INDUSTRIAL AND LOGISTICS PROPERTIES

OPOLE MARKET REVIEW

CBRE

OPOLE

CONTENTS

OPOLE SET AGAINST THE NATIONAL MARKET

INVESTMENT AND SOCIAL AND ECONOMIC POTENTIAL

LOCATION

Opole is the capital of Opole province with a population of 128 000 located in the south of Poland near the borders with the Czech Republic (54 km to the border) and Germany (240 km to the border). Opole is part of an agglomeration with 320 000 residents, cooperating closely with the municipalities comprising it, where the collaboration is aimed at sustaining economic growth and creation of new jobs.

Opole enjoys the advantage of convenient and fast railways links, the density of which is twice the national average. Furthermore, river transport is also crucial for the city. The Odra river, as a key transport route, has two river ports within the municipality's administrative boundaries, each featuring a dock, a railway siding and a gantry crane for loading and unloading cargo. Access to the city is provided by means of a road network of outstanding quality, the most important element of which is the international Dresden-Kiev transport corridor, i.e. the A4 motorway. The motorway makes it possible to reach the nearest international airports located in Wrocław (approx. 100 km) and Katowice (approx. 110 km) within an hour. Moreover, the Kamień Śląski airfield servicing air taxis and charter aircraft is located a mere 24 km from the city centre.

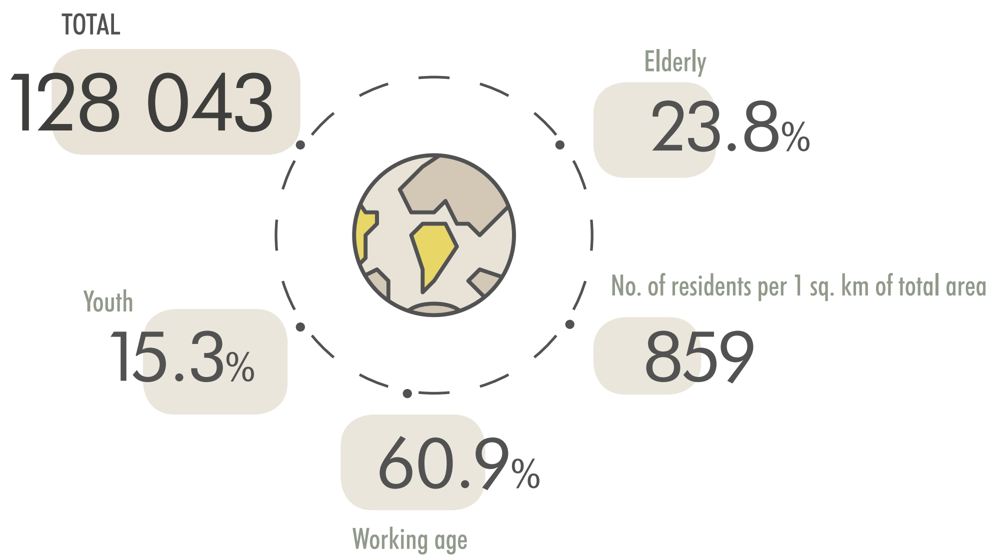
The city itself has an efficient public transport system which also meets the needs of investors as regards placement of new bus stops and frequency of buses. The urban cycle hire system is also gaining in importance at the moment, where traffic-calming zones and cycle paths (124 km) account for 35% of Opole's road network.

DEMOGRAPHICS

There are 128 043 registered residents in Opole, which gives the city twenty seventh position in the country in terms of the volume of resident population.

OPOLE'S POPULATION

A BREAKDOWN



SOURCE: OPOLE CITY HALL, STATYSTYCZNE VADEMECUM SAMORZĄDOWCA, 2017

The population's structure is advantageous, with nearly two thirds of registered residents being of working age, which gives rise to conditions conducive to economic growth and creation of new jobs.

Opole is one of the few districts where a positive birth rate has been recorded, while the rate for the Opole province tends to be of a negative value across most of the other districts.

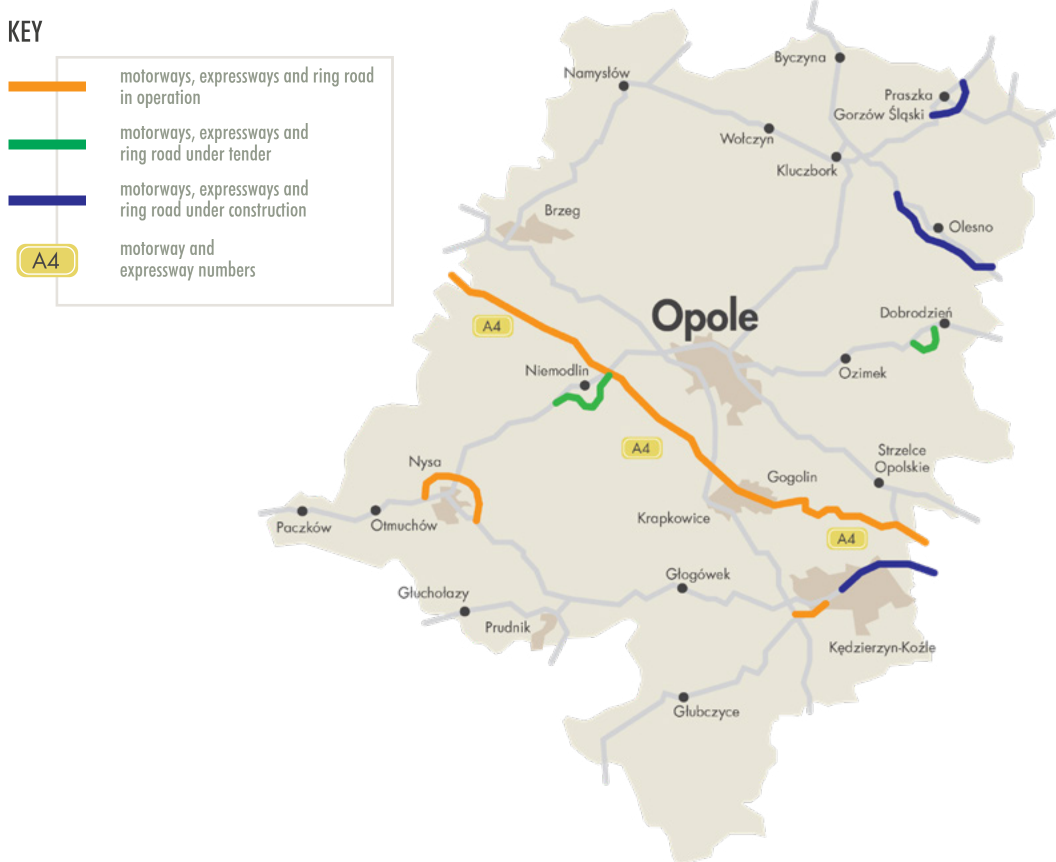
INFRASTRUCTURE

There are three national roads of local and supra-local importance running through Opole. There is one motorway running in close proximity to the city. The following roads comprise the city's key road network:

