

POLAND OFFICE DESTINATIONS

OFFICES IN POLISH CITIES



AUTUMN 2012 | CBRE RESEARCH

CBRE





POLAND OFFICE DESTINATIONS

Autumn 2012

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OFFICES IN POLAND

GENERAL OVERVIEW

The economic situation in Poland still turns out to be positive, thanks to its robust domestic market as well as a lower dependence on international sentiment. The GDP growth rate for 2011 amounted to 4.3% with an unemployment rate of 12.5%. Poland confirms its position as one of the most steadily developing countries not only in the CEE region but in the whole of Europe.

Moreover, Poland is one of the few countries in Europe with the best situation in terms of both the government deficit and public debt reduction. Such a status will be of major importance this and the next year, when the GDP growth is forecasted to decrease in the whole Europe due to further efforts to reduce public debts. Nevertheless, the GDP growth in Poland is expected comparably high, at around 2.7% in 2012 and 2.5% in 2013.

“ 2013 might turn out to be quite challenging for all market players taking into consideration this amount of the new space to be delivered and the decreasing GDP index.

- Joanna Mroczek
Head of Research and Consultancy, CBRE



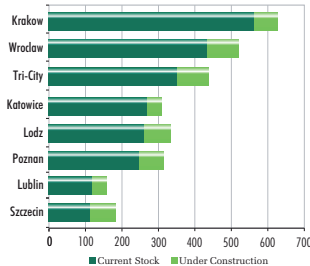
Luckily, companies and investors have become accustomed to operating within uncertain circumstances and are much better prepared for a foreseen general slowdown than three years ago.

This also relates to the office markets where both developers and tenants have been quite active, despite a growing uncertainty. Today, there is over 6 million sq m of modern office space in all nine major Polish cities, including 160,000 sq m delivered in the first half of the year.

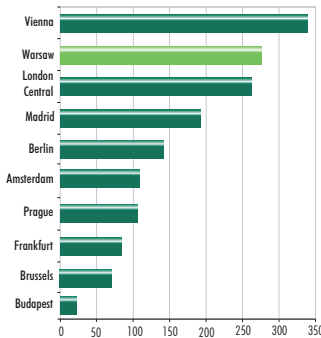
Encouraged by growing demand, developers have been able to start a number of frozen or new projects, not only in Warsaw but also in regional cities. Today there is over one million sq m under construction in all major cities, scheduled for 2013 and 2014. Some of the pipeline space has already been pre-leased. However, even if the absorption remains comparable to the previous years, the vacancy rates will grow substantially, particularly in B-class buildings. Therefore, 2013 should turn out to be quite challenging.

OFFICES IN POLAND

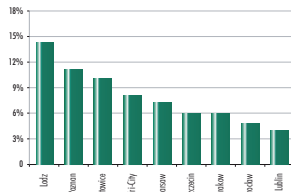
OFFICE STOCK IN REGIONAL CITIES ('000 sq m)



FORECASTED OFFICE COMPLETIONS IN EUROPEAN CITIES ('000 sq m) IN 2012



VACANCY RATES IN POLISH CITIES IN 2Q 2012



COUNTRY'S ESSENTIALS

Population ('000)	38,200
Unemployment Rate	12%
Monthly Average Gross Salary (EUR)	904
Modern Office Stock (in '000 sq m)	6,030
Average Office Vacancy Rate	8%
Prime Office Rents (EUR/sq m/month)	11 – 27
Average Rents (EUR/sq m/month)	15

Source: GUS, CBRE

SUPPLY OF OFFICE SPACE IN MAJOR CITIES

The largest and the most established market is Warsaw. However, in comparison to other European capitals, it still falls behind these more mature markets in terms of stock levels. The potential for new developments remains visible and the city is far from being saturated with modern office space. There are some zones where the only choice for occupiers is to develop their own headquarters. The city is currently undergoing massive infrastructure improvements with a new metro line, as well as a number of internal and external roads under construction. Such changes will result in new transportation corridors widening the scope of sites with location potential. Warsaw benefited from the European Football Championships held in June and was received positively by the visitors, which should further enhance the city's image. All of these factors should favourably impact the development of the office market in Warsaw.

While the market in Warsaw started to develop in the early 1990's, enhanced by the development boom within 2004 - 2006, the regional markets emerged only relatively recently, fuelled by a huge demand generated by the global outsourcing and offshoring trend in Europe and the US. In 2009 the regional cities were severely hit by the economic crisis, when many expansion decisions were suspended and in most of the cities the vacancy rates surged. This resulted in more rental stability and an increased level of availability. Once the situation improved, the offshoring turned out to be an important strategy and solution for the worsening economy.

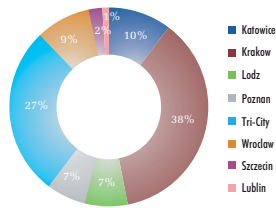
To sum up, H1 2012 period saw around 60,000 sq m of brand new office space completed outside Warsaw, that is some 40% of the total new supply in Poland. By the end of 2013 the total office stock in the major agglomerations, including Warsaw, should increase to almost 7 million sq m. Warsaw is a clear leader in terms of the construction activity with almost 700,000 sq m of modern office space under construction (including a 100,000 sq m tower planned for 2015). One of the trends is the creation of a so called "airport office zone" – the currently separate office districts are being enlarged and naturally start to form a new zone, surrounding the airport. Another trend is the growing number of office towers planned in the city centre.

In terms of construction activity, Wroclaw and Tri-City follow behind the capital with respectively 95,000 sq m and 87,000 sq m of modern office space currently under construction. The most peculiar situation is observed in Wroclaw, where developers limited their activity over the last few years and the availability of ready to be leased buildings is therefore scarce, although the amount of developed office space is now one of the highest in the country. Lodz, Katowice and Poznan still lag behind with highest vacancy ratios. As some cities become saturated, new locations such as Lublin and Szczecin have the chance to attract more investors.

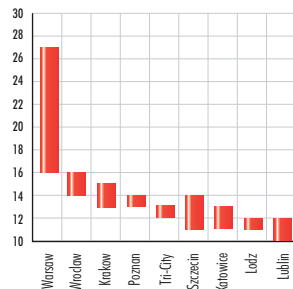
The key to success is transportation with access to an international airport. Once the national highway program is at least partly finished, new opportunities should appear on a map. Tri-City should be one of the first agglomerations to take advantage of the new A1 highway that might move the south-north transport route from Germany to Poland and increase the popularity of the region.

OFFICES IN POLAND

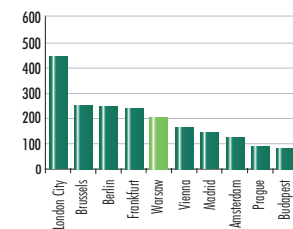
OFFICE TAKE-UP IN REGIONAL CITIES IN 1H 2012 (%)



PRIME HEADLINE OFFICE RENTS IN MAJOR CITIES (EUR/sq m/month)



OFFICE NET TAKE-UP ('000 sq m) IN EUROPEAN CITIES IN 1H 2012



DEMAND FOR OFFICE SPACE IN POLAND

Within the last two years, the level of total leasing activity has rallied and returned to the growth path registered before the crisis. 2011 saw a record in terms of leasing activity in almost all of the major cities in Poland, which amounted to 895,000 sq m in nine major cities in Poland. Given the high number of enquiries registered both from existing tenants as well as from newcomers, 2012 should also be strong in terms of demand in Warsaw as well as in a number of regional cities. In 1H 2012 the leasing activity in Poland has already reached a strong level of almost 490,000 sq m.

Warsaw is undoubtedly the most popular office destination in Poland, especially for international players who aim to take advantage of the proximity to other companies, public entities and the number of well-educated citizens living in the Warsaw agglomeration. According to the CBRE Business Footprints 2011 Report that analysed the office locations of the world's largest companies across 232 cities, Warsaw ranks as the 12th most popular city. Warsaw has become a leading business location not only in the CEE region but globally, from the point of view of international corporations.

The necessity to limit operational costs has intensified the offshoring and outsourcing trends. These outsourcing tendencies cover not only the simple process of call centres, but more importantly, include advanced business services based on knowledge and research (Knowledge Process Offshoring, Information Process Offshoring, Shared Service Centres etc.). It is estimated that to date Poland has attracted over 330 such companies and employing around 85,000 people. Till 2014 it is expected the BPO employment will increase by another 20,000 employees, which should translate into an office absorption level of at least 200,000 sq m.

Such investors typically prefer secondary cities, where the costs of operations are lower. So far Krakow has been the most popular location amongst BPO operators. The city has grown into the position of a centre of services for Europe. Wroclaw is extremely popular with manufacturing and high-tech companies. Tri-City is at the third place in terms of office supply and has a strong ambition to attract a number of KPO companies. BPO operations in Poznan include companies that appreciate the convenient location, manufacturing and trade traditions of the city. Companies often open financial centres in Poznan to serve their branches in Poland and Germany.

A positive trend has also been observed in terms of the ecological approach. More and more international corporations are introducing a pro-ecological policy. Therefore, many new projects are designed and constructed in line with the requirements of green certificates. This also relates to buildings in regional cities. In total, over 30% of space under construction has been identified as applying for a certificate. This trend should translate not only into lower costs of service but also result in a higher quality of occupied buildings.



“ The global economic slowdown still works in favour of the Polish office market as many occupiers, looking for cost reductions, move or expand their operations here.
- Daniel Bienias
Head of Agency, Tenant Representation,
CBRE



Lodz and Katowice have also, historically, been viewed as attractive to manufacturing and outsourcing companies. These cities, although still in need of inner and outer infrastructure improvements, have made a significant leap in terms of the quality of office stock available for lease. Recently, there has also been growing interest in the smaller regional cities like Szczecin or Lublin, which are expected to significantly improve their modern office stock in the next couple of years.

RENTS FOR OFFICE SPACE IN POLAND

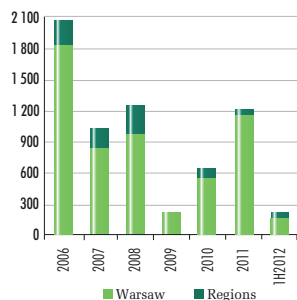
Currently, prime headline rents in Poland range between EUR 11 - 16 /sq m/month for the best office buildings in regional cities and in Non-Central Warsaw. The prime rents in Warsaw City Centre reach EUR 26 - 27 /sq m/month. The achievable effective rates are estimated from EUR 9 - 13.50 in regional cities and EUR 12 - 25 in Warsaw depending on the zone. For the time being, headline rents have stabilized in most of the locations. The downward trend is expected next year, particularly in non-central locations with a growing number of incentives offered by competing developers.

