass, the window specification, etc.

If the project performs to expectations after Year One, it will exceed building regulations requirements and operate over and above nZEB targets. It would also demonstrate that setting the right key performance indicators and opting for measurement, verification and disclosure could achieve better-than-nZEB performance in use, and significantly reduce regulatory burden.

The building has just won the British Council of Office’s 2015 Best of the Best award testifying that going beyond compliance and targeting actual performance, is great for architecture.
Risk factors in office lease agreements

by Tomasz Dyla, commercial real estate broker and managing partner, Vertigo Property Group.

The lease rent and other payments associated with the lease of a commercial office space constitute a significant part of costs incurred by a company. In the case of lease agreements, they also form long-term liabilities. Concluding a lease agreement therefore, although it undoubtedly offers a company many opportunities for development, may also pose certain risks.

This article presents an overview of basic types of risk associated with the office space lease agreement, from the tenant's point of view.

The risk associated with the term of the lease agreement

One of the basic risk factors for a tenant concluding commercial lease agreements is the lease period of the agreement. The decision concerning the term of a lease agreement should be thoroughly thought over as it may entail several risks. The lease agreement can be concluded for a specified or an unspecified period of time.

The decision to conclude an agreement for a specified or an unspecified period of time should be influenced by a variety of aspects which are characteristic for a particular company. The interests of the landlord and the tenant concerning the term of the agreement are often divergent. Negotiating an agreement, one should analyse the actual indications of both parties concerning the choice of a specified/unspecified period of time, which can significantly enhance the efficacy of the negotiations and protect both parties' interests.

The risk associated with rent indexation

The landlord and the tenant may agree on the lease rent being not changed during the whole term of the lease agreement, however on a commercial market this happens quite rarely. Most commonly lease agreements include a yearly increase of the lease rent, known as indexation, made on the basis of an index agreed by both parties of the agreement. The choice of a proper indexation of the lease rent, properly adjusted to a particular type of a lease agreement, is of great significance.

A variety of indices are used in commercial lease agreements and their choice is usually determined by a currency denominating the lease rent. The most common inflation indices are those based on the general Consumer Price Index (CPI). Another important risk factor associated with the indexation of the lease rent is also its frequency and term.

The risk associated with the change of ownership of a property during the lease term

Another significant risk a tenant may face is the change of ownership of a property during the term of the lease. This is particularly common on a commercial market, where properties are often treated as products of investment. In the event of the property being sold, the new owner legally becomes its landlord. This does not entail any changes in the provisions of the concluded agreement, but the new landlord is in this situation entitled to terminate the agreement, preserving the statutory notice period, regardless of the terms stipulated in the agreement. It poses a significant risk for the tenant who may be forced to vacate the leased space before the termination of the agreement or to renegotiate the lease rent. The tenant should be aware of the fact that Polish legal regulations still protect them from...
any unfavourable effects of the change of the property ownership.

**Foreign exchange risk associated with the lease rent**

On a commercial market, due to the specification of the loan taken by the real estate owner, the lease rent is often stated in a foreign currency and is each time exchanged into the equivalent amount in Polish zlotys, which exposes tenants to exchange risk, one of the basic risk factors in any international business activity.

In the current market situation, office space lease agreements are usually stated in euro and the payments are made in PLN on the basis of an average exchange rate published by the National Bank of Poland (NBP). Most companies operating in Poland favour lease agreements stated in zlotys as they are safer. Commercial practice observed in the recent years shows that many landlords adopt a more lenient exchange rate policy, and allow for the lease rent to be expressed in zlotys.

**The risk associated with the service charges**

Service charges constitute a significant part of costs incurred by commercial building tenants. They cover expenses and costs associated with the functioning of a building, including its common parts. In A-class buildings, situated in best Polish locations, their value is estimated to be 20-25% of total lease costs. Service charges are a significant and controversial element of each lease agreement due to the fact that they are impossible to predict in detail, as their amount is usually stipulated to be paid in advance. And in many buildings, the catalogue of service charges is not finite. Therefore, in view of the keen competition between owners of the buildings and the growing awareness of tenants, a general tendency towards lowering the service charges, which have a significant impact on negotiating the lease agreement conditions, has been observed in the recent years.

