

EMMERSON
EVALUATION

E-VALUER INDEX 2015

ANALYSIS OF
TRANSACTION PRICES
AND FORECASTS FOR
THE RESIDENTIAL
MARKET IN POLAND
– PRIMARY AND
SECONDARY MARKETS

WARSAW, FEBRUARY 2015

INTRODUCTION

Dear Readers,

We are pleased to present the second edition of E-VALUER INDEX report in which we analyse prices of apartments in Poland and forecast how the situation on the domestic residential property market will shape in 2015.

While preparing E-VALUER INDEX 2015, we adopted a slightly different methodology in 2014. First of all, we use the median price, which gives a more accurate assumption of market trends than the average price. Secondly, we made the analyses more detailed. In the largest voivodeship cities, transaction prices and other data (e.g. trends in prices observed so far) are broken down by districts, which in our opinion are often de facto distinct markets with unique specificity. This approach - together with the fact that in our reports we always take into account even the smallest voivodeship cities- assumes that information on property prices should be analysed at the maximum level of detail. Generalizations can often lead to oversimplified and sometimes false conclusions.

Additionally, in E-VALUER INDEX 2015 our special attention is paid to in-depth analysis of factors that will have impact on the residential market in Poland. There are many such factors - from those strictly connected with the property market to the more general, reflecting the macroeconomic situation.

Development of E-VALUER INDEX was possible due to the fact that as a company operating in the field of property valuation throughout the country since 2008, we are the author and owner of the countrywide Database called E-VALUER on transaction prices. E-VALUER Database allows multivariate analysis based on a number of factors creating the value of a property, and the credibility of analyses based on the information from our database results from the source of the data. These are solely transaction prices, without offer prices or data of unknown origin, collected in the "second circulation". The transaction prices acquired by Emmerson Evaluation from the sources available for certified property valuers, complemented with further descriptions of a property, are the basis for a reliable analysis of market participants' behaviour, as well as for statistical index calculation. With this approach, we are able to provide a reliable picture of the residential market, a comparison of key indexes across the country and a projection of price changes in the nearest future.

The information can be successfully used in a decision-making process by all market participants: individual clients, banks, developers, agents and entities investing in the property market.

We encourage you to read on. Should you have any questions or were interested in obtaining a more detailed analysis, do not hesitate to contact us.

Dariusz Książak, Robert Rajczyk, Michał Mrowiec
- Board of Emmerson Evaluation Sp. z o.o

TRANSACTION PRICES

This report is an analysis of the information contained in E-VALUER database- the only database in Poland on property transaction prices. We would like to underline that the transaction price is only understood as the price at which a sale and purchase agreement was concluded and which was recorded in a notarial act at the stage of a preliminary or final agreement.

MEDIAN

In this report, we use the median price of property transactions. The median (the middle value, dividing the class into two equal parts) gives a better idea of the property price than the average price, since it is a better indicator of where the middle value of the class is and is less sensitive to extreme single values, especially for smaller sample sizes (like the purchase of one luxurious property).

In this report, all prices are given in PLN per sqm and for the primary market in gross value. The report was prepared on the basis of about 34,000 transactions made in 2014.

2014 – PRICE STABILISATION

The data analysis of all voivodeship cities conducted in January 2015 shows that last year was a time of stabilisation for the residential market in Poland. Price fluctuation, both on primary and secondary markets, did not exceed 3%. The greatest dynamics of price growth on the primary market was reported in Gdańsk, Sopot and Katowice. The most significant downward trend was observed in Szczecin. In turn, the annual changes on the secondary market indicated a noticeable growth in the median in as many as seven analysed cities (they include both the largest cities in Poland, like Warsaw and Krakow, and the smallest, like Białystok)¹. The most significant drop in transaction prices on the secondary market was seen in Gorzów Wielkopolski. Of course, a slightly bigger price fluctuation could be recorded on the primary as well as secondary market when considering particular districts of the biggest voivodeship cities in Poland. The more detailed information is presented in this E-VALUER INDEX 2015 report.

Equal supply and demand powers were the underlying catalyst for the relatively stable level of prices on the residential market in 2014. The low level of WIBOR (Warsaw Interbank Offered Rate) and consequently low (despite increasing margins) credit interest rate influenced the growth of buyers' credit rating. This, however, did not bring a dramatic rise in the volume of granted credits. Quite the contrary. Market data indicate that in 2014 the credit activity was slightly weaker than the year before. It is not a sign of market collapse but rather of a balanced banking policy in the environment of stable demand and modest changes in property prices. In the past year, the requirement imposed by Recommendation S saying that the borrower must make a 5% minimum contribution from their own funds had a marginal meaning for the volume of new granted credits.

At first glance it would seem that the moderate credit action in 2014 is at variance with good sale results presented by developers. There might be no conflict though. Since 2013 a gradual shift of demand towards the primary market was observable. A similar phenomenon took place in 2014. Global demand on the property market did not necessarily increase, but a greater number of buyers turned towards new apartments. The successful year for developers was confirmed by sale results compared to 2013 and new investments constantly introduced into the offer. A substantial rise in transactions on the primary market was supported by the number and value growth of

cash purchase transactions.

The first year of the government programme "Flat for the Young" had a minor impact on the residential market in Poland. According to BGK (Bank Gospodarstwa Krajowego), in 2014 the level of used subsidy to the deposit was estimated at less than 35% of the PLN 600 million pool. The cities whose price limit was higher than or comparable to the average price level saw a slight increase. The cities where the price limit was considerably lower than the average market price did not observe any significant price drop.

The launch of the "Flats-for-Rent Fund" programme run by BGK has not influenced the market yet. It is worth noticing, however, that the Fund has so far bought and introduced one investment comprising of 124 flats in Poznań. In the future, the Fund is likely to impact the demand in the sector of development apartments.

¹ Detailed values of the median price in individual cities are shown in tables on p. 6 and 7.

2015 - FORECAST

2014 was a good year for the residential property industry. Optimistic market mood was marked primarily in the sales volume of flats on the development market. A developers' positive look into the future was confirmed by Central Statistical Office (Główny Urząd Statystyczny) data according to which, in the past year the number of new construction starts amounted to over 69,000 (36% more than in 2013), while the number of issued building permits reached 77,000 (39% more than in 2013). The above data may be connected with the primary market offer size. A third of investments offered by developers is to be completed in 2015, a similar number of projects will be accomplished in 2016.

The most significant positive factor influencing the property market in 2015 will be a monetary one - in the sense of cheap money. In March, the European Central Bank is planning to commence the purchase of government bonds from eurozone countries. The aftermath of this will be weakening of euro. It will exert a lot of pressure on the Monetary Policy Council to lower interest rates in order to maintain the parity of the Polish zloty against the euro and keep export competitiveness. The record-low cost of a credit in PLN will drop even more, which, together with the observed improvement on the labour market, will become an incentive to purchase a property. In addition, falling deposit interest rates will make the property market attractive as an alternate form of a capital investment. Already existing trend of purchasing for investment purposes may increase, thus supporting the primary market. It is highly likely that the market will see the return of foreigners for whom cheap money is a motivator, to the benefit of higher standard properties. These demand factors, especially in the second half of the year, will impact the price growth on major markets in particular. The Swiss bank's latest decision on abandoning the cap on the franc should not considerably affect the ability to repay denominated credits in that currency. The recent drop in LIBOR (3M) rate below zero will compensate to a great extent the franc's appreciation. Therefore, the average credit instalment, with the current market conditions maintained, will grow only slightly in comparison to the instalment of December 2014. Furthermore, lower interest rates will have a positive effect on the availability of credits in PLN, ergo the credit activity compared to the previous year should not decrease, even taking into account the requirement for a 10% contribution from buyers. This

year, the positive market mood among buyers will be affected by macro-economic factors, with the unemployment rate drop in 2014 being one of them (registered unemployment tumbled from 14% to 11.5%). The latest data on the average remuneration show that in a year it grew by 3.7%². A zero inflation rate means, in fact, more money in the pocket of potential apartment buyers.

Another positive factor impacting the market will be activities of BGK Nieruchomości fund. The "Flats-for-Rent Fund" led by BGK started its official activity in 2014. According to the assumptions, launching of the Fund is to widen the offer of attractive, in respect of a quality and price, flats for rent and create an alternative for a mortgage credit. This initiative may result in a greater demand on the primary market. Funds designated for flats purchase amount to PLN 5bn. The Fund intends to spend it on the acquisition of about 20,000 flats. Last year, approximately 40,000 flats were sold on the primary market in major cities in Poland. This means that the scope of the BGK's investment covers about 50% of annual sales in development sector. The Fund is going to purchase the biggest number of investment properties in the second (i.e. 2015) and third year of the programme's functioning, which means over 7,000 units per year (about 18% of the sales last year). Those purchases will diminish the supply of flats designated for sale in particular locations and will shift it towards other projects in the area.

The "Flat for the Young" programme will have a more significant influence on the prices of new apartments in 2015 than so far. Until now 19% of PLN 715mn designated for a mortgage subsidy in 2015 has been used (according to the recent BGK data). After the experience from the first year of the programme, prices of new investments will be better tailored to price limits. It will mainly concern locations where the difference between average prices and limits will be minimal. In 2015, the interest in the programme should rise, as a result of the 10% contribution requirement (in accordance with Recommendation S) when purchasing a flat on a mortgage secured credit. At present, consultations on the new

² PLN 4221.50 in December 2014 compared to December 2013

2015 - FORECAST

form of the Act on the government's help to purchase a first flat are still in progress. At the draft level some of the changes are known, but it is hard to say how big influence they will have on the programme's accessibility improvement. The date of the amendment coming into force has not been decided yet. The current draft assumes a growth in the level of subsidy for families with children depending on their number - 15% for families with one child, 20% and 30% for families with two and three children respectively. Additionally, families with at least three children would not have to fulfil the requirement saying that a flat purchased within the framework of the programme must be the first flat for the buyer. Also, as far as the aforementioned beneficiaries are concerned, the subsidy could cover 65 sqm of a flat (by 15 sqm more than in the case of other programme recipients). Last but not least, the draft assumes allowing persons unrelated to a borrower to enter into a credit agreement, which has been impossible so far.

In 2015 the primary market will need to adjust to new regulations. Developers will be responsible for obligations resulting from the changes to the act on consumer rights (which came into force on 25 December 2014) and to the Civil Code. New requirements concern i.a. information disclosure on a sold flat. The information must include a detailed description of the company's business activity, main features of the flat, a manner of using the premises, maintenance and standards regarding communication between developers and buyers. At the stage of preliminary agreement the developer's duty is to determine the total price of the property along with additional costs (e.g. finishing or a range of after-sales services). For breach of those obligations the investor faces a penalty of up to PLN 5,000. The warranty period is also extended, according to the said law, the period is 5 years for contracts concluded after 25 December 2014. These regulations will be another factor that may lead to an increase in apartment prices on the primary market. On the other hand, they can help buyers pursue their claims arising from any errors on the developer's side through the courts.

In summary, the turnover on the property market in the current year should be at a similar or higher level than in 2014. The primary market will still be able to observe very good results. A lot of factors will affect

the increase in prices. Potential reduction of interest rates by the MPC is likely to maintain interest rates on new credits at a low level. Low interest rates on bank deposits and the influx of cheap money will intensify purchase for investment purposes. Purchase of the whole investments by the "Flats-for-Rent Fund" will eliminate some part of supply from the market and will be able to limit the possible oversupply effectively. A side effect of these activities may be a growth in prices of new apartments in other investments because of the shift and cumulative demand on them. Therefore, in the next year we expect a few percent increase in apartment prices on the primary market, which will become noticeable in the second half of the year in major Polish cities. In the structure of residential premises sale, transactions concluded on the secondary market are still dominant. Due to the high number of flats on developers' offer, the secondary market will be slightly less popular among investors. Attractive (e.g. in terms of standard of completion) second-hand apartments, built in the last few years, will stand a chance to compete with the developers' offer. Also, the secondary market flats being so-called "a bargain" will be able to enjoy the interest of investors. The turnover of premises purchased on the secondary market during the boom and collateralised by Swiss franc denominated mortgages may be subject to decrease.

