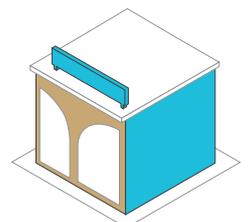
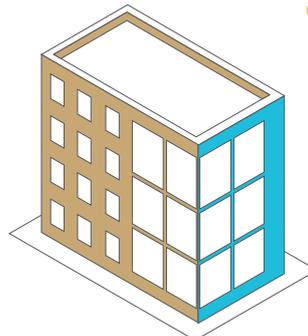
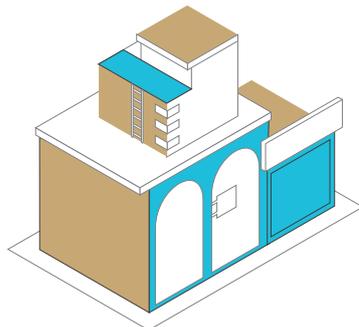
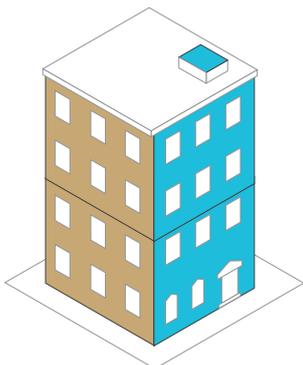
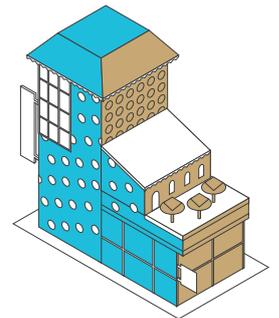
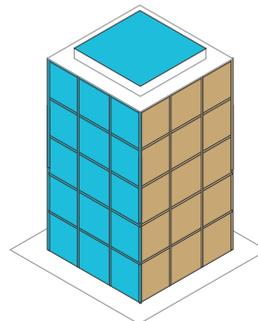
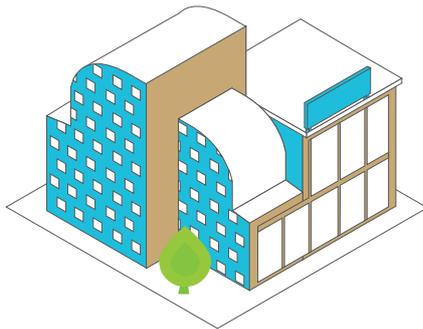
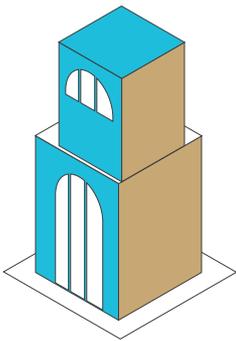
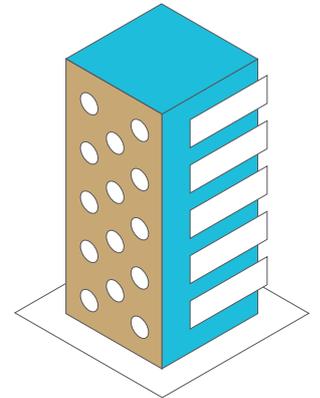
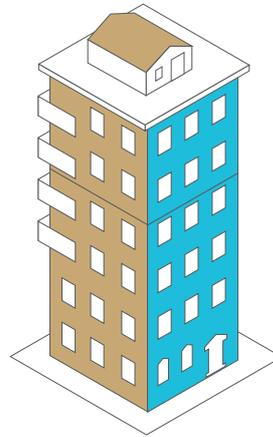
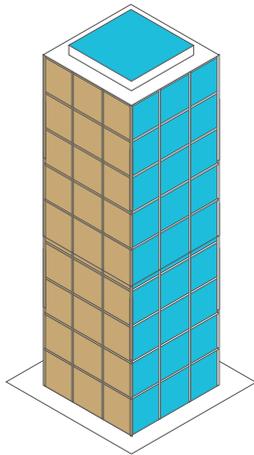
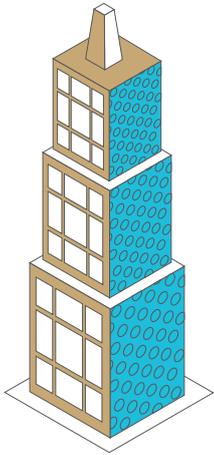
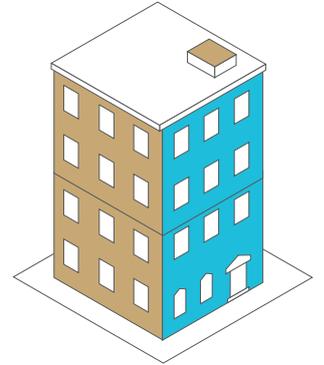


POLAND

COMMERCIAL MARKET

Q1 2016



OFFICE MARKET IN WARSAW

Total stock:

4.7 m sq m

New supply:

113,000 sq m
in 6 schemes

Offices under
construction:

707,000 sq m

Vacancy rate:

14.1%
of total stock



OFFICE MARKET IN REGIONAL CITIES

Total office stock in major
regional markets:

3.25 m sq m

Office space under
construction:

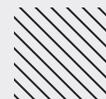
770,000 sq m

Office space leased in Q1
2016:

100,000 sq m

Increase of vacancy rate
when compared with end
of 2015:

1.5 pp.





