MARKETBEAT

POLISH REAL ESTATE MARKET REPORT

A Cushman & Wakefield Research Publication

AUTUMN 2013

A Cushman & Wakefeld Research Publication

Dear Sir / Madam,

Cushman & Wakefield is the world's largest privately held commercial real estate services firm. Founded in 1917, it has 253 offices in 60 countries and more than 15,000 employees.

Cushman & Wakefield has been actively operating in Poland since 1991. As a global real estate company, we deliver integrated solutions to multinational corporations, financial institutions, developers, entrepreneurs, government entities and small-to-medium-size companies by actively advising, implementing and managing on behalf of landlords, tenants and investors through every stage of the real estate process.

This report presents an analysis of the office, retail and industrial markets as well as the investment market in Poland. The publication also includes forecasts for the future development of the real estate sector.

We trust you find the report informative.

Yours faithfully,

Charles Taylor
Managing Partner
Cushman & Wakefield Polska

TABLE OF CONTENTS

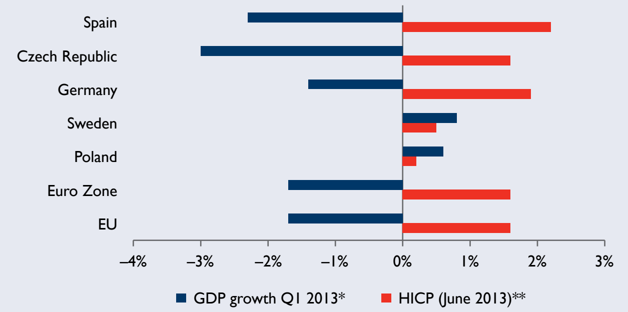
ECONOMIC PERFORMANCE

ECONOMIC GROWTH AND UNEMPLOYMENT

Poland's economy grew at a slower pace in H1 2013 than expected. However, in Q2 some economic indicators improved, including higher industrial output and retail sales. GDP growth in 2013 is expected to top 1% while the unemployment rate, which in June 2013 stood at 13.2%, will not exceed 14%.

The Polish economy continues to perform well in the current economic slowdown in Europe. Poland is an attractive investment destination compared with other Central European countries, which is reflected by favourable growth forecasts and strong macroeconomic fundamentals. High-profile financial institutions and rating agencies have upheld a positive outlook for Poland's economy, which confirms the country's strong position as an international player.

KEY ECONOMIC INDICATORS



HICP – Harmonised Index of Consumer Prices
* quarter-to-quarter previous year ** month-to-month previous year

SOURCE: EUROSTAT, JULY 2013

LONG TERM BONDS RATE AND GDP FORECAST

COUNTRY	2008	2009	2010	2011	2012	Q2 2013	2013*	2014*
EU	3.97%	3.96%	4.20%	4.29%	3.02%	3.00%	-0.10%	1.40%
Euro Zone	3.73%	3.63%	4.13%	4.63%	3.18%	3.09%	-0.40%	1.20%
Germany	3.05%	3.14%	2.91%	1.93%	1.30%	1.53%	0.40%	1.80%
Sweden	2.67%	3.24%	3.21%	1.68%	1.51%	2.05%	1.90%	1.90%
Czech Rep.	4.30%	3.98%	3.89%	3.70%	2.12%	2.14%	-0.40%	1.60%
Poland	5.70%	6.22%	5.98%	5.84%	3.88%	3.95%	1.10%	2.20%
Spain	3.86%	3.81%	5.38%	5.53%	5.34%	4.67%	-1.50%	0.90%

* GDP (forecast)

SOURCE: EUROSTAT, JULY 2013

POLAND AGAINST OTHER COUNTRIES

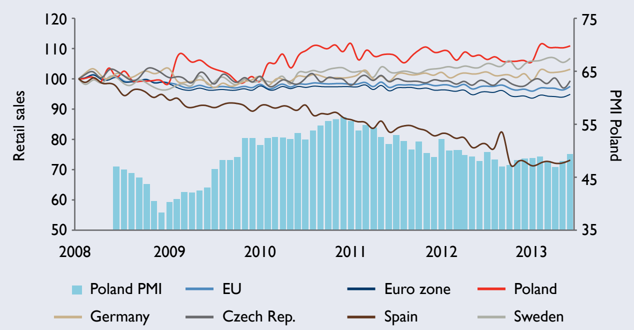
COUNTRY	S&P Rating	S&P Outlook	MOODY'S Rating	MOODY'S Outlook	FITCH Rating	FITCH Outlook
Poland	A–	Stable	A2	Stable	A–	Positive
Czech Rep.	AA–	Stable	A1	Stable	A+	Positive
Germany	AAA	Stable	Aaa	Negative	AAA	Stable
Spain	BBB–	Negative	Baa3	Negative	BBB	Negative
Sweden	AAA	Stable	Aaa	Stable	AAA	Stable

SOURCE: S&P, MOODY'S, FITCH, JULY 2013

RETAIL SALES

The first half of 2013 witnessed revival of retail sales which grew by 0.8%. In addition, Purchasing Managers Index, often used as a leading indicator which shows sentiment in the industrial sector, reached 50.5 points in July 2013. The reading above 50 points, first in over a year may indicate that the economy is expanding.

RETAIL SALES*



* except of motor vehicles and motorcycles ** JANUARY 2008 = 100

SOURCE: EUROSTAT, MONEY.PL, JULY 2013

FOREIGN INVESTMENT

Poland's foreign investment volume fell strongly from EUR 13.5bn in 2011 to just EUR 2.5bn in 2012. Worth mentioning, however, is that the decline in foreign investment affected most European countries.

FDI IN POLAND

SOURCE: NBP, JULY 2013

FINANCIAL MARKETS

FISCAL POLICY AND BUDGET

According to preliminary estimates from the Ministry of Finance, at the end of June 2013 Poland's budget deficit stood at PLN 26bn, which constitutes 73% of the limit set out in the budget law. Public debt rose to more than PLN 838bn, up by 5.6% compared with the end of 2012. In July 2013 the Polish government suspended the 50% public debt safety threshold.

STOCK EXCHANGE

In the first half of 2013, the Warsaw Stock Exchange came second in the European ranking in terms of the number of IPOs (initial public offerings) after the London Stock Exchange. Thirty-one companies made their debut on the NewConnect and the main markets in H1 2013. The biggest IPOs came from Polski Holding Nieruchomości and AviaAM Leasing AB, sized at PLN 239 million and PLN 112 million, respectively.

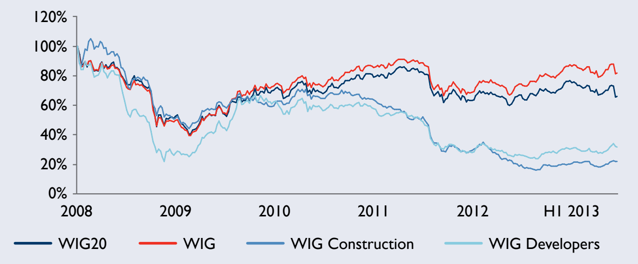
IPO (INITIAL PUBLIC OFFERING)

	Q3 2012	Q4 2012	Q1 2013	Q2 2013	H1 2013
Warsaw	26	21	13	18	31
London	16	26	13	25	38
NYSE Euronext	1	2	3	9	12
Luxembourg	2	3	3	2	5
Oslo	1	1	2	2	4
Deutsche Börse	5	7	2	3	5
Switzerland	1	1	0	0	0
Nasdaq OMX	4	8	4	10	14
Spain (BME)	–	1	0	1	1

SOURCE: PWC, IPO WATCH EUROPE, GPW, JULY 2013

The main indexes of the Warsaw Stock Exchange WIG and WIG20 fell by 7% and 14% respectively over the first half of 2013. On the other hand, the WIG-Budownictwo (WIG-Construction) and WIG-Deweloperzy (WIG-Developers) gained around 8% and 4%, respectively. Despite very tough trading conditions in the construction sector, the conditions for its growth are steadily improving.

WARSAW STOCK EXCHANGE DYNAMICS



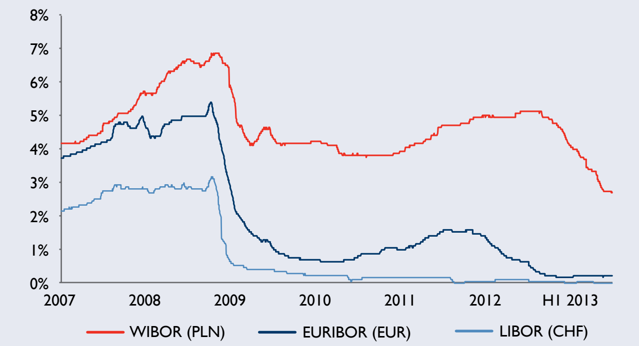
SOURCE: STOOQ.PL, JULY 2013

1 January 2008 = 100

INTEREST RATES

In the first half of 2013 the Polish Monetary Policy Council cut the National Bank of Poland's (NBP) reference rate several times from 4.25% at the end of 2012 to 2.5% in July 2013. The European Central Bank decided to cut its reference rate from 0.75% to 0.5% in May 2013 in order to boost the slowing European economy.

INTEREST RATES (3M)

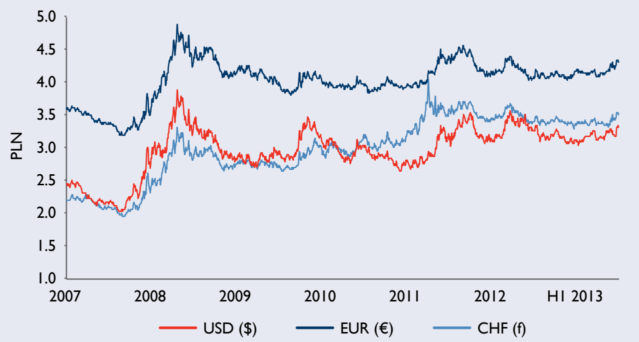


SOURCE: STOOQ.PL, JULY 2013

EXCHANGE RATES

Despite low inflation, the Polish zloty, depreciated in the first half of 2013. At the end of June 2013 the PLN weakened against the euro by 6% and against the US dollar by 8%.

