MARKETBEAT

POLISH REAL ESTATE MARKET REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

CUSHMAN & WAKEFIELD®
Global Real Estate Solutions

AUTUMN 2008

CUSHMAN & WAKEFIELD'S SERVICES IN POLAND

AGENCY

Our experience and in-depth knowledge of the local market allow our leasing team to advise and find the best tenant mix, tailored specifically for each facility, guaranteeing long-term profits. Thorough knowledge considering rent rates enables our specialists to prepare estimated profits prediction. Working with Cushman & Wakefield will allow you to be connected with the right partners and armed with a complete knowledge of the market to achieve the best results.

DEVELOPMENT CONSULTANCY

At the stage of product development Cushman & Wakefield specialists offer a wide range of services from preliminary market research, site selection, to valuation and acquisition. We are well placed to guide you in the obtaining of building permissions, design consultancy and project management.

VALUATION

Valuations assist clients in identifying the current value of their real estate assets. As well as being used for balance sheet, taxation, finance, loan and restructuring purposes, it is frequently adopted as a management tool in assessing return on assets and as a benchmark against which to judge performance. We provide valuations for all types of commercial property and facilities, from individual units to extensive global portfolios. Our ability to offer market based valuation assignments by qualified and experienced professionals is based on our day-to-day market involvement in transactions across all sectors. Our advisory services include analysis of investment profitability, financial projects feasibility, complex real estate valuation, valuation for financial purposes, balance sheet valuation, valuation of real estate portfolio and consultancy in terms of real estate acquisition.

ASSET MANAGEMENT

Effective asset management services include guidance at all stages from facility designing, construction to tenancy. Our consultancy allows the investor to optimize expenses in the initial phase of investment process, reduce the costs and maximise the investment value. Providing administration, lease, financial management, operational management and reporting services we efficiently relieve property owners of the day-to-day responsibilities of the operation and management of investment properties and maximise the asset value of their investments.

RESEARCH & CONSULTANCY

We recognise that research is vital in helping our clients to achieve their goals and to help us provide value across the real estate spectrum. To assist our clients in measuring and evaluating market conditions, which impact on real estate, we seek to provide value-added advice. Through research and the application of proprietary analytical methods to quantify risks and rewards, we help to identify the challenges and opportunities presented by changing business cycles and market conditions and to systematically consider changes occurring in the real estate market. On request we perform forecasts, market analyses and research concerning entering a market, investment strategies, competition and demographical analyses.

TENANT REPRESENTATION

Our integrated resources help tenants meet their objectives in major markets and locations. Services for relocations, consolidations, subleases, acquisitions and disposals include strategic planning, demographic and site consulting, comparative financial analysis, construction and post-occupancy services.

INVESTMENT SERVICES

Due to our long-standing experience in the real estate investment market, Cushman & Wakefield can efficiently and effectively execute the sale or purchase of a property irrespective of its size, type and location. We offer a full range of services relating to the sale of a property from the preparing of brochures and investment memorandum, running of the marketing campaign and presenting the offer to appropriate investors, analysis of submitted offers to the final negotiations and due diligence process. On the acquisition side, we represent investors in the purchase of a property from the preparing of a letter of intent, negotiation of purchase conditions, strategy, price level, co-ordination of the due diligence and data analysis determining the conditions of the contract of sale.

FINANCIAL SERVICES

We prepare strategies for financing our clients' operations and among other things provide such services as (i) debt raising advisory, (ii) advisory in the mergers & acquisitions transactions or public market transactions (IPOs/SPOs) and (iii) advisory in financial structuring of the client's operations, e.g. through closed-ended investment funds. We can prepare the optimum financing structure and comprehensively coordinate its implementation.

ABOUT POLAND

ROAD COMMUNICATION IN POLAND

The Republic of Poland *(Rzeczpospolita Polska)* of the total geographical area of 312,679 km² is the largest country in CEE region, the 7th largest nation in Europe and the 69th largest country in the world. It is bordered to the south by Czech Republic and Slovakia, to the west by Germany, to the north by Russia, and to the east by Ukraine, Belarus and Lithuania. The Baltic Sea constitutes the northern border of Poland.

Poland's population comprises 38.1 million inhabitants. The population density ratio is 122 inhabitants per km² (the 10th place in the European Union).

The administrative division of Poland since 1999 has been based on three levels of subdivision. The country is divided into provinces *(voivodships)*. These provinces are sub-divided into counties *(poviats)*, which are sub-divided into communes *(gminas)*. Poland currently has 16 provinces, 379 counties (including 65 cities with *poviat* status), and 2,478 communes.

The largest conurbations in Poland are the Upper Silesian Conurbation (Katowice) inhabited by 3.5 million people and the Warsaw Agglomeration with 3 million inhabitants. The remaining major cities are Kraków (populated by 0.7 million residents), Łódź (0.7 million), Tricity (0.7 million), Wrocław (0.6 million) and Poznań (0.5 million).

Poland is a parliamentary republic. The legislative branch consists of a parliament composing of a lower house *(Sejm)* and a Senate *(Senat)* elected for a 4-year term. The executive power is divided between President and the Council of Ministers, led by a Prime Minister. The president is elected by popular vote every five years. Currently, Poland is led by the President Lech Kaczyński (Law and Justice Party) and the Prime Minister Donald Tusk (Civic Platform Party). Poland is a member of EU (2004) and NATO (1999).

TABLE OF CONTENTS

SERVICES IN POLAND
CUSHMAN & WAKEFIELD'S SERVICES IN POLAND . . . 2

INTRODUCTION
ABOUT POLAND . . . 3
TABLE OF CONTENTS . . . 3

SUMMARY AND FORECASTS
EXECUTIVE SUMMARY . . . 4

ECONOMY REPORT
ECONOMY PERFORMANCE . . . 6
FINANCIAL MARKETS . . . 7

INVESTMENT REPORT
INVESTING IN POLAND . . . 8
OFFICES . . . 9
RETAIL . . . 10
INDUSTRIAL . . . 11

OFFICE REPORT
MARKET CONDITIONS . . . 12
MARKET IN WARSAW . . . 13
REGIONAL MARKETS . . . 16
KRAKÓW . . . 16
WROCŁAW . . . 17
TRICITY . . . 17
POZNAŃ . . . 18
KATOWICE . . . 18
ŁÓDŹ . . . 19
TRENDS . . . 19

RETAIL REPORT
POLAND OVERVIEW . . . 20
SHOPPING & ENTERTAINMENT CENTRES . . . 21
HIGH STREETS . . . 22
HYPER AND SUPERMARKETS . . . 22
FACTORY OUTLETS . . . 23
RETAIL WAREHOUSING . . . 23

INDUSTRIAL REPORT
OVERVIEW AND TRENDS . . . 24
WARSAW REGION . . . 26
POZNAŃ REGION . . . 27
WROCŁAW REGION . . . 27
UPPER SILESIA . . . 28
CENTRAL POLAND . . . 28
TRICITY REGION . . . 29
KRAKÓW REGION . . . 29
SZCZECIN REGION . . . 29

RESIDENTIAL REPORT
OVERVIEW AND TRENDS . . . 30
FIRST WAVE MARKETS . . . 32
SECOND WAVE MARKETS . . . 33

HOSPITALITY REPORT
INFRASTRUCTURE OVERVIEW . . . 34
MARKET TRENDS . . . 35

CONTACTS
OUR OFFICE AND CONTACT POINTS . . . 36

ECONOMY DIRECTIONS
GDP: The next year outlook is still optimistic, but the GDP growth is not expected to be as high as this year's. ↗
INFLATION: The rapidly rising prices may slow down by the end of this year, which may lead to a decrease in the inflation rate for 2008 down to approx. 4%. ↔
UNEMPLOYMENT RATE: The anticipated unemployment drop is related to the rising investments by companies, but due to the lower GDP growth the decrease in the unemployment rate may be smaller than previously expected. ↔
FDI: The volume of FDIs may be smaller than before due to the financial crisis in international markets and the slower economic growth in Western countries. ↓

INVESTMENT MARKET DIRECTIONS
OFFICE PROPERTIES
PRIME YIELDS: A growth of 50 base points in relation to 2007 was recorded. ↗
TRANSACTION VOLUME: An increase of 25% in relation to the second half of 2007 was recorded. ↗
RETAIL PROPERTIES
PRIME YIELDS: A growth of 50 base points in relation to 2007 was recorded. ↗
TRANSACTION VOLUME: A decrease of 52% in relation to second half of 2007 was recorded. ↘
INDUSTRIAL PROPERTIES
PRIME YIELDS: A growth of 50 base points in relation to 2007 was recorded. ↗
TRANSACTION VOLUME: A decrease of 47% in relation to second half of 2007 was recorded. ↘

OFFICE MARKET DIRECTIONS
WARSAW
VACANCY: The Warsaw market sees the lowest space vacancy rates on record. ↓
RENTS: Due to a strong demand and insufficient supply, headline rental rates are amounting to approx. EUR 38 in the CBD and EUR 20 in NCL. ↗
REGIONAL CITIES
VACANCY: Vacancy rates in modern office schemes are falling in most regional cities. ↓
RENTS: Rental rates for modern office space have risen in the majority of the regional cities. ↗

EXECUTIVE SUMMARY

ECONOMY PERFORMANCE

The credit crunch in the USA had an adverse effect on the European Union's economy, also affecting the growth rate of the Polish economy. Consequently, the estimated GDP growth in Poland will decrease within the next two years by approx. 1-1.5 percentage points as compared to 2006-2007. The value of foreign direct investments is estimated to reach approx. EUR 12-13 bn in 2008. The year-on-year growth rate of wages amounted to 12.5% in June 2008, showing a decrease of just under 4% compared to the corresponding period in 2007. Due to the recent large-scale direct investments and portfolio transfers from the European Union, the Polish zloty has strengthened against the US dollar and euro. Some companies from the Warsaw Stock Exchange, which want to raise additional capital through the stock exchange, are withholding listing at the WSE until the mood begins to improve. This applies to a considerable extent to companies from the real estate development sector, which has been most severely hit during the current decline in the markets.

INVESTMENT MARKET

In the first half of 2008, the total value of transactions made in the Polish commercial property market amounted to approx. EUR 907 million (includes: office, retail, industrial and mixed-use properties). The volume of transactions was down 57% compared to the first half of 2007 but up by 0.89% compared to the second half of last year. Unlike the previous periods (where retail sector was dominant), the most popular segment was the office property market, where ten transactions were made for the total value of approx. EUR 392 million, i.e. over 18% more than in the retail sector and five times more than in the warehouse and industrial sector. In terms of the value of transactions made, the situation is expected to stabilise within the next few months, and a potential increase in investments is anticipated.

OFFICE

The first half of 2008 saw a continuation of the dynamic development of the office space market in Poland. Since the demand continued to exceed the supply practically in all the major Polish office markets, rental rates rose and vacancy rates fell. Warsaw is still the most developed office space market in Poland and its total stock of modern office space exceeded 2,800,000 sq.m at the end of the first half of 2008. As for regional cities, high dynamics of the office space market development was recorded in Kraków and Wrocław, as well as in Tricity and Poznań. The modern office space stock in the six largest regional cities exceeded 1,400,000 sq.m. The demand is generated primarily by foreign companies, particularly by the banking and financial sectors, as well as IT companies and corporations locating BPOs. Polish companies are represented in the supply side more often than before.

RETAIL

At the end of the first half of 2008 the stock of modern retail space amounted to approx. 7,750,000 sq.m (202 sq.m per 1,000 inhabitants), over 65% of which was found in the eight main urban areas and the remaining 35% in small- and medium-sized towns. In the first half of 2008 only approx. 200,000 sq.m of modern retail space was delivered onto the market, which was nearly 50% less than in the corresponding period of 2007. However, at present there is over 1,000,000 sq.m of modern retail space under construction, largely in shopping centres. A record volume of a new supply wave is expected in the years 2009-2010 in smaller urban agglomerations. The demand for retail space remains at a stable level with vacancy rates of 0-1% in most locations. Rental rates are experiencing an upward trend with the dynamics of these rates dependent on the purchasing power of a given market, availability of premises and the quality of retail schemes.

INDUSTRIAL

The beginning of 2008 was extremely dynamic for the warehouse space market. The first quarter of 2008 saw a record volume of leases being made. The demand in the second quarter was lower than at the beginning of the year, but was comparable to that in the last quarter of 2007. The warehouse space market is stable on the supply side: new investments are being delivered, the majority of schemes under construction have already been leased and the developers have land in attractive locations.

RESIDENTIAL

After the boom which had lasted for over three years, in 2008 the Polish residential market entered a period of mid-term composure as a result of trends on the domestic and global markets. Either first wave markets or second wave ones follow a tendency of mid-term stabilisation. The current market conditions, which are characterised with a growing supply while a moderate demand, cause transformation of the market from a developer-led to a consumer-led one as well as price correction and their following stabilisation.

HOSPITALITY

The hotel real estate market is currently experiencing a boom in Poland. It is estimated that in 2008 the country will be visited by over 16 mln tourists. This number is expected to increase during next years. Also occupancy rate of rooms is growing year by year. The supply is relatively low and concentrated mainly in large cities such as Warsaw, Kraków, Wrocław and Tricity. Many international and Polish hotel chains perceive the country as a worthwhile location to establish more hotels under their brand.

RETAIL MARKET DIRECTIONS	
WARSAW	
VACANCY: Close to 0%, limited availability of modern retail space for lease, no new retail projects in the medium term.	↘
RENTS: Stable trend, tenants to rotate in the best quality shopping centres.	↔
MEDIUM SIZE CITIES	
VACANCY: Close to 0% in the best schemes, 3-5% in schemes in secondary locations and commercial concepts, a considerable supply wave expected in the years 2009-2010.	↔
RENTS: Upward trend, strong diversification of rental rates between prime and secondary schemes.	↑
SMALL TOWNS	
VACANCY: 0%, limited amount of modern retail space for lease, a considerable supply wave expected in the medium term.	↔
RENTS: Expected growth related to the delivery of the first modern retail schemes onto the market.	↑

INDUSTRIAL MARKET DIRECTIONS	
WARSAW	
VACANCY: The market is mature and the supply and demand remain balanced.	↔
RENTS: Expected to rise throughout the region with the rates in the urban zone being the highest of all the regions.	↑
REGIONS	
VACANCY: The supply is expected to rise proportionally to the demand volume. The vacancy rates will remain at the same level.	↔
RENTS: The rising rental rates are due to the rising land prices, construction costs and the euro exchange rate.	↑

RESIDENTIAL MARKET DIRECTIONS	
FIRST WAVE MARKETS	
SUPPLY: Large housing supply, expected to reach its peak in 2008-2009.	↑
DEMAND: The actual residential needs are still high, while the actual demand is low. In the mid run the residential demand is likely to recover.	↔
PRICES: Fluctuation around the current level.	↔
SECOND WAVE MARKETS	
SUPPLY: The residential supply in regional centres is demonstrating an upward tendency.	↑
DEMAND: Declared demand exceeds supply. Demand pressure is not as large as in the main Polish cities.	↔
PRICES: The price correction and stabilisation is observed in the regional centres.	↔

HOSPITALITY MARKET DIRECTIONS	
SUPPLY: Polish market is still under-supplied, the number of the new investments should change the situation significantly.	↑
OCCUPANCY RATE: Over the last two years occupancy rate of hotel rooms keeps growing tendency.	↑

ECONOMY PERFORMANCE

ECONOMY OVERVIEW

The credit crunch in the USA had an adverse effect on the European Union's economy, also affecting the growth rate of the Polish economy. Consequently, the estimated GDP growth in Poland will decrease within the next two years by approx. 1-1.5 percentage points as compared to 2006-2007. In 2007 the labour market favoured employees as employment in the economy rose by 5.3% compared to 4.4% in the previous year. In the forthcoming months it is expected to see a continued drop in unemployment figures and a further increase in wages (not as high as before, though). Over the last year the inflation rate rose from 2.6% to 4.6% in June 2008. However, the effect of rising food and fuel prices was smaller than in the corresponding period in 2007. Last year exports rose by 15.8%, up to nearly EUR 102 bn. The export value is currently expected to exceed EUR 114 bn in 2008, which will constitute an increase by approx. 12%-13%.

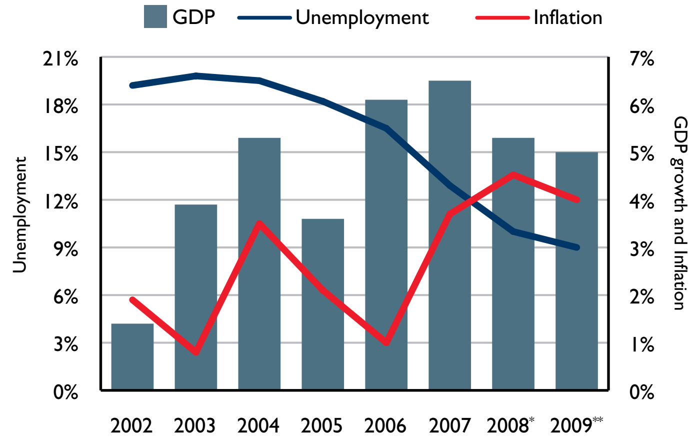
REGIONAL DEVELOPMENT

In 2008 the average estimated Gross Domestic Product in the new EU Member States may rise by approx. 4.8%, which is down by 2.2% compared to 2007. The fastest growth is recorded by Slovakia (7%), Romania (6.2%) and Lithuania (6.1%), whereas the lowest growth is recorded in Estonia (2.7%) and Hungary (1.9%). The problems related to the rapidly rising prices have affected the Baltic states most severely, including Latvia, where the inflation rate reached 17.5% in June. These difficulties result mainly from the overheated economy and the related dynamic growth in wages. In comparison to other countries of the region, Poland as well as Slovakia have the lowest inflation rates. Countries with the highest per capita income, according to the estimated GDP in 2008 calculated at purchasing power parity rates, included Slovenia (EUR 23,100 GDP per capita), the Czech Republic (EUR 21,300) and Estonia (EUR 18,600), whereas Poland's GDP per capita may reach EUR 14,100.

FOREIGN DIRECT INVESTMENTS

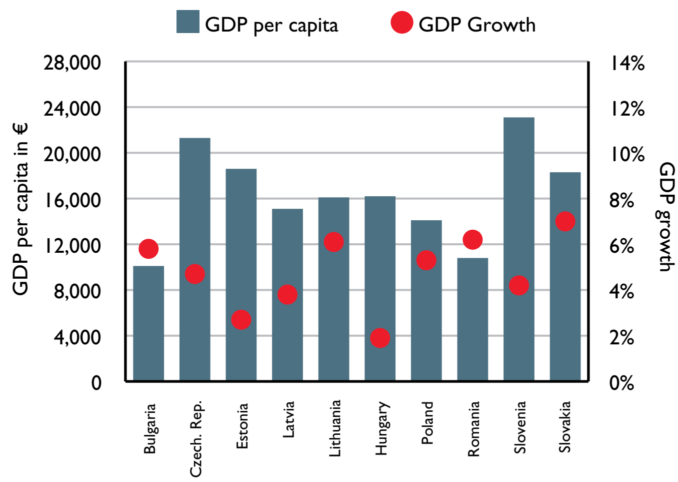
In mid-2008, the foreign direct investments amounted to nearly EUR 121 bn. In 2007 only, EUR 12.8 bn was invested in Poland, 85% of which came from European Union countries. The value of foreign direct investments is estimated to reach approx. EUR 12-13 bn in 2008. Companies intending to invest in the Polish market are largely companies from the automotive and electronic industries as well as BPO. However, there will be fewer investments in the chemical sector and the farming and food industry. Despite the considerable growth of wages, the influx of foreign investments remains high. The year-on-year growth rate of wages amounted to 12.5% in June 2008, showing a decrease of just under 4% compared to the corresponding period in 2007. The fastest growth of wages was noted in the agriculture and construction industries, whereas the slowest growth was recorded in food processing and transport.

