Accumulator
Investment Market in Poland

August 2010

Quick Stats

	Change from H1 2009
Investment Volume	↑
Prime Yields	↘
Capital Value	→
Prime Rents	→

Hot Topics

- In 2010 the investment activity accelerated after the slowdown in 2009.
- The investment volume in the first half of the year amounted to EUR 530 million while in the entire 2009 it reached only EUR 650 million in all sectors. Additionally, in July and August, the market recorded another EUR 200 million transacted.
- The retail and office sectors continue to dominate the investment market.
- Prime yields have compressed across all sectors.

GENERAL OVERVIEW

After a period of a general slowdown in the real estate investment market, the first half of 2010 saw a substantial recovery. The revival was much better visible in Western Europe, however Poland was the most active of the CEE markets.

The increased interest in the Polish market was fuelled by positive economic indicators such as growing forecasts of GDP – up to 3% in 2010, falling unemployment (below 12%), increasing foreign direct investments (over EUR 6 million in the first half of the year) as well as improving private consumption. Stability of the economy attracted foreign capital to invest in the properties. However, the 'after crisis' approach brought a higher degree of cautiousness into the investment process.

In H1 2010 the total transaction volume reached almost EUR 530 million recorded in 14 transactions. This number represents almost a 80% increase in terms of volume in comparison to H1 2009, when only 8 transactions were recorded. However, the size of the average transaction is still low, amounting to EUR 38 million.

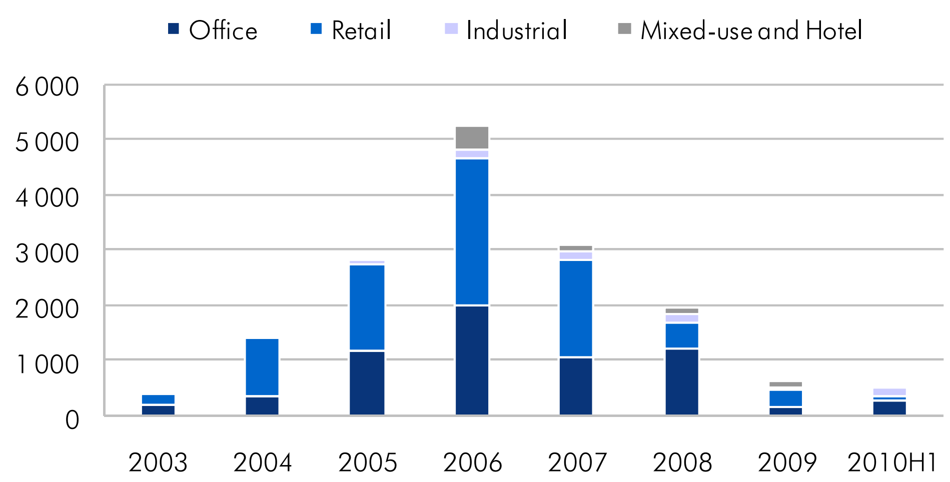
The Polish investment market amounted to 31% of the CEE market, reaching in H1 2010 a combined EUR 1.7 billion (including Russia). The whole region, as well as the Polish market, continues to be dominated by foreign investment.

German funds were the most active, followed by Polish and UK investors. Open and closed-ended funds were the major buyers this year with Arka BZ WBK and Deka being the most active.

The limited number of prime commercial assets available for purchase will be a major obstacle for the further development of the investment market. Therefore, secondary assets and markets should gain more popularity. Until the end of the year more transactions, particularly in the retail sector, are expected to close. Only in July and August, the market recorded another EUR 200 million transacted, including secondary markets.

Prime yields, having compressed recently, are expected to remain stable within the next quarters.

INVESTMENT VOLUME BY SECTOR (EUR million)



Source: CB Richard Ellis,

OFFICE MARKET

The office investment market has noticed considerable improvement since the beginning of the year. While in H1 2009 the market saw the transactions of assets totalling only EUR 78 million, in the first half of 2010 the volume increased up to nearly EUR 300 million.

The most notable deal was the purchase of Horizon Plaza by Union Investment, a German open-ended fund recently one of the most active in Poland. The transaction was closed at the yield level of 7.15% for over EUR 100 million.