- National road DK 45, approx. 217 km in length, running through the following provinces: Łódź, Silesia and Opole, which provides a quick link to the border with the Czech Republic in Chałupki.
- National road DK 46, approx. 270 km in length, running through the following provinces: Lower Silesia, Opole and Silesia. The route links Kotlina Kłodzka and the south-west of Opole province to Opole, Lubliniec and Częstochowa.
- National road DK 94, approx. 675 km in length, running through the following provinces: Lower Silesia, Opole, Silesia, Lesser Poland and Podkarpacie. This is the toll-free alternative to the A4 motorway.
- A4 motorway, which is Poland's longest motorway and links Germany to Ukraine running through southern Poland and through the city's southern outskirts at a distance of approx. 10 km.

OPOLE PROVINCE

THE ROAD NETWORK



SOURCE: GENERAL DIRECTORATE FOR NATIONAL ROADS AND MOTORWAYS (GDDKIA)

There are two airports located approx. one hour's drive from the centre of Opole:

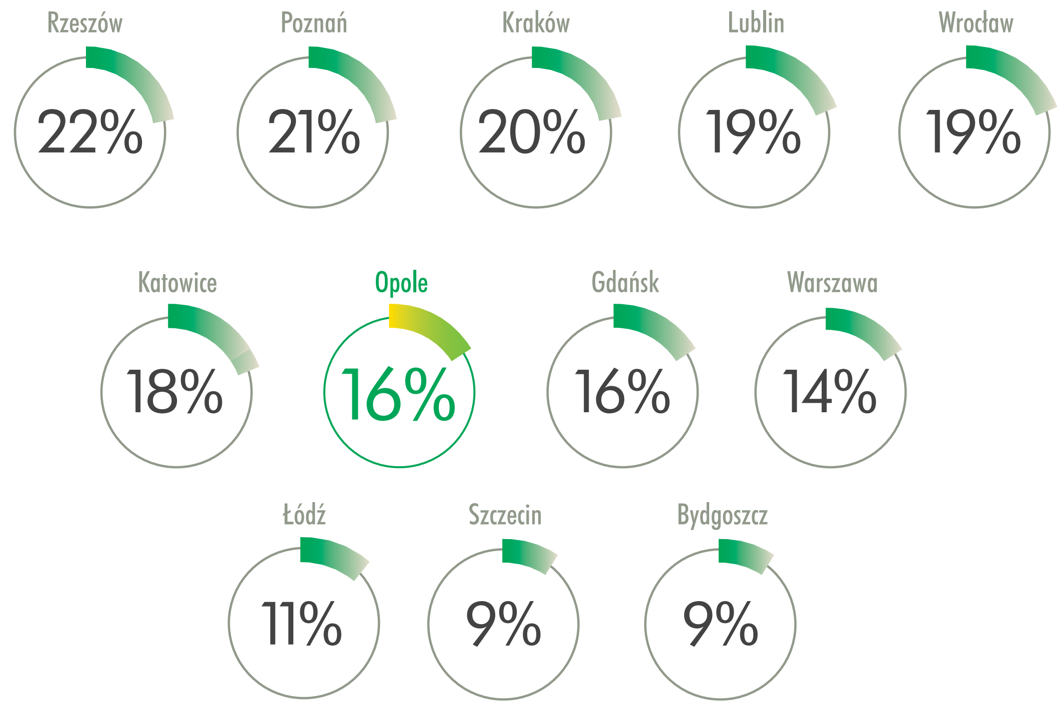
- Wrocław Airport – located at a distance of approx. 100 km from Opole,
- Katowice International Airport in Pyrzowice – located at a distance of approx. 110 km from Opole

EDUCATION

There are five higher education institutions in Opole with more than 20 000 students. Those with the most influence are: Opole University of Technology and Opole University.

STUDENTS IN SPECIFIC AGGLOMERATIONS

RATIO OF STUDENTS TO NUMBER OF RESIDENTS SHOWN AS %



SOURCE: POLAND'S CENTRAL OFFICE FOR NATIONAL STATISTICS (GUS)

ECONOMY

Employment structure in Opole province is as follows: the service sector accounts for 53% of the employed population, while the industrial and agricultural sectors account for respectively 37% and 10% thereof (Poland Central Office for National Statistics, Local Data Bank 2016).

