

Quick Stats

	Sector		
	1	2	3
Total Space	↑	↑	↑
Demand	↓	↓	↓
Vacancy Rate	↑	↑	↑

Hot Topics

- In Q1 2009 total take-up exceeded 200,000 sq m – 55% decrease when comparing with Q1 2008.
- Total modern stock amounts to over 5.6 million sq m with 16% vacancy rate.
- The number of new projects handed over remained high, however the amount of space under construction decreased.
- Developers, expecting lower demand in the next few years, have limited the number of buildings planned speculatively and are looking to build-to-suit projects

GENERAL OVERVIEW

Despite a recession registered in majority of global economies, the Polish economy is still better positioned than most European countries. The GDP growth for the first quarter of the year is estimated at 1.4% with 1.6% forecasted for the whole year. The Polish economy started to slowdown in the second half of 2008, when many banks tightened loan conditions and many exporters experienced a decreased demand from Western countries. Companies have been scaling back investments in response to falling orders. Many of them changed their expansion strategies, which had a negative impact on the real estate market. A slow recovery of the Polish currency last month is however, a first positive sign.

Nevertheless we still register the demand for modern warehouse space. In the first quarter it amounted to over 200,000 sq m, which is much lower when comparing with Q1 2008 (450,000 sq m). An analysis of occupiers shows that the demand for warehouse space is now generated by companies operating in the sectors less vulnerable to the market conjuncture (FMGC, pharmaceuticals food, etc.). The average deal size remained stable and oscillated around 10,000 sq m. The largest deals, exceeding 10,000 sq m, include Henkel

in Panattoni Park Poznan II, Intermarche in Panattoni Park Myslowice and Knauff Industries in Panattoni Park Wroclaw II. There was also a significant share of renegotiations closed.

The total stock of modern warehouse space, as of the end of Q1 2009, amounted to 5.6 million sq m. The number of newly delivered projects still remained high, although the amount of warehouse space currently under construction has diminished after record level reached in Q3 2008. In the first quarter, developers delivered over half million sq m of new warehouse space with the same amount currently under construction in 23 projects across the country.

However the new constructions have not been started. The largest developers such as ProLogis, Panattoni, Segro concentrate on management of existing projects. Others, new entrants like Pinnacle and Valad or local ones like MLP Group or BIK are competing for a market share.

The supply of new space had a significant impact on the vacancy rate, which increased this quarter from 10 to 16%.

For the time being, rents remain stable, however the next months can bring some decreases.

Q1 2009	Sector 1	Sector 2	Sector 3
Total Stock (sq m)	1,133,500	1,211,300	3,327,000
Projects under construction (sq m)	62,100	115,200	349,100
Completion (sq m)	9,000	113,200	396,200
Take-up Q1 2009 (sq m)	12,000	56,000	143,000
Vacancy Rate	11%	21%	16%
Prime Rents (EUR/sq m/month)	4.00 – 6.00	3.50 – 4.40	3.30 – 4.20

The above sector segmentation is of CB Richard Ellis' authorship and detailed overleaf

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SECTOR I – WAREHOUSES IN WARSAW

These warehouses and warehouse type business parks (A and B Class only speculative) are located within a radius of 20 km from the centre of Warsaw.

Total warehousing stock in this sector currently amounts to 1,133,500 sq m. Last year 130,000 sq m of modern warehouse space were delivered, while last quarter it was only 9,000 sq m. Currently there is 62,000 sq m under construction in five projects located outside of the city borders such as Altmaster Pecice, MLP Pruszkow II, Panattoni Park Ozarow.

Since the beginning of the year, 12,000 sq m of warehouse space has been leased. Despite increased competition from warehouse-logistic centres located in Sector II, demand for warehouse space in Warsaw is still significant. Majority of tenants from this area operate in the FMGC sector. Average deal size here does not exceed 1,000 – 2,000 sq m.

The vacancy rate in Q1 increased to 11%. Rents have reached EUR 4.00 in the fringe of the city, up to EUR 6.00 /sq m/month in the prime warehouse locations and are the highest in comparison to other Sectors.

