

MARKET INDICATORS

Market Outlook

| | | |
|---------------|--|---|
| Prime Rents: | Stable prime retail rents in shopping centres with a slight downward trend in terms of high street locations. | ▶ |
| Prime Yields: | 4.25% Warsaw, 5.15-5.75% for the regional shopping centres. The largest transactions of Q4 2018: sale of Wars Sawa Junior, a prime high street retail, which was acquired for EUR 301.5 million by Atrium European Real Estate | ▶ |
| Supply: | Over 220,000 sqm of new supply, with further 700,000 sqm currently under construction or with a valid building permit. Ca. 75% of that amount will be delivered by the end of 2019. | ▶ |
| Demand: | Strong occupier and investor demand for prime retail locations. Interest in secondary assets clearly shaped by local retail sector fundamentals. | ▶ |

Prime Retail Rents – December 2018

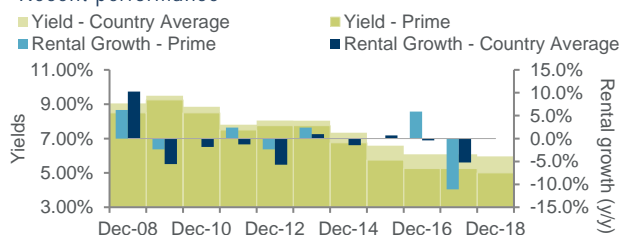
| HIGH STREET SHOPS | € | | US\$ | GROWTH % | |
|-------------------|-------------|------------|-------------|----------|-------------|
| | SQ.M MTH | SQ.M YR | SQ.FT YR | 1YR | 5YR CAGR |
| Warsaw | 80.0 | 960 | 101.7 | 0.0 | -1.2 |
| Krakow | 75.0 | 900 | 95.3 | 0.0 | -0.8 |
| Katowice | 45.0 | 540 | 57.2 | 0.0 | -4.3 |
| Poznan | 50.0 | 600 | 63.6 | 0.0 | -1.9 |
| Lodz | 25.0 | 300 | 31.8 | 0.0 | -0.8 |
| Wroclaw | 40.0 | 480 | 50.8 | 0.0 | -0.5 |

Prime Retail Yields – December 2018

| HIGH STREET SHOPS (FIGURES ARE GROSS, %) | CURRENT | LAST | LAST | 10 YEAR | |
|--|---------|------|------|---------|------|
| | Q | Q | Y | HIGH | LOW |
| Warsaw | 5.00 | 5.25 | 5.25 | 9.50 | 5.00 |
| Krakow | 5.75 | 5.75 | 5.75 | 9.75 | 5.75 |
| Katowice | 6.75 | 6.75 | 6.75 | 10.00 | 6.75 |
| Poznan | 6.75 | 6.75 | 6.75 | 10.00 | 6.75 |
| Lodz | 6.75 | 6.75 | 6.75 | 10.00 | 6.75 |
| Wroclaw | 6.75 | 6.75 | 6.75 | 10.00 | 6.75 |
| OUT OF TOWN RETAIL (STAND ALONE RW UNITS) (FIGURES ARE GROSS, %) | CURRENT | LAST | LAST | 10 YEAR | |
| | Q | Q | Y | HIGH | LOW |
| Country prime | 7.00 | 7.00 | 7.00 | 8.50 | 7.00 |
| SHOPPING CENTRES (FIGURES ARE GROSS, %) | CURRENT | LAST | LAST | 10 YEAR | |
| | Q | Q | Y | HIGH | LOW |
| Country prime | 4.25 | 4.50 | 4.75 | 7.75 | 4.25 |

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

Strong private consumption, rising wages and low unemployment remain the key growth drivers of a strong Polish economy. After a relatively quiet, in terms of new retail supply, third quarter of 2018, Q4 saw over 220,000 sqm of retail space delivered in several new schemes as well as within extensions of the existing ones. The largest new shopping centres opened in Q4 2018 are: Galeria Libero in Katowice (45,000 sqm), Nowa Stacja in Pruszków (27,000 sqm) and Galeria Hosso in Świebodzin (12,000 sqm). At the end of Q4 2018 the total retail stock in Poland exceeded 14.7 million sqm.

Occupier focus

There is nearly 700,000 sqm of retail space currently under construction or has a valid building permit. Ca. 75% of that amount will be delivered by the end of 2019 mainly in major agglomerations with population above 400,000 inhabitants. However, the importance of smaller cities with less than 100,000 inhabitants, is still growing. Over 30% of the retail space under construction is planned to be delivered on those markets. A major retail scheme scheduled to open in 2019 is Galeria Młociny in Warsaw (72,300 sqm). Due to the age of current stock and changing consumer expectations there is a focus on refurbishment, modernization and redevelopment in many shopping centre schemes.

Investment focus

In 2018, over EUR 7.2 billion was invested on the Polish commercial real estate market with EUR 2.5 billion transacted in retail sector. The retail investment volume achieved last year was the highest result since 2006. The substantial contribution has the largest retail transaction recorded in Poland, disposal of portfolio of 28 assets by Apollo Rida/AXA/ARES to Chariot Top Group for approx. EUR 1 billion. In Q4 2018, the retail investment volume exceeding EUR 360 million accounted for 16 % of quarterly volume (EUR 2.2 billion). Majority of last quarter volume was generated by sale of Wars Sawa Junior, a prime high street retail, which was acquired for EUR 301.5 million by Atrium European Real Estate. The remaining retail investment volume was generated through the transactions of rather smaller assets, mainly retail parks. Prime retail yields for shopping centres dropped to 4.25%. Prime high street locations are valued at 5%, while prime yields for retail parks as well as for retail warehousing remain stable at the level of 7.0%.

Outlook

The retail sector continues to adapt to the new market conditions following the entry of the Sunday trading restrictions implemented in March 2018. The restriction is extended from the beginning of 2019 to only one shopping Sunday per month. According to the data available up to now, shopping centres recorded lower footfall and turnover levels, on average down by 6% and 2%, respectively, compared with the same period in 2017. High household consumption, which remains the key driver behind Poland's economic growth, substantially mitigated the negative effects of the ban.