MARKETBEAT

POLISH REAL ESTATE MARKET REPORT

A Cushman & Wakefield Research Publication

CUSHMAN & WAKEFIELD®

SPRING 2012

EXECUTIVE PERFORMANCE

ECONOMY PERFORMANCE

With GDP growth of 4.3% in 2011, Poland boasted one of the most dynamic economies in the European Union. The Monetary Policy Council's one percentage point reference rate hike in H1 2011 curbed inflation, which is expected to fall below 3% within the next two years. The key factor powering the strong performance was domestic demand: retail sales were nearly 7% higher than 2010's level. Foreign direct investment rose by 64% over the previous year's figure, ensuring Poland continues to be one of the most attractive destinations for capital.

INVESTMENT MARKET

2011 was a favourable year for the commercial investment market. The transaction volume reached EUR 2.56bn, a rise of over 30% on 2010's level, and the highest level since 2007. The retail sector, which turned over EUR 1.17bn, was the top-performing sector. Offices recorded just under this total, around EUR 1.15bn. Warehouses saw by far the lowest investment activity, with only EUR 165m of deals. In 2012 the investment market will depend strongly on the situation prevailing in global, mainly European, financial markets, with the tightening liquidity conditions evident since the last quarter of 2011.

2010	2011
1.96 bn EUR	2.56 bn EUR

OFFICES

Poland's office market has come through 2011 in surprisingly good shape. Warsaw alone recorded take-up of 573,853 sq.m, a 4.5% increase on 2010, and a dearth of new completions pushed vacancy rates down. However, this activity had little impact on rents, with a number of projects under construction expected to hit the market soon. Developers are still reluctant to invest in regional cities, as even in large conurbations two or three large office buildings can satisfy demand. Moreover, uncertain economic conditions in Europe have forced banks to tighten their lending criteria. Prelets continue to be the most important factor for acquiring project finance. Depending on project location and type, banks normally require prelets for at least 30% to 40% of a project's lettable space.

OFFICE MARKET DIRECTIONS

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

* Central Business District; ** Non Central Locations

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

TREND: UP / STABLE / DOWN

RETAIL

2011 was another stable year for the Polish retail market in terms of demand, supply and rents. Despite difficulties in sourcing adequate funding for new investments, a handful of retail projects were launched. Several large transactions during the year signaled a revival in the investment market.

New retail space supply in 2011 totalled around 700,000 sq.m of GLA, increasing the total floorspace to 10.6 m sq.m. Shopping centres accounted for the largest share, 73%, followed by large-scale stores and retail parks, 21%, outlet centres, 3% and other retail facilities, 3%.

the biggest shopping centre to open last year was Millenium Hall in Rzeszów, offering

49,000 sq.m of GLA

RETAIL MARKET DIRECTIONS

	SUPPLY	DEMAND	RENTS	VACANCY
Poland	UP	STABLE	STABLE	STABLE
Warsaw	UP	UP	UP	DOWN
Krakow	STABLE	STABLE	STABLE	STABLE
Łódź	STABLE	DOWN	DOWN	UP
Wrocław	UP	STABLE	STABLE	UP
Poznań	UP	UP	STABLE	STABLE
Katowice Con.	STABLE	UP	STABLE	STABLE
Tricity	UP	UP	STABLE	STABLE
Szczecin	STABLE	STABLE	STABLE	STABLE
Other cities	UP	STABLE	DOWN	UP

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

INDUSTRIAL

2011 was a very strong year for the warehouse market in Poland, with both supply and demand surpassing figures recorded in 2010. Supply rose by around 5% over the year, with take-up totalling nearly 1,900,000 sq.m, a 34% increase compared with 2010. At the end of 2011, close to 370,000 sq.m was under construction with total warehouse stock exceeding 7 million sq.m. Most projects were on a built-to-suit basis or subject to a prelet. However, worth noting is that in locations where quality space was scarce, developers often constructed an additional speculative component on the back of a pre-let being secured. Almost all regions reported lower vacancy rates, which pushed rents up slightly in some locations where supply was limited.

INDUSTRIAL MARKET DIRECTIONS

	SUPPLY	DEMAND	RENTS	VACANCY
Poland	UP	UP	STABLE	DOWN
Warsaw	UP	UP	STABLE	DOWN
Upper Silesia	UP	UP	UP	DOWN
Central Poland	STABLE	UP	STABLE	DOWN
Poznań	STABLE	UP	STABLE	DOWN
Wrocław	STABLE	UP	STABLE	DOWN
Tricity	UP	UP	STABLE	DOWN
Krakow	UP	STABLE	STABLE	DOWN

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

HOSPITALITY

The hospitality industry in Poland showed a sustained recovery in 2011. Poland's term as chair of the EU Council in the second half of the year has benefited the market, contributing to the growth of both ADR and occupancy levels. The forthcoming Euro 2012 football tournament is likely to prove a further stimulus over both the short term and the longer term, because major sporting events often promote tourism.

TREND: UP | STABLE | DOWN

ECONOMY PERFORMANCE

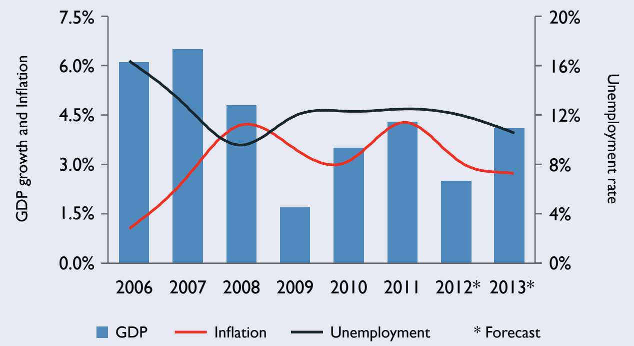
ECONOMIC GROWTH AND UNEMPLOYMENT

GDP growth is set to slow to 2.5% in 2012 because of the risk of recession in the eurozone, which is forecast to grow by only 0.3%. The unemployment rate rose from 11.8% during H1 2011 to 12.5% during H2. Unemployment is expected to stabilize in 2012, but the jobless rate is unlikely to shrink to 10.5% until 2013.

INFLATION

Inflation surged to 4.3% in 2011 compared with 3.1% in 2010. This rise was largely down to a sharp increase in food and energy prices, and new, higher VAT rates. The National Bank of Poland expects the rate of inflation to slow to 3.1% in 2012 and 2.8% in 2013.

KEY ECONOMIC INDICATORS

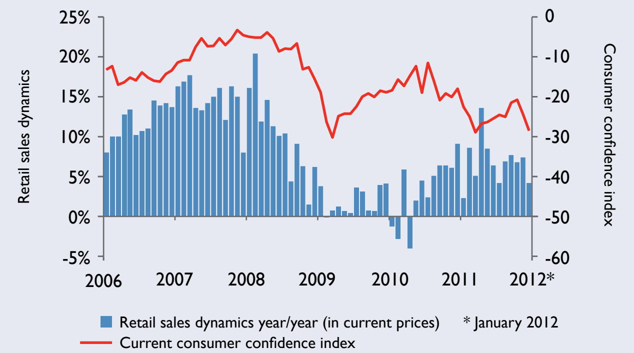


SOURCE: GUS, NBP, OXFORD ECONOMICS LTD., CONSENSUS ECONOMICS INC

RETAIL SALES

Retail sales grew faster during H2 2011 than in H2 2010 – except for December 2010 when consumers went on a spending spree, anticipating a rise in prices caused by the VAT hike. Retail sales reached 6.8% in 2011 in real terms compared with 3.3% in 2010. The consumer confidence index rose steadily from April to October last year before declining in the final two months, but this downward trend is likely to be short-lived.

RETAIL SALES & CONSUMER CONFIDENCE

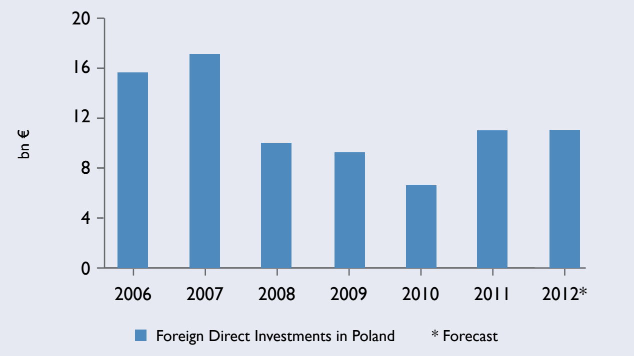


SOURCE: GUS

FOREIGN INVESTMENT

Foreign direct investment into Poland rose by more than 64% in 2011 compared with 2010 and totalled EUR 11bn, up from EUR 6.7bn in 2010 and EUR 9.3bn in 2009. The country occupies the top spot in the EU rankings for cross-border investment, followed by Germany and Austria, and is second only to Russia in the pan-European rankings. Poland's 2012 foreign direct investment volume is expected to remain at 2011's level. Investors, however, could be deterred by the threat of economic downturn.

FDI IN POLAND



SOURCE: NBP, BALANCE OF PAYMENTS

FINANCIAL MARKETS

FISCAL POLICY AND BUDGET

Poland's budget deficit, which rose sharply to 7.9% of GDP in 2010, was brought down to 5.6% in 2011. Public debt came in at 53.7%. A failure by the Polish government to hold the public debt below 55% of GDP would trigger constitutionally mandated spending cuts and tax rises.

STOCK EXCHANGE

Investors had a difficult 2011 at the Warsaw Stock Exchange (WSE). By the end of December, the WIG index had dropped by nearly 17% from its level at the end of 2010. The deepening euro crisis led to a flight from stocks to safe havens such as gold and the Swiss franc. Investors' expectations about the future economic growth fell to pre-2006 levels. Market uncertainty boosted trading with an increase in average daily volumes by 25%, from PLN 0,8bn in 2010 to PLN 1bn in 2011.

The WIG20 index and the building sector subindex WIG-Construction shadowed the main WIG index. The WIG-Construction's performance was hindered by the completion of large infrastructure projects for the 2012 European Football Championship and a corresponding fall in public sector investment.

