Walter Herz

OFFICE MARKET ANALYSIS

2H 2012

Walter Herz

WARSZAWA

Market Relevance

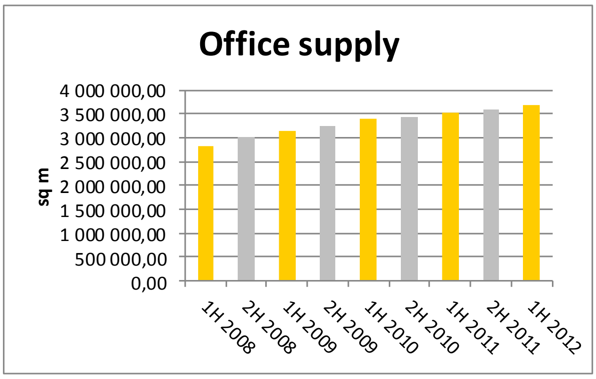
Warsaw is capital city and the largest city of Poland and it contributes about 12% of total country income. With its suburban area has about 3 mln inhabitants with supply of modern office space on the level of 3,7 mln sq.m (2012) and about 0,6 mln sq.m in the pipeline.

General Overview

Growing demand for office space in Warsaw continues to strengthen due to a number of factors positively impacting the overall health of the market.

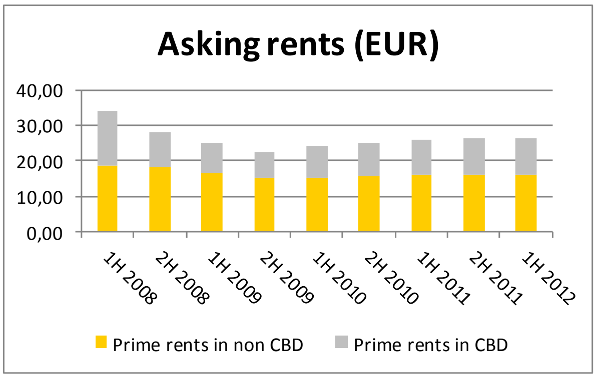
Rents

In 2012 rents in Warsaw remained relatively stable. City center prime asking rents achieved level EUR 23-26 per sq m per month while non central locations EUR 14-16 per sq m per month. Despite the fact that rents should not change in 2H 2012 situation may change in 2013 according to higher supply. Growing prices of electricity and other media does not impact significantly level of service charges.



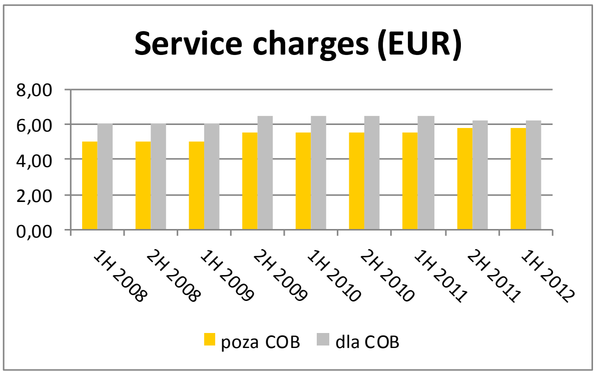
Vacancy & Availability

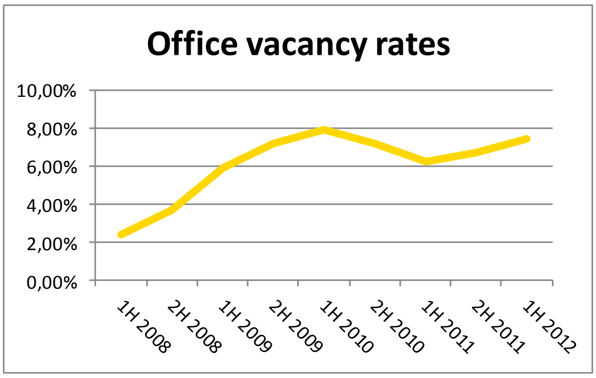
- Warsaw's overall office vacancy rate is below 8% what represent slight growth comparing to 1H 2011. Additionally, the market is seeing stable vacancy rate.
- Office vacancy should growth due to supply of modern office space in 2H of 2012 and 2013



Trends

We expect a significant spread between asking and taking base rents which will benefit tenants working with professional agents.





