ACCUMULATOR

INVESTMENT MARKET IN POLAND

H1 2007

2007 SO FAR AT A GLANCE

Investment activity has accelerated, amounting to EUR 909 mln in Q2 2007.

Investment volume reached EUR 1.29 bln as at H1 2007.

The retail and office sectors continue to dominate the investment market.

Prime yields remain stable.

The trend of investment churn in the office market continues and an increase in sale & leaseback transactions is expected.

Forward purchasing is becoming prevalent in all sectors.

2007 SO FAR

Investment Volume	↓
Yields	→
Capital Values	↑

EXECUTIVE OVERVIEW

After a slow start to the year, Q2 has seen investment activity accelerate, with €909 million invested into Poland's real estate investment market. This represents a 140% increase on what was invested in the previous quarter and brings total investment volume to €1.29 billion as of H1 2007.

When compared year on year, investment volume has seen a decrease of €180 million. Investor demand, however, remains extremely strong in 2007 although market growth is limited by the lack of available investment product in Poland.

The gap between interest rates and yields, which investors and developers are primarily concerned with capitalising on, continues to narrow and as a result we have seen some of the larger market players move further east where yields remain higher. Interest rates have seen two increases in 2007 and now stand at 4.50%. Despite this increase, rates represent a comparatively low cost of borrowing and the investor influx continues.

The start of the year saw a significant increase in the amount of transactions taking place outside of Warsaw and there is still an evident focus on Poland's regional cities, where it is felt that there is still scope for further yield compression.

Q2 saw the Dutch and Australians enter the Polish investment market and were subsequently the most active investors in the second quarter. Over H1 2007 British investors were the most active, contributing a total of € 250.6 million.

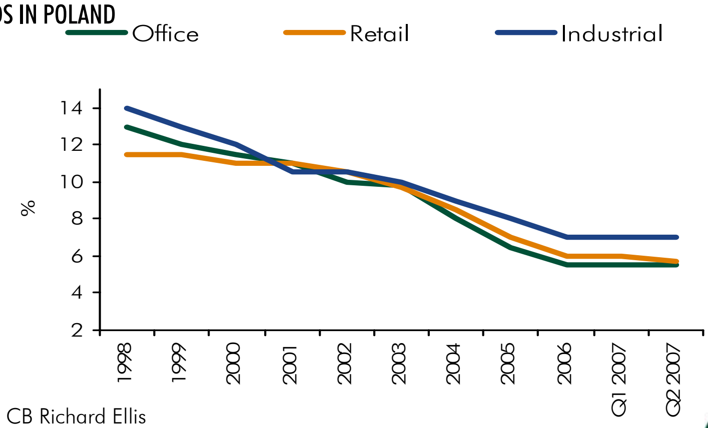
Investor interest continues to be heavily focused on the retail and office sectors, which in Q2 accounted for all investment activity. As at H1 2007, the office and retail sectors collectively accounted for just over 98% of total investment volume, with the industrial sector responsible for the remainder. As at the end of H1 2007, no confirmed transactions have transpired on the Polish hotel market.

After sharp yield compression in 2006, prime yields have shown some stabilisation. Prime yields for industrial warehouse property are in the region of 6.5 - 7% and prime office yields remain at the level of 5.5%. Prime retail yields have shown some compression and were recorded at 5.75% in Q2.

Regional yields are remaining stable, with some transactions for office and retail products exchanging at ca. 6%. Further office yield compression is expected in the regional cities and there is indication that retail yields in the larger cities will transact at sub-6% over the remainder of 2007.

The lack of quality office product continues to encourage the trends of investment churn, forward purchasing and the purchasing of office premises considered to have added value. Similarly, we can expect to see these trends unfold further in the retail sector and also the continued development of other retail formats, such as factory outlets and retail parks as a result of the saturation of the shopping centre market.

PRIME YIELDS IN POLAND



Source: CB Richard Ellis

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MAJOR INVESTORS

Following Poland's EU accession in 2004 the Polish investment market has progressively attracted more international investors, eager to finance purchases due to the low cost of debt.

The gap between interest rates and yields, which investors and developers are primarily concerned with capitalising on, has narrowed and as a result we have seen some of the larger market players move further east where yields are higher. Interest rates have seen two increases in 2007 and now stand at 4.50%, however, with a comparatively low cost of borrowing, new investor influx continues.

The start of the year saw a significant increase in the amount of transactions taking place in the regional cities (62%). In Q2 this figure decreased to 40%, however there is still an evident focus on Poland's regional cities, where it is felt that there is still scope for further yield compression. In particular we expect to see the smaller regional cities, such as Lublin, Białystok and Bytom see increased investor interest.