RESIDENTIAL MARKET IN POLAND

TRENDS, PRICES, FORECAST

	primary market			secondary market		
	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECAST	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECAST
WARSAW	1%	6957	↑	3%	7070	↑
KRAKOW	-1%	6433	↑	3%	5813	◇
WROCLAW	2%	5538	↑	3%	5135	◇
POZNAŃ	-1%	5692	↑	2%	4930	◇
GDAŃSK	3%	5829	↑	3%	4983	↑
GDYNIA	1%	6465	↑	2%	4903	◇
SOPOT	3%	10024	↑	2%	6778	↑
ŁÓDŹ	1%	4458	↓	1%	3182	↓
KATOWICE	3%	4500	◇	3%	3257	↓



growth



moderate growth



stabilisation



moderate decline



decline

RESIDENTIAL MARKET IN POLAND

TRENDS, PRICES, FORECAST

	primary market			secondary market		
	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECAST	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECAST
BIAŁYSTOK	-1%	4482	↑	3%	4056	◇
OLSZTYN	2%	4465	◇	-1%	4043	◇
LUBLIN	-1%	4690	↑	3%	4437	↑
RZESZÓW	0%	4485	◇	2%	4108	◇
KIELCE	-2%	4610	◇	0%	3559	◇
SZCZECIN	-3%	4421	◇	2%	3815	◇
BYDGOSZCZ	-1%	4361	◇	2%	3393	◇
TORUŃ	-1%	4992	◇	2%	4061	◇
GORZÓW WLK.	-1%	3310	↓	-3%	2523	↓
ZIELONA GÓRA	1%	3589	◇	2%	2973	◇
OPOLE	2%	4214	◇	0%	3820	◇



growth



moderate growth



stabilisation



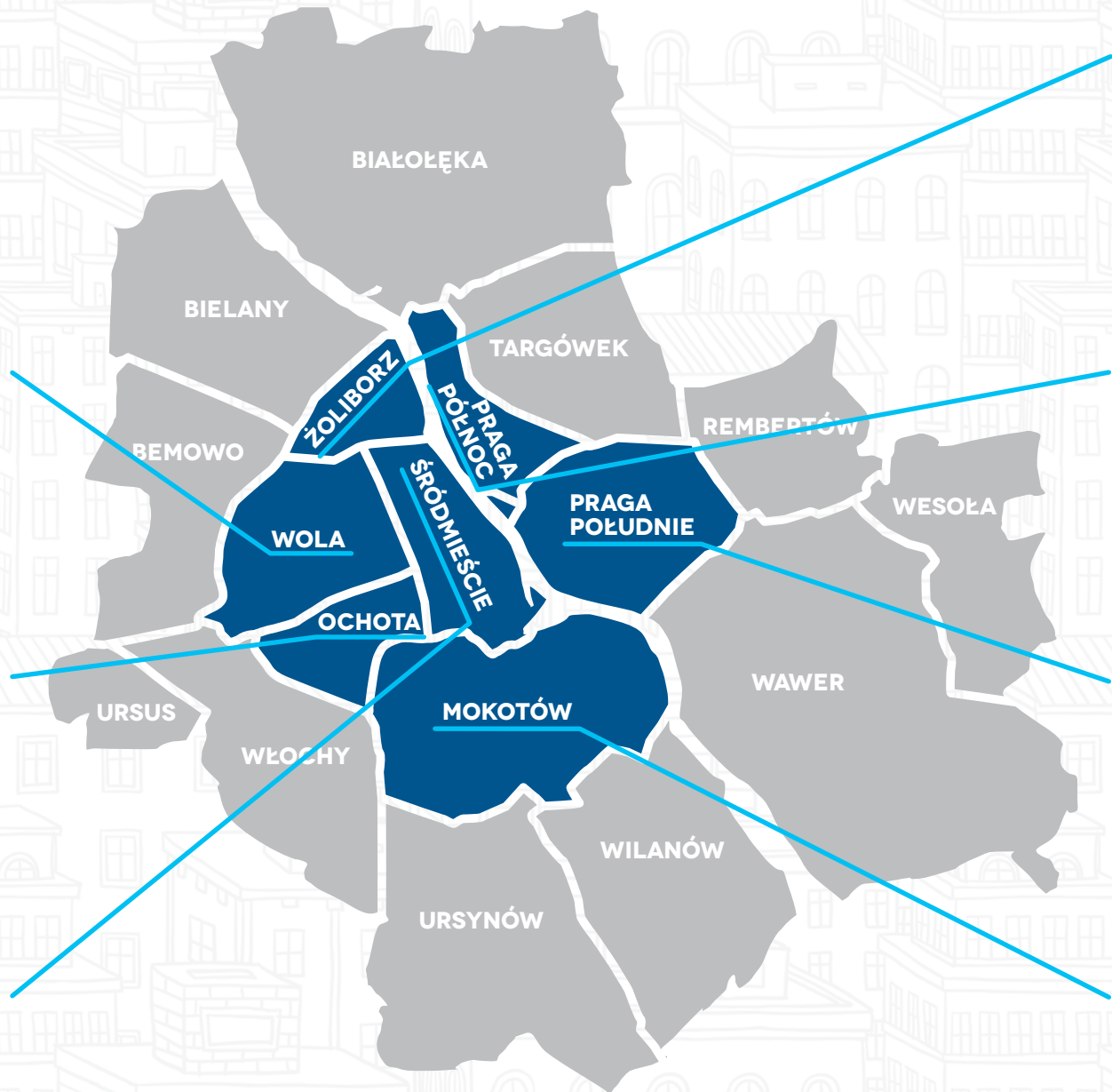
moderate decline



decline

WARSAW - CENTRAL DISTRICTS

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS,
ANNUAL PRICE CHANGE TREND



ŻOLIBORZ

	annual trend 2014	median price sqm 2014
primary market	-4%	7707
secondary market	3%	7528

WOLA

	annual trend 2014	median price sqm 2014
primary market	0%	7463
secondary market	2%	7463

PRAGA PÓŁNOC

	annual trend 2014	median price sqm 2014
primary market	-2%	7385
secondary market	3%	6540

OCHOTA

	annual trend 2014	median price sqm 2014
primary market	5%	8409
secondary market	4%	7423

PRAGA POŁUDNIE

	annual trend 2014	median price sqm 2014
primary market	5%	7321
secondary market	4%	6713

ŚRÓDMIEŚCIE

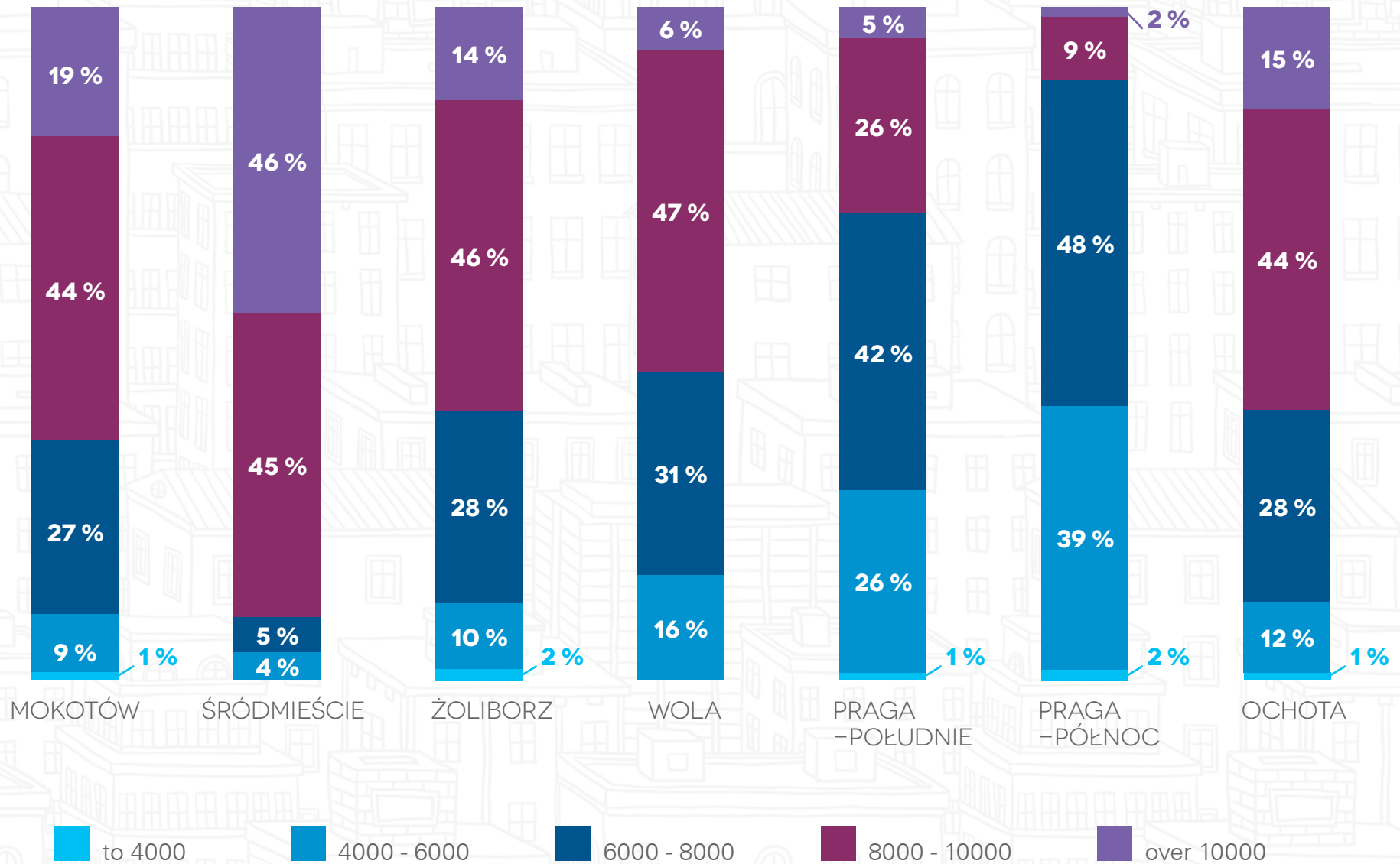
	annual trend 2014	median price sqm 2014
primary market	4%	10300
secondary market	6%	9217

MOKOTÓW

	annual trend 2014	median price sqm 2014
primary market	-4%	8317
secondary market	5%	7695

WARSAW - CENTRAL DISTRICTS

TRANSACTION PRICE DISTRIBUTION ON PRIMARY AND SECONDARY MARKETS



WARSAW – DISTRICTS OUTSIDE THE CENTRE (RIGHT BANK)

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS,
ANNUAL PRICE CHANGE TREND



TARGÓWEK

	annual trend 2014	median price sqm 2014
primary market	1%	6394
secondary market	1%	5890

REMBERTÓW

	annual trend 2014	median price sqm 2014
primary market	3%*	5904
secondary market	-1%	5784

* Small number of transactions

BIAŁOLEKA

	annual trend 2014	median price sqm 2014
primary market	5%	5761
secondary market	3%	5990

WESOŁA

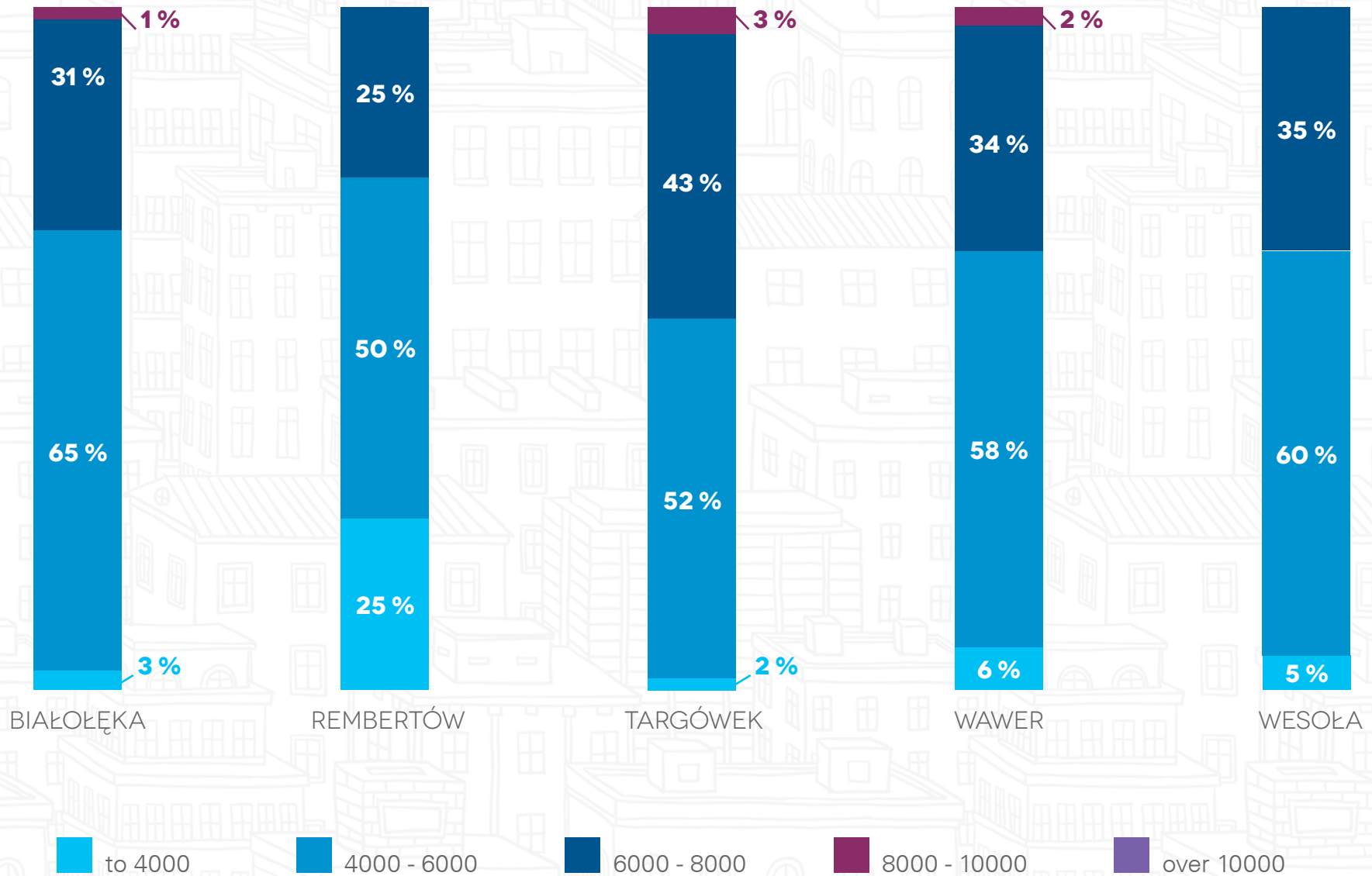
	annual trend 2014	median price sqm 2014
primary market	2%	5888
secondary market	2%	6191