SUMMARY OF OFFICE MARKETS 2Q 2012

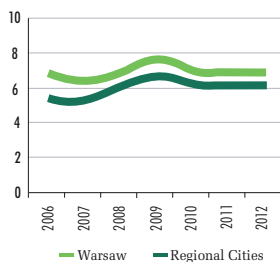
City	Modern Stock (sq m)	Total completions 2012F (sq m)	Vacancy Rate	Gross Take-up 1H 2012 (sq m)
Warsaw	3,690,000	277,000	7.4%	298,000
Krakow	565,000	41,000	6%	72,000
Wroclaw	425,000	110,000	5%	18,000
Tri-City	348,000	56,000	8%	52,000
Poznan	250,000	52,000	11%	14,000
Katowice	270,000	26,000	10%	18,000
Lodz	261,000	66,000	14%	13,000
Szczecin	109,000	45,000	6%	n/a
Lublin	111,500	17,000	4%	n/a

OFFICE INVESTMENT

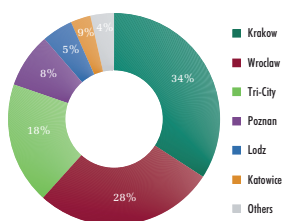
OFFICE INVESTMENT VOLUME (EUR MILLION) BY LOCATION



PRIME OFFICE YIELDS IN WARSAW AND REGIONAL CITIES (%)



OFFICE TRANSACTIONS IN REGIONAL CITIES, 2001-2012 (%)



OFFICE INVESTMENT VOLUME

Following a very active 2011 it is expected that 2012 will show reduced investment volumes. To date, that sentiment is being confirmed with the overall investment volume transacted in H1 2012 being considerably lower than last year. However, H2 2012 will show strong improvements in investment volume with high profile major transactions expected to complete soon, such as Warsaw Financial Center sold to Allianz/Tristan Capital and International Business Center sold to DEKA. These large ticket deals will certainly increase the total transaction volume significantly but the number of transactions will still be relatively lower than the last year.

Going forward into the second half of 2012 there are more office assets available in the market, though the expectation for these transactions to complete by the end of 2012 is slim. Overall commercial property investment volumes in CEE amounted to almost EUR 2.1 billion during H1 2012, with transactions in Poland worth EUR 854 million. The office investment volume reached EUR 241 million with only one transaction closed in a regional city - Arkonska Business Park A3 & A4 in Gdansk.

Warsaw's investment market is dominated by two key locations: City Centre and Mokotow. However, the investors' interest in the Mokotow Business District has somewhat cooled down due to the fact that most core funds already have a significant exposure to the district. More importantly, the rise in occupational vacancy is already putting a downward pressure on rents and investors begin to price the district very differently. Going forward, the Wola and Ochota districts are expected to see a lot more activity as a considerable amount of new development occurs there.

The surge in CEE property investment activity in recent years has been driven mainly by increased product availability. Based on an analysis of the profiles of investors currently active in CEE, it is very likely that the search for top quality product will continue, with limited spill-over effects into the secondary market.

Alongside France, Germany and the UK, the Polish market is still a preferred destination for numerous investors. German open and closed-ended funds as well as different local entities are active here. Even so, this year Poland might not achieve the transaction volume registered in 2011. 2012 poses other challenges to investors due to the turbulence in the Eurozone. More recently we have seen the first signs of some slowdown in the economic forecasts for 2012/2013 and there may soon be some hesitation by investors. For example, average transaction times have become more protracted. A possible fall in investors' demand and hence a softening of yields may well be seen as we go into 2013, however, we believe that the prime core city centre offices will still be of top appeal.

Nevertheless, the strength of the Polish economy should still be considered as a major encouragement for the investors, the prime office yields are forecasted to remain stable in the near future. The further compression should be expected only when the European economic slowdown associated with fiscal crisis in many EU-economies is finally overcome.



“ The strength of the Polish economy should still be considered as a major encouragement for the investors.

- Mike Atwell,
Head of Capital Markets, CBRE CEE



INVESTMENT YIELDS

Strong investment demand has been a common trend for the last few years and has had a direct impact on yields. Since late 2009 prime office yields have compressed, to finally reach 6.25% in 2011.

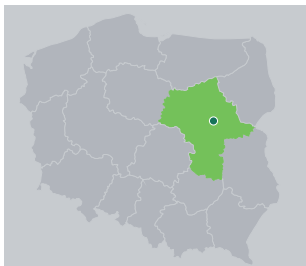
Nowadays the prime yields remain stable in the Warsaw city centre with a slight upward trend in non-central zones such as Mokotow. The most recent deals here have been concluded at below 7% but we expect this to soften to 7.5 - 8%, as most buildings are leased at rents around EUR 15 /sq m/month, which is now being viewed as over-rented. Moreover, due to the weaker interest in non-central locations, we predict a pricing gap between core and non-core locations of at least 100 bps. and this will likely be sustained going forward.

In the regional cities there is a lack of transaction evidence and yields are difficult to estimate, however, prime yields are usually quoted at around 100 bps. higher than in Warsaw, currently around 7.25%.

MAJOR OFFICE TRANSACTIONS IN 2011 AND 2012 IN POLAND

City	Project	Transaction Date	Price (EUR M)	Purchaser
Warsaw	Miasteczko Orange	Q2 2011	140	Qatar Holding
Warsaw	Focus	Q3 2011	117	RREEF
Warsaw	Palac Raczyńskich and Mazowiecka building	Q3 2012	80	Kulczyk Silverstein Properties
Warsaw	Harmony Office Centre II	Q2 2012	53	Azora Europa
Warsaw	Stratos	Q3 2011	41	Kulczyk Silverstein Properties
Warsaw	Atrium IBC	Q4 2011	76	Rockspring
Warsaw	Marynarska Point	Q3 2011	38	SEB
Warsaw	Renaissance Building	Q2 2012	27	GLL Partners
Warsaw	Arkonska Business Park A3,A4	Q2 2012	25	PZU AM
Krakow	Green Office	Q4 2011	24	Azora Europa
Warsaw	Moniuszki Tower	Q4 2011	23	Catalyst Capital
Warsaw	Marszalkowska 76	Q1 2012	23	Raiffeisen Real Estate
Warsaw	Palac Młodziejowski	Q4 2011	22	IVG
Warsaw	Norway House	Q3 2012	21	IVG

WARSAW



WARSAW



KONSTRUKTORSKA BUSINESS CENTRE



GENERAL OVERVIEW

Warsaw, the capital city of Poland, is the business and political centre of the country. The majority of foreign companies operating in the country are headquartered here. With 395,000 students and a population of approximately 3 million in the whole agglomeration, Warsaw remains the most important city in the region. Given its strategic location, the number of inhabitants and the largest office stock, it is considered as the most desired office destination in this part of Europe.

OFFICE STOCK

Modern office stock in Warsaw totals approximately 3.7 million sq m, with around 33% located in the City Centre. Other popular office locations include Mokotow (US) and Aleje Jerozolimskie & Okęcie (SW). In 1H 2012, Warsaw office supply increased by 11 new buildings, offering together circa 93,000 sq m. Newly completed office schemes were delivered mainly in non-central areas. The largest ones were the second phase of Poleczki Business Park (21,000 sq m) by UBM / CA Immo and the second phase of Mokotow Nova (15,000 sq m) by Ghelamco. The pipeline for the next years is much higher with almost 310,000 sq m of office space under construction and scheduled for delivery till end of 2013. The improvement of investors' attitudes has resulted in many schemes planned for completion in 2014–2015, both in central and non-central locations. One of the most dynamically developing areas in Warsaw is Wola. With the completion of a number of new office schemes and the central part of the second metro line, running through the district, the area should attract a growing share of the office leasing activity in the future.

OFFICE DEMAND

The demand for modern office space in 1H 2012 amounted to almost 298,000 sq m, slightly less than in the corresponding period last year. For the whole 2012 the take-up of modern office space in Warsaw should remain on the similar level as registered throughout 2011. Since the beginning of the year the vacancy level in the city registered a slight increase to reach 7.4% by the end of 2Q 2012. The highest rate was recorded in the Lower South zone, along Pulawska Street (LS - 14%) and the lowest vacancy was registered in Wilanow (SE - 3%) and Ochota (SW - 6%). Given the increasing amount of speculative completions, the vacancy rate is forecasted to increase in the near future, presumably 2012-2013. The size of the average deal oscillates around 1,000 sq m.

OFFICE RENTS

At the end of 2Q 2012, the prime headline rents increased to the level of EUR 26 – 27 / sq m/month in the Central Business District. In Non-Central locations prime rents (usually recorded in Mokotow) for the best projects have stabilized at EUR 15 – 16.5 / sq m/month. Due to a significant amount of office space under construction, the rental level in the non-central locations might be a subject of a downward pressure in the near future. Prime rents in the CBD however should remain stable, as the supply of new office space in the district remains scarce. Service charges currently amount to EUR 3 – 6 / sq m/month.

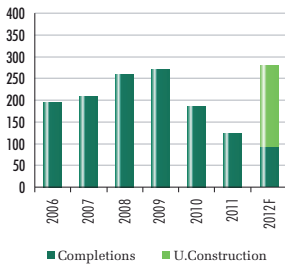
LOCAL ESSENTIALS

Population (^000)	1,720
Unemployment Rate	4.0%
Average Gross Salary (EUR, March 2012)	1,230
Modern Office Stock (in million sq m)	3.7
Vacancy Rate	7.4%
Prime Rents (EUR/sq m/month)	26–27

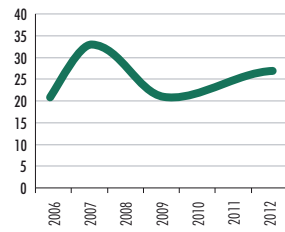
Source: CBRE, GUS 2012

WARSAW

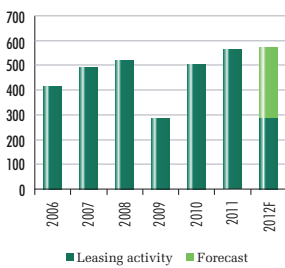
OFFICE COMPLETIONS (' 000 sq m)



OFFICE PRIME RENTS (EUR/sq m/month)

