MARKETBEAT

POLISH REAL ESTATE MARKET REPORT

A Cushman & Wakefield Research Publication

CUSHMAN & WAKEFIELD®

SPRING 2014

Dear Sir / Madam,

Cushman & Wakefield is the world's largest privately held commercial real estate services firm. Founded in 1917, it has 250 offices in 60 countries and more than 16,000 employees.

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

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

We trust you find the report informative.

Yours faithfully,

Charles Taylor
Managing Partner
Cushman & Wakefield Polska

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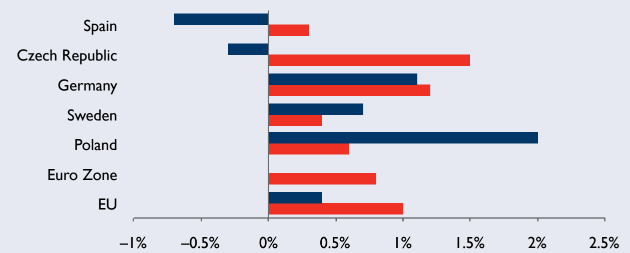
ECONOMIC PERFORMANCE

ECONOMIC GROWTH AND UNEMPLOYMENT

Poland's economy edged up in 2013 with many economic indicators improving, including higher industrial output and retail sales. GDP growth in 2014 is expected to rise by 2.5% while the unemployment rate, which in December 2013 stood at 13.4%, is likely to slip to 13%.

With a stable economy, Poland remains an attractive investment destination in Europe. As one of the best performers in Europe it managed to avoid recession in the recent global economic downturn and notch up solid growth. Stability guarantee and economic security confirm that Poland is a strong partner for many international investors.

KEY ECONOMIC INDICATORS



GDP growth Q3 2013* | HICP (November 2013)**

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

SOURCE: EUROSTAT, JANUARY 2014

LONG TERM BONDS RATE AND GDP FORECAST

COUNTRY	2008	2009	2010	2011	2012	2013	2013*	2014*
EU	3.97%	3.96%	4.20%	4.29%	3.02%	3.02%	0.00%	1.40%
Euro Zone	3.73%	3.63%	4.13%	4.63%	3.18%	2.97%	-0.40%	1.10%
Germany	3.05%	3.14%	2.91%	1.93%	1.30%	1.80%	0.50%	1.70%
Sweden	2.67%	3.24%	3.21%	1.68%	1.51%	2.39%	1.10%	2.80%
Czech Rep.	4.30%	3.98%	3.89%	3.70%	2.12%	2.20%	-1.00%	1.80%
Poland	5.70%	6.22%	5.98%	5.84%	3.88%	4.42%	1.30%	2.50%
Spain	3.86%	3.81%	5.38%	5.53%	5.34%	4.13%	-1.30%	0.50%

* GDP (forecast)

SOURCE: EUROPEAN COMMISION, ECONOMIC AND FINANCIAL AFFAIRS, JANUARY 2014

POLAND AGAINST OTHER COUNTRIES

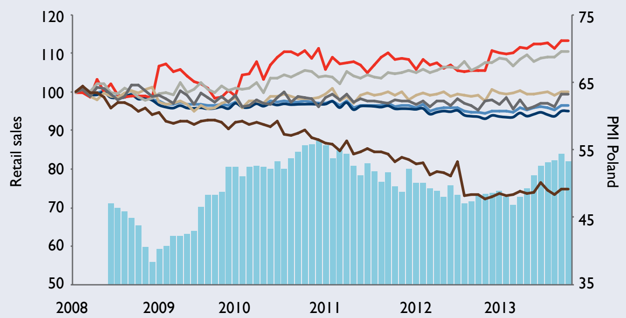
COUNTRY	S&P Rating	S&P Outlook	MOODY'S Rating	MOODY'S Outlook	FITCH Rating	FITCH Outlook
Poland	A–	Stable	A2	Stable	A–	Positive
Czech Rep.	AA–	Stable	A1	Stable	A+	Positive
Germany	AAA	Stable	Aaa	Stable	AAA	Stable
Spain	BBB–	Negative	Baa3	Negative	BBB	Negative
Sweden	AAA	Stable	Aaa	Stable	AAA	Stable

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

RETAIL SALES

In 2013 retail sales grew by 4.2%. The Purchasing Managers Index, which reflects sentiment in the industrial sector, reached 53.2 points in December 2013. Readings above 50 points have been noted since mid-2013 and indicate that the economy is expanding.

RETAIL SALES*



Poland PMI | EU | Euro zone | Poland | Germany | Czech Rep. | Spain | Sweden

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

SOURCE: EUROSTAT, MONEY.PL, JANUARY 2014

FOREIGN INVESTMENT

Poland attracts investors due to the good health of its economy, compared with other countries in Europe and the world. In the annual survey by UNCTAD questioning investors about top investment destinations in the years 2013–2015 Poland ranked fourth in Europe and fourteenth in the world. In 2003 the Polish Information and Foreign Investment Agency (PAIiIZ) supported completion of 53 projects totalling more than EUR 905m and intended to create up to 19,000 jobs. More than 40% of the projects were in the BPO and ICT sectors.

FINANCIAL MARKET

FISCAL POLICY AND BUDGET

According to estimates from the Ministry of Finance for January through to November 2013, Poland's deficit stood at PLN 38.5bn. The Polish national debt rose to more than PLN 853bn at the end of November 2013, up by 7.5% compared with the end of 2012. In January 2014 the Polish President Bronisław Komorowski signed the 2014 Budget Act projecting the country's deficit at below PLN 47.6bn, inflation rate at 2.4% and a 2.5% GDP growth.

STOCK EXCHANGE

In 2013, fifty-four companies made their debut on the NewConnect market and the main market of the Warsaw Stock Exchange (WSE), which made the WSE come second in the European ranking in terms of IPOs (initial public offerings) after the London Stock Exchange. The largest IPOs came from Energa and PKP Cargo, sized at PLN 2.4bn and PLN 1.4bn, respectively.

The main index of the Warsaw Stock Exchange WIG gained 7% in 2013 while the WIG20 index, which comprises the 20 largest companies listed on the WSE, fell by 8%. On the other hand, the property sector indexes WIG-Budownictwo (WIG-Construction) and WIG-Deweloperzy (WIG-Developers) gained 29% and 3%, respectively, over the year.

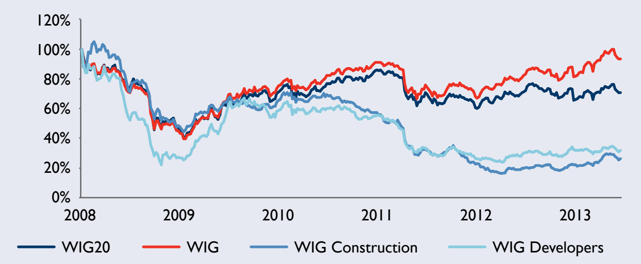
The downward trend prevailing in the construction sector since 2012 is likely to reverse in 2014 with the start of the EU's 2014–2020 budget spending. Poland is to receive more than EUR 27bn under the Infrastructure and Environment Operational Program, among others, for co-financing road infrastructure development.

IPO (INITIAL PUBLIC OFFERING)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013
Warsaw	13	18	10	13	54
London	13	25	25	41	104
NYSE Euronext	3	9	3	11	26
Luxembourg	3	2	0	2	7
Oslo	2	2	2	5	11
Deutsche Börse	2	3	2	2	9
Switzerland	0	0	0	1	1
Nasdaq OMX	4	10	4	13	31
Spain (BME)	0	1	1	0	2

SOURCE: PWC, IPO WATCH EUROPE, WSE, JANUARY 2014

WARSAW STOCK EXCHANGE DYNAMICS

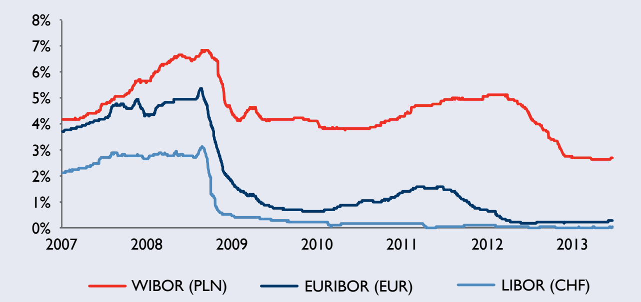


SOURCE: STOOQ.PL, JANUARY 2014 — 1 January 2008 = 100

INTEREST RATES

Last year the Polish Monetary Council cut the National Bank of Poland's key interest rate several times, down to 2.5% in July 2013. The European Central Bank, cut its reference rate by 25 basis points to 0.25% in November 2013 due to the low inflationary expectations in the eurozone in the forthcoming months.

INTEREST RATES (3M)

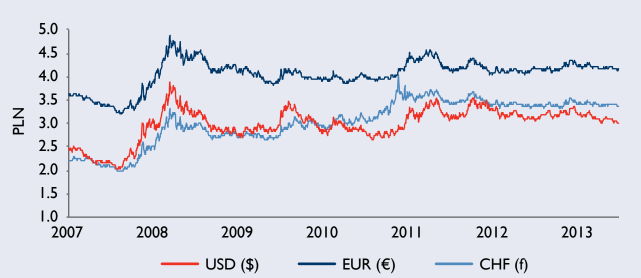


SOURCE: STOOQ.PL, JANUARY 2014

EXCHANGE RATES

In 2013 there were no rapid swings in the exchange rates between the Polish zloty and the world's major currencies. At the end of December 2013 the PLN weakened against the euro by 2% and strengthened against the US dollar by 2%.

EXCHANGE RATES



SOURCE: STOOQ.PL, JANUARY 2014

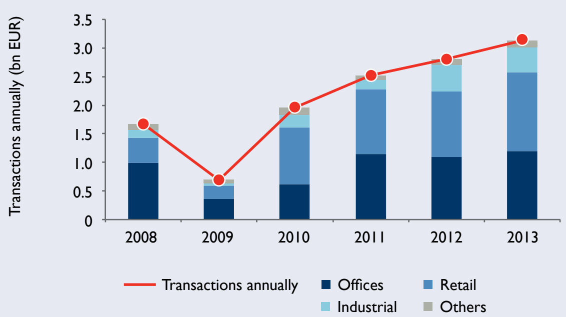
INVESTMENT MARKET

Polish investment market volume in 2013 hit a record EUR 3.12bn, the best result since 2006, with a stronger second half, accounting for two thirds of all deals. The retail sector accounted for 44% of the total volume, with office taking 38% and warehouses 14%. The remainder 4% involved properties of other commercial uses. The office market was the best performing sector with 27 deals (compared to 21 in the retail sector).