EXCHANGE RATES



SOURCE: STOOQ.PL, JULY 2013

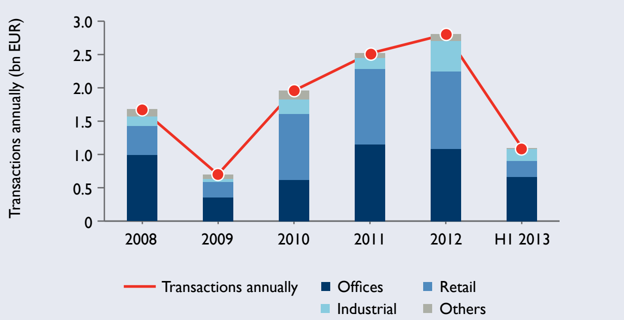
INVESTMENT MARKET

Activity on the Polish commercial investment market in the first half of 2013 continued to be robust. The volume of transactions made and closed hit EUR 1.09bn at the end of June 2013, up by around 16% compared with the same period last year. The office sector accounted for around 60% of the total investment volume as a result of a relatively strong supply of high-quality properties. Despite undiminished interest, the retail and warehouse sectors did not perform so well due to lengthy sale agreement procedures, and accounted for around 23% and 16% of the transaction volume, respectively.

In line with previous years, German and US investors commanded a nearly 50% market share. Polish investors came third with the record high market share at 17.6% and properties acquired for around EUR 192m. The stronger position of domestic investors is likely to increase stability of the Polish market and stimulate other market players to invest.

The outlook for Poland's commercial investment market remains healthy for the forthcoming months given the large number of deals signed in Q3 2013 and preliminary contracts totalling around EUR 1.2bn. The volume of commercial property investment will continue to grow on the back of the gradual economic revival in Poland reflected by rising private consumption and corporate investments, call-off of the fiscal policy tightening and increased stocking. In addition, strong demand and supply of new assets to come onto the market in the years 2014–2015 are expected to contribute to a high transaction volume on the Polish investment market in later years as well.

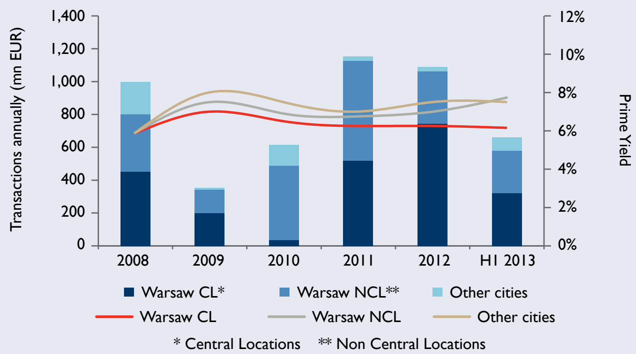
TOTAL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

OFFICE MARKET

OFFICE INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

Office investment volume in the first half of 2013 reached EUR 660m, the highest figure since 2007. This was due to both strong demand for high-quality office buildings and availability of prime assets.

The largest deal in the first half of 2013 was ECI's sale of New City and NC2 office buildings in Warsaw's Służewiec to the US fund Hines Global REIT for EUR 127m, being Hines' first office acquisition in Poland. Another notable transaction in Warsaw was the acquisition of the Senator office building by the German fund Union Investment for EUR 120m.

Although Warsaw remains the largest office market in Poland, there is increasing investor interest in other major cities where transaction volume hit around EUR 80m in the first half of 2013. The largest regional deal was Skanska's sale of Green Towers in Wrocław to the Polish investment fund PZU FIZ Sektora Nieruchomości for around EUR 64m.

Due to strong demand, in the first half of 2013 prime office yields in Warsaw edged down slightly from 6.25% to around 6.15%. Yields of over 6% in central Warsaw are looking increasingly attractive compared to the sub 5% yields now available in many core European cities and with more investors seeking out higher incomes and ready to take on board a measured amount of risk to achieve that, liquid and growing markets like Warsaw are coming back into focus for a growing range of players. The large number of new developments to be completed in 2013–2015 pushed prime yields in the capital's non-central locations up to around 7.5–7.75%. Yields in regional cities remained flat at around 7.5% but are likely to come down slightly in the next months.

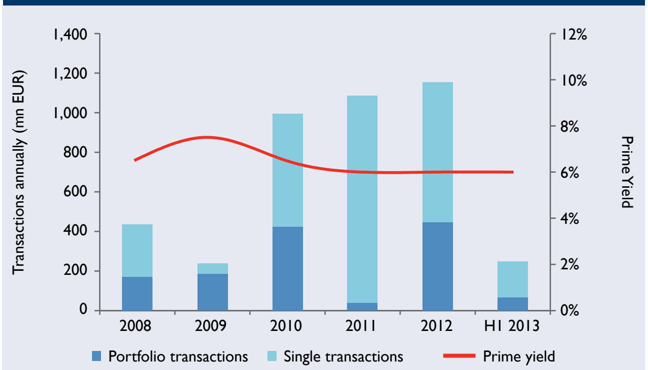
RETAIL MARKET

In the first half of 2013 the retail transaction volume settled at around EUR 247m, nearly half the deal volume in the same period last year. However, this underperformance did not result from weakening demand as demand for prime retail properties in particular continued to be very strong but from the lengthy negotiations and formalities related to signing final sale agreements. Transaction volume is expected to pick up in the second half of the year following many preliminary purchase agreements, including Silesia City Center in Katowice for EUR 412m, the largest volume for a single property in Poland on record, five retail properties from Charter Hall's portfolio for EUR 174.5m and Galeria Dominikańska in Wrocław for EUR 151.7m.

The largest deal in the first half of 2013 was the sale of a 23% stake in Złote Tarasy by the Warsaw Municipality to the French fund Unibail-Rodamco, which became the sole owner of the property. The second largest transaction on the Polish retail market was the acquisition of the portfolio of three Echo shopping centres in Radom, Piotrków Trybunalski and Tarnów by the UK fund London & Cambridge Properties for EUR 67m, the first such substantial purchase by this investor since 2006.

Prime retail yields remain at 2012's level of around 6%. Due to a paucity of prime retail assets, most deals were made for smaller properties outside Poland's five largest cities. Yields for such properties are much higher, falling within the range of 7.5% and more than 10% with the average at around 8.5%.

RETAIL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

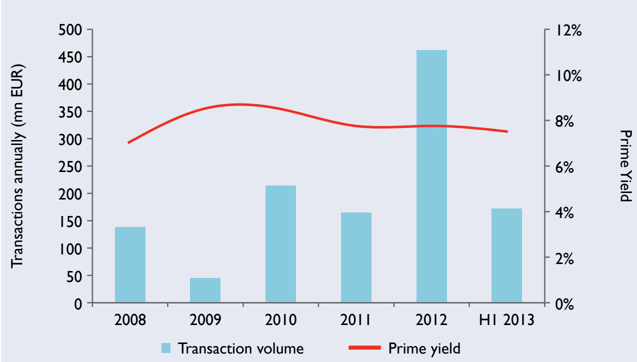
WAREHOUSE MARKET

Investment activity on the Polish warehouse market was strong in the first half of 2013 with the transaction volume of around EUR 173m and the largest share in this volume of the sale of a 50% stake in Prologis' portfolio to the Norwegian sovereign wealth fund Norges Bank Investment Management. The second largest deal was the US fund Segro's acquisition of the warehouse park Żerań Park II in Warsaw for EUR 43.2m.

Prime warehouse yields stood at around 7.5% at the end of H1 2013, down by around 25 basis points compared with December 2012. Sales of more prime warehouse parks will compress yields further as illustrated by the US fund W.P. Carey's acquisition in July 2013 of the distribution centre of fashion retailer H&M totalling more than 83,000 sq m of usable space from the Invesco fund for EUR 64m.

The Polish warehouse market has a growing level of appeal to both tenants and developers given further improvement in transport infrastructure, modernisation of corporate distribution systems and the rise of e-tailing. The developing leasing market will stimulate the growth of the investment market and leased prime properties will be attractive investment targets for both large volume investment funds such as Blackstone, W.P. Carey, Deutsche AWM (previously RREEF) or Hines, and sovereign wealth funds such as Norges Bank Investment Management.

INDUSTRIAL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

OFFICE MARKET

MARKET OVERVIEW

In the first half of 2013, Poland's office market kept up the momentum it had gained in 2012. Leasing volume is rising with developers increasingly intent on launching new office projects. Tenants are seeking ways to reduce operating costs and the expiry of leases made in 2007–2008 are drivers of leasing activity. Take-up in the first six months of 2013 totalled 516,000 sq m, up by 7% on the first half of 2012, most of which (65%) was transacted in Warsaw, followed by Krakow (11%) and Wrocław (10%). Developers are still faced with limited access to funding new projects as banks require pre-lets for at least 30% of space planned and the developer's own contribution of no less than 35%. This presents a problem as the pipeline in most regions includes a large number of new schemes and Poland's economic situation is still uncertain. Vacancy rates increased in all the key office markets, with the exception of Krakow, where the low supply pushed the vacancy rate down by 1.2 percentage points compared with the end of 2012. Prime rents in Warsaw stood at EUR 25.5/sq m/month while in other cities headline rents in prime locations remained stable, ranging from EUR 13/sq m/month in Łódź to EUR 16/sq m/month in Wrocław and Poznań. Rents are expected to remain flat in the medium-term.

EXISTING OFFICE STOCK

	STOCK (SQ M)	RENTS (EUR/SQ M/MONTH)	VACANCY (%)
Warsaw	4,011,150	11.5–25.5	10.50%
CL*	1,287,000	17–25.5	9.87%
NCL**	2,724,150	11.5–16.5	10.79%
Krakow	604,156	13–15	2.71%
Wrocław	509,719	13–16	12.37%
Tricity	410,421	13–15	11.24%
Katowice	300,355	13–14	8.29%
Łódź	301,769	12–14	14.97%
Poznań	290,804	14–16	14.66%

* CL – Central Locations
** NCL – Non Central Locations

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

WARSAW

The Warsaw market continues to attract strong interest from both developers and occupiers. Around 500,000 sq m is planned to come onto this market by the end of 2015, of which more than 400,000 sq m is currently under construction. New high-rise office buildings will also be constructed in the coming years, including Echo Investment's Q22 (50,000 sq m) and Ghelamco's tower building (60,000 sq m) within Warsaw Spire complex. Development activity is spurred on by the rising leasing volume and new space absorption. However, due to the ongoing economic uncertainty, tenants tend to take up space in cheaper non-central locations.

