MARKETBEAT

POLISH REAL ESTATE MARKET REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

CUSHMAN & WAKEFIELD®
Global Real Estate Solutions

SPRING 2009

CUSHMAN & WAKEFIELD'S SERVICES IN POLAND

AGENCY

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

DEVELOPMENT CONSULTANCY

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

VALUATION

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

ASSET MANAGEMENT

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

RESEARCH & CONSULTANCY

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

TENANT REPRESENTATION

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

INVESTMENT SERVICES

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

FINANCIAL SERVICES

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

ABOUT POLAND

ROAD COMMUNICATION IN POLAND

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

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

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

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

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

Poland is a member of EU (2004) and NATO (1999).

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ECONOMY DIRECTIONS	
GDP: When compared to euro zone, Polish economy may avoid recession, however GDP growth will be relatively small.	↔
INFLATION: The pace of price growth may slow down during the year, leading to a decrease in inflation in 2009, up to the level of approx. 2.5%.	↘
UNEMPLOYMENT RATE: The anticipated unemployment growth is related to the decreasing investments by companies, but due to the lower GDP growth it may be larger than previously expected.	↗
FDI: The volume of FDIs may be smaller than before due to the financial crisis in the international markets and the slower economic growth in Western countries.	↓

INVESTMENT MARKET DIRECTIONS	
OFFICE PROPERTIES	
PRIME YIELDS: A growth of 60 base points in relation to 2007 was recorded.	↗
TRANSACTION VOLUME: A decrease of 7% in relation to 2007 was recorded.	↘
RETAIL PROPERTIES	
PRIME YIELDS: A growth of 90 base points in relation to 2007 was recorded.	↗
TRANSACTION VOLUME: A decrease of 73% in relation to 2007 was recorded.	↘
INDUSTRIAL PROPERTIES	
PRIME YIELDS: A growth of 80 base points in relation to 2007 was recorded.	↗
TRANSACTION VOLUME: A decrease of almost 18% in relation to 2007 was recorded.	↘

OFFICE MARKET DIRECTIONS	
WARSAW	
VACANCY: The Warsaw market sees very low space vacancy rates.	↔
RENTS: Nominal rental rates remain at high level, approx. EUR 28 in CBD and EUR 19 in NCL.	↘
REGIONAL CITIES	
VACANCY: Vacancy rates in modern office schemes remain at low level in most regional cities.	↔
RENTS: Rental rents for modern office space are stable in most regional cities.	↔

EXECUTIVE SUMMARY

ECONOMY PERFORMANCE

The GPD growth in the euro zone amounted to barely 0.8% in the third quarter of 2008, which means that the countries of the euro zone are officially in a state of recession. Forecasted Poland's economic growth rate this year may reach 2-3%. The economic slowdown will have a large impact on unemployment figures, which are beginning to rise again after years of a decreasing unemployment rate and may reach 11% by the end of 2009. On the other hand, inflation is expected to fall down to the inflation target in the next year. Economic downturn has also negative impact on zloty exchange rate, which after five years of continuous appreciation has weakened significantly against all major currencies. In order to boost the slowing economy and increase financial liquidity the Polish Monetary Policy Council lowered its key interest rate to 4.25% at the turn of the year 2008 and 2009. It has been reflected in the considerable losses on WSE, and this year it will also lead to further limitations on foreign direct investment.

INVESTMENT MARKET

The total value of transactions recorded in 2008 amounted to EUR 1.79 bn and was lower by over 40% compared to the previous year, and lower by over 65% than in 2006. Unlike previous years, the leading market segment was the office property segment, which accounted for over 62% of the value of all the transactions, whereas the previously dominant retail property segment accounted for approx. 25% of the entire market. The forecasts for 2009 provide for a number of scenarios which depend on the restoration of confidence in international capital markets. Many entities which suspended their activities at the end of September and the beginning of October 2008 declared that they were ready to return into the market in the first quarter of 2009, which would certainly lead to a stronger demand and an increased number of transactions.

OFFICE

Despite the financial crisis and slowdown in the commercial property market, 2008 proved very successful for the office space market. The high supply was accompanied by a very high level of demand. Throughout the year the rental levels remained high on all main markets with very low levels of the vacancy rates. Warsaw is still the most developed office space market and the total stock of modern office space in the capital exceeded 2.9 million sq.m at the end of 2008. The situation in the office space markets of regional cities is stabilising, after the slowdown of the activity of investors in the second half of the year. There are still six main regional markets in which developers and potential tenants are mainly interested. They are Kraków, Wrocław, Tricity, Katowice, Poznań and Łódź. The total stock of modern office space in the six largest Polish cities exceeded 1,500,000 sq.m. Due to the financial crisis, a large part of planned developments will not enter the pipeline stage or they will be postponed for a considerable amount of time.

RETAIL

At the end of 2008 the stock of modern retail space in Poland amounted to over 8,450,000 sq.m (221.7 sq.m per 1,000 inhabitants). The eight main urban areas absorbed 62.2% of this space, and small- and medium-sized towns the remaining 37.8%.In 2008 approx. 700,000 sq.m of retail space was delivered in Poland, 71% of which in the second half of the year. The years 2009-2010 will be similar to 2008 in terms of the supply of modern retail space. The retail schemes now under construction will deliver nearly 1,500,000 sq.m of modern space for lease, mainly shopping centres. The demand for modern retail space in Poland remains stable, what is confirmed by the low vacancy rates of 0-2.7% on average for Poland. The second half of 2008 saw a decreased growth of rental rates for modern retail space, which are expected to stabilise further in 2009.

INDUSTRIAL

The global economic slowdown has led to the changes also on the warehouse market in Poland. In 2008 demand still remained at a high level. However a more conservative approach of developers to launching new projects resulting from the difficulties with obtaining financing, has caused a rent growth. Warsaw has maintained its position as a dominant market in Poland. Total stock of modern warehouse space in the capital amounted to nearly 2.16 m sq.m. Total supply in the remaining regions exceeds 2.9 m sq.m, with Upper Silesia, Poznań, Central Poland and Wrocław as the dominant ones.

RESIDENTIAL

Since autumn 2008 the overall situation in the Polish residential market has been rated as uncertain. Activity in the residential market almost ceased in the last months of 2008 following deceleration in the first half of the year. This signalled an end to the residential boom experienced in 2006 and 2007. The first half of 2009 is likely to reveal the future course of the Polish residential market that largely depends on the banks' mortgage/credit decisions, consumer behavior as well as the overall Polish and world economic situations.

HOSPITALITY

The hotel real estate market in Poland is still experiencing a growth phase. Limited supply of hotel schemes has stimulated greater interest of both investors and hotel operators who are looking for investment opportunities in this market. The supply of hotels in Poland is concentrated mainly in large cities such as Warsaw, Kraków, Wrocław and Tricity. Investors continue to be interested in smaller towns and tourist destinations, particularly in southern Poland and in the regions of Warmia and Mazury. It is expected that occupancy ratio of hotel rooms in the years 2009-2010 will be stable. Further upward trends are forecast for the years 2011-2014.

RETAIL MARKET DIRECTIONS	
WARSAW	
VACANCY: Close to 0%, limited availability of modern retail space for lease, new projects in high streets in the medium term.	↓
RENTS: Stable trend, tenants to rotate in the best quality shopping centres.	↔
MEDIUM SIZE CITIES	
VACANCY: Close to 0% in the best schemes, 3-5% in schemes in secondary locations and commercial concepts.	↔
RENTS: Stable trend, deepening of difference between nominal and effective rents.	↔
SMALL TOWNS	
VACANCY: Close to 0%, limited amount of modern retail space for lease, limited demand.	↑
RENTS: Stabilisation of rents resulting from more conservative approach of store chains to expansion.	↔

INDUSTRIAL MARKET DIRECTIONS	
WARSAW	
VACANCY: Stable trend, supply and demand remain balanced.	↔
RENTS: A further increase in rental rates, a strong diversification depending on the distance from the centre.	↑
REGIONS	
VACANCY: The vacancy rates are declining, developers continue already started projects, limiting the new ones.	↓
RENTS: The expected further increase due to the growing costs of financing investment.	↑

RESIDENTIAL MARKET DIRECTIONS	
SUPPLY: Relatively high supply in 2009. However the projects verification and a supply limitation is expected in mid-term.	↗
DEMAND: Despite the high level of residential needs, the real demand is low. The recovery of residential demand may be expected in the mid-term.	↔
PRICES: A slight downward trend of residential real estates prices is expected in 2009.	↘

HOSPITALITY MARKET DIRECTIONS	
SUPPLY: The supply of hotels is demonstrating an upward tendency.	↑
OCCUPANCY RATE: Stable levels are expected in the years 2009-2010.	↔
PRICES: Price stabilisation has been observed.	↔

ECONOMY PERFORMANCE

ECONOMY OVERVIEW

The increasingly alarming news from the labour markets in the United States and the European Union Member States has drastically lowered consumers' sentiments, which has resulted in a considerable output reduction. The Gross Domestic Product (GDP) growth in the euro zone amounted to barely 0.8% in the third quarter of 2008, which means that the countries of the euro zone are officially in a state of recession. Unfortunately, it is feared that the GDP growth dynamics for this region will be negative this year. Despite the harsh global situation, Poland's economic growth rate this year may reach 2-3%. The economic slowdown will have a large impact on unemployment figures, which are beginning to rise again after years of a decreasing unemployment rate and may reach 11% by the end of 2009. Due to the market situation the price growth rate also decreased. In July the inflation rate reached as much as 4.8%, while in December it fell to 3.3%. Inflation is expected to fall down to the inflation target in the next year. In 2008 exports rose by 14%, up to nearly EUR 120 bn. Despite competitive prices of Polish products, difficult situation of Poland's main business partners may lead to the decrease of export volumes in 2009.

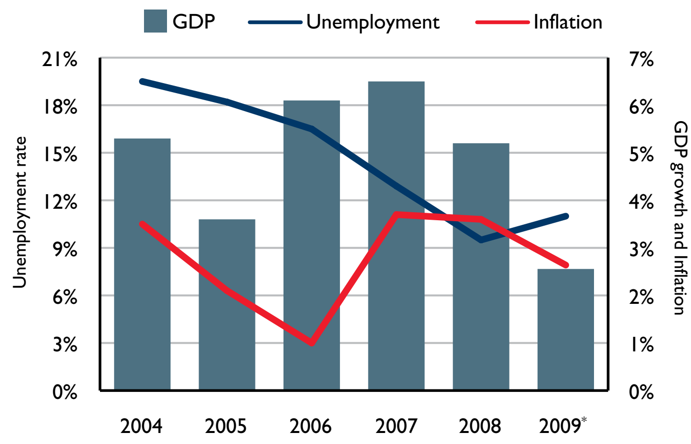
REGIONAL DEVELOPMENT

In 2008 the average GDP in the new EU Member States rose by approx. 3.9%, which was lower by 2.9 percentage points compared to 2007. The fastest growth is expected to be recorded invariably by Slovakia (4.7%), Romania (4.7%) and Bulgaria (4.5%), whereas the drop is expected to be seen in Latvia (-2.7%), Estonia (-1.2%) and Lithuania (0%). In comparison to other countries of the region, Poland has the lowest inflation rates and a relatively low public debt level. Other countries contending with fiscal problems and high inflation will experience exceptional difficulties with obtaining financing to maintain current production and consumption, let alone new investments which are the driving force behind a sustained growth. Another group to be affected more strongly by the current crisis are countries with a small economic potential and a considerable share of exports in the GDP structure.

FOREIGN DIRECT INVESTMENTS

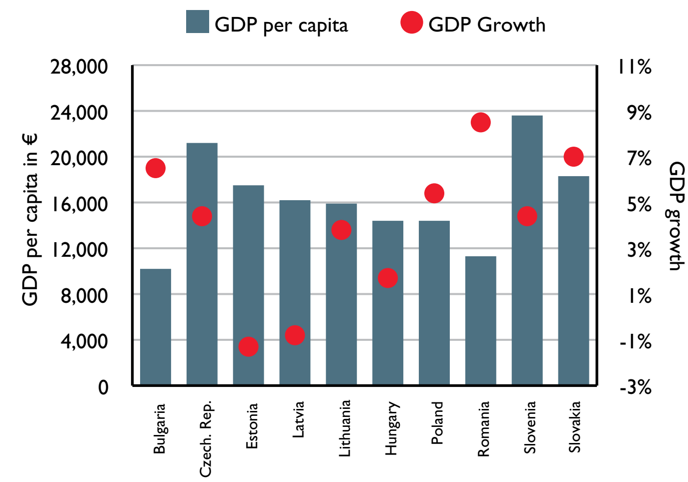
In 2008, the foreign direct investments amounted to nearly EUR 128 bn. Poland attracted approx. EUR 11 bn in foreign investments, most of which came from European Union countries. The value of foreign direct investments is estimated to reach approx. EUR 9-10 bn in 2009. The economic crisis will certainly limit the investment capabilities of companies, but on the other hand, some companies may decide to relocate part of their businesses in the pursuit of savings. Since it requires large capital and time to relocate manufacturing, companies may decide to relocate non-manufacturing operations related to internal and external services. The scale of the influx of foreign investments will also depend on labour costs. In the last six months of 2008 the growth rate of wages weakened and this year's wages are expected to rise by approx. 2-3%.

KEY ECONOMIC INDICATORS



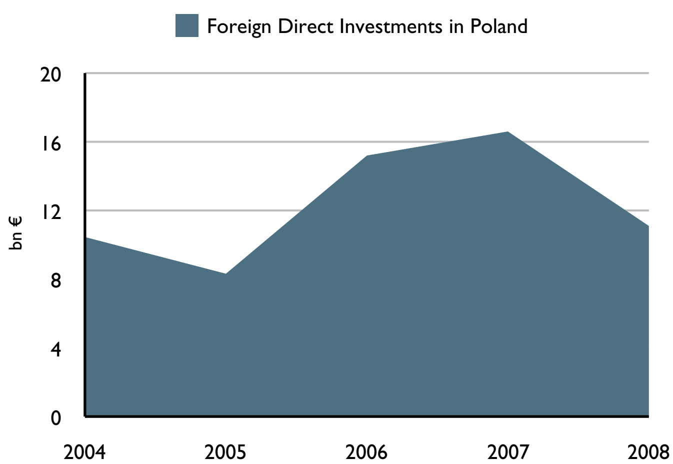
Source: CSO, Cushman & Wakefield Advisory Services, February 2009 *Forecast

GDP REGIONAL COMPARISON IN 2008



Source: Eurostat, February 2009

FDI IN POLAND



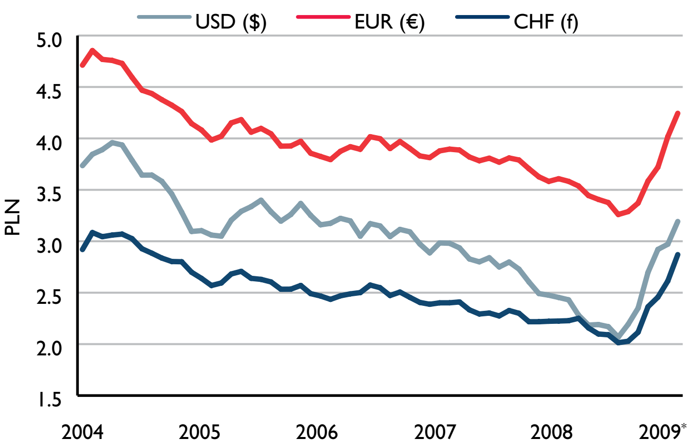
Source: National Bank of Poland, February 2009

FINANCIAL MARKETS

EXCHANGE RATES

The deepening recession caused a sudden outflow of monies from developing countries, including Poland. Due to the relatively high liquidity of the foreign exchange market in Poland, some investors are selling out the currencies of other countries through the Polish zloty, weakening it further, particularly against the euro. In addition, the exceptionally poor situation in Hungary has negative impact on the position of this region. In January 2009 the average monthly exchange rate of the euro amounted to PLN 4.22 and was nearly 25% higher than in mid-2008. In this period the PLN also depreciated against the American dollar by approx. 46% and the average monthly exchange rate of the USD in January amounted to PLN 3.17. Some corrections and temporary appreciation of the PLN are expected, but it seems that it may not appreciate considerably until 2010. This will largely depend on investors returning to the market and the conditions of financing for companies and individuals becoming less stringent. The considerable exchange rate fluctuations revived the discussion on the entrance of Poland to the euro zone in 2012.

