

GENERAL OVERVIEW

Tri-City is an urban area consisting of Gdansk, Gdynia and the tourist resort Sopot. Its core area is Gdansk with 459,000 residents, followed by Gdynia (258,000 inhabitants) and Sopot (40,500). The whole urban area encompasses some 1.25 million people, including Rumia and Pruszcz Gdanski. Tri-City is the fifth most populated area in Poland after Katowice conurbation, Warsaw, Lodz and Krakow.

Tri-City is an important centre of the economic, scientific, and cultural life, and a popular tourist destination. For centuries it has played a key role in the trade between northern and western Europe on the one hand, and central and eastern European countries on the other hand.

Today, Tri-City offers a well-developed business infrastructure and highly qualified labour force. However, when comparing the number of new investments, for a long time Tri-City was lagging behind other regions in Poland. The situation is changing as it is turning into a modern, knowledge-based economy. The fastest developing industries of the region are tourism and business services.

OFFICE STOCK

The modern office space supply in Tri-City is estimated at over 351,000 sq m. This makes Tri-City the fourth largest market in Poland – preceded by Warsaw, Krakow and Wroclaw. However, the modern office density index is very low – there is only 67 sq m available per one company (over 10 employees) based in the region.

More than 60% of the office stock is located in Gdansk. It focuses primarily on three locations: Central Train Station with lower class, refurbished office high-rise buildings (Organika, Zieleniak), Wrzeszcz & Oliva districts (along Grunwaldzka St.) and Firoga district (in the vicinity of the airport).

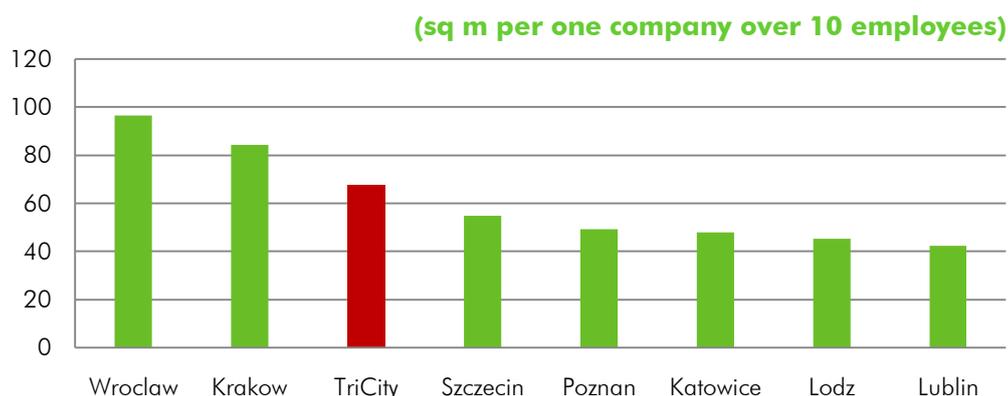
Office buildings in Gdynia are located along the main road leading to Gdansk – Morska / Slaska / Zwyciestwa Streets. Smaller blocks are close to Swietojanska Street – the city’s high street. Business park facilities are being built along Luzycka Street.

Sopot remains a city with the smallest contribution to the total office stock in the agglomeration. Office space is typically located in villas occupied by local companies. Some office space is also offered in the buildings scattered around the centre.

General Outlook

	Tri-City	Average Regional Cities
Population ('000)	746	600
Unemployment Rate	5 %	6%
Average Gross Salary (EUR)	1,034	900
Modern Office Stock ('000 sq m)	350	300
Under Construction ('000 sq m)	60	40
Vacancy Rate	11 %	11%
Prime Asking Rents (EUR/sq m/month)	13 – 16	12 – 16
Average Rents (EUR/sq m/month)	11 – 13	10 - 14

MODERN OFFICE DENSITY IN POLISH CITIES



SUPPLY

The first substantial office project – Baltic Business Center was built in Tri-City back in 1995 by an Austrian construction company Ilbau. The bonanza years came after 2000 when numerous projects were delivered, including headquarters of Grupa Lotos – a first projects with more than 20,000 sq m of office area.