Doubts cloud the 2012 outlook for the WSE, the performance of which will depend upon how quickly investors gain confidence in the emergency plan to save the eurozone. This will be down to the ability of politicians to construct a positive scenario.

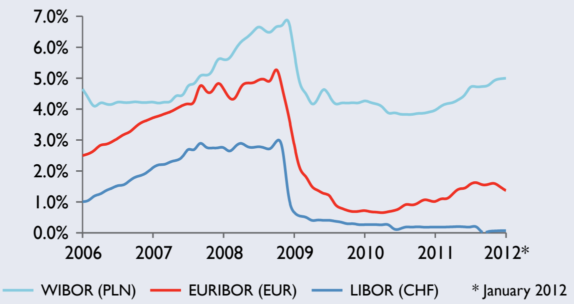
WARSAW STOCK EXCHANGE DYNAMICS

SOURCE: WARSAW STOCK EXCHANGE

INTEREST RATES

Following the series of interest rate hikes during H1 2011, the Monetary Policy Council kept the NBP's reference rate at 4.5% in H2 2011 for fear of the global economic crisis bringing Poland's economic growth to a halt. The country's inflation rate, which was well above the target of 2.5%, prevented the Council from lowering reference rates further. The European Central Bank (ECB) responded to the debt crisis and falling GDP growth much more strongly, cutting its key interest rate in two steps, in November and December 2011 (finally from 1.5% to 1%). The WIBOR interbank rates rose by one percentage point in 2011, which ramped up the cost of debt service. However, the ECB's decision to cut its interest rates led to a one percentage point drop in the EURIBOR.

INTEREST RATES (3M)

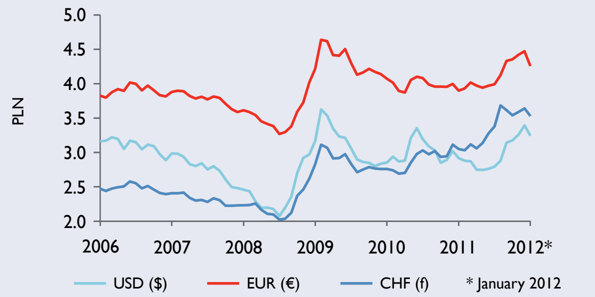


SOURCE: MONEY.PL

EXCHANGE RATES

In 2011, the Polish currency, the zloty, weakened against the euro by 12% and the US dollar by over 13%. Against the Swiss franc the zloty skyrocketed to PLN 3.65, up from PLN 3.12 at the end of 2010 – an increase of nearly 16%. A further slide was prevented by the National Bank of Poland, which stepped in to sell its foreign currencies, and by the Ministry of Finance, which bought treasury bills.

EXCHANGE RATES



SOURCE: NATIONAL BANK OF POLAND

INVESTMENT MARKET

INVESTMENT CONDITIONS

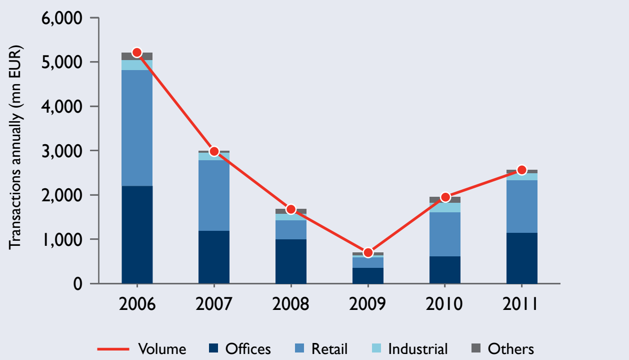
2011 was a favourable year for the commercial investment market. Strong economic performance, access to finance and a flurry of attractive projects prompted a number of deals. The transaction volume reached EUR 2.56bn, a rise of over 30% on 2010's level, and the highest level since 2007.

The retail sector, which turned over EUR 1.17bn, was the top-performing sector. Offices recorded just under this total, around EUR 1.15bn, with the Warsaw market accounting for most of this volume. Warehouses recorded by far the lowest investment activity, with only EUR 165m of deals. The remainder of the investment marked notched up around EUR 69m of deals.

As in previous years, foreign investors were the main driver of this growth, and raised their market share to 96% (92% in 2010 and 87% in 2009). Market entrants included the Qatar Investment Authority, one of the largest sovereign wealth funds in the Persian Gulf, which acquired the Warsaw headquarters of TP SA and Orange.

In 2012 the investment market will depend strongly on the situation prevailing in global, mainly European, financial markets. Assuming EU countries implement effective austerity measures to reduce debt, and avert a breakup of the eurozone, investment activity is likely to reach a similar level to that of 2011.

TOTAL INVESTMENT DEALS

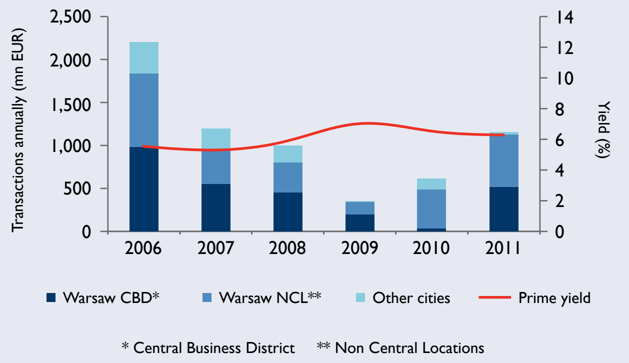


SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

EUR 2.56bn

the transaction volume, rise of over 30% on 2010's level, and the highest level since 2007

OFFICE INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

EUR 1.152bn

2011 total office transaction volume

OFFICE MARKET

In 2011 the office sector gained the most from the favourable investment conditions as total transaction volume reached EUR 1.152bn, an increase of over 86% on 2010. Yet this was still just under half of the total for 2006, the market's record year.

Though this performance was impressive, growth was highly selective and was concentrated in Warsaw. Only one in 19 sales agreements was signed outside the capital, with Spanish fund Azora acquiring Green Park office park in Krakow. Warsaw's office market's size offers higher liquidity and lower investment risk than Poland's regional markets offer.

The Warsaw supply cannot keep up with demand, and there is a paucity of centrally located high-quality offices for sale – the most sought-after assets. This imbalance is reflected by a compressing prime yield, which has fallen to 6.25%, around 50 basis points under the figure for non-central locations and more than 75 basis points under the yields for markets such as Wrocław and Krakow.

The largest deal in 2011 was Austrian propco CA Immo's acquisition of Europolis, which holds shares in five Warsaw office buildings. The future headquarters of TP SA has also a new owner, the Qatar Investment Authority, as does the Warsaw landmark building, Focus, which was acquired for around EUR 117m by the German investment fund RREEF.

RETAIL

In 2011 the retail transaction volume increased by 18% to an estimated EUR 1.177bn over 2010's total. This improvement was particularly notable in the second half of the year, which accounted for 75% of total transaction volume. Atrium European Real Estate's acquisition of the Promenada shopping centre for EUR 171m, Unibail-Rodamco's purchase of a 50% stake in Galeria Mokotów (valued at EUR 475m) and Blackstone Real Estate's acquisition of the Magnolia shopping centre in Wrocław for EUR 222.5m accounted for over half of the transactions.

Blackstone, a new entrant to the Polish market, which bought CH Magnolia, was the retail sector's most active investor last year. The propco acquired five shopping centres for EUR 440m for its King's Street Retail fund.

Shopping centres in large conurbations, in particular established schemes, continued to garner major interest. Retail parks, department stores and other retail facilities have lower investment market share owing to the low liquidity of these assets. A notable exception was the sale of the portfolio of Biedronka's stores and the sale of other single units of this chain in Slupsk and Katowice. Also worth noting was the launch of two joint ventures: CDI and Resolution's redevelopment of Supersam in Katowice, and Helical and Standard Life's development of Europa Centralna retail park in Gliwice.

In 2012 retail assets in cities with a population of 100,000 to 300,000 are projected to account for the lion's share of investment transactions. Although large cities are expected to see growing demand for high-quality retail assets, a dearth of this type of asset is likely to limit the number of transactions. At the same time, small cities will attract only limited interest from investors, because of these markets' increased risk.

INDUSTRIAL

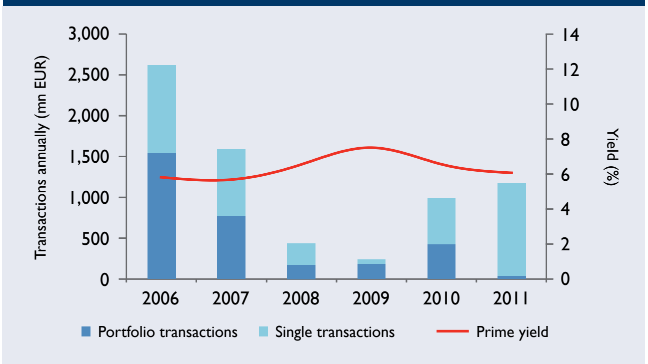
Transaction volume on the industrial market in 2011 totalled EUR 165m, a 25% fall on 2010. However, this underperformance was not the effect of worsening economic conditions but of the market low liquidity – one large sale can affect the results for the whole sector. While in 2010 the supply of prime properties was high, owing to Panattoni's disposal of part of its portfolio, in 2011 the availability of high-quality assets was notably lower. A fall in yields last year to 7.75% highlights the still-robust demand and bodes well for 2012.

Properties leased to long-established single tenants attracted major investor interest in 2011. Examples include the acquisition of distribution centres such as Intermarché in Mysłowice and Nestlé in Toruń, acquired by the British fund NBGI, which was the most active investor in the Polish industrial investment market last year. The fund also expanded its portfolio with its purchase of a warehouse in Grodzisk Mazowiecki from the UK fund Invista European Real Estate Trust.

Last year's largest deal was the Austrian CA Immo's acqusition of Europolis, the owner of warehouse parks in Błonie and in Piotrków Trybunalski, which together cover over 200,000 sq.m.