EXCHANGE RATES



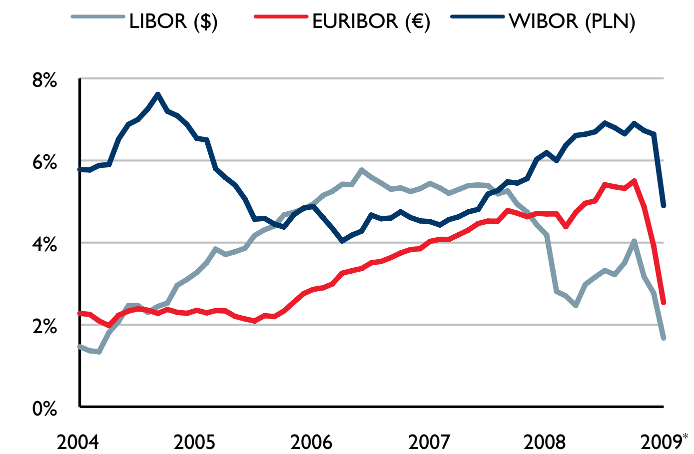
Source: National Bank of Poland, February 2009

* January 2009

INTEREST RATES

The rapid inflation growth was reduced to a large extent through the reduction of inflationary expectations caused by the economic crisis. In addition, the considerable fall of commodity prices (including oil) has led to a lower inflationary pressure on the core inflation, which will however remain high, due to the rising energy prices among other factors. In order to boost the slowing economy and increase financial liquidity the Polish Monetary Policy Council lowered its key interest rate to 4.25% at the turn of the year 2008 and 2009. The expected further drop in the inflation rate and the deepening economic crisis will encourage the National Bank of Poland to make further interest rate cuts as early as in the first half of 2009. The lower interest rates will likely reduce financing costs, but they will have a limited impact on the margin levels. Therefore, a further decrease in money costs will be conditioned by the possibility of the increase of financial liquidity in the interbank market.

INTEREST RATES



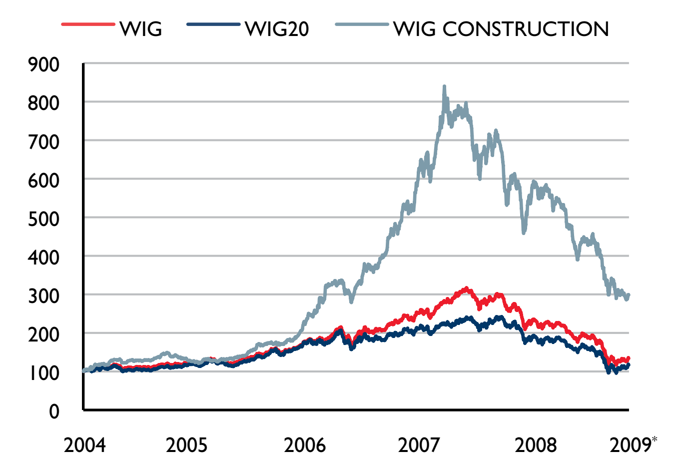
Source: : www.money.pl, February 2009

* January 2009

POLISH INVESTMENT PERFORMANCE

The downward trend continued at the Warsaw Stock Exchange in 2008. Consequently, in January 2009 the WSE's main index WIG fell to the same level as recorded in early 2005. Given the current situation, further decline cannot be ruled out and the upward trend may not return until the first half of 2010. We can expect this year's fall to be much less severe than those recorded last year. All eyes are now directed at the United States and Western Europe and wait-and-see attitude is adopted. The bankruptcy of large concerns or the limited impact of public bailout for the financial sector may lead to a further escalation of problems. Based on optimistic forecast 2009 will see the end of the bear market in the financial markets which will make it possible to break out of the crisis slowly in the next years.

WARSAW STOCK EXCHANGE



Source: Warsaw Stock Exchange, February 2009

* January 2009 1 January 2004 = 100

INVESTING IN POLAND

INVESTMENT CONDITIONS

The first symptoms of the slowdown in the commercial property investment market appeared in the second half of 2007. However, the scale of the crisis which struck in the third quarter of the following year exceeded most forecasts.

The first months of 2008 were similar to the second half of 2007 both in terms of the number of transactions made and the yields recorded. This period saw a small increase in yields as compared to the previous six months, and a stable demand reported by the investors present in the market.

The second half of 2008 began on an optimistic note on account of completion of two transactions, each for over EUR 160 million: the sale of the portfolio of three properties by TP S.A. and the purchase of Marynarska Business Park by DEGI. The situation changed completely in September, when the investment bank Lehman Brothers declared bankruptcy. As a result of the series of events which ensued later, the activity in the credit market came to a halt and individual and corporate clients began to redeem their shares in investment funds on a massive scale. Consequently, an overwhelming majority of previously active investors suspended their investment activities until at least end of the first quarter of 2009, whereas others considerably limited their activities.

The total value of transactions recorded in 2008 amounted to EUR 1.79 bn and was lower by over 40% compared to the previous year, and lower by over 65% than in 2006. Unlike previous years, the dominant market segment was the office property segment, which accounted for over 62% of the value of all the transactions, whereas the previously dominant retail property segment accounted for approx. 25% of the entire market.

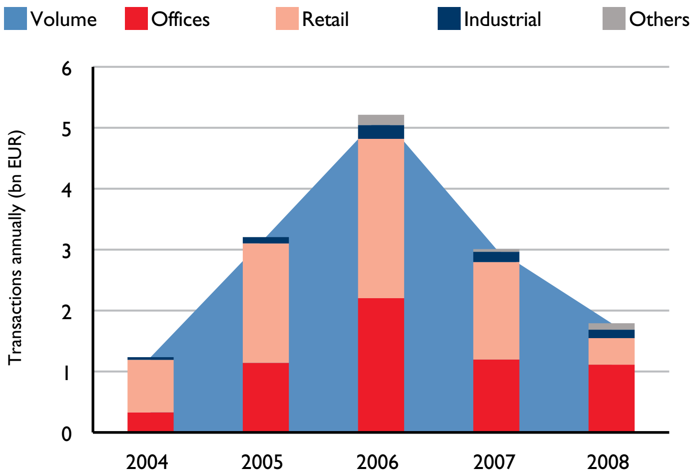
Foreign players continue to dominate in the Polish investment market. Polish funds and capital institutions accounted for barely 4% of the value of all the transactions recorded, whereas German entities accounted for 45%, British entities for 11% and Australian entities for 10%.

The forecasts for 2009 provide for a number of scenarios which depend on the restoration of confidence in international capital markets. Many entities which suspended their investment activities at the end of September and the beginning of October 2008 declared that they were ready to return into the market in the first quarter of 2009, which would certainly lead to a stronger demand and an increased number of transactions.

On the other hand, in case of further announcement of negative macroeconomic data, the aversion to risk among investors would intensify again and the range of slowdown now observed would become even more widespread and aggravated.

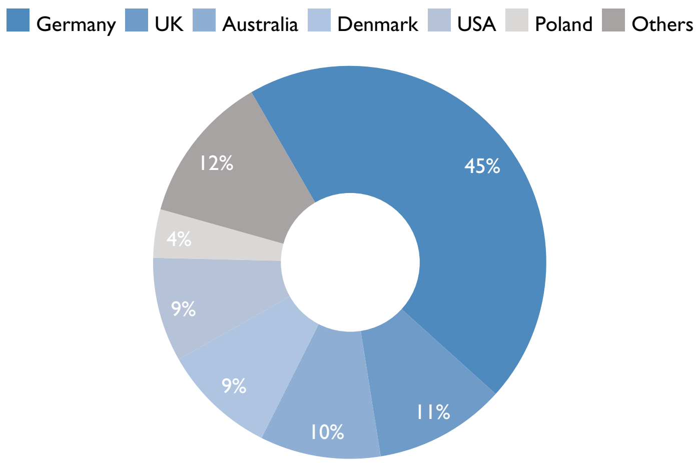
WARSAW STOCK EXCHANGE

TOTAL INVESTMENT DEALS



Source: Cushman & Wakefield Advisory Services, February 2009

INVESTORS IN POLAND BY COUNTRY IN 2008



Source: Cushman & Wakefield Advisory Services, February 2009

OFFICES

FUNDAMENTALS

In 2008 the Polish office investment market witnessed a number of transactions totalling EUR 1.11 bn which means a decline by approx. 7% compared to the previous year and by approx. 50% compared to the record year of 2006 for the Polish market. Last year this segment constituted the dominant area of the entire investment market with its total share of over 62% in the total value of transactions, whereas in the previous two years this figure stood at approx. 40%.

This data clearly indicates that the office property market, particularly its upper segment, was deemed to be the most secure investment for the times of a crisis. This thesis is confirmed also by the lowest yields from all the three sectors standing at 5.75% for prime properties. However, this figure was recorded in the first half of 2008, before the September crunch in capital markets, and has now risen by at least 125 basis points.

The prospects for the office investment market in 2009 are quite optimistic, but the number of potential deals will largely depend on access to financing, the expectations of property owners and the further development of the economic situation both in Poland and in international capital markets.

DEMAND

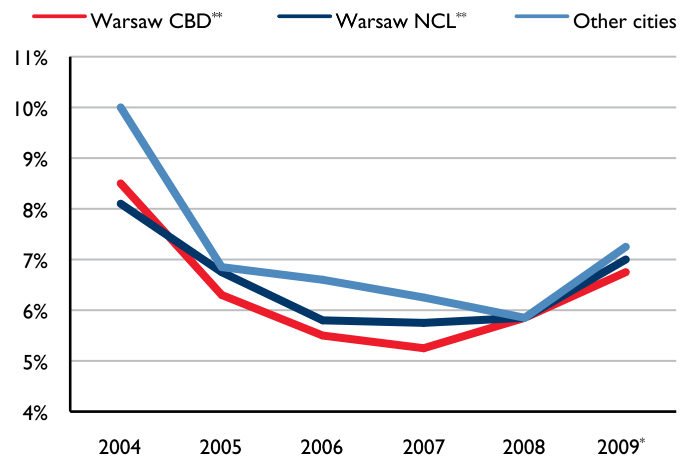
In the first half of 2008 the demand structure was similar to that in previous years, i.e. foreign investment funds, particularly German funds, such as DEGI, DEKA Immobilien and SEB, dominated the market. Nevertheless, the massive redemption of shares in most funds in September and October forced these entities to temporarily reduction of their activities. Subsequently, smaller institutions managing private assets, including those of Anglo-Saxon and Israeli origin, became more active then.

ACTIVITY

In 2008 transactions were completed in the office market for a total of approx. EUR 1.11 bn nearly 97% of which in the first three quarters. Approx. 80% of the total value of the transactions was accounted for by the Warsaw market, which is considered to entail less risk than the market in regional cities.

The biggest transactions included the acquisition by a Danish fund Baltic Property Trust of a portfolio of three properties owned by Telekomunikacja Polska for EUR 167.9 million and the sale of the complex of Marynarska Business Park to a German fund DEGI by Ghelamco for a similar price. In 2008 three other transactions were recorded – each for over EUR 100 million.

OFFICE PRIME YIELD

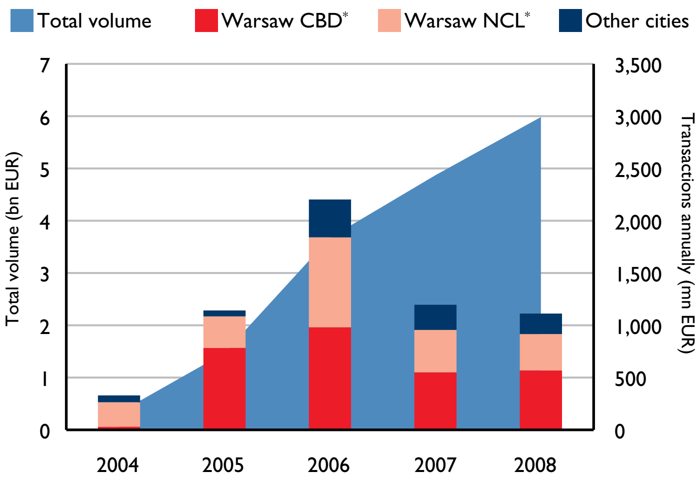


* Forecast

Source: Cushman & Wakefield Advisory Services, February 2009

** Central Business District, Non Central Locations

OFFICE INVESTMENT DEALS



Source: Cushman & Wakefield Advisory Services, February 2009

* Central Business District, Non Central Locations

MAIN OFFICE INVESTMENT DEALS IN POLAND IN 2008

Property Name	City	Vendor	Purchaser
TP S.A. Portfolio	Warsaw	TP S.A.	Baltic Property Trust
Marynarska Business Park	Warsaw	Ghelamco	DEGI
Rondo 1 (50%)	Warsaw	London & Regional Properties	Macquarie Global
Atrium City	Warsaw	Skanska	Deka Immobilien
Bema Plaza	Wrocław	Ghelamco	Deka Immobilien
Renaissance Tower	Warsaw	CA Immo International	BPH TFI
Tulipan House	Warsaw	Segro	Commerz Real
Cybernetyki Office Park	Warsaw	Celtic Asset Management	Deka Immobilien
Silver Forum	Wrocław	Archicom	GE Real Estate
Arkońska Business Park (Phase 1)	Gdańsk	Torus	SEB

RETAIL

FUNDAMENTALS

Last year, transactions in the retail property market were completed for a total of EUR 436 million, which was the poorest result in over four years. In comparison to 2007 the activity of investors in 2008 decreased by approx. 73% and by over 83% when compared to the record year of 2006.

The decline in the volume was due, among others, to the lack of large portfolio transactions which in the previous years accounted for 49% and 59% of the volume of the retail deals respectively. In addition, a few major transactions were forecast to be closed in the last quarter of 2008 when the financial crisis hit the international markets and the chain reaction it had sparked caused most of these deals to be cancelled. Also, the requirements set for potential borrowers on account of the large volume of individual transactions slowed down the negotiations or completely prevented their successful completion.

The above factors translated into the annual increase in yields by approx. 100 basis points up to 6.5% for prime properties. This trend is expected to continue in the next months too.

DEMAND

In 2008 the retail property market was dominated by players from the USA, the UK and Ireland, which were involved in over 70% of the value of all the transactions, whereas German entities accounted for barely 22%. The first half of 2008 was dominated by investment funds such as Standard Life, GE Real Estate and AIB Polonia. However, they also temporarily limited their activities following the bankruptcy of Lehman Brothers, which was evidenced by a symbolic value of deals made in the fourth quarter of 2008, compared to the scale of transactions throughout the year.

ACTIVITY

Twelve transactions totalling over EUR 436 million were recorded in the past year, which was much less than the previous year when 28 sale deals were made for EUR 1.6 bn. The average value of a single transaction also fell and amounted to EUR 36.31 million compared to EUR 57 million in 2007.

The above phenomenon proves the falling share of portfolio deals in the total volume of transactions (from 80% in 2004 to 40% in 2008).

The biggest single transaction involved the acquisition of Trzy Stawy Shopping Centre in Katowice by a German fund Union Investment for approx. EUR 95 million. A major portfolio deal was the disposal of the portfolio of 14 properties by Europa Capital from the UK for EUR 52 million.