KEY ECONOMIC INDICATORS



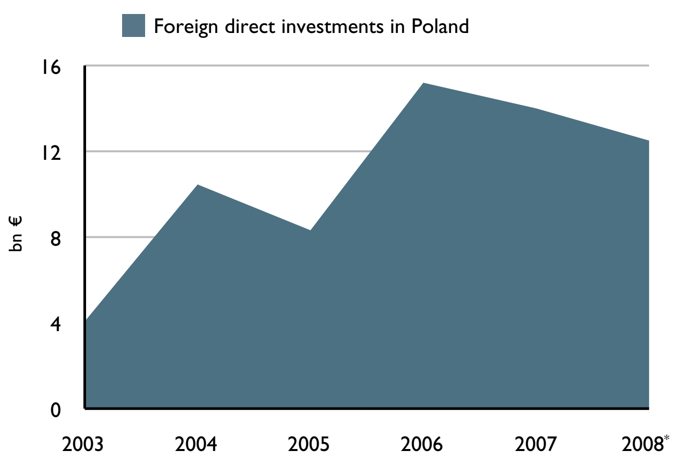
Source: CSO, Cushman & Wakefield Advisory Services, August 2008 — * Ist half of 2008 ** Forecast

GDP REGIONAL COMPARISON*



Source: Eurostat, Cushman & Wakefield Advisory Services, August 2008 — * Forecast

FDI IN POLAND



Source: National Bank of Poland, August 2008 — * Forecast

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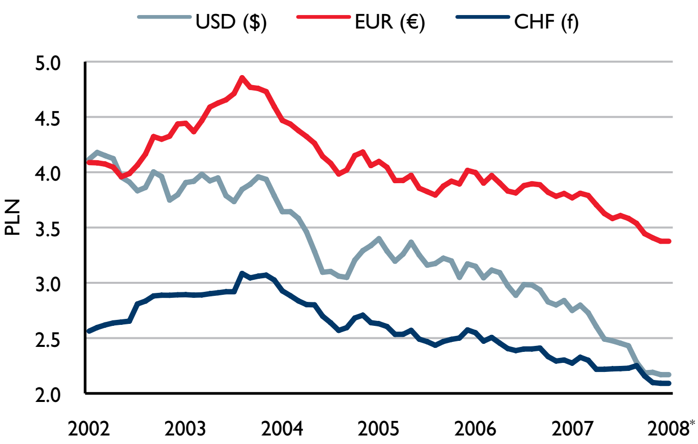
FINANCIAL MARKETS

EXCHANGE RATES

Due to the recent large-scale direct investments and portfolio transfers from the European Union, the Polish zloty strengthened against the US dollar and euro. The average monthly exchange rate of the euro in July 2008 amounted to PLN 3.22 and was nearly 6% lower than at the end of 2007. The Polish zloty also strengthened against the American dollar by approx. 12% in this period and the average monthly exchange rate of the USD in July amounted to PLN 2.07. The Polish currency remains strong despite the considerable falls in the capital market. Some corrections are expected in connection with the temporary appreciation of the dollar to the euro, but a further increase in the value of the Polish zloty is very likely within the next three years. Another factor contributing to the appreciation of the PLN is the expected entrance to the euro zone.

EXCHANGE RATES

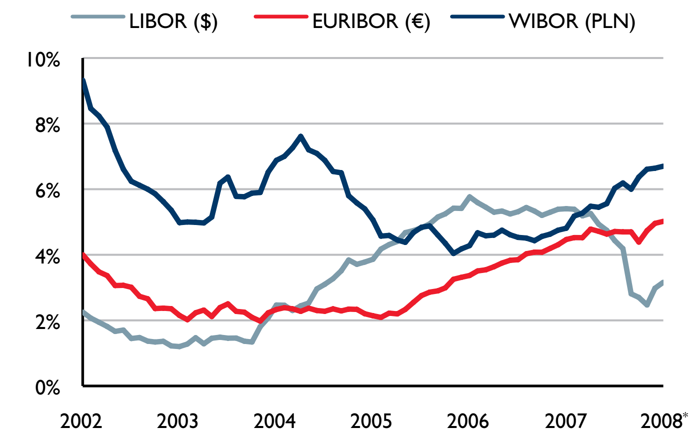


Source: National Bank of Poland, August 2008 * Ist half of 2008

INTEREST RATES

The rapid inflation growth caused by the rising commodity prices, including liquid fuels, and food prices has become a global phenomenon. The considerable price growth has affected most severely the United States, which face the risk of stagflation. In the European Union, which means in Poland as well, the growth of the inflation rate is smaller, but it also poses a major problem for the entire economy. Consequently, the National Bank of Poland was forced to raise its key interest rates by 175 basis points compared to the end of 2007. They could well be the last hikes this year, provided that the inflation rate begins to fall after the holiday season. However, if the inflation continues to remain far above the level of 4% by that time, it is quite certain that the Monetary Policy Council will decide to tighten its monetary policy.

INTEREST RATES

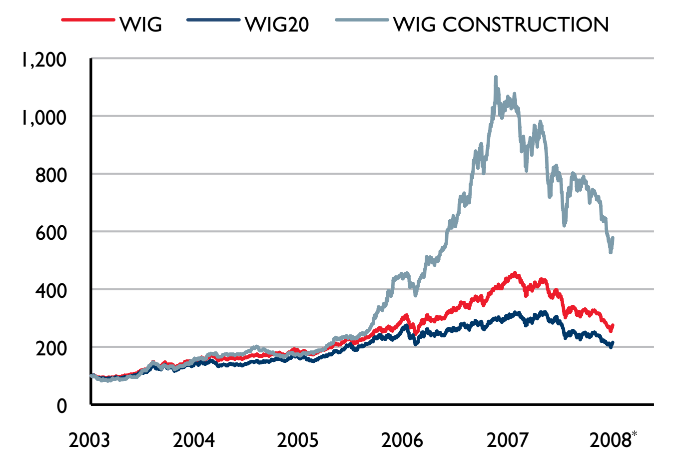


Source: www.money.pl, August 2008 * Ist half of 2008

POLISH INVESTMENT PERFORMANCE

The downward trend continued at the Warsaw Stock Exchange (WSE) in the first half of 2008. Consequently, in July 2008 the WSE's main index WIG fell to the same level recorded in early 2006. Given the current situation, further falls cannot be ruled out and the upward trend may not return until the second half of 2009. Some companies which want to raise additional capital through the stock exchange are withholding listing at the WSE until the mood begins to improve. This applies to a considerable extent to companies from the real estate development sector, which has been most severely hit during the current decline in the markets. At present, preparations for the privatisation of the Warsaw Stock Exchange are under way.

WARSAW STOCK EXCHANGE



Source: Warsaw Stock Exchange, August 2008 * Ist half of 2008. 1 January 2003 = 100

INVESTING IN POLAND

INVESTMENT CONDITIONS

In terms of investors' activities and investment conditions, the first half of 2008 in the commercial property market was similar to the last six months of 2007. Similar to the previous period, many investors had to reduce their activities due to the more difficult access to bank financing as well as the increased costs of such financing.

Consequently, many entities which had previously been active adopted a more restrictive investment policy, which translated into a weakening demand and rising yields.

Compared to the previous period, yields rose on average by 50 basis points for prime properties in all the investment market segments: office, retail, as well as industrial and warehouse segments.

The fundamentals for the commercial property market are still solid. This segment of the capital market is relatively stable in terms of prices recorded and is, therefore, an attractive alternative for the financial assets withdrawn from the Stock Exchange.

Some signs of recovery in the market were noted at the beginning of the third quarter of 2008. It was evidenced by recent closure of two office transactions of a total volume of over PLN 1 billion: the disposal of TP S.A. portfolio of three Warsaw CBD office buildings to the Danish fund Baltic Property Trust for EUR 168 million and the sale of Marynarska Business Park in Warsaw by Ghelamco to the German fund DEGI for nearly EUR 167 million.

The investment conditions are expected to improve further at the end of this year and the beginning of 2009, but this will depend on the real impact of the US financial crisis on European property markets.

INVESTMENT MARKET DIRECTIONS	
WSE: Despite considerable falls at the Warsaw Stock Exchange, major players are still reluctant to make purchases. This may lead to further declines of the main indices.	↘
WIG CONSTRUCTION: The apartment prices, the slower increase in the number of new building permits and the increased costs of financing may all lead to a further decline in sales revenue, which will be reflected in falling share prices.	↘
INTEREST RATES: According to the government's projected inflation rate for 2008, the inflation rate is expected to fall down. This will encourage the Monetary Policy Council to maintain the interest rates at the current level.	↔
EXCHANGE RATES: The exchange rates are expected to stabilise within the nearest future (PLN 3.3-3.4 to EUR 1), but PLN may continue to appreciate next year.	↘
5-YEAR BONDS: The yield on Polish bonds may increase, given the difficulties in the equity markets.	↗

WARSAW STOCK EXCHANGE

KEY INVESTMENT DATA	
POLAND	
CURRENCY	PLN (*Polski Złoty, Złoty*)
GDP (PPP)	$ 620.9 bn (IMF, 2007)
GDP GROWTH	6.10% (CSO, Q2 2008)
GDP PER CAPITA	16,310.7 $ (IMF, 2007)
INFLATION (CPI)	4.8% (CSO, July 2008)
NBP REFERENCE RATE	6.00% (CSO, July 2008)
FDI	€ 12.8 bn
FDI PER CAPITA	€ 336.7
PUBLIC DEBT (inc. local government budgets)	43% GDP (CSO/IMF, 2008)
DEMOGRAPHIC	
POPULATION	38.12 million (CSO, 2007)
BIRTH RATE	-0.03% (CSO, 2008)
UNEMPLOYMENT	9.6% (CSO, July 2008)
AVERAGE GROSS MONTHLY PAY	€ 982 (CSO, July 2008)
EUROPEAN UNION	
EU MEMBERSHIP	As of May 1st 2004
EU ECONOMIC AID	€ 67 billion for 2007 - 2013
SCHENGEN AGREEMENT ZONE	As of December 21st 2007
EURO ZONE MEMBERSHIP	Planned before 2012
INTERNATIONAL	
CURRENT ACCOUNT BALANCE	€ -1.7 bn (Monthly)
IMPORTS (MONTHLY)	€ 11.8 bn (NBP, 2008)
EXPORTS (MONTHLY)	€ 10 bn (NBP, 2008)

OFFICES

FUNDAMENTALS

In the first half of 2008, the Polish office investment market witnessed a slight recovery compared to the second half of 2007. This reflects an improving sentiment of investors, which deteriorated due to last year's crisis in the United States. However, yields are not expected to fall within the nearest future to last year's level, but are rather expected to level off further at approx. 5.75% for prime properties.

The long-term prospects for the investment market's office segment are also optimistic. Unlike Western European markets, the Polish real estate market will continue to develop, but its further development is not likely to be as dynamic as it was in the previous years.

DEMAND

The weakening market and the more difficult access to bank financing have clearly contributed to the change in the structure of investors active in the Polish market. On the one hand, the number of smaller investors who were active in the times of bull markets and sought speculative investments has fallen. On the other hand, Western pension and investment funds of largely German origin, which are taking advantage of the economic downturn to make cheaper purchases, have grown in importance. In addition, due to the noticeable slowdown of rent growth compared to the previous years there has been a stronger interest in schemes whose value could be increased through a change of the tenant structure and active management.

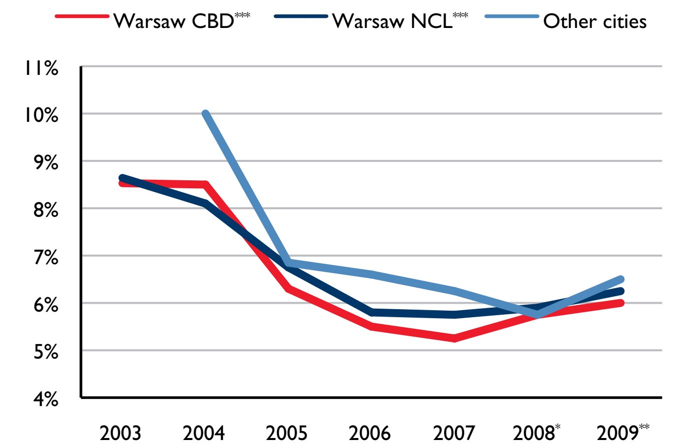
ACTIVITY / DEALS

In the first half of 2008 transactions were completed for a total of EUR 392 million, over 87% of which was accounted for by the Warsaw market. Although the volume of transactions was down by 55% on the corresponding period of the previous year, it rose by 25% in comparison to the last two quarters of 2007.

In terms of the scale of projects, the biggest transaction was the acquisition of 50% shares, valued at approx. EUR 160 million, in the Rondo 1 office building in Warsaw by an Australian fund Macquarie Global Property Advisors. The Renaissance Tower in Warsaw, leased entirely by Orange, also changed hands for approx. EUR 60 million. Tulipan Park, a new investment in the industrial district of Służewiec, was bought at a similar price.

No portfolio transactions were recorded in the market in the period under review, but within the next six months this will certainly change as a result of, among others, the sales of the portfolios owned by major investors such as Telekomunikacja Polska S.A. and Skanska.

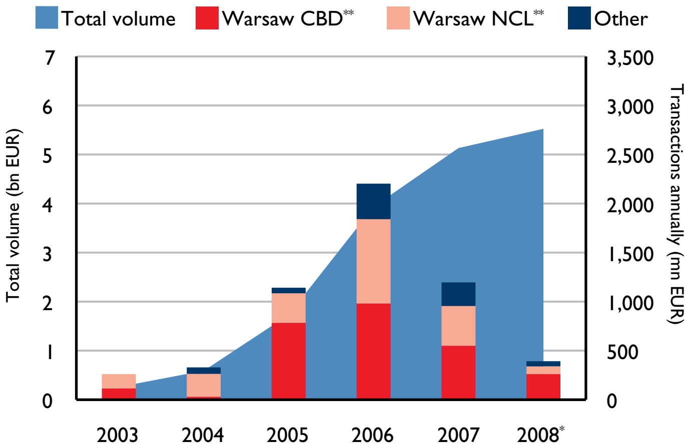
OFFICE PRIME YIELD



Source: Cushman & Wakefield Advisory Services, August 2008

* Ist half of 2008 ** Forecast
*** Central Business District, Non Central Locations

OFFICE INVESTMENT DEALS



Source: Cushman & Wakefield Advisory Services, August 2008

* Ist half of 2008
** Central Business District, Non Central Locations

MAIN OFFICE INVESTMENT DEALS IN POLAND IN H1 2008

Property Name	*City*	*Vendor*	*Purchaser*
Silver Forum	Wrocław	Archicom	GE Real Estate
Renaissance Tower	Warsaw	CA Immo International	BPH TFI
Rondo 1	Warsaw	London & Regional Properties	MGPA
Wadowicka 8A	Kraków	Engel East	First Property
Centrum Biznesu	Poznań	Pirelli	Uniqa Real Estate
Salzburg Center	Warsaw	Immoeast	SEB
Batory Office Complex	Warsaw	Liebrecht & wooD	Guardian Managers
Dominanta	Warsaw	Dembud	BPT Optima
Kopernik (Building E)	Warsaw	Liebrecht & wooD	Deutsche Bank
Cybernetyki Office Park (Helion & Lumina)	Warsaw	Celtic Asset Management	Deka Immobilien

RETAIL

FUNDAMENTALS

A vast majority of buyers have reformulated their investment strategies due to the changes in the retail real estate market. While the time from the product offer to the contract signature has extended considerably, yields for different asset categories have polarized to a greater extent. Prime real estate yields are now levelling at 5.75-6%, whereas for secondary assets they stand at 7.5-8%.

In spite of the financial crisis affecting the United States, the retail real estate market will continue to be an attractive investment target in the long term on account of the large potential of rent growth, the rapid economic development of Poland and the growing affluence of its people.

DEMAND

In the first half of 2008 the demand was generated largely by players of Anglo-Saxon origin (the USA, the UK and Ireland) which were involved in seven out of nine transactions closed. Dutch investors also made their presence felt through the acquisition of a portfolio of eighteen retail real estates owned by the Komfort chain.

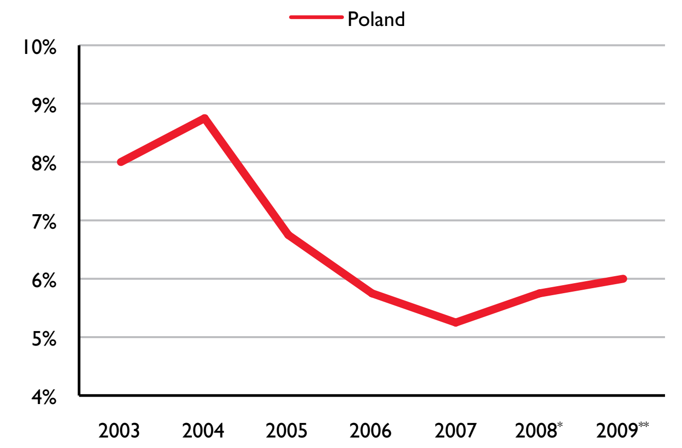
Apart from the above players, the retail real estate market in Poland currently also attracts the interest of investors from other EU Member States, particularly France, Germany and Austria. However, Polish investments funds are now less active than they were in the previous years. Given the fact that most of them raised resources only at the end of the first quarter and the beginning of the second quarter of 2008, local investors are presumed to show more activity within the forthcoming six months.

ACTIVITY / DEALS

Nine transactions totalling EUR 331 million were recorded in the first half of 2008, which was down by over 63% on the corresponding period of 2007. The largest portfolio deals included the acquisition of twelve retail galleries for approx. EUR 80 million by GE Real Estate and the purchase of fourteen retail properties for EUR 52 million by a British fund Balmain. A forward purchase transaction involving a single property – Galeria Turawa in Opole was also noted (bought for EUR 70 million by Standard Life from the UK).

The prospects for the forthcoming six months are optimistic. At the beginning of the third quarter of 2008, there were, among others, three major shopping centre portfolios in the market with the total lease space of approx. 350,000 sq.m and the total annual income of approx. EUR 53 million. Even if only some of the deals now pending are closed, the value of real estate sold should come close to that of 2007 and reach approx. EUR 1.5 bn.

