MARKETBEAT

POLISH REAL ESTATE MARKET REPORT

A Cushman & Wakefield Research Publication

CUSHMAN & WAKEFIELD®

AUTUMN 2015

A Cushman & Wakefield Research Publication

Dear Sir / Madam,

Cushman & Wakefield is the world's largest privately held commercial real estate services firm.

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, industrial and hospitality 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

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ECONOMIC PERFORMANCE

ECONOMIC GROWTH

The Polish economy maintained its momentum in H1 2015 on the back of the recovery of the labour market, low prices and improving industrial output and retail sales. Industrial sales rose 4.6% compared with H1 2014 while annual retail sales at constant prices in June 2015 were 6.6% higher, representing an increase of 3.8% in current prices. The GDP growth is forecast to hit 3.6% in 2015, a rise of 0.2 percentage points on 2014. The Polish economy is expected to remain one of the top performers in the next years, but its high momentum will be maintained provided that major structural reforms are pushed through by the new parliament following the October parliamentary elections.

ECONOMIC SUMMARY

ECONOMIC INDICATORS	2012	2013	2014	2015F	2016F
GDP growth	1.9	1.7	3.4	3.6	3.6
Consumer spending	1.0	1.2	3.1	4.0	3.8
Industrial production	1.5	2.4	3.2	5.5	5.6
Investment	-1.3	1.1	9.4	7.3	6.3
Unemployment rate (%)	10.1	10.4	9.0	7.4	6.8
Inflation	3.7	1.2	0.2	-0.3	2.1
EUR/PLN (average)	4.19	4.20	4.18	4.10	4.03
US$/PLN (average)	3.26	3.16	3.15	3.71	3.79
Interest rates: 3-month (%)	3.9	2.5	1.9	1.8	3.1
Interest rates: 10-year (%)	3.7	4.3	2.5	2.9	3.2

*ANNUAL % GROWTH RATE UNLESS OTHERWISE INDICATED, F FORECAST

SOURCE: OXFORD ECONOMICS LTD. AND CONSENSUS ECONOMICS INC

FISCAL POLICY AND BUDGET

Poland's deficit, which rose to over PLN 26.15bn in H1 2015, was nonetheless PLN 1.2bn lower than initially projected by the Ministry of Finance. It constitutes 56.7% of the limit set out in the 2015 budget law (PLN 46.8bn). At the end of May 2015 the national debt amounted to PLN 810.22bn, up by 3.9% compared with the end of 2014. The draft budget for 2016 projects a 3.8% GDP growth and the average annual inflation rate at 1.7%.

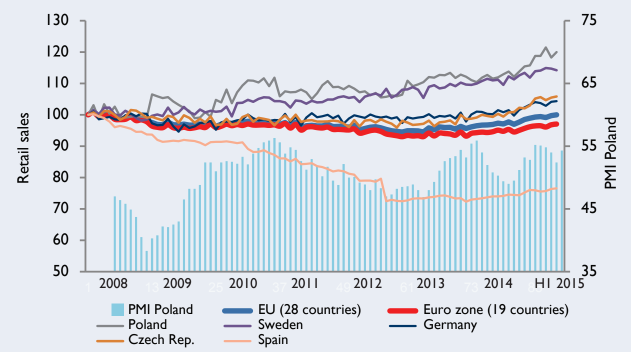
INTEREST RATES

In March 2015 the Polish Monetary Council cut the National Bank of Poland's reference rate by 50 basis points, bringing it down to a record low of 1.5% per annum. Since March 2013 it has already made 26 decisions either to reduce or to keep interest rates unchanged. However, given the good economic performance of Poland, its monetary policy is expected to tighten slightly by the end of December 2015. Following its most recent interest rate cut of 0.1 percentage points in September 2014, the European Central Bank kept its reference rate at 0.05% and its negative interest rate on deposits at -0.2%.

EXCHANGE RATES

In H1 2015, there were major swings in exchange rates between the Polish zloty and the world's major currencies due to the political uncertainty in Greece and doubts clouding the EMU's future. Since the beginning of 2015 the USD to PLN exchange rate hovered between PLN 3.56 and PLN 3.93, averaging PLN 3.71. The Polish zloty was the strongest against the euro at PLN 3.98 in mid-April, weakening to PLN 4.14 at the end of June 2015. Investors are now more preoccupied with the FED's potential steps and speculations about its first hikes in interest rates may weaken demand for the currencies of emerging markets. However, the Polish Monetary Council's pledge to keep its interest rates unchanged or raise them slightly is likely to strengthen Poland's currency.

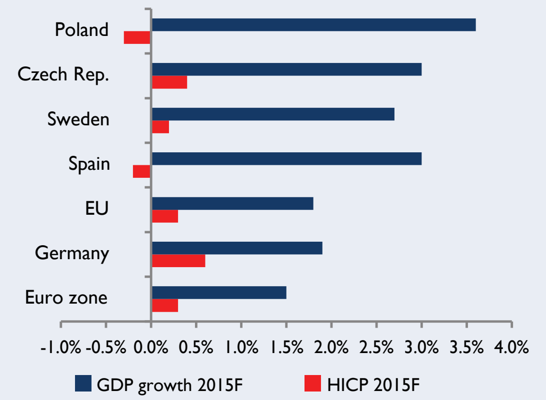
RETAIL SALES*



*except of motor vehicles and motorcycles, **January 2008 r. = 100

SOURCE: EUROSTAT, MONEY.PL, JULY 2015

KEY ECONOMIC INDICATORS



SOURCE: OXFORD ECONOMICS LTD. AND CONSENSUS ECONOMICS INC

INVESTMENT MARKET

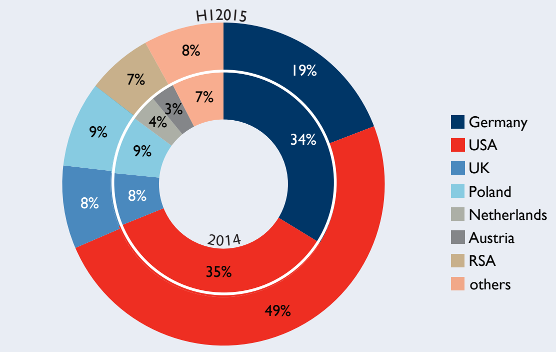
Strong economic performance, falling unemployment, an uninterrupted flow of funds from the European Union and low interest rates in Poland and developed markets stimulate investor interest in Polish commercial properties. The investment volume in H1 2015 reached EUR 794m in 21 transactions, of which the office sector accounted for 47%, followed by retail with 34% and the industrial and warehouse sector taking around 19%.

Compared with H1 2014, the investment volume fell by 47% and the number of deals was down by 16%, which was mainly due to the shrinking supply of large prime assets as investor demand for Polish properties remained robust. In H1 2015 there was no transaction for more than EUR 100m in contrast to 2014, when five such deals were made, including two in excess of EUR 200m (the Rondo 1 office building in Warsaw and Poznań City Center shopping centre).

US investors accounted for nearly half of the transaction volume recorded in H1 2015, increasing their share in the Polish investment market by 14 percentage points compared with 2014. In the first six months of 2015 the share of German investors in the deal volume fell by 15 percentage points to 19% while Polish investors came third with a stable market share at 9%.

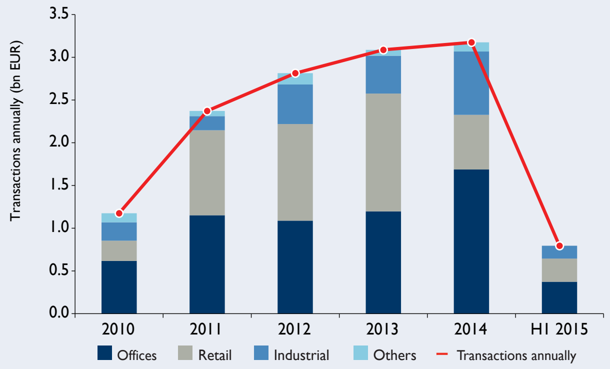
The imbalance in demand and supply has led to rising prices in each of the three real estate sectors. Yields are very likely to come down further given the lack of prospects for a substantial improvement in supply of prime assets coming onto the market.

TOTAL TRANSACTION VOLUME BY SOURCE OF CAPITAL



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

TOTAL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

10 MAJOR TRANSACTIONS IN H1 2015

Property	Market	Sector	Seller	Buyer	Price (EUR mn)
Europolis Portfolio	Błonie, Piotrków Trybunalski	Industrial	CA Immo	P3	confidential
Enterprise Park	Krakow	Office	Avestus Real Estate	Tristan Capital Partners	confidential
Sarni Stok	Bielsko-Biała	Retail	CBRE Global Investors	Union Investment	confidential
Green Horizon	Łódź	Office	Skanska	Griffin Group	65
Europlex	Warsaw	Office	Akron	Lone Star	confidential
Neinver Portfolio - 50% stake	Warsaw, Krakow	Retail	Neinver	TH Real Estate	confidential
FM Logistics	Mszczonów, Tomaszów Mazowiecki	Industrial	FM Logistics	W.P. Carey	confidential
Solaris	Opole	Retail	IGI	Rockcastle Global Real Estate	52
Nestle House	Warsaw	Office	Kronos Real Estate	Hines	50
Focus Mall Rybnik	Rybnik	Retail	Aviva	Union Investment	confidential

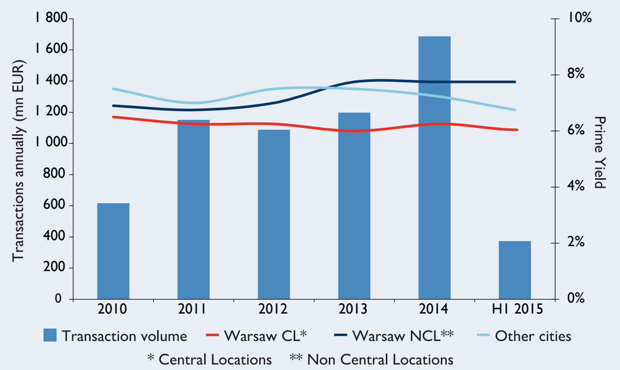
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

OFFICE MARKET

Total transaction volume on the office market in H1 2015 reached around EUR 374m, a 48% fall on the corresponding period in 2014. This strong underperformance was the effect of the shrinking supply of attractive and fully-leased properties in Warsaw. The record-high provision of new office space for more than a year brought rents down and pushed vacancy rates up, which discouraged investors interested primarily in investment security. Consequently, the office transaction volume in Warsaw fell by 58% compared with H1 2014, the largest deal being the acquisition of the Pacific Office Building in the Mokotów district by the US fund Hines Poland Sustainable Income for EUR 50m.

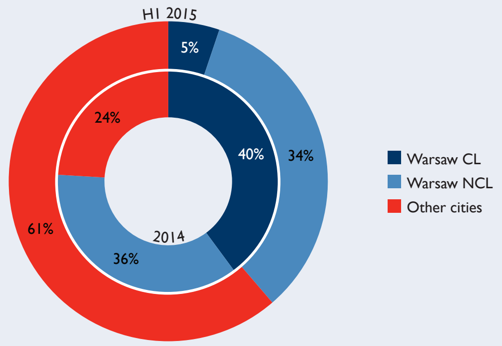
Investor focus is increasingly shifting to regional cities which in H1 2015 outperformed Warsaw for the first time ever with trading volumes rising to EUR 229m, which represented a rise of around 30% on the figure recorded in H1 2014. Investor interest was particularly focused on Krakow, where two office parks changed hands: Enterprise Park in the Podgórze district was acquired by Tristan Capital Partners and Kazimierz Office Centre was sold to GLL for EUR 42m. The largest deals in other regional cities included the Griffin Group's acquisition of Green Horizon in Łódź for EUR 65m and GNT's acquisition of West House 1B in Wrocław. High investment activity is pushing prices up outside Warsaw with prime yields in regional cities falling below 7%.

