MARKETBEAT

POLISH REAL ESTATE MARKET REPORT

CUSHMAN & WAKEFIELD®

AUTUMN 2012

A Cushman & Wakefield Research Publication

EXECUTIVE PERFORMANCE

ECONOMY PERFORMANCE

Poland's economy in 2012 is slowing down. GDP growth is expected to fall from 4.3% to around 2.7%. Despite the complicated and gloomy European economic forecast, Poland has fared relatively well during the downturn. According to forecasts from the Central Statistical Office, inflation will decline to 4.1% at the end of 2012 and to 2.9% in 2013. Poland, along with Germany and Russia, is one of the most attractive investment destinations in Europe. In line with the government's economic plan, the deficit is expected to decline from 5.6% of GDP in 2011 to 2.7% at the end of 2012 and according to forecasts from the Ministry of Finance, public debt is to fall to below 50% of GDP at the end of 2012.

INVESTMENT MARKET

The transaction volume in the first half of 2012 reached around EUR 946m, a level comparable with the level for the same period last year. The retail sector accounted for 57% of all deals, with offices taking 31% and warehouses 12%. The investment growth will depend on an improvement in the eurozone's health. Due to the uncertain situation on international financial markets, at the top of financial institutions' agenda are protecting capital and maintaining a high level of liquidity, practices that guarantee financial flexibility during challenging conditions.

Ca. EUR 946m

the transaction volume in the first half of 2012 – a level comparable with that in the same period last year.

OFFICES

The office market continued its positive trend and strengthened during the first half of 2012. The volume of letting transactions and space let in Warsaw and the regional cities increased from the total for the first half of 2011. However, real absorption for the past three years has remained at a similar level. Although tight bank lending policies have delayed some projects, new development starts have risen. Developers still need prelets to secure finance and boost the credibility of their projects.

The volume of letting transactions and space let in Warsaw and the regional cities increased from the total for the first half of 2011.

OFFICE MARKET DIRECTIONS

	SUPPLY	DEMAND	RENTS	VACANCY
Poland	UP	STABLE	STABLE	STABLE
Warsaw	UP	STABLE	STABLE	STABLE
Warsaw CBD*	UP	STABLE	STABLE	DOWN
Warsaw NCL**	UP	STABLE	STABLE	UP
Krakow	DOWN	STABLE	STABLE	DOWN
Wrocław	UP	UP	STABLE	STABLE
Tricity	STABLE	UP	STABLE	DOWN
Poznań	STABLE	UP	STABLE	DOWN
Katowice	UP	UP	UP	DOWN
Łódź	DOWN	UP	UP	DOWN

* Central Business District; ** Non Central Locations

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

TREND UP STABLE DOWN

RETAIL

Poland's retail market performance in the first half of 2012 was hampered by global economic uncertainty. Despite the country's relatively strong economic situation, the mood among investors, developers, financial institutions as well as occupiers and consumers is one of caution and restraint. This resulted in a decreased investment deal flow, a paucity of shopping centre construction starts, limited debt financing options, a more hesitant approach to opening new stores and a shift in consumer habits towards more pragmatic and practical purchases. New retail space supply over the first half of 2012 was around 300,000 sq m of GLA, increasing the total floorspace to 10.9 million sq m.

Ca. 300,000 sq m

of GLA – new retail space supply over the first half of 2012.

RETAIL MARKET DIRECTIONS

	SUPPLY	DEMAND	RENTS	VACANCY
Poland	Up	Stable	Down	Up
Warsaw	Up	Stable	Stable	Down
Krakow	Stable	Stable	Stable	Stable
Łódź	Up	Stable	Down	Stable
Wrocław	Stable	Stable	Stable	Up
Poznań	Up	Stable	Stable	Stable
Katowice Con.	Up	Stable	Down	Up
Tricity	Up	Stable	Stable	Stable
Szczecin	Up	Stable	Stable	Stable
Other cities	Up	Down	Down	Up

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

INDUSTRIAL

The growth of the warehouse market in the first half of 2012, and, in particular, in the second quarter was a bit subdued compared with last year. On the demand side, leasing volume declined in H1 2012 by nearly 27% compared with the previous half. On a positive note, there was a 17 percent increase in supply and vacancies edged down by 0.2 percentage points. Approximately 315,000 sq m of modern warehouse space was delivered in the first half of 2012. Modern warehouse stock in June 2012 totalled 7,370,000 sq m.

Ca. 315,000 sq m

of modern warehouse space was delivered in the first half of 2012.

INDUSTRIAL MARKET DIRECTIONS

	SUPPLY	DEMAND	RENTS	VACANCY
Poland	Up	Up	Stable	Down
Warsaw	Up	Up	Stable	Down
Upper Silesia	Up	Up	Up	Down
Central Poland	Stable	Up	Stable	Down
Poznań	Stable	Up	Stable	Down
Wrocław	Stable	Up	Stable	Down
Tricity	Up	Up	Stable	Down
Krakow	Up	Stable	Stable	Down

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

HOSPITALITY

Poland's hospitality market in the first half of 2012 followed the upward trend established in 2011. According to estimates from the Institute of Tourism, in the first quarter of 2012 the number of foreign visitors to Poland rose by 6% compared with the same period in 2011 and the number of foreign tourists rose by more than 12%. The data of Central Statistical Office shows that in the first quarter of 2012 the number of bed-nights increased by 8.7% over the first quarter of 2011. The Euro 2012 football tournament held in June helped to boost the performance of hotels in the cities hosting the matches. C&W research shows that branded hotels achieved an average room rate of EUR 220 with an occupancy level of around 90% during the Euro 2012 games.

TREND: UP | STABLE | DOWN

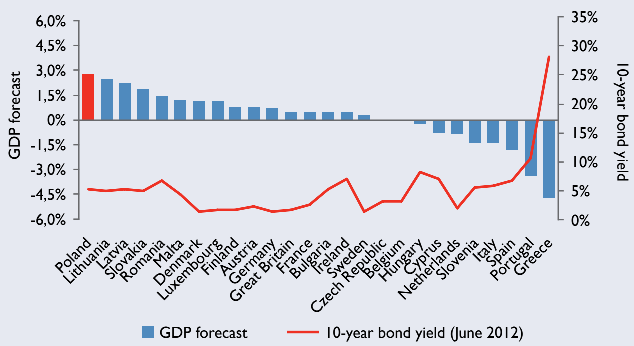
ECONOMIC PERFORMANCE

ECONOMIC GROWTH AND UNEMPLOYMENT

Poland's economy in 2012 is slowing down. GDP growth is expected to fall from 4.3% to around 2.7%. According to Eurostat for 2013, GDP is forecast to remain at this year's level. At the end of the first half of 2012, the unemployment rate was 12.4%, down from 12.5% at the end of 2011. The figure includes seasonal drops in unemployment. According to forecasts, unemployment is expected to edge down slightly to 12.3% by the end of 2012 and remain at a similar level in 2013.

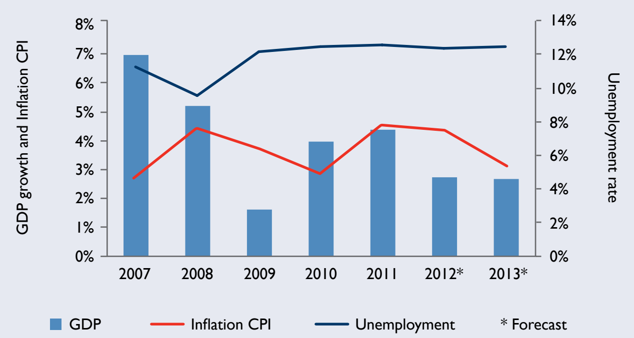
Despite the complicated and gloomy European economic forecast, Poland has fared relatively well during the downturn. The country's projected GDP is one of the highest in Europe, and the coupon rate of Polish treasury bonds is falling. These trends reflect foreign investors' growing interest in Poland and their confidence in government-backed financial instruments.

POLAND AGAINST OTHER EU COUNTRIES



SOURCE: EUROSTAT

KEY ECONOMIC INDICATORS



SOURCE: GUS, NBP, EUROSTAT

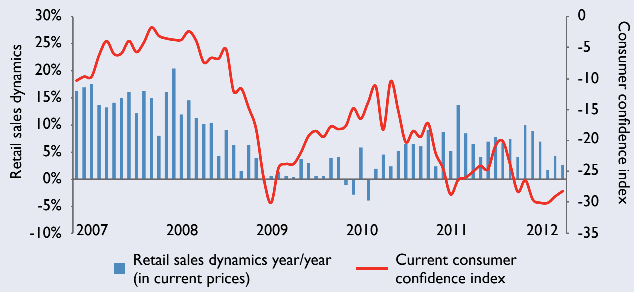
INFLATION

At the end of the first half of 2012, inflation remained at 4.3%, the same level as that seen at the end of 2011. This stasis is largely down to high fuel, food and energy prices and the depreciation of the Polish currency. According to forecasts from the Central Statistical Office, inflation will decline to 4.1% at the end of 2012 and to 2.9% in 2013.

RETAIL SALES

Retail sales in the first half of 2012 grew on average by 5.73% per month, similar to 2011. However, the 2.6% sales growth recorded at the end of June was substantially lower than the figure at the start of the year (9.9% in January). The government's budget cuts are curtailing consumer demand and the Euro 2012 football tournament failed to halt the decline in the retail sales growth pace.

RETAIL SALES & CONSUMER CONFIDENCE

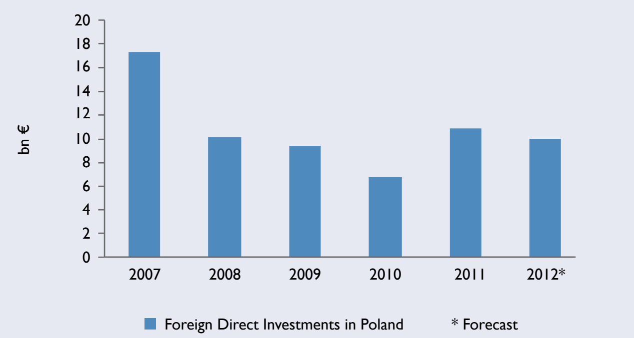


SOURCE: GUS

FOREIGN INVESTMENT

Poland's foreign direct investment volume is expected to remain at 2011's level at around EUR 10bn. Poland, along with Germany and Russia, is one of the most attractive investment destinations in Europe.

