

MARKETBEAT

POLAND OFFICE SNAPSHOT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



Q3 2010

OVERVIEW

With the Polish economy feeling optimistic and growing at a respectable pace of over an estimated 3% in 2010, the office market has been performing relatively well. Prime rental prices have remained stable across the key regional cities however, a lack of Grade A space in Warsaw's CBD led to an increase there. Prime yields have remained largely stable in Q3, however there has been some compression in the non-central submarket of Warsaw, along with the second tier cities of Poznan, Wroclaw and Gdansk.

OCCUPIER FOCUS

Demand is very much focused on prime central properties and this has led to falls in prime rents in the non-central locations which also has a higher vacancy rate. Take-up in Warsaw has been encouraging, however it is based largely on renewals rather than on expansions and new requirements entering the market. The largest renewal was Pekao Bank, who renewed their 38,000 sq.m in the Lipowy Office Park. The second largest deal signed in Q3 was Aviva's pre-lease within GTC's Platinum Business Park. GTC also announced plans to begin construction on two new projects in Q4 2010 following strong interest in pre-leasing.

Currently construction and completions are both low as developers continue to grapple with the tight lending conditions and slower than average take-up although some projects with secured pre-lets or those by capitalised developers are expected to go ahead.

INVESTMENT FOCUS

Overall property investment in Poland has been high in the first three quarters of 2010. In Q3 office investment totalled over €140 million which made up one fifth of all investments made in the property sector. The majority of investment interest came from Western European buyers, with little activity from the Polish themselves. Echo Investment were involved in two of the biggest deals of the quarter, selling Athina Park in Warsaw for over €32 million and Avatar in Krakow for over €30 million. Investment is focused on Grade A office buildings in the major cities, but particularly Warsaw. It was in Warsaw that GTC sold two of their Grade A properties this quarter.

OUTLOOK

The Polish economy is expected to perform well in the coming months which should ensure that the leasing market has a sufficient amount of activity to keep rents stable and as competition for Grade A space picks up there may be a reduction in the incentives offered. The investment market is expected to continue to attract interest from European investors drawn by the positive economic conditions.

MARKET OUTLOOK

PRIME RENTS:	Prime rents will mostly hold stable, although Warsaw may see further increases.	➔
PRIME YIELDS:	Prime yields are expected to remain static.	➔
SUPPLY:	Construction is expected to pick up but in the short term there will be little new supply.	➔
DEMAND:	Demand is expected to remain strong.	➔

PRIME OFFICE RENTS – Sep 2010

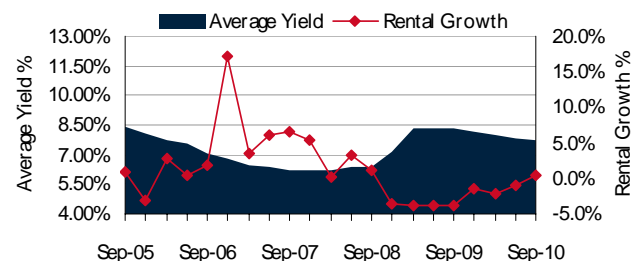
	Prime Rent		US\$ sa.ft/yr	Compound(b.a) % Growth	
	€ sa.m/mth	€ sa.m/yr		5yr	1yr
Warsaw	24.50	294	37.3	7.0	11.4
Krakow	15.00	180	22.8	2.9	-6.3
Katowice	15.00	180	22.8	6.4	0.0
Poznan	15.00	180	22.8	2.9	-6.3
Lodz	14.00	168	21.3	7.0	-6.7
Wroclaw	15.00	180	22.8	6.4	-6.3
Szczecin	14.00	168	21.3	4.9	-12.5
Gdansk	14.00	168	21.3	4.9	-12.5

PRIME OFFICE YIELDS (Gross) – Sep 2010

	Prime Yield (%)				
	Current Quarter	Last Quarter	Last Year	10 year High	Low
Warsaw	6.50	6.50	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	7.75	8.00	8.50	13.50	6.25
Lodz	8.50	8.50	8.50	16.00	6.50
Wroclaw	7.00	7.25	8.50	15.00	6.00
Szczecin	9.00	9.00	9.00	16.00	6.75
Gdansk	8.00	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 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, 2010

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