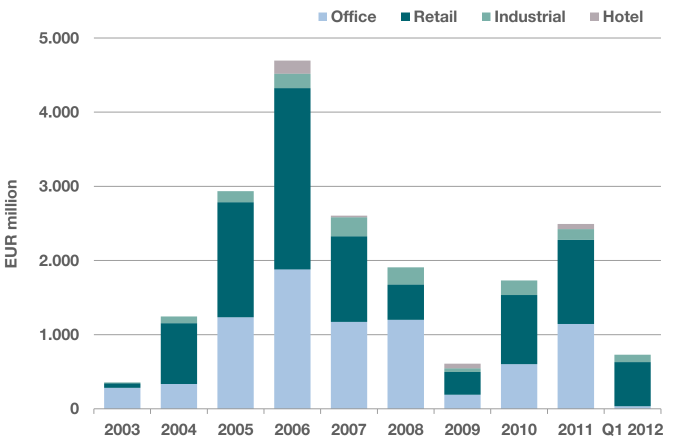
Market Report
Poland investment market

Q1 2012

GRAPH 1

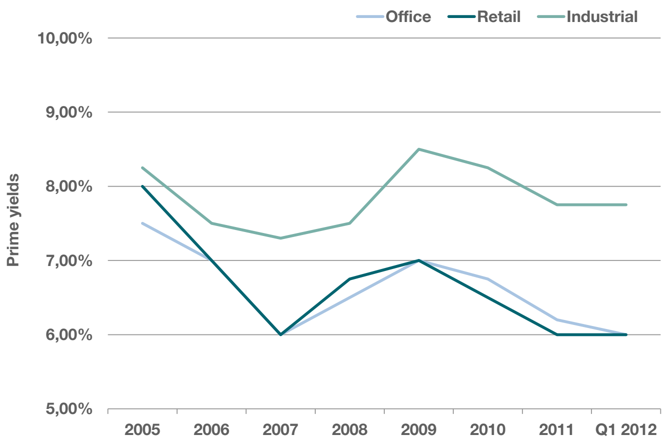
Investment volumes in Poland by sector



Graph source: Savills

GRAPH 2

Prime yields by sector



Graph source: Savills

SUMMARY

Overview

■ The level of activity in Q1 2012 confirmed strong interest in the Polish market.

■ The total volume of commercial property transactions in Q1 2012 was €728m.

■ Retail properties dominated in Q1 accounting for ca. 80% of total investment volume.

■ The largest investment transaction in Q1 2012 was that of a 77% stake in Złote Tarasy, a mixed use retail and office centre, by a fund managed by AXA Real Estate and CBRE Property Fund Central Europe LP.

■ Investment activity in the office sector is still limited to Warsaw market. Taking into account the on-going deals, we expect greater activity from this sector in Q2/Q3 2012.

■ There is also stable interest from investors in the industrial market and we expect even more activity in this sector in 2012 as a result of an improving occupational market.

■ We anticipate the total volume of property investment transactions in 2012 to be similar to last year's with prime office buildings in Warsaw and leading shopping centres accounting for the majority of activity.

“Retail transactions dominated in Q1 2012 accounting for 80% of total volume.” Michal Cwiklinski, Savills Investment

Following the increased activity in the second half of 2011, it has already been confirmed in Q1 2012 that the interest from foreign investors in the Polish property market remains strong, especially for prime assets.

The volume of transactions finalized in Q1 2012 as well as those that are now pending and the supply of the investment product offered on the market allow us to anticipate that 2012 will end with a total volume of transactions similar to 2011.

General Overview

The total volume of commercial property investment transactions in Poland in Q1 2012 exceeded €728m reflecting 21% growth quarter-on-quarter and 9% growth year-on-year.

Q1 was dominated by the retail sector, which, including the sale of Zlote Tarasy, a mixed-use property, accounted for ca. 80% of total volume.

All the investment transactions in the office sector were limited to the Warsaw market, whereas in the retail sector there were also transactions in some smaller cities like Olsztyn and Kalisz.

Activity in the commercial market is highly dominated by foreign investors. Austrian, German and US investors were the most active in Q1 2012.

Prime yields remained stable at ca. 6.00-6.25% for office properties in Warsaw, ca. 6.00% for prime shopping centres in major regional cities and ca. 7.75-8.00% for prime industrial properties.

> "We anticipate that more Warsaw office properties will be transacted this year, in both the city centre and outside the CBD."
> Mark Freeman, Savills Valuation & Consultancy

Office Sector

In Q1 2012 there were only two investment transactions in the office sector (not taking into account the sale of Zlote Tarasy, a mixed use complex), both properties were located in Warsaw's Central Business District, (CBD).

Raiffeisen Immobilien Kapitalanlage GmbH purchased Marszałkowska 76, located in the centre of Warsaw for their R-260 Fund. The vendor was Varsovia I CB, a consortium of private Spanish investors managed by ARIS SC.