FDI IN POLAND



SOURCE: NBP, BALANCE OF PAYMENTS

FINANCIAL MARKETS

FISCAL POLICY AND BUDGET

At the end of the first half of the year, Poland's budget deficit stood at close to PLN 22bn, which equates to 60.5% of the value assumed for 2012. In line with the government's economic plan, the deficit is expected to decline from 5.6% of GDP in 2011 to 2.7% at the end of 2012. Public debt in 2011 came in 53.7% of GDP, and according to forecasts from the Ministry of Finance, it is to fall to below 50% of GDP at the end of 2012.

STOCK EXCHANGE

The first half of 2012 proved better for stock exchange investors than expected, given the difficulties of 2011. Despite the problems of Greece, Spain and Italy and the worsening euro crisis, the WIG and WIG20 indexes gained 8% and 5% respectively (from the beginning of this year) as a result of investors taking account of the expected deterioration of the economic situation in other countries in their investment decisions.

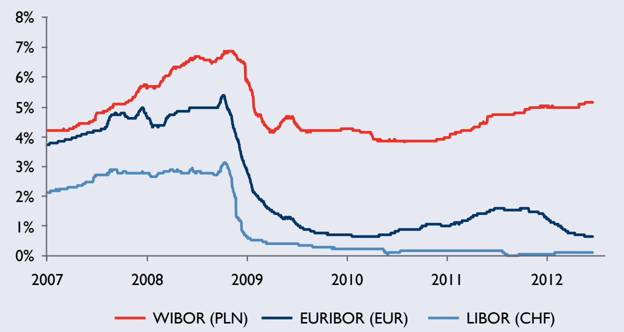
In the first half of 2012 the building sector subindex WIG-Construction lost around 35%. The difficulties of the construction sector result from underestimated investment risk and an unexpected increase in costs. The current fall in infrastructure investments also casts a shadow on the health of the sector.

The performance of the Warsaw Stock Exchange in the next few months will depend on whether the euro zone is rescued effectively. If investors think the rescue plan is likely to succeed, greater activity on the buy side may result. In addition, data from the US and Asian markets may also play a significant part.

INTEREST RATES

In the first half of 2012 the Polish Monetary Policy Council raised the National Bank of Poland's interest rates only once. In May 2012, it announced a rise in the NBP's reference rate from 4.5% to 4.75% in order to keep rising inflation in check. At its July session the Council decided to keep the interest rate at its current level. By contrast, the European Central Bank cut its reference rate from 1% to 0.75%, the lowest figure on record, which is likely to boost economic growth in the euro zone.

INTEREST RATES (3M)

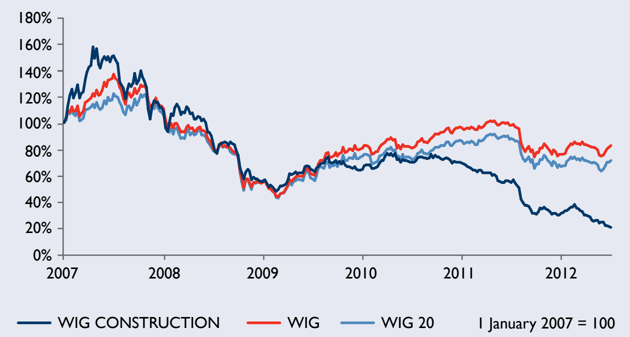


SOURCE: NBP

EXCHANGE RATES

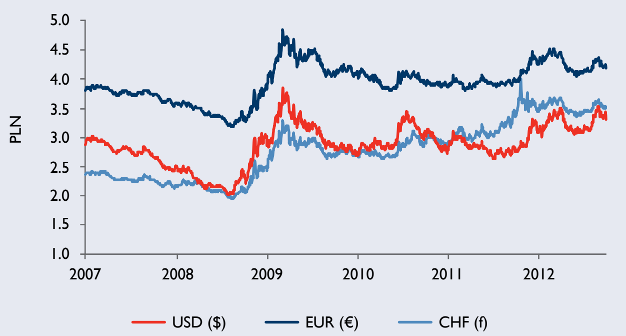
In the first half of 2012 the Polish currency, the zloty, strengthened against the euro by around 5%, against the US dollar by 3% and the Swiss franc by 4%. At the end of June, one euro cost around PLN 0.25, less than at the start of January. The dollar's value fell by PLN 0.12, with the franc falling by PLN 0.16.

WARSAW STOCK EXCHANGE DYNAMICS



SOURCE: STOOQ.PL

EXCHANGE RATES



SOURCE: STOOQ.PL

INVESTMENT MARKET

Persistent concerns over the eurozone have weighed heavily on Poland's commercial property investment market. At the top of financial institutions' agenda are protecting capital and maintaining a high level of liquidity, practices that guarantee financial flexibility during challenging conditions. Although investing in real estate is evidently more profitable than investing in bonds of even the strongest eurozone economies, the sector's relatively low liquidity is an impediment to investment.

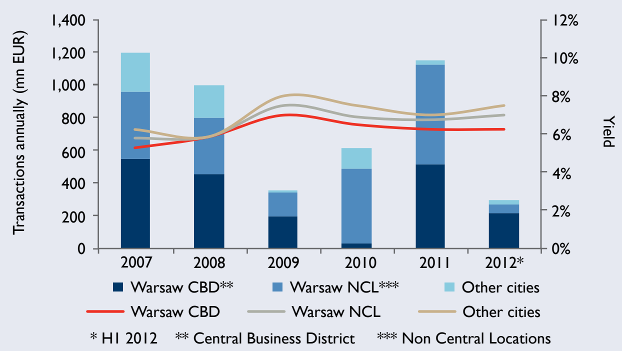
The transaction volume in the first half of 2012 reached around EUR 946m, a level comparable with the level for the same period last year. Of this, EUR 475m was Unibail-Rodamco's acquisition of a 77% stake in office and retail complex Złote Tarasy in Warsaw. The remainder, EUR 471m, was produced by 12 deals, down from 19 deals over the whole of last year, reflecting a drop in investor confidence over the past 12 months. The retail sector accounted for 57% of all deals, with offices taking 31% and warehouses 12%.

The investment growth will depend on an improvement in the eurozone's health. Continuing economic uncertainty will discourage long-term investment. Many European banks, having made risky investments in the sovereign bonds of troubled eurozone countries, are threatened with bankruptcy, and are unlikely to expand lending. This constraint on finance will lead to further risk aversion in investment property market.

TOTAL INVESTMENT DEALS

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

OFFICE INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

OFFICE MARKET

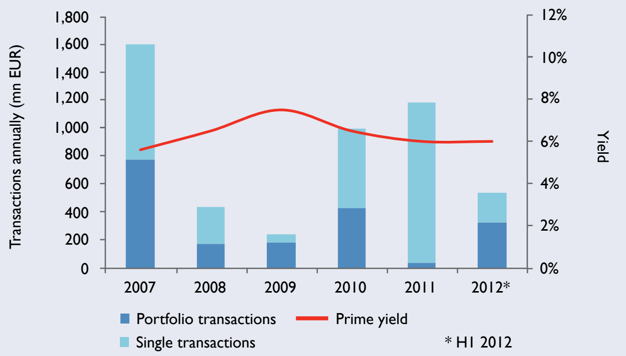
The transaction volume in the first half of 2012 stood at around EUR 294.5m, a decline of more than 44% from the total for the same period last year. Few large transactions took place – the average deal size over the period was more than half of last year's figure, and there was no single mega-deal such as the sale last year of Europolis's portfolio.

Foreign investors remained cautious about investing in the office regions other than Warsaw because of the low liquidity of these markets. This created opportunities for local investors, such as PZU Asset Management, which acquired phase II of Arkońska Business Park in Gdańsk for EUR 25m.

Widening price differences between the centre of Warsaw and its suburbs and other urban areas were reflected in yield levels. They were stable in the city centre at 6.25% for prime assets, but rose for comparable facilities in the last half-year by around 25 basis points to 7% in Warsaw's Mokotów district and by around 25-50 basis points to around 7.5% in Krakow and Wrocław.

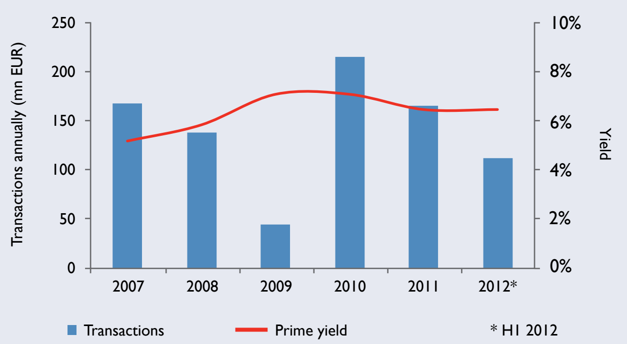
The largest deal in the first half of 2012 was Unibail-Rodamco's acquisition of a 77% share of the Lumen and Skylight offices in Warsaw, part of the Złote Tarasy complex. Two other office schemes also exchanged hands: the Renaissance Building, purchased for around EUR 27m by investment fund GLL and the Harmony Office Center II, bought by Spanish firm Azora for EUR 54m. Evidence of market activity included Allianz's signing of a preliminary agreement to buy Platinium Business Park and the approval of the Office of Competition and Consumer Protection (UOKiK) of Heitman's acquisition of the Marynarska Business Park. These prospective deals bode well for the future of the investment market.

RETAIL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

INDUSTRIAL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

RETAIL MARKET

In the first half of 2012 an estimated EUR 540m was transacted across five deals in the retail investment market. Unibail-Rodamco's acquisition of a 77% stake in Złote Tarasy accounted for most of the volume. Other deals included UK fund Rockspring's acquisition of Alfa in Olsztyn for EUR 84m and US fund Blackstone's purchase of Galeria Tęcza's in Kalisz for EUR 37m.

In tough market conditions, deal completions are often delayed. This was the case in the above-mentioned deals, for which negotiations started as early as 2011. The second half of the year is expected to see the completion of transactions commenced in the first quarter of 2012.

The number of modern retail schemes in Poland is growing steadily. Strong competition and high market saturation combined to slow the rate of tenant turnovers and reduce footfall. As a result of these factors, and of reduced price expectations that were not met, investor appetite for retail projects dwindled.