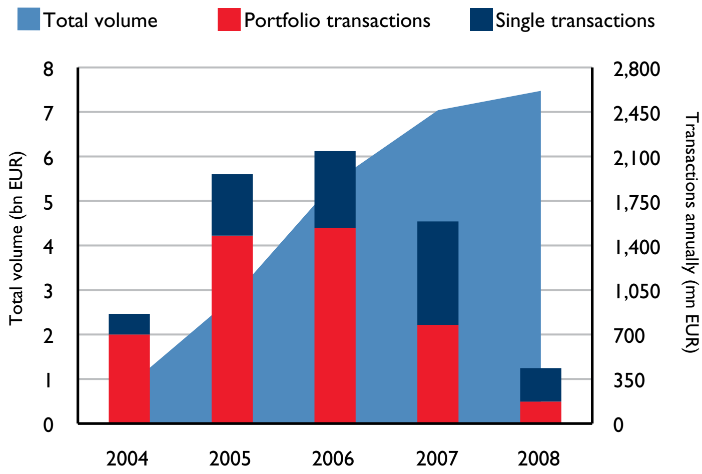
In total, properties totalling approx. 200,000 sq.m of lease space were sold in 2008.

RETAIL PRIME YIELD

Source: Cushman & Wakefield Advisory Services, February 2009

* Forecast

RETAIL INVESTMENT DEALS



Source: Cushman & Wakefield Advisory Services, February 2009

MAIN RETAIL INVESTMENT DEALS IN POLAND IN 2008

Property Name	City	Vendor	Purchaser
Trzy Stawy	Katowice	GE Real Estate	Union Investment
Heitman Portfolio	Nationwide	Heitman	GE Real Estate
Turawa Retail Park	Opole	Helical	Standard Life
Eagle Portfolio	Nationwide	Europa Capital	Balmain
Komfort Portfolio	Nationwide	Komfort	Redevco
Fashion House	Gdańsk	Liebrecht & wooD	AIB Polonia
Fashion House	Sosnowiec	Liebrecht & wooD	AIB Polonia
Galeria Orkana	Lublin	Keen Property Partners	ORCO Group
Centrum Mody A4	Wrocław	Private investor	Cedro Investments
Biedronka Portfolio	Nationwide	AIG	Ethel Austin

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INDUSTRIAL

FUNDAMENTALS

The industrial investment market remains the most poorly developed investment market segment. In 2008 transactions were completed in this market for a total of approx. EUR 138 million, i.e. by over 87% less than in the office market and 68% less than in the retail market. The activities of investors in the first half of 2008 could have given grounds for some optimism, but in the third quarter the rapid market deterioration led to many negotiations being broken off.

Prime yields recorded in 2008 stood at 7%, but it was a figure from the first six months. Following the September events and the suspension of activity by a number of investors, prime yields amounted to approx. 8%.

DEMAND

As in the other investment market segments, the industrial property market was dominated by international investors who accounted for over 95% of the value of all the transactions. Alongside investment funds which generally specialise in the widely understood commercial property sector such as IXIS, AEW and TMW Pramerica, players active only in the industrial sector, e.g. Pinnacle Central Europe, also made their presence felt.

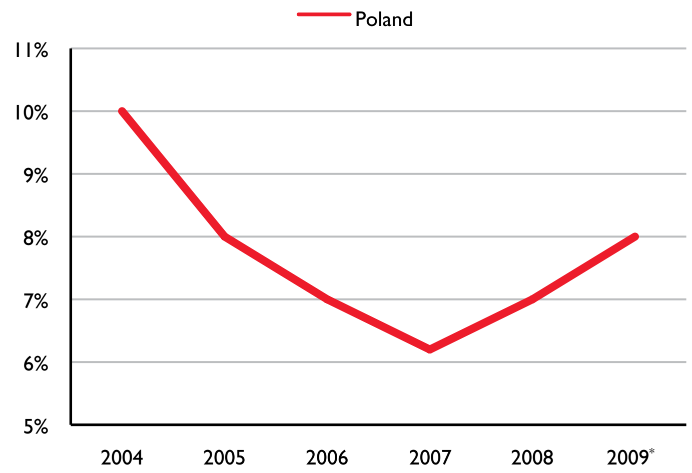
Unlike the previous years, over 70% of the capital invested came from outside the European Union, primarily from the countries of the Persian Gulf and the United States. As for EU players: French, British and Polish entities, the latter albeit to a limited extent, were also active.

ACTIVITY

Similarly to the other investment market segments, the industrial property market was not spared the negative consequences of the financial crisis. Last year a number of transactions were made for a total of approx. EUR 138 million, which was equivalent to an 18% drop in comparison to the previous year and a 39% drop in comparison to 2006, which was the best year for the Polish market.

Last year's biggest deals included the sale of the portfolio of two properties to an American fund TMW Pramerica by a logistics operator Raben and the acquisition of a logistics complex in Mszczonów near Warsaw by Pinnacle Central Europe. In total, warehouse properties totalling over 218,000 sq.m of space were sold in 2008.

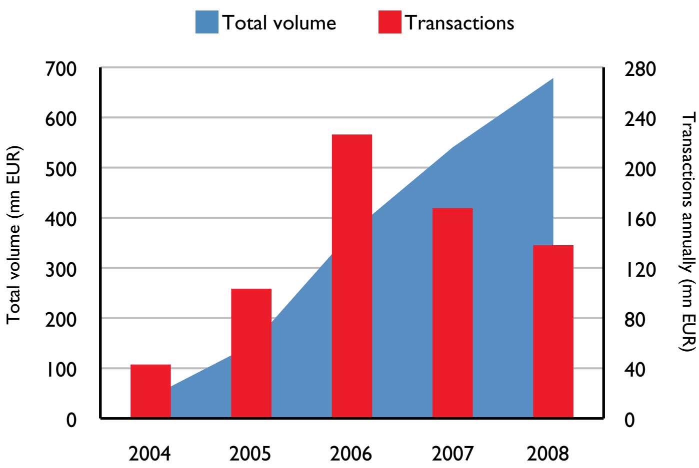
INDUSTRIAL PRIME YIELD



Source: Cushman & Wakefield Advisory Services, February 2009

* Forecast

INDUSTRIAL INVESTMENT DEALS



Source: Cushman & Wakefield Advisory Services, February 2009

MAIN INDUSTRIAL INVESTMENT DEALS IN POLAND IN 2008

Property Name	*City*	*Vendor*	*Purchaser*
Europa Park, Mszczonów	Warsaw	Europa Distribution Centre	Pinnacle Central Europe
Raben Portfolio	Gądki, Grodzisk Maz.	Raben	TMW Pramerica
Good Point Puławska	Warsaw	Real Management	IXIS AEW
Centrum Logistyczne	Pruszcz Gdański	BIK	Guardian Managers
Raben Logistics	Pruszków	Raben	TUP Property

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MARKET CONDITIONS

POLAND

Despite the financial crisis and slowdown in the commercial property market, 2008 proved very successful for the office space market. The high supply was accompanied by a very high level of demand. Rental rates rose and the vacancy rates remained at very low levels throughout the year.

Warsaw is still the most developed office space market. 2008 was a record year for the seventh time in a row for the modern office space lease market in Warsaw. It is estimated that in 2009 the demand may drop to a certain extent, both in terms of the number of transactions and the average size of space leased.

In the second half of 2008 the activity of investors slowed down in the office space markets of regional cities.

There are still six main regional markets in which developers and potential tenants are mainly interested. They are Kraków, Wrocław, Tricity, Katowice, Poznań and Łódź. However, the situation in the office space market and the development prospects for each of these cities are different.

The total stock of modern office space in the six largest Polish cities (excluding Warsaw) exceeded 1,500,000 sq.m. In 2009, on account of the current financial crisis, developers planning new investments and companies looking for space to lease are likely to display extreme caution.

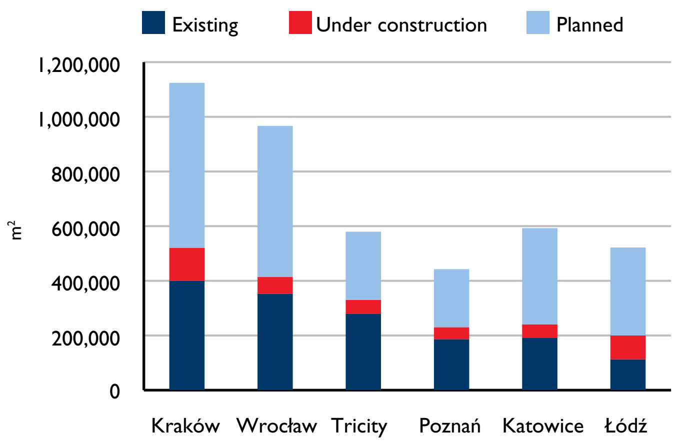
Due to the difficulties with obtaining financing, a large part of planned developments will not enter the pipeline stage or they will be postponed for a considerable amount of time. There may also be an increased interest of investors in mixed-use projects which enable to diversify their investment portfolios.

PLATINIUM BUSINESS PARK, WARSAW

STANDARD LEASE TERMS IN WARSAW

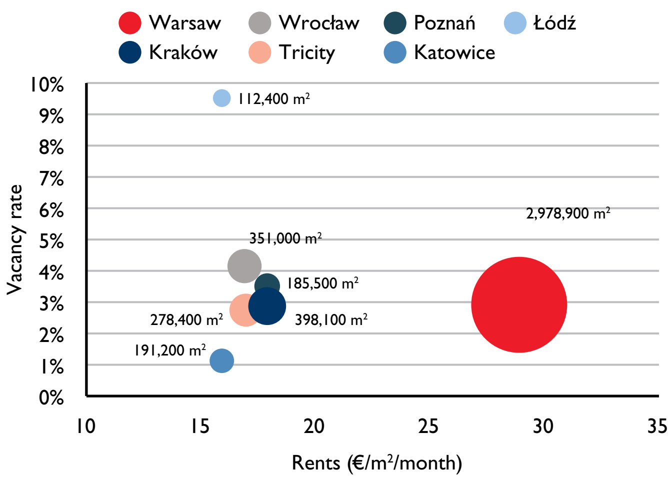
Location	*Central Business District*	*Non Central Locations*
Rents (m^2/month)	€ 25 - 28	€ 14.5 - 19
Underground Parking	€ 120 - 180 space/month	€ 55 - 110 space/month
Surface Parking	€ 55 - 110 space/month	€ 30 - 70 space/month
Service Charge	€ 5 - 6 m^2/month	€ 3,5 - 5 m^2/month
Incentives	Financial contribution Fit out contribution Rent free period of 1-3 months	Financial contribution Fit out contribution Rent free period of 4-9 months
Lease Length	5 - 10 years	
Add-on Factor	0 - 10%	
VAT	22%	
Indexation	EUR or US CPI	
Others	Deposit or bank / company guarantee	

STOCK AND FUTURE SUPPLY IN REGIONAL CITIES



Source: Cushman & Wakefield Advisory Services, February 2009

MODERN OFFICE SPACE IN POLAND



Source: Cushman & Wakefield Advisory Services, February 2009

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MARKET TRENDS

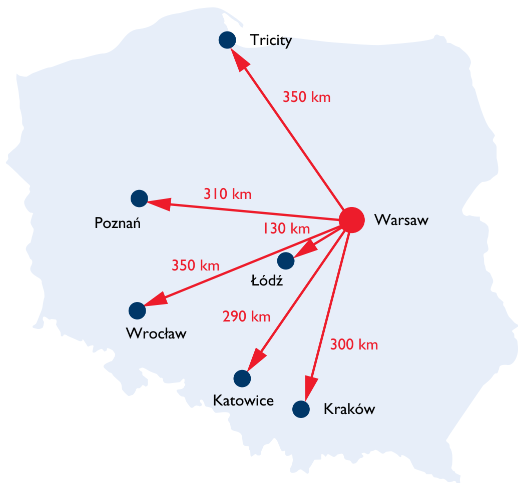
The following trends may be currently observed in the office space market:

- The largest supply is in Warsaw, where the modern office space market has reached nearly 3,000,000 sq.m.
- The six largest urban areas, apart from Warsaw, i.e. Kraków, Wrocław, Tricity, Poznań, Katowice and Łódź, offer a total of over 1,500,000 sq.m of modern office space.
- The market situation in the second half of 2008 was determined by the financial crisis as a result of which the investment processes slowed down in all the main urban areas. Schemes in the pipeline will be delivered, whereas, on account of the financing problems, most developers have suspended further investments and are watching the market development closely. This may lead to a "supply gap" in mid-2010, particularly in the regional cities.
- Polish and international companies constituting a group of potential tenants also withhold their lease decisions in anticipation of price decreases. Many of them, in their pursuit of savings, have cut down on their plans to lease space or have chosen to sublease their office space. This applies both to Warsaw and the regional cities.
- Due to the lack of available space, tenants are now looking for offices in schemes under construction. The share of pre-lets is still considerable, both in the Warsaw office market and in the regional cities.
- The vacancy rates continue to remain low, both in Warsaw and in the regional cities.
- Rental rates experienced a correction in relation to the rates from mid-2008, but stabilised at a relatively high level. Lease prices are projected to fall slightly at the end of 2009.

OFFICE MARKET DIRECTIONS

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

DISTANCES BETWEEN MAIN OFFICE MARKETS IN POLAND



METROPOLITAN, WARSAW

MARKET IN WARSAW

SUPPLY AND DEMAND

In 2008 the gross demand continued to exceed the supply of office space by far. Twenty three buildings with the total space of 252,500 sq.m were delivered onto the Warsaw market. This raised the total stock of office space up to 2,978,900 sq.m. Over 90% of the new office space was delivered in non-central locations (NCL), and the largest amount of over 60% of the last year's supply was delivered in the district of Służewiec, which is a zone attracting undiminished interest of both developers and tenants. This region now accounts for the largest share in the total existing office space stock in Warsaw.

The largest schemes delivered in 2008 included Marynarska Business Park (43,000 sq.m), North Gate (29,900 sq.m) and Tulipan House (17,900 sq.m).

According to estimates, such high dynamics in non-central locations will also be sustained in 2009. However, due to the financial crisis some developments planned for the next years will not enter the pipeline stage or will only be completed in the next economic cycle. This results from the difficulties with obtaining financing for projects from banks.

The total gross take-up reached 523,900 sq.m, which was up by 7% compared to 2007. As in the previous year, the strongest demand was recorded in the district of Mokotów, where nearly 207,000 sq.m was leased (almost 40% of the gross demand in the entire Warsaw market).

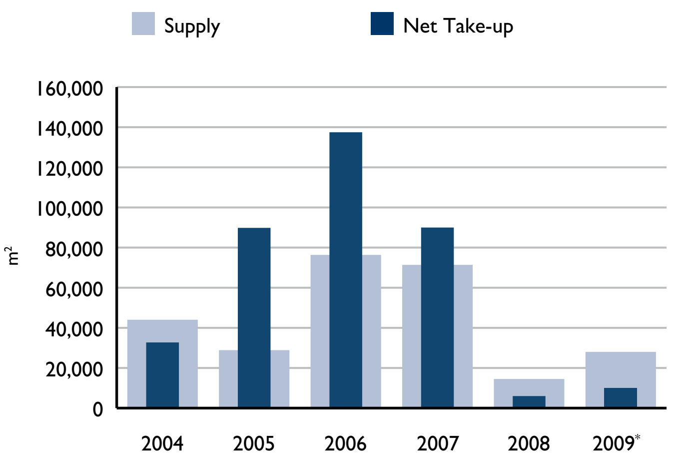
The high supply in NCL continues to be absorbed largely before completion. The share of pre-lets in the demand volume which exceeded 40% is particularly noteworthy. Last year, new leases enjoyed the largest market share of approx. 78%. Extensions of space leased accounted for 5.1%, whereas 64,100 sq.m was renegotiated. In the completed buildings only 26,700 sq.m was owner-occupied.