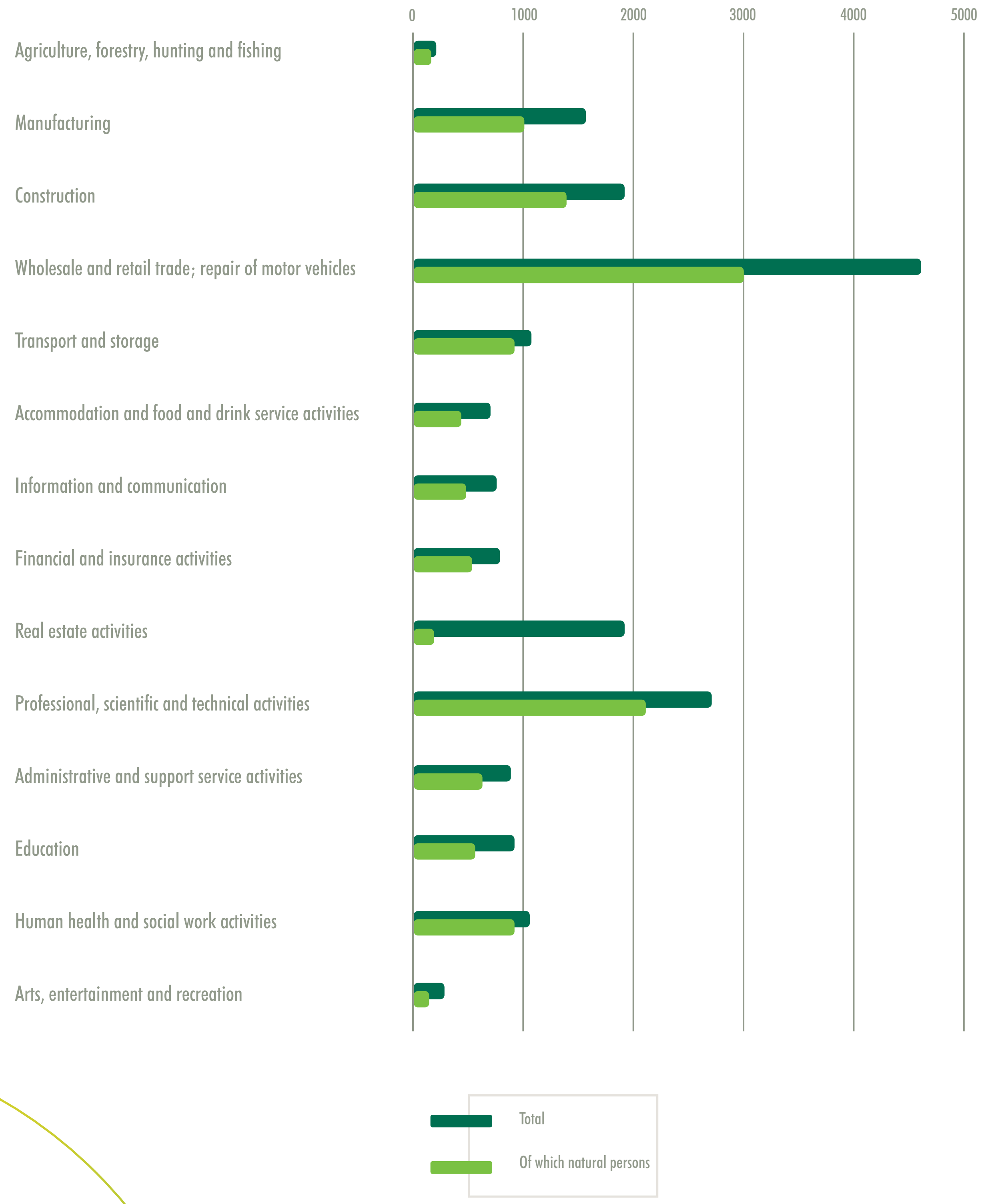
As follows from a report drawn up by Warsaw School of Economics in 2014, the manufacturing industry in Opole province is dominated by the following sectors: food and drink manufacture (16%), manufacture of chemicals and chemical products (16%), manufacture of other non-metallic mineral products (14%), as well as manufacture of motor vehicles, trailers and semi-trailers, except for motorcycles (7%). It should be noted that the size of the chemical manufacture industry in Opole province places it amongst Poland's leading provinces.

POLAND'S ECONOMIC ENTITIES REPRESENTED IN OPOLE BY SELECTED LEGAL FORM

	2010	2015	2016
TOTAL	20.361	20.686	20.743
OF WHICH THE PRIVATE SECTOR	19.731	19.876	19.898
COMPANIES	3.910	4.608	4.798
Commercial companies	2.098	2.792	2.981
Private partnerships	1.811	1.815	1.816
CO-OPERATIVES	45	47	44
FOUNDATIONS	56	115	142
ASSOCIATIONS AND SOCIAL ORGANISATIONS	486	583	597
NATURAL PERSONS CONDUCTING BUSINESS ACTIVITIES	13.916	13.129	12.918
Poland's economic entities per 10 000 residents	1.660	1.739	1.747
Natural persons conducting business activities per 100 working-age residents	17	18	18

SOURCE: OFFICE FOR STATISTICS IN OPOLE, 2016

ECONOMIC ENTITIES IN OPOLE BY SELECTED LEGAL FORM AND SECTOR FOR 2016



SOURCE: OFFICE FOR STATISTICS IN OPOLE, 2016

INFRASTRUCTURE INVESTMENTS

Infrastructure investments in Opole can be split into three main categories:

Preparation of land for investment

- Wrzoski Special Economic Zone – construction of the first stage: transport infrastructure together with connection to utilities, drafting of technical documentation for development of a power supply system, devising a concept for drainage of the land,
- ul. Północna Special Economic Zone – construction of a pedestrian and cycle route network,
- new office and administration centre for Opole – connection to utilities around ul. Plebiscytowa and ul. Ozimska, development of a transport network.

Modernization of urban public transport

- development of four new hubs, including Opole Wschód,
- modernization of the MZK (municipal transport company) depot together with 61 new city buses – the largest investment in the history of MZK,
- construction of new cycle paths together with an urban cycle hire system,
- development of two new pedestrian and cycle crossings over the Ulga Canal,
- collaboration with PolRegio.

Modernization of road infrastructure

- construction of the south ring road,
- development of Czarnowąs ring road,
- modernization of ul. Niemodlińska together with construction of a new bridge crossing and a separate pedestrian and cycle footbridge – comprehensive modernization of the main transport route in the west of Opole,
- implementation of an Intelligent Transport System together with a traffic management centre.

One of the most important infrastructure investments in Opole is construction of the south ring road to comprise development of a section approx. 3.5 km in length linking the north ring road to the junction at ul. Niemodlińska and modernization of a section of the DK 46/94 route approx. 1.2 km in length. The ring road will contribute to reduction of traffic on the DK 45 road and enable travel to the north and south bypassing the city centre, as well as provide more convenient access to the industrial and retail parks on the western outskirts of Opole. Simultaneously, it will reduce the time necessary to travel from the industrial parks to the cargo terminal located at Opole Zachód railway station, additionally providing opportunities for utilisation of the adjacent areas. Completion of construction work is planned for December 2019.

The map below illustrates the layout of the planned route.

LOCATION OF THE PLANNED SOUTH RING ROAD

SOURCE: NTO.PL

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QUALITY OF LIFE IN THE CITY

Opole is commonly known as the Polish song capital. Every year, popular festivals are held here and the most famous of them – the National Polish Song Festival – is the second oldest music festival in Europe. Other cultural events include the nationally renowned Opole Theatre Confrontations, the Polish Puppet Theatre Festival, as well as the International Drum Festival that each year attracts the world's biggest rock stars to the city.