WARSAW – Supply

In H1 2013, more than 152,000 sq m of modern office space was delivered onto the Warsaw market, bringing the capital's total stock to over 4,000,000 sq m. Comparable office stock in other European cities is noted in Lisbon (more than 4,500,000 sq m), Dublin (more than 3,500,000 sq m) and Athens (close to 5,200,000 sq m). According to data collected, new supply in the first half of 2013 was 30% higher than that in the same period of 2012. The majority of new space (more than 107,500 sq m) came onto the market in the Mokotów district (Upper South zone), while only 35,000 sq m was delivered in the South-Western zones (SW1 and SW2). Eight buildings were completed in Warsaw, the largest being HB Reavis' Konstruktorska Business Center (48,300 sq m) and Ghelamco's Marynarska 12 complex (40,000 sq m), both in Służewiec Przemysłowy. Other notable completions included Kronos Real Estate's Ambassador Office Building (15,400 sq m) in Domaniewska Street and building B of Ghelamco's Łopuszańska Business Park (16,500 sq m) in the Włochy district. Only one building was delivered in the city centre: the refurbished tenement house in Bankowy Square totalling 4,000 sq m. Another 150,000 sq m remains in the development pipeline for delivery by the end of 2013, which if completed would bring 2013's total supply to more than 300,000 sq m, the highest volume in thirteen years.

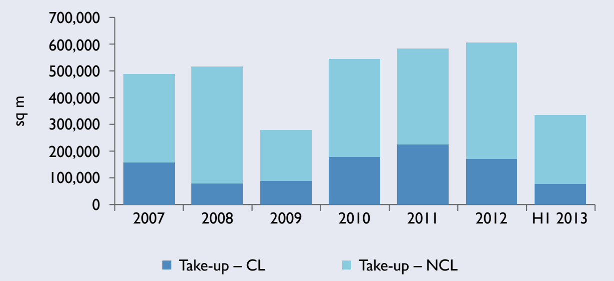
In Q2 modern office space in Warsaw exceeded

4 million sq m

WARSAW – Take-up

Leasing activity in Warsaw at the end of Q2 2013 totalled 333,900 sq m, a rise of more than 12% on the first half of 2012. The highest take-up of 107,200 sq m was noted in the Upper South zone, while both central zones accounted for 77,400 sq m of the leasing volume. The number of pre-lets declined from 88,500 sq m to just 52,000 sq m. Renegotiations accounted for 31% of Warsaw's total gross take-up while the share of new leases remained at roughly the same level as that in H1 2012 and stood at around 61%. The largest deal – in H1 2013 – was the lease of 13,000 sq m in the Ochota Office Park by the Office for Registration of Medicinal Products, Medical Devices and Biocidal Products, which took up some of the space vacated by the former occupier T-Mobile. Other major deals included BNP Paribas' lease renewal for 11,000 sq m in Trinity Park II and Play's lease renewal and expansion in the Marynarska Business Park (9,600 sq m in total). Strong performance in the first half of the year reflects high market liquidity, consequently this year's total leasing volume may top 2012's record level of 607,000 sq m.

TAKE-UP IN WARSAW

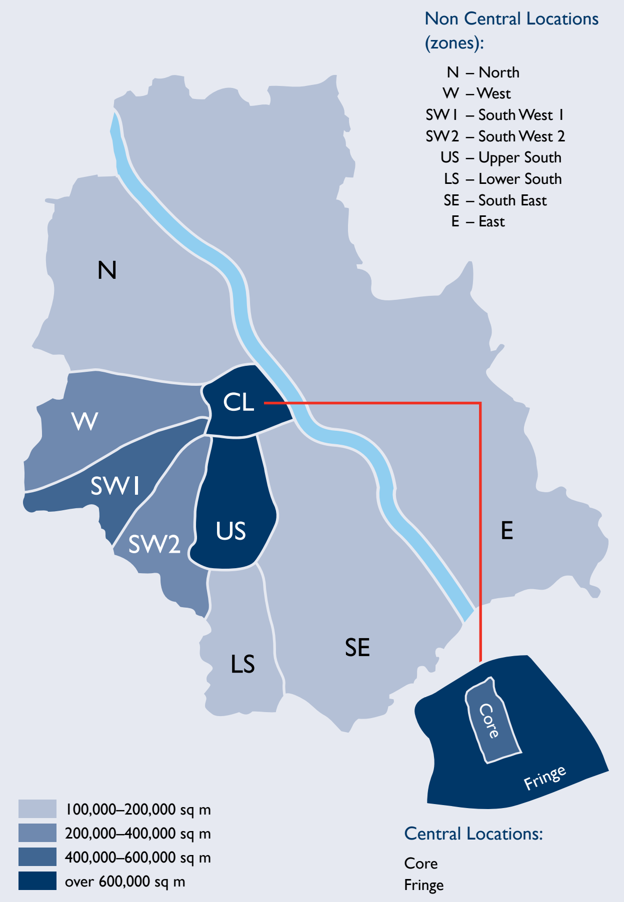


SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

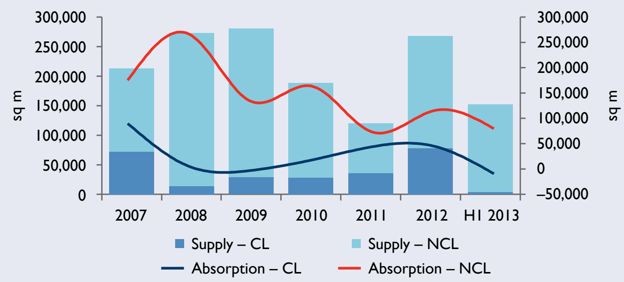
WARSAW – Absorption

Absorption in Warsaw reached more than 70,500 sq m of office space in H1 2013. This marked an increase of 19.5% on the level in the same period of 2012. The rising absorption level resulted primarily from increased tenant activity in non-central locations (up by 31.5%). Tenants continue to move away from central locations with more than 9,700 sq m vacated in the first six months of 2013. High absorption in the first half of this year is, however, no guarantee that the volume of absorbed space will exceed 2012's level of 161,000 sq m.

CONCENTRATION OF MODERN OFFICE SPACE IN WARSAW



SUPPLY AND ABSORPTION IN WARSAW



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2012

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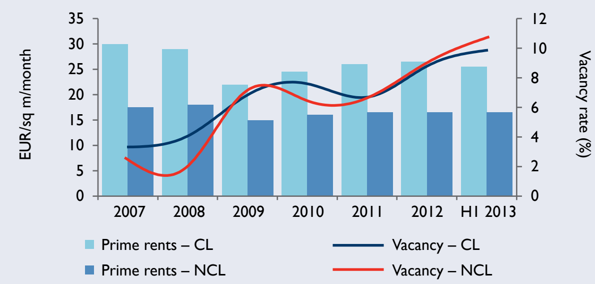
WARSAW – Vacancy

At the end of Q2 2013, Warsaw's vacancy rate stood at 10.50%, a rise of around 1.5 percentage points compared with December 2012. By comparison, the average vacancy rate for the largest European cities reached 9.7% in H1 2013. The largest volumes of vacant space were recorded in the Upper South zone (US) and South-Western 1 zone (SW1), 116,500 sq m and 86,300 sq m, respectively. The largest hike in vacancies was in the SW1 zone from 10.5% at the end of 2012 to more than 20.3%, followed largely by T-Mobile's lease expiry in the Ochota Office Park. The lowest vacancy rate (2.18%) was seen in Wilanów, reflecting the continued low supply in this district. Despite high absorption of new space, the rising number of office buildings coming onto the market will continue to push vacancy rates up. This trend is most likely to persist until the end of 2015.

WARSAW – Rents

With office space supply in Warsaw far outstripping absorption, rising void rates are leading to greater pressure to lower rents. Prime headline rents dropped in mid-2013 compared with the levels recorded in Q4 2012 and stand at EUR 24–25.5/sq m/month in the capital's city core. The lowest rents in downtown Warsaw (Core and Fringe zones) reach EUR 17–18/sq m/month. Non-central locations command EUR 11.5–16.5/sq m/month with modern office buildings fetching no less than EUR 13.5/sq m/month. Incentives in lease packages are still a major feature increasing the competitiveness of lease terms offered by property owners and developers. Headline rents are expected to remain stable in the forthcoming quarters, particularly in modern office buildings in prime locations. Rents could decline further only if Poland's economic situation were to change suddenly.

PRIME RENTS AND VACANCY IN WARSAW



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

STANDARD LEASE TERMS IN WARSAW

	CENTRAL LOCATIONS	NON CENTRAL LOCATIONS
Headline rents (sq m/month)	EUR 17–25.5	EUR 11.5–16.5
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 CPI	
Others	Deposit or bank / company guarantee	

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

WARSAW OFFICE MARKET

	WARSAW	
Number of buildings	412	
Stock (sq m)	4,011,150	
Total vacancy (sq m)	421,017	
Vacancy rate (%)	10.50%	
	CENTRAL LOCATIONS	NON CENTRAL LOCATIONS
Number of buildings	111	301
Stock (sq m)	1,287,000	2,724,150
Total vacancy (sq m)	126,965	294,052
Vacancy rate (%)	9.87%	10.79%

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

KRAKOW

In June 2013, total prime stock in the second-largest office market in Poland stood at 605,000 sq m. Only one small office building in Dekerta Street totalling around 1,800 sq m has been delivered since the beginning of the year. In H1 2013, Krakow's absorption declined by more than 50% compared with the same period of 2012, which, however, owing to the low supply should not stir anxiety among investors.

Take-up remained high at close to 55,000 sq m. The largest deal was Lufthansa's lease of approx. 8,500 sq m in building D of the Bonarka4Business complex.

At the end of June 2013, there was 16,400 sq m of vacant space, accounting for 2.7% of Krakow's total stock, being its record high vacancy rate. Around 28,000 sq m is in the development pipeline to be completed by the end of this year. The largest schemes under construction include phase III of the Quattro Business Park (12,000 sq m), developed by the Buma Group, and building D of the Bonarka4Business complex (8,700 sq m), developed by TriGranit.

