MARKETBEAT

POLISH REAL ESTATE MARKET REPORT

A Cushman & Wakefield Research Publication

SPRING 2015

A Cushman & Wakefield Research Publication

Dear Sir / Madam,

Cushman & Wakefield is the world's largest privately held commercial real estate services firm. Founded in 1917, it has 248 offices in 58 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

Despite the geopolitical tensions resulting from the Ukrainian conflict, Poland's economy maintained its momentum in 2014. The GDP growth is forecast to hit 3.4%, a rise of 1.9 percentage points on 2013, following improved consumer spending and investment volumes. Poland's strong performance relative to other European nations is likely to continue throughout 2015, depending on the evolution of events in Eastern Europe and the eurozone.

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2012	2013	2014F	2015F
GDP growth	1.8	1.5	3.4	3.5
Consumer spending	0.9	1.0	3.1	3.6
Industrial production	1.4	2.4	3.1	3.5
Investment	-1.5	0.9	9.6	5.9
Unemployment rate (%)	12.8	13.5	12.4	11.5
Inflation	3.7	1.2	0.2	0.5
€/PLN (average)	4.19	4.2	4.18	4.15
US$/PLN (average)	3.26	3.16	3.15	3.36
Interest rates: 3-month (%)	4.7	2.8	2.3	2.0
Interest rates 10-year (%)	5.0	4.0	3.5	2.8

*ANNUAL % GROWTH RATE UNLESS OTHERWISE INDICATED. F FORECAST

SOURCE: OXFORD ECONOMICS LTD. AND CONSENSUS ECONOMICS INC

FISCAL POLICY AND BUDGET

According to preliminary estimates from the Ministry of Finance for January through to November 2014, Poland's deficit stood at PLN 24.8bn, which constitutes more than 50% of the limit set out in the budget law. At the end of November the national debt amounted to more than PLN 772.5bn, down by over 9% compared with November 2013. At year-end 2014 the Polish Parliament adopted the 2015 Budget Act projecting the country's deficit at below PLN 46.8bn, inflation rate at 1.2% and a 3.4% GDP growth.

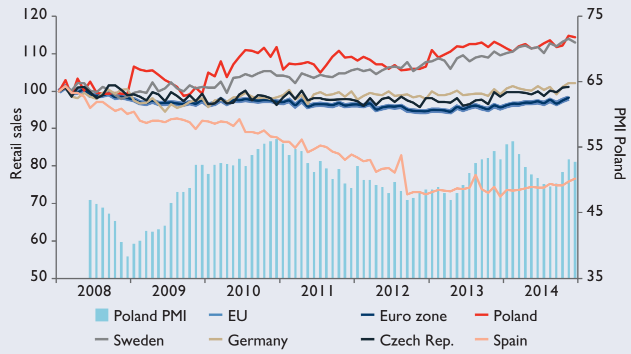
INTEREST RATES

After more than a year of sitting on the sidelines, the Polish Monetary Council decided in October 2014 to cut the National Bank of Poland's reference rate to 2%. The European Central Bank (ECB) continued its series of interest rate cuts, bringing its reference rate down to 0.05% and its negative interest rate on deposits down to -0.2%.

EXCHANGE RATES

In H1 2014, there were no significant movements in exchange rates between the Polish zloty and the world's major currencies. However, the Polish zloty weakened strongly against the US dollar from July and against the euro at year-end 2014.
In mid-January 2015, the Swiss National Bank decided to end its capping of the Swiss franc against the euro in an unexpected move, which led to the franc skyrocketing against the Polish zloty. This sent franc-denominated mortgage repayments of many Poles skyward and may result in lower consumer spending.

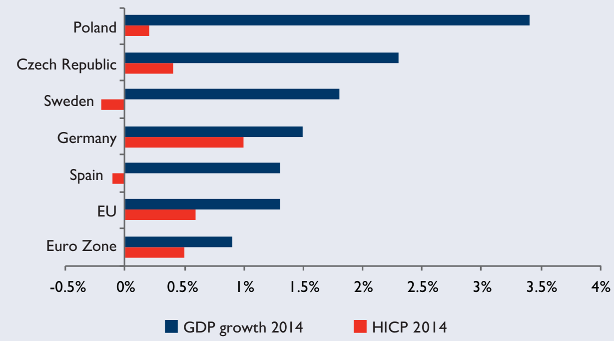
RETAIL SALES*



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

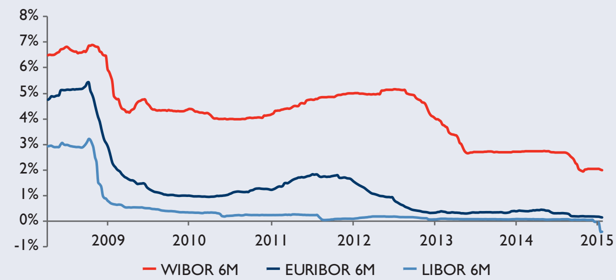
SOURCE: EUROSTAT, MONEY.PL, FEBRUARY 2015

KEY ECONOMIC INDICATORS



SOURCE: OXFORD ECONOMICS LTD. AND CONSENSUS ECONOMICS INC

INTEREST RATES



SOURCE: STOOQ.PL, FEBRUARY 2015

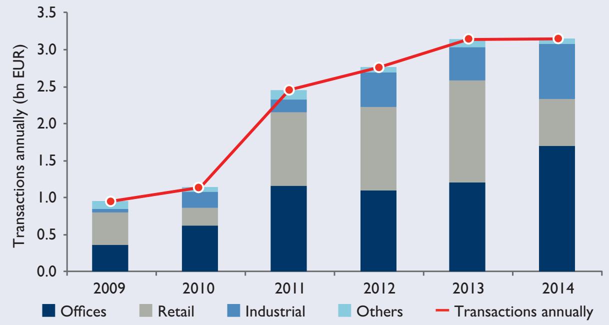
INVESTMENT MARKET

With the volume of transactions in 2014 at EUR 3.13bn the Polish commercial investment market posted a fifth consecutive year of rising investment activity. This gave Poland a 43% market share in the CEE region, strongly ahead of the Czech Republic (26%) and Romania (15%).

Although investor demand for properties on the Polish market shows no signs of slowing down, transaction volumes are growing at a slower rate of 0.3% compared with previous years, largely due to the shrinking supply of the most sought-after prime assets.
As a result, the deal volume in the retail sector fell in 2014 by 46% due to the dearth of large transactions involving individual schemes or property portfolios. By contrast, the industrial and warehouse sector turned over EUR 740m, which was an all-time high, outperforming the retail sector for the first time. The office market, however, was the best performer with the volume of transactions closed in 2014 at EUR 1.69bn, representing a rise of more than 40% compared with 2013.

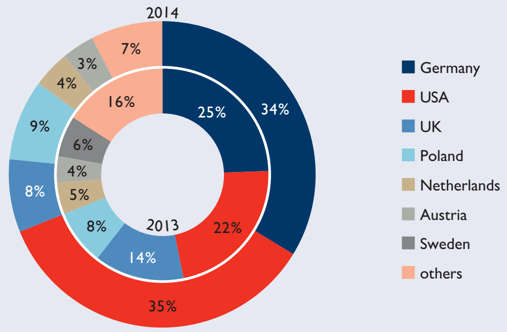
Investor interest in Polish commercial properties is expected to grow stronger in 2015 on the back of improving economic fundamentals of Poland catching up with Western Europe and capital outflow from Eastern Europe to Central Europe due to the escalating conflict between Russia and Ukraine. Investment volumes on the Polish market are likely to rise this year provided that there is sufficient supply of prime assets which may, however, be increasingly limited as in 2014.

TOTAL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

TOTAL TRANSACTION VOLUME BY SOURCE OF CAPITAL



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

10 MAJOR TRANSACTIONS IN 2014

Property	Market	Sector	Seller	Buyer	Price (EUR million)
Rondo I	Warszawa	Office	BlackRock	Deutsche Asset & Wealth Management	approx. 295
Poznań City Center	Poznań	Retail	PKP / Trigranit / Europa Capital	Resolution / ECE	approx. 227
Plac Unii	Warszawa	Office / Retail	Liebrecht & Wood / BBI Development	Invesco Real Estate	226
Ghelamco Portfolio	Warszawa, Katowice	Office	Ghelamco	Starwood	192
Metropolitan	Warszawa	Office	Aberdeen	Deutsche Asset & Wealth Management	approx. 190
Panattoni / PZU Portfolio	Wrocław, Łódź, Gdańsk	Industrial	Panattoni	PZU	140
Focus Mall Bydgoszcz	Bydgoszcz	Retail	Aviva	Atrium European Real Estate	122
Standard Life Portfolio	Mysłowice, Stryków, Robakowo	Industrial	Standard Life Investments	Blackstone Real Estate	118
Quattro Business Park	Kraków	Office	Buma Group	Starwood	confidential
Lipowy Business Park	Warszawa	Office	CA Immo	W.P. Carey	108

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

OFFICE MARKET

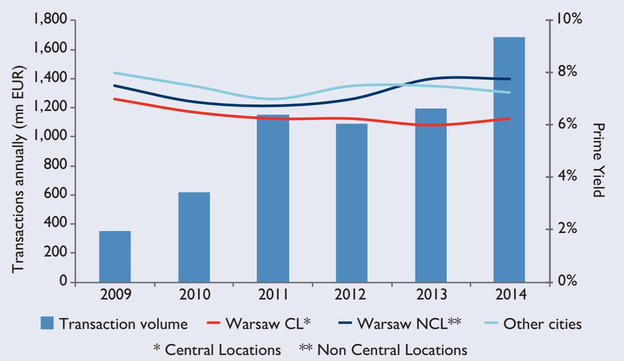
The office market was the best-performing sector with the deal volume at EUR 1.69bn, which accounted for 53% of the total transaction volume in Poland in 2014. This represents an increase of more than 40% compared with 2013, due to both the continued strong demand for office buildings in Warsaw and in the largest regional cities and good supply of such assets.

Warsaw's core was the largest segment of the Polish office market in 2014 with a trading volume of EUR 673m, which was around EUR 64m higher than the transaction volume noted in non-central locations. However, the largest hike in investment volumes was recorded in regional cities in which trading volumes more than doubled in the past twelve months to EUR 406m. Investor interest was particularly focused on the Krakow region, where five office buildings were transacted for a total of around EUR 223m, followed by the Wrocław market with three properties sold for around EUR 80m.

In 2014 three landmark office buildings were sold in Warsaw: Metropolitan on Piłsudskiego Square and Rondo 1 were acquired for nearly EUR 190m and approx. EUR 295m, respectively, by Deutsche Asset & Wealth Management (Deutsche AWM), while Plac Unii was acquired by Invesco Real Estate for EUR 226m.

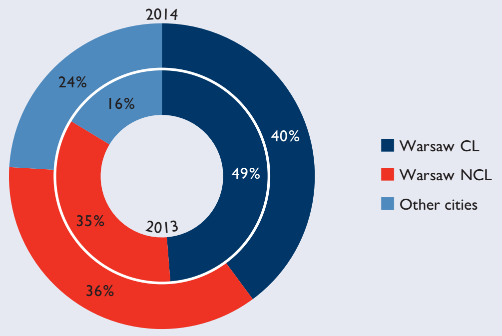
The growing uncertainty about long-term rental income stability is the greatest risk to the current investor activity. Vacancy rates in Warsaw are still rising and at year-end 2014 reached 13.26%. On top of that, the planned delivery of another 300,000 sq m of new office space in the capital city in 2015 is likely to make investor demand for office buildings more selective.

