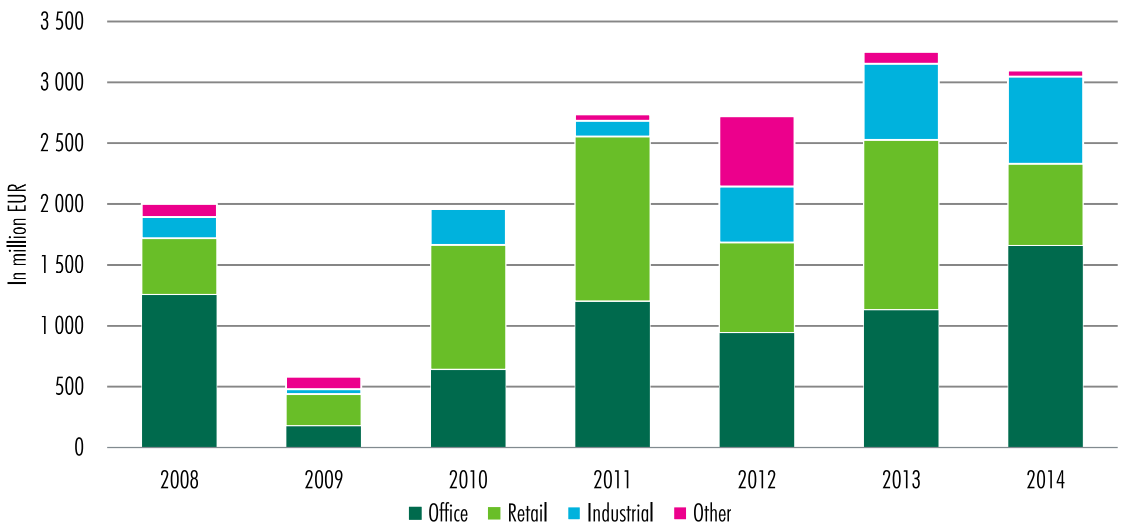
Poland Investment, 2014

Increasing investors' interest in Poland allows to observe a continuous upward trend in investment market

Investment volume	Prime yield office	Prime yield industrial	Prime yield retail
EUR 3.1 billion	6.00%	7.00%	5.90%

*Arrows indicate change from previous year.

Figure 1: Property turnover divided by segments, 2014



Source: CBRE Research, Q4 2014.

HOT TOPICS

- Total investment volume in Poland reached over EUR 3.1 billion in 2014.
- Warsaw was the most active location in Poland with a 48% market share in comparison to the whole country.
- Market was driven by office sector which is accounted for 54% of total investment volume in 2014.
- Industrial sector shows substantial increases in total volume of transactions by 13% Y-o-Y in 2014.

OUTLOOK

- Prime office buildings in Warsaw are still one of the most attractive assets for investors.
- Extensive development of office schemes in Warsaw leads to higher vacancy and creates downward pressure on rents in older buildings.
- Retail assets continue to be interesting for investors, with a particular focus on small and medium-sized regional schemes.
- Ongoing yields remain stable mainly for prime assets.

GENERAL OVERVIEW

Since 2010 the investment market in Poland has witnessed a substantial growth. Currently, Poland is one of the most active and attractive markets in the CEE region.

The total investment volume in Poland in the commercial property sector reached over EUR 3.1 billion in 2014. Although the volume is slightly lower than last year, it still allows to observe an upward trend.

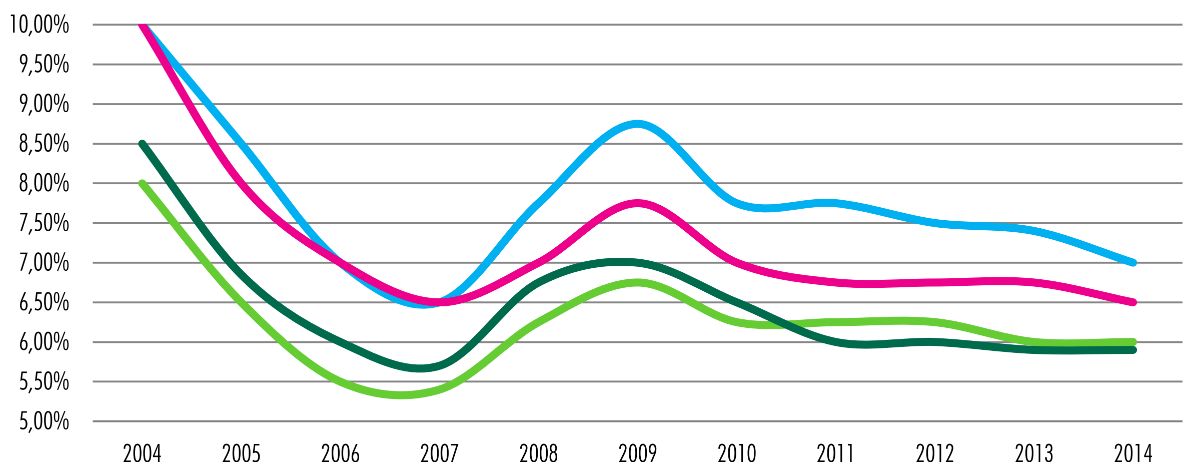
The office market played a major role in commercial transactions gaining a 54% share (EUR 1.65 billion), followed by the industrial market accounting for 23% (EUR 0.71 billion) of the total volume. Retail was also active with a 21% share (EUR 0.69 billion).

