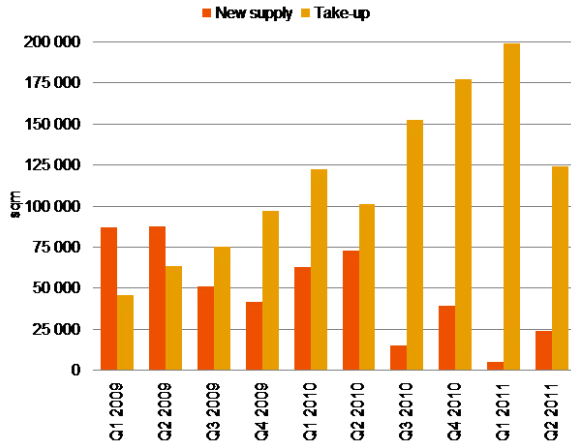


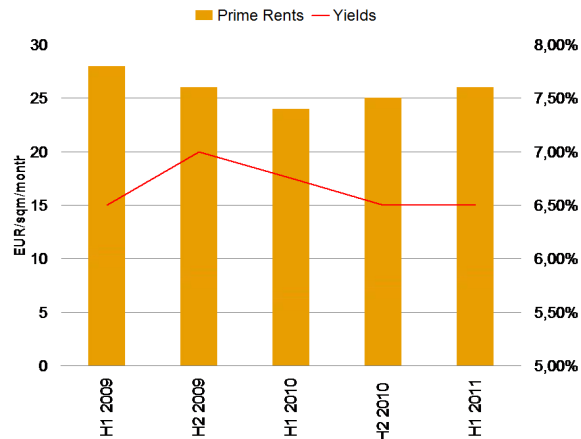
Warsaw office market

Summer 2011

New supply and take-up in 2009 - 2011



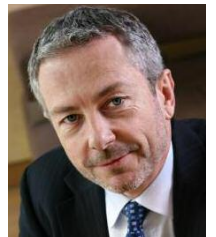
Prime office rents and yields (Warsaw CBD)



Source: Savills Research

Source: Savills Research

“High take-up and limited new supply led to a significant decrease in the average vacancy rate over the last 12 months. This, however, is visible mainly in non-central locations. The share of renewals and renegotiations is still high within the city centre, in particular in its core.”



Brian Burgess - Managing Director

- The stock of modern offices in Warsaw at the end of 2011 H1 was over 3.5 million m².
- About one third of the existing stock of modern offices is located within the city centre. The second largest business zone is Mokotów district accounting for 26.5% of the total stock.
- New supply was very low in the 2011 H1, totalling only 28,350 m².
- The average vacancy rate in Warsaw is now slightly below 6.2% and has decreased from 8.0% over the last 12 months. Decrease in vacancy, however, is visible mainly in non-central locations.
- The total take-up of offices in Warsaw was over 320,000 m² in 2011 H1, almost in line with 2010 H2 and ca. 46% higher than in 2010 H1.
- The highest gross take-up in 2011 H1 was noted in the City Centre and in Mokotów district.
- Almost 30% of the gross take-up in 2011 H1 accounted for renegotiations and renewals, whereas only 6% for expansions.
- Pre-let deals accounted in 2011 H1 for almost 25% of the total take-up.
- Prime headline rents are stable at EUR 25.00 -28.00 / m² / month within the CBD and EUR 15.00 -16.00 / m² / month in NCL.
- We expect a further recovery of the market, in particular in non-central locations. due to increasing demand.

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Economy and supply

Economy

On 1st July 2011 Poland took up the presidency of the Council of the European Union and will head it over the next six months. Poland's priority is now to focus on coordination among EU countries to boost economic recovery and to deal with ongoing concerns about the uneven economic situation, in particular in South European countries. During Poland's presidency, EU countries also begin negotiations on the 2014-2020 EU budget proposals. Poland calls for leaders to focus EU funds on promoting growth, such as investments in key infrastructure and skills training.

Notwithstanding the uneven times of South European economies, as well as current depreciation of PLN, the economic outlook for Poland remains positive. The National Bank of Poland expects GDP to grow by about 4.0% in 2011 following the growth of 3.8% in 2010 (in accordance with the announcement of GUS, the main Statistical Office), which places Poland among the fastest growing economies in Europe (the projected average growth in Eurozone is forecasted by the ECB in the range of 0.7 - 2.1%). GDP growth is driven mainly by stronger domestic demand, which makes Poland less dependant on trade balance than other CEE countries. The inflation rate is rising and it is forecasted that the annual inflation in 2011 will reach 4.2% (in contrast to 3.1% in 2010).

