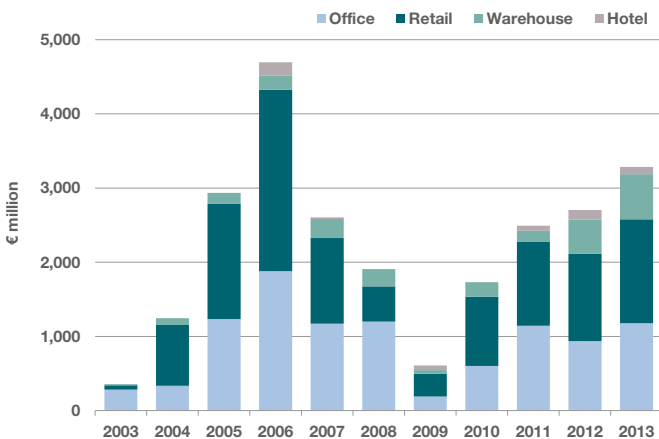


Market in Minutes Poland investment

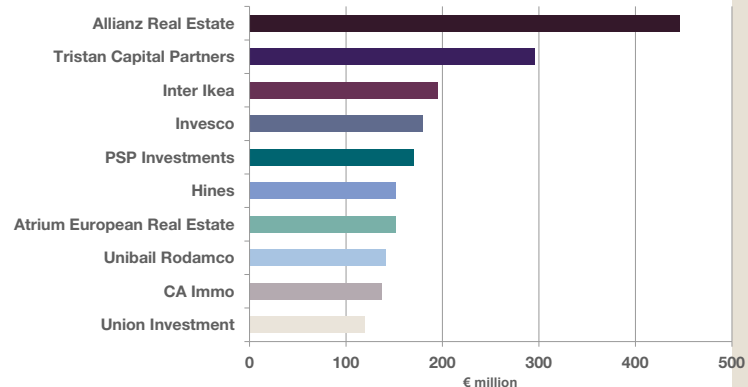
February 2014

GRAPH 1
Investment volumes in Poland by sector



Graph source: Savills

GRAPH 2
Top 10 buyers in 2013 by total volume



Graph source: Savills

SUMMARY

Overview

- Strong investment activity in 2013 resulted in an impressive investment volume of nearly €3.3bn, reflecting 21% growth year-on-year.
- Similarly to the year before, investor activity was significantly higher in the second half of the year.
- Retail sector dominated with 43% share in the total volume followed by office sector (36%) and warehouse sector (18%). The remaining 3% of the volume accounted for hotel transactions.
- German, Austrian and US buyers were most active in 2013 with 58% share in the total volume.
- Prime yields remained stable, but with limited demand for secondary assets the gap between prime and secondary yields widened.
- We believe, that positive investor sentiment will be maintained this year. The annual volume of investment transactions is expected to be in the range of €2.9-3.3bn, with a dominant share of the office sector.

.....
 “In line with our earlier forecasts, 2013 investment volume reached the highest result since 2006. This year we expect a similar level of investment activity.”

 Michal Cwiklinski, Savills Poland

➔ **Economy**

According to the Central Statistical Office GDP growth during the third quarter of the year was 1.8% and is expected to reach 1.4% by year end as shown in Oxford Economics' analysis. Economic growth is expected to accelerate to 2.8% and 3.1% in 2014 and 2015 respectively.

To encourage economic growth the Monetary Policy Council decided in July 2013 to decrease the reference rate to a record low level of 2.50%. That level was maintained to the end of the year and according to some experts may not change even to mid-2014.

The average salary at PLN 3,667 at the end of Q3 2013 was 1.5% higher when compared with previous quarter and by 3.3% year-on-year. The National Bank of Poland forecasts average salary growth of 3.2% in 2013 and 3.9% and 4.6% in 2014 and 2015 respectively.

General Overview

Following a very good 2012, the investment market performed even better last year in terms of total commercial investment volume, that reached nearly €3.3bn, reflecting ca. 21% growth year-on-year. Even higher growth was visible in the number of transactions that reached 63 including some portfolio deals) compared to 42 in the year before (growth of nearly 50%).

Investor appetite in 2013 was high for prime assets in the retail sector. We

“Retail transactions dominated investment activity in 2013 with a share of 43% in the total volume, followed by office sector with 36%,warehouse sector with 18% and hotel sector with 3%.”

Mark Freeman, Savills Valuation and Consultancy

anticipate, that interest in prime assets will be continued this year, however, the office sector is more likely to play a dominant role.

Acquisitions by German and Austrian investors accounted for ca. 47% of the total annual volume. US investors are the second most active group of buyers with ca. 11% share in the investment volume. Domestic investors accounted for ca. 9% of the 2013 volume, slightly below 2012 share (10%).

Retail transactions dominated investment activity in 2013 with a share of 43% in the total volume, followed by office sector with 36%, warehouse sector with 18% and hotel sector with 3%. The split of total volume by sector was almost in line with 2012.