Opole has a range of exciting recreational and tourism activities on offer for its residents and visitors. The continuously expanding cycle path network connects most of the areas within the city, thus creating a uniform and cohesive transport system. There is an abundance of green spaces and leisure areas secluded from the city bustle. The ideal places for weekend walks are the "Isle of Bolko" City Park, the "Młynówka" Canal embankment, the "Odra Park", the "Karol Musioł Boulevard" and the Opole Zoo – one of the loveliest of its kind in Poland. When not at work, why not to take advantage of a number of sports and recreational facilities to be found in the city, including, for instance, an artificial ice rink, indoor and outdoor swimming pools, the Opole Sports Centre, as well as bowling alleys, fitness clubs, gyms and the contemporary track and field stadium. Every night, Opole's residents are welcome to visit one of the many dozens of music clubs, pubs, pizza parlours, cafés and restaurants, while those that enjoy active urban recreation will soon be able to get to know Opole's brand new look resulting from modernization from all of the city's squares and restoration of ul. Krakowska considered to be Opole's beating heart.

The city has also well-developed healthcare services. The extensive network of medical facilities, hospitals and clinics, both public and private, means that accessing healthcare in Opole is a smooth and efficient process. To ensure that travel through the city is a comfortable experience, the city regularly expands the stock of means of public transport, while at the same time developing key transport hubs that are to combine bus terminals, railway stations, car parks and urban cycle hire stations.

It is the above assets and features that make Opole a friendly, comfortable and safe place to live, work and study. Its compact nature, green spaces and the well-developed service sector meet the needs of the city's residents that have repeatedly named Opole as one of the best places to live in Poland.

SELECTED INFORMATION ON OPOLE'S ARTS AND ENTERTAINMENT FACILITIES AND HOTEL ACCOMMODATION

CINEMAS
3

MUSEUMS
7

THEATRES
4

ART GALLERIES AND SALONS
6

HOTELS WITH CONFERENCE AND CONVENTION FACILITIES
13

HOTELS BY CATEGORY
13 (★★★)
★★★★ 3
★★★ 10

OPOLE'S INDUSTRIAL AND LOGISTICS MARKET.

A COMPARATIVE ANALYSIS

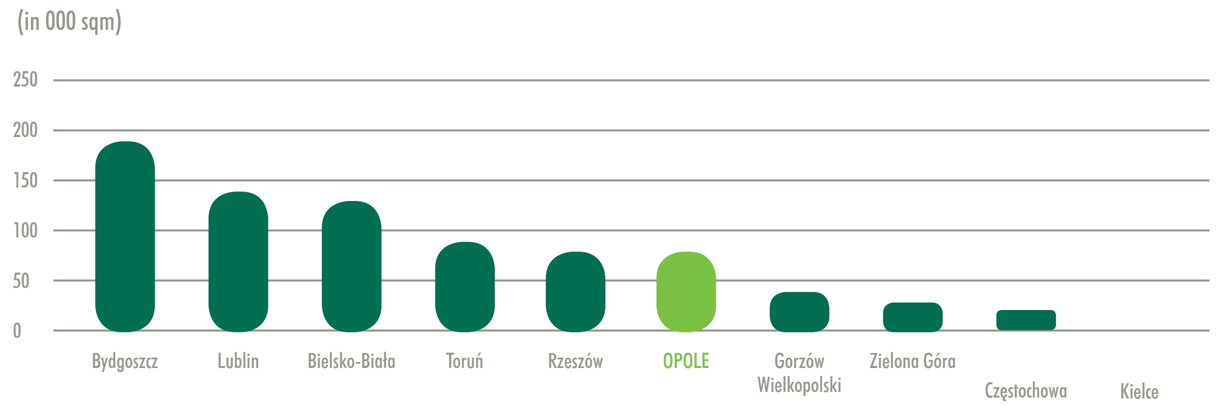
The aim of the analysis below is to present a detailed review of Opole's industrial and logistics market and to compare it against other Polish cities with a similar volume of modern warehouse stock. In addition to Opole, the cities that display large potential for growth of the warehouse market include: Zielona Góra, Gorzów Wielkopolski, Bydgoszcz, Toruń, Kielce, Lublin, Rzeszów, Bielsko-Biała and Częstochowa. All of the above fall into the category of the so-called emerging markets. To refine the analysis, the markets are presented against the background of the entire Polish market. The review takes into account only leasable modern space (traditional multi-tenant schemes and build-to-suit or "made to measure" facilities). The analysis does not cover owner-occupied industrial and logistics properties.

SUPPLY

At the end of Q3 2017 there were 72 200 sqm of modern industrial and logistics space located within the administrative boundaries of the city, as a result of which Opole took sixth position amongst the ten cities analysed in terms of the existing warehouse stock. Together, the emerging markets referred to account for 5.9% of Poland's modern stock.

EXISTING INDUSTRIAL AND LOGISTICS STOCK

A COMPARATIVE ANALYSIS OF 10 EMERGING MARKETS



SOURCE: CBRE, Q3 2017

Opole was, however, the undisputed leader amongst cities with less than 150 000 residents. The modern warehouse stock in Opole is 3.7 times higher than that to be found in Zielona Góra (19 600 sqm) and 2.4 times higher than that of Gorzów Wielkopolski (30 100 sqm).

EXISTING INDUSTRIAL AND LOGISTICS STOCK

A COMPARATIVE ANALYSIS OF CITIES WITH LESS THAN 150 000 RESIDENTS

OPOLE
72 200 sqm

Zielona Góra
19 600 sqm

Gorzów Wielkopolski
10 100 sqm

SOURCE: CBRE, Q3 2017.