Yields for the few established retail properties in large urban areas were at the same level as last year at around 6%. Demand for these assets remains strong and investors immediately seize any opportunities that arise. In case of secondary properties, whose supply rose significantly over the past few months, yields softened in the first half of 2012 by nearly 50 basis points to 7.25% or higher depending on the attractiveness of the scheme.

WAREHOUSE MARKET

A deal volume in the industrial market in the first half of 2012 reflected the sector's relative stability. Total sales stood at EUR 111.8m against EUR 129m in the same period last year and EUR 109m in the opening two quarters of 2010. Investment activity in the second half of 2012 is expected to remain at its current level.

Of the three transactions closed in 2012, the largest was US fund Hines Global REIT's acquisition of Prologis's four logistics parks for $130m (EUR 97.45m). Hines' principal business activity has been property development but with this transaction it made its investment market debut in Poland. The deal is also notable because it reflected the decision of Prologis, which owns one of the largest industrial portfolios in Poland, to sell part of its local asset to a non-related company for the first time.

The two remaining transactions were the Polish fund BPH FIZ Sektor Nieruchomości 2's acquisition of phase II of Ideal Idea Park in Warsaw for EUR 9.36m and the acquisition of a BTS production facility in Legnica by a private investor for EUR 5m.

Warehouse prime yields remained at the same level as that of the previous six-month period, 7.75%. For production facilities the level was much higher – at around 9.5% for new schemes let to an established tenant on long lease.

OFFICE MARKET WARSAW

In the first half of 2012 Warsaw's office leasing market continued the strong growth from the previous year. More than 297,750 sq m of space was leased, which equates to more than 51% of last year's total transaction volume. Demand for space continues to be driven by the banking and financial as well as the telecommunication and IT sectors; however, the former posted a significant reduction in activity. While quarterly absorption results remain at the level of 30,000 sq m, the market is seeing a slight rise in vacancy rates, owing to growing supply. Around 400,000 sq m is under construction, with more than 630,000 sq m expected to hit the market by the end of 2014.

SUPPLY

Warsaw's modern office stock has been growing steadily over the past 20 years to reach 3,689,700 sq m. Around 67% of this is located in non-central locations.

Since the start of the year, 11 schemes totalling 110,300 sq m have been delivered to the market, a result similar to the 125,300 sq m achieved over the whole of 2011. Most of these are located in non-central locations, mainly in Służewiec Przemysłowy region in the Mokotów District. Key projects include the 23,250 sq m Senator building, phase II (15,000 sq m) of Mokotów Nova, phase II (21,027 sq m) of Poleczki Business Park and the 11,900 sq m JM Tower, located on the corner of Grzybowska Street and Żelazna Street. There is still close to 400,000 sq m under construction of which some 112,720 sq m is expected to come on stream this year. Provided that economic conditions in Poland and in Europe do not deteriorate significantly, supply levels should remain healthy, exceeding 200,000 sq m annually.

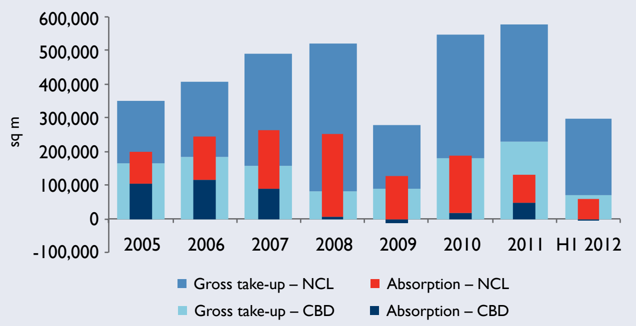
With little bank funding available, the market is undergoing consolidation. Large developers are strengthening their market position. Residential developers are shifting their focus from residential to commercial property to build a diversified portfolio and thus protect themselves against an economic downturn.

DEMAND

Total take-up reached 297,750 sq m in the first half of 2012, and with occupier demand maintaining its momentum, leasing volume is expected to exceed the 573,850 sq m of the previous year. New leases covering 185,133 sq m accounted for 62% of the first half's total take-up, with re-gearing and extensions taking up 33%. Expansion and in-house development accounted for the remainder. Owner-occupier deals accounted for slightly more than 2%, mainly owing to the completion of Jeronimo Martins' headquarters. Pre-lets' share of the total rose by nine percentage points from the second half of 2011 and reached 88,500 sq m; half of this space is currently under construction. The increase reflects competition among developers of new projects, which struggle for pre-let tenants in order to secure bank finance. The largest deal during the period was T-Mobile's lease of 27,000 sq m in Ghelamco's Marynarska 12. In addition, in Q1 2012 three companies belonging to ING Group leased a total of 12,103 sq m in Plac Unii project (Liebrecht&wooD/BBI Development) on a 10-year lease.

In the second quarter, absorption totalled 36,244 sq m, a level that has been maintained in Warsaw since the second half of 2009.

GROSS TAKE-UP AND ABSORPTION IN WARSAW



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

EUROCENTRUM, WARSAW

VACANCY RATES

Growing supply and stable take-up pushed the vacancy rate up by 0.73 percentage points to 7.42% from the end of 2011. Vacant space totalled 273,700 sq m, mainly in Central Business District (100,200 sq m) and Mokotów (64,800 sq m). Assuming absorption remains unchanged and all projects scheduled for the year complete, the vacancy rate in December is likely to exceed 8%.

RENTS

In the second quarter of 2012 growing supply had little impact on headline rents in modern office buildings which in the core centre remained at EUR 26.50 per sq m per month, with non-central locations in case of prime schemes averaging EUR 14.00-16.50 per sq m per month. Tenants can expect to pay effective rents several percentage points lower than the headline rate if they can offer financial strength, a large unit size and commitment at an early stage of development. The best lease terms are offered to tenants signing pre-let agreements, which help developers not only secure bank finance but also raise the project's credibility, prompting other occupiers to sign up for space. In such a situation the owners of the existing buildings face difficulties in renegotiations of leases.

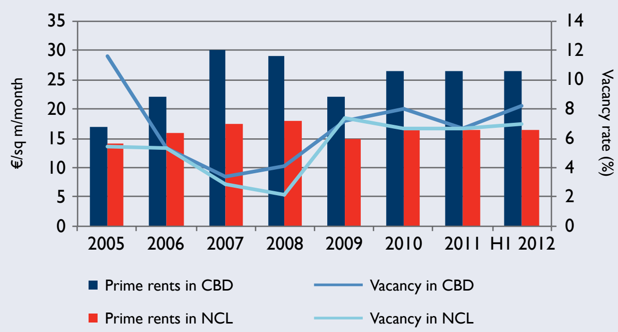
WARSAW OFFICE MARKET

	WARSAW	
Number of buildings	389	
Stock (sq m)	3,689,730	
Total vacancy (sq m)	273,728	
Vacancy rate (%)	7.42%	
	CENTRAL BUSINESS DISTRICT	NON CENTRAL LOCATIONS
Number of buildings	106	283
Stock (sq m)	1,224,695	2,465,035
Total vacancy (sq m)	100,222	173,506
Vacancy rate (%)	8.18%	7.04%

STANDARD LEASE TERMS IN WARSAW

	CENTRAL BUSINESS DISTRICT	NON CENTRAL LOCATIONS
Headline rents (sq m/month)	EUR 19–26.5	EUR 12–16.5
Underground parking (space/month)	EUR 120–180	EUR 70–90
Surface parking (space/month)	EUR 70–120	EUR 45–75
Service charge	EUR 5–6.5	EUR 4–5.5
Incentives	Financial contribution Fit out contribution Rent free period for:	
	3–6 months	4–8 months
Lease length	5–10 years	
Add-on factor	0–10%	0–5%
VAT	23%	
Indexation	EURO or US CPI	
Others	Deposit or bank / company guarantee	

PRIME RENTS AND VACANCY IN WARSAW



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

OFFICE MARKET REGIONAL CITIES

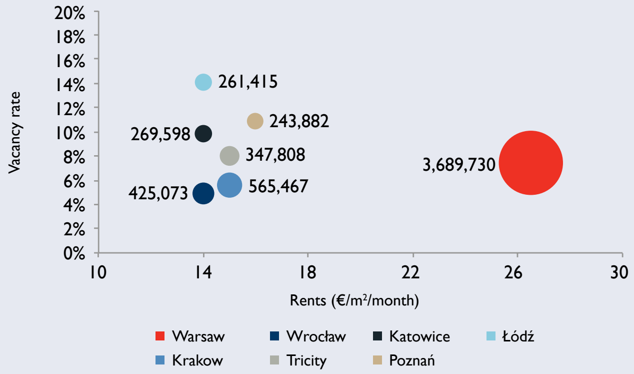
KRAKOW

Take-up in Krakow in the first half of 2012 reached 72,100 sq m, of which new leases accounted for 55%. This was an improvement on the figure for the whole of 2011, when close to 88,400 sq m was transacted. The largest deals in the first half of 2012 were State Street's lease of 12,615 sq m in Centrum Biurowe Kazimierz and Delphi Poland's deal for 8,400 sq m in Avestus Real Estate's Enterprise Park currently under construction. At the end of June office stock in Krakow reached 565,500 sq m, a figure boosted mainly by the completion of the 5,713 sq m Fronton Office Center as well as the completion of the renovation of a building at 11 Jasnogórska Street (6,426 sq m). Projects under construction include: a 11,500 sq m further phase of Quattro Business Park, Grupa Buma's 10,800 sq m Green Office III and developer GD&K Group's 10,110 sq m Avia building. Enterprise Park I is due for delivery in the third quarter. Headline rents at the end of June were EUR 13-15 per sq m per month, with effective rents at EUR 12-13 per sq m per month. Healthy take-up pushed vacancy down by close to 2.7 percentage points to 5.6% from the end of 2011.