OFFICE INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

OFFICE INVESTMENT VOLUME BY LOCATION



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

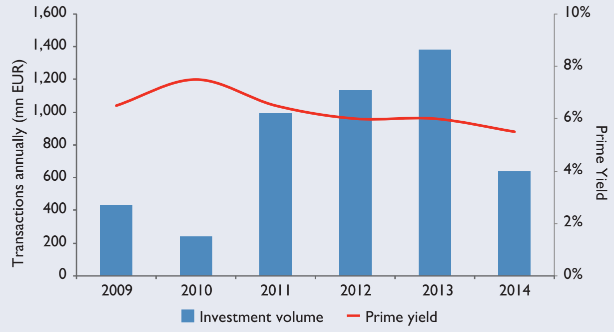
RETAIL MARKET

Transaction volume on the retail market in 2014 totalled EUR 639m, compared with EUR 1.379bn in 2013. Despite considerable investor interest in Polish retail properties, the supply of large shopping centres in the core cities which had previously accounted for a substantial share in investment volumes was very limited in 2014. The sale of Poznań City Center by a consortium of developers; TriGranit, Europa Capital and PKP to a consortium of ECE and Resolution for around EUR 227m was the only large shopping centre transaction recorded in Poland last year.

Due to the scarcity of assets in the largest Polish cities, successful landmark retail properties in medium-sized cities with a population of 100,000 to 400,000 continue to garner growing interest. This segment's deal volume nearly doubled to EUR 241m compared with 2013. The largest transactions were the acquisition of Galeria Mazovia in Płock by CBRE Global Investors and Atrium's acquisition of Focus Mall shopping centre in Bydgoszcz for EUR 122m.

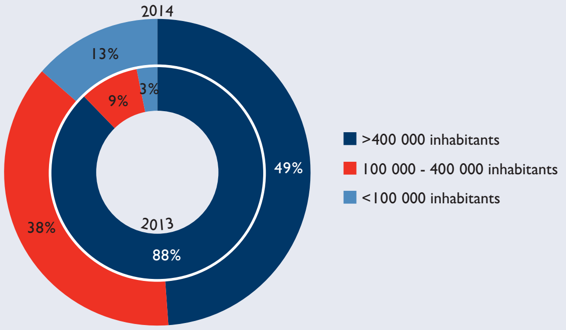
The transaction volume on the retail market is expected to rise markedly in 2015 despite the paucity of retail properties for sale in the largest Polish cities. Investor activity is likely to step up in medium-sized cities and several large properties will come onto the market in the forthcoming months. Given the total value of assets currently on the table, the 2015 retail investment volume is forecast to reach around EUR 1bn if at least a third of potential transactions are finalized.

RETAIL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

RETAIL TRANSACTION VOLUME BY CITY SIZE



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

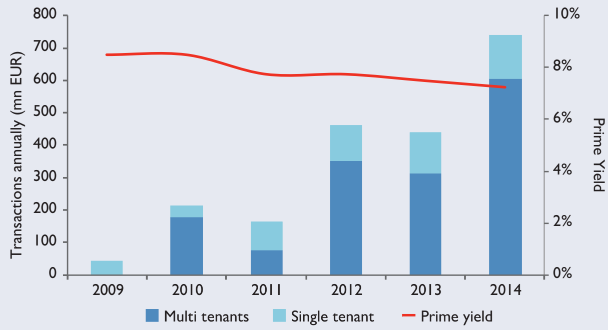
INDUSTRIAL MARKET

In 2014 transaction volume on the Polish industrial market hit a record high of EUR 741m. Very strong investment activity pushed the trading volumes up by 68% compared with 2013 and by 60% compared with 2012. This strong performance of the industrial market was facilitated by the exceptionally plentiful supply of large property portfolios by both developers such as Panattoni and investment funds, including Standard Life Investments and Tristan Capital Partners, because demand for prime industrial and warehouse schemes has remained at a stable high level for two years and the number of deals closed in 2014 rose only marginally compared with 2013. Last year's largest transaction was the acquisition of Panattoni's portfolio of four properties by the investment fund PZU Fundusz Inwestycyjny Zamknięty Sektora Nieruchomości 2 for EUR 140m, which was the biggest-ever single deal of a Polish capital group on the Polish investment market. The key market player was the US investment fund Blackstone, which acquired Standard Life Investments' portfolio for EUR 118m in Q2 2014 and the property portfolio of Panattoni and Pramerica in Poland and the Czech Republic in Q3 2014.

As in previous years, highest prices and tighter yields were paid for single-tenant properties leased to financially strong companies for a long time. Examples of such deals include: the acquisition of Polaris quad bike manufacturing facility in Opole by W. P. Carey and the acquisitions of Castorama's distribution centre in Stryków and Tesco's distribution centre in Gliwice by Prologis.

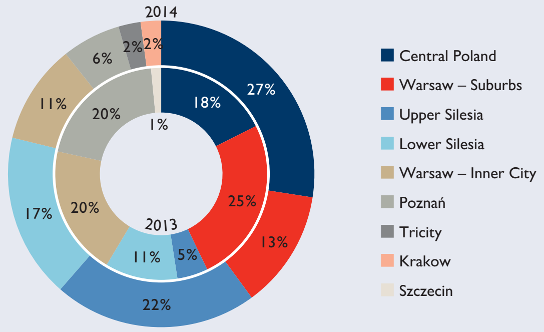
The outlook for the Polish industrial market remains favourable and investor interest in this segment is expected to rise. Investment activity was robust in recent years, indicating that a substantial number of existing warehouse schemes have already been acquired by long-term investors. Therefore, the current investor activity may continue provided that there is sufficient supply of prime assets coming onto the market.

INDUSTRIAL INVESTMENT DEALS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

INDUSTRIAL TRANSACTION VOLUME BY LOCATION



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

OFFICE MARKET

WARSAW

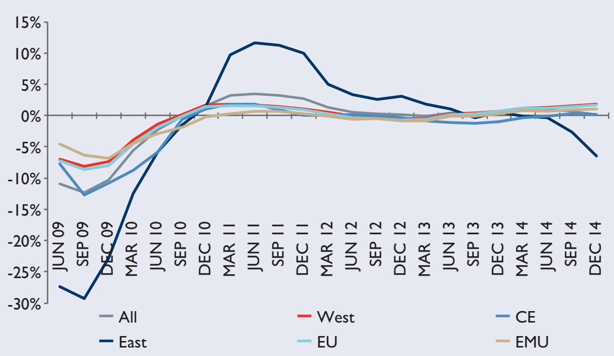
2014 was exceptionally good for tenants. Rising vacancies and high supply pressure forced both developers and owners of existing office buildings to offer very attractive lease terms. This applied in particular to owners of buildings in Central Locations, where the vacancy rate rose by more than 4.6 percentage points and absorption remained relatively low. Transaction volume on the Warsaw market fell by around 26,000 sq m from 635,300 sq m in 2013. However, the number of leases began to rise in the last two quarters of 2014 and this upswing in leasing activity is expected to continue at least until 2018. As a result, developers stand a greater chance of being able to warm tenants to their office projects. High absorption and the public sector's growing demand for office space bode well for further growth of the Warsaw office market in the coming years. Despite the imbalance in demand and supply, headline rents remained flat in most locations.

WARSAW OFFICE MARKET

	WARSAW	CENTRAL LOCATIONS	NON CENTRAL LOCATIONS
Number of buildings	442	120	322
Stock (sq m)	4,391,902	1,332,209	3,059,693
Total vacancy (sq m)	582,472	202,652	379,820
Vacancy rate (%)	13.26	15.21	12.41

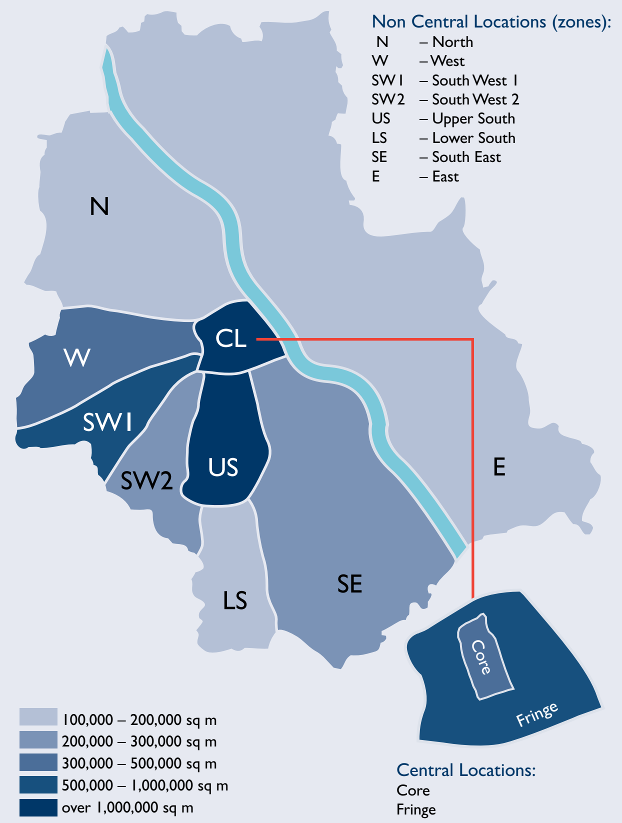
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

OFFICE RENTAL GROWTH IN EUROPE (YEAR-ON-YEAR)



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

CONCENTRATION OF MODERN OFFICE SPACE IN WARSAW



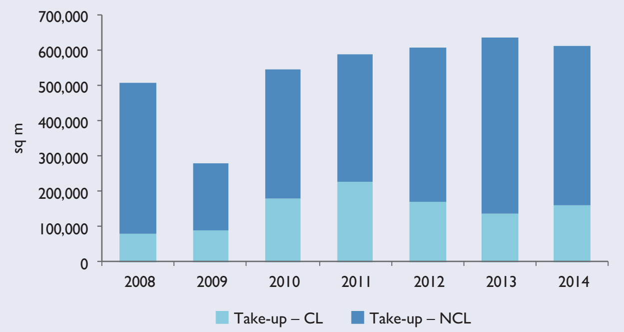
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

SUPPLY

In 2014, more than 279,100 sq m of modern office space came onto the Warsaw market, of which more than 30% was delivered in central locations. This represents a slight fall of around 19,000 sq m on the previous year's supply, but the capital's office stock has been steadily rising since 2012 and at year-end 2014 reached more than 4.39 million sq m, a rise of nearly 6.8% compared with 2013. The vast majority of new space was delivered in the South-Western 1 zone (SW1, 77,000 sq m) and the Fringe (65,300 sq m). Compared with 2013, there was much more space added to the market in the Northern zone (55,700 sq m), while the new supply in the Upper Mokotów district (US) totalled just under 27,800 sq m (153,100 sq m in 2013). Several large office schemes were delivered onto the Warsaw market, including HB Reavis' Gdański Business Center I (A and B buildings totalling 47,200 sq m), Capital Park's Eurocentrum Office Complex I (38,700 sq m) and Ghelamco's Warsaw Spire B (20,000 sq m). An example of a successful revitalisation of an old building is Kulczyk Silverstein Properties' Małachowskiego Square (12,500 sq m). Overall, twenty six office buildings were completed last year, sixteen of which provided less than 10,000 sq m of leasable space each.