OFFICE INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

OFFICE INVESTMENT VOLUME BY LOCATION



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

RETAIL MARKET

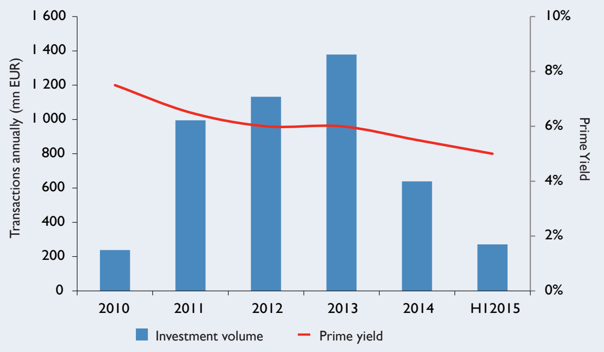
Transaction volume on the retail market in H1 2015 totalled EUR 271m, down by 27% on the corresponding period in 2014, which represented the smallest fall in trading volumes of all the investment market sectors. An improvement in investment activity is, however, on the cards given the recently-signed large preliminary purchase deals, including the Riviera Shopping Centre in Gdynia for EUR 291m.

Properties in medium-sized cities with a population of 100,000 to 400,000 garnered major investor interest, accounting for 63% of the transaction volume in the retail sector. Examples include the acquisition of shopping centres Sarni Stok in Bielsko-Biała and Focus Mall in Rybnik by German investment fund Union Investment and the sale of the Solaris shopping centre in Opole to Rockcastle from South Africa for EUR 52m. The largest deal in the key Polish cities was TH Real Estate's purchase of a 50% stake in Neinver's three retail properties, two in Krakow and one in Warsaw.

High demand for attractive retail properties has led to a fall in prime yields by around 25 basis points compared with the previous six months, standing now at around 5% for the largest cities and at 6.5% for medium-sized cities.

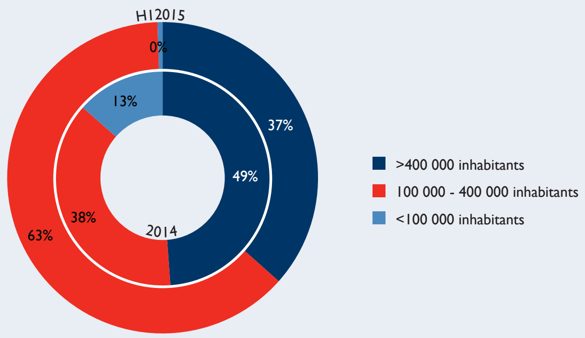
As rising prices of prime retail properties encourage vendors to come forward, the retail sector's transaction volume is likely to surge in the forthcoming months becoming the main driver of the Polish investment market's growth.

RETAIL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

RETAIL TRANSACTIONS VOLUME BY CITY SIZE



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

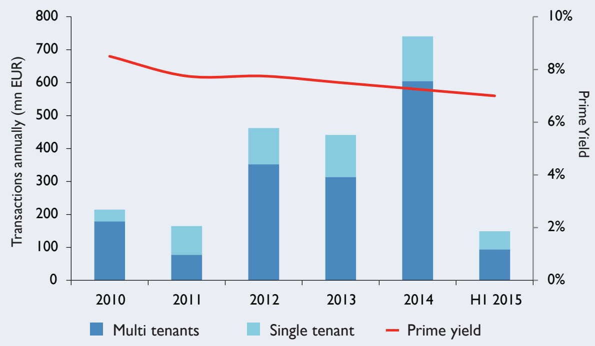
INDUSTRIAL MARKET

In H1 2015, only three transactions were made on the Polish industrial market totalling around EUR 149m, bringing down the investment volume by 52% compared with the same period of 2014. Despite strong demand for prime industrial properties investor activity slowed down largely due to the paucity of assets for sale noted on the entire commercial real estate market in Poland.

The largest deal on the industrial and warehouse market was the sale of a portfolio of two Europolis warehouse parks in Piotrków Trybunalski and Błonie to P3, a joint venture of TPG and Ivanhoe Cambridge. Another major transaction of H1 2015 was the sale & leaseback by logistics operator FM Logistics, which sold its logistics centres in Mszczonów and Tomaszów Mazowiecki, becoming their long-term tenant.

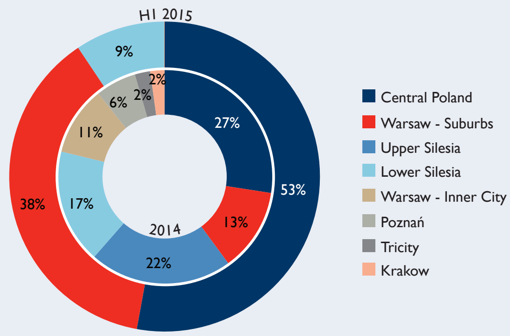
Prime yields edged down slightly to around 7.5% for single buildings and 7.0% for larger assets or portfolios in H1 2015 due to the limited availability of prime properties. Investment activity is, however, expected to step up in H2 with a larger number of deals and larger lot sizes as illustrated by two transactions made in July totalling around EUR 35m.

INDUSTRIAL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

INDUSTRIAL TRANSACTION VOLUME BY LOCATION



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

OFFICE MARKET

WARSAW

The Warsaw market continues with high supply pressure that began in 2012. The large number of office buildings coming on stream is expected to result in a rapid rise in vacancies in the forthcoming quarters although the vacancy rate is currently rising gradually thanks to high absorption. With low borrowing costs developers are launching new projects to secure both new and existing tenants of Warsaw office buildings. Companies whose leases are due to expire soon are now able to take up office space on more favourable conditions.

The competitiveness of many office buildings, both existing and under construction, is being put to the test as a result of the improving market liquidity. Competition for tenants is becoming more fierce and effective rents are frequently lower by more than 25% than headline rents given the incentives in lease packages offered by both developers and owners. Headline rents at EUR 25/sq m/month are now unlikely in new office buildings in prime locations and only a handful of niche schemes offering exceptional quality and location may command rents beyond that level.

The public sector continues to account for a considerable share in total take-up (11,300 sq m), but demand for office space comes largely from banking, financial and insurance companies (78 900 sq m), the IT sector (77,100 sq m) and professional services (49,400 sq m).

WARSAW OFFICE MARKET

	WARSAW	CENTRAL LOCATIONS	NON CENTRAL LOCATIONS
Number of buildings	458	121	337
Stock (sq m)	4 530 760	1 361 243	3 177 517
Total vacancy (sq m)	639 036	204 576	434 460
Vacancy rate (%)	14.08	15.03	13.67

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

SUPPLY

In H1 2015, more than 147,000 sq m of modern office space was delivered onto the Warsaw market, nearly 53,500 sq m less than in H1 2014. This brought the capital city's total stock to almost 4.54 million sq m at the end of June 2015, a rise of nearly 3.2% compared with year-end 2014. In the first six months of 2015 fourteen schemes were completed, only two of which were delivered in Central Locations (CL). The largest completions were HB Reavis' Postępu 14 (34,300 sq m) and Europa Capital's refurbished Spektrum Tower (27,300 sq m). Other office buildings added to the capital city's stock include Kronos Real Estate's Nestle House in Domaniewska Street (17,600 sq m), Echo Investment's phase two of Park Rozwoju (16,800 sq m) and Asbud's Karolkowa Business Park (14,650 sq m). The majority of new space was delivered in Lower Mokotów (US, 74,700 sq m) and the Core (27,300 sq m). No new office space was added to the stock of two zones: SW1 and SW2.

The largest schemes under construction in Warsaw include two office towers: Ghelamco's Warsaw Spire Tower (61,000 sq m) and Echo Investment's Q22 (50,000 sq m) near the junction of Grzybowska and Jana Pawła II streets. Other advanced projects are: HB Reavis' phase two of the Gdański Business Center (44,900 sq m), Karimpol's Cirrus building of the Equator complex (30,500 sq m) and Hines' phase one of the Proximo complex (29,000 sq m). Overall, nearly 220,000 sq m of office space is scheduled to come onto the Warsaw market by the end of 2015, bringing this year's total supply to 366,000 sq m, the highest since 2000. Based on developers' forecasts, most office space (nearly 460,000 sq m) will be delivered by 2019 in the Fringe.

TAKE-UP

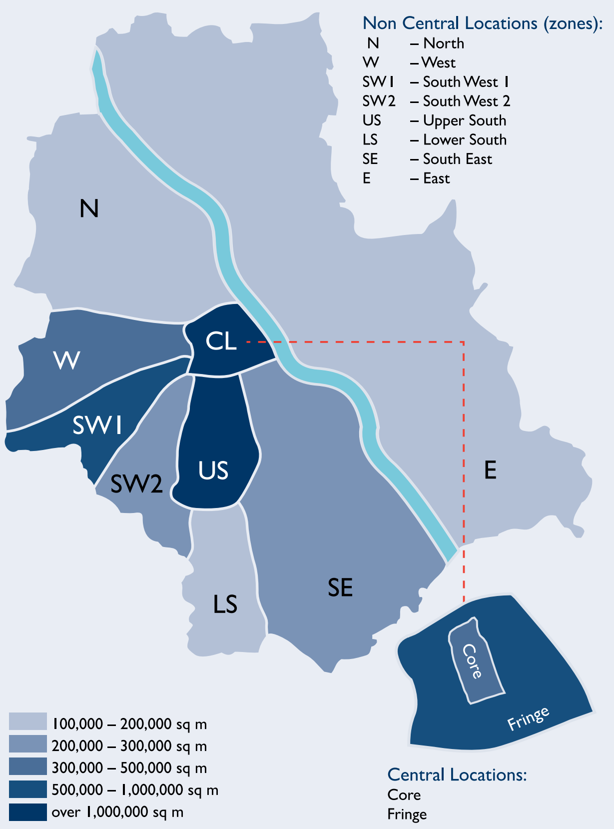
Leasing activity in Warsaw is rising as expected. In H1 2015, total take-up reached 385 200 sq m, representing a rise of nearly 50% on the same period of 2014.

Over 35% of leases were for space in Central Locations (CL) in contrast to almost 250,100 sq m transacted in Non-Central Locations, up by nearly 28% on H1 2014. Occupier activity focused on the Upper South zone (US, 118,600 sq m) and the Northern zone (N, 44,500 sq m). The lowest take-up was noted in Ursynów (LS) and the South-Western 2 zone (SW2) at 7,400 sq m and 9,500 sq m, respectively. In H1 2015 the number of pre-lets rose to more than 66,600 sq m, accounting for over two-thirds of 2014's total volume. Renegotiations accounted for 27% of Warsaw's total take-up while the share of new leases stood at 65%, a rise of 13 percentage points on H1 2014. The largest transaction was the pre-let of 21,100 sq m at Ghelamco's Warsaw Spire Tower signed by Samsung Electronics. Other major deals included the lease of 17,500 sq m in HB Reavis' Konstruktorska Business Center by the PZU Group companies, Ernst & Young's lease extension of 13,500 sq m in Rondo 1 of Deutsche Asset & Wealth Management, and Aviva's 12,000 sq m lease in HB Reavis' Gdański Business Center. The largest expansion was the 5,000 sq m lease signed by Poczta Polska in the PHN Group's Domaniewska Office Hub. Leasing activity has already started to pick up in line with the economic cycle, strongly spurred by the expiry of ten-year leases signed in the years 2006-2008 and five-year leases signed in 2011-2013 when take-up was high. In the current market conditions this year's deal volume on the Warsaw office market is likely to reach a record high of 700,000 sq m, compared 2014's total take-up of 609,200 sq m.