**Insurance**

Insurance is a significant element of each lease agreement as it eliminates the potential risks associated with concluding it. Under the terms of a lease agreement, both parties are usually obliged to insure a property concerning two basic elements: the property itself and the civil liability. When negotiating the lease agreement, it's vital to stipulate who's obliged to ensure a property, what's covered by the insurance, who pays for it and what the consequences of lack of insurance may be.

**The risk associated with the change of the lease rent during the term of the lease**

Conflict over the possibility and the terms of increasing the lease rent is often observed between both parties of a lease agreement. Regardless of the provisions concerning the lease rent indexation, the regulations of the Civil Code stipulate that the landlord is entitled to increase the lease rent during the term of the lease agreement. Lawyers still argue whether lease rent can be terminated in the agreements concluded for a specified period of time or only in the case of agreements concluded for an unspecified period of time. There are several ways, however, to ensure protection against the above-mentioned situation. One of them is, for instance, the exclusion of the relevant Civil Code regulations from the lease agreement.

**Summary**

This article presents but a selection of risk factors a tenant may face when concluding commercial lease agreements; the list is necessarily more comprehensive. The analysis of the above-mentioned risk factors of a lease agreement seems essential in the process of consciously managing the risks of running a company and is vital for the overall real estate policy of a company.
Minimising the risk when buying real estate property

by Tomasz Dobrzyński and Artur Dziubak, Hill International Sp. z o.o.

Buying a property can fall into one of these three categories:

1. Purchase of a land with no buildings on it – this is a green-field investment.
2. Purchase of a property, where construction works had started but have yet not been completed (project-in-delivery).
3. Purchase of a land with existing buildings on it – this is a brown-field investment. The year of building completion may vary from ‘just finished’ to ‘seasoned, long lasting’, through to heritage ones.

In each of these categories, the buyer has to deal with the various risks associated with the transaction. Some of them are of technical nature. As an engineering consulting firm, Hill International can help reduce such risks with the Technical Due Diligence audit.

For the first category – ‘green field’ projects – the due diligence inspection includes analysis of the land surveys, utilities and infrastructure availability; planning permit status; environmental and archaeological issues or comments on constraints of site development potential or any identified conditions that may affect severely the investment (e.g. set-backs, easements, encroachments, influence of immediate neighbourhood, abnormal costs of investing, floods, etc). Eventually, the report provides a risk assessment of most obvious threats to investing on the site. For projects-in-delivery – due diligence examination assesses risks associated with both formal and technical aspects of completing a construction process on time, in budget and to the planned quality. It will be concerned with the formal status of the planning and permitting process, status of design, advancement of construction works and budget spending. The analysis also comments on the organisation of the construction process, their participants, contracting terms, and assesses the likelihood of obtaining required approvals and decisions.

In the third category – existing buildings - Technical Due Diligence evaluates the formal completion of the construction process and analyses the existing premises against the ‘wear and tear level’. The inspection findings focus on reviewing the planning, design and construction phase documentation as well as guarantee status and operational issues, and are complemented with the list of deficiencies requiring to be remedied followed by estimation of costs of necessary works to maintain the quality standards.

It’s worth mentioning that Technical Due Diligence findings can often be utilised either by - the client (potential purchaser) to evaluate attractiveness of the opportunity, or - the potential funder of the transaction (usually the bank or other financial institution) to obtain an independent opinion on risks related to transaction. Therefore, the key to the satisfactory Technical Due Diligence Report is it is prepared by:

- reputable consulting firm, constantly proving the highest delivery standards to local and international Clients
- company able to utilise the best cross-border practice and expertise
- company capable to offer a qualified in-house team of all required disciplines and most importantly by
- experienced practitioners, who understand the construction process inside out and who can reliably help their clients avoiding traps that may occur after the purchase.

To meet the market demand, Technical Due Diligence examination is usually
carried out in two phases. The first one, known as the Red Flag Report, allows the client to get an overview of risks related to the potential transaction. Should no deal-breaker be identified, a Final Report provides for the detailed outcome of investigation, always documented with photographs.

The advantage of such approach is that the client is able to recognise potential pitfalls at the very early stage of the transaction and save on costs in case the opportunity did not fit into the expected criteria.

