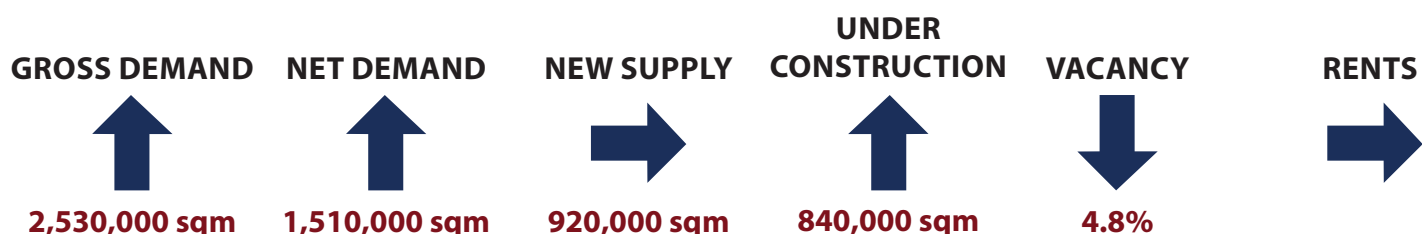




REPORT – SUMMARY OF 2015 IN THE INDUSTRIAL MARKET IN POLAND



Data compared to the previous year

RECORD DEMAND WITH HIGH ACTIVITY MAINTAINED ON THE SUPPLY SIDE

Very good results for demand and supply and the lowest vacancy rate in years coupled with stable rental rates are the image that emerged of the warehouse sector in 2015. The record volume of transactions in 2014 was beaten. Last year the total rented volume was 2.53 million sqm, of which over 60% were new leases. The high activity among tenants also translated into action by developers who delivered on the market 920,000 sqm. The result of the growth in demand is a low vacancy rate, which at the end of the year amounted to 4.8% and was 5 percentage points lower year to year. The high level of activity in the rental market is having a positive effect on the investment market, according to the report prepared by AXI IMMO.

INVESTMENT MARKET

■ Good economic indicators, falling unemployment, investment opportunities associated with the new EU perspective and low interest rates had a positive impact on investment activity in the commercial real estate sector. The total value of transactions in the investment market in 2015 exceeded 4.1 billion euros, of which the industrial sector accounted for nearly 470 million euros. The result in the warehouse sector was lower by 35% compared to 2014 due to the limited supply in the market. Large portfolio transactions took place in 2013-2014.

■ However, the high growth in the market, supported by high demand for space from tenants means that warehouse projects are valued by

investors. The Polish logistics sector is among the top 10 fastest growing logistics markets in Europe¹. This year we can expect more sales of new projects delivered on the market. This sector has become an intrinsic element of the strategy of many investment funds. We are seeing high liquidity in the market, where value-added products with the potential to develop and increase their value are also being sold. The Polish warehouse market due to its scale and scope of activity will remain a key investment market for a growing number of institutional investors. Those actively working in the warehouse sector include: Hillwood Europe, Deko Immobilien, Logicon, P3 and WP Carey. The yields in the warehouse sector compared to other sectors of commercial real estate remain the highest and are at a level of 7.0 to 7.5%.



SELECTED INVESTMENT TRANSACTIONS IN WAREHOUSE SECTOR IN 2015

PROPERTY	REGION	SELLER	BUYER	PRICE IN EUR
Europolis Portfolio	Błonie, Piotrków Trybunalski	CA IMMO	P3/TPG and Ivanhoe Cambridge	Confidential
FM Logistics	Mszczonów, Tomaszów Maz.	FM Logistics	W.P. Carey	Confidential
7R Logistic Park Kowale	Gdańsk	7R Logistic	Hillwood	30 mln
MLP Tychy, MLP Bieruń	Tychy, Bieruń	MLP Group	Deka Immobilien	90 mln
Raben	Stryków, Piaseczno	Raben Group	Gramercy Property Europe	45.1 mln
Ideal Idea III	Warsaw	Ideal Idea Formad	BPH TFI	12.5 mln
Gate One Business Park, Space Distribution Center	Warsaw	Raiffeisen Immobilien-Kapitalanlage GmbH	EPF Fund	25 mln
Amazon	Wrocław	Panattoni Europe	GLL	70 mln

