

Quick Stats Q2 2012

	Change from Q1 2011
Take-up	↗
Completions	↗
Vacancy	↗
Prime Rents	→
Yields	→

Hot Topics

- In H1 2012 the total leasing activity in Warsaw reached a strong level of 298,000 sq m.
- Supply of new office space in H1 2012 increased and totalled around 93,000 sq m.
- The vacancy rate for Warsaw office space amounted to 7.4%, indicating a growing trend.
- Prime headline rents are estimated at the level of EUR 26 - 27/sq m/month in the CBD.
- Prime office yields stabilized at 6.25%.

GENERAL OVERVIEW

The first half of 2012 brought an anticipated slowdown of the Polish GDP growth, which amounted to 3.5% in Q1 2012. According to the latest forecasts it might shrink to the level of 2.6% for the whole 2012. The deceleration is associated with the fiscal problems of many EU economies. Nevertheless, the Polish GDP growth remains relatively high in comparison to other countries in the region.

The unemployment rate in the whole country amounted to 12.6% in May, indicating a downward trend.

The demand for modern office space remains strong. The leasing activity in H1 2012 totalled 298,000 sq m, slightly less than in the corresponding period last year. We expect the take-up of office space in 2012 to be at similar level as in 2011.

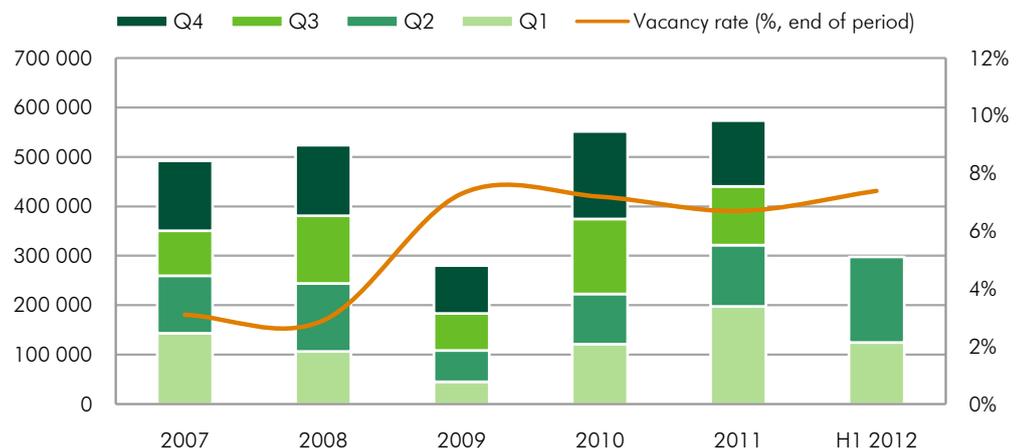
Currently, as much as 700,000 sq m in 39 schemes is being developed in Warsaw with 184,000 sq m scheduled for delivery by the end of the year. 70% of the office space in Warsaw is constructed on speculative basis.

The average vacancy rate for Warsaw office space amounted to 7.4% at the end of H1 2012, which means a 70 bps increase in comparison to the 2011 year end. In total, there is 274,000 sq m of available space. Vacancies are relatively high in the Lower South (14%) and Eastern zone (9%). Due to the increasing number of speculative projects being delivered to the market, the vacancy rate might maintain the increasing trend in the upcoming quarters.

Due to the persistent uncertainty in the EU, the predictions concerning market performance are vague. However, based on the number of enquiries, it can be anticipated that the upward trend in terms of the demand for modern office space in Warsaw should be carried well into the second half of 2012.

Nevertheless, due to a clear acceleration of modern office space supply and a depreciation of the PLN against the EUR, a rental level increase can be expected only in the CBD, where the supply is relatively limited.

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



SUPPLY

By the end of H1 2012 modern office stock reached almost 3.7 million sq m, of which 33% is located in the City Centre. Recently completed projects are located mostly in the City Centre, Upper South and Lower South zones. The largest project of H1 2012 was the second phase of Polezki Business Park (21,000 sq m). Significant schemes delivered in Q2 2012 include Platinum Business Park V and Ufficio Primo.