Based on developers' forecasts, more than 300,000 sq m of office space is likely to come onto the Warsaw market in 2015, the largest projects under construction being HB Reavis' building at 14 Postępu Street (30,550 sq m), Capital Park's Royal Wilanów (27,900 sq m) and PHN's Domaniewska Office Hub (26,400 sq m). Other completions scheduled for this year include Europa Capital's Spektrum refurbishment (27,300 sq m) and Senatorska Investment's Plac Zamkowy – Business with Heritage (4,100 sq m). Despite the continued low borrowing costs, and banks being keen to finance office projects, developer activity may be constrained by the temporary supply/demand imbalance which will filter through to investors' expectations and pricing of the office sector in Warsaw. Supply pressure may, however, begin to ease gradually in late 2016.

TAKE-UP IN WARSAW



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

TAKE-UP

Leasing activity in Warsaw from January till December 2014 totalled 609,200 sq m, representing a 4.1% fall on the same period of 2013. Nearly 74% of leases were for space in Non-Central Locations (NCL) in contrast to 161,000 sq m transacted in the central zone, up by almost 24,000 sq m on the previous year and down by 24.8% on 2011's record high. As in 2013, the volume of pre-lets fell again in 2014 to little more than 47,300 sq m, which highlights the trend of tenants taking up existing space. New leases accounted for more than 61% of Warsaw's total take-up while the share of renewals and renegotiations stood at more than 37%, a rise of around 9 percentage points on 2013. The number of deals involving owner occupation of buildings plummeted by more than 22,000 sq m on the previous year to around 7,000 sq m. Occupier activity again focused on the Upper South zone (US) with 174,100 sq m leased and the South-Western I zone (SW1, around 112,000 sq m transacted). There was also a flurry of leasing activity in the Fringe with the deal volume up by around 50% on 2013's level. The largest transaction in 2014 was Raiffeisen Bank's pre-let of 19,500 sq m in Golub GetHouse's Prime Corporate Center which is under construction on Grzybowska Street. In addition, the Agency for Restructuring and Modernisation of Agriculture renewed its 17,500 sq m lease at UBM and CA Immo's Poleczki Business Park while PKP Group companies signed a pre-let of 15,000 sq m in HB Reavis' West Station project. Other major deals included Netia's lease renewal of 13,200 sq m in Heitman's Marynarska Business Park, Deloitte's lease of 10,700 sq m in Echo Investment's Q22 Tower which is under construction and PwC's 10,800 sq m lease extension signed in mid-2014 in Deka Immobilien's International Business Center.

Leasing activity is expected to pick up in the coming years spurred by the gradual expiry of ten-year leases signed in the years 2006-2008 and five-year leases signed in 2011-2013 when take-up was high. The reversal of the market cycle will probably push 2015's deal volume to more than 600,000 sq m with new record highs likely in 2016.

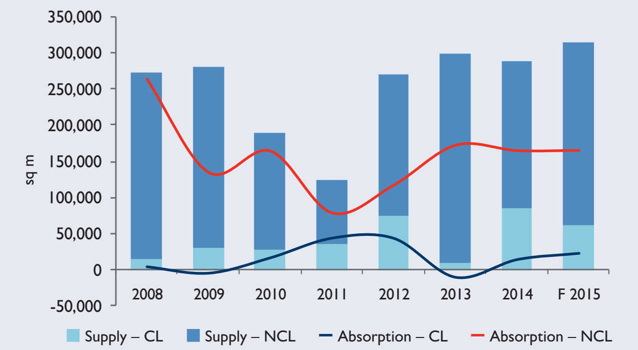
VACANCY

The imbalance in demand and supply led to a high rise in vacancies in Warsaw. At the end of December 2014 the capital's vacancy rate stood at approx. 13.3%, equating to nearly 582,500 sq m of vacant space. This represents a rise of more than 1.5 percentage points on the previous year's rate. The highest vacancy rates were recorded in the Northern zone (N) and the Core at 21.1% and 16.5%, respectively. The South-Western I zone (SW1) also reported a high vacancy rate of 15.4%. By contrast, the lowest rates of below 10% were noted in the Ursynów area (LS), Wilanów (SE) and the South-Western 2 zone (SW2), largely due to low office supply in these locations which totalled little more than 19,100 sq m. The largest hike in vacancies was in the Fringe from 74,500 sq m in 2013 to 121,100 sq m at the end of December 2014, following among others the delivery of three office buildings: Powiśle Business Center, Małachowskiego Square and Moniuszki 1a with more than 28,300 sq m of available space. In the medium term other office schemes coming onto the market may push the vacancy rate up to 15% at year-end 2015, depending on the absorption level.

ABSORPTION

Absorption for 2014 stood at 179,600 sq m, which was close to 2010's level of nearly 181,400 sq m. The amount of space occupied by tenants in central locations increased more than 14,900 sq m, which reduced the effects of the negative absorption in 2013. This is not a result of increased interest by tenants, but more related to significantly higher availability of new space than a year before. Strong performance was noted in Non-Central Locations (NCL) with absorption of around 164,700 sq m, which represents a fall of little more than 4% on the level recorded in 2013. By moving from low quality office buildings public sector companies and institutions are easing the rapid growth of vacant space available on the market, having an increasing impact on absorption trends. Absorption is expected to remain high in 2015 given the positive economic outlook for Poland for the coming years, the large volume of low quality office space and strong supply. However, it is rather unlikely to exceed the levels of more than 200,000 sq m recorded in the years of 2006-2008.

SUPPLY AND ABSORPTION IN WARSAW

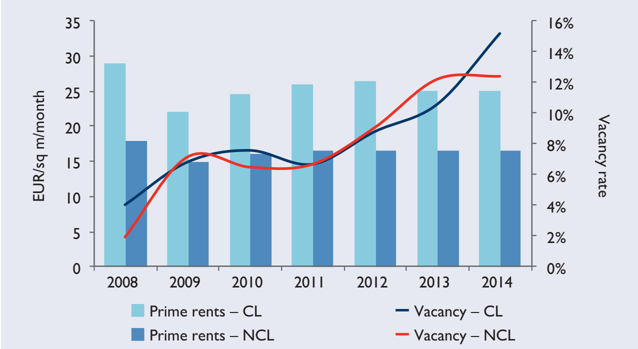


SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

RENTS

The conditions on the Warsaw market are favourable for both tenants whose leases are due to expire soon and those planning to take up modern office space. Despite strong supply pressure, headline rents in prime central locations remained flat at EUR 25/ sq m/month, but the number of leases signed at such rental level has fallen sharply since 2013. Prime office buildings in Non-Central Locations command EUR 14-16.5/sq m/month. In the coming years rents will come under pressure particularly for prime office buildings in the Upper Mokotów area, now fetching headline rents below EUR 14.5/sq m/month. By contrast, the northern part of Warsaw (N) posted a rise in rents of EUR 0.5/ sq m/month since early 2014, now standing at EUR 16.5/sq m/ month. The lowest prime headline rents at EUR 13.5/sq m/month were again in the Ursynów district (LS). Landlords continue to pursue aggressive pricing strategies offering additional incentives such as rent-free periods or fit-out contributions and, therefore, effective rents may be lower by as much as 25% than headline rents. Effective rents in new office buildings largely depend on project financing, the development stage and the size and prestige of the tenant. Extensive experience of key developers, particularly with regard to minimizing space construction costs, and the compression of expected rates of return also help to bring rents down. In such a situation landlords of existing buildings need to prepare appropriate tenant retention programs. The typical length of most leases is still five years.

PRIME RENTS AND VACANCY IN WARSAW



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

ART NORBLIN, WARSAW

REGIONAL MARKETS

In 2014 new office supply in Poland's six regional cities, including Krakow, Wrocław, Tricity, Poznań, Katowice and Łódź, totalled more than 323,600 sq m compared with 262,000 sq m in the previous year. Krakow remains the largest regional office market with over 731,500 sq m, followed by Wrocław with nearly 591,100 sq m. The regional markets, however, still account for just around 64% of Warsaw's total office stock.

2014's largest completions in the regional cities include Skanska's Kapelanka 42 in Krakow (29,900 sq m), Skanska's Green Day in Wrocław (15,900 sq m) and Hines' Neptun Office Center in Gdańsk (15,300 sq m). On the other hand, Vastint's Poznań Business Garden under construction in Poznań (42,100 sq m) is nearing completion, while Skanska's Dominikański in Wrocław (37,400 sq m) is scheduled to come onto the market in Q3 2015. Last year's total take-up in the regional cities reached 378,900 sq m, up by nearly 16.5% on 2013, with the largest leasing volumes in Krakow and Wrocław at 116,500 sq m and 93,500 sq m, respectively.

The average vacancy rate in the six largest regional cities stood at more than 9.2% at year-end 2014, around 0.8 percentage points lower than in 2013. The highest vacancies of 12.7% and 11.2% were in Poznań and Katowice, respectively, indicating weaker than expected occupier interest in these locations. As in 2013, the lowest vacancy rate of 5.2% was again in Krakow. Prime headline rents remained flat, ranging from EUR 13/sq m/month in Łódź to EUR 15/sq m/ month in Wrocław. The median prime rent for the six regional cities stands at EUR 14/sq m/month and is expected to remain unchanged throughout the rest of the year.

Given the positive economic outlook for Poland for 2015-2016 and the development pipeline volumes, the regional office markets will continue to grow further at a rate dependent largely on demand levels and the BPO sector's interest, in particular.

EMERGING MARKETS

Modern office stock in the emerging markets of Szczecin and Lublin totals 162,700 sq m and 149,500 sq, respectively, of which nearly 80% is in small buildings offering less than 5,000 sq m and generally lower space standard compared to other regional cities. The outlook for these markets is, however, favourable. In 2014, new space absorption in Lublin reached 18,000 sq m, representing almost a twofold rise on the total absorption level noted in the last three years. By contrast, the volume of absorbed space in Szczecin reached nearly 30,000 sq m since the beginning of 2013. Tenants take advantage of low costs of highly-qualified employees in these cities, while developers are able to secure land at a relatively low cost. In 2014 new leases were signed in Szczecin by Stream International (Pentagon, 2,300 sq m), mBank (Lastadia Office, 1,700 sq m) and BrightOne (Oxygen, 1,400 sq m), and in Lublin by RTV Euro AGD (JPBC Business Center, 1,000 sq m) and Altkom (Nord Park A, 630 sq m). The right balance between demand and supply keeps prime office rents in Szczecin and Lublin at a level comparable to that in other regional cities.