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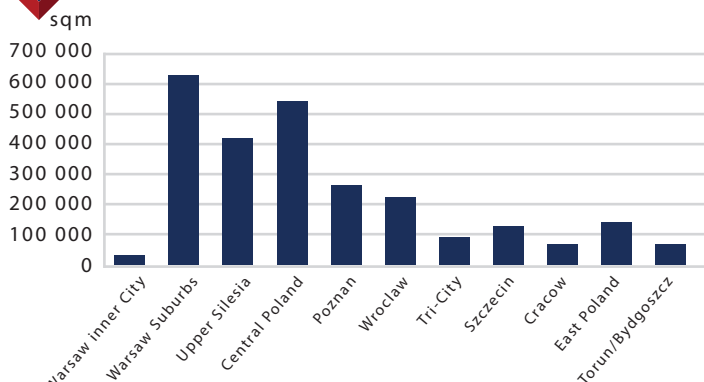
DEMAND

■ In the whole of 2015, 2.53 million sqm was leased, of which 60% were new lease agreements and expansions. This is a figure nearly 1 million sqm higher

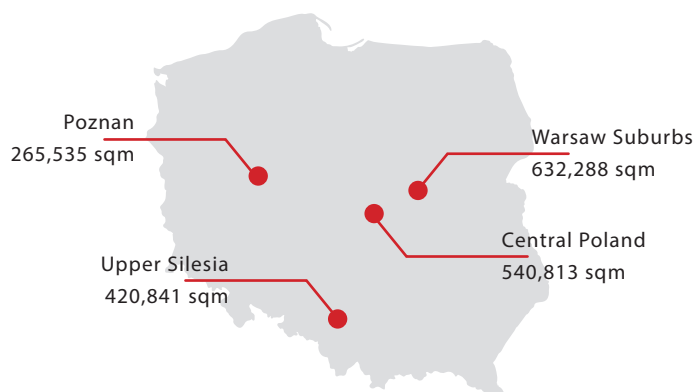
compared to 2014. Like the year before, the last quarter was the best, when more than 650,000 sqm of modern warehouse space was leased. The great results on the demand side are the result of good economic indicators, the high growth in e-commerce and



GROSS DEMAND IN REGIONS IN 2015



1 Raport Prologis i Eyefortransport (EFT), February 2016



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increased production among companies present in Poland. The highest demand was recorded in the Warsaw region (660,000 sqm), then in Central Poland (540,000 sqm). The highest share of new lease agreements occurred in the Warsaw area. The largest transactions took place in Central Poland. Besides the dominant warehouse regions in the country, it is worth noting the high demand in smaller regions and new locations such as Lublin, Rzeszów and Bydgoszcz, which were a feature of the

warehouse map of Poland in 2015. In these three regions, a total of 257,000 sqm were leased.

■ Among tenants, the dominant group are logistics companies with a 43% market share. The high share of logistics operators is due to the increase by manufacturing companies of the outsourcing of logistic services and the increase in the e-commerce sector. In second place were retailers with an almost 15% share.



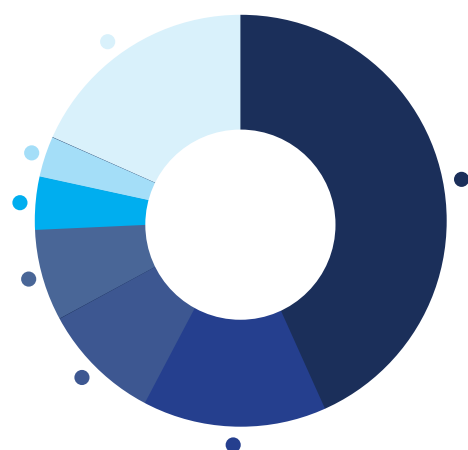
SELECTED TRANSACTIONS AT WAREHOUSE MARKET IN 2015

TENANT	PROJECT	TYPE OF CONTRACT	SPACE IN SQM
Goodyear	Centrum Logistyczne TC Dębica	Renewal and expansion	56,000
Leroy Merlin	Panattoni Park Stryków II	New deal	53,000
Corning	Segro Logistics Park Stryków	Renewal	42,000
Moto Profil	Prologis Park Chorzów	Renewal	33,100
FM Logistic	P3 Park Piotrków	Renewal	32,000
Decathlon	Panattoni Business Center Łódź East	New deal	32,000
TIM	Hillwood Wrocław III	New deal BTS	30,000
Spedimex	Logicor Łódź I	Renewal	24,900
ILS	Goodman Sosnowiec Logistics Centre	New deal	17,500
Pierce AB	Panattoni Park Szczecin	New deal	11,000

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DEMAND STRUCTURE IN 2015



43,1% ● Logistic operators and couriers
 14,6% ● Retail chains
 9,4% ● Construction and interior design
 7,3% ● Automotive
 4,2% ● Light production
 3,3% ● Packaging sector
 18,1% ● Others

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SUPPLY

■ From January to December 2015, developers delivered on the market more than 900,000 sqm of modern warehouse space. The largest share of new supply in the region took place in Poznan (239,000 sqm), with Upper Silesia in second place (117,000 sqm) followed by Wrocław (108,000 sqm).