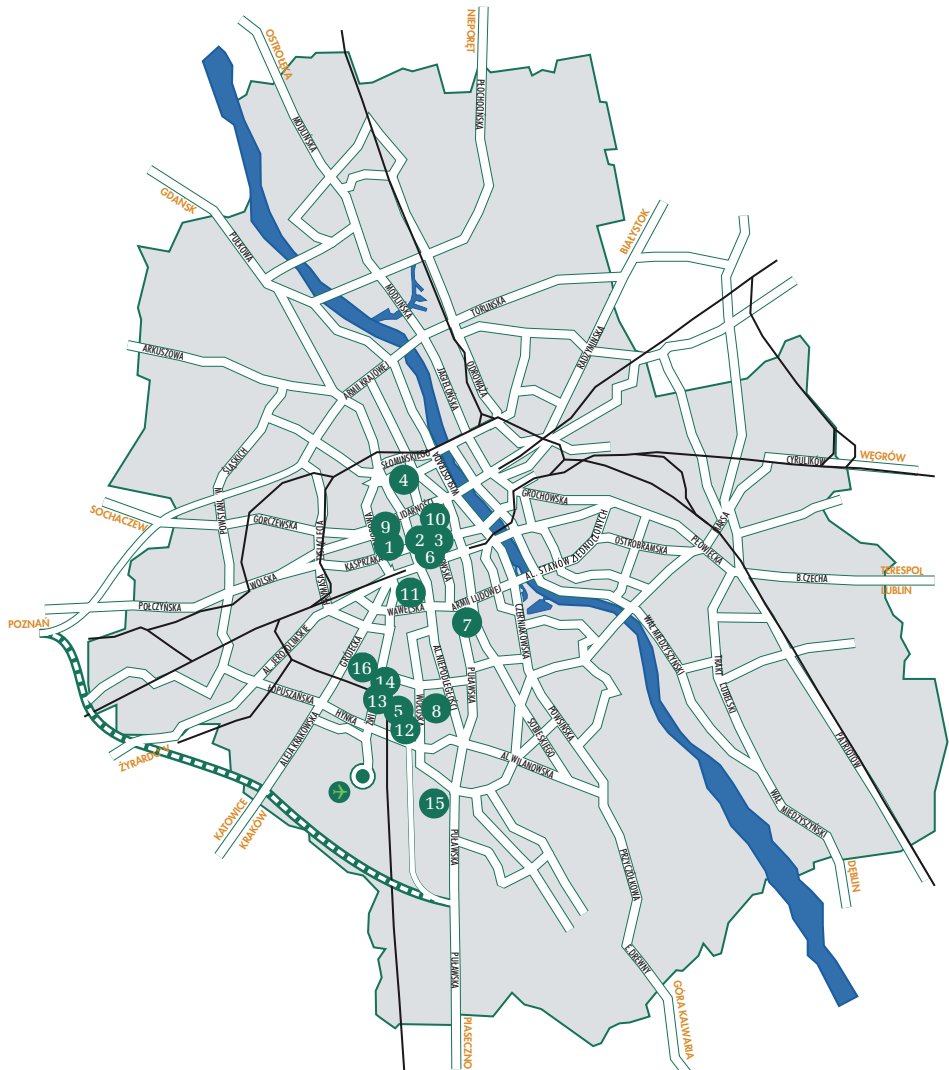


OFFICE TAKE-UP (' 000 sq m)



SELECTED OFFICE BUILDINGS IN WARSAW

No	Project	Location	Office Space (sq m)	Status
1	Warsaw Spire	CBD	100,000	Under Construction
2	Rondo 1	CBD	55,000	Existing
3	Warsaw Financial Centre	CBD	50,000	Existing
4	Gdanski Business Centre	N	49,000 / 46,000	Under Construction / Planned
5	Konstruktorska Business Centre	US	48,000	Under Construction
6	Lumen / Skylight	CBD	43,000	Existing
7	Plac Unii	US	41,000	Under Construction
8	Mokotow Nova	US	40,000	Existing
9	Warsaw Trade Tower	CC	40,000	Existing
10	Metropolitan	CC	34,000	Existing
11	Focus	CC	30,000	Existing
Business Parks				
12	Empark	US	107,000 / 18,000	Existing / Planned
13	Business Garden	SW	32,000 / 58,000	Under Construction / Planned
14	Wisniowy Business Park	SW	50,000 / 10,000	Existing / Planned
15	Poleczki Business Park	LS	66,000	Existing
16	Lipowy Office Park	SW	39,000	Existing



KRAKOW



KRAKOW



ENTERPRISE PARK



LOCAL ESSENTIALS

Population	756,000
Unemployment Rate	5.7%
Average Gross Salary (EUR, March 2012)	895
Modern Office Stock (in sq m)	565,000
Vacancy Rate	6%
Prime Rents (EUR/sq m/month)	13 - 15

Source: CBRE, GUS 2012

GENERAL OVERVIEW

Krakow is the former capital city of the country and the second biggest city in Poland in terms of population, with over 2 million inhabitants living in the city's agglomeration. It is also the major economic and administrative hub of the southern part of the country. The city registered only some minor damage during World War II, therefore the historic centre has remained very well preserved, attracting over 8 million tourists per year. Due to its competitive advantages, such as a well educated labour force, lower cost of living and a good business climate, Krakow has become one of the most appreciated locations for BPO investors in Poland. The city has made effort to attract foreign investments from both the service and high technology sectors.

OFFICE STOCK

Modern office stock in Krakow now stands at around 565,000 sq m. 1H 2012 has observed two completions so far – MIX Jasnogorska (6,400 sq m) and Fronton Office Centre (5,700 sq m). Currently, almost 63,000 sq m of modern office space is being constructed in Krakow with 28,000 sq m scheduled for delivery by the end of 2012. Many office schemes in the city were completed by local developers like GD&K, Mix Nieruchomosci, Krakowskie Centrum Biurowe, PPB Azbud followed by large, international developers such as TriGranit, Avestus RE, Skanska or GTC. Krakow does not have a clearly defined business district and office schemes are situated most often on the fringes of the centre. There are also a number of office buildings within the Special Economic Zone along Jana Pawla II Street and in Zabierzow village including commercial business parks.

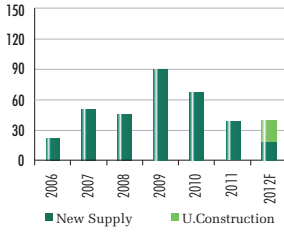
OFFICE DEMAND

Krakow has succeeded in becoming a Polish centre for outsourced services. The city is focused on attracting leading new technologies companies, such as Motorola, IBM, UBS or Shell. Such tenants are looking for A-class office schemes with a very good IT infrastructure in friendly surroundings, a factor reflected by the growing popularity of business parks. Demand in Krakow has been boosted by such sectors as IT, telecommunications and automotive - both by small companies and big multinational enterprises. Total leasing activity in 1H 2012 reached over 72,000 sq m. The vacancy level is around 6% with the best office schemes quickly running out of vacant space.

OFFICE RENTS

The rental levels in the city remain stable, both in central and non-central locations. Prime headline rents in A-Class modern offices amount to EUR 13 - 15 /sq m/month. Developers are still flexible about offering incentives. Service charges range from EUR 3 to 4 /sq m/month.

OFFICE COMPLETIONS ('000 sq m)



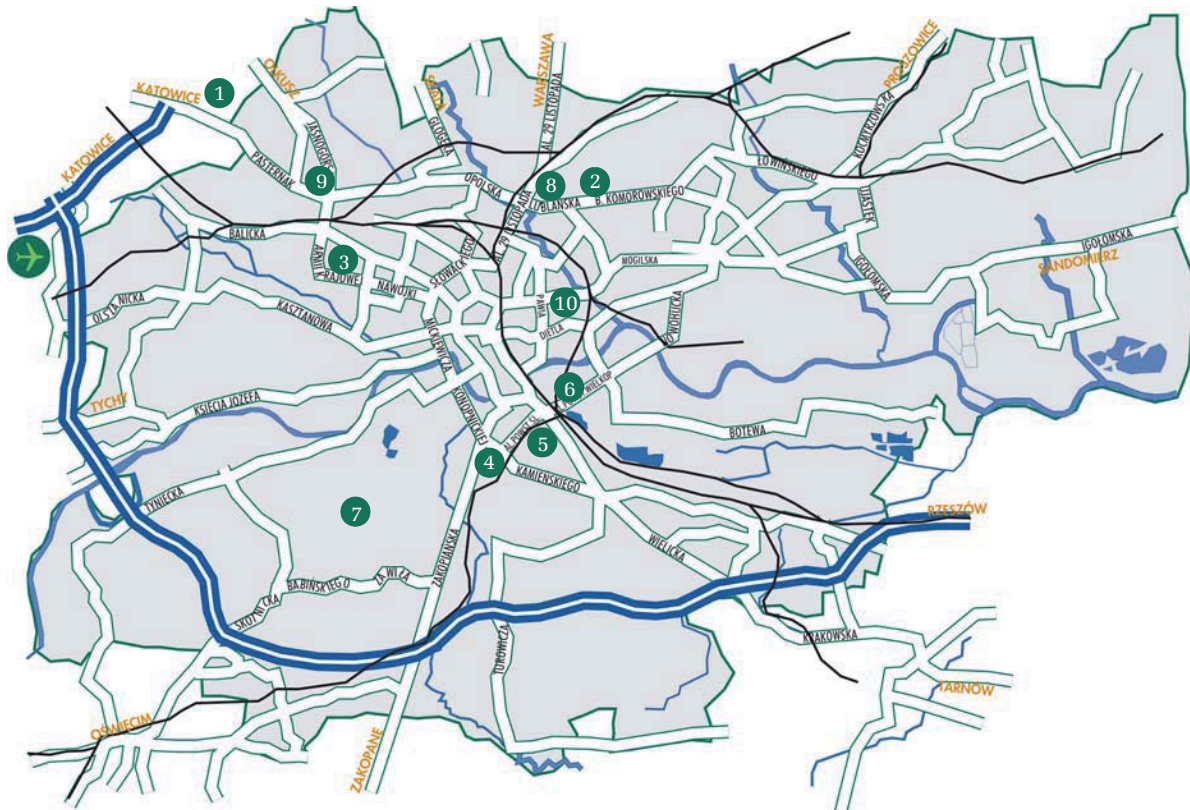
PRIME HEADLINE OFFICE RENTS (EUR/sq m/month)



SELECTED OFFICE BUILDINGS IN KRAKOW

No	Project	Location	Office Space (sq m)	Status*
1	Krakow Business Park	Zabierzow	59,000 / 36,000	Existing / PL
2	Quattro Business Park	Bora Komorowskiego	23,800 / 12,200 / 21,800	Existing / UC / PL
3	GTC Office Park	Armii Krajowej	31,000 / 5,000	Existing / UC
4	Buma Square	Wadowicka	35,000	Existing
5	Bonarka 4 Business	Kamienskigo	16,000 / 17,000	Existing / UC
6	Enterprise Park	Na Dolach	15,000 / 14,000	UC / PL
7	Green Office	Czerwone Maki	11,000 / 10,000	Existing / UC
8	Rondo Business Park	Lublanska	17,000	Existing
9	CB Euromarket	Jasnogorska	13,000	Existing
10	CB Lubicz	Lubicz	12,000	Existing

*UC - under construction, PL - planned



WROCLAW



WROCLAW



GREEN TOWERS



GENERAL OVERVIEW

With around 1.2 million residents living in its agglomeration, Wroclaw is the key business and cultural hub of the Dolnoslaskie region. Over the last decade the city has become a leader in the quality of business environment offered and thus, is a destination for many domestic and foreign investors, largely due to the proactive and open policies of the city's authorities. The diversity of the city's economy with a strong manufacturing sector as well as a high quality academic offer, create good fundamentals for Wroclaw's long term economic viability. The constant development of Wroclaw Technological Park and the EIT+ campus have allowed the creation of space where academia meets business in order to create a profitable synergy. In the last years the Wroclaw office market has boomed in terms of development and new BPO investments.