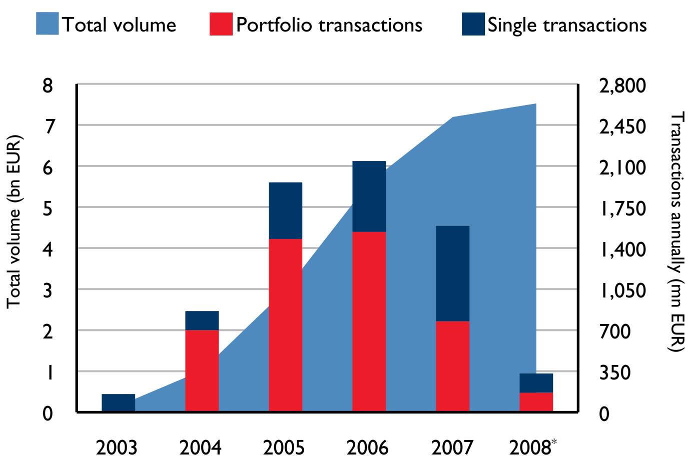
RETAIL PRIME YIELD



Source: Cushman & Wakefield Advisory Services, August 2008

* Ist half of 2008 ** Forecast

RETAIL INVESTMENT DEALS



Source: Cushman & Wakefield Advisory Services, August 2008

* Ist half of 2008

MAIN RETAIL INVESTMENT DEALS IN POLAND IN H1 2008

Property Name	*City*	*Vendor*	*Purchaser*
Komfort Portfolio	Nationwide	Komfort	Redevco
Fashion House	Gdańsk	Liebrecht & wooD	AIB Polonia
Fashion House	Sosnowiec	Liebrecht & wooD	AIB Polonia
Eagle Portfolio	Nationwide	Europa Capital	Balmain
Centrum Handlowe Świerczewo	Poznań	MMT Invest	London & Cambridge Properties
Galeria Orkana	Lublin	Keen Property Partners	ORCO Group
Heitman Portfolio	Nationwide	Heitman	GE Real Estate
Centrum Mody A4	Wrocław	Private investor	Cedro Investments
Galeria Turawa	Opole	Helical	Standard Life

INDUSTRIAL

FUNDAMENTALS

The industrial investment market was the least susceptible of all the investment market segments to the changes in the economic situation. Warehouse space has become an attractive capital investment. Whilst in the past its prices did not rise so dynamically as the prices of office and retail schemes, the long-term interest of tenants in modern warehouse space contributes to the growth of market rental rates. Therefore, this segment is expected to develop further within the nearest future and its competitiveness is likely to increase compared to the office and retail investment sectors.

Yields rose however slightly up to approx. 6.75% for the most modern schemes. The prospects for the forthcoming months are optimistic, because the largest developers will consider selling their properties in order to free monies necessary to complete new projects.

DEMAND

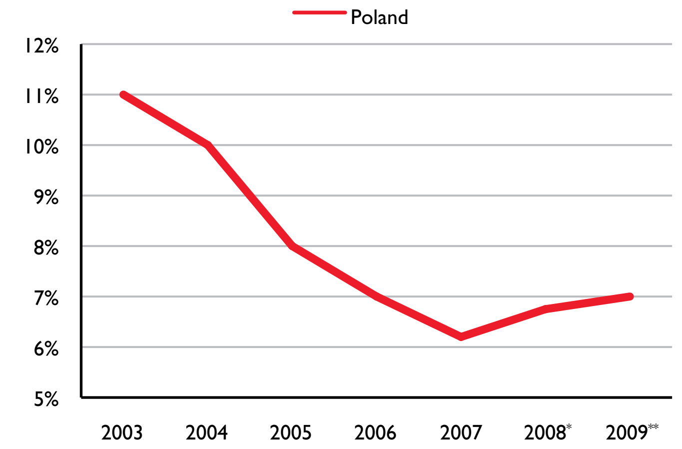
As in the other segments, international investment funds are the primary source of demand in the industrial real estate market. However, unlike the retail and office sectors they do not represent Austrian or German capital as much as Anglo-Saxon capital, mainly from the UK and the US. In the first half of 2008 approx. 60% of the total demand in this market was generated by British and American investors. The share of Polish players is also rising, but due to their financial capabilities it was marginal and amounted to barely 4%.

ACTIVITY / DEALS

In comparison to the corresponding period of the previous year, the volume of investment transactions in the industrial real estate market rose nearly four times up to approx. EUR 80 million. Given the projects currently offered in the market, this figure is likely to double in the second half of 2008 compared to the first half of this year and exceed last year's level by over 40%. In the first two quarters of 2008 four transactions were made, the biggest of which was the sale of the portfolio of two properties to an American financial institution TMW Pramerica by Raben. The biggest single real estate transaction was the acquisition of a logistics complex, Good Point in Puławska Street in Warsaw, by a French investment fund IXIS AEW.

In contrast to the other market segments, sale and leaseback transactions attract a large interest, particularly from players from outside the real estate market mainstream. Whilst they provide vendors with considerable sale proceeds, they also enable them to continue their operating activity in their current locations.

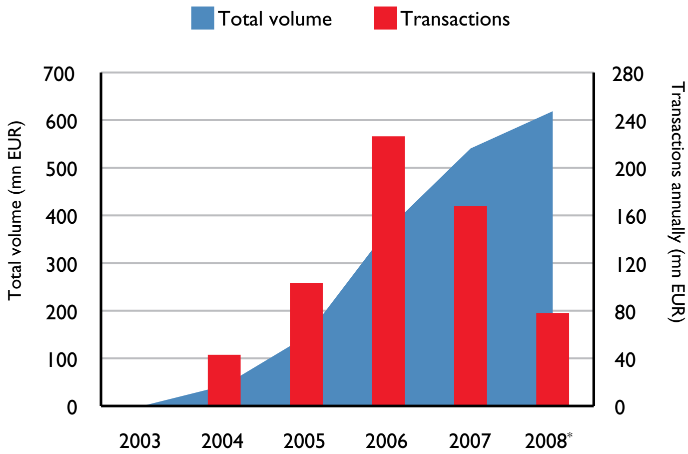
INDUSTRIAL PRIME YIELD



Source: Cushman & Wakefield Advisory Services, August 2008

* Ist half of 2008 ** Forecast

INDUSTRIAL INVESTMENT DEALS



Source: Cushman & Wakefield Advisory Services, August 2008

* Ist half of 2008

MAIN INDUSTRIAL INVESTMENT DEALS IN POLAND IN H1 2008

Property Name	*City*	*Vendor*	*Purchaser*
Good Point Puławska	Warsaw	Real Management	IXIS AEW
Raben Portfolio	Grodzisk Maz.	Raben	TMW Pramerica
Raben Logistics	Pruszków	Raben	TUP Property
Logistic Center	Pruszcz Gdański	BIK	Guardian Managers

Cushman & Wakefield has been providing clients with in-depth analytical surveys of different sectors of Poland's property market, such as Investment, Office, Retail, Residential, Hotel and Industrial as well as regional overviews.

Regular publications produced by Marketing Department with the assistance of Advisory Department include Spring and Autumn Marketbeat presenting current condition of the real estate market in Poland as well as forecast, Warsaw Office Buildings Directory, Warsaw Business Space Map and Industrial Space in Poland Map.

TO LEARN MORE ABOUT ALL PUBLICATIONS OF CUSHMAN & WAKEFIELD OFFICE IN POLAND, PLEASE CONTACT LOCAL MARKETING DEPARTMENT:

www.cushmanwakefield.com

MARKET CONDITIONS

WOLF MARSZAŁKOWSKA, WARSAW

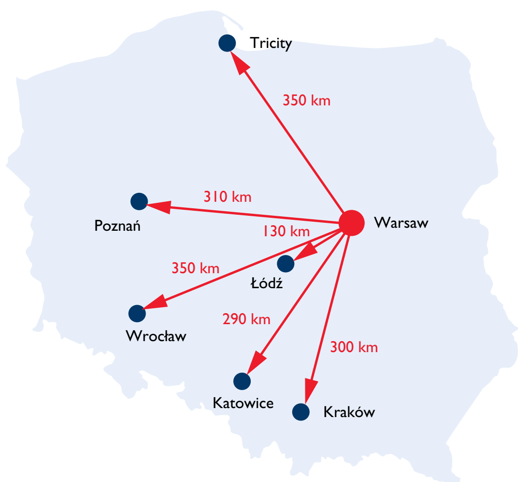
POLAND

The first half of 2008 was a continuation of the dynamic period in the office space market throughout Poland. Both the supply and the demand for modern office space rose. The demand clearly continued to exceed the supply, which was reflected in rising rental rates.

Poland's capital city, Warsaw, is still the most developed office space market, but regional cities, particularly Kraków and Wrocław, can also boast of extraordinary dynamics in office space growth. Katowice and Tricity are also enjoying the increasing interest of developers.

The demand was generated mainly by foreign investors, while Polish companies much more often than before represented the supply side.

DISTANCES BETWEEN MAIN OFFICE MARKETS IN POLAND



MARKET IN WARSAW

SUPPLY

For the office market, 2008 is a year of imbalance, benefiting the landlords. There is still a shortage of vacant space for lease and tenants are forced to accept rising rental rates and reduced incentives such as rent-free periods.

In the first half of 2008 the level of supply was comparable to that for last year's corresponding period. Ten new buildings with the total space of 141,000 sq.m were delivered onto the market. This raised the total stock of modern office space up to 2,840,900 sq.m. The most important schemes delivered onto the market in the first half of 2008 included Harmony Office Center (15,000 sq.m), Marynarska Business Park (43,000 sq.m), Grzybowska Park (10,400 sq.m), Equator (17,000 sq.m), Tulipan House (17,900 sq.m), Marynarska Point I (11,400 sq.m) and Nefryt (15,240 sq.m).

Non-central locations clearly dominate the market in terms of the volume of space delivered, as they account for 92% of the new supply. The largest number of new offices was constructed in Upper Mokotów, where nearly 103,000 sq.m was delivered, accounting for 73% of the supply. According to estimates, such high dynamics in non-central locations will also be sustained in the second half of 2008 and may amount to approx. 100,000 sq.m, while the number of buildings delivered in the Central Business District (CBD) will be very small in this period. The next two years will be characterised by a considerable imbalance in the CBD benefiting the landlords, which may lead to a further growth in rental rates.

The high supply in non-central locations continues to be absorbed mainly before completion. Vacancy rates are expected to remain low in those areas. One of the consequences of the credit crisis in the USA is that banks display greater caution towards planned investments. Consequently, some projects will not enter the pipeline stage or will only be completed in the next economic cycle as it is impossible to obtain financing.

DEMAND

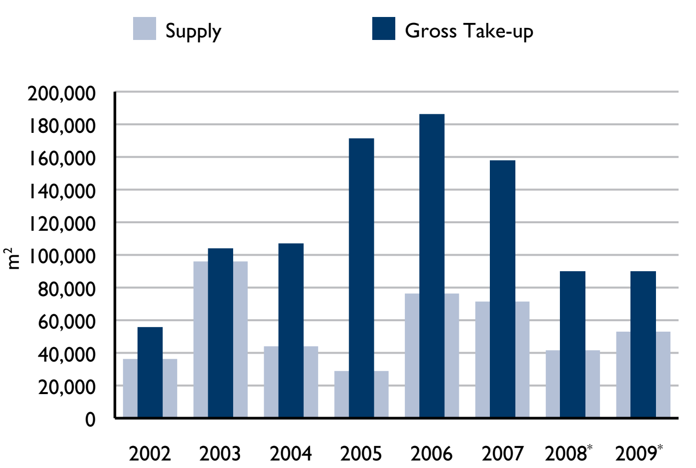
In the first half of 2008 the total gross take-up in Warsaw reached 244,400 sq.m, which was down by approx. 6% compared to the corresponding period in 2007, but up by approx. 5% compared to the second half of 2007. The strongest demand was recorded in the area limited by Jerozolimskie Avenue and Żwirki i Wigury Street, where over 88,000 sq.m was leased (36% of the demand). The take-up in Upper Mokotów was slightly lower and reached over 78,000 sq.m (32%). Extensions of space leased accounted for 5%, whereas renegotiated leases accounted for 10%. Less than 1% of space leased was owner-occupied.

The record volume of space leased by one tenant is particularly noteworthy – Bank Pekao S.A. leased 39,000 sq.m in the Lipowy Office Park complex. Other major leases in non-central locations were signed for the following buildings: SGI Czerniakowska (Internet Securities – 10,000 sq.m), Horizon Plaza (NSN – 9,600 sq.m) and Adgar Business Center I (Link 4 – 5,000 sq.m). The largest leases (excluding renegotiations) in the CBD were signed by Dell in Millenium Plaza (3,000 sq.m) and SEB Leasing in the Lumen office building (2,500 sq.m).

The considerable share of pre-lets in the demand volume is noteworthy. The first half of 2008 saw an increased number of transactions for space of up to 500 sq.m, which accounted for 42% of the total transactions. In the last twelve months the average volume of transactions amounted to approx. 600 sq.m.

The key growth factors for the development of the lease market in Warsaw will continue to include the economic development dynamics, the rising investment level, well qualified professionals, as well as the improving transport infrastructure. These factors will lead to an increased demand for office space within the forthcoming period. Office locations will diversify with top class space in prestigious locations growing in importance.

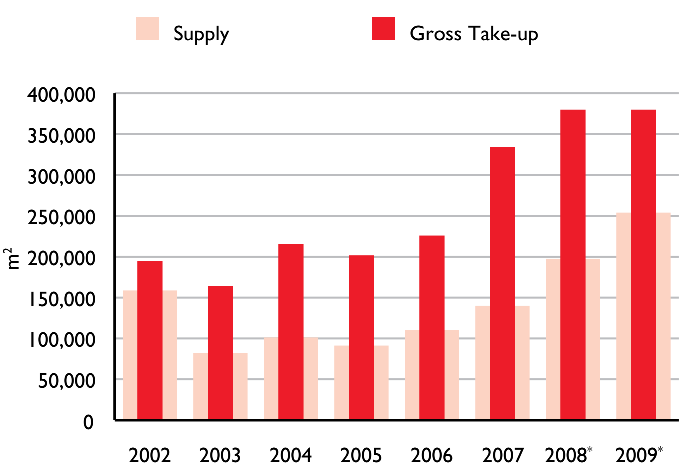
SUPPLY AND GROSS TAKE-UP IN CENTRAL BUSINESS DISTRICT



Source: Cushman & Wakefield Advisory Services, August 2008

* Forecast

SUPPLY AND GROSS TAKE-UP IN NON CENTRAL LOCATIONS



Source: Cushman & Wakefield Advisory Services, August 2008

* Forecast

VACANCY RATES

The vacancy rate which has been affected by a downward trend since 2002 dropped to another historical low of 2.1% for entire Warsaw at the end of the second quarter of 2008. In non-central locations it amounted to barely 1.3%, whereas in the Central Business District (CBD) it was slightly higher and reached 3.5%. These are the lowest vacancy rates recorded in the history of the Warsaw office space market.

In comparison to the end of 2007, the average office space vacancy rate for Warsaw dropped by 0.98 percentage points from the level of 3.08%. The highest rate was recorded in the City Core (5.0%), whereas in Wola the vacancy rate dropped to 0%. The vacancy rates for the Upper Mokotów and for Żoliborz also dropped to 0.9% and 0.5% respectively.

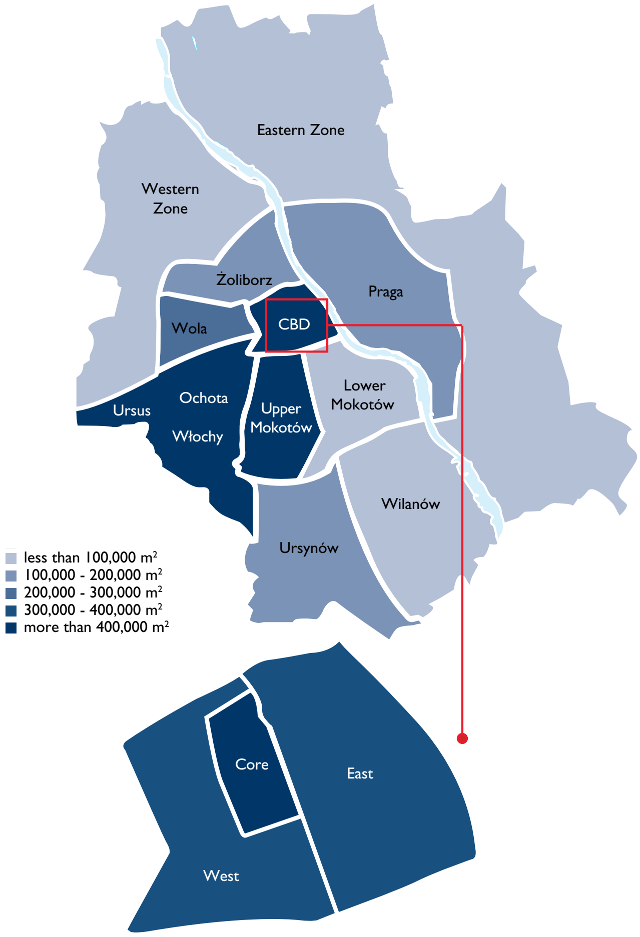
As a result of the record low vacancy rate, the modern office space market in Warsaw is a landlord-led market. At the end of the second quarter of 2008 there was 38,100 sq.m of vacant office space in the CBD, whereas in non-central locations the vacant office space amounted to barely 21,900 sq.m.

The following years will bring a diversification of space availability in the CBD and non-central locations.

Given the low supply, the vacancy rates will continue to be low in the city centre, while non-central locations will see an increase in modern office space availability. However, due to the strong demand, the vacancy rate for office space in non-central locations is not expected to increase considerably.

PLATINIUM BUSINESS PARK, WARSAW

CONCENTRATION OF OFFICE SPACE IN WARSAW



Source: Cushman & Wakefield Advisory Services, August 2008

WARSAW MARKET INFORMATION - FIRST HALF OF 2008	
Location	*Central Business District*
Number of Buildings	93
Stock	1,091,590 m^2
Total Vacancy	38,100 m^2
Vacancy Rate	3.5%

WARSAW MARKET INFORMATION - FIRST HALF OF 2008	
Location	*Non Central Locations*
Number of Buildings	236
Stock	1,749,300 m^2
Total Vacancy	21,900 m^2
Vacancy Rate	1.3%

RENTS

During the year, rental rates in the best locations in the centre of Warsaw remained at the high level of approx. EUR 30 sq.m/month (end of the second quarter of 2008). In the City Core, the headline rental rates may reach EUR 35-38 sq.m/month. In non-central locations rental rates were lower, but reached even approx. EUR 20 sq.m/month, which is up by 14% on the value at the end of 2007.

Service charges average EUR 5-6 sq.m/month in the Central Business District and EUR 3-5 sq.m/month in non-central locations.