In response to an upswing of demand, observed especially in pre-let transactions, the amount of modern office space under construction has increased. Currently, it amounts to 700,000 sq m, which is some 20% of the existing stock. Over 50% of the constructed office space in Warsaw is generated by 8 biggest schemes. The growing amount of office space under construction might exert a negative pressure on the average rental level and a further growth of vacancy rate in the long term, as 70% of office space in Warsaw is being constructed on the speculative basis.

LEASING ACTIVITY

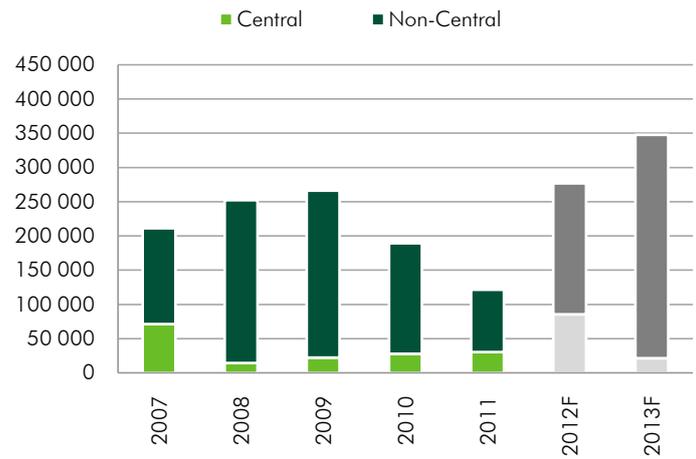
The total volume of leasing transactions in H1 2012 amounted to almost 298,000 sq m, which is 7% less than in the corresponding period of 2011. The market is still dominated by leases below 1,000 sq m, however, H1 2012 saw 9 deals above 5,000 sq m.

Throughout 2012 tenants were particularly attracted to office space in the Upper South zone, where almost 47% of the total office space was leased. A significant share of tenants' activity was also registered in the fringe of the City Centre and the South West zone.

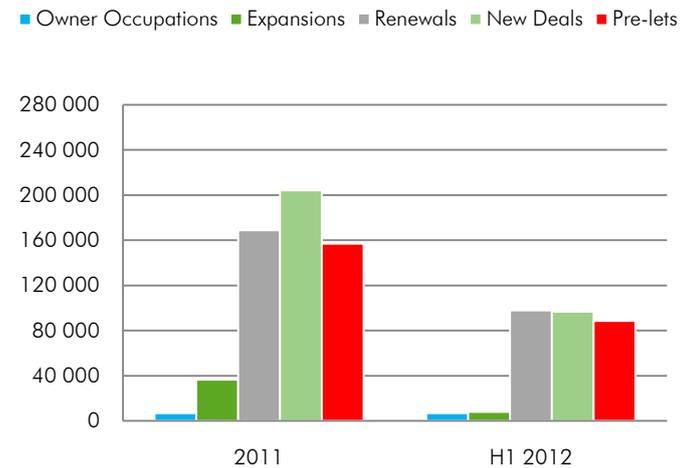
As in previous periods, demand was generated mainly by companies from the Business Services and Manufacturing & Energy sectors. A large share of leased space was renegotiated (33%), while 32% of the take-up was newly occupied. As much as 30% of the leased space was attributable to pre-lets, indicating a healthy increase in comparison to the level registered throughout 2011, which proves the sanguinity of the demand for modern office space in Warsaw.

In H1 2012, the largest deal was a pre-let transaction signed by PTC in T-Mobile Office Park (27,000 sq m), followed by ING Group's pre-let in Plac Unii (12,100 sq m) and Axel Springer's renegotiation (9,100 sq m) in Trinity Park I.