VACANCY

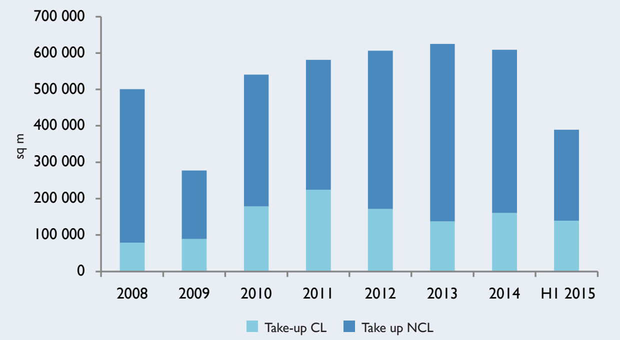
Following a slight correction in early 2015, the vacancy rate rose to 14.1% at the end of Q2 2105, up by 0.8 percentage points on the rate recorded at year-end 2014 and up by nearly 2.4 percentage points on that at year-end 2013. The nominal volume of vacant space increased since January 2015 to 639,000 sq m, representing a rise of 52,600 sq m. The vacancy rate stood at more than 10% in seven out of ten office zones, the highest being in the Core (17.5%), the Wola zone (W, 16.4%) and the Lower Mokotów zone (US, 16%). The largest volume of unoccupied

CONCENTRATION OF MODERN OFFICE SPACE IN WARSAW



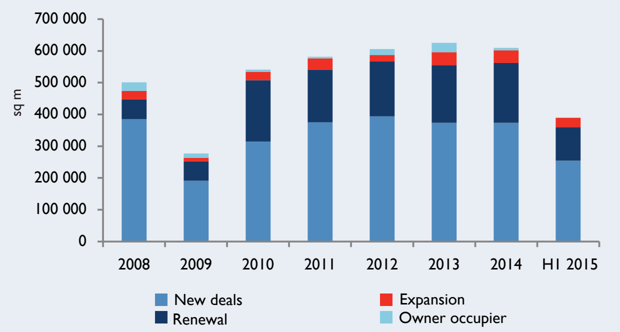
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015.

TAKE-UP IN WARSAW



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

TAKE-UP IN WARSAW BY TYPE OF TRANSACTION



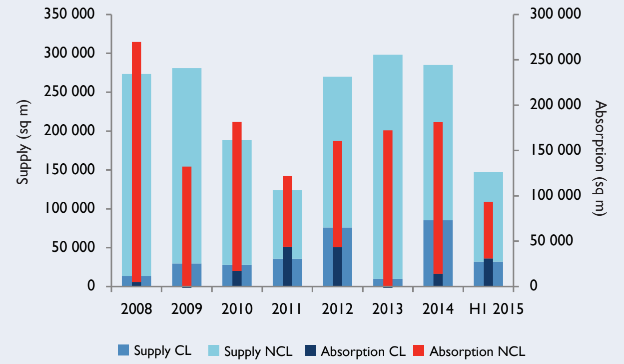
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

space was in the Mokotów District (US), where another 60,300 sq m became vacant in H1 2015. By contrast, the lowest vacancy rates were recorded on the right bank of Warsaw (E) and in Wilanów (SE) at 6.5% and 9.2%, respectively, largely due to low office supply in these locations where only three small buildings were delivered since January 2015: X2 Boutique Office (6,519 sq m), Arche's Pileckiego office building (3,480 sq m) and the KR Group's head office (2,700 sq m). The largest decline in vacancies of 8.9 percentage points since year-end 2014 was recorded in the Northern zone (N) following the lease of more than 13,000 sq m in Gdański Business Center I and the commercial success of the Śródmieście building of the Dzielna 60 complex. Despite high absorption, the rising number of office buildings coming on stream will continue to push both the nominal volume of vacant space and percentage vacancy rates up to 15% by the end of 2015. This trend is expected to continue at least until mid-2017.

ABSORPTION

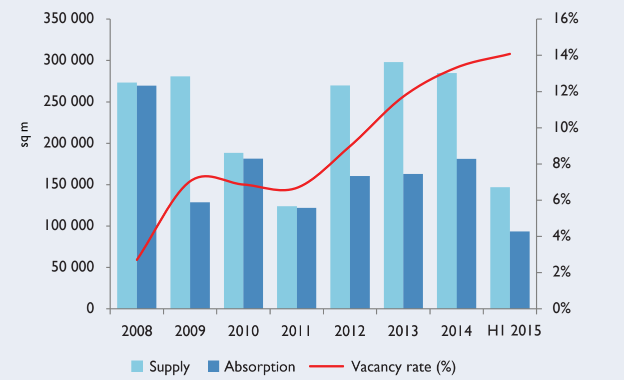
Absorption in Warsaw in H1 2015 stood at 93,600 sq m, accounting for nearly 52% of the level of 181,200 sq m recorded last year. High absorption was noted in Central Locations (30,900 sq m), the best performance in this zone for the first two quarters of the year since 2007. It appears, therefore, that by offering more favourable lease conditions owners and developers of office buildings in Central Locations are able to face up to the competition of less attractive locations. Absorption is likely to remain high and to match or exceed the very high figure noted in 2014. Positive absorption is expected to continue at least until year-end 2016, depending on economic conditions.

SUPPLY AND ABSORPTION IN WARSAW BY LOCATION



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

SUPPLY, ABSORPTION AND VACANCY RATE IN WARSAW

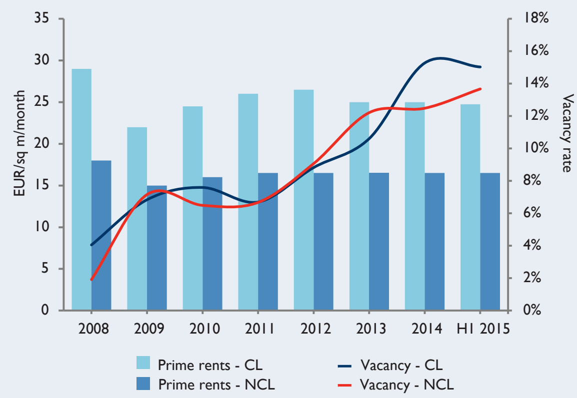


SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

RENTS

With office supply outstripping absorption, both office building owners and developers are finding it difficult to keep rents stable. Prime headline rents in Central Locations (CL) very rarely exceed EUR 24.75/sq m/month, usually standing at EUR 16.5-21/sq m/month. Non-Central Locations (NCL) fetch EUR 11-16.5/sq m/month, but prime office buildings outside the city centre never command less than EUR 13.5/sq m/month. The greatest pressure on rents is in the Lower Mokotów area, where prime rents rarely exceed EUR 14.5/sq m/month, which represents a fall of EUR 0.5/sq m/month compared with H1 2014. Benefiting from strong occupier interest in the northern part of Warsaw, developers of prime office buildings are able to secure rents at EUR 16.5/sq m/month. The lowest prime headline rents at EUR 13.5/sq m/month were again in the Ursynów district (LS). Additional incentives offered to tenants such as rent-free periods of 6-10 months are helping to keep rents stable. Turn-key office space delivered to tenants is becoming a common market standard.
Other important features include low service charges standing at PLN 16-24/sq m/month depending on the building and the favourable add-on factor which is below 5% for the most efficient office buildings. Rents may continue to edge down further in the forthcoming quarters, depending on demand and the strength of competition between owners of existing office buildings and developers.

PRIME RENTS AND VACANCY IN WARSAW



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

REGIONAL MARKETS

OFFICE STOCK

In H1 2015 modern office stock in Poland's six regional cities, including Krakow, Wrocław, Tricity, Poznań, Katowice and Łódź, rose to more than 3,000,000 sq m, accounting for around 66% of Warsaw's total office space. Krakow remains the second-largest office market after Warsaw with over 752,000 sq m, followed by Wrocław with 651,400 sq m and Tricity with 538,744 sq m. Total office stock of each of the other three regional markets is less than 400,000 sq m.

SUPPLY

In H1 2015, 25 office buildings were delivered onto the regional markets totalling 189,200 sq m, which represented a rise of 99,300 sq m on the corresponding period of 2014. The largest new supply was recorded in Poznań and Wrocław at 45,700 sq m and 23,800 sq m, respectively, while one of the smallest was in Katowice (down by 7,000 sq m compared with H1 2014). Seven office projects completed in 2015 provide more than 10,000 sq m of leasable space each, the largest being Vastint's Business Garden complex in Marcelińska Street in Poznań offering 41,900 sq m. Other major office buildings include Echo Investment's West Gate in Wrocław (16,000 sq m), TPS's Olivia Six of the Olivia Business Center in Gdańsk (15,000 sq m) and Skanska's Dominikański building A in Wrocław (13,300 sq m). Office projects under construction include Vastint's phase one of Business Garden in Wrocław (36,000 sq m), Skanska's phase two of Dominikański in Wrocław (23,000 sq m) and Torus's phase two of Alchemia in Gdańsk (21,500 sq m). The development pipeline is the highest in Krakow and Wrocław, where more than 271,500 sq m is expected to be completed by the end of 2016 while by the end of December 2015 some 104,800 sq m is scheduled to be added to the Krakow market alone.

TAKE UP

Leasing activity on the main regional markets rose in the first two quarters of 2015 to more than 217,200 sq m, accounting for over close to 59% of 2014's total take-up. Given the strong occupier demand, more than 400,000 sq m is expected to be transacted in 2015. The largest leasing volume was noted in Kraków, which accounted for 30.5% of total take-up in H1 2015, followed by Tricity (24.2%) and Wrocław (18.5%). At the other end of the spectrum, Łódź and Poznań recorded the smallest leasing volumes at 9.7% and 7.8% of this year's take-up, respectively. Krakow also attracted the largest volume of new leases (47,200 sq m), expansions (6,300 sq m) and deals involving owner occupation of buildings (11,700 sq m) while renegotiations commanded the largest market share in Tricity (17,300 sq m).

The biggest deals of H1 2015 include energy sector company's lease of 21,999 sq m in DOT Office in Krakow, owner occupation of 11,700 sq m in Krakow by Comarch SA and PKP Cargo SA's lease of 7,650 sq m in building two of the A4 Business Park in Katowice.

ABSORPTION

Office space absorption in the regional cities stood at 160,300 sq m in H1 2015, the highest semi-annual figure on record, compared to 2014's total of 275,300 sq m. The largest amount of space occupied by tenants was recorded in Tricity (40,900 sq m), Wrocław (40,400 sq m) and Łódź (29,100 sq m). Compared with H1 2014, the strongest performance in H1 2015 was in Wrocław and Łódź with absorption at 25,200 sq m and 17,600 sq m, respectively, while negative absorption was noted in Krakow (-9,200 sq m) and Katowice (-600 sq m).

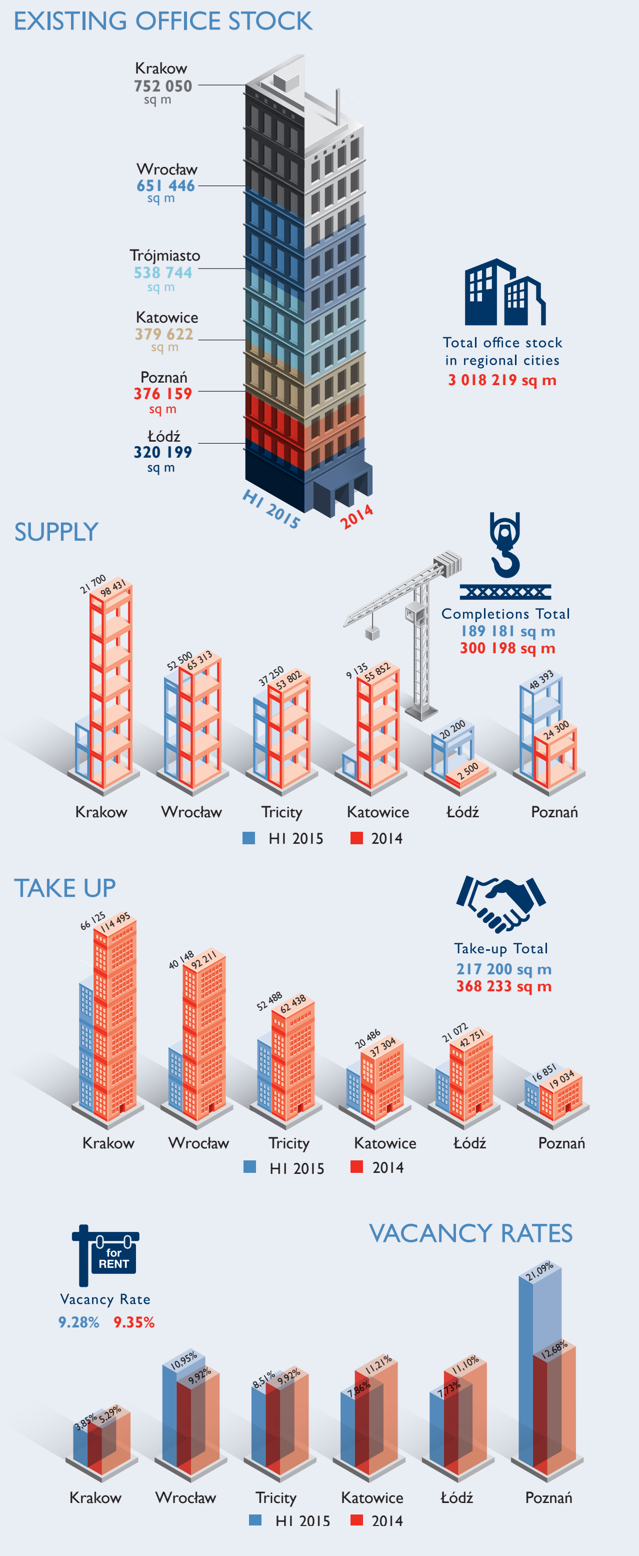
VACANCY

The average vacancy rate in the six regional cities stood at 9.3% at the end of June 2015, more than 1.1 percentage points higher than in H1 2014. The record high vacancy of 21.1% was noted in Poznań, up by nearly 9.6 percentage points compared with the end of June 2014, which was largely the effect of delivery of the Poznań Business Garden with more than 38,100 sq m of vacant space as at the end of Q2 2015. A large volume of vacant space is also available in Wrocław, which offers around 71,350 sq m, accounting for more than 10.9% of the city's total office stock. Compared with Q2 2014, the vacancy rate fell most sharply in Łódź (2.9 percentage points). The average vacancy rate for the six regional cities has been stable at around 9% since 2012, which is evidence of a very good balance between supply and demand.

