

MARKETBEAT

POLAND OFFICE SNAPSHOT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



Q2 2010

OVERVIEW

With Poland being one of the fastest growing economies in Europe, the overall health of the office market; both in terms of occupier and investment activity; is deemed to be improving. Rents and yields in the Polish office market displayed a mixed trend. Rents fell in some cities such as Gdansk and Lodz, while in the remainder of the markets they held stable. Prime investment yields also displayed some volatility, compressing in certain sub-markets.

OCCUPIER FOCUS

Overall take up volume in Warsaw which had followed an increasing trend over the last four quarters, declined slightly during Q2 2010, falling by approximately 17%. The decline was led by non-central locations. Year on year, quarterly take up has improved by approximately 60%.

Total stock, which has been increasing at a slow rate of 2% since Q2 2009, rose once again, and stood at approximately 3.4 million sq.m. Overall vacancy rate which has been rising since the last 8 quarters stood at 8%, compared to 7.6% as at the end of Q1 2009. The city centre's vacancy rate which in comparison has followed a more indefinite trend, nevertheless rose from 6.6% to 7.2%.

INVESTMENT FOCUS

Overall property investment in Poland rose by approximately 13% however, investment in the office sector, which has improved considerably in year on year terms, declined by 30% compared to Q1 2010. Total office investment stood at €245 million and accounted for 30% of total investment volume (50% last quarter). Prime yields, which sharpened in certain cities, range between 6.5% and 9%, a significant margin.

OUTLOOK

It is expected that a further 40,000 sq.m of office space will be added to the Warsaw market, a quarter of which will be in central locations of the city. Occupier activity will continue to strengthen over the year, and thus it is expected that prime rental values will be seen to nominally appreciate during the rest of the year. Prime yield in Warsaw; which has compressed by 50 bps since Q2 2009; is expected to remain stable, but perhaps in certain other regions there is a chance of yields compressing by an average of 25 bps.

MARKET ACTIVITY

CommerzReal purchased the 18,300 sq.m Harmony Office Center in Warsaw from Eko Park for a reported €56.0 million.

MARKET OUTLOOK

PRIME RENTS:	Will mostly hold stable, though may undergo slight upwards pressure in certain sub-markets.	➔
PRIME YIELDS:	Further yield compression, though nominal, in locations such as Warsaw and Krakow.	➡
SUPPLY:	Will continue to rise at a slow rate.	➔
DEMAND:	Expected to improve further as the economy consolidates.	➔

PRIME OFFICE RENTS – Jun 2010

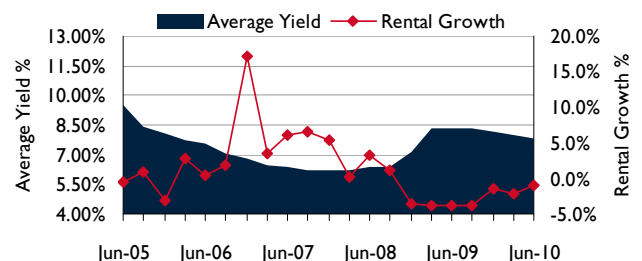
	Prime Rent		US\$ sa.ft/yr	Compound(b.a) % Growth	
	€ sa.m/mth	€ sa.m/yr		5yr	1yr
Warsaw	23.50	282	32.1	5.5	-6.0
Krakow	15.00	180	20.5	3.7	-11.8
Katowice	15.00	180	20.5	8.4	-6.3
Poznan	15.00	180	20.5	2.9	-6.3
Lodz	14.00	168	19.1	7.0	-6.7
Wroclaw	15.00	180	20.5	6.4	-6.3
Szczecin	14.00	168	19.1	4.9	-12.5
Gdansk	14.00	168	19.1	4.9	-12.5

PRIME OFFICE YIELDS (Gross) – Jun 2010

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

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