Last year saw the biggest-ever single deal on the Polish investment market. CH Silesia City Center in Katowice was acquired for EUR 412m by an international consortium of investors led by German financial services group Allianz. German investors accounted for the largest share of the total transaction volume, 25%, and were the largest group of buyers, followed by investors from the US (21%) and the UK (15%). Polish investors came in fourth place accounting for 8% of all deals (EUR 263m).

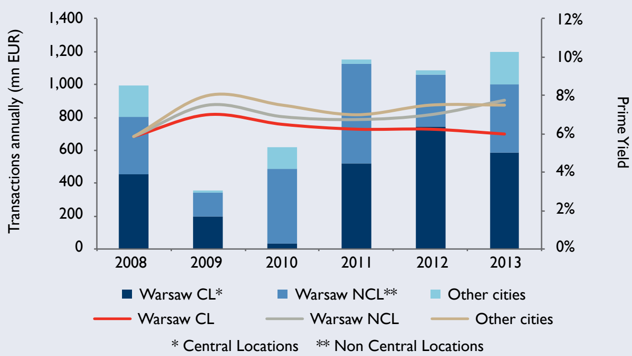
Overall the outlook remains positive for 2014. With economic revival forecast for the coming months, investors' appetite for Polish commercial property market is likely to continue. However, the investment market will maintain its momentum provided there is sufficient supply of prime properties and stronger appetite for investing in more demanding properties, particularly in the retail sector.

TOTAL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

OFFICE INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

OFFICE MARKET

With strong investment activity in regional cities (a rise of 683% y/y) the transaction volume in 2013 picked up by 10% compared with 2012. The deals totalled EUR 1.19bn, with Warsaw accounting for EUR 1bn (a drop of 5.7% y/y).

The decline in trading volumes in the capital city resulted from a low supply of large scale properties in central locations. This in turn drove price increases in prime properties, which was reflected in a decline in yields by around 0.25 percentage points to 6.00–6.25%. Greater availability of offices in non-central locations translated into a rise in transaction volume by 31%, but also in yields by around 0.50 percentage points to 7.75–8.00%. Prime yields in regional cities also felt slightly and now stand at 7.25–7.50%.

Single-tenant office buildings on long-term leases are gaining popularity with investors. With guaranteed steady rental income stream, the sellers of such properties can expect a risk premium at the level of 0.25–0.50 percentage point.

Examples of such deals include: Green Corner in Warsaw (Nordea bank's new headquarters) acquired by DAWM for EUR 94.6m, Feniks office buildings in Warsaw (BOŚ bank's new headquarters) acquired by IVG fund for EUR 39m or telecoms company NSN's headquarters in Wroclaw acquired by PZU TFI for EUR 64m.

There are several major deals expected to be finalized including the headquarters of Pekao SA or BZ WBK worth EUR 270m, which bodes well for the pace of investment activity in 2014. With improving lot sizes, the transaction volume at the end of 2014 is likely to exceed the levels seen at the end of 2013.

RETAIL MARKET

The 2013 retail investment volume settled at around EUR 1.38bn, a rise of less than 20% on the previous year. Three largest single deals on the Polish investment market in 2013 were completed in the retail sector: the above mentioned Silesia City Center shopping centre, Galeria Kazimierz in Krakow acquired by Invesco for EUR 180m and Charter Hall's portfolio of 5 shopping centres acquired by Tristan Capital Partners for EUR 174.5m.

Investors' interest focused mostly on prime properties with a broad offer and established locations in cities with a population of more than 0.5 million. These accounted for the largest share in total volume (EUR 1.04bn). Only EUR 0.34bn was traded in the remaining regions. Limited liquidity of regional markets is hindering investment activity among purchasers, despite substantial supply of retail facilities in those areas.

There are generally three types of active investors on the retail investment market. The first include institutional funds such as Allianz or Union Investment, seeking core investments. The second contains investors specialising in the retail sector such as Atrium European Real Estate or Unibail-Rodamco, which are focusing on synergy opportunities from combining investment and asset management activities. The third group comprises entities such as: Blackstone Real Estate or Tristan Capital Partners, expecting higher return on investment by adding value through active management, redevelopment etc.

Due to the increasing paucity of prime properties for sale, transaction volume could continue at its current level if investor activity steps up in smaller cities.

WAREHOUSE MARKET

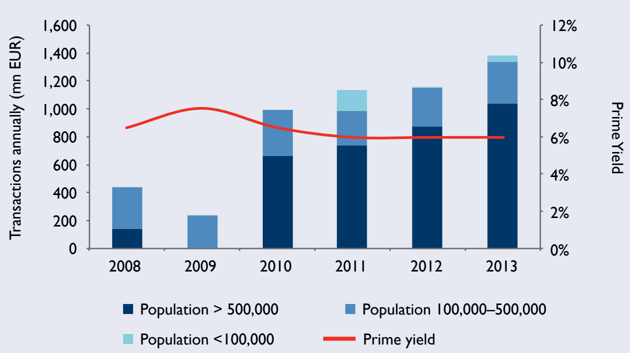
Transaction volume on the industrial market in 2013 totalled around EUR 0.44bn, a fall of around 5% on the value recorded in the peak year of 2012. The robust growth was fuelled in recent years by a large supply of new and nearly 100% let warehouse, logistics and industrial properties in attractive locations.

Properties leased for at least ten years to single tenants with strong credentials continue to attract major investor interest as illustrated by the US fund W.P. Carey's acquisition of the central warehouse of fashion retailer H&M in Poznań for EUR 64m. Such properties offer steady income for many years giving vendors high revenue upon sale. Yields for such schemes stand at 7.00% compared with 7.50–7.75% for properties let to many tenants under a standard five to seven year lease.

The strong performance of the industrial market in 2013 was also supported by a large number of sale transactions, including long-standing warehouse parks such as Żerań Park II and Manhattan Business & Distribution Center in Warsaw and Diamond Business Parks in Piaseczno and Łódź. Such deals send an important signal to the market confirming untiring interest in this sector.

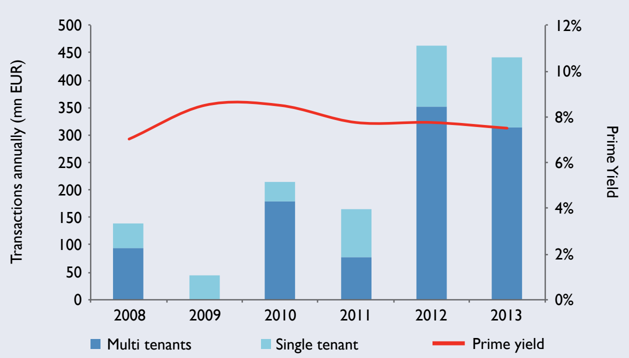
In 2013 a number of international equity deals were made on the industrial market. Examples include the acquisition of a 50% stake in Prologis' European property portfolio by Norges Bank IM, the acquisition of Arcapita owning the distribution parks in Robakowo near Poznań and in Mszczonów near Warsaw by a consortium of TPG and Ivanhoe, as well as the acquisition of a 50% stake in Segro, a leading developer in Central Europe, by the Canadian fund PSP Investments.

RETAIL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

INDUSTRIAL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

OFFICE MARKET

MARKET OVERVIEW

In 2013 Poland's office market continued to show strong momentum. New office space supply in Warsaw and the six regional cities, including Krakow, Wrocław, Tricity, Poznań, Katowice and Łódź, totalled 548,500 sq m. Total take-up reached 968,700 sq m – a similar level to that in 2012. In December 2013 the average vacancy rate for the seven largest Polish cities stood at more than 11%, around 1.5 percentage points higher than average in core European Union cities. Krakow remains the largest regional office market, but the gap with regard to total stock between Krakow and the runner-up Wrocław has narrowed down to just 95,000 sq m and is expected to shrink further owing to strong developer interest and high employment growth in the modern business services sector. Banks continue to be cautious in their approach to financing new developments and require pre-lets for 30–40% of space planned depending on location and project specifications. Headline rents remained flat across all the cities, except for some locations in Warsaw.

Given the positive economic outlook for Poland for 2014–2015, the Polish office market will continue to grow with rents likely to decrease further in the next few months in line with the trends in other CEE countries.

EXISTING OFFICE STOCK

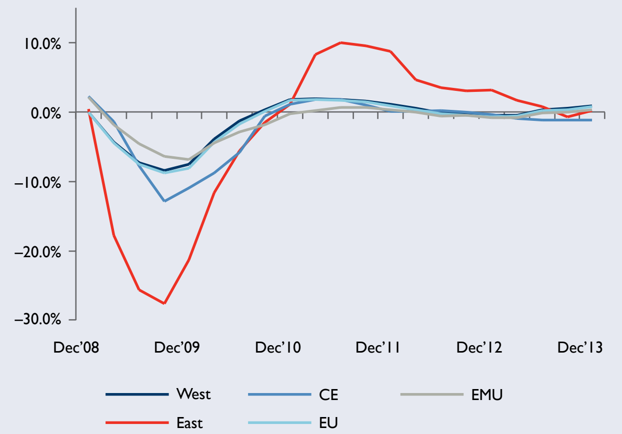
	STOCK (SQ M)	RENTS (EUR/SQ M/MONTH)	VACANCY (%)
Warsaw	4,112,796	11.5–25.5	11.75%
CL*	1,246,951	17–25.5	10.61%
NCL**	2,865,845	11.5–16.5	12.24%
Krakow	634,695	13–15	4.90%
Wrocław	539,979	13–15.5	11.75%
Tricity	432,985	13–15	11.20%
Poznań	303,174	14–16	14.22%
Katowice	302,600	13–14	7.29%
Łódź	297,499	12–14	14.44%

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

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

OFFICE RENTAL GROWTH (YEAR-ON-YEAR)

	Q4 2011	Q4 2012	Q4 2013	SHORT TERM OUTLOOK
All Countries	2.2%	0.1%	0.8%	▲
Western Europe	1.1%	–0.5%	0.9%	▲
Eastern Europe	8.7%	3.2%	0.2%	▼
Central Europe	0.1%	–0.4%	–1.2%	▼
EU Countries	0.9%	–0.7%	0.7%	▲
EMU Countries	0.3%	–0.8%	0.3%	▬



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

approx. **550,000 sq m**
of office space was delivered in 2013 in Warsaw and regional cities

WARSAW

In 2013 transaction volume on the Warsaw office market hit a record high and more than doubled from 278,300 sq m in the crisis year 2009 to 633,600 sq m. Strong leasing performance, however, is not working to the advantage of developers or owners of existing office buildings. The rising supply and vacancy rates indicate that the market is becoming increasingly tenant-led with occupiers seeking ways to optimize occupancy costs or higher space standard at the current rent levels. Rents are likely to decline particularly in existing office buildings with limited capacity to compete against schemes under construction or in the pipeline. In 2013, absorption in Warsaw reached 127,000 sq m, which indicates the office market's potential to grow further.