RENTS

Prime rents in regional cities remained flat, ranging from EUR 13/sq m/month in Łódź to EUR 15.5/sq m/month in Wrocław. The average rent on the six regional markets stands at EUR 14.5/sq m/month.

OFFICE MARKET IN REGIONAL CITIES



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

EMERGING MARKETS

The emerging markets of Szczecin and Lublin offering 175,400 sq m and 154,100 sq m of modern office space, respectively, remain attractive alternative destinations for office building developers. The outlook for these cities is favourable. New space absorption for both markets totalled 13,900 sq m in H1 2015 and is likely to exceed last year's figure of 36,000 sq m. Tenants take advantage mainly of low costs of highly-qualified employees in these cities, while developers are able to secure land at a relatively lost cost. In H1 2015, the transaction volume reached just 4,650 sq m with new office space supply up by around 6,000 sq m compared with the corresponding period in 2014. The largest projects completed were the 5,200 sq m Piastów Office Center and the 3,300 sq m Fabryka office scheme (formerly Fabryka Mechanizmów Samochodowych "Polmo"), both in Szczecin, and Centrum Park in Lublin (3,000 sq m). The average vacancy rate stood at 10.8% at the end of June 2015. A balance between demand and supply helped to keep prime rents at a level comparable to that in other regional cities.

LARGEST OFFICE LEASE TRANSACTIONS IN H1 2015 IN REGIONAL CITIES

Building	City	Tenant	Size (sq m)	Transaction type
DOT Office	Krakow	Energy Sector Company	21 999	new
Comarch III	Krakow	Comarch S.A.	11 700	owner occupier
A4 Business Park - II	Katowice	PKP Cargo SA	7 649	new
Dominikański A	Wrocław	UBS	6 800	new
West House - IA	Wrocław	n/a	5 855	new
Enterprise Park D	Krakow	Delphi	5 800	new
Silesia Business Park II	Katowice	Capgemini Polska	5 598	new
Vectra CATV HQ	Gdynia	Vectra	5 510	owner occupier
Dubois 41	Wrocław	3M	5 000	new
Olivia Business Center	Gdańsk	Thyssen Krupp Elevator	4 938	new

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

RETAIL MARKET

New retail space supply in H1 2015 totalled 176,800 sq m, increasing Poland's total floorspace to 10.5 million sq m. This included the openings of seven new retail schemes and extensions of nine existing properties, the latter accounting for 43% of the new space provision by the end of June 2015.

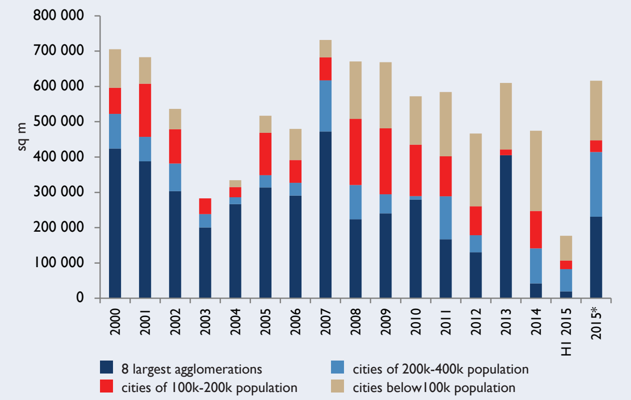
The largest shopping centre opened in H1 2015 was Tarasy Zamkowe in Lublin providing 38,000 sq m while other new developments and extensions were much smaller. New retail space delivered in small-scale schemes of up to 10,000 sq m GLA accounted for 21% total supply in H1 2015 and 37% of total provision in new retail properties. All in all, retail supply in H1 2015 was down by more than 30% on H1 2014's total.

Around 800,000 sq m of retail space is currently under construction and around 439,000 sq m of this total is to come onto the market in 2015. The largest shopping centres to open in H2 2015 and the largest to be delivered in 2015 include Zielone Arkady (51,000 sq m GLA) in Bydgoszcz and Sukcesja (46,000 sq m GLA) in Łódź. In addition, the largest extension currently underway for more than a dozen months of the Bielany Retail Park is expected to complete by the end of 2015. Some 35,000 sq m will be added to the scheme to be renamed Aleja Bielany.

According to the latest estimates, Poland's modern retail supply will total 616,000 sq m in 2015, a rise of almost 30% on 2014's figure. The eight largest Polish cities will account for nearly 38% of new retail space to be constructed this year in contrast to just 9% or 42,000 sq m delivered in 2014, representing more than a fourfold rise on 2014's new provision. More than 67% of this year's new supply will come onto the markets of large cities above 200,000 inhabitants in contrast to 2014, when 70% of new retail space was delivered in cities below 200,000 inhabitants, including 48% in cities below 100,000 inhabitants.

Expansions, upgrades and redevelopments are expected to account for 180,800 sq m, making up nearly one-third of this year's total retail supply. This represents a twofold rise on 2014's figure of 89,000 sq m (19% of total 2014 supply). The volume of space coming onto the market through modernizations and expansions is rising as more than half of Polish retail space that was constructed over ten years ago is becoming increasingly outdated and needs to be upgraded. Other factors include greater customer expectations about a retail and non-retail offer, as well as increasing competition between brick-and-mortar and online stores.

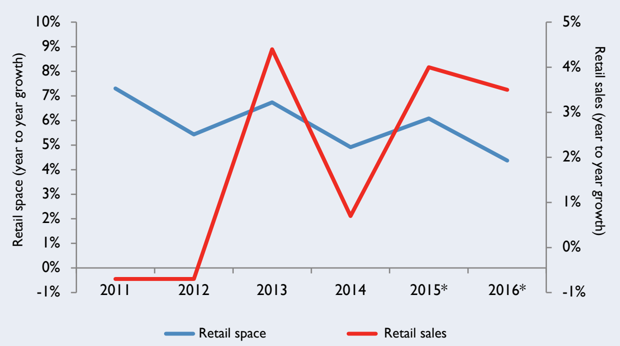
SUPPLY OF MODERN RETAIL SPACE



*FORECAST

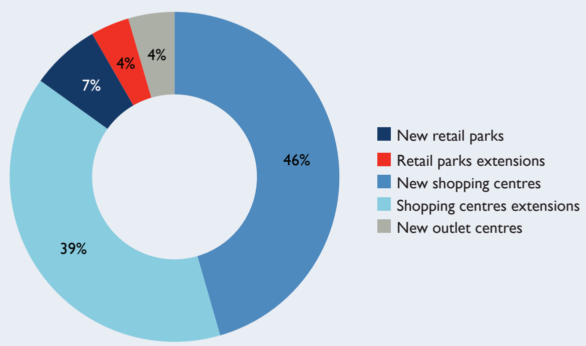
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

RETAIL SPACE SUPPLY AND SALES



*FORECAST
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

SUPPLY IN H1 2015 BY FACILITY FORMAT AND DEVELOPMENT TYPE



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

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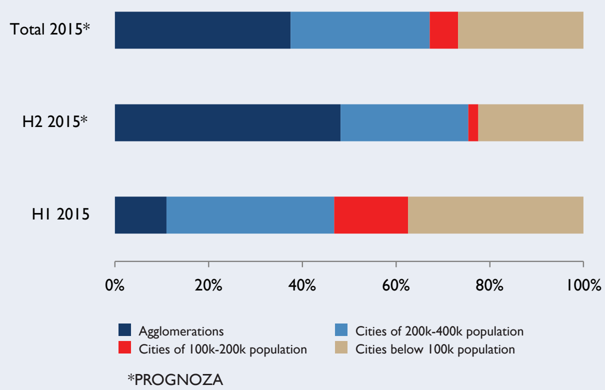
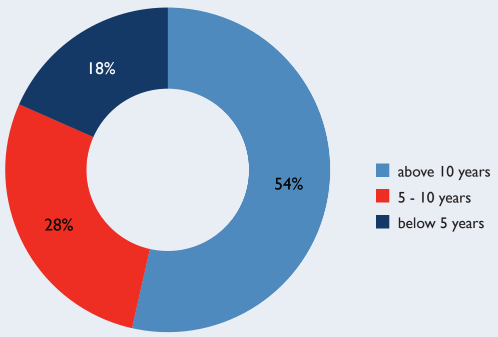
SUPPLY IN H1 2015 BY CITY SIZE



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

AGE STRUCTURE OF RETAIL SPACE IN POLAND IN H1 2015



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

Demand for retail space remained at a healthy level in H1 2015. Tenants focused on established retail schemes offering high footfall and satisfactory revenues. Re-marketed and upgraded (refurbished and expanded) shopping centres are an increasingly attractive alternative to newly-constructed space.

In addition to well-known retailers expanding their footprint, in H1 2015 demand for retail space also came from brands opening their first stores in Poland, largely in Warsaw's shopping centres. The new market entrants included Schiever's fashion brand Kiabi in Blue City, the children's fashion brand Jacadi in the Klif Fashion Mall, the sports footwear brand Courir and the cosmetics brand Origins, both opening in Galeria Mokotów, the fashion brand Superdry opening in Złote Tarasy, and the US fast-food chain Fuddruckers in Wola Park. Other newcomers to the Warsaw market included the first Polish store of the international brand Dsquared2 Kids, offering fashion collections for children, in Trzech Krzyży square, and the first boutique of a new Polish fashion brand Manor of Elegance, opening in Mokotowska Street. Brands that made their debuts outside Warsaw were: Esprit Bodywear offering lingerie and underwear in Galeria Krakowska, the sports fashion and footwear brand Decimas opening in Wrocław's Magnolia, the men's and women's fashion brand Colin's in Krakow's Bonarka, and Doctor Candy, which opened its sweets store in Lublin's Atrium Felicity. The homeware sector is represented by a new Polish brand à Tab, which opened its brick-and-mortar stores in shopping centres e.g. in Gdynia, Warsaw, Krakow, Lublin and Toruń shortly after its online debut.