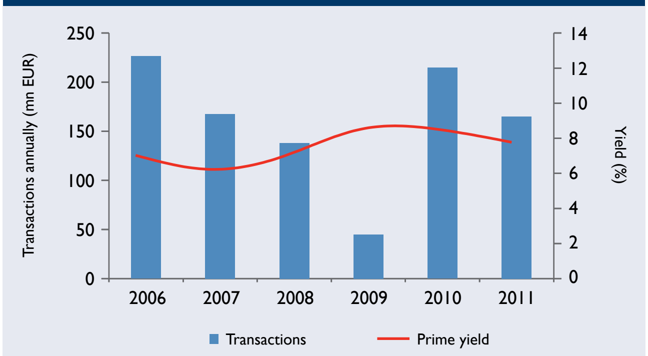
Given the number of pending negotiations, the industrial sector's transaction volume is likely to surge in 2012, during which developers and some investment funds are expected to dispose of assets.

RETAIL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

INDUSTRIAL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

OFFICE MARKET – WARSAW

WARSAW

Last year the city finished on a record high take-up level, while supply continued to fall, reaching only 45% of the 2008-2009's average levels (the pre-crisis boom period). This stemmed from the cautious approach of lenders which, following central banks recommendations, tightened lending criteria. Mokotów continued to draw major occupier interest (170,825 sq.m of take-up), with vacancy rates falling by nearly 50% on 2010's level, as did the city centre fringe (147,562 sq.m of take-up). With GDP growth forecast to fall, supply is in turn likely to slowdown its growth pace, although compared with regional markets Warsaw is expected to show more resilience to economic downturn.

SUPPLY

Since the beginning of the 1990s, modern office space stock in Warsaw has been growing steadily and now totals 3,597,000 sq.m. In 2011, 120,100 sq.m was delivered, accounting for 64% of 2010's total supply. After record 2009 office supply has been shrinking constrained by banks' tighter lending criteria and the uncertain economic situation in Europe. It is important to remember that for many projects obtaining financing for development remains a significant challenge. Large listed companies have sufficient fund to make more aggressive investment decisions, unlike small and medium-sized developers, which are dependent on debt finance and are more cautious about starting investment projects. The effect of this is that office supply is likely to shrink and the market to consolidate substantially.

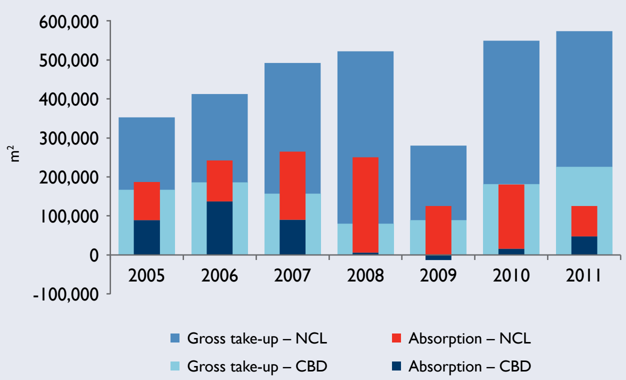
Pressure to secure prelets continues to increase. In 2011 prelets accounted for 121,877 sq.m – a nearly two-fold increase on the previous year's total. The largest completions included Ghelamco's Mokotów Nova, Karimpol Polska's Equator II, Globe Trade Centre's phase IV of the Platinium Business Park and Nieruchomości Powiśle's Hortus project. Some 180,000 sq.m of modern office space is scheduled for delivery by the end of 2012, and most of this is located outside the CBD.

BUSINESS GARDEN, WARSAW

DEMAND

Total gross take-up reached 573,853 sq.m in 2011, representing, contrary to expectations, a 4.5% increase on 2010. Absorption stood at more than 126,111 sq.m, of which around 62% (78,440 sq.m) was in non-central locations. Net take-up in the CBD reached 67,423 sq.m. More than 73% of leases were for spaces larger than 1,000 sq.m; around 33% were for spaces larger than 3,000 sq.m. Development and occupier activity continues to be focused on Mokotów, the city centre fringe and areas along Al. Jerozolimskie. In 2011 the proportion of prelets rose to 21% of gross take-up. Renewals and regearing continued to account for the substantial share of take-up (29%). However, this share was 6 percentage points lower than 2010's share, which highlights the trend of tenants relocating to new buildings offering favourable lease terms.

GROSS TAKE-UP AND ABSORPTION IN WARSAW



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

VACANCY RATES

Supply constraints and growing demand were behind 2011's declining vacancy rates. At the end of the year, around 240,155 sq.m of office space was vacant, 6.68% of Warsaw's total stock. The highest vacancy rate was recorded on the right bank of Warsaw, 12.07%, and Ursynów, 11.9%. The completion of office space in the National Stadium and the exit of the Nova Praga office building's anchor tenant were the major factors affecting the vacancy growth in Praga district. Wilanów reported the lowest vacancy rate, 2.71% – over half of 2010's rate, reflecting the low supply of new space in that region. If take-up remains at the current level, average vacancy rates in Warsaw are likely to reach at least 6%.

RENTS

Despite favourable conditions for property owners, headline rents in 2011 remained flat across most locations. In prime central locations last year they were in the EUR 24.50-26.50/sq.m/month range, while in non-central locations they stood at EUR 15-16.50/sq.m/month. The development pipeline's ability to affect rents was evident as developers embarked on an aggressive pricing strategy to attract tenants and meet bank lending requirements for 30-40% of space to be prelet. Effective rents, depending on the quality of the scheme, its size and visibility as well as the quality of the tenant, were therefore often lower by as much as 25%. Within the CBD average effective rents in prime locations stood at EUR 20-24/sq.m/month; in other locations rents were EUR 12-15/sq.m/month. At the same time, the high investment costs of new projects prevented landlords from reducing effective rents below EUR 11/sq.m/month. Tighter lending criteria, competition for tenants and projected fall in construction costs due to slowdown in infrastructure investments growth after EURO 2012 are likely to limit upward pressure on rents.

WARSAW OFFICE MARKET

	WARSAW	
Number of buildings	378	
Stock (sq.m)	3,597,000	
Total vacancy (sq.m)	240,155	
Vacancy rate (%)	6.68%	
	CENTRAL BUSINESS DISTRICT	NON CENTRAL LOCATIONS
Number of buildings	104	274
Stock (sq.m)	1,207,335	2,389,665
Total vacancy (sq.m)	80,843	159,312
Vacancy rate (%)	6.70%	6.67%

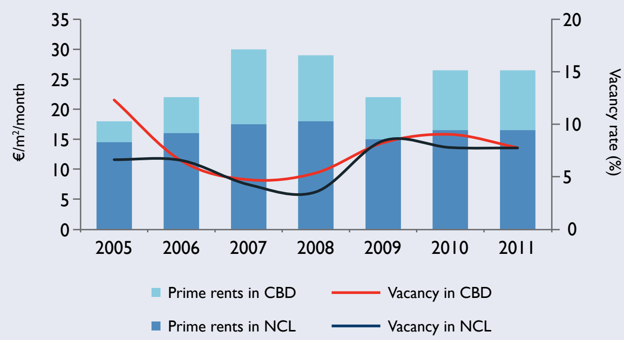
STANDARD LEASE TERMS IN WARSAW

	CENTRAL BUSINESS DISTRICT	NON CENTRAL LOCATIONS
Headline rents (sq.m/month)	EUR 19–26.5	EUR 14–16.5
Underground parking (space/month)	EUR 120–180	EUR 70–90
Surface parking (space/month)	EUR 70–120	EUR 45–75
Service charge	EUR 5–6.5	EUR 4–5.5
Incentives	Financial contribution Fit out contribution Rent free period for:	
	3–6 months	4–8 months
Lease length	5–10 years	
Add-on factor	0–10%	0–5%
VAT	23%	
Indexation	EURO or US CPI	
Others	Deposit or bank / company guarantee	

EUR 24.50-26.50

sq.m/month – rents in Warsaw's prime central locations, EUR 15-16.50/sq.m/month – in non-central locations

PRIME RENTS AND VACANCY IN WARSAW



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

OFFICE MARKET REGIONAL CITIES

KRAKOW

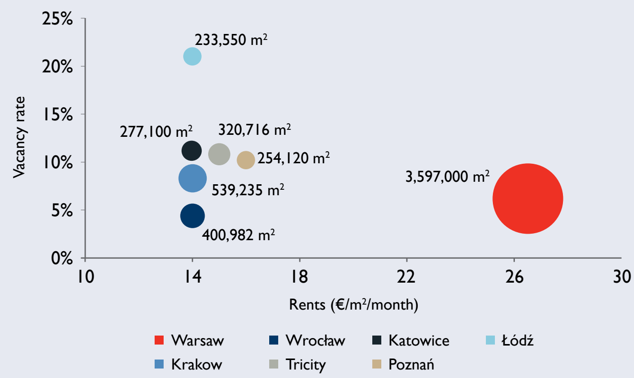
Total prime stock in the second-largest office market after Warsaw stands at 539,235 sq.m. The key completions last year in the city included Green Office (phase I, building B and phase II – building A, a total of 11,300 sq.m) as well as Quattro Business Park (phase II, 12,000 sq.m) and Bonarka4Business (buildings A and B, a total of 15,935 sq.m). The third phase of Green Office, Enterprise Park and the refurbishment of Jasnogórska 11 are due for delivery soon. A relatively large number of developments are waiting on prelets. This includes the first phase of the Netherland company East West Development Office's Orange Office Park (11,230 sq.m) and Polish developer GD&K Group's Avia building (10,110 sq.m).

Large deals such as Shell's lease of 16,100 sq.m in Krakow Business Park and SABRE's lease of 8,900 sq.m in Buma Square boosted 2011 take-up to 88,340 sq.m, down by 15% on 2010, which is not as high as expected. Vacancy rates at the end of 2011 were down by 2.4 percentage point on the corresponding period in 2010 and stood at 8.3%. Take-up correction did not alter landlords' expectations and headline rents remained at EUR 13-15/sq.m/month, with effective rents at EUR 11-13/sq.m/month.