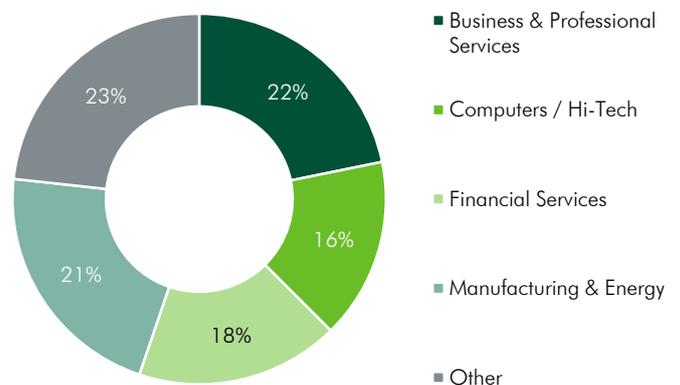
WARSAW OFFICE SUPPLY (sq m)



WARSAW OFFICE TAKE-UP BY TYPE (sq m)



OFFICE TAKE-UP (%) BY SECTOR IN H1 2012



LARGEST BUILDINGS UNDER CONSTRUCTION



Warsaw Spire (CC)



Konstruktorska Business Centre (US)

LARGEST BUILDINGS RECENTLY COMPLETED

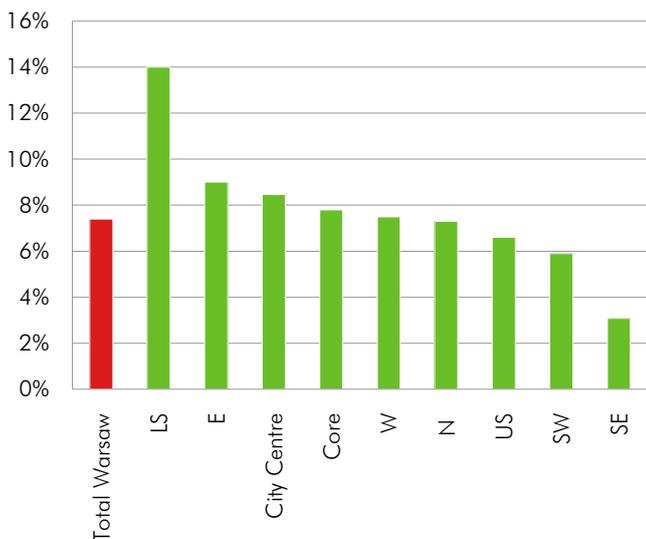


Platinum Business Park V (US)



Poleczki Business Park II (LS)

OFFICE VACANCY RATE BY SUBMARKETS



LARGEST OFFICE INVESTMENT TRANSACTIONS IN H1 2012

Building	City	Price (EUR m)	Estimated Yield (%)	Purchaser
Harmony Office Centre II	Warsaw	54	7.00%	Azora
Arkonska Business Park A3 & A4	Tri-City	25	7.50%	PZU
Marszalkowska 76	Warsaw	23	6.75%	Raiffeisen RE
Prima Court	Warsaw	12	9.00%	Griffin Group

VACANCY

The overall Warsaw office vacancy rate amounts to 7.4%. The majority of the available space is located in the Upper South zone (around 65,000 sq m) and in the fringes of the City Centre (around 62,000 sq m). The Northern zone still suffers from undersupply.

The vacancy rate is expected to retain the growing trend throughout 2012 and 2013, as the number of speculative projects being delivered to the market increases. However, the best office space, located in the most attractive areas, is being quickly absorbed.

RENTS

Prime headline rents are estimated at EUR 26 – 27/sq m/month in the CBD. In non-central locations, the headline rents for the best projects have been relatively stable for a number of years and amount to EUR 15 – 16/sq m/month.

Effective rents are lower by 15% - 20%. Tenant’s position strengthens with a larger amount of leased space and a longer lease length. A wide range of incentives can be negotiated, particularly in the pipeline buildings. Typical offers include a rent-free period as well as a landlords’ contribution to fit-out and other capital costs.

Due to the depreciation of the PLN against the EUR and the recovery in supply, tenants are being put under a greater rental pressure. Therefore, rents might increase only in the CBD, where the supply is relatively limited.