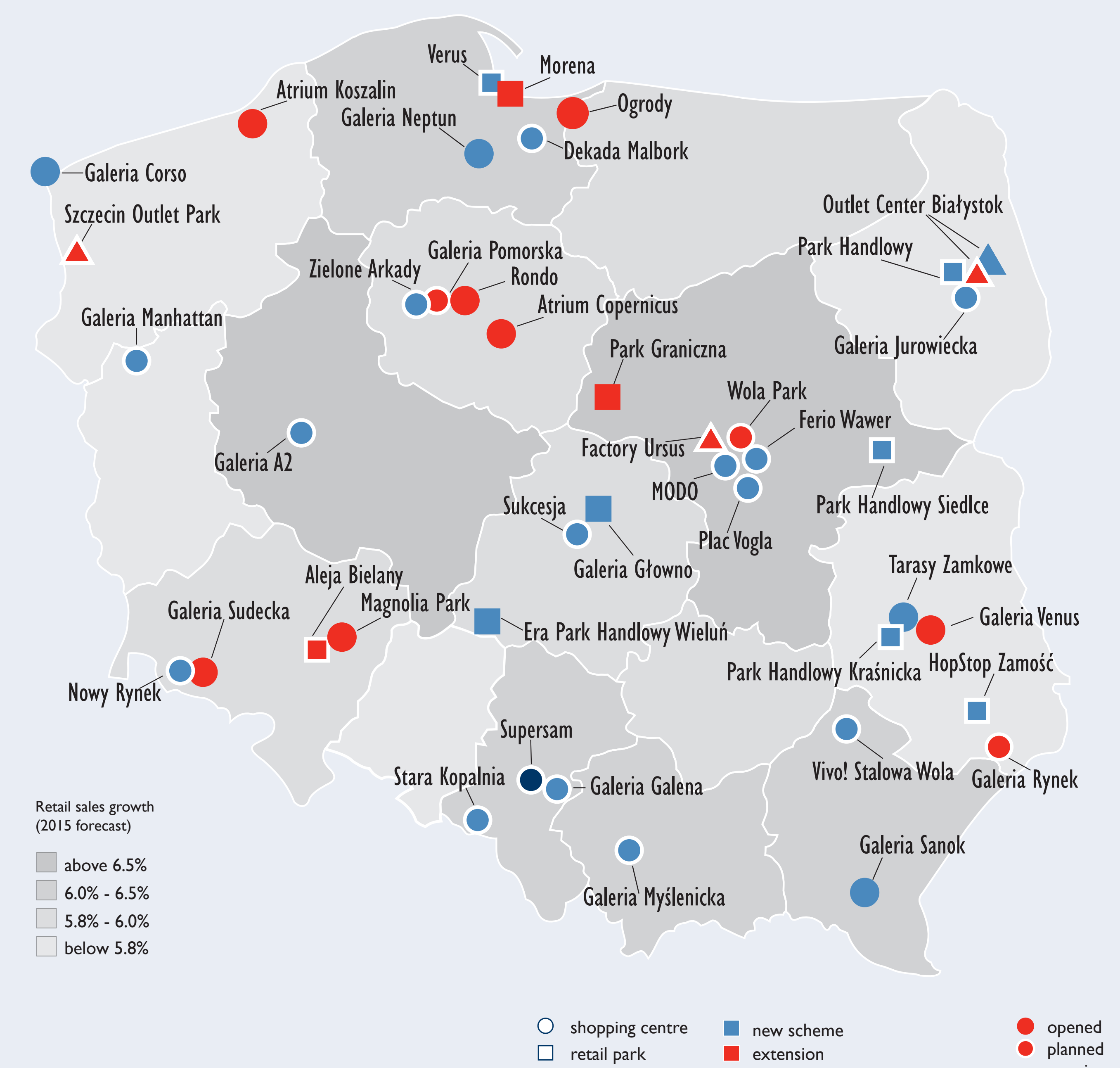
Brands planning to enter the Polish market in H2 2015 include the Scandinavian women's fashion brand Lykke to open in Krakow's Galeria Bronowice, the US fast-food chain Dairy Queen in Warsaw's Wola Park, the urban fashion brand Gate and the sports brand Sportisimo to open their stores in Jelenia Góra's Nowy Rynek shopping centre. Tallinder, a new high-end fashion brand of the LPP Group, will make its debut in Poland in Q1 2016, planning to open 20 stores next year. Meanwhile, several brands disappeared from the Polish market, including Bata, which closed all its Polish stores by April 2015 and officially ended its retail operations in Poland, and Atlantic, which is closing down its business following its bankruptcy in June.

Due to the current demand level, the marketing period for new schemes has become much longer and few shopping centres are fully let when they open. Vacancies in newly-opened retail schemes average 10-15%. The average vacancy rate for retail facilities in the largest Polish cities stands at 3.1% owing to the growing volume of vacant space in secondary schemes, particularly on oversupplied markets. In June 2015, the highest vacancies were recorded in Bydgoszcz (6.4%), Częstochowa (5.6%) and Radom (5.1%) , while the lowest were in Warsaw (1.5%) and Szczecin (1.6%).

The highest rents are in Warsaw's prime shopping centres at EUR 80-90/sq m/month for a clothing unit of 100-150 sq m and at EUR 120-140/sq m/month for the most attractive units. In the other seven conurbations average rents stand at EUR 35-45/sq m/month, and at EUR 20-30/sq m/month in small and medium-sized cities.

E-commerce, including mobile commerce (m-commerce), is gaining an increasing market share and becoming intertwined with traditional retailing. Most brands across all sectors are now strongly focused on omnichannel presence by combining in-store experience with online shopping. Most of them have already launched online stores. On the other hand, online retailers are now opening physical pop-up stores or taking up retail space on standard lease terms in traditional shopping centres. Co-existence of various distribution channels and combination of different shopping opportunities are the key features of the modern retail market.

OPENINGS IN H1 2015 AND PLANNED OPENINGS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

SHOPPING AND LEISURE CENTRES

In H1 2015 Poland had 395 shopping centres, providing a total of 9.375 million sq m or 89% of the country's retail stock. This figure includes four specialized centres totalling 69,200 sq m. Traditional shopping and leisure centres provide 9,306,000 sq m of retail space.

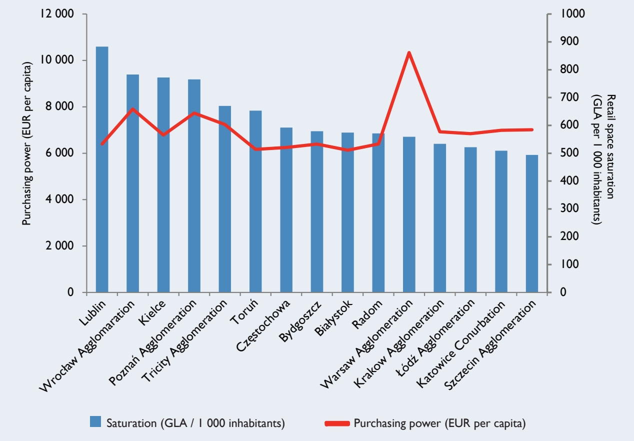
Four new shopping centres totalling 80,500 sq m came onto the Polish market in H1 2015, largely in secondary cities. The biggest was Tarasy Zamkowe in Lublin (38,000 sq m), which opened in March 2015. The second largest retail development was Galeria Neptun in Starogard Gdański (25,000 sq m). Other smaller shopping centres included Galeria Corso in Świnoujście (10,000 sq m) and Galeria Sanok (7,500 sq m).

Extensions of existing retail schemes provided 69,600 sq m of additional retail space, including 22,500 sq m GLA added to the Ogrody shopping centre in Elbląg, which doubled its floorspace becoming the largest shopping centre in the city and the region. Other recent extensions and modernizations included Atrium Copernicus in Toruń (17,000 sq m added), Magnolia Park in Wrocław (16,000 sq m added) and Galeria Sudecka in Jelenia Góra (nearly 11,000 sq m added to the modernized Echo shopping centre), giving all these retail schemes dominant positions in their respective markets. Smaller extensions totalling 4,700 sq m comprised the following shopping centres: Rondo in Bydgoszcz, Galeria Venus in Świdnik and Atrium Koszalin. Extensions of existing retail schemes accounted for 46% of new supply in H1 2015. Against the background of increasing competition from brick-and-mortar stores and the rapid growth of e-commerce and m-commerce, existing shopping centres need to transform to position themselves as attractive retail destinations. This includes adding new brands and sectors to the retail offer, construction or extension of leisure and food facilities, and modernizations due to the shopping centre's aging. In addition to catering for customers' shopping needs, modern shopping centres have evolved into leisure, meeting and everyday destinations. Hence, the increasing trend to transform their functions.

Occupier demand shows strong variations and depends on shopping centre density, scheme quality and space availability. The shopping centre density in the fifteen largest conurbations (cities above 200,000 inhabitants) is the highest in Lublin, Wrocław, Kielce and Poznań, and the lowest in Szczecin, Katowice, Łódź and Krakow. The record high density in Poland is, however, in smaller cities such as Zgorzelec, Opole, Rzeszów and Nowy Sącz.

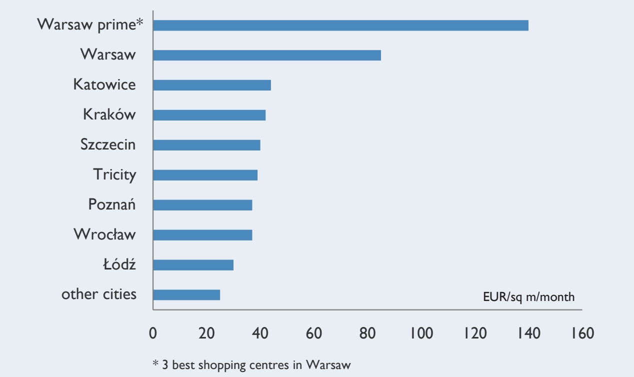
The highest rents are in Warsaw's prime shopping centres at EUR 100-140/sq m/month for a fashion store sized between 100 sq m and 150 sq m. Rents average EUR 35-40/sq m/month

RETAIL SPACE SATURATION AND PURCHASING POWER IN THE LARGEST POLISH CITIES (EUR PER CAPITA)



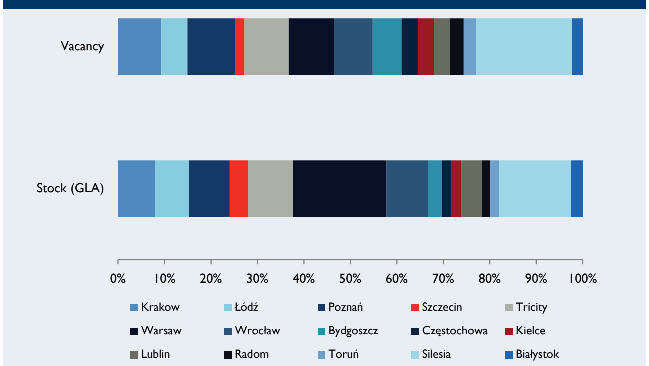
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

PRIME RENTS IN SHOPPING CENTRES



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

RETAIL SPACE SUPPLY AND VACANCIES IN THE LARGEST POLISH CITIES IN H1 2015

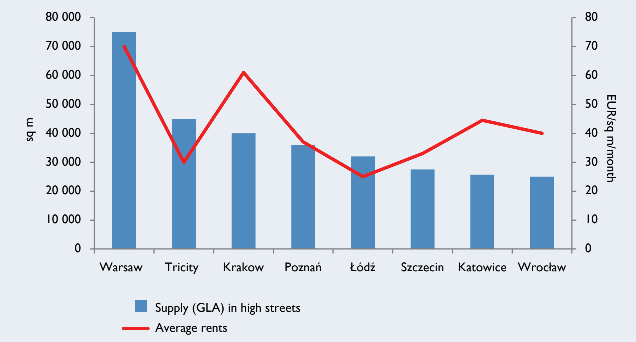


SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

VACANCY RATES IN H1 2015

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

ESTIMATED SUPPLY AND AVERAGE RENTS IN HIGH STREETS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

in the other seven conurbations and EUR 20-30/sq m/month in small and medium-sized cities.

The Polish retail market has become a more tenant-led market in 2015. It is now common practice for anchor tenants taking up 1,000-2,000 sq m to demand large fit-out contributions and turnover-based rents, but only in secondary retail schemes and markets with high saturation of modern retail space.

HIGH STREETS

High streets feature firmly on the retail maps of cities and are complementary to shopping centres for customers both to do shopping and to relax. The total floorspace of high street stores frequently equates to that of a medium-sized shopping centre. Demand for high street space comes largely from restaurants, cafés, fashion retailers, services and daily shopping stores. Due to low availability of units in top high street destinations, prime rents have remained at high levels of EUR 75-85/sq m/month for a 100 sq m store.

Retail space provision in Polish high streets is expected to rise in the next few years following the ongoing modernization of commercial space on the back of the big potential of top high street destinations, mainly in Warsaw and Krakow, and strong occupier interest in opening stores in such locations. High street development, however, continues to be hindered by fragmented ownership of retail space and lack of an integrated growth strategy for this market segment.

