

Quick Stats

Change from
2H 2009

| | |
|-------------|---|
| Take-up | ↑ |
| Completions | ↑ |
| Vacancy | ↗ |
| Rents | → |
| Yields | → |

Hot Topics

- Take-up in H1 2010 reached 223,000 sq m.
- Supply of new office stock in H1 2010 totalled to 135,000 sq m.
- The vacancy rate for Warsaw office space levelled off at 8%.
- Prime headline rents remain stable at EUR 21 - 23 /sq m/month in the City Centre.
- Prime office yields compressed to 6.60%.

GENERAL OVERVIEW

The improving Polish economy and stability of the business conditions translated into increasing activity of investors, developers and tenants in the real estate market. The GDP increase for 2010 is forecasted to exceed 3%, while unemployment rate will oscillate around 11 - 12%. Foreign investments in manufacturing as well as services are also accelerating according to PAIiZ.

The total take-up in Warsaw in H1 2010 amounted to almost 223,000 sq m which indicates a 30% increase in comparison to 2H 2009. As in recent years, most of the space was leased in Non-Central locations.

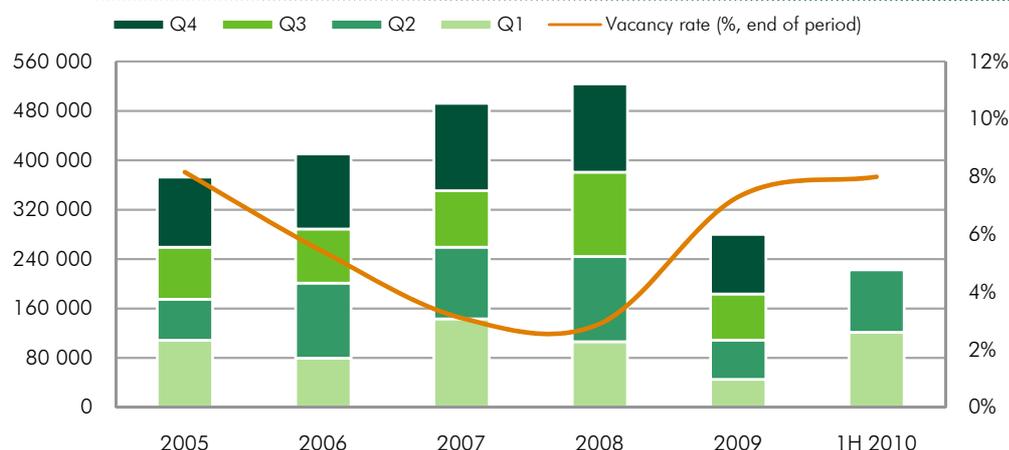
Also developers' activity on the market has been slowly increasing although numerous projects are still on hold. The construction of many pipeline projects is conditioned by pre-let agreements which is rare on Warsaw market. Office supply lags behind demand for modern space. Currently around 155,000 sq m in 18 projects is under construction, another 11 buildings

with already granted construction permits should be started in the next months. In 2010 only 3 constructions were started.

The total vacancy rate for Warsaw office space has been high in last quarters. Its growth was particularly noticeable in Non-Central locations (8%), while in Central markets vacancy rate totals to 7%. It must be noted that the major share of the vacancy is generated only by a few buildings.

The further rise in the number of investment transactions as well as leasing demand highly depends on the external situation as majority of tenants and investors in Poland are foreigners. However advantages of the Polish economy - stable domestic demand and solid foundations of the financial system are widely appreciated by institutional investors. The country's further development will be positively fuelled by EU funds and the fact that Poland organises the European Football Championships in 2012.

TAKE-UP (sq m) & VACANCY RATE (%)



SUPPLY

The total modern office stock in H1 2010 increased by 135,000 sq m and reached almost 3.4 million sq m. Recently completed projects are located in the Upper South, Lower South and West subzones. The largest scheme delivered this year was Mokotow New City (35,000 sq m) and two first phases of Poleczki Business Park (45,000 sq m).

The initial forecast shows that in the best scenario year 2010 will bring new supply almost 25% lower than registered in 2009 or 2008. Pipeline projects for next 24 months remain limited due to the restricted financing. Polish office market has reached the moment when demand starts gradually to recover but the new supply still lags behind. Numerous projects have been suspended as a beginning of the construction process depends on large pre-let transactions to be secured. However some improvements may be observed as there are projects which seem to be relaunched and are being marketed.