■ In 2015, developers developed projects in new locations outside the major regions, with nearly 190,000 sqm being completed in Szczecin, Lublin and Rzeszów. The highest share, 70%, in new supply was

taken by Panattoni Europe, followed by Goodman and SEGRO.

■ Speculative construction has fully returned to the warehouse market in Poland. At the end of the year, 840,000 sqm were under construction, of which more than 270,000 sqm constituted speculative investment. At the end of the year, most of the projects in progress were in the Warsaw area (218,000 sqm), followed by Upper Silesia (174,000 sqm) and Wrocław (166,000 sqm). A total of approx. 35% of completed space was speculative investment; this is an increase of 10% compared with the end of 2014.



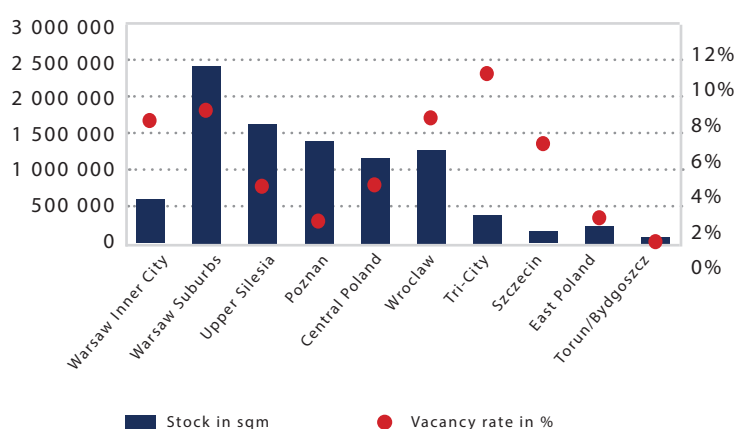
SELECTED NEW PROJECTS COMPLETED IN 2015

REGION	PROJECT	SPACE IN SQM
Poznan	Goodman Poznań II Logistics Centre	82,400
Wroclaw	Panattoni Park Wrocław III	50,700
Warsaw Suburbs	P3 Park Mszczonów	46,200
Upper Silesia	BTS GE Bielsko-Biała Panattoni	45,000
Central Poland	Panattoni Business Center Łódź II	33,000
Tri-City	Segro Logistic Park Gdańsk	27,100
Szczecin	North West Logistic Park	14,000
Cracow	7R Logistic Center Kraków Kokotów	13,000

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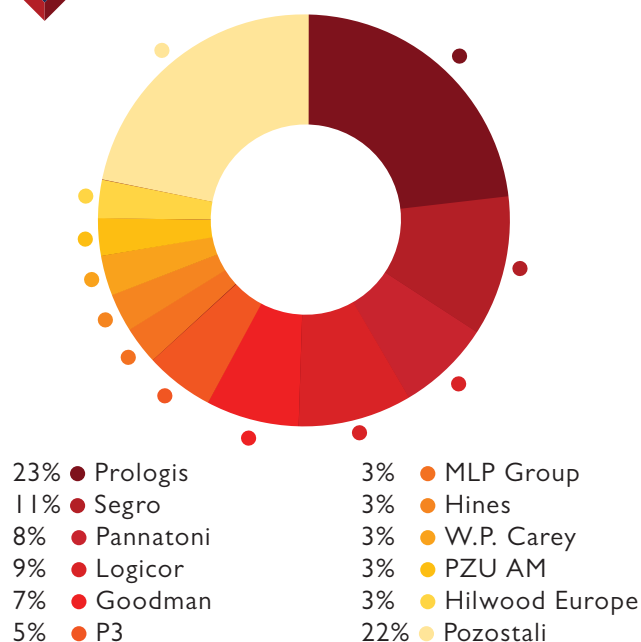
TOTAL STOCK AND VACANCY RATES IN REGIONS AT THE END OF DECEMBER 2015