EMERGING MARKETS

	LUBLIN	SZCZECIN
Number of buildings	43	42
Stock (sq m)	149,500	162,700
Total vacancy (sq m)	13,836	20,854
Vacancy rate (%)	9.3	12.8

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

DUBOIS 41, WROCŁAW

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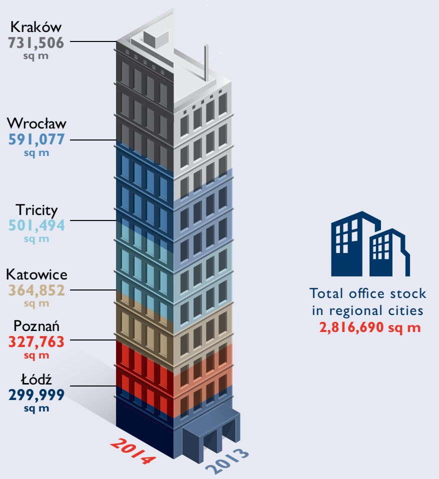
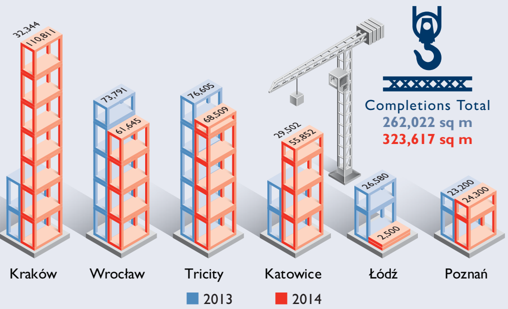
OFFICE MARKET IN REGIONAL CITIES

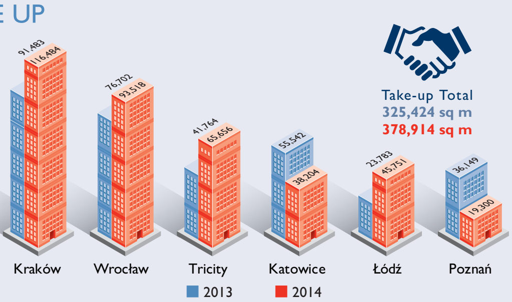
EXISTING OFFICE STOCK



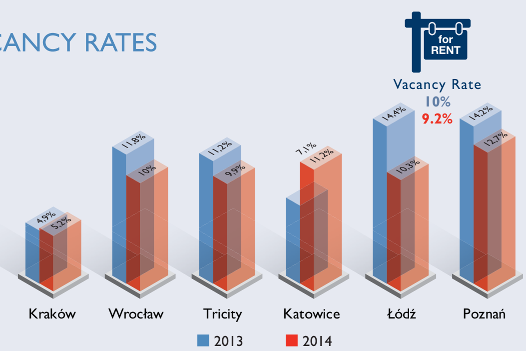
SUPPLY



TAKE UP



VACANCY RATES



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

LARGEST OFFICE LEASE TRANSACTIONS IN 2014 IN REGIONAL CITIES

Building	City	Tenant	Size (sq m)	Transaction type
Ergo Hestia HQ (Marina 2)	Sopot	Ergo Hestia	21,800	owner occupier
Green Horizon A	Łódź	Infosys BPO	21,000	renewal
Dominikański (Faza I)	Wrocław	HP	16,383	new
West Gate	Wrocław	Nokia Networks	14,000	new
Renoma	Wrocław	HP	10,661	renewal
Kapelanka 42	Kraków	HSBC	10,500	new
Green Park I&II	Katowice	UPC	6,500	renewal
Enterprise Park C	Kraków	Cisco	5,600	expansion
Onyx	Kraków	Electrolux	5,033	renewal

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

OFFICE BUILDINGS COMPLETED IN REGIONAL CITIES IN 2014

Building	City	Size (sq m)	Developer
Kapelanka 42	Kraków	29,880	Skanska
Green Day	Wrocław	15,930	Skanska
Centrum Biurowe Neptun	Gdańsk	15,300	Hines
Olivia Business Centre - Olivia Four	Gdańsk	14,707	TPS
Avia	Kraków	13,985	GD&K Group
Enterprise Park C	Kraków	13,500	Avestus Real Estate
Quattro Business Park IV	Kraków	12,800	Grupa Buma
Silesia Star I	Katowice	12,700	LC Corp
Alma Tower	Kraków	11,000	UBM Polska
Centrum Biurowe Podwale	Poznań	10,500	MBC

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

RETAIL MARKET

RETAIL MARKET IN POLAND

New retail space supply in 2014 totalled 474,700 sq m, increasing Poland's total floorspace at year-end 2014 to 10.3 million sq m. The new developments included eleven shopping centres, twelve retail parks and one outlet centre, accounting for 81% of the new space provision in 2014. An additional 49,000 sq m came through extensions of six retail schemes, while the remaining 40,000 sq m of retail space was added to three other existing retail properties which underwent refurbishment and, in some cases, extension or redevelopment into new retail formats. The Carrefour hypermarket in Sochaczew was refurbished and expanded, and is now part of the Sonata Park retail park. In Miejsce Piastowe a retail park was developed near the OBI DIY store, while Białystok's Galeria Podlaska was converted into an outlet centre and opened in December 2014 as Outlet Białystok.

New retail supply in 2014 was down by 23% on 2013's total as last year development activity focused on smaller retail schemes. In 2014 only two large shopping centres were opened: Atrium Felicity in Lublin (75,000 sq m) and Galeria Warmińska in Olsztyn (41,500 sq m). By contrast, 2013's completions included four new large shopping centres providing more than 40,000 sq m each and one large extension. In 2014, 48% of new retail space was delivered in cities below 100,000 inhabitants compared with 24% in the previous year. The eight largest Polish cities accounted for only 42,000 sq m, equating to 9% of last year's total supply, compared with nearly 70% in 2013.

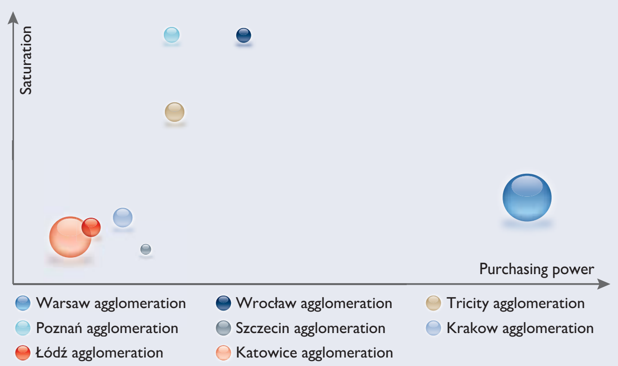
SUPPLY OF MODERN RETAIL SPACE

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

Demand for retail space remained at a healthy level in 2014. Tenants focused on established retail schemes offering high footfall and satisfactory revenues. Re-marketed shopping centres were an attractive alternative to newly-constructed space. Due to the current demand level, the marketing period for new schemes has become much longer and few shopping centres are fully let when they open. Vacancies in newly-opened retail schemes average 10-15%. At year-end 2014 the highest vacancy rates were in Bydgoszcz (5.3%), Kielce and Częstochowa (4.6% in each), while the lowest were in Warsaw (1.6%) and in Tricity (1.8%). The average vacancy rate for the largest Polish cities stood at 2.6%.

The largest retailers, including the fashion sector, are expanding their footprint rapidly while smaller operators are more cautious in their expansion plans. In addition to a wide range of tenants representing all sectors already present in Poland, about a dozen new brands decided to enter the Polish market in 2014. The new entrants included English Home and Joop! in the homeware and furniture sector, Inside, Devred and Undiz in the fashion sector, and Flormar and Kiko Milano in the cosmetics sector. Another new brand in Poland is Imaginarium, which opened its first stores for children in Warsaw's shopping centres Sadyba Best Mall and Arkadia. The Arkadia shopping centre was also chosen as the debut location by Kipling offering handbags and suitcases. The Italian sports fashion brand Eye Sport, on the other hand, made its debut outside Warsaw by opening its first Polish store in Galeria Warmińska in Olsztyn. The highest rents are in Warsaw's prime shopping centres at EUR 80-90/sq m/month for a fashion store sized between 100 sq m and 150 sq m, with the best stores in such locations commanding EUR 100-140/sq m/month. Rents average EUR 35-45/sq m/month in the other seven conurbations and EUR 20-25/sq m/month in small and medium-sized cities.

RETAIL SPACE SATURATION AND PURCHASING POWER



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

Around 900,000 sq m of retail space is currently under construction. More than 62% or around 563,000 sq m of this total is expected to complete in 2015, around 470,000 sq m of which will be delivered in shopping centres with the remaining development pipeline planned for other retail formats. Twenty new shopping centres are scheduled to open in 2015, the largest being Zielone Arkady in Bydgoszcz, Sukcesja in Łódź and Tarasy Zamkowe in Lublin. The development pipeline also includes four large extensions of existing shopping centres in Jelenia Góra, Elbląg, Toruń and Bydgoszcz to provide around 60,500 sq m of additional space and the redevelopment of Supersam in Katowice (21,000 sq m GLA). In addition, at least four new retail parks and one outlet centre are scheduled to open in 2015. The largest extension currently underway of Bielany Wrocławskie Retail Park and smaller extensions such as Warsaw's Factory Ursus are expected to complete in H2 2015.

SHOPPING AND LEISURE CENTRES

In 2014, Poland had 391 shopping centres, providing a total of 9.24 million sq m or 89% of the country's retail stock. This figure includes four specialized centres totalling 69,200 sq m. Traditional shopping and leisure centres provide 9,155,805 sq m of retail space.

Eleven new shopping centres totalling 303,800 sq m came onto the Polish market in 2014, the biggest being Atrium Felicity in Lublin (75,000 sq m), which was opened in March 2014. The second largest retail development opened last September was Galeria Warmińska in Olsztyn (41,500 sq m). Other smaller scheme openings in 2014 included: Galeria S in Siedlce (34,000 sq m), Galeria Amber in Kalisz (33,500 sq m), Galeria Bursztynowa in Ostrołęka (27,000 sq m), shopping centre Vivo! Piła (24,000 sq m), Centrum Galardia in Starachowice (18,500 sq m), Brama Mazur in Ełk (17,000 sq m) and Marcredo Center Kutno (16,000 sq m). The smallest shopping centres opened in 2014 were: Galeria Dębiec in Poznań (9,800 sq m) and Pogodne Centrum in Oleśnica (7,700 sq m).

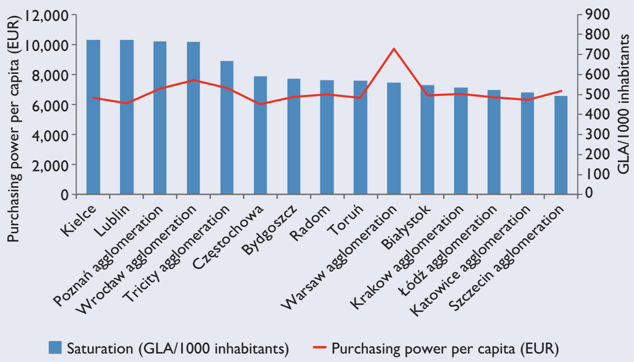
Extensions of existing retail schemes provided 37,000 sq of additional retail space, including 13,000 sq m added to Gemini Park in Bielsko-Biała, increasing its total floorspace to 40,000 sq m, and 11,800 sq m added to Rywal in Biała Podlaska, which doubled its floorspace. Other extensions in 2014 included Magnolia in Wrocław (5,700 sq m added), Plejada Bytom (3,500 sq m) and Platan shopping centre in Zabrze (3,000 sq m).

Occupier demand shows strong variations and depends on shopping centre density, scheme quality and space availability. The shopping centre density in the eight conurbations is the highest in Wrocław and Poznań, and the lowest in Warsaw and Szczecin. The record high density in Poland is, however, in smaller cities such as Zgorzelec, Opole, Nowy Sącz and Rzeszów, where shopping centre space provision is much higher than 1,000 sq m per 1,000 inhabitants.

The highest rents are in Warsaw's prime shopping centres at EUR 100-140/sq m/month for a fashion store sized between 100 sq m and 150 sq m. Rents average EUR 35-45/sq m/month in the other seven conurbations and EUR 20-25/sq m/month in small and medium-sized cities.