The costs of parking spaces are stable and amount to EUR 160-200 space/month in underground car parks in the CBD, EUR 60-110 space/month in underground car parks in non-central locations. No major changes are expected in this respect in the nearest future.

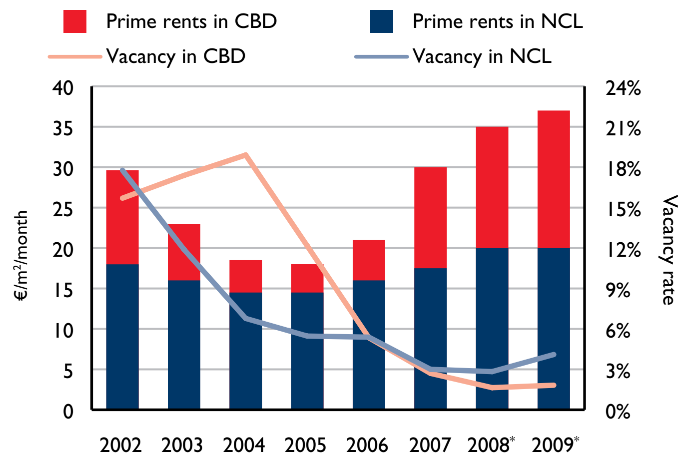
If the scale of the demand is sustained, due to the continuing favourable economic conditions, the next year will most probably maintain an upward trend in rental rates. Rental rates are expected to remain high in downtown Warsaw until 2010 and even rise in selected schemes.

Due to the lowest vacancy rate on record, the scale of incentives for tenants has clearly changed. In the city centre rent-free periods are for 1-3 months, while in non-central locations landlords are more flexible and grant rent-free periods of 4-9 months. However, tenants are less and less frequently offered financial incentives or space fit-outs.

The standard lease term is still 5-10 years, but landlords also accept shorter leases of space in older schemes.

MARYNARSKA BUSINESS PARK, WARSAW

RENTS AND VACANCY IN WARSAW



Source: Cushman & Wakefield Advisory Services, August 2008

* Forecast

STANDARD LEASE TERMS	
Location	*Central Business District*
Rent (sq.m/month)	€ 24 - 35
Underground Parking (space/month)	€ 160 - 200
Surface Parking (space/month)	€ 80 - 160
Service Charge (sq.m/month)	€ 4 - 6
Incentives	Financial contribution Rent free period of 1-3 months Fit out contribution
Lease Length	5 - 10 years
Add-on Factor	0 - 10%
VAT	22%
Indexation	EUR or US CPI
Others	Deposit or bank / company guarantee

STANDARD LEASE TERMS	
Location	*Non Central Locations*
Rent (sq.m/month)	€ 14 - 20
Underground Parking (space/month)	€ 60 - 110
Surface Parking (space/month)	€ 50 - 70
Service Charge (sq.m/month)	€ 3 - 5
Incentives	Financial contribution Rent free period of 4-9 months Fit out contribution
Lease Length	5 - 10 years
Add-on Factor	0 - 10%
VAT	22%
Indexation	EUR or US CPI
Others	Deposit or bank / company guarantee

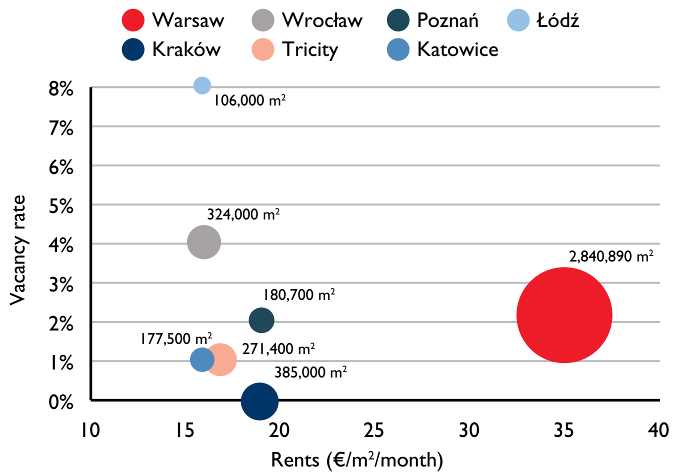
REGIONAL MARKETS

MARKET OVERVIEW

The boom in the office space market throughout Poland continued in the first half of 2008. The strong demand is generated mainly by foreign investors, particularly by IT companies, banks and financial institutions, as well as corporations locating business processing centres (BPOs), companies extending their office space, as well as investors interested in the opportunities offered by the Polish market. Each regional city has its own office space market features and its own projected development directions.

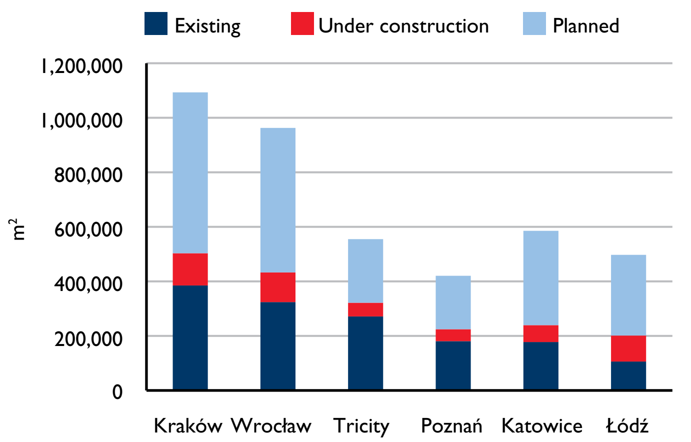
The most developed regional office space markets include Kraków and Wrocław; the runners-up, with smaller supply and demand volumes, are Tricity and Poznań. Prospects of dynamic development are opening up for Katowice and Łódź. The total modern office space stock in the six largest Polish cities, excluding Warsaw, exceeded 1,400,000 sq.m. The end of 2008 and the year 2009 will continue to be a good period for the office space market. The supply of space may increase by another 500,000 sq.m, i.e. by over 30%.

MODERN OFFICE SPACE IN POLAND



Source, Cushman & Wakefield Advisory Services, August 2008

STOCK AND FUTURE SUPPLY IN REGIONAL CITIES



Source: Cushman & Wakefield Advisory Services, August 2008

KRAKÓW

Kraków is the second largest office space market in Poland and its total stock is currently estimated at approx. 385,000 sq.m. This city has frequently been targeted by companies from the BPO sector. The Kraków Technology Park, which attracts largely IT and technological investments, is thriving. Given the historical buildings, most office space (approx. 65%) is located in buildings outside the city centre. The nearly complete lack of vacant office space accompanied by large interest from foreign investors in Kraków encourage developers to undertake new investments.

The office building projects currently in progress will increase the existing stock by approx. 118,000 sq.m, which is approx. 30% of the modern office space stock. The Edison building and Rondo Business Park II were delivered in the first half of 2008. The most important schemes under construction include the following: Kraków Business Park, Portus, Onyx Office and Kazimierz Office Center. As much as 500,000 sq.m of modern office space is planned to be delivered at a later stage, most of which will be in schemes for lease.

In Kraków the demand clearly continues to exceed the supply. A considerable part of space has already been leased, even in projects in the pipeline, an example of which is the lease of 11,600 sq.m by State Street in Kazimierz Office Center, currently under construction. The demand is reported mainly by IT companies, banks and consulting companies.

In mid-2008 the vacancy rate in Kraków stood at 0% for the main buildings. At present, the highest headline rental rates in class A buildings in Kraków stand at EUR 19 sq.m/month, whereas service charges amount to EUR 2.5-4.7 sq.m/month. The average rental rates fall within the range of EUR 13-16 sq.m/month. An upward trend for rental rates can still be expected in 2008, and only the supply of space in the years 2009-2010 may rein in the growth of lease charges.

PORTUS, KRAKÓW

WROCŁAW

Wrocław is the third largest office space market in Poland. In contrast to Kraków, investors in Wrocław plan numerous high-rise buildings. The project for the apartment, office and retail building, Sky Tower, which will be the tallest in Poland, has recently entered the pipeline stage.

The total modern office space stock in Wrocław, most of which is located outside the city centre, amounts to approx. 320,000 sq.m.

The main area of office space concentration is in the western part of Wrocław, along Legnicka and Strzegomska Streets towards the airport. Apart from this most rapidly developing zone of office space, the northern region, particularly Wołowska Street, and the zone of the so-called southern centre are also developing.

Over 108,000 sq.m is under construction in Wrocław and as much as 450,000 sq.m is planned. Apart from local investors such as Archicom, Descont, Devco and LC Corp, foreign developers, including Ghelamco, GTC, Skanska, Verity Development and Grupo Prasa, are also active in this market. The main projects currently in progress are Sky Tower, the next phases of Grunwaldzki Center and Zachodnie Centrum Biznesu.

The demand generators for office space are mainly IT companies, new technology development centres and centres for the development of industry-related investments.

At the end of the first half of 2008 the office space vacancy rate rose slightly compared to the end of 2007 and stood at approx. 4%.

Rental rates amount to EUR 13-16 sq.m/month and service charges fall within the range of EUR 2-4.5 sq.m/month.

BEMA PLAZA, WROCŁAW

TRICITY

The modern office space market in Gdańsk, Gdynia and Sopot (Tricity) is the fourth market in terms of size in Poland (approx. 270,000 sq.m).

Gdańsk, whose modern office space stock is currently estimated at 142,500 sq.m, is the capital city of this region and the largest of the three cities. Due to the rich historical heritage and the compact built-up areas in the city centre, developers are forced to construct modern office buildings away from the centre or to regenerate entire quarters (e.g. post-industrial quarters) to construct new schemes (e.g. Arkońska Business Park). Investments in the Old Town most frequently consist in the reconstruction or adaptation of tenement houses for office needs.

Gdynia, which is a young city, does not have historical buildings. In the city centre, which took shape in the inter-war period, there are many preserved or reconstructed buildings. Międzytorze (an area between the Port and the city centre, which is also called a City Centre Development Zone) is planned to be regenerated and modernised. Gdynia, whose modern office space stock is estimated at 106,000 sq.m, has a considerable amount of land which is located near the city centre and is largely suitable for office investments.

Sopot, the smallest of the three cities, has a clearly touristic and spa nature and with its relatively limited space has its office space stock estimated at 22,000 sq.m.

In 2007 the office space market in Tricity experienced growth dynamics and investors who had noticed an increased demand for modern office space began to construct two main office space complexes: Łużycka Office Park in Gdynia and Arkońska Business Park in Gdańsk. The first buildings of the two complexes were delivered onto the market in the first half of 2008.

At present, in Tricity there is approx. 50,000 sq.m in the pipeline, including the next phases of the Łużycka and Arkońska investments, as well as the office building at 1A Abrahama Street in Gdańsk. Investments in Tricity are planned by developers such as Hines (Quattro Towers), Polimeni and Echo Investment (Tryton).

An interesting project, planned for a long time, is also Młode Miasto (Young City), which provides for the inclusion of approx. 100 hectares formerly owned by the Gdańsk Shipyard in city developments. The construction date has not been confirmed yet.

Investors plan to complete as much as 230,000 sq.m of modern office space within the next few years. However, due to the very low vacancy rate of about 1% and the shortage of major schemes constructed on a speculative basis, tenants cannot expect any drop in lease prices in the nearest future.

At present, the prime headline rental rates remain at approx. EUR 17 sq.m/month and this is unlikely to change much in the nearest future. Service charges fall within the range of EUR 3.5-5.0.

POZNAŃ

Poznań, which has one of the strongest economies of all Polish cities and is closely associated with the Poznań International Fair, is the fifth largest office space market in Poland.

At the end of the first half of 2008 its modern office space stock amounted to approx. 180,000 sq.m. Unlike the other markets described above, a considerable part of the modern office space in Poznań (approx. 60%) is concentrated in the city centre. The most important existing buildings include Globis, Delta House, Poznań Financial Centre and Kupiec Poznański, as well as two buildings constructed in the western part of Poznań: PGK I and PGK II.

The office market in Poznań is clearly experiencing a boom. At the end of the first half of 2008 over 43,000 sq.m was under construction and the most interesting schemes included the next phases of the office complex Malta Office Park. A further 190,000 sq.m of office space is planned. The Poznań market attracts the interest of development companies such as Skanska, Mayland and Echo Investment (extension of Malta Office Park).

The demand for office space rose over the last year. It was generated by new entrants to the Poznań market, as well as companies looking for opportunities to extend their current office space. The supply delivered onto this market is unable to satisfy the demand, which leads to rising rental rates and a falling vacancy rate. After the first half of 2008 the vacancy rate remains at the very low level of approx. 2%. Rental rates in high class buildings in prime locations rose up to EUR 19 sq.m/month, whereas the average rental rates fall within the range of EUR 12-16 sq.m/month.

KATOWICE

The office space market in Katowice is relatively poorly developed and lower standard schemes dominate there.

Modern office buildings constructed in the recent years were completed largely for owners' needs, mainly banks.

This market, however, stands a chance for dynamic development, because investors are showing an increased interest in Katowice (GTC, Skanska, Ghelamco, TriGranit and Echo Investment).

The total modern office space stock in Katowice (class A, B+ and B) stands at over 177,000 sq.m. The highest standard is provided by three office buildings (Chorzowska 50, Altus and Millenium), whereas class B clearly dominates with regard to modern space.

At present, approx. 60,000 sq.m of modern office space is under construction, including Francuska Office Center (GTC) and the last phase of Green Park. A further 340,000 sq.m of modern office space is planned. However, not all the investments planned are likely to be completed within the next few years.

The areas attracting investors' interest in particular are the vicinities of Chorzowska, Roździeńskiego and Francuska Streets.

Katowice, the main city of Upper Silesia, has a shortage of higher standard space at present, which results in the very low vacancy rate of approx. 1% – the lowest level recorded in the last five years.

The highest rental rates remain at a stable level of approx. EUR 16 sq.m/month, while service charges amount to approx. EUR 3.5-4 sq.m/month and vary depending on the building.

LARGEST OFFICE BUILDINGS IN REGIONAL CITIES

Property Name	*City*	*Gross Building Area (sq.m)*
Buma Square Business Park	Kraków	27,000
Centrum Biurowe Lubicz	Kraków	26,000
Bema Plaza	Wrocław	25,000
LOTOS Park (HQ)	Tricity	23,000
Prokom	Tricity	19,900
Rondo Business Park (I & II)	Kraków	17,400
Kraków Business Park 200	Kraków	16,000
Chorzowska 50	Katowice	15,600
Kraków Business Park 400	Kraków	15,000
ERGO HESTIA	Tricity	15,000
Silver Forum	Wrocław	14,500
Poznań Financial Centre	Poznań	14,500
Cracovia Business Center	Kraków	13,650
Centrum Orląt	Wrocław	13,344
Globis	Poznań	13,000

FRANCUSKA OFFICE CENTER, KATOWICE

ŁÓDŹ

Łódź is in the early phase of an office space boom. Developers present in this city (Skanska, GTC, Echo Investment, Mermaid Properties and Lubasa Inmobiliaria) have secured attractive plots, but the majority of them have not begun any investments yet, and are watching the market development closely.

Łódź is slowly changing, trying to take advantage of its chief assets: its central geographical location, proximity to Warsaw, developing transport network, human potential, strong industrial traditions and the relatively low costs of business operation. This city enjoys the interest of investors from the household sector and BPO.

The current modern office space market of approx. 106,000 sq.m is relatively poorly developed. Old buildings in the city centre and the post-industrial buildings away from the centre continue to dominate in Łódź. The modern office space supply is increased by regenerated tenement houses (e.g. Jaracza 47 Prestige) and adapted industrial schemes (e.g. Centrum Biurowe Zenit and Textorial Park).

At present, over 90,000 sq.m of office space is under construction, e.g. University Business Park, the next phases of Textorial Park, Forum 76 and Jaracza 47 Prestige. The total volume of investments planned reaches approx. 250,000 sq.m. The demand for office space is generated mainly by smaller companies generally renting space of less than 400 sq.m. There are few large leases of over 1,000 sq.m in the Łódź market.

At the end of the first half of 2008 the vacancy rate in major office buildings stood at 8%. Rental rates in modern office buildings remained at EUR 13-16 sq.m/month and service charges fell within the range of EUR 3-4.5 sq.m/month.

TRENDS

The following trends may be currently observed in the office space market:

- The largest supply is in Warsaw, where the modern office space market exceeds 2,800,000 sq.m.
- The six largest urban areas, apart from Warsaw, i.e. Kraków, Wrocław, Tricity, Poznań, Katowice and Łódź, offer a total of approx. 1,400,000 sq.m of modern office space.
- There is an increased supply in all the main urban areas. Most leading developers, including Ghelamco, GTC, Echo Investment and Skanska, are making or planning investments in the six largest regional cities.
- 2008 is a year of continued high demand for office space in all the large urban areas, a demand which exceeds the supply and is generated by both foreign and Polish companies.
- Due to the lack of space available, tenants are now looking for offices in schemes under construction. The share of pre-lets is still large both in Warsaw and in the regional cities.
- Due to the insufficient supply level, the vacancy rates remain very low in Warsaw and in other regional cities. Warsaw is seeing the lowest vacancy rates ever in the history of the office space market.
- The high demand and the insufficient supply have also led to steadily rising rental rates in Warsaw, as well as all the regional cities. This trend is likely to continue in the nearest future.

JARACZA 47 PRESTIGE, ŁÓDŹ

OFFICE MARKET DIRECTIONS

City	Supply	Demand	Rents	Vacancy
Poland	↑	↑	↗	↘
Warsaw CBD	↑	↑	↗	↓
Warsaw NCL	↑	↑	↔	↓
Kraków	↑	↑	↗	↔
Wrocław	↑	↔	↔	↑
Tricity	↑	↑	↗	↓
Poznań	↑	↑	↗	↓
Katowice	↑	↑	↗	↓
Łódź	↑	↗	↗	↔

POLAND OVERVIEW

In the first half of 2008 only approx. 200,000 sq.m of modern retail space was delivered onto the market, which was nearly 50 per cent less than in the corresponding period of 2007.

The most spectacular openings in the first half of 2008 included Pestka Poznań and Focus Park Bydgoszcz. However, smaller retail schemes and extensions of existing schemes accounted for a large percentage of the supply.

The marked reduction in the new supply is due to the changing investment strategies of the main developers and investors operating in the Polish market. On account of the increasing retail space saturation in the largest cities, the key players are focusing on small- and medium-sized towns. Over 65% of all retail schemes currently under construction are located there. New openings in these locations are expected in 2009.

At the end of the second quarter of 2008 the stock of modern retail space amounted to approx. 7,750,000 sq.m (202 sq.m per 1,000 inhabitants). Over 65% of this retail space was found in the eight main urban areas (Warsaw Metropolitan Area, Kraków, Łódź, Wrocław, Poznań, Katowice Conurbation, Tricity and Szczecin) and the remaining 35% in small- and medium-sized towns. In the Warsaw agglomeration there was over 1,500,000 sq.m of modern retail space at the end of the second quarter of 2008.