A Technical Due Diligence Report doesn’t substitute any legal or financial due diligence, which can be provided by entities specialised in their fields.

**Student Housing – An Emerging European Investment Class – ‘Food for Thought’**

*by Joe Daniel FCIB FRICS, chairman, MRE Partners*

Driving along Kraków’s ul. Reymonta towards the AGH University swimming pool facility, one cannot help but see the extent of the university campus with block after block of student accommodation.

Today more than 850 universities in Europe accommodate 13.6 million students on 170 million m² of gross floor space. The European Commission aims to have 20% of its students spend time in other European countries, and the €14.7 billion Erasmus-plus programme is designed to make this a reality for 4m students by 2020. Clearly this increasing student mobility is an opportunity for outdated infrastructure to be modernised, and of course for new provision.

Most of the student accommodation in continental Europe is either subsidised with public money or sourced on a bed-by-bed and house-by-house basis by students who move away from home. In comparison to the US and the UK, this proven investment class is very much in its infancy in relation to retail, office, and logistic property. The continuing economic difficulties across global and European markets have led to a surge in domestic student numbers, driving the need for student accommodation at home, and further boosting demand for accommodation. This has helped to make student housing performance less cyclical than some other property asset classes, providing investors with stable income flows, low voids and a solid demand base.

In the current environment, institutional investors seeing lower or even negative returns from their traditional investments consider new or modernised student housing as an interesting and serious alternative, as it offers stable cash flows with generally higher returns than other real estate classes. Importantly, rather like infrastructure investment, student housing investment has the ability to meet such Institutions’ medium- to long-term liabilities as part of a diverse portfolio. The experience of university is taken very much as a ‘right of passage’ to adulthood through being away from home and this will undoubtedly reinforce the growing demand for student accommodation. In the German market, early investors have found success by offering a premium product to compete against the affordable not-for-profit (Studentenwerk) product. The premium approach has also worked in key Spanish cities, differentiating against an affordable private rented sector. Some institutions or developers insist that sites are within 1.5 km of the main campus which effectively means short supply and accommodation is limited, again putting downward pressure on yields. It may be that supplying the premium end of the student housing market, whereby rooms are en-suite with a kitchenette and a concierge service for students from mid-upper income brackets often from abroad, can deliver
a sound long-term investment but local market and custom cannot be ignored in this market which is in its infancy. Looking to the future, university and city representatives and institutional capital providers need to engage positively with each other. The delivery of affordable and acceptable student housing provision is vital, especially where grants and subsidies may well be subject to reduction or removal over time. The nature of higher education is changing with technological advances but, with global employers searching for human talent and skills, the universities are the vital component.

[Sources: extracts from Property EU Editorial November 2015 and Savills World Student Spotlight 2015/16 October 2015]

What’s the future for leisure investment in Poland?

by Christopher Lowe, CEO, Trebbi Polska

Before we ask ourselves about the future for leisure, we need to look to other countries which have developed a comprehensive offer, one that remains successful and profitable and hence can be deemed sustainable over the medium to long term.

Leisure works if it targets an audience and delivers interest and excitement that keeps the dwell-time within the venue to its optimum. To do this it’s clear that your target audience must have disposable income, generally driven by a growing middle class. They are prepared to spend to enjoy themselves and feel good.

At Trebbi we have worked in a number of European countries developing very specific offer for each country both from an urban perspective (urban entertainment centres) and edge-of-city experiences (theme parks, aqua parks). It is noticeable when I came to Poland that there was no real integrated family offer in a major city like Warsaw. I was engaged to help Adventure World Warsaw deliver one of the most exciting leisure offers in Central Europe, but when I looked into the existing offer, it revolved around shopping or individual offers like ten-pin bowling. If you did not like shopping or what was on at the movies, what did you do?

Let me take you to two examples of what worked and what did not and lessons learnt.

