Walter Herz

OFFICE MARKET ANALYSIS

4Q 2013

WARSAW

Market Relevance

In the fourth quarter of 2013 four office projects in Warsaw were completed totalling 52 000 sq m. It means, that in the whole 2013 more than 300 000 sq m of new office space was delivered. As a consequence, at the end of December 2013 the total office space supply reached the level of 4,11 million sq m.

General Overview

Year 2014 is going to be equally dynamic as the previous one. Many buildings which are under construction, are planned to be completed by the end of 2014. Total space of new investments will reach approximately 300 000 sq m, comparable to the year 2013 including two office projects with floor area of 40 000 sq m each.

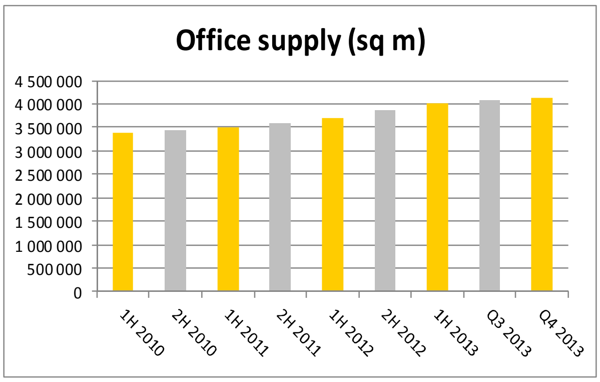
Rents

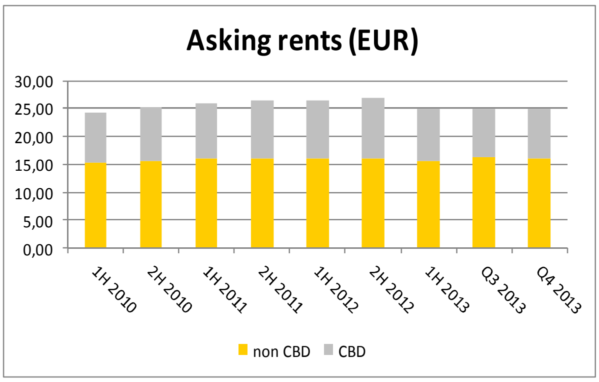
Level of rents during 2013 held a similar level as in the fourth quarter of 2013 between 21-25 EUR/sq m in CBD and 13-16 EUR/sq m per month outside the city centre. Market forecasts predict that rent rates will start decreasing because of growing office supply.

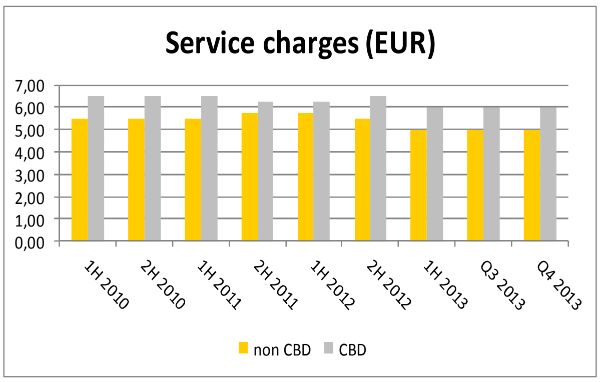
Vacancy & Availability

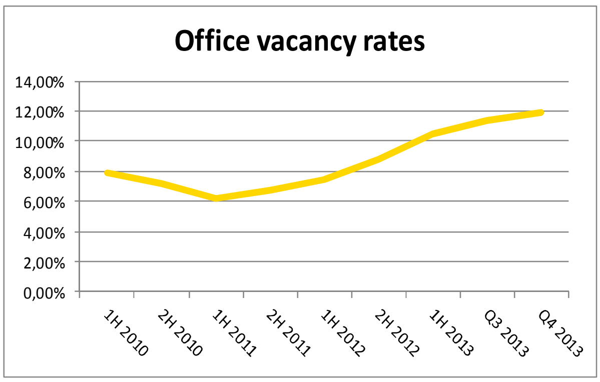
Gradual increase of offered office space results in rise of the vacancy rate in Warsaw's office market. A one percent increase of index in comparison to previous quarter has been noticed in the fourth quartile, going from 10,9% to 11,9%.