GDAŃSKI BUSINESS COURT, WARSAW

The largest lease in 2008 was signed for 39,000 sq.m in the Lipowy Office Park complex in the south-western zone by Bank Pekao S.A. It was also the largest lease in the history of the Polish office space market. Other major leases in NCL were signed for the following buildings: Horizon Plaza (Nokia Siemens Networks – 9,600 sq.m), Blue Office (Saturn Media Holding – 8,000 sq.m) and Harmony/Polifony Office Center (Bank Millennium – 8,000 sq.m). The largest new leases in the Central Business District (CBD) were signed by BZ WBK in the Grzybowska Park (5,400 sq.m) and by KPMG in the Warsaw Trade Tower, the latter including renegotiations and extension of the space leased (9,600 sq.m in total).

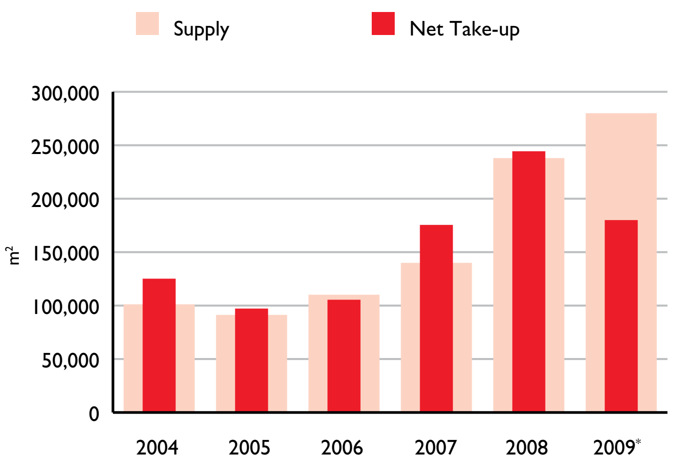
It is estimated that in 2009 the demand may drop to a certain extent, both in terms of the number of transactions and the average size of space leased. However, sub-leases may gain in importance due to the falling revenues of companies.

SUPPLY AND NET TAKE-UP IN CENTRAL BUSINESS DISTRICT



Source: Cushman & Wakefield Advisory Services, February 2009 * Forecast

SUPPLY AND NET TAKE-UP IN NON CENTRAL LOCATIONS



Source: Cushman & Wakefield Advisory Services, February 2009 * Forecast

VACANCY RATES AND RENTAL LEVELS

The vacancy rate has been affected by a downward trend since 2002. At the end of 2008 it dropped again to the very low level of 2.9%, which was slightly lower compared to the corresponding period of 2007. In NCL it amounted to barely 2.15%, whereas in the CBD it was higher and reached 4.1%. The highest rates were recorded in the City Core (5.5%) and the south-eastern zone (3.7%), whereas in the western zone the vacancy rate was the lowest and dropped to 0.8%. Very low vacancy rates were also noted in the industrial part of the Służewiec district (1.6%) and in Żoliborz (1.7%).

The reason for such low vacancy rate was high demand, which was particularly strong in NCL. At the end of 2008 there was 45,100 sq.m of vacant space in the CBD, whereas in NCL the vacant office space amounted to 40,300 sq.m. As a result of the record low vacancy rate, the modern office space market in Warsaw was a landlord-led market in 2008. Since a large part of the supply planned is unlikely to be delivered within the next few years, the continued high demand should keep the vacancy rate low in 2009.

Following the record rental rates growth in 2007, these rates remained at a high but stable level in 2008. The headline rental rates in the best locations in the centre of Warsaw stayed at the level of approx. EUR 28-30 sq.m/month. In the City Core, the headline rental rates exceeded even EUR 30, but the effective rates fell within the range of EUR 22-25 sq.m/month. In NCL rental rates were lower and amounted to approx. EUR 13-19 sq.m/month.

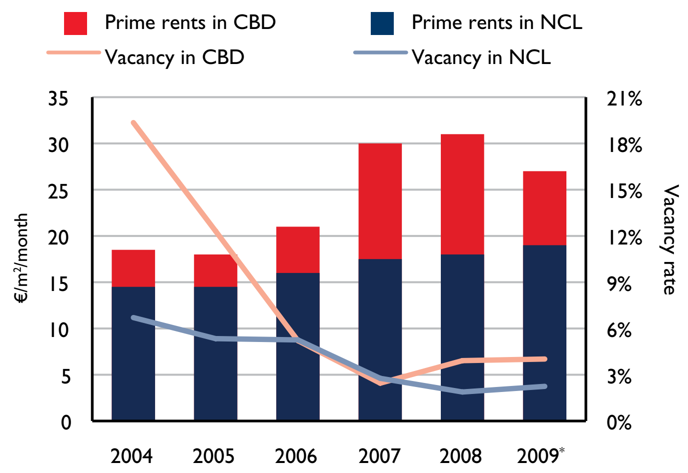
Service charges now average approx. EUR 5-6 sq.m/month in the CBD and EUR 3.5-5 sq.m/month in NCL. The costs of parking spaces are stable and amount to EUR 120-180 space/month in underground car parks in the CBD, EUR 55-110 space/month in NCL, whereas for surface parking spaces EUR 30-70 space/month. No major changes are expected in this respect in the nearest future.

Headline rental rates are expected to fall in 2009 due to the increasingly frequent sub-lease of office space. They may reach even EUR 25 sq.m/month in the city centre and approx. EUR 17-18 sq.m/month in NCL. The scale of incentives for tenants, e.g. rent-free periods, may also change. Larger tenants may also expect turnkey office fit-out without bearing any additional costs. The standard lease term is still 5-10 years.

WARSAW MARKET INFORMATION AT THE END OF 2008

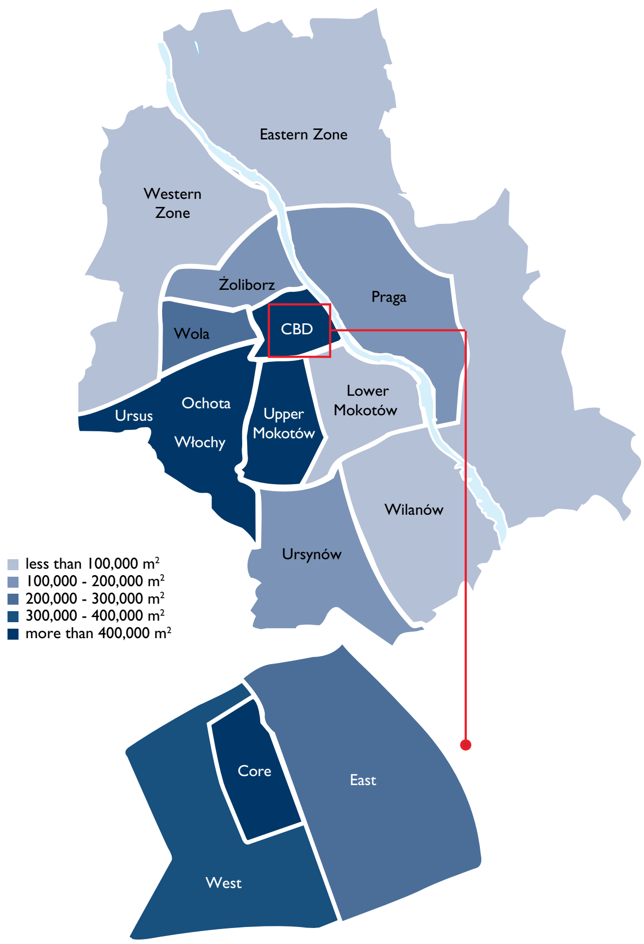
Location	*Central Business District*	*Non Central Locations*
Number of Buildings	95	246
Stock	1,100,800 m²	1,878,100 m²
Total Vacancy	45,100 m²	40,300 m²
Vacancy Rate	4.10%	2.15%

RENTS AND VACANCY IN WARSAW



Source: Cushman & Wakefield Advisory Services, February 2009 * Forecast

CONCENTRATION OF OFFICE SPACE IN WARSAW



Source: Cushman & Wakefield Advisory Services, February 2009

REGIONAL MARKETS

KRAKÓW

The office space market in Kraków is the most mature lease market of all the regional cities. Its total stock is currently estimated at nearly 400,000 sq.m and it is largely located outside the city centre.

Due to the shortage of office space available and the undiminished interest of foreign investors in Kraków, developers' potential plans provide for as much as 600,000 sq.m in new developments. Approx. 120,000 sq.m of modern office space is in the pipeline.

The most interesting schemes include Diamante Plaza (Aldesa Polska), Centrum Biurowe Lubicz II (CBL Sp. z o.o.), Quattro Business Park (BUMA) and the developments by GTC: Centrum Biurowe Kazimierz and the Pascal building (the last phase of the complex in Armii Krajowej Street). The Kraków Business Park (KBP) complex in Zabierzów near Kraków is also being extended.

Due to the rather high demand for office space and the insufficient supply, the vacancy rate remains at the low level of approx. 2.8%, while headline rental rates in prime locations stand at EUR 18 sq.m/month.

WROCŁAW

Wrocław is the second largest regional market after Kraków. However, due to the economic downturn the completion of multi-purpose high-rise buildings planned in Wrocław has been suspended (e.g. Sky Tower).

The total modern office space stock in Wrocław, most of which is located outside the city centre, amounts to approx. 350,000 sq.m. The largest area of office space concentration is still in the western part of Wrocław, along Legnicka and Strzegomska Streets towards the airport. The southern region (the vicinities of Karkonoska Street) is also gaining in importance.

Approx. 60,000 sq.m of office space is under construction. Developers highly appreciate the investment potential of Wrocław and they plan to construct further schemes totalling as much as 500,000 sq.m of office space. However, given the current situation most of these plans will not enter the pipeline stage or they will be postponed for a considerable period of time. The most important office projects in the pipeline include the next phases of Grunwaldzki Center (Skanska), Wrocławski Park Biznesu (Devco) and Centrum Biurowe Karkonoska (GTC). The demand generators for office space are mainly ITC companies (e.g. Google, UPC and Nokia Siemens Networks), the financial sector and consultancy companies.

At the end of 2008 the office space vacancy rate remained at approx. 4%. The headline rental rates for prime space reach approx. EUR 17 sq.m/month.

TRICITY

The modern office space market in Tricity (Gdańsk, Gdynia and Sopot) is the third largest local market in Poland in terms of size and currently has an estimated 280,000 sq.m.

Despite the continued shortage of modern office space, there are very few schemes under construction compared to other regional cities. In fact, only the successive phases of Arkońska Business Park in Gdańsk and Łużycka Office Park in Gdynia are in the pipeline. Although another 250,000 sq.m of modern office space is planned, some investors are currently projected to delay the start of constructions in the nearest future.

The office buildings delivered onto the market in 2008 have already been largely leased. These office buildings included the first phases of the Arkońska Business Park and Łużycka Office Park complexes, Ka5 in Gdańsk and the buildings of the HOSSA Investment Group (Gdańsk Wrzeszcz).

Due to the limited supply of modern office space the vacancy rate remained at the low level of approx. 2.7% at the end of 2008.

Therefore, in the nearest future tenants cannot expect any drop in lease prices which currently average EUR 17 sq.m/month in prime locations.

GRUNWALDZKI CENTER, WROCŁAW

FRANCUSKA OFFICE CENTER, KATOWICE

KATOWICE

The office space market in Katowice currently comprises over 190,000 sq.m and is dominated by lower standard buildings (class B). Modern office buildings have been constructed so far largely for companies' own needs. However, investors recognise the potential of Katowice and are considering the possibilities of development in various locations, while plans provide for even up to 350,000 sq.m of new office space.

The most important schemes in the pipeline include Centrum Biurowe Francuska (GTC) and Katowice Business Point (Ghelamco). Other major developers such as Skanska, TriGranit and Echo Investment have for now postponed the start of the construction process due to the current economic situation. The relatively low supply results in the very low vacancy rate of approx. 1%.

Headline rental rates remain at a stable level of approx. EUR 16 sq.m/month.

LARGEST OFFICE BUILDINGS IN REGIONAL CITIES

Property Name	*City*	*Gross Building Area (m^2)*
Buma Square Business Park	Kraków	27,000
Centrum Biurowe Lubicz	Kraków	26,000
Bema Plaza	Wrocław	25,000
LOTOS Park (HQ)	Tricity	23,000
Prokom	Tricity	19,900
Rondo Business Park (I & II)	Kraków	17,400
Kraków Business Park 200	Kraków	16,000
Chorzowska 50	Katowice	15,600
ERGO HESTIA (HQ)	Tricity	15,000
Kraków Business Park 400	Kraków	15,000
Poznań Financial Centre	Poznań	14,500
Silver Forum	Wrocław	14,500

POZNAŃ

Poznań is the fifth largest office space market in Poland. At present, its modern office space stock is estimated at over 185,000 sq.m. Unlike the other markets described above, the majority of the modern office space in Poznań is concentrated in the city centre.

The supply of new office space is unlikely to increase considerably in the nearest future, because only approx. 40,000 sq.m is under construction.

The most interesting schemes in the pipeline include mainly the next phase of the Malta Office Park complex (Echo Investment) and Skalar Office Center (Hydrobudowa-9). Investors' plans provided for the construction of another 200,000 sq.m of modern office space, but at present the slowdown in the investment processes is felt in the Poznań market as well.

The continued relatively low supply of modern office space in Poznań keeps the vacancy rate at a stable low level of approx. 3.4%.

Consequently, the prime headline rental rates in high class buildings in prime locations reach EUR 18 sq.m/month.

ŁÓDŹ

Łódź is in the sixth place of the ranking of regional cities. It is a city in the early phase of an office space development and has nearly 113,000 sq.m of modern office space.

This second most populated Polish city is trying to take advantage of its chief assets: demographics, location and transport. However, in the current market situation many developers who have purchased attractive plots and are interested in office developments (among others Skanska, Echo Investment and Lubasa Inmobiliaria) have postponed making decisions and are watching the market development closely. The total volume of schemes potentially planned by investors reaches even up to 300,000 sq.m.

Approx. 80,000 sq.m is under construction and the most interesting schemes include University Business Park (GTC), Forum 76 Business Center (Viraco) and the regeneration of the tenement house Jaracza 47 Prestige (Orange Property Group).

The office market will continue to develop systematically with the influx of foreign direct investments. The large-scale office developments will be completed in phases in line with the market requirements.

The vacancy rate in Łódź now stands at approx. 9.5% and is the highest among all the regional cities.

Rental rates in prime office buildings average EUR 16 sq.m/month.

POLAND OVERVIEW

In 2008 the Polish retail property market absorbed nearly 700,000 sq.m of modern space (including as much as 500,000 sq.m in the second half of 2008), which was 12.5% less than in 2007. The annual supply was provided by space in shopping centres (90%), warehouses and retail warehouse parks (8%) and other types of space (2%). The largest schemes completed included Forum Koszalin, Focus Bydgoszcz, Pestka Poznań, Karolinka Opole, Pogoria Dąbrowa Górnicza and Alfa Białystok. In medium-sized towns over 64% of modern retail space was delivered, whereas only 36% in the eight largest urban areas.

At the end of 2008 the stock of modern retail space in Poland amounted to over 8,450,000 sq.m (221.7 sq.m per 1,000 inhabitants). The eight main urban areas accounted for 62.2% of this space, and small- and medium-sized towns the remaining 37.8%. The stock of modern retail space in the Warsaw Metropolitan Area stood at 1,530,000 sq.m.

The years 2009-2010 will be similar to 2008 in terms of the supply of modern retail space. The retail schemes now under construction will deliver nearly 1,500,000 sq.m of modern space for lease. Over 55% of the schemes will be delivered in small- and medium-sized towns, resulting in the floor space in these locations increasing considerably. The year 2011 will see a decline in the annual supply – a repercussion of developers currently adjusting their plans due to difficulties with obtaining financing for projects at the early stages of development.

Despite the worrying news from the global financial markets, the demand for modern retail space in Poland remains stable, although main international and Polish retail chains are showing more caution when it comes to deciding where to locate new shops and are slightly modifying their expansion plans. The purchasing power of a given market and the quality of a retail scheme are becoming the main factors determining the demand.