Within the next year and a half nearly 1,900,000 sq.m of modern retail space will be delivered onto the market, mainly in small- and medium-sized towns. A considerable number of previously projected openings have been postponed until 2009, due to, among others, the Act on Large Retail Schemes which was ultimately deemed by the Constitutional Tribunal to be contrary to the Constitution of the Republic of Poland in June 2008.

The demand for modern retail space remains at a stable level with vacancy rates of 0-1% in most locations. Main international and Polish retail chains are continually launching new brands into the market and often increase the floor space of their shops in order to extend their range of products and to ensure a comfortable shopping environment. Retail chains are also becoming more interested in locations in small- and medium-sized towns. There is also a growing interest among exclusive brands to find the best locations for their shops in the centres of large cities.

Rental rates are still subject to an upward trend and diversification, depending on the purchasing power of a given market, availability of premises for lease and the quality of a retail scheme. The rental levels vary significantly and fall within the range of EUR 21-97 sq.m/month for small and medium units in prime locations in a given market.

AGORA, BYTOM

MODERN RETAIL SUPPLY IN POLAND

Source: Cushman & Wakefield Advisory Services, August 2008 * Forecast

RETAIL MARKET DIRECTIONS 2009

City	Supply	Demand	Rental Levels	Vacancy
Poland	↑	↑	↔	↔
Warsaw	↑	↑	↔	↓
Kraków	↑	↑	↑	↓
Łódź	↔	↑	↔	↔
Wrocław	↑	↔	↔	↔
Poznań	↑	↔	↔	↔
Katowice Con.	↑	↑	↑	↓
Tricity	↑	↑	↑	↔
Szczecin	↑	↑	↔	↔

SHOPPING & ENTERTAINMENT CENTRES

At the end of the second quarter of 2008, there were 307 shopping centres in Poland (including shopping centres and hypermarkets with small shopping galleries) with the total space of 5,650,000 sq.m. Over 1,950,000 sq.m was located in medium-sized towns and nearly 3,700,000 sq.m in the eight largest urban areas.

At the end of June 2008, approx. 1,000,000 sq.m of retail space in shopping centres was under construction with as much as 62% in smaller towns. Shopping centres currently built include the following: Galeria Malta in Poznań, Bonarka in Kraków, Auchan in Szczecin, Felicity in Lublin, Galeria Wisła in Płock, Jantar in Słupsk, Alfa in Białystok, Galeria Jurajska in Częstochowa, Galeria Kasztanowa in Piła, Karolinka and Solaris in Opole, Pogoria in Dąbrowa Górnicza and Wzgórze II in Gdynia. Most of these schemes will be delivered in 2009, which will then be a year with an annual supply comparable to that in the record years 1998-1999.

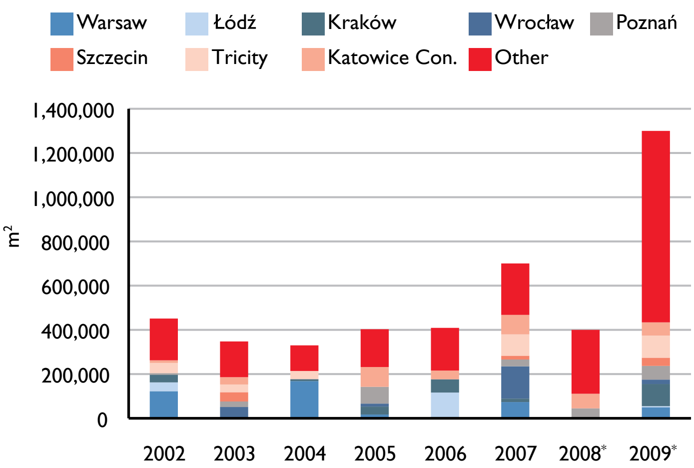
Developers' plans by 2010 provide for an additional 1,500,000 sq.m of shopping centre space located mainly in small- and medium-sized towns. Selected projects in the early stage of construction include the following: Galeria Ostrovia in Ostrów Wielkopolski, Galeria Sanowa in Przemyśl, Focus Park in Gliwice and Agora in Bytom. Projects at the preparation stage in large agglomerations include: Serenada in Kraków, Młode Miasto in Gdańsk and IKEA Port in Łódź.

In this market a dynamic consolidation process is taking place in the non-food sector, whose leaders are the Polish retail chains V&W, LPP and EM&F. The leading Polish retail chains are beginning also a large-scale expansion into Central and Eastern European countries, conquering the markets of these regions.

In the Polish market there is still a strong demand for premises in shopping centres and most schemes are fully leased before they are opened. Developers and investors, however, need to take account of the increasing requirements of tenants related to incentives, including participation in the premises fit-out. The quality of shop fit-outs is clearly rising, which improves the comfort of shopping and the image of retail chains. A new phenomenon is the clearly rising interest of local companies in leasing shopping centre space. They begin to construct their own regional or national retail chains taking advantage of the position of a given shopping centre.

Rental rates for space in shopping centres are in an upward trend and their level is directly related to the purchasing power of a given market. In Warsaw the highest rental rates are within the range of EUR 65-75 sq.m/month, while in large agglomerations they amount to EUR 40-55 sq.m/month. Medium-sized towns offer the best shopping centre space at the level of EUR 34-39 sq.m/month.

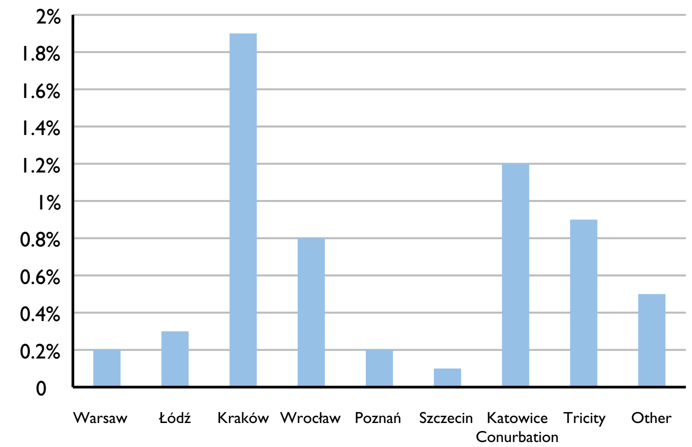
SHOPPING CENTRES IN SELECTED CITIES



Source: Cushman & Wakefield Advisory Services, August 2008

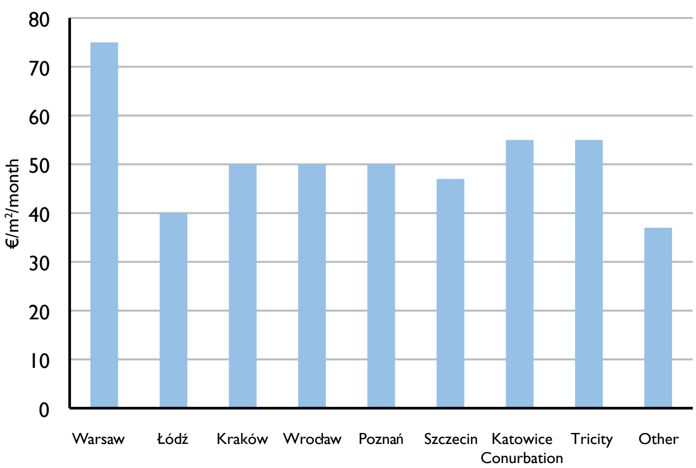
* Forecast

VACANCY IN THE FIRST HALF OF 2008



Source: Cushman & Wakefield Advisory Services, August 2008

PRIME RENTS IN THE FIRST HALF OF 2008



Source: Cushman & Wakefield Advisory Services, August 2008

HIGH STREETS

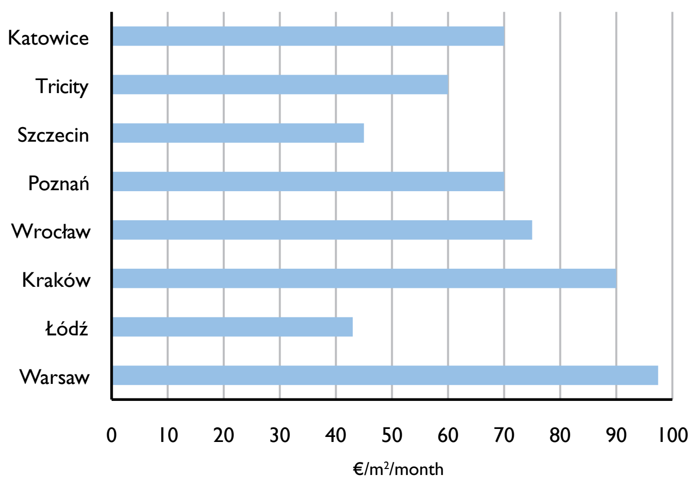
Developers' activities in the high streets of Polish cities are increasing with numerous planned investments also in medium-sized towns. The CDI company plans to modernise and extend a dozen or so old DTC department stores. This will considerably increase the range of products offered in city centres, particularly with regard to exclusive clothing. The most advanced and the largest project of CDI is the extension of the department store Renoma in Wrocław.

Changes to ownership and organisation structures taking place are of key importance to the improvement in developing commercial space in high streets. The long-lasting and painstaking reprivatisation processes are beginning to result in new investments (DT Braci Jabłkowskich) and the support for the return of property "in kind wherever possible" declared by the Warsaw authorities portend well for the development of this property market segment. Warsaw authorities are also implementing large-scale changes to the management of council business premises in order to deregulate rental rates and raise the quality of tenants.

The interest of retail companies in premises in high streets unvaryingly remains at a high level. The systematic increase in the purchasing power entails changes in consumers' shopping habits, while the growing turnovers of retail chains encourage them to expand more rapidly. Their expansion is directed mainly at high streets with a strong pedestrian flow of a business and tourist profile. Retail is supplemented by catering establishments, as a result of which high streets are perceived as places of socialising, leisure and entertainment.

The highest rental rates on high streets of approx. EUR 90-97 sq.m/month are recorded in Warsaw. Rental rates in Kraków amount to EUR 80-90 sq.m/month, whereas in Wrocław they fall within the range of EUR 65-75 sq.m/month, and in Poznań and Katowice they stand at EUR 60-70 sq.m/month.

PRIME RENTS IN THE FIRST HALF OF 2008

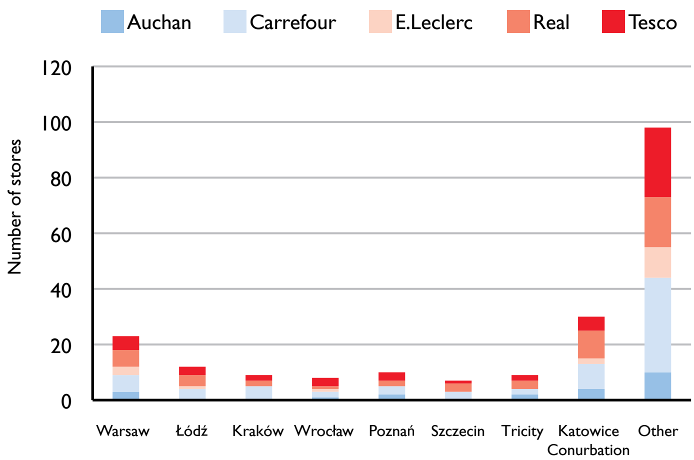


Source: Cushman & Wakefield Advisory Services, August 2008

HYPER AND SUPERMARKETS

The consolidation process of the food sector in Poland at its present stage of development is coming to a close. Following the consolidation in the food discount stores sector, take-overs of smaller food stores continue to be expected. At present, there are approx. 200 hypermarkets operating in the Polish market and they largely form part of shopping centres. There are also several thousand supermarkets and food discount stores in Poland. Carrefour and Tesco continue to expand dynamically both in the form of hypermarkets or supermarkets and "express" food stores. The Real and Auchan hypermarket chains also continue to expand and will open several new stores in 2008-2009: Real in Opole, Słupsk and Dąbrowa Górnicza, whereas Auchan near Szczecin and in Łomianki. Rental rates are rising due to the limited availability of space for large operators. They fall within the range of EUR 6.5-8.5 sq.m/month for hypermarkets and EUR 9-15 sq.m/month for supermarkets.

HYPERMARKETS IN SELECTED CITIES IN THE FIRST HALF OF 2008



Source: Cushman & Wakefield Advisory Services, August 2008

SELECTED INVESTMENTS AT HIGH STREETS

Selected CDI investments at high streets with the completion date - 2010

Scheme Name	*City*	*GLA Retail*	*GLA Office*	*Description*
Renoma	Wrocław	31,000 m²	10,000 m²	Regeneration and extension of a pre-war department store into a downtown shopping centre
Okrąglak	Poznań	1,500 m²	6,000 m²	Regeneration and change of the functions of a former modernist department store in the city centre
Posejdon	Szczecin	4,000 m²	25,000 m²	Regeneration, extension and functions change of a former department store in the city centre, inc. the restoration of the pre-war façade
Dukat	Olsztyn	3,300 m²	250 m²	Regeneration and modernisation of a department store

Source: CDI, August 2008

FACTORY OUTLETS

FACTORY OUTLET CENTER, POZNAŃ

The market of factory outlet centres remains in the state of equilibrium of supply and demand. At the end of the second quarter of 2008 there were six factory outlet centres in Poland with the total floor space of approx. 70,000 sq.m. Over 20,000 sq.m was under construction and approx. 30,000 sq.m was at an advanced planning stage. The key player in this sector is still Neinver, which is developing further investments in Kraków and Warsaw, whereas the Outlet Company is extending its scheme in Sosnowiec. A new trend in the market of factory outlet centres is their extension to include retail parks, e.g. Futura Park Wrocław (Factory Wrocław phase 2), Futura Park Kraków (Factory Kraków phase 2) and Kowale Retail Park (Fashion House Gdańsk phase 2). A new player is also expected to enter the market: McArthurGlen plans to open a factory outlet centre in Park Handlowy IKEA Targówek in 2010. Rental rates for floor space in factory outlet centres reach the level of EUR 17-23 sq.m/month, with the highest rate of EUR 27 sq.m/month.

RETAIL WAREHOUSING

At the end of the second quarter of 2008 there was 1,450,000 sq.m of retail warehouse space in Poland, nearly 25% of which was available in theme retail parks. A further 500,000 sq.m to be delivered by the end of 2009 was in the pipeline.

DIY retail warehouses are developing in Poland mainly as standalone units constructed by Castorama, OBI, Leroy Merlin and Praktiker and smaller units Bricomarche, Nomi, Bricoman and Bricodepot.

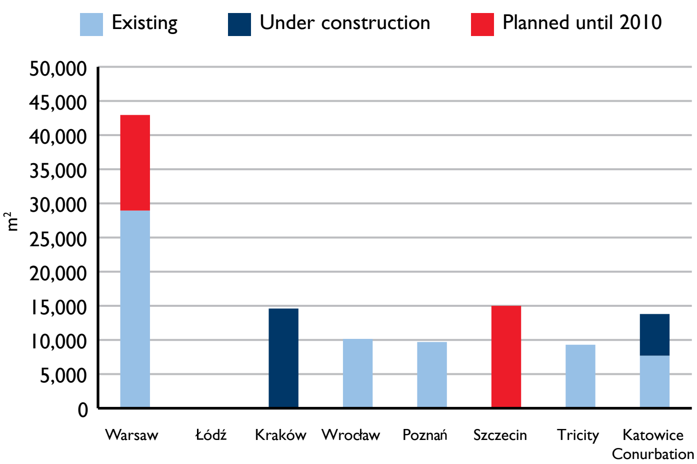
The existing theme retail parks are located on the outskirts of the largest agglomerations and the key players in this market segment include: IKEA, Neinver and Auchan. The developers operating in this segment were joined by Parkridge (MultiPark Świdnica) and Helical (Helical Park Sośnica).

Retail sectors looking for space in theme retail parks are primarily DIY, furniture and homeware sectors, as well as the fashion sector, albeit to a limited extent so far. However, due to the relatively low level of rental rates such schemes may become attractive to tenants from various retail sectors within the forthcoming years.

The minimisation of lease costs is of particular importance in smaller towns on account of the weaker purchasing power of consumers, and the relatively easy access to out-of-town parks guarantees a flow of customers. Karolinka in Opole, which will be delivered in the third quarter of 2008, is a pioneering project of this type.

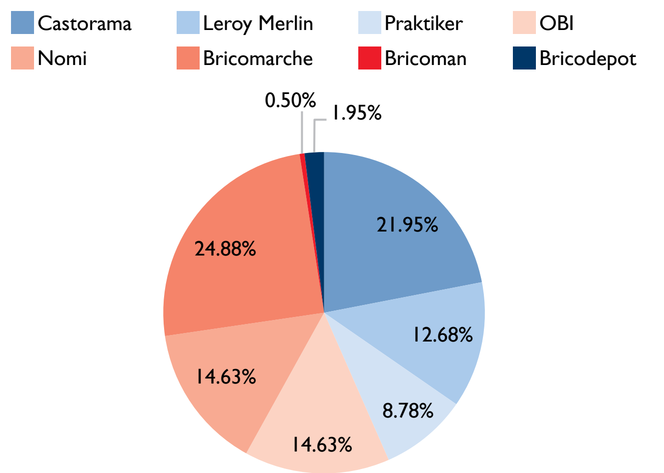
Rental rates for large spaces in theme retail parks fall within the range of EUR 6.5-8.0 sq.m/month.

FACTORY OUTLETS IN THE FIRST HALF OF 2008



Source: Cushman & Wakefield Advisory Services, August 2008

DIY SECTOR IN POLAND IN THE FIRST HALF OF 2008



Source: Cushman & Wakefield Advisory Services, August 2008

OVERVIEW AND TRENDS

Poland remains the most attractive country to locate logistics centres in Central and Eastern Europe. The beginning of 2008 was extremely dynamic for the warehouse space market. In the first quarter, a record volume of leases was noted. The demand in the second quarter was lower than at the beginning of the year, but it was comparable to that for the last quarter of 2007. The situation is stabilising now. In the second half of 2008 the growth dynamics is expected to be lower than in the previous years. The demand is not foreseen to rise by 50% per annum as it has done so far, but will remain at last year's level. However, the credit crunch in US has not affected the warehouse space market in Poland yet. With regard to the supply, the warehouse space market is stable. Further investments are being made, the majority of projects under construction have already been pre-leased, and developers have land available in attractive locations.

The chief factor determining the location of warehouse space is road infrastructure. So far modern warehouses have been constructed in the central and south-western regions of Poland, within large cities and agglomerations: Warsaw, Poznań, Wrocław, Upper Silesia, Central Poland and Kraków. The construction of new schemes has also recently begun in northern Poland (Tricity and Szczecin), and some new schemes will soon be completed in Toruń and Bydgoszcz. The region of south-eastern Poland has not been an attractive location for new investments so far, but this is expected to change with the development of the road infrastructure. Due to infrastructure investments planned within the next few years, the warehouse space market is set to develop in Lublin and Rzeszów. These regions are likely to become attractive on account of the access to cheaper labour force and the proximity to the eastern border. Distribution centres may be set up there to serve Poland's eastern neighbours.