SECTOR II – LOGISTICS PARKS AROUND WARSAW

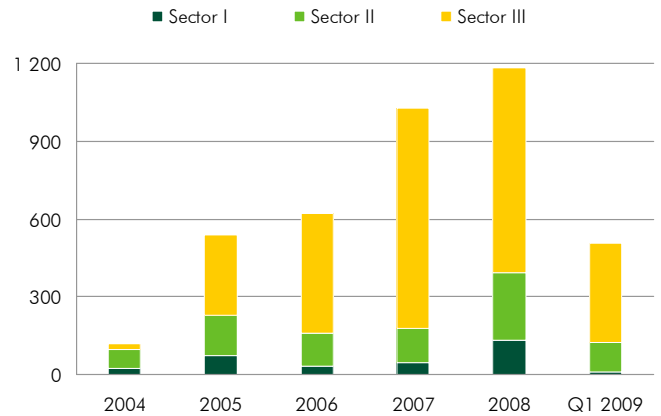
These logistic parks are located within the area from 20 to 80 km from the centre of Warsaw along main exit roads. The most popular locations are Blonie, Nadarzyn, Mszczonow, Teresin. As at the end of Q1, the total amount of warehouse space in logistics parks in Sector II exceeded 1,211,500 sq m including 113,000 sq m delivered in Q1 2009 alone.

For developers, this sector is attractive due to its close proximity to the Warsaw agglomeration and availability of large green field sites with expansion potential of warehouse parks. Currently there is around 115,000 sq m under construction in three parks.

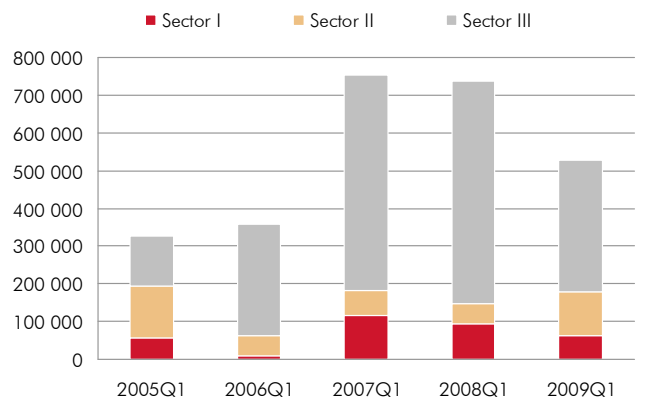
In Sector 2, take up of modern space is relatively constant. Last quarter it amounted to 56,000 sq m, while in 2008 around 268,000 sq m of warehouse space was leased in 34 lease transactions. One of the largest transactions to date in Poland, (51,000 sq m) took place last year in ProLogis Park Blonie by Antalis. This year we expect the demand to decrease.

The vacancy rate in Q1 2009 increased sharply to 21% and is generated by newly delivered buildings. Currently there is approximately 250,000 sq m of space offered for lease in Sector II. Headline rental levels have remained relatively stable and currently are quoted at EUR 3.50 - 4.40 /sq m /month.

WAREHOUSE NEW COMPLETIONS ('000 sq m)



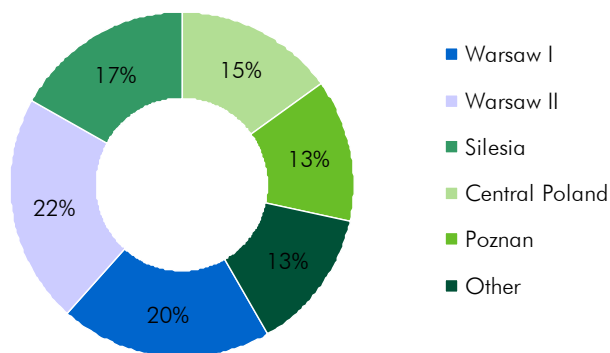
WAREHOUSES UNDER CONSTRUCTION BY SECTOR (sq m)



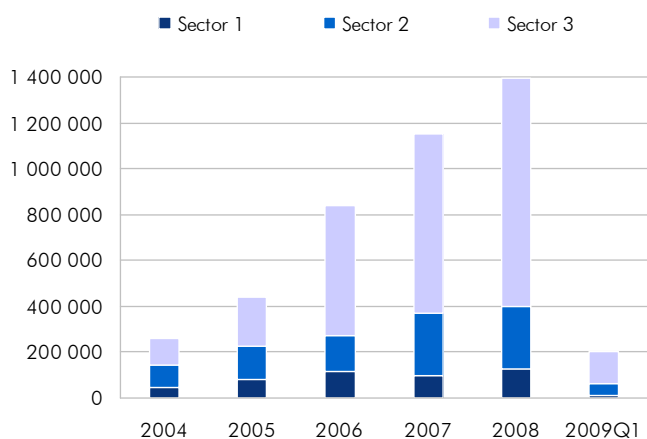
WAREHOUSE PRIME RENTS (EUR/sq m/month)