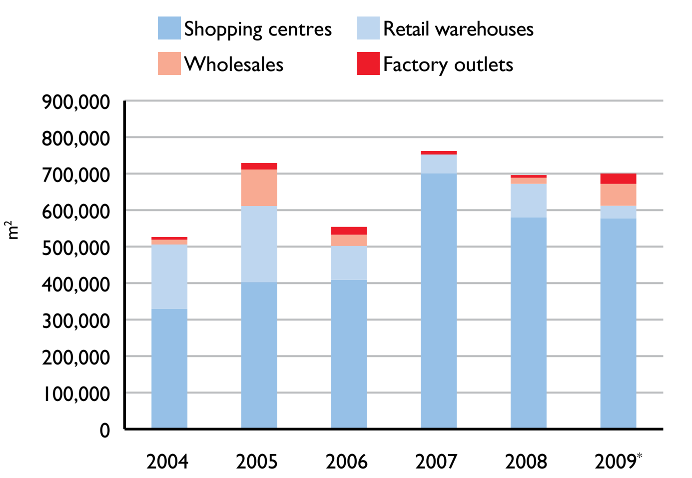
IKEA PORT, ŁÓDŹ

The demand stability is confirmed by the low vacancy rates of 0-2.7% on average for Poland, and the number of pre-leases which usually comprise 90-100% of space in a retail scheme before it is opened.

The second half of 2008 saw a decreased growth of rental rates for modern retail space, which are expected to stabilise further in 2009. At the end of 2008 the highest rental rates were recorded for premises in high streets in Warsaw (EUR 90-97 sq.m/month), while the highest rental rates in shopping centres fell within the range of EUR 63-75 sq.m/month.

The falling exchange rate of the PLN against the euro translates into rising lease costs – a result of leases in shopping and entertainment centres usually being made in euro and settled in the Polish zloty according to the exchange rate as on the VAT invoice date.

MODERN RETAIL SUPPLY IN POLAND



Source: Cushman & Wakefield Advisory Services, February 2009

* Forecast

RETAIL MARKET DIRECTIONS 2009

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

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SHOPPING & ENTERTAINMENT CENTRES

At the end of 2008 there were 325 shopping centres in Poland with the total space of 6,100,000 sq.m. Nearly 62% of this space was located in the eight largest urban areas and the remaining 38% in small- and medium-sized towns. Arkadia in Warsaw and Manufaktura in Łódź are still the largest shopping and entertainment centres in the Polish market. However, the largest scheme completed in 2008 was Forum Koszalin (55,000 sq.m).

In December 2008 there was over 1,300,000 sq.m of space in shopping centres under construction. This figure includes 38 new schemes and the extensions of existing ones. Most of them are being built in medium-sized towns, e.g. Galeria Jurajska in Częstochowa, Nova Park in Gorzów Wielkopolski, Galeria Bursztynowa in Kalisz, Cuprum Arena in Lubin, Galeria Mazovia in Płock, Galeria Sanowa in Przemyśl and Galeria Słoneczna in Radom. Approx. 50% of the schemes under construction will be delivered in 2009.

Developers' plans provide for an additional 1,500,000 sq.m of shopping centre space by 2011. However, due to the problems with gaining financing for schemes at the early stages of development, some projects will be postponed until later years or will be suspended. Because of this, the supply of shopping and entertainment centres is forecast to decline in the years 2011-2012.

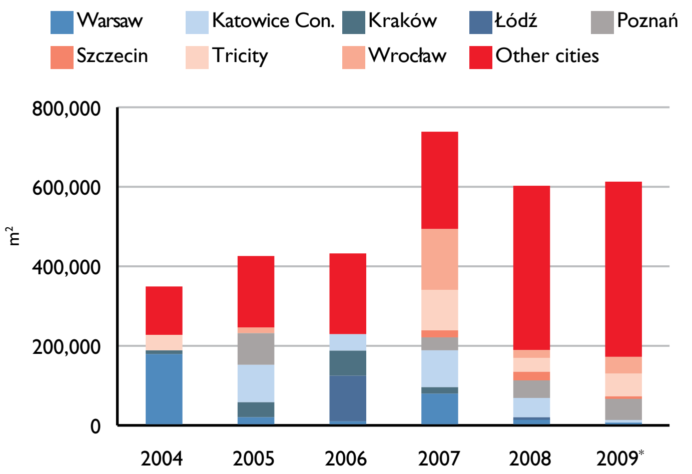
In 2008 the demand for modern retail space remained stable, but in the fourth quarter the decisions whether to open new shops were made with great caution and depended on the volume of turnover reported. The vacancy rates at most schemes remain low. In light of the tightening credit policy of banks, the market is however beginning to report certain restrictions regarding the expansion plans of some Polish and international retail companies, including companies listed on the Warsaw Stock Exchange.

In 2009 the landlord-led market will turn into a tenant-led market, which will result in increased requirements of tenants related to incentives, contributions and other lease terms.

In 2008 rental rates for space in shopping centres were in an upward trend which slowed down in the fourth quarter. They reached EUR 63-73 sq.m/month for prime space in downtown shopping and entertainment centres, whereas in other large agglomerations they fell within the range of EUR 40-53 sq.m/month.

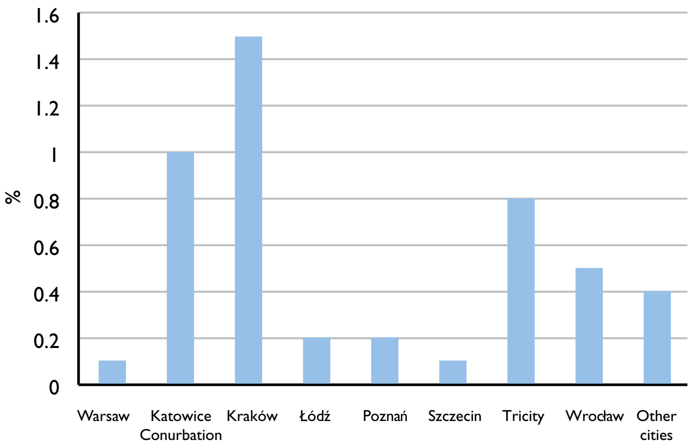
2009 will see the stabilisation of rental rates and a greater difference between the average nominal rental rates and the effective rental rates due to the increased number of incentives for tenants.

SHOPPING CENTRES IN SELECTED CITIES



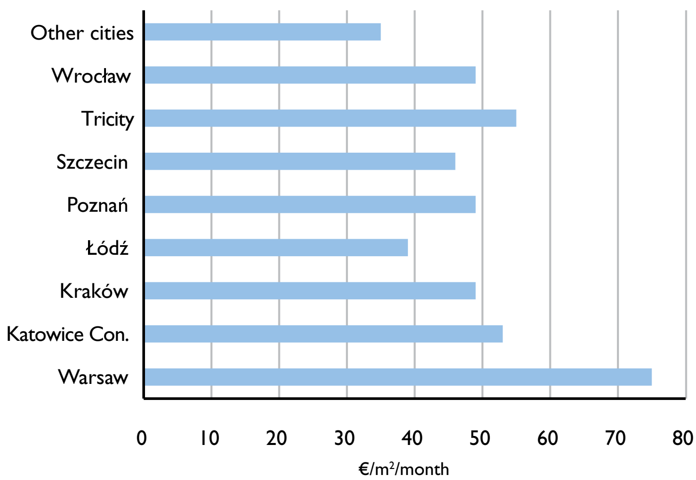
Source: Cushman & Wakefield Advisory Services, February 2009 * Forecast

VACANCY IN Q4 2008



Source: Cushman & Wakefield Advisory Services, February 2009

PRIME RENTS IN Q4 2008



Source: Cushman & Wakefield Advisory Services, February 2009

HIGH STREETS

Thanks to new investments the availability of modern retail space is slowly improving in city centres, including the city centres of Wrocław, Warsaw, Poznań, Szczecin and Katowice. In Wrocław the process of modernisation and extension of DT Renoma (CDI) is nearing completion. In Warsaw the construction of DT Wolf Bracka (Wolf Immobilien) began and the modernisation and extension of DT Smyk (CDI) and DT Braci Jabłkowskich are all planned. Several downtown developments, including DT dePtak (GN Group) and Okrąglak (CDI) are at the planning stage in Poznań. The long-awaited construction of Galeria Kaskada (ECE) in Szczecin also started (phase I – The Pleciuga Theatre). In Katowice the negotiations between the Polish Railways and Neinver concerning the development within the Katowice Osobowa Railway Station are coming to a close. The process of re-commercialisation of business premises in high streets also accelerated, which contributes to the establishment of exclusive micro retail locations. This is particularly visible in Warsaw (Ujazdowskie Avenue – Trzech Krzyży Square – Nowy Świat Street).

The increasing availability of retail space for lease in high streets results in the growing number of lease deals in these locations. At the same time, due to the restricted expansion of banks, rental rates are returning to their market level, as a result of which premises are becoming available to a more varied group of potential tenants, including tenants from the fashion and accessories sectors. In 2008 Warsaw saw the openings of the Bally, Luxury&Liberty, Mont Blanc and Frey Wille stores in Nowy Świat Street and a Kenzo store in Ujazdowskie Avenue. Catering establishments, both chain and individual concepts, continue to develop dynamically in downtown Warsaw.

The highest rental rates in high streets of EUR 90-97 sq.m/month are usually recorded in Warsaw with the average rates amounting to EUR 50-55 sq.m/month. The stabilisation of rental rates expected in 2009-2011 will certainly contribute to the diversification of retail, service and catering establishments in city centres and will speed up the process of establishing downtown shopping precincts.

HYPER AND SUPERMARKETS

At present, there are over 200 hypermarkets, several thousand supermarkets and food discount stores in Poland.

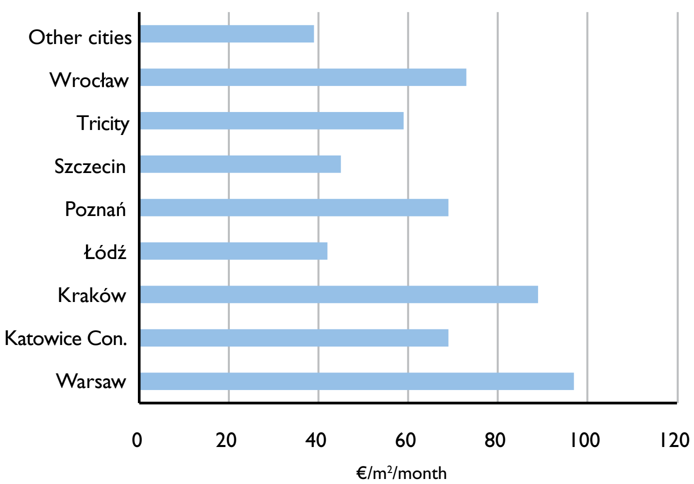
Following the consolidation in the food sector in the recent years, there are four main market players: Auchan, Carrefour, Real and Tesco. These operators, who have also been operating dynamically are now concentrating on the extension of their existing schemes to include retail galleries, as they want to make use of the potential of their retail locations and the existing land reserves.

At the same time further expansion is continued mainly in smaller format stores (supermarkets and "express" food stores) and expansion is planned in new housing estates and at petrol stations.

The delicatessen segment is developing to a limited extent, but both Alma and Bomi as well as Piotr i Paweł are looking for new locations for their stores, mainly in central locations of large cities. As for food discount stores, Jeronimo Martins with a chain of over 1,350 Biedronka stores remains the leader.

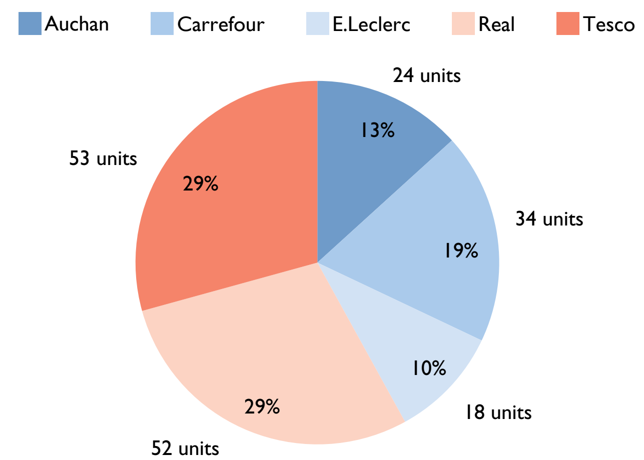
Rental rates have stabilised at the level of EUR 6.5-8.0 sq.m/month for hypermarket space and EUR 9.5-14.5 sq.m/month for supermarkets.

PRIME RENTS ON HIGH STREETS IN Q4 2008



Source: Cushman & Wakefield Advisory Services, February 2009

HYPERMARKETS IN POLAND IN Q4 2008



Source: Cushman & Wakefield Advisory Services, February 2009

RETAIL WAREHOUSING

At the end of 2008 there was 1,550,000 sq.m of modern retail warehouse space in Poland, 26% of which was available in retail warehouse parks. A further 150,000 sq.m to be delivered by 2011 was in the pipeline.

The retail warehouse sector in Poland is developing mainly as stand-alone DIY stores along with the expansion of the largest retail chains such as Castorama, OBI, Praktiker, Leroy Merlin as well as Nomi and Bricomarché.

Two chains are also opening smaller store concepts: Brico Depot (Castorama) and Bricoman (Leroy Merlin).

The pioneer in the market of retail warehouse parks grouping retail warehouses was IKEA, which was later joined by Auchan, Neinver, Parkridge, Helical and smaller local developers. The new openings in 2008 included: Futura Park Wrocław, MultiPark Świdnica, Park Eden Zgorzelec and Park Młyn Wrocław.

Tenants in the newly constructed retail warehouse parks are primarily chains from the DIY, furniture and homeware, fashion as well as health and beauty sectors. In Poland, hypermarkets and supermarkets attracting large numbers of customers are still anchor tenants in retail warehouse parks.

With the increasing lease costs in shopping centres, there is a growing group of tenants ready to distribute their products through retail warehouse parks. This applies mainly to smaller towns with a relatively weak purchasing power of consumers and the accessibility to out-of-town retail schemes.

Rental rates for large space in retail warehouse parks have stabilised at the level of EUR 6.5-8.5 sq.m/month. Rental rates offered to smaller operators (300-500 sq.m) fall within the range of EUR 13-17 sq.m/month.

FACTORY OUTLETS

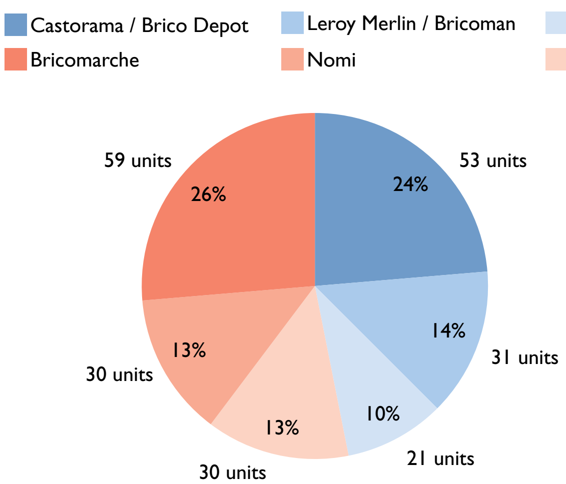
FACTORY OUTLET CENTER, LUBOŃ

At the end of 2008 there were six factory outlet centres in Poland with the total floor space of over 70,000 sq.m. In the second half of the year the extended Fashion House Sosnowiec (6,000 sq.m) was delivered and another phase of the extension of that scheme was begun. There are two developers active in this market: Neinver, which is constructing Factory in Kraków, and The Outlet Co., planning to extend its existing schemes.

The segment of factory outlet centres remains in a state of equilibrium as the supply follows the demand, which is reflected in the limited number of investments and their volume as well as the strategy of project phasing. Sectors looking for floor space in factory outlet centres are primarily clothing, sportswear, footwear, underwear and homeware.