WAWER

	annual trend 2014	median price sqm 2014
primary market	2%	5894
secondary market	-2%	5917

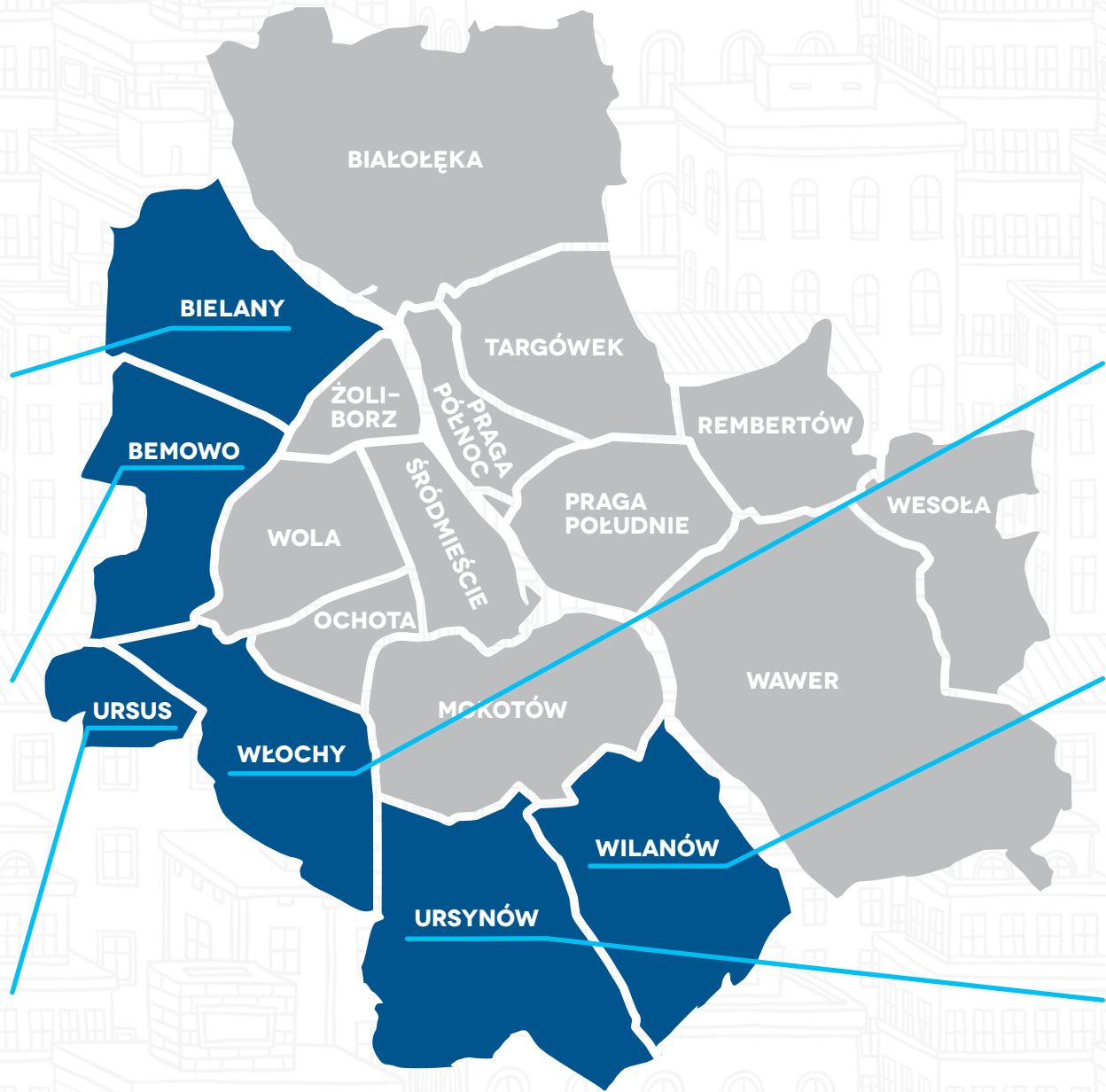
WARSAW - DISTRICTS OUTSIDE THE CENTRE (RIGHT BANK)

TRANSACTION PRICE DISTRIBUTION ON PRIMARY AND SECONDARY MARKETS



WARSAW - DISTRICTS OUTSIDE THE CENTRE (LEFT BANK)

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS,
ANNUAL PRICE CHANGE TREND



BIELANY

	annual trend 2014	median price sqm 2014
primary market	4%	7734
secondary market	4%	6920

BEMOWO

	annual trend 2014	median price sqm 2014
primary market	-3%	6812
secondary market	4%	6640

URSUS

	annual trend 2014	median price sqm 2014
primary market	0%	6216
secondary market	-4%	5916

WŁOCHY

	annual trend 2014	median price sqm 2014
primary market	4%	6600
secondary market	4%	6844

WILANÓW

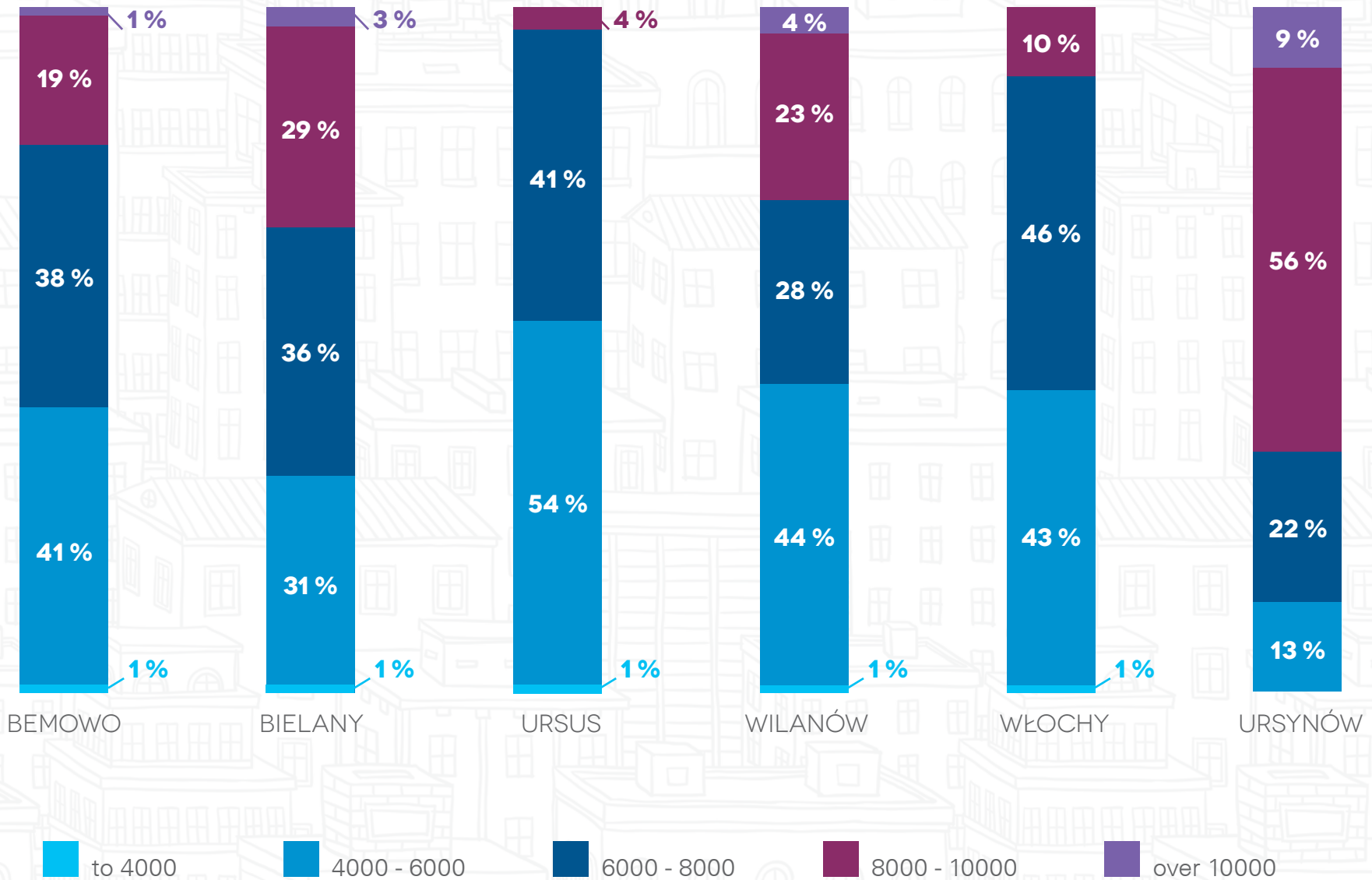
	annual trend 2014	median price sqm 2014
primary market	0%	6435
secondary market	4%	7224

URSYNÓW

	annual trend 2014	median price sqm 2014
primary market	-4%	7595
secondary market	3%	8045

WARSAW - DISTRICTS OUTSIDE THE CENTRE (LEFT BANK)

TRANSACTION PRICE DISTRIBUTION ON PRIMARY AND SECONDARY MARKETS



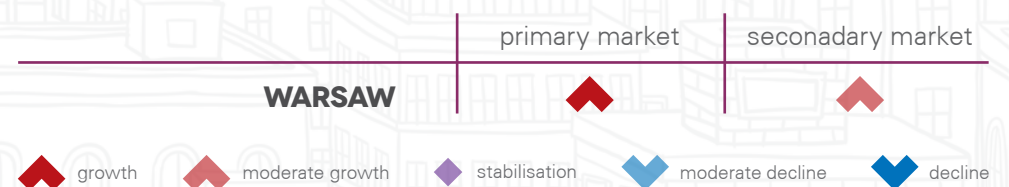
WARSAW

For the Warsaw's residential property market last year ended with an increase in flats prices both on the primary and secondary markets. On the secondary market the prices fell only in Rembertów, Ursus and Wawer, i.e. districts where both demand and supply remained at a low level. In all other districts there was a rise in transaction prices, reaching 6% in Śródmieście. High demand for second-hand flats was noticeable in Mokotów and the median price in this area increased by 5% compared to last year. On the Warsaw's secondary market the number of transactions for smaller flats dropped (up to 35 sqm and from 35 to 50 sqm, by 2 and 3 pp respectively). Quite distinct annual change was recorded for apartments with larger space. Last year, the turnover of flats from 70 to 100 sqm increased by 3 pp. The total median transaction price of these apartments in 2014 was equal to PLN 603,500, i.e. by approx. 260,000 more than of the average flat purchased. This meant that the purchasing capacity rose last year, as confirmed by the macroeconomic data (i.a. average remuneration, the rate of inflation).