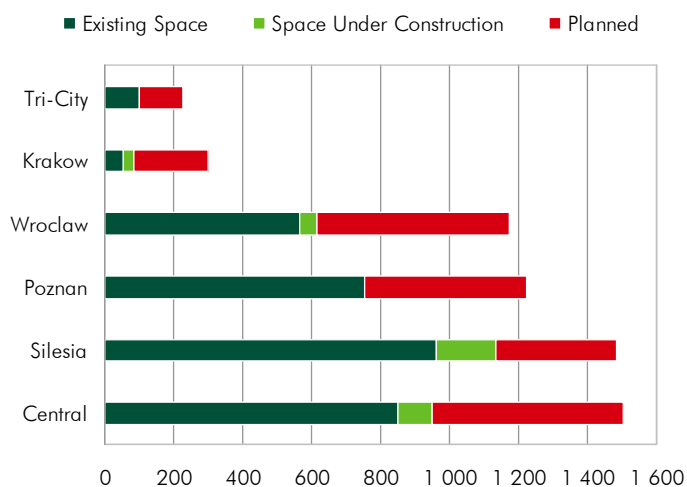
WAREHOUSE STOCK BY LOCATION



WAREHOUSE TAKE UP BY SECTORS



KEY INDICATORS BY REGIONS IN Q1 2009 ('000 sq m)



SECTOR III - LOGISTICS PARKS IN POLAND

These logistic parks are located in the regions and major cities of Poland excluding the Warsaw region. Sector III is the most active and dynamically expanding warehouse and logistic market in Poland. It is currently incorporating six key regions with new locations already emerged on the Polish warehouse map. At the end of the quarter, total stock amounted to 3.3 million sq m. Currently, the warehouse construction activity halved, with only 350,000 sq m under construction.

In Q1 2009, take up amounted to 143,000 sq m with almost 1 million sq m leased in the whole 2008. That means a decrease of over 20% in comparison to Q1 2008. Many logistic operators look for cost savings, offering their space for sub-lease. The vacancy rate witnessed a sharp increase compared to last quarter and currently stands at 16%. Rental levels currently stand at EUR 3.30 – 4.20 /sq m/month.

Silesia Region (Katowice Conurbation) is the largest regional warehouse market with 960,000 sq m of modern space and a further 172,000 sq m currently under construction. Last year approximately 234,000 sq m of modern stock has been leased. The vacancy rate currently stands at a level of 11%.

Central Poland Region, conveniently located at the A1 and A2 crossroad, has 852,000 sq m of existing modern stock with a further 97,000 sq m currently under construction. Over the course of 2008, a total of 316,500 sq m of warehouse space has been leased here. The vacancy rate currently stands at 15%.

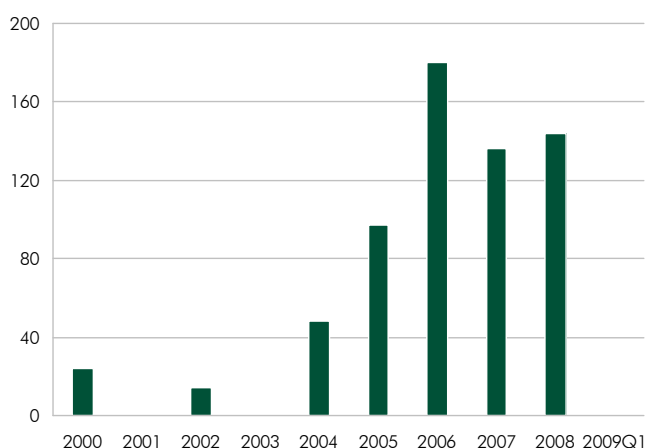
Poznan Region houses 754,000 sq m of modern warehouse space with no space currently under construction. The region, due to its excellent transportation system and well developed retail and trade market, has always been a popular logistic destination. Over the last year, 209,500 sq m of warehouse space has been leased. The vacancy rate currently stands at 16%.

Wroclaw Region houses 564,000 sq m of modern warehouse space with a further 50,000 sq m currently under construction. Leasing activity in 2008 totalled 200,000 sq m. The vacancy rate in the Wroclaw region currently stands at 23%.