Despite the relatively low supply, rents remained stable. Asking rents stood at EUR 13–15/sq m/month, with effective rents at EUR 12–13/sq m/month.

WROCŁAW

In H1 2013, the transaction volume in Wrocław's modern office market reached nearly 51,000 sq m, with new leases accounting for 43% of which pre-lets account for over 50%. It represents nearly a threefold rise on the leasing volume recorded in the same period of 2012. The largest deals were the Getin Group's lease of 11,700 sq m in the Sky Tower office building and Kruk's 7,500 sq m lease expansion in Wrocławskie Centrum Biznesu.

At the end of June 2013, the city's office stock stood at 510,000 sq m, up by more than 40,000 sq m compared with the beginning of the year, largely following the delivery of office space in the Sky Tower (28,000 sq m) and phase II of Skanska's Green Towers complex (10,800 sq m). If all projects planned for 2013 are completed on time, this year's supply will total around 80,000 sq m.

The vacancy rate rose in Wrocław by nearly 4,4 percentage points to 12,4% from the rate of December 2012. Headline rents stood at EUR 13–16/sq m/month, with effective rents at EUR 11–14/sq m/month.

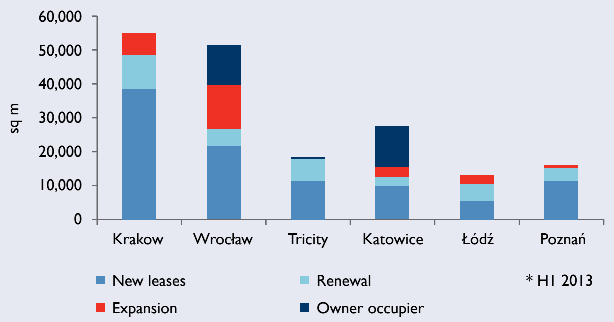
TRICITY

Tricity's office stock totalled more than 410,000 sq m with 51,000 sq m added to the market in H1 2013, the highest new supply of all the regional cities in Poland. The largest completion was TPS's Olivia Tower totalling 14,200 sq m, part of the Olivia Business Park. In addition, in July 2013, Euro Styl completed the development of the BPH Office Park (20,000 sq m), which became the headquarters of the BPH Bank in Tricity.

The transaction volume declined by 63% to 19,200 sq m compared with the first half of 2012. In H1 2013, only six deals were made for more than 1,000 sq m, the largest new deal being the pre-let for 2,500 sq m in the Alchemia office complex in Grunwaldzka Street in Gdańsk signed by Gdańskie Wydawnictwo Oświatowe. Projects to be delivered this year include Torus's Alchemia phase I (16,500 sq m) and the Nowe Orłowo Biznes building (3,100 sq m), developed by Invest Komfort. Under construction is also Hines' Centrum Biurowe Neptun (15,300 sq m).

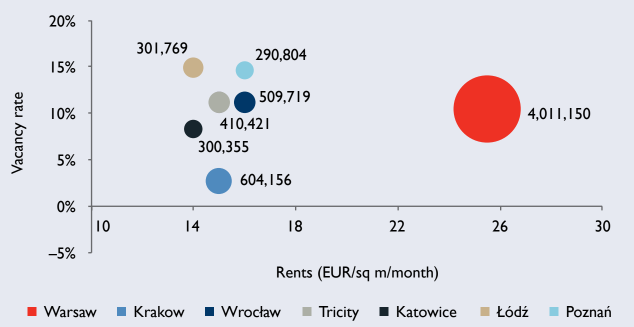
The high office absorption rate (39,000 sq m) did not balance the substantial rise in office supply, which pushed the vacancy rate in Tricity up to 11.2%, a rise of around 1.8 percentage points from the rate reported at the end of 2012. Headline rents in modern office buildings stood at EUR 13–15/sq m/month, with effective rents lower on average by 15–20%. If occupier interest is maintained at the current level, the situation on Tricity's market should continue to be stable this year.

TAKE-UP IN REGIONAL CITIES*



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

MODERN OFFICE SPACE IN POLAND



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

POZNAŃ

Poznań's total office stock stands at 291,000 sq m and is growing rather slowly given the city's economic potential. In H1 2013, only 6,000 sq m came onto the market in three buildings delivered, including the Piątkowska Office Center (2,500 sq m) in Poznań's city core. In July 2013, Skanska's Malta House (15,600 sq m) was completed. Under construction is SwedeCenter's phase I of its Business Garden to provide more than 42,000 sq m in total when completed. The largest leasing deal of H1 2013 was Franklin Templeton's lease of 3,140 sq m in the Malta House. Only 16,000 sq m was let in total and, similar to most regional cities, new leases accounted for a substantial share of all deals (70%).

At the end of June 2013, 42,600 sq m of office space was vacant, equating to 14.7% of the city's total stock. Headline rents remained flat at EUR 14–16/sq m/month, with effective rents at EUR 12–14/sq m/month.

KATOWICE

EUR 13–16 sq m/month

headline rents in regional cities

Leasing volume in Katowice's office market reached 27,500 sq m in H1 2013, with pre-lets accounting for 51% of the total. The largest deals involved owner occupation of space. Polski Koks took up over 6,150 sq m in the office building in Paderewskiego Street, while the companies from group Getin Bank and LC Corp signed a lease for 6,000 sq m in phase I of the LC Corp Tower project. At the end of Q2 2013, Katowice's office stock exceeded 300,000 sq m, largely following the completions of Nowe Katowickie Centrum Biznesu (13,000 sq m) and Polski Koks' head office (6,150 sq m). Under construction are the passive office building (6,000 sq m) developed within the Euro-Centrum Science and Technology Park and the first two phases of Skanska's Silesia Business Park totalling more than 20,000 sq m.

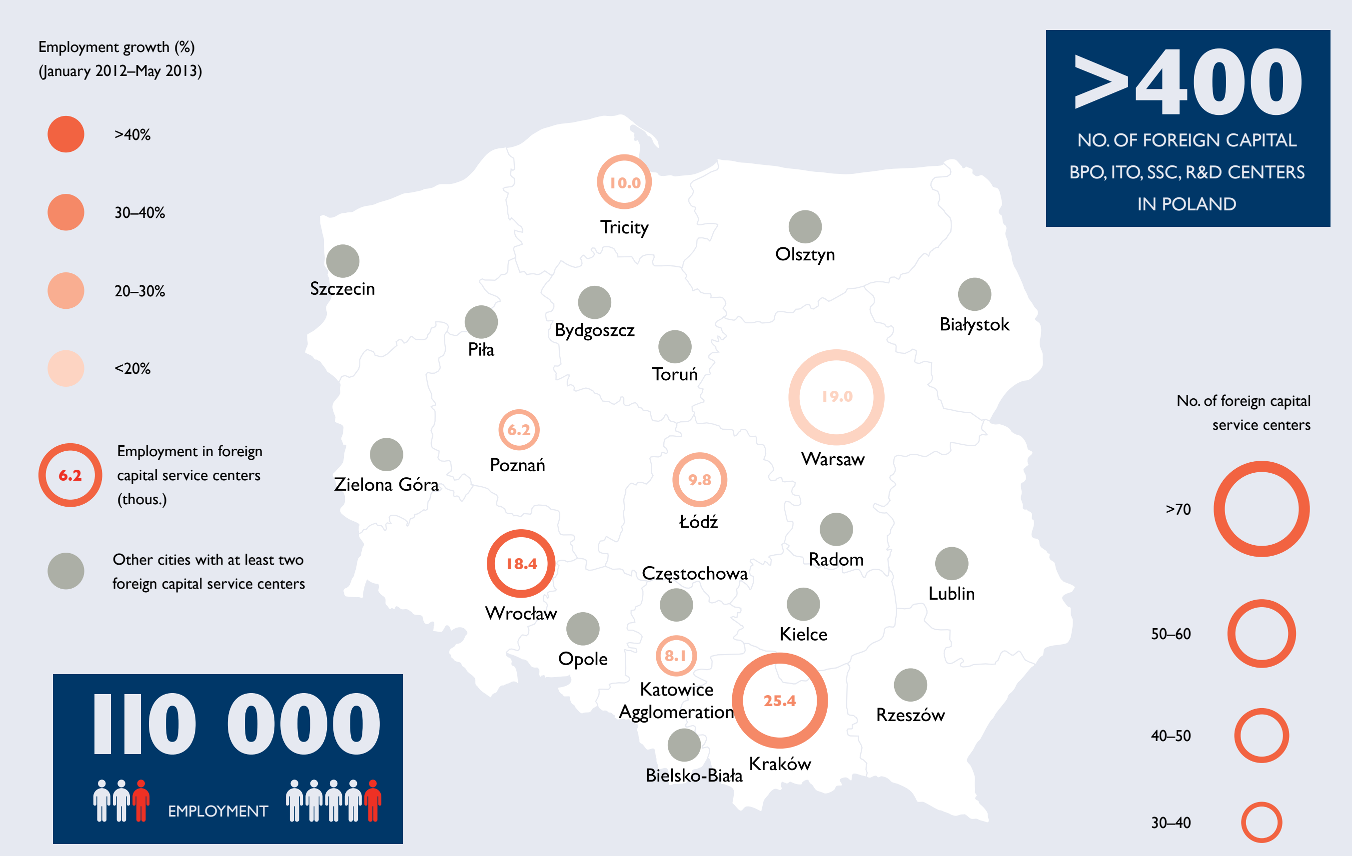
The vacancy rate in Katowice was up by over 1.5 percentage points to 8.3% from the rate at the end of 2012. Asking rents stood at EUR 13–14/sq m/month in Q2 2013, with effective rents at EUR 11–12/sq m/month.

ŁÓDŹ

At the end of Q2 2013, Łódź's office stock stood at 302,000 sq m. In H1 2013 four office buildings entered the market, including phase II of Skanska's Green Horizon complex (14,000 sq m) and Film Hotel's small building MediaHUB (3,850 sq m) located near Hilton's hotel Double Tree. The second part of the office project at 35 Targowa Street to provide 8,000 sq m is still to be completed.