A noticeable trend of growing demand for new residential premises was clearly confirmed by the number of transactions concluded on the market. The largest number of new investments available for sale is currently located in Wola, where the dominating area is the neighbourhood of Jana Kazimierza street. In this district developers offer new apartments in approx. 30 investments. Wola is gaining popularity due to its location - the development of infrastructure and the possibility of quick access to the center. High supply is also present in Białołęka. Buyers are encouraged by a range of flats available in the programme "Flat for the Young", which has gained the greatest popularity there. It is the increase in demand that led to a rise in the price of 1 sqm by 5% in Białołęka in 2014. The offer of the primary residential market in 2015 will also be high in Mokotów. At the beginning of 2015 buyers can choose from about 1,500 new flats. In 2014, Mokotów saw a slight decline in prices of primary market apartments. The reason for this was the increase in the number of concluded transactions for flats of over 70 sqm whose price per 1 sqm was lower than the average. These transactions mainly concerned Służewiec area. Apartments ranging from 70 to 100 sqm accounted for 23% of the turnover on the capital's primary market in 2014. The new apartments market

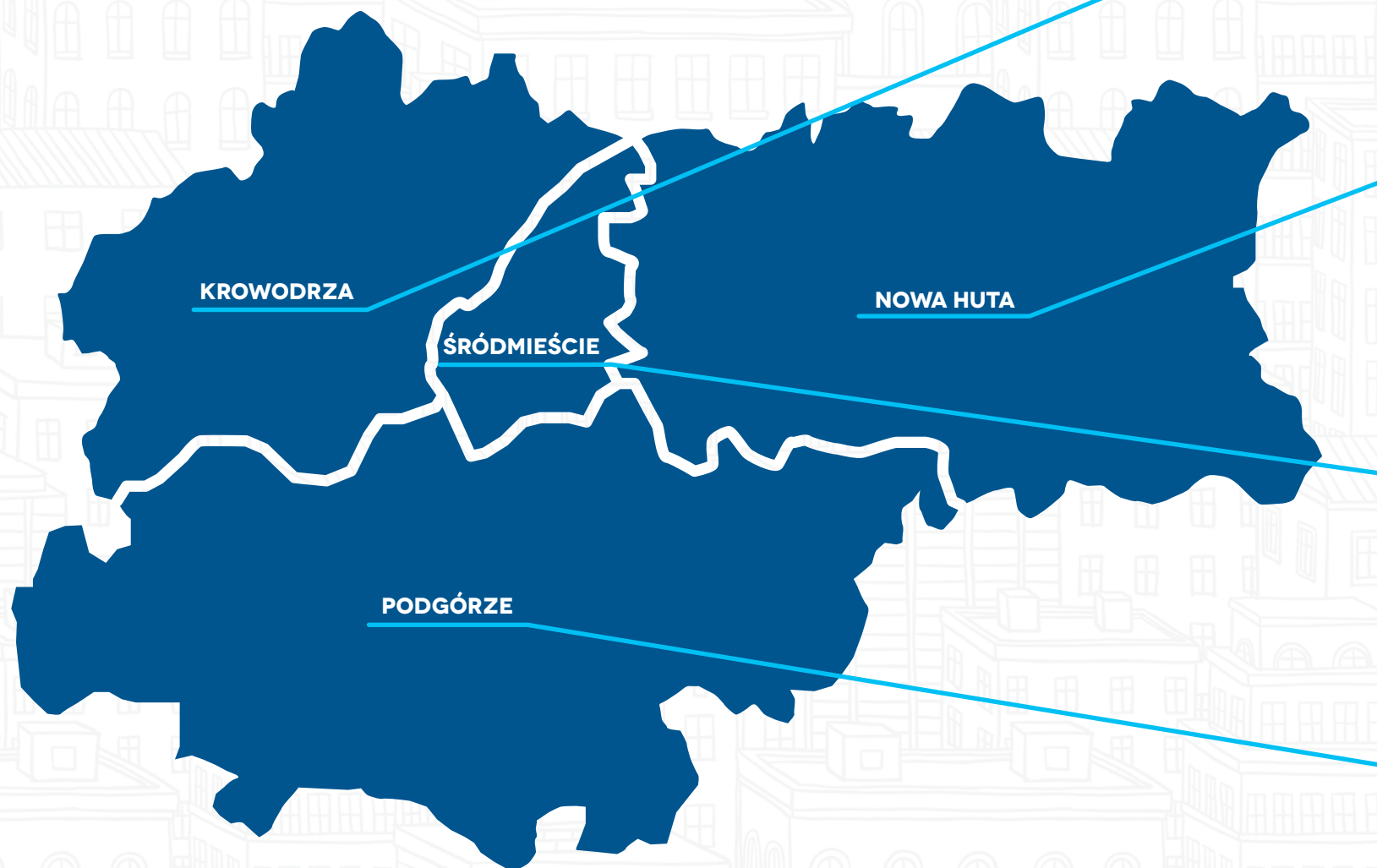
reported sales growth in the segment of flats ranging from 50 to 70 sqm, as well as small ones up to 35 sqm. Despite the fact that the Warsaw's supply in 2015 will be high, the market data indicate that this will not lower prices. If the projected increase in investors' interest in the residential market in 2015 proves true, it is Warsaw where it will be most noticeable. Therefore, we forecast that next year the capital will see a moderate growth in apartment prices.

E-VALUER INDEX 2015 - FORECASTED CHANGE



KRAKOW

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS,
ANNUAL PRICE CHANGE TREND



KROWODRZA

	annual trend 2014	median price sqm 2014
primary market	2%	6379
secondary market	3%	6198

NOWA HUTA

	annual trend 2014	median price sqm 2014
primary market	-3%	5335
secondary market	2%	4897

ŚRÓDMIEŚCIE

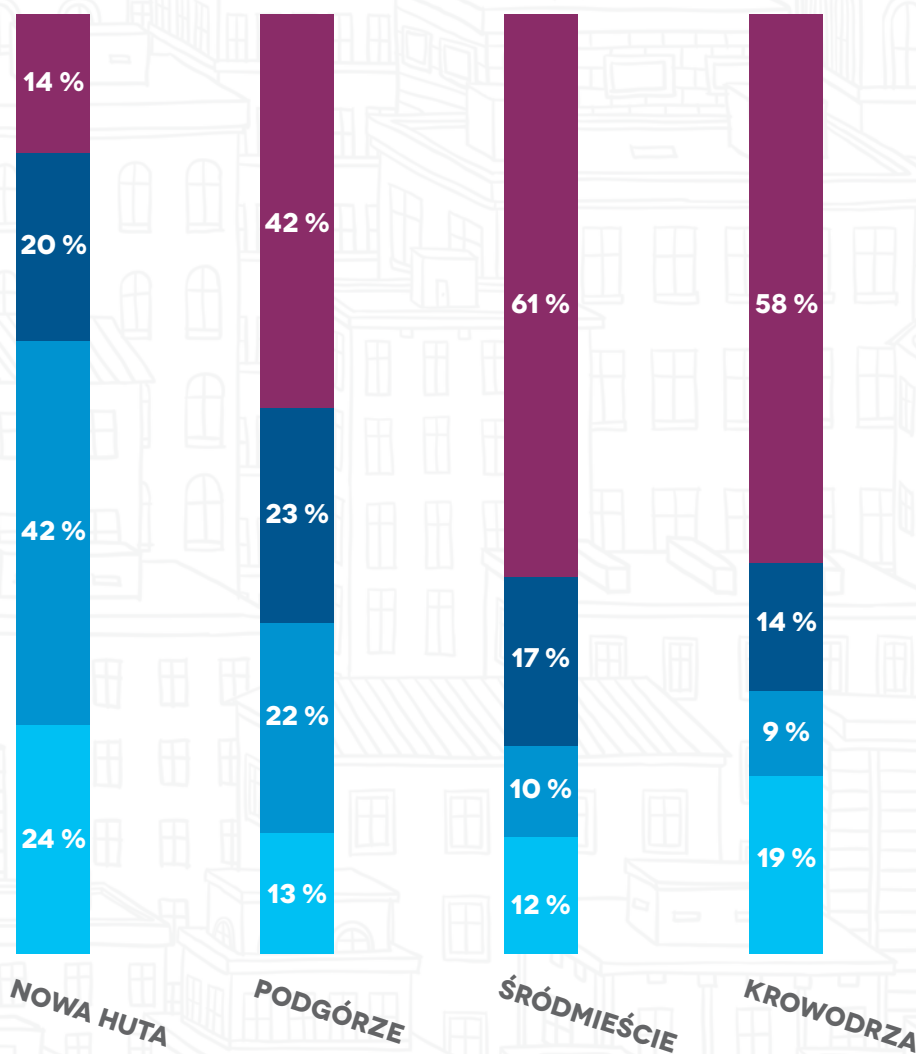
	annual trend 2014	median price sqm 2014
primary market	-1%	7653
secondary market	-1%	6252

PODGÓRZE

	annual trend 2014	median price sqm 2014
primary market	4%	6263
secondary market	1%	5464

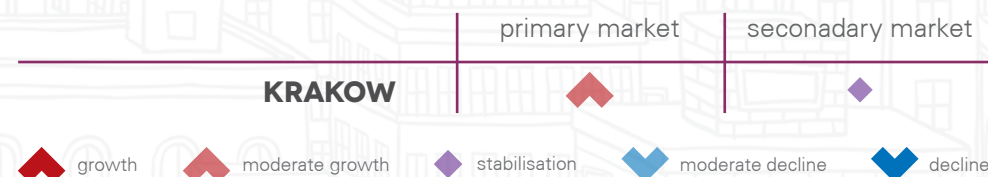
KRAKOW

TRANSACTION PRICE DISTRIBUTION ON PRIMARY AND SECONDARY MARKETS



Since the beginning of 2014 Krakow has seen an upward trend in transaction prices. The primary market has considerably grown in popularity, however this is not due to the "Flat for the Young" programme launch. Availability of flats which in terms of price criteria qualify for the government programme is visible only on the outskirts of Podgórze (Swoszowice area) and in Nowa Huta, but at the city level it is low. There is no indication that in 2015 this will change, even if there is an increase in the price limit which in the first quarter of 2015 is PLN 5083 per sqm. The greatest number of new development investments is offered in Podgórze, which is a very popular location with differentiated pricing (transactions of higher value are made in Stare Podgórze, and in more remote areas prices are up to several percent lower). A high number of new investments and the popularity of this location (also in the case of the primary market) indicate that in the current year the prices in the area will remain at a similar level with a slight upward trend compared to 2014 (median price in 2014 amounted to PLN 6363 per sqm). In Śródmieście and Krowodrza the supply of new investments is lower, but they are the most expensive and fashionable areas of Krakow, popular with affluent clients. Therefore, we predict that this year these locations may experience an increase in prices, considering the fact that for a long period an increase in cash transactions has been recorded, with the indication on fashionable and expensive locations. The least popular district - Nowa Huta, is observing a relatively low supply on the secondary market, whereas the primary market is experiencing a growth in the number of new investments. Considering that the median price of flats on the primary market in this area is PLN 5335 per sqm (PLN 252 more than the limit in the programme), current year may see a slight decline of the average price in Nowa Huta. In contrast, secondary market prices in 2015 are expected to remain comparable to 2014.