LEASING ACTIVITY

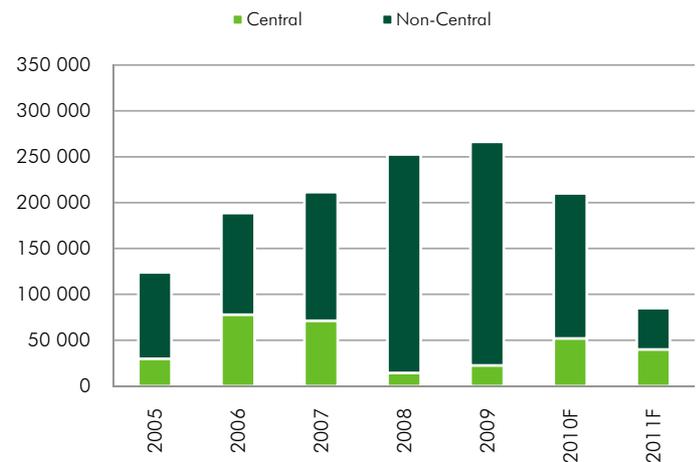
The total volume of leasing transactions in H1 2010 amounted to around 223,000 sq m. The office demand was also 30% higher than in 2H 2009. The increasing trend observed since Q1 2009 has been maintained, however the market is dominated by small deals. The size of an average deal oscillates around 1,000 sq m.

Developers remain particularly attracted by the Upper South zone where around 71,000 sq m of office space was leased. Significant increase in tenants' activity was recorded also in the West and Central markets.

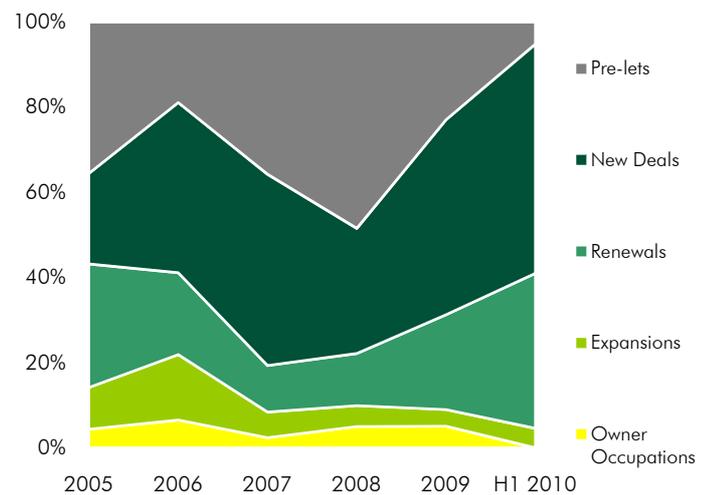
Like in 2009, demand was generated mainly by companies from services, manufacturing, finances and IT. In H1 2010 the largest deals were signed as renegotiation agreements by Orange in Renaissance Tower (17,400 sq m), HP in University Business Centre II (10,300 sq m) and Deutsche Bank in Focus (10,000 sq m). The most significant new deal was concluded by PZU in Empark Sirius (12,500 sq m).

Quarterly growing share of renegotiations accounted for 34% of the total leasing activity. Around 55% of the take-up volume in 2010 was attributable to new deals and only 5% to pre-lets.

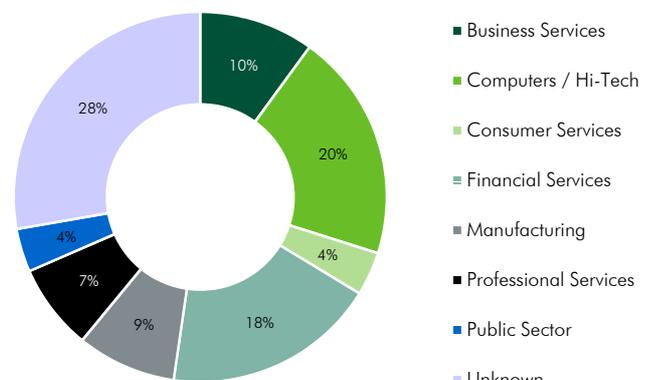
WARSAW OFFICE SUPPLY (sq m)



WARSAW OFFICE TAKE-UP BY TYPE (%)



WARSAW OFFICE TAKE-UP (%) BY TENANT SECTOR IN H1 2010



LARGEST BUILDINGS UNDER CONSTRUCTION



Equator II (SW)



Zebra Tower (CC Fringe)