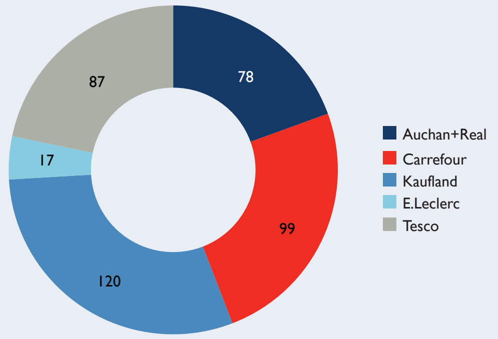
HYPERMARKETS AND SUPERMARKETS

The Polish food sector is currently developing mainly through the further rapid growth of the convenience stores and through retail space modernization and standardization in existing hypermarkets. The most active players on the convenience market are Żabka, which opened 700 new stores in the past year, and Carrefour, adding around 100 stores to its franchise network. Auchan remained the most active operator in the hypermarket sector in H1 2015 by opening eight rebranded Real hypermarkets it had acquired in 2014. In the past twelve months it rebranded 20 out of 49 Real hypermarkets. Other hypermarket operators are focused on upgrading and remodelling of existing stores, including development of click & collect services and e-tailing.

No new food hypermarket was opened in H1 2015, but several were thoroughly modernized, including Carrefour hypermarkets in Gdańsk, Grudziądz, Rybnik and Jastrzębie-Zdrój. Carrefour will remain an active market player, alongside Auchan, by opening new hypermarkets in Fabryka Wołomin and Galeria Posnania, in Warsaw's Galeria Północ and Galeria Wilanów, which remain in the pipeline, and by modernizing other facilities, including the large extension and remarketing of Carrefour Shopping Centre in Białystok.

In the supermarket sector Intermarche and Piotr i Paweł have announced rapid expansion plans to open 20-30 new stores in 2015. Lidl, a leading discount chain, intends to open around 30 new supermarkets by the end of this year. The expansion rate of Biedronka has slowed down from 190 new stores in 2014 to around 150 planned for 2015. By the end of June 2015 it added 68 stores to its network (83 stores were opened and 15 were closed down). Several new stores were also opened in H1 2015 by Intermarche, Kaufland, Piotr i Paweł, Lidl and Alma.

KEY HYPERMARKET OPERATORS IN POLAND (NUMBER OF HYPERMARKETS)



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

DIY STORES AND RETAIL PARKS

In H1 2015, only one DIY hypermarket was opened: Bricoman in Szczecin. By contrast, the sector of smaller DIY stores is expanding more strongly, mainly in small cities. In H1 2015, Bricomarché opened seven new stores, including some of the 14 locations taken over from Nomi, the Polish chain PSB Mrówka added 20 new stores to its network, while a local DIY operator Majster, focused on the markets of southern and south-eastern Poland, opened two more stores. Several DIY stores are currently under construction, mainly in larger retail schemes, including Castorama's store near Warsaw's Wola Park shopping centre (to be opened in late 2015), Castorama's relocation to the Cieszyn Retail Park (scheduled to open in Autumn 2015), Bricoman's store near the Kraśnicka Retail Park under construction in Lublin (to open in autumn 2015), Leroy Merlin's store in Cieszyn (opening in July 2015) and in Galeria Posnania (opening in 2016), Bricomarché's store in Grójec (opening in July 2015) and Majster's three stores in Oława, Radlin and Łańcut. In addition, Leroy Merlin's store is also expected to break ground in the retail park near Galeria Sudecka in Jelenia Góra (scheduled to open in 2016).

Development activity in the retail park sector has picked up strongly. Due to high saturation of modern retail space in large cities, retail parks are being developed mainly in smaller cities, including towns with a population of 15,000 to 30,000. The largest new retail parks opened in H1 2015 were Era Park Wieluń and Galeria Głowno, providing 6,000 sq m GLA each. Extensions included Graniczna Park in Płock (3,800 sq m added) and Galeria Morena in Gdańsk following the extension of the Morena shopping centre (2,900 sq m).

At the end of H1 2015 Poland had 47 retail parks comprising a total of 917,000 sq m with another 85,200 sq m to be delivered by the end of December. New retail parks totalling 50,200 sq m are under construction in Lublin, Białystok, Gdańsk, Siedlce and Zamość. However, the top retail park in terms of space in the pipeline is the Bielany Retail Park in Bielany Wrocławskie with 35,000 sq m to be added by IKEA Centres Poland, making it Poland's largest shopping destination with more than 140,000 sq m. The scheme will be renamed Aleja Bielany following completion of the extension.

Demand for retail park space is driven mainly by rapidly expanding budget brands such as Biedronka, Pepco, KiK, Takko Fashion, CCC and Deichmann, followed by the expanding health and beauty stores Rossmann, Hebe, Dayli and Drogeria Natura, and sports discount stores such as Decathlon Easy. Retail parks are also anchored by hypermarkets and smaller DIY stores such as Bricomarché, electronics (RTV Euro AGD, Media Expert and Neonet) and furniture and homeware stores, including Abra and Jysk.

Retail park rents remain stable. The most expensive rents are in large retail parks in the biggest conurbations at EUR 10-15/sq m/month. In smaller retail parks in small cities that are more common on the market, rents are lower averaging EUR 7-9/sq m/month.

OUTLET CENTRES

With 198,000 sq m the existing outlet centres account for 1.9% of Poland's modern retail stock. Following the opening of the first two outlet centres in eastern and north-eastern Poland (in Lublin and Białystok), another retail scheme was added to the Polish market in H1 2015: Outlet Center Białystok, becoming the thirteenth outlet centre in Poland.

The Polish retail market comprises outlet centres in the largest agglomerations: three in the Warsaw agglomeration, two in Białystok, and one in Wrocław, Poznań, Krakow, Sosnowiec, Gdańsk, Szczecin, Łódź and Lublin.

The development pipeline includes the extension of Warsaw's Factory Ursus and Szczecin's Outlet Park to be provided with an additional 6,000 sq m and 5,000 sq m, respectively. This also includes the two recently-opened and marketed outlet centres in Lublin and Białystok to provide an additional 4,600 sq m of new retail space when completed.

Rents in outlet centres are relatively low. Average rent for a store of 100-150 sq m in Warsaw is EUR 22-24/sq m/month while in other cities it stands at EUR 18-20/sq m/month.

OUTLET CENTRES IN POLAND IN H1 2015

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

E-COMMERCE

E-commerce is the fastest growing sector of the Polish economy posting an annual two-digit growth for several years and outperforming other European countries. It benefits from ongoing improvements and innovations making online shopping an easy and comfortable experience, including new solutions related to e-banking and payments, browsing store websites, and product delivery options. In addition, a growing number of online retailers are expanding their retail offer.

Retailers who have so far focused on developing their presence in brick-and-mortar stores are now also turning to e-tailing. More and more brands across all sectors that are present in traditional shopping centres or retail parks are opening online stores. In May 2015, top fashion brand H&M launched its online store while other retailers are currently testing this distribution channel, including IKEA, Intermarche and Żabka (convenience e-commerce).

According to reports and analyses*, customers most often shop online for: clothing and accessories; books, CDs and films; electronics and household appliances. The top websites for online shopping are*(*data from *E-commerce w Polsce w 2015. Gemius dla e-Commerce Polska* report):

E-COMMERCE IN POLAND

% of internet users	76.5%
No. of households with internet	9.4 mln
% of internet users who has done on-line purchase	55%
% of internet users who shop in Polish e-shops	54%
% of internet users who shop in foreign e-shops	13%
Average shopping basket	80 PLN/month

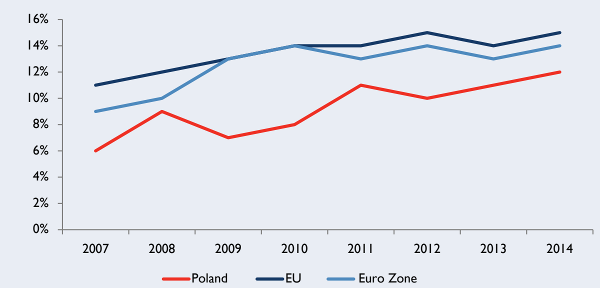
SOURCE: E-COMMERCE W POLSCE W 2015. GEMIUS DLA E-COMMERCE POLSKA

- for fashion: Allegro, Zalando, Bonprix, OLX (formerly Tablica.pl) and H&M;
- for food: Tesco, Alma, Allegro, Piotr i Paweł and Auchan;
- for pharmaceuticals: Dbam o zdrowie, Cefarm, Gemini, Superpharm and Ziko;
- for perfumes and beauty products: Rossmann, Sephora, Douglas, iperfumeria.pl and Avon;
- for electronics and household appliances: Allegro, Media Markt, RTV Euro AGD, Media Expert and Saturn;
- for multimedia: Empik, Allegro, Merlin, Apple iTunes (electronic multimedia) and Matras (traditional multimedia).

Retail schemes are also trying to tap into the growing popularity of e-commerce by offering more free Wi-Fi zones in shopping malls, introducing beacons and interactive mobile apps, and click & collect services in selected stores to integrate traditional shopping with e-commerce.

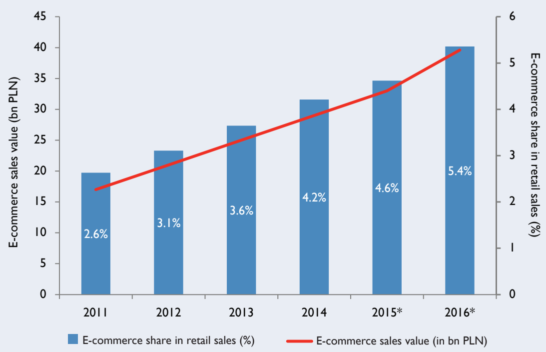
Online sales in Poland in 2015 are estimated to reach around PLN 33 billion.

E-COMMERCE SHARE IN TOTAL ENTERPRISES' TURNOVER



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

E-COMMERCE IN POLAND



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

INDUSTRIAL MARKET

MARKET OVERVIEW

In H1 2015 the industrial and warehouse market in Poland witnessed further strong growth in new supply and also take-up. More than 450,000 sq m of new industrial space was delivered to the market, representing a 33% increase compared to the supply in H1 2014. Total take-up amounted to 1,210,000 sq m, which pushed the vacancy rate down from 6.8% at year-end 2014 to the record low of 6.2% at the end of June 2015. Given the volume of industrial space under construction, new supply is likely to exceed one million square metres this year as was the case in 2014. Vacancy rates are expected to remain low as a result of strong take-up coupled with the fact that many schemes are either BTS projects or pre-let prior to construction.

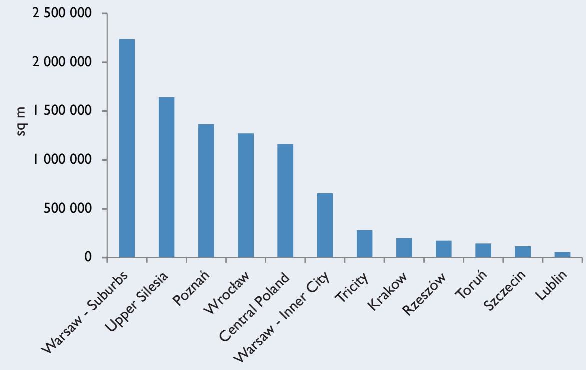
STOCK

At the end of June 2015 total modern warehouse stock in Poland reached 9,310,000 sq m, representing an annual rise of 13.5%. With 2,890,000 sq m and a 31% market share the Warsaw region remains the largest warehouse market in Poland, but 77% of this total is located in Warsaw's suburbs.

Improvements in transport infrastructure have spurred further developments in the four largest regional markets (Upper Silesia, Central Poland, Poznań and Wrocław), whose total stock stands at nearly 5,500,000 sq m, accounting for a 60% market share. Given the locations of warehouse schemes under construction, these regions are expected to strengthen their position on the Polish industrial map. Development activity has also stepped up in the smaller markets of Tricity, Krakow, Rzeszów, Toruń, Szczecin and Lublin, but their share in the country's total stock currently stands at around 10%.

