MARKETBEAT

POLISH REAL ESTATE MARKET REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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SPRING 2011

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20 YEARS IN POLAND

ABOUT POLAND

ROAD COMMUNICATION IN POLAND

Source: GDDKiA, January 2011

With an area of 312,679 km^2 Poland is the largest country in CEE region, 6th in EU and 69th in the world. It borders the Czech Republic and Slovakia (south), Germany (west), Russia (north) and Ukraine, Belarus and Lithuania (east). Poland is inhabited by 38.2 million people. 61% of the population live in urban areas. The population density is 122 inhabitants/km^2 (10th place in EU and 86th in the world).

Since 1999 Poland has been administratively divided into provinces (*voivodships*). These provinces are sub-divided into counties (*poviats*), which are sub-divided into communes (*gminas*). Poland currently has 16 provinces, 314 counties (including 65 cities with *poviat* status), and 2,478 communes. The largest conurbations in Poland are the Upper Silesian Conurbation inhabited by 3.5 million people (Katowice with population of 0.3 million) and the Warsaw Conurbation with 3 million inhabitants (Warsaw – 1.7 million). The remaining major cities are Kraków (0.7 million), 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 two-chamber parliament elected for a 4-year term. The executive power is divided between the President and the Council of Ministers, led by the Prime Minister. The President is elected by popular vote every five years. Currently, Poland is led by the President Bronisław Komorowski (Civic Platform Party) and the Prime Minister Donald Tusk (Civic Platform Party). Poland is a member of NATO (1999) and the European Union (2004).

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On the cover: Eurocentrum Office Complex, Warsaw

2011 FORECAST

ECONOMY DIRECTIONS	
GDP: Analysts forecast economic growth to continue at a steady pace.	↗
INFLATION: Likely rise in inflation in 2011, the market may experience an interest rate cycle, following the interest rate hike in January.	↗
UNEMPLOYMENT: Fast pace of economic growth during 2010-2011 expected to bring unemployment down, however not below 10%.	↘
STOCK EXCHANGE: Further development of the stock market. Privatisation programme and increased activity of individual investors may stimulate its further growth.	↗

INVESTMENT MARKET DIRECTIONS	
OFFICE PROPERTIES	
PRIME YIELDS: A slight yield compression by 25-50 basis points; stronger decline expected for prime assets.	↘
TRANSACTION VOLUME: A rise in transaction volumes expected depending on the availability of assets for sale.	↗
RETAIL PROPERTIES	
PRIME YIELDS: Slight yield compression by 25-50 basis points; stronger decline expected for prime assets.	↘
TRANSACTION VOLUME: Maintaining the current high level of investment activity; improvement in consumer sentiment may positively impact the transaction volume.	↔
INDUSTRIAL PROPERTIES	
PRIME YIELDS: Expected to remain at a current level.	↔
TRANSACTION VOLUME: Retaining existing demand level will help sustain the current level of transaction activity.	↔

OFFICE MARKET DIRECTIONS	
WARSAW	
VACANCIES: Further decline in supply and vacancy levels; demand stabilization.	↘
RENTS: Rise in effective and headline rents.	↗
REGIONAL CITIES	
VACANCIES: Stabilization of vacancy rates in most regional markets. Growing demand.	↔
RENTS: Moderate growth in the markets with low availability of vacant space; stabilization in the markets with relatively higher amount of available space.	↔

2010 EXECUTIVE SUMMARY

ECONOMY PERFORMANCE

Poland is one of the key strategic and best performing markets in the CEE region. Polish economy remains on a steady growth path, with GDP forecast to reach over 4% in 2012, thanks to rising real wages and available credits to consumers with a stable or strengthening currency. Household spending and industrial output are performing well. Retail sales accelerated rapidly at the end of 2010. Industrial production hit 11.5% year-on-year in December. The main concern is the Poland's public debt, which is quickly approaching the self-imposed level of 55% when automatic cuts are constitutionally required. Poland retained its high ranking in the league table of FDI destination countries.

INVESTMENT MARKET

Transaction volume in the Polish market totalled around EUR 2 bn, the highest figure since the previous peak in 2006-2007. The retail sector was the most popular segment with investors in 2010 and accounted for more than 50% of transaction volume. Office investment deals made up around 32% of the total volume, while warehouse deals totalled EUR 215 million (approx. 11%). Last year's high level of activity is likely to continue in 2011, which should produce further moderate yield compression.

OFFICES

The Polish office leasing market posted a strong recovery in 2010. Total take-up in Warsaw reached 549,000 sq.m, representing an increase of 96% on 2009's total. Net absorption amounted to 180,000 sq.m, down by 33% from the record 2008, but up by 55% on 2009's levels. A dearth of new completions as well as rising office demand led to a widening supply-demand gap, which initiated rental growth. Supply is expected to remain low, and this will push the vacancy rate down. The highest concentration of office space in regional cities is in Kraków, Wrocław, Tricity, Katowice, Poznań and Łódź. At the end of 2010 total stock stood there at 1,913,000 sq.m. Rents are expected to stabilise, with demand seeing further rise.

RETAIL

The global financial crisis, which began in mid-2008, is still taking its toll on the Polish retail market. The large number of development projects put on hold during the slowdown and a lack of construction starts caused a sharp drop in completions in 2010. Only 560,000 sq.m of GLA hit the market – just 62% of the new supply for the whole of 2009. Completed schemes were mainly in small and medium-sized cities – during the boom, investors considered these to be profitable markets.

INDUSTRIAL

Optimism prevailed in the warehouse sector during 2010. Total stock last year was 6.5 million sq.m, of which more than 300,000 sq.m was newly delivered. Demand rose by nearly 86% on 2009. Investors however needed to ensure that schemes are pre-let in order to secure financing for construction to begin. There was a handful of built-to-suit projects under construction. Vacancy rates decreased in most regions. Rents have remained stable.

RESIDENTIAL

The residential market in Poland stabilised in 2010. More available credit, government-backed mortgages and falling prices all helped to boost demand. As a result, a number of developers restarted crisis-stalled projects and launched new ones that were adjusted to the expectations of potential buyers in terms of unit size, standard and price.

HOSPITALITY

Poland's hospitality industry in 2010 showed signs of improvement, though this represented recovery from a low base; there is clearly some way to go before real growth can be confirmed. In Q3 2010 the hotel market recorded its best performance, with a rise in occupancy levels and, more important, an increase in average daily rates (ADR). Although clients still regard the per-room rate as the critical factor in selecting accommodation, a significant rise in demand enabled hotels to charge a bit more.

2011 FORECAST

RETAIL MARKET DIRECTIONS	
WARSAW	
VACANCIES: Approaching 0%, limited availability of retail space for lease.	↘
RENTS: Modest upward trend, rental disparity between prime and secondary assets.	↗
MEDIUM SIZE CITIES	
VACANCIES: Expected stabilisation of vacancy rates.	↔
RENTS: More generous incentive packages result in widening the gap between headline and effective rents.	↔
SMALL TOWNS	
VACANCIES: Increase in vacancy levels, retail chains scaling down their expansion plans in small cities; new projects put on hold during the market slowdown.	↑
RENTS: Lower rents and more generous incentive packages a key part of commercialization strategy.	↓

INDUSTRIAL MARKET DIRECTIONS	
WARSAW	
VACANCIES: Vacancy rates edge down slightly; demand holds firm.	↘
RENTS: Stable trend, maintaining the level seen in the second half of the previous year.	↔
REGIONS	
VACANCIES: Decline in vacancy levels in the first half of 2011 due to dearth of speculative development; demand holding firm.	↘
RENTS: Stable rental levels, modest growth expected in markets with falling availability of vacant space.	↔

RESIDENTIAL MARKET DIRECTIONS	
SUPPLY: Rise in housing completions.	↑
DEMAND: Growing demand for residential units, with credit availability beginning to ease.	↗
PRICES: Further stabilisation of price, prices likely to see some correction.	↔

HOSPITALITY MARKET DIRECTIONS	
SUPPLY: Hotel completions showing upward tendency.	↑
OCCUPANCY: 2011 forecast to see improvement in occupancy levels, driven by increased business tourist arrivals due to Poland's presidency of the EU Council commencing at the start of July.	↑
PRICES: Stronger hotel demand may lead to a gradual rise in average room rates.	↗

ECONOMY PERFORMANCE

STRONG GROWTH MAINTAINED

Poland was the only major European economy that showed GDP growth in 2009. The economy grew by 3.8% in 2010. Poland's economy is expected to be one of the best performers in coming years for the EU with GDP forecast to hit over 4% in 2012. Domestic demand remains the largest determinant of the economy growth, with a gradual improvement in the labour market, a rebound in consumer and business confidence, and higher foreign capital inflows.

INDUSTRIAL SECTOR OUTPERFORMS

Industrial production hit 11.5% year on year in December, well above the rest of the EU due to improvements in world trade and a competitive currency.

RETAIL SALES GROWING RAPIDLY

Consumer confidence is up following Poland's economic stability during the global recession leading to greater amounts of spending in the retail sector. December 2010's retail sales were lifted to 9.1% (year on year).

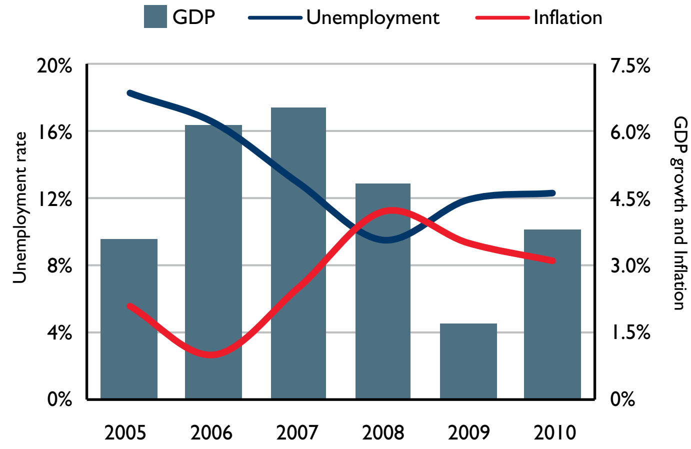
INFLATION FALLS SLIGHTLY

Inflation fell slightly year on year (from 3.5% at the end of 2009 to 3.1% at the end of 2010). However, higher food and transportation costs led to its increase in December to 3.1%, compared to 2.7% posted in November, prompting the Monetary Policy Council to raise interest rates in January 2011.

FOREIGN DIRECT INVESTMENT FALLING

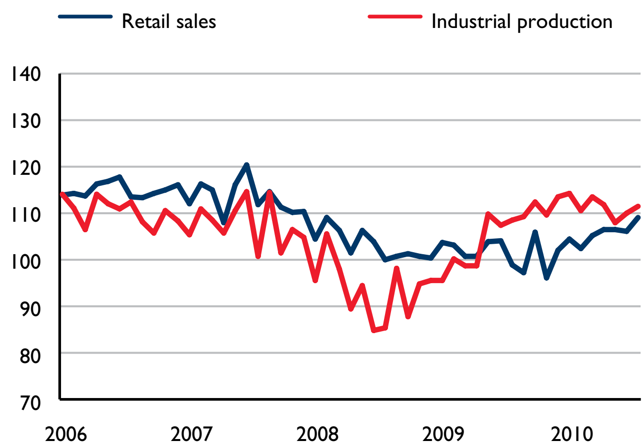
Foreign direct investment into Poland totalled EUR 7.5 bn in 2010 (EUR 10 bn in 2009) according to the National Bank of Poland (NBP) estimates. It is expected that FDI will increase in 2011 to around EUR 12.7 bn, with EU countries continuing to be its largest source. These increased inflows are a result of a growth in global capital flows, a relatively high investment attractiveness of Poland and higher levels of reinvested profits.