WROCŁAW

Wrocław continues to strengthen its position as one of the fastest-growing office markets in Poland. Office stock totals 400,982 sq.m, of which 12,030 sq.m was delivered in 2011. Take-up reached 47,850 sq.m, powered by IBM's lease of 8,000 sq.m in Wojdyła Business Park and Credit Suisse's lease of 5,880 sq.m in the Grunwaldzki Center. As much as 91,784 sq.m is under construction, mainly in LC Corp's 23,954 sq.m Sky Tower; Skanska Property Poland's two phases, totalling 20,945 sq.m, of Green Towers; and 15,000 sq.m in Echo Investment's Aquarius Business House. The nation's lowest vacancy rate edged up by around 0.9 percentage point to 4.6%. This figure is, however, subject to change depending on the actual level of completions. Headline rents stood at EUR 12-14/sq.m/month, with effective rents slightly lower, owing mainly to new projects, at EUR 11-12.5/sq.m/month.

MODERN OFFICE SPACE IN POLAND



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

TRICITY

Take-up in the Tricity market in 2011 reached 42,990 sq.m, of which new leases accounted for more than 78%, with prelets making up around 35%. The largest transactions were Energa's deal for 8,000 sq.m in TPS's Olivia Gate building and Young Digital Planet's lease of 4,398 sq.m in Allcon Park III.

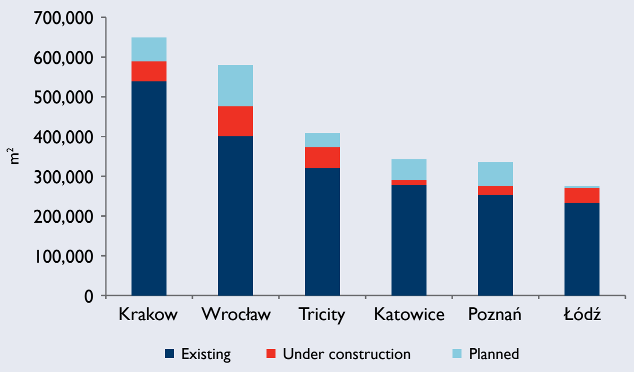
At the end of 2011 Tricity's stock amounted to 320,716 sq.m. This total included phases II and III of Allcon Park, which together contributed 15,116 sq.m, and Olivia Gate, within the Olivia Business Centre, which added 14,862 sq.m. Further phases of the Olivia Business Centre – Olivia Point and Olivia Tower, totalling 25,146 sq.m – as well as Opera Office (Euro Styl), Alchemia (Torus), Neptun (Hines), BCB Business Park (Bałtyckie Centrum Biznesu) and Garnizon Omega and Gamma (Grupa Inwestycyjna Hossa) are now under construction. Asking rents at year end were at EUR 13-15/sq.m/month, and effective rents were EUR 12-13/sq.m/month. Robust occupier demand shrunk the vacancy rate by nearly 7 percentage points to 10.4% from 2010's level.

EXISTING OFFICE STOCK

	STOCK (SQ.M)	RENTS (EUR/SQ.M/MONTH)	VACANCY (%)
Warsaw	3,597,000	14–26.5	6.68%
CBD	1,207,335	19–26.5	6.70%
NCL	2,389,665	14–16.5	6.67%
Krakow	539,235	13–15	8.3%
Wrocław	400,982	12–14	4.6%
Tricity	320,716	13–15	10.4%
Katowice	277,100	12–14	11.4%
Poznań	254,120	14–16	10.2%
Łódź	233,550	12–14	22.0%

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

STOCK AND FUTURE SUPPLY IN REGIONAL CITIES



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

KATOWICE

At the end of 2011, office space in Katowice amounted to 277,100 sq.m. Completions totalled 37,209 sq.m, of which 58% was taken up by new tenants. The largest lease deals were the renewal of Capgemini's lease of 5,700 sq.m in Altus and Tauron's and Ghelamco's deal for similar sized space in the Katowice Business Point office building. Other lettings included Ruch SA's deal for 2,500 sq.m and Grupa Żywiec's deal for 2,500 sq.m. These transactions brought down the vacancy rate by 6 percentage points from the fourth quarter 2010's level to 11.4%. Completions for 2012 will include the Opal Real Estate's Kostki office building (2,700 sq.m) and Górnośląski Park Przemysłowy (7,350 sq.m). Further up the pipeline, Skanska Property Poland's Silesia Business Park I and Secus Property SA's Piaskowa Business Center have been granted building permits and will together expand supply by 20,622 sq.m.

Rents were stable, yet a dearth of supply is likely to push them up slightly. Asking rents were at EUR 12-14/sq.m/month, and effective rents were EUR 11-12/sq.m/month.

STERLINGA BUSINESS CENTER, ŁÓDŹ

POZNAŃ

In 2011 Poznań's total office stock stood at 254,120 sq.m. The key projects completed were the 5,835 sq.m Malta Office Park III and the 4,170 sq.m Murawa Office Park. Under construction are Immobel's 5,500 sq.m Okrąglak, Von der Heyden Group's 10,800 sq.m, Andersia Business Centre and, within the old city, the 1,784 sq.m Piątkowska Office Center.

The largest leasing deal of 2011 was Allegro's deal for 14,600 sq.m in the Pixel building, which is under construction within the Klaster Grunwaldzka complex. Vacancy rates in the fourth quarter stood at 22,965 sq.m, equating to 10.2% of the city's total office stock. Take-up came to 48,686 sq.m and, as in most regional cities, new leases accounted for the largest share, 86% of transaction volume. Headline rents were flat at EUR 14-16/sq.m/month, with effective rents around EUR 12-14/sq.m/month.

ŁÓDŹ

In 2011 take-up on the Łódź's market reached 39,175 sq.m, of which 88% were new leases. The largest letting was Infosys BPO Poland's lease of 15,000 sq.m in Skanska Property Poland's Green Horizon, which is scheduled for delivery in October. Despite a few large letting transactions, the delivery of 8,730 sq.m in Park Biznesowy Teofilów (BZ WBK and BZ WBK TFI), pushed the vacancy rate up to 22%. Rossmann's 7,600 sq.m headquarters completed in the fourth quarter.

At the end of last year, Łódź's total stock stood at 233,550 sq.m. The largest office due for completion this year is the 18,000 sq.m Green Horizon. Echo Investment's 19,000 sq.m Aurus is still in the development pipeline. Although Łódź's space generated healthy demand, asking rents were relatively low at EUR 14/sq.m/month, with effective rents at EUR 10-11/sq.m/month.

RETAIL MARKET

POLAND

2011 was another stable year for the Polish retail market in terms of demand, supply and rents. Despite difficulties in sourcing adequate funding for new investments, a handful of retail projects were launched. Several large transactions during the year signaled a revival in the investment market.

New retail space supply in 2011 totalled around 700,000 sq.m of GLA, increasing the total floorspace to 10.6 milion sq.m. Shopping centres accounted for the largest share, 73%, followed by large-scale stores and retail parks, 21%, outlet centres, 3% and other retail facilities, 3%. The biggest shopping centre to open last year was Millenium Hall in Rzeszow, offering 49,000 sq.m of GLA.

At the end of 2011, more than 800,000 sq.m of GLA of modern retail space was under construction, including such large projects as Europa Centralna Park in Gliwice, Galeria Katowicka and City Center in Rzeszow. The supply pipeline – projects under construction and at the advanced planning stage – is likely to deliver a similar amount of space in 2012 and 2013.

Tenant demand remains at a healthy level, and is focused on established retail space offering high footfall and revenues. Large international and domestic retail chains continued to expand in 2011 and new entrants are expected in 2012. Smaller retail chains are more cautious and will consider only prime locations and facilities with competitive rents and incentive packages. The vacancy rate in the largest conurbations ranges from 1% to 5%. However, nearly all shopping centres that opened during 2011 contained, typically, 10-20% vacant space.

Overall, rents for modern retail space are stable. Although prime shopping centre rents are growing – in Warsaw they are EUR 75-80/sq.m/month – this growth is negated by secondary scheme rents, which are under downward pressure, with landlords offering favourable lease terms and more generous incentive packages to attract and retain tenants.

SUPPLY OF MODERN RETAIL SPACE IN POLAND

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

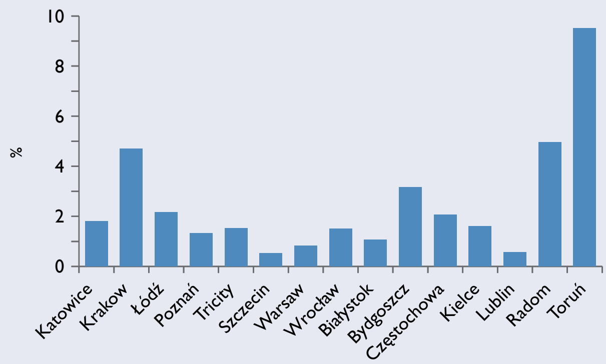
SHOPPING AND LEISURE CENTRES

Shopping centre provision in Poland increased by more than 510,000 sq.m of GLA in 2011. The largest schemes completed were Galeria Słoneczna Radom, phase II of Galeria Echo Kielce, Galeria Ostrovia Ostrów Wielkopolski, Millenium Hall Rzeszów, Kaskada Szczecin, Turawa Opole and Plaza Toruń. Extensions accounted for a significant part of this, 23.5%, including 40,000 sq.m of GLA at Galeria Echo Kielce and 19,000 sq.m of GLA at Silesia City Center in Katowice. Small schemes under 10,000 sq.m of GLA accounted for over 15% of the total provision.