OFFICE STOCK

Total modern office stock reached over 425,000 sq m at the end of 1H 2012. The most popular business hub in Wroclaw is the centre, where over 53% of modern office space is located. Other popular office destinations include the western part of the city, along Legnicka and Strzegomska streets as well as in the southern part, particularly Powstancow Slaskich Street. The majority of projects are standalone buildings, new schemes or refurbished tenement houses in the immediate centre. For a long time only local developers (LC Corp, Archicom, Devco, FIG) were active in the market. However, the growing popularity of the city has attracted large developers such as Skanska, Ghelamco or SwedeCentre. 1H 2012 witnessed four completions so far, which increased the stock by 22,300 sq m. The most important project of 2012 so far was Green Towers I (10,800 sq m). Currently, there is around 70,000 sq m of modern office space under construction in Wroclaw due for delivery in 2012/2013. Nevertheless, a number of new schemes are planned to be started soon, either speculatively or on a pre-let basis.

OFFICE DEMAND

Wroclaw's increasing economic role as a capital of the region and the strong support for business from the local authorities guarantees a stable future growth for the service sector. In the last few years the city has been considered as the second most attractive destination after Krakow in terms of the number of BPO investments. Companies such as Siemens, Hewlett Packard, Credit Suisse, Google and IBM have already chosen Wroclaw. The majority of office schemes were pre-leased before their completion. 1H 2012 brought the total leasing activity of around 18,000 sq m. The vacancy rate at 5% is one of the lowest in the country. However, vacant space in the city is quite evenly spread among office buildings. Currently, there is no immediate option in existing office buildings for a company demanding over 4,000 sq m of modern office space.

OFFICE RENTS

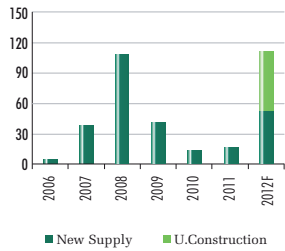
Due to the supply shortage, office rents have increased over the past couple of quarters. They are quoted at EUR 14 - 16 /sq m/month but might be soon under downward pressure as a high amount of modern office space is being currently in the pipeline.

LOCAL ESSENTIALS

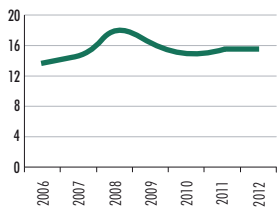
Population	633,000
Unemployment Rate	5.3%
Average Gross Salary (EUR, March 2012)	878
Modern Office Stock (in sq m)	425,000
Vacancy Rate	5%
Prime Rents (EUR/sq m/month)	14 - 16

Source: CBRE, GUS 2012

OFFICE COMPLETIONS (' 000 sq m)



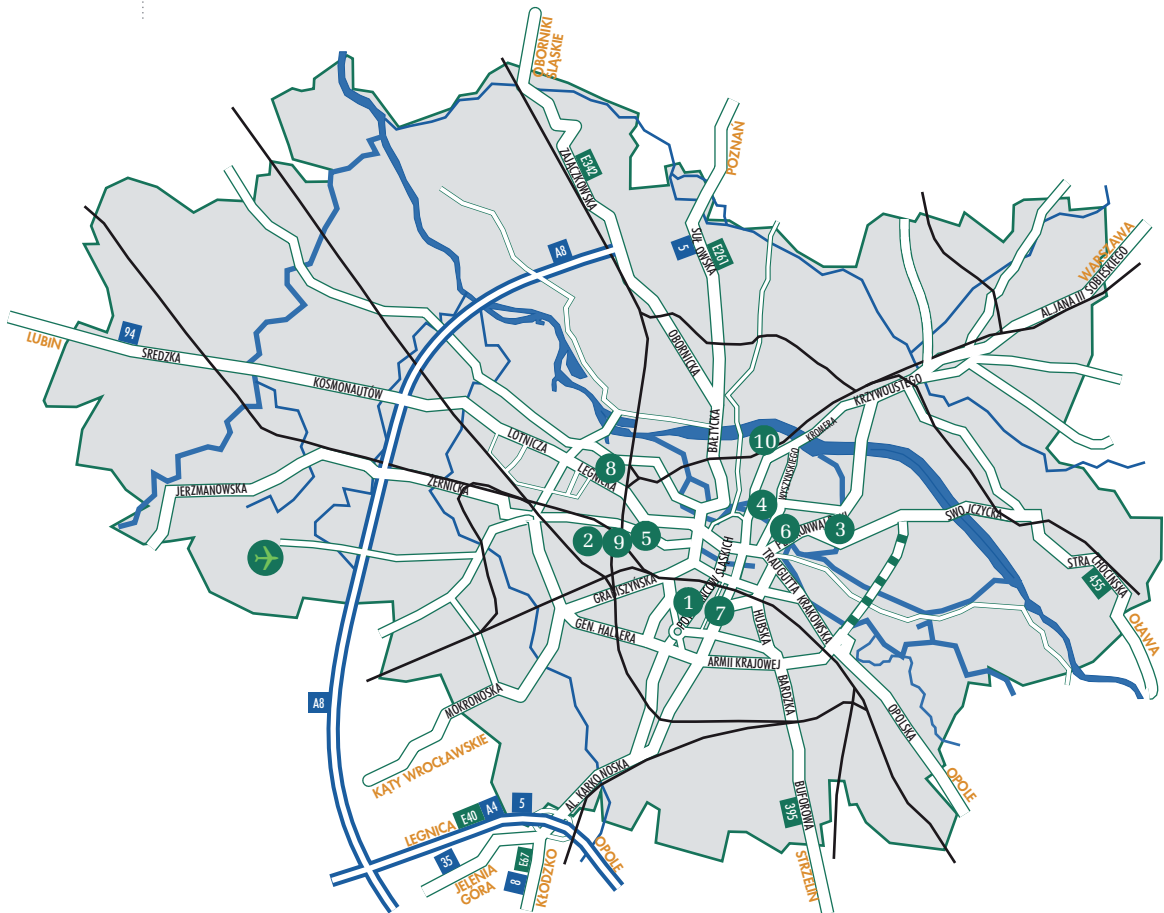
PRIME OFFICE RENTS (EUR/sq m/month)



SELECTED OFFICE BUILDINGS IN WROCLAW

No	Project	Location	Office Space (sq m)	Status*
1	Sky Tower	Powstancow Slaskich	28,500	Existing
2	Wroclaw Business Park	Strzegomska	25,900	Existing
3	Grunwaldzki Centre	Plac Grunwaldzki	23,600	Existing
4	Bema Plaza	Plac Bema	23,200	Existing
5	Green Towers	Strzegomska	10,800 / 10,300	Existing / UC
6	Green Day	Szczytnicka	16,000	UC
7	Aquarius Business House	Swobodna / Borkowska	15,300 / 9,200	UC / PL
8	Quattro Forum	Legnicka	14,300	Existing
9	Millenium Tower	Strzegomska	13,900 / 19,500	Existing / PL
10	Promenady Wroclawskie	Rychtalska	6,700 / 55,000	UC / PL

*UC - under construction, PL - planned





GDANSK



ALCHEMIA



GENERAL OVERVIEW

Tri-City is an urban area comprising Gdansk (457,000 inhabitants), Gdynia (247,000 inhabitants) and the tourist resort of Sopot (38,000 inhabitants). Tri-City is an important centre of economic, scientific and cultural life, as well as being a frequent tourist location. For centuries it has played a key role in the trade between northern and western Europe on the one hand, and central and eastern European countries on the other. It offers a well-developed business infrastructure and a highly qualified labour force. Once the major A1 South-North highway and the renovation of the railway tracks are completed, the transportation between Warsaw and Tri-City should improve significantly, triggering increased economic performance in the region.

OFFICE STOCK

Modern office supply in Tri-City is estimated at 348,000 sq m, with around 65% located in Gdansk. Office space in Gdansk focuses primarily on three locations: the vicinity of the Central Railway Station with low class, high-rise office buildings (Organika, Zieleniak), Wrzeszcz and Oliwa districts (along Grunwaldzka St.), and in the vicinity of the Rebiechowo Airport. Office buildings in Gdynia are located along the main roads leading to Gdansk – Morska, Slaska and Zwyciestwa Streets. Smaller office schemes are close to Swietojanska Street – the city's high street. Local Polish investors like Allcon Investment, Grupa Inwestycyjna Hossa, Torus and TPS dominate the office market. Currently, there is around 87,000 sq m of modern office space under construction in Tri-City. 1H 2012 has seen four completions so far which jointly added almost 20,000 sq m to the market. The most important office projects of 1H 2012 were BCB Business Park B1 and the second phase of Garnizon.biz (Omega and Gamma). Office stock in Tri-City should increase by almost 93,000 sq m by the end of 2013 with such projects as Alchemia on Grunwaldzka Street by Torus.

OFFICE DEMAND

The demand for modern space in Tri-City is currently going through an intensive recovery after the gradual slowdown registered since 2009. The number of inquiries seem to confirm that the agglomeration appears more often as a very attractive office destination, particularly for KPO investors, who seek best educated specialists and a lower rental level. With the delivery of new space, the city has captured more interest from international tenants such as Intel, First Data, Arla Foods, Compuware and Thomson Reuters. We expect the demand in the region to increase, especially in the recently completed projects. Take-up in 1H 2012 totalled 52,000 sq m and the vacancy rate amounted to over 8%, being generated mostly by vacant office space in new buildings that have not been fully leased yet.

OFFICE RENTS

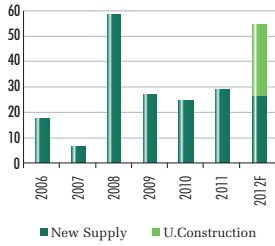
Prime headline rents for high quality office buildings in Tri-City range between EUR 12 and 13/sq m/month. Given the level of the vacancy rate and the amount of modern office space under construction, the rents should not be subject to any significant changes in the near future.