KEY ECONOMIC INDICATORS



Source: National Bank of Poland, CSO, Cushman & Wakefield Valuation & Advisory, January 2011

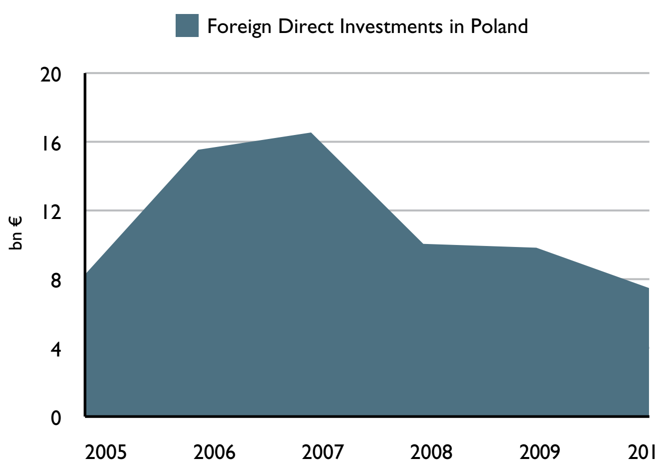
RETAIL SALES & INDUSTRIAL PRODUCTION DYNAMICS



Source: CSO, January 2011

corresponding period of previous year = 100

FDI IN POLAND



Source: National Bank of Poland, January 2011

FINANCIAL MARKETS

PUBLIC FINANCE DEFICIT

Poland is currently running a 7.9% public finance deficit, much higher than the 3% limit imposed within the Eurozone. Of more concern is Poland's public debt, which is quickly approaching 55% of GDP, the threshold for constitutionally enforced budget savings.

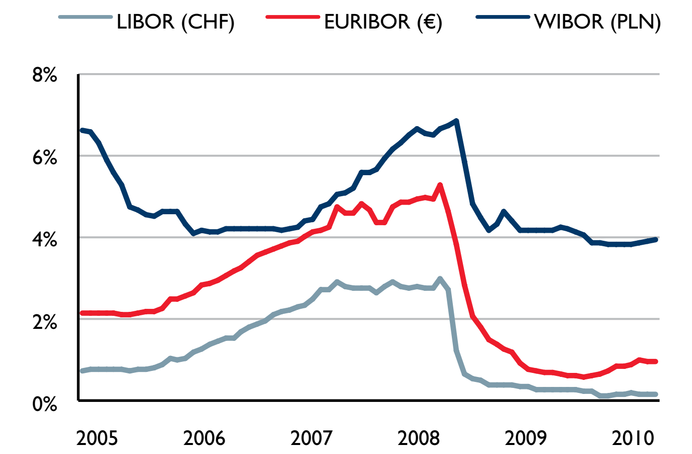
EXCHANGE RATES

The currency market remains volatile, reflecting a high level of uncertainty in global financial markets. The euro rate was relatively stable and ranged between PLN 3.87 and PLN 4.10. The US dollar and Swiss franc fluctuated considerably. The Swiss franc remains under appreciation pressure. This currency has been considered a safe haven in uncertain times. Its growing strength will affect mortgage holders. The value of mortgage loans being calculated in PLN rose by 30-50% on 2008's level.

STOCK EXCHANGE

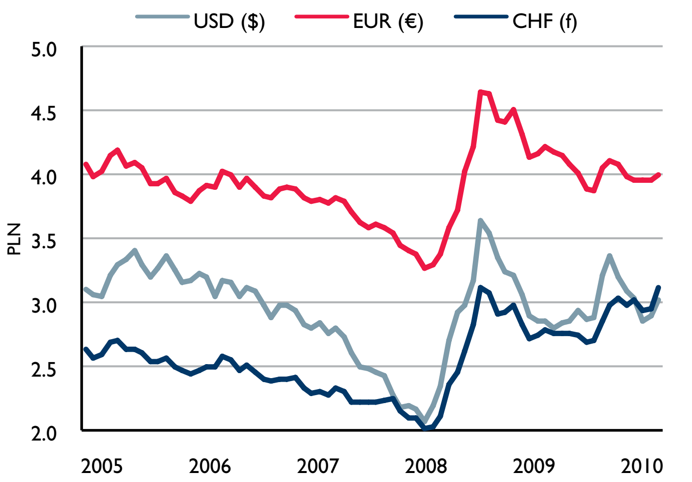
With the WIG20 rising by 15% to hit 2,744 points in 2010, the best result since 2008, the Warsaw Stock Exchange (WSE) is one of the fastest growing markets in Europe. Last year's key event was the debut of insurance company PZU, which completed the largest IPO in the history of the Polish capital market. Energy company Tauron as well as the WSE itself, also listed on the WSE. The successful privatisation of state-owned enterprises prompted individuals to invest in the stock market.

INTEREST RATES (3M)



Source: money.pl, January 2011

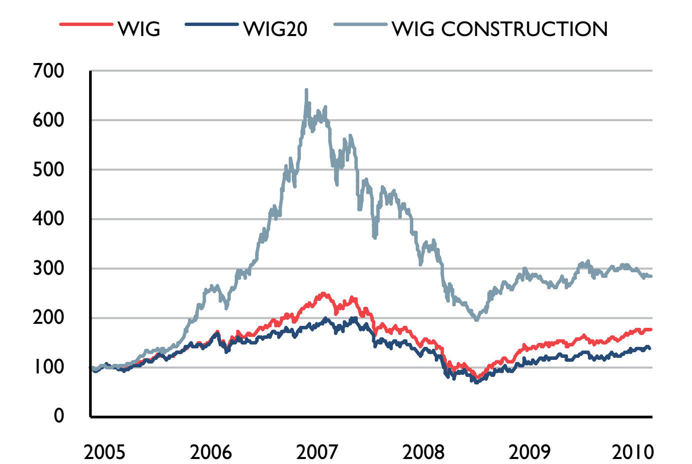
EXCHANGE RATES



Source: National Bank of Poland, January 2011

WARSAW STOCK EXCHANGE

WARSAW STOCK EXCHANGE DYNAMICS



Source: Warsaw Stock Exchange, January 2011

1 January 2005 = 100

INVESTMENT CONDITIONS

In 2010 investment activity in Poland increased by over two-and-a-half times the previous year's level. Transaction volume in the Polish market totalled around EUR 2 bn, the highest figure since the previous peak in 2006-2007.

Last year's jump in demand produced price rises and tighter yields. Office and retail yields fell from 2009's level to around 6.5%, while in the warehouse sector they remained stable at around 8.5% owing to increased supply.

Polish investors still claimed only a small share of last year's total volume, 7.4%, one of the lowest figures in Europe. The weak Polish capital market was to blame: only two Polish property investment funds, BPH TFI FIZ Nieruchomości and PZU FIZ Nieruchomości, achieved some success. New fund TFI Arka failed to raise capital. Polish investors have not yet warmed to the commercial market.

Institutional investors such as Unibail-Rodamco, IVG and Union Investment dominated the prime asset market. Rising prices, easier access to credit and demand for core properties limited the choices for opportunistic investors looking for undervalued assets.

Last year's high level of activity is likely to continue in 2011, which should produce more yield compression. But a return to the boom years of 2006-2007 is highly unlikely: fears over sovereign debt and overstretched public finances in Europe will restrict the money supply and dampen demand.

OFFICES

In 2010 the office investment market showed strong and sustained activity. Deal volume rose by 75% on 2009's total to reach around EUR 617 million.

Developers took advantage of the upturn to liquidate selected properties in their portfolios. Funds that paid high prices for assets during the boom were waiting for prices to rise further in order to cut their losses.

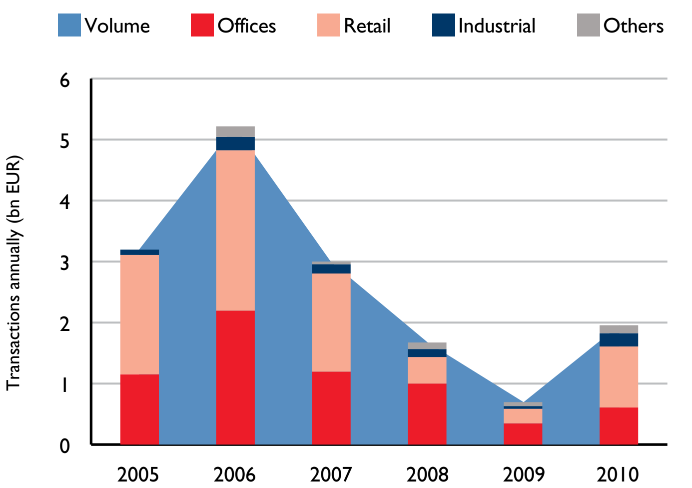
German and Austrian entities were the most active investors in Poland during 2010, accounting for nearly 80% of deal volume. Other key players included the Spanish Azora fund and two Polish funds managed by PZU and BPH.

The office market was still centred in Warsaw, where assets worth nearly 80% of last year's office volume were bought or sold. Despite the strong recovery, regional markets were still perceived as risky.

Last year's largest transactions included Union Investment's purchase of Horizon Plaza in Warsaw for more than EUR 109 million and SEB's purchase of Trinity Park III for around EUR 93 million. Outside Warsaw, major deals included RREEF's acquisition of the Grunwaldzki Center in Wrocław for EUR 76.5 million.

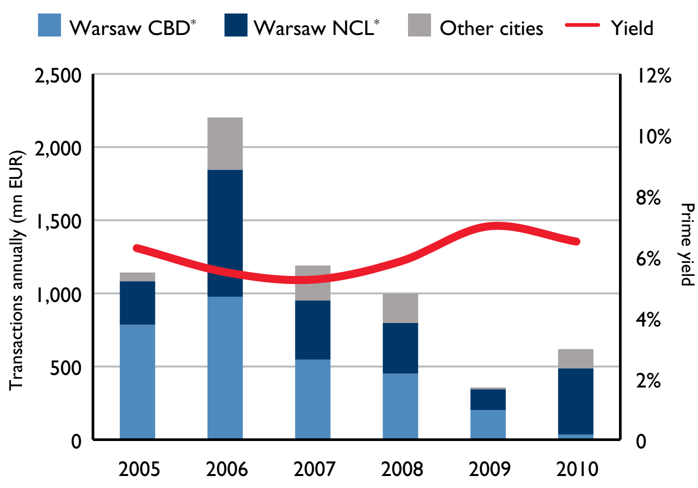
The upturn in the market and increased demand reduced yields for prime properties in downtown Warsaw to 6.5%. Yields in non-central locations were slightly higher, at around 7%, while in prime regional cities the lowest yields were around 7.5%. Assuming that demand for prime offices in Warsaw continues, a further decline of approx. 25 basis points may be expected in 2011.

TOTAL INVESTMENT DEALS



Source: Cushman & Wakefield Valuation & Advisory, January 2011

OFFICE INVESTMENT DEALS AND PRIME YIELD



Source: Cushman & Wakefield Valuation & Advisory, January 2011

* Central Business District, Non Central Locations

RETAIL

The recovery in the retail investment market in the last quarter of 2009 gathered momentum in 2010, during which deal volume totalled EUR 1 bn. This was the highest total since 2007. Factors behind this recovery included the Polish economy's strong fundamentals, demonstrated by higher consumer spending and wages that outpaced the inflation rate.

Last year's headline deal was Unibail-Rodamco's EUR 700 million acquisition of Simon Ivanhoe's European portfolio, which included the Arkadia and Wileńska shopping centres in Warsaw valued at more than EUR 400 million. It was the largest transaction not only in the retail sector but in the entire investment market in Poland.

Other major transactions last year also included the acquisition of a 75% share in Galeria Malta in Poznań by the US fund Heitman, the purchase of the Jantar shopping centre in Słupsk by AEW for EUR 92 million. In addition to these retail galleries, investors sought regional shopping centres such as Galeria Pomorska in Bydgoszcz as well as smaller schemes such as Galeria Jeziorak in Iława and Galeria Panorama in Krasnystaw.

The rise in demand for retail resulted in falling yields for prime property, from 7.5% in 2009 to 6.5%. However, prices did not rise uniformly throughout the country last year. Older schemes in inferior locations may continue to be priced at levels attractive to investors who are ready to accept more risk in exchange for an above-average rate of return.

Investment activity is expected to remain strong. The first quarter of 2011 will see the completion of the Carpathian portfolio sale, which includes the Promenada shopping centre in Warsaw, to the Atrium European Real Estate Fund for EUR 169.5 million, among other deals.

INDUSTRIAL

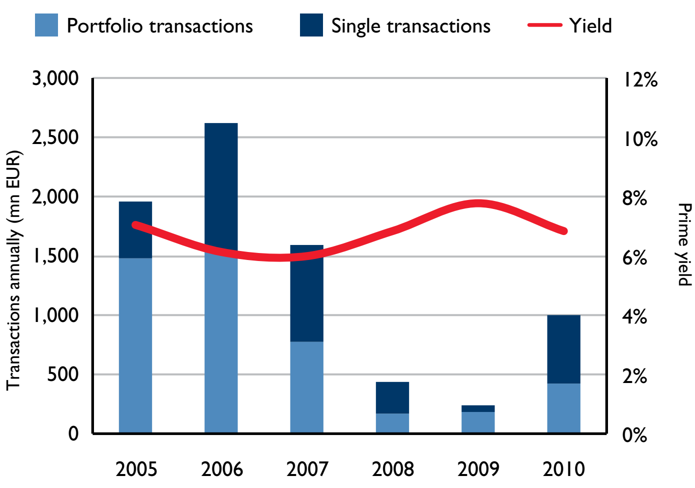
In 2010 warehouse investment volume reached EUR 215 million, the highest figure since 2006. This rise was the result of prime industrial assets for sale, sellers' reasonable price expectations, a recovery in demand, and a large lot size.