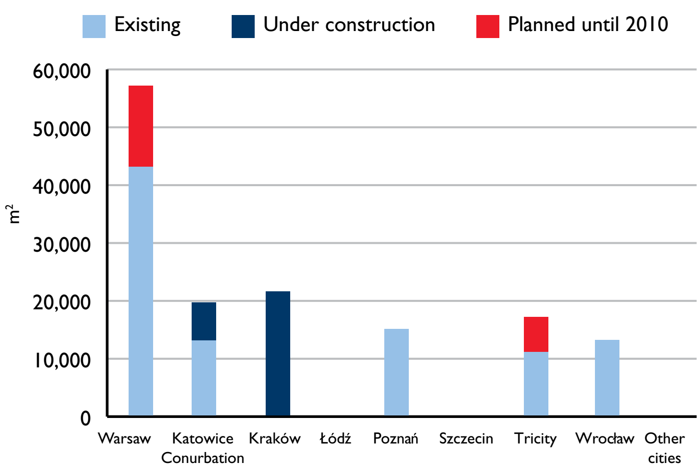
Rental rates for space in factory outlet centres fall within the range of EUR 17-23 sq.m/month, with the highest rate of EUR 27 sq.m/month.

DIY SECTOR IN POLAND IN Q4 2008



Source: Cushman & Wakefield Advisory Services, February 2009

FACTORY OUTLETS IN Q4 2008



Source: Cushman & Wakefield Advisory Services, February 2009

OVERVIEW AND TRENDS

In the first half of 2008 the demand in the Polish warehouse market rose by 46% compared to the corresponding period in 2007, and by 12% compared to the second half of 2007. In mid-2008 the situation stabilised, but the volume of leases made at the end of the year proved to be the highest of all the quarters. It does not mean that the warehouse space has not been affected by the crisis.

The first symptoms of the global economic slowdown appeared, however, on the supply side as developers were forced to cut down on their activities due to the more difficult access to financing for new projects, as well as rising costs of financing. Trying to adapt to a new different environment the majority of developers applied more restrictive investment policy, which resulted in the reduction of new investments and this in turn led to a decline in supply. Tenants were affected by the consequences of the limited supply and the increased investment costs, as warehouse rental rates rose by approx. 30% in the last two quarters of 2008.

At the end of 2008 the total stock of warehouse space in Poland stood at 5,100,000 sq.m, which was up by 34% compared to 2007. Developers continued their on-going projects, but decided not to start any new developments, as a result of which the space under construction amounted to 1,120,000 sq.m and was 120,000 sq.m less compared to the third quarter of 2008. Consequently, the rate of space leased at the construction stage reached a record level of 49%. This means that a shortage of space constructed on a speculative basis is beginning to be visible in the market.

So far tenants, especially those seeking space up to 5,000 sq.m, have leased space in schemes constructed for speculative purposes by risk-taking developers, prior to signing final lease agreements. In 2009 due to the changes of developers' strategy, the number of such projects will keep falling. Launching projects of built-to-suit type is increasingly becoming an optimal solution for tenants. Previously developers had also dealt with the construction of warehouses on the individual order of the tenant, and in view of the current crisis this form of cooperation will be gaining popularity and in many cases such schemes may be the only possibility to attract substantial number of clients.

PANATTONI PARK MYSŁOWICE

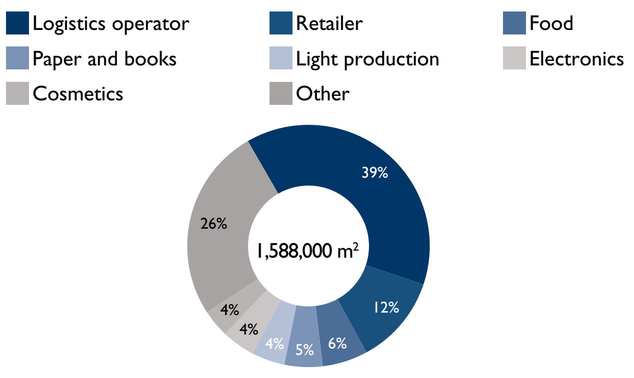
Such schemes are a viable option only where the size of space leased exceeds 8,000 sq.m. A compromise between speculative space and built-to-suit space is the pre-lease which consists in the developer securing land, obtaining a facility permit and then offering clients the possibility of constructing a building according to their individual specifications in a given location. The share of such schemes will continue to rise as the amount of available speculative space falls.

In 2008 the amount of space leased reached 1,580,000 sq.m and was up by over 12.5% compared to 2007. For the last few years companies from logistic sector have leased the largest space. In 2008 it accounted for 39% of the transaction value.

Warehouse market in Poland is highly consolidated in terms of supply. Three developers: ProLogis, Panattoni and SEGRO have completed lease transactions for a total of 1.14 million sq.m, which accounts for 72% of the market share.

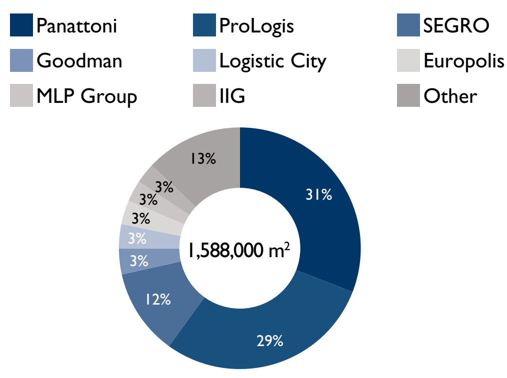
As a result of economic slowdown the supply market is likely to change in the coming year.

TAKE-UP IN POLAND BY SECTOR IN 2008



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, February 2009

DEVELOPERS MARKET SHARE BY TAKE-UP IN 2008



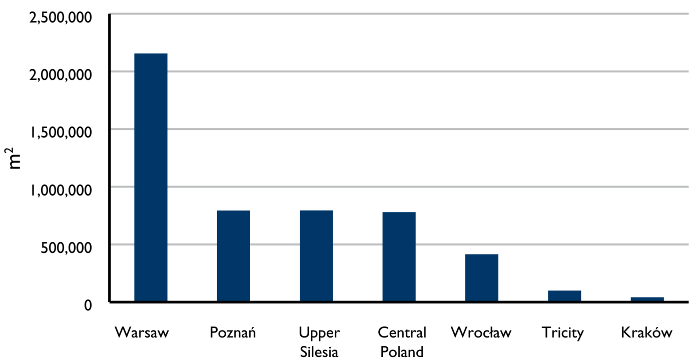
Source: Cushman & Wakefield Advisory Services, www.industrial.pl, February 2009

INDUSTRIAL MARKET DIRECTIONS

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

Rental rates vary, depending on the region. Warsaw remains the most expensive warehouse space market with rental rates falling within the range of EUR 3.5-6 sq.m/month, depending on the distance from the city centre. They do not exceed EUR 4 sq.m/month in the other regions. As a result of the market situation, warehouse rental rates will continue to rise.

STOCK BY LOCATION*



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, February 2009

* As of the end of 2008

INDUSTRIAL LAND

Developers who used to be the main buyers of industrial land showed less interest in purchasing land in the second half of 2008. This resulted from the financial crisis which reached Poland in the third quarter of 2008. The number of transactions decreased mainly due to the credit crunch and unreasonably excessive investment land prices. Land prices kept rising over the last three years and in 2008 they reached a level which was too high in relation to the rental rates which remained at the same stable level. Developers who had land which was purchased earlier, concentrated on its development rather than on increasing their stock of land. This is likely to continue until owners lower plot prices.There is now an increased interest in land purchasing among manufacturing companies who are looking for land of approx. 1.5-5 ha to store their own products. The search for space intended for services, warehouses and storage is concentrated on areas in the vicinity of the existing and planned road infrastructure of larger Polish cities and agglomerations. Potential buyers are interested mainly in the vicinity of Warsaw, Wrocław, Poznań, Łódź, Stryków, Kraków and in Upper Silesia. There is also an increased interest in land near Rzeszów, Szczecin and Toruń.

The end of 2008 brought an increased supply of land for warehouse construction. The volume of industrial land available in the market is projected to continue to rise in 2009. The increased availability of such land results, among others, from the suspension of the decisions to build new logistics centres and the diminished interest of developers in new land. Another factor contributing to the rising supply is the adoption of an increasing number of master plans by gmina authorities. In order to attract potential investors, local authorities prepare land offers with amended master plans for investments and exempt investors from the rezoning fee. Plots of land are also put on sale by investment funds and investors who have so far built "banks of land". The current market conditions frequently force private investors to sell their properties in order to secure financial liquidity.

Investors opt for land with a valid master plan which meets their requirements, and find the outskirts of large cities – particularly land near the existing and planned motorway exits – the most attractive. Private companies are also interested in constructing warehouse space for their own needs and, unlike developers, they largely concentrate on smaller spaces of approx. 1.5-5 ha intended for warehouses and storage facilities.

Industrial land prices largely depend on the location, intended use, size and availability of land in a given region. The price of a plot is also affected by the shape of the plot and the transport network which includes the quality of the access road, the proximity to a railway line, airport or seaport. The existence of a master plan providing for services, industry, manufacturing or logistics is of considerable importance. Prices are also affected by the property surroundings when there is no master plan in place.

In the Warsaw region (up to 50 km away from the city centre), the prices of land within the city, with a master plan and complete infrastructure, fall within the range of EUR 20/sq.m up to as much as EUR 160/sq.m. In Poznań and Wrocław they stand at EUR 30-80/sq.m, whereas in Łódź, where the supply is high, they reach EUR 30-40/sq.m. Due to the limited supply and mining damage, the prices of land in Upper Silesia fall within the range of EUR 30-60/sq.m, and in the Tricity region they reach EUR 30-75/sq.m. There is a very limited supply of land in Kraków, as a result of which the price for one square metre of space with a master plan providing for industry may reach even EUR 100. In 2009 the supply of industrial land will continue to rise, which will consequently lead to lower prices and will provide potential purchasers with a wider choice.

WARSAW REGION

WARSAW MARKET DIRECTIONS	
Existing Stock	2,156,000 m²
Stock Under Construction	340,000 m²
Vacancy Rate	11%
Deals	528,000 m²
Major Landlords	Panattoni, ProLogis, SEGRO, MLP Group, Europolis, Pinnacle, Apollo-Rida
Warsaw Inner City Zone	
Nominal Rents	€ 4.5 - 6.25 m²/month
Effective Rents	€ 4.5 - 5.75 m²/month
Warsaw Suburbs Zone	
Nominal Rents	€ 3.2 - 4.5 m²/month
Effective Rents	€ 3.0 - 3.7 m²/month

EXAMPLES OF DEALS		
Building	*Company*	*Size*
ProLogis Park Błonie II	Antalis	52,000 m²
Tulipan Park Warsaw	Athletic Group	25,000 m²
Europolis Park Błonie	Trans Południe	22,000 m²

Warsaw is the oldest modern warehouse space market and continues to be the dominant market although its share in the total stock in Poland is falling year by year.

In 2008 the supply rose by 374,000 sq.m up to 2,160,000 sq.m, which constitutes 42% of the Polish stock (a 3% drop compared to 2007).

At present, nearly 340,000 sq.m of warehouse space is under construction in Warsaw. Within the city area there is a shortage of land suitable for such developments and, therefore, only 18% of this space is under construction in the capital city of Poland. The remaining space is constructed outside the city in Błonie, Pruszków, Ożarów and Nadarzyn.

The vacancy rate for schemes under construction in the Inner City stands at barely 29%, which is much lower than in the suburbs of Warsaw, where it reaches nearly 51%.

In 2008 the growth dynamics of the demand for warehouse space in this region remained at a high level. It is estimated that in 2009 this will change and the demand will fall.

The demand in 2008 amounted to 528,000 sq.m, which was up by 12% compared to 2007. A record volume of space was leased by Antalis (52,000 sq.m in the warehouse park ProLogis Park Błonie II).

The largest deals in the Warsaw region also included the lease of 25,000 sq.m by Athletic Group in Tulipan Park Warsaw in Nadarzyn and the lease of 22,000 sq.m by the logistics operator Trans Południe in Europolis Park Błonie.

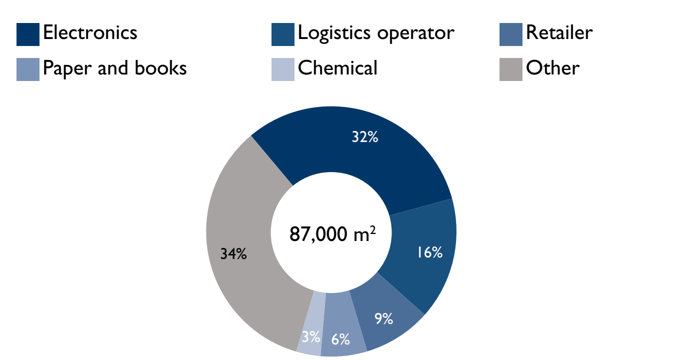
Two zones can be distinguished in the warehouse space market in the Warsaw region, the first being the Inner City within the administrative borders of Warsaw and the other being the Suburbs, which is located in a radius of 12-50 km from the city centre.

Warehouses in Warsaw are concentrated in its northern districts (Targówek and Żerań) and south-western districts (Okęcie and Służewiec). At the end of 2008 the supply in this zone amounted to 525,000 sq.m. The demand is generated by companies serving the local market, hence a large diversification in terms of the sectors of tenants. In 2008, space was most commonly leased by companies from the electronic sector, logistics operators and retail chains.

The Warsaw Suburbs zone is dispersed to a considerable degree with the main concentration centres being the municipalities to the south and west of Warsaw (Piaseczno, Błonie, Ożarów Mazowiecki, Nadarzyn, Pruszków, Mszczonów, Sochaczew, Teresin and Góra Kalwaria). The supply of warehouses in the Suburbs is the highest of all the regions and at the end of 2008 it amounted to 1,630,000 sq.m, which accounted for 32% of the total stock in Poland.

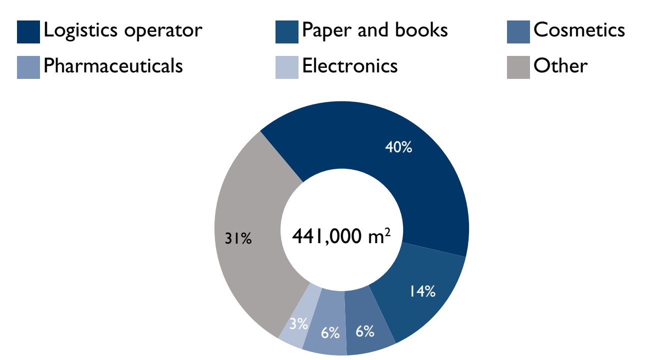
The market of the Suburbs also dominated as regards the volume of leases in 2008 which reached 441,000 sq.m. Since this region enjoys a better road infrastructure, warehouse space located there is attractive mainly to logistics operators who signed 40% of the leases in 2008.

TAKE-UP BY SECTOR IN WARSAW INNER CITY IN 2008



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, February 2009

TAKE-UP BY SECTOR IN WARSAW SUBURBS IN 2008



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, February 2009

POZNAŃ REGION

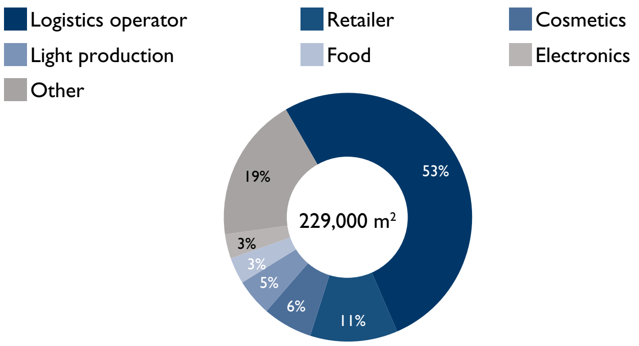
POZNAŃ AREA MARKET DIRECTIONS	
Existing Stock	794,000 m^2
Stock Under Construction	86,000 m^2
Vacancy Rate	7.9%
Deals	229,000 m^2
Nominal Rents	€ 3.6 - 4.2 m^2/month
Effective Rents	€ 3.0 - 3.6 m^2/month
Major Landlords	Panattoni, ProLogis, Pinnacle, SEGRO, CLIP

EXAMPLES OF DEALS		
Building	*Company*	*Size*
Panattoni Park Poznań II	Van Cargo	15,800 m^2
Tulipan Park Poznań	Żabka	15,700 m^2
Panattoni Park Poznań II	Henkel	14,800 m^2

The warehouse space market in Poznań is stable as the demand in 2008 remained at the same level recorded in 2007, and the supply dynamics was lower than in the previous years and reached only 28%. The vacancy rate remained at a stable level of approx. 8% throughout the year. In 2008, as a result of development in the other regions, Poznań lost its position as the second largest market in Poland – it came third as regards the supply, and fourth in terms of the leases made.