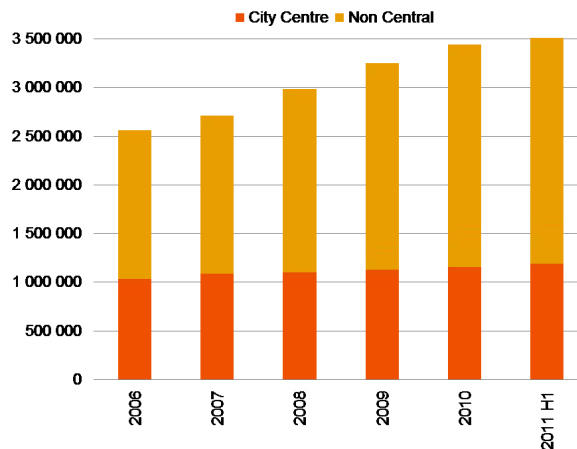
Existing stock and new supply

At the end of 2011 H1 modern office stock in Warsaw was 3,505,000 m² and has increased by only ca. 123,000 m² over the last 12 months. About one third of the stock (1,185,000 m²) is located within the city centre with 40% of the central stock located within the core city centre. Mokotów district (the Upper South Zone) is the second largest business zone in Warsaw accounting for 26.5% of the total stock. Other major office locations include the South Western Zone (mainly along Jerozolimskie Avenue and Żwirki i Wigury Street) and Wola district (Western Zone).

New supply was very low in 2011 H1 totalling only 28,350 m². The level of new office supply in Warsaw was almost half that of 2010 H2 and 15% of that in 2010 H1. The largest schemes delivered in 2011 H1 were Platinum IV (13,000 m²) and Mokotowska Square (8,470 m²). Around 100,000 m² of modern office floorspace is to be completed by the end of the year, mainly in non-central locations..

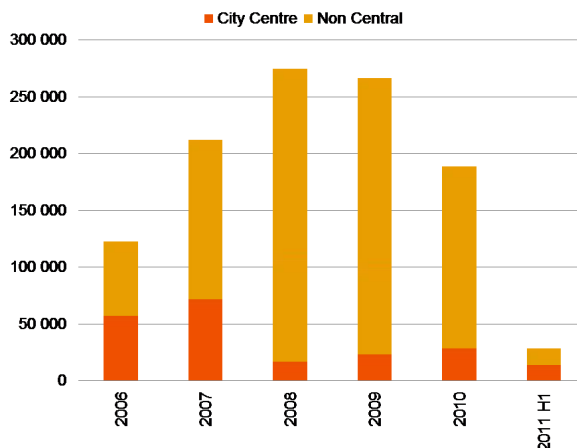
The average vacancy rate in Warsaw is now below 6.2%, ca. 1.8 percentage point lower than a year ago. Within the city centre the average vacancy rate is higher and slightly exceeds 8.0%. In non-central locations the average vacancy rate is 5.2%.

Stock of modern offices



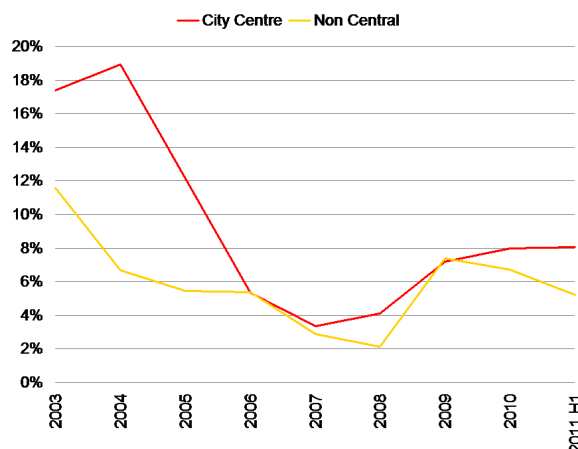
Source: Savills Research

New supply



Source: Savills Research

Average vacancy rates



Source: Savills Research

Demand and rents

Take-up

Gross take-up of offices in Warsaw in the first half of 2011 was 322,000 m², almost in line with 2010 H2 (328,000 m²) and ca. 46% higher than in 2010 H1. Pre-let agreements took 25% (81,000 m²) of the market, whilst 29% of deals were accounted for tenants renegotiating contracts (94,000 m²). Expansions took 20,300 m² of space (6%). The remaining 40% were new leases incl. new-comers and relocations. The share of sub-lease agreements was much lower in 2011 H1 and accounted for less than 1.5%.

Total take-up in the city centre in 2011 H1 was 114,000 m². Almost 40% of that accounted for renewals and renegotiations whereas expansions constituted approximately 8.5% of the total take-up. The share of pre-let deals accounted for ca. 19%.

The largest leasing transaction in the city centre was the renegotiation of Ernst & Young lease in Rondo 1 (11,000 m²).

In non-central locations the total take-up exceeded 207,000 m² in 2011 H1. Ca. 23% of that accounted for renewals and renegotiations and 5% for expansions. The share of pre-let deals was high and amounted to 28% of the take-up, however, this included the lease of 43,700 m² signed by TP in the South Western Zone.