The increase in the supply of modern space in 2010 came mainly from the US developer Panattoni, which liquidated a large portion of its assets. Nine warehouse parks across Poland totalling around 285,000 sq.m of leasable space were sold in three transactions for EUR 165 million in total. In the largest deal, the EPISO fund, established by AEW and Tristan Capital Partners, acquired Panattoni warehouse parks in Łódź, Poznań and Pruszków for EUR 91 million. Panattoni's equity partner and the previous co-owner of these properties, Standard Life, purchased another Panattoni portfolio comprising warehouses in Teresin, Garwolin and Robakowo for EUR 56 million three months after the EPISO fund deal.

Several schemes sold last year were developed as built-to-suit. Two deals in this sub-market were Panattoni's sale of food chain Intermarche's distribution centre to Credit Suisse for EUR 18 million, and British fund NBGI's deal for Avon's warehouse in Garwolin.

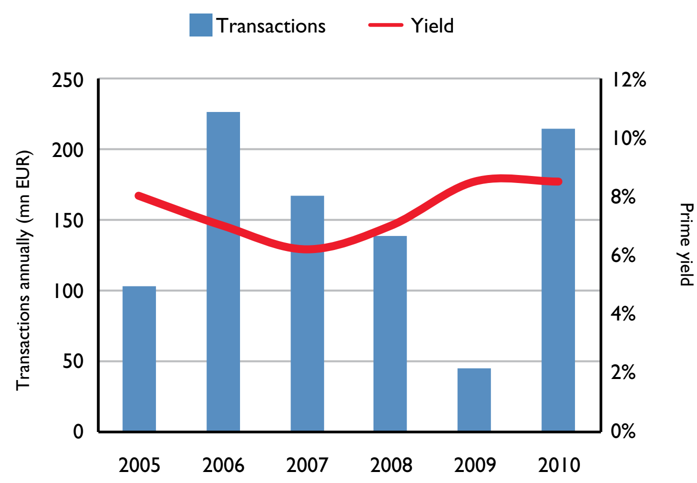
In contrast to the office and retail sectors, the rise in warehouse investment activity did not push down prime yields, which stayed at 2009's level of 8.5%. Despite the higher demand, price rises were restricted by the large supply of prime schemes. This year's supply is expected to remain at 2010's level, which should stabilise prices if the demand is comparable to that in 2010.

RETAIL INVESTMENT DEALS AND PRIME YIELD



Source: Cushman & Wakefield Valuation & Advisory, January 2011

INDUSTRIAL INVESTMENT DEALS AND PRIME YIELD



Source: Cushman & Wakefield Valuation & Advisory, January 2011

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WARSAW MARKET OVERVIEW

It was the strongest year on record for gross take-up activity in the Warsaw market, outperforming the peak of the market in 2007-2008.

A dearth of new completions, the result of tight bank lending, as well as rising office demand led to a widening supply-demand gap. In 2010 demand doubled the supply level. In 2011 supply is expected to remain low, and this will push the vacancy rate down and drive effective rents up.

SUPPLY

In 2010, 16 new office schemes in Warsaw, providing a total of 188,000 sq.m – down by 29% on 2009's supply – were delivered, bringing the capital's total office stock to 3,435,830 sq.m. 2011 is forecast to maintain low level of supply. Some 85% of this newly completed space lies outside the city centre, while 77% is in the city's southern districts, mainly in Mokotów and Służewiec Przemysłowy, and Ursynów.

Last year's largest developed schemes were the two first phases of Poleczki Business Park (45,000 sq.m) located in Okęcie, and New City (35,000 sq.m) in Mokotów-Służewiec. In the city centre, the Zebra Tower (17,000 sq.m) and Wolf Marszałkowska (11,050 sq.m) were completed. On the fringe of the CBD, in Wola district, a Crown Square scheme (17,000 sq.m) was delivered.

The tight lending market has limited speculative development solely to players with sufficient equity to begin construction, and are thus in a stronger position than leveraged players. With their projects already started, equity-rich developers are able to offer businesses a concrete leasing proposition. Developers lacking equity are in a much difficult situation: banks will not lend to schemes without the income security of a pre-let, but for these schemes to attract a tenant, they need bank financing to get started.

DEMAND

Total take-up reached 549,000 sq.m, representing an increase of 96% on 2009's total, 22% ahead of the five-year annual average of 450,000 sq.m. This high figure reflected the completion of a handful of transactions that were put on hold in 2009. Net absorption reached nearly 180,000 sq.m, a decline of 33% on 2008's record results and an increase of 55% on 2009.

The centre of Warsaw accounted for 33% of the city's leasing activity. In non-central locations Mokotów and Służewiec Przemysłowy reported the strongest interest (45%), while 28% of space was taken-up in Ochota and Włochy, and 14% in the western part of Wola.

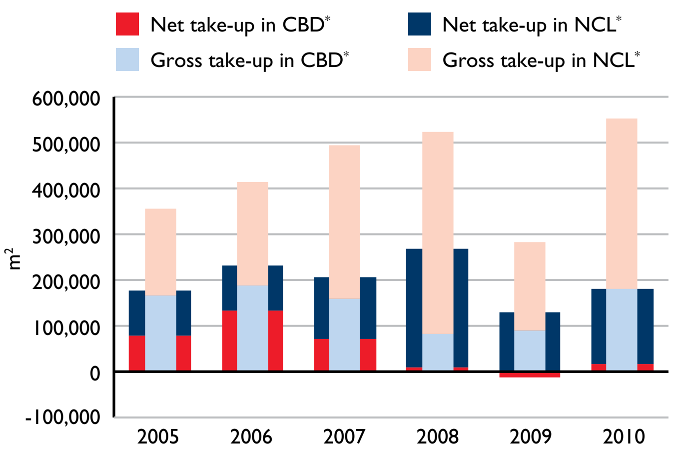
New leasing deals accounted for the largest share of transaction volume, 58.5%, with renewals making up 35.5% of the total. Only 1.2% of deals were struck for the space in owner-occupied facilities. Expansions accounted for 4.8% of leasing volume. As this figure does not include expansions within relocations, the actual growth rate is substantially higher.

There is clear evidence of an increase in pre-letting activity. Following a dramatic fall to 2% at the end of 2009, the pre-let share of the total take-up increased to 11.5% in 2010. With speculative development being considered, this steady advance is likely to continue. Subleases accounted for only 1.6% (8,700 sq.m) of all deals struck.

Most leases, 70.5%, were for spaces of more than 1,000 sq.m; 41.6% of lettings were for spaces larger than 3,000 sq.m.

SENATOR, WARSAW

NET AND GROSS TAKE-UP IN WARSAW



Source: Cushman & Wakefield Valuation & Advisory, January 2011

* Central Business District, Non Central Locations

VACANCY RATES

Following a surge in leasing activity in the second half of 2010, vacancy rates across Warsaw fell to 7.16%. The widening gap between decreasing supply and rising demand will put further downward pressure on the vacancy rate. New space coming onto the market accounted for only 34% of gross take-up. At the end of 2011, vacancies are likely to hit another record low.

At the end of 2010 the Warsaw area had around 246,140 sq.m of vacant office space. The lowest vacancy rate (2%) was recorded in the districts with the lowest total of office space supply (the city's right bank) and the lowest demand. In the areas of highest office space concentration – the city centre (34% of the city's office stock) and in the Mokotów district (26% of stock) – vacancy rates stood at 8.06% and 8.18%, respectively. Ursynów reported the highest vacancy rate (14.82%) following the completion of a large office complex, Poleczki Business Park (45,000 sq.m), which was not fully leased in 2010.

RENTAL LEVELS

As a result of the demand-supply imbalance, average headline rents have started rising both in the centre and in more peripheral locations. Base rents in prime centre locations have risen to EUR 24-26.5/sq.m/month, with the highest figures outside the city centre at EUR 15.5-16.5/sq.m/month.

Effective rents are also rising; rates vary depending on the quality grade and scale of the office unit, its size and the status of tenants as well as scheme standard and exposure. The difference between effective rents in schemes located in the same district has widened by as much as 25%, depending on the above mentioned factors.

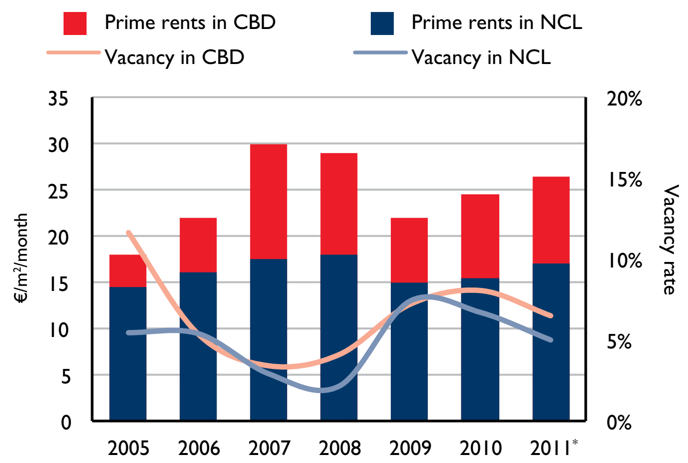
In the areas of the highest office space concentration (Mokotów and the centre), average effective rents in prime locations have increased to EUR 12-14/sq.m/month (Mokotów) and EUR 20-23/sq.m/month (city core).

The steady decline in vacant office space is likely to push rents up in existing or under construction projects, however with tenants remaining cost conscious, it is expected that further reduction of speculative supply will boost pre-let activity.

WARSAW MARKET INFORMATION IN 2010

Location	*Central Business District*	*Non Central Locations*	*Warsaw*
Number of buildings	99	276	375
Stock	1,151,920 m²	2,283,910 m²	3,435,830 m²
Total vacancy	92,850 m²	153,290 m²	246,140 m²
Vacancy rate	8.0%	6.7%	7.16%

RENTS AND VACANCY IN WARSAW



Source: Cushman & Wakefield Valuation & Advisory, January 2011

* HI 2011, forecast

STANDARD LEASE TERMS IN WARSAW (A CLASS)

Location	*Central Business District*	*Non Central Locations*
Headline rents (m²/month)	€ 19 - 26.5	€ 14 - 16.5
Underground parking	€ 120 - 180 space/month	€ 70 - 90 space/month
Surface parking	€ 70 - 120 space/month	€ 45 - 75 space/month
Service charge	€ 5 - 6.5 m²/month	€ 4 - 5.5 m²/month
Incentives	Financial contribution Fit out contribution Rent free period for:	
	3-6 months	4-8 months
Lease length	5 - 10 years	
Add-on factor	0 - 10%	0 - 5%
VAT	23%	
Indexation	EUR lub US CPI	
Others	Deposit or bank / company guarantee	

BUSINESS GARDEN, WARSAW

REGIONAL CITIES

KRAKÓW

Prime office stock in Kraków stands at 497,600 sq.m, of which most lies outside the city centre. Around 49,300 sq.m of space is under construction. The market's key developments include Bonarka4Business Phase I, Azbud Office Centre Phase II and Quattro Business Park Phase II. Around 55,000 sq.m of space has building permit and is ready to break ground as developers prepare for economic recovery. Transaction volume in 2010 totalled 81,000 sq.m; around 47% of this was pre-let. Vacancy rates reached 10%, a similar level to that of 2009. Headline rents remain flat at EUR 13-15/sq.m/month.

WROCŁAW

Wrocław, the second-largest regional market in Poland, is attracting growing interest from investors. Prime office stock totals 389,200 sq.m, of which most is outside the city centre. The highest concentration of space is in the western part of the city along Legnicka and Strzegomska streets near the airport. The main projects under construction include the Sky Tower, Green Towers and the final phase of Wojdyła BP complex. 95,000 sq.m of space, owing to the market slowdown in 2009, has gained building permit but has not yet started construction. Take-up in 2010 stood at around 43,000 sq.m. The biggest lease last year was IBM's deal for 9,300 sq.m in Wojdyła Business Park. The city's vacancy rate was 3.7%, and it was the only regional office market to post a decline in vacancy over the last half of the year. Headline rents remain flat at EUR 12-15/sq.m/month.