At present, the warehouse parks in the Poznań region are concentrated in two locations along the A2 motorway and the E30 main road. Plans provide for further investments along the S11 main road up to the A2 motorway and along the S5 main road towards Wrocław. In 2008 the volume of leases amounted to 229,000 sq.m. Logistics operators constituted the strongest group of tenants (53% of the leases). Other tenants included retail chains (11%) and companies from the cosmetics sector (6%). At the end of 2008 the warehouse space stock in Poznań amounted to 794,000 sq.m. Only 86,000 sq.m was under construction, 80% of which has already been leased. This means that in the nearest future there will be a shortage of speculative space in this region. Developers who have secured the land for investments would now be able to construct more warehouses with the total space of approx. 600,000 sq.m, but they will begin their projects only after leases are signed.

TAKE-UP BY SECTOR IN POZNAŃ REGION IN 2008



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, February 2009

WROCŁAW REGION

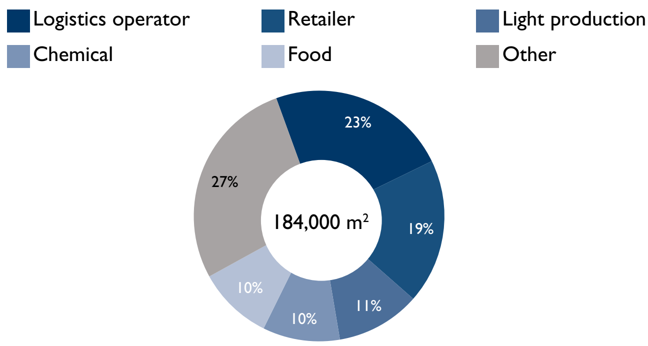
WROCŁAW AREA MARKET DIRECTIONS	
Existing Stock	416,000 m^2
Stock Under Construction	147,000 m^2
Vacancy Rate	10.7%
Deals	184,000 m^2
Nominal Rents	€ 3.8 - 4.3 m^2/month
Effective Rents	€ 3.2 - 3.8 m^2/month
Major Landlords	ProLogis, Panattoni, Parkridge, Tiner

EXAMPLES OF DEALS		
Building	*Company*	*Size*
Panattoni Park Wrocław	Sauer-Danfoss	20,000 m^2
IIG	Keiper	18,800 m^2
ProLogis Park Wrocław III	Emperia Holding	13,600 m^2

At the end of 2008 the stock of modern warehouse space in Wrocław amounted to 416,000 sq.m and showed an increase of 50% compared to 2007. This figure is likely to rise in 2009 by another 35% due to as much as 147,000 sq.m being under construction. The percentage of space built on a speculative basis stands at 69%. As a result of nearly 140,000 sq.m of new space delivered, the vacancy rate rose to 18% at the beginning of 2008, but it dropped to 10.7% towards the end of last year. The volume of leases in Wrocław reached 184,000 sq.m in 2008. The demand varies to a large extent and is reported from logistics operators (23%), retail chains (19%), companies from the manufacturing industry (11%), the chemical sector (10%) and the food sector (10%).

Warehouse parks are largely concentrated along the A4 motorway, in Bielany and Kąty Wrocławskie. Further schemes are under construction along the A4 motorway towards the German border in Nowa Wieś and Pietrzykowice. The urban zone is also developing. Prologis Park Wrocław III is being built in the southern part of Wrocław thanks to the planned western motorway ring-road of the city. In the north-eastern part of Wrocław, near the exit towards Warsaw, the developer Parkridge has begun its development of Parkridge Business Centre Wrocław.

TAKE-UP BY SECTOR IN WROCŁAW REGION IN 2008



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, February 2009

CENTRAL POLAND

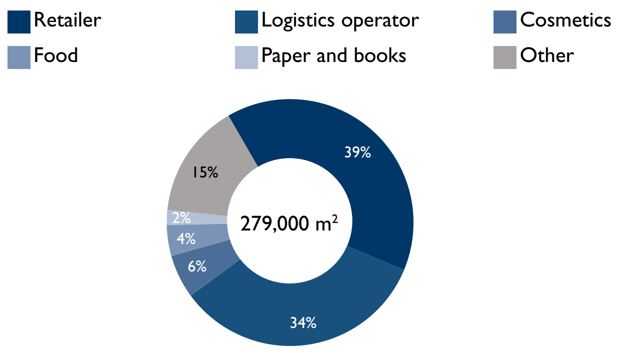
CENTRAL POLAND MARKET DIRECTIONS	
Existing Stock	780,000 m²
Stock Under Construction	176,000 m²
Vacancy Rate	10.3%
Deals	279,000 m²
Nominal Rents	€ 3.2 - 5.2 m²/month
Effective Rents	€ 3.0 - 4.8 m²/month
Major Landlords	Panattoni, SEGRO, ProLogis, Parkridge, Europolis, Logistic City, AIG/Lincoln

EXAMPLES OF DEALS		
Building	*Company*	*Size*
Panattoni Park Stryków	Leroy Merlin	56,000 m²
Logistic City	Jysk	25,000 m²
Logistic City	Trans Południe	19,000 m²

In 2008 the stock in Central Poland rose up to 780,000 sq.m, i.e. by as much as 63.5% compared to 2007. Warehouses in this region are concentrated in four locations: Łódź, Stryków, Piotrków Trybunalski and Rawa Mazowiecka. The most convenient location is Stryków, which is situated near the planned interchange linking the A1 and A2 motorways. Piotrków Trybunalski, where 36% of the total stock is concentrated, is the largest centre of this region. Interest in developments in the vicinity of Piotrków Trybunalski results from the availability of land which contributes to lower investment costs and rental rates. At the end of 2008, 176,000 sq.m was under construction in Central Poland, 31% of which was in Stryków, 28% in Łódź, 22% in Piotrków Trybunalski and 19% in Rawa Mazowiecka.

In 2008, leases were made for nearly 280,000 sq.m in Central Poland. The largest lease in Poland was signed in Stryków, where the retail chain Leroy Merlin leased 56,000 sq.m of warehouse space in Panattoni Park Stryków. The second largest lease in this market was signed between the retail chain Jysk and the developer Logistic City. This is the reason for the large share of retailers in the total volume of leases made (39%). Logistics operators choosing this region for its central location came second with a 34% market share.

TAKE-UP BY SECTOR IN CENTRAL POLAND REGION IN 2008



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, February 2009

UPPER SILESIA

UPPER SILESIA MARKET DIRECTIONS	
Existing Stock	795,000 m²
Stock Under Construction	290,000 m²
Vacancy Rate	4.6% (January 2009)
Deals	244,000 m²
Nominal Rents	€ 3.4 - 4.5 m²/month
Effective Rents	€ 3.2 - 3.8 m²/month
Major Landlords	Panattoni, ProLogis, SEGRO, MLP Group

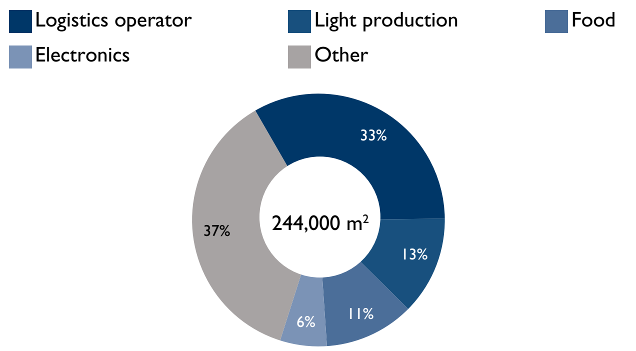
EXAMPLES OF DEALS		
Building	*Company*	*Size*
Panattoni Park Mysłowice	Coca-Cola	18,200 m²
Panattoni Park Czeladź	Saint Gobain	17,000 m²
Panattoni Park Mysłowice	Inter Cars	15,200 m²

In Upper Silesia the modern warehouse space supply already stands at 795,000 sq.m, which is up by 41% compared to 2007. The vacancy rate is below 5% but this situation is likely to change at the beginning of 2009. The supply is expected to rise further in 2009, since as much as 290,000 sq.m is under construction in this region. Large part of the volume will be delivered in the first quarter of 2009. As much as 38% of the warehouses constructed in Upper Silesia has already been leased.

The largest investments in this region include ProLogis Park Chorzów located near the Batory interchange of the A4 motorway and Panattoni Park Mysłowice constructed near the interchange linking the A4 motorway and the S1 dual carriageway.

Throughout 2008, leases were signed for 244,000 sq.m, which was down by nearly 32% compared to 2007, which was caused by the shortage of space for immediate lease. One third of the tenants are logistics operators; manufacturing companies came second with a 13% share and were followed by companies from food sector with an 11% share. The main factors generating demand include the location and the most developed road infrastructure, which makes Upper Silesia attractive to companies serving clients both in the local market and from abroad.

TAKE-UP BY SECTOR IN UPPER SILESIA REGION IN 2008



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, February 2009

TRICITY REGION

TRICITY AREA MARKET DIRECTIONS	
Existing Stock	100,000 m²
Stock Under Construction	0 m²
Vacancy Rate	5.9%
Deals	38,500 m²
Nominal Rents	€ 3.7 - 4.2 m²/month
Effective Rents	€ 3.5 - 4.0 m²/month
Major Landlords	ProLogis, Panattoni, BIK

EXAMPLES OF DEALS		
Building	*Company*	*Size*
ProLogis Park Gdańsk	Dr. Oetker	5,800 m²
ProLogis Park Gdańsk	Schenker	5,300 m²
ProLogis Park Gdańsk	Rohlig	4,600 m²

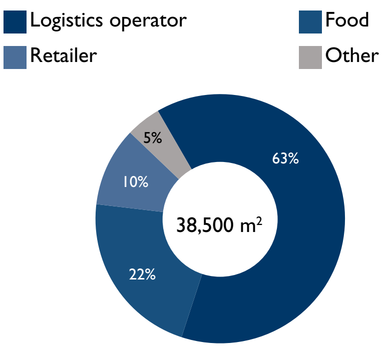
At the end of 2008 the supply in the Tricity region rose to 100,000 sq.m. Another hall of 18,000 sq.m was delivered in ProLogis Park Gdańsk. The vacancy rate stood 0% at the end of the third quarter of 2008, but due to the amount of space delivered in the fourth quarter it rose up to 5.9%.

The volume of leases made in 2008 reached 38,500 sq.m, which was down by nearly 25% compared to 2007. This results largely from the shortage of space for immediate lease. In 2008, logistics operators signed the most leases (63%) and were followed by companies from the food sector (22%) and retail chains (10%).

Further investments are planned in this region. The developer Panattoni is opening the logistics centre Panattoni Park Gdańsk, where the total volume of space offered exceeds 40,000 sq.m. Its buildings are set to be delivered in 2009.

Due to the huge potential of this region, other developers are also preparing their projects, but the final decisions regarding their implementation have not yet been made.

TAKE-UP BY SECTOR IN TRICITY REGION IN 2008



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, February 2009

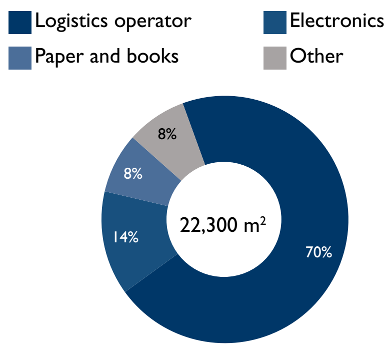
KRAKÓW REGION

KRAKÓW AREA MARKET DIRECTIONS	
Existing Stock	18,000 m²
Stock Under Construction	17,000 m²
Vacancy Rate	0%
Deals	22,300 m²
Nominal Rents	€ 4.8 - 5.2 m²/month
Effective Rents	€ 4.3 - 5.0 m²/month
Major Landlords	BIK, Panattoni, Goodman

EXAMPLES OF DEALS		
Building	*Company*	*Size*
Cracow Airport Logistics Centre	KMC Services	8,600 m²
Panattoni Park Kraków	Rohlig	3,500 m²
Panattoni Park Kraków	Ceva Logistics	3,500 m²

Stock in Kraków currently amounts to approx. 18,000 sq.m and the vacancy rate stands at 0%. All the leases (made in the second half of 2008) were signed for the total of 22,300 sq.m of space under construction now or planned in the future. There are two new investments in this market: Panattoni Park Kraków (Panattoni) in Skawina (17,400 sq.m, this development has already been almost fully leased and is scheduled to be completed at the beginning of 2009) and Cracow Airport Logistics Centre (Goodman) in Modlniczka (158,000 sq.m, the development is to start in 2009). The key tenants included logistics operators operating in the local market who signed as much as 70% of all the leases.

TAKE-UP BY SECTOR IN KRAKÓW REGION IN 2008



Source: Cushman & Wakefield Advisory Services, www.industrial.pl, February 2009

OTHER REGIONS

In 2008 the construction of nearly 43,000 sq.m of speculative space in ProLogis Park Szczecin was completed. Goodman began its new investment, Crystal Park, in Toruń, where pre-leases were signed with tenants such as Nippon and Nissin. In Lublin, Panattoni is developing Panattoni Park Lublin which is a built-to-suit project dedicated to Polmos Lublin and Browar Perła. Plans provide for an investment of the developer BIK, but the construction of Centrum Logistyczne Mielec will not begin until leases have been made.

OVERVIEW AND TRENDS

MARKET CONDITIONS

Since autumn 2008 the overall situation in the Polish residential market has been rated as uncertain. Activity in the residential market almost ceased in the last months of 2008 following deceleration in the first half of the year. This signalled an end to the residential boom experienced in 2006 and 2007.

The residential market environment is further impaired by the economic slowdown, which has led to a decline in the investment, employment and financial markets. Moreover, banks' vague position regarding their further mortgage and financing policies caused a sharp decrease in activities on both the residential developer and consumer markets.

The first half of 2009 is likely to reveal the future course of the Polish residential market that largely depends on the banks' mortgage decisions, consumer behavior as well as the overall Polish and world economic situations.

SUPPLY TRENDS

Despite the drastic slowdown in the Polish residential market, in 2008 it continued with a large housing supply of over 165,000 units. The market share of developers soared to approx. 45%. In 2009 the residential supply is still expected to remain high. Such an unreasonably high supply level, in the light of the low real demand seen, is the result of constructions which began on a large scale during the prosperity period of the Polish residential market.

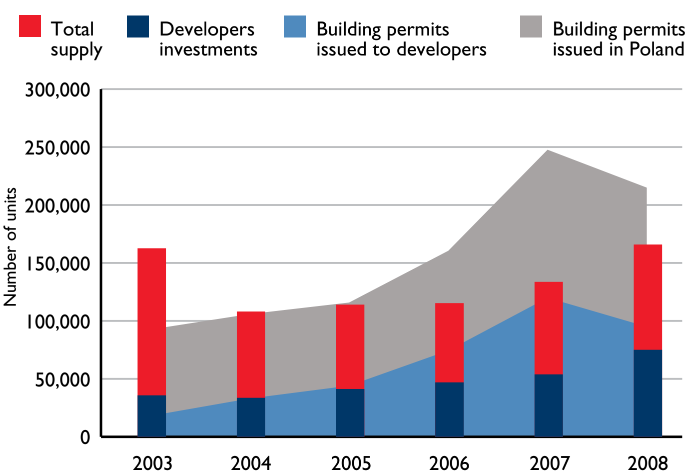
Due to the difficulties with financing and the extremely low real demand level, the market expects further delays and/or restraints in completing residential investments, as well as their redesign and rescaling. Moreover, according to official statistics, the number of building permits issued in 2008 dropped by approx. 6%, whereas the number of new constructions fell by 4%. This is likely to reduce the supply in the mid-term perspective and help solve the problem of the current residential space surplus.