Office Sector

The office sector accounted for 36% of activity by volume in 2013 with ca. €1.18bn from 29 transactions embracing 34 office properties. Additionally, three preliminary purchase and sale agreements have been signed

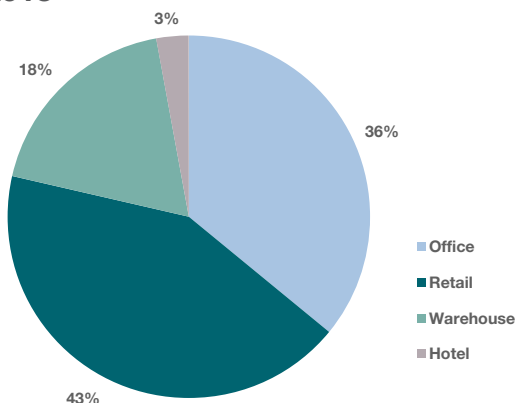
in the office sector for €159m, that are expected to be finalised in Q1 and Q2 2014. Warsaw offices were most popular among investors last year with 25 office properties sold in 20 transactions. Dominant locations were City Centre, Upper South (Mokotów district) and South-West (Jerozolimskie Ave.).

In the City Centre prime yields have stabilised at ca. 6.00%, although we believe that in case of some landmark buildings sub- 6.00% levels are now achievable.

Recent transactions in the City Centre included acquisitions of Feniks and Le Palais office buildings, both by IVG at 6.00-6.50% yields.

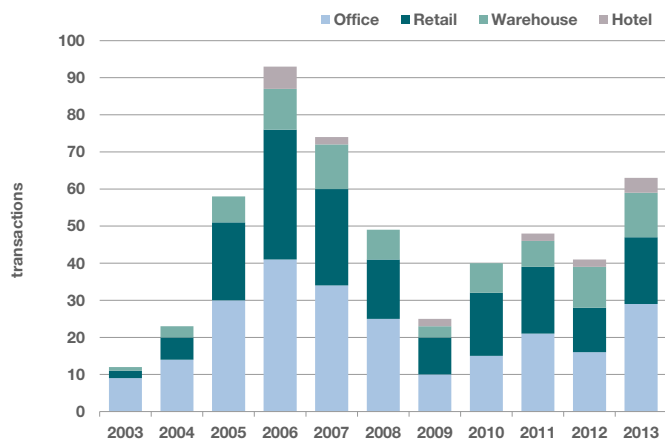
Prime yields in non-central locations are estimated at 7.50%, reflecting ca. 150bps margin over the City Centre, which is well above its long term average of ca. 50-75 bps. Investment activity in Warsaw non-central locations other than Mokotow (Upper South) is still dominated with opportunistic acquisitions or distressed sales reflecting significantly higher

GRAPH 3 **Investment volume by sector in 2013**



Graph source: Savills

GRAPH 4 **Number of investment transactions by sector**



Graph source: Savills

yields.

We believe that investment activity will soon expand to new office locations to the West of the City Centre attracted by development of the second underground line. We also believe, that there will be more investor activity in Mokotow district this year and that prime office yields in Warsaw non central locations (Mokotow in particular) will start to compress.

Investment activity in the regional office markets in 2013 reached the highest level since 2008, with 9 transactions completed for a total of over €200m and two preliminary agreements signed. Investors are still focused on prime office properties located in the leading regional markets of Wrocław, Krakow and Tricity. Nevertheless, in 2013 there were also some office transactions in such locations as: Katowice, Poznan and Lublin.

In the most established regional office markets like Wrocław, Krakow, Tricity and Poznan prime yields are now at ca. 7.50-7.75%. Activity in the other regional markets (Katowice, Lodz, Szczecin, Lublin) is still limited with no direct benchmark for prime assets, and mainly challenging investment opportunities. Non-prime assets will trade off double digit yields.

Retail Sector

Retail transactions in 2013 accounted for 43% of the total investment volume, with ca. €1.4bn from 18 transactions embracing 24 properties. Acquisitions

of shopping centres constituted six of the top ten investment transactions by volume in 2013.

These six transactions (see the grey box on the right) plus the acquisition of three Echo shopping centres located in Piotrkow Trybunalski, Radom and Tarnow by London & Cambridge Properties constituted ca. 94% of the total volume invested in the retail sector.

The acquisition of Silesia City Center (a regional shopping centre in Katowice) by a consortium led by Allianz Real Estate from Immofinanz for ca. €412m reflecting an initial yield of sub 6.0% was the largest investment transaction on the Polish property market in 2013.

Prime shopping centre yields remain stable at ca. 5.75% for the best shopping centres in Warsaw, ca. 6.00% for dominant shopping centres in major regional cities and ca. 7.50-8.00% for leading shopping centres in secondary cities.

We expect to see a continued interest of investors in both prime and established secondary shopping centres this year, as there is still significant potential in this sector of the market despite the relatively high investor activity over the last two years.

Warehouse Sector

In 2013 there were 12 transactions (including four portfolio deals) in the warehouse sector for the total of ca. €600m, which accounted for ca. 18% of the total annual investment volume.

