

CB RICHARD ELLIS | MARKET VIEW  
**ACCUMULATOR**  
 INVESTMENT MARKET IN POLAND

Spring 2008

**2007 AT A GLANCE**

Investment activity slowed down, amounting only to EUR 3.1 billion in 2007.

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

Prime yields remain stable:

Office: 5.4 – 5.5%

Retail: 5.7 – 5.8%

Industrial: 6.5 - 7%

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.

**2008 OUTLOOK**

Investment Volume 

Yields 

Capital Values 

**EXECUTIVE OVERVIEW**

In comparison to the previous year, 2007 witnessed a significant slow down in terms of the investment activity. The total volume invested into Poland's real estate market amounted to EUR 3.1 billion. This represents more than a 40% decrease on what was invested in the previous year.

The reason for such unsatisfactory results is hidden behind a few factors. Investor demand remained strong however the market suffers not only from a small number of products offered for sale but also from some financial limitations imposed as a result of „credit crunch“ observed in western Europe. 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 taking more careful steps. Many decisions regarding purchases were delayed until 2008, some due diligence procedures were subject to deeper and more detailed

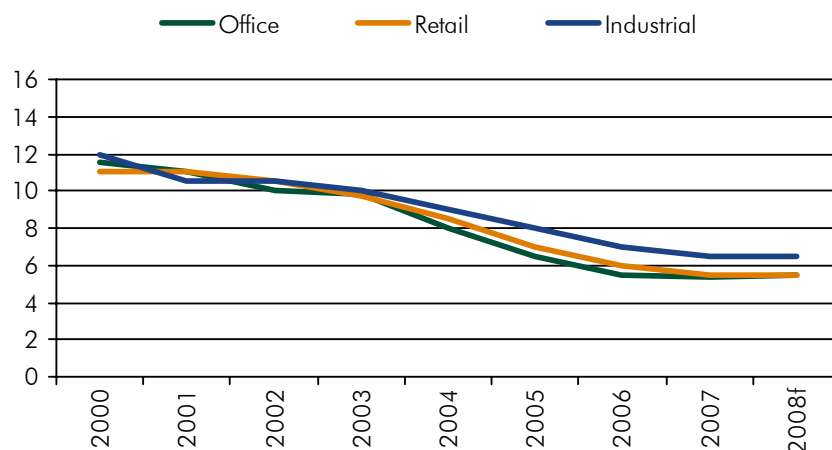
analysis and negotiations were being prolonged. At the end of 2007 some investors appeared to wait to see how the investment market developed into 2008.

The office and retail sectors were the most popular, collectively accounting for over 90% of total investment volume, with the mix-use and industrial sectors responsible for the remainder.

2007 also saw a number of development investments or sale&lease back transactions. Investors are more open to take higher risk at lower prices and be involved in more active undertakings including marketing and leasing of the purchased projects.

Yields have shown some stabilisation. Prime office yields remain at the level of 5.4 – 5.5% and industrial are in the region of 6.5%. Prime retail yields have shown some compression and were recorded at 5.7% in Q4. Regional yields are remaining stable, with some transactions for office and retail products exchanging at circa 6%.

**PRIME YIELDS (%) IN POLAND**



Source: CB Richard Ellis

## MAJOR INVESTORS

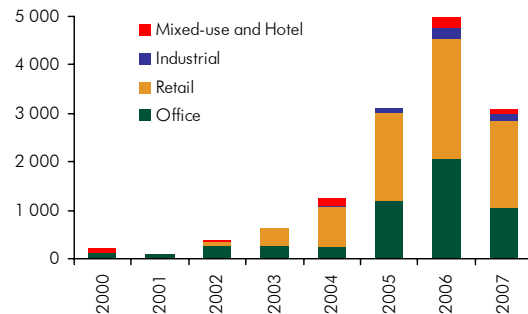
Since Poland's EU accession in 2004, the Polish investment market has progressively attracted more international investors, eager to finance purchases due to the low cost of debt.