LARGEST BUILDINGS RECENTLY COMPLETED

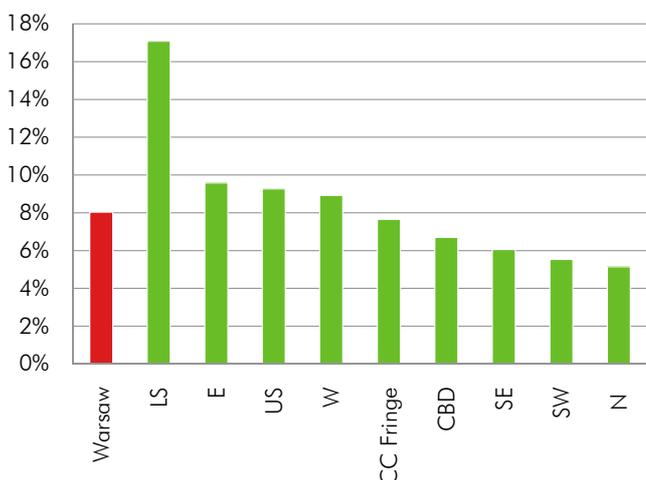


Mokotow New City (US)

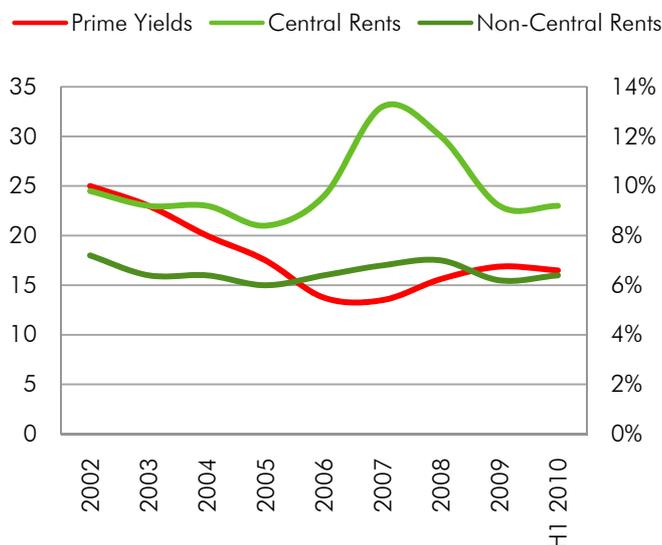


Polezki Business Park (LS)

OFFICE VACANCY RATE (%) BY SUBMARKETS IN Q2 2010



PRIME OFFICE RENTS (sq m/month) AND YIELDS (%) IN WARSAW



VACANCY

As a result of the high level of new supply and weakening demand in past quarters, the overall Warsaw office vacancy rate increased to over 8% (compared to nearly 3% recorded at the end of 2008). The lowest availability ratio was recorded in the North and South East subzones (around 5%) and the highest – in the Lower South (17%), Upper South, East and West (around 8% - 10%) due to the large amount of space in recent completions.

We expect the vacant space to be absorbed gradually in the next months if the take-up will be growing at a pace as expected.

RENTS

Prime headline rents in Warsaw stabilized at the level of EUR 21 – 23 /sq m /month in City Centre. In Non-Central locations the headline rents for the best projects are at EUR 15 – 16 /sq m /month.

Effective rents are lower by 15% - 20%. The tenants may still count on the incentives being offered by landlords. Typical incentives include a rent-free period, landlords' contribution to fit-out and other capital costs.

We expect the rents to remain stable by the end of the year due to high vacancy level. However limited office space supply should result in significant rent increases in 2011.

OFFICE INVESTMENTS

The great evidence of investors' interest in office products has been observed this year. In H1 2010 there were 5 transactions in Warsaw. The most significant one was a purchase of Horizon Plaza by Union Investment for EUR 102 million and Ghelamco's project Trinity Park III by SEB ImmoPortfolio Target Return Fund for around EUR 93 million.

In terms of investment volume 2010 is likely to be much higher than the previous year due to the economic revival in the global markets. Based on the current sales offers of modern office schemes in Warsaw the prime office yields compressed to 6.60% in the end of H1 2010.

MAP OF WARSAW OFFICE MARKET WITH SUBMARKETS



WARSAW OFFICE ZONES

OFFICE STOCK (sq m)

| CENTRAL LOCATIONS | |
|--|---------|
| CBD - Central Business District | 488 000 |
| CC - City Centre Fringe | 647 000 |
| NON-CENTRAL LOCATIONS | |
| E – East (Praga) | 148 000 |
| LS – Lower South (Pulawska) | 146 000 |
| N – North (Zoliborz) | 122 000 |
| SE – South East (Wilanow & Sadyba) | 140 000 |
| SW – South West (Jerozolimskie & Okecie) | 548 000 |
| US – Upper South (Mokotow incl. Sluzewiec) | 890 000 |
| W – West (Wola) | 254 000 |

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