At the end of 2011, Poland had 387 shopping centres, providing a total of over 7.7 million sq.m of GLA. Smaller and medium-sized cities continued to account for the increasing share, 45.5% of the total stock. In December 2011 more than 700,000 sq.m of GLA of shopping centre space was under construction, of which more than 450,000 sq.m of GLA was expected to complete in 2012 – a slight fall on 2011. The largest schemes to be completed in 2012 are Nova Park in Gorzow Wielkopolski, Alfa in Grudziądz,

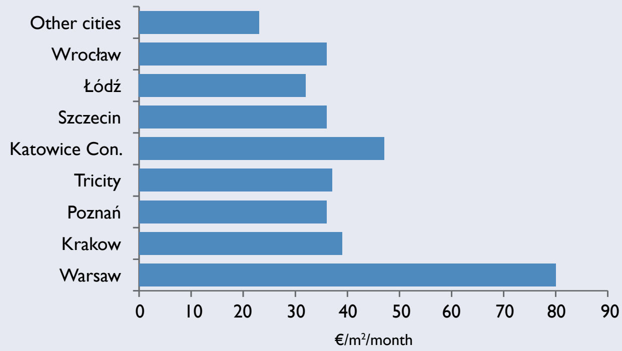
FELICITY, LUBLIN

VACANCY IN SHOPPING CENTRES IN Q4 2011



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

PRIME RENTS IN SHOPPING CENTRES IN Q4 2011

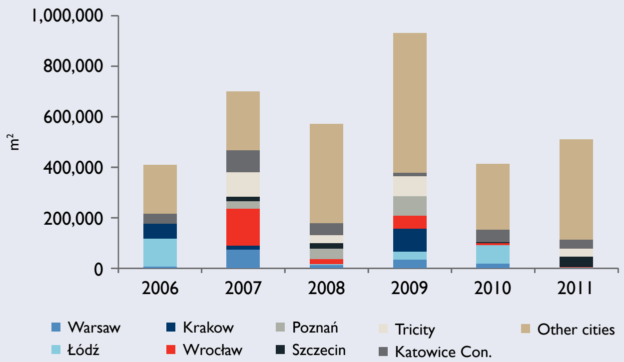


SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

Korona in Kielce, City Center in Rzeszów and Galeria Narew in Łomża. A further 200,000 sq.m of GLA of shopping centre space is in projects that were waiting on the sidelines but are now ready to commence development. With some uncertainty about completion dates of planned projects, substantial rebound in retail space provision is unlikely before 2014.

Occupier demand is concentrated on established retail schemes and prime development projects. Large-scale tenants are stepping up their expansion plans, taking advantage of favourable terms and relatively low rents. Small retail chains are adopting a more cautious approach, focusing on locations offering high footfall and revenues. The average vacancy rate in cities with a population of more than 200,000 stands at nearly 2%. Toruń (9,5%) and Radom (5%) posted the highest vacancy rate, reflecting undeveloped retail markets, where completion of one large project results in a surge in vacancies. Typically the lowest vacancy rate is in Warsaw (0.8%) and in Szczecin (0.5%).

SHOPPING CENTRES IN SELECTED CITIES



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

Rents in prime shopping centres for units (let to a clothing retailer) sized between 100 sq.m and 150 sq.m remained high at EUR 77-80/sq.m/month in Warsaw and at EUR 35-40/sq.m/month in other conurbations. Shopping centre rents vary substantially, according to the quality of scheme, unit size, tenant type and incentives offered.

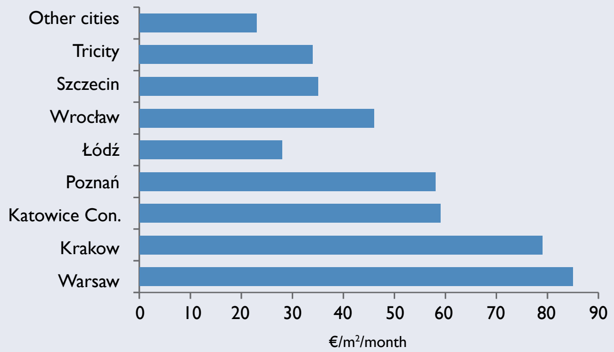
HIGH STREETS

The key event in the Polish high street market in 2011 was the opening of the fashion house vitkAc in Warsaw's Bracka street. Tenants include Gucci, Bottega Veneta, YSL, Giorgio Armani, Lanvin and Diesel. Other conurbations did not record any major changes in this sector.

High street development as seen in western Europe is hindered by low availability of suitable sites in central locations, ownership structure (mostly communal) and undefined legal status of property. However, two new types of investment projects are being rolled out. One involves the rehabilitation of existing tenements, adapting them for retail, leisure and catering uses. Such projects are planned in Warsaw on Chmielna and Nowy Świat streets as well as in other conurbations. The second involves the refurbishment of old department stores. Warsaw will see the renovation of the Smyk building, and in Katowice, the Supersam facility is due for a revamp.

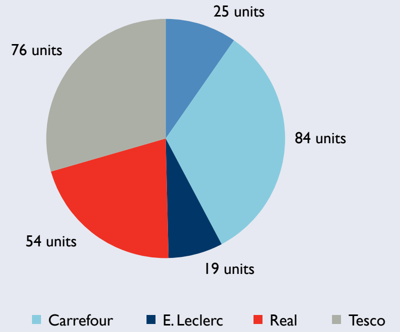
High street rents remain stable. The most expensive rents are in Warsaw, EUR 83-85/sq.m/month, and Krakow, EUR 77-79/sq.m/month. In small cities, rents are notably lower, at EUR 20-23/sq.m/month.

PRIME RENTS ON HIGH STREETS IN Q4 2011



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

HYPERMARKETS IN POLAND IN Q4 2011



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

HYPER AND SUPERMARKETS

Hypermarkets put off their expansion plans in 2011 while small food retail formats moved ahead with growth strategy. The most active retail chain was Tesco in the hypermarket sector and Biedronka in the discount stores sector. The purchase of trading group Emperia's distribution arm Tradis by FMCG wholesaler Eurocash was another example of consolidation in Poland's food sector. Further consolidations are expected in 2012.

Poland now contains more than 250 hypermarkets and several thousand supermarkets and discount stores. The key hypermarket players are Auchan, Carrefour, E.Leclerc, Real and Tesco. Smaller formats are operated by chains such as Carrefour, Tesco, Kaufland, Billa, Piotr i Paweł, Stokrotka, Lidl, Aldi, Netto, Intermarché and Biedronka. Openings in the sector in 2011 included Tesco in Starogard Gdański, Jarosław, Nowy Sącz, Ostrów Wielkopolski and Suwałki; Carrefour in Gdańsk, Opole and Ostróda as well as Piotr i Paweł in Słupsk Bolesławice and Rzeszów. The largest food stores under construction are Tesco's facility in Europa Centralna retail park, Auchan Łomianki and Real in Galeria Narew in Łomża.

Some retail chains' strategy involves differentiating their offering from that of their competitors. Tesco continues to convert its stores into the Tesco Extra large format, with some products being sold in separate areas. Carrefour has introduced a new catering concept. In the Arkadia shopping centre, McDonald's has opened its first restaurant within a Carrefour hypermarket. Lidl and Biedronka have been enhancing the range of services and infrastructure offered at their stores, as well as their design. Delicatessen chains have focused on centrally located retail galleries and new housing estates in large cities.

Rents at food stores are edging down. Hypermarket rents stand at EUR 6-7.5/sq.m/month, those for supermarkets are at EUR 8-13/sq.m/month, while rents at discounts stores are EUR 5-8/sq.m/month.

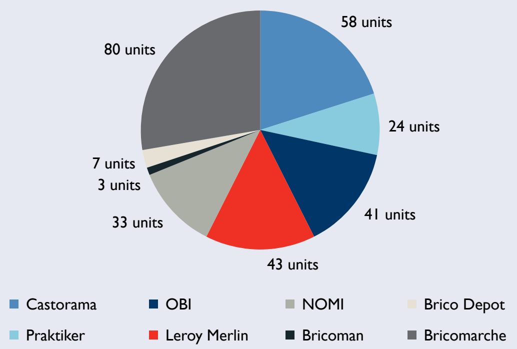
RETAIL PARKS

Growing interest in Polish retail parks indicates that the retail market is reaching maturity, as both developers and chains look out for expansion opportunities. Development activity is expected mostly in small and medium-sized cities. In 2011 more than 100,000 sq.m was developed in retail parks including Futura Park Krakow, Centrum Pod Wiatrakami near Słupsk, Park Handlowy Tarnowskie Góry and Focus Park in Włocławek.

Freestanding large-scale, non-food stores continued to expand steadily. At the end of 2011 this type of facility comprised a total of 2.2m sq.m, of which 20% was in retail parks. The largest facilities are owned by IKEA, which last year extended Park Handlowy Franowo by adding sports chain Decathlon and DIY retailer OBI. Some 150,000 sq.m is under construction, including the 67,000 sq.m Park Handlowy Europa Centralna in Gliwice, which will house Tesco, Castorama, Jula, Media Expert, RTV Euro AGD, H&M, Cubus, KappAhl, Reserved, Lindex, Smyk and EMPiK. By the end of 2013, the development pipeline will represent a potential 100,000 sq.m of large-scale stores and retail parks.

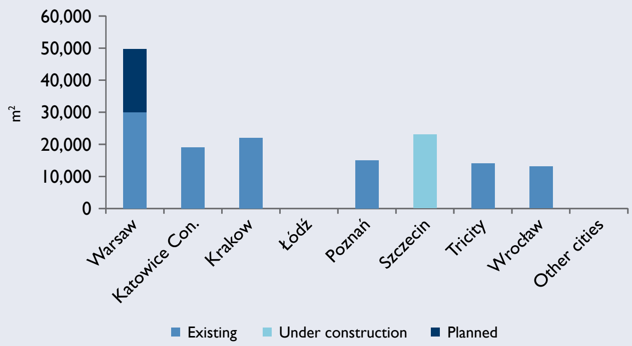
Retail park tenants are mainly retailers from the DIY products, household appliances and electronics, furniture, sports equipment and homeware sectors. Dominant market players include OBI, Castorama, Leroy Merlin, Media Expert, Decathlon, BRW, Agata, Komfort and Jysk. The largest retail park is IKEA Matarnia in Gdańsk. Some fashion retailers, such as H&M, C&A, TK Maxx, New Yorker, Vögele, Smyk, Humanic, Cubus and KappAhl, also operate in these locations. The vacancy rate for retail parks stands at 3-5%.

DIY SECTOR IN POLAND IN Q4 2011



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

FACTORY OUTLETS IN POLAND IN Q4 2011



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

Rents at retail parks in Q4 2011 amounted to EUR 6-8/sq.m/month for large units and EUR 9-13/sq.m/month for medium-sized ones. Service charges and marketing costs are somewhat lower than those for traditional shopping centres, owing to the parks' simpler infrastructure and larger unit size.