Polish investors contributed less than 1% to investment volume in Q2, bringing FDI to the level of €1.26 billion as at H1 2007.

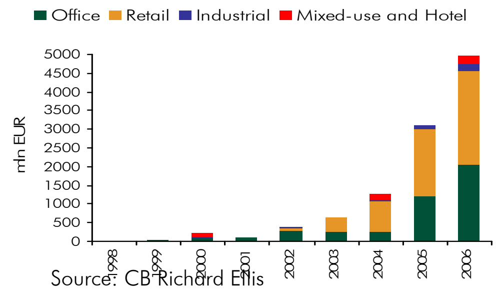
Investor interest continues to be heavily focused on the retail and office sectors, which in Q2 accounted for all investment activity. By the end of the first half of 2007, the office sector was responsible for just over €676 million, representing ca. 53% of investment activity. The retail sector closely followed, accountable for €595 million and the industrial sector has contributed little, representing only 1.5% of the total investment figure as at H1 2007.

Q2 saw the Dutch and Australians enter the Polish Investment market, contributing €238 million and €232 million respectively, making them the most active investors in the second quarter. Australian investors, Macquarie Global Property Advisors, were responsible for the largest transaction witnessed in the first half of 2007, with the purchase of Simon Ivanhoe Portfolio (retail) for €232 million in Q2.

The begining of 2007 saw British investors as the most dominant and in Q2 they continued to be key players on the investment market, investing almost EUR 128 million. Over H1 2007 British investors were the most active, contributing a total of €250.6 million. The British, Dutch and Austrailians were collectively responsible for over 55% of total investment volume in the first half of 2007.

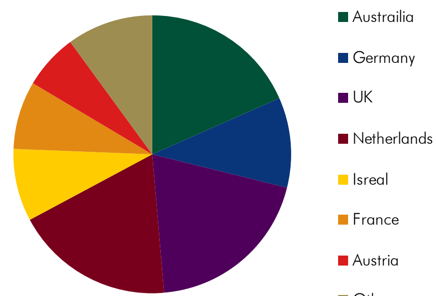
After contributing only 6% to the total amount of commercial investment in Q1, German funds have increased their level of investment activity by investing €112 million in the second quarter of 2007, representing 10.5% of the H1 investment total. French and Israeli investors were active in Q1, but in the second quarter have not been present on the market. American investors, who were extremely active in 2006, continue to remain absent from the Polish investment market in 2007.

INVESTMENT VOLUME BY SECTOR (1998-2006)



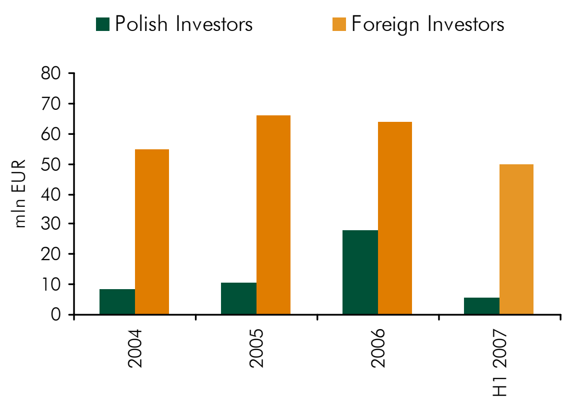
Source: CB Richard Ellis

COMPOSITION OF FOREIGN INVESTMENT IN POLAND H1 2007



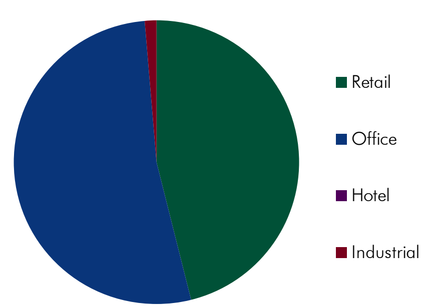
Source: CB Richard Ellis

AVERAGE DEAL SIZE (POLISH INVESTORS vs FOREIGN INVESTORS)



Source: CB Richard Ellis

PROPORTION OF TOTAL INVESTMENT BY SECTOR H1 2007



Source: CB Richard Ellis

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INVESTMENT ACTIVITY BY SECTOR

Retail Market

Although not the dominant property sector in Q2, the retail market remains one of the key sectors of interest, with the sector attributable for €387 million, representing 43% of total investment volume in Q2. As at H1 2007, 8 retail transactions had been concluded worth €595 million and representing 46% of the total amount invested in 2007 so far.