WROCŁAW

Office stock in Wrocław at the end of the first half of 2012 totalled 425,100 sq m. The largest completions were the 8,000 sq m Wojdyła Business Park III and the 10,800 sq m building A in Green Towers. The projects still under construction are LC Corp's 23,954 sq m Sky Tower, Skanska's 11,650 sq m building B in Green Towers, as well as the 2,850 sq m Ultranet and the 6,471 sq m Epsilon building in Promenady Wrocławskie scheduled for completion in the third quarter. The largest deal agreed since the start of the year was the lease of 14,430 sq m in Skanska's Green Towers by a technology sector occupier. Vacant space at the end of the second quarter amounted to 20,638 sq m, which equated to 4.9% of the total city's stock. In the first half of the year, leasing volume reached 31,030 sq m and as was the case in most regional cities, new leases accounted for a large share, 78%. With the market continuing its upward trend, this year's transaction volume by area is likely to exceed last year's figure of 47,850 sq m. Headline rents remained at EUR 13.50-16 per sq m per month, with effective rents ranging between EUR 12.5-14 per sq m per month. There is a large rental disparity between prime and secondary stock.

MODERN OFFICE SPACE IN POLAND



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

TRICITY

Total modern stock in the fourth-largest office market in Poland – after Warsaw, Krakow and Wrocław – stands at 347,808 sq m. The largest completions were the 9,250 sq m BCB Business Park I; the Omega and Gamma buildings, offering 8,000 sq m in total, at the Garnizon Business Park II; and a 1,732 sq m three-storey Class-A office building developed for Jysk. Under construction are further phases of the Olivia Business Centre – Olivia Point and Olivia Tower, totalling 25,146 sq m – as well as Torus's 18,000 sq m Alchemia, Eurostyl's 20,000 sq m Euro Office Park and Hines's 15,000 sq m Centrum Biurowe Neptun. Some planned projects, such as the 6,077 sq m Granary Island Business Centre and the 9,470 sq m Chmielna Office Point, still need pre-let agreements before development can commence. A number of large-scale lettings took place, such as Bank BPH's pre-let for 18,819 sq m in Euro Office Park, currently under construction; Meritum Bank's lease of 5,800 sq m in the Alfa building in Olivia Business Centre; Lufthansa Systems Poland's lease of 3,500 sq m in Opera Office and Intel's 3,550 sq m expansion within its Allcon@park space. These deals boosted take-up in the first half of 2012 to 51,600 sq m, a rise of 20% on the total for the whole of 2011. The vacancy rate at the end of the second quarter of 2012 dropped by 2.3 percentage points from the end of 2011 to 8.1%. Despite strong demand, headline rents remained at EUR 13-15 per sq m per month, and effective rents at EUR 11-13 per sq m per month.

KATOWICE

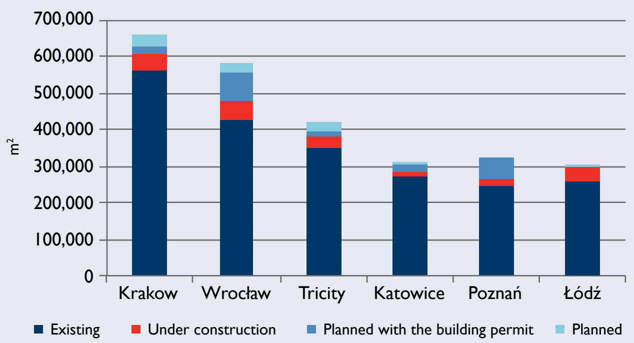
Over the first half of 2012, total transaction volume by area in the Katowice market stood at around 18,000 sq m, with new leases accounting for 80%. At the end of 2012, provided that demand remains positive, the transaction volume is likely to reach 2011's level of 37,200 sq m. The largest deals were Tele-Fonika's and Rockwell Automation's lease of 3,200 sq m and 2,089 sq m, respectively, in GTC's Centrum Biurowe Francuska and Steria's 2,837 sq m expansion in Altus building. With unchanged demand and no completions, the vacancy rate declined from 11.4% at the end of 2011 to 9.9% over the first half of the year. The city's development pipeline comprises a handful of new projects including the 13,000 sq m Nowe Katowickie Centrum Biznesu and the 6,300 sq m GPP Business Park. Total stock in Katowice stands at 269,600 sq m. Headline rents do not exceed EUR 14 per sq m per month, with effective rents ranging between EUR 11-12 per sq m per month similar to the end of 2011.

EXISTING OFFICE STOCK

	STOCK (SQ M)	HEADLINE RENTS (EUR/SQ M/MONTH)	VACANCY (%)
Warsaw	3,689,730	12–26.5	7.42%
CBD	1,224,695	19–26.5	8.18%
NCL	2,465,035	12–16.5	7.04%
Krakow	565,467	13–15	5.55%
Wrocław	425,073	13.5–16	4.86%
Tricity	347,808	13–15	8.07%
Katowice	269,598	12–14	9.90%
Poznań	243,882	14–16	10.86%
Łódź	261,415	12–14	14.11%

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

STOCK AND FUTURE SUPPLY IN REGIONAL CITIES



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

POZNAŃ

Despite its relatively large population and economic importance, Poznań's office regional market is still developing at a slow pace. The city's stock stands at 243,900 sq m, of which only 7,900 sq m came onto the market in the first half of 2012. The end of the year is expected to see the completion of a further two buildings, Okrąglak and Andersia Business Centre, which will add around 16,300 sq m to the city's supply. Annual supply in 2013 is likely to rise to 42,525 sq m, powered by the completions of the 15,400 sq m phase I of Business Garden and Skanska's 14,700 sq m Malta House. Leasing volume on the Poznan office market in the first six months of the year reached 13,750 sq m, boosted by Samsung's lease of 2,000 sq m in building F of Malta Office Park in the second quarter and Jeronimo Martins' taking a further 1,430 sq m in Kupiec Poznański, up from its current space of 770 sq m. Weak demand resulted in a rise in vacancy levels by around 0.7 percentage points to 10.9%. If the current market conditions prevail, the amount of available space may rise further as other projects complete. Headline rents remain at EUR 14-16 per sq m per month, and effective rents at EUR 12-14 per sq m per month.

ŁÓDŹ

At the end of the second quarter of 2012 Łódź's modern office stock stood at 261,400 sq m. Only one building was delivered to the market in the first six months, the 1,200 sq m extension to the Hammermed building. Transaction volume for the first half reached 12,600 sq m, a result similar to that of a year earlier, excluding the deal of Infosys BPO Poland, which boosted the take-up level last year. The largest deal this year was Polkomtel's lease of 2,700 sq m in Arka BZ WBK's Park Biznesu Teofilów. Another notable transaction was Infosys BPO Poland's extension of its pre-let option by 2,400 sq m in phase I of Green Horizon and BRE Bank's lease of 2,126 sq m for mBank's call center in Sterlinga Business Center. Modest demand and a stubbornly high vacancy rate of 14.11% have not prompted developers to increase their activities. Two phases of Skanska's Green Horizon, totalling 32,000 sq m, are still underway. Rents in Łódź remain at a relatively low EUR 12-14 per sq m per month and effective rents at EUR 10-11 per sq m per month.

RETAIL MARKET

POLAND

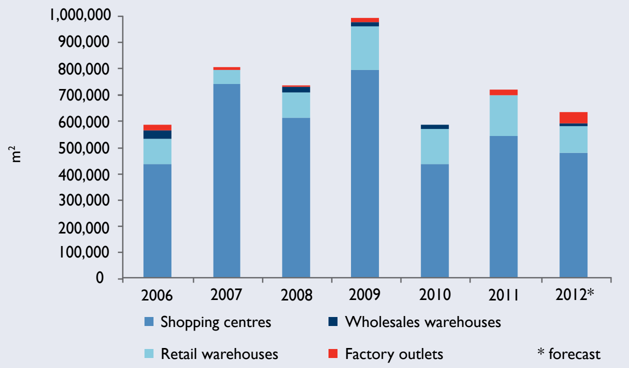
Poland's retail market performance in the first half of 2012 was hampered by global economic uncertainty. Despite the country's relatively strong economic situation, the mood among investors, developers, financial institutions as well as occupiers and consumers is one of caution and restraint. This resulted in a decreased investment deal flow, a paucity of shopping centre construction starts, limited debt financing options, a more hesitant approach to opening new stores and a shift in consumer habits towards more pragmatic and practical purchases.

New retail space supply over the first half of 2012 was around 300,000 sq m of GLA, increasing the total floorspace to 10.9 million sq m. Shopping centres accounted for the largest share, 73%, followed by large-scale stores and retail parks with 20%, outlet centres with 1%, and other retail facilities with 6%. Some 800,000 sq m of modern retail space is under construction, with a further 600,000 sq m at an advanced stage of planning and due to complete by the end of 2014. The annual supply pipeline is likely to deliver around 500,000-600,000 sq m of modern retail space over the next three years.

Demand for retail space is modest and as a result the Polish market is showing signs of reaching saturation. A number of retail chains succeeded in taking their expected market share and are now slowing their expansion. Demand comes mainly from retail chains offering mid-market commodities. New entrants are mainly from the clothing, footwear and sports sectors and these players are taking small and medium-sized premises. Under the current economic climate, vacancy rates edged up slightly (1.5-5.5%) with schemes showing 70-80% occupancy upon opening.

Rents in Warsaw remain relatively stable, albeit at record high levels of EUR 75-83 per sq m per month in prime shopping centres. Landlords of secondary assets are under pressure and are trying to attract tenants through concessions such as longer rent-free periods, financial and fit-out contributions as well as through optimizing their operational costs.

SUPPLY OF MODERN RETAIL SPACE IN POLAND



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

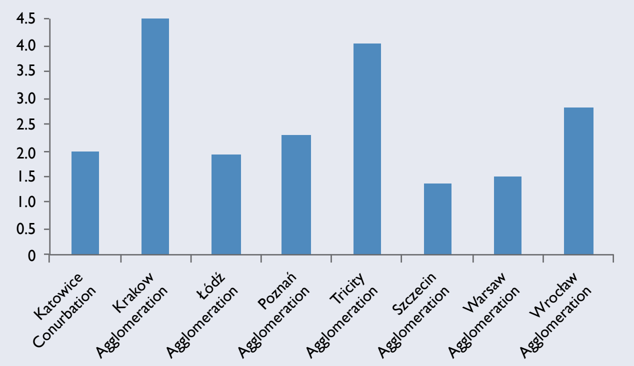
SHOPPING AND LEISURE CENTRES

The shopping centre sector in Poland showed a modest increase in activity in the first half of 2012, similar to the increase seen in the same period in 2011. There were a handful of construction starts, including the long-awaited development of the second phase of Poznań City Center, as well as starts for Galeria Solna in Inowrocław and Galeria Amber in Kalisz. Few schemes opened fully let. With the market becoming more polarised between prime assets with secure income streams and secondary assets, rental disparities are increasing.