LOCAL ESSENTIALS

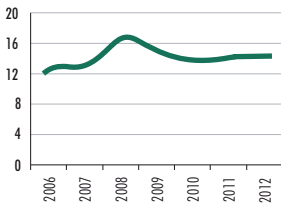
Population	742,000
Unemployment Rate	5.9%
Average Gross Salary in Gdansk (EUR, March 2012)	1,106
Modern Office Stock (in sq m)	348,000
Vacancy Rate	8%
Prime Rents (EUR/sq m/month)	12 - 13

Source: CBRE, GUS 2012

OFFICE COMPLETIONS (' 000 sq m)



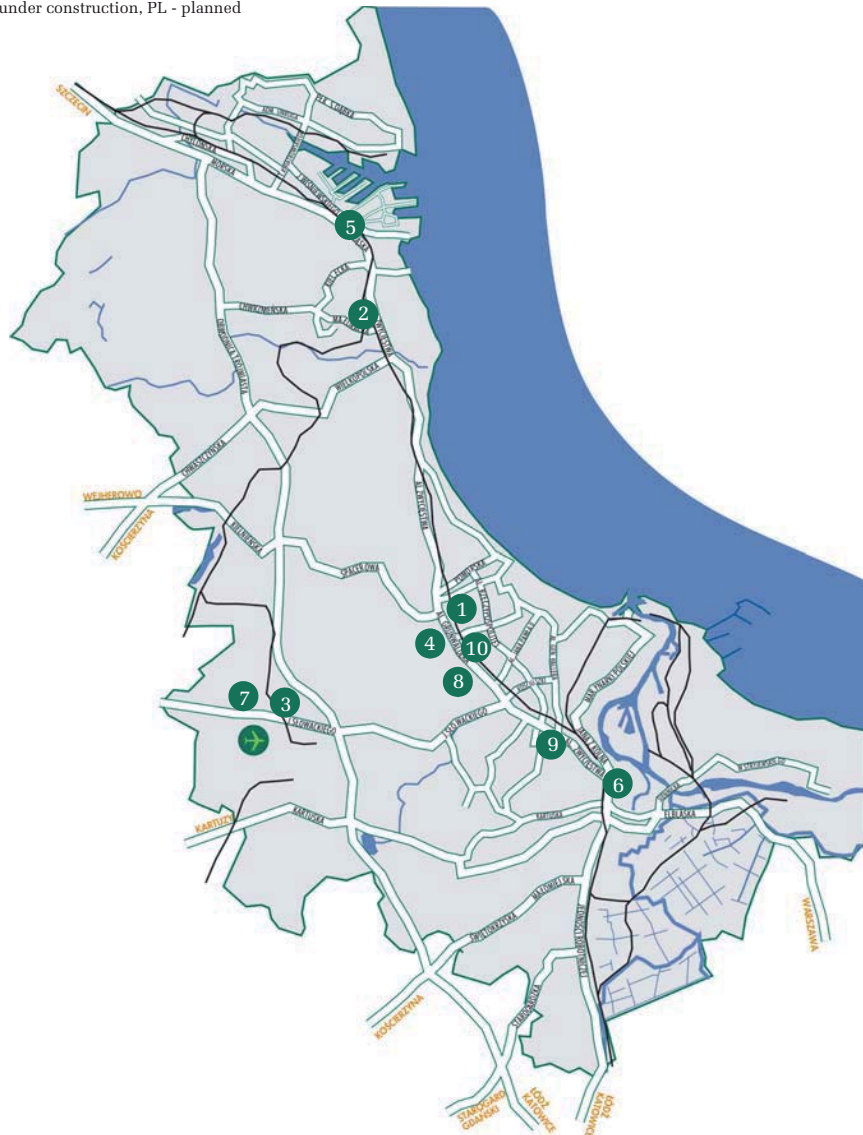
OFFICE PRIME HEADLINE RENTS (EUR/sq m/month)



SELECTED OFFICE BUILDINGS IN TRI-CITY

No Project	City	Location	Office Space (sq m)	Status*
1	Gdansk	Arkonska	27,200	Existing
2	Gdynia	Luzycka	22,200 / 6,000	Existing / PL
3	Gdansk	Slowackiego	19,800	Existing
4	Gdansk	Grunwaldzka	15,000 / 24,000	Existing / UC
5	Gdynia	Slaska	9,800	Existing
6	Gdansk	Gnilna	9,300	Existing
7	Gdansk	Grunwaldzka	9,300 / 35,900	Existing / PL
8	Gdansk	Grunwaldzka	15,600 / 60,000	Existing / PL
9	Gdansk	Towarowa	7,600	Existing
10	Gdansk	Grunwaldzka	16,500 / 80,000	UC / PL

*UC - under construction, PL - planned



POZNAN



POZNAN



PIXEL



LOCAL ESSENTIALS

Population	556,000
Unemployment Rate	3.9%
Average Gross Salary (EUR, March 2012)	983
Modern Office Stock (in sq m)	250,000
Vacancy Rate	11%
Prime Rents (EUR/sq m/month)	13 - 14

Source: CBRE, GUS 2012

GENERAL OVERVIEW

Poznan has always been perceived as the city of business and trade, mainly thanks to the International Fairs and a number of national retailers having their origins in the city. It is situated on a very important transit route in the western part of Poland. The transportation infrastructure surrounding Poznan have significantly improved with the opening of the Nowy Tomysl – Swiecko A2 highway, which connects the city with the western border. Thanks to its location and the favourable business environment, Poznan is perceived as a very attractive office destination, especially for BPO operators. The city offers a well educated labour force with 133,000 students at 26 universities. On top of that, a large number of manufacturers, like Volkswagen, Unilever and GSK, have decided to locate their premises in the city.

OFFICE STOCK

The majority of modern office buildings are located on the fringe of the historic city centre, concentrated mainly along Glogowska and Roosevelta Streets and in close proximity to the old town market. Many modern office schemes can also be found in Grunwald and Winogrady, non-central districts. Modern office stock in Poznan, including newly built and fully refurbished schemes of A and B class, amounts to almost 250,000 sq m. Approximately 44% of this figure is located in the city centre.

In 1H 2012, modern stock increased by only 8,000 sq m in three office schemes. Currently, there is nearly 60,000 sq m of modern office space under construction in Poznan with Pixel (14,600 sq m) and Malta House (15,700 sq m) being the largest projects. There are also new developments such as Business Garden planned by SwedeCentre.

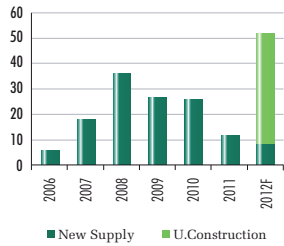
OFFICE DEMAND

Poznan is comparable to Krakow, Wroclaw and Tri-City in terms of office demand, although Polish occupiers tend to be more active here. Approximately 14,000 sq m of office space was taken-up in 1H 2012. Important tenants in the city include Allegro, Franklin Templeton, Carlsberg and Man Star Truck. The total vacancy rate for Poznan remains at a moderate level of 11%.

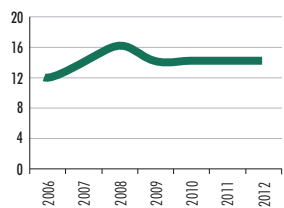
OFFICE RENTS

Prime headline rents have slightly decreased recently, reaching EUR 13-14 /sq m/month. Although the leasing activity in the office market in Poland clearly improves, particularly among BPO tenants, prime rents in Poznan might indicate a downward trend in the near future due to relatively high level of vacancy. Considerable pipeline stock levels can also contribute to a further rental compression.

OFFICE COMPLETIONS (' 000 sq m)



OFFICE PRIME HEADLINE RENTS (EUR/sq m/month)



SELECTED OFFICE BUILDINGS IN POZNAN

No	Project	Location	Office Space (sq m)	Status*
1	Andersia Complex	Krolowej Jadwigi	25,000 / 35,000	UC / Planned
2	Malta Office Park	Arcybiskupa Baraniaka	22,900 / 7,400	Existing / UC
3	PGK Centrum	Marcelinska	18,500	Existing
4	Poznan Financial Centre	Plac Andersa	16,600	Existing
5	Szyperska Office Centre	Szyperska	15,900	Existing
6	Klaster Grunwaldzka	Grunwaldzka	14,600 / 35,400	UC / Planned
7	Skalar Office Centre	Gorecka	14,200	Existing
8	Globis Office Centre	Roosevelta	13,300	Existing
9	Malta House	Arcybiskupa Baraniaka	12,800	UC
10	Business Garden	Bulgarska/Marcelinska	80,000	Planned

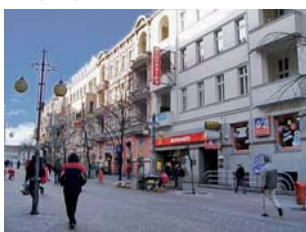
*UC - under construction



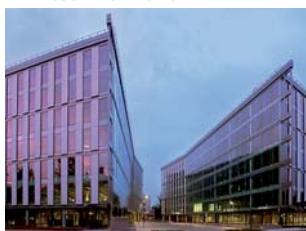
KATOWICE



KATOWICE



FRANCUSKA OFFICE CENTRE



GENERAL OVERVIEW

Katowice is the scientific, educational, administrative and financial centre of the Upper Silesia region. The city is a part of the Silesia Conglomeration consisting of 19 other cities inhabited by over 2 million people in total. It has significant potential in attracting new investments thanks to a high population density, a well educated workforce, the presence of the Katowicka SEZ and a good transportation system with access to the international airport. Despite opportunities to compete with Krakow and Wroclaw the city has been attracting mostly domestic companies so far. The city authorities have announced a consistent development strategy and are in a good position to start a number of public investments to change the image of the city as the heavy industry and mining centre of Poland.

OFFICE STOCK

The total modern office stock in Katowice currently stands at the level of around 270,000 sq m. Apart from that, much of the available supply is located in buildings constructed before 1990 and in tenement houses offering lower quality space. The most convenient locations for office occupiers are located between DTS (National Road 79) and the A4 Motorway, in Chorzowska, Gornoslaska and Francuska streets. Both international developers like GTC (Francuska Office Centre), Ghelamco (Katowice Business Point) and Reinhold (Reinhold Center), as well as local ones, like Holdimex and Opal compete for tenants in the city. Currently, there are six projects under construction in Katowice with a total space of 38,800 sq m, including Galeria Katowice Office Building (13,000 sq m) by Neinver and Katowickie Centrum Biznesu (11,000 sq m) by Rotaria. Most of the developed office space (66%) is due for delivery by the end of 2012.

OFFICE DEMAND

In terms of the office demand, Katowice has always competed with Krakow. After a period of harmonic growth in 2004-2008, where much of the existing modern office stock was absorbed, demand collapsed in 2009. The recovery in 2010 was also brought into 2011, when over 36,000 sq m was leased, exceeding the level of take-up registered through the whole of 2010. In 1H 2012 the leasing activity in Katowice amounted to 18,800 sq m. The largest corporations present in the city include ING, UPC, KPB Bank, Capgemini, Deloitte, Mittal Steel Poland, Allianz and PwC. The city is being mentioned as a new BPO destination for companies planning to settle in Poland, thanks to the stable economic background and a large number of well-educated inhabitants living in the conglomeration. Currently, the vacancy rate for office buildings in Katowice stands at around 10% and is generated mostly by recently completed schemes. Due to the very limited amount of modern office space set for delivery in 2012, the vacancy rate is expected to remain stable in the forthcoming quarters.

OFFICE RENTS

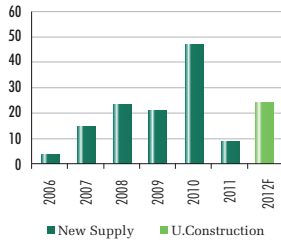
Falling demand as well as the increasing availability of office space has frustrated rental levels. Currently, headline rents for top buildings are at the level of EUR 11 to 13 /sq m/month. The lower rental level and a relatively high availability of modern office space should be important factors taken into account, both by new tenants and developers.