RETAIL MARKET

Only:

24,500 sq m

completed in Q1 2016

Supply under construction
(80% located in major
markets):

670,000 sq m

Retail space saturation:

240 sq m /
1,000 inhabitants

INVESTMENT MARKET

Invested in Q1 2016:

over EUR **0.5** bn

Share of office deals in
total transaction volume:

45%

Yields compression
in all sectors



OFFICE MARKET IN WARSAW

Q1 2016 in the Warsaw office market resulted in: substantial new supply, increase of developers activity and commencement of a few large-scale office projects, increase of the vacancy rate, downward pressure on rents.

Total stock:

4.7 m sq m

New supply:

113,000 sq m
in 6 schemes

Offices under construction:

707,000 sq m

Vacancy rate:

14.1%
of total stock

At the beginning of April 2016, the Warsaw office market amounted to 4.7m sq m of total stock. The rentable office stock reached a level of 4.1m sq m and 632,000 sq m was owner-occupied.

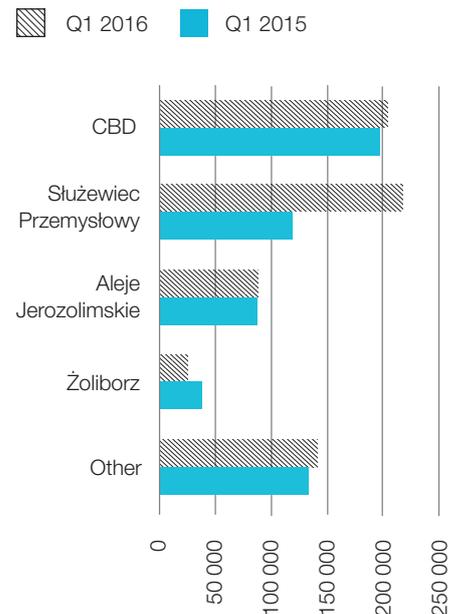
In the first three months of 2016, the Warsaw office market expanded with 6 new projects offering a total area of 113,000 sq m. This is an exceptionally high result when compared with the same period from the previous year (57,000 sq m) or last quarter of 2015 (35,000 sq m). The vast majority of new supply was completed in the Central Business District: Atrium 2 (20,200 sq m), Prime Corporate Center (20,100 sq m), the Kró.LEW.ska building (5,400 sq m) and alongside Jerozolimskie Ave.: Eurocentrum Office Complex - Delta (25,000 sq m) and Astrum Business Park (22,600 sq m).

At the beginning of 2016, the developers' activity increased as they commenced construction works in several large-scale office projects: Sienna Towers (74,000 sq m) by Ghelamco, II phase of office complex developed by HB Reavis – West Station II (37,000 sq m) or D48 (25,000 sq m) by Penta Investments. Consequently, at the end of the first quarter of 2016, approximately 707,000 sq m was under construction, of which the vast majority was located in the Central Business District (261,000 sq m) and in the Bliska Wola area (117,000 sq m). If the projects under construction are completed in line with the developers' plans, 2016 may be exceptional in terms of annual new supply as at least an additional 300,000 sq m of office space is scheduled to be delivered to the market within the next three quarters.



ATRIUM GARDEN, DEKA IMMOBILIEN

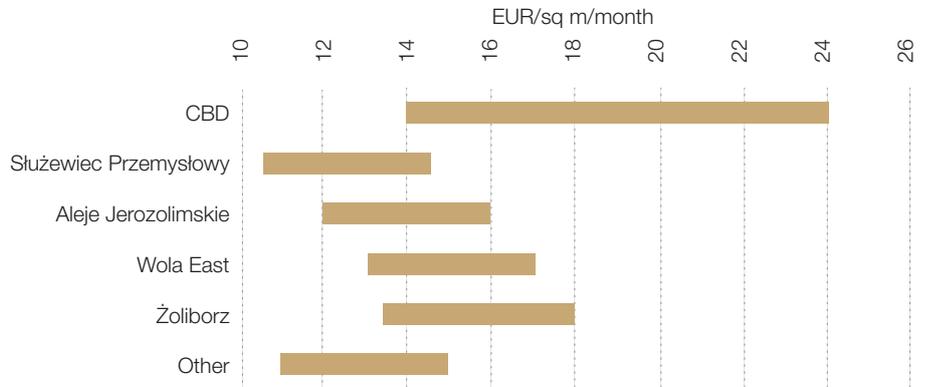
CHART 1
Vacant space by location (sq m)
Q1 2016 vs. Q1 2015