At the end of the first half of 2012, Poland had 400 shopping centres, providing a total of 7.95 million sq m of GLA. The largest schemes completed were Korona Kielce, Nova Park Gorzów Wlkp, Alfa Grudziądz and shopping gallery in Sky Tower Wrocław. Small schemes located in small cities were, however, the focus of development, accounting for 32% of all space delivered. Extensions made up a significant share of the supply, 20%. A total of 250,000 sq m of shopping centre GLA came onto the market in the first half of 2012.

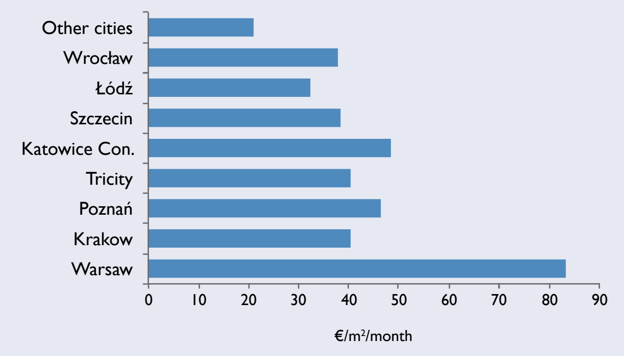
GALERIA KATOWICKA, KATOWICE

VACANCY IN SHOPPING CENTRES IN Q2 2012



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

PRIME RENTS IN SHOPPING CENTRES IN Q2 2012



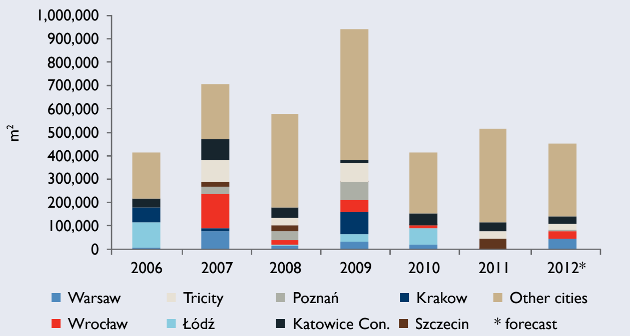
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

At the end of June 2012 more than 680,000 sq m of shopping centre GLA was under construction. The largest schemes under construction were Europa Centralna in Gliwice, Auchan Bronowice Kraków, Galeria Katowicka, Poznań City Center, City Center Rzeszów and Wzgórze Phase 2 in Gdynia. More than 30% of the development pipeline is set to open this year including the largest 67,000 sq m GLA Europa Centralna, a retail concept combining the formats of a shopping centre and a retail park. The overall increase in Polish shopping centre stock for 2013-14 is projected at around 400,000-500,000 sq m of GLA annually. The most notable schemes under construction are Galeria Katowicka in Katowice and Poznań City Center in Poznań; which are being developed as part of consolidated transport hub.

Demand for shopping centre space is modest and shows variations between both regions and individual schemes. Strong demand in Warsaw, which has a shortage of available space and is home to a population with one of the country's highest purchasing power, is driving up rents in prime schemes. Other conurbations maintained a balance between supply and demand, keeping rents stable. Demand in small and medium-sized cities showed significant variations owing to market saturation. One of the main measures of demand for shopping centre space is the level of vacancies. The highest rate in the first half of 2012 was recorded in Kraków (4.5%) and Tricity (4.1%), with the lowest in Szczecin (1.3%) and Warsaw (1.5%).

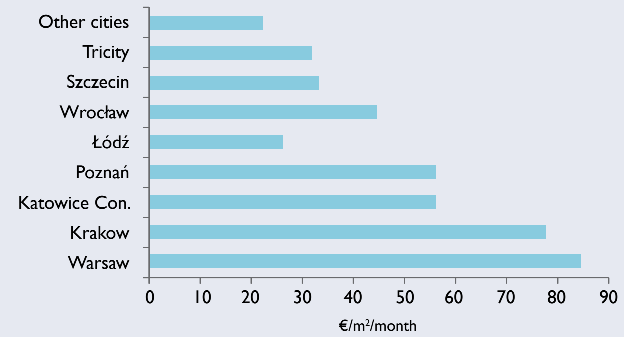
The highest rents in Warsaw's prime shopping centres remain at EUR 75-83 per sq m per month and stand at EUR 35-39 per sq m per month in other conurbations. Shopping centres in medium-sized cities fetched average rents of EUR 23-27 per sq m per month.

SHOPPING CENTRES IN SELECTED CITIES



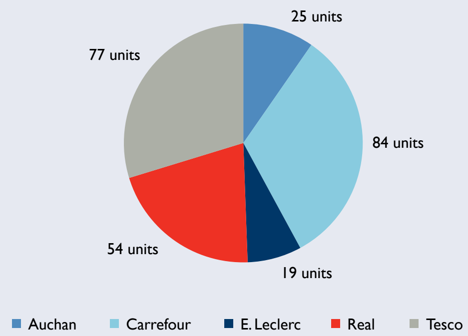
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

PRIME RENTS ON HIGH STREETS IN Q2 2012



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

HYPERMARKETS IN POLAND IN Q2 2012



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

HIGH STREETS

High streets in Poland are continuing to grow, but at a sluggish pace, with catering and gastronomy rather than retail being their main growth driver. The main reasons for this are land ownership structure influenced by the historical legacy of Polish towns and the limited availability of development land. High streets with low-quality units are unfit for the requirements of modern international and domestic retailers, which usually opt for shopping centres with large and stable footfalls and cashflows.

High streets are dominated by the financial and catering/ gastronomy sectors, shaping the character of the high street as a tourist, business and leisure hub. The luxury retail landscape is continuing to evolve. New micro-locations are emerging in city centres, often on the ground floors of tenements, a trend that is helping to rejuvenate city centres. Large commercial mixed-use investments are having a positive impact on the development of high streets by attracting cafes, restaurants, service points and stores that enhance an area's attractiveness.

The future of the high street in Poland depends on whether landlords can refurbish obsolete residential stock and adapt it to modern retail needs and whether they can modernise and extend old retail facilities in city centres. Over the long term, large commercial investments on post-industrial and railway sites or undeveloped sites in city centres are likely to alter substantially the retail landscape.

Due to the low availability of units in the high street, rents remain at a stable high level, with record rents in Warsaw and Krakow of EUR 75-85 per sq m per month. In less attractive locations in smaller towns, rents stand at EUR 20-25 per sq m per month.

HYPERMARKETS AND SUPERMARKETS

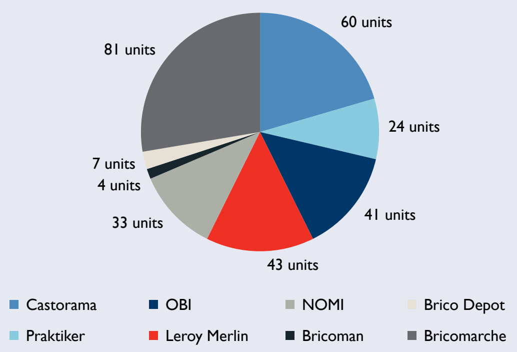
The first half of 2012 was challenging for the food sector in Poland. The most active player in the hypermarket sector was Tesco, while construction work also started on new Auchan stores. Biedronka continued its expansion apace, but other food chains were forced to step down their activities. Delicatessen chain Bomi in particular felt the pinch and filed for bankruptcy. The food sector in Poland is expected to consolidate in both the hypermarket and the smaller food store sectors in the coming years.

There are around 260 hypermarkets in Poland, located mainly in shopping centres, and a few thousand supermarkets and discount stores. Carrefour, Tesco and Real account for the largest share (84, 77 and 54 facilities, respectively). With close to 1,900 locations, including 240 stores opened in 2011, and 200 planned this year, Biedronka is continuing to grow at an impressive pace. Smaller food store formats moving ahead with their expansion include Tesco, Piotr i Paweł, Lidl, Kaufland and Intermarche.

In the first half of the year the largest number of food store openings were those of the retail chain Piotr i Paweł. The brand opened stores in Nova Park Gorzów Wielkopolski, Korona Kielce, Galeria Szperk Gdynia, Alfa Grudziądz, Sky Tower in Wrocław and Galeria Brwinów. The second half of the year will see the opening of Auchan Łomianki, Tesco in Europa Centralna in Gliwice, Piotr i Paweł in City Center Rzeszów and Biedronka in Odrzańskie Ogrody in Kędzierzyn-Koźle.

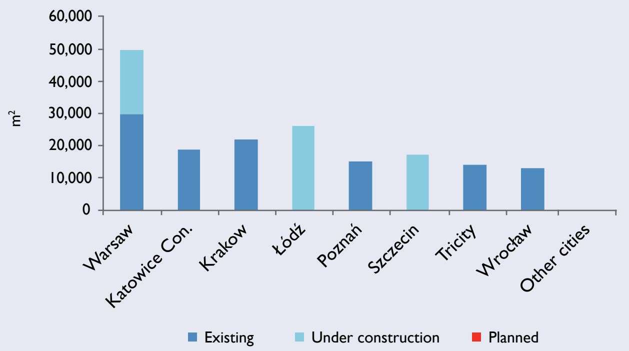
Rents for food stores edged down slightly and now stand at EUR 6-7.5 per sq m per month for hypermarkets, EUR 8-12 per sq m per month for supermarkets, and EUR 5-8 per sq m per month for discount stores. In the food sector rents are often calculated in PLN.

DIY SECTOR IN POLAND IN Q2 2012



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

FACTORY OUTLETS IN POLAND IN Q2 2012



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

RETAIL WAREHOUSES AND RETAIL PARKS

Small facilities offering basic commodities are growing in popularity among occupiers and consumers. The development of retail parks is focused on medium- and small-sized cities, a trend that reflects the changing retail market conditions in Poland. Large-scale, non-food stores are also being developed as free-standing buildings, particularly in the DIY, homeware, furniture and sports equipment sectors.

In the first half of the year around 50,000 sq m of retail warehouse parks were added to the total stock, which reached 2.25 million sq m of GLA. Completions included phase I of Tatary retail park in Lublin and Multibox Park in Świecie. Retail warehouse stock increased with the opening of Castorama in Białystok and Bricoman in Warsaw Wilanów.