The market reached a climactic point in 2008. In this year around 55,000 sq m of office space were delivered in ten separate projects. The most distinctive schemes today are Arkonska Business Park in Gdansk and Luzycka Office Park in Gdynia.

Total supply of modern office space in Tri-City exceeded 351,000 sq m by the end of 2010. Currently there is around 60,000 sq m of office space under construction in Tri-City. The largest new buildings under construction include Olivia Business Center - Olivia Gate developed by TPS (16,000 sq m) and Twin Wave Garnizon from Hossa Investment (10,000 sq m). The characteristic of the Tri-City office market is the predominance of local developers such as Allcon Investment, Hossa Investment, Torus and TPS.

NEW OFFICE DEVELOPMENTS

Although the position of the local developers remains strong, many global players are approaching. This could be attributed to the fact that the demand for the high quality modern office space is on the rise. The largest new projects in 2012 include second phase of Olivia Business Centre, Granary Island Business Centre and Opera Office. Those projects will add about 38,000 sq m of new office space in Gdansk.

Among new significant additions to the market in 2013 there are office projects from Echo Investment - Tryton (23,500 sq m), from Hines (14,500 sq m) and from Torus - Alchemia (21,000 sq m).

In the whole Tri-City region there is a large availability of post-industrial, development land, including the former shipyard in Gdansk and in Gdynia. The sites are usually conveniently located, with a good accessibility. In the future, those areas will be redeveloped into successful business parks. At the moment the total planned office space is over half million sq m. At the moment, for the companies looking for a 4,000 sq m office, there are eight immediate options (including buildings under constructions) and further three till end of 2012.