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LANDLORD STRUCTURE AT THE END OF 2015



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VACANCY RATE

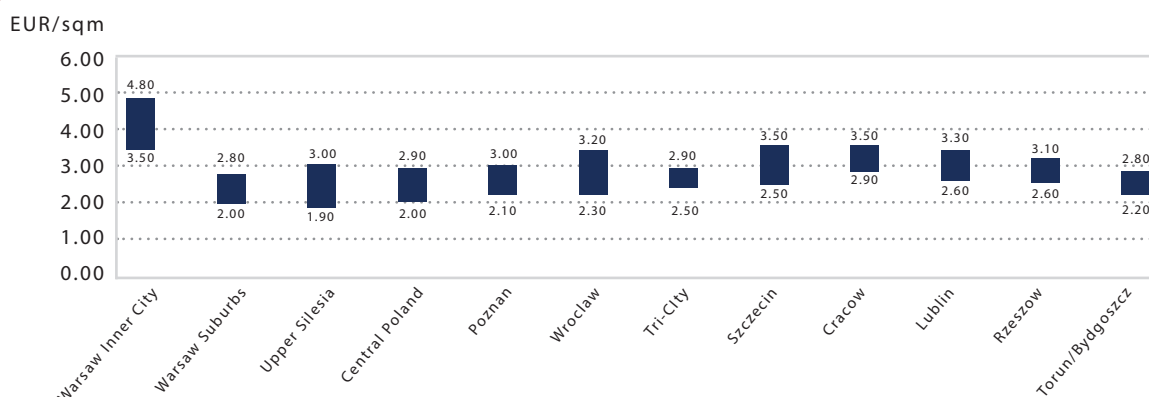
■ At the end of December, the vacancy rate was at a record low level: 4.8%. This is the result of about 5 percentage points lower than a year earlier. In most regions, there is a lack of large units available immediately. The smallest amount of available space is currently in Lodz, with most remaining in the vicinity of Warsaw and Tri-City. In the coming months as a result of putting into service new investments, the vacancy rate should rise, but given stable demand it will not be a significant jump. In subsequent quarters, the average vacancy rate will remain below 10%. A characteristic feature of the market is that logistics companies and networks are moving to new buildings, which is freeing space in older parks. On the other hand, some space is rented in the short term with the possibility of immediate termination at the time of signing the contract.

RENTS

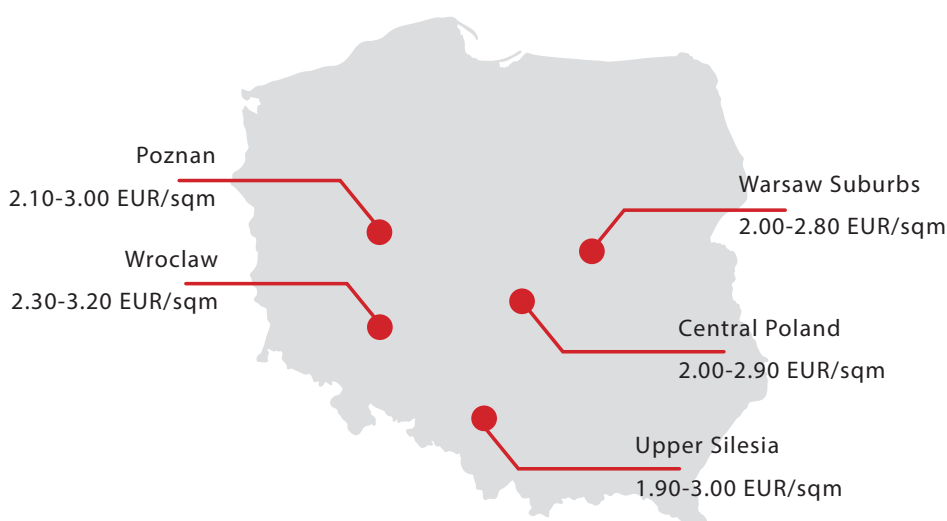
■ The falling vacancy rate has not resulted in an increase in rents. In order to obtain the largest contracts, developers competed sharply on price. As a result, in most regions, average rents remained stable, and in some locations, such as Upper Silesia, Poznan and the Warsaw area, they even showed a downward trend. Prices in Lodz remain quite high without declining, which is due to low vacancy rates and also the lack of speculative investments. Widening gaps between the amount asking and effective rents can be observed. To get important tenants, developers are able to offer a wide range of exemptions from rent; however, asking base rents are subject only to a small negotiations. Average effective rates in the major markets fluctuated in the range: 2.0-2.5 EUR/sqm in Central Poland and the Warsaw area, 1.9-2.6 EUR/sqm in Upper Silesia and over EUR 2.5/sqm in Krakow, Rzeszów and Lublin.



