

MARKETBEAT

POLAND OFFICE SNAPSHOT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



Q3 2009

OVERVIEW

Signs of improvement continue to filter through to the Polish office market following a tough period at the beginning of the year. Due to falling rents Q3 demand is slightly higher than Q2 as landlords offer incentive packages in a bid to attract occupiers. On the investment side, with no deals concluded over the quarter, prime yields held firm awaiting a deal to conclude their true level.

OCCUPIER FOCUS

Q3 take-up reached 74,700 sq.m, a 15% increase on Q2 albeit from a very low base. This brings the year-to-date total to just shy of 185,000 sq.m, 52% lower than the comparative period in 2008. Underpinning activity are falling rents and increased non-rental revenue incentives, with lease renegotiations representing the largest slice of total deals. A relatively high amount of office space for sublease and new developments have led to a rise in the vacancy rate and this will put further downward pressure on rents. Additionally as developers are faced with relatively weak demand, compared to previous years, they continue to delay decisions to start most office projects.

INVESTMENT FOCUS

Banks are beginning to show some signs of loosening in their lending conditions. However, with loans still requiring a high proportion of equity and good covenants access to funding remains an issue in the market. This situation impacted on activity levels in Q3, and no deals were concluded in the office sector. Investors remain cautious although interest is there albeit from the sidelines.

OUTLOOK

Short term the vacancy rate is likely to rise above the current 7.1% in Warsaw as new developments that are under construction will complete and some 58,000 sq.m of office space is returned to the market for sublease. Rents may soften further, however in non-central locations effective rents under pre-let agreements have already reached the lowest point in the cycle. In addition, in some speculative schemes, with owners fearing rising vacancies they are still offering rental reductions, while others, resisting further rent concessions, are waiting for a reversal in the trend, on the back of an anticipated shortage of supply.

MARKET ACTIVITY

The most notable leasing transactions include: PORR leasing 4,100 sq.m in Poleczki Business Park, Fiat's 3,100 sq.m pre-let in Catalina and Bosch acquiring 8,900 sq.m space for owner occupation as their HQ.

MARKET OUTLOOK

PRIME RENTS:	Prime rents decline with tenants renegotiating current lease terms.	➔
PRIME YIELDS:	Further stabilisation expected.	➔
SUPPLY:	New projects are on hold but availability rises as sublease space is released.	➔
DEMAND:	Slight increase in take-up over Q2 with small leases dominating activity.	➔

PRIME OFFICE RENTS – Sep 2009

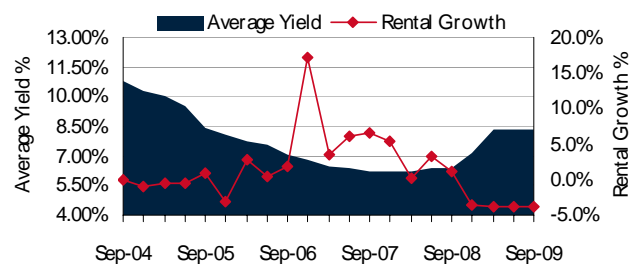
	Prime Rent			Compound (b.a) % Growth	
	€ sq.m/mth	€ sq.m/yr	US\$ sq.ft/yr	5yr	1yr
Warsaw	22.00	264	35.8	3.0	-29.0
Cracow	16.00	192	26.1	5.1	-15.8
Katowice	15.00	180	24.4	7.4	-6.3
Poznan	16.00	192	26.1	4.2	-15.8
Lodz	15.00	180	24.4	8.4	-6.3
Wroclaw	16.00	192	26.1	7.8	-5.9
Szczecin	16.00	192	26.1	7.8	-5.9
Gdansk	16.00	192	26.1	7.8	-5.9

PRIME OFFICE YIELDS – Sep 2009

	Prime Yield (%)			10 year	
	Current Quarter	Last Quarter	Last Year	High	Low
Warsaw	7.00	7.00	5.65	13.00	5.25
Cracow	8.50	8.50	6.50	14.50	6.25
Katowice	8.50	8.50	6.50	14.50	6.50
Poznan	8.50	8.50	6.50	14.50	6.25
Lodz	8.50	8.50	6.50	16.00	6.50
Wroclaw	8.50	8.50	6.50	15.00	6.00
Szczecin	9.00	9.00	6.75	16.00	6.75
Gdansk	8.50	8.50	6.75	14.50	6.75

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many areas of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

RECENT PERFORMANCE



Source: Cushman & Wakefield LLP, 2009

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