KRAKOW

Market Relevance

Kraków is one of the most important city in south Poland. As very attractive and developing city it has attracted many companies from BPO/SSC sector and become one of the leaders with 43 companies located. Krakow has about 850,000 inhabitants.

General Overview

Modern office supply in 1H 2012 is around supply of 539,700 sq.m. The demand for office space in Kraków represent positive trend for growth according to increasing importance of Poland as best place for BPO/SSC companies.

Rents

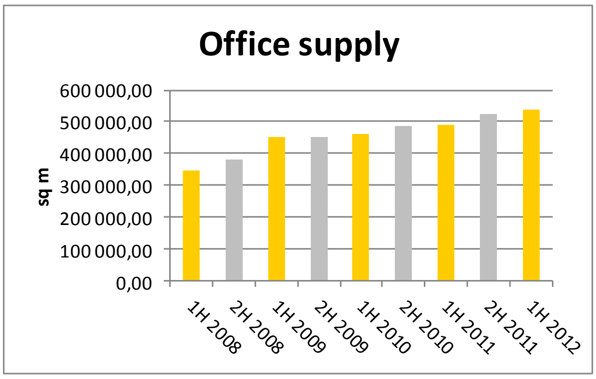
Rental levels in Kraków in 2012 rents in Kraków remained relatively stable. City center prime asking rents for modern office space achieved level of EUR 13-15 per sq m per month.

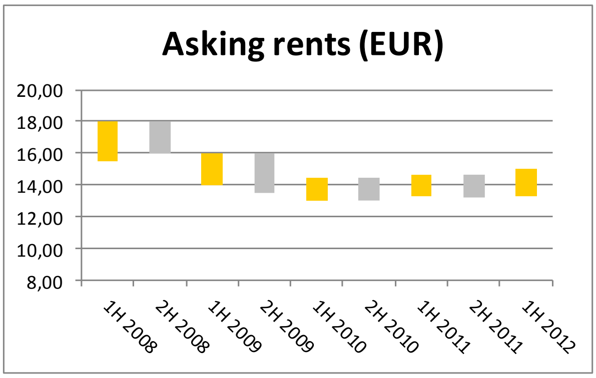
Vacancy & Availability

- Kraków's overall office vacancy rate is below 6% what represent trend of diminishing level of this rate. The market is seeing lowest level since 1H 2009.
- Office vacancy should stay stable for next year despite supply of modern office space.

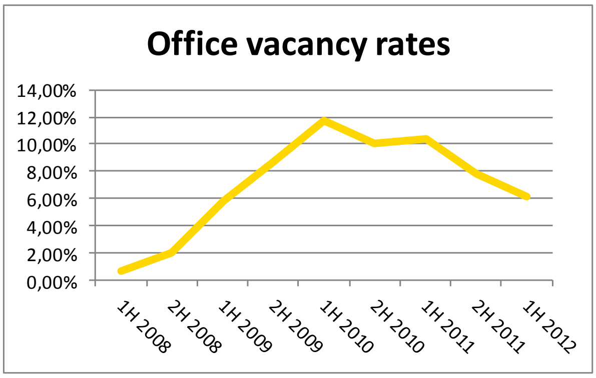
Trends

Very attractive labour costs and education connected with knowledge of languages generate additional potential for outsorcing companies. Stable rents and good access to human resources should have positive impact on new investments in the city.