LOCAL ESSENTIALS

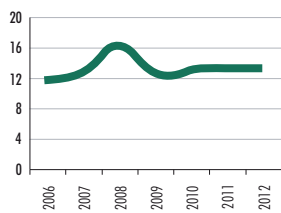
Population	307,000
Unemployment Rate	4.8%
Average Gross Salary (EUR, March 2012)	1,221
Modern Office Stock (in sq m)	270,000
Vacancy Rate	10.0%
Prime Rents (EUR/sq m/month)	11 - 13

Source: CBRE, GUS 2012

OFFICE COMPLETIONS (`000 sq m)



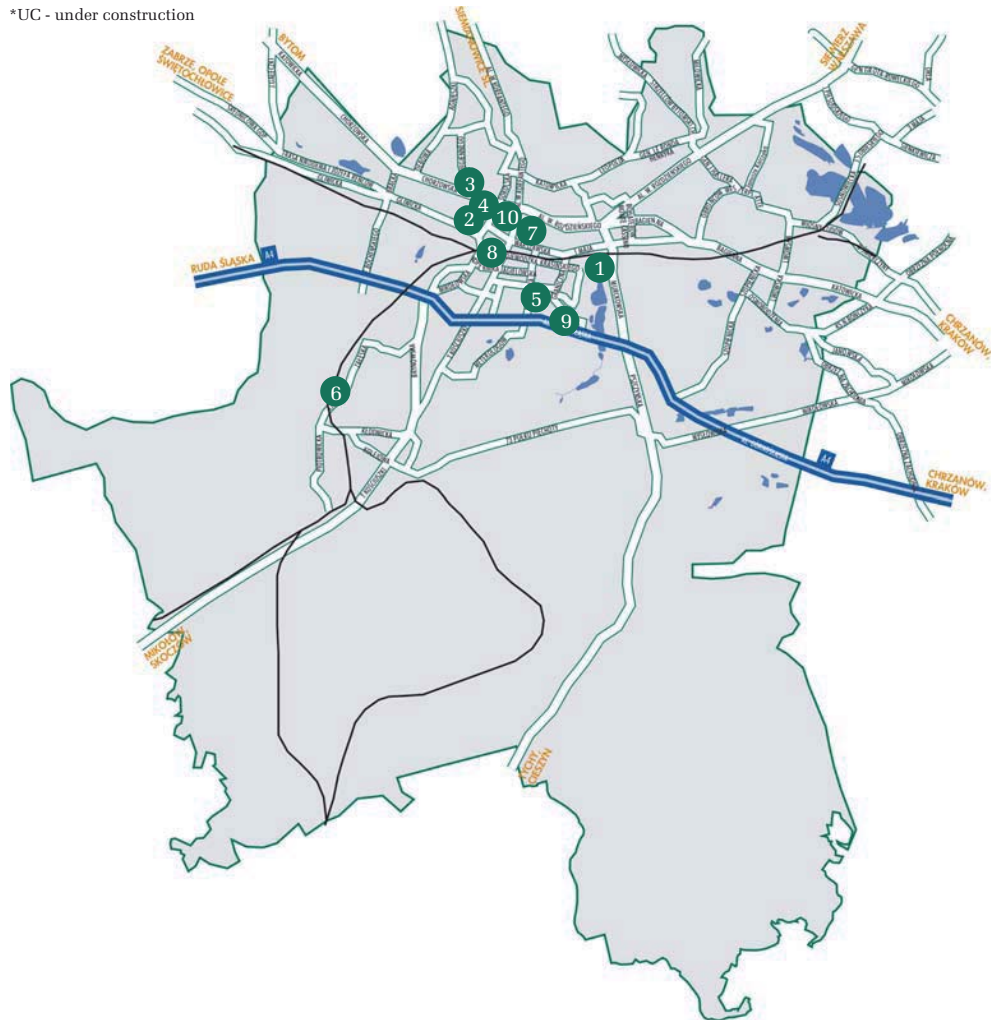
OFFICE PRIME HEADLINE RENTS (EUR/sq m/month)



SELECTED OFFICE BUILDINGS IN KATOWICE

No	Project	Location	Office Space (sq m)	Status*
1	Green Park	Murckowska	25,500	Existing
2	Opolska 22	Opolska	19,500	Existing
3	Katowice Business Point	Sciegiennego	17,500	Existing
4	Centrum Chorzowska	Chorzowska	15,600	Existing
5	Francuska Office Centre	Francuska	15,000	Existing
6	Eurocentrum	Ligocka	15,000	Existing
7	Altus	Uniwersytecka	13,600	Existing
8	Galeria Katowice Office	Dworcowa	13,000	UC
9	Atrium	Graniczna	11,500	Existing
10	Katowickie Centrum Biznesu	Chorzowska	11,000	UC

*UC - under construction





LODZ



UNIVERSITY BUSINESS PARK



GENERAL OVERVIEW

Lodz's strengths include an excellent central location in Poland as well as a large population with a well-developed network of education centres. Currently, the network of roads and rail connections is insufficient, however it is being actively improved. The renovation of railway tracks, which is due for completion in 2014 as well as the A2 highway, should significantly improve the transportation to Warsaw. The Lodzka Special Economic Zone and a consistent development strategy have already resulted in a number of new BPO investors in the region such as: Dell, Gillette, Indesit, Flextronix, Procter&Gamble and Infosys.

OFFICE STOCK

Modern office stock has usually been developed in the city centre area. The most attractive locations are Pilsudskiego, Piotrkowska, Dowborczykow and Sienkiewicza Streets. Around 70% of modern office space in Lodz is located here, including Orion and Lodzkie Centrum Biznesu. Modern office stock in Lodz is estimated at around 261,000 sq m. Lodz is currently one of the most actively developing cities in Poland with over 71,500 sq m of modern office space under construction, out of which 85% is constructed on a speculative basis. Most of the schemes are scheduled for delivery in 2013. The biggest office projects that are currently being developed are Aurus (20,000 sq m) by Echo Investment, Green Horizon I (18,000 sq m) by Skanska and University Business Park II (18,800 sq m) by GTC. Due to the relatively high vacancy ratio and the large amount of modern office space being constructed, no new developments should be started in the immediate future.

OFFICE DEMAND

Lodz as a developing office market has witnessed a significant level of interest, predominantly from BPO investors as well as from local companies. Tenants have been attracted by the local authority's policy of a number of grants and public help. Although 2010 brought a significant improvement in terms of demand, Lodz is still considered as recovering from the global financial breakdown with the vacancy rate at the level of 19%. However, take-up in Lodz amounted to healthy 44,000 sq m in 2011, exceeding the level achieved in 2010. In 1H 2012 the leasing activity in Lodz totalled 13,000 sq m. The largest leases were signed last year by Infosys in Green Horizon, Tate&Lyle in Sterlinga Business Centre and Citibank in University Business Centre. The wide choice of the office space with a decent rental level should soon attract new tenants to the city.

OFFICE RENTS

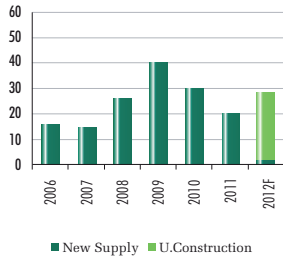
Prime headline rents stand at EUR 11 - 12 /sq m/month for existing and currently constructed office buildings and are not expected to increase in the immediate future. The tenants' market will result in a strong incentive policy.

LOCAL ESSENTIALS

Population	737,000
Unemployment Rate	11.4%
Average Gross Salary (EUR, March 2012)	780
Modern Office Stock (in sq m)	261,000
Vacancy Rate	14%
Prime Rents (EUR/sq m/month)	11 - 12

Source: CBRE, GUS 2012

OFFICE COMPLETIONS (`000 sq m)



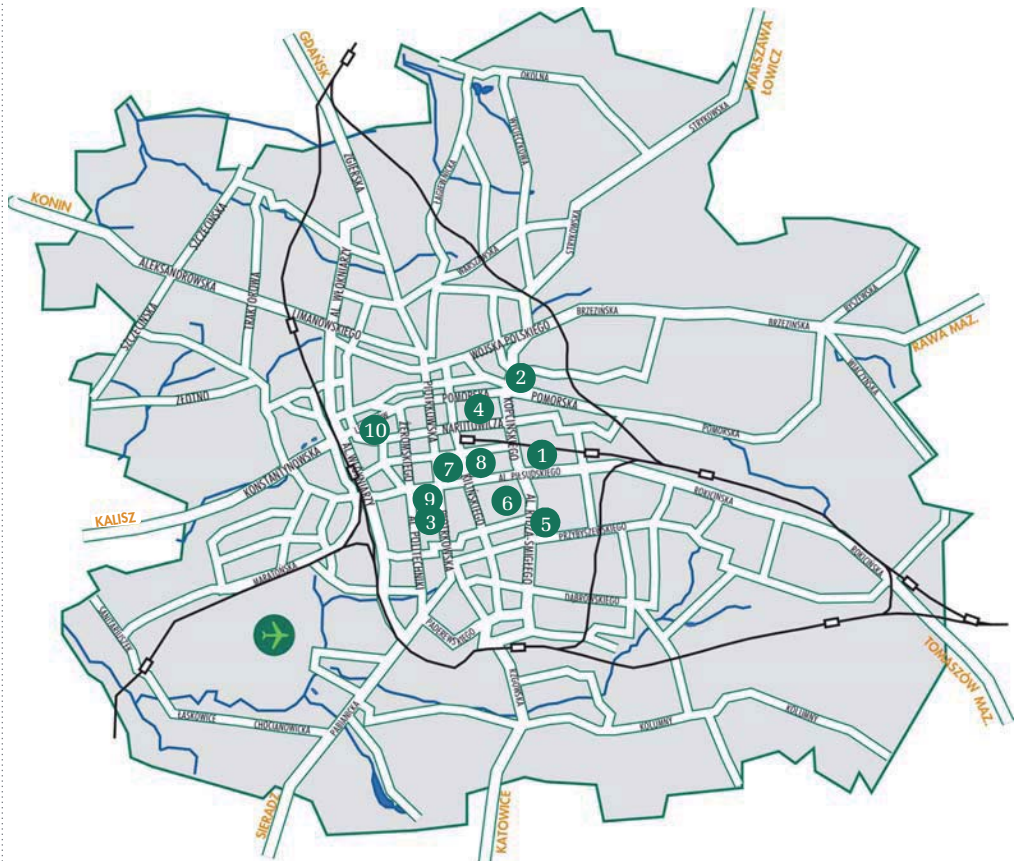
OFFICE PRIME HEADLINE RENTS (EUR/sq m/month)



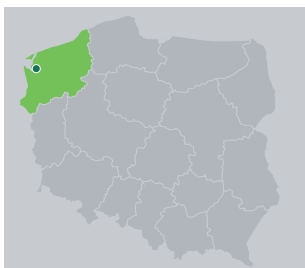
SELECTED OFFICE BUILDINGS IN LODZ

No	Project	Location	Office Space (sq m)	Status*
1	Aurus	Pilsudskiego	20,000	UC
2	Green Horizon	Pomorska	19,000 / 14,000	UC / Planned
3	University Business Park	Wolczynska	18,500 / 18,900	Existing / UC
4	Sterlinga Business Centre	Sterlinga	12,700	Existing
5	Cross Point	Rydz-Smiglego	12,500 / 17,100	Existing / Planned
6	Textorial Park	Fabryczna	11,300	Existing
7	RED Tower	Piotrkowska	10,500	Existing
8	Centrum Targowa 35	Targowa	8,500 / 8,000	Existing / UC
9	Synergia	Kosciuszki	6,900 / 12,000	Existing / Planned
10	Przedzalnia Braci Muehle	Zeligowskiego	3,900 / 5,000	Existing / Planned

*UC - under construction



SZCZECIN



SZCZECIN



BRAMA PORTOWA



GENERAL OVERVIEW

Szczecin is located in the north-west corner of Poland, approximately 55 km from the Baltic coast. It is the capital of the Western Pomerania region with a population of over 745,000 inhabitants living in its agglomeration. Due to its location, the city has great potential for economic development, although not exploited to the same extent as other regional cities. The availability of post-industrial development sites and a Special Economic Zone offers a great advantage for potential investors. The city's strategic location next to the German border and close to the sea-side, creates a powerful competitive edge. Szczecin has a great chance to attract many international investors and compete with other office markets in Poland.

