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POLISH REAL ESTATE MARKET RECOVERY AFTER FINANCIAL CRISIS

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POLISH ECONOMY - FINANCIAL CRISIS

Poland – the only EU economy to avoid recession in 2009




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POLISH MACROECONOMY FACTORS

	2007	2008	2009	2010	2011
GDP growth	6,60%	4,80%	1,70%	3,40%	3,80%*
Inflation	2,50%	4,20%	3,50%	2,60%	3,50%*
Unemployment rate	11,20%	9,50%	12,10%	12,30%	12,00%*
Total consumption (y/y)	4,60%	6,10%	2,00%	3,20%	N.A.
Retail sales growth y/y	16,00%	12,90%	7,20%	12,00%	N.A.
Average salary (PLN)	2 691,03 zł	2 943,88 zł	3 102,96 zł	3 224,98 zł	N.A.
FDI Inflow to Poland (EUR million)	17 242	10 085	9 863	7 538	N.A.
GDP growth in EU (27 countries)	3,00%	0,50%	-4,20%	1,80%	1,7%*
GDP per capita in PPS (EU 27=100)	54	57	61	N.A.	N.A.

Sources: Central Statistical Office, National Bank of Poland, Cushman&Wakefield, King Sturge,
*prognosis

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POLISH ECONOMY RESISTANCE TOWARD FINANCIAL CRISIS WERE DIVERSIFIED

WFC reached Poland in its macroeconomic upward trend.
Dynamic growth was based on:

- Domestic demand
- Consumer confidence
- Private consumption growth
- Appreciation of Polish currency



Retail sales in December 2010 increased by 9,1%

Also small share of exports in GDP limited the effect.

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POLISH REAL ESTATE MARKET MAIN FACTORS OF DETERIORATION

Decrease of foreign investments

- 2009 – second year of decline
- FDI fell by 25%
- 2009 FDI at the level of 9,9 billion €
- 2010 FDI at the level of 7,5 billion €
- FDI prognosis for 2011 12,7 billion €



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POLISH REAL ESTATE MARKET MAIN FACTORS OF DETERIORATION

Decline of international trade

- Major trading partners in recession
- Reduced export
- Decrease of industrial production
- Indirect influence on RE market



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POLISH REAL ESTATE MARKET MAIN FACTORS OF DETERIORATION

Banks' problems with liquidity of assets

- Easier access to credits after accession to EU
- International situation impact on Polish banks
- Banks security restrictions
- Decrease in dynamism of new credits



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REAL ESTATE MARKET CRISIS IN POLAND

Real Estate Investments slow down

- Financial crisis was first experienced by the residential market
- Investors looking for alternative markets
- Some of them decided to move to commercial sectors
- Investors waiting with further acquisitions

Złota 44, planned as a highest /195m/ apartment building in Poland, stopped in 2009 for almost 2 years



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REAL ESTATE MARKET – RECOVERY AFTER CRISIS

The volume of transactions in Real Estate in Poland by sector
(in billion of €)

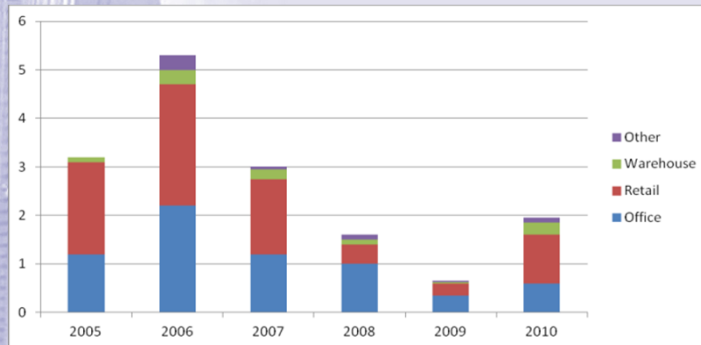


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REAL ESTATE MARKET RECOVERY AFTER CRISIS