Major existing office projects (by size)				
No.	Name of building	Address	Office area (sqm)	Year of completion
1.	Philip Morris	Al. Jana Pawła II 196	23 800	2003
2.	Quattro Business Park I, II	Bora Komorowskiego 25	23 800	2010-2011
3.	Buma Square A-G	Wadowicka 6-8	23 700	2002, 2004, 2006
4.	Vinci Offi ce Center	Opolska 100	17 950	2010
5.	Rondo Business Park I, II	Lublańska 34	16 900	2007-2008



WROCLAW

Market Relevance

Wroclaw has about 1,2 mln residents living within agglomeration and is a key city in Dolnoslaskie voivodoship. High quality of academic offer encourage thousnads of students to relocate to this city. It influenced global corporations such as Hewlet Packard to open office in this region. Very good office stock and open-minded city management ensures right solutions for new investors.

General Overview

Demand for office space in the Wroclaw region held up well in 2011. The volume of take-up in the region was stable as in previous quarters. Total modern office stock in Wroclaw is almost 407 750 sq.m

Rents

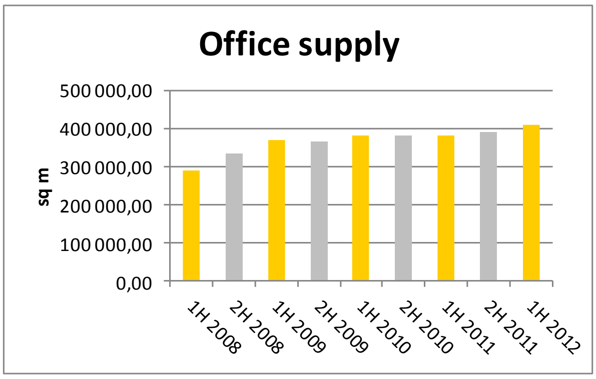
The top rent (highest value) in 2012 was still at round 16 per sq m per month and is achieved in the area of the office market zone.

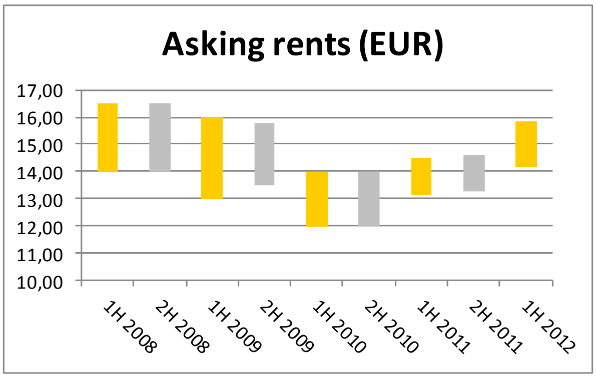
Vacancy & Availability

- Overall office vacancy rate is slightly above 4% and growing supply should slightly increase this indicator
- New development such as (wpisać dwa budynki które są w pipeline) Should bring enough office space to move asking rents on lower levels

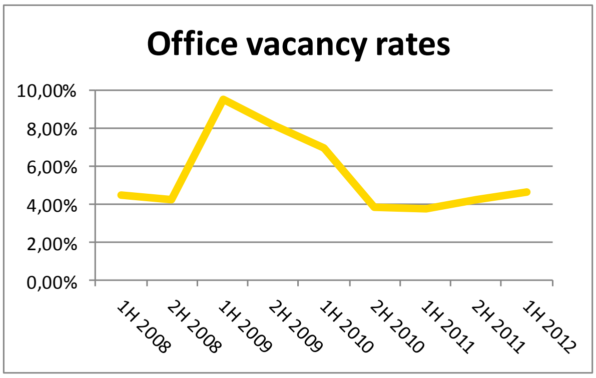
Trends

Rents will remain steady both on the top and in average. Investors and developers understand growing position of Wroclaw and enrich supply variety by developing new office space both A and B class.For a long time only local developers such as LC Corp, Devoc, Archicom were present in the region however stable economic situation and growing demand attracted investors such as SKANSKA.