Around 80,000 sq m of retail park GLA are under construction. The largest, offering 40,000 sq m of GLA, is part of the Europa Centralna scheme in Gliwice. A further of 100,000 sq m of retail warehouses and parks are scheduled to complete by the end of 2014. However, a certain level of pre-let is required in order to secure funding for construction to begin.

Rents in retail parks in the first half of 2012 were EUR 6-8 per sq m per month for large space and EUR 9-13 per sq m per month for medium space. Most of the free-standing, large-scale non-food stores are being developed by retail chains for their own needs; limited rental evidence shows that rates stand at EUR 6-9 per sq m per month, depending on unit size and location.

OUTLET CENTRES

No new outlet centre opened in the first half of 2012 in Poland, but three facilities are currently under construction and are being actively marketed: Factory Annopol in Warsaw, Outlet Park Szczecin and Ptak Outlet in Rzgow near Łódź. Some five million customers visited the existing outlet centres looking for discount brand-name products during the period.

At the end of the first half of 2012, outlet centre stock in Poland totalled 112,000 sq m of GLA across seven schemes: Factory Ursus (Warsaw), Factory Wrocław, Factory Luboń (Poznań), Factory Krakow (part of Futura Park), Fashion House Piaseczno (Warsaw), Fashion House Gdańsk and Fashion House Sosnowiec.

A total of 60,000 sq m of outlet centre GLA is under construction. Outlet Park Szczecin is to open in September, Ptak Outlet Rzgow in November and Factory Annopol is scheduled for completion in the first quarter of 2013. Because the outlet centre segment is reaching market saturation, there is a lack of schemes at the advanced planning stage and future development is likely to focus on extending existing facilities.

Poland's seven outlet centres comprise more than 700 stores, with the clothing, sportswear and footwear sectors accounting for the largest share. Demand for this type of space remains moderate, with the vacancy rate standing at 5-7%, higher than in traditional shopping centres. The marketing period for outlet centres is longer than those for shopping centres and newly open facilities are 70-80% let.

Rents for outlet centres are lower than those for traditional shopping centres and average in EUR 21-23 per sq m per month for a clothing unit of 100-150 sq m in Warsaw.

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INDUSTRIAL MARKET

MARKET OVERVIEW

The growth of the warehouse market in the first half of 2012, and, in particular, in the second quarter was a bit subdued compared with last year. On the demand side, leasing volume declined in H1 2012 by nearly 27% compared with the previous half. On a positive note, there was a 17 percent increase in supply and vacancies edged down by 0.2 percentage points. Modern warehouse stock in June 2012 totalled 7,370,000 sq m.

Warsaw still remains the largest warehouse market – approx. 2.7 million sq m (around 37% of the country's total stock). The largest regional warehouse markets are Upper Silesia, Poznań, Central Poland and Wrocław, containing around 4.13 million sq m, which equates to 56% of the country's total stock. Substantial investment in road infrastructure over the last several years has resulted in the growth of new warehouse destinations, in particular, in eastern Poland.

Modern warehouse take-up in the first half of 2012 stood at around 710,000 sq m. When looking at the quarterly results, the opening three months recorded 420,000 sq m of space being leased, an increase of 8% compared with the same period last year, while the second quarter reported only 290,000 sq m of space being leased, which represents a drop of 36% compared with the same period in 2011 and 30% compared with Q1 2012. New lease agreements accounted for 64% of total take-up, lease extensions made up 29%, and lease expansions 7%. As in previous years, take-up predominantly came from logistics operators (close to 40%). Occupiers' interest focused mostly on warehouses in the Warsaw region (25%), Upper Silesia (23%) and Central Poland (17%).

Approximately 315,000 sq m of modern warehouse space was delivered in the first half of 2012, a rise of 17% from the previous half. The largest amount of space was added to the region of Warsaw (22%), Poznań (20%), Wrocław (16%) and Upper Silesia (14%). The most significant completions in the opening two quarters of 2012 were: BTS production and warehouse facility for Manuli Hydraulics in Radomsko (32,000 sq m) developed by Panattoni, phase I Goodman Poznań Logistic Centre (30,000 sq m), BTS production and warehouse facility for Metsä Tissue in Krapkowice (26,000 sq m) developed by Goodman and phase I Gdańsk Kowale II park (26,000 sq m) developed by 7R Logistic.

As of June 2012 there was around 290,000 sq m under construction, 20% less than at the end of last year. Nearly 90% of this has been let, as the majority of developers still require pre-lets on minimum lease term of four to five years in order to secure funding to commence construction. The highest concentration of modern warehouse space under construction is in the Wrocław region (59,000 sq m), Upper Silesia (56,000 sq m) and Central Poland (45,000 sq m).

At the end of the first half of 2012 the vacancy rate stood at 11.7%, a decrease of 0.2 percentage points compared with the end of last year, but a rise of 0.6 percentage points against Q1 of this year. Lower transaction volume in Q2 2012 offset the declining vacancy rates in the opening quarter.
As at the end of June 2012 Poland reported around 865,000 sq m of vacant space, with the highest (in absolute numbers) noted in the Warsaw suburbs (390,000 sq m) and Central Poland (120,000 sq m). Overall the highest rates were in smaller markets such as Rzeszów (38%) and Lublin (38%), resulting from a relatively limited amount of stock. The lowest vacancy rate in June 2012 was recorded in Toruń (0%), Poznań (3.8%) and Upper Silesia (4.1%). Despite falling vacancies, rents remain flat or edged down slightly, resulting from declines in leasing volume and growing supply, in particular in smaller regions.
The highest headline rents were again in Warsaw inner city (EUR 4.50-5.80/sq m/month), and the lowest in Central Poland (EUR 2.65-3.95/sq m/month) and in the Warsaw suburbs (EUR 2.65-4.00/sq m/month). In the remaining regions rents averaged EUR 3.20-4.00/sq m/month.

EXAMPLE LEASE TRANSACTIONS

BUILDING	COMPANY	SIZE (SQ M)
Prologis Park Dąbrowa	DHL	34,000
Panattoni BTS Legnica	Lear	32,000
Prologis Park Teresin	DB Schenker	26,000
Tulipan Park Stryków	Hellmann	25,000
Panattoni Park Bielsko-Biała	Coty	17,000
PointPark Mszczonów	ID Logistics	15,000
Panattoni Park Łódź East	Media Expert	12,000
Tulipan Park Poznań	FlexLink	12,000
PointPark Mszczonów	Fiege	11,000
Panattoni Park Stryków	Raben	11,000
Panattoni Park Mysłowice	Magneti Marelli	9,000
Prologis Park Poznań II	Hog Slat	8,000
Panattoni Park Poznań II	Van Cargo	8,000
Prologis Park Wrocław III	Panalpina	7,000
SEGRO Industrial Park Wrocław	DPD	7,000

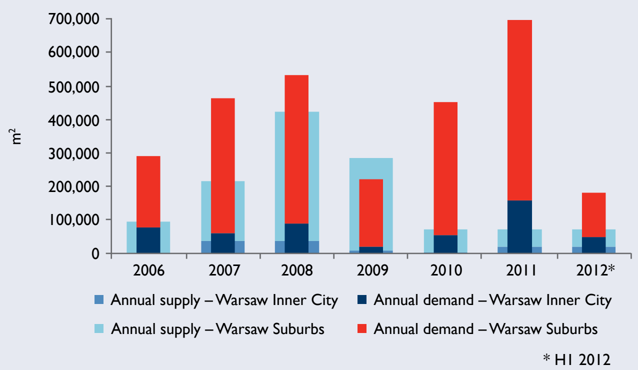
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

WARSAW REGION

WARSAW AREA MARKET OVERVIEW		
Existing Stock	2,710,000 sq m	
Stock Under Construction	33,000 sq m	
Vacancy Rate	17.7%	
Take-Up	176,000 sq m	
Major Landlords	PointPark Properties, Prologis, Goodman, Panattoni	
	INNER CITY ZONE	SUBURBS ZONE
Headline Rents	4.50 – 5.80 EUR/m²/month	2.65 – 4.00 EUR/m²/month
Effective Rents	3.90 – 5.00 EUR/m²/month	2.00 – 3.20 EUR/m²/month

With warehouse stock of 2.7 million sq m, the Warsaw region is the largest warehouse market in Poland. The inner city (an area within the capital's administrative borders) accounts for 23% of total stock; the remaining 77% is located in the suburbs (an area within a 12-50 km radius from the city centre). In the first half of 2012 nearly 70,000 sq m of warehouse space was delivered to the market, with a 22,000 sq m BTS production and warehouse facility for Delphi in Błonie developed by Panattoni being the largest completion. From January to June 2012 around 176,000 sq m of warehouses was transacted, a 50% decrease compared with the second half of 2011. Most leases were for space in the suburbs (75%). Unoccupied space increased to 17.7% as at the end of June 2012. By zones, however, only the capital posted an increase – close to 2 percentage points to the level of around 14.0%, with the vacancy rate in the Warsaw suburbs remaining at the same level the around 18.0%. Rents in the region remain stable.

SUPPLY AND DEMAND IN WARSAW REGION



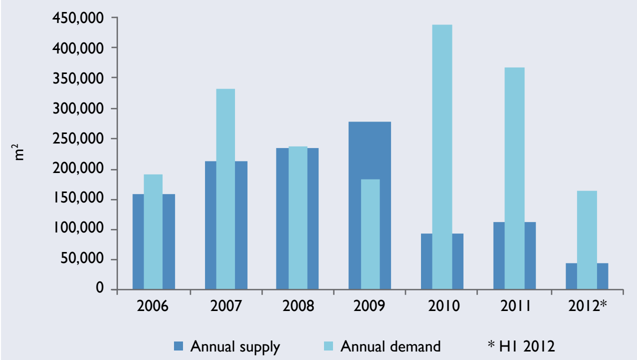
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

UPPER SILESIA

UPPER SILESIA MARKET OVERVIEW	
Existing Stock	1,412,000 sq m
Stock Under Construction	56,000 sq m
Vacancy Rate	4.10%
Take-Up	167,000 sq m
Major Landlords	Panattoni, Prologis, SEGRO, MLP Group, BIK, Menard Doswell
Headline Rents	3.00 – 3.60 EUR/m²/month
Effective Rents	2.70 – 3.10 EUR/m²/month

Upper Silesia is the top performing regional warehouse market. The region's modern road network, high intensity of production, FDI (especially from the automative sector) and favourable location have bolstered the growth of warehouse space which now totals 1,412,000 sq m. In the first half of 2012 some 44,000 sq m was delivered to the market, accounting for more than 14% of total warehouse space completed in Poland. The largest completion was a 26,000 sq m BTS facility for Metsä Tissue in Krapkowice, developed by Goodman. Upper Silesia stands out also in regard to leasing volumes. From January to June 2012 around 167,000 sq m of warehouse space was leased, which accounts for 23% of the country's total. At the end of June 2012 only 58,000 sq m of space was available, equating to 4.1%, one of the nation's lowest industrial vacancy rates, down by 3.7 percentage points compared with what was recorded at the end of 2011. Such good performance of the sector in the region prompted developers to start new projects. As at the end of June 2012 some 56,000 sq m of warehouse space was under construction, with the largest scheme being a further phase of Panattoni Park Mysłowice (19,000 sq m). Rents in the first half of the year remained stable.