OUTLET CENTRES

2011 witnessed increased activity in the outlet centres sector in Poland. In Q4 Neinver opened the 22,000 sq.m Factory Krakow (part of Futura Park), which contains more than 100 stores including such brand names as Nike, Levi's, Benetton, Reebok, Puma, Reserved and Tommy Hilfiger. Another key event was the start of construction on Outlet Park Szczecin by Echo Investment. This 23,000 sq.m scheme is due to open in Q3 2012. Tenants will include Nike, Big Star, Reserved, House, Adidas, Reebok, Puma, Lee Wrangler and Lee Cooper.

Following the completion of Factory Krakow, total outlet centre stock in Poland rose to 112,000 sq.m. The country offers seven such centres: Factory Ursus (Warsaw), Factory Wrocław, Factory Luboń (Poznań), Factory Krakow, Fashion House Piaseczno (Warsaw), Fashion House Gdańsk and Fashion House Sosnowiec. The development pipeline, which totals 43,000 sq.m, consists of Outlet Park Szczecin, which is under construction, and the planned Factory Warsaw Annopol (construction start – February 2012).

The outlet centre pipeline also includes schemes that combine offerings from well-known domestic and international retail brands and less well-known local brands, as well as wholesale stores. The biggest facility of this type is planned near Łódź in Rzgów as part of the extension of Centrum Targowe Ptak. The 27,000 sq.m Ptak Outlet will house 140 outlet stores and include such brands as Nike, Puma, Adidas and Reebok.

Over the nine years of its existence, the outlet centre market in Poland has absorbed on average around 12,000 sq.m each year. The market today comprises over 700 stores, with the clothing – specifically youth fashion, men's and women's fashion and underwear – sports and footwear sectors accounting for the largest share. High demand is reflected by low vacancy rates, which in Q4 2011 were at 1-5%, depending on location.

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

INDUSTRIAL MARKET

MARKET OVERVIEW

The Polish warehouse market revival continued in 2011, with sustained demand and an increase in supply. Leasing volume rose by 34% and the amount of new space was up by around 5% from the 2010 total. As at the end of 2011 close to 370,000 sq.m was under construction, double the previous year's level. Total stock reached 7 million sq.m. Warsaw, Upper Silesia, Poznań, Central Poland and Wrocław remained the largest warehouse markets in Poland, accounting for 93% of total stock. Improving road infrastructure has facilitated the development of other regions, in particular: Tricity, Krakow, Rzeszów, Toruń and Szczecin. New developer-led schemes are expected to be delivered in the coming years in some of the larger cities in eastern Poland which have not attracted developer activity mainly due to poor infrastructure and limited occupier demand.

Modern warehouse take-up in 2011 stood at around 1,900,000 sq.m, of which more than 500,000 sq.m was noted during a record third quarter. New lease agreements accounted for 62% of total take-up; lease extensions made up 32%, and lease expansions 6%. As in previous years, take-up predominantly came from logistics operators (31%), retail chains (14%) and the automotive sector (11%). Occupiers' interest focused mostly on warehouses in the Warsaw region (41%), Upper Silesia (20%), Wrocław (12%) and Poznań (11%).

Around 400,000 sq.m of modern warehouse space was delivered in 2011, mostly in Upper Silesia (28%), Warsaw (18%) and Rzeszów (15%). The largest completions included Zelmer's BTS production and warehouse project in Rzeszów (33,000 sq.m) developed by Panattoni; Park Logistyczny Podgrodzie (30,000 sq.m), located in the Rzeszów region; a further phase of SEGRO's Tulipan Park in Gliwice (26,000 sq.m) and PointPark's scheme extension (23,000 sq.m) in Poznań. Close to 370,000 sq.m of warehouse space was under construction at the end of 2011, with most of these projects being on a built-to-suit basis. This type of development model ensures developers a stable income stream over a longer lease term (five years or more depending on location), and also benefits occupiers, who are able to occupy facilities tailored to their exact needs.

The majority of developers still require pre-lets on a minimum lease term of four or five years in order to secure funding to commence construction. As a result, prelets account for close to around 90% of warehouse space under construction. The highest concentration of modern warehouse space under construction is in the Warsaw region (96,000 sq.m), Poznań (64,000 sq.m) and Wrocław (63,000 sq.m).

With demand generally outstripping supply, almost all regions noted lower vacancy rates. At the end of 2011 Poland reported total vacant warehouse space of around 845,000 sq.m, or 12% of total stock, a fall of around 3 percentage points compared with the end of 2010. The largest amount of vacant space, in absolute numbers, was reported in Warsaw's suburbs (385,000 sq.m) and Upper Silesia (108,000 sq.m). However, the highest vacancy rates were in smaller markets such as Szczecin (52%) and Rzeszów (38%) – resulting from a very limited amount of stock – with the lowest in Poznań (3.9%), Upper Silesia (7.8%), Krakow (8,7%) and Wrocław (9.1%).

Lower vacancy rates pushed rents up slightly in almost all regions. The highest headline rents were posted in Warsaw's inner city (EUR 4.50-5.80/sq.m/month); the lowest were in Central Poland (EUR 2.80-3.90/sq.m/month) and in the Warsaw suburbs (EUR 2.90-3.60/sq.m/month). In the remaining regions, rents were around EUR 3.20-4.00/sq.m/month.

EXAMPLE LEASE TRANSACTIONS

BUILDING	COMPANY	SIZE (SQ.M)
Prologis Park Piotrków	Unilever	50,000
Prologis Park Sochaczew	Procter & Gamble	50,000
Prologis Park Teresin	Solid Logistic	35,000
Prologis Park Janki	EuroNet	35,000
Tulipan Park Gliwice	Decathlon	31,000
Poznań Logistic Centre	Amica	30,000
Goodman Krapkowice (BTS)	Metsa Tissue	27,000
Wrocław East Logistics Centre	TJX Europe	27,000
Prologis Park Piotrków	Carrefour	21,000
Prologis Park Chorzów	ID Logistics	20,000
Tulipan Park Stryków	Hellmann	20,000
Prologis Park Wrocław V	UPM Raflatac	19,000
TREI Distribution Centre	LG Electronics	18,000
Panattoni BTS	Faurecia	18,000
Prologis Park Poznań II	Samsung	14,000

WARSAW REGION

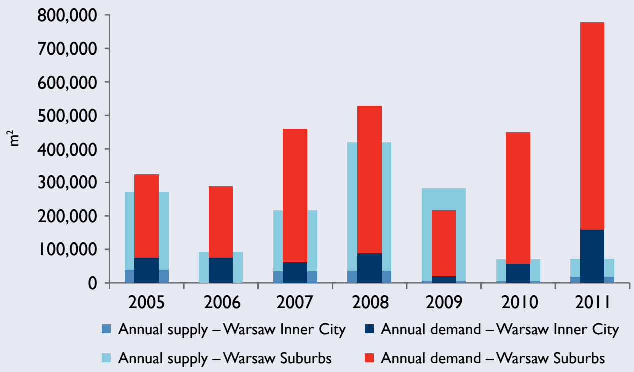
WARSAW AREA MARKET OVERVIEW		
Existing Stock	2,630,000 sq.m	
Stock Under Construction	96,000 sq.m	
Vacancy Rate	17.30%	
Take-Up	778,000 sq.m	
Major Landlords	Prologis, Panattoni, MLP Group, PointPark Properties, SEGRO, Valad	
	INNER CITY ZONE	SUBURBS ZONE
Headline Rents	4.50–5.80 EUR/m²/month	2.90–3.60 EUR/m²/month
Effective Rents	3.90–5.50 EUR/m²/month	2.00–3.20 EUR/m²/month

The Warsaw region is the nation's largest warehouse market. In 2011, around 72,000 sq.m came on stream, bringing total stock to almost 2.65 million sq.m. The largest completions included the first warehouse in Good Point Puławska II (22,000 sq.m) and Danone's facility in Panattoni Park Święcice (17,000 sq.m).

The Warsaw warehouse market comprises two zones: the inner city, defined by the area within the capital's administrative borders; and the suburbs, an area within a12-50 km radius from the city centre. The inner city, consisting of mainly the Białołęka, Targówek and Włochy districts, accounts for 22% of the region's stock. The suburbs make up 78% of total stock and this area is expanding to the west and south of the capital in such areas as Błonie, Janki, Piaseczno, Pruszków and Sochaczew.

In 2011, around 778,000 sq.m of warehouse space was transacted within the Warsaw market, a 73% increase compared with the previous year. Most leases were for space in the suburbs (80%), but it was the inner city that reported a two-fold increase in take-up. Unoccupied space decreased in the region and the vacancy rate stood at 17.3% at the end of 2011.

SUPPLY AND DEMAND IN WARSAW REGION



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

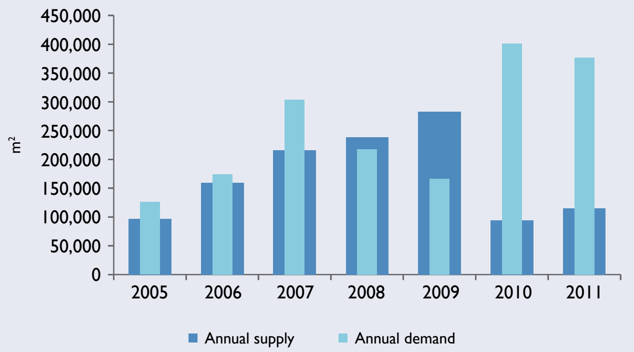
UPPER SILESIA

UPPER SILESIA MARKET OVERVIEW	
Existing Stock	1,386,000 sq.m
Stock Under Construction	47,000 sq.m
Vacancy Rate	7.80%
Take-Up	375,000 sq.m
Major Landlords	Prologis, SEGRO, Panattoni, Goodman, MLP Group
Headline Rents	3.00–3.60 EUR/m²/month
Effective Rents	2.70–3.10 EUR/m²/month

Upper Silesia is one of the largest industrial hubs in Europe and Poland's second-largest warehouse market. The region's modern roads, high intensity of production, FDI (especially from the automotive industry) and its location have underpinned its growth as a key industrial and logistics hub. At the end of 2011, Upper Silesia's stock stood at 1,386,000 sq.m. In 2011 some 115,000 sq.m was delivered to the market, accounting for more than 28% of total warehouse space delivered in Poland. The largest completions in the region included further phases of SEGRO's Industrial Park Tychy (35,000 sq.m), Tulipan Park Gliwice (26,000 sq.m) and Panattoni Park Mysłowice (18,000 sq.m).