Major existing office projects (by size)				
No.	Name of building	Address	Office area (sqm)	Year of completion
1.	Wojdyła Business Park I, II	Muchoborska 8	25 000	2010-2012
2.	Grunwaldzki Center	Plac Grunwaldzki 23-27	23 900	2008-2009
3.	Bema Plaza	Plac Bema 2	23 500	2008
4.	Wrocławski Park Biznesu I	Strzegomska 46-56	15 700	2001
5.	Silver Forum	Strzegomska 2-4	14300	2007



Walter Herz

TROJMIASTO

Market Relevance

Trojmiasto is an urban area which contain 3 cities Gdansk, Gdynia, Sopot has about 1,2 mln residents. With office stock 365 000 sq.m. is very important region of Poland. Together with growing stock of warehouses is an interesting alternative for southern cities.

General Overview

The average vacancy rate dropped to 8 percent during the 1H 2012 period, as total supply rose and generate drop of asking rents.

Rents

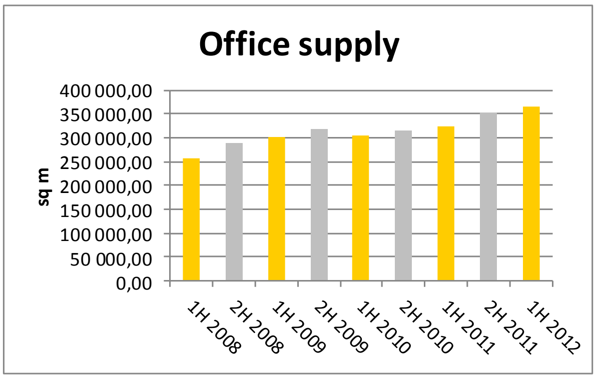
Since 1H 2009 asking rents for class A office space lower systematicaly and actually achieved stable level around 14 per sq m per month.

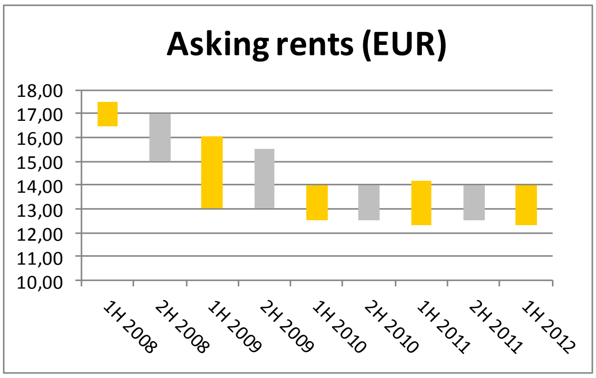
Vacancy & Availability

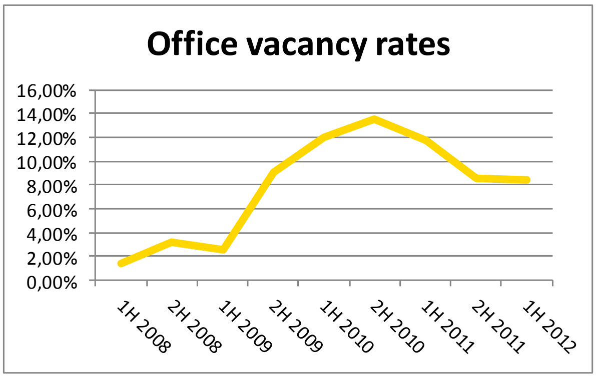
- High vacancy rates which occur for several quarters of the year since 1H 2011 dropped from 14% to 8% in 1H 2012
- Availability of new project such as Alchemia or Grunwaldzka Street Should have positive impact on new comers.

Trends

Growing importance of Deepwater Container Terminal Gdansk and stock of warehouses attract many companies who decide to open eastern branches in Poland. Good connection with western and eastern Europe create opportunity for that region.