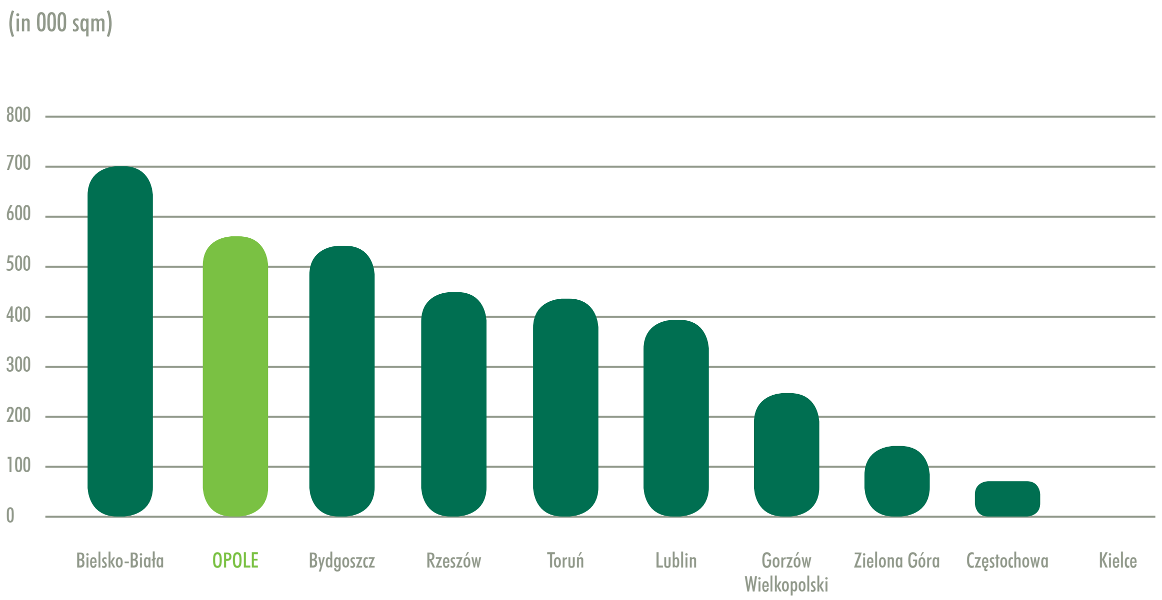
OPOLE IN THE LEADING POSITION – STOCK 3.7 HIGHER THAN THAT TO BE FOUND IN ZIELONA GÓRA AND 2.4 TIMES HIGHER THAN THAT OF GORZÓW WIELKOPOLSKI WIELKOPOLSKIM

CBRE
OPOLE

Furthermore, when we take into account the ratio of the existing warehouse stock to the number of residents, it transpires that at the end of Q3 2017 Opole was one of the leaders, which proves that the city is relatively well-developed as compared to the other emerging markets.

RATIO OF EXISTING STOCK OF INDUSTRIAL AND LOGISTICS SPACE TO THE NUMBER OF RESIDENTS (PER 1 000 OF RESIDENTS)

A COMPARATIVE ANALYSIS OF 10 EMERGING MARKETS



SOURCE: POLAND'S CENTRAL OFFICE FOR NATIONAL STATISTICS (GUS), CBRE, Q3 2017

At the end of Q3 2017 Opole's modern industrial and logistics stock comprised four schemes. One of them is Panattoni BTS Polaris representing a unique type of warehouse schemes, i.e. a build-to-suit (or "made to measure") property developed to precisely meet the client's needs and intended for long-term lease. This particular scheme is located at ul. Wspólna, within the Opole sub-zone of the "INVEST-PARK" Wałbrzych Special Economic Zone. The building has the total area of 33 700 sqm, out of which 29 800 sqm is taken up by the production hall (including a warehouse with the area of 3 400 sqm), while the offices and staff facilities take up 3 900 sqm. The scheme was completed in 2014 at the instruction of Polaris Industries Inc., an American manufacturer of snowmobiles, quadbikes and NEV electric vehicles. The factory facility was delivered by Panattoni, one of the most active developers of industrial and logistics space in Poland.

The remaining space on Opole's market comes in the form of traditional multi-tenant schemes: Opolskie Centrum Logistyczne (29 500 sqm) and the warehouses located at ul. Kremsera (4 000 sqm) at ul. Wschodnia (5 000 sqm).

Opolskie Centrum Logistyczne is a warehouse and office complex offering leasable space located on a site with the area of 11.5 hectares at ul. Głogowska. It comprises the main hall (warehouse units with additional offices and staff facilities with the area of 25 500 sqm), the workshop building (warehouse units and offices with the total area of 3 000 sqm), as well as the remaining warehouse buildings with the area of approx. 1 000 sqm.

The warehouse buildings located at ul. Kremsera and ul. Wschodnia offer respectively 4 000 sqm and 5 000 sqm of modern warehouse class B space that has been fully refurbished in 2015 and 2012. As at the end of Q3 2017 both of the warehouses were fully leased.

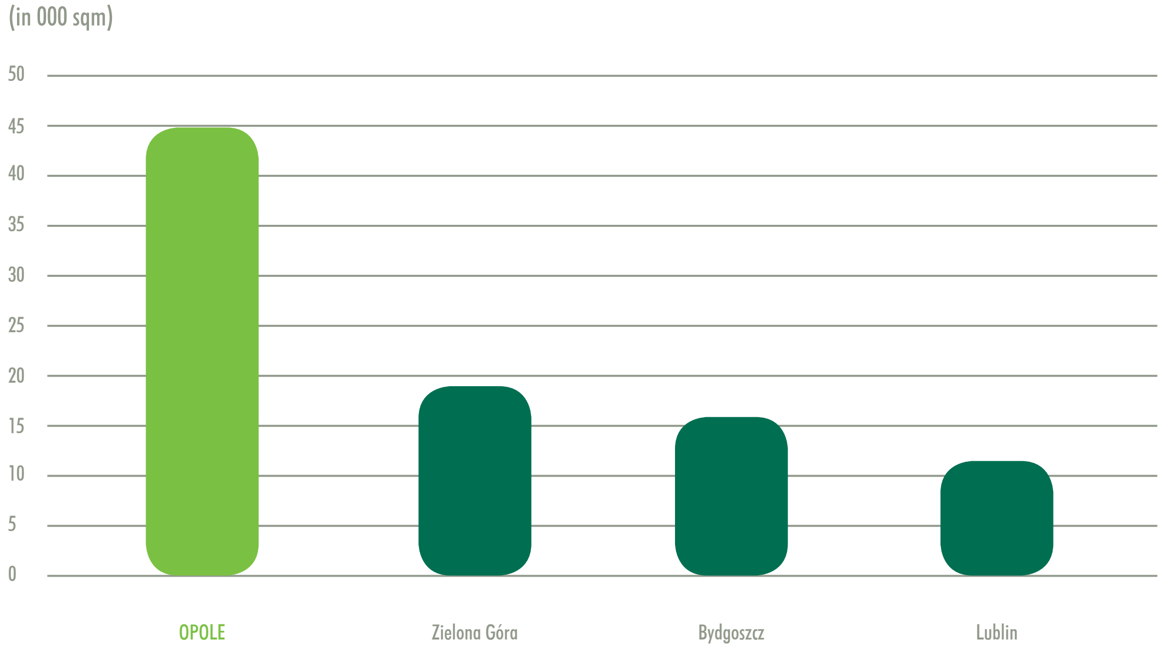
At the end of Q3 2017 there were 45 500 sqm of warehouse space under construction within CTP Park Opole designed to ultimately offer 69 000 sqm. The scheme is split into build-to-suit space for International Automotive Components and multi-tenant space (including Raben and UFI Filters).