Take-up in the first two quarters of 2013 was almost the same as in the same period of 2012 and reached 12,000 sq m following several major deals such as Infosys's lease of more than 4,100 sq m in the Green Horizon building and Accenture's lease of 1,700 sq m in the University Business Park complex. The vacancy rate at the end of Q2 2013 rose by 3 percentage points to 15% compared with the rate at the end of 2012. Headline rents remained flat at EUR 12–14/sq m/month, with effective rents at EUR 10–11/sq m/month.

BUSINESS SERVICES SECTOR IN POLAND: KEY DATA



SOURCE: ASSOCIATION OF BUSINESS SERVICE LEADERS IN POLAND (ABSL), 2013

OFFICE MARKET TRENDS

- The outsourcing market is an important driver of office space take-up in non-central locations. 283 new business outsourcing centres were deployed in Poland between 2005 and May 2013 with the highest supply of 56 new centres in 2012. More than 40 outsourcing centres were also delivered in 2006, 2008 and 2011 each. Three Polish cities: Krakow, Warsaw and Wrocław are listed among the top 100 outsourcing destinations in the world and are ranked second, seventh and nineteenth in Europe, respectively.

- The number of buildings with energy performance certificates will rise gradually, with such certificates used to assess environmental footprint of properties based on many objective criteria and clear-cut technical parameters. Less than 4% of Warsaw's buildings boast one of the basic LEED or BREEAM certificates and around 40 buildings are undergoing certification.

A Cushman & Wakefeld Research Publication

RETAIL MARKET

POLAND

The worsening economic conditions have had a knock-on effect on Poland's retail market. As a result, consumer behaviour and growth strategies of both retailers and developers have changed. Given the current demand structure, development focuses on retail parks in small cities and shopping centres in large conurbations.

New modern retail supply totalled nearly 200,000 sq m in H1 2013, increasing the total floorspace to 11.2 million sq m by the end of June 2013. The biggest retail scheme to open was Europa Centralna in Gliwice totalling 67,000 sq m and combining traditional shopping centre and retail park functions. A substantial wave of new supply is, however, expected in the second half of the year with the scheduled delivery of nearly 450,000 sq m, including space in Galeria Katowicka and Poznań City Center.

Several major retail developments have recently broken ground with around 850,000 sq m under construction at the end of June 2013. The annual retail supply may, however, dwindle slightly in the next two years given the current pipeline.

Demand for modern retail space is driven primarily by large non-food retailers interested in prime locations and favourable lease conditions. Smaller retail chains are more cautious, while the Polish food sector is waiting for the next phase of the hypermarket market consolidation to complete. The highlight of H1 2013 in Poland was the market debut of the sports equipment and clothing retailer Sports Direct.

Due to the current demand level, the marketing period for new schemes has become much longer and few schemes are fully let when they open. Average vacancy rates have risen slightly to 3–5% owing to the growing volume of vacant space in secondary schemes.

Rents continue to vary depending on the location and scheme, with substantial differences between headline and effective rents. Prime shopping centres in Warsaw command the highest rates at EUR 75–85/sq m/month.

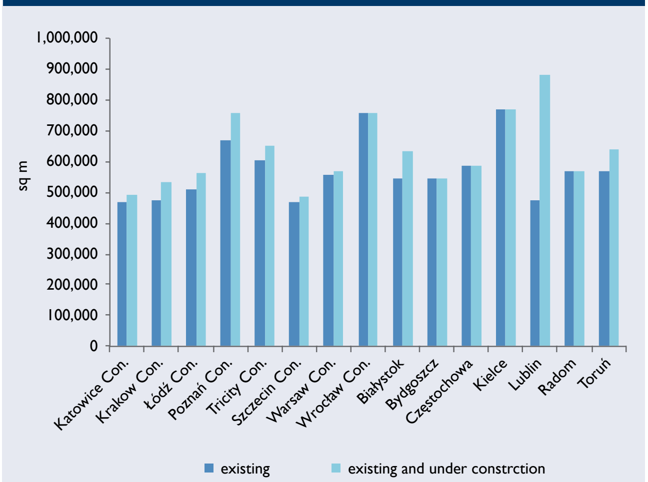
11.2 mln sq m

– total stock of modern retail space in Poland

SUPPLY OF MODERN RETAIL SPACE IN POLAND

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

SATURATION OF MODERN RETAIL SPACE IN CITIES WITH OVER 200,000 INHABITANTS

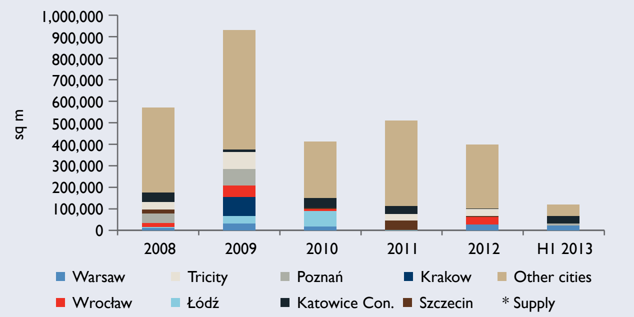


SOURCE: RETAIL RESEARCH FORUM, CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

SHOPPING AND LEISURE CENTRES

At the end of June 2013, Poland had more than 400 shopping centres totalling 8.2 million sq m. In the first half of the year some 120,000 sq m was added to the shopping centre market with new schemes such as Galeria Solna in Inowrocław and Galeria Veneda in Łomża.

SHOPPING CENTRES IN SELECTED CITIES IN H1 2013*



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

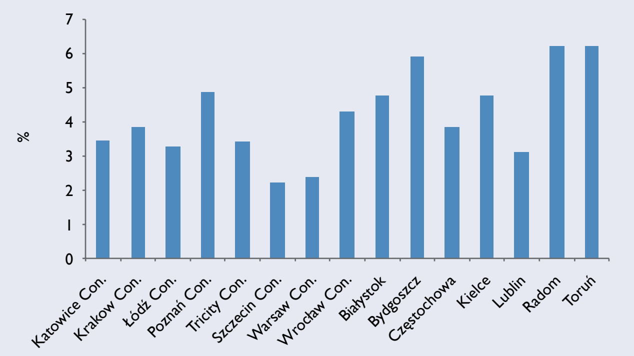
More than 43% of shopping centres under construction will be completed in H2 2013, including Galeria Katowicka, Poznań City Center, Galeria Bronowice in Krakow and Riviera in Gdynia. Several new retail schemes broke ground in the first half of the year. These include Galeria Warmińska in Olsztyn, Zamkowe Tarasy in Lublin, Galeria Bursztynowa in Ostrołęka, Galeria Neptun in Starogard Gdański and phase two of Ogrody in Elbląg. Apart from newly-constructed space, re-marketed shopping centres appear an attractive alternative for tenants seeking strong retail schemes.

GALERIA KATOWICKA, KATOWICE

Demand for shopping centre space varies substantially depending on market saturation, the quality of retail schemes and space availability. The shopping centre density in the eight conurbations is the highest in Wrocław and Poznań, and the lowest in Katowice Conurbation and Szczecin, with the record high density in Zgorzelec, Opole and Rzeszów.

At the end of June 2013, Toruń and Radom posted the highest vacancy rate (6.2%), while the lowest vacancy was in Szczecin (2.2%) and Warsaw (2.3%).

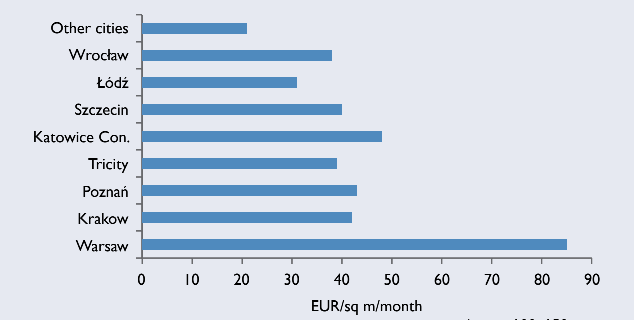
VACANCY IN SHOPPING CENTRES



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

The highest rents in Warsaw's prime shopping centres remain at EUR 75–85/sq m/month for a clothing unit of 100–150 sq m while in the other seven conurbations rents stand at EUR 35–40/sq m/month. Shopping centres in small and medium-sized cities fetch average rents of EUR 21–29/sq m/month.

PRIME RENTS IN SHOPPING CENTRES IN H1 2013*



* units 100–150 sq m

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

HIGH STREETS

Due to the changing face of the retail industry, including the growing popularity of shopping centres, Polish high streets have become dominated by catering establishments, financial services, stores targeted at tourists and local stores. City centre regeneration initiatives and modernisation of the road and transport infrastructure, coupled with new commercial developments and new luxury retail market entrants, have had a positive effect on changes to the tenant mix in high streets.

When completed, the refurbished 3 Maja Street in Katowice will become a prime retail location boosted by Galeria Katowicka nearby. As a result, the area of the main railway station in Katowice will become a major retail destination in the city with the shopping centre and the high street complementing each other.

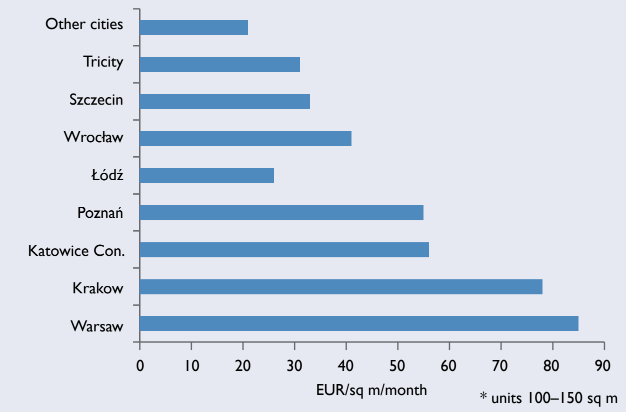
The opening of the second metro line currently under construction in Warsaw will greatly enhance the attractiveness of its high streets, such as Nowy Świat and Świętokrzyska. Developers are already preparing premises for lease.

Due to the limited availability of development sites in city centres, projects underway are very popular with retail and service sector tenants. Owing to the planned modernisation of its former building in Al. Jerozolimskie, Smyk will soon open its new store in the scheme under construction at 25 Chmielna Street in Warsaw. In Poznań, Cubus opened its store in Galeria MM in Półwiejska Street, which came on stream in March 2013.