Major Existing Business Parks

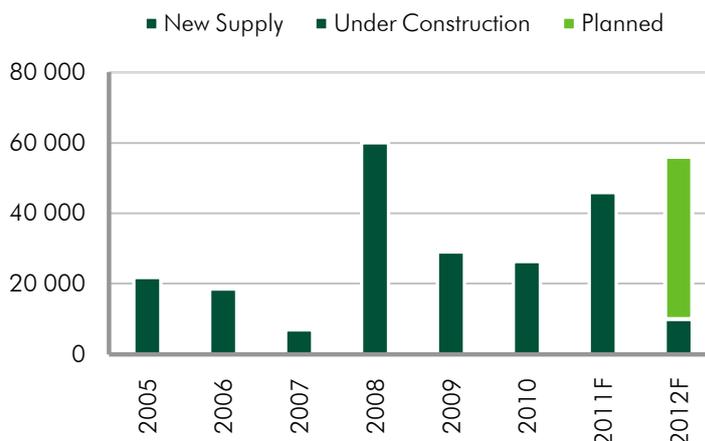


Arkonska Business Park



Luzycka Office Park

Office Supply in Tri-City



Office Schemes Under Construction



Olivia Business Centre



Twin Wave Garnizon

Office Schemes Planned

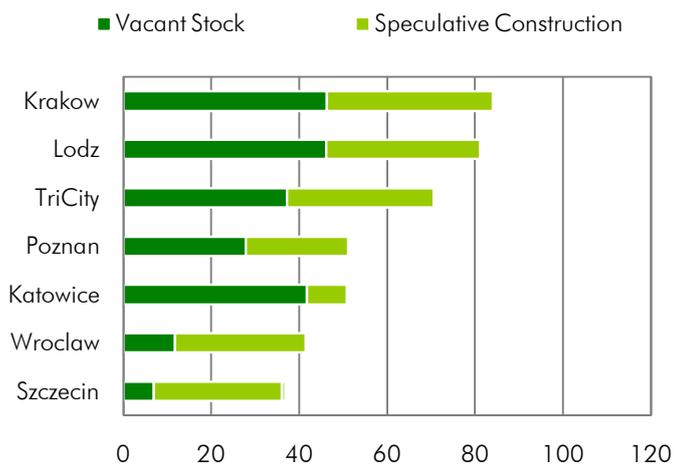


Opera Office

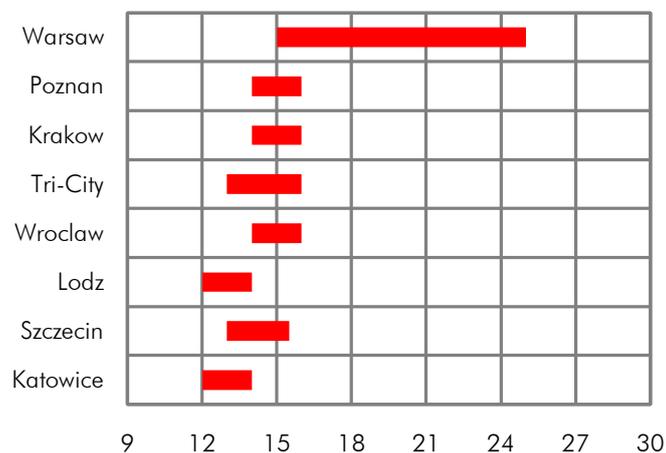


Alchemia

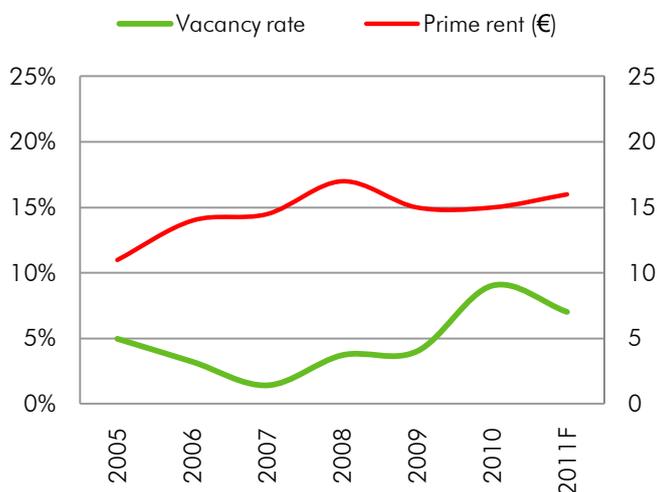
Office Availability in Major Cities ('000 sq m)



Office Prime Rents (EUR/sq m/month)



Vacancy Rates (%) and Rents (mth/sq m) in TriCity



OFFICE DEMAND

Until 2006 the total annual take-up in Tri-City was oscillating at the level of 10,000 sq m. In 2007 this volume increased to 20,000 sq m. Many BPO (business process offshoring) tenants like First Data Global Services, ZenSar, Kainos VTS and Nordea Bank, who decided to lease the office space for their operations in Poland, moved to Tri-City.

2008 was a record-breaking year in the Polish real estate market. During that time Tri-City has seen a record take-up volume of over 55,000 sq m. In 2009, despite the economic slowdown, the interest in the Tri-City market maintained the high level. Companies like Young Digital Planet, Intel Technology or Compuware decided to renew their lease agreements and expand the size of occupied premises.

The overall demand in 2010 was estimated at the level of 35,000 sq m. Low take-up level in 2010 is the result of last year's economic troubles of potential tenants – companies suspended strategy plans, stopped relocation. In 2011 this situation is expected to improve. A number of corporations asks for Tri-City in order to establish there a service or a research & development centre.

The net absorption in 2010 was estimated at around 16,200 sq m what indicates a sharp increase, as in 2009 it was negative.