With around 2,700,000 sq m or 24% of Poland's total stock, Prologis leads the ranking of warehouse owners, followed by other developers and their business partners such as Segro (11%), Logicor (9%), Goodman (7%), Panattoni (6%), P3 Logistics (5%) and MLP Group (4%).

MODERN WAREHOUSE STOCK IN POLAND H1 2015

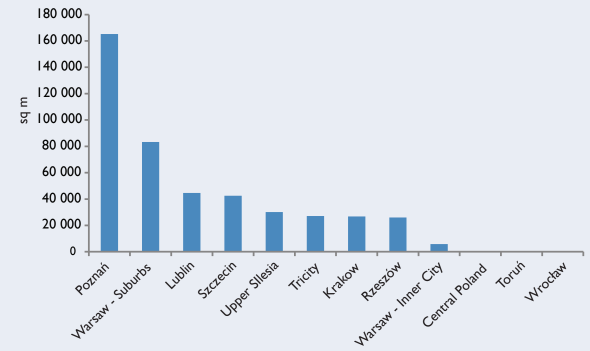


SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015.

SUPPLY

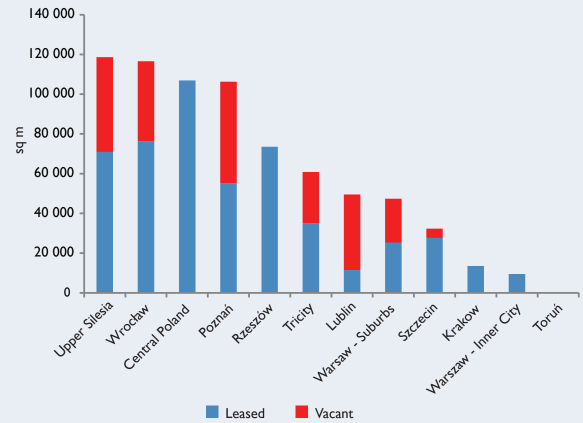
In H1 2015, modern warehouse supply totalled 452,000 sq m, a rise of more than 33% compared with H1 2014. The strongest developer activity was recorded in Poznań (165,000 sq m) and Warsaw's suburbs (83,000 sq m), accounting for 36% and 20% of the warehouse supply, respectively. Development also picked up in the smaller markets of Szczecin, Lublin, Krakow, Rzeszów and Tricity, where 167,000 sq m of warehouse space was delivered in H1 2015, a rise of 36% on 2014's total supply of 123,000 sq m. Several new schemes constructed on a built-to-suit basis were also added to the market, including Goodman's development for Intermarche in Poznań (82,000 sq m), P3's ID Logistics in Mszczonów (46,000 sq m) and Goodman's Stock in Lublin (33,000 sq m). Other major completions in H1 2015 included phase one of Panattoni Park Poznań IV (35,000 sq m), phase one of SEGRO Logistic Park Poznań in Komorniki (32,000 sq m), another phase of North-West Logistic Park developed by Waimea Holdings in Szczecin (29,000 sq m) and phase one of SEGRO Logistics Park Gdańsk (27,000 sq m).

MODERN WAREHOUSE SUPPLY IN H1 2015



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015.

STOCK UNDER CONSTRUCTION H1 2015



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

At the end of June 2015 some 735,000 sq m of modern warehouse space in 34 projects was under construction, nearly 8% more than at year-end 2014. Most of the projects are being developed in Upper Silesia, Wrocław, Poznań and Central Poland, each region accounting for around 15% of the volume underway and jointly for around 61% of the country's total stock under construction. Developer activity is also picking up in less developed markets such as Rzeszów (74,000 sq m under construction), Tricity (61,000 sq m), Lublin (49,000 sq m) and Szczecin (32,000 sq m). The largest developments underway include: Panattoni Park Stryków II (60,000 sq m), the extension of Panattoni Park Wrocław III (51,000 sq m), a BTS project developed by Goodman in Pomorskie Centrum Logistyczne in Gdańsk (39,000 sq m) and the extension of Centrum Logistyczno-Inwestycyjne CLIP Poznań (36,000 sq m).

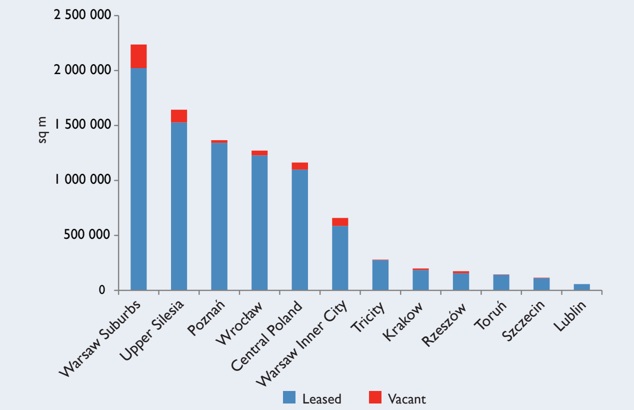
Given the healthy occupier demand and positive economic outlook, investors have started speculative developments. Around 20% of warehouse space under construction has not been secured under pre-lets and the share of speculative development in the Polish warehouse market is likely to rise gradually. BTS schemes constructed to meet specific client requirements continue to be popular, but in some locations with exceptionally low vacancy rates developers are beginning to construct mixed schemes comprising a speculative component on the back of a pre-let agreement being signed.

VACANCY RATES

Despite large supply, the vacancy rate fell from 6.8% to 6.2% in H1 2015, which compared with year-end 2014 equates to a decline in vacant warehouse space by 25,000 sq m to 578,000 sq m.

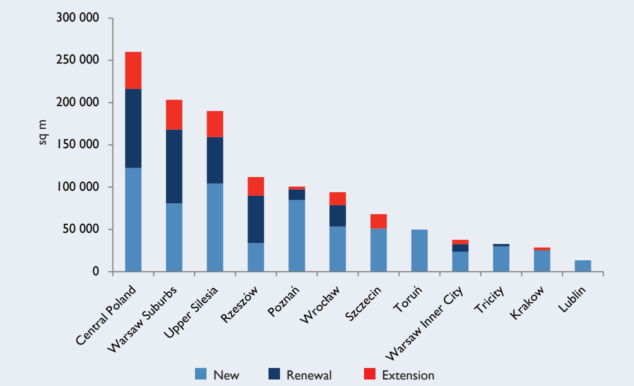
Of the core markets, the highest vacancies are Warsaw's inner city (10.9%), Upper Silesia (6.8%) and Central Poland (5.5%). The gap between the vacancy rates in Warsaw's inner city (10.9%) and the Greater Warsaw area (9.7%) has narrowed. The lowest vacancy rates were again noted in Poznań (1.7%) and Wrocław (3.4%). Occupier demand and supply balance has helped to keep vacancies on the largest warehouse markets at stable levels. This being said, the vacancy rates edged up in Wrocław (up by 1.5%) and in Poznań (up by 1.2%). Among smaller markets where a single lease can easily impact vacancy levels, there are regions reporting both considerable declines in vacant space (Toruń, Tricity and Lublin), however at the same time some regions are noticing rising vacancies (Szczecin).

LEASED SPACE VS. VACANT SPACE IN H1 2015



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015.

TAKE-UP IN H1 2015



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

TAKE-UP

Leasing activity remained robust in H1 2015 with take-up reaching more than 1,210,000 sq m, a rise of 18% compared with H1 2014. The largest deals included Goodyear's 56,000 sq m lease renewal in Tarnów Logistic Park and new leases signed by Leroy Merlin in Panattoni Park Stryków II (53,000 sq m) and Jysk in Logistic City Piotrków Distribution Center (40,000 sq m).

Occupier interest focused on Central Poland, comprising Łódź, Piotrków Trybunalski and Stryków, where take-up amounted to 260,000 sq m. Tenants, particularly logistics operators, are attracted to this region thanks to the proximity of a large agglomeration and the rapidly developing road network. Strong take-up was also recorded in the Warsaw region, in which 85% of the 241,000 sq m total was leased in Warsaw's suburbs. Warehouse take-up in Upper Silesia totalled more than 190,000 sq m, the same as in H1 2014, while the Rzeszów region reported a record high leasing volume at 114,000 sq m, higher than that of the developed markets of Wrocław (94,000 sq m) and Poznań (101,000 sq m). Transaction volumes also hit record highs in Szczecin (68,000 sq m) and Toruń (50,000 sq m).

New lease agreements accounted for 56% of all transactions, indicating the continued warehouse sector growth in Poland. Lease renewals made up 26% of the leasing volume and lease expansions 15% compared with just 7% in H1 2014.

In H1 2015, take-up came mostly from distribution occupiers and logistics operators (37%) who signed new leases for around 370,000 sq m. A high share of total take-up was also from the light industry sector (17%) and retail chains (15%). The food sector, e-commerce and the automotive sector accounted for 4-5% of the total leasing volume in H1 2015.

RENTS

Despite strong occupier demand headline rents remained flat or fell slightly in the core warehouse markets. The highest rents were posted in Warsaw's inner city (EUR 4.20-5.50/sq m/month) while the lowest were in Central Poland (EUR 2.40-3.95/sq m/month) and in Warsaw's suburbs (EUR 2.40-3.80/sq m/month). In the remaining regions, rents stood at around EUR 2.50-4.00/sq m/month.

RENTS

REGION	HEADLINE RENTS (EUR/SQ M/MONTH)	EFFECTIVE RENTS (EUR/SQ M/MONTH)
Warsaw Inner City	4.20 – 5.50	3.20 – 4.80
Warsaw Suburbs	2.40 – 3.80	1.90 – 3.20
Upper Silesia	2.90 – 3.40	2.20 – 3.10
Poznań	3.00 – 3.50	2.30 – 2.90
Central Poland	2.40 – 3.95	1.90 – 3.10
Wrocław	3.00 – 3.60	2.40 – 3.00
Tricity	2.80 – 3.20	2.50 – 2.80
Krakow	3.90 – 4.40	3.20 – 4,00
Szczecin	3.00 – 3.95	2.70 – 3.40
Toruń, Bydgoszcz	2.70 – 3.50	2.30 – 2.90
Rzeszów	approx. 3.50	approx. 3.00
Lublin	3.30 – 4.10	2.70 – 3.20

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

OUTLOOK

Supply levels are expected to remain high in the short term given the considerable amount of warehouse space currently under construction. Speculative development still remains limited as new warehouse schemes are constructed in response to occupier demand and leasing activity however we expect this to change, especially in locations with currently very low vacancy. Due to these factors coupled with competition amongst warehouse suppliers, vacancy rates and rents are projected to remain largely unchanged in the nearest future.