Prime office yields in Warsaw are estimated to have compressed to 6.60% for the best buildings. There is a lack of transactional evidence in the regional cities but yields are claimed to be above 7%. No further yields' movements are expected until the end of the year.

RETAIL MARKET

The Polish retail market in H1 2010 attracted only 17% out of the total investment volume in Poland. It amounted close to EUR 100 million in five transactions. This, however, represents a 60% rise in terms of transactions' volume in comparison to the same period of 2009. The number does not include the purchase of Arkadia and Wilenska Centre as the status of the transaction is still not clear.

Unlike in the previous years, the only retail transactions that took place this year were purchases of single assets as opposed to portfolios, which would require more cash. The sale of Galeria Pomorska for around EUR 50 million, was the largest registered retail investment. Resolution Property bought the centre in Bydgoszcz at around 10% yield.

Prime retail yields in Warsaw have followed the general downward trend and are assessed to stay at around 6.50%. Yields' spreads between Warsaw and other major cities have flattened, while the best products in Poland's tertiary locations are now priced about 100 bps higher.

With greater availability of products and yields' compression, we shall expect to see an increase of the retail investment churn in the second half of 2010.

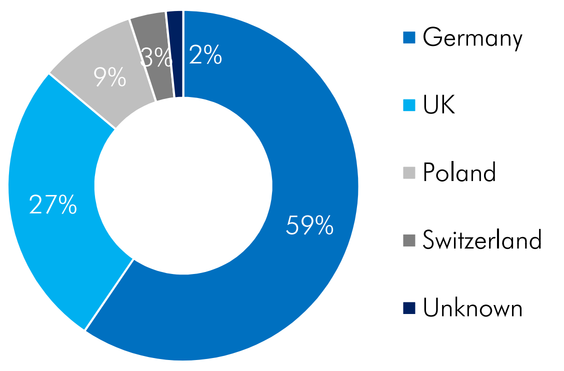
INDUSTRIAL & HOTEL MARKETS

Other property sectors are considered by investment funds as an attractive option for their real estate portfolio diversification. In 2010 there was an unprecedented volume of industrial transactions registered, amounting to almost EUR 150 million, mainly due to the sale of seven assets from Panattoni's portfolio to AEW Europe, Invesco and Credit Suisse for total of EUR 146 million. The second half of the year will continue the trend.

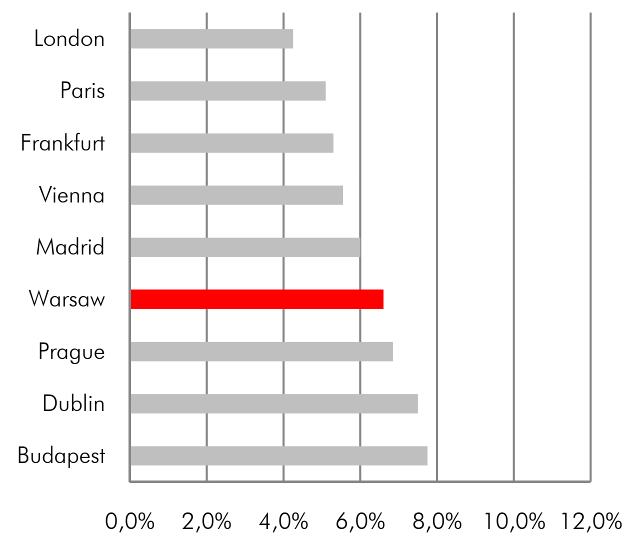
Industrial yields have compressed to 8.25%.

There was no substantial hotel investment transaction registered in the first half of 2010 in Poland.

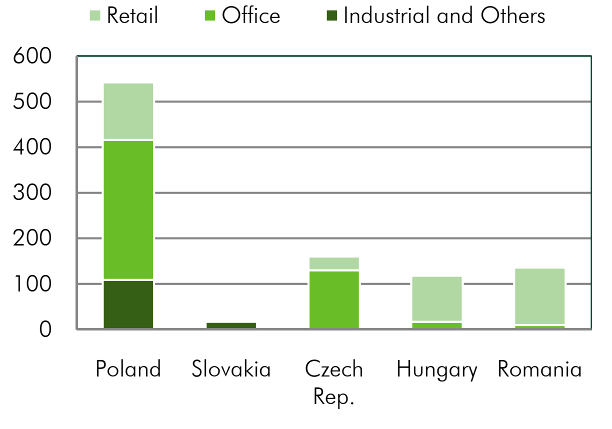
PURCHASERS' NATIONALITY IN H1 2010



PRIME OFFICE YIELDS IN EUROPE (%)