Source: Knight Frank, PORF



CHART 2
Asking rents by location
 Q1 2016



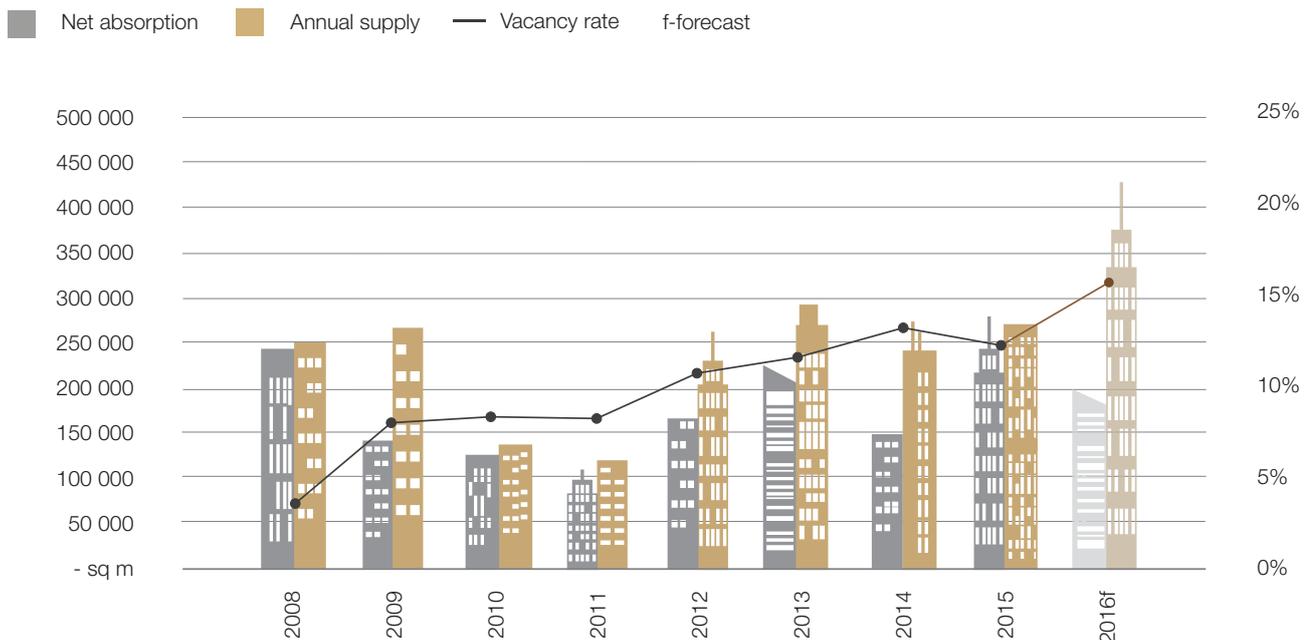
Source: Knight Frank

Between January and March 2016, tenants in Warsaw leased over 138,000 sq m of office space. The agreements in existing buildings accounted for 42% of the take-up volume, pre-lease agreements represented 26%. The remaining share of transactions volume constituted renewals – 26% and expansions – 6%. In the first quarter of 2016, the volume of lease transactions was twice as low as the last quarter but was comparable to the volume recorded in Q1 2015.

In the first quarter of 2016, the vacancy rate in Warsaw increased by 1.9 pp. and accounted for 14.1% (16.3% of rentable stock). The rentable vacant space amounted to 670,000 sq m, of which 32% was offered in Służewiec Przemysłowy and some 30% in the Central Business District. It is a result of a high volume of new supply of which barely 50% was pre-leased by the completion date, and numerous relocations of tenants to new buildings. Consequently, a slight decrease of

asking rents was observed in the Warsaw office market over last months. In Q1 2016, the asking rents for office space in premises located in the CBD ranged between EUR 14 and EUR 24/sq m/month, while asking rents in buildings outside the city centre were quoted at EUR 10.5-18/sq m/month. Effective rents remained lower than the asking rents by 15-25%.

CHART 3
Net absorption, annual supply and vacancy rate
 2008 - 2016f



Source: Knight Frank, PORF

OFFICE MARKET IN REGIONAL CITIES

After a successful 2015, Q1 2016 as expected brought a continuation of dynamic development of office market in regional cities. Due to record-breaking developers' activity, competition between office buildings owners is strengthening. However, thanks to a strong demand, office market in most of the cities remain in equilibrium, although there's been an increase in space availability.

Total office stock in major regional markets:

3.25 m sq m

Office space under construction:

770,000 sq m

Office space leased in Q1 2016:

100,000 sq m

Increase of vacancy rate when compared with end of 2015:

1.5 pp.