At the end of Q3 2017 Opole was the city with the highest recorded developer activity. New industrial and logistics schemes were also being developed in Zielona Góra (19 400 sqm), Bydgoszcz (16 200 sqm) and Lublin (12 100 sqm), however, when set against these markets, developer activity in Opole was higher by respectively 57%, 64% and 73%. At the end of Q3 2017 there were nearly 1.1 million sqm of leasable modern warehouse space under construction across Poland.

PHOTO CREDIT: JAROSŁAW MAŁKOWSKI

SPACE UNDER CONSTRUCTION

A COMPARATIVE ANALYSIS OF EMERGING MARKETS



SOURCE: CBRE, Q3 2017

OPOLE IN THE LEADING POSITION – WITH 73% MORE SPACE UNDER CONSTRUCTION THAN LUBLIN, 64% MORE THAN BYDGOSZCZ AND 57% MORE THAN ZIELONA GÓRA

As regards the schemes in the pipeline for Opole, those worthy a mention include Panattoni Park Opole, as well as two smaller warehouse properties: 3 000 sqm at ul. Budowlanych and 2 500 sqm at ul. Wrocławska. Panattoni Park Opole is to comprise two buildings with the total area of 51 000 sqm and will be developed on a site located at the junction of ul. Partyzancka and Opole's north ring road.

CBRE

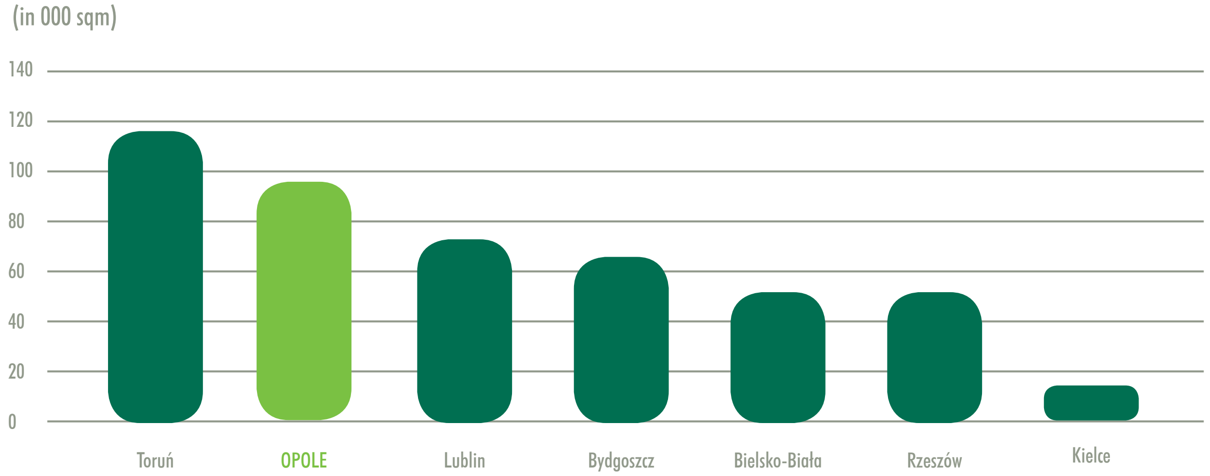
FURTHERMORE, THERE ARE PLANS TO DEVELOP INDUSTRIAL AND RETAIL SCHEMES ON A SITE WITH THE AREA OF 108 HECTARES LOCATED AT UL. WROCŁAWSKA, NEAR THE DK 46 AND DK 94 ROADS (OPOLE-WRZOSKI) TO WHICH THE LAND IS ADJACENT FROM THE NORTH. THE A4 MOTORWAY, LINKING GERMANY (DRESDEN) TO UKRAINE (LVIV), RUNS AT A DISTANCE OF APPROX. 8 KM TO THE WEST. THE INVESTMENT LAND, WHOLLY OWNED BY ONE ENTITY, IS LOCATED WITHIN THE OPOLE SUB-ZONE OF THE "INVEST-PARK" WAŁBRZYCH SPECIAL ECONOMIC ZONE.

OPOLE

Opole has a large potential for growth of its industrial and logistics market. In terms of new supply of industrial and office space in the pipeline, it takes second place amongst comparable cities.

SPACE IN THE PIPELINE

A COMPARATIVE ANALYSIS OF EMERGING MARKETS



SOURCE: CBRE, Q3 2017

At the end of Q3 2017 there were 45 500 sqm of new warehouse space under construction, with further 95 000 sqm in the pipeline. This means that in the future Opole's market could well double in size. It should be pointed out that there are no new schemes in the pipeline for the other cities analysed with a population of less than 150 000 residents (Zielona Góra and Gorzów Wielkopolski), where the volume of space in the pipeline that would contribute to growth of the warehouse markets in the cities that at the moment have greater existing warehouse stock than Opole is relatively smaller.

MARKET GROWTH POTENTIAL

FUTURE VOLUME OF SPACE AS SET AGAINST EXISTING STOCK AND SPACE UNDER CONSTRUCTION

Toruń + 134%

OPOLE + 81%

Rzeszów + 63%

Lublin + 50%

Bielsko-Biała + 44%

Bydgoszcz + 31%

SOURCE: CBRE, Q3 2017

OPOLE IS A CITY WITH GREAT GROWTH POTENTIAL – THE SPACE IN THE PIPELINE IS SET TO DOUBLE THE SIZE OF THE MODERN INDUSTRIAL AND LOGISTICS MARKET

The existing industrial and logistics stock and the schemes in the pipeline to be located within the administrative boundaries of Opole are identified in the table below.