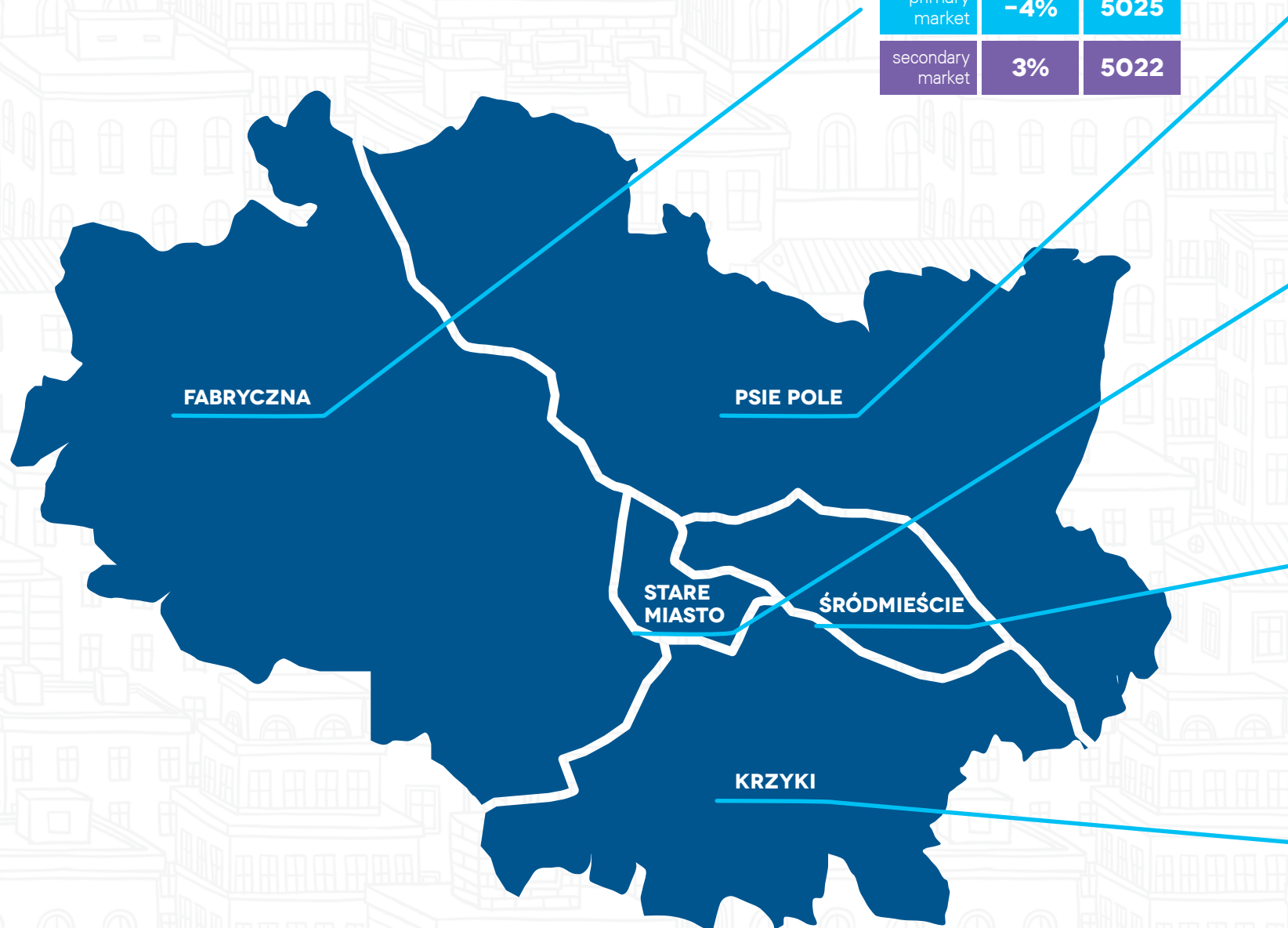
E-VALUER INDEX 2015 - FORECASTED CHANGE



to 4000 4000 - 5000 5000 - 6000 over 6000

WROCLAW

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS,
ANNUAL PRICE CHANGE TREND



FABRYCZNA

	annual trend 2014	median price sqm 2014
primary market	-4%	5025
secondary market	3%	5022

PSIE POLE

	annual trend 2014	median price sqm 2014
primary market	2%	5228
secondary market	3%	4824

STARE MIASTO

	annual trend 2014	median price sqm 2014
primary market	4%	7315
secondary market	2%	5607

ŚRÓDMIEŚCIE

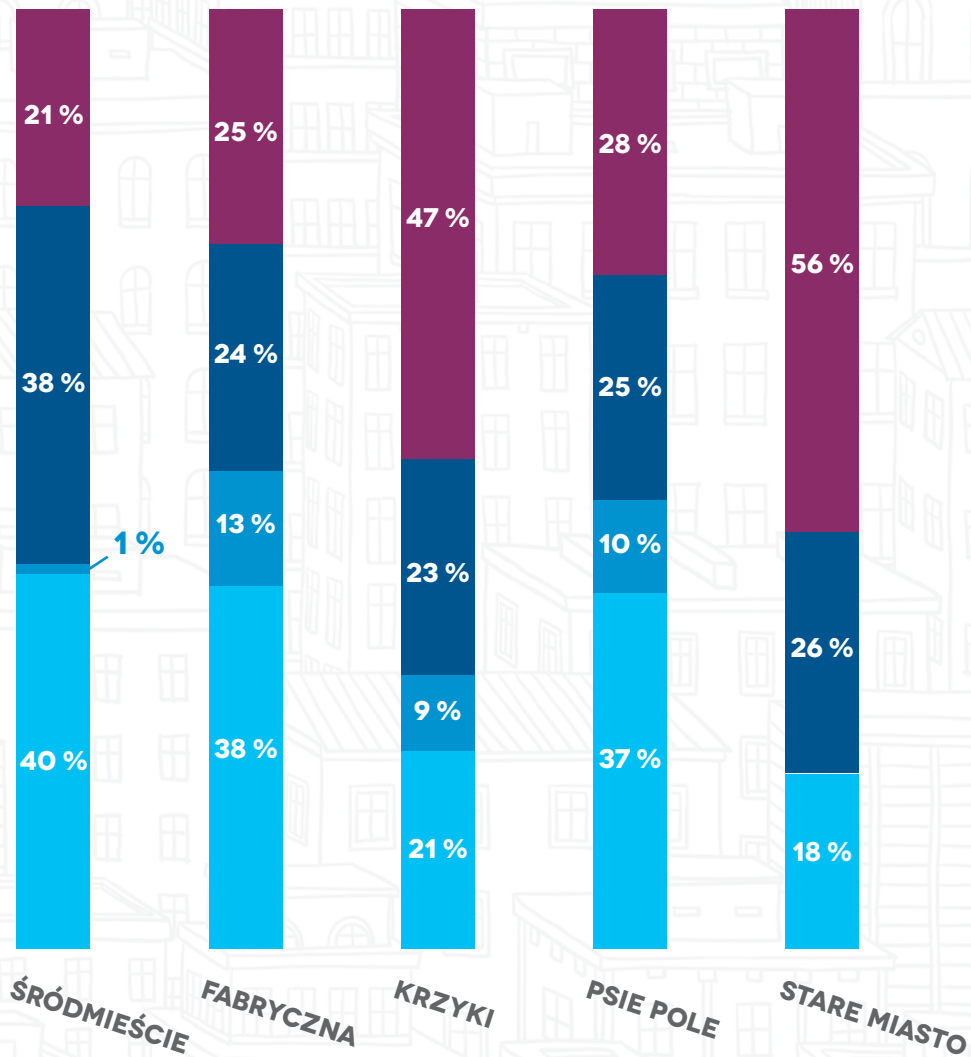
	annual trend 2014	median price sqm 2014
primary market	4%	7408
secondary market	4%	4950

KRZYKI

	annual trend 2014	median price sqm 2014
primary market	2%	5675
secondary market	0%	5298

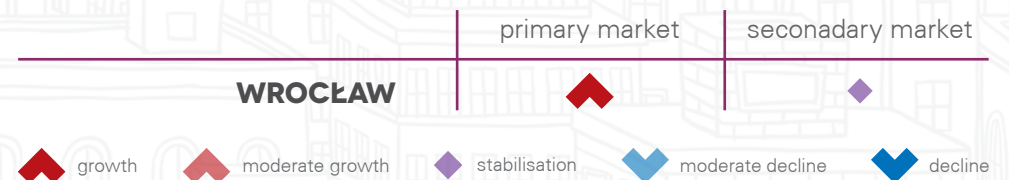
WROCLAW

TRANSACTION PRICE DISTRIBUTION ON PRIMARY AND SECONDARY MARKETS



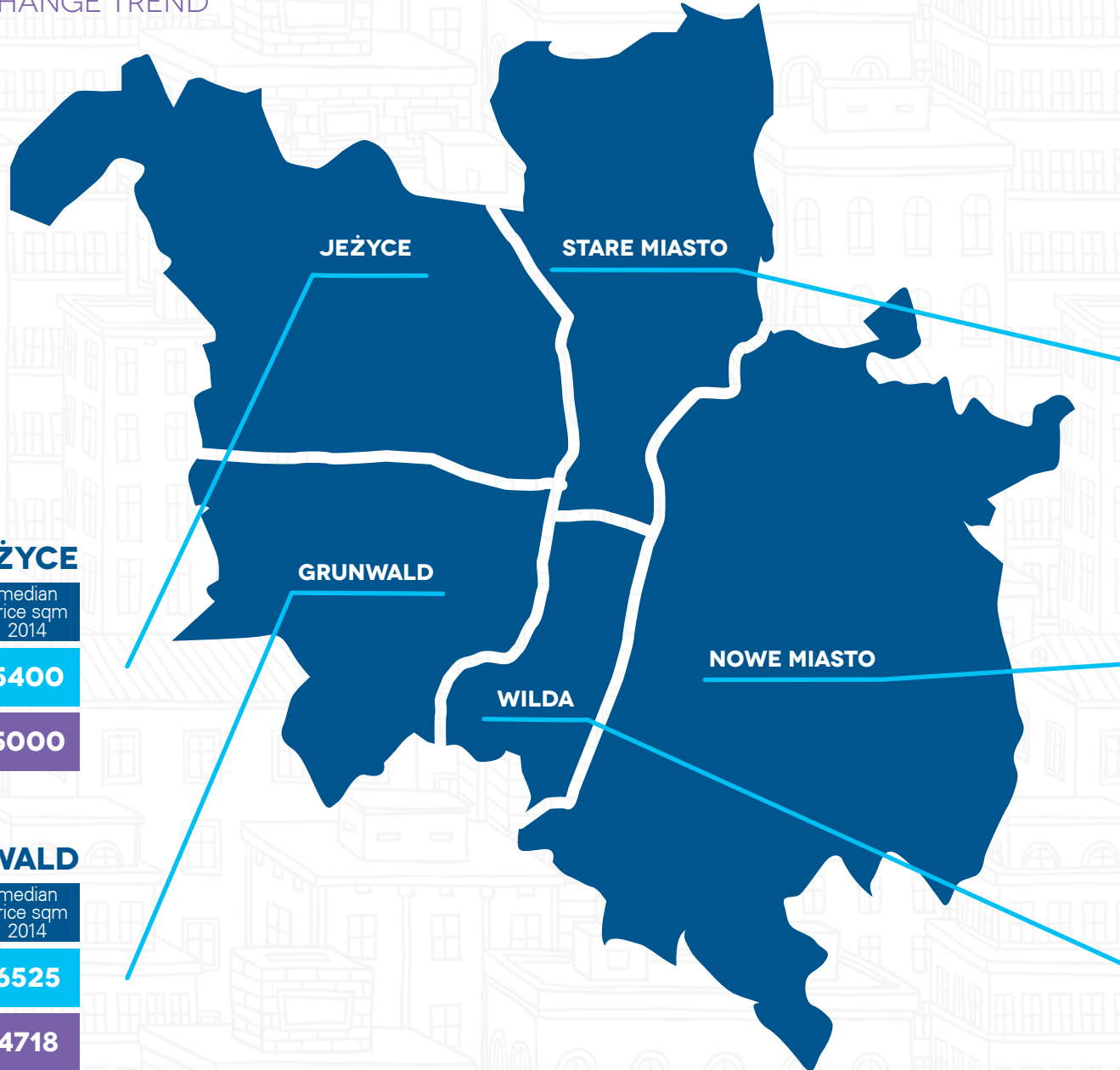
In Wrocław in 2014, the difference between the number of transactions on the primary and secondary markets noticeably decreased. Most flats offered by developers are located in Fabryczna and Krzyki districts. In these areas there was a marked increase in demand for new premises. Also in these two districts the supply of apartments on the secondary market is the highest. High demand is satisfied by a large number of flats on offer, which is why the prices in these areas will remain at the current level or slightly increase. The "Flat for the Young" programme is only active on the outskirts of the city. However, the limit in the amount of PLN 5112 per sqm appears to be adequate to the prices listed there, so Wrocław should not experience the phenomenon of "adaptation" of prices to the limit. In the central and northern (Psie Pole) parts of the city more transactions are concluded on the secondary market. In the central part, prices on the primary market are particularly high, as confirmed by the median price in Stare Miasto and Śródmieście. In 2014, Śródmieście, in particular, observed a lot of interest in one-bedroom flats whose price per 1 sqm greatly exceeded PLN 7000. With stable demand, prices in Wrocław should maintain the level of the previous year on the outskirts of the city. However, in the central part there may be a price increase. It should be noted that the primary market will see a significant growth in the supply. In the second half of 2015 several large investments will be completed. According to CSO data from 2014 on construction starts and building permits, the competition among investors will rise in 2015.