OFFICE STOCK

The office supply in Szczecin comprises mostly of B and C class buildings, largely in refurbished tenement houses previously owned by state-owned companies, many of which are owner occupied. The majority of office buildings in Szczecin, offering a higher standard of accommodation, are concentrated in central locations along major communication routes, including such streets as Wojska Polskiego, Pilsudskiego and Matejki. The total modern office stock in Szczecin now stands at approximately 109,000 sq m. At the moment only two existing buildings can be classified as A class office accommodation.

For a long time Szczecin was lagging behind other regional cities in Poland in terms of development activity. That should soon change with a number of new office projects that have been launched, with over 80,000 sq m of modern office space currently being developed in the city. The most important schemes include Piastow Office Center (22,000 sq m) by RealKapital, Hanza Tower (21,000 sq m) by JW Construction, the first phase of Baltic Business Park (16,200 sq m) by Koncepta, LaStadia (11,500 sq m) by SGI Baltis and Brama Portowa (10,700 sq m) by SwedeCenter.

OFFICE DEMAND

Szczecin's potential has been discovered by international companies only quite recently. BPO companies that are already present in the city include Arvato, Bartelsmann, Stream, TietoEnator and Unicredit. Most of the office space in the city is occupied by smaller tenants, both local and international. However, due to a significant amount of modern office space in the pipeline and a competitive rental level, Szczecin has a great opportunity to compete with other regional cities in order to attract international companies. The vacancy rate at the end of the 2Q 2012 amounted to only 6%, which is quite typical for developing, regional office markets. Take-up of modern office space is expected to grow in upcoming years, along with the completion of large office schemes.

OFFICE RENTS

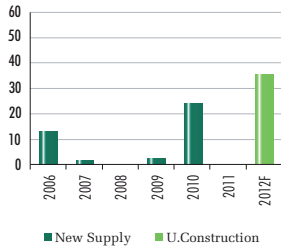
Prime office headline rents in Szczecin vary from EUR 11 to 14 /sq m/month and have been quite stable for a number of years. The rent for office space, especially in the older, B class office buildings, is frequently quoted in PLN.

LOCAL ESSENTIALS

Population	406,000
Unemployment Rate	10.4%
Average Gross Salary (EUR, March 2012)	885
Modern Office Stock (in sq m)	109,000
Vacancy Rate	6%
Prime Rents (EUR/sq m/month)	11 – 14

Source: CBRE, GUS 2012

OFFICE COMPLETIONS (' 000 sq m)



QUICK STATS SZCZECIN PROGNOSIS FOR 2012

SUPPLY	↑
DEMAND	↑
VACANCY	↑
RENTS	→

SELECTED OFFICE SCHEMES IN SZCZECIN

No	Project	Location	Office Space (sq m)	Status*
1	Piastow Office Centre	Bohaterow Warszawy	22,000	UC
2	Hanza Tower	Wyzwolenia	21,000	UC
3	Baltic Business Park	1 Maja	16,200 / 20,100	UC / Planned
4	PAZiM	Plac Rodla	14,700	Existing
5	LaStadia	Zbozowa	13,600	UC
6	Oxygen	Malczewskiego	13,100	Existing
7	Pomeranus	Matejki	12,000	Existing
8	Brama Portowa	Wyszynskiego	10,700	UC

*UC - under construction



LUBLIN



LUBLIN



GREY OFFICE PARK



LOCAL ESSENTIALS

Population	348,500
Unemployment Rate	9.4%
Average Gross Salary (EUR, March 2012)	855
Vacancy Rate	4%
Prime Rents (EUR/sq m/month)	10–12

Source: CBRE, GUS 2012

GENERAL OVERVIEW

Lublin is located around 150 km to the south-east of Warsaw. It is the capital city of the Lubelskie Voivodship and a major academic, cultural and business hub in the eastern part of Poland. With an agglomeration of almost 700,000 inhabitants and a relatively low average salary, the city has a good potential to develop its strategic position. The city is the most developed office hub located east from Warsaw and, thanks to its strategic location as well as the new international airport to be soon open in Swidnik, has favourable conditions to be the most important economic, trade and service centre in eastern Poland. As the unemployment rate is high, the city should be on the radar of companies looking for governmental grants.

OFFICE STOCK

Office stock in Lublin is concentrated in renovated tenement houses located in the city centre, in the vicinity of Zana and Wallenroda Streets and along the Witosza Street, in the area of the Special Economic Zone. Currently, the modern office supply in the city is estimated at circa 111,000 sq m and comprises mostly of B-class office schemes developed largely in Zana Street by the Zana Group. The city has quite recently started to develop its office stock. 2012 has seen no completions so far, however, by the end of the year, the office stock in Lublin should increase by 17,000 sq m located in four office schemes. Most of the currently constructed office space in Lublin is located in the City Centre and in the area of Special Economic Zone. These are commercial developments such as Rupes, Nord Office Park or Wikana Business Park, as well as the Lublin Technological Park offered by the city.

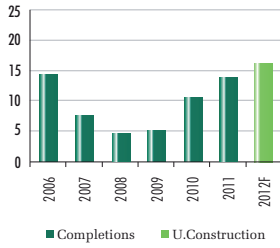
OFFICE DEMAND

Thanks to a large percentage of students and a well-qualified labour force that has not yet been monopolised by major international companies, the city has a chance to become an attractive destination for new investors. Currently, there are only two major BPO tenants in the city – Genpact and Orange. With the opening of the airport and saturation of other regional markets, we expect a growing number of new inquiries coming to Lublin. The vacancy rate in the city amounts to 4%. Currently, a BPO tenant looking for 1,000 sq m of office space in Lublin has only one immediate option. However, that should improve once the currently developed and planned schemes are completed, creating space for a bigger number of international tenants.

OFFICE RENTS

Prime office headline rents in Lublin are currently at the level of EUR 10 - 12 /sq m/month and are usually quoted in PLN. They are predicted to remain stable in the near future.

OFFICE COMPLETIONS (' 000 sq m)



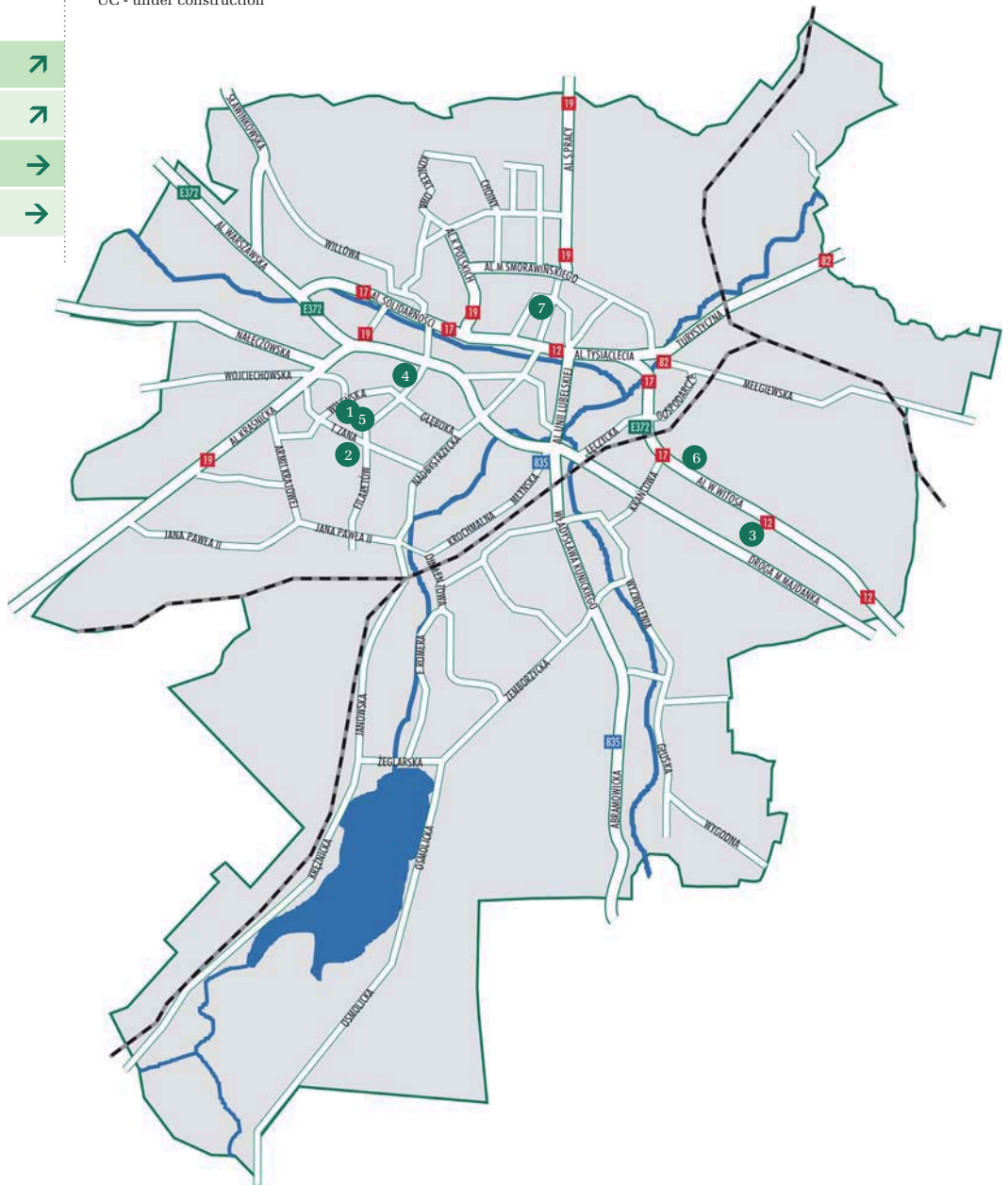
QUICK STATS LUBLIN PROGNOSIS FOR 2012

SUPPLY	↗
DEMAND	↗
VACANCY	→
RENTS	→

SELECTED OFFICE BUILDINGS IN LUBLIN

No	Project	Location	Office Space (sq m)	Status*
1	Grey Office Park	Zana	34,200	Existing
2	Centrum Zana	Zana	15,600	Existing
3	Lubelski PNT	Felin	12,000	UC
4	Rupes	Zwirki i Wigury	10,300	UC
5	Zana Office	Wallenroda	6,800	Existing
6	Witosa Office Centre	Witosa	6,300	Existing
7	Dalimex	Obywatelska	2,700 / 3,600	Existing / UC

*UC - under construction



MARKET PRACTICE

OCCUPANCY COSTS

RENT

Rent is usually quoted net in EUR. Since Poland's EU Accession, rents are occasionally quoted in US dollars (USD) or Swiss francs (CHF). Since January 2009, parties have the option to pay in any currency, as agreed.