WARSAW OFFICE MARKET

	WARSAW	
Number of buildings	418	
Stock (sq m)	4,112,796	
Total vacancy (sq m)	483,157	
Vacancy rate (%)	11.75%	
	CENTRAL LOCATIONS	NON CENTRAL LOCATIONS
Number of buildings	110	308
Stock (sq m)	1,246,951	2,865,845
Total vacancy (sq m)	126,965	356,192
Vacancy rate (%)	10.61%	12.24%

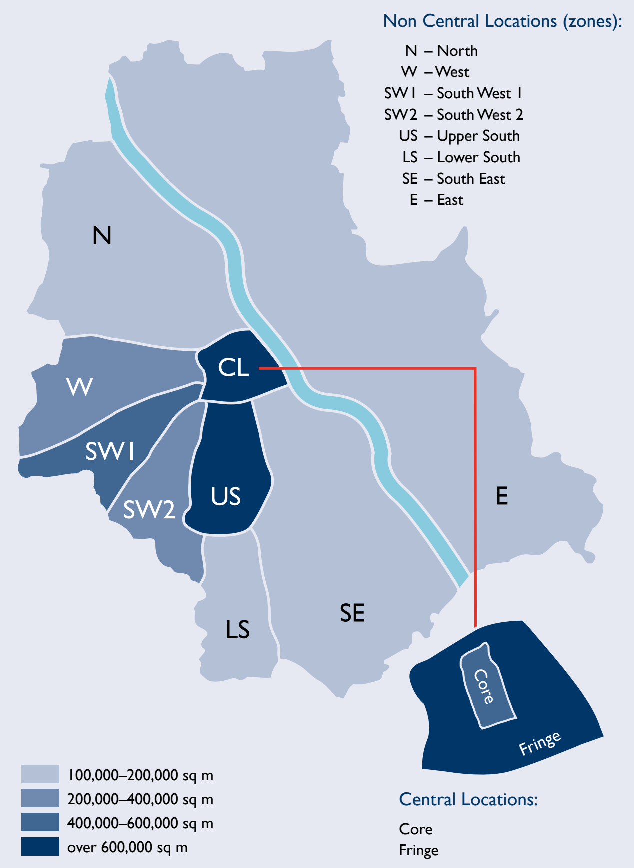
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

STANDARD LEASE TERMS IN WARSAW

	CENTRAL LOCATIONS	NON CENTRAL LOCATIONS
Headline rents (sq m/month)	EUR 17–25.5	EUR 11.5–16.5
Underground parking (space/month)	EUR 120–180	EUR 70–90
Surface parking (space/month)	EUR 70–120	EUR 45–75
Service charge	EUR 5–6.5	EUR 4–5.5
Incentives	Financial contribution Fit out contribution Rent free period for:	
	3–6 months	4–8 months
Lease length	5–10 years	
Add-on factor	0–10%	0–5%
VAT	23%	
Indexation	EURO CPI	
Others	Deposit or bank / company guarantee	

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

CONCENTRATION OF MODERN OFFICE SPACE IN WARSAW



SUPPLY

Modern office space stock has been growing in Poland steadily since 2012. As a result of developers' interest in office projects in the capital, more than 298,000 sq m of new space came onto the market in 2013, bringing Warsaw's total stock to 4.11 mn sq m in December 2013, a rise of 6.6% compared with 2012. The majority of new space was delivered in the Upper Mokotów district and in the Ochota and Włochy districts, accounting for around 50% and 30% of the total, respectively. The new supply was dominated by several large completions, including HB Reavis' Konstruktorska Business Center (48,300 sq m), Bouygues' Miasteczko Orange (43,700 sq m) and Plac Unii (41,300 sq m) developed by Liebrecht & Wood and BBI Development. Only one building was delivered in Warsaw's city core: Plac Bankowy 1 totalling around 4,000 sq m. Some 80,000 sq m of modern office space is scheduled for delivery in central locations in 2014, including the completion of the first building of Ghelamco's Warsaw Spire complex (19,500 sq m) and the Powiśle Park office building (15,000 sq m). Overall, by the end of 2014 more than 20 office buildings are expected to come onto the Warsaw market, but office space supply will be below 2013's level.

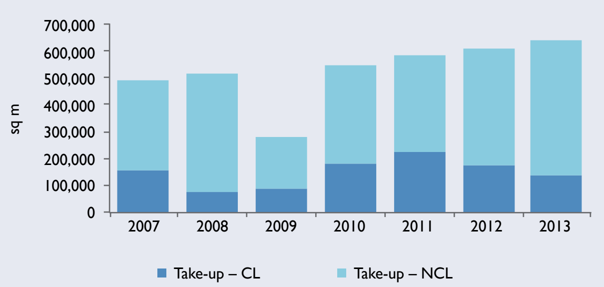
TAKE-UP

Leasing activity in Warsaw in 2013 totalled 633,300 sq m, a rise of 4.1% on 2012. More than 78% of leases were for space in non-central locations in contrast to only 137,000 sq m transacted in the central zone, down by more than 34,000 sq m on 2012. The number of pre-lets declined compared with 2012 with their share in gross take-up at 24%, which represents a fall of around 8 percentage points. New leases accounted for around 60% of Warsaw's total take-up while renewals and renegotiations remained at a level similar to that of the previous year and made up around 28% (182,100 sq m).

The volume of deals involving owner occupation of space (29,200 sq m) rose to the level recorded in the peak year 2006. The Upper South zone (US) continued to attract strong occupier interest with 213,000 sq m leased, followed by the South-Western 1 zone (SW1), where more than 80,000 sq m was transacted.

The largest deal in 2013 was Polkomtel's pre-let of 22,680 sq m in White Stone Development's Harmony Konstruktorska under construction in the Mokotów district. In addition, in Q3 2013, the companies from the Getin Group leased 18,850 sq m at LC Corp's Wola Center office building under construction while in the first half of the year the Polish Office for Registration of Medicinal Products, Medical Devices and Biocidal Products took up 13,000 sq m in the refurbished Adgar Park West complex (formerly Ochota Office Park). The key transaction in Warsaw's central zone was Santander/BZ WBK's lease of 11,800 sq m in Skanska's Atrium 1 under construction near ONZ roundabout. Take-up in 2014 is expected to remain at around 600,000 sq m, but this will depend largely on developers' pricing policy for space in new office buildings.

TAKE-UP IN WARSAW



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

ABSORPTION

In 2013, new space absorption in Warsaw slightly exceeded 2011's level and stood at 127,000 sq m, a fall of 21% compared with 2012 (161,000 sq m). Tenants vacated 36,000 sq m in central locations, which was compensated by the performance of non-central locations (163,000 sq m). This was due to low new supply in the capital's city core as well as a shift in preferences of tenants seeking more affordable office accommodation in less prominent locations. Absorption is expected to remain high given the positive economic outlook for Poland and the large volume of low quality office space available on the market. However, it is rather unlikely to exceed the levels of more than 200,000 sq m recorded in the boom years of 2006–2008.

SUPPLY AND ABSORPTION IN WARSAW

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

EUROCENTRUM, WARSAW

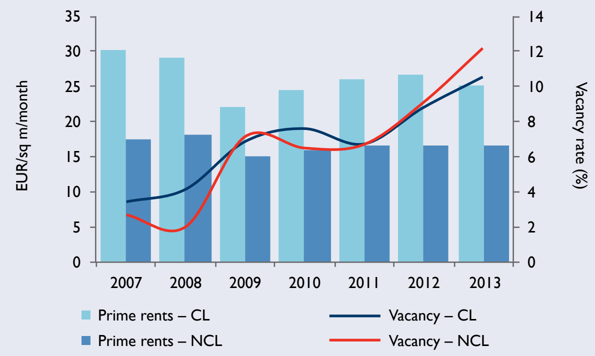
VACANCY

The imbalance in supply and demand led to a high increase in vacancies in Warsaw. At the end of 2013 there was 483,100 sq m of vacant space, accounting for around 11.75% of the capital's total stock. The highest vacancy rates were recorded in the South-Western 1 zone (SW1) and the Northern zone (N) at 17.3% and 13.8%, respectively. By contrast, the lowest vacancy rates were noted in Wilanów and Lower Mokotów (SE zone) and in the South-Western 2 zone (SW2), largely due to weak developer interest and low office supply in these two zones which totalled less than 14,500 sq m. The largest hike in vacancies was in the Mokotów district from 273,600 sq m in 2012 to 466,900 sq m in December 2013, following among others the delivery of two office buildings Konstruktorska Business Center and Plac Unii with 45,400 sq m of available space. In the medium term other office schemes coming onto the market may push the vacancy rate up to 14% at year-end 2014, depending on the absorption level.

RENTS

The conditions on the Warsaw office market are favourable for both tenants whose leases are due to expire soon and those planning to expand on the back of the existing modern stock. Prime headline rents dropped in central locations in 2013 to EUR 25/sq m/month, down by around EUR 1.5 compared with the end of 2012. Prime modern office buildings in non-central locations commanded EUR 14–16.5/sq m/month. The strong development pipeline will put more downward pressure on rents. Developers are embarking on aggressive pricing strategies to attract tenants and meet bank lending requirements sooner. Incentives such as rent-free periods or fit-out contributions have become standard features in lease packages and, therefore, effective rents are often lower by as much as 25% than headline rents. Effective rents in new office projects largely depend on the development stage and the size and prestige of the tenant. Developers' growing experience, particularly with regard to minimizing space construction costs, and the compression of expected rates of return also help to bring rents down. The typical lease length is five years.