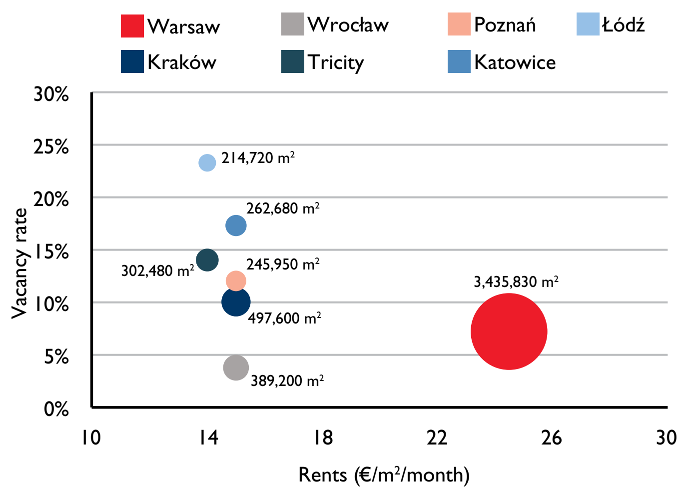
TRICITY

Prime office stock in Tricity (Gdańsk, Gdynia and Sopot) stands at 302,480 sq.m. Nearly 8,500 sq.m came on to the market in the second half of 2010, while 36,400 sq.m of space is under construction. Ongoing development projects include the 8,900 sq.m Allcon Park 3, due for delivery in Q1 2011. In 2010 take-up reached around 22,000 sq.m; new leasing deals accounted for 53% of that total, with renewals making up the remainder. The biggest transaction last year was lease renewal for 9,045 sq.m in the Baltic Business Center in Gdynia. Subdued demand has pushed vacancy rates up to 14%. Headline rents stand at EUR 13-15/sq.m/month.

KATOWICE

Katowice's office stock is 262,700 sq.m. Although grade B facilities have in the past dominated the market, prime space has been coming on stream over the past three years, improving the quality of the city's stock. Last year saw the opening of Centrum Biurowe Francuska, developed by GTC, and Katowice Business Point, developed by Ghelamco; together these supplied around 31,900 sq.m. A total of around 11,350 sq.m of office space is under construction. Other projects in the development pipeline with planning consent include Silesia Business Park I, developed by Skanska Property Poland, and Steel Building, developed by Opal Property. A total of 18,500 sq.m was leased last year. The key transaction was a prelet of 5,849 sq.m. With relatively high supply and weak demand, the vacancy rate at the end of 2010 reached 17.3%. Headline rent is EUR 12-15/sq.m/month.

MODERN OFFICE SPACE IN POLAND



Source: Cushman & Wakefield Valuation & Advisory, January 2011

KATOWICE BUSINESS POINT, KATOWICE

For more information on office space market in Poland please visit:

www.cwoffice.pl

POZNAŃ

Poznań, the fifth-largest regional office market, offers 245,950 sq.m of space. In the second half of 2010 two schemes were completed: Echo Investment's Malta Office Park E and Willa Historica. Around 41,700 sq.m of prime space is under construction; key projects include Andersia Business Centre and Aiga Investments' Murawa Office Park. Having fallen last year to a mere 20,000 sq.m, Poznań's development pipeline reflects investors' fears over launching new projects. Transaction volume at the end of 2010 totalled around 18,200 sq.m, of which new agreements accounted for 53%. Headline rents have remained firm since the second half of 2009 at around EUR 14-16/sq.m/month, but relatively low demand pushed the vacancy rate up to 12% at the end of 2010.

ŁÓDŹ

Łódź takes sixth position among regional office markets, with 214,720 sq.m of prime stock, though it also boasts a large number of refurbishments, often in good locations. In the second half of 2010 two schemes were completed: Hines' Sterlinga Business Park, and Przędzalnia Braci Muehle. Just 12,530 sq.m of prime space is under construction, including Teofilów Business Park, developed by BZ WBK SA. In 2010 take-up reached 30,300 sq.m, of which new leases accounted for 80%. The star transaction was Nordea AB deal for 2,750 sq.m in Cross Point. At the end of 2010 the vacancy rate edged up to 23.3%, the highest figure of all the regional markets. As a result, few developers are initiating schemes – the pipeline amounts to only 32,000 sq.m. From a tenant's perspective, however, the city's market is attractive, owing to its surfeit of vacant stock and low headline rents of EUR 12-14/sq.m/month. Łódź's location near the geographic centre of the country, and its good transport links and skilled workforce, make it a potentially profitable market.

EXISTING OFFICE STOCK

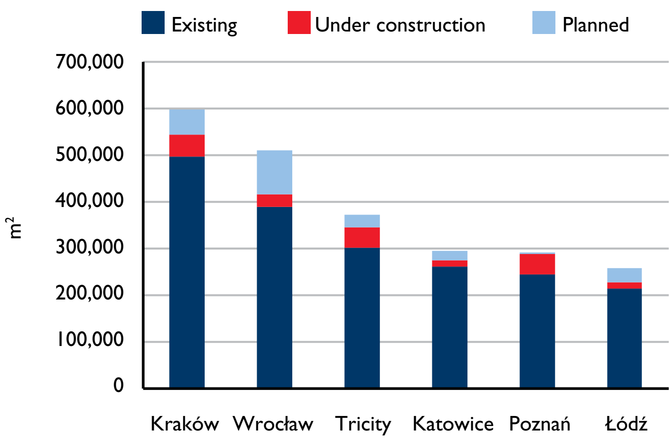
City	2010 (m^2)	Rents (EUR/m^2/month)	Vacancy (%)
Warsaw	3,435,830	14 - 26.5	7.16
CBD	1,151,920	19 - 26.5	8
NCL	2,283,910	14 - 16.5	6.7
Kraków	497,600	13 - 15	10
Wrocław	389,200	12 - 15	3.7
Tricity	302,480	13 - 15	14
Katowice	262,680	12 - 15	17.3
Poznań	245,950	14 - 16	12
Łódź	214,720	12 - 14	23.3
Total	5,348,460		

GREEN TOWERS, WROCŁAW

OFFICE MARKET DIRECTIONS

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

STOCK AND FUTURE SUPPLY IN REGIONAL CITIES



Source: Cushman & Wakefield Valuation & Advisory, January 2011

MARKET OVERVIEW

The global financial crisis, which began in mid-2008, is still taking its toll on the Polish retail market. The large number of development projects put on hold during the slowdown and a lack of construction starts caused a sharp drop in completions in 2010. Only 560,000 sq.m of GLA hit the market – just 62% of the new supply for the whole of 2009. Completed schemes were mainly in small and medium-sized cities – during the boom, investors considered these to be profitable markets.

The biggest shopping centre openings in 2010 include phase II of IKEA Port Łódź, Galeria Victoria Wałbrzych, Gemini Park Tarnów, Galeria Mazovia Płock, Galeria Sanowa Przemyśl and Agora Bytom. These schemes employed three main retail formats: large regional shopping centres (IKEA Port Łódź), hypermarkets with small shopping galleries (Tesco Warszawa), as well as small shopping centres located in the city core (Agora Bytom) or on the core fringe (Galeria Mazovia Płock), that feature supermarkets, cinemas or larger clothing firms as their anchor tenants.

The improved sentiment in the investment market, coupled with reduced retail space supply, prompted developers to restart crisis-stalled projects. Up to 850,000 sq.m of GLA is under construction in Poland, and these projects are due to complete in 2011-2013. The most significant of these include: Galeria Słoneczna Radom, Galeria Katowicka, Galeria Echo phase II Kielce, Galeria Ostrovia Ostrów Wlkp and Millennium Hall Rzeszów. Several dozen large retail schemes that were mothballed at different stages of their development are now being re-activated. Examples include Felicity Lublin, Tesco Kabaty, Plejada Phase II Bytom, Alfa Grudziądz and Nova Park Gorzów Wlkp.

The leasing market was increasingly active. Demand came mainly from fashion retailers. Leading the leasing deals was the opening of TK Maxx stores in several locations, including

GALERIA KABATY, WARSAW

DT Wars Sawa Junior in Warsaw. Tenants were more cautious in their expansion and leasing strategies, undertaking thorough analyses of a specific market's potential and factoring competitors' strengths and the scheme's design into their decisions.

Although most developers offered lease concessions in the form of lower rents or additional incentives in lease packages, only a few schemes attained a 100% occupancy rate prior to opening. Prolonged commercialization process resulting from the slow pace of retail chain development pushed up vacancy rates in newly completed facilities to 10-20%.

In many large cities, a downward trend in rents appeared to be ending, the result of limited availability of modern retail space and undiminished tenant demand for prime schemes.

RETAIL MARKET DIRECTIONS IN 2011

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

Source: Cushman & Wakefield Valuation & Advisory, January 2011

SUPPLY OF MODERN RETAIL SPACE IN POLAND

Source: Cushman & Wakefield Valuation & Advisory, January 2011

* forecast

SHOPPING & ENTERTAINMENT CENTRES

At the end of 2010 Poland had 368 shopping centres, providing a total of 7.18 million sq.m of GLA, of which 56.8% was in the eight conurbations and the remainder (43.2%) in other urban areas. The new stock comprised both large regional centres and small local ones as well as extensions of existing schemes. The largest shopping centres completed last year were: phase II of IKEA Port Łódź (70,000 sq.m), Victoria Wałbrzych (47,000 sq.m) and Gemini Park Tarnów (41,000 sq.m).

A handful of smaller projects also opened: Galeria Jastrzębie, Galeria Twierdza Kłodzko, Pasaż Grodzki Jelenia Góra, and Galeria Rondo Bochnia. Many shopping centres delivered in 2010 located in smaller and medium-sized cities were part of the wave of development in these areas. Of the 16 newly opened schemes, which comprised 405,000 sq.m in total, just five, or 36.6%, were in large conurbations.

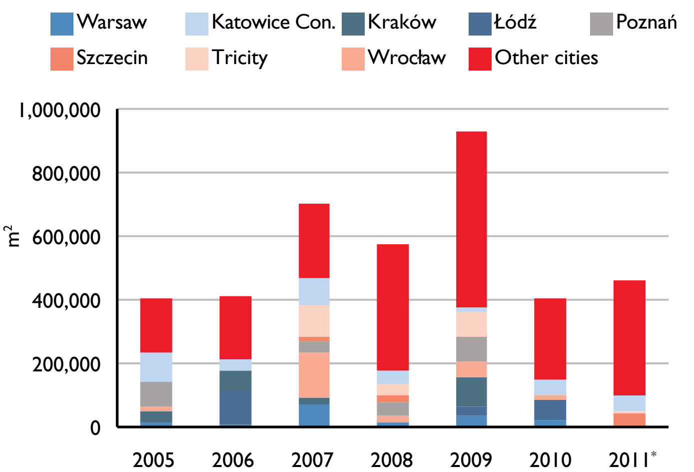
Shopping centre provision for 2011-2012 is likely to remain at a similar level to that of 2010. At the end of Q4 2010, around 700,000 sq.m of shopping centre space was under construction, with another 200,000 sq.m ready to break ground. But with developers still finding it difficult to obtain finance, many projects face delay. Annual shopping centre completion levels are expected to pick up significantly after 2013, provided the economy does not fall into a double-dip recession.

Demand for shopping centre space is highly selective. Most tenants still favour prime retail facilities. Landlords of secondary schemes have to offer favourable lease terms to attract tenants. The average vacancy rate edged up to 1-5% at the end of 2010. The demand for units in shopping centres remains reasonably strong and growth in this sector depends on the pace of development that the large fashion chains decide upon. Fashion retailers with store sizes of 100-150 sq.m are showing more caution than in previous years. A few companies hit hard by the global financial crisis are returning to the market. However, in 2011, players from the footwear and sports clothing, fashion and children's accessories sectors should be entering the market.

Rent for prime shopping centre space stands at EUR 75-80/sq.m/month in Warsaw and EUR 40-45/sq.m/month in the other large urban areas. Completions declined in 2010, and this trend is expected to continue in 2011-2012, slowing the downward trend in rents. A large gap is evident between primary and secondary rents.