Within the first three months of 2016, in six major regional office markets (Kraków, Wrocław, Tricity, Katowice, Poznań, Łódź) approximately 100,000 sq m of new office space offered in 10 schemes was delivered to the market. The largest volume of 43,000 sq m in 3 schemes was completed in Tricity. Kraków ranked 2nd with new supply amounting to 34,000 sq m in 4 schemes. Additionally, office stock in regional markets increased by 1 building in Wrocław, Katowice and Poznań. The largest completed developments were 2 office buildings by Echo Investment: Tryton Business House (21,300 sq m) in Gdańsk and 1st stage of O3 Business Campus (19,200 sq m) in Kraków, C200 (17,000 sq m) developed in Gdańsk by Eurostyl and Kaufland HQ (16,000 sq m) in Wrocław.

Besides the significant volume of new supply, high developers' activity is reflected also by a number of office schemes under development. At the end of March 2016, in major regional markets over 770,000 sq m of office space was identified at the construction stage, of which approximately 720,000 sq m will be rentable. Almost 40% of office space under construction is located in Kraków, and some 24% is situated in Wrocław. It is expected that

the current year is likely to be record-breaking in terms of new supply. According to developers' schedules, by the end of 2016 construction of 410,000 sq m of office space may be completed and a further 290,000 sq m should be delivered to the market in 2017.

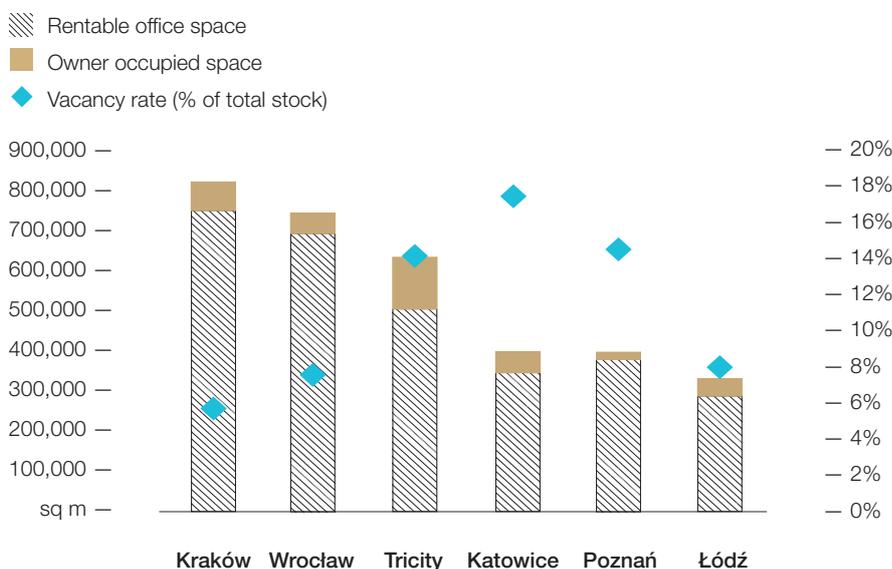
Office buildings in regional cities still attract tenants attention. Within the first 3 months of 2016, in six major regional markets lease agreements amounting to nearly 100,000 sq m were signed, which constitutes 26% of the average annual take-up in the last 5 years. In the last quarter Kraków once more became a leader in terms of take-up with approximately 40,000 sq m of space leased.

At the end of Q1 2016, in six major regional markets some 335,000 sq m of modern office space was available for lease, which constituted 10.3% of total stock and 11.6% of rentable stock. The vacancy rate increased by 1.5 pp

compared to the previous quarter. It was mainly the result of a significant volume of new supply, which was not fully leased at the moment of delivery to the market. The lowest vacancy rate is still noted in Kraków – 5.7% of total stock (6.2% of rentable stock) and the highest in Katowice – 17.4% of total stock (20.3% of rentable space). Taking into account significant volume of space under construction, an increase in the vacancy rate is expected in all analysed markets.

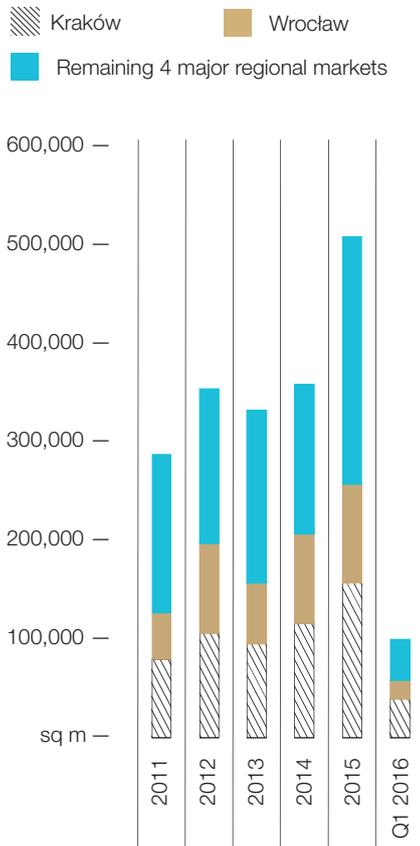
Asking rents for office space in regional cities remain stable. At the end of March 2016, the lowest rates were recorded in Łódź – EUR 10-13 per sq m per month, and the highest were noted in Wrocław between EUR 10 and 15 per sq m per month. According to Knight Frank's estimates, effective rents remain 10-15% lower than asking rents.