OPOLE'S INDUSTRIAL AND LOGISTICS PARKS (IN SQM)

Name of the park	Existing space	Future space	Vacant space	Space under construction	Developer/landlord
Kremsera Warehouse	4 000	4 000	0	0	Private investor
Opolskie Centrum Logistyczne	29 500	29 500	400	0	Opolskie Centrum Logistyczne sp. z o. o.
Panattoni BTS Polaris	33 700	33 700	0	0	Panattoni/ W.P. Carey
Wschodnia Warehouse	5 000	20 000	0	0	Private investor
Budowlanych Warehouse	0	3 000	0	0	Private investor
CTP Park Opole	0	69 000	0	45 500**	CTP

* FUTURE SPACE = EXISTING SPACE + SPACE UNDER CONSTRUCTION + SPACE IN THE PIPELINE

**AS AT THE END OF Q3 2017, SCHEME DELIVERED O THE MARKET IN Q4 2017

SOURCE: CBRE, Q3 2017

OPOLE'S INDUSTRIAL AND LOGISTICS PARKS

SOURCE: CBRE, Q3 2017, OPOLE CITY HALL

OPOLSKIE CENTRUM LOGISTYCZNE

- area: 29 500 sqm

-location: ul. Głogowska 39-47, Opole

-height of the warehouse: 4 – 8 m (main hall), 4 – 6 m (workshop building)

-car parks: 13 000 sqm

-ramp: along the entire length and width of the hall, additionally level "0"

-entrance gates: 2 gates, 5 m wide each, barriers, security booths

SOURCE: CBRE, Q3 2017, OPOLE CITY HALL

CTP PARK OPOLE

-area: 45 500 sqm under construction*

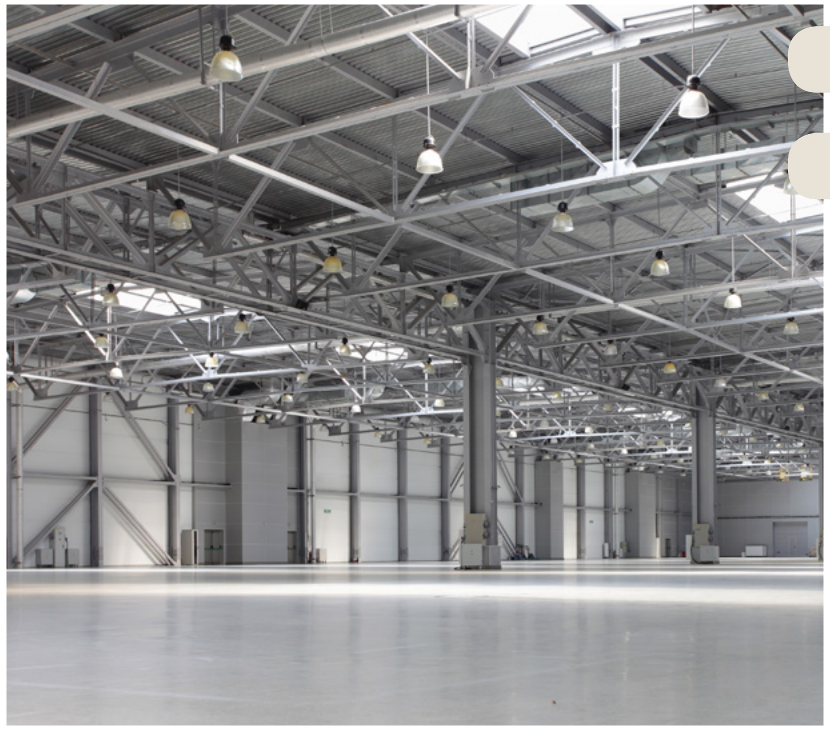
-location: ul. Północna, Opole

-height of the warehouse: 10.5 m

-floor load capacity: between 5 and 20 tonnes/sqm

-LED lighting, loading bays, air conditioning, central heating, sprinklers, alarm system

*AS AT THE END OF Q3 2017, 35 500 SQM DELIVERED TO THE MARKET IN Q4 2017



SOURCE: CBRE, Q3 2017

KREMSERA MAGAZYN

-area: 4 000 sqm

-location: ul. Kremsera, Opole

-height of the warehouse: 8.4 m

-industrial floor

SOURCE: CBRE, Q3 2017, OPOLE CITY HALL

PANATTONI BTS POLARIS

-area: 33 700 sqm

-location: ul. Wspólna 12, Opole

-height of the warehouse: 10 m

-parking spaces: 300

-HGV parking spaces: 75

-floor load capacity: 8 tonnes/sqm and 5 tonnes/sqm

OPOLE'S INDUSTRIAL AND LOGISTICS PARKS (IN SQM)