As in previous years, Upper Silesia posted the largest take-up volume among regional markets, with around 375,000 sq.m of warehouse space leased, however, marking a fall of 16% on 2010 figures. Around 108,000 sq.m of warehouse space was available for lease at the end of 2011, equating to 7.8%, one of the nation's lowest industrial vacancy rates, down by 4.4 percentage points on December 2010's level. This fall in vacancy resulted in a slight increase in rents.

SUPPLY AND DEMAND IN UPPER SILESIA REGION



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

CENTRAL POLAND

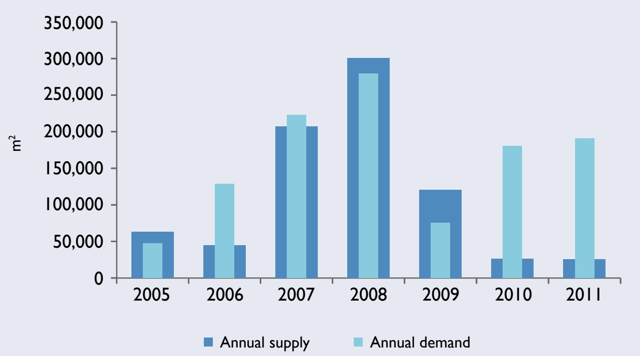
CENTRAL POLAND MARKET OVERVIEW	
Existing Stock	940,000 sq.m
Stock Under Construction	49,000 sq.m
Vacancy Rate	10.40%
Take-Up	190,000 sq.m
Major Landlords	Prologis, SEGRO, Panattoni, CA Immo
Headline Rents	2.80–3.90 EUR/m²/month
Effective Rents	1.99–3.10 EUR/m²/month

Central Poland warehouse stock stands at almost 940,000 sq.m. Central Poland's warehouse parks are in Łódź (27% of total stock), Piotrków Trybunalski (35%), Rawa Mazowiecka (6%) and Stryków (32%). Two new cities, Pabianice and Radomsko, which now form part of the Central Poland market recorded their first industrial developments commenced in 2011.

In 2011, more than 25,000 sq.m came onto the market. The largest scheme completed was an additional 12,000 sq.m phase of Panattoni's Park Łódź East. Take-up was moderate, with around 190,000 sq.m let, up 6% compared with the previous year. Renewals accounted for 65% of take-up. The vacancy rate at the end of 2011 was 10.4%, a fall of over 3 percentage points from the end of December 2010.

Rents overall decreased slightly but varied substantially by location, space availability and the type of warehouse product. The highest rents were reported for small business units in Łódź (EUR 4.00-4.50/sq.m/month), while the lowest were for warehouses in Piotrków Trybunalski (EUR 2.80-3.20/sq.m/month).

SUPPLY AND DEMAND IN CENTRAL POLAND REGION



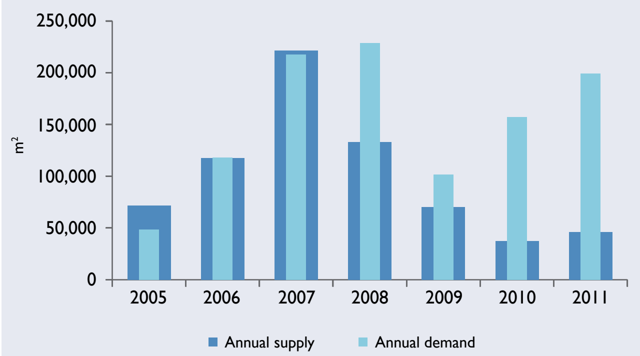
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

POZNAŃ REGION

POZNAŃ AREA MARKET OVERVIEW	
Existing Stock	946,000 sq.m
Stock Under Construction	64,000 sq.m
Vacancy Rate	3.90%
Take-Up	199,000 sq.m
Major Landlords	Panattoni, Prologis, SEGRO, Goodman, CLIP
Headline Rents	3.15–3.60 EUR/m²/month
Effective Rents	2.40–2.90 EUR/m²/month

At the end of 2011, warehouse stock in Poznań was over 940,000 sq.m. Most warehouses are located along the A2 motorway (Gądki, Komorniki, Krzesiny, Luboń) and the S7 expressway (Sady). Single parks can also be found in Bugaj, Konin and Swarzędz, with schemes under construction on a built-to-suit basis by Panattoni in Gorzów Wielkopolski (BTS Faurecia) and Świebodzin (BTS Recaro). In 2011, nearly 45,000 sq.m of modern warehouse space came onto the market in the region. The largest completion was a 23,000 sq.m building at PointPark Poznań. More than 64,000 sq.m is under construction, 40% more than that witnessed at the end of 2010. An increase in warehouse stock is accompanied by growing tenant demand. Leasing activity in 2011 rose by 27% on the previous year, reaching around 200,000 sq.m. Growing demand contributed to a lower vacancy rate, which stood at 3.9% at the end of 2011, a fall of 4.4 percentage points from the previous year. Rents remained relatively stable.

SUPPLY AND DEMAND IN POZNAŃ REGION



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

WROCŁAW REGION

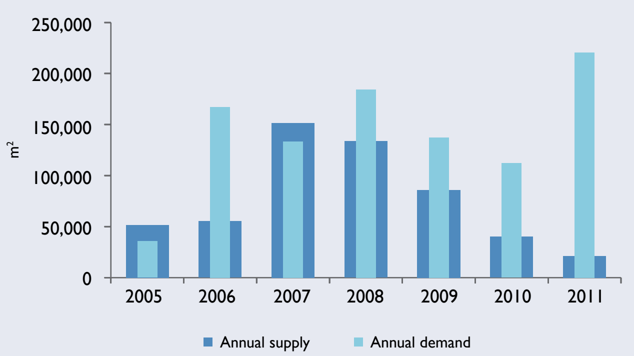
WROCŁAW AREA MARKET OVERVIEW	
Existing Stock	649,000 sq.m
Stock Under Construction	63,000 sq.m
Vacancy Rate	9.10%
Take-Up	221,000 sq.m
Major Landlords	Prologis, Goodman, Panattoni, Eurologis, TREI, VATT Invest
Headline Rents	3.00–3.90 EUR/m²/month
Effective Rents	2.40–3.00 EUR/m²/month

At the end of 2011, Wrocław's market comprised around 650,000 sq.m of warehouse space. Most of the space is in parks located outside the city, along the A4 motorway and National Road No. 8. There is also growing occupier interest in the areas adjacent to the city's newly completed ring road, where developers have acquired sites and are planning further developments.

Wrocław recorded a moderate supply of modern warehouse space, with 21,000 sq.m completed in 2011. However, more than 63,000 sq.m of space that was under construction at the end of 2011 should soon be handed over. The largest scheme under construction is the first phase of the 27,000 sq.m Wrocław East Logistics Center by Goodman.

In 2011 demand almost doubled from the previous year's level, reaching more than 220,000 sq.m. This pushed the vacancy rate down by around 4 percentage points to reach 9.1% at the end of the year. Headline rents were stable at EUR 3.00-3.90/sq.m/month.

SUPPLY AND DEMAND IN WROCŁAW REGION



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

TRICITY REGION

With warehouse stock of over 140,000 sq.m, Tricity is the sixth-largest and one of the fastest-growing industrial markets in Poland. Its strengths are its sea ports in Gdynia and Gdańsk and its well-developed road infrastructure.

Some 9,000 sq.m was added to the market in 2011 with the completion of another scheme at Panattoni Park Gdańsk. Around 30,000 sq.m of warehouse space is under construction. The largest project underway is the 23,000 sq.m Gdańsk Kowale II, by developer 7R. Several reputable developers such as Goodman and SEGRO have acquired a substantial amount of investment land and are planning to launch industrial schemes in the next few years. In 2011 take-up in the region was close to 60,000 sq.m. The vacancy rate stands at 10.9%, which is comparable with the national average. Rents remained at EUR 3.30–4.00/sq.m/month.

KRAKOW REGION

The Krakow region contains 116,000 sq.m of warehouse space with the majority of modern schemes located along the city's ring road and in the south-eastern part of the city. In 2011, over 46,000 sq.m was added to the market. Completions included the 12,500 sq.m MARR Business Park by MARR and phases I and II of the Airport Logistics Centre by Goodman totalling 34,000 sq.m. An additional 19,000 sq.m phase of the ALC is under construction. Transaction volume in 2011 more than doubled compared with the previous year and reached around 48,000 sq.m. The vacancy rate rose to around 8.7%, and rents remained relatively high at around EUR 4.00/sq.m/month.

OTHER REGIONS

The regions of Rzeszów, Toruń and Szczecin are the least developed modern warehouse markets in Poland. At the end of 2011, warehouse stock in these regions stood at 80,000 sq.m, 72,000 sq.m and 46,000 sq.m respectively. Warehouses in the Rzeszów region are in two areas close to the A4 motorway (currently under construction): near Dębica (the 17,000 sq.m PPL Omega Pilzno and the 30,000 sq.m Park Logistyczny Podgrodzie) and in the city's suburbs (the 33,000 sq.m Panattoni Park Rzeszów). New developments are planned in Mielec and Korczowa. Toruń's warehouse market comprises two parks: Panattoni Park Toruń (42% of total stock) and Goodman's Toruń Logistics Centre (58% of total stock), both fully let. Their extension and other development schemes in this region are planned for the coming years. Szczecin's warehouse market comprises Prologis Park Szczecin, speculatively developed in 2008. In 2011, some 14,000 sq.m was leased in the area, which helped to drive down the vacancy rate from around 85% to 52%. Warehouse markets are also expected to start up in new locations, for example in the Lublin region, but construction starts will depend on prelets being secured.

HOSPITALITY MARKET

The hospitality industry in Poland showed a sustained recovery in 2011. Poland's term as chair of the EU Council in the second half of the year has benefited the market, contributing to the growth of both average daily rate (ADR) and occupancy levels. The forthcoming Euro 2012 football tournament is likely to prove a further stimulus over both the short term and the longer term, because major sporting events often promote tourism.