Trends 2014
Supply
Demand
Rents
Vancancy rate









Source: Walter Herz Research

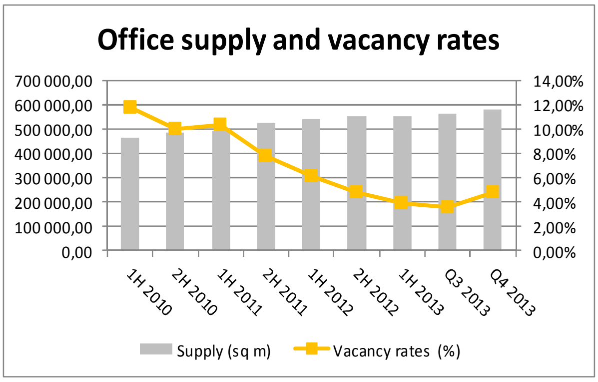
KRAKOW

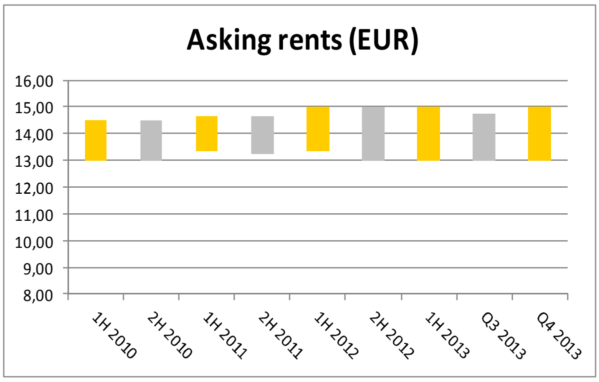
General Overview

Completion of another part of Bonarka office complex for Business along with two other investments caused growth of office space in Krakow by 16 300 sq m, which reached total level of 578 000 sq m in Q4 2013, resulting in the increase of vacancy rate to 4,83% from 3,6% in third quarter. Nonetheless Krakow still remains a regional city with the least free office space for rent. During the 2013 year, the office market augmented by 30 000 sq m of new space.

Rents

Asking rent rates continually varied between the level of 13-15 EUR/sq m per month.





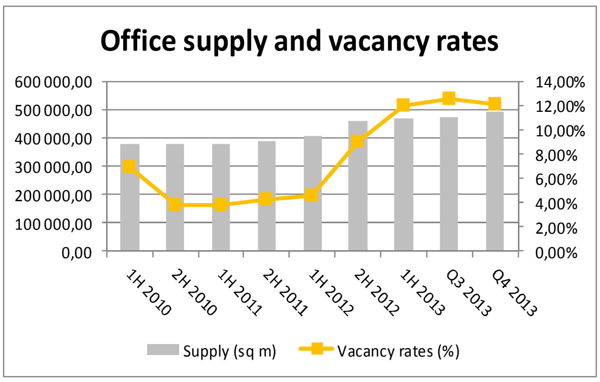
WROCLAW

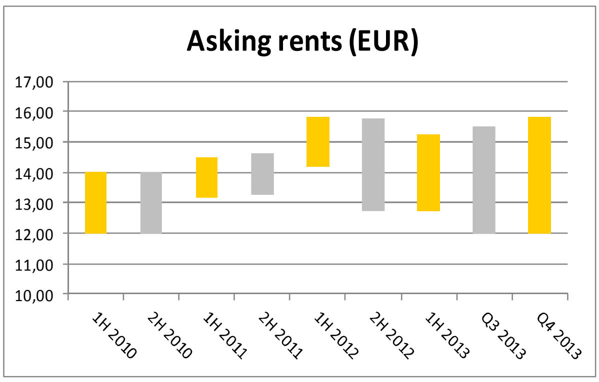
General Overview

In fourth quarter of 2013 year supply of modern office space in Wroclaw rose by 17 800 sq m thanks to completion of two office buildings: Aquarius Business House and Millennium Tower IV. Vacancy rate in Q4 reached the level of 12,1% and for the whole 2013 it oscillated in the rage of 12%. In December office supply was 493 000 sq m.

Rents

Among rent rates can be observed small rise of the upper limit of the price. It fluctuated between 12-16 EUR/sq m per month.