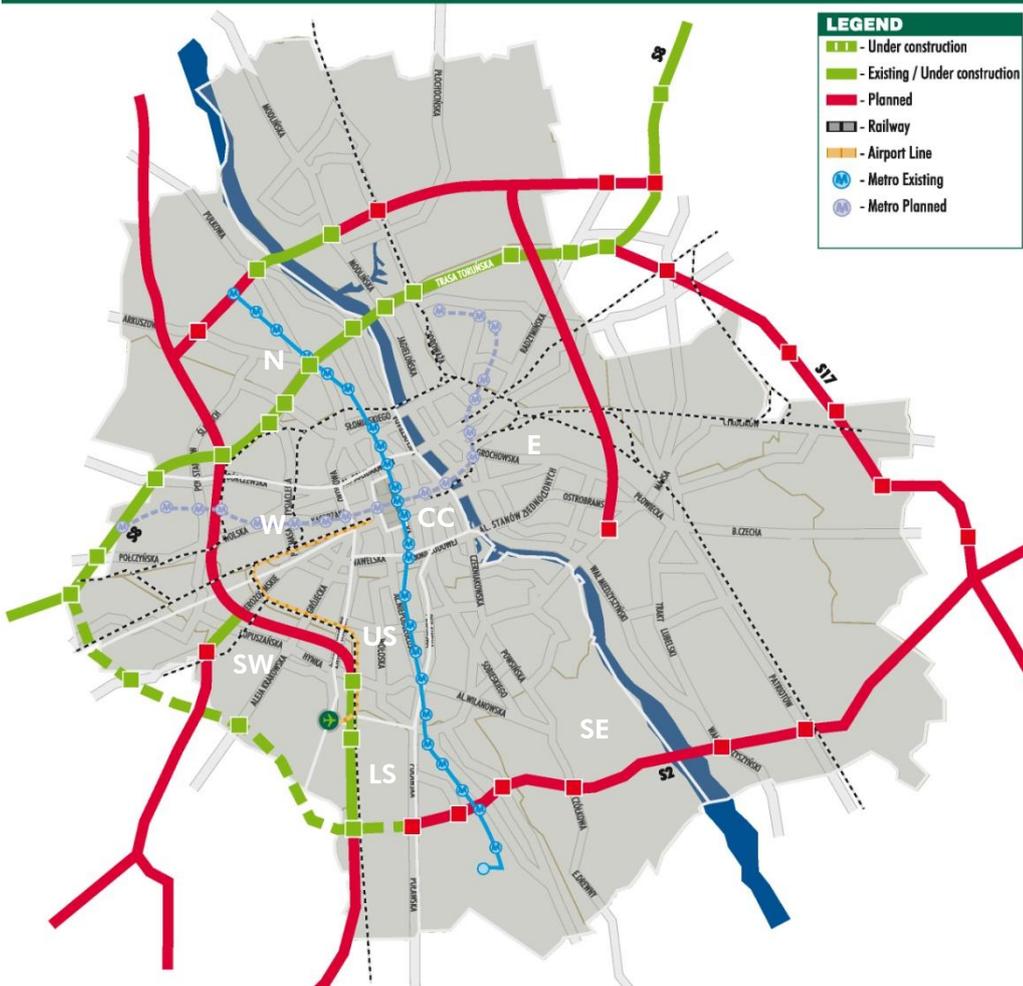
OFFICE INVESTMENTS

Investors’ interest in office products deteriorated in the first half of the year. 2012 saw only 5 office transactions so far with a total value of EUR 140 million. Although the office transaction volume is expected to surge in the second part of the year, the transaction level registered throughout 2011 will be hardly achievable.

The most important office transaction of 2012 was the purchase of the Harmony Office Centre II (EUR 54m) by Azora, followed by Arkonska Business Park A3 & A4 transacted to PZU for EUR 25m.

The prime office yields are estimated at 6.25% and are expected to remain stable in the near future. Yields for secondary office schemes are under upward pressure.

WARSAW - ROAD SYSTEM



WARSAW OFFICE ZONES	OFFICE STOCK (sq m)	VACANCY (sq m)
CENTRAL LOCATIONS		
CBD - Central Business District	492,000	38,200
CC - City Centre Fringe	733,000	62,000
NON-CENTRAL LOCATIONS		
E – East (Praga)	172,000	15,500
LS – Lower South (Pulawska)	176,000	24,700
N – North (Zoliborz)	125,000	9,100
SE – South East (Wilanow & Sadyba)	149,000	4,600
SW – South West (Jerozolimskie & Okecie)	589,000	34,600
US – Upper South (Mokotow incl. Sluzewiec)	984,000	64,800
W – West (Wola)	270,000	20,200
TOTAL	3,690,000	273,700

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