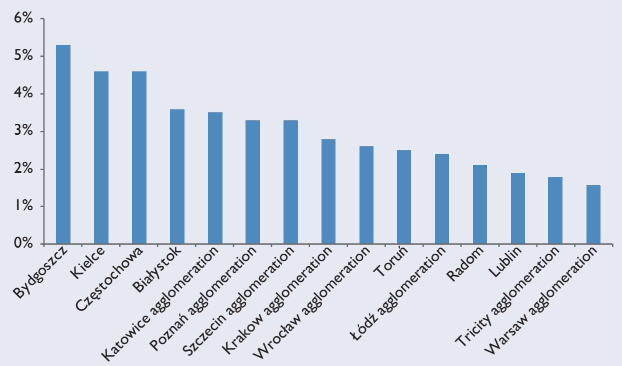
The Polish retail market became a more tenant-led market in 2014. It is now common practice for anchor tenants taking up 1,000-2,000 sq m to demand large fit-out contributions and turnover-based rents, but only in secondary cities and markets with high saturation of modern retail space.

RETAIL SPACE SATURATION AND PURCHASING POWER (EUR PER CAPITA)



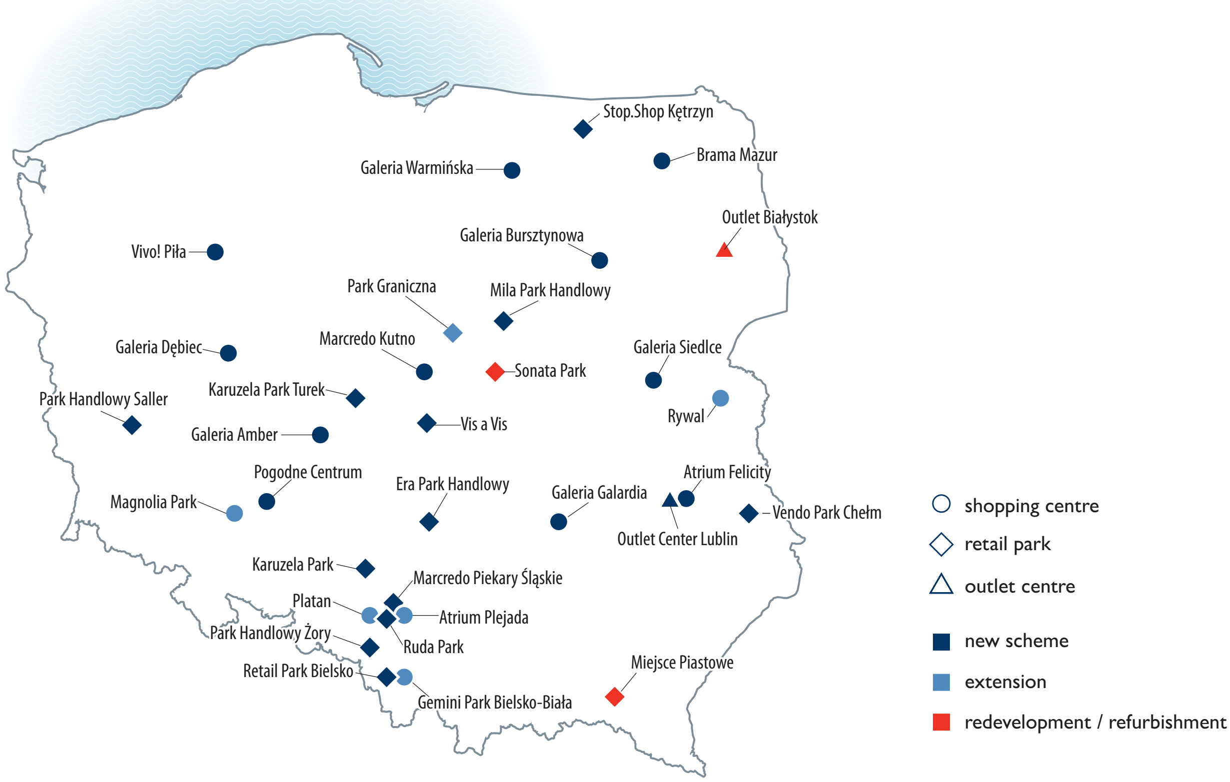
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

VACANCY LEVELS IN 2014

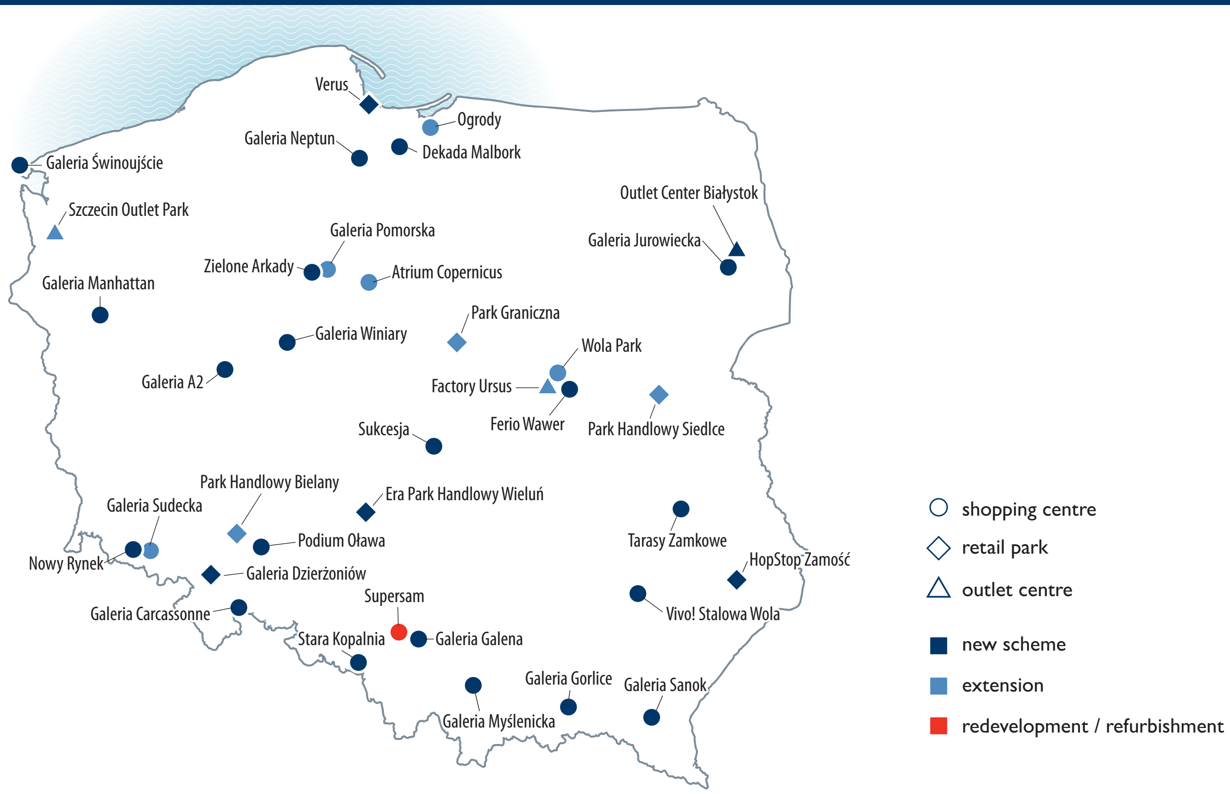


SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

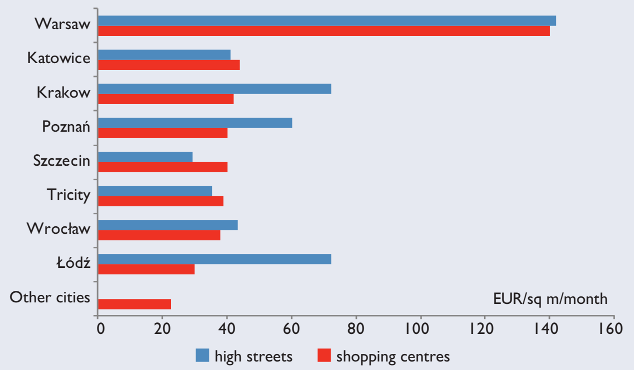
OPENINGS IN 2014



OPENINGS PLANNED IN 2015



PRIME RENTS IN SHOPPING CENTRES AND HIGH STREETS

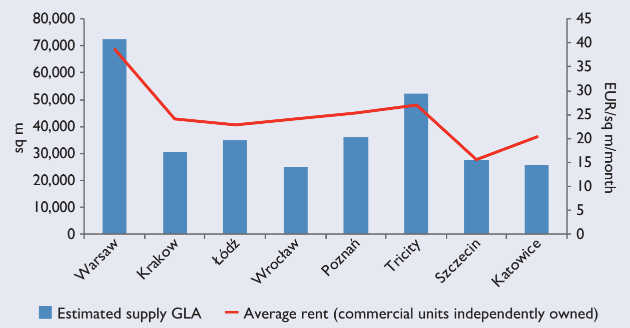


SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

HIGH STREETS

High streets feature firmly on the retail maps of cities and are complementary to shopping centres for customers both to do shopping and to relax. The total floorspace of high street stores frequently equates to that of a medium-sized shopping centre. Demand for high street space comes largely from restaurants, cafes, fashion retailers, services and daily shopping stores. Due to low availability of units in top high street destinations, rents have remained at high levels of EUR 75-90/sq m/month.

ESTIMATED SUPPLY AND AVERAGE RENTS IN HIGH STREETS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

HYPERMARKETS AND SUPERMARKETS

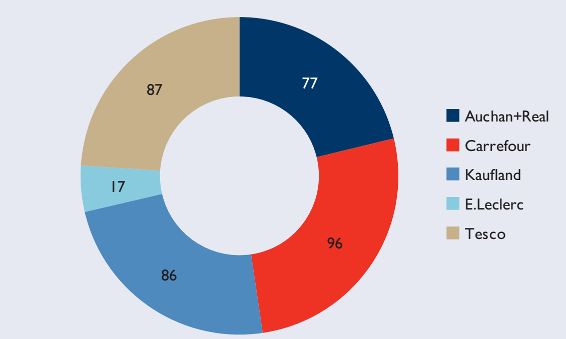
In 2014, the Polish food sector expanded mainly through discount chains and convenience store chains such as Żabka, Freshmarket, Carrefour Express and Odido, but their expansion rate slowed down with Biedronka opening 211 new stores in 2014 compared to the annual figure of 250-270 new units in previous years.

The hypermarket sector was in continued stagnation. The most active market player in 2014 was Auchan, which opened a large hypermarket in Lublin's Atrium Felicity (15,000 sq m) and rebranded 12 out of 49 Real hypermarkets acquired in January 2014. Two hypermarkets were opened by both Tesco (in shopping centres in Ostrołęka and Starachowice) and E.Leclerc (in Galeria Amber in Kalisz, and in Szczecin), while Carrefour opened only one hypermarket in Vivo! Piła shopping centre. Auchan and Carrefour will remain active market players in the forthcoming years. Auchan intends to complete its rebranding of the remaining Real hypermarkets in 2015, while Carrefour has announced its plans to open large stores in Fabryka Wołomin and Galeria Posnania under construction and in Warsaw's Galeria Północ and Galeria Wilanów, which remain in the pipeline.

Recent market changes, particularly gradual market saturation, the consolidation of the hypermarket and supermarket sector, changing consumer behaviour and the rapid growth of e-commerce, have forced food chain operators to focus more on improving the efficiency of their existing store networks than on aggressive expansion. Food chain operators have also embarked on programs of upgrading and adapting many existing stores to their chain standards. For instance, Tesco is converting its hypermarkets into Extra format stores, Carrefour is upgrading its hypermarkets and extending shopping malls, while Odido is focused on store standardization. Apart from expanding retail offerings, retailers also focus on modern customer needs by launching mobile and card payments (Biedronka) or testing e-commerce services (Biedronka and Intermarche).