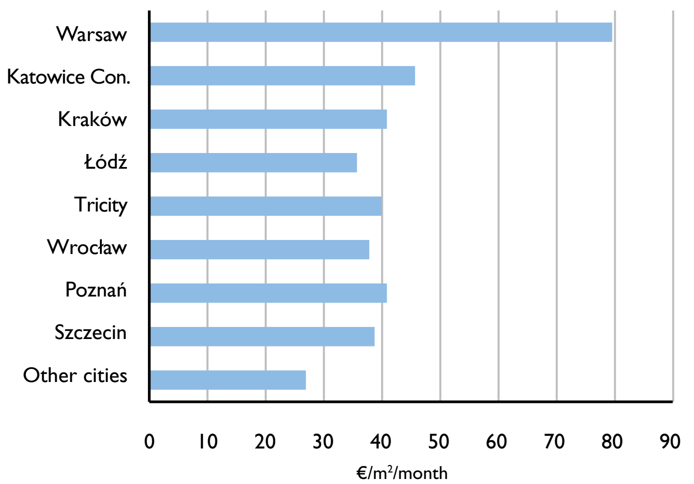
GALERIA KATOWICKA, KATOWICE

SHOPPING CENTRES IN SELECTED CITIES



Source: Cushman & Wakefield Valuation & Advisory, January 2011 * forecast

PRIME RENTS IN SHOPPING CENTRES IN Q4 2010



Source: Cushman & Wakefield Valuation & Advisory, January 2011

HIGH STREETS

The Polish high street's retail offer is broadening, boosting the attractiveness of this type of retail destination to landlords, tenants and investors. This process is slow but the effects are discernible, particularly in the large cities.

The key events in the Warsaw market in 2010 included the opening of the H&M store on Nowy Świat and TK Maxx, M&S and Wars Sawa Junior department stores on Marszałkowska, as well as the Ferrari showroom in the Banking and Financial Centre. Several gastronomy units on Nowy Świat also found tenants. The Wolf Bracka department store and the Braci Jabłkowskich office and retail scheme on Chmielna, both under construction, as well as the planned refurbishment and extension of the Smyk department store, are set to redefine Warsaw's high street retail provision.

Schemes have also started on the high streets in other cities; impressive project Galeria Katowicka in Katowice and Centrum Kaskada in Szczecin are two examples. Retail units have signed new tenants on the high streets of Łódź, Kraków and Wrocław. A shopping gallery, Agora, opened in the final quarter of 2010 in the central business district of Bytom; tenants include C&A, H&M, LPP and a cinema belonging to Cinema City chain.

Tenants' continuing interest in high street units kept vacancy rates below 5% last year, although this figure represented a reversal of a slight downward trend noted in 2009. Rents on most high streets remained stable, with higher rents in Warsaw (EUR 80-83/sq.m/month) and in Kraków (EUR 75-77/sq.m/month). In other conurbations rents stood at EUR 57-59/sq.m/month (Katowice, Poznań), EUR 35-49/sq.m/month (Wrocław, Trójmiasto) and EUR 30-33/sq.m/month (Szczecin, Łódź).

HYPER AND SUPERMARKETS

The large-scale retail sector is dominated by hypermarkets, supermarkets and discount stores. At the end of 2010 there were more than 200 hypermarkets, located mainly in Poland's shopping centres, both in large conurbations and in medium-sized cities. The key hypermarket players were Auchan, Carrefour, Tesco and Real.

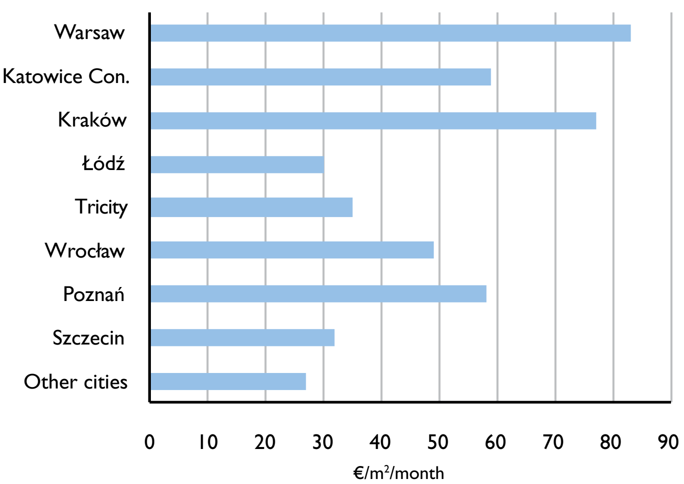
A trend that is growing in significance is hypermarkets embracing development and building their own facilities. In 2010 Auchan opened a scheme in Gliwice. Tesco has developed a store in Warsaw's Praga district and plans to build a large shopping centre in the Ursynów district. Carrefour is looking at building more facilities. Rent for hypermarkets stands at EUR 6.5-8/sq.m/month.

The several thousand supermarkets in Poland divide into two types: stores that provide a limited range of products, operated mainly by large international food retailers such as: Tesco, Carrefour or Kaufland; and retailers that offer a variety of delicatessen-type products, operated mainly by domestic chains such as: Alma, Bomi, Piotr i Paweł and Stokrotka/Delima.

Supermarkets are increasing their operations by expanding their freestanding facilities and their leased premises in shopping centres and targeting practically every Polish city with over 30,000 inhabitants, except for delicatessen concept which favours large agglomerations. Last year saw the opening of Piotr i Paweł in IKEA Port Łódź; Delima in Plaza Suwałki and Społem in Galeria Agora in Bytom. Supermarket rent stands at EUR 11-14/sq.m/month.

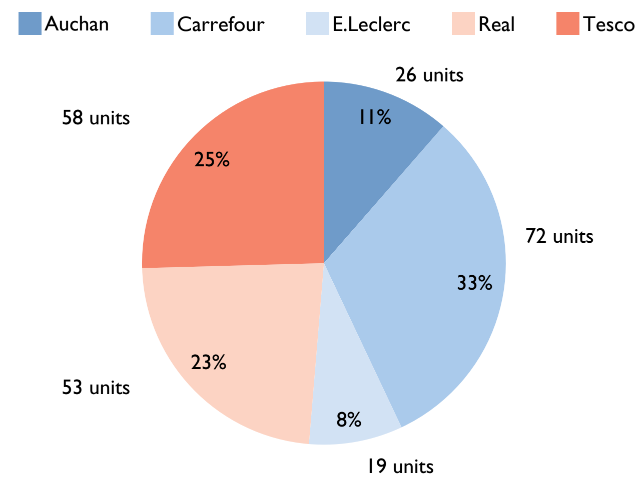
The fastest-growing part of the large-scale food retail market is the discount store sector, which expanded last year by 20% over 2009's level. With more than 1,600 stores operated under the Biedronka brand, Jeronimo Martins has retained its dominant position in the Polish market. Rents for discount stores stand at EUR 5-7/sq.m/month.

PRIME RENTS ON HIGH STREETS IN Q4 2010



Source: Cushman & Wakefield Valuation & Advisory, January 2010

HYPERMARKETS IN POLAND IN Q4 2010



Source: Cushman & Wakefield Valuation & Advisory, January 2011

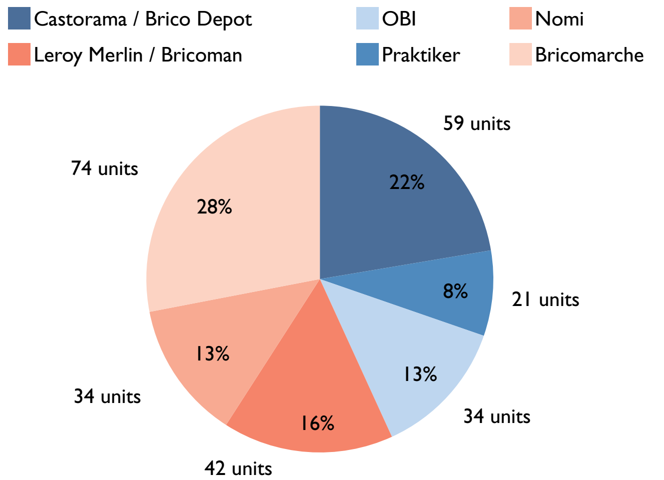
RETAIL WAREHOUSING

Large-scale non-food retail property in Poland consists of freestanding schemes structurally or spatially connected to out-of-town and city shopping locations. These schemes offer DIY products, furniture, homeware and sports equipment. DIY stores account for the largest share of standalone facilities (more than 260); the dominant players are Castorama/Brico Depot, Leroy Merlin/Bricoman, OBI, Praktiker, Nomi and Bricomarche. Other major non-food retailers include furniture and homeware chains IKEA, BRW, Komfort and Jysk. Sports chain Decathlon has continued to expand, opening three new stores in the greater Warsaw area, two stores in Tricity and a store in Łódź.

IKEA has been a pioneer in the retail park concept in Poland. Over the past 15 years it has developed four retail parks: Targówek, Janki, Bielany Wrocławskie and Matarnia. But it was forced in Q4 2010 to shelve its plans for a new retail city, Bulwary Poznańskie, in the Poznań district of Franowo. Large-scale non-food stores are also looking at shopping centre complexes. Auchan shopping centres, for example, also accommodate some large-scale non-food stores.

At the end of Q4 2010, large-scale non-food stores occupied nearly 2 million sq.m, of which only 20% was in retail parks. In addition to Decathlon, two other large-scale non-food chains continued their expansion in the Polish market in 2010: Leroy Merlin, which opened facilities in Legnica, Mikołów and Warsaw; and Castorama, which opened in Bytom and Warsaw. Also opening last year were a handful of small retail parks, including Blue Park in Przemyśl, Batory Park in Bydgoszcz and Szadółki Park in Gdańsk. More than 80,000 sq.m of this type of space is under construction; of this, 100,000 sq.m is at an advanced stage of development. Rent at retail parks at the end of 2010 reached EUR 6.5-8/sq.m/month for large units and EUR 7-9/sq.m/month for medium-sized ones.

DIY SECTOR IN POLAND IN Q4 2010



Source: Cushman & Wakefield Valuation & Advisory, January 2011

FACTORY OUTLETS

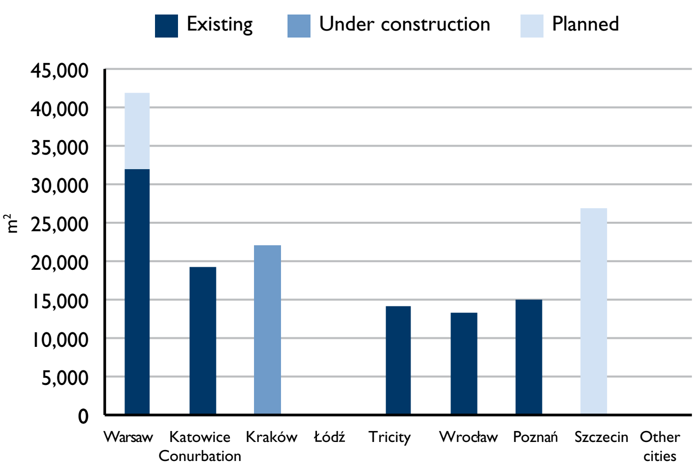
The growth of factory outlet centres in Poland is closely linked to the growth of shopping centres and the number of retail chains. There are six factory outlet centres in Poland, totalling 85,000 sq.m and located in the conurbation of Warsaw (Factory Ursus, Fashion House Piaseczno), Tricity (Fashion House Gdańsk), Katowice (Fashion House Sosnowiec), Wrocław (Factory Wrocław) and Poznań (Factory Luboń). The market is dominated by two players, Neinver and the Outlet Company. The first one is developing Factory outlets, also as a part of Futura Parks; the second is developing Fashion House centres.

No retail schemes were delivered in 2010, and only one project started construction: Factory Modlniczka near Kraków, covering 22,000 sq.m. Developments at an advanced stage include Factory Annopol in Warsaw and Factory Szczecin. Echo Investment, a new player in this sector, plans to build a factory outlet, Astra, in Szczecin.

The vacancy rate, which remains stable at 4-6%, represents a healthy balance between supply and demand. Outlet centres comprise fashion providers (280 stores), sportswear and sports equipment shops (55 stores) and footwear brands (50 stores). Most of these players are major retail chains providing a wide range of merchandise.

Rent for outlet centres is EUR 15-21/sq.m/month, depending on location, unit size and brand. Because retailers have shown limited interest in establishing stores in outlet centres, developers have had to offer incentives and cash contributions, pushing the gap between headline and effective rents to 10-20%.

FACTORY OUTLETS IN POLAND IN Q4 2010



Source: Cushman & Wakefield Valuation & Advisory, January 2011

MARKETBEAT

MARKET OVERVIEW

Optimism prevailed in the warehouse sector during 2010, reflected by better-than-expected demand and limited supply. Total stock last year was 6.5 million sq.m, of which more than 300,000 sq.m was newly delivered. This new supply, however, is nearly 70% below 2009's level, but that higher figure reflected completed projects that started before the economic slowdown. Most newly completed space was pre-let during the planning stage.