CHART 1
Office stock and vacancy rate in major regional markets
Q1 2016



Source: Knight Frank, PORF

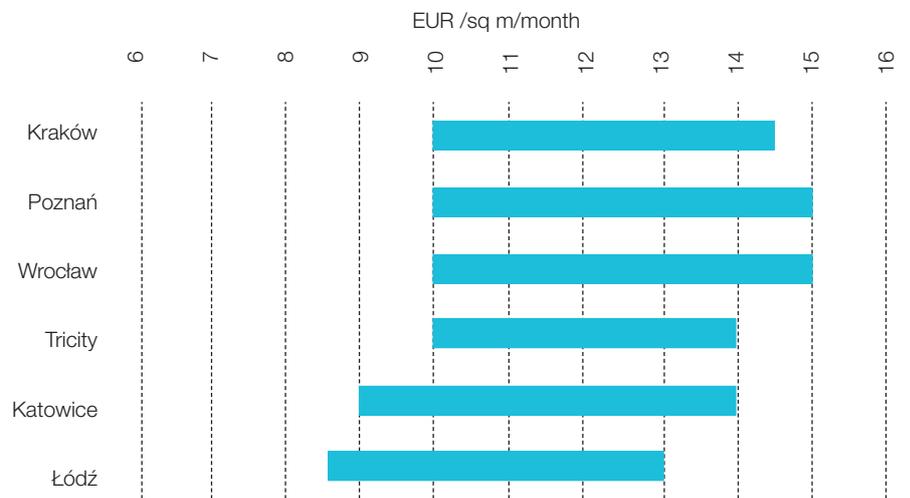
CHART 2
Take-up volume in major regional office markets (sq m)
 2011 - Q1 2016



Source: Knight Frank, PORF



CHART 3
Asking rents in major regional office markets
 Q1 2016



Source: Knight Frank, PORF

RETAIL MARKET

The first quarter of 2016 has passed quietly in the Polish retail market. Only two schemes were completed, one of which was the expansion of an existing centre. Due to increasing retail saturation and subsequent competition, developers still lean towards the redevelopment and extensions of older shopping centres.



After an exceptionally intensive last quarter of 2015 in terms of new retail supply (582,000 sq m), the first quarter of 2016 was relatively quiet. Only one new shopping centre was opened – Galeria Glogovia in Głogów (21,000 sq m) and one extension of next phase of Atrium Promenada in Warsaw (3,500 sq m) was completed. As a result, the total retail stock amounted to 10.9m sq m (including three retail formats: shopping centres, retail parks and outlet centres). In the 8 major agglomerations there were located 5.9m sq m of retail space, while in the medium-sized cities (100,000-400,000 inhabitants) approximately 3m sq m and the remaining 2m sq m was situated in the small-sized markets (below 100,000 inhabitants).

At the end of Q1 2016, the saturation ratio of shopping centres stock amounted to 240 sq m/1,000 inhabitants in Poland. The level was higher than the average ratio for Europe, but was still below the average for the Western Europe countries. The highest saturation ratio was recorded in the Wrocław Agglomeration (770 sq m/1,000 inhabitants) and Poznań Agglomeration (750 sq m/1,000 inhabitants). Taking into account supply under construction in these markets, it is expected that they will maintain their leading positions.

At the end of Q1 2016, there was approximately 670,000 sq m of retail space under construction in Poland – 100,000 sq m less than in Q1 2015. Over 80% of this space will be delivered to the major agglomerations thanks to several large-scale shopping centres, exceeding 60,000 sq m each. The vast majority of remaining space, approximately 109,000 sq m is located in the small-sized cities. These are i.e.: Galeria Aviator in Mielec (26,000 sq m) and Galeria Tomaszów in Tomaszów Mazowiecki (16,000 sq m). The only exception being under construction in the medium-sized market is Kalinka Retail Park in Kalisz (8,000 sq m). Increasing competition in the retail market tends to lead to developers adapting their older shopping centres to the current trends with modernisations and expansions of new

Only:

24,500 sq m

completed in Q1 2016

Supply under construction (80% located in major markets):

670,000 sq m

Retail space saturation:

240 sq m / **1,000** inhabitants

functions, i.e. entertainment and catering. At the end of Q1 2016, ten retail schemes totalling 80,000 sq m were under expansion in Poland.

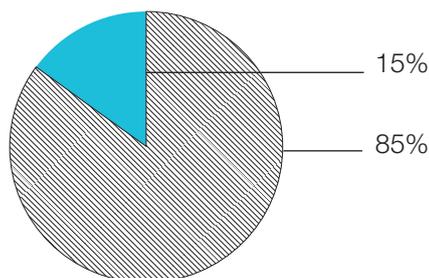
According to the developers' schedules, approximately 60% of the total stock under construction will be completed in Q2-Q4 2016. This means, that the annual supply in 2016 may be 30% lower than in the previous year. The remaining space, mainly large-scale shopping centres, will be delivered in 2017.