PRIME RENTS AND VACANCY IN WARSAW



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

GREEN WINGS, WARSAW

KRAKOW

Krakow remains the largest regional office market in Poland with its total stock at nearly 634,700 sq m, of which around 32,300 sq m was delivered in 2013. The key completions were phase III of Quattro Business Park (12,200 sq m) and building D of the Bonarka 4 Business complex (8,700 sq m). The transaction volume declined by around 12% to 94,200 sq m compared with 2012. The largest deals were Capgemini's lease extension of 9,600 sq m in Quattro Business Park, Lufthansa's pre-let of 8,500 sq m in building D of Bonarka 4 Business, and Brown Brothers Harriman's lease of 4,700 sq m in Orange Office Park. Krakow's vacancy rate rose by around 0.9 percentage point to 4.9%, being still the lowest in Poland. Around 50,000 sq m of new office space is scheduled for delivery in 2014. Projects under construction include Skanska's Kapelanka 42 office complex to provide 28,100 sq m in two phases, phase IV of Quattro Business Park (12,800 sq m), developed by BUMA Group, and phase I of Orange Office Park (11,200 sq m), developed by East-West Development. A balance between demand and supply helped to keep headline rents at EUR 13–15/sq m/month and effective rents at EUR 11–13/sq m/month.

WROCŁAW

In 2013, Wrocław strengthened its position as the second-fastest growing office market in Poland, after Warsaw. Its modern office stock totalled 540,000 sq m. Nearly 73,800 sq m was delivered onto the Wrocław market, the highest total in five years. The key completions included LC Corp's Sky Tower (28,100 sq m), Skanska's phase II of the Green Towers complex (10,800 sq m) and Echo Investment's phase II of Aquarius Business House (9,200 sq m). Take-up reached 76,300 sq m, powered by several dozen deals, the largest being Getin companies' lease of 11,700 sq m in Sky Tower and the debt collection company KRUK's lease expansion of 7,500 sq m in Wrocławski Park Biznesu, followed by Eurobank's lease renewal of 6,100 sq m in Wratislavia Center and Credit Suisse's expansion of 4,300 sq m in the Green Day office building. At year-end 2013 the vacancy rate was up by over 3.7 percentage points to 11.75% from the rate at the end of 2012, which despite robust supply shows that tenants see growth potential in the Wrocław market. Headline rents remained flat at EUR 13–15.5/sq m/month while effective rents stood at EUR 11–14/sq m/month.

TRICITY

Take-up in the Tricity market in 2013 reached 45,600 sq m, of which new leases accounted for more than 53%, with pre-lets making up around 13%. This was down by around 16,800 sq m compared with 2012. The largest transaction was Thomson Reuters' lease renegotiation of 9,000 sq m in Baltic Business Center. Other notable deals included the lease renewal for 2,800 sq m in Łużycka Office Park by Geoban (Santander group) and the IT services provider Sii's lease of 2,700 sq m in the Olivia Business Centre complex. Last year Tricity finished on a record high supply of 71,800 sq m, which pushed Tricity's total office stock up to 433,000 sq m at the end of December 2013. Projects delivered in 2013 included TPS's Olivia Business Centre – Point and Tower buildings totalling 23,900 sq m, Torus's Alchemia in Gdańsk-Oliwa (16,700 sq m) and Euro Styl's Euro Office Park (9,300 sq m), which became headquarters of the BPH Bank. Asking rents stood at EUR 13–15/sq m/month, and effective rents were EUR 12–13/sq m/month. Robust supply pushed the vacancies up to 48,500 sq m at year end, accounting for 11.2% of Tricity's total stock.

NEPTUN OFFICE CENTRE, GDAŃSK

POZNAŃ

At the end of 2013 Poznań's total stock amounted to 303,200 sq m, a rise by a modest 24,100 sq m compared with 2012, following mainly the delivery of Skanska's Malta House (15,600 sq m). Smaller schemes included Wechta's Temida and Piątkowska Office in the city's Old Town area, which contributed 2,500 sq m and 2,000 sq m, respectively. The first phase of SwedeCenter's Business Garden office complex (four buildings totalling 42,000 sq m) is still under construction but the complex will not be delivered until 2015. Low new supply in Poznań is due to weak occupier interest and relatively high availability of lower grade space. Transaction volume in 2013 came to just 39,100 sq m, marking a fall of 7.5% on 2012. At year end the vacancy rate edged down by a little more than 0.1 percentage point to 14.2% compared with the end of 2012. Headline rents stood at EUR 14–16/sq m/month, with effective rents lower on average by 15–20%.

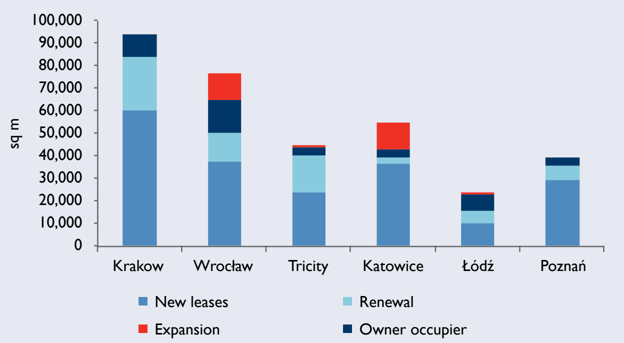
KATOWICE

In 2013 total take-up on the Katowice market reached around 56,000 sq m, of which 66% were new leases and nearly 22% were two owner-occupation deals. Polski Koks occupied 6,160 sq m in the office building in Paderewskiego Street, while Getin companies signed pre-lets for 6,000 sq m in LC Corp Tower I under construction. The largest letting was IBM's lease of 9,000 sq m in Echo Investment's A4 Business Park. Katowice's total office stock stands at 302,600 sq m. The largest office projects scheduled for delivery in 2014 include the two phases of Echo Investment's A4 Business Park totalling 17,800 sq m, LC Corp's Silesia Star (12,800 sq m) and Skanska's Silesia Business Park (10,700 sq m), where some space will be taken up by PwC. The development pipeline contains among others Secus Property's Piaskowa Business Center (19,000 sq m) and GTC's Centrum Biurowe Mikołowska (26,000 sq m). The relatively healthy take-up pushed Katowice's vacancy rate up by only 0.4 percentage points to 7.3% compared with 2012. Asking rents were relatively low at EUR 13–14/sq m/month, with effective rents at EUR 11–12/sq m/month.

ŁÓDŹ

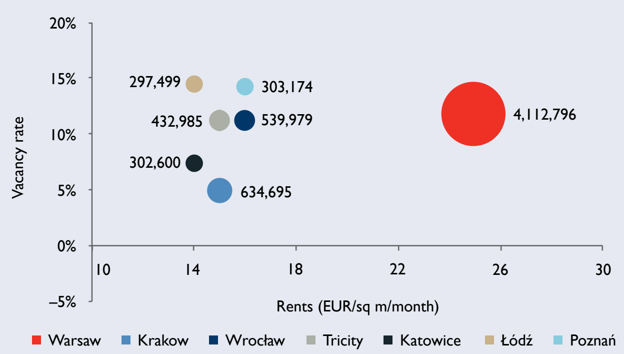
Total office stock of Łódź, a leading academic centre in Poland, stands at more than 297,500 sq m. Last year's completions included five buildings totalling 23,800 sq m, but only Skanska's phase II of the Green Horizon complex (14,000 sq m) came onto the market. DOMENA's phase II of the office complex at 35 Targowa Street (8,000 sq m) and building C of Centrum Biznesowe Synergia (2,500 sq m) are scheduled for delivery soon. Transaction volume stood in 2013 at 23,800 sq m, which was 3,500 sq m less than in 2012. Notable deals in 2013 included Infosys's another lease expansion of 4,150 sq m in Green Horizon, DHL's lease extension of 3,050 sq m in the building in Targowa Street, and Accenture's new lease of 1,700 sq m in University Business Park. At the end of 2013 Łodź's vacancy rate surged by 28% to 14.4%, equating to 43,000 sq m. Headline rents remained flat at EUR 12–14/sq m/month, with effective rents at EUR 10–11/sq m/month.

TAKE-UP IN REGIONAL CITIES



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

MODERN OFFICE SPACE IN POLAND



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

RETAIL MARKET

POLAND

2013 was another favourable year for the retail property market in Poland. New modern retail supply totalled 650,000 sq m, up by nearly 20% on the 2012 total. As in previous years, shopping centres accounted for the largest share (74%). Of the fifteen shopping centres completed in 2013 the biggest to open last year were Galeria Bronowice in Krakow, Poznań City Center and Galeria Katowicka. The number of extensions also surged with the largest floorspace volume added to the Wzgórze shopping centre in Gdynia, renamed Riviera. Last year new developments were opened mainly in large conurbations (60%), but retail schemes were also built in smaller cities such as Inowrocław (Galeria Solna) and Chojnice (Brama Pomorza).

The retail park segment continued to develop with Europa Centralna in Gliwice totalling 40,000 sq m of GLA being the largest retail park completed in 2013. Several smaller retail parks were also added to the market, including Marcredo Center in Szczecin, Multishop in Sochaczew, Pasaż Wiślany in Grudziądz, Szombierki in Bytom, Dekada in Grójec and Vendo Park in Nysa. The retail supply pipeline with delivery for 2014 is expected to reach nearly 640,000 sq m of GLA. The biggest retail schemes to open this year are Atrium Felicity in Lublin (75,000 sq m of GLA) and Galeria Warmińska in Olsztyn (41,000 sq m of GLA).

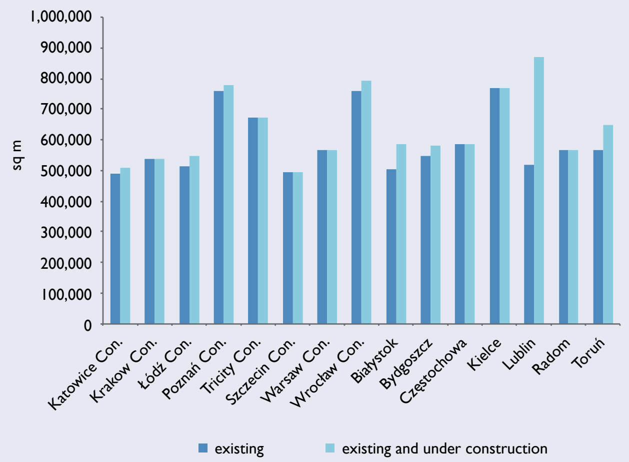
SUPPLY OF MODERN RETAIL SPACE IN POLAND

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

Demand for retail space remained at a healthy level in 2013 with market trends following those of 2012. Tenants focused on established retail schemes offering high footfall and satisfactory revenues. Apart from newly-constructed space, re-marketed shopping centres appear an attractive alternative for tenants seeking strong retail schemes. Due to the current demand level, the marketing period for new schemes has become much longer and few schemes are fully let when they open. Average vacancy rates have risen to approx. 6% owing to the growing volume of vacant space in secondary schemes, particularly on oversupplied markets.

The highest rents are in Warsaw's prime shopping centres at EUR 80–90/sq m/month for a clothing unit of 100–150 sq m while in the other seven conurbations rents stand at EUR 35–45/sq m/month. Shopping centres in small and medium-sized cities fetch average rents of EUR 21–27/sq m/month.

