

MARKETBEAT

POLAND OFFICE SNAPSHOT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



Q1 2010

OVERVIEW

Building on the improving economic performance of Q4 2009, Q1 continued with this trend. Overall take-up was good, although deals are still taking some time to conclude in what continues to be a tenant led market, as occupiers hold out for the best rents and flexible lease terms. Investors are once again turning their attentions to Poland looking for an opportunity in light of yields beginning to compress of prime stock.

OCCUPIER FOCUS

Occupier activity continued to strengthen with Q1 recording just over 120,000 sq.m of space taken off the market. Warsaw's Non Central submarket is attracting a lot of interest at the moment as occupiers continue to take advantage of lower rents in quality space, aware that the lack of speculative developments due to be delivered over the next 6-9 months as a result of banks still less willing to finance new projects, will impact their choices.

Stock rose to 3.3 million sq.m as 62,000 sq.m completed in the first quarter of the year. Of this, 57% was already pre-let and this, coupled with good demand only impacted the vacancy rate marginally which rose to 7.6% from 7.3%.

INVESTMENT FOCUS

Q1 investment volumes exceeded expectations with €245 million was transacted in the office sector equating to almost 70% of 2009's total. However, a number of these transactions have been in the pipeline for a while as lengthy negotiations are still a key feature of the market as both sellers and buyers hold out for the best price they can get. Prime yields held firm at 7.00% in Warsaw's CBD by sharpened elsewhere by an average of 25-30 bp.

OUTLOOK

The improving market sentiment will continue to filter down resulting in higher investment levels over the remainder of 2010. With pricing firming up and liquidity improving, potential sellers could use the opportunity to offload stock. Occupier activity should also continue to gather momentum with the limited new supply, much of which will be let when delivered, helping to support current rents and possible some further rental growth at the top end of the market.

MARKET ACTIVITY

PZU took a new 12,500 sq.m lease at Empark Sirius. HP signed a 10,300 sq.m renewal at University Business Park II, both in the submarket of Warsaw.

MARKET OUTLOOK

PRIME RENTS:	With a more active occupier market rents for the best space are under upward pressure.	↗
PRIME YIELDS:	Improving sentiment and increased activity is seeing prime yields sharpen.	↘
SUPPLY:	Shrinking as pipeline and increasing pre-lets will help to stabilise availability.	↘
DEMAND:	Demand rises as more new leases as well as occupiers upgrading their space.	↗

PRIME OFFICE RENTS – Mar 2010

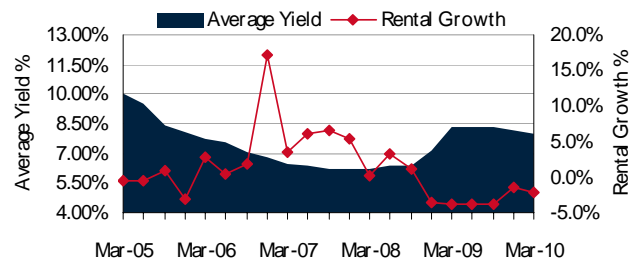
	€	Prime Rent	US\$	Compound(p.a) % Growth	
	sa.m/mth	sa.m/vr	sa.ft/vr	5vr	1vr
Warsaw	23.50	282	35.4	5.5	-13.0
Cracow	15.00	180	22.6	3.7	-16.7
Katowice	15.00	180	22.6	8.4	-6.3
Poznan	15.00	180	22.6	2.9	-16.7
Lodz	14.50	174	21.9	7.7	-6.5
Wroclaw	15.00	180	22.6	5.5	-6.3
Szczecin	14.00	168	21.1	4.9	-12.5
Gdansk	15.00	180	22.6	6.4	-6.3

PRIME OFFICE YIELDS (Net) – Mar 2010

	Prime Yield (%)				
	Current Quarter	Last Quarter	Last Year	10 year	
				High	Low
Warsaw	7.00	7.00	7.00	13.00	5.25
Cracow	7.25	8.00	8.50	14.50	6.25
Katowice	8.80	8.50	8.50	14.50	6.50
Poznan	8.25	8.50	8.50	13.50	6.25
Lodz	8.50	8.50	8.50	16.00	6.50
Wroclaw	7.75	8.00	8.50	15.00	6.00
Szczecin	9.00	9.00	9.00	16.00	6.75
Gdansk	8.25	8.50	8.50	14.50	6.75

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many area 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, 2010

For further information, please contact our Research Department:

Cushman & Wakefield LLP
43-45 Portman Square
London W1A 3BG

www.cushmanwakefield.com

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