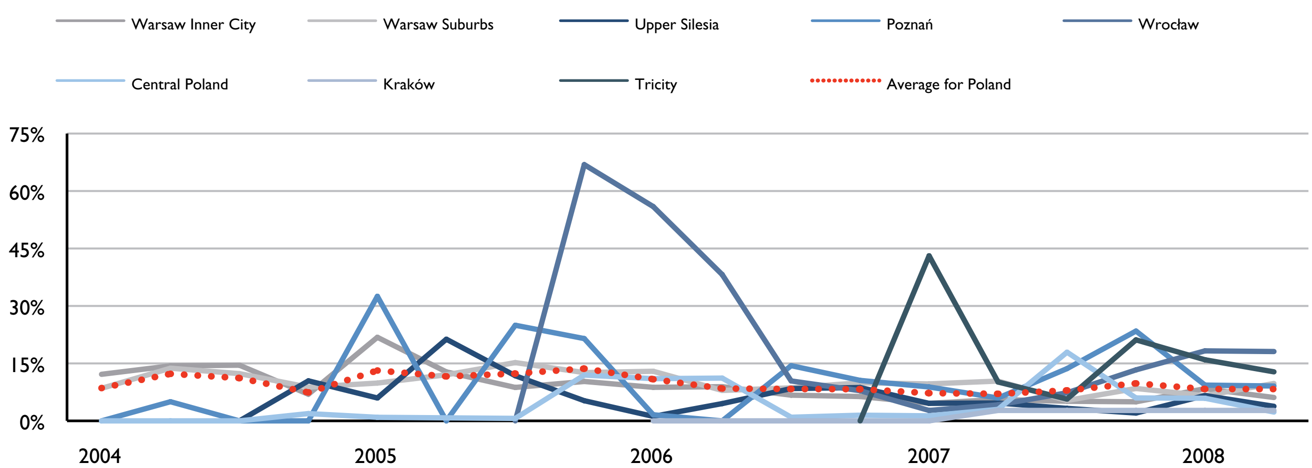
Business parks are offering a new product in the modern warehouse space market: modules of approx. 500 sq.m. Until recently, minimum modules which have been available for lease were units

BIELANY WROCŁAWSKIE

of 2,700 sq.m, which is the reason why companies looking for smaller space had to lease warehouses in older buildings. The small-units model is in place in other European countries and it most frequently combines the functions of warehouse space with modern office space. Due to the rising demand for small modules, the first schemes of this type are being developed by Parkridge in Wrocław and Łódź and by Panattoni in Łódź. Other developers also plan to make investments in Warsaw, Poznań and Upper Silesia.

Rental rates for warehouse space leased vary, depending on the region, proximity to the city centre and access by road. In July 2008 the highest rental rates were paid for warehouses close to the centre of Warsaw, with nominal rental rates reaching as much as EUR 5.5 per sq.m. Since the beginning of the year rental rates have risen by approx. 10-15% and nominal rental rates average EUR 3.3-4.0 per sq.m. Rental rates are expected to rise further within the nearest future.

VACANCY LEVELS IN POLAND



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, August 2008

INDUSTRIAL MARKET DIRECTIONS

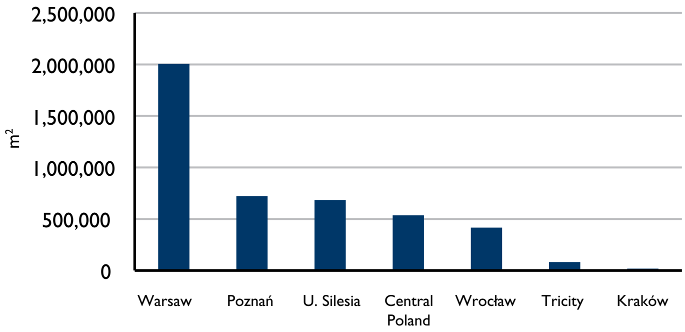
Region	*Supply*	*Demand*	*Rents*	*Vacancy*
Poland	↗	↗	↑	↔
Warsaw	↔	↔	↑	↔
Poznań	↑	↑	↑	↔
Wrocław	↔	↑	↑	↓
Upper Silesia	↑	↑	↑	↑
Central Poland	↑	↔	↔	↑
Tricity	↑	↑	↑	↑
Kraków	↔	↑	↑	↔

DEMAND

The first half of 2008 was another successful six months for the warehouse space market. The total demand for modern warehouses amounted to 864,000 sq.m, which was nearly as much as in the entire 2006 and over 200,000 sq.m higher than in the first half of 2007. Companies from the logistics sector, which have been one of the main generators of demand for modern warehouses for a few years, concluded 35% of all the transactions. Retail chains (17%) came second and were followed, depending on the region, by companies from the food sector (6%), the manufacturing sector (6%), the paper industry (3%) and the cosmetics sector (3%).

Warsaw remains the most attractive location in terms of warehouse space leased. In the first half of 2008, 266,500 sq.m was leased in Warsaw, which means that every third transaction in Poland was concluded in this region. Central Poland, with 180,000 sq.m, came second and it was here that the largest lease in Poland, for 56,000 sq.m, was made by the retail chain Leroy Merlin. It was followed by Upper Silesia (161,000 sq.m), Poznań (137,500 sq.m) and Wrocław (108,500 sq.m). Given the leases signed, the leading developers are Panattoni (31% market share), ProLogis (28%) and SEGRO (11%).

STOCK BY LOCATION

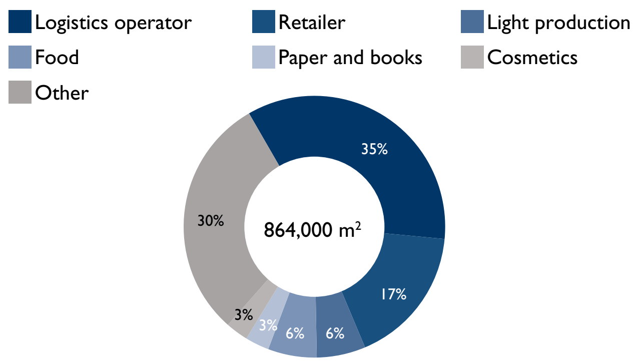


Source: Cushman & Wakefield Advisory Services, www.industrial.pl, August 2008

SUPPLY

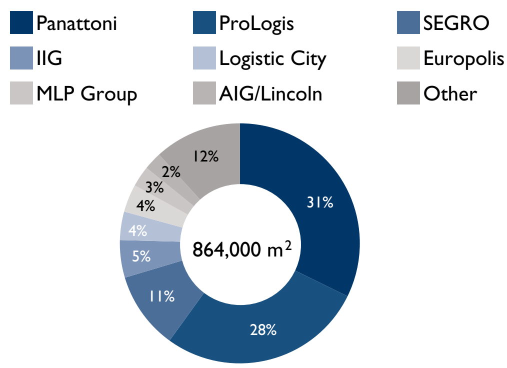
645,000 sq.m of modern warehouse space was delivered in the first half of 2008, which raised the total stock in Poland up to approx. 4,460,000 sq.m. The dominant market is still Warsaw with 45% of the total stock. After the Warsaw region, the largest stock is noted in Poznań (16%), Upper Silesia (15%) and Central Poland (12%). In terms of the dynamics of warehouse space growth, the Wrocław region, where the supply rose twofold compared to the end of 2007, took the lead. This resulted in Wrocław's share in the total stock in Poland increasing up to 9%. During that time the vacancy rate dropped to 8.3% compared to 9.8% at the end of 2007. The highest vacancy rate was in Wrocław (18.1%). However, this does not mean that the demand for warehouse space in this region is weakening. In the first six months of 2008, a record volume of newly constructed space was delivered there, for which no leases have been made yet, though. Less space is under construction in Poland than it was at the end of 2007, a total of 1,064,000 sq.m is in the pipeline. The rate of space leased at the construction stage is high – in July 2008 it amounted to 43%. The concentration of new space is in Warsaw as every third new development being constructed is located in the Warsaw region (328,000 sq.m). Other dynamically developing regions are Central Poland, where over 305,000 sq.m is now under construction (45% of this space has already been leased), and Upper Silesia, where nearly 214,000 sq.m of warehouse space is under construction (60% has already been leased).

TAKE-UP IN POLAND BY SECTOR



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, August 2008

DEVELOPERS MARKET SHARE BY TAKE-UP



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, August 2008

WARSAW REGION

WARSAW MARKET DIRECTIONS		
Existing Stock	2,005,000 m²	
Stock Under Construction	328,000 m²	
Vacancy Rate	8.8%	
Deals	266,500 m² (1st half of 2008)	
Major Landlords	Panattoni, ProLogis, SEGRO, MLP Group, Europolis, Europa Distribution Center, Apollo-Rida	
Warsaw Inner City Zone		
Nominal Rents	€ 4.5 - 5.5 m²/month	
Effective Rents	€ 4.5 - 5.5 m²/month	
Warsaw Suburbs Zone		
Nominal Rents	€ 3.2 - 4.0 m²/month	
Effective Rents	€ 2.9 - 3.5 m²/month	
EXAMPLES OF DEALS		
Building	*Company*	*Size*
Europolis Park Błonie	Trans Południe	22,000 m²
Panattoni Park Pruszków	Ceva Logistics	17,500 m²
ProLogis Park Warsaw II	Stalgast	12,700 m²

Warsaw remains the most developed warehouse space market, but its share in the total stock is systematically falling. Only 36% of the warehouse space delivered in the first half of 2008 was located in the Warsaw region.

At the end of the first half of 2008 the supply in this region amounted to 2,005,000 sq.m (45% of the Polish stock) and a further 328,000 sq.m was under construction.

The demand for warehouse space in the capital city is still the highest of all the regions, for which reason this market is very attractive to developers, particularly those who previously acquired land for investments.

The road infrastructure determines the development areas within the vicinity of Warsaw. A decisive factor in the choice of location is the A2 motorway construction to be completed in 2010 and the construction of ring-roads as well as the modernisation of trunk roads within the Warsaw agglomeration.

A distinctive feature of this market is the clear division into two zones which differ from each other primarily in rental rates, the volume of average transactions and the sector of tenants.

The Warsaw warehouse market is made up of the Inner City, which is within the administrative borders of Warsaw, and the Suburbs, which is the area located within 12-50 km from the city centre.

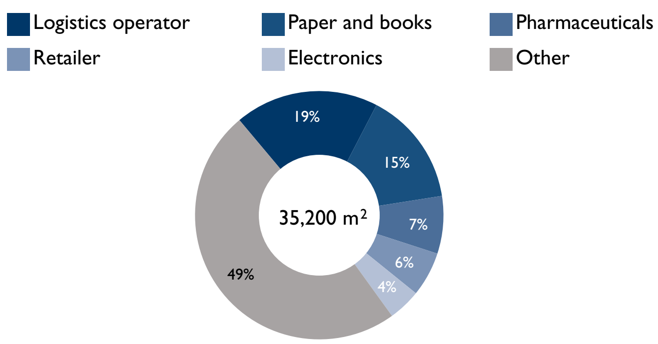
Warehouse parks within the borders of Warsaw are located in the northern districts (Targówek and Żerań) and the south-western districts (Okęcie and Służewiec). Since early 2007 the supply has unvaryingly amounted to 489,000 sq.m, and additional space will not be delivered until the end of the third quarter of 2008. The developer ProLogis is completing its construction of 38,000 sq.m in the warehouse park ProLogis Park Warsaw II. A total of nearly 55,000 sq.m is under construction. Space in this zone is leased by companies selling high value consumables to the local consumer market. In the first half of 2008 the largest amount of space was leased by logistics operators (19%), companies from the paper industry (15%), the pharmaceutical sector (7%) and retail chains (6%).

Due to the insufficient availability of land for investments and the high costs of land, rental rates in the Inner City are the highest of all the regions and fall within the range of EUR 4.5-5.5 sq.m/month. This affects the volume of transactions concluded for space between 1,000 and 3,000 sq.m.

The supply in the Suburbs is concentrated largely in locations to the south and west of Warsaw (Piaseczno, Błonie, Ożarów Mazowiecki, Nadarzyn, Pruszków, Mszczonów, Sochaczew, Teresin and Góra Kalwaria). The warehouse space stock in this zone is the highest of all the regions and stands at 1,516,000 sq.m, which constitutes 34% of the total supply in Poland.

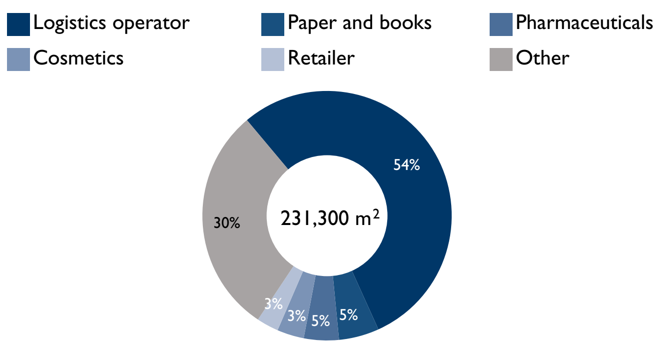
The demand for space in the Suburbs was also the highest of all the regions and a total of approx. 231,000 sq.m was leased in the first half of 2008. Companies from the logistics sector leased as much as 54% of space available and, as in the case of the Inner City, they were followed by companies from the paper industry (5%) and the pharmaceutical sector (5%).

TAKE-UP BY SECTOR IN WARSAW INNER CITY



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, August 2008

TAKE-UP BY SECTOR IN WARSAW SUBURBS



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, August 2008

POZNAŃ REGION

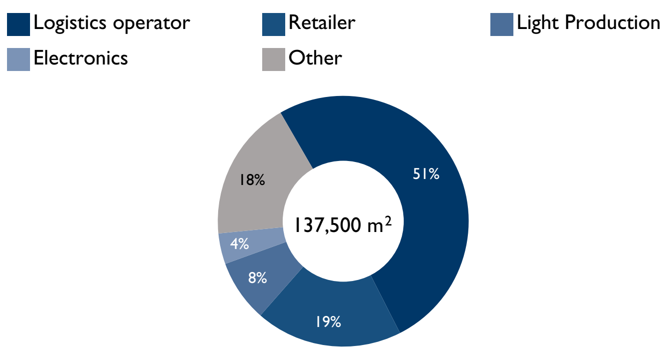
POZNAŃ AREA MARKET DIRECTIONS	
Existing Stock	721,000 m²
Stock Under Construction	106,000 m²
Vacancy Rate	9.1%
Deals	137,500 m² (1st half of 2008)
Nominal Rents	€ 3.2 - 3.5 m²/month
Effective Rents	€ 2.9 - 3.2 m²/month
Major Landlords	Panattoni, ProLogis, SEGRO, CLIP

EXAMPLES OF DEALS		
Building	*Company*	*Size*
Panattoni Park Poznań II	Van Cargo	15,800 m²
Tulipan Park Poznań	Żabka	15,700 m²
Panattoni Park Poznań II	Arvato Bertelsmann	10,600 m²

The warehouse space market in Poznań is slowly maturing. In the first half of 2008 the demand continued to be very high, but the growth dynamics was lower than last year. In the first two quarters of 2008 a total of 137,500 sq.m was leased, which was 16% more than in the corresponding period of 2007 (compared to 2006, the demand rose by 60% in the first half of 2007). Poznań is the second largest warehouse space market in Poland following the Warsaw region. At the end of the first half of 2008 the supply amounted to 721,000 sq.m and a further 106,000 sq.m was under construction. However, developers who have secured the land for investments can now construct more warehouses with the total space of approx. up to 600,000 sq.m.

The development of the Poznań region is determined mainly by its road infrastructure. The warehouse parks are concentrated in two locations along the A2 motorway and the E30 main road. Long-term plans provide for investments along the S11 main road, adjacent to the road section constituting the ring-road of Poznań up to the A2 motorway, and along the S5 main road towards Wrocław. In the first half of 2008 logistics companies made as much as 51% of the leases in Poznań and their share in the total demand is rising every year. Other tenants included mainly retail chains and companies from the manufacturing and electronic sectors.

TAKE-UP BY SECTOR IN POZNAŃ REGION



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, August 2008

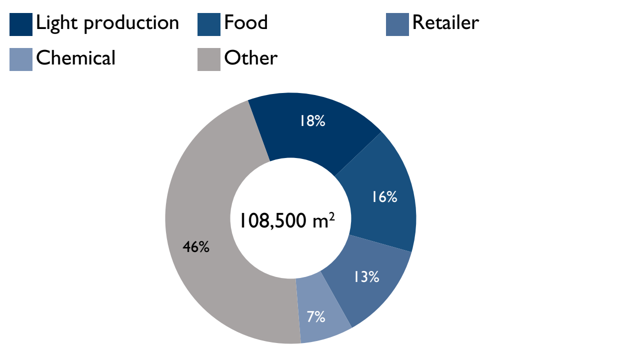
WROCŁAW REGION

WROCŁAW AREA MARKET DIRECTIONS	
Existing Stock	416,000 m²
Stock Under Construction	31,000 m²
Vacancy Rate	18.1%
Deals	108,500 m² (1st half of 2008)
Nominal Rents	€ 3.3 - 3.7 m²/month
Effective Rents	€ 3.0 - 3.5 m²/month
Major Landlords	ProLogis, Panattoni, Tiner

EXAMPLES OF DEALS		
Building	*Company*	*Size*
Panattoni Park Wrocław	Sauer-Danfoss	20,000 m²
IIG	Keiper	18,800 m²
ProLogis Park Wrocław III	Emperia Holding	13,600 m²

Nearly 140,000 sq.m was delivered in the Wrocław region in the first half of 2008. Since December 2007 the supply had risen by 50%, which raised the total modern warehouse space stock up to 416,000 sq.m at the end of July 2008. Warehouses in this region are concentrated near the A4 motorway, in Bielany and Kąty Wrocławskie. At the end of the first half of 2008 there was only 31,000 sq.m under construction in the Wrocław region. This space was being constructed by the developer IIG on the individual order of Lenovo (the factory in Legnica is the company's first investment in Europe). This changed at the end of July 2008 when more warehouse space began to be constructed in Wrocław in the following parks: Panattoni, ProLogis and Parkridge. This region has huge potential, and further projects are planned for the nearest future along the A4 motorway towards the German border in Nowa Wieś and Pietrzykowice. The urban zone is also developing intensively, and in particular the southern part of Wrocław in the vicinity of Avicenny Street and in the north-eastern part of Wrocław near the exit towards Warsaw – both areas owing their development to the planned western motorway ring-road of the city. In the first half of 2008 leases were already signed for over 108,000 sq.m in Wrocław, compared to the demand of 133,000 sq.m in entire 2007. The chief tenants included companies from the manufacturing and food sectors, as well as retail chains.