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

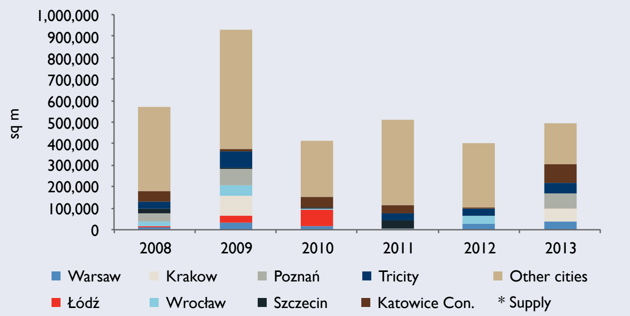


SOURCE: RETAIL RESEARCH FORUM, CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

over **11.6 mn sq m**
– total stock of modern retail space in Poland

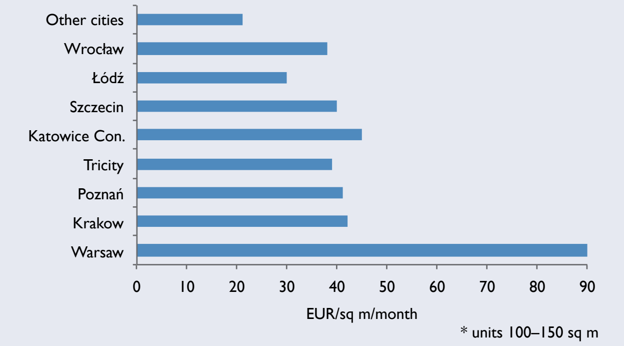
SHOPPING AND LEISURE CENTRES

SHOPPING CENTRES IN SELECTED CITIES IN Q4 2013*



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

PRIME RENTS IN SHOPPING CENTRES IN Q4 2013

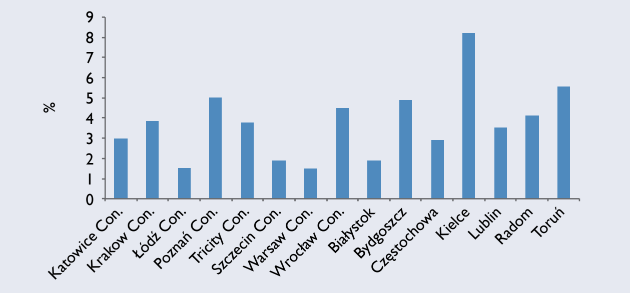


SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

Development activity on the Polish shopping centre market continued to be robust in 2013. Shopping centre provision increased by nearly 500,000 sq m of GLA, of which 380,000 sq m was delivered in H2 2013, through new constructions and extensions, mainly in Poland's largest conurbations. The largest schemes opened were Galeria Bronowice in Krakow, Poznań City Center, Galeria Katowicka, Riviera in Gdynia, Trzy Korony in Nowy Sącz and Galeria Solna in Inowrocław.

In 2014, the shopping centre development pipeline is expected to reach 2013's level. According to preliminary estimates, a total of 25 new shopping centres providing 520,000 sq m of GLA will be opened in 2014, of which 110,000 sq m of GLA will be delivered in six extensions. New shopping centres will be opened largely in big cities such as Lublin (Atrium Felicity and Zamkowe Tarasy) or Białystok (Galeria Jurowiecka) and medium-sized cities, including Olsztyn (Galeria Warmińska), Kalisz (Galeria Amber), Siedlce (Galeria S), Jelenia Góra (Galeria Sudecka), Ostrołęka (Galeria Bursztynowa) and Starogard Gdański (Galeria Neptun).

VACANCY IN SHOPPING CENTRES



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

The shopping centre density in the eight conurbations is the highest in Wrocław and Poznań, and the lowest in Szczecin. Demand for shopping centre space varies substantially depending on market saturation, purchasing power, the quality of retail schemes and space availability. At the end of 2013, Kielce and Toruń posted the highest vacancy rates at 8.45% and 5.7%, respectively, while the lowest vacancy was in Łódź (1.5%) and Warsaw (1.5%).

Prime shopping centre rents are growing, but this growth is negated by secondary scheme rents, which are experiencing downward pressure, with landlords having to offer favourable lease terms and more generous incentives to attract and retain tenants. The highest rents for a fashion store of 100–150 sq m stand at EUR 80–90/sq m/month in Warsaw, EUR 35–45/sq m/month in other conurbations and EUR 21–27/sq m/month in medium-sized cities.

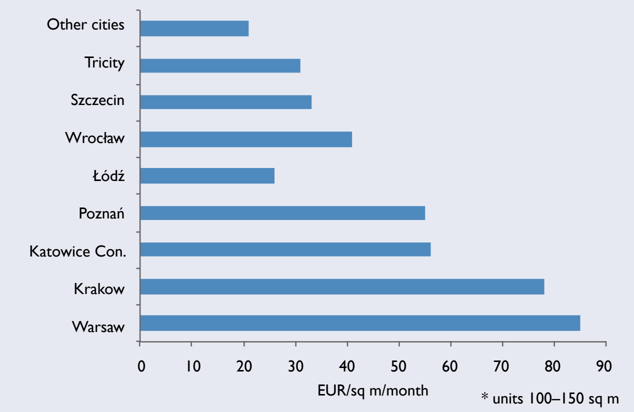
ATRIUM FELICITY, LUBLIN

HIGH STREETS

The key event on the Polish high street market in 2013 was the opening of the Louis Vuitton store in the Vitkac department store in Warsaw's Bracka Street, while the capital's Mokotowska Street became home to the Atelier Mokotowska store. High street development is, however, hindered by low availability of stores which could meet the requirements of international and domestic retailers. This is expected to change following several developments such as refurbishment and extension of the Smyk department store in Al. Jerozolimskie, modernisation of the Holland Park (Ethos building) at Trzech Krzyży square and adaptation of tenement houses at the corner of Nowy Świat and Świętokrzyska streets for retail use, all in Warsaw.

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

PRIME RENTS ON HIGH STREETS IN Q4 2013*



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

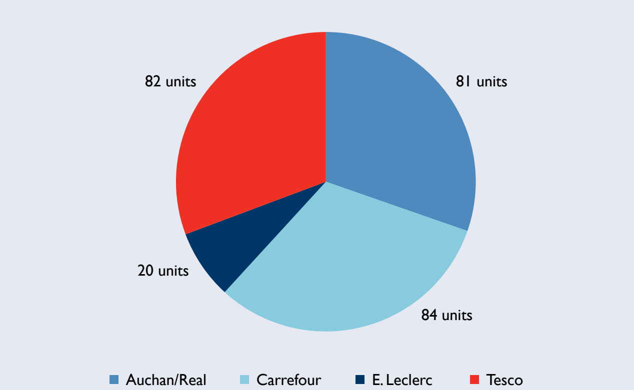
HYPERMARKETS AND SUPERMARKETS

The Polish food sector is expanding mainly through discount chains which have already more than 3,000 stores across the country. In 2013, nearly 350 new discount stores were opened in Poland, more than 70% of which by Biedronka, followed by other retailers such as Lidl, Netto and Aldi. Discount chains plan to move ahead with similar growth strategies in 2014. It is worth noting that only a handful of hypermarkets and supermarkets were added to the Polish retail stock this year. The large food store sector is awaiting another phase of consolidation – Auchan's final acquisition of Real hypermarkets.

Food stores opened in H2 2013 included Auchan in Galeria Bronowice (Krakow), Tesco in Multishop (Sochaczew), E.Leclerc in Galeria Trzy Korony (Nowy Sącz), Stokrotka in Galeria Katowicka, Piotr i Paweł in Poznań City Center, Społem in Plac Unii City Shopping (Warsaw) and Marcpol in Brama Pomorza (Chojnice). The openings scheduled for 2014 include Auchan in Atrium Felicity (Lublin), Stokrotka in Galeria Jurowiecka (Białystok), Intermarche in Galeria Neptun (Starogard Gdański) and Piotr i Paweł in Galeria Warmińska (Olsztyn).

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

HYPERMARKETS IN POLAND IN Q4 2013



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

RETAIL WAREHOUSES AND RETAIL PARKS

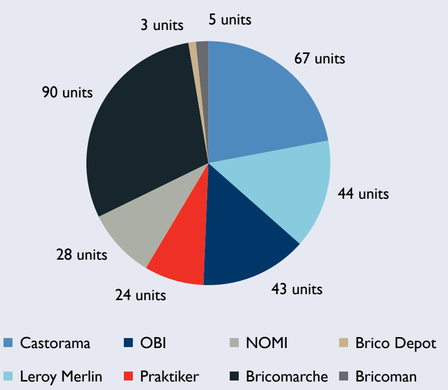
The supply of large-scale non-food stores in Poland both in retail parks and as free-standing buildings – retail warehouses – comprises a total of nearly 2.5m sq m. Poland's retail park sector continues to attract increasing interest from developers – small retail parks are planned and developed primarily in small and medium-sized cities.

The largest scheme completed in 2013 was the Europa Centralna Park in Gliwice offering 40,000 sq m. In Poznań, 14,000 sq m was added to IKEA Park Franowo while Szczecin saw the completion of Marcredo Center (14,000 sq m). Several smaller retail parks also came onto the market last year, including Park Handlowy Szombierki in Bytom, Multishop in Sochaczew, Pasaż Wiślany in Grudziądz, Dekada in Grójec and Vendo Park in Nysa. Poland's total retail park stock reached 800,000 sq m, of which 70,000 sq m was added in H2 2013. More than 60,000 sq m is currently under construction in small retail parks in small and medium-sized cities such as Era Park in Radomsko and Marcredo Center in Piekary Śląskie.

Occupier demand in retail parks remains stable with key tenants from the following sectors: DIY (Castorama, OBI and Leroy Merlin), household appliances and electronics (Media Expert and RTV Euro AGD), furniture and home accessories (Agata Meble and Jysk) and sports equipment (Martes Sport). The retail offer of such schemes is completed by drugstores (Rossmann and Hebe), accessories (Pepco), and discount fashion and footwear (Takko, KIK, Deichmann and CCC). The vacancy rate in retail parks stands at approx. 3.7%.

Rents at retail parks are stable at EUR 6–8/sq m/month for large units and EUR 9–13/sq m/month for medium-sized space with the highest rents in large retail parks in Poland's largest conurbations and the lowest in small schemes in small cities.