There is still an evident focus on Poland's regional cities (44% of all money invested in Poland). Moreover, in 2008 a number of high quality office projects will appear in such cities as Wroclaw or Krakow. In terms of retail transactions, we expect the smaller regional cities, even below 50,000 inhabitants, such as Pulawy, Raciborz, Skarzysko – Kamienna or Wodzislaw Slaski to see an increase in investor interest.

Polish investors contributed only 3% to investment volume in 2007, bringing FDI in real estate sector to the level of EUR3 billion. In 2007 some new investors decided to enter Polish market including the Swiss, Arabic, Dutch or Australians. Australian investor, Macquarie Global Property Advisors, was responsible for one of the largest transaction witnessed in 2007, with the purchase of the Simon Ivanhoe Portfolio (retail) for EUR232 M. However German and British investors still continue to be the key players on the investment market, investing almost EUR1.15 billion. The British, German, French, Dutch and Australians were collectively responsible for over 70% of total investment volume in 2007. German funds have sustained their level of investment activity by investing EUR530 million in 2007, representing 17% of the total. Irish (AIB Polonia) and Israeli (Sybil, Lilium) private investors are still active on our market, however are much more prudent in their decisions – both contributed to only 9% of investment volume. American investors, were represented only by Whitehall funds who forward purchased Mayland Portfolio for EUR500 M.

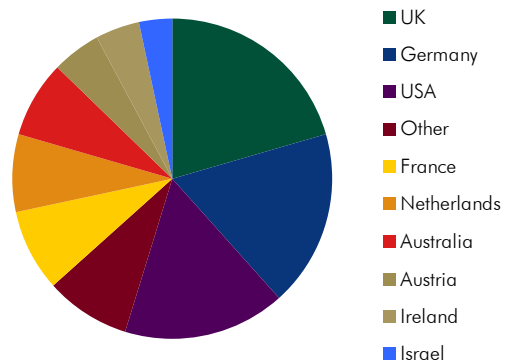
The other most active companies that invested over EUR 200 m in 2007 in Poland include ING RE, IXIS and Macquarie Global Property Advisors.

## INVESTMENT VOLUME BY SECTOR (EUR million)



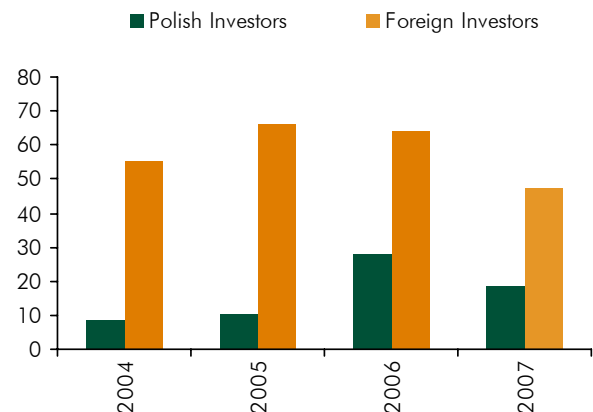
Source: CB Richard Ellis

## COMPOSITION OF FOREIGN INVESTMENT IN POLAND in 2007



Source: CB Richard Ellis

## AVERAGE DEAL SIZE (POLISH INVESTORS vs FOREIGN INVESTORS)



Source: CB Richard Ellis

## INVESTMENT ACTIVITY BY SECTOR

### Retail Market

The retail market remains one of the key sectors of interest, with the sector attributable for EUR1.8 billion, representing 58% of total investment volume. In 2007, 25 retail investment transactions were concluded excluding development.

The most notable retail transactions was the sale of the Simon Ivanhoe Portfolio for EUR232 M and forward funding of Mayland Portfolio for EUR500 M. Other transactions exceeding EUR100 M include the purchase of Wola Park by IXIS, Forum Gliwice by Deka, Maximus by Sybil Europe and GE/Nakia portfolio by Oppenheim.

Prime retail yields were recorded at 5.7 – 5.75% at the beginning of 2008 and are expected to level off until the end of the year. Due to the rapid development of the shopping centre market in Polish cities, 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 2007, office investment activity was halved, with volumes amounting only to EUR1.05 billion, compared to the EUR2.01 billion invested in 2006.