Under tight market conditions, competition on the residential developer market for consumers and sources of financing is strengthening. The competitive atmosphere is further fuelled by a large influx of new apartments on the secondary market which were bought for investment and speculative purposes in previous years.

The Polish residential market slowdown has revealed commercial vulnerability of mid- and upper-segment properties which are already present in large numbers on the market. In comparison, lower-priced premises and economy class units are likely to enjoy a greater interest from consumers in the mid-term perspective. It is expected that developers will rescale their projects and target the local markets in order to secure their residential investment capabilities.

VRATISLAVIA PROMENADES, WROCŁAW

MARKET CHARACTERISTICS



Source: CSO, Cushman & Wakefield Advisory Services, February 2009

DEMAND TRENDS

Consumer activity in the Polish residential market had significantly waned by the end of 2008. Despite the high level of residential needs in Poland, the mid-term market should expect consumers' caution and extreme selectivity towards residential purchases. Venture investors withdrew speculative capital from the Polish residential market, which consequently strengthened the negative demand-side effects. Additionally, unfavorable mortgage market conditions restricted access to loans, therefore substantially decreasing the total volume of mortgages granted. This will, in effect, further restrain the actual demand in first half of 2009.

In 2008 the residential sell-out rate dropped drastically, which, in turn, resulted in the increased number of new premises put on sale. As expected, the first half of 2009 will continue with a growing number of residential premises put on sale due to the weak pre-sale capabilities and the additional influx of new apartments delivered by new housing completions. However, in the mid-term perspective the market might gain equilibrium in case of a supply decrease as a result of the restraints, rescaling and redesign of new projects and the expected recovery of the residential demand.

The market is likely to continue with changes in the demand structure. As expected, the consumer market will mostly welcome low and lower-priced residential units, while the upper-market segment apartments will further lose their share in the sale structure.

Aiming to cope with the conditions of this consumer-led market, in 2009 developers will continue their strategy related to a number of sale bonuses in the form of free parking spaces and balconies or terraces, increased turn-key offers and others. Moreover, various solutions to finance residential purchases that are currently introduced by some developers to their clients might gain in importance and encourage the demand recovery in the Polish residential market.

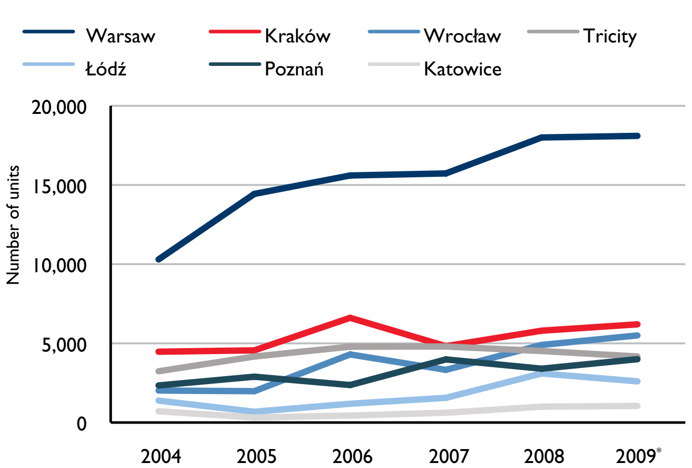
RESIDENTIAL MARKET DIRECTIONS

Supply	*Available offers*	*Demand*	*Price level*
↗	↑	↔	↘
FIRST WAVE MARKETS			
Warsaw, Kraków, Wrocław			
↗	↑	↔	↘
SECOND WAVE MARKETS			
Tricity, Łódź, Katowice, Poznań			
↗	↑	↔	↘
OTHER MARKETS			
e.g. Szczecin, Bydgoszcz, Lublin			
↗	↑	↔	↘

PRICE TRENDS

In 2008 the price level on the Polish residential market followed a downward trend, the intensity of which varied depending on individual markets. Nominal prices demonstrated a fall and so did transaction prices, but in a more drastic way. Due to this, a considerable difference between nominal and transaction prices was recorded in 2008. In the first half of 2009 the market will expect a further movement of prices towards their authentic level and will continue with a large gap between nominal and transaction prices. However, it is expected that residential prices will generally stabilise rather than experience a drastic fall. Under the conditions of the overall market uncertainty, residential prices will be directly related to the banks' future financing and mortgage policies, consumers' economic expectations as well as the health of the Polish economy in light of the global economic crisis.

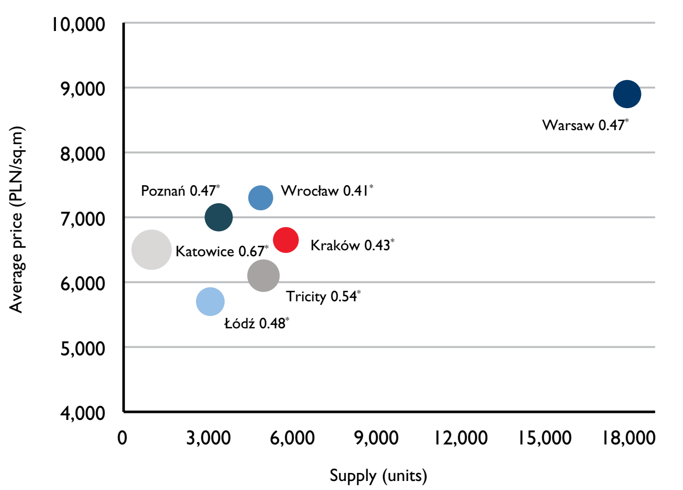
RESIDENTIAL SUPPLY



Source: Cushman & Wakefield Advisory Services, February 2009

* Forecast

SUPPLY, PRICE AND AFFORDABILITY



Source: Cushman & Wakefield Advisory Services, February 2009

* Affordability in sq.m/salary

INFRASTRUCTURE OVERVIEW

The hotel real estate market in Poland is experiencing a growth phase and this trend is projected to continue until 2012. Both developers and hotel operators continue to see a huge potential in Poland and are looking for investment opportunities in this market. The factors contributing to the undiminished interest in Poland include the limited supply of hotels and the hosting of the European Football Championships in 2012.

NUMBER OF HOTELS IN POLAND IN 2001 - 2010*

Hotels	2004	2005	2006	2007	2008	2009*	2010*
Total	1,202	1,231	1,295	1,347	1,381	1,403	1,431
★★★★★	13	16	19	23	26	30	36
★★★★	63	66	72	76	85	95	108
★★★	425	458	503	522	540	548	557
★★	388	421	434	447	450	453	454
★	165	151	152	167	170	172	173
Being Categorized	148	119	115	112	110	105	103

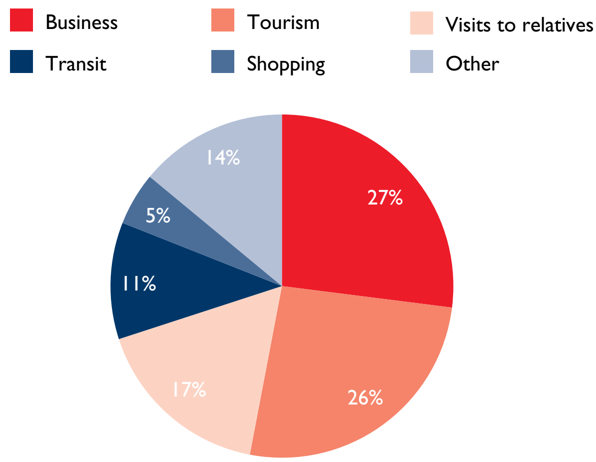
Source: Cushman & Wakefield Advisory Services, CSO, Institute of Tourism, February 2009 * Forecast

The supply of hotels in Poland is concentrated mainly in large cities such as Warsaw, Kraków, Wrocław and Tricity. Poland is still one of the European countries with the smallest number of hotel beds: approx. 40 per 10,000 inhabitants. The crisis in the international financial markets, albeit in Poland felt less than in Western European countries, is also affecting the hospitality and tourist industry. Many hotel projects have been reviewed and some of them were suspended or temporarily delayed due to the difficulties with financing them. In addition, the number of visitors to Poland in 2008 dropped to a lower level than that in the previous year, which caused a decrease in the hotel occupancy rate, particularly in top class hotels. The years 2009-2010 are projected to be difficult for investors and only the strongest investors having an excellent location, a perfect project and an agreement with a well-known operator stand a chance of success.

In 2008 investors continued to show interest in the hotel real estate market, particularly in the five main Polish cities: Kraków, Wrocław, Poznań, Łódź and Warsaw. The biggest number of projects was delivered in Tricity and Poznań. Voivodship capital cities saw the openings of 35 hotels, half of which belong to well-known hotel groups (Orbis, NH, BWH&R, DeSilva, VIH&R). Three- and four-star hotels clearly dominated the new supply (approx. 75%), whereas five-star hotels accounted for barely 8% of that supply. At present, there are approx. 140 hotels at the development or modernisation stage. 25% of them are in voivodship capital cities where over 1,500 hotel rooms will be delivered in 2009 alone. The other projects are due to be completed in the years 2009-2012. Most of them will be owned by operators such as Hilton, Rezidor, Orbis and Qubus Management. Over 160 hotel developments to be delivered in the period 2010-2013 are currently in the pipeline. Four- and five-star hotels account for a large part of the future supply. Investments in economy class hotels are also increasing their share (dynamic development of the ETAP and IBIS chains).

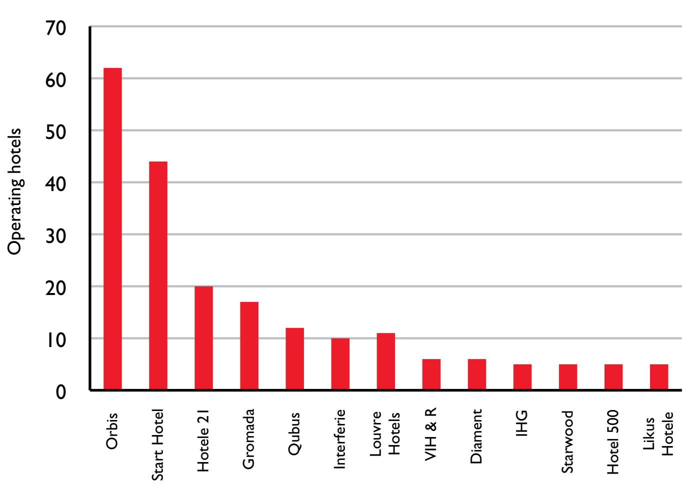
HOTEL SPA DR IRENA ERIS WZGÓRZA DYLEWSKIE, MAZURY

VISITORS IN POLAND BY PURPOSE OF TRAVEL



Source: Institute of Tourism, Cushman & Wakefield Advisory Services, February 2009

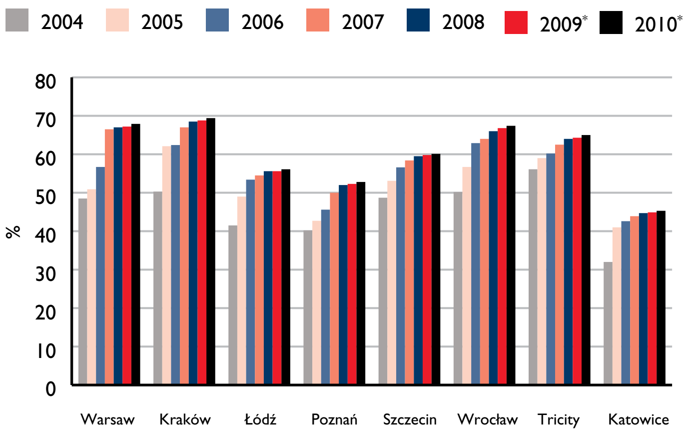
MAIN HOTEL GROUPS IN POLAND



Source: Cushman & Wakefield Advisory Services, February 2009

MARKET TRENDS

AVERAGE OCCUPANCY RATE OF HOTEL ROOMS



Source: Cushman & Wakefield Advisory Services, February 2009 * Forecast

Five-star and economy class hotels still constitute a niche in the Polish market (a clear shortage of five-star hotels is visible, for example, in Wrocław and Poznań). Investors continue to be interested in smaller towns and tourist destinations, particularly those along the Baltic Sea coastline, in southern Poland and in the regions of Warmia and Mazury, where two five-star hotels, including a Sheraton hotel in Tałty, are planned. The regions where accommodation was previously provided mainly by family homes are also becoming increasingly attractive. New hotels managed by well-known chains are growing in importance in these areas. In terms of the new supply of hotels, both under construction and planned, the most dynamically developing markets include: Wrocław (18), Tricity (16) and Kraków (12).

At the end of 2008 the hotel room occupancy rate stood at 43% and was lower by approx. 5% compared to 2007. The biggest drop was recorded by five-star hotels. The highest occupancy rate was noted in Kraków (68%), Wrocław (66%) and Warsaw (65%), whereas the lowest was in Katowice (44%) and Poznań (52%). At present, the average catalogue price for a hotel room in Poland is approx. EUR 85 per night, but at five-star hotels it amounts to approx. EUR 105 per night and at economy class hotels it stands at approx. EUR 35 per night. Prices depend on the hotel location and class as well as services provided. The actual average daily rate achieved varies considerably from the catalogue price, because it takes into account such factors as corporate agreements, weekend and agency discounts and so forth. The highest prices of hotel services are in Warsaw, Kraków, Tricity and Wrocław.

In recent years there has been an increased interest in conference and exhibition facilities. There are over 250 such schemes in Poland, varying in terms of size and location, as well as services offered. The highest supply of such facilities is in the Mazovian Voivodship. Large and medium-sized top-class conference and exhibition facilities are clearly a market niche. The shortage of such space is reflected in the very small number of international events held in Poland.

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

- Investors and hotel operators are looking for prestigious locations in large and medium-sized cities, and tourist destinations.
- The demand for hospitality services is generated mainly by corporate clients.
- The extension and modernisation of the facilities for companies at high standard hotels (conference halls, auditoria and exhibition spaces).
- A potential niche in the economy class hotel sector (a relatively small number of hotels, lower construction costs and a relatively quick return on investment).
- The stabilisation of the hotel room occupancy rate.
- The organisation of the European Football Championships in 2012, expected to increase the number of tourists over a two to four year period after the Championships – this involves image building and the promotion of Poland.
- The development of condo hotels and aparthotels in tourist destinations.
- A further increased demand for Spa & Wellness services (facility extensions at hotels).
- An increased interest in the construction of hotels near airports and railway stations.
- The stabilisation of the prices of hospitality services.
- An increased number of schemes combining office, conference and hotel features.
- An increased interest in investments in conference hotels on the outskirts of large cities.
- Review of hotel projects due to the crisis in international financial markets.

HOSPITALITY MARKET DIRECTIONS FOR 2009

City	Supply	Demand	Price Levels
Poland	↑	↔	↔
Warsaw	↔	↔	↔
Katowice	↑	↔	↔
Kraków	↑	↔	↔
Łódź	↑	↔	↔
Szczecin	↔	↔	↔
Poznań	↔	↔	↔
Tricity	↑	↔	↔
Wrocław	↑	↔	↔

Source: Cushman & Wakefield Advisory Services, February 2009

OUR OFFICE AND CONTACT POINTS

Cushman & Wakefield is the world's largest privately held commercial real estate services firm. Founded in 1917, it has 227 offices in 59 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.

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

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