AVERAGE EFFECTIVE RENTS IN REGIONS IN 2015



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FORECAST

■ A high level of activity from tenants and expanded development activity in the main markets, as well as in new locations will be stable in 2016. Among main markets the biggest number of new projects we can expect in Poznan and Warsaw region. The main factor determining the growth in demand and supply in sector will depend on internal macroeconomic data associated with the investments of companies, increase in export and domestic consumption. Additional risks are at external factors like social and economic situation in UE and slowdown the Chinese economy.

■ It is worth noting that an important factor, especially for tenants is the availability of staff. A low level of unemployment below 10%, and in warehouse locations even in the vicinity of 2-3%, is

an important indicator influencing the investment decisions of companies. Difficult challenges are facing the market regarding new projects in new well-communicated and still attractive locations, but with greater access to basic staff. Therefore, the development of projects in new regions, but also discovering new locations in major logistics hubs, will be a natural process in the market.

■ Another issue will be the availability and the possibility of purchasing land for development in the face of the new law on land sales. Last year, purchases of land for industrial projects rose by at least 40% compared to the previous year. This year, it will be difficult to maintain such good results. Average prices for quality plots in logistic locations are between 70 to 150 pln for sqm, except the plots in Warsaw Inner City and Cracow region.

WAREHOUSE MARKET IN 2015 BY REGIONS



WARSAW

■ Last year, we saw an intensive development in warehouse projects outside the city boundaries. The commissioning of the subsequent sections of the S8 and S7 had a positive impact on development in the region. Demand for warehouse space in and around Warsaw was the highest among all regions of the country and amounted to over 660,000 sqm, of which over 95% comprised contracts signed outside the city. Nearly 50% were new lease agreements and expansions in existing locations. The structure of tenants in the region was dominated by retail chains with FMCGs and electronics. New supply exceeded 100,000 sqm, and a further 218,000 sqm is under construction, the vast majority of which are investments in Zone II Warsaw. The total warehouse stock in the region now stands at 2.89 sqm. The vacancy rate in the region decreased in relation to the previous year, but still remains one of the highest among all warehouse locations in the country. At the end of December, the average vacancy rate was 7.9%. Average rental rates remain low and stable. Sought-after tenants, with demand exceeding 7,000 sqm can obtain rents of even 1.9-2.0 EUR/sqm.

Stock	2,895,996 sqm
New supply	100,030 sqm
Gross demand	660,967 sqm
Vacancy rate	7.9%
Effective rent	1.90 – 4.80 EUR/sqm
Selected transactions	
Matras – 14,000 sqm MLP Pruszków II	
Zing – 11,200 sqm Panattoni Park Konotopa	



UPPER SILESIA

■ The total stock of modern warehouse space at the end of 2015 was 1.68 million sqm. The region enjoyed great success with tenants. A total of 420,000 sqm was leased, among which the largest contracts include: the lease by ILS of 17,500 sqm within Goodman Sosnowiec Logistic Park, the lease by Nowakowski Piekarnie of 16,600 sqm in Silesia Logistic Park and the renegotiation of the Moto Profile contract for 33,100 sqm in Prologis Park Chorzow. Upper Silesia became an area of intensive construction; during the year a total of 120,000 sqm was delivered on the market and in the first months of the year a further 26,000 sqm will be completed. At the end of the year, 174,000 sqm was under construction in locations such as Sosnowiec, Gliwice, Bielsko-Biala and Chorzow. The vacancy rate in December 2015 amounted to 3.5% and was lower by 7.5% year on year, but part of the space

occupied is temporarily under short-term contracts; in the coming months we can expect an increase in the availability of space.