Moreover, the increasing ratio of retail space saturation in Poland and growing share of e-commerce sector (according to the PMR Research agency, e-commerce sector valued at over EUR 30bn constitutes 5% of the retail trade), developers are leaning towards looking wider in the retail sector. Consequently, in Warsaw investors have embarked on unique mixed-use retail projects combining several functions (i.e. Centrum Praskie Koneser and Hala Koszyki under construction or planned ArtN).

In Q1 2016, several new brands have had their debut in the Polish retail market, among others Tallinder – the premium brand of LPP Group opened its first store in Galeria Bałtycka in Gdańsk and Skechers in Galeria Mokotów in Warsaw.

CHART 1
Retail space under construction by format
Q1 2016

- retail parks
- shopping centres



Source: Knight Frank

CHART 2

Selected largest retail projects under construction

Q1 2016



Source: Knight Frank

Headline rents for prime retail units (below 100 sq m) in prime shopping centres recorded an upward trend. Warsaw is still the most expensive market in Poland, the rents in the city exceeded EUR 150/sq m/month. Lower prices are noted on high streets but the majority of prime units are leased. In the regional markets the rents are usually lower

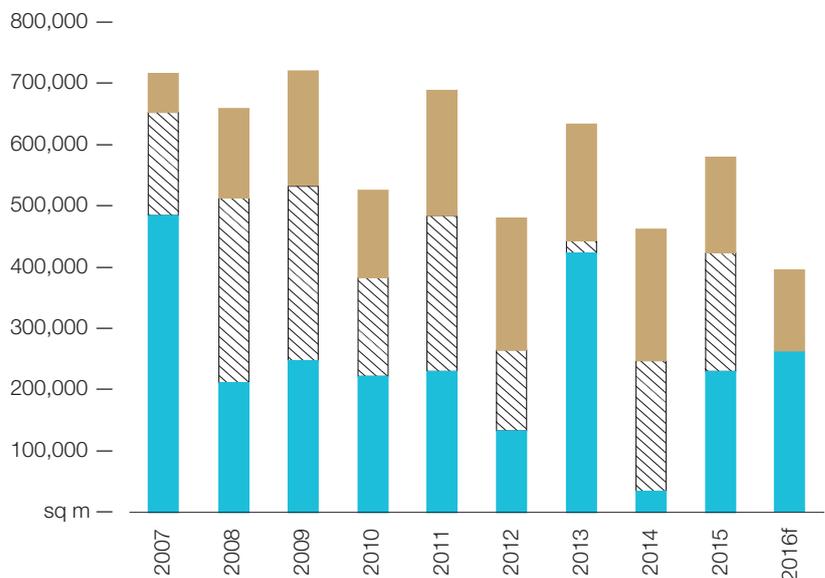
and depend on a number of factors, e.g. tenant brand, the size of the unit and its location within a project.

CHART 3

Annual retail supply by location (sq m)

Q1 2016

- small markets (< 100,000 inh)
 - medium markets (100,000 - 400,000 inh)
 - 8 major agglomerations
- f - forecast



Source: Knight Frank

INVESTMENT MARKET

In contrast to the record-breaking last quarter of 2015, Q1 2016 ended with a slight volume of transactions concluded in the commercial real estate market, reaching a level of EUR 0.5 bn. On the other hand, it was 15% more than in the same period previous year.

Invested in Q1 2016:

over EUR **0.5** bn

Share of office deals in total transaction volume:

45%

Yields compression in all sectors

In the first quarter of 2016, 45% of the total volume of concluded transactions was signed in the office sector, while the acquisition of industrial properties made up 30% and the share of retail sector accounted for 25%.