Major existing office projects (by size)				
No.	Name of building	Address	Office area (sqm)	Year of com-pletion
1.	Arkońska BP	Arkońska 2-6 Gdańsk	26 700	2008-2010
2.	Łużycka Office Park (A-E)	Łużycka 6 Gdańsk	22 200	2008-2010
3.	Hestia	Hestii 1 Sopot	18 700	2001
4.	Asseco	Podolska 21 Gdynia	15 250	2004
5.	Olivia Business Centre I: Olivia Gate	Grunwaldzka 470-472 Gdańsk	14 900	2011

Walter Herz

POZNAN

Market Relevance

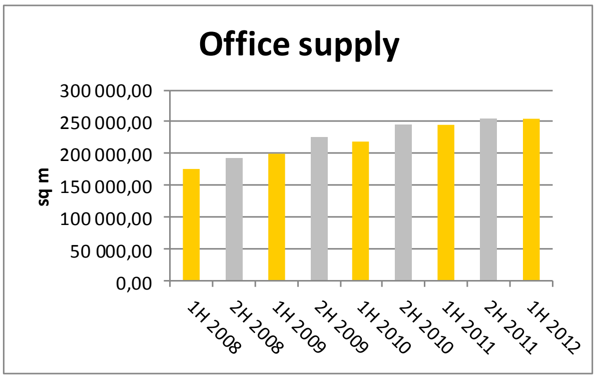
Poznan as city located near to German border has strong competitive advantage what was has been noticed especially by retail investors. A2 highway which connected city with western boarder and Warsaw on the other side increased transportation potential.

General Overview

Modern office stock in Poznan achieved level of 253 900 sqm.m.

Rents

Growing level of vacancy should lower rents from 14 per sq m per month in 1H 2012 .

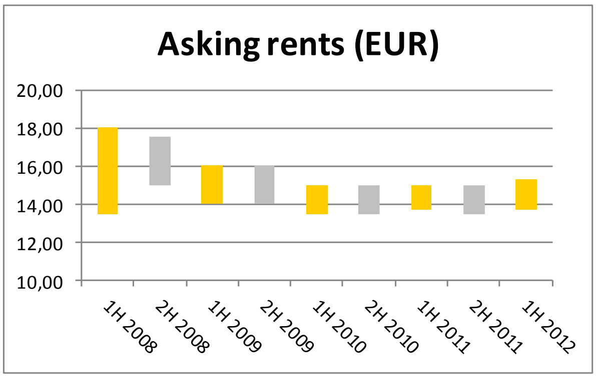


Vacancy & Availability

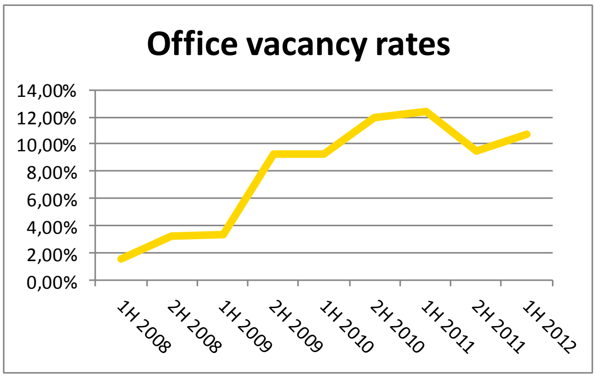
- 1H 2012 vacancy rate achieved level slightly above 10% and in comparison to expected supply of new 60 000 sq.m should grow
- The current supply is putting pressure on asking rental values for 2013

Trends

Poznan is perceived as modern city and attractive location for BPO/SSC companies. General trends together with new investments in pipeline should increase city attractiveness. The strength of Polish economy and headquarters of such companies like Volkswagen, MAN, Allegro has positive impact for future.



Major existing office projects (by size)				
No.	Name of building	Address	Office area (sqm)	Year of completion
1.	Malta Office Park	Arcybiskupa A. Baraniaka 88	27 500	2008-2011
2.	PGK Centrum I, II	Marcelińska 90	18 500	1999-2003
3.	Szyperska Office	Szyperska 14	15 900	2009
4.	Poznań Financial Center	Pl. Andersa 5	17 800	2001
5.	Skalar Office Center	Górecka 1	14 200	2010



LODZ

LODZ

Market Relevance

Excelent central location and very good railway and highway connection wih Warsaw and western border attracted many investors especially from art, design and BPO/SSC sector.