SUPPLY AND DEMAND IN UPPER SILESIA REGION



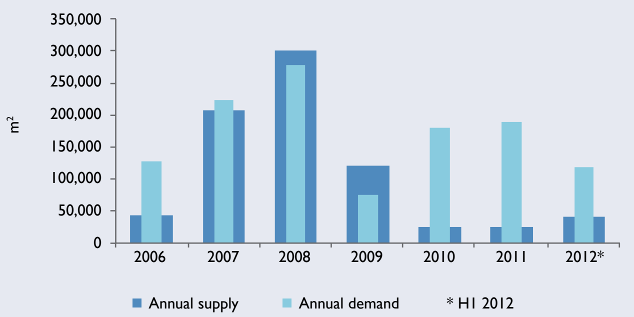
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

CENTRAL POLAND

CENTRAL POLAND MARKET OVERVIEW	
Existing Stock	981,000 sq m
Stock Under Construction	45,000 sq m
Vacancy Rate	12.2%
Take-Up	118,000 sq m
Major Landlords	SEGRO, Panattoni, AIG/Lincoln
Headline Rents	2.65 – 3.95 EUR/m²/month
Effective Rents	1.99 – 3.10 EUR/m²/month

Central Poland's warehouse stock stands at more than 980,000 sq m and is located mainly in: Łódź (26% of total stock), Piotrków Trybunalski (33%), Rawa Mazowiecka (6%) and Stryków (31%). Two new cities, Pabianice and Radomsko, recorded their first industrial completions: phase I of Goodman Łódź Logistic Centre (9,600 sq m) and BTS Manuli (32,000 sq m) respectively, developed by Panattoni. These were the only two schemes delivered to the market in the first half of 2012. Take-up in the opening two quarters of 2012 was at a similar level to the second half of 2011 at around 118,000 sq m (aprroximately 17% of the country's volume). Stryków accounts for the largest share (aprroximately 59%). The remaining space was transacted in Łodź (approx. 34%) and Piotrków Trybunalski (approx. 7%). The vacancy rate rose by approximately 2 percentage points compared with the end of 2011 and now stands at 12.2%. The largest amount of available space could be found in Piotrków Trybunalski – 85,000 sq m (71%) and Łódź – 23,000 sq m (19%). Rents edged down slightly and varied by location, space availability and the type of warehouse product. The highest rents were reported for small business units in Łódź (EUR 4.00-4.50/sq m/month), while the lowest were for warehouses in Piotrków Trybunalski (EUR 2.65-3.20/sq m/month).

SUPPLY AND DEMAND IN CENTRAL POLAND REGION



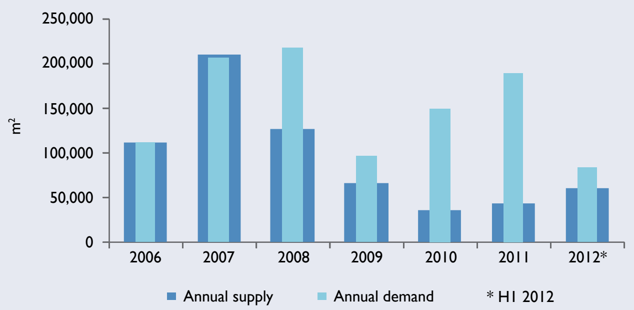
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

POZNAŃ REGION

POZNAŃ AREA MARKET OVERVIEW	
Existing Stock	1,010,000 sq m
Stock Under Construction	32,000 sq m
Vacancy Rate	3.8%
Take-Up	84,000 sq m
Major Landlords	Prologis, SEGRO, Panattoni, PointPark Properties
Headline Rents	3.15 – 3.60 EUR/m²/month
Effective Rents	2.40 – 2.90 EUR/m²/month

At the end of June 2012 warehouse stock in the Poznań region was just over 1,000,000 sq m. Most warehouses are located in the city's suburbs, along the A2 motorway (Gądki, Komorniki, Krzesiny, Luboń) and the S11 expressway (Swadzim). Single parks can be found in Bugaj, Kostrzyn, Kórnik and Swarzędz. The Poznań region comprises also warehouses located in more remote areas of Gorzów Wielkopolski, Konin, Leszno, Rawicz and Świebodzin. In the first half of 2012 nearly 63,000 sq m of warehouse space came to the market (20% of the country's total supply). The largest completion was phase I of Goodman Poznań Logistics Centre (30,000 sq m). In June 2012 nearly 32,000 sq m was under construction, around 50% less than that witnessed at the end of 2011. Warehouse take-up in the region in the first half of the year was somewhat weak compared with the last two quarters of 2011 and stood at 84,000 sq m. Solid leasing activity kept vacancy at the country's lowest level, 3.8% at the end of second quarter of 2012, a fall of 0.2 percentage points compared with the end of 2011. As of the end of Q2 2012 there was around 38,000 sq m of available space. Rents remained relatively unchanged.

SUPPLY AND DEMAND IN POZNAŃ REGION



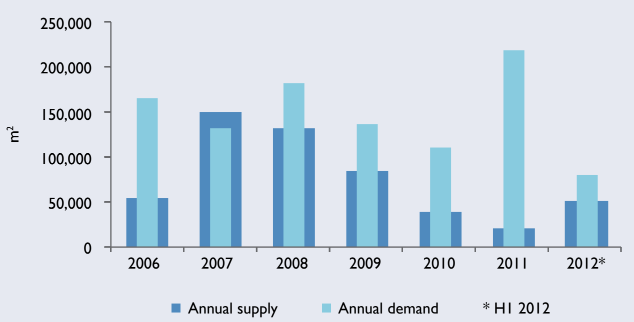
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

WROCŁAW REGION

WROCŁAW AREA MARKET OVERVIEW	
Existing Stock	726,000 sq m
Stock Under Construction	59,000 sq m
Vacancy Rate	11.3%
Take-Up	81,000 sq m
Major Landlords	Panattoni, Prologis, SEGRO, VATT Invest
Headline Rents	3.00 – 3.90 EUR/m²/month
Effective Rents	2.40 – 3.00 EUR/m²/month

With warehouse stock of around 726,000 sq m, Wrocław is the fifth largest industrial market in Poland. Most of the space is in parks located outside the city, along the A4 motorway (Bielany Wrocławskie, Kąty Wrocławskie, Kobierzyce, Krajków) and the national road no. 8 (Długołęka). In the first half of 2012 some 51,000 sq m was added to the market. At the end of the second quarter there was nearly 60,000 sq m under construction. The largest project underway was the 32,000 sq m BTS project for Lear in Legnica developed by Panattoni. In the first half of 2012 take-up reached 81,000 sq m, down by around 26% compared with the last two quarters of the previous year. Lower transaction volume and growing stock resulted in an increase in vacant warehouse space to the level of around 82,000 sq m as at the end of June 2012. The vacancy rate rose by nearly 2 percentage points to 11.3%. Headline rents were stable, ranging between EUR 3.00-3.90/sq m/month, however there is evidence of a slight downward trend, especially in less attractive locations.

SUPPLY AND DEMAND IN WROCŁAW REGION



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

TRICITY REGION

With more than 172,000 sq,m of warehouse space, Tricity is one of the least developed, but fastest growing industrial markets in Poland. The first modern warehouse facility was completed in 2007. As of June 2012 there were already six industrial parks operating in the region, with the 6,000 sq m phase I of SEGRO Logistics Park Gdańsk) under construction and another warehouse in the pipeline (Goodman). In the first half of 2012 more than 32,000 sq m came onto the market, with the completion of a further facility in Panattoni Park Gdańsk – 6,000 sq m and Park Gdańsk Kowale II – 26,000 sq m. In the first half of 2012 take-up fell to 22,000 sq m. Lower transaction volume and an increase in supply pushed the vacancy rate up slightly to 12.5%, as at the end of June 2012. Rents range between EUR 3.30-4.00/sq m/month.

KRAKOW REGION

The Krakow region contains 128,000 sq m of warehouse space, with the majority of modern schemes located along the city's ring road and in the south-eastern part of the city. In H1 2012 more than 12,000 sq m of warehouse space was added to the market. At the end of June there was close to 20,000 sq m under construction, including a further phase of Goodman Airport Logistics Centre. Warehouse transactions dropped in volume by half compared with the last two quarters of 2011, to more than 8,000 sq m. The addition of speculative space of Witek Airport Logistics Centre pushed the vacancy rate up to 15.8% as at the end of the second quarter this year. Rents remained relatively high at EUR 4.00/sq m/month.

OTHER REGIONS

At the end of June 2012 warehouse stock in Toruń, Rzeszów, Szczecin and Lublin regions stood at 97,000 sq m, 80,000 sq m, 42,000 sq m and 14,000 sq m respectively. Warehouses in the Rzeszów region are in two areas close to the A4 motorway (currently under construction): near Dębica and in the city's suburbs. A new project has been launched in Chmielów near Tarnobrzeg (the 35,000 sq m BTS facility for Pilkington). Further developments are planned in Mielec and Korczowa. Toruń's warehouse market comprises two parks: Panattoni Park Toruń (31% of total stock) and Goodman Toruń Logistics Centre (69% of total stock), both fully let. Their extensions and further development schemes are planned in the region for the coming years. Szczecin's warehouse market comprises Prologis Park Szczecin, speculatively developed in 2008. In H1 2012, some 14,000 sq m was leased which helped to drive down the vacancy rate from around 52% to 20%. The second quarter of this year saw the start of phase I of a new project – the 7,000 sq m North-West Logistic Park in Szczecin. Lublin has one facility offering modern warehouse space for lease – Centrum Logistyczne Mełgiewska. There is another scheme in the pipeline, the 14,000 sq m Wikana Business Park.