2010 situation on commercial market

- 2 billion Euro level of investment in commercial RE
- 50% accounted for the retail sector
- 32% of transactions in office development
- Increase in office development by 75% compared to 2009
- Good prognosis for 2011



Financial Office Center of Warsaw

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REAL ESTATE MARKET – RECOVERY AFTER CRISIS

Office transactions completed in 2010

Building	Price (in million euro)	Yield (%)	The buyer
Galeria Lipińskiego	28,5	7,00-8,00	Union Investment
Trinity Park III	93	7,5	SEB Immo Invest
Horizon Plaza	102	7,15	Union Investmen
Harmony Office Centre	55	6,95	Commerzreal
Grunwaldzki Centre	76,5	7,3	RREEF
Mokotów Plaza	30,1	8,15	Azora Europa
Athina Park	32,2	7,25	PZU AM

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REAL ESTATE MARKET 2010 TRANSACTIONS

Galeria Lipińskiego Warsaw

Price: 28,5 million €
Yield: 7 – 8 %
Union Investment



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REAL ESTATE MARKET 2010 TRANSACTIONS

Trinity Park III

Warsaw

Price: 93 million €

Yield: 7,3 %

SEB Immo Invest



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REAL ESTATE MARKET 2010 TRANSACTIONS

Horizon Plaza

Warsaw

Price: 102 million €

Yield: 7,15 %

Union Investment



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REAL ESTATE MARKET 2010 TRANSACTIONS

Mokotow Plaza Warsaw

Price: 30,1 million €

Yield: 8,15 %

Azora Europa



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REAL ESTATE RESIDENTIAL MARKET

2007 situation overview

- Very good prosperity
- Rapid price increase of residential properties
- ROE exceeded 100%
- 165 189 flats completed (23,55% growth y/y)



Construction of Miasteczko Wilanow in Warsaw

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REAL ESTATE RESIDENTIAL MARKET

Dwelling completions

	2006	2007	2008	2009	2010
Total	115 353	133 698	165 189	160 002	135 818
Total y/y	1,13%	15,90%	23,55%	-3,14%	-15,11%
Cooperatives	9 032	8 240	8 647	7 260	5 052
Cooperatives y/y	9,85%	-8,77%	4,94%	-16,04%	-30,41%
Individual	57 594	71 643	83 338	71 971	70 444
Individual y/y	-8,98%	24,39%	16,32%	-13,64%	-2,12%
Sell or rent	37 960	45 653	66 703	72 326	53 505
Sell or rent y/y	14,87%	20,27%	46,11%	8,43%	-26,02%
Other	10 767	8 162	6 501	8 445	6 817
Other y/y	13,12%	-24,19%	-20,35%	29,90%	-19,28%

Source: Central Statistic Office

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REAL ESTATE RESIDENTIAL MARKET

Average price of dwelling completed index

	2006	2007	2008	2009	2010
Average price per sqm	2 521 zł	2 871 zł	3 224 zł	3 881 zł	4 336 zł
Average price per sqm y/y	3,34%	13,91%	12,28%	20,37%	11,73%

Source: Central Statistic Office

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FINANCING CRISIS vs. FINANCING DEVELOPEMENT

PRE-LEASE AGREEMENT - SECURITY OF INVESTEMENT

Types of pre-lease agreements in the market:

- **Future lease agreement (built-to-suite)**
signed before the building process, in time of investment planning
- **Pre-construction agreement**
signed after planning of building but before the start of construction process
- **Pre-completion agreement**
signed during the construction process

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POLISH REAL ESTATE MARKET RECOVERY AFTER THE CRISIS

CONCLUSIONS

- During the crisis the number of investments were suspended
- Some investors were refocusing on underdevelop real estate sector
- At the end of 2010 and in 2011 Polish Real Estate improvement was drawing power from optimistic macroeconomic factors
- Increased number of transactions on residential market and more positive municipal auctions
- Upward trend in rents for commercial space among all sectors
- Importance of prelease agreements during the investment process as banks security restriction requirements

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