Rents for food stores stand at EUR 6-7/sq m/month for hypermarkets, EUR 7-10/sq m/month for supermarkets and EUR 5-8/sq m/month for discount stores.

KEY HYPERMARKET OPERATORS IN POLAND (NUMBER OF HYPERMARKETS)



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

DIY STORES AND RETAIL PARKS

The situation of the Polish DIY sector barely improved in 2014. Following Praktiker and Nomi's bankruptcies in 2013 and closing down of 14 unprofitable Nomi stores and one Praktiker store, only a handful of operators opted for limited expansion. In 2014, only three large DIY hypermarkets were opened: two Leroy Merlin stores in Płock and Lublin (Atrium Felicity) and OBI in Ostrołęka's Galeria Bursztynowa. By contrast, the sector of smaller DIY stores sized between 1,000-3,500 sq m is expanding more strongly. In 2014, Bricomarché opened ten new stores and took over 14 locations vacated by Nomi. The Polish chain Polskie Składy Budowlane Mrówka (PSB Mrówka) is also experiencing rapid growth and last year added 30 new stores to its franchise network comprising 181 stores. However, both Bricomarché and PSB Mrówka are opening stores in smaller cities in contrast to the previous expansion of international DIY operators focused on large cities. Another major DIY operator with 30 stores is Majster, operating largely on the local market of southern Poland. It plans to open more stores in the future with two of its outlets already under construction.

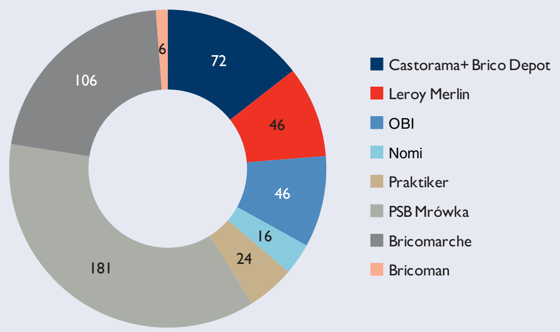
Several DIY hypermarkets are currently under construction, including Castorama's store to be added to Warsaw's Wola Park shopping centre and two Bricoman hypermarkets: in Lublin (near large retail schemes Selgros and Agata Meble) and in Szczecin (close to Tesco's hypermarket). In addition, Leroy Merlin plans to open hypermarkets in the shopping and leisure centre Posnania, which is currently underway and scheduled to open in H2 2016, and in the retail park of Galeria Sudecka in Jelenia Góra to break ground in spring 2015.

Rapid changes are also taking place in the retail park sector. Due to high saturation of modern retail space in large cities, retail parks are being developed mainly in smaller cities, including towns with a population of 20,000 to 30,000. New supply in H1 2014 included five retail parks totalling 31,000 sq m in Lubliniec, Turek, Radomsko, Ruda Śląska and Żory and one extension Graniczna Park in Płock, while in H2 2014 seven new retail parks were opened in Kętrzyn, Nowa Sól, Chełm, Płońsk, Piekary Śląskie, Bielsko-Biała and Łódź, adding 41,000 sq m to the market. In late December 2014, two schemes were extended and redeveloped: in Krosno (Rank Progress' retail park Miejsce Piastowe was added to the existing OBI DIY hypermarket) and in Sochaczew, where Carrefour upgraded its hypermarket and completed the development of its Sonata retail park.

Last year some 110,000 sq m was developed in retail parks, of which 35% or 38,000 sq m came onto the market through redevelopments and extensions of existing schemes in Płock, Krosno and Sochaczew. The remaining 72,000 sq m was delivered across twelve retail parks sized between 5,000 sq m and 8,500 sq m, averaging 5,800 sq m. At the end of 2014 Poland had 45 retail parks comprising a total of 898,000 sq m, which accounted for 8.7% of the country's modern retail space supply.

Six retail parks totalling around 47,000 sq m are under construction with openings scheduled for 2015. These include schemes in Siedlce, Zamość, Wieluń, Lublin, Sopot and Dzierżoniów. However, the largest extension currently underway of Bielany Retail Park near Wrocław to provide 35,000 sq m upon completion is to open by the end of 2015.

DIY STORES IN 2014



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

IKEA BIELANY, WROCŁAW

OUTLET CENTRES

At the end of 2014, two new outlet centres (Outlet Center in Lublin and Outlet Białystok) were added to the Polish market comprising ten such retail schemes, one in Wrocław, Poznań, Krakow, Sosnowiec, Gdańsk, Szczecin and Łódź, and three in the Warsaw Agglomeration. With 190,000 sq m the existing outlet centres account for 1.8% of Poland's modern retail stock.

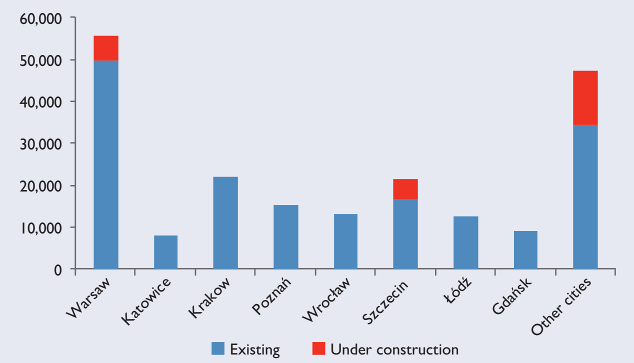
Lublin's Outlet Center providing 12,500 sq m is the first outlet centre in eastern Poland. Its development broke ground in H1 2014 and on 3 December 10,500 sq m came on stream with the remaining space scheduled to open in the next few months. In north-eastern Poland, Białystok's Galeria Podlaska was redeveloped and opened last year as Outlet Białystok (13,500 sq m).

The development pipeline includes Outlet Center in Białystok (13,000 sq m), which is under construction with scheduled opening for spring 2015, and the extension of Warsaw's Factory Ursus, which is at an advanced stage of construction and will provide an additional 6,000 sq m when completed. Both the new retail part and the new underground car park will be opened in H2 2015. The extension of Outlet Park Szczecin to add 5,000 sq m to the scheme has recently broken ground with construction work scheduled to complete by the end of 2015.

Outlet centres provide sales space for around 1,100 stores of Polish and foreign retailers from the fashion, footwear and sports equipment sectors. Occupier demand is the highest in Warsaw, where there are practically no vacancies. The vacancy rate in long-standing outlet centres in regional cities is around 3%.

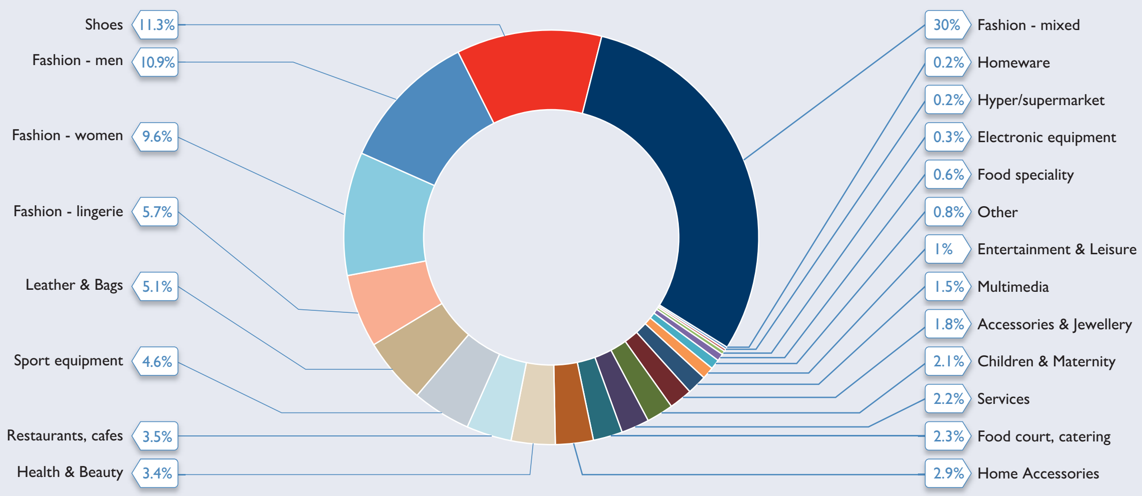
However, the recently opened schemes in Lublin and Białystok have posted relatively high vacancies at 25% and 33%, respectively, due to delayed store openings by tenants and the ongoing marketing of these outlet centres. Rents in outlet centres are relatively low. Average rent for a store of 100-150 sq m in Warsaw is EUR 22-24/sq m/month while in other cities it stands at EUR 20-22/sq m/month.

OUTLET CENTRES IN POLAND IN 2014



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

STORES' MARKET SHARE IN OUTLET CENTRES BY SECTORS



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

INDUSTRIAL MARKET

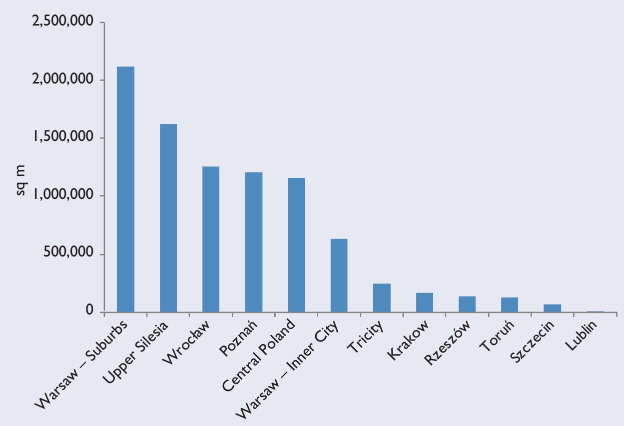
MARKET OVERVIEW

Development activity picked up strongly on the Polish warehouse market in 2014 with more than one million sq m of new industrial space delivered to the market. This represents a threefold increase compared to the new supply noted in 2013 and was close to the record highs of 2007-2008. Take-up rose strongly to 2,360,000 sq m, which pushed the vacancy rate down by 4 percentage points to 6.8%. Despite the considerable amount of warehouse space under construction, no rise in vacancies is expected as most schemes are either BTS projects or have secured substantial pre-lets. In regards to the ranking of warehouse owners, Logicor, Blackstone's European logistics platform, became the third largest industrial market player in Poland following its acquisitions in 2014.

STOCK

At the end of 2014 total modern warehouse stock in Poland reached 8,850,000 sq m. The highest concentration of warehouse space is in the Warsaw region (around 31% market share), but improvements in transport infrastructure have led to increasing industrial space development in the regions such as Upper Silesia, Central Poland, Poznań and Wrocław, which account for nearly 60% of Poland's total stock. Given the locations of warehouse schemes under construction, these regions are expected to strengthen their position on the Polish industrial map. The smaller markets of Tricity, Krakow, Rzeszów, Toruń, Szczecin and Lublin are developing steadily, but their share in the country's total stock currently stands at around 9%.