Warsaw retains its position as the area with the highest concentration of warehouse space, accounting for 40%, or 2.6 million sq.m, of the country's provision. Upper Silesia, which came second, accounts for the biggest share, 31%, of new provision. Central Poland, Poznań, Wrocław, Kraków, Tricity and Szczecin complete the list. Two regions have emerged on Poland's warehouse map: Toruń and Rzeszów, the second of which is seeing its first development activity, a 32,500 sq.m project.

At the end of 2010 just 184,000 sq.m was under construction; some 80% of this space was pre-let. With developers now looking at restarting dormant projects, the amount of space entering the market is expected to rise during the second half of this year. However, investors need to ensure that schemes are pre-let in order to secure financing for construction to begin.

The tight lending market has put a halt to nearly all speculative development. Since 2009 there has been a growing interest in built-to-suit developments, which satisfy tenants' demands in both building specifications and location. These projects are expected to stimulate the spread of warehouses to new locations.

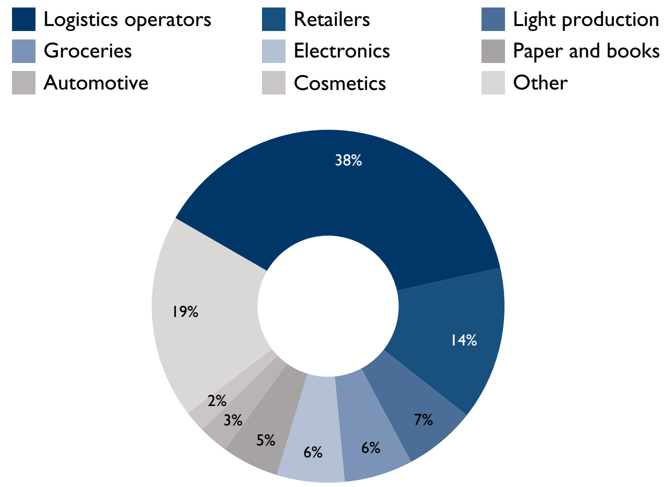
Take-up for the whole of 2010 remained healthy, at around 350,000 sq.m in each quarter, bringing the annual transaction volume to 1,419,000 sq.m, a rise of nearly 86% on 2009. New lease agreements were signed for 903,000 sq.m, while lease renewals totalled 516,000 sq.m.

The highest take-up rate, 32%, was reported in Warsaw, where most deals were struck for assets in the suburbs. Upper Silesia turned in a take-up rate of 31%, and Central Poland came in at 13%. As in previous years, the demand for warehouse space came from logistics operators (38%) and retail chains (14%).

At the end of 2010 Poland reported total vacant warehouse space of 980,000 sq.m, or 15% of total stock. The highest vacancy rates were in the suburban areas of Warsaw (approx. 22%) and Central Poland (13.5%). In areas with stock shortages headline rents remained at a stable level of EUR 3-4/sq.m/month, unchanged from 2009.

TULIPAN PARK GLIWICE

TAKE-UP BY SECTORS IN POLAND



Source: Cushman & Wakefield Valuation & Advisory, www.industrial.pl, January 2011

INDUSTRIAL MARKET DIRECTIONS

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

WARSAW REGION

WARSAW AREA MARKET OVERVIEW		
Existing Stock	2,611,000 m²	
Stock Under Construction	58,800 m²	
Vacancy Rate	19.3%	
Take-Up	448,900 m²	
Major Landlords	Panattoni, ProLogis, SEGRO, MLP Group, Europolis, PointPark Properties, Apollo-Rida	
	Warsaw Inner City Zone	*Warsaw Suburbs Zone*
Headline Rents	€ 4.5 - 5.8 m²/month	€ 2.9 - 3.6 m²/month
Effective Rents	€ 4.0 - 5.5 m²/month	€ 2.1 - 3.2 m²/month
EXAMPLE DEALS		
Building	*Company*	*Size*
ProLogis Park Teresin	Viva Manufacturing	24,400 m²
Good Point II	CEDC Carey	16,500 m²
Panattoni Park Święcice	Danone	14,200 m²

The Warsaw warehouse market comprises the inner city, an area 12 km in diameter within the capital's administrative borders, and the suburbs, an area 50 km in diameter surrounding the inner city. The capital is still the nation's largest warehouse market; in 2010, 70,000 sq.m came on stream, bringing the total stock to 2.61 million sq.m.

Leasing volume was double 2009's level, reaching 448,900 sq.m. The suburban area provided 87% of Warsaw's 2010 total; demand came mainly from logistics operators. The key tenants in the inner city were fast-moving consumer goods companies, pharmaceutical firms, and manufacturers of office products and paper. At the end of 2010 vacancy rates stood at 8.9%. In the suburbs they rose to more than 22%, which slightly drove down rents. In the inner city they remained at 2009's level of EUR 4.5-5.8/sq.m/month.

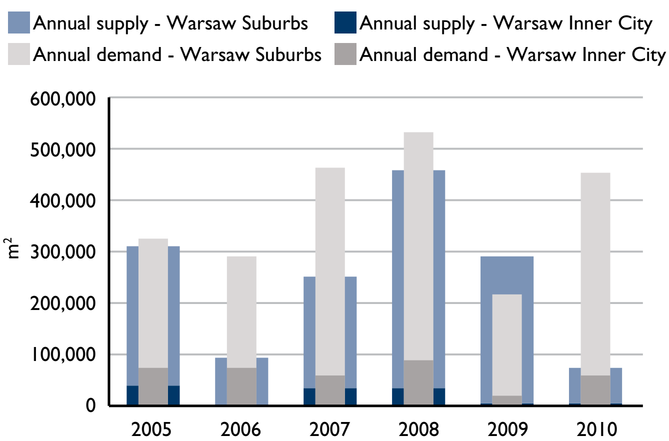
UPPER SILESIA

UPPER SILESIA MARKET OVERVIEW		
Existing Stock	1,183,000 m²	
Stock Under Construction	9,700 m²	
Vacancy Rate	12.2%	
Take-Up	445,000 m²	
Major Landlords	ProLogis, Panattoni, SEGRO, MLP Group	
Headline Rents	€ 3.0 - 3.5 m²/month	
Effective Rents	€ 2.7 - 3.0 m²/month	
EXAMPLE DEALS		
Building	*Company*	*Size*
BTS Gliwice/Panattoni	Tesco	56,700 m²
ProLogis Park Będzin II	Carrefour	45,500 m²
ProLogis Park Dąbrowa	Fiege	36,500 m²

Upper Silesia is the second-largest warehouse market in Poland. At the end of 2010 supply was 1.18 million sq.m, a rise of 94,000 sq.m on the previous year's total. The area saw Poland's largest completion in 2010 when a 56,700 sq.m facility for Tesco in Panattoni BTS Gliwice hit the market.

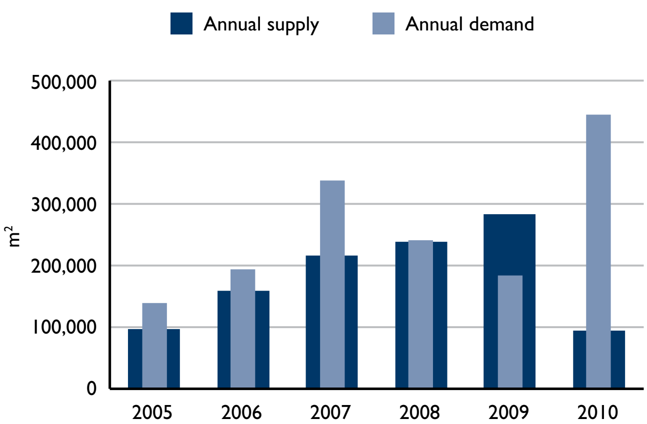
Transaction volume in 2010 reached 445,000 sq.m, a 250% increase on the previous year's result. Tenants signed 247,000 sq.m of new lease agreements, accounting for 55% of total leased space. Logistics operators and retail chains took the largest shares of the new leases, 37% and 32% respectively. The vacancy rate plunged from 18.8% in 2009 to 12.2% at the end of 2010, which, with the new supply, helped to stabilise rents. Tenant demand was highest in Gliwice, owing to its favourable location near the planned A1 and A4 Sośnica motorway hub.

SUPPLY AND DEMAND IN WARSAW REGION



Source: Cushman & Wakefield Valuation & Advisory, www.industrial.pl, January 2011

SUPPLY AND DEMAND IN UPPER SILESIA REGION



Source: Cushman & Wakefield Valuation & Advisory, www.industrial.pl, January 2011

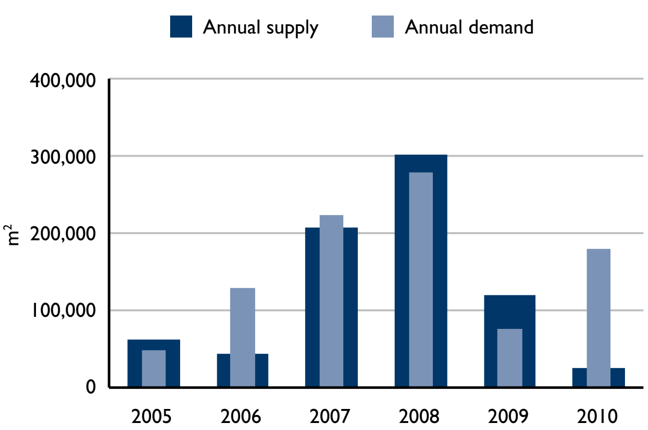
CENTRAL POLAND

CENTRAL POLAND MARKET OVERVIEW		
Existing Stock	942,000 m^2	
Stock Under Construction	3,300 m^2	
Vacancy Rate	13.5%	
Take-Up	180,200 m^2	
Major Landlords	Panattoni, SEGRO, ProLogis, Emerson, Europolis, AIB PPM, AIG/Lincoln	
Headline Rents	€ 2.9 - 4.0 m^2/month	
Effective Rents	€ 2.0 - 3.2 m^2/month	
EXAMPLE DEALS		
Building	*Company*	*Size*
Panattoni Park Łódź East	Flextronics	21,600 m^2
ProLogis Park Piotrków II	Stock Poland	17,500 m^2
ProLogis Park Rawa	Wincanton	12,600 m^2

Most of Central Poland's warehouse parks are in four cities: Łódź, Stryków, Piotrków Trybunalski and Rawa Mazowiecka. In 2010, 26,000 sq.m – just 22% of 2009's completion total – came on to the market. Two Panattoni investment projects, in Łódź, accounted for this total. At the end of December 2010, warehouse stock totalled 942,000 sq.m. One scheme is under construction: a 3,300 sq.m small business unit development in Tulipan Park Łódź. Only schemes pre-let at the planning stage were able to secure financing for construction in this market.

Demand for space is growing: tenants signed for 180,200 sq.m in total during 2010, a 250% rise on 2009's total. The last quarter accounted for 61% of the total, including the year's largest letting in this market: Panattoni's let of 35,000 sq.m built-to-suit space to a production company. Headline rents remained at 2009's level of EUR 2.9-4.0/sq.m/month. Central Poland has 130,000 sq.m of vacant warehouse space, around 13.5% of the region's total stock.

SUPPLY AND DEMAND IN CENTRAL POLAND REGION



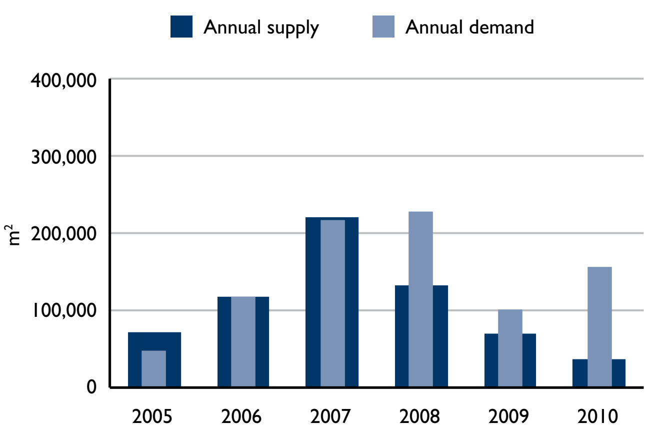
Source: Cushman & Wakefield Valuation & Advisory, www.industrial.pl, January 2011

POZNAŃ REGION

POZNAŃ AREA MARKET OVERVIEW		
Existing Stock	901,000 m^2	
Stock Under Construction	45,100 m^2	
Vacancy Rate	8.4%	
Take-Up	157,000 m^2	
Major Landlords	CLIP, Panattoni, ProLogis, SEGRO, PointPark Properties, MLP Group	
Headline Rents	€ 3.0 - 3.6 m^2/month	
Effective Rents	€ 2.4 - 3.0 m^2/month	
EXAMPLE DEALS		
Building	*Company*	*Size*
PointPark Poznań	PF Concept	23,000 m^2
PointPark Poznań	ND Poland	13,500 m^2
ProLogis Park Poznań II	IBP Conex	13,400 m^2

Poznań's market comprises 901,000 sq.m of prime warehouse space. A 2009 demand slump discouraged speculative development in 2010 – only 37,300 sq.m came on to the market. Some 45,100 sq.m was pre-let to H&M, PF Concept, Neuca, Navo and Hendi. Around 157,000 sq.m of warehouse space found tenants in the Wielkopolskie's capital, around 54% more than in 2009. New leases accounted for around half the total transaction volume. As in 2009, logistics operators occupy around 70% of the space. The biggest deal of 2010 was an agreement between PointPark Properties and PF Concept to develop a 23,000 sq.m facility. The vacancy rate at the end of the year was 8.4%. Headline rents rose slightly from 2009's level to EUR 3.0-3.6/sq.m/month.