New luxury market entrants have also had a positive effect on the development of high streets. The key event in H1 2013 was the opening of the Louis Vuitton store in the Vitkac department store in Warsaw's Bracka Street. Further luxury retailers are likely to enter the Polish high street market following the planned refurbishment and modernisation of the prestigious historic buildings in downtown Warsaw, including the Europejski Hotel in Krakowskie Przedmieście.

Due to low availability of high street units, rents have remained stable at high levels with Warsaw and Krakow posting a record average rent of EUR 75–85/sq m/month.

PRIME RENTS ON HIGH STREETS IN Q2 2013*



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

EUR 75–85 sq m/month

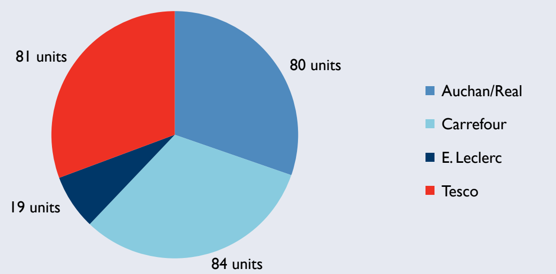
record rents on high streets in Warsaw and Krakow

NOWY ŚWIAT, WARSAW

HYPERMARKETS AND SUPERMARKETS

In June 2013, Poland had more than 260 hypermarkets and several thousand smaller food retail formats. The Polish hypermarket sector is reaching saturation with limited expansion of food chains and further market consolidation, including Auchan's acquisition of the Real hypermarket chain. The supermarket sector is expanding sustainably while discount stores continue to move ahead with strong growth strategies. Discount chains aim to improve store standards and find new growth areas in shopping centres and downtown locations. The key market players are Auchan, Tesco, Piotr i Paweł, Biedronka, Lidl, Kaufland and Intermarche. Openings in H1 2013 included Tesco (Europa Centralna in Gliwice, Galeria Veneda in Łomża and Galeria Solna in Inowrocław), MarcPol (Galeria Zabrze and Galeria Podkowa) and Lidl (Pasaż MM in Poznań). The delicatessen chain Alma grasped the opportunity of prime space coming back on the market this year to open stores in the Klif Fashion Malls in Warsaw and Gdynia. In July 2013 it opened another store in the Alfa shopping centre in Olsztyn while Piotr i Paweł took up vacant premises in Alfa Białystok.

HYPERMARKETS IN POLAND IN H1 2013



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

The largest food stores under construction and scheduled for completion in 2013–2014 include Auchan in the Atrium Felicity centre in Lublin and Galeria Bronowice in Krakow, and Tesco in Galeria Bursztynowa in Ostrołęka. Biedronka plans to add a further 290 stores in 2013. In the first half of this year it opened stores in small towns such as Kobylin, Zagórów and Nidzica, tourist destinations (Zakopane), and in city centres (Zielona Góra). Intermarche, which signed a lease agreement in Starogard Gdański, is also developing.

Rents for food stores stand at EUR 6–7/sq m/month for hypermarkets, EUR 7–11/sq m/month for supermarkets and EUR 5–9/sq m/month for discount stores.

OUTLET CENTRES

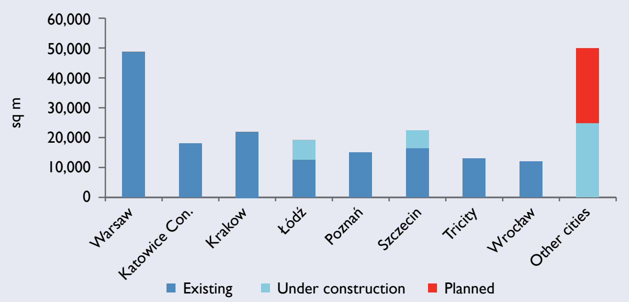
Following the opening of Warsaw's Factory Annopol providing 19,700 sq m in the first half of 2013, total outlet centre stock in Poland rose to nearly 160,000 sq m. The country offers ten such centres: Factory Ursus (Warsaw), Factory Wrocław, Factory Luboń (Poznań), Factory Kraków, Factory Annopol (Warsaw), Fashion House Piaseczno (Warsaw), Fashion House Gdańsk, Fashion House Sosnowiec, Ptak Outlet Rzgów (Łódź) and Outlet Park Szczecin.

Phase two of Ptak Outlet Rzgów and phase two of Outlet Park Szczecin are now under construction. Galeria Podlaska in Białystok totalling 13,000 sq m is being extended and converted into Outlet Białystok, which will provide 25,000 sq m upon completion. The pipeline also comprises outlet centres to be delivered in Białystok and Lublin as City Outlet Białystok totalling 14,000 sq m and City Outlet Lublin totalling 11,000 sq m. Once completed, these schemes will add a further 50,000 sq m by 2015.

Outlet centres provide sales space for nearly 1,000 stores of Polish and foreign retailers, with the clothing, footwear and sports equipment accounting for the largest share. Demand for outlet centre stores is moderate and is reflected by development phasing, stepped delivery of space completed, high vacancies and relatively low rents. The vacancy rate at outlet centres is slightly higher than that of traditional shopping centres, at 6% as at the end of June 2013. The largest amount of vacant space is in Kraków, Warsaw and Łódź while the lowest vacancy rate is in Gdańsk, Szczecin and Katowice Conurbation.

Average rent for a store of 100–150 sq m in Warsaw is EUR 21–23/sq m/month while in other conurbations stands at EUR 19–21/sq m/month.

FACTORY OUTLETS IN POLAND IN H1 2013



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

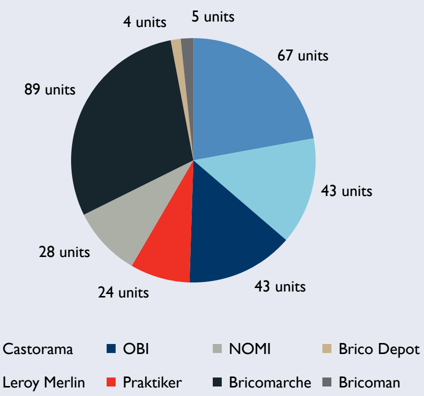
RETAIL WAREHOUSES AND RETAIL PARKS

Total retail park and retail warehouse stock in Poland stands at 2.4 million sq m, with parks accounting for around 26% of the total. In H1 2013, more than 60,000 sq m came onto the market. Another 60,000 sq m is currently under construction and scheduled for completion in 2013–2014, largely in small retail parks. The estimated development pipeline provides for a further 100,000 sq m of retail park and retail warehouse space by the end of 2015.

Poland's retail park sector is currently experiencing rapid growth with a dozen or so developers strongly active on the market. Retail parks are planned and developed primarily in small and medium-sized cities, frequently as small schemes with convenience retailing. The highlight of H1 2013 was the opening of the retail park in the Europa Centralna scheme in Gliwice offering 40,000 sq m and stores of Castorama, Saturn, Jula, Sports Direct, RTV EURO AGD, Jysk, Ski Team and Reserved. The largest retail park now under construction is the next phase of the IKEA Franowo complex totalling 14,000 sq m.

Large retail parks include mainly stores with DIY products, household appliances and electronics, furniture, sports equipment and homeware. Smaller schemes accommodate household appliances and electronics, multimedia, accessories, drugstores, discount fashion and footwear tenants. The vacancy rate in retail parks stands at around 5%.

DIY SECTOR IN POLAND IN H1 2013



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

EUROPA CENTRALNA, GLIWICE

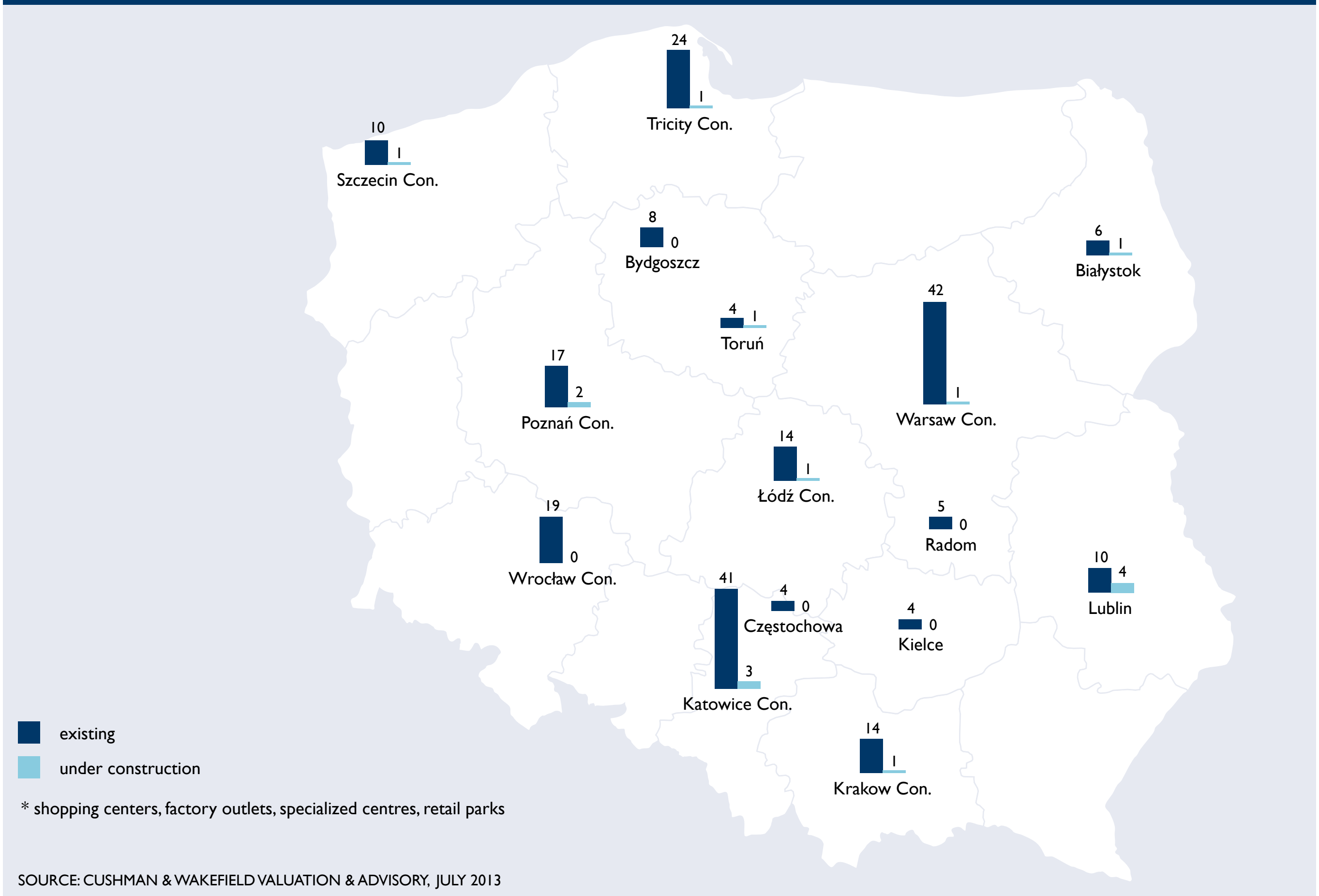
Large-scale, non-food stores are also expanding as standalone schemes, particularly in the following sectors: DIY, furniture and homeware, and sports equipment. Openings in H1 2013 included Castorama in Rybnik and Bricomarche in Barlinek and Nisko. Leroy Merlin is constructing a store in Płock while the Brico Depot store in Skarżysko-Kamienna is being upgraded to the Castorama standard.