TAKE-UP BY SECTOR IN WROCŁAW REGION



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, August 2008

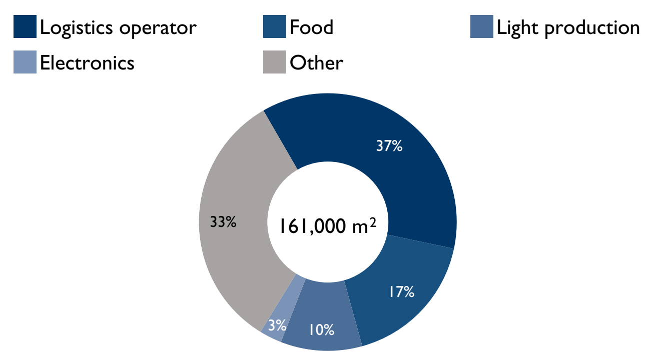
UPPER SILESIA

UPPER SILESIA MARKET DIRECTIONS		
Existing Stock	685,000 m²	
Stock Under Construction	214,000 m²	
Vacancy Rate	3.8%	
Deals	161,000 m² (1st half of 2008)	
Nominal Rents	€ 3.2 - 3.4 m²/month	
Effective Rents	€ 3.0 - 3.5 m²/month	
Major Landlords	Panattoni, ProLogis, SEGRO, MLP Group	
EXAMPLES OF DEALS		
Building	*Company*	*Size*
Panattoni Park Mysłowice	Coca-Cola	18,200 m²
ProLogis Park Będzin	CP	11,500 m²
ProLogis Park Sosnowiec	Wincanton	11,300 m²

In the Upper Silesian region the total modern warehouse space stock is estimated at 685,000 sq.m and has increased by over 120,000 sq.m since the beginning of 2008. There is intense interest in investments in this region, but the shortage of good quality land that has been unaffected by mining or contamination continues to be a barrier. Due to the lack of space for immediate lease, the supply could not satisfy the demand in the first half of 2008. Leases were signed for 161,000 sq.m.

The attractiveness of Upper Silesia is mainly a result of its geographical location and road infrastructure. Thanks to the close proximity to Germany, the Czech Republic and Slovakia as well as good access to other areas in Poland, it is possible to serve clients from Poland and abroad. The construction of the A1 motorway and the interchange linking it with the existing A4 motorway in Gliwice further strengthens the position of Upper Silesia as a logistics centre. In the first half of 2008 logistics operators signed leases for nearly 55,000 sq.m, which accounted for 37% of all the transactions in this region. The population of Upper Silesia is also of major importance to the development of this region on account of the large consumer market and access to the qualified labour force. In the first half of 2008 the demand increased among food companies which signed 17% of all the leases, and manufacturing companies which leased 10%.

TAKE-UP BY SECTOR IN UPPER SILESIA REGION



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, August 2008

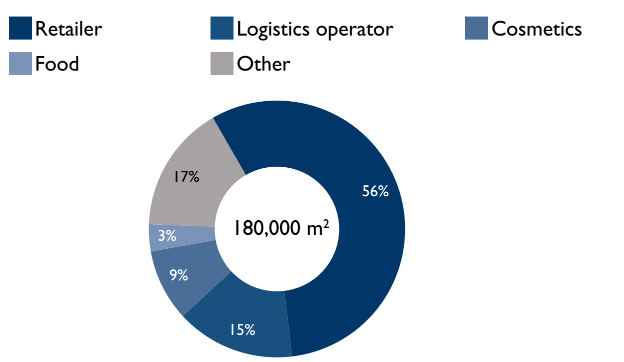
CENTRAL POLAND

CENTRAL POLAND MARKET DIRECTIONS		
Existing Stock	535,000 m²	
Stock Under Construction	305,000 m²	
Vacancy Rate	2.3%	
Deals	180,000 m² (1st half of 2008)	
Nominal Rents	€ 3.2 - 4.0 m²/month	
Effective Rents	€ 2.8 - 3.7 m²/month	
Major Landlords	Panattoni, SEGRO, ProLogis, Europolis, Logistic City, AIG/Lincoln	
EXAMPLES OF DEALS		
Building	*Company*	*Size*
Panattoni Park Stryków	Leroy Merlin	56,000 m²
Logistic City	Jysk	25,000 m²
Tulipan Park Stryków	Cosmetics Essence	16,000 m²

In the first half of 2008 the modern warehouse space stock in Central Poland amounted to 535,000 sq.m. A distinctive feature of this region is that warehouses are concentrated in three locations: Łódź, Stryków and Piotrków Trybunalski. With regard to the road infrastructure in Central Poland, Stryków is the most convenient location. At the end of the second quarter of 2008, the stock under construction in Central Poland amounted to 305,000 sq.m, 44% of which was located in Stryków. The large availability of land which leads to a reduction in investment costs and lower rental rates is of no small importance to the development of the vicinity of Piotrków Trybunalski.

It is primarily companies looking to locate large distribution centres that are interested in leasing warehouse space in the Central Poland region. In the first half of 2008 over 70% of all the transactions were concluded for space exceeding 10,000 sq.m, and leases were made for a total of nearly 180,000 sq.m. The demand is generated mainly by companies from the retail sector which leased a total of over 100,000 sq.m in four leases. Logistics operators choosing this region came second with a 15% share in the transactions concluded.

TAKE-UP BY SECTOR IN CENTRAL POLAND REGION



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, August 2008

TRICITY REGION

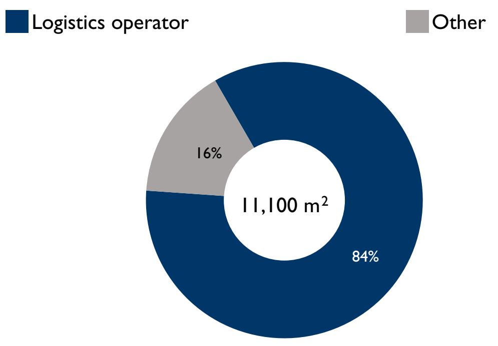
TRICITY AREA MARKET DIRECTIONS	
Existing Stock	82,000 m²
Stock Under Construction	20,000 m²
Vacancy Rate	12.8%
Deals	11,100 m² (1st half of 2008)
Nominal Rents	€ 3.5 - 3.7 m²/month
Effective Rents	€ 3.0 - 3.5 m²/month
Major Landlords	ProLogis, Panattoni, BIK

EXAMPLES OF DEALS		
Building	*Company*	*Size*
ProLogis Park Gdańsk	Schenker	5,300 m²
ProLogis Park Gdańsk	Rohlig	4,100 m²
ProLogis Park Gdańsk	Saint Gobain	1,700 m²

In 2007 a stagnation was seen in the development of the warehouse space market in the Tricity region. The supply had not changed since the first half of 2007 and continued to amount to 82,000 sq.m at the end of July 2008. However, due to the rising demand there will be more space for lease in the nearest future – 20,000 sq.m is under construction in the existing warehouse park ProLogis Park Gdańsk. New investors have recognised the potential of Tricity and plan further investments. The developer Panattoni is opening a logistics centre, Panattoni Park Gdańsk, where the total volume of space offered exceeds 40,000 sq.m. Its buildings will be delivered at the beginning of 2009. Two other developers AIG/Lincoln and SEGRO are preparing their projects.

Due to the limited supply, in the first half of 2008 leases in Tricity were made for 11,100 sq.m. This will change soon, because the negotiations for the space at ProLogis Park Gdańsk, which is under construction, are at an advanced stage. The chief tenants are companies from the logistics sector which signed as many as 84% of all the leases in the first half of 2008. The demand for space in this region results mainly from the development of the transport infrastructure (the A1 motorway will link Tricity with Central and Southern Poland), access to the Baltic Sea through the ports in Gdańsk and Gdynia, and the large consumer market.

TAKE-UP BY SECTOR IN TRICITY REGION



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, August 2008

KRAKÓW REGION

KRAKÓW AREA MARKET DIRECTIONS	
Existing Stock	18,000 m²
Stock Under Construction	17,400 m²
Vacancy Rate	2.7%
Deals	0 m² (1st half of 2008)
Nominal Rents	€ 3.8 - 4.0 m²/month
Effective Rents	€ 3.5 - 3.9 m²/month
Major Landlords	BIK, Panattoni, Goodman

The supply in Kraków has unvaryingly stood at 18,000 sq.m since 2006. This will change at the end of 2008 on account of two new investments made in this area. The Goodman Company is developing the Cracow Airport Logistics Centre project in Modlniczka and plans to construct 158,000 sq.m of space on 31.5 ha of land. The other warehouse park, Panattoni Park Kraków, with the target space of 17,400 sq.m is being constructed in Skawina, close to the Kraków ring-road. Due to the lack of vacant space, no lease was made in the first half of 2008. Only at the beginning of the third quarter did the logistics operator KMC-Services sign a lease for 8,600 sq.m in the Cracow Airport Logistics Centre which is under construction.

SZCZECIN REGION

The warehouse market in the Szczecin region is at the early stage of development. At the end of 2007 the first modern warehouse space began to be constructed at ProLogis Park Szczecin. The first phase – nearly 43,000 sq.m – of this investment is scheduled to be completed in the third quarter of 2008. The inadequate transport infrastructure connecting this area with the rest of Poland is a major barrier to the development of this region.

OVERVIEW AND TRENDS

MARKET CONDITIONS

After the boom which had lasted for over three years, in 2008 the Polish residential market entered a period of mid-term composure as a result of trends on the domestic and global housing markets.

SUPPLY TRENDS

The Polish residential market still continues with a large housing supply which is expected to reach its peak in 2008-2009. The future two-year supply is estimated at 15-20% higher than the results recorded in 2007. Developers have gained over 40-45% of the market and are likely to further increase their market share.

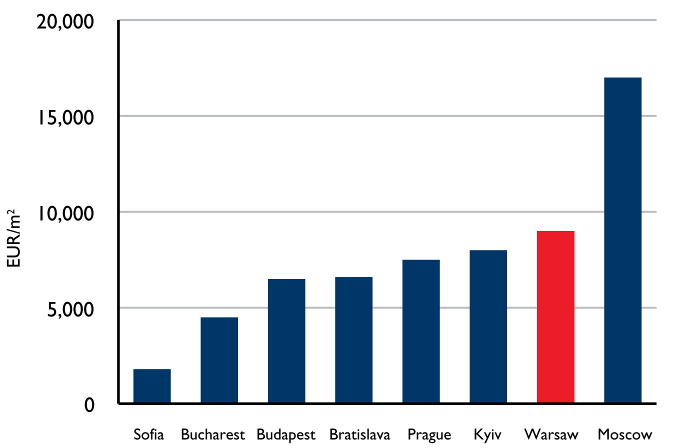
Due to a stable and sufficient demand for low-priced flats, lower-market developments are expected to increase their share in the residential supply structure, particularly if taking into account the fact that the market already has an abundance of mid- and upper-segment investments. Concurrently, in addition to the typical residential apartment developments, the Polish residential market has provided investors with opportunities to develop niche market projects, such as luxury premises, refurbishments and regenerations, among others. However, a certain tendency to re-design planned residential developments, i.e. towers, into projects of office and hospitality functions is currently observed in Poland. This is expected to decrease residential supply in the mid-term perspective.

Currently competition on the market is high and it will be further strengthened by the overall market development as well as a large influx of new apartments on the secondary market that were bought for purely investment and speculative purposes in previous years.

KSAWERÓW APARTMENTS, WARSAW

WYŚCIGOWA RESIDENCE, WARSAW

PRIME PRICES IN SELECTED EUROPEAN CAPITALS*



Source: Cushman & Wakefield Advisory Services, August 2008

* Due to EUR / local currency exchange rate

RESIDENTIAL MARKET DIRECTIONS

	Supply	Supply of luxury properties	Demand	Price level
	↑	↑	↔	↔
FIRST WAVE MARKETS — Warsaw, Kraków, Wrocław	↑	↑	↔	↔
SECOND WAVE MARKETS — Tricity, Łódź, Katowice, Poznań	↑	↑	↔	↔
OTHER MARKETS — e.g. Szczecin, Bydgoszcz, Lublin	↑	↔	↔	↔

DEMAND TRENDS

Consumer activity on the Polish residential market has scaled down considerably as potential purchasers prefer to bide their time, keeping an eye on the behaviour of the market. Beside that, speculative capital is considered to leave the Polish residential market and consequently strengthen the negative demand-side effects.

The sell-out rate dropped to approx. 50-60% and the sale period increased twofold in comparison to previous years. However, in the mid-term, the residential demand is likely to recover due to Polish people's positive economic expectations and the anticipated demand of labour emigrants who are likely to return to Poland.

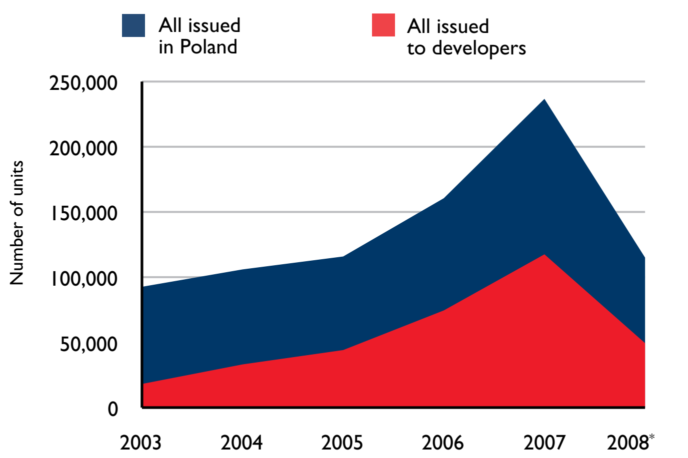
Because of the high supply growth and the moderate demand, the Polish residential market transformed from a developer-led market to a consumer-led market. As this phenomenon seems to be irreversible, the residential market is likely to continue with better market conditions and more possibilities for buyers, as well as increased competition among developers.

PRICE TRENDS

The current situation has led to certain stabilisation of residential prices and moved them towards their authentic level. Since then developers have started employing extensive promotional strategies to facilitate sales. It has led to an increase in the gap between the nominal and transaction prices of residential property in Poland.

VRATISLAVIA PROMENADES, WROCŁAW

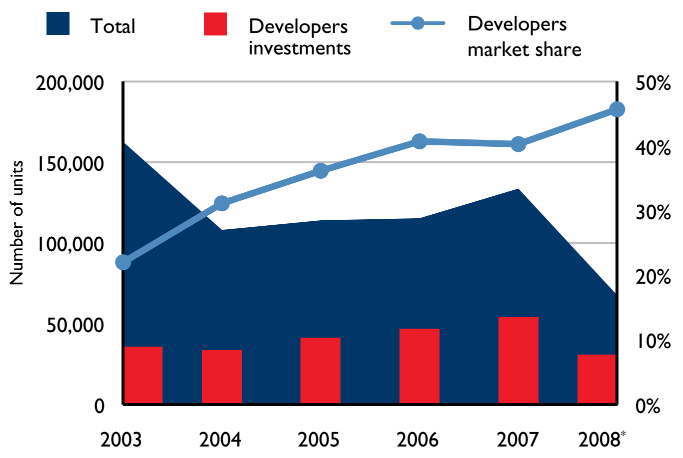
BUILDING PERMITS ISSUED



Source: CSO, Cushman & Wakefield Advisory Services, August 2008

* Ist half of 2008

SUPPLY CHARACTERISTICS



Source: CSO, Cushman & Wakefield Advisory Services, August 2008

* Ist half of 2008

FIRST WAVE MARKETS

WARSAW, KRAKÓW, WROCŁAW

The major housing markets of Warsaw, Kraków and Wrocław reflect the key tendencies of the Polish residential market and are experiencing mid-term stabilisation.

Despite this, the major housing markets are enjoying the largest volume of new construction, comprising over 20% of the total number of completed residential investments in Poland. Developers' activities on these markets are estimated at 60-70% and are likely to follow an upward tendency in the mid-term.

The forthcoming supply is expected to increase by around 10-15% p.a. in 2008-2009. In particular, developers will focus on the projects located in attractive residential destinations and targeted at the local consumer market.

Furthermore, large numbers of apartments bought for investment purposes in 2005-2007 are assumed to flow back onto these markets. This makes the major Polish markets much more competitive than the markets in regional cities in Poland.

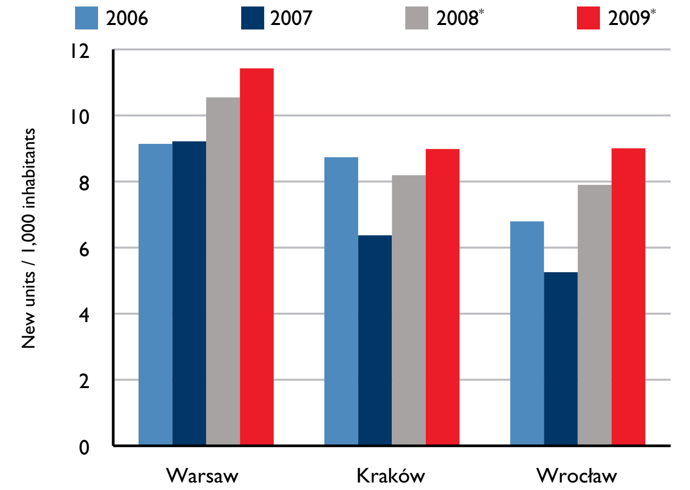
Currently, the level of housing needs in Warsaw, Kraków and Wrocław is still high, but the actual residential demand is low. Mid-term Warsaw, Kraków and Wrocław housing markets should expect consumers' caution and higher selectivity towards residential purchases rather than immediate absorption of all offered developments as was observed earlier. Luxury and high quality projects in prime locations as well as lower-priced schemes are likely to enjoy greater interest from potential consumers.

Smaller and mid-sized low-rise projects are traditionally enjoying popularity among potential consumers. However, an increased interest in larger apartments has recently been recorded. Moreover, developers have increased their turn-key solutions for apartments delivered, although consumers still prefer units in the developer finishing standard.

After the dramatic slow-down of the price growth to approx. 10-15% in Warsaw and Wrocław, and 5% in Kraków in 2007, the major residential markets are now experiencing a certain price stabilisation, given the general price trend. Despite this, these cities are likely to continue with the highest level of residential prices in Poland.

In 2008 average prices in Warsaw, Kraków and Wrocław are expected to fluctuate around their current level. The price changes will be related to the situation on the financial and mortgage markets, as well as overall economic conditions in Poland.