E-VALUER INDEX 2015 - FORECASTED CHANGE



POZNAŃ

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS,
ANNUAL PRICE CHANGE TREND



JEŻYCE

	annual trend 2014	median price sqm 2014
primary market	2%	5400
secondary market	2%	5000

GRUNWALD

	annual trend 2014	median price sqm 2014
primary market	1%	6525
secondary market	1%	4718

STARE MIASTO

	annual trend 2014	median price sqm 2014
primary market	-2%	5600
secondary market	3%	5052

NOWE MIASTO

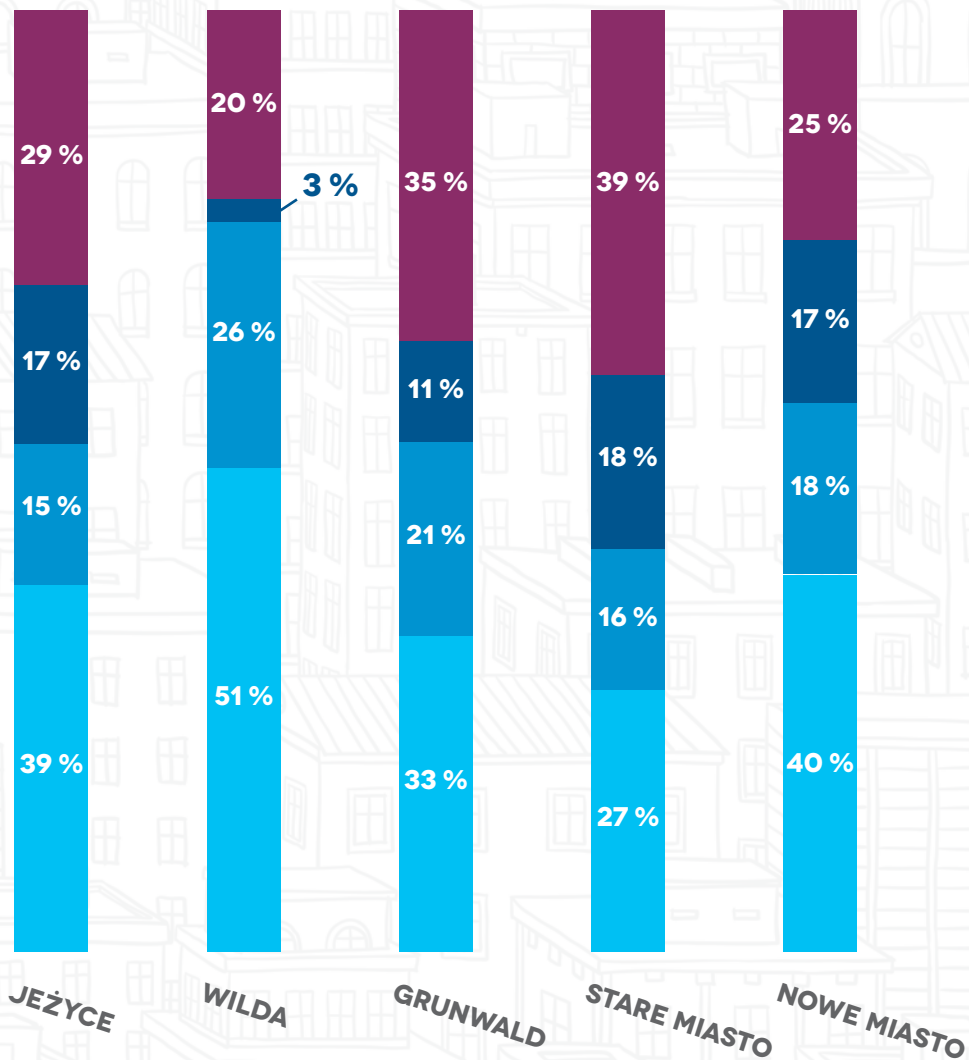
	annual trend 2014	median price sqm 2014
primary market	-3%	5413
secondary market	3%	4881

WILDA

	annual trend 2014	median price sqm 2014
primary market	-1%	5493
secondary market	0%	4582

POZNAŃ

TRANSACTION PRICE DISTRIBUTION ON PRIMARY AND SECONDARY MARKETS



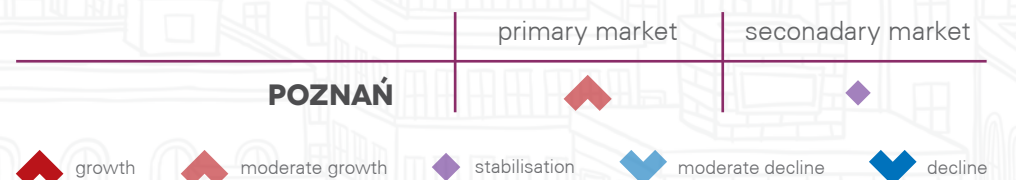
In the past year in Poznań there was a slight increase in demand for flats from the primary market. The largest supply on the secondary market occurred in Stare Miasto, where the number of new apartments offered was at a high level as well. Wilda district ranks second when it comes to the number of flats offered by developers.

In 2014 there was an increase in the number of investments of a luxurious apartment character, located in the city center. A large percentage of flats meets the "Flat for the Young" requirements (the limit currently stands at PLN 5916 per sqm). With stable demand, it may affect the price growth of apartments in locations where transaction prices were at a lower level. Additionally, in 2014, the number of cash purchases increased. Such purchases mainly concerned flats with larger space and of higher standard. According to CSO, last year in Poznań, the number of construction starts significantly increased. There was also a rise in the case of building permits issued*. This means that the supply on the primary market in 2015 will be higher than in 2014. Last year, high supply contributed a slight decline in the median price of flats on the primary market in three districts of Poznań. In 2014, 63% of transactions were registered on the secondary market. An increase in supply on the primary market will intensify competition between new and second-hand apartments. However, even with a drop in demand for second-hand flats in 2014, the majority of transactions will still be concluded on the secondary market. Therefore, prices on the secondary market should remain stable.

Poznań is the first city where "Flats-for-Rent Fund" launched its investment. The purchase of investments by the Fund will limit the supply of new flats, which may result in a rise in prices of apartments which remained on sale on the primary market. This will lead to accumulation of demand on other projects, especially in Wilda district.

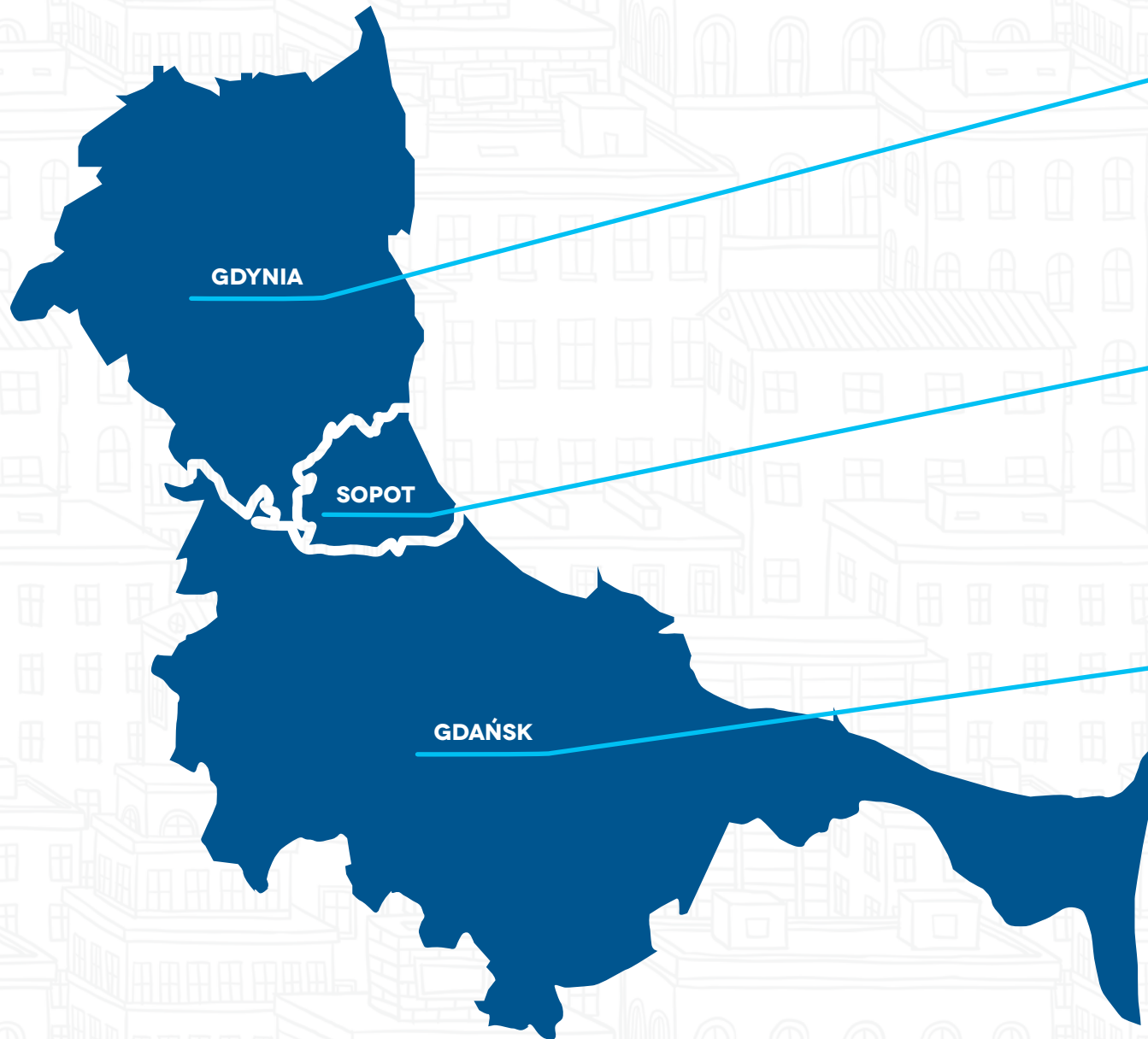
* An increase in the number of construction starts - 129% and the number of building permits issued - 9% - CSO data for the period January-October 2014/2013

E-VALUER INDEX 2015 - FORECASTED CHANGE



TRÓJMIASTO

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS,
ANNUAL PRICE CHANGE TREND



GDYNIA

	annual trend 2014	median price sqm 2014
primary market	1%	6465
secondary market	2%	4903

SOPOT

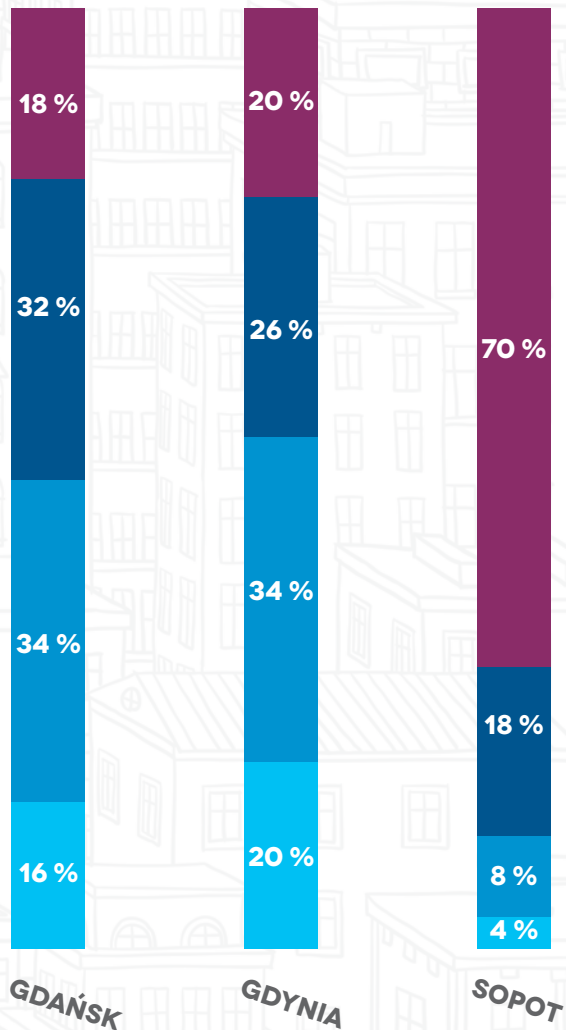
	annual trend 2014	median price sqm 2014
primary market	3%	10024
secondary market	2%	6778

GDAŃSK

	annual trend 2014	median price sqm 2014
primary market	3%	5829
secondary market	3%	4983

TRI-CITY

TRANSACTION PRICE DISTRIBUTION ON PRIMARY AND SECONDARY MARKETS



In the last year there was an increase in median prices in all cities analysed, both on the primary and secondary markets. Especially in Gdańsk - due to a relatively high price limit for 1 sqm similar to transaction prices - the primary market was supported by the "Flat for the Young" programme. In Sopot and Gdynia price limits were significantly lower than in Gdańsk, which is why the programme did not support the sale in these cities. Gdynia saw the largest increase in supply calculated by the number of construction starts (compared to Sopot and Gdańsk). According to the preliminary data of the Central Statistical Office, a growth in 2014 was at the level of 13%. In Sopot no new investments commenced construction*.

Market data indicate that Tri-City saw a significant rise in demand in the past year, with special emphasis on the primary market. The most frequently sought after flats were located in gated residential areas, in low-rise buildings and with good transportation links to the city center. A large number of concluded transactions focused in locations in close proximity to the bay (e.g. Orłowo area in Gdynia), which resulted in a rise in prices in the past year. In 2015, the interest in Tri-City market is expected to grow mainly due to the forecasted increase in purchases for investment purposes, which should all the more be focused in the area of intensified tourist movement. This indicates a possible price increase for the entire agglomeration, especially in areas where the offer was significantly reduced (mainly in Sopot).