SUPPLY

At the end of 2011, Poland offered 2,106 officially licensed hotels, which provided 201,360 beds in 102,054 rooms. These totals reflect a 6.5% growth in capacity over 2010's levels. The market is dominated by the country's 983 three-star hotels and its 647 two-star hotels. The saturation level is 26.7 rooms (52.7 beds) per 10,000 inhabitants, which represents a growth of 1.7 rooms and 2.7 beds per 10,000 inhabitants on 2010's provision still the lowest rate in EU. Breaking this total down by region shows that Lubelskie voivodship, with 9.8 rooms and 18.9 beds per 10,000 inhabitants, is the country's least well-supplied hotel market, while Małopolska voivodship's figures of 42.9 rooms and 89.2 beds make it the country's most dense market.

POLISH HOTEL STOCK IN 2011

VOIVODSHIP	NUMBER OF HOTELS	NUMBER OF ROOMS	NUMBER OF HOTEL BEDS	NUMBER OF HOTEL BEDS PER 10,000 INHABITANTS
Lower Silesia	231	10,999	21,883	76.0
Kujawy-Pomerania	108	4,120	7,855	38.0
Lublin	57	2,110	4,071	18.9
Lubuskie	70	2,671	5,148	50.9
Łódź	93	5,145	9,727	38.4
Małopolska	304	14,210	29,531	89.2
Mazovia	209	16,427	30,567	58.3
Opole	43	1,082	2,135	20.8
Podkarpacie	111	3,173	6,361	30.2
Podlasie	24	1,371	2,789	23.5
Pomerania	152	7,681	15,576	69.5
Silesia	184	9,277	18,625	40.2
Świętokrzyskie	77	2,910	5,821	46.0
Warmia-Masuria	99	5,414	11,251	78.8
Wielkopolska	246	9,262	17,655	51.6
West Pomerania	98	6,202	12,365	73.0
Poland	2,106	102,054	201,360	52.7

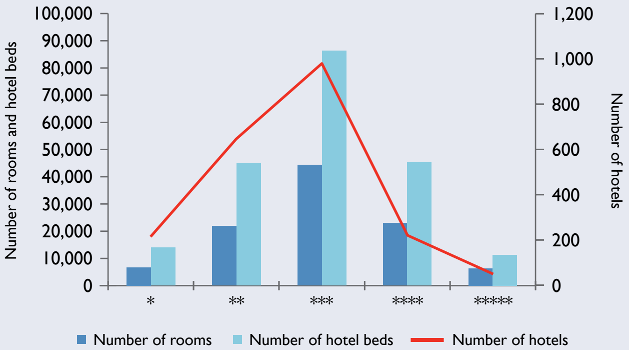
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

CAMPANILE, WROCŁAW

In 2011, 194 hotels were delivered to the Polish market, an increase of 70 hotels on 2010's total stock. These new facilities offer over 7,304 rooms with more than 14,615 beds. These totals exceed, around 32%, 2010's new hotel offer. The most recent additions to supply have mostly been two- and three-star facilities. The Małopolska and Silesia regions, where 32 and 21 new hotels respectively were delivered in 2011, account for the largest share of new hotels. The Lubuskie region saw no hotel additions.

The new hotel room supply in 2012 is expected to be in the three- and four-star hotel sector in Warsaw, Wrocław and Krakow. However, new facilities of this quality will also complete in smaller cities such as Toruń, Suwałki and Białystok. Budget developments are not likely to take a significant market share but this group will comprise a substantial number of branded hotels. Hotel B&B in Warsaw already operates, Ibis and Ibis Budget (Accor) will open both in Warsaw and Krakow, Campanile and Première Classe (Louvre) in Wrocław, Holiday Inn Express in Warsaw and Wałbrzych, Hampton by Hilton in Świnoujście.

POLISH HOTEL STOCK IN 2011



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

HOLIDAY INN EXPRESS, WARSAW

A great investment growth potential in the hotel market lies in branded budget hotels because they:

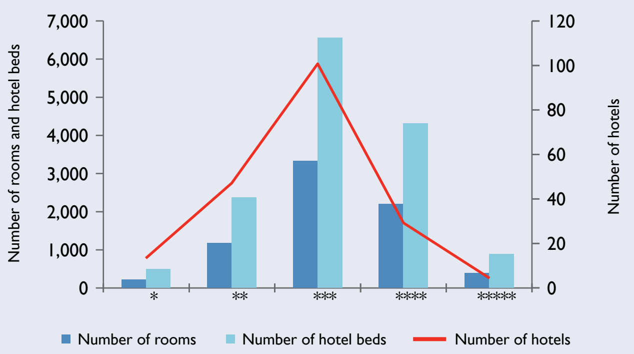
- offer the best value for money;
- show more resilience to the global economic downturn;
- have lower construction costs, which mean lower development risk and easier access to financing;
- have lower operating costs, which drive higher operating margins; and
- have shorter construction periods compared to midscale or upscale hotels, and so are able to produce a return on capital more quickly.

Of the upscale branded hotel chains planning to open hotels in 2012, two are worth noting: Holiday Inn, which is opening a 130-room hotel in Łódź, and Best Western, which is opening eight hotels in various locations.

Based on number of hotels, Best Western International is the world's largest hotel company operating under a single brand. Its successful growth is a product of its franchise model, which offers operational flexibility and capacity for expansion. On the other hand, the brand name does not necessarily reflect a uniform quality of service. Last year, six new Best Western franchises were established in Poland.

The growth in the number of hotels operated by well-known international brands is a positive trend. Currently such hotels account for around 7% of the hotels in Poland, compared with 34% in Europe and 70% in the USA.

POLISH HOTEL BASE GROWTH IN 2011



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2012

INVESTMENT MARKET

Investors are embarking cautiously on hotel ventures, as they are in other property sectors, focusing on well-branded hotels with stable cash-flows operated under hybrid or lease contracts. Hotels in Warsaw and prime locations in other cities (such as Krakow and Wrocław) will continue to attract investor interest.

Institutional investors attracted to portfolio transactions on the hotel market will look at Accor because of the group's asset-sale strategy (mostly sale&leaseback). In 2011 Accor/Orbis disposed of EUR 100m of assets in Poland, most of which will be converted out of hotel use. Examples are the Mercure Fryderyk Chopin in Warsaw, Neptun in Szczecin, Prosna in Kalisz and, probably, Cracovia in Krakow. Other properties sold by Accor, such as Le Méridien Bristol in Warsaw and Francuski in Krakow, will continue as hotels. One more important transaction in the Polish market was Wenaasgruppen's purchase of Hotel Jan III Sobieski. Currently the property operates under the Radisson Blu brand, as the new owner has signed a management agreement with Rezidor Group.

POLISH HOTEL MARKET FACTS

- Budget-oriented clients continue to seek value when selecting overnight lodging.
- Branded hotels managed by international hotel chains perform better than their non-branded competitors.
- The small number of investment deals was the result of a disparity between buyers' and sellers' price expectations.
- Investors are eyeing up branded hotels in Warsaw and in prime locations in Krakow, Wrocław, Gdańsk and Poznań.
- Poland posted growth in mixed-use schemes, which offer diverse income streams, reduced risk and easier access to financing.
- Investors are averse to forward-purchase transactions.
- Sale-and-leaseback remains the preferred investment strategy.
- Poor transport infrastructure in some areas constrains growth in the hospitality market.

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- Rents review

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  – Location and HBU consultancy
  – Development consultancy
  – Phasing and timing consultancy
- Financial Model of the Investment

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- Demographic analysis
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- Supply and demand market forecast
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- Price and rent analysis

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- Functional structure optimization
- Consumer profile
- Catchment area analysis
- SWOT

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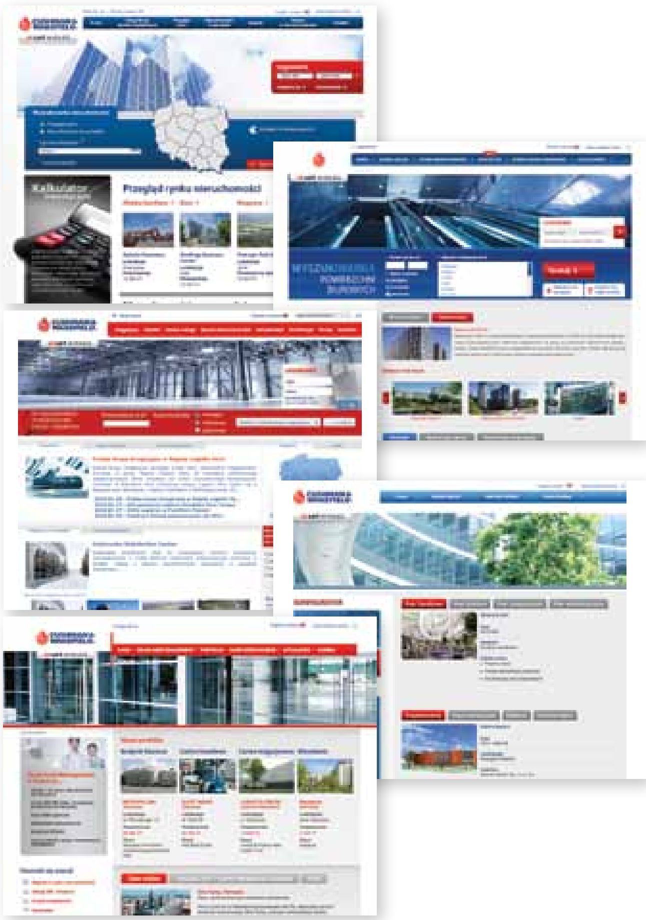
- Common areas / space arrangement
- External / internal space arrangement consultancy
- Technical specifications and standards of each functional element
- Parking space arrangement and standards
- Pricing and rentals related policies
- Phasing and timing consultancy

CUSHMAN & WAKEFIELD'S PORTALS



WWW.CWINVESTMENT.PL
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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, Krakow, 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 services offered by the Project Management Department. It also provides a preliminary cost estimate for the selected services.

WWW.CWASSETMANAGEMENT.PL
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