MODERN WAREHOUSE STOCK IN POLAND



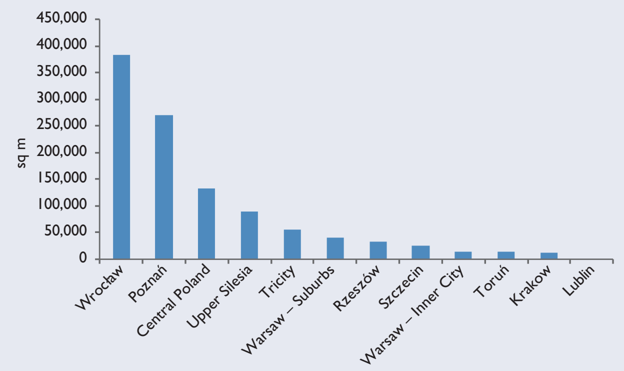
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

SUPPLY

In 2014, modern warehouse supply totalled approximately one million sq m, a threefold rise on the previous year, primarily as a result of the delivery of a large number of schemes constructed on a BTS basis, including three developments for US online retailer Amazon which accounted for more than one-third of last year's warehouse market supply. Other completions in 2014 included Castorama's project in Stryków (50,000 sq m) developed by Panattoni, market-Detal's scheme in Konin (40,000 sq m) developed by Goodman, Eko-Holding in Wrocław (35,000 sq m) by Prologis and Polaris in Opole (34,000 sqm) developed by Panattoni.

The strongest developer activity was noted in the Wrocław and Poznań regions followed by Central Poland, all accounting for significant shares in last year's total warehouse space supply 36%, 25% and 12%, respectively.

MODERN WAREHOUSE SUPPLY IN 2014



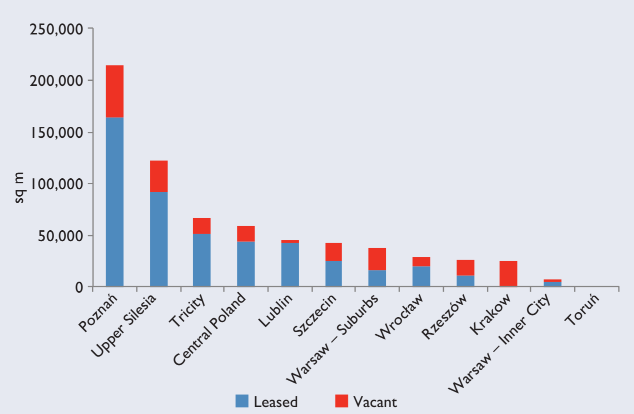
SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

STOCK UNDER CONSTRUCTION

At the end of 2014 some 675,000 sq m of modern warehouse space was under construction, over 25% more than at year-end 2013, with most of the projects being developed in the Poznań region (32%) and Upper Silesia (18%). Developer activity is also relatively strong in less developed markets such as Tricity (66,000 sq m), Lublin (45,000 sq m) and Szczecin (43,000 sq m). The largest developments underway include: Goodman Poznań II Logistics Centre (82,000 sq m), a BTS project for GE Industrial Solutions being executed by Panattoni in Bielsko-Biała (45,000 sq m), Panattoni Park Sosnowiec (43,000 sq m), and extensions such as North-West Logistics Park in Szczecin (43,000 sq m), Segro Logistics Park Poznań Komorniki (41,000 sq m) and Pomorskie Centrum Logistyczne in Gdańsk (39,000 sq m) developed by Goodman.

BTS schemes constructed to meet specific client requirements continue to dominate the market with speculative warehouse developments being scarce. This being said, in some locations with low vacancy rates developers are beginning to construct mixed schemes comprising of a speculative component on the back of a pre-let being signed.

STOCK UNDER CONSTRUCTION IN 2014



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

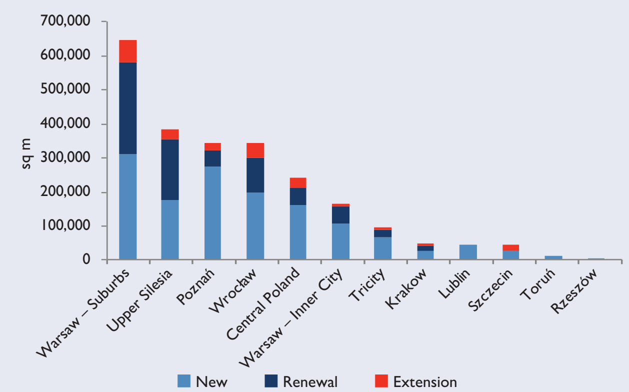
VACANCY RATES

Despite large supply, the vacancy rate fell from 10.9% at year-end 2013 to 6.8% at the end of December 2014, which equates to a decline in vacant warehouse space by 266,000 sq m to 603,000 sq m. Of the core markets, the highest vacancy rates are in Warsaw (10.1%), Upper Silesia (8%) and Central Poland (7.5%). The amount of vacant space in Warsaw's inner city declined by 10 percentage points to 11.5% narrowing the gap on the vacancy rate in the Greater Warsaw area (9.7%). The lowest vacancy rates are noted in Poznań (0.6%) and Wrocław (1.9%). It is also worth noting that in 2014 the vacancy fell across all the core warehouse markets in Poland. Among smaller markets where a single lease can easily impact vacancy levels, there are regions reporting both considerable declines in vacant space (Szczecin, Krakow and Lublin), however at the same time some regions are noticing rising vacancy (Toruń, Rzeszów and Tricity).

TAKE-UP

Leasing activity in 2014 was robust with take-up reaching 2,356,000 sq m, a rise of 10% compared with 2013, largely due to the planned development of BTS projects, including contracts signed by MLP group with retailers such as Piotr i Paweł, Merlin.pl, Małpka Express and Czerwona Torebka, totalling 160,000 sq m. Occupiers' interest continued to focus on the Warsaw market, which accounted for 34% of all transactions. Other core regions with a significant share in leasing volume were Upper Silesia (16%), Poznań and Wrocław (14.5% each) and Central Poland (10%). New lease agreements accounted for 60% of all transactions, indicating continued warehouse sector growth in Poland. Lease extensions made up 32% of the leasing volume and expansions 8%.

TAKE-UP IN 2014



SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

RENTS

Headline rents remained flat or fell slightly in the core warehouse markets in Poland. The highest rents were posted in Warsaw's inner city (EUR 4.4–5.5/sq m/month) while the lowest were in Central Poland (EUR 2.4–3.95/sq m/month) and in the Warsaw suburbs (EUR 2.4–3.8/sq m/month). In the remaining regions rents were around EUR 2.9–3.6/sq m/month.

RENTS		
REGION	HEADLINE RENTS (EUR/SQ M/MONTH)	EFFECTIVE RENTS (EUR/SQ M/MONTH)
Warsaw Inner City	4.40 – 5.50	3.50 – 5.00
Warsaw Suburbs	2.40 – 3.80	1.90 – 3.20
Upper Silesia	2.90 – 3.40	2.30 – 3.10
Poznań	3.00 – 3.60	2.30 – 2.90
Central Poland	2.40 – 3.95	1.90 – 3.10
Wrocław	3.00 – 3.60	2.40 – 3.00
Tricity	2.70 – 3.50	2.20 – 2.70
Krakow	3.90 – 4.40	3.20 – 4.00
Szczecin	3.15 – 3.90	2.70 – 3.20
Toruń	2.70 – 2.90	2.20 – 2.40
Rzeszów	approx. 3.50	approx. 3.00
Lublin	3.30 – 4.10	2.90 – 3.50

OUTLOOK

Supply levels are expected to remain high in the short term given the considerable amount of warehouse space currently under construction. However, due to increased tenant activity and limited volume of speculative development, vacancy rates will remain flat or are expected to decline.

P3 MSZCZONÓW

10 LARGEST INDUSTRIAL LEASE TRANSACTIONS IN 2014					
DATE	PARK	REGION	TENANT	AREA	TYPE
2014 Q4	MLP Poznań Zachód	Poznań	Czerwona Torebka	54,000 sq m	new lease agreement
2014 Q4	P3 Mszczonów	Warsaw Suburbs	ID Logistics	46,000 sq m	new lease agreement
2014 Q1	Distribution Park Będzin	Upper Silesia	Carrefour	46,000 sq m	renewal
2014 Q3	Panattoni BTS Bielsko-Biała	Upper Silesia	GE	46,000 sq m	new lease agreement
2014 Q4	MLP Pruszków II	Warsaw Suburbs	Merlin.pl	41,000 sq m	new lease agreement
2014 Q1	Goodman Konin	Poznań	market-Detal	40,000 sq m	new lease agreement
2014 Q2	Prologis Park Sochaczew	Warsaw Suburbs	Procter & Gamble	38,000 sq m	renewal
2014 Q4	MLP Teresin	Warsaw Suburbs	Piotr i Paweł	38,000 sq m	new lease agreement
2014 Q2	Prologis Park Teresin	Warsaw Suburbs	Viva	34,000 sq m	renewal
2014 Q4	Goodman BTS	Lublin	Confidential	33,000 sq m	new lease agreement

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

REGIONS

SZCZECIN REGION

Existing Stock	73,000 sq m
Stock Under Construction	43,000 sq m
Supply	25,000 sq m
Vacancy Rate	0%
Take-Up	43,000 sq m

TORUŃ REGION

Existing Stock	136,000 sq m
Stock Under Construction	0 sq m
Supply	13,500 sq m
Vacancy Rate	22.9%
Take-Up	12,000 sq m

CENTRAL POLAND

Existing Stock	1,167,000 sq m
Stock Under Construction	59,000 sq m
Supply	134,000 sq m
Vacancy Rate	7.5%
Take-Up	238,000 sq m

POZNAŃ REGION

Existing Stock	1,215,000 sq m
Stock Under Construction	214,000 sq m
Supply	271,000 sq m
Vacancy Rate	0.6%
Take-Up	343,000 sq m