SUPPLY AND DEMAND IN POZNAŃ REGION



Source: Cushman & Wakefield Valuation & Advisory, www.industrial.pl, January 2011

WROCŁAW REGION

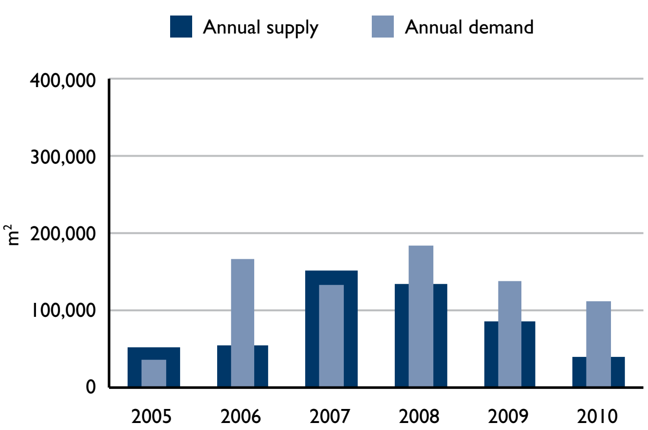
WROCŁAW AREA MARKET OVERVIEW	
Existing Stock	610,000 m²
Stock Under Construction	11,000 m²
Vacancy Rate	13.1%
Take-Up	112,000 m²
Major Landlords	ProLogis, Panattoni, Tiner, Skalski
Headline Rents	€ 3.0 - 3.9 m²/month
Effective Rents	€ 2.4 - 3.0 m²/month

EXAMPLE DEALS		
Building	*Company*	*Size*
ProLogis Park Wrocław IV	NYK Logistics	12,800 m²
ProLogis Park Wrocław	Kuehne & Nagel	11,900 m²
Tiner Logistic Park	Pantos Logistic	10,600 m²

At the end of 2010 warehouse stock in the Wrocław market was 610,000 sq.m. Most stock is in the areas along the A4 motorway: Żórawina, Bielany Wrocławskie, Nowa Wieś Wrocławska and Kąty Wrocławskie. The completion of facility number 2 in Panattoni Park Wrocław II leaves 11,000 sq.m still under construction, such as the ongoing Parkridge Business Centre. The tight lending market means developers will need to secure pre-lets in order to secure funding for construction.

Transaction volume in 2010 was around 112,000 sq.m, comparable to 2009's level. Around 80,000 sq.m of space, or 13.1%, is vacant, down by 3.5 percentage points from 2009's vacancy rate. Headline rents stayed at Q2 2009's level: EUR 3.0-3.9/sq.m/month.

SUPPLY AND DEMAND IN WROCŁAW REGION



Source: Cushman & Wakefield Valuation & Advisory, www.industrial.pl, January 2011

TRICITY REGION

With 120,000 sq.m of prime space, Tricity is Poland's sixth-largest regional warehouse market. The area recovered steadily during 2010. In the second half, two schemes came to the market: Phase I of Panattoni Park Gdańsk and Phase I of 7R Logistic. Together these provided a total of around 18,700 sq.m. The development pipeline includes Goodman's 500,000 sq.m Pomeranian Logistic Centre. In 2010 transaction volume stood at 12,100 sq.m, of which 64% was located in Panattoni Gdańsk warehouse park. The vacancy rate was 4.4%, one of the lowest in the country. Rents remained at EUR 4/sq.m/month.

KRAKÓW REGION

With prime warehouse stock of 68,000 sq.m, Kraków is the smallest regional market in Poland. Its location and convenient transport links make it attractive to logistics operators and food chains. The largest project in the region, Goodman's 150,000 sq.m Kraków Airport Logistic Centre, will see its 13,800 sq.m first phase complete in Q2 2011.

Some 10,500 sq.m was pre-let in 2010 in schemes developed by Goodman and 7R Logistic. Vacancy rates at the end of 2010 was 10%. Rents rose slightly to EUR 4.8/sq.m/month.

OTHER REGIONS

There are three smaller warehouse destinations: Szczecin, Toruń and Rzeszów. At the end of the year, stock in Szczecin and Toruń was around 41,650 sq.m and 61,770 sq.m respectively. In 2008 in Szczecin, ProLogis Park Szczecin came on to the market. Last year, around 35,000 sq.m of space there was vacant.

In 2010, 30,000 sq.m was added to the Toruń warehouse market, following the completion of the facilities developed for Cereal Partners in Panattoni Park Toruń complex. But this market lacks vacant space. In Rzeszów a 32,500 sq.m warehouse and production facility for Zelmer by Panattoni is under construction.

For more information on industrial market in Poland please visit:

www.industrial.pl

MARKET OVERVIEW

MARKET CONDITIONS

The residential market in Poland stabilised in 2010. More available credit, government-backed mortgages and falling prices all helped to boost demand. As a result, a number of developers restarted crisis-stalled projects and launched new ones that were adjusted to the expectations of potential buyers in terms of unit size, standard and price.

This trend looks set to continue in 2011. But concerns over the implementation of changes in the government's affordable housing programme, *Rodzina na swoim*, and the Monetary Policy Council's decision to raise interest rates are expected to take their toll on residential sales.

SUPPLY TRENDS

In 2010, the supply of housing fell on a year-on-year basis. New housing completions totalled 136,000 units, a decrease of 15% compared to 2009's total. The greatest decline, by around 26.8%, was recorded in the developer and housing cooperatives sector, which delivered nearly 58,400 dwellings, accounting for 43% of the total supply in 2010. This contraction is the result of the dearth in construction starts over the downturn, during which the credit markets all but dried up and demand for housing units plunged. Developers scaled back their plans, launching only projects with a reasonable chance of success.

Poland's more stable residential market is reflected by the increasing number of start-ups, which in 2010 came in 10.6% above 2009's total. Developers' residential projects accounted for the largest share of total starts, 42.2%. This bodes well for 2011, during which a total of units similar to 2008's total should hit the market. This better news is the result of good economic conditions, developers' more solid financial standing and steady demand fuelled by easier credit terms.

Although the total number of building permits issued in Poland fell in 2010 by 2.2% compared to 2009, it grew by 8.2% in the case of developers.

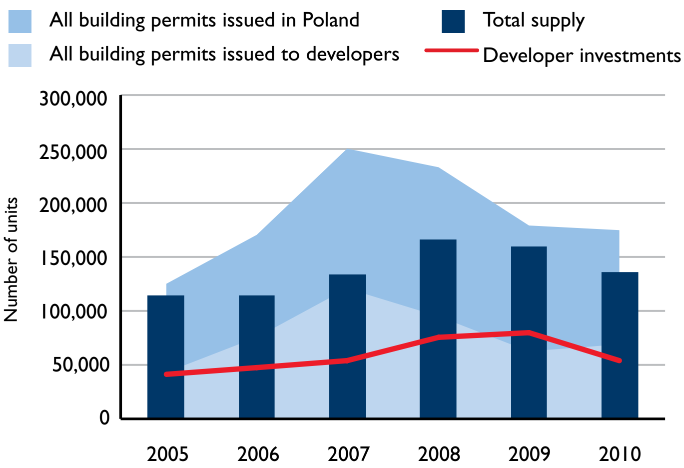
DEMAND TRENDS

Demand for Polish residential units rose in 2010. The number of dwellings sold by major developers was 50% higher than 2009's total. In 2011 this rate of growth is likely to continue or even increase slightly. The main determinants of demand will still be banks' lending policies, interest rates and changes in the *Rodzina na swoim* programme.

Of these three factors the most important was, and is, lending policy, which determines the availability of mortgages. Poland's rising employment rate and economic growth, as well as tightening competition between banks, combined in 2010 to push up mortgage application approvals over 2009's level. And this occurred despite the implementation that year of the "Recommendation T", prepared by the Polish Financial Supervisory Authority, which limited banks' lending activity.

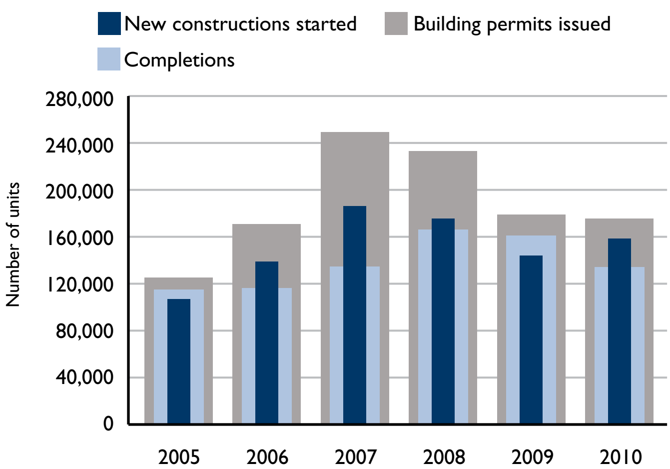
OSADA NAD JEZIOREM, MIKOŁAJKI

GENERAL MARKET CHARACTERISTICS



Source: Cushman & Wakefield Valuation & Advisory, CSO, January 2011

RESIDENTIAL SUPPLY



Source: Cushman & Wakefield Valuation & Advisory, CSO, January 2011

Banks dealt with the changes by reducing margins, offering commission-free trading and extending repayment periods, and as a result granted more mortgages. With an interest rate increase announced in January and its possible further increases later in the year, the borrowing costs, however, may rise.

One in five mortgages have been granted under *Rodzina na swoim*, a government programme of subsidies intended to make mortgages available to more low-income families. However, the planned changes to the programme will end subsidised mortgages for dwellings in the secondary market and reduce the amount of subsidies by lowering the approved price limits. This would reduce the number of housing units available for first-time buyers and constrain the market.

The most sought-after residential units in 2010 were existing or to be completed soon, low-priced, two- and three-room premises covering 40-60 sq.m.

PRICE TRENDS

Polish housing prices fell only slightly during 2010 – continuing the downward trend started in 2009, but at a much slower pace. However they are still too high relative to purchasers' financial resources.

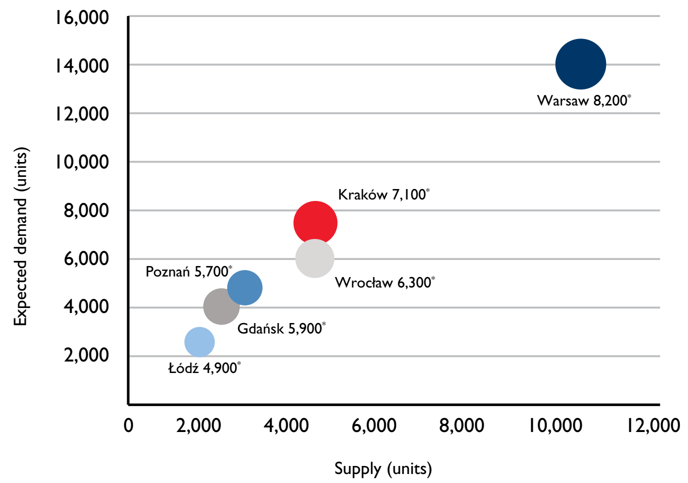
The second half of 2010 saw the return of incentives packages such as free parking spaces, additional storage room or free holidays. It is now the only way to attract prospective clients to newly constructed premises as well as quickly reduce the inventory of unsold units from previous years.