Stock	1,680,556 sqm
New supply	116,900 sqm
Gross demand	420,841 sqm
Vacancy rate	3.0%
Effective rent	1.9 – 3.0 EUR/sqm
Selected transactions	
Moto Profil – 33,100 sqm Prologis Park Chorzów	
ILS – 17,500 sqm Goodman Sosnowiec Logistic Park	
Nowakowski Piekarnie – 16 600 sqm Silesia Logistic Park	



CENTRAL POLAND

■ In 2015, the region reached a record in terms of demand at 540,000 sqm, a figure better than the previous year by 400%. This high growth is a result of the signing of several large lease agreements in excess of 20,000 sqm. Among the largest are: a new contract for Leroy Merlin (53,000 sqm in Stryków), Jysk (40,000 sqm in Piotrków Tryb.), Decathlon (32,000 sqm in Lodz), and extensions for Corning (42,000 sqm in Stryków), FM Logistic (32,000 sqm in Piotrków Tryb.) and Flextronics (27,000 sqm in Lodz).

■ In 2015, very little space, only 46,000 sqm, was delivered on the market in comparison with other regions; the total stock of modern warehouse space in the region now stands at 1.29 million sqm. 88,000 sqm remains under construction, mainly in Lodz and Stryków. The region is very popular with large logistics companies and retail chains. Situated in the centre of the country, the proximity of two highways promotes the organisation of warehouse centres. Additionally, fewer problems than in other regions with the availability of staff is having a positive influence on the development of production projects, especially in Lodz and the surrounding area. At the end of the year in the region, the availability of space for immediate use was a record low and amounted to 3%. Even occupied was long-term vacant space in warehouse parks in Piotrkow Tryb., which for several years has exaggerated the vacancy statistics in the region.

Stock	1,297,533 sqm
New supply	46,000 sqm
Gross demand	540,813 sqm
Vacancy rate	3%
Effective rent	2.0 – 2.9 EUR/sqm
Selected transactions	
Leroy Merlin – 53,000 sqm Panattoni Park Stryków II	
Jysk – 40,000 sqm Logistic City	
Decathlon – 32,000 sqm Panattoni Park Business Center Łódź East	



POZNAN

■ The supply of modern warehouse space in the region increased to 1.4 mln sqm. Last year, new supply amounted to 239,000 sqm and it was the best result among all warehouse regions. A further 100,000 sqm is still under construction. Despite the high level of development, the vacancy rate throughout the year remained at a low level of approx. 3%. At the end of the year it was 1.4%, but from the end of the first quarter, we expect an increase in the availability of completed space. Demand in Poznan also was high, reaching 260,000 sqm, of which 67% comprised new leases.

Stock	1,417,684 sqm
New supply	238,942 sqm
Gross demand	265,530 sqm
Vacancy rate	1.4%
Effective rent	2.10 – 3.0 EUR/sqm
Selected transactions	
Solid Logistics – 12,553 sqm Prologis Park Poznań II	
Millano – 10,165 sqm Panattoni Park Poznań Airport	
Dachser – 8,400 sqm MLP Poznań	



WROCLAW

■ The total stock of modern warehouse space in the region at the end of the year exceeded 1.27 million sqm of which 108,000 sqm was completed in 2015. 166,000 sqm are under construction. 45.5% of space is within speculative developments. Gross demand reached 225,000 sqm and was lower compared year on year by 40,000 sqm. The vacancy rate at the end of the year amounted to 6.8%; in the coming months, the level of availability is expected to remain at a similar level. Average rental rates in the region are in the range: 2.2-3.1 EUR/sqm.

Stock	1,279,054 sqm
New supply	108,054 sqm
Gross demand	225,004 sqm
Vacancy rate	6.8%
Effective rent	2.2 – 3.1 EUR/sqm
Selected transactions	
TIM – 30,000 sqm Hillwood Wrocław III	
Colian Logistic – 9,300 sqm Panattoni Park Wrocław III	



TRI-CITY

■ The Tri-City warehouse market last year grew fairly steadily. The total resources of warehouse space in the region exceeded 300,000 sqm. 46,000

sqm are under construction within two investments. Gross demand in the region was 88,000 sqm and was lower compared to the previous year by 39,000 sqm. Most transactions fluctuated from 2,500 to 5,000 sqm. The vacancy rate at the end of the year was 9.7%, mainly due to the availability of individual, fragmented units. Average rents remained at the relatively high level of 2.5-2.9 EUR/sqm.