Rents in retail parks are stable at EUR 6–8/sq m/month for large units and EUR 9–13/sq m/month for medium-sized space. Rents for freestanding retail warehouses average EUR 6–8/sq m/month.

2.4 million sq m

total retail park and retail warehouse stock in Poland

NUMBER OF RETAIL SCHEMES* IN CITIES WITH OVER 200,000 INHABITANTS, H1 2013



* shopping centers, factory outlets, specialized centres, retail parks

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

RETAIL MARKET TRENDS

- With the current take-up structure, the strongest growth is expected in the sectors of retail parks in small cities and full-scale shopping centres in Poland's largest conurbations. Retail park developers tend to explore uncharted markets whether they could be the first to construct such schemes. As for shopping centres, developers assume that the spending power growth potential in large cities will allow for smooth absorption of new space.

- More than 80% of the new retail supply in 2013 is expected to come onto the market in Q3 and Q4 in schemes such as Galeria Katowicka, Poznań City Center, Galeria Bronowice and Riviera Gdynia. The annual supply may decline in the next two years due to developers putting development plans on hold on account of the weakening demand and the marketing period for some new schemes exceeding 24 months.

- The average vacancy rate will rise due to vacancies in secondary shopping centres and delivery of partially let new schemes. Availability of good quality space will rise following the delivery of vacant premises in remarketed shopping centres from 2003–2008.

- Headline and effective rents (with the latter including all incentives and financial contributions offered in incentive packages) will continue to vary further between primary and secondary retail schemes.

INDUSTRIAL MARKET

MARKET OVERVIEW

With a rise in transaction volume in the first half of 2013 of around 3% compared with the second half of 2012, the warehouse market in Poland is showing signs of stability. Although at the same time the market saw a decrease in new warehouse completions by 30%, the occupancy market boasted some great results as we witnessed some very large and strategic transactions take place as occupiers look to take advantage of relatively low construction costs and rents. As at the end of June 2013 total modern warehouse stock reached 7,678,000 sq m, a rise of 2% compared with the end of last year.

The highest concentration of warehouse space in Poland is in the Warsaw region and in several regional markets. With 2,728,000 sq m of warehouse space, Warsaw together with its suburbs account for 36% of the country's total stock. However, Warsaw's share is steadily contracting in favour of the remaining large regional warehouse destinations of Upper Silesia, Poznan, Central Poland and Wrocław, which account for a total of 4,950,000 sq m. Improving road infrastructure has also facilitated the development of other regions in particular Tricity, Krakow, Rzeszow, Toruń, Szczecin and Lublin.

Modern warehouse take-up in the first half of 2013 stood at 868,000 sq m. Approximately 500,000 sq m was noted in the second quarter, reflecting a significant rise compared with 660,000 sq m transacted in the same period in the previous year, of which 300,000 sq m in the second quarter alone. Occupiers' interest focused mostly on warehouses in the Warsaw region (33% of total take-up). Other regions with a significant share including: Wrocław (21%), Upper Silesia (20%) and Central Poland (12%). New lease agreements accounted for 58% of total take-up; lease extensions made up 31%, and lease expansions around 11%. Take-up predominantly came from logistics operators and distribution occupiers (37%). Worth noting, a significant share of take-up also come from retail chains (13%), automotive industry (10%) and light production (8%). The steady growth of e-commerce is also a driver of leasing activity, which is projected to expand quickly in the coming years.

EXAMPLE LEASE TRANSACTIONS

BUILDING	COMPANY	SIZE (SQ M)
Panattoni Park Stryków	Castorama	50,000
Prologis Park Wrocław V	Eko Holding	35,000
Panattoni BTS Opole	Polaris	34,000
Goodman Sosnowiec Logistic Center	ILS	29,000
Panattoni Park Łódź South	Racticel Komfort Snu	21,000
Skalski Logistic Park	Dirks Consumer Logistics	20,000
Prologis Park Wrocław V	Tradis	18,000
MLP Pruszków I	Electrolux	18,000

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

Development activity slowed in the first half of 2013. Some 148,000 sq m came onto the market, with the Wrocław region accounting for the largest share in total volume (41%). Central Poland made up 13%, Upper Silesia 12%, Warsaw and Tricity 10% each and Poznań 9%. The largest completions included the BTS project for Lear (32,000 sq m, Panattoni), a further phase of Tulipan Park in Strykow (15,000 sq m, SEGRO) and phase I of Goodman's flagship project in Gdańsk – Pomorskie Centrum Logistyczne (over 14,000 sq m), which will offer up to 500,000 sq m once fully built out.

At the end of the first half of 2013 around 260,000 sq m of warehouse space was under construction, 20% more than in December 2012. Most of these projects were on a built-to-suit basis, which are specifically constructed to meet the design, location and technical specification of a given occupier. This type of development model ensures developers a stable income stream for usually a 10–15 year commitment, longer than in the case of standard warehouse facilities. The highest concentration of modern warehouse space under construction is in Wrocław (33%), Poznań (19%) Warsaw (16%) and Upper Silesia (13%). Typically most space is pre-let as developers are not yet willing to commit to speculative developments.

At the end of the first half of 2013 the vacancy rate stood at 11%, which equates to around 845,000 sq m of modern warehouse space, up by 0.3 percentage points compared with December 2012 and down by 0.2 percentage point compared with the first quarter of 2013. The highest vacancies in absolute numbers amongst the core warehouse markets are noted in Central Poland (16.5%) and Warsaw (15.9%), which equates to 168,000 sq m and 434,000 sq m respectively. In the smaller markets the highest vacancy rate is recorded in Rzeszów (29% or 33,000 sq m), and Lublin (20% or 2,700 sq m).

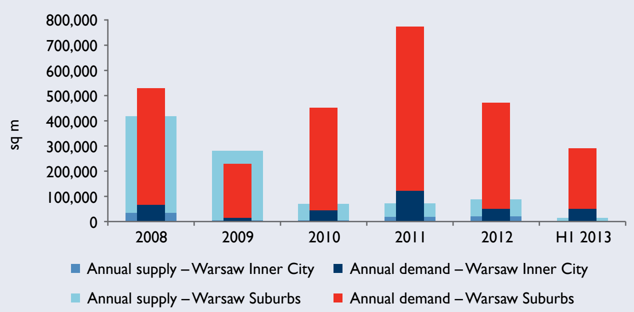
Headline rents remained at the same level. The highest rate was in the Warsaw's Inner City (EUR 4.5–5.8 per sq m per month), with the lowest in Central Poland and in the Warsaw suburbs (EUR 2.4–4 per sq m per month). In the remaining regions rents averaged EUR 2.9–4 per sq m per month.

WARSAW REGION

WARSAW AREA MARKET OVERVIEW		
Existing Stock	2,728,000 sq m	
Stock Under Construction	41,000 sq m	
Vacancy Rate	15.9%	
Take-Up	286,000 sq m	
Major Landlords	Prologis, PointPark Properties, CA Immo, AIG/Lincoln, Valad, Segro, Panattoni	
	INNER CITY ZONE	SUBURBS ZONE
Headline Rents	4.50–5.80 EUR/sq m/month	2.40–4.00 EUR/sq m/month
Effective Rents	3.50–5.00 EUR/sq m/month	1.90–3.20 EUR/sq m/month

The Warsaw region, the largest warehouse market in Poland, comprises of two areas. The Inner City (the districts of Białołęka, Targówek, Włochy) and the Warsaw Suburbs located within a 12–50 km radius to the south-west of the city centre – Błonie, Janki, Piaseczno, Pruszków and Sochaczew, accounting for 77% of total stock. In the first half of 2013 close to 15,000 sq m of warehouse space was delivered to the market – MLP Pruszków II (8,000 sq m) and Prologis Park Janki (7,000 sq m). There is 41,000 sq m under construction. From January to June approximately 286,000 sq m was transacted, a 10% decrease compared with the previous six month period. Most leases were for space in the Warsaw Suburbs (77%). The vacancy rate rose by 0.7 percentage points to 15.9% compared with the end of the previous year. By zones, vacant space increased in the Inner City by 0.5 percentage point to the level of 18% and in the Warsaw Suburbs by 1.5 percentage points to a level of 15.3%. The largest increase was posted in the first quarter of this year. The second quarter was stable. Rents remain stable or edged down slightly. In the inner city headline rents remained relatively unchanged, however, effective rents came down slightly as developers sought to incentivize new tenants looking to occupy space in existing schemes.