DIY SECTOR IN POLAND IN Q4 2013



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

OUTLET CENTRES

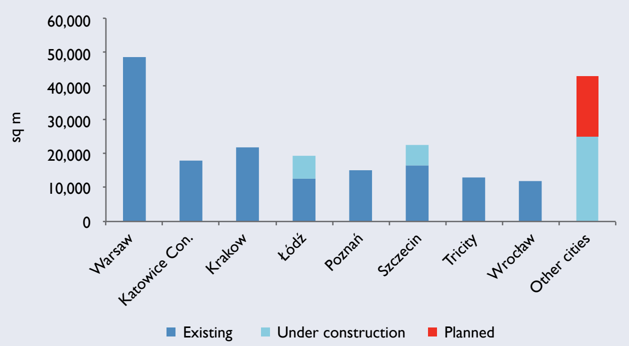
Poland offers ten outlet centres totalling nearly 160,000 sq m, one in Wrocław, Poznań, Krakow, Sosnowiec, Gdańsk, Szczecin and Łódź each, and three such centres in Warsaw. In 2013, only one such scheme – Warsaw's Factory Annopol providing 19,700 sq m – came onto the Polish market.

The development which has recently broken ground in the outlet centre sector is City Outlet Lublin to provide 11,000 sq m upon opening scheduled for 2014. Galeria Podlaska in Białystok is being currently converted into Outlet Białystok, which is also to come onto the market this year. Schemes under construction also include the next phases of Ptak Outlet in Rzgów near Łódź and Outlet Park Szczecin. Development pipeline for the forthcoming years comprises outlet centres in medium-sized cities such as Toruń, where a concept design is being prepared for Outlet Toruń to offer 18,000 sq m. Assuming all the projects are completed on schedule, this would add more than 50,000 sq m by the end of 2015.

Outlet centres provide sales space for more than 1,000 stores of Polish and foreign retailers from the fashion, footwear and sports equipment sectors. Occupier demand is the highest in Warsaw, whose two earlier built schemes are fully leased and newly-delivered Factory Annopol saw its vacancy rate decline substantially since its opening day. The average vacancy rate at outlet centres is slightly higher than that of traditional shopping centres, at approx. 4%.

Rents in outlet centres are relatively low. Average rent for a store of 100–150 sq m in Warsaw is EUR 21–23/sq m/month while in other cities stands at EUR 19–21/sq m/month.

FACTORY OUTLETS IN POLAND IN Q4 2013



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

INDUSTRIAL MARKET

MARKET OVERVIEW

2013 was a very good year for the warehouse sector in Poland. Take-up rose strongly despite a decrease in new warehouse provision by around 30% compared with 2012. Leasing volume reached over 2.1 million sq m, a rise of around 42%. This was the highest level of take up ever recorded for the Polish industrial market and was mainly due to several large leases being signed, in particular, 300,000 sq m signed by the US online retailer Amazon for 3 locations in Poland.

At the end of 2013 total modern warehouse stock in Poland reached 7,942,000 sq m, a rise of around 5% compared with the end of 2012. For many years the highest concentration of warehouse space has been in the Warsaw region (around 35% market share) however improvements in infrastructure has made the regional cities much more accessible which has led to more and more industrial space development. Very strong leasing activity in the regions will result in more space being added to the market increasing the share of the regional stock in the country's total. Currently warehouse stock in the core regions such as Upper Silesia, Poznań, Central Poland and Wrocław totals 5,145,000 sq m. The smaller markets of Tricity, Rzeszów, Toruń, Szczecin and Lublin are developing steadily, but their share of Poland's total stock is below 10%.

Modern warehouse take-up in 2013 stood at around 2,140,000 sq m, the highest on record, with leasing activity the strongest on the Warsaw market, accounting for 24% of all the transactions. Other regions with a significant share in leasing volume included Wrocław (23%), Poznań (19%) and Upper Silesia (17%). New lease agreements accounted for 60% of total take-up in 2013, which reflects continued warehouse sector growth in Poland. Lease extensions made up 32% and lease expansions around 8%.

Take-up came mostly from logistics operators and distribution occupiers (29%). A significant share of total take-up was also from e-retailers (16%), followed by retail chains (9%), the automotive sector (8%) and the food sector (8%). Worth noting are Amazon's conclusion of three lease contracts for around 100,000 sq m each in three large distribution centres to be constructed in Poland, two in the Wrocław region and one in the Poznań region.

In 2013, new warehouse supply in Poland fell by around 30% compared to figures recorded in 2012. Approximately 354,000 sq m of modern space was delivered, with the Wrocław region accounting for 30% of total volume, followed by Warsaw (24%), Upper Silesia (18%) and Poznań (9%). The largest completions included Wrocław's Prologis Park V (36,000 sq m), Panattoni's BTS project for Lear in Legnica (32,000 sq m), further phases of SEGRO's Tulipan Park Warsaw (24,000 sq m) and SEGRO's Industrial Park Tychy (21,000 sq m). New supply is expected to increase significantly in the forthcoming months due to the very high number of transactions signed last year, particularly in Q4.

At the end of 2013 around 535,000 sq m of warehouse space was under construction, more than twice as much as at the end of the previous year, the largest project being the BTS warehouse for Amazon (Goodman Wrocław South Logistic Centre) totalling more than 120,000 sq m. Other major developments underway include Panattoni BTS Castorama in Stryków (50,000 sq m), a further phase of CLIP Poznań (35,000 sq m), Prologis Park Wrocław V (35,000 sq m) and Panattoni's BTS scheme for Polaris near Opole (33,000 sq m). Most schemes are being constructed on a pre-let or built-to-suit basis to meet the specific technical requirements of a given occupier. BTS projects are expected to continue to dominate the market with speculative developments still being scarce. This being said, in some locations where the vacancy rate is currently very low such as in Poznan, developers are likely to add a speculative component on the back of a pre-let being secured.

Despite strong take-up, the vacancy rate at the end of 2013 was similar to that noted in December 2012. The vacancy rate now stands at 10.9% compared with 10.7% at year-end 2012. There is around 870,000 sq m of vacant warehouse space available on the Polish market with the largest vacancies in Warsaw (14.8% or 415,000 sq m) and Central Poland (12.5% or 129,000 sq m). The amount of vacant space in Warsaw's inner city (21.5%) is now higher than in Greater Warsaw area (12.9%). The lowest vacancy rates are in Poznań (4.6%), Upper Silesia (9.4%) and Wrocław (10%), which equates to 48,000 sq m, 146,000 sq m and 87,000 sq m respectively.

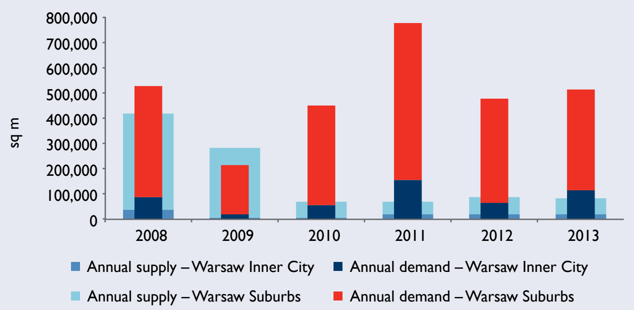
Markets with a smaller share of Poland's total warehouse stock differ significantly from one another in terms of vacant space volumes as a single lease will easily impact the vacancy rates which in the Tricity and Rzeszów stand at 2.5% (5,000 sq m) and 7% (8,000 sq m), respectively. In Krakow and Lublin the vacancy rates currently stand at 9.8% and 19.8%, equating to 16,000 sq m and 2,700 sq m, respectively.

Headline rents remained flat or fell slightly. The highest rents were posted in Warsaw's inner city (EUR 4.50–5.80/sq m/month) while the lowest were in Central Poland and in the Warsaw suburbs (EUR 2.40–4.00/sq m/month). In the remaining regions, rents were around EUR 2.90–4.00/sq m/month.

WARSAW REGION

WARSAW AREA MARKET OVERVIEW		
Existing Stock	2,797,000 sq m	
Stock Under Construction	20,000 sq m	
Vacancy Rate	14.8%	
Take-Up	513,000 sq m	
Major Landlords	Prologis, MLP Group, CA Immo, Panattoni, AIG Lincoln, Point Park Properties, Valad, Segro	
	INNER CITY ZONE	SUBURBS ZONE
Headline Rents	4.40–5.80 EUR/sq m/month	2.40–3.90 EUR/sq m/month
Effective Rents	3.50–5.00 EUR/sq m/month	1.90–3.20 EUR/sq m/month

SUPPLY AND DEMAND IN WARSAW REGION



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

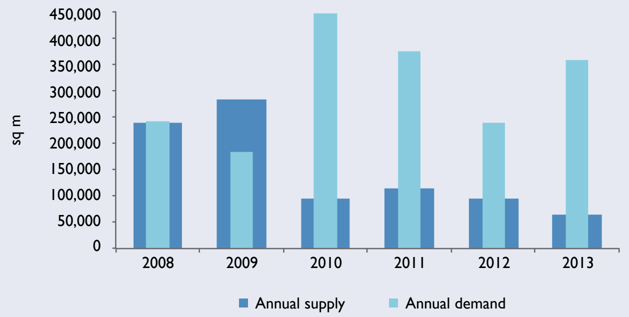
With 2,800,000 sq m and 35% of Poland's total stock, the Warsaw region is the nation's largest warehouse market. It comprises two zones: the inner city, consisting of the Białołęka, Targówek and Włochy districts, and the suburbs, an area within a 12–50 km radius to the south west of the city centre – Błonie, Janki, Piaseczno, Pruszków and Sochaczew. The inner city accounts for around 23% of the region's total stock while the suburbs make up 77%. In 2013, some 84,000 sq m of new warehouse space was delivered to the market compared with 87,000 sq m handed over in 2012, mainly in Warsaw's suburbs (77%). The key completions in 2013 included the next phase of Tulipan Park Warsaw (24,000 sq m), Good Point Puławska III (15,000 sq m) and Diamond Business Park Ursus (11,000 sq m). In 2013, around 513,000 sq m of warehouse space was transacted within the Warsaw region, a 10% rise on the previous year. New leases accounted for nearly half of the total take-up, lease extensions made up 37% and expansions 13%.

The vacancy rate in the Warsaw region remained relatively stable throughout the year standing at 14.8% at the end of 2013 with notable differences between its two submarkets. In the suburbs unoccupied space steadily decreased to 12.9% in December 2013 while the inner city's vacancy rate rose to 21.5%.