Source: Walter Herz Research

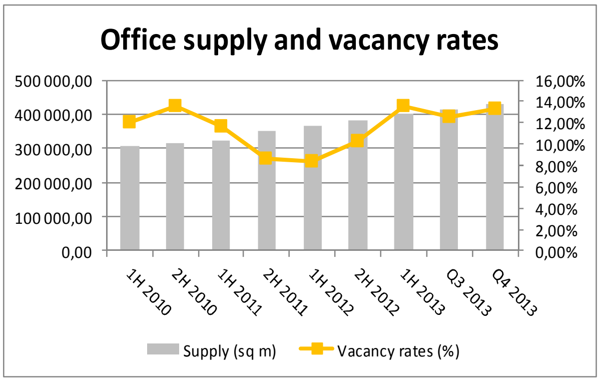
TROJMIASTO

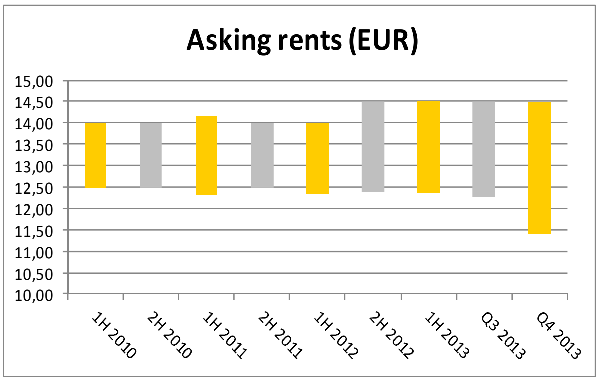
General Overview

In December 2013 the first out of seven office buildings in the Alchemia complex in Gdansk was completed, increasing the office stock to 429 000 sq m in the Tricity area. The project in the future will provide in total 80 000 sq m of modern office space. The vacancy rate in the fourth quarter reached the level of 13,3% and increased by approximately 0,7% compared to previous quarter.

Rents

Asking rates remained unchanged between 12 and 14,5 EUR/sq. m per month.





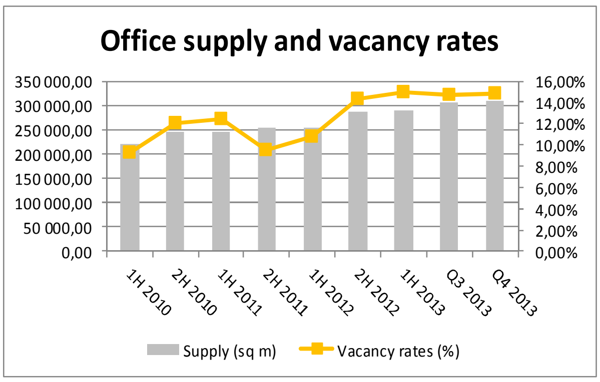
POZNAN

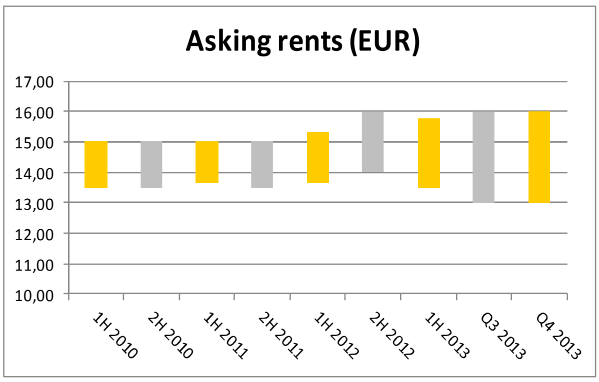
General Overview

Total supply of modern office space in the fourth quarter of 2013 in Poznan stood at the level of 308 000 sq m. Poznan has one of the highest vacancy rates, which amounts to 14.9% due to the low activity of developers in the office market.

Rents

The average asking rents varied equally in the last two quarters of 2013 between 13-16 EUR/sq m per month.