The most notable transaction of Q2 (and of H1) was documented in the retail sector, when the Simon Ivanhoe Portfolio was sold for €232 million. When analysing the second half of 2007, the second largest deal was also concluded in the retail sector and involved the sale of Maximus retail scheme for €104 million in Q1.

Prime retail yields were recorded at 5.75% in Q2. Regional yields are remaining stable at 6% however compression to sub-6% is expected over the remainder of 2007.

The shopping centre market in Warsaw and Poland's other major cities has reached saturation. Therefore we can expect to see the trend of investment churn further unfold in this sector and also the continued development of other retail formats, such as factory outlets and retail parks.

Office Market

In Q2 2007, office investment activity accelerated, with volumes amounting to €522 million, compared to the €155 mln invested in the first quarter. By June 2007, the amount invested into the Polish office sector reached just over €676 million, making it the dominant property sector as at H1 2007.

The start of the year saw the majority of office investment activity transpire in the regional cities. In Q2, however, Warsaw was the main focus of investors, where 60% of investment volume was concluded. All but 1 of the 13 office transactions completed in Q2 were closed in Warsaw, with the most notable transaction being the purchase of Focus Filtrowa by DEGI for €100 million.

Prime office yields on the Warsaw investment market have stabilised at 5.5% after sharp compression over 2006. The lack of quality office product continues to encourage the trends of investment churn, forward purchasing and the purchasing of office premises considered to have added value. Q2 saw the Focus Filtrowa office building sold for the third time since its completion in 2000. The forward purchase of Lipowy Office Park was also concluded, due for completion H2 2008.

Industrial / Logistics Market

Investment funds are considering industrial investment, mainly warehousing, as an attractive option to diversify their portfolio from purely office and retail sectors.

As at H1, only 1 industrial transaction has been recorded worth €17 million. There were no confirmed industrial transactions in Q2.

Investment activity in this sector is, however, still expected to increase substantially in the latter half of 2007 and in the coming years. The industrial market, especially in the Silesia region, Poznań and Wrocław, is becoming more popular amongst developers and tenants, due to improving transport and infrastructure links and also expansion possibilities within parks and select build-to-suit schemes.

Hotel Market

In 2006, the hotel sector was appearing to gain momentum within the Polish property market, with just over €200 million invested by year end. However, as at the end of H1 2007, no confirmed transactions have transpired on the Polish Hotel market.

With investors seeking to optimise their portfolios through diversification the hotel investment market is expected to witness increased interest over the remainder of 2007 and a significant rise over the coming years inline with the hosting of the Euro 2012 championships.

SUMMARY OF INVESTMENT PERFORMANCE BY SECTOR (H2 2006 – H1 2007)

PROPERTY SECTOR	PRIME YIELD (%)	AVERAGE DEAL SIZE (EUR million)	AVERAGE PRICE PER SQ M (EUR)	HIGHEST PRICE PAID PER SQ M (EUR)
Office	5.5	98.8	2 382	6 154
Retail	5.75	47.3	2 314	4 239
Industrial	6.5	18	768	1 164

SIGNIFICANT PROPERTY TRANSACTIONS (H1 2007)

PROPERTY	LOCATION	PROPERTY SECTOR	SIZE (sq m)	PURCHASER
Simon Ivanhoe Portfolio (Q2)	Various	Retail	64 000	Macquarie Global Property Advisors
Maximus (Q1)	Warsaw	Retail	100 000	Sybil Europe Ltd.
Focus Filtrowa (Q2)	Warsaw	Office	32 688	DEGI
Prosta Office Centre (Q2)	Warsaw	Office	20 525	ING Real Estate

Source: CB Richard Ellis

OUTLOOK

- Further compression of office yields in larger Polish cities and stabilisation of prime office yields in Warsaw.
- Stabilisation of prime retail yields in Warsaw and compression in regional cities.
- Investment funds diversifying their portfolios and focusing on industrial and in particular hotel products. Yield compression is also expected in these sectors.
- Rental growth is expected in the coming years, especially in the office sector.
- Increased interest in properties considered to have added value (development or refurbishment potential).
- A significant increase in the number of concluded sale & leaseback transactions.
- Further churn is expected in the investment market due to a lack of quality office product.
- Increasing amount of new investors entering the market especially from the UK, France, Germany and Austria.

POLAND COMMERCIAL REAL ESTATE MAP

Source: CB Richard Ellis

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