General Overview

Modern office stock is estimated at around 247 000 sq.m. However currently under construction is 61 000 sq.m of A class buidlings.

Rents

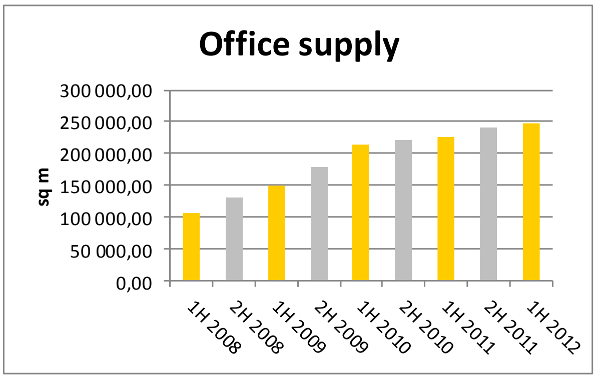
Asking rents in Lodz constantly lower from EUR 17 per sq m per month in 1H 2008 to 13 per sq m per month in 1H 2012. In 2013 we will experience trends for lower rent according to new buildings developed on speculative basis.

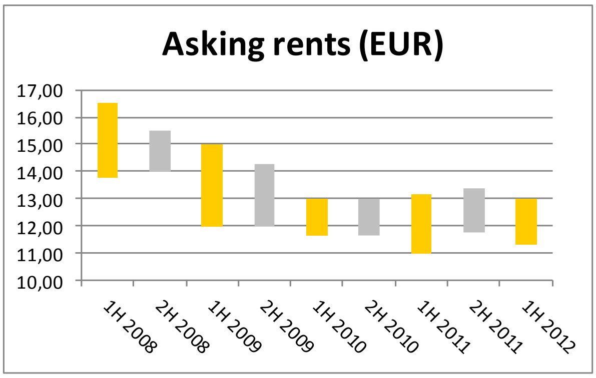
Vacancy & Availability

- In 1H 2012 office vacancy rate was on average around 15% percent for A and B class buildings
- Speculative developments will have direct impact on vacancy rate and avaiablity

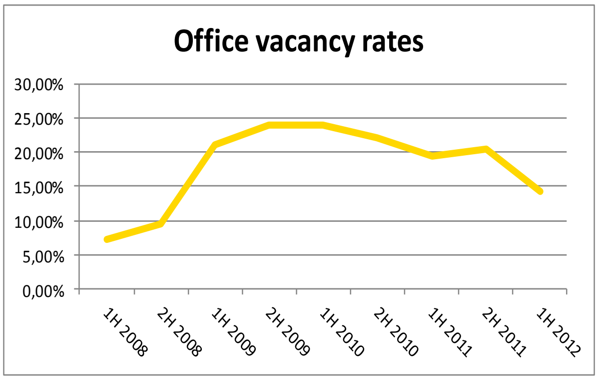
Trends

Lodz is perceived (and it position itselfs) as city dedicated for creative people and companies. Growing importance of Lodz Fashion Show and cooperation with other countries and cities generate growth of importance Lodz in region and Poland.





Major existing office projects (by size)				
No.	Name of building	Address	Office area (sqm)	Year of completion
1.	University Business Park A	Wólczańska 178	18 700	2010
2.	Red Tower	Piotrkowska 148/150	13 800	2008
3.	Sterlinga Business Centre	Sterlinga 8a	12 800	2010
4.	Cross Point	Rydza Śmigłego 20	12 500	2009
5.	Textorial Park	Fabryczna 17	11 600	2009



Walter Herz

Walter Herz

Panska Corner, ul. Pańska 73

00-834 Warszawa

tel. (22) 31 47 160

office@walterherz.com

www.walterherz.com