UPPER SILESIA

UPPER SILESIA MARKET OVERVIEW	
Existing Stock	1,553,000 sq m
Stock Under Construction	27,000 sq m
Vacancy Rate	9.4%
Take-Up	357,000 sq m
Major Landlords	Prologis, Panattoni, Segro, MLP Group, Menard Doswell, BIK, Hines
Headline Rents	2.90–3.50 EUR/sq m/month
Effective Rents	2.50–3.10 EUR/sq m/month

SUPPLY AND DEMAND IN UPPER SILESIA REGION



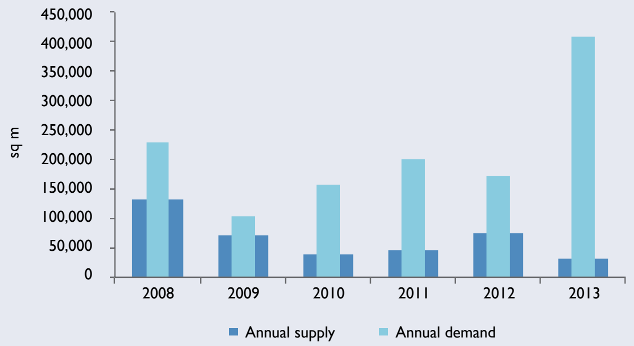
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

Upper Silesia is Poland's largest industrial hub and second-largest warehouse market. Its modern road network and favourable location have underpinned its strong position on the Polish industrial map. At the end of 2013, Upper Silesia's stock stood at 1,553,000 sq m, accounting for 20% of Poland's total stock. More than 63,000 sq m was added to the market during the year, accounting for 18% of total warehouse space delivered in Poland in 2013. The largest completions in the region included further phases of SEGRO's Industrial Park Tychy (21,000 sq m), Panattoni Park Czeladź (12,000 sq m), Panattoni Park Mysłowice (10,000 sq m) and Portowa 74 in Gliwice (8,000 sq m) developed by SILS Centre. Total take-up in 2013 amounted to 357,000 sq m, which represents a 65% rise compared with 2012. However, despite the high leasing volume, the vacancy rate rose to 9.4% – a twofold increase on the previous year's level. There is currently 27,000 sq m of warehouse space under construction. In 2013, headline rents remained stable at EUR 2.9–3.5/sq m/month.

POZNAŃ REGION

POZNAŃ MARKET OVERVIEW	
Existing Stock	1,059,000 sq m
Stock Under Construction	132,000 sq m
Vacancy Rate	4.6%
Take-Up	408,000 sq m
Major Landlords	Panattoni, Prologis, SEGRO
Headline Rents	3.00–3.60 EUR/sq m/month
Effective Rents	2.30–2.90 EUR/sq m/month

SUPPLY AND DEMAND IN POZNAŃ REGION



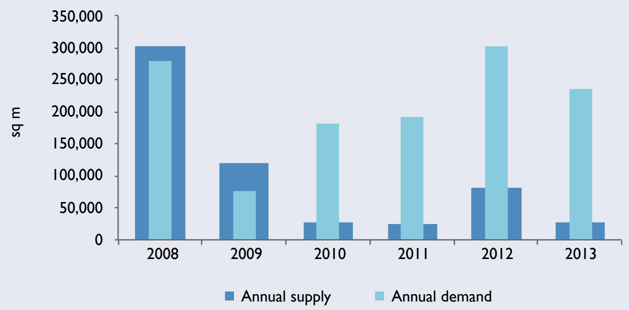
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

2013 was favourable for the Poznań warehouse market in terms of both take-up and space under construction. At the end of 2013, modern warehouse stock in Poznań stood at 1,059,000 sq m, located along the A2 motorway (Gądki, Komorniki, Krzesiny, Luboń) and the S7 expressway (Sady). During 2013 some 32,000 sq m of space came onto the market in the Poznan region. The largest completion was Panattoni's BTS project Faurecia II developed in Gorzów Wielkopolski. At the end of December 2013 around 132,000 sq m was under construction. Warehouse take-up totalled 408,000 sq m – a more than twofold rise on 2012 – with a significant share in the transaction volume being Amazon's lease for approx. 100,000 sq m in Panattoni Park Poznań to be developed in 2014. The Poznań region posted one of Poland's lowest vacancy rates at 4.6% at the end of 2013. Headline rents remained unchanged at EUR 3.0–3.6/sq m/month.

CENTRAL POLAND

CENTRAL POLAND MARKET OVERVIEW	
Existing Stock	1,032,000 sq m
Stock Under Construction	94,000 sq m
Vacancy Rate	12.5%
Take-Up	236,000 sq m
Major Landlords	Panattoni, SEGRO, Prologis, Emerson, CA Immo, AIG / Lincoln
Headline Rents	2.40–3.95 EUR/sq m/month
Effective Rents	1.90–3.10 EUR/sq m/month

SUPPLY AND DEMAND IN CENTRAL POLAND REGION



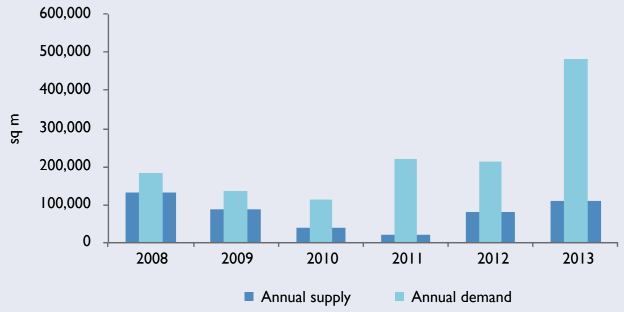
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

Central Poland's warehouse stock is located mainly in Piotrków Trybunalski, Stryków and Łódź. At the end of 2013 its total stock stood at 1,032,000 sq m with another 94,000 sq m under construction. The largest project underway was Panattoni's BTS for Castorama (50,000 sq m). Last year 27,500 sq m was added to the warehouse market in the region through further phases of Tulipan Park Stryków (19,500 sq m) and Panattoni Park Łódź East (8,000 sq m). Modern warehouse take-up totalled 236,000 sq m in 2013, 13% less than that witnessed in the previous year, with the vacancy rate relatively unchanged at 12.5% compared with 12.2% in December 2012. Headline rents remained stable. The highest rents were reported for small business units (EUR 3.8–4.0/sq m/month), while the lowest were for warehouses in Piotrków Trybunalski (EUR 2.4–2.9/sq m/month).

WROCŁAW REGION

WROCŁAW AREA MARKET OVERVIEW	
Existing Stock	870,000 sq m
Stock Under Construction	192,000 sq m
Vacancy Rate	10.0%
Take-Up	482,000 sq m
Major Landlords	Prologis, Panattoni, Goodman
Headline Rents	3.00–3.90 EUR/sq m/month
Effective Rents	2.40–3.00 EUR/sq m/month

SUPPLY AND DEMAND IN WROCŁAW REGION



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, JANUARY 2014

The highest concentration of warehouse space in the Wrocław region is along the A4 motorway (Bielany Wrocławskie, Kąty Wrocławskie, Kobierzyce, Krajków) and national road no. 8. Wrocław is now one of the fastest growing industrial markets in Poland with very large deals signed in 2013. Two of Amazon's three distribution centres developed by Panattoni and Goodman will be constructed in Wrocław and will deliver more than 200,000 sq m of new space to the market. These transactions pushed the region's total take-up in 2013 to 482,000 sq m – a twofold rise on 2012 – accounting for more than 20% of Poland's total take-up. Some 192,000 sq m is under construction with the largest projects underway including BTS Amazon (123,000 sq m) developed as part of Goodman Wrocław South Logistics Centre, another phase of Prologis Park Wrocław V (35,000 sq m), and a BTS scheme for Polaris Industries (33,000 sq m). Headline rents remain stable at EUR 3.0–3.9/sq m/month.

TRICITY

Tricity is one of the smaller warehouse markets in Poland, but it is growing very quickly. Current stock stands at nearly 200,000 sq m with some 21,000 sq m added in 2013, a rise of 12%, among others in phase one (14,000 sq m) of Goodman's flagship project Pomorskie Centrum Logistyczne, which will provide around 500,000 sq m once fully built out. Transaction volume hit 76,000 sq m, the largest being the new lease agreement of retail chain Żabka (24,500 sq m) in SEGRO Logistics Park Gdańsk which is currently under construction. Tricity's vacancy rate fell significantly from 16% at the end of 2012 to 2.5% at year-end 2013. Headline rents edged down slightly to EUR 3.2–3.9/sq m/month.

KRAKOW REGION

The Krakow region contains 158,000 sq m of modern warehouse space. Last year 9,000 sq m was added to the market. The majority of warehouses are located along Krakow's ring road and in the south-eastern part of the city. There are no new schemes under construction in Krakow. The vacancy rate in this region dropped from 17% to 9.8% over the year and rents remain at around EUR 4.00/sq m/month.

OTHER REGIONS

The regions of Rzeszów (115,000 sq m), Toruń (96,000 sq m), Szczecin (49,000 sq m) and Lublin (14,000 sq m) are the least developed warehouse markets in Poland and account for around 3% of the country's total stock. In 2013, only Szczecin's stock increased with the delivery of warehouse A of North-West Logistic Park (7,000 sq m). Some 65,000 sq m was leased on these regional markets, of which 27,000 sq m was in Szczecin. Transaction volumes in Krakow, Toruń and Lublin were 19,000 sq m, 10,000 sq m and 8,000 sq m, respectively. The lowest vacancy rate was noted in Rzeszów (7%) and the highest in Lublin (20%). Vacancy rates in Szczecin and Toruń stood at 7.5% and 9%, respectively.

INDUSTRIAL MARKET TRENDS

- A major increase in warehouse supply is anticipated in the forthcoming months on the back of very high transaction volume noted last year, particularly in Q4 2013.
- BTS projects will still remain the most popular development model, with speculative development remaining scarce.
- With an overall economic improvement in Europe, in particular Germany, the Polish warehouse market is expected to remain on course for continued growth. The vacancy rate is very likely to stay at the current level of around 10%.