Stock	311,188 sqm
New supply	66,440 sqm
Gross demand	88,062 sqm
Vacancy rate	9.71%
Effective rent	2.5 – 2.9 EUR/sqm
Selected transactions	
Dovista – 13,000 sqm Prologis Park Gdańsk	
JAS FBG – 5,089 sqm Panattoni Park Gdańsk	



SZCZECIN

■ The region, despite its local character, developed rapidly in the past year; 70,000 sqm were completed within three projects, thereby pushing the total supply in the Szczecin market to 143,500 sqm. The further potential of the region is underlined by the relatively high amount of space under construction. 32,000 sqm s being built as part of a new Panattoni investment and the next stage of North West Logistic Park. Gross demand amounted to 113,700 sqm and was 40% higher than in 2014, while new contracts accounted for 80% of all signed contracts. The vacancy rate at the end of the year was 5.8%.

Stock	143,445 sqm
New supply	70,153 sqm
Gross demand	113,701 sqm
Vacancy rate	5.8%
Effective rent	2.50 – 3.50 EUR/sqm
Selected transactions	
Pierce AB – 11,060 sqm Panattoni Park Szczecin I	
IKEA – 10,370 sqm Prologis Park Szczecin	



KRAKOW

■ Last year, development activity increased the stock of warehouse space in the region by 40,300 sqm within three parks, thereby pushing the total supply to more than 200,000 sqm. Currently, 13,700 sqm are under construction as part of the next phase of the 7R project in Kokotów. Demand in the region is generated by local logistics operators, but also by companies from the e-commerce sector. Altogether, nearly 76,000 sqm were leased, which was an increase of 46% compared to 2014. Among

the biggest transactions, worth mentioning are the contract for Answear for 10,100 sqm within the Panattoni Park Kraków II and the lease renewal and expansion totalling 16,700 sqm for KMC Services in Goodman Kraków Airport Logistic Center. The vacancy rate at the end of the year was very low and amounted to 2.5%.

Stock	212,548 sqm
New supply	39,750 sqm
Gross demand	75,994 sqm
Vacancy rate	2.5%
Effective rent	2.90 – 3.50 EUR/sqm
Selected transactions	
KMC Services - 16,700 sqm Goodman Kraków Airport Logistic Center	
Answear - 10,180 sqm Panattoni Park Kraków II	

EASTERN POLAND

■ Lublin and Rzeszow in 2015 became new, expansive warehouse locations. An improvement in infrastructure around Lublin and A4 motorway near Rzeszów had a positive impact on the decisions of developers. In addition, due to the expansion, companies present in the region are showing a desire to have larger, modern warehouse and production space, hence the relatively high level of demand. In 2015 in both regions 128,000 sqm were leased. The largest contracts were: a new agreement for 24,600 sqm for Omega Pilzno within Panattoni Park Rzeszów and 6,000 sqm for Stokrotka chain in MLP Lublin. New supply in the region reached 120,000 sqm, while 30,900 sqm are under construction. The vacancy rate was 1.7%.

Stock	199,680 sqm
New supply	120,000 sqm
Gross demand	128,222 sqm
Vacancy rate	1.7%
Effective rent	2.60 – 3.10 EUR/sqm
Selected transactions	
Omega Pilzno - 24,600 sqm - Panattoni Park Rzeszów	
Stokrotka – 6,000 sqm MLP Lublin	

BYDGOSZCZ/TORUN

■ This is the smallest warehouse market in Poland; however, developers' plans, especially in Bydgoszcz, are ambitious. Currently, the total class A warehouse stock in the region does not exceed 130,000 sqm. 16,400 sqm is under construction within Panattoni Park Bydgoszcz. Gross demand throughout 2015 amounted to 66,000 sqm, greatly reducing the high vacancy rate of 25% to almost 0.

Stock	123,000 sqm
New supply	0 sqm
Powierzchnia w budowie	16,400 sqm
Gross demand	66,000 sqm
Vacancy rate	0.1%
Effective rent	2.20 – 2.80 EUR/sqm
Selected transactions	
Muller Fabryka Świec – 15,900 sqm Goodman Toruń Logistic Centre	
Oponeo.pl – 12,500 sqm Panattoni Park Bydgoszcz	

CONTACT

Renata Osiecka
Managing Partner
+48 22 50 58 440
renata.osiecka@axiimmo.com

Monika Rykowska
PR & Marketing Director
+ 48 22 50 58 445
monika.rykowska@axiimmo.com

Barbara Szymańska-Wieczorek
Industrial & Research Coordinator
+48 32 357 43 15
b.szymanska-wieczorek@axiimmo.com