VACANCY

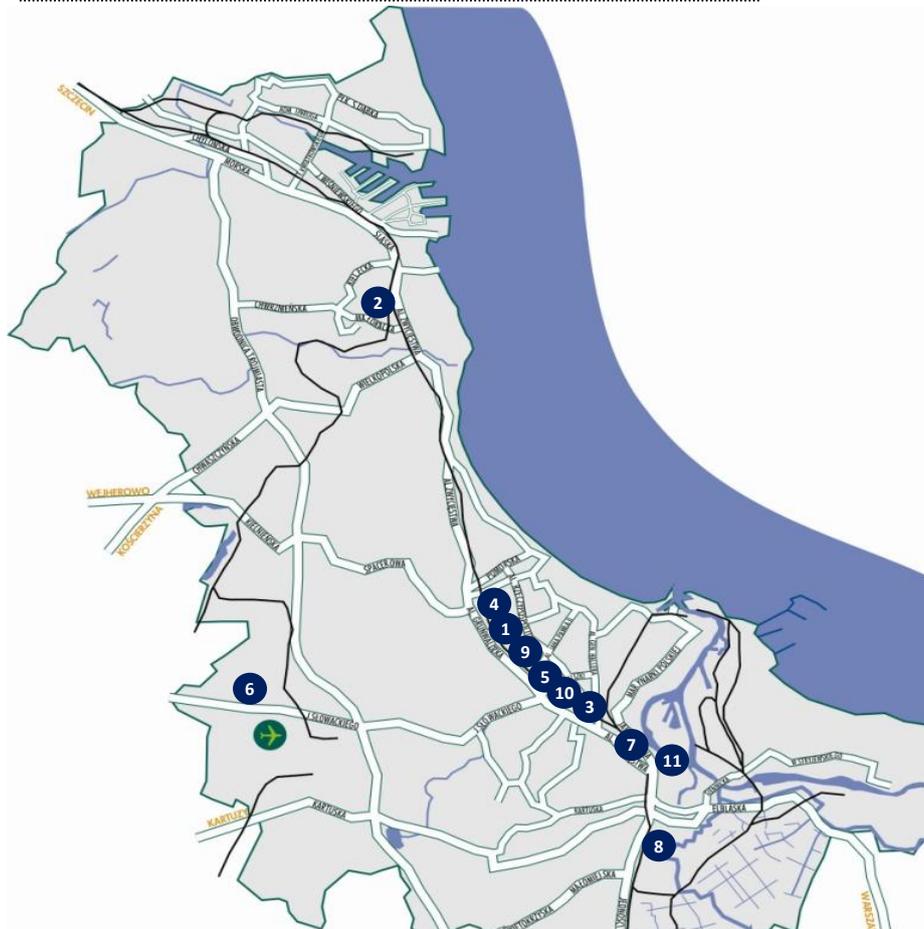
The vacancy rate in all modern buildings in Tri-City, including owner occupied ones stood in 2010 at around 9%. This means around 40,000 sq m available for immediately in total. It was generated mostly by vacant B class office space and recently delivered projects that are not fully leased. This space should be quickly absorbed by the growing BPO sector in the city.

OFFICE RENTS

Prime asking rents for high quality office buildings in Tri-City have been quite stable. At the moment they range between EUR 13 and 16 /sq m/month. The average rents in the region vary from EUR 11 and EUR 13.

We expect an upward trend in Tri-City within the next 18 months.

MAP OF EXAMPLE OFFICE DEVELOPMENTS IN TRI-CITY



No	Project	Office Space (sq m)	Status
1	Business Park Arkonska	27,000	Existing
2	Luzycka Office Park	22,000	Existing
3	Office Island	5,700	Existing
4	Olivia Gate & Olivia Offices	32,000	Under Construction/ Planned
5	Biurowiec Twin Wave Garnizon	10,000	Under Construction
6	BCB Business Park	53,700	Completion in 2012
7	Opera Office	7,000	Completion in 2012
8	Granary Island BC	6,700	Completion in 2012
9	Alchemia	21,000	Completion in 2012/2013
10	Neptun Office	14,500	Planned
11	Tryton	22,000	Planned

Standard Lease Terms

RENT PAYMENT:	Rent is paid in a PLN and often denominated in EUR. Rent is quoted on a monthly per square meter basis, and paid monthly in advance, yearly indexed by CPI Index. VAT Tax 23%.
SERVICE CHARGES:	Service charges are paid in a PLN, quoted on a monthly per square meter basis, standard EUR 3 – 4 per sq m per month
FIT OUT OF SPACE:	Landlord normally provides a standard fit out including carpets, suspended ceilings, air-conditioning in an open plan area. Landlords are more and more open to offer full fit-out.
LEASE LENGTH:	Fixed. Normal term of a lease is 3 - 5 years at minimum.
OTHER CHARGES:	In most cases, the cost of electricity for power and light within a tenant's space is paid by the tenant through the landlord (via sub meter). The tenant also picks up the cost of telecommunications and insurance costs (Personal Indemnity and for leased property).

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