Rent Payable: Rent is payable in advance monthly or very rarely, quarterly. VAT of 23% is payable on rents and sales in transactions between companies.

Free Rent: Rent-free periods range from 3–9 months, depending on lease length, on the landlord's contribution to fit-out and on other capital costs.

Rent Escalation: Rents are subject to annual indexation to Euro-Zone or PL CPI.

The landlord pays for structural repairs, repairs to common parts, building insurance, local taxes and sewerage charges.

SERVICE CHARGES

Service charges include water, electricity, security, heating, air-conditioning, cleaning of common areas and all other maintenance and operational costs of the building and common areas. Service charges also include property taxes, building insurance and building security. The tenant pays the landlord service charges, usually in PLN; sometimes in EUR, plus 23% VAT.

Typical service charges in a class A building in Warsaw are between EUR 4.50–6.00/sq m/mth and EUR 3.00–4.00/sq m/mth in other cities.

TAXES

Property taxes are paid by the property owner.

UTILITIES

The tenant pays for electricity consumption separately from service charges, based on meters. The tenant usually arranges with and pays telecommunications suppliers directly. A water fee is usually included in the service charge.

FIT-OUT

The landlord gives the tenant a budget for fit-out and finishes the space up to the amount of the budget. The tenant covers any expenses above the budget figure. Standard fit-out costs prime buildings in major cities normally range from EUR 180–250/sq m, including construction, furniture, wiring, design fees, etc.

RESTORATION

The landlord usually accepts the premises with normal wear and tear and without restoration. Tenants usually have no reinstatement obligations related to the premises. The landlord usually accepts the normal wear and tear of the leased area.

SECURITY DEPOSIT AND GUARANTEES

Three to six months' rental deposit or a bank guarantee for six months' rent is typical.



The market has matured and become much less volatile. Headline rents have stabilized in many locations. The incentives however, remain one of the most important competing tools for developers.

- Lukasz Kaledkiewicz

Head of Agency, Landlord Representation
CBRE



CAR PARKING

The tenant pays extra for parking. The fee for a parking space can be EUR 50–200 per month. Parking spaces are allocated according to a parking ratio, usually: one space per 90–100 sq m in the Central Business District; one space per 70 sq m in the City Centre, and one space per 25–30 sq m (with one per 50 sq m acceptable depending on local public transportation) in non-central areas.

LEASE DURATION

Term - A lease agreement can have a fixed or indefinite term. The most common type of lease agreement for domestic and international tenants is a standard fixed-term one. In new office buildings it usually ranges from 3–7 years. The maximum office lease length for companies under Polish law is 30 years. Leases entered into for an indefinite period of time may be terminated by either party upon an agreed termination notice, or, in the absence of the respective contractual provision, upon statutory notice (usually three months).

Lease signed for the indefinite term may either be terminated in accordance with the conditions stated in the lease or, in case there are no such conditions, with 3 months notice (for leases where rent is paid by monthly installments). The termination is effective at the end of calendar month.

Renewal - fixed term leases may incorporate an automatic renewal clause that requires 6–12 months' notice for termination or an usual renewal option dependent on the intention of the parties.

Termination - Options to terminate are more common in fixed-term leases over 10 years, although shorter leases sometimes include a break option, which allows the tenant to end the lease with a cancellation penalty.

TRANSACTION COSTS

Agency Fees

- New Lease: between 12–16% of annual rent paid by landlord or tenant
- Renewal: 8.33%–15% paid by tenant
- Sublease: 8.33% paid by tenant or subtenant

Other Transaction Costs

- Legal Fee: The landlord's lawyers usually prepare the lease agreement. Each party pays its own lawyers.
- Notary fees: Optional cost, applies to acquisition of property
- Registration Duty: Optional cost, applies to acquisition of property

OTHER LEASE PROVISION

Standard Lease Contract - Standard leases are triple net agreements (operational costs, insurance and taxes paid by a tenant).

Right to Sublet - Subleasing is subject to the landlord's written consent and sometimes restricted.

Option to Expand - Negotiable.

Late Delivery by Landlord - If a landlord delivers the premises late, a tenant pays no rent for the duration of delay, and can terminate the agreement if agreed in the contract.

Holdover by Tenant

The tenant pays a penalty, negotiated and stipulated in the contract, typically 100–200% of rent for every day of delay.

Signage and Naming of Building

Signage costs depend on the landlord's policy, and can be free of charge.

BUILDING STANDARDS

SUMMARY

CBRE and Rolfe Judd Architecture have written Modern Office Standards to establish a benchmark standard for office space in the fast developing Polish office market. Below there is only an extract from the guide. The full text can be found on www.mosp.pl.

LOCATION CRITERIA

Location is considered to be perhaps the most important element in determining office buildings' Class Status. Only primary locations within the central business districts (CBD) or a significant business park can really be considered as Class A locations. This part of the classification system is therefore the primary designation in our classification guide.

Class A location – Primary locations within the central business districts (CBD) and major or prestigious business park locations with excellent transport connections and a good variety of local amenities.

Class B location – Secondary locations on the periphery of CBDs or on industrial or office estates located outside the CBD. These are good office locations with good transport connections and services.

Class C location – Any other location not defined as class A or B.

QUALITY CRITERIA

Class A – office building should meet all at least 17 out of 20 standard specifications (12 obligatory (OB) + 5 additional (AD)).

Class B+ – office building should meet 15 out of 20 standard specifications (12 obligatory + 3 additional).

Class B – office building should meet 13 out of 20 standard specifications (12 obligatory + 1 additional).

Class C – building meets 12 and fewer out of 20 standard requirements (Any points).

1. Landmark Status (AD) A landmark building recognised in a local context by brand name and/or visibility;
2. Internal Layout and Grids (AD) A highly flexible internal design, flexible layout grid and efficient plan with a good net to gross ratio;
3. Lobby/Reception (OB) Well designed lobby/reception with 24 hour concierge, appropriately sized and designed for the building size and use;
4. Common Parts Provision (OB) Cores are to be well planned and appropriately sized to service the building occupants;
5. Car Park and Servicing (OB) Good accessibility and car park provision for tenants and visitors, good access for deliveries and building management services are essential for modern office buildings;
6. Lift Service (OB) Minimum lift service with a maximum waiting time of 30 seconds;
7. Ceilings and Lighting (OB) Provision of a modern ceiling with efficient lighting to meet minimum standards;
8. Small Power (OB) Good small power provision meeting minimum requirements;
9. BMS Systems (OB) A modern BMS system to control access and security, fire, life safety and other building services;
10. Cabling (OB) Provision of space for cabling and IT infrastructure;
11. Tenants' Plant Space Provision (AD) Capability to accommodate tenants additional services such as IT rooms, satellite dishes, UPS, etc. within the building;
12. Power Supplies (OB) Provision of multiple power sources to ensure a constant power supply in the event of a local power grid failure;
13. Floors (AD) Provision of a raised floor with a minimum clear service zone of 90mm;
14. Structure (OB) Minimum structural loading floor capacities for each office floor level with an area allocated for high loading levels on each floor;
15. Amenities (AD) Good local provision of amenities either on site or close by;
16. Daylighting (AD) Good levels of natural daylighting, minimum 70% of net lettable area within 6m of an external window, minimum floor to ceiling height of 2.7m;
17. Heating, Cooling & Ventilation (OB) Provision of a modern system of heating, cooling, ventilation and humidity control to achieve good quality of internal climate;
18. Noise (OB) A quiet office environment to meet minimum standards;
19. Environmental Standards (AD) To achieve one of: LEED Gold Standard BREEAM Standard Very Good Carbon Reduction;
20. Very Good Carbon Reduction (AD) - achieve a minimum of 10% carbon reduction when measured against current Polish Building Standards.

METHODOLOGY & DEFINITIONS

METHODOLOGY DEFINITIONS

Prime Rent – represents the top open-market tier of rent that could be expected for a unit of standard size (commensurate with demand in each location), of the highest quality and specification and in the best location in a market at the survey date. The Prime Rent should reflect the level at which relevant transactions are being completed in the market at the time, but need not be exactly identical to any of them, particularly if deal flow is very limited or made up of unusual one-off deals. If there are no relevant transactions during the survey period, the quoted figure will be more hypothetical, based on an expert opinion of market conditions.

Take-up / Total Leasing Activity (TLA) – represents the total floor space, including renewals, known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers during the survey period. Net take-up excludes renewals.

Vacancy Rate – represents the percentage ratio of total vacant space to stock.

Total Stock – represents the total completed space (occupied and vacant) in the private and public sector at the survey date. Includes owner occupied space.

Prime Yield – represents the yield that an investor would receive when acquiring a grade/class A building in a prime location (for offices in the CBD, for example), which is fully let at current market value rents. Prime Yield should reflect the level at which relevant transactions are being completed in the market at the time but need not be exactly identical to any of them, particularly if deal flow is very limited or made up of unusual one-off deals. If there are no relevant transactions during the survey period a hypothetical yield should be quoted, and is not a calculation based on particular transactions, but it is an expert opinion formed in the light of market conditions, but the same criteria on building location and specification still apply.

Business Process Outsourcing (BPO) – a specialized organization that provides specific business functions (or processes), usually non-production ones to third parties.

Shared Service Centre (SSC) – a separated part of an enterprise that provides a service to an organization or group where that service had previously been found in more than one part of the organization or group. The funding and resourcing of the service is shared and the providing department effectively becomes an internal service provider.

Knowledge Process Outsourcing (KPO) – a form of outsourcing, in which knowledge-related and information-related work is carried out by workers in a different company or by a subsidiary of the same organization, which may be in the same country or in an offshore location to save cost. This typically involves high-value work carried out by highly skilled staff.

Information Technology Outsourcing (ITO) – an organization that provides outsourcing of computer or Internet related work, such as programming, to other companies.

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