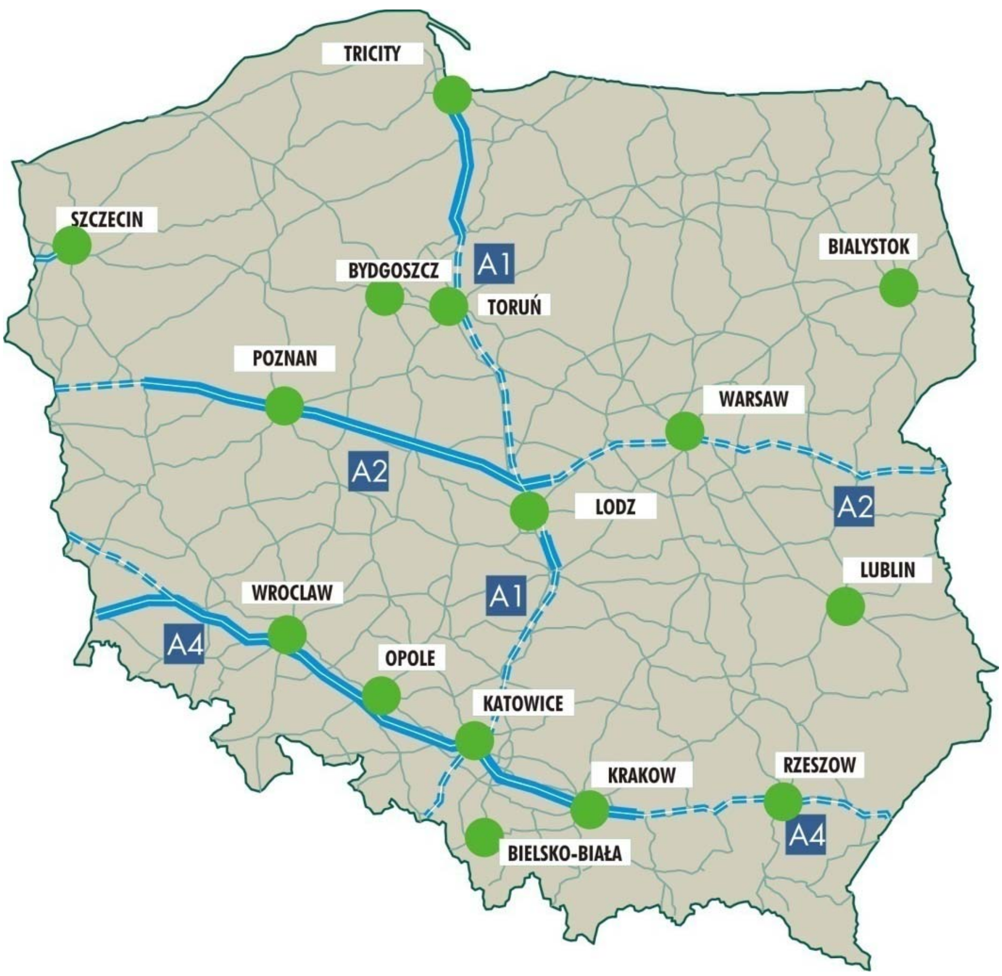
INVESTMENT ACTIVITY IN H1 2010 IN CEE



MAJOR PROPERTY TRANSACTIONS IN H1 2010

City	Scheme	Sector	Price (EUR m)	Estimated Yield (%)	Purchaser
Warsaw	Horizon Plaza	Office	102	7.15%	Union Investment
Warsaw	Trinity Park III	Office	93	7.50%	SEB Immo Invest
Various	Panattoni Portfolio	Industrial	91	8.5 - 8.9%	AEW Europe
Warsaw	Harmony Office Centre	Office	55	6.95%	Commerzreal
Bydgoszcz	Galeria Pomorska	Retail	50	10.0%	Resolution Property
Gliwice	Tesco Warehouse	Industrial	37	8.5%	Invesco

POLAND COMMERCIAL REAL ESTATE MAP



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