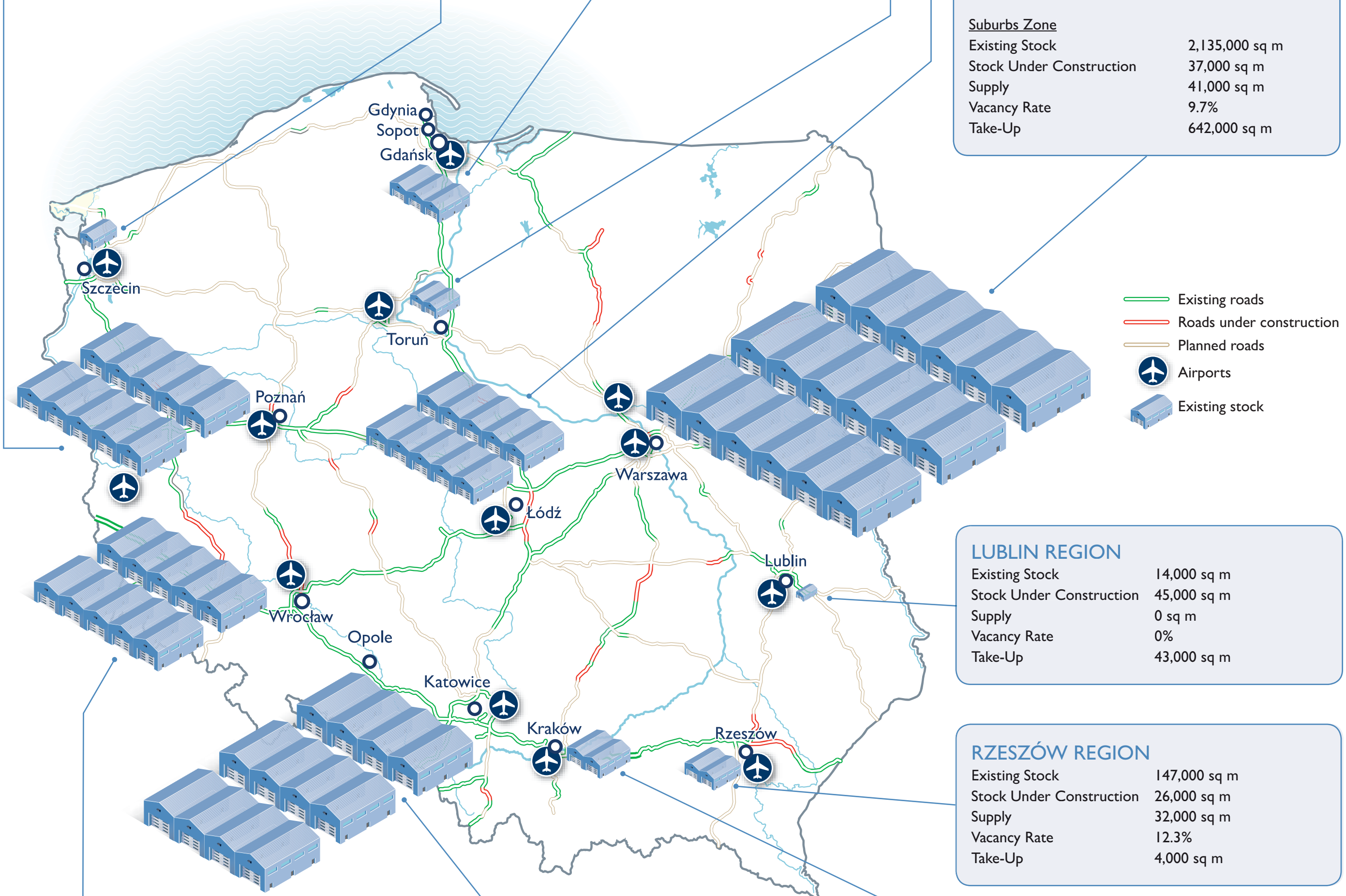
TRICITY REGION

Existing Stock	254,000 sq m
Stock Under Construction	66,000 sq m
Supply	55,000 sq m
Vacancy Rate	5.4%
Take-Up	95,000 sq m

WARSAW REGION

Inner City Zone	
Existing Stock	638,000 sq m
Stock Under Construction	8,000 sq m
Supply	15,000 sq m
Vacancy Rate	11.5%
Take-Up	163,000 sq m

Suburbs Zone	
Existing Stock	2,135,000 sq m
Stock Under Construction	37,000 sq m
Supply	41,000 sq m
Vacancy Rate	9.7%
Take-Up	642,000 sq m



LUBLIN REGION

Existing Stock	14,000 sq m
Stock Under Construction	45,000 sq m
Supply	0 sq m
Vacancy Rate	0%
Take-Up	43,000 sq m

RZESZÓW REGION

Existing Stock	147,000 sq m
Stock Under Construction	26,000 sq m
Supply	32,000 sq m
Vacancy Rate	12.3%
Take-Up	4,000 sq m

WROCŁAW REGION

Existing Stock	1,266,000 sq m
Stock Under Construction	29,000 sq m
Supply	382,000 sq m
Vacancy Rate	1.9%
Take-Up	341,000 sq m

UPPER SILESIA

Existing Stock	1,639,000 sq m
Stock Under Construction	122,000 sq m
Supply	90,000 sq m
Vacancy Rate	8.0%
Take-Up	383,000 sq m

KRAKOW REGION

Existing Stock	171,000 sq m
Stock Under Construction	25,000 sq m
Supply	11,000 sq m
Vacancy Rate	5.8%
Take-Up	48,000 sq m

SOURCE: CUSHMAN & WAKEFIELD VALUATION & ADVISORY, FEBRUARY 2015

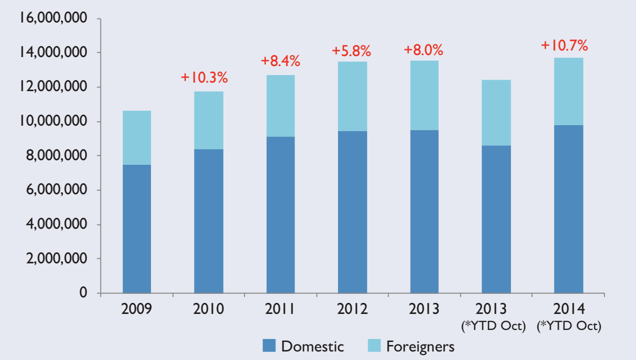
HOSPITALITY MARKET

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

DEMAND

The Polish hospitality market is strongly driven by the constantly growing number of tourists accommodated in hotels. The latest data show an increase of 10.7% for January – October 2014 in comparison with the same period in the previous year. The numbers are even more positive as the first ten months of 2014 show a higher total than for the full year 2013.

NUMBER OF GUESTS ACCOMMODATED IN HOTELS IN POLAND

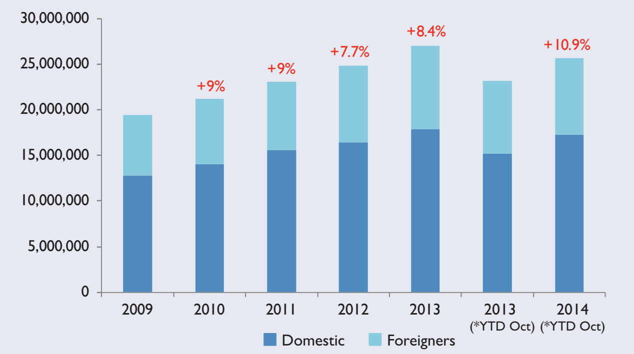


SOURCE: POLISH STATISTICAL OFFICE, 2015

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

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

NUMBER OF OVERNIGHT STAYS IN HOTELS IN POLAND



SOURCE: POLISH STATISTICAL OFFICE, 2015

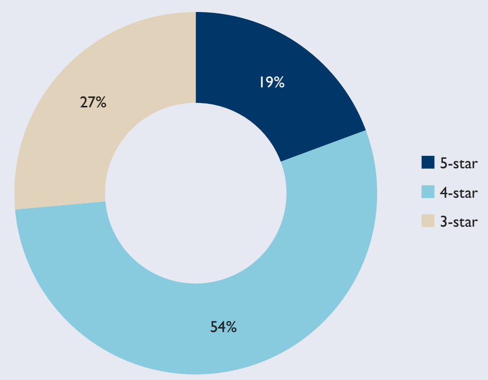
In terms of arrivals, the number of guests coming to Poland by plane has been steadily increasing. In total, there are thirteen airports in Poland handling domestic and international flights. The total number of passengers in the country has been steadily growing since 2009 at a compounded rate of 5.6%. The flow of visitors has been driven by improving infrastructure with new highways, train connections as well as new airports. The Radom Airport has been operational since May 2014 and the Olsztyn-Mazury Regional Airport should be completed in 2015.

NEW HOTEL OPENINGS

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

The current pipeline of the Polish hospitality market includes around 4,700 branded hotel rooms. Most hotels will be built in the 4-star segment, followed by 3-star and 5-star segments. Krakow will be the most important city in terms of hotel openings in 2015 with DoubleTree by Hilton, Hampton by Hilton and Best Western Plus opening this year and adding 551 rooms to the market.

HOTEL SUPPLY IN THE PIPELINE IN POLAND IN FEBRUARY 2015 BY CATEGORY



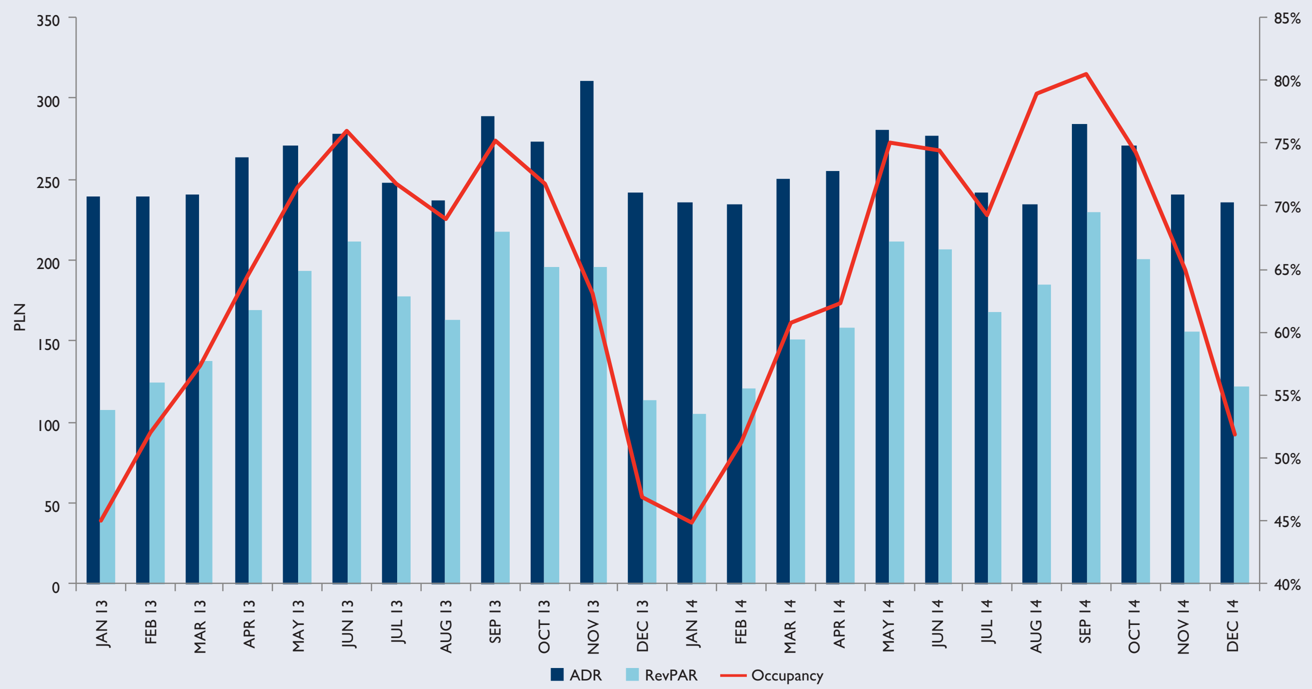
SOURCE: CUSHMAN & WAKEFIELD GLOBAL HOSPITALITY, STR GLOBAL, 2015

PERFORMANCE IN POLAND

2012 was an exceptional year for the Polish hotel market thanks to the UEFA Football Championship and, therefore, the following year was the time to stabilise and establish the right level of occupancy and the ADR. The RevPAR in 2013 was, therefore, expected to end up in slightly negative numbers compared to the previous year and it actually fell by 4.7%.

Thanks to the increasing number of arrivals and improving promotion of the country, the KPIs (Key Performance Indicators) stabilised in 2013. In 2014, the occupancy increased by 2.4% while the ADR dropped by 2.5%, resulting in slightly negative RevPAR -0.1%. This confirms that the market is absorbing new hotels very well.

KEY PERFORMANCE INDICATORS



SOURCE: STR GLOBAL, 2015

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

Valuation Team prepares valuations that suit variety of needs including:

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

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

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

REAL ESTATE ANALYTICAL AND ADVISORY SERVICES

Market research and analyses

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

Financial analytics

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

Example projects / Selected clients

Highest and Best Use (HBU) analysis, Feasibility study

Polski Holding Nieruchomości S.A.

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