Tri-City Region (Gdansk and Gdynia) is one of the newest markets in the Sector III with a great potential once the A1 highway is finished. There are only two existing parks for lease offering 102,000 sq m with no vacancy. There are over 100,000 sq m planned.

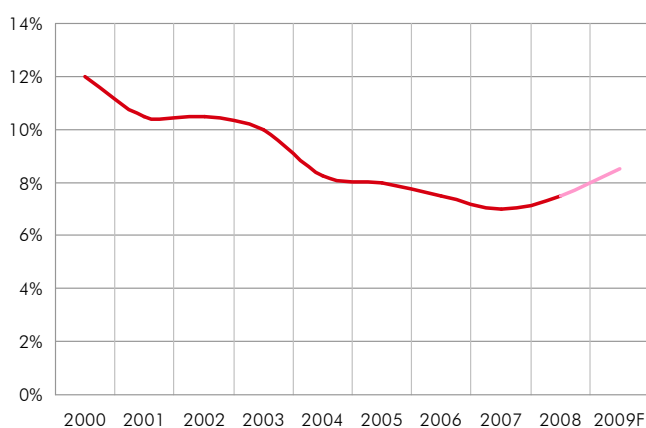
Krakow Region is a local market in the Sector III, serving mostly to the Krakow city, due to the proximity of Silesian hub. Total stock amounts to 52,000 sq m.

WAREHOUSE INVESTMENT VOLUME (EUR MILLION)



Source: CB Richard Ellis, 2009

WAREHOUSE PRIME YIELDS (%)



Source: CB Richard Ellis, 2009

INDUSTRIAL INVESTMENT MARKET

Industrial investment market in Poland is in a very early stage of development. In comparison to other sectors, the number of warehouse transactions taking place is low, mostly due to the lack of quality products offered for sale. There are investors looking for products in the warehouse market, however the majority of new stock is owned by ProLogis and Panattoni, the leading developers. So far they were rarely interested in sale. This may change, however, as some developers in a light of global economic downturn, may decide to improve their financial status by disposing some of their assets.

Nevertheless, between 2004 and 2008 we registered a certain number transactions with total value of EUR 144 million in 2008. This meant an 8% increase in comparison to 2007. The largest ever registered transaction was a ProLogis take-over of the Parkridge portfolio in 2007 (not included in the official investment volume). The largest transaction that took place last year, was the sale of Europa Distribution Park located in Mszczonow, near Warsaw to Pinnacle Real Estate company for around EUR 41 million. So far in Q1 2009 there was no warehouse transaction registered.

In general, industrial property sector is considered by investment funds as an attractive option to diversify their portfolio. Warehouses become more popular particularly in the light of UEFA CUP in 2012 with new highways to be developed in major cities thorough Poland.

Until 2007 logistic yields were decompressing. Along with the financial turmoil, the trend changed and in the last year yields increased. They are estimated to reach around 8.0 – 8.50% at the moment for prime products. The key factors for investors are location, technical specification and lease length of the valid lease agreements. There is not much difference in yields between best schemes in the secondary cities and Warsaw. Majority of top class logistic parks are currently being developed in the regions, rarely in Warsaw.

SELECTED INDUSTRIAL TRANSACTIONS IN 2008 IN POLAND

Project	Location	Purchaser	Vendor	Estimated Yield	Value (million)
Europa Park	Mszczonow	Pinnacle Real Estate	EDC	n/a	EUR 41
Raben Logistic Centres	Poznan & Grodzisk Maz.	TMW	Raben Group	c. 7.0 – 7.5%	EUR 40
Good Point Pulawska	Warsaw II	IXIS	Real Management	7.0%	EUR 27.5
Pruszcz Gd. Logistics Center	TriCity	Guardian AM	BIK	7.5%	EUR 7.2
Ideal Idea Park	Warsaw	Tritax	n/a	c. 7.0%	n/a

SECTOR III IN Q1 2009

	Silesia	Poznan	Central	Wroclaw	Tri-City	Krakow
Total Stock (sq m)	960,000	754,500	852,000	564,500	102,000	53,000
Under Construction (sq m)	173,000	0	97,000	50,000	0	30,000
Take Up Q1 2009 (sq m)	63,000	18,000	20,800	28,000	6,000	7,000
Completion Q1 2009 (sq m)	80,000	117,000	80,000	66,000	0	0
Vacancy Rate	11%	16%	15%	23%	0%	10%

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