I am going to take you to Madrid, Barcelona and Valencia – here you would think that they had wonderful leisure past times and yes they did but it was based on shopping or eating in individual venues or restaurants. The Heron Corporation saw the opportunity to create a leisure destination within a semi-urban environment. The sites were in conurbations; they had a name – ‘Heron cities’ and they offered high-quality entertainment (cinema/nightclub/music venue/bowling and health and fitness) some specialist (niche) shopping, good-quality individual restaurants from around the world and a significant public realm or square. The idea was to first attract, then keep your customers by introducing them to interesting concepts, changing moods. Over $1m was spent on light shows with magic fountains that in the summer children could enjoy. On initial opening it was slow but word of mouth is a wonderful thing and after a year it became a go-to place for the family and the dwell time increased from initially up to 2 hrs to 3.5 to 4hrs.
Now I’ll take you to Stockholm, where the same developer as part of the roll-out of his leisure concept chose to create a leisure village in Kungens Kurva, 20 minutes from Stockholm, based on the same criteria as Spain. Of course, the agents were saying that the Swedish enjoy the cinema, they enjoy bowling and eating with the family, just having a good time. The ‘Heron City’ centre was opened; it was enclosed and very stylish, and the components were the same. But the pre-lettings of the space was slow – the key anchor AMC Cinema was under contract, but why were the restaurants and other ancillary entertainment spaces not letting? Research was commissioned and the outcome was that, while people like the idea, they had a cinema in Stockholm and a range of restaurants and they did not want to embrace new restaurant brands, and certainly did not want to drive 20 minutes to see a movie they could see in the city. In a country with strict driving rules – people did not end up wanting to stay and eat – the dwell-time was significantly reduced and therefore tenants did not see the visitors staying for long enough to fill their restaurants and venues.

Changes had to be made to meet local habits. Reports now are that it is a premier shopping and leisure destination, the cinema is now a local brand allowing food to be taken in, thus differentiating from the city centre cinemas. The dwell time has moved closer to the 4hrs that was originally planned. Heron did not listen to its customer and tried to impose a solution to which the customer said “No!”

We now look to Poland: the current offer is fragmented, we have bowling, we have shopping malls with cinemas and food courts, water parks, small themed parks – so what do we need now? My answer is to look to why the Heron City concept has been so successful – it offers a place where the family can go and spend time, enjoying different experiences, doing things that fit within a day out without travelling. In my opinion, major cities do not have the integrated leisure offer for the family that delivers a quality experience, high quality service and a great exciting environment. We all know that the Polish people enjoy a party, if they are offered the chance to have fun at a reasonable price, they take it. Economically, a classic middle class is growing, with the level of disposable income is increasing , a criterion which is a prerequisite of increasing any leisure offer within a country.

From an investment perspective, our clients are looking at a blended yield of 7.5%, which does require key anchors with good covenants to be courted; this currently is the biggest issue and may lead our clients to look to longer-term holding as an investment category working the balance sheet and then selling on a multiple of profits earned. The appetite for Poland is strong, but the deal has to be clear and clean. Given the maturing investment market in Poland and its growing middle class, we can see that the leisure market can be re defined.
How does the office affect your work?

by Aleksandra Krawsz, marketing & PR manager, Kinnarps Polska Sp. z o.o.

Recent changes in the way of thinking about office architecture allow for higher work efficiency in any company. Today, the office is a place that creates opportunities for employees to effectively implement various tasks, develop personally – and rest.

According to the Swedish Statistical Office, 55% of people worked remotely in 2014, up by 20% in five years. More than 29% of us work at home at least once a week. It means that architects and company managers face a challenge - how to adapt office space to the changing working patterns. The changes occurring in the way we think about the office make it possible to reduce maintenance costs, ensure the wellbeing of the staff, enable intergenerational cooperation and facilitate staff integration.

Diversity of teams made up of people of different temperaments and age is increasingly seen as beneficial, more and more women also work in business. Other challenges are associated with technological changes. On the one hand, we see the phenomenon of technology fatigue, on the other - it is estimated that the number of devices supporting M2M (Machine-to-Machine) communication will rise to nearly 26 billion (Gartner, 2013) by 2020. A modern office ecosystem implements the principles of ergonomics, taking into account the complexity of the employees’ needs - physical, mental and social ones. In the UK, from the onset of the economic crisis in 2008 to 2013, the number of self-employed people increased by 10%, while the number of people employed on permanent employment contracts fell by 434,000. This is another important phenomenon – we operate in a society where ‘work’ no longer means a place you come to, but a set of actions and activities performed at any place and time for the principal.