*CSO data

E-VALUER INDEX 2015 - FORECASTED CHANGE

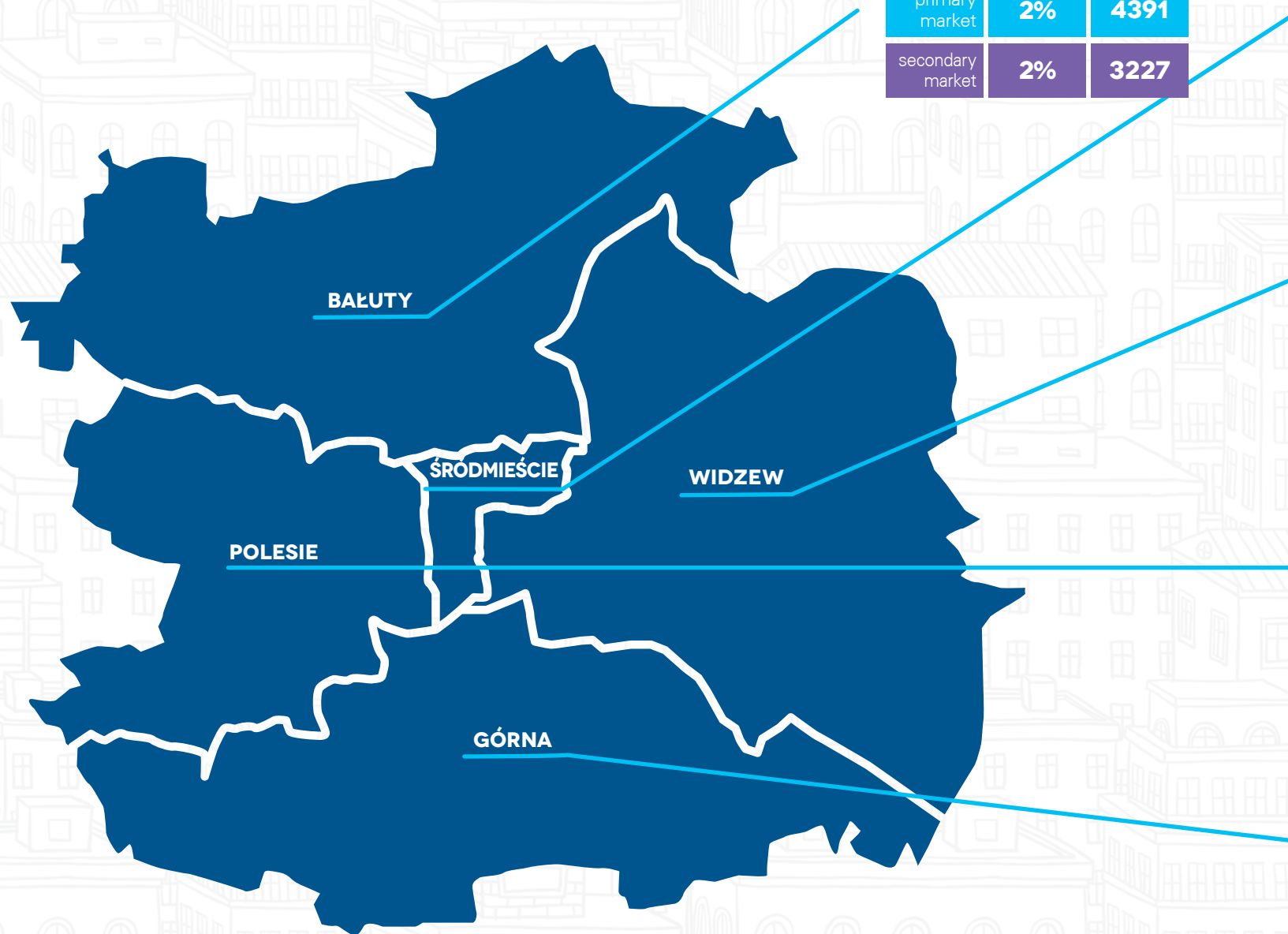
	primary market	secondary market
GDAŃSK	▲	▲
GDYNIA	▲	◆
SOPOT	▲	▲

■ to 4000 ■ 4000 - 5000 ■ 5000 - 6000 ■ over 6000

▲ growth ▲ moderate growth ◆ stabilisation ▼ moderate decline ▼ decline

ŁÓDŹ

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS,
ANNUAL PRICE CHANGE TREND



BAŁUTY

	annual trend 2014	median price sqm 2014
primary market	2%	4391
secondary market	2%	3227

ŚRÓDMIEŚCIE

	annual trend 2014	median price sqm 2014
primary market	-1%	4941
secondary market	2%	2859

WIDZEW

	annual trend 2014	median price sqm 2014
primary market	0%	4356
secondary market	1%	3336

POLESIE

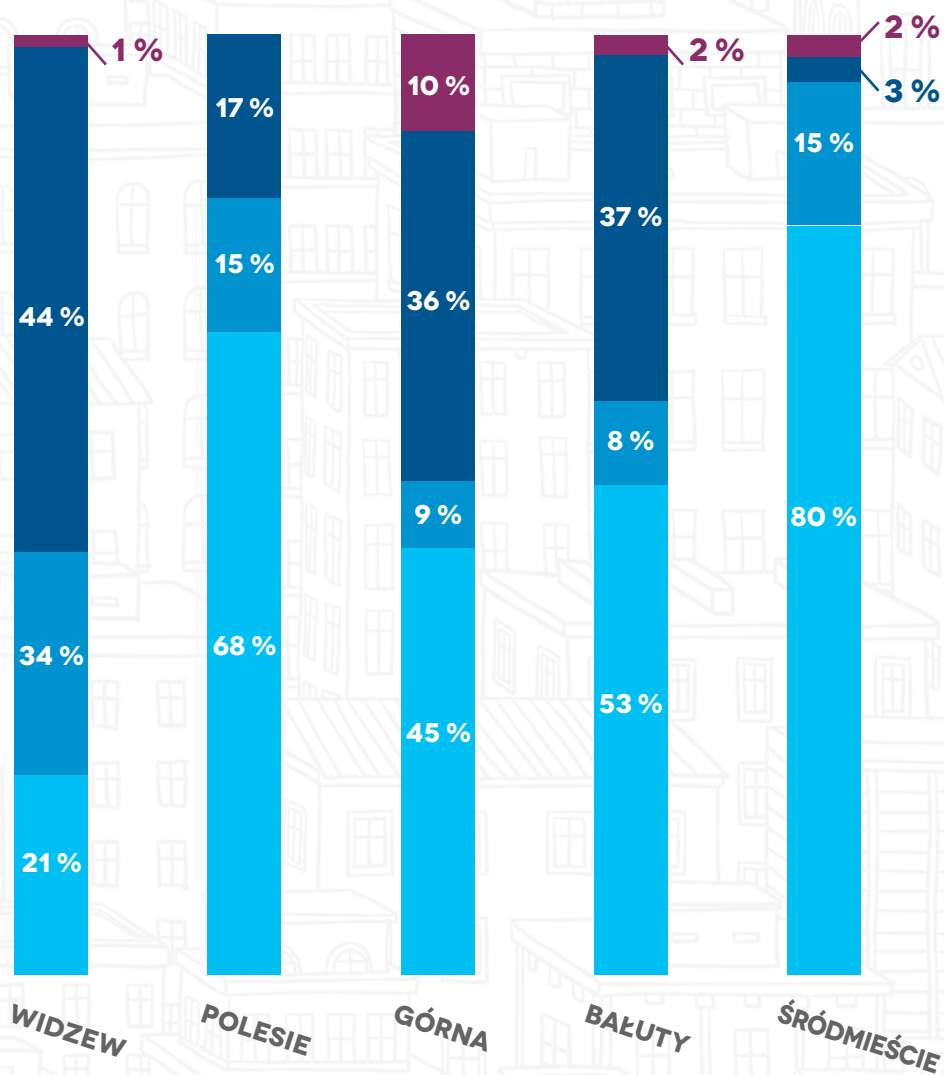
	annual trend 2014	median price sqm 2014
primary market	1%	4554
secondary market	-2%	3049

GÓRNA

	annual trend 2014	median price sqm 2014
primary market	2%	4549
secondary market	1%	3214

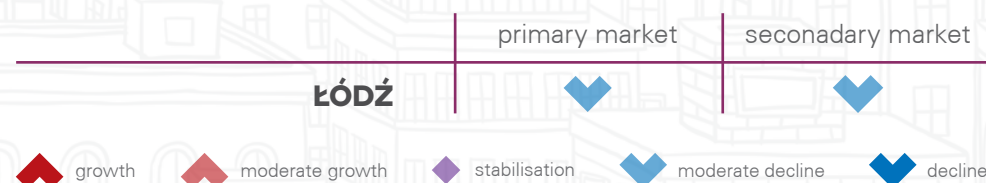
ŁÓDŹ

TRANSACTION PRICE DISTRIBUTION ON PRIMARY AND SECONDARY MARKETS



In 2014, trading on the residential market in Łódź struggled with a problem of entry into the revival phase, quite the contrary to other major cities in Poland. The highest supply on the secondary market was registered in Bałuty and Śródmieście. The median prices in these districts in 2014 amounted to PLN 3227 and 2859 per sqm, whereas the highest prices on the secondary market were recorded in Widzew district (median in 2014 was equal to PLN 3336 per sqm). The apartment prices in this district are affected by its high popularity among buyers, associated with developed social infrastructure, e.g. good access to schools and kindergartens, which is important for families with children. The highest number of flats offered by developers was located in Polesie district. Developers offer there about 700 flats. Despite a high limit of a transaction price in the "Flat for the Young" programme of PLN 4897 per sqm in the first half of last year (now it is PLN 4718 per sqm), the primary market has not registered a marked increase in interest. In 2014, the supply of new apartments in Łódź rose, and with the current level of demand maintained, it may herald a slight decrease in transaction prices. The distribution of prices in Łódź- divided by districts- presents an interesting phenomenon. Transaction prices are the lowest in Śródmieście district. This is due to the fact that most of the transactions recorded there regard flats in older and low-standard buildings, not repaired for years. Poor condition of tenement houses and the lack of attractive-standard flats in the center of the city is characteristic of Łódź, and it is a unique situation compared to other six largest cities in Poland. In the central parts of other cities, apartments built many years ago are dominant as well, however, the market share of new flats with more modern technical solutions is greater. In addition, pre-war tenement buildings in other Polish cities are better maintained than in Łódź. Besides, some areas of Śródmieście district are considered relatively dangerous. Therefore, it is not a place that investors have a liking for. Not the best situation on the residential market also results from the fact that over the last several years there has been a negative migration balance. On average, in the past four years, every year the population of Łódź diminishes by 2%. According to CSO data, population forecast for Łódź in 2015 is 699,093 inhabitants.