10 LARGEST INDUSTRIAL LEASE TRANSACTIONS IN H1 2015

DATE	PARK	REGION	TENANT	AREA	TYPE
2015 QII	Tarnów Logistic Park	Rzeszów	Goodyear	56 000 sq m	renewal
2015 QII	Panattoni Park Stryków II	Central Poland	Leroy Merlin	53 000 sq m	new lease agreement
2015 QI	Logistic City Piotrków Distribution Centre	Central Poland	Jysk	40 000 sq m	new lease agreement
2015 QI	P3 Piotrków	Central Poland	FM Logistics	36 000 sq m	renewal
2015 QI	Prologis Park Poznań II	Poznań	Home24	26 000 sq m	new lease agreement
2015 QII	Logicor Łódź II	Central Poland	Flextronics	26 000 sq m	renewal
2015 QI	Goodman Toruń Logistics Centre	Toruń	IKEA / Nissin	26 000 sq m	new lease agreement
2015 QII	Panattoni Park Rzeszów	Rzeszów	Omega Pilzno	25 000 sq m	new lease agreement
2015 QI	Panattoni Park Łódź East	Central Poland	RR Donnelley	23 000 sq m	renewal
2015 QI	Panattoni BTS Pilkington	Rzeszów	Pilkington Automotive	22 000 sq m	extension

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

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REGIONS

SZCZECIN REGION

Existing Stock	116 000 sq m
Stock Under Construction	32 000 sq m
Supply	43 000 sq m
Vacancy Rate	3.7%
Take-Up	68 000 sq m

TORUŃ REGION

Existing Stock	145 000 sq m
Stock Under Construction	0 sq m
Supply	0 sq m
Vacancy Rate	2.1%
Take-Up	50 000 sq m

CENTRAL POLAND

Existing Stock	1 166 000 sq m
Stock Under Construction	107 000 sq m
Supply	0 sq m
Vacancy Rate	5.5%
Take-Up	260 000 sq m

POZNAŃ REGION

Existing Stock	1 366 000 sq m
Stock Under Construction	106 000 sq m
Supply	165 000 sq m
Vacancy Rate	1.7%
Take-Up	101 000 sq m

TRICITY REGION

Existing Stock	280 000 sq m
Stock Under Construction	61 000 sq m
Supply	27 000 sq m
Vacancy Rate	1.8%
Wolumen transakcji	33 000 sq m

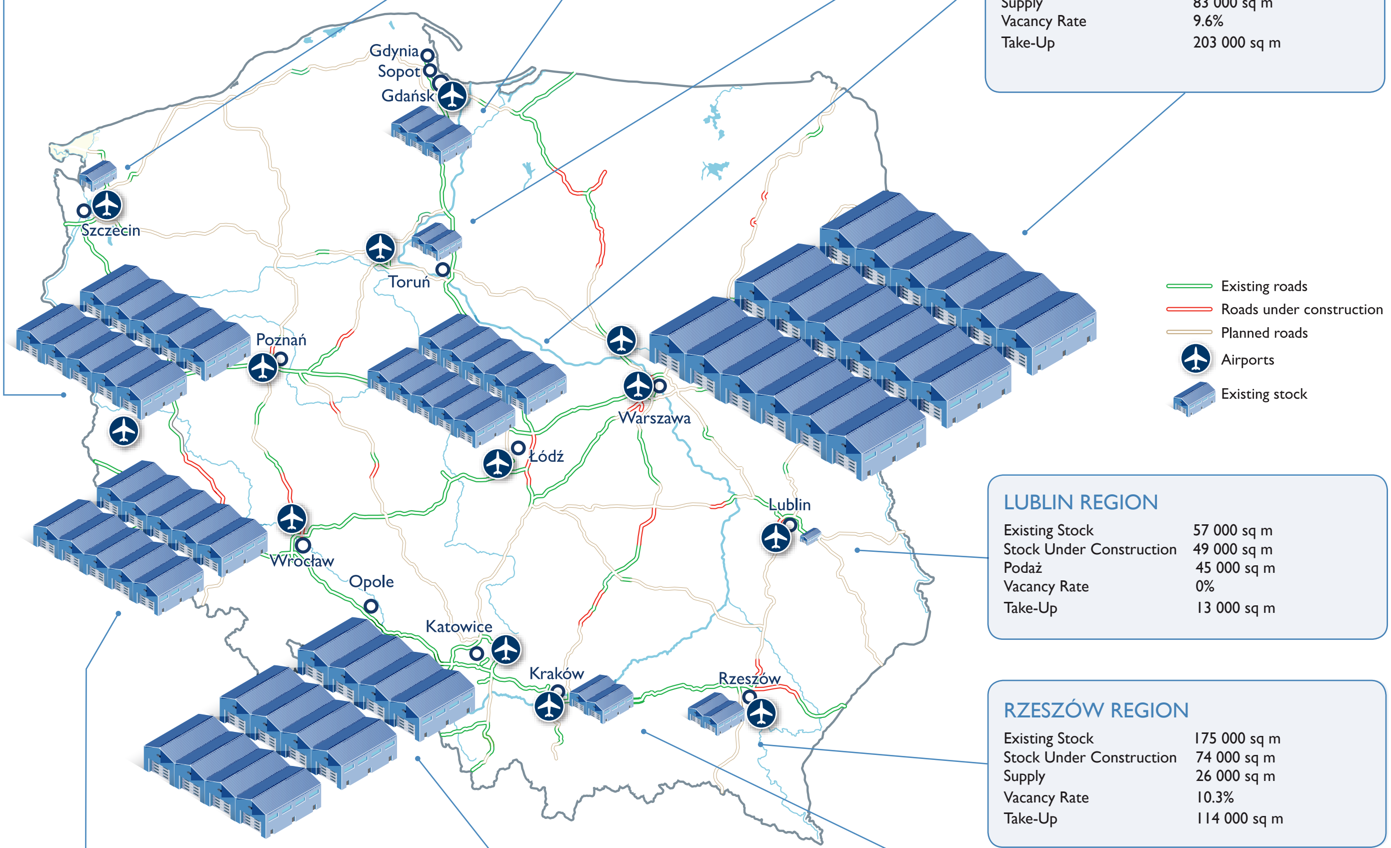
WARSAW REGION

<u>Warsaw City Zone</u>

Existing Stock	659 000 sq m
Stock Under Construction	10 000 sq m
Supply	6 000 sq m
Vacancy Rate	10.9%
Take-Up	38 000 sq m

<u>Suburbs Zone</u>

Existing Stock	2 238 000 sq m
Stock Under Construction	47 000 sq m
Supply	83 000 sq m
Vacancy Rate	9.6%
Take-Up	203 000 sq m



LUBLIN REGION

Existing Stock	57 000 sq m
Stock Under Construction	49 000 sq m
Podaż	45 000 sq m
Vacancy Rate	0%
Take-Up	13 000 sq m

RZESZÓW REGION

Existing Stock	175 000 sq m
Stock Under Construction	74 000 sq m
Supply	26 000 sq m
Vacancy Rate	10.3%
Take-Up	114 000 sq m

WROCŁAW REGION

Existing Stock	1 272 000 sq m
Stock Under Construction	117 000 sq m
Supply	0 sq m
Vacancy Rate	3.4%
Take-Up	94 000 sq m

UPPER SILESIA

Existing Stock	1 643 000 sq m
Stock Under Construction	119 000 sq m
Supply	30 000 sq m
Vacancy Rate	7.0%
Take-Up	190 000 sq m

KRAKOW REGION

Existing Stock	199 000 sq m
Stock Under Construction	14 000 sq m
Supply	27 000 sq m
Vacancy Rate	7.2%
Take-Up	30 000 sq m

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JULY 2015

HOSPITALITY MARKET

The hospitality market in Poland has been going through a positive phase with a number of new hotel developments and increasing demand. Investors are highly interested in Poland, new hotels are under construction, incumbent operators are expanding and new operators are entering the market, infrastructure has improved and demand is increasing. Another positive factor is improving investment market conditions as there has been an increase in both private and institutional equity investments. Banks now feel more confident when lending to the hotel sector as they can see the KPIs (Key Performance Indicators) improving.

DEMAND

The Polish hospitality market is strongly driven by the constantly growing number of tourists accommodated in hotels since the economic recession in 2009. The biggest rise of 10.32% was noted from 2009 to 2010, followed by around 8.4% in the next two years. The growth in the number of guests accommodated in hotels was more subdued in 2012 with just 5.8%, but a year later it was back on track with around 8%. The latest data show an increase of 8.8% for January – May 2015 in comparison with the same period in the previous year.

NUMBER OF GUESTS ACCOMMODATED IN HOTELS IN POLAND

SOURCE: POLISH STATISTICAL OFFICE, 2015

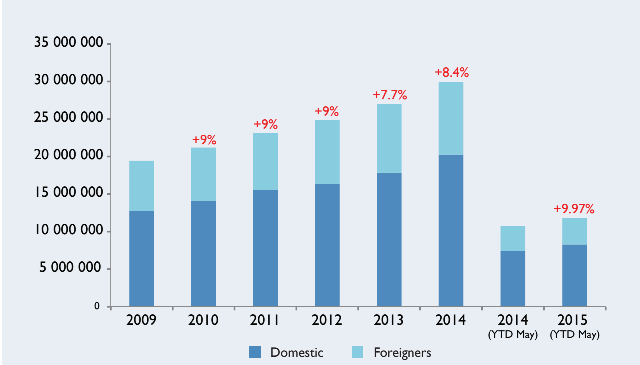
The Polish hotel market is highly dependent on local guests as the nationality split shows a high proportion of local guests staying in hotels (around 70%) compared to foreigners (around 30%). This characteristic is the main difference between Poland and other Central European markets which attract predominately foreign guests. Consequently, during the last global economic downturn this specific demand pattern was a clear advantage as the Polish hotel market suffered less from the general decline in foreigner demand than its neighbours.

The average length of overnight stays in 2014 was 1.9 nights, with 1.8 days for domestic hotel guests and 2.1 days for foreigners.

The number of overnight stays in hotels has been rising at a steady rate of 9% on average since 2009. From January to April 2015 it rose by 9.97% compared with the same period last year.

In terms of arrivals, the number of guests coming to Poland by plane has been steadily increasing. In total, there are thirteen airports in Poland handling domestic and international flights plus two new airports under construction. The total number of passengers travelling by air was 27.05 million in 2014, which represents an increase of 8.3% in comparison with 2013. The flow of visitors has been driven by improving infrastructure with new highways, train connections as well as new airports. The Radom Airport has been operational since May 2014 and the Olsztyn-Mazury Regional Airport should be completed in 2015.

NUMBER OF OVERNIGHT STAYS IN HOTELS IN POLAND



SOURCE: POLISH STATISTICAL OFFICE, 2015

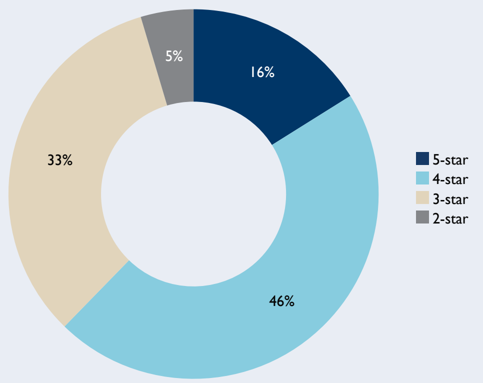
NEW HOTEL OPENINGS

Poland has seen a recent increase in new hotel openings following the 2012 UEFA European Championship, but the country still offers plenty of hotel development opportunities, especially in secondary cities. The Polish hotel market is experiencing strong growth and many developments are under construction at the moment. A large number of hotel projects are expected to be completed in the coming two years, including internationally branded hotels such as Hilton, Marriott, Motel One, Ibis, B&B, Puro and Raffles.

The pipeline of the Polish hospitality market includes more than 5,557 branded hotel rooms as at July 2015. This represents a major increase from around 4,600 hotel rooms in the pipeline in January 2015. Most hotels will be built in the 4-star segment, followed by 3-star and 5-star segments. Krakow will be the most important city in terms of hotel openings in 2015 with the

DoubleTree by Hilton, Hampton by Hilton and Best Western Plus opening this year and adding 551 rooms to the market.

HOTEL SUPPLY IN THE PIPELINE IN POLAND BY CATEGORY (JULY 2015)

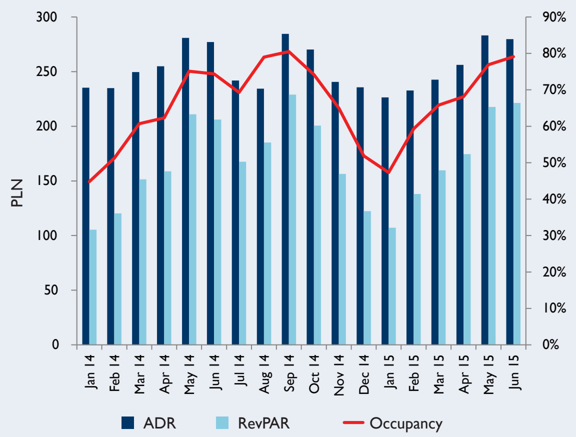


SOURCE: CUSHMAN & WAKEFIELD GLOBAL HOSPITALITY, STR GLOBAL, 2015

PERFORMANCE IN POLAND

Thanks to the increasing number of arrivals and improving promotion of the country, the KPIs (Key Performance Indicators) stabilised in 2013. In 2014, the occupancy rate rose by 3.2% while the ADR fell by 2.3%, resulting in a slightly positive RevPAR of 1.1%. This confirms that the market is absorbing new hotels very well. Poland saw a positive performance trend over H1 2015 compared with the corresponding period in 2014. Occupancy grew by 8.9%, the ADR rose by 0.9% and the RevPAR by 9.9%.

KEY PERFORMANCE INDICATORS



SOURCE: STR GLOBAL, 2015

VALUATION & 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 · COIMPEX

Research reports

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