HOSPITALITY MARKET

Poland's hospitality market in the first half of 2012 followed the upward trend established in 2011. According to estimates from the Institute of Tourism, in the first quarter of 2012 the number of foreign visitors to Poland rose by 6% compared with the same period in 2011 and the number of foreign tourists rose by more than 12%. The data of Central Statistical Office shows that in the first quarter of 2012 the number of bed-nights increased by 8.7% over the first quarter of 2011.

The Euro 2012 football tournament held in June helped to boost the performance of hotels in the cities hosting the matches. C&W research shows that branded hotels achieved an average room rate of EUR 220 with an occupancy level of around 90% during the Euro 2012 games. There were some concerns over potential losses from cancelled conferences and various other events, which are typically scheduled in June. Some hotels, however, moved their conferences to earlier dates, spreading the occupancy rates in the main cities across the first half of the year.

POLISH HOTEL STOCK IN H1 2012*

VOIVODSHIP	NUMBER OF HOTELS	NUMBER OF ROOMS	NUMBER OF HOTEL BEDS	NUMBER OF HOTEL BEDS PER 10,000 INHABITANTS
Lower Silesia	233	11,267	22,369	78.3
Kujawy-Pomerania	110	4,198	8,039	38.8
Lublin	69	2,355	4,607	21.1
Lubuskie	67	2,518	4,905	49.0
Łódź	99	5,367	10,150	39.0
Małopolska	310	14,624	30,324	89.0
Mazovia	219	17,148	31,923	58.1
Opole	45	1,110	2,203	22.3
Podkarpacie	119	3,399	6,901	34.1
Podlasie	27	1,513	3,084	25.7
Pomerania	159	8,033	16,259	71.8
Silesia	189	9,495	19,089	41.3
Świętokrzyskie	81	3,018	6048	46.9
Warmia-Masuria	100	5,370	11,187	80.0
Wielkopolska	247	9,306	17,790	52.1
West Pomerania	104	6,950	13,834	82.0
Poland	2,178	105,671	208,712	54.2

* hotel stock at 30 June 2012

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY

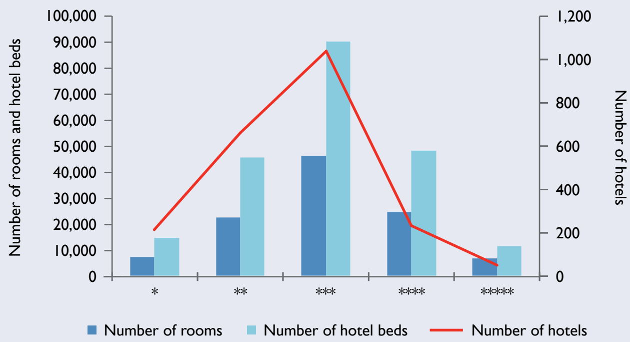
SUPPLY

Poland currently offers 2,178 officially licensed hotels, which provide around 208,700 beds in 105,670 rooms. The saturation level is around 54 beds per 10,000 inhabitants. In the first half of 2012, 92 hotels, offering 8,519 beds in 4,236 rooms, were delivered to the Polish market, which equates to a 3.5% growth in capacity.

Poland's 47 three-star facilities accounted for more than 50% of the total new supply. Most completions were in the Lubelskie, Mazovian and Silesia areas (12, 11 and 9 respectively). In the same period, 18 facilities, including two hotels belonging to Orbis group – Polonez in Poznań and Giewont in Zakopane – ceased or suspended their business operations.

A long-awaited addition to the Polish hospitality market was the 127-room Holiday Inn in Łódź, which opened after a development process lasting 17 years. In June a 130-room Holiday Inn Express, part of the InterContinental Hotels Group, also opened its doors to guests in Wałbrzych. However, the hotel has not yet received its star rating. Accor/Orbis opened two Ibis and Ibis Budget hotel complexes (the Ibis Budget was previously part of the Etap brand): a 333-room facility in Warsaw and a 302-room hotel in Krakow. Louvre Group also opened two budget hotels: the 152-room Campanile II hotel and the 136-room Premiere Classe facility in Wrocław. The French budget hotel chain B&B opened a 154-room facility in Warsaw on Krakowska Avenue. The first Hampton by Hilton, the brand known in Poland from its four- and five-stars hotels, commenced trading in Świnoujście; the opening was part of the hotel chain's continuing strategy to expand its budget brand.

POLISH HOTEL STOCK IN H1 2012



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

Hotels that are part of international chains have undergone a strict quality-control and marketing process and are well adapted to the needs of the places they serve. New hotels by established brands accounted for around 11% of a total number of hotels licenced in 2012, which, by number of rooms, accounted for 32% of new supply. This upward trend seems likely to continue.

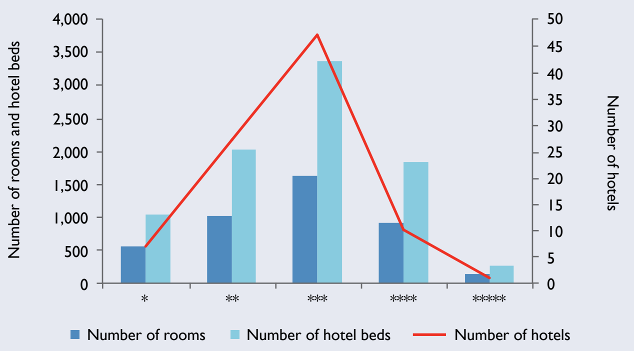
In Warsaw, five branded hotels are under construction:

- Holiday Inn Express in the Poleczki Business Park, which is due to open this year;
- Hampton by Hilton in the city centre, on the corner of Wspólna Street and Chałubińskiego Street;
- Hampton by Hilton at Warsaw Airport;
- DoubleTree by Hilton in the Wawer district; and
- Renaissance Hotel by Marriott at Warsaw Airport.

Three hotel operators active on the Polish market are worth mentioning: Hilton Worldwide, Best Western and the Louvre Hotels Group.

Apart from the above mentioned projects in Warsaw, Hilton signed franchise or management agreements for hotel projects in Gdańsk, Krakow, Wrocław, Łódź and Poznań as well as other cities. The successful expansion of a well-known chain such as Hilton Worldwide on the Polish market reflects the country's appeal to the largest international hotel players as well as branded hotels' increasing share of the Polish market. The growth in the number of hotels offering a guaranteed high standard of services, in both the four- and five-star and budget sectors, put pressure on other market players to improve the quality of their services.

POLISH HOTEL STOCK GROWTH IN H1 2012



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

The Best Western chain, with franchise policies less strict than those of Hilton, is likely to expand at a faster pace. Although the looser policies produce a less uniform quality of services across the different hotels operating under the brand, it enables Best Western to establish cooperation with already operating hotels, which are seeking to improve their competitiveness. The Best Western brand attracts more guests and its standard operating procedures are likely to improve its market penetration and raise profits. In the first half of the year, Hotel Poleczki in Warsaw became a Best Western franchised hotel. There are currently 12 hotels operating under Best Western brand, with five new franchises just established.

Louvre Hotels Group, the chain known in Poland under the name of its Campanile brand, signed a franchise agreement with Qualia Development, which launched seven condohotel projects – hotel facilities selling rooms to individual owners. These will operate under the Golden Tulip, Tulip Inn and Royal Tulip brands, and will offer the first opportunity in the country to purchase a room or a condominium apartment operated under the brand of a renowned chain. The opening of Golden Tulip in Międzyzdroje is scheduled for this year.

DOUBLETREE BY HILTON, ŁÓDŹ

VALUATION AND ADVISORY SERVICES

Cushman & Wakefield provides valuation and advisory services throughout the world. In Europe it employs around 60 market researchers and around 200 property valuers. The Valuation and Advisory department of Cushman & Wakefield in Poland has 15 employees. It provides valuation and advisory services at the local level supported by regional offices, for investment funds, Polish and foreign banks, developers, investors, local authorities and other companies holding commercial real estate. Our Valuation and Advisory department draws on the expertise and experience of Cushman & Wakefield's global network of specialists.

Valuation and advisory – fields of activity

Retail market	Office market	Residential market	Hospitality market	Industrial market
Land market				

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- Appraisals
- Portfolio Valuation
- Single Asset Appraisal

Valuation Team prepares valuations that suit variety of needs including:

- Acquisition / disposal
- Loan security
- Accounting / financial reporting
- Insurance
- Tax purposes
- Update of perpetual usufruct fee
- Determining damages amount (compulsory purchase)
- Determining the amount of incurred outlays
- Reduction of betterment levy
- Reduction of planning charge
- Valuations for client's internal purpose

The valuation reports are made in accordance with the Polish standards (PFSRM) as well as the international standards (RICS, TEGoVA, IVS, IAS).

Standard	Form
RICS "Red Book"	Valuation report, Short form report (e.g. desktop valuation)
Polish Valuation Standards	Valuation report
European Valuation Standards (TEGoVA)	Valuation report
International Valuation Standards	Valuation report

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- Macroeconomic and sector analyses
- Analyses of regional and local property markets
- Competition analyses (existing, under construction and planned)
- Modelling the catchment area of retail schemes and turnover estimates
- Location analyses (accessibility, visibility, planning and infrastructure constraints)
- Analyses and projections of sector indices such as demand, supply, vacancy rates, absorption, rents, prices and yields, etc.
- Analyses of tenants' and buyers' preferences

Financial analytics

- Deterministic and probabilistic financial rationality of projects based on international accounting standards (IAS)
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- Advising on optimum financing structures based on the current capital market conditions
- Identification and quantification of key risk factors affecting the financial result of a project
- Analysis of the model's sensitivity to changing macro- and microeconomic conditions

Example projects / Selected clients

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budimex nieruchomości

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Jerónimo Martins Polska

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PKP Polskie Koleje Państwowe Spółka Akcyjna

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Agencja Rozwoju Przemysłu Spółka Akcyjna

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On the cover: Green Towers, Wrocław

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