Top 10 transactions

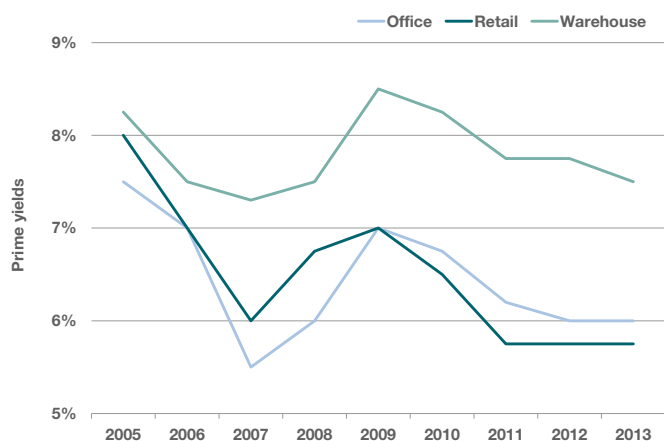
In 2013 ten investment transactions exceeded €100m accounting for almost 55% of the total investment volume.

- 1. Silesia City Center** - prime regional shopping centre in Katowice acquired by a consortium led by Allianz Real Estate for ca. €412m.
- 2. Wola Park*** - established shopping centre in Warsaw acquired by Inter Ikea Centre Group Poland.
- 3. Galeria Kazimierz** - prime shopping centre located in the centre of Kraków acquired by Invesco for ca. €180m.
- 4. Charterhall Portfolio** - portfolio of five established shopping centres located in Krakow, Wrocław, Szczecin, Gliwice and Katowice acquired by a fund managed by Tristan Capital Partners for ca. €174.5m.
- 5. Segro logistics portfolio*** - 50/50 joint venture between Segro and PSP Investments, comprising Segro's core logistics assets in Continental Europe.
- 6. Galeria Dominikanska** - prime shopping centre located in the centre of Wrocław acquired by Atrium European Real Estate for ca. €150m.
- 7. Złote Tarasy*** - acquisition of the remaining 23% stake in Złote Tarasy, a complex of a shopping centre and offices located in the core centre of Warsaw by Unibail Rodamco.
- 8. CA Immo Portfolio** - acquisition of the remaining 49% share in a portfolio embracing five office buildings in Warsaw, by CA Immo for ca. €137m.
- 9. New City** - a prime office building located in Warsaw, Mokotow district, acquired by Hines for ca. €127m.
- 10. Mokotow Nova** - a prime office building located in Warsaw, Mokotow district, acquired by Tristan Capital Partners for ca. €121m.

* estimated volumes

GRAPH 5

Prime yields



Graph source: Savills

→ The largest non-portfolio transaction in the warehouse sector in 2013 was the acquisition of H&M Distribution Center, located in Gadki near Poznan, by WP Carey for ca. €64m. The property has ca. 83,000 m² of rentable space. This transaction confirms high investor interest in single-tenant warehouses with long term leases and strong covenant tenant. Bearing in mind the popularity of built-to-suit projects on the warehouse market, we expect that transactions of this type will be dominant in the warehouse sector in 2014.

maintained.

The largest transaction in 2013 in the warehouse sector was the 50/50 joint venture of Segro with PSP Investments comprising Segro's core logistics assets in Continental Europe, of which nine built estates of 670,000 m² are located in Poland.

Prime warehouse yields are now at ca. 7.50% for a single-let modern warehouse let to strong covenants for at least 10 years. In case of multi-let warehouse properties prime achievable

“Single-tenant built-to-suit warehouses offer sustainable long-term profit that attract lot of investor interest. We expect a few large transactions of this type in 2014.”

Michal Cwiklinski, Savills Investment

At least six transactions in the warehouse sector in 2013 were related to properties located in Warsaw and its surroundings. This confirms that even in the warehouse sector investors perceive Warsaw as a secure location, despite a relatively higher vacancy rate in this area. We believe that this year investor interest in warehouse properties located in Warsaw will be

yields are at ca. 8.25%, providing they are leased at market rental levels.

OUTLOOK

Is there enough product to keep the momentum going?

- Savills forecasts, that 2014 investment volume should be roughly in line with last year's volume, in the range of €2.9-3.3bn.
- We believe that there is still enough decent properties on the market to satisfy investor demand in both prime and secondary parts of the market.
- We expect that 2014 will be dominated by acquisitions in the office sector, mostly in Warsaw, but also in the leading regional markets. The annual investment volume in the office sector may exceed €1.6bn.
- We forecast that office investment volume should actually have the greatest share of ca. 50-60% in the total volume in 2014.
- Following strong investor activity in the retail sector in 2012-2013 we believe that the investor interest will be maintained in terms of number of transactions, however, investment volume in this sector may be lower this year.
- We also expect that in 2014 there will be continued investor interest in the warehouse sector, with domination of portfolio deals and single tenant properties.

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