SUPPLY AND DEMAND IN WARSAW REGION



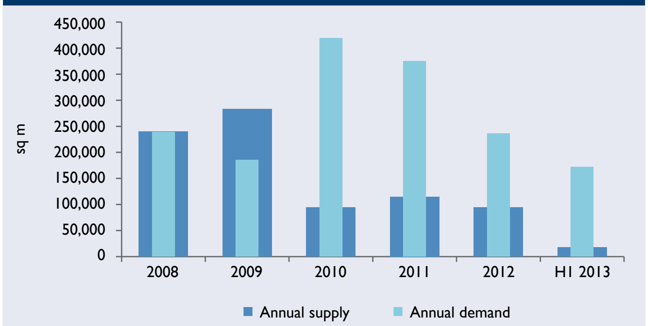
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

UPPER SILESIA

UPPER SILESIA MARKET OVERVIEW	
Existing Stock	1,478,000 sq m
Stock Under Construction	33,000 sq m
Vacancy Rate	5.8%
Take-Up	170,000 sq m
Major Landlords	Prologis, Panattoni, Segro, MLP Group, Menard Doswell, BIK, Hines
Headline Rents	2.90–3.50 EUR/sq m/month
Effective Rents	2.50–3.10 EUR/sq m/month

Upper Silesia is the second largest warehouse market in Poland after Warsaw. Total stock amounts to 1,478,000 sq m. The region's strategic location and efficient road network makes it one of the major industrial hubs in CEE. In the first half of 2013 some 18,000 sq m was delivered to the market, accounting for around 12% of total warehouse space completions in Poland. Of this, 14,000 sq m was delivered in the first quarter. The largest completion was a further phase of Panattoni Park Mysłowice (10,000 sq m). In the first half of the year around 170,000 sq m of warehouse space was leased, double the level recorded in the second half of the previous year. This however, did not put downward pressure on vacancy, which increased during the six month period from 4.2% to 5.8%. There is approximately 33,000 sq m under construction. Headline rents in the first half of 2013 remained stable or edged down compared with effective rents.

SUPPLY AND DEMAND IN UPPER SILESIA REGION



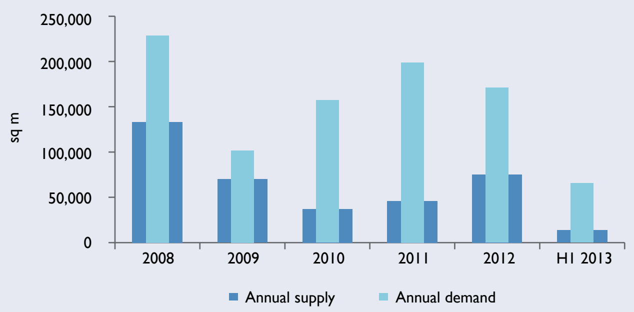
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

POZNAŃ REGION

POZNAŃ AREA MARKET OVERVIEW	
Existing Stock	1,041,000 sq m
Stock Under Construction	50,000 sq m
Vacancy Rate	3.6%
Take-Up	66,000 sq m
Major Landlords	Panattoni, Prologis, SEGRO
Headline Rents	3.00–3.60 EUR/sq m/month
Effective Rents	2.30–2.90 EUR/sq m/month

Warehouse stock in the Poznań region stands at 1,041,000 sq m. Most warehouses are located along the A2 motorway, in the city's suburbs and the S11 expressway. In the first half of 2013 some 13,600 sq m of warehouse space came to market (phase II of Panattoni Faurecia BTS in Gorzów Wielkopolski). Around 50,000 sq m is currently under construction. The largest project is the extension to Doxler Business Park (32,500 sq m). Warehouse take-up in the region totalled 66,000 sq m, 25% less than that witnessed in the previous half. Despite relatively modest occupier interest, the vacancy rate stands at 3.6%, one of the lowest in the country. Rents remained at the same level.

SUPPLY AND DEMAND IN POZNAŃ REGION



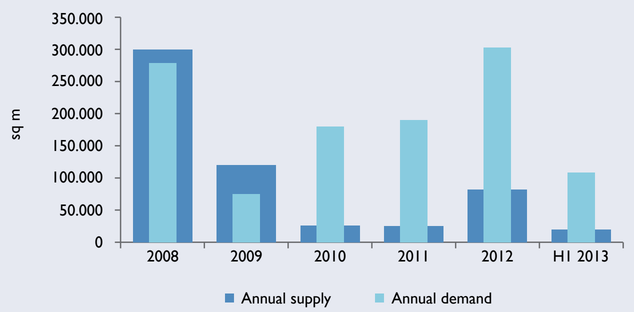
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

CENTRAL POLAND

CENTRAL POLAND MARKET OVERVIEW	
Existing Stock	1,021,000 sq m
Stock Under Construction	8,000 sq m
Vacancy Rate	16.5%
Take-Up	108,000 sq m
Major Landlords	Panattoni, SEGRO, CA Immo, AIG/Lincoln
Headline Rents	2.40–3.95 EUR/sq m/month
Effective Rents	1.90–3.10 EUR/sq m/month

Central Poland's warehouse stock stands at 1,021,000 sq m and is located mainly in: Piotrków Trybunalski (32% of total stock), Stryków (32%) and Łódź (28%). Total supply in the first half of this year reached 19,500 sq m, due to the extension of Tulipan Park Stryków. At the end of June there was around 8,000 sq m under construction (Panattoni Park Łódź East). Take-up in the first six months of 2013 totalled 108,000 sq m, of which approx. 80% was transacted in the second quarter. In the first quarter 20,000 sq m was leased. Central Poland recorded a rise in vacancies. At the end of June the vacancy rate stood at approximately 16.5%, up by 4 percentage point compared with the end of the previous year. Rents remained stable. The highest rents were reported for small business units (EUR 3.85–4/sq m/month) in Łódź, while the lowest were for warehouses in Piotrków Trybunalski (EUR 2.6–3.2/sq m/month).

SUPPLY AND DEMAND IN CENTRAL POLAND REGION



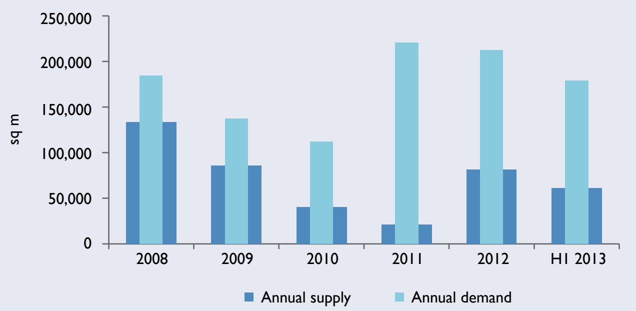
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

WROCŁAW REGION

WROCŁAW AREA MARKET OVERVIEW	
Existing Stock	795,000 sq m
Stock Under Construction	84,000 sq m
Vacancy Rate	5.5%
Take-Up	179,000 sq m
Major Landlords	Prologis, Panattoni, Goodman, VATT Invest, SEGRO
Headline Rents	3.00–3.90 EUR/sq m/month
Effective Rents	2.40–3.00 EUR/sq m/month

Most of the warehouse space in the Wrocław region is located along the A4 motorway (Bielany Wrocławskie, Kąty Wrocławskie, Kobierzyce, Krajków) and national road no. 8. Modern warehouse stock is just below 800,000 sq m. In the first six months of 2013 more than 60,000 sq m was added to the market, which accounted for 41% of total new supply in Poland in that period. The largest completion was BTS project for Lear (Panattoni, 32,000 sq m). At the end of June there was more than 84,000 sq m under construction, mainly in Prologis Park V in Wrocław (84%). The vacancy rate fell by 2.1 percentage point to 5.5%. Rents remained stable.

SUPPLY AND DEMAND IN WROCŁAW REGION



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2013

TRICITY

With more than 192,000 sq m of warehouse space, Tricity is one of the least developed, but fastest growing industrial markets in Poland. In the first half of 2013 more than 14,000 sq m came onto the market, with the completion of phase I of Pomorskie Centrum Logistyczne, to offer 500,000 sq m once fully built out. Take-up stood at over 16,000 sq m. The vacancy rate fell by 6 percentage points to 9.6%. Rents remained at EUR 3.2–4/sq m/month.

KRAKOW REGION

The Krakow region is a relatively small warehouse market in Poland. It contains 149,000 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 the first half of 2013 no new space was added to the market, which pushed the vacancy rate down by 10 percentage points to 7.6%. Headline rents are approximately EUR 4.00/sq m/month.

OTHER REGIONS

The regions of Toruń (96,000 sq m), Szczecin (49,000 sq m) and Lublin (14,000 sq m) are the least developed modern warehouse markets in Poland (2% of the country's total stock). In the first six months of 2013 only Szczecin saw the completion of new warehouse space (7,000 sq m in North-West Logistic Park).

Toruń's warehouse market comprises two parks: Panattoni Park Toruń (30,000 sq m) and Goodman Toruń Logistics Centre (66,000 sq m), where the vacancy rate stands at 9% as at the end of June.

Szczecin's warehouse market comprises Prologis Park Szczecin (42,000 sq m) and North-West Logistic Park (7,000 sq m).

Lublin has one facility Centrum Logistyczne Mełgiewska (14,000 sq m). There is another scheme in the pipeline, the 14,000 sq m Wikana Business Park. Relatively strong demand, mainly in the second quarter, put downward pressure on the vacancy rate, which in Szczecin fell to close to zero and in Lublin to the level of 20%. At the end of 2012 the rate in both cases exceeded 30%.

Warehouse stock in the Rzeszów region stands at 115,000 sq m and is located near Dębica, in the Rzeszów's suburbs and in Chmielow near Tarnobrzeg. The vacancy rate remained unchanged since the end of 2012 and stands at 29%.

INDUSTRIAL MARKET TRENDS

- Despite limited development activity in the first half of 2013 Poland is forecast to remain an attractive warehouse destination for developers, both local and international.
- Supply is estimated not to exceed levels noted in 2012.
- BTS projects will remain the most popular development models, with speculative development remaining scarce.
- The vacancy rate and demand are likely to stay at the current level and we may see further expansion as market sentiment improves across Europe.

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

PROPERTY VALUATION

VALUATION TEAM

- 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

REAL ESTATE ANALYTICAL AND ADVISORY SERVICES

Market research and analyses

- Macroeconomic and sector analyses
- Analyses of regional and local property markets
- Competition analyses (projects 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)
- Developing projects' size, standard, costs, income, schedule and macroeconomic assumptions
- 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

Highest and Best Use (HBU) analysis, Feasibility study

Polski Holding Nieruchomości S.A. | MOTA-ENGIL • REAL ESTATE | PKP POLSKIE KOLEJE PAŃSTWOWE Spółka Akcyjna

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