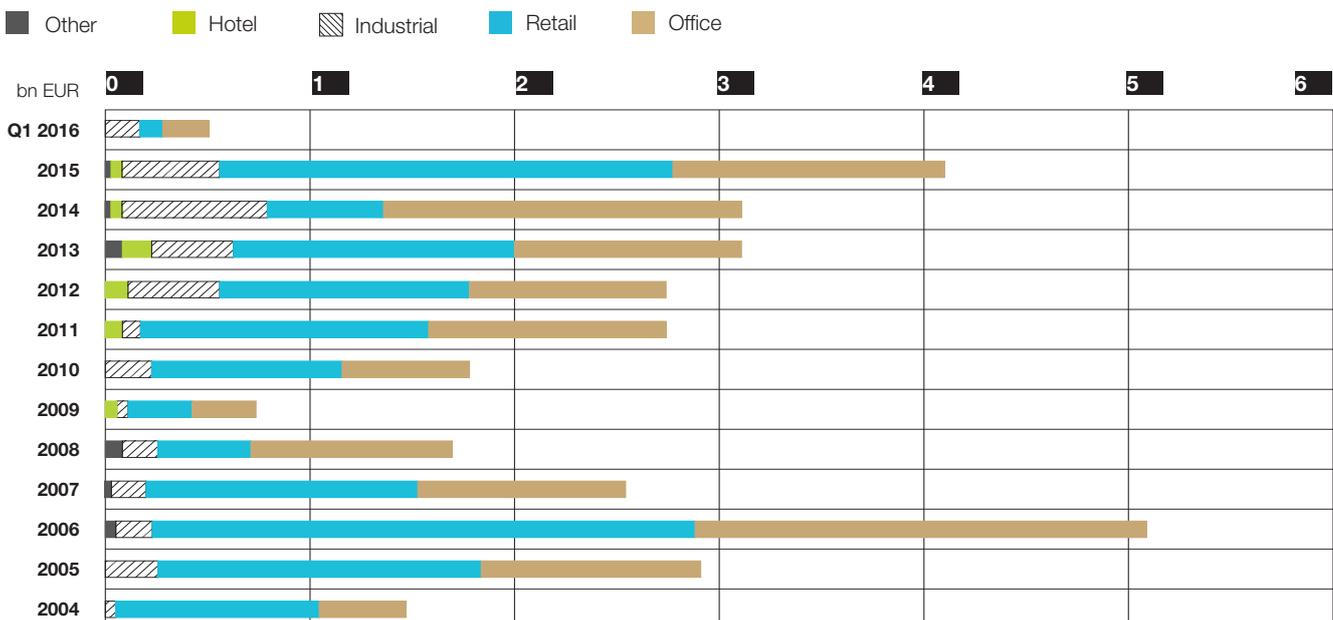
The contracts in the office sector in Q1 2016 amounted to EUR 225 m, most of which were concluded in the regional markets. The largest were the acquisitions of two schemes in Gdańsk, Alchemia II purchased by PHN and Allcon Park acquired by Intel. Substantial investment volume represented also deals of Benson Elliot Sharow Capital fund which purchased three properties, Forum 76 in Łódź, Opera in Gdańsk and Okrażlak & Kwadraciak in Poznań. There was only one transaction finalised in the Warsaw office market, the acquisition of Warsaw Corporate Centre by Valad for EUR 23 m. Taking into account the unrelenting investors' interest of

Warsaw office market and the significant new supply scheduled by the end of 2016, a recovery of the investment market in the Polish capital city might be expected.

However, the latest transactions concluded in the Warsaw office market were signed with the prime yields between 6.00%-6.50%, it is expected that pending transactions will be closed at significantly lower yields. The situation is also dynamic in the regional markets with the considerable difference between the historical yields noted at 6.50%-7.00% and the pending deals to be closed at higher prices.

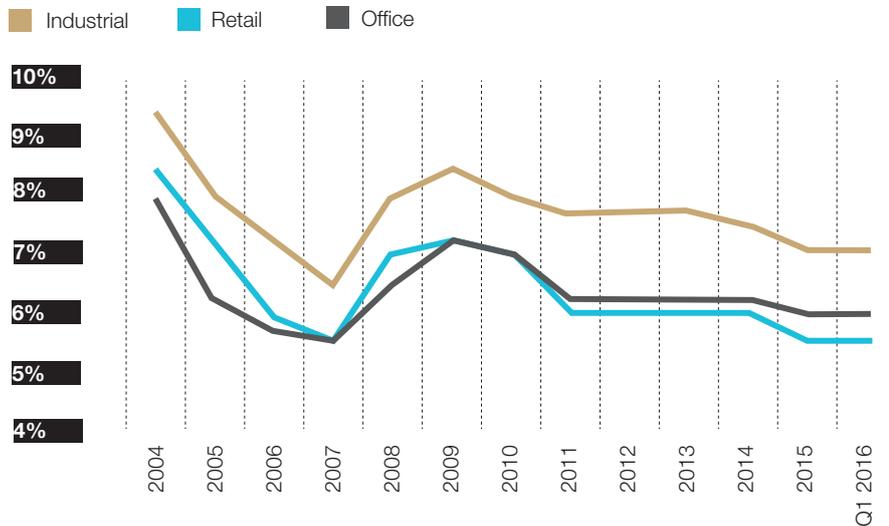
The volume of signed transactions in the retail sector in Q1 2016 reached more than EUR 129 m, a comparable result to that achieved in the same quarter of 2015. The largest transaction was the Mayland acquisition of

CHART 1
Investment transaction volume
2004 - Q1 2016



Source: Knight Frank, IRF

CHART 2
Prime yields
2004 - Q1 2016



Source: Knight Frank, IRF

CH Krokus sold by Valad Europe for EUR 60 m and the purchase of Galeria Corso in Świnoujście by First Property Group for EUR 24 m. Furthermore, there were several smaller sales contracts in the retail sector in Poland, including the purchase of three Alma schemes by Skarbiec TFI (in Kraków and Warsaw) and the acquisition of two Praktiker schemes by Leroy Merlin (in Piła and Wrocław).