The largest lease signed in non-central locations (apart from TP pre-let lease) was the lease of PTK Centertel in Renaissance Plaza (8,800 m²).

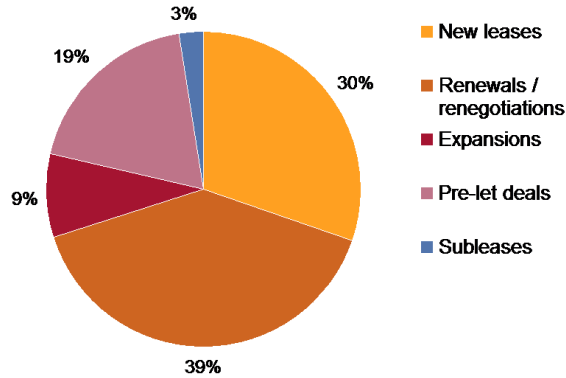
Rents and service charges

Prime headline rents are now stable at EUR 25.00 - 28.00 / m² / month in the core CBD (Central Business District) and EUR 15.00-16.00 / m² / month in non-central locations. Effective rents are about 10% lower due to concessions offered by landlords.

Rents for parking spaces range between EUR 200 - 250 / parking space / month in case of underground parkings within the CBD and EUR 60 - 90 / parking space / month outside the city centre.

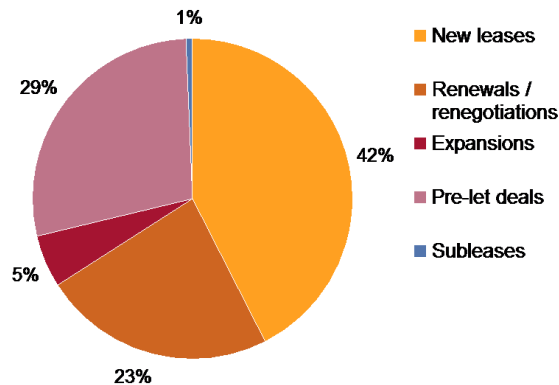
Service charges currently are EUR 5.50 - 6.00 / sqm / month in the city centre and EUR 4.00 - 4.50 / sqm / month in non-central locations.

Take-up structure in the city centre



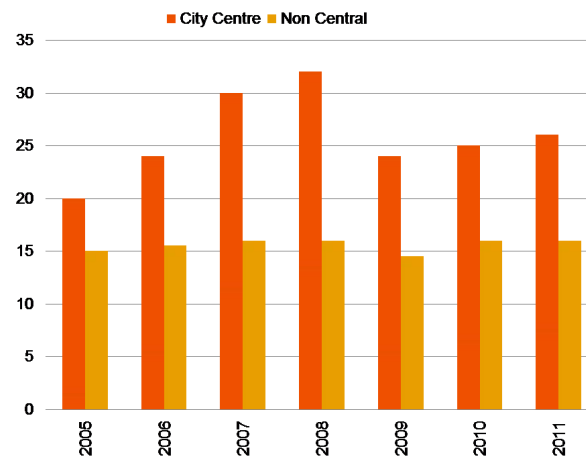
Source: Savills Research

Take-up structure in non-central locations



Source: Savills Research

Prime headline office rents in Warsaw



Source: Savills Research

Outlook

Outlook

Warsaw is expected to maintain its high share, over 60% in the Polish office market.

New supply is projected to increase in 2011 H2, however, the annual level of completions in 2011 will be lower than the average in the last 4 years. This should lead to a further decrease in the average vacancy rate, in particular in non-central locations.

We expect that the total take-up in 2011 will be at least in line with the level recorded in 2010 or even higher. The share of renewals and renegotiations will probably remain at similar level in 2011 H2, especially in the core CBD. We also expect that more pre-let deals will be signed in 2011 H2 and 2012.

Prime asking rents are expected to remain stable in H2 2011 in both city centre and non-central locations, with expectations of a rising trend in the medium term.

Major developments in 2011 H2 and 2012

PROJECT	DEVELOPER	SIZE (m ²)	COMPLETION
CITY CENTRE			
Prosta Tower	S+B Gruppe	17,000	2011.Q3
JM Tower	JM Invest	23,500	2011.Q4
Hortus	Nieruchomosci Powisle	10,200	2011.Q4
NON CENTRAL LOCATIONS			
Mokotów Nova	Ghelamco	40,000	2011.Q3
Equator II	Zenith Real	20,500	2011.Q4
Libra B	Mermaid Properties	15,155	2012.Q1
Poleczki Business Park II	UBM / CA Immo International	21,000	2012.Q2

Source: Savills Research

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Savills is moving!

Please note that our Warsaw Office is moving. From 22nd August 2011 our address and main telephone number will be:

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Savills

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