This fosters the spread of the model of activity-based working, where employees have diverse spaces at their disposal and they can choose places adequately to their tasks. In modern organisations, demand for individual workstations is decreasing, while demand for flexible and diverse space is on the rise. As the popularity of activity-based working keeps rising, employees have fewer opportunities to personalise their workstations, because they don’t have their own desks at their disposal. At the same time, this solution enables team integration around
the arrangement of the commonly used space, encouraging creativity, positive attitudes to change and a sense of belonging. Today’s office is an inspiring place for performing professional duties and a strategic tool for gaining competitive advantage.

Autonomy and motivating atmosphere result in increased efficiency of workers, because they use their potential better. Choose a place to work in the office to suit the tasks is an investment in the wellbeing of employees, which translates into their commitment and productivity. In a favourable environment, it is also easier to manage a team and develop leadership skills.

Adapting the workplace to the most recent social and technological developments brings benefits in many areas, including cooperation, communication and response to changes. Understanding the trends and taking advantage of them allows us to create a workplace in tune with the diverse decade.

Do you know what is the diverse decade and how it impacts your life?

The “Trend Report 2015” produced by Kinnarps will help you to understand this phenomenon! We have analysed the behaviour and habits of workers and examined working environments. The findings have allowed us to identify the directions for development of office architecture.

The diverse decade is shaped by five trends:

Co-creation
Today, success is an effect of cooperation, that’s why it's essential to provide employees with office workspaces that encourage them to collaborate.

‘Techiture’
Architecture and technology combined create completely new workspace solutions. The office as we know it is almost history.

Office biology
The workspace should support a harmonious development of body and mind. It is a place where the threads of our professional and private life become integrated.

Design for diversity
A modern workspace should ‘adapt itself’ to the diversity of goals and needs of contemporary teams – not the other way round.

‘Micromultinationals’
Office layouts should ensure a maximum level of effectiveness of teams of employees, regardless of the way work is carried out – be it on-the-spot or remotely.

You can read more about the changes related to offices in the Kinnarps Trend Report 2015 Workplace and lifespace design for the diverse decade at www.kinnarps.pl/TrendReport.
Looking for the ‘Shopping Experience’

by Bożena Kozłowska, senior consultant, research, Knight Frank

The total modern retail space in Poland amounts to 10.6 million m². Traditional shopping centres constitute majority of this volume. There are also two other formats of retail projects: retail parks and outlet centres.

All of them are schemes of minimum 5,000m² and 10 tenants. The retail market in Poland has been developing systematically since the early ‘90s. Thus it is getting more mature and more saturated. The average saturation of retail space accounts for around 240m²/1,000 inhabitants which is slightly higher than the EU average. Increasing retail saturation makes the market more demanding. In order to stand out against the competition, it’s essential to adjust to new market trends and to consumers’ changing needs.

The traditional retail offer in shopping centres no longer satisfies modern consumers. It's becoming more popular that retail schemes should also operate as a community spaces. It should not be about only being in particular place, making purchases, being entertained and enjoying cultural facilities, but also about being remembered as an interesting place, exceptional in the market, one to which the customer wants to stay and remain loyal.

Due to the increasing competition in the retail market, the landlords of aging retail facilities, have had to look at them in a new light. It’s necessary to adapt the offer and the design of this schemes to the market's needs, usually by extension, modernisation or re-commercialisation.

In the current climate of rapidly growing e-commerce sector, the wide range of pure retail offer is not enough. Instead of traditional shopping centres, retail schemes combining various functions such as retail, service, cultural and entertainment with an extended food service offer are becoming increasingly popular and expected. Such new facilities are necessary to be implemented in order to attract consumers on a regular basis.

As a consequence of increasing customer’s demand, developers work on the large-scale schemes, called mixed-use projects. By combining the commercial features such as retail, office, entertainment and cultural, which are forming one unit, the mixed-use projects create an unique and recognisable place on the map of the city. This kind of project can be considered as a similar to the high street, which constitutes a supplement to the traditional shopping centres, and cannot be considered as their competition. The example of mixed-use project combining residential, retail, business and cultural features might be Koneser located in the Praga district in Warsaw.