Griffin Group acquired Prima Court office building in Warsaw, from RE Polish Property. The value of the transaction has not been revealed. Griffin Group is planning further investments in Polish regional cities in 2012.

Achievable yields in Warsaw are now at 6.00-6.25% for prime offices located within the CBD and closer to 6.75% for the best assets in leading non-central locations.

We anticiapte that more Warsaw office properties will be transacted this year, in both the city centre and outside the CBD.

Outside Warsaw investment activity in the office sector is still limited. Nevertheless, there are a few office properties located in major regional cities offered for sale that might be considered as a good investment opportunity, taking into account yields offering significant discount compared to Warsaw. We anticipate that prime office yields in major regional cities are currently at ca. 7.50%

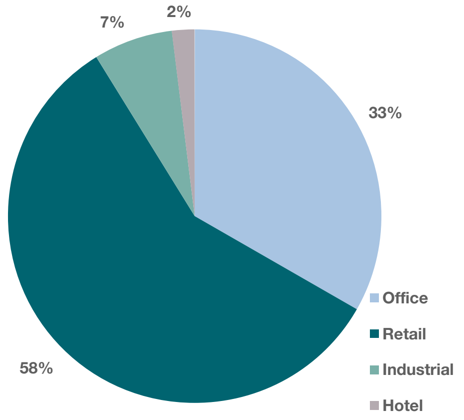
Retail Sector

Recent investment activity in the retail sector confirms that investors are still interested in prime retail assets in both major regional and smaller cities across the whole country. Key investment criteria include central location with good car accessibility and significant pedestrian flow as well as good covenant strength comprising a mix of well known international and domestic retailers.

The largest investment transaction in the retail sector in Q1 2012 was the sale of ING's share in the holding company which owned 77% stake

GRAPH 3

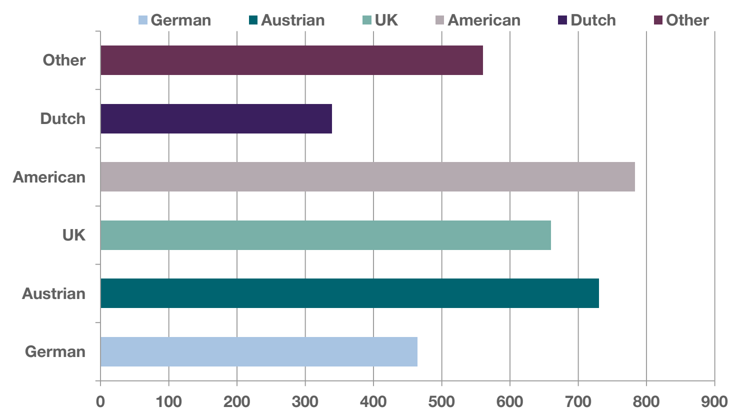
Investment volume by sector Q1 2011 - Q1 2012



Graph source: Savills

GRAPH 4

Investment volume by origin country of investor Q1 2011 - Q1 2012



Graph source: Savills

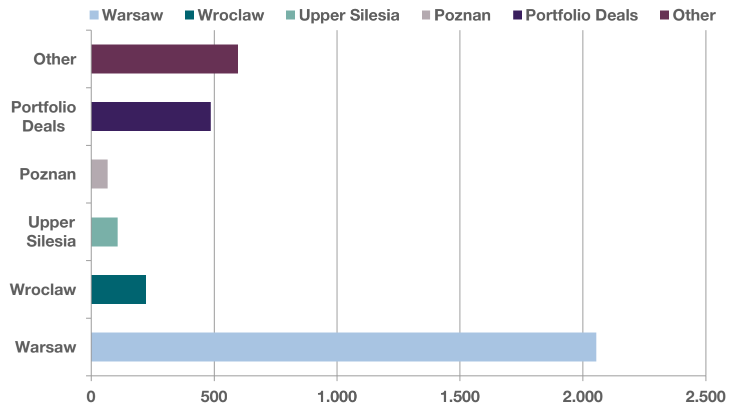
in Zlote Tarasy. Zlote Tarasy is a mixed-use complex, located in the core centre of Warsaw, comprising 66,200 sq m of retail and 47,300 sq m of office space. In accordance with the official statement, as a result of this transaction, ING has reduced it's exposure to the real estate business by €475m, which is an important step in their overall strategy.
The purchaser is a fund, managed by AXA Real Estate and CBRE Property Fund Central Europe LP, in which Uniball Rodamco, the previous owner of the asset is a limited partner.
The transaction was closed in March 2012.
Another transaction that was announced in March 2012 was the acquisition of Alfa Centrum in Olsztyn by Rockspring Property Investment Managers from Arka Property Funds. Alfa Centrum is located in the centre of Olsztyn and comprises 25,000 sq m of retail space and benefits from high quality tenant-mix incl. H&M, Reserved, New Yorker and Helios Cinema.