E-VALUER INDEX 2015 - FORECASTED CHANGE

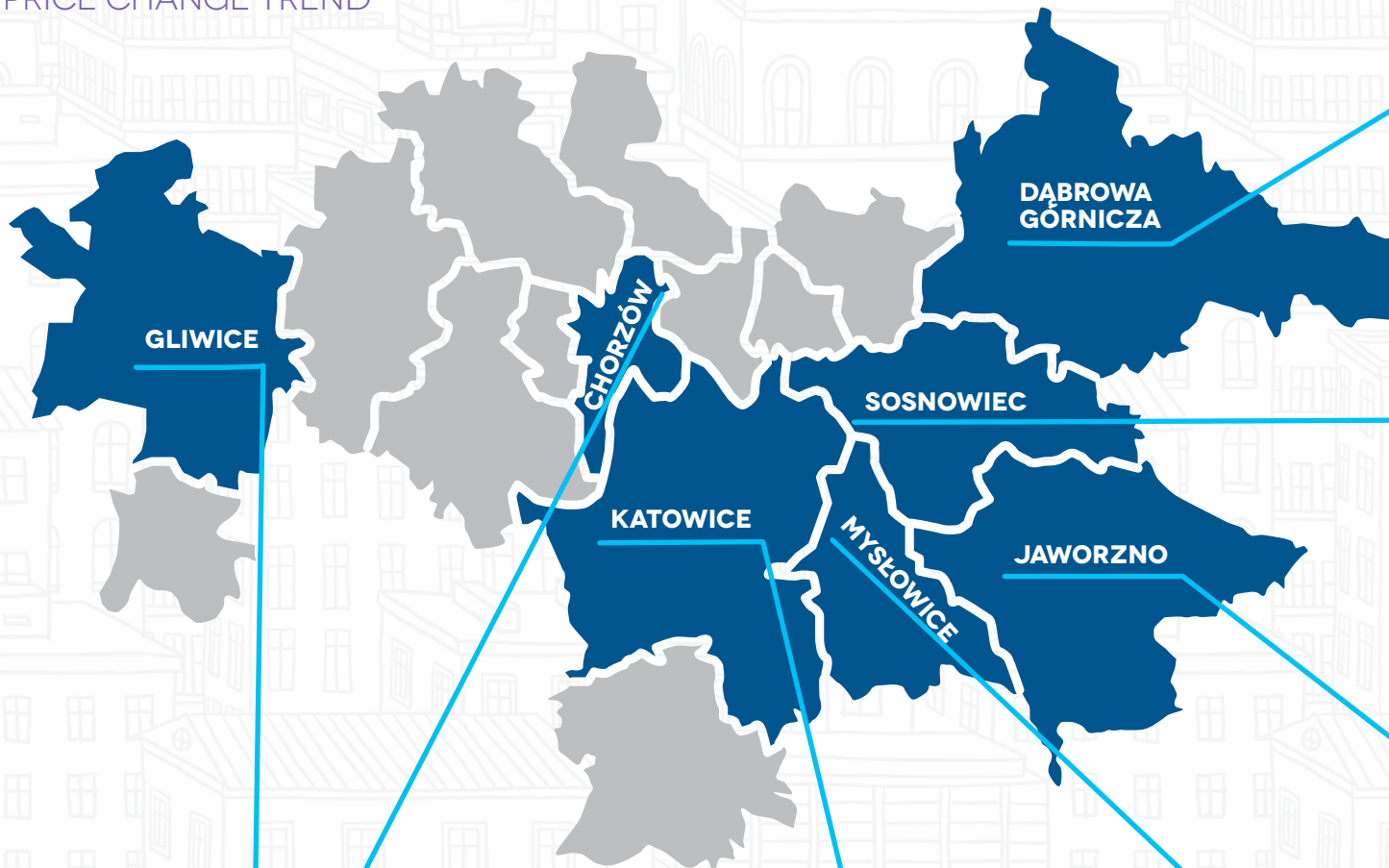


to 4000 4000 - 5000 5000 - 6000 over 6000

growth moderate growth stabilisation moderate decline decline

KATOWICE AND SELECTED CITIES OF KATOWICE AGGLOMERATION

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS,
ANNUAL PRICE CHANGE TREND



DĄBROWA GÓRNICZA

	annual trend 2014	median price sqm 2014
primary market	-*	4078
secondary market	-2%	2499

SOSNOWIEC

	annual trend 2014	median price sqm 2014
primary market	-*	3896
secondary market	-3%	2528

JAWORZNO

	annual trend 2014	median price sqm 2014
primary market	-*	3381
secondary market	-2%	2725

GLIWICE

	annual trend 2014	median price sqm 2014
primary market	-*	4665
secondary market	3%	3048

CHORZÓW

	annual trend 2014	median price sqm 2014
primary market	-*	3300
secondary market	1%	2549

KATOWICE

	annual trend 2014	median price sqm 2014
primary market	3%	4500
secondary market	3%	3257

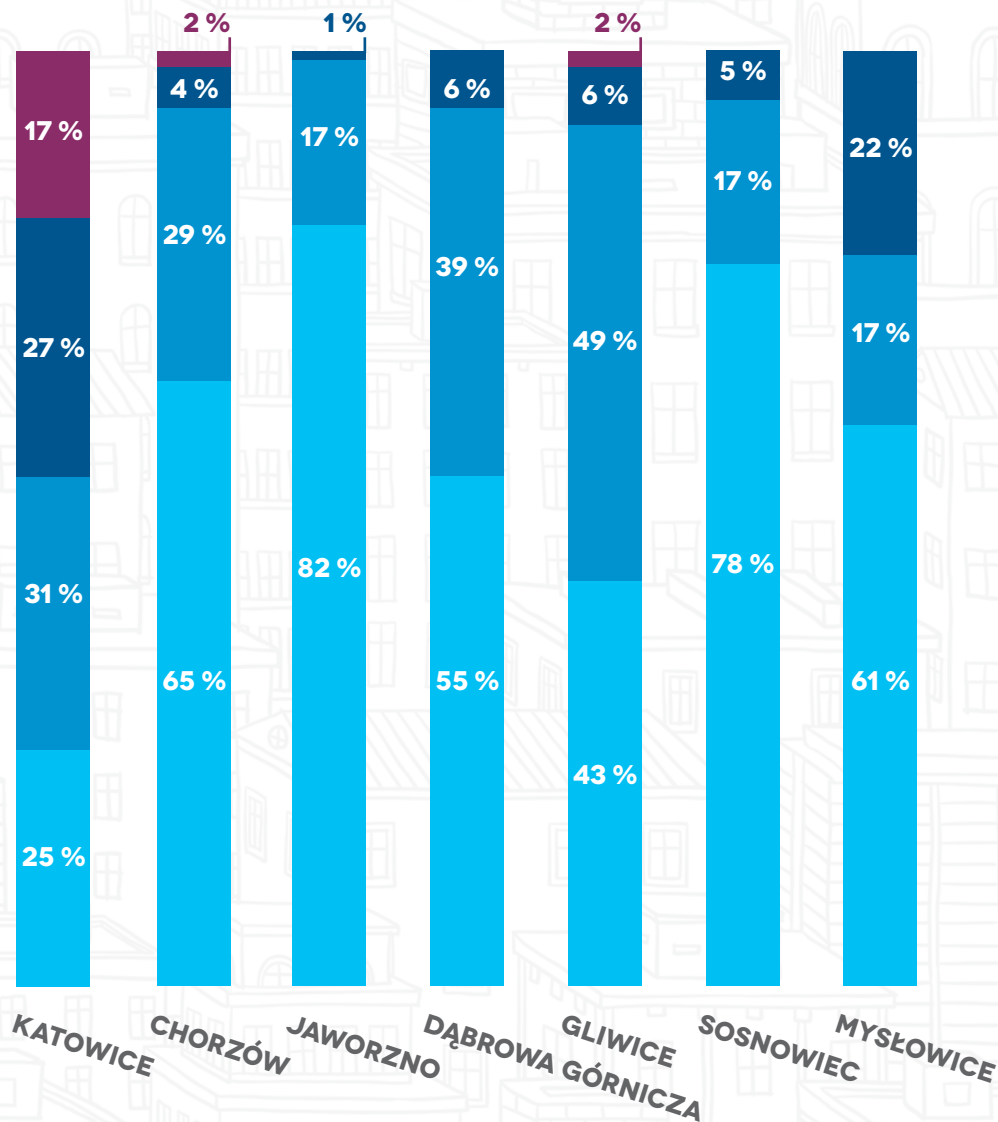
MYŚLOWICE

	annual trend 2014	median price sqm 2014
primary market	-3%	4113
secondary market	2%	2506

* Too small number of transactions

KATOWICE AND KATOWICE AGGLOMERATION

TRANSACTION PRICE DISTRIBUTION ON PRIMARY AND SECONDARY MARKETS



In 2014, Katowice observed a slight increase in popularity of the primary market among buyers, and developers did not have any major problems with the sale of apartments in their investments. The "Flat for the Young" programme on the analysed market had a negligible impact on the sale of flats, its current limit is PLN 4713 per sqm - PLN 200 higher than the median price in Katowice registered in 2014. New investments are largely a continuation of existing projects. The number of new construction starts in the past year was lower by as much as 61% compared to a year earlier*.

Market demand in Katowice is moderate, that is why 2015 is to see slightly lower prices on the secondary market and an increase in sales of flats on the primary market. Although the median price of new premises is higher than the median price on the secondary market, new flats have a much greater functionality and often lower maintenance costs. Therefore, the prices on the primary market should remain stable.

Among cities of the Katowice agglomeration, the primary market is the fastest operating there. Therefore, the presentation of the median in other cities has been limited to the secondary market only. Gliwice quotes similar market prices to Katowice, in other cities the median does not reach PLN 3000 per sqm.

* CSO data for the period January-October; comparing 2014/2013.

E-VALUER INDEX 2015 - FORECASTED CHANGE

	primary market	seconadary market
KATOWICE	◆	▼
KATOWICE AGGLOMERATION	◆	▼

▲ growth ▲ moderate growth ◆ stabilisation ▼ moderate decline ▼ decline

BIAŁYSTOK

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS, ANNUAL PRICE CHANGE TREND

	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECASTED CHANGE
primary market	-1%	4482	▲
secondary market	3%	4056	◆



OLSZTYN

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS, ANNUAL PRICE CHANGE TREND

	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECASTED CHANGE
primary market	2%	4465	◆
secondary market	-1%	4043	◆



LUBLIN

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS, ANNUAL PRICE CHANGE TREND

	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECASTED CHANGE
primary market	-1%	4690	▲
secondary market	3%	4437	▲



RZESZÓW

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS, ANNUAL PRICE CHANGE TREND

	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECASTED CHANGE
primary market	0%	4485	◆
secondary market	2%	4108	◆



KIELCE

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS, ANNUAL PRICE CHANGE TREND

	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECASTED CHANGE
primary market	-2%	4610	stabilisation
secondary market	0%	3559	stabilisation



SZCZECIN

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS, ANNUAL PRICE CHANGE TREND

	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECASTED CHANGE
primary market	-3%	4421	stabilisation
secondary market	2%	3815	stabilisation



BYDGOSZCZ

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS, ANNUAL PRICE CHANGE TREND

	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECASTED CHANGE
primary market	-1%	4361	stabilisation
secondary market	2%	3393	stabilisation



TORUŃ

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS, ANNUAL PRICE CHANGE TREND

	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECASTED CHANGE
primary market	-1%	4992	stabilisation
secondary market	2%	4061	stabilisation



GORZÓW WIELKOPOLSKI

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS, ANNUAL PRICE CHANGE TREND

	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECASTED CHANGE
primary market	-1%	3310	moderate decline
secondary market	-3%	2523	moderate decline



ZIELONA GÓRA

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS, ANNUAL PRICE CHANGE TREND

	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECASTED CHANGE
primary market	1%	3589	stabilisation
secondary market	2%	2973	stabilisation



OPOLE

MEDIAN PRICES ON PRIMARY AND SECONDARY MARKETS, ANNUAL PRICE CHANGE TREND

	annual trend 2014	median price sqm 2014	E-VALUER INDEX 2015 - FORECASTED CHANGE
primary market	2%	4214	stabilisation
secondary market	0%	3820	stabilisation



Last year, smaller cities recorded a slightly different situation than the largest Polish cities. In seven analysed locations there was a minor decline in apartment prices on the primary market. On the secondary market, most cities recorded small increases in the median price.

In 2015, transaction prices on the secondary market in most cities should remain at the same level that was reported last year. The phenomenon of shifting demand from the secondary to the primary market was not distinctly noticeable in the analysed cities. However, this situation may gradually change in the next year. Trends seen on the largest Polish markets move to the smaller markets with a delay. It is therefore possible that the decline in prices on the primary market will change the demand direction towards new premises. Last year, the biggest difference between the prices on the secondary and primary markets (of approx. 30%) was recorded in Kielce, Gorzów Wielkopolski and Bydgoszcz. The primary market in Gorzów Wielkopolski and Zielona Góra have seen a marked increase in supply of construction starts and building permits*. The median prices on both markets are the lowest of the analysed cities (in 2014 in Gorzów Wielkopolski the median was PLN 3310 per sqm and in Zielona Góra PLN 3589 per sqm). At the beginning of this year, the highest number of flats offered by developers is in Bydgoszcz, where buyers can choose from approx. 1200 flats.

* In Gorzów Wielkopolski the number of construction starts increased from 79 to 429 flats, and of building permits from 95 to 484 flats; in Zielona Góra the number of construction starts increased from 344 to 800 flats, and of building permits from 159 to 820 flats - comparison of 2014/2013 according to the current CSO data for the period January-October.

DESCRIPTION OF THE ACTIVITY OF EMMERSON EVALUATION

Emmerson Evaluation Sp. z o.o. has been operating since 2008 and belongs to Grupa Kapitałowa EMMERSON, which has been present in Poland since 1994.

Emmerson Evaluation provides the services of residential and commercial property valuation (offices, commerce, warehouses) and development investments. The company prepares valuations for any purpose, including financial statements, the evaluation of profitability of the purchase or sale and valuations for credit purposes. It also has extensive experience in the valuation of property portfolios, valuation of assets and market analyses. Emmerson Evaluation prepares all documents in accordance with Polish and international standards. Emmerson Evaluation also has a proprietary database of property market transaction prices called E-Valuer, which currently has almost 600,000 thoroughly obtained and elaborated transactions.

The company has regional offices in 7 major Polish cities and employs more than 50 property market specialists, including more than 20 certified valuers. Emmerson Evaluation services are directed primarily at banks, residential and commercial developers, investment funds and listed companies.

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