Source: Walter Herz Research

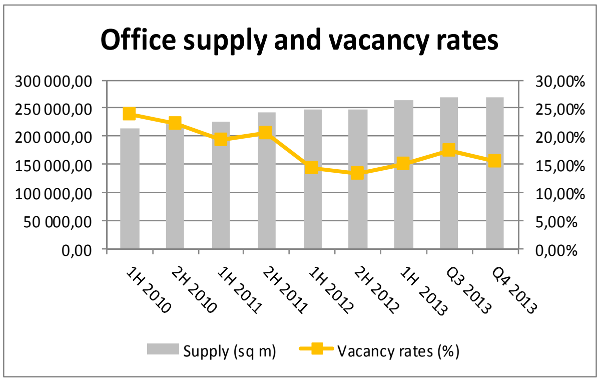
LODZ

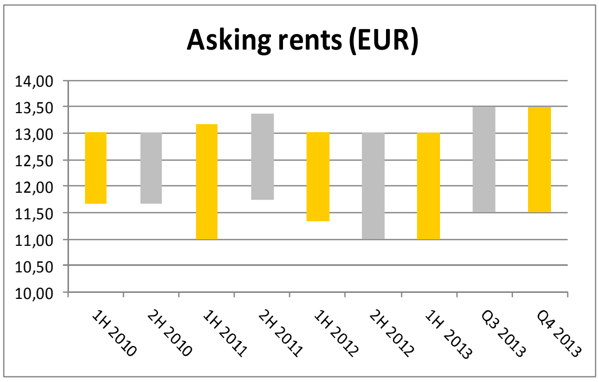
General Overview

Supply of modern office space in Lodz remained at the same level of 267 000 sq m as in third quarter of 2013. No new investments were completed in that period, however a substantial proportion of the office space was leased, resulting in a decrease of the high vacancy rate from 17% to 15,5%. Nonetheless Lodz holds the highest rate among regional cities. The high number of vacant space results in a small number of new investments.

Rents

Average asking rents remained at the same level of 11,5-13,5 EUR/sq m per month compared to the previous quarter.





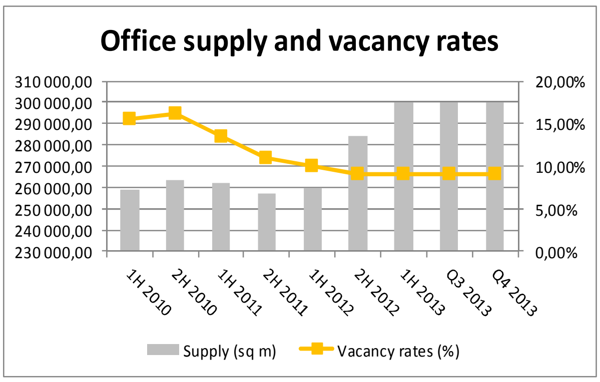
KATOWICE

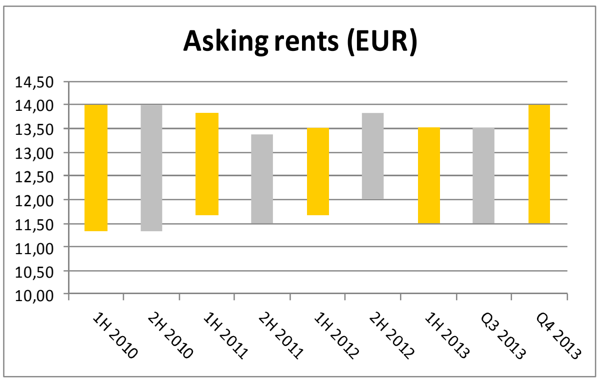
General Overview

In the last quarter of 2013 no new office buildings were completed. Throughout 2013 office supply increased only about 16 000 sq m, forming a total supply of 300 000 sq m. However it is worth noting that the market for commercial space in Katowice has recently been developing at a fast pace and a large increase in the office supply can be expected in 2014 and years to follow. The vacancy rete stood at 10%.

Rents

Rents oscillated between 11,5-14 EUR/sq m per month. Due to the increasing attractiveness of Katowice there was a slight rise in the upper limit of rental rates.





Source: Walter Herz Research

Walter Herz

Walter Herz sp. z o.o. sp. k

Ogrodowa 37

00-873 Warszawa

tel. 22 11 200 11

office@walterherz.com

www.walterherz.com