Blackstone completed the acquisition of Galeria Tecza, a shopping gallery located in Kalisz from Rank Progres S.A. Galeria Tecza was opened in October 2011 and has 16,100 sq m. The value of the transaction was €37m. The combined area of shopping centres in King's Street Retail - Blackstone's portfolio of shopping malls in Poland - exceeded 200,000 sq m.

At the turn of the year there was also a transaction related to the bankruptcy of Parkridge Holding announced in September 2011 and the cancelling of the Polish branches of the company, which started in January 2012. Aviva Group took full control over four Focus Mall shopping centres located in Piotrków Trybunalski, Rybnik, Zielona Góra and Bydgoszcz. These were joint projects of Parkridge Central European Retail Fund and Morley Fundmanagement owned by Aviva. Altogether these four shopping centres have 90,000 sq m. The volume of the transaction has not been revealed.

“Central location with convenient car accessibility and significant pedestrian flow as well as a good mix of established international and domestic retailers are the key investment criteria in the retail sector.”
Brian Burgess, Savills Poland

GRAPH 5
Investment volume by location Q1 2011 - Q1 2012



Graph source: Savills

Why Poland?

Key advantages of investing in the Polish property market

■ In 2011 real GDP is estimated to have grown by 4.3% driven mainly by private consumption and public investment, especially in the construction sector.

■ The real GDP growth rate in Poland was above the average of EU-27 and EURO area for the 10th consecutive year. The growth in Polish economy is ca. 2.89 percentage points (pps) higher than in the EU-27 zone and ca. 3.08 pps higher than in the EURO area.

■ Although GDP growth in Poland is forecasted to slow down to ca. 2.50-2.80% in 2012 and 2013, it will still grow significantly faster than the average in the EU-27 or EURO area (Eurostat forecasts).

■ Stable public finance - public sector debt amounts to 55% of the GDP while the EU-27 average equals 80%.

■ Fitch's long-term rating for Poland's debt denominated in foreign currencies (mainly EUR and USD) is A- and A for debt denominated in Zlotys. The country's rating propspects are considered 'stable'.

■ Poland has the 6th largest population in the European Union with 38m inhabitants constituting a strong consumer market.

■ Rising employment and strong consumer confidence are the main drivers for retail sales' growth, which is supportive for both the retail and warehousing markets.

■ Poland benefits from its central location within Europe and improving transport infrastructure allowing development of logistics hubs reaching over 500m consumers across Europe.

■ In accordance with the initial estimations, FDI inflow in 2011 was at ca. €10bn. The share of EU-27 investors exceeded 85%.

■ Since the year 2000 Polish exports and imports have increased nearly three and a half times. Germany is the biggest Poland's trade partner with ca. 26% share of Polish exports and ca. 22% of Polish imports.

A few further investment transactions in the retail sector are expected to be completed in Q2/Q3 2012, including acquisitions of some prime regional shopping centres located in major Polish cities.

Based on the above transactions and those that are pending, we anticipate that prime retail yields are now at 6.00% for the best shopping centres located in major regional cities and at ca. 7.00-7.50% for the leading galleries located in smaller cities.

Warehouse Sector

Prologis, Inc., announced the sale of the portfolio of 11 properties including ten buildings and one development site located in four Prologis' distribution parks: Prologis Park Warsaw, Prologis Park Warsaw III, Prologis Park Wroclaw II and Prologis Park Bedzin. Two of them were from Prologis' portfolio, five from Prologis European Properties (PEPR) and four from Prologis European Properties Fund II. Average occupancy across the properties is 92.8%. The portfolio was sold to Hines Global REIT for ca. EUR 98 million. Hines will re-brand the properties "Distribution Parks". This was the only investment transaction in the warehouse sector in Poland in Q1 2012.

Based on recent transactions in this sector we anticipate that the prime industrial yields in Poland are now at ca. 7.50-7.75%.

We expect further transactions in the warehouse sector idriven mainly by the improving occupational market and infrastructure.

"We expect more investment transactions in the industrial sector in Poland in 2012."
Michal Cwiklinski, Savills Investment

OUTLOOK

Overview

- Investment sentiment is expected to remain positive, supported by higher GDP growth than in most European countries, rising employment and increasing retail sales.

- Prime office properties in Warsaw will remain the most sought after products on the market. The number of transactions in regional office markets will still be limiited to prime office buildings with a particularly good covenant strength and to the those markets where the balance between demand and supply is maintained.

- Retail properties are expected to maintain a high share of investment volume, in particular leading regional shopping centres as well as smaller modern shopping galleries located in secondary cities with limited potential for further competition.

- The volume of investment into the warehouse sector will rise, driven by improvemnts in occuaptional market.

- Prime yields will remain stable in 2012.

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