As previously Warsaw was the main focus of investors, where 52% of investment volume was concluded. 22 out of total 33 transactions took place in the capital.

The most notable transaction was the purchase of Focus Filtrowa by DEGI for EUR100 M for the third time since its completion in 2000. Others, over EUR70 M, include the forward purchase of Lipowy Office Park to Europolis, Millennium Plaza to Atlas Estates, Trinity Park III and Prosta Office Centre to ING Real Estate.

Prime office yields on the Warsaw investment market have stabilised at 5.4 - 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.

### 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.

In 2007 however, only 11 industrial transactions were recorded worth EUR136 M. The most notable was the acquisition of City Point Distribution Park in Warsaw by Teesland IOG for over EUR70 M.

Investment activity in this sector is, however, still expected to increase substantially. New players have entered the market (such as Goodman or Pinnacle) which have a different development strategy. Some of the logistic occupiers more often decide to sell&lease back their premises such as Raben Group transaction in 2008.

#### SIGNIFICANT PROPERTY TRANSACTIONS in 2007

PROPERTY	LOCATION	SECTOR	PRICE (EUR M)	ESTIMATED YIELD	PURCHASER
Mayland Portfolio	Various	Retail	500	n/a	Whitehall Funds
Simon Ivanhoe Portfolio	Various	Retail	232	c. 6%	Macquarie Global PA
Wola Park	Warsaw	Retail	146	c. 5.7%	IXIS
GE / Nakia Portfolio	Zabrze, Sosnowiec, Gdansk	Retail	132	c. 5.6%	Oppenheim
Forum Gliwice	Gliwice	Retail	128	c. 5.7%	DEKA
Maximus	Warsaw	Retail	104	9%	Sybil Europe
Focus Filtrowa	Warsaw	Office	100	5.6%	DEGI

## FUTURE OUTLOOK

- A number of new offers appeared at the beginning of 2008 which may forerun an upward trend on investment market this year.
- Investment funds diversifying their portfolios and focusing on industrial and in particular hotel products regarding to forthcoming EURO CUP 2012 in Poland.
- A significant increased interest in properties considered to have added value - sale & leaseback, forward purchasing and forward funding transactions.
- Stabilisation of prime yields in Warsaw and regional cities. A shortage of money supply and increase in interest rates may be the reasons for a slight yield decompression expected shortly in CEE countries.
- An outward shift in yields for secondary stock is expected, as financing is more difficult to obtain for these buildings, and the recalculation and repricing of risk in the global financial markets, which should be reinforced throughout the CEE real estate market.

## POLAND COMMERCIAL REAL ESTATE MAP

For more information please contact:



Nigel Wade  
[nigel.wade@cbre.com](mailto:nigel.wade@cbre.com)  
 Tel: +48 22 544 8000

Patrick O'Gorman  
[patrick.ogorman@cbre.com](mailto:patrick.ogorman@cbre.com)  
 Tel: +48 22 544 8051

Przemysław Łachmaniuk  
[przemek.lachmaniuk@cbre.com](mailto:przemek.lachmaniuk@cbre.com)  
 Tel: +48 22 544 8018

Radosław Wawrzyniak  
[radoslaw.wawrzyniak@cbre.com](mailto:radoslaw.wawrzyniak@cbre.com)  
 Tel: +48 22 544 8045

Klaudia Wozniak  
[klaudia.wozniak@cbre.com](mailto:klaudia.wozniak@cbre.com)  
 Tel: +48 22 544 8036

Marcin Miazek  
[marcin.miazek@cbre.com](mailto:marcin.miazek@cbre.com)  
 Tel: +48 22 544 8039

Joanna Mroczek  
[joanna.mroczek@cbre.com](mailto:joanna.mroczek@cbre.com)  
 Tel: +48 22 544 8061

### DISCLAIMER 2008 CB Richard Ellis

Information herein has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by CB Richard Ellis clients, and cannot be reproduced without prior written permission of CB Richard Ellis.