Almost 48% of transactions signed in 2014 took place in Warsaw. The office sector accounted for 84% of all transactions closed in Warsaw. It has confirmed the growing appetite of investors for modern private office developments in Warsaw, especially in central locations.

The limited number of prime commercial assets available for purchase will be a major obstacle for further development of the investment market. Therefore, prime assets in regional cities gained in popularity.

Foreign investors accounted for 90% of overall purchases in 2014, the remaining being domestic buyers. The most active investors were form Germany, United States and United Kingdom.

Figure 2: Poland prime yields (2004 - 2014)



Source: CBRE Research, Q4 2014.

YIELDS DEVELOPMENT

Ongoing yields remain stable mainly on prime assets, prime logistics yields are being driven down to 7% for long term leases in quality locations. Prime office yields in regional cities were estimated at 6.50%. It represents a slight drop in comparison to 2013 and shows a high demand for state-of-the-art office schemes in regional cities.

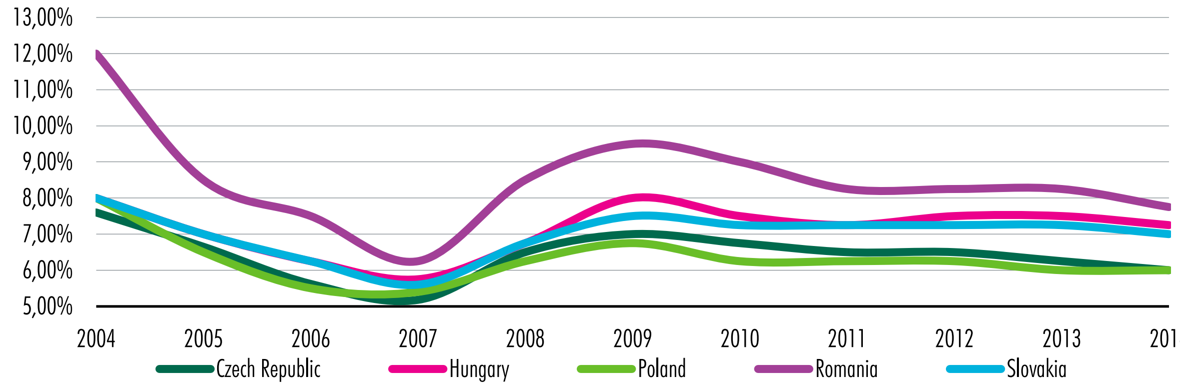
RETAIL 5.90% →

OFFICE 6.00% →

INDUSTRIAL 7.00% ↘

OFFICE - REGIONAL CITIES 6.50% ↘

Figure 3: Prime office yields, CEE Region (2004 – 2014)



Source: CBRE Research, 2014.

MARKET COMMENTARY

In the past year continuation of an upward trend in the Polish economy and increasing foreign investors' interest could be observed. New investors in both capital and developer markets have appeared with a number of new schemes.

In 2014 infrastructural investments in the cities resulted in development of new locations, which led to a construction boom on the office market. The major driver was further development and maturing of the outsourcing market, as well as leasing of modern office space by new sectors. One of the best performing sectors was industrial with a record take-up level. It has also attracted a number of investors that managed to secure transactions.

Unfortunately, the Polish retail market has been experiencing a lack of prime commercial properties that could be posed as a focus of transactions or lease agreements for new players. Because of the low supply of interesting retail assets, investors are increasingly willing to invest in small or medium sized facilities in regional cities.

The activity of investors remains strong as we enter 2015. We have a strong group of funds from Germany, Austria, United Kingdom and the United States that know the market well and already have assets in Poland. Moreover, there are a number of new investors from Asia, America or even South Africa that are looking at our market and searching for opportunities to invest in commercial real estate sector. In many cases, investors perceive Poland as one of the strongest economies in the region, where prime assets value is still much lower than the price of comparable schemes located in Western Europe.

In 2014 investors from Germany and the United States dominated the investment market, mostly because of the size of purchased schemes. The major investment transactions in 2014 include acquisition of Rondo 1 and Metropolitan for approximately EUR 0.5 billion by Deutsche Asset & Wealth Management. One of the new players in Poland is Starwood Capital Group, which in 2014 bought several prime office buildings across Poland totalling EUR 0.3 billion.

Figure 4: 10 largest investment transactions in 2014

City	Sector	Property	Price Estimation (MLN EUR)	Vendor	Purchaser	CBRE Advisory
Warsaw	Office	Rondo 1	297	Blackrock	Deutsche Asset & Wealth Management	√
Poznan	Retail	Poznan City Center	227	Trigranit / Europa Capital / PKP	Invesco	√
Warsaw	Mixed-use	Plac Unii	226	Liebrecht & Wood / BBI	Invesco	√
Warsaw	Office	Metropolitan	187	Aberdeen Immobilien	Deutcshe Asset & Wealth Management	√
Poland	Industrial	Panattoni portfolio	140	Panattoni	PZU TFI	
Bydgoszcz	Retail	Focus Mall Bydgoszcz	122	Aviva Investors	Atrium	√
Poland	Industrial	Selected portfolio	117	Standard Life	Blackstone	
Krakow	Office	Quattro Business Park	115	Grupa Buma	Starwood	√
Warsaw	Office	Marynarska 12	112	Ghelamco	Starwood	√
Warsaw	Office	Lipowy Office Park	108	CA Immo	W.P. Carey	√

Source: CBRE Research, 2014.

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