Prime yields for retail facilities remained stable and were noted at the level of 5.50%.

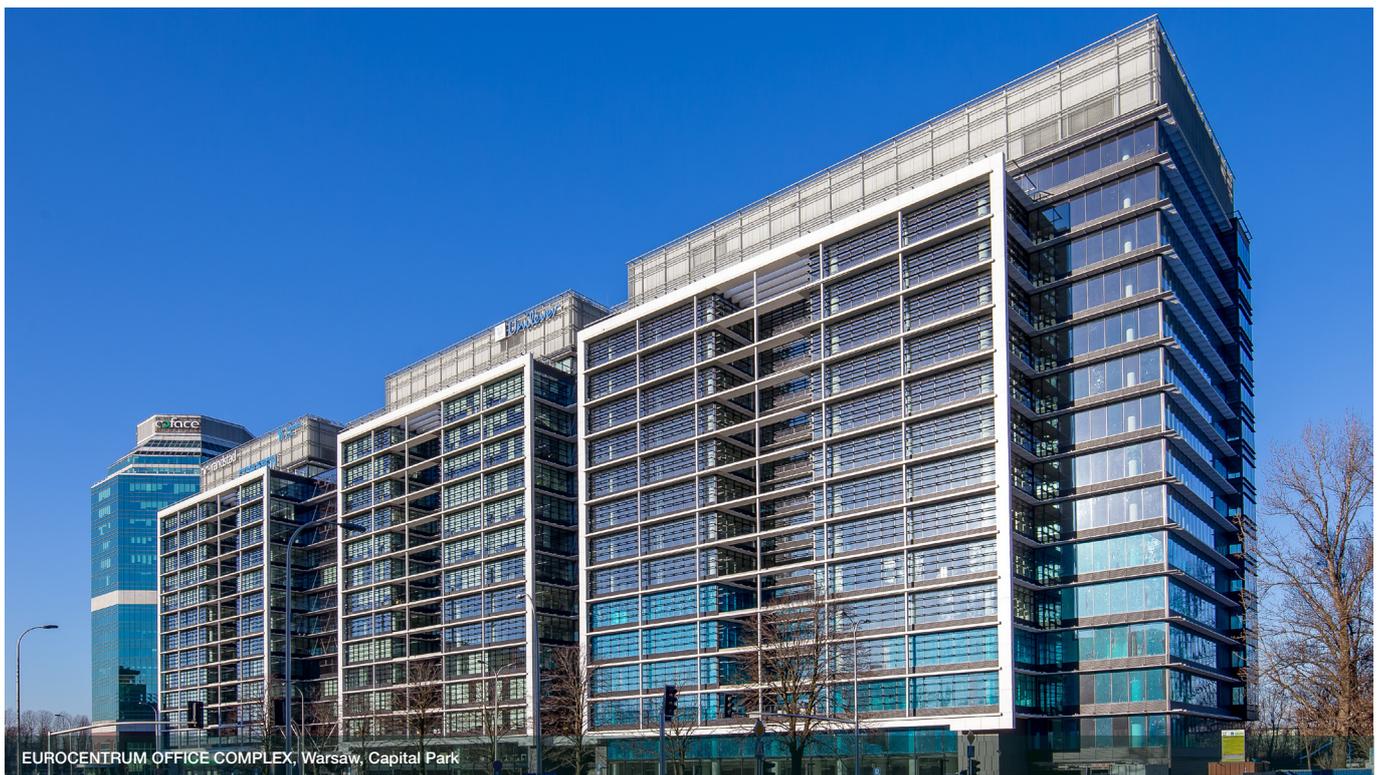
The boom in the warehouse market in Poland encourages investors to allocate their capital in that segment. However, due to the limited number of properties for sale, the volume of industrial transactions remained fairly stable, at the same level as in the first quarter of 2015, reaching nearly EUR 150 m. The largest

finalised deal was the acquisition of second Amazon warehouse in Poznań (after acquiring the Amazon scheme in Wrocław) by GLL, closed with the record low yield.

Prime yields for the best class industrial properties fluctuate around 7.00% and the most sought-after assets are still portfolio assets.

Despite the relatively low volume of investment transactions closed in the first months of the year, investment results in 2016 might be as favourable as in 2015. What is worth indicating is the largest investment transaction in Poland and CEE countries of sale of 75% share in the Echo Prime Properties portfolio, valued at over EUR 890 m. The purchaser of 18 properties is Redefine Properties, the South Africa investment fund. The transaction is expected to be closed in Q3 2016. Another example of preliminary transaction is the purchase of Prime Corporate Centre office building, being acquired by Warburg-HIH and sold out by Golub GetHouse, which is the new headquarter of Raiffeisen Polbank.

Currently, a further increase of purchase prices for the best assets is expected in both Warsaw and regional markets.





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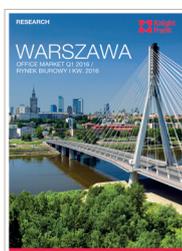
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