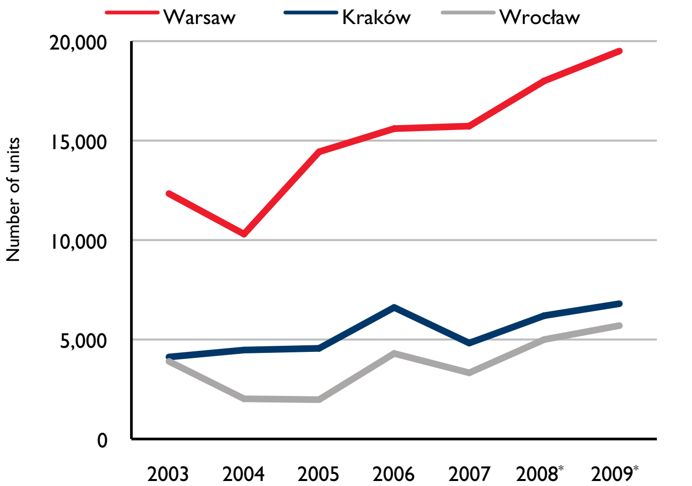
NEW CONSTRUCTION DYNAMICS



Source: CSO, Cushman & Wakefield Advisory Services, August 2008

* Forecast

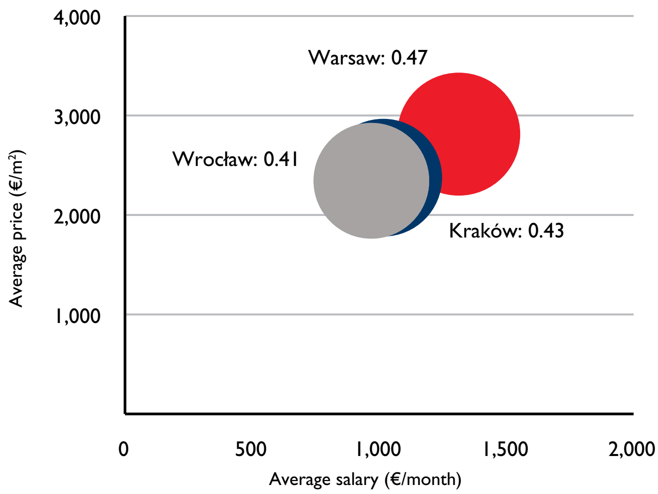
RESIDENTIAL SUPPLY



Source: CSO, Cushman & Wakefield Advisory Services, August 2008

* Forecast

AFFORDABILITY (m² / salary)



Source: CSO, Cushman & Wakefield Advisory Service, August 2008

SECOND WAVE MARKETS

TRICITY, ŁÓDŹ, POZNAŃ, KATOWICE

Tricity, Łódź, Poznań and Katowice have emerged as prospective residential destinations in terms of supply, demand and price growth since the second half of 2006. In 2007 these cities enjoyed a rapid improvement of their housing markets in both the quantitative and qualitative sense. However, due to the general housing trends, these cities are likely to suffer from the decreased demand.

The residential supply in these cities is demonstrating an upward tendency. In 2008 new construction volume in Łódź and Katowice is likely to increase by 20-30%, whereas Tricity and Poznań's supply is to grow by approx. 10-15%. As in major cities, the primary market developments in regional centres are expected to compete with the new secondary market apartments (previously purchased for speculative purposes).

The quality of new residential construction in Tricity, Łódź, Poznań and Katowice has improved. The mid-term supply will mainly include lower/mid-market schemes with a certain number of upper-segment investments. Moreover, the cities are enjoying the interest of investors in developing niche markets such as the segments of holiday apartments (Tricity) and revitalisations, among others.

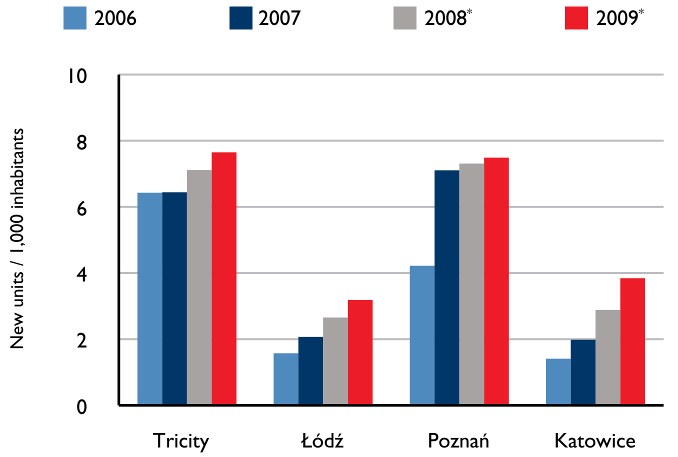
The declared residential demand in these cities exceeds supply. However, the market shortfall found in Tricity, Łódź, Poznań and Katowice is not as large as in the major Polish cities. These markets, with the exception of Tricity, are considered local in terms of demand. Due to its coastal location and, thus, larger investment and residential lease opportunities, the Tricity residential market is more diversified in terms of client classification.

The mid-term demand in the regional centres will be determined by the future economic environment in the country and the market conditions of the Polish housing segment.

In Tricity, Łódź, Poznań and Katowice consumers' preferences are similar to the Polish average, i.e. the developer finishing standard apartments in 3-5 storey smaller/mid-scale estates.

After residential prices in regional destinations (unlike in major Polish cities) largely increased in 2007, they are now stabilizing and likely to remain steady or show a weak upward trend. The price fluctuations are likely to depend on the future status of the overall residential market and the economic conditions in Poland.

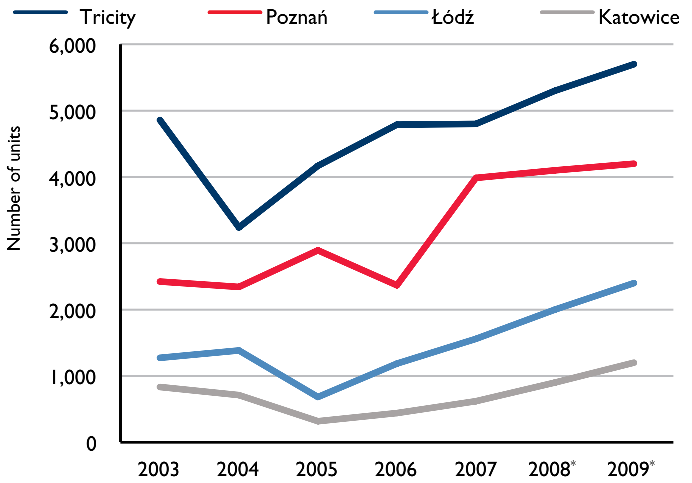
NEW CONSTRUCTION DYNAMICS



Source: Cushman & Wakefield Advisory Services, August 2008

* Forecast

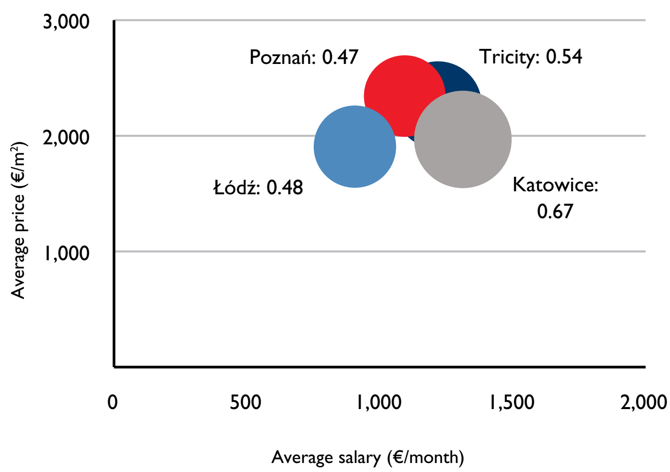
RESIDENTIAL SUPPLY



Source: CSO, Cushman & Wakefield Advisory Services, August 2008

* Forecast

AFFORDABILITY (m² / salary)



Source: CSO, Cushman & Wakefield Advisory Service, August 2008

INFRASTRUCTURE OVERVIEW

The hotel real estate market in Poland is experiencing a phase of dynamic growth. The boom which began in 2006 continues and this trend is projected to continue until 2012. Developers and hotel operators looking for investment opportunities in the hotel market see a huge potential in Poland. Undoubtedly, the factors increasing this interest in Poland include the limited supply of hotels, the rising demand due to the increased number of business travellers, the continued growth of spending on tourism and the hosting of the European Football Championships in 2012.

NUMBER OF HOTELS IN POLAND IN 2001 - 2009*

Hotels	2001	2002	2003	2004	2005	2006	2007	2008*	2009*
Total	966	1071	1155	1202	1231	1295	1347	1367	1383
★★★★★	6	6	8	13	16	19	23	27	30
★★★★	39	44	51	63	66	72	76	84	89
★★★	343	355	380	425	458	503	522	527	530
★★	315	310	367	388	421	434	447	450	454
★	263	197	177	165	151	152	167	169	173
Being Categorized	0	159	172	148	119	115	112	110	107

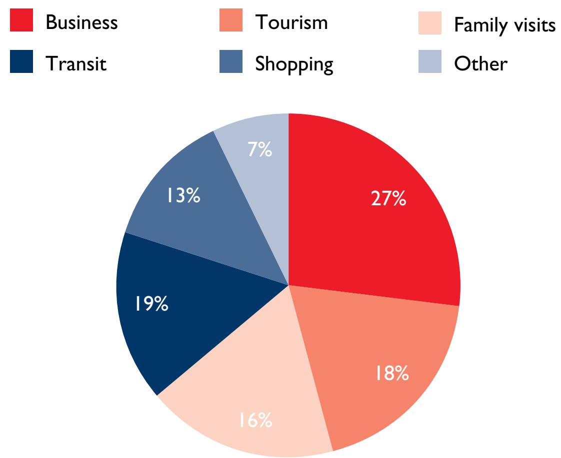
Source: Cushman & Wakefield Advisory Services, CSO, Institute of Tourism, August 2008 * Forecast

Despite numerous investments the supply of hotels is still limited and concentrated mainly in large cities such as Warsaw, Kraków and Wrocław. Poland is one of the European countries with the smallest number of lodging establishments: approx. 40 places per 10,000 inhabitants, a number very low evident when compared to the Czech Republic boasting with numbers nearly four times higher. The future supply will be provided largely by economy class hotels, as well as four- and five-star hotels which are planned to be constructed, among others, in cities which have not had higher class hotels so far. This gives newly-constructed hotels a competitive edge in the local market and provides greater freedom in shaping the pricing policy. There is also an increased interest in smaller towns and tourist destinations, including those along the Baltic Sea coastline and in southern Poland. The regions where accommodation previously was provided mainly by family homes are also becoming increasingly attractive. New hotels managed by well-known Polish and international hotel chains are growing in importance as well.

At the end of the second quarter of 2008, approx. 180 hotels were either at the development or modernisation stage (data for all the hotels) and they are due to be delivered between the fourth quarter of 2008 and the fourth quarter of 2012. Nearly 200 hotels to be delivered in the period 2010-2012 are currently in the pipeline. Given the hotels under construction and those planned, it is estimated that approx. 20,000 new hotel rooms will be available for occupancy by 2012. In terms of new supply the most dynamically developing markets include Wrocław (17 hotels under construction and planned), Tricity (16), Kraków (15) and Katowice (7). The hotel real estate market is also developing in Łódź. Poznań, however, sees few new hotel investments, even though this city has a large potential due to its business character and its conference and exhibition facilities.

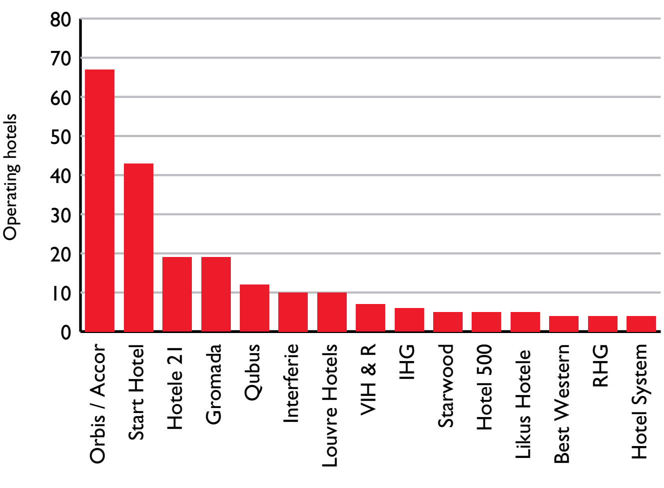
LE RÉGINA HOTEL IN WARSAW

VISITORS IN POLAND BY PURPOSE OF TRAVEL



Source: Cushman & Wakefield Advisory Services, Institute of Tourism, August 2008

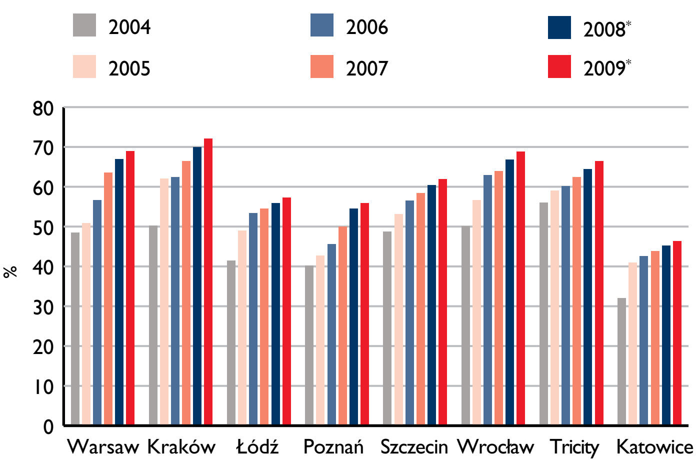
MAIN HOTEL GROUPS IN POLAND



Source: Cushman & Wakefield Advisory Services, August 2008

MARKET TRENDS

AVERAGE OCCUPANCY RATE OF HOTEL ROOMS



Source: Cushman & Wakefield Advisory Services, August 2008

* Forecast

According to the statistics of the Central Statistical Office (CSO) as at the end of 2007 the hotel room occupancy rate stood at nearly 47%, but this index varied to a large extent among particular hotel categories. In Wrocław, Łódź and Katowice it was one-star hotels that enjoyed the highest occupancy rate at 74%, 66% and 53% respectively, whereas in Kraków five- and three-star hotels enjoyed the greatest popularity at 67% and 55% respectively. In Warsaw one- and five-star hotels attracted the greatest interest at 57% and 54% respectively. Poznań and Szczecin recorded the highest room occupancy rate at two-star hotels at 52% and 70% respectively, whereas in Tricity the greatest demand was noted in four-star hotels at 66%.

At the end of the second quarter of 2008 the average catalogue price for a hotel room in Poland was EUR 105 per night. The average catalogue price for a room in five-star hotels was EUR 130 per night, whereas one night in economy class hotels cost approx. EUR 52 per night. Prices depend on the hotel location and class as well as services provided, and the actual average daily rate achieved by hotel chains varies considerably from the catalogue price, which is a result of corporate agreements, weekend and agency discounts as well as seasonal price changes. The highest prices of hotel services are in Warsaw, Kraków, Tricity and Wrocław.

The increased supply of hotels is accompanied by a rising number of conference and exhibition facilities. The rising demand for convention organisation services has led to the extension and modernisation of existing buildings, as well as the construction of new ones. At present, there are over 250 such conference and exhibition schemes in Poland, varying in terms of size and location, as well as services offered, with most of them being located in large cities. The highest supply of such facilities is in the Mazovian Voivodship. Most conference centres continue to be located within hotels and there is a clear shortage of large and medium-sized top-class conference and exhibition facilities, which is reflected in the small number of international cyclical events held in Poland.

The following trends can be seen in the Polish hotel market:

- Hotel operators look for prestigious locations in large and medium-sized cities, and tourist destinations.
- The demand for hospitality services is generated mainly by corporate clients.
- High occupancy on business days and low demand for weekend stays.
- Extension of the facilities for companies at high standard hotels (conference halls, auditoria and exhibition space).
- A potential niche in the economy class hotel sector (there is a relatively small number of lower class hotels).
- Continued interest among investors in smaller towns.
- Increased spending on tourism.
- Continued increase in the number of visitors coming for tourist and business purposes.
- Increased hotel room occupancy rate.
- Organisation of the European Football Championships in 2012, expected to increase the number of tourists over a two to four year period after the Championships.
- Rising demand for hotels and aparthotels in locations considered as tourist resorts (development of condo hotels in tourist destinations).
- Increased demand for Spa & Wellness facilities.
- Increased interest in the construction of hotels near airports and railway stations.
- Prices of hospitality and catering services rise slightly above the inflation rate.
- Increased number of hotels in schemes combining office, conference and hotel features.
- Increased number of investments in conference hotels on the outskirts of large cities.

HOSPITALITY MARKET DIRECTIONS FOR 2009

City	*Supply*	*Demand*	*Price Levels*
POLAND	↑	↑	↗
Warsaw	↔	↑	↗
Katowice	↑	↑	↗
Kraków	↑	↑	↗
Łódź	↑	↑	↗
Szczecin	↑	↑	↗
Poznań	↑	↑	↗
Tricity	↑	↑	↗
Wrocław	↑	↑	↗

Source: Cushman & Wakefield Advisory Services, August 2008

OUR OFFICE AND CONTACT POINTS

Cushman & Wakefield is the world's largest privately held commercial real estate services firm. Founded in 1917, it has 221 offices in 58 countries and more than 15,000 employees.

Managing Partner
Richard Petersen
WARSAW
Tel: +48 22 820 20 20
Fax: +48 22 820 20 21

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CONTACTS

Partner, Head of Office and Client Solutions
Richard Aboo
WARSAW
Tel: +48 22 820 20 20
Mob: +48 601 357 086
richard.aboo@eur.cushwake.com

Partner
Head of Retail
Piotr Kaszyński
WARSAW
Tel: +48 22 820 20 20
Mob: +48 601 212 047
piotr.kaszynski@eur.cushwake.com

Partner
Head of Industrial
Tomasz Olszewski
WARSAW
Tel: +48 22 820 20 20
Mob: +48 607 550 225
tomasz.olszewski@eur.cushwake.com

Associate
Head of Residential
Anna Kwiatkowska
WARSAW
Tel: +48 22 820 20 20
Mob: +48 605 324 637
anna.kwiatkowska@eur.cushwake.com

Head of Hospitality
Dorota Malinowska
WARSAW
Tel: +48 22 820 20 20
Mob: +48 722 202 061
dorota.malinowska@eur.cushwake.com

Associate, Head of Capital Markets Group
Mathieu Giguère
WARSAW
Tel: +48 22 820 20 20
Mob: +48 605 324 636
mathieu.giguere@eur.cushwake.com

Head of Project Management
Tomasz Daniecki
WARSAW
Tel: +48 22 820 20 20
Mob: +48 603 068 307
tomasz.daniecki@eur.cushwake.com

Head of Asset Management in Poland
Michał Skaliński
WARSAW
Tel: +48 22 820 20 20
Mob: +48 605 324 638
michal.skalinski@eur.cushwake.com

Associate, Head of CEE Asset Management
Kevin Craighead
WARSAW
Tel: +48 22 820 20 20
Mob: +48 601 350 229
kevin.craighead@eur.cushwake.com

Associate, Head of Advisory and Valuation Services
Jerzy Dobrowolski
WARSAW
Tel: +48 22 820 20 20
Mob: +48 605 324 631
jerzy.dobrowolski@eur.cushwake.com

CUSHMAN & WAKEFIELD®
Global Real Estate Solutions

For further information, please contact our Marketing Department:

Cushman & Wakefield Polska Sp. z o.o.
Metropolitan, Plac Piłsudskiego 1
00-078 Warsaw, Poland
Tel. +48 22 820 20 20
www.cushmanwakefield.com

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