In 2011 housing prices are not expected to change substantially. Only completed units in the most popular sizes are forecast to command slightly higher prices. The changes in the *Rodzina na swoim* are likely to lower the price of low-priced premises slightly as the market adjusts to the programme's new thresholds. Developers are likely to also lower the prices of the largest-sized units located in projects completed in previous years.

RESIDENTIAL MARKET DIRECTIONS

	Supply	*Available offers*	*Demand*	*Price level*
Warsaw	↗	↗	↗	↔
Kraków	↗	↗	↗	↔
Wrocław	↗	↗	↗	↔
Poznań	↗	↗	↗	↔
Gdańsk	↗	↗	↗	↔
Łódź	↗	↗	↔	↔

SELECTED MARKET CHARACTERISTICS



Source: Cushman & Wakefield Valuation & Advisory, January 2011 * Average price (PLN/m²)

IMAGINARIUM, WARSAW

MARKET OVERVIEW

Poland's hospitality industry in 2010 showed signs of improvement, though this represented recovery from a low base; there is clearly some way to go before real growth can be confirmed. In Q3 2010 the hotel market recorded its best performance, with a rise in occupancy levels and, more important, an increase in average daily rates (ADR). Although clients still regard the per-room rate as the critical factor in selecting accommodation, a significant rise in demand enabled hotels to charge a bit more.

2011 is likely to see further improvement in the hospitality market. One factor that will prop up demand is Poland's presidency of the EU Council, which will commence at the start of July. An estimated several dozen thousand rooms have been already booked for EU officials. Besides Warsaw, four other cities – Sopot, Wrocław, Kraków and Poznań – will host meetings and conferences. These bookings will boost conference, accommodation and catering income. Also, preparations for the Euro 2012 football tournament will lift hotel income.

SUPPLY

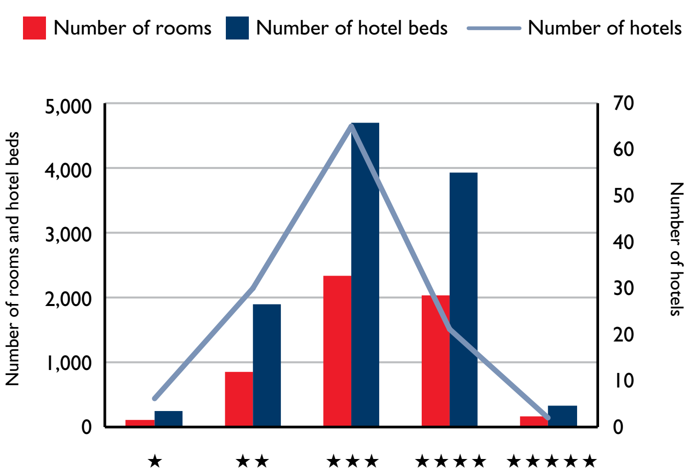
Poland offers 1,904 officially licensed hotels, which provide approx. 188,910 beds in almost 94,940 rooms. These totals reflect a 6.5% expansion of capacity over 2009's levels. The market is dominated by the country's 860 three-star hotels and its 624 two-star hotels. The saturation level is 25 rooms (50 beds) per 10,000 inhabitants, which represents a growth of two rooms and four beds per 10,000 inhabitants on 2009's provision. It is still the lowest figure in EU. Breaking this total down by region shows that Lubelskie voivodship, with 7.6 rooms and 14.4 beds per 10,000 inhabitants, is the country's least well supplied hotel market, while Małopolska voivodship's figures of 40 rooms and 82.8 beds make it the country's most dense market.

In 2010, 124 hotels were delivered to the Polish market, an increase of 18 hotels over 2009's total stock. These new facilities offer approx. 5,500 rooms with more than 11,120 beds, a rise of 7% and 6%, respectively, on the previous year. The most recent additions to supply have mostly been three- and two-star facilities. The Śląsk and Małopolska regions account for the largest share, 16, of new hotels. In the Mazowieckie and Podlaskie voivodships only two hotels were opened. In 2010 more than 20 hotels were reclassified and nearly 30 lost the right to operate as a hotel.

A new phenomenon last year was the decision by some hotel operators to apply for a lower star rating, in order to target a broader group of clients. Upmarket hotels were hit by the economic slowdown, as companies looking for cost reductions chose to limit travel expenses and curtail participation in conferences and training. Some firms even banned five-star hotel bookings for their staff. However, as the room rate of four- and five-star hotels fell and then levelled off, it did not seem to be an economically justified decision. Leading hotel operator Hilton pursued this downmarket strategy for the hotel in Warsaw, changing its rating from five to four stars while maintaining a high standard of service.

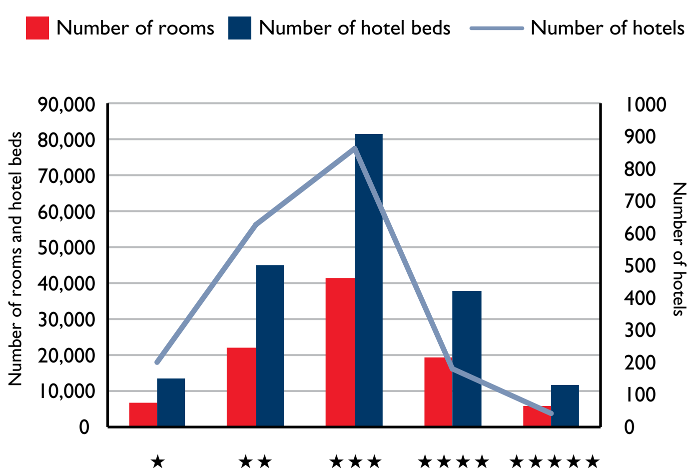
A number of operators expanded or made their debut in the country last year. The Hilton chain opened in Gdańsk its second hotel in Poland. In January this year the operator opened its first Hilton Garden Inn in Kraków. Other international hotel chains that expanded their brands in Poland in 2010 were Vienna International, opening the Angelo hotel in Katowice; and Best Western, which opened hotels in Rzeszów and Katowice. A lower-budget entrant to the Polish market in 2010 was B & B, which opened its first hotel in Toruń. Bydgoszcz market saw the opening of Holiday Inn. The recession did not appear to curtail hotel development. New supply came online, although completions fell short of the number expected to supply Euro 2012. But the tight credit market, which has reduced the number and amount of loans for large equity investments, has stalled a handful of projects. More rigorous requirements for reliable business plans, however, enabled banks to scrutinize the viability of investments and thus improve those hotel projects that did qualify for loans. New facilities boasted more original designs and better functionality; they were more

POLISH HOTEL BASE GROWTH IN 2010



Source: Cushman & Wakefield Valuation & Advisory, January 2011

POLISH HOTEL STOCK IN 2010



Source: Cushman & Wakefield Valuation & Advisory, January 2011

HILTON GARDEN INN, KRAKÓW

STARA WINIARNIA HOTEL PROJECT, GDAŃSK

in tune with the local market's needs in terms of size, standard and range of services. In effect, tighter credit is lifting the quality of Polish hotel accommodation.

Some 100-120 new hotels are forecast to enter the Polish market in 2011, a figure that is in line with the upward trend of 2009-2010. International brands are planning to expand their Polish operations. After entering Kraków with its Hilton Garden Inn, Hilton has announced that it will build another scheme in Rzeszów.

In the lower-budget market, the B & B chain is to open a hotel in Warsaw, while Wyndham Hotel Group's Super 8 brand is expected to make its Polish debut. Louvre Hotels expects to enter the Wrocław market with a Premier Classe hotel, and with the second hotel of Campanile brand. Growth in development activity among budget hotel operators is the result of steady consumer demand for this product, which offers low room rates and an acceptable standard of service.

Among other operators Qubus should be distinguished. The chain is aiming to launch more projects in Rzeszów, Bielsko-Biała and Poznań.

POLISH HOTEL STOCK IN 2010

Voivodship	*Number of hotels*	*Number of rooms*	*Number of hotel beds*	*Number of hotel beds per 10,000 inhabitants*
Lower Silesia	215	10,216	20,445	71.1
Kujawy-Pomerania	101	3,900	7,465	36.1
Lublin	42	1,630	3,099	14.4
Lubuskie	70	2,672	5,106	50.5
Łódź	81	4,629	8,669	34.2
Małopolska	281	13,222	27,360	82.8
Mazovia	177	15,332	29,900	57.1
Opole	34	884	1,756	17.1
Podkarpacie	104	3,007	6,057	28.8
Podlasie	21	1,300	2,589	21.8
Pomerania	142	7,205	14,678	65.7
Silesia	168	9,037	18,056	38.9
Świętokrzyskie	70	2,632	5,338	42.1
Warmia-Masuria	95	5,213	10,866	76.1
Wielkopolska	208	7,919	15,520	45.1
West Pomerania	95	6,140	12,004	70.9
Poland	1,904	94,938	188,908	49.5

Source: Cushman & Wakefield Valuation & Advisory, January 2011

POLISH HOTEL BASE GROWTH IN 2010

Voivodship	*Number of hotels*	*Number of rooms*	*Number of hotel beds*
Lower Silesia	11	408	830
Kujawy-Pomerania	5	277	554
Lublin	6	164	370
Lubuskie	6	208	374
Łódź	7	242	445
Małopolska	16	487	1,115
Mazovia	2	172	359
Opole	7	148	314
Podkarpacie	13	343	680
Podlasie	2	146	310
Pomerania	11	486	960
Silesia	16	1,059	2,196
Świętokrzyskie	5	108	270
Warmia-Masuria	7	294	622
Wielkopolska	6	763	1,319
West Pomerania	4	200	405
Poland	124	5,505	11,123

Source: Cushman & Wakefield Valuation & Advisory, January 2011

CUSHMAN & WAKEFIELD VALUATION & ADVISORY

Cushman & Wakefield has been providing clients with in-depth analytical surveys of various sectors of Poland's property market, such as Investment, Office, Retail, Residential, Hotel and Industrial as well as regional overviews. Through research into current and future real estate market conditions and by the application of proprietary analytical methods to quantify risks and rewards, we help to identify the challenges and opportunities presented by changing business cycles.

Our valuations are prepared to suit variety of needs including:

- Portfolio valuations including hotels
- Acquisition / disposal
- In-kind contribution
- Financing or loan security
- Accounting / financial reporting
- Insurance
- Update of perpetual usufruct fee
- Determining damages amount (compulsory purchase)
- Determining the amount of incurred outlays
- Reduction of betterment levy
- Reduction of planning charge
- Valuations for client's internal needs

The valuation reports are made in accordance with the Polish standards – PFSRM as well as the international standards – TEGoVA and RICS (Red Book) which comply with IVS.

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is a new portal presenting over one thousand prime commercial facilities in the Polish real estate market covering office, retail, warehouse and hospitality sectors, including properties intended for sale. The website also gives users access to a professional investment calculator.

www.cwoffice.pl
is dedicated to office space in Poland. It offers detailed information on hundreds of office buildings in the largest Polish cities: Warsaw, Kraków, Katowice, Poznań, Łódź, Wrocław, Tricity and Szczecin.

www.industrial.pl
is devoted mainly to warehouse market. The service provides information about all logistic parks in Poland.

www.cwprojectmanagement.pl
contains detailed information on the Project Management Department offer as well as enables clients to prepare preliminary cost estimation of the selected services.

www.cwassetmanagement.pl
presents a wide range of services provided by the Asset Management Department. Users have access to detailed information about the managed property portfolio among others.

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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.

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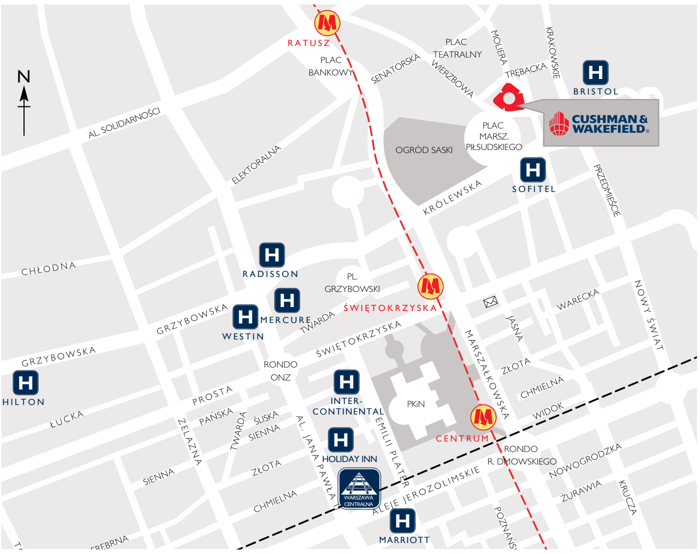

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