Shopping has to become easier and more convenient. As a result, projects which became more popular in recent times, are convenience shopping centres. These are the schemes with less than 5,000m² and only a few tenants and – what’s most important – easy access to the items of daily needs. In the smallest cities they are usually the only shopping centres, in which only few retail chains operate. In the largest agglomerations these are alternative solutions for hypermarkets in the shopping centres, and are usually located "on the way", close to residential areas.

Another supplement to the traditional retail offer is the high street market, which is still at the phase of development. However, improving transportation systems around the most attractive locations in the city centres as well as improving standards of retail space along the high streets, undoubtedly attract new brands and potential customers. High street retail is an interesting alternative to the shopping centres not only in terms...
One of the key factors, responsible for the transformation of the Polish retail market, undoubtedly is rapidly growing **e-commerce sector**, affecting consumer’s behaviour. Nowadays, online shopping is becoming increasingly popular. According to the Gemius report, E-commerce in Poland 2015, 54% of the Polish population is buying online (an increase of 9 percentage points. when compared to 2014). Moreover, according to the data compiled by e-Commerce Polska, the growth rate in e-commerce industry in Poland amounts to 15-20% annually and it is expected to remain at this level. This will involve changes in existing stores (the volume of store retail space, exhibition space and the pickup place of the purchases made online).

The retail sector in Poland is still changing as the market is maturing. The most important is following the market trends, especially by developers, owners and retail chains which adjust the offer to the demanding consumers, looking for new ‘shopping experience’.

**Destination: Poland. Blazing a trail for e-commerce logistics.**

*by Paweł Sapek, senior vice president, country manager at Prologis Poland and Jan Zombirt, associate director, research and consulting at JLL*

Poland’s e-commerce market is clearly gathering pace, with omni-channel solutions being high on retailers’ agendas, and many internet start-ups recording steady growth.

However, the country lags far behind some of the more developed European economies in terms of the share of online retailing in total retail sales. This situation is likely to change going forward, and the gap is expected to shrink. That, combined with Poland being a markedly cost-effective location in Europe, looks set to affect future warehouse space demand nationwide.

Prologis, a global leader in industrial real estate, and JLL, the international advisory company, have recently released a joint research initiative Destination: Poland. Blazing a trail for e-commerce logistics. The report analyses how the development of e-commerce in Poland affects the strategies of retailers and logistics operators in adjusting their supply chain to market requirements and, as a result, generate changes to the

**Is the Polish warehouse market ready for a sector boom?**

**Gathering Pace**
warehouse market. The report includes results from a survey conducted among companies from the e-commerce sector.1

Some Stats

Online spending in Poland has experienced double-digit growth over the last couple of years and --according to PMR - in 2014 it accounted for 3.9% of total retail sales. Most of these goods must transit through a modern warehouse/distribution centre. It is anticipated that online spending will increase to 10% of retail sales by 2020, resulting in an even more pronounced impact on both the supply chain and the logistics real estate as well as an increase in demand for warehouse projects.

The dynamic development of the e-commerce segment creates new challenges for logistics operators working on behalf of retailers. According to the logistics operators surveyed, the main challenges for e-commerce in the next five years include: same-day delivery (100%), handling returns (60%), cross-border (40%), security (20%), increasing labour cost (20%), short-term contracts vs long-term leases (20%) and sourcing appropriate warehouse space (10%).

Are we ready?

Around 50 large warehouse modules will be available for lease in Poland over the next six months. Furthermore, around 280,000m² of warehouse space is currently being developed on a speculative basis - that is without binding lease agreements.

E-commerce warehouse formats available on developed markets feature certain specializations including: a dedicated e-fulfilment centre, parcel hub/sorting centre, parcel delivery centre and urban logistics depot, returns processing centre, and a dot.com warehouse for online food fulfilment. A survey conducted by JLL among third-party logistic providers (3PLs) and retailers show that some warehouse functions will be increasingly sought after in Poland. For example, according to the research, in the next five years, 71% of 3PLs will express demand for return processing centres.

According to the surveyed logistic operators, the most important features of an e-commerce warehouse in terms of specification include: flexibility to expand or contract leased space, mezzanine levels, high security, ancillary space, more power, intensive HVAC, and sufficient parking for employees. In terms of location, the key factor is availability and access to staff, access to an extensive road network, and proximity to the end-customer.