HOSPITALITY MARKET

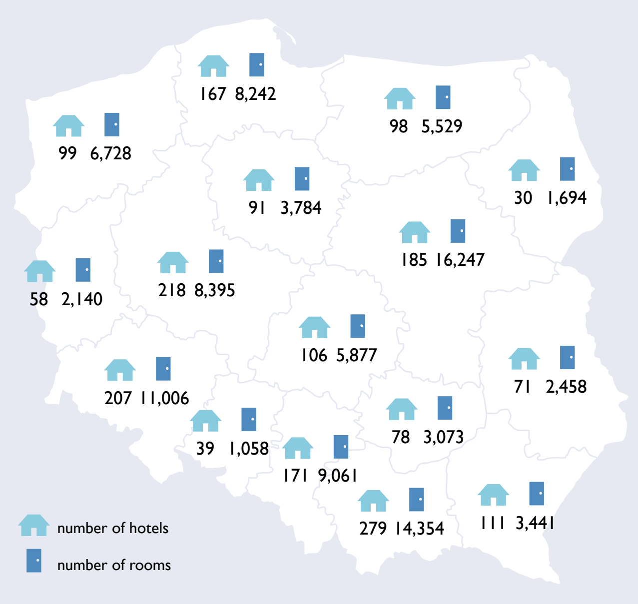
DEMAND

The number of people visiting Poland and accommodated in hotels has been steadily growing since 2010 and the total number of guests accommodated in hotels in Poland reached 13.5 million in 2012 and 13.6 million in YTD December 2013. The increase in 2013 (YTD December) compared to the same period in 2009 equals 36.7% which represents an increase of 3.6 million guests accommodated in hotels in Poland during this period.

The nationality split shows a high proportion of local hotel guests staying at hotels with around 70% of Polish and around 30% of foreigners. The high dependency of the hotel market in the local demand brought a clear advantage during the last global economic downturn, when the Polish market was less affected by the drop in demand from foreign clientele. This is a key difference to other markets in Central Europe that are mainly dependent on foreign demand.

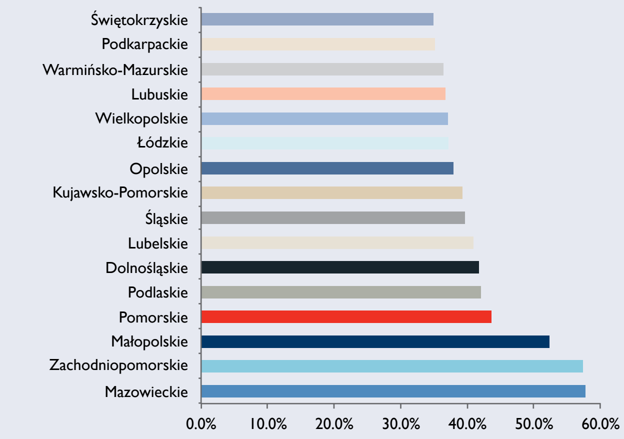
A higher percentage of foreign guests is reached in the voivodship bordering the neighboring countries and the Mazowieckie voivodship with the capital city Warsaw also catching a higher proportion of foreigners.

HOTEL SUPPLY IN POLAND BY VOIVODSHIP



SOURCE: POLISH CENTRAL STATISTICAL OFFICE, JANUARY 2014

OCCUPANCY IN POLAND BY VOIVODSHIP



SOURCE: POLISH CENTRAL STATISTICAL OFFICE, JANUARY 2014

NUMBER OF TOURISTS ACCOMMODATED IN POLAND

SOURCE: POLISH CENTRAL STATISTICAL OFFICE, JANUARY 2014

SUPPLY

According to the Central Statistical Office there were 2,008 hotels in Poland at the end of 2013 offering 103,087 hotel rooms. This represents an increase of 5.2% in number of hotels and 5.9% in number of hotel rooms compared to the previous year. The majority of hotels rooms belong to 3-star segment representing 42% of all hotel room stock, followed by 4-star, 2-star, 5-star and 1-star segments. Most of the hotels of higher standard are operated by international operators who usually operate larger hotels over 100 rooms. Therefore the largest hotels are in the 5-star segment with an average of 134 rooms per hotel, followed by 4-star hotels with an average of 106 rooms, then the average decrease significantly to less than 50 rooms.

The four regions with the largest number of hotels are the Malopolskie, Dolnoslaskie, Wielkopolskie and Mazowieckie voivodships, representing together almost half of the total hotel stock in Poland.

The detailed split of the hotel supply per voivodship is shown on the map.

SELECTED HOTEL OPENINGS IN POLAND

HOTEL	LOCATION	ROOMS	OWNER/DEVELOPER	STAR RATING	OPERATOR	SCHEDULED OPENING
Doubletree by Hilton Conference Centre and Spa	Wawer District, Warsaw	365	Polaris Hospitality Enterprises	5	Hilton	May 2014
Renaissance Chopin Airport	Chopin Airport Warsaw	225	Polish Airports	5	Port-Hotel for Renaissance Hotel with Global Hospitality Licensing	December 2013
Hampton by Hilton	Wspolna, Warsaw	300	S+B Gruppe AG	3	Hilton	May 2014
Motel One	Tamka, Warsaw	180	Tamex Inwestycje		Motel One	Q4 2014
Ibis Styles Bialystok	Bialystok	130	Orbis/ Accor		Orbis/Accor	Q4 2014
Courtyard by Marriott	Gdynia	201	SwedeCenter	4	Scandinavian Hotel Management under franchise from Courtyard	2014
Hotel Europejski	Krakowskie Przedmieście, Warsaw	100		5	Raffles Hotels & Resorts	Q3 2015

SOURCE: CUSHMAN & WAKEFIELD GLOBAL HOSPITALITY

HOTEL TRANSACTIONS IN POLAND IN 2013

PROPERTY	CITY	OPERATOR	ROOMS	STAR RATING	SALE PRICE IN EUR	PRICE PER ROOM	VENDOR	PURCHASER
Mercure Zakopane Kasprowy	Zakopane	Accor	288	3	13,569,984	47,118	Orbis	Bachleda Grupa Inwestycyjna
Sheraton Krakow	Kraków	Starwood	232	5	38,000,000	163,793	QIPML	Algonquin
Le Bristol	Warszawa	Starwood	206	5	N/A	N/A	Starman Hotels	Group of private investors

SOURCE: CUSHMAN & WAKEFIELD GLOBAL HOSPITALITY

NEW HOTEL OPENINGS

Poland has seen a recent increase in new hotel openings due to the UEFA European championship in 2012, however the country still offers plenty of hotel development opportunities especially in secondary cities.

The Polish hotel market is very dynamic and many developments are under construction at the moment. A large number of hotel projects are expected to be completed in the coming two years, including internationally branded hotels such as Hilton, Marriott, Motel One and Raffles.

INVESTMENT

The volume of hotel investment activity in 2013 surged within the EMEA region, increasing by 15%. This increase was mostly led by major portfolio and single asset transactions occurring in Western Europe. However, with reducing acquisition opportunities in main Western European cities, investors are now showing renewed interest in the Central European key gateway cities. Looking at Central and Eastern region, Poland is currently the most important market for hotel investors.

There were three important hotel deals in Poland that closed last year in three different Polish cities and we detail the transactions in the table above.

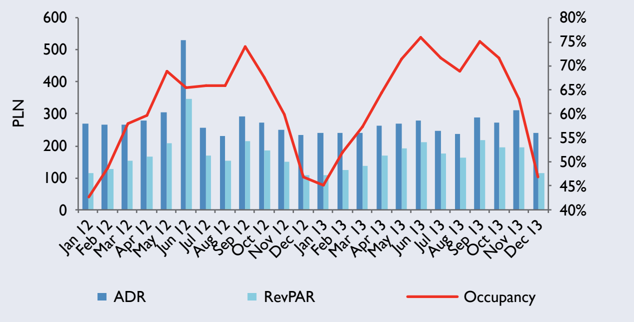
The iconic Hotel Bristol was sold in December 2013 to a private investor, following a thorough renovation and rebranding into a Luxury Collection Hotel.

PERFORMANCE

The performance of Polish hotels shows a positive trend, especially in terms of occupancy. The comparison of ADR and RevPAR in 2013 with 2012 should not be considered alarming as the ADR in 2012 was distorted by the UEFA championship. This is shown in the graph below where ADR in June 2012 got over 500 PLN.

If we take this influence into account, we can see that occupancy increased by 5.5%, ADR dropped by 9.6% and RevPAR dropped by 4.7% in 2013. We are of the opinion that the market is returning to its normal and that the new hotel room supply will not affect the performance of existing hotels as demand is continues to improve.

KEY PERFORMANCE INDICATORS



SOURCE: STR Global

VALUATION AND ADVISORY SERVICES

Cushman & Wakefield provides valuation and advisory services throughout the world. In Europe it employs around 60 market researchers and around 200 property valuers. The Valuation and Advisory department of Cushman & Wakefield in Poland has 15 employees. It provides valuation and advisory services at the local level supported by regional offices, for investment funds, Polish and foreign banks, developers, investors, local authorities and other companies holding commercial real estate. Our Valuation and Advisory department draws on the expertise and experience of Cushman & Wakefield's global network of specialists.

Valuation and advisory – fields of activity

- Retail market
- Office market
- Residential market
- Hospitality market
- Industrial market
- Land market

PROPERTY VALUATION

VALUATION TEAM

- Appraisals
- Portfolio Valuation
- Single Asset Appraisal

Valuation Team prepares valuations that suit variety of needs including:

- Acquisition / disposal
- Loan security
- Accounting / financial reporting
- Insurance
- Tax purposes
- Update of perpetual usufruct fee
- Determining damages amount (compulsory purchase)
- Determining the amount of incurred outlays
- Reduction of betterment levy
- Reduction of planning charge
- Valuations for client's internal purpose

The valuation reports are made in accordance with the Polish standards (PFSRM) as well as the international standards (RICS, TEGoVA, IVS, IAS).

Standard	Form
RICS "Red Book"	Valuation report, Short form report (e.g. desktop valuation)
Polish Valuation Standards	Valuation report
European Valuation Standards (TEGoVA)	Valuation report
International Valuation Standards	Valuation report

REAL ESTATE ANALYTICAL AND ADVISORY SERVICES

Market research and analyses

- Macroeconomic and sector analyses
- Analyses of regional and local property markets
- Competition analyses (projects existing, under construction and planned)
- Modelling the catchment area of retail schemes and turnover estimates
- Location analyses (accessibility, visibility, planning and infrastructure constraints)
- Analyses and projections of sector indices such as demand, supply, vacancy rates, absorption, rents, prices and yields, etc.
- Analyses of tenants' and buyers' preferences

Financial analytics

- Deterministic and probabilistic financial rationality of projects based on international accounting standards (IAS)
- Developing projects' size, standard, costs, income, schedule and macroeconomic assumptions
- Advising on optimum financing structures based on the current capital market conditions
- Identification and quantification of key risk factors affecting the financial result of a project
- Analysis of the model's sensitivity to changing macro- and microeconomic conditions

Example projects / Selected clients

Highest and Best Use (HBU) analysis, Feasibility study

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