The existing modern warehouse space stock in Poland is currently 9.6 million m². Most of the projects meet the requirements of e-commerce tenants. In addition, developers can adjust their investments to tenant needs, for example by adding mezzanine space or increasing power. There is also a possibility to launch build-to-suit-projects.

What’s the difference?

The major differences between traditional distribution of goods and e-commerce include:

BTC instead of BTB – Delivery locations from fulfilment centres are no longer limited to physical stores, but instead include locations chosen by customers, such as private homes, parcel lockers or collection points at physical stores. This often extends the delivery time and increases the cost of such deliveries.

Fast deliveries – E-commerce logistics
are the same as traditional logistics, but faster. Customers require rapid deliveries, typically same-day or next-day, as opposed to weekly or bi-weekly store deliveries. **Different approach** – A different approach: delivery is now a part of brand marketing – in e-commerce the appropriate delivery provides much of the shopping experience. Efficient logistics, which include efficient returns processing, become critical to performance and profitability.

**Merchandise ordered online** includes fast-moving goods as well as slow-moving ones. This poses a challenge for retailers who keep both types of goods in stock. **High levels of seasonality** require flexible warehouse capacity, with the retailer having the ability to ramp up operations (and labour) at peak periods.

**Take-up continues apace**

70% of the surveyed 3PLs forecast a further increase in demand for logistics services. This will result in increasing demand for warehouse space - generated by the sales of products such as clothes and accessories, household equipment, cosmetics, electronics, multimedia, and food.

It is expected that more foreign e-commerce firms will relocate to western Poland, the location that enables cost-effective handling of e-fulfilment operations in, for example, Germany. On the other hand, more central regions are well-suited for handling nationwide distribution. This growing demand will also involve specialised projects (for example cross-dock) located closer to urban areas and enable efficient deliveries within cities. Suburban parks will still be the locations most suitable for distribution hubs. Furthermore, Small Business Units and logistics centres within cities will also gradually gain higher recognition among tenants.

**E-commerce boom**

The boom in e-commerce combined with Poland’s investment attractiveness is creating new opportunities for the warehouse market along with the expansion of companies already present here, an inflow of foreign firms to the market as well as the launching of new brands. All of these entities state the necessity for modern logistics infrastructure. It is predicted that new lease agreements signed by e-commerce firms may be on track to hit 700,000m² by 2020. The good news is that the Polish warehouse market is well-placed to cope with this increase in demand and that the majority of existing space currently meets tenant requirements.

**Editorial note**

**Dear Readers,**

This issue of Contact Magazine Online looks at the commercial, retail and industrial property sectors in Poland. There are solid investment opportunities here, if you choose your market wisely.

The Polish office market is currently being driven by inward investment in the business process outsourcing/shared services centre sector, which is likely to grow by 25% this year. These huge global investments are creating a huge demand for office space, particularly in BPO/SSC hotspots like Kraków and Wrocław. Office vacancy rates vary wildly from city to city, as you will see. In retail, high-quality shopping centres are where the action is. There are queues of retailers waiting for space in the best locations in Poland’s main agglomerations. However, there are also opportunities in smaller towns, which have been not been well served when it comes to providing their citizens with quality shopping experiences. Industrial and logistics real estate - factories and warehouses - also offer good return on investment as Poland’s manufacturing continues its export-led growth and a new motorway network creates new hubs for the logistics sector. And e-commerce will also make its presence felt by creating new demand for logistics space.

The ever-growing demand for business premises
of all sorts should be great news for the construction sector and for architects - as well as companies manufacturing the fittings that turn empty shells into efficient workplaces. As new real estate comes onto the market, tenants of offices, factories and shops start looking at their existing space and wondering whether or not to move into something more modern. This in turn means looking over existing lease agreements and considering expansion plans. All good news for lawyers, removal firms and of course real estate advisors. All in all, real estate is a subject that affects all businesses, and this issue of Contact Magazine includes a broad range of articles looking at property from different angles. A thoroughly good read, then, which offers multi-faceted insight for anyone running a business in Poland - or thinking of investing.

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