SOURCE: CBRE, Q3 2017, OPOLE CITY HALL

PANATTONI PARK OPOLE

-area: 51 000 sqm in the pipeline

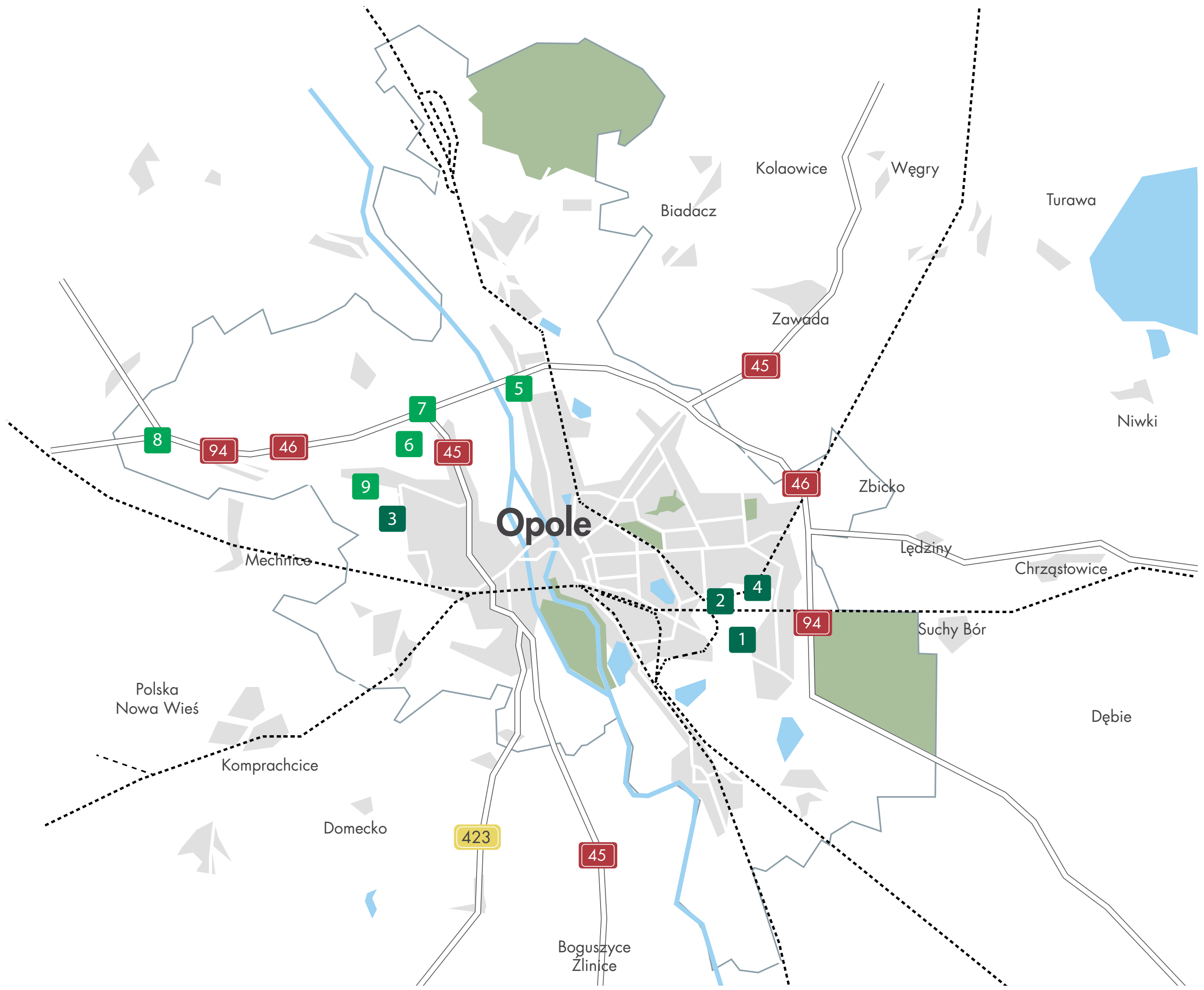
-location: ul. Partyzancka / Opole's north ring road, Opole

-height of the warehouse: 10 m

-LED lighting, loading bays, central heating, sprinklers, alarm system

Opole's industrial and logistics schemes are located in two of the city's zones: north-west and south-east. As regards the first area, the key aspect supporting the logistics sector here is its location in the vicinity of Opole's north ring road, while the south-east region comprises brownfield land dominated by warehouses developed in the 80s and 90s of the previous century, partially refurbished and modernized.

MAP OF OPOLE'S EXISTING INDUSTRIAL AND LOGISTICS SCHEMES AND SCHEMES UNDER CONSTRUCTION/IN THE PIPELINE



Existing schemes:

1. Kremsera Warehouse
2. Opolskie Centrum Logistyczne
3. Panattoni BTS Polaris
4. Wschodnia Warehouse

Schemes under construction/in the pipeline

5. Budowlanych Warehouse
6. CTP Park Opole*
7. Panattoni Park Opole
8. Teren inwestycyjny Opole-Wrzoski
9. Wrocławska Warehouse

*As at the end of Q3 2017, scheme partially delivered to the market in Q4 2017

SOURCE: CBRE, Q3 2017

Modern space comprises class A and class B schemes. Opole's existing leasable industrial and logistics stock is dominated by class B warehouses. This category includes: Opolskie Centrum Logistyczne and the schemes located at ul. Kremsera and ul. Wschodnia. At the end of Q3 2017, out of all the existing schemes, only Panattoni BTS Polaris fell into the class A category. In turn, as regards warehouse properties under construction and in the pipeline, class A schemes represent the majority here, where the total area of CTP Park Opole and Panattoni Park Opole amounts to 120 000 sqm. There are class B warehouse schemes to be developed at ul. Wrocławska (2 500 sqm), ul. Budowlanych (3 000 sqm) and ul. Wschodnia (15 000 sqm).

OPOLE'S INDUSTRIAL AND LOGISTICS STOCK

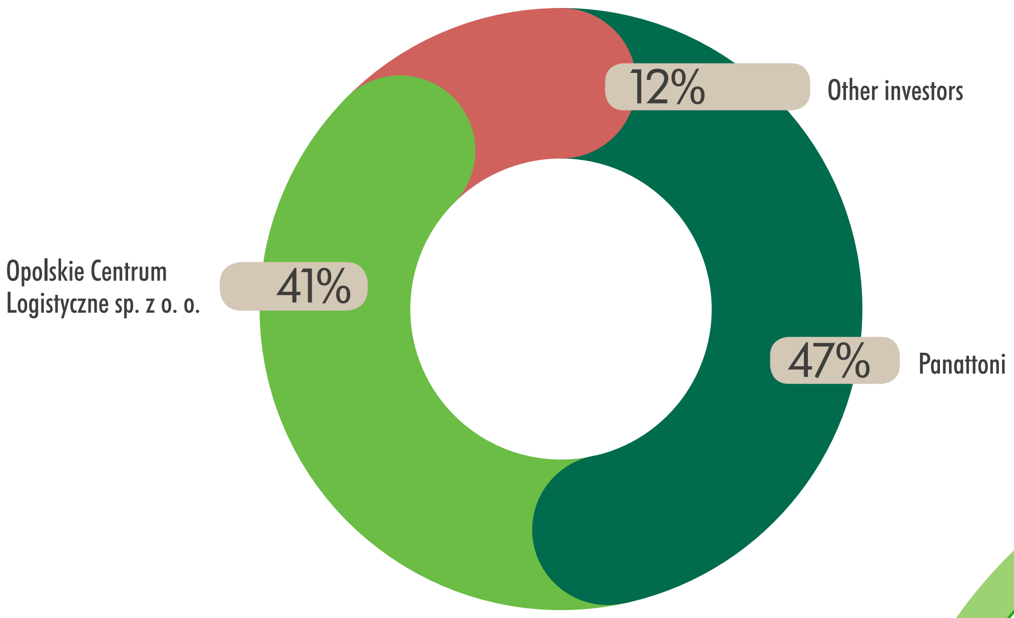
SOURCE: CBRE, Q3 2017

As compared to the other cities analysed with a population of less than 150 000 residents, Opole has a much more diverse stock of warehouse space comprising both build-to-suit and traditional multi-tenant schemes.

INDUSTRIAL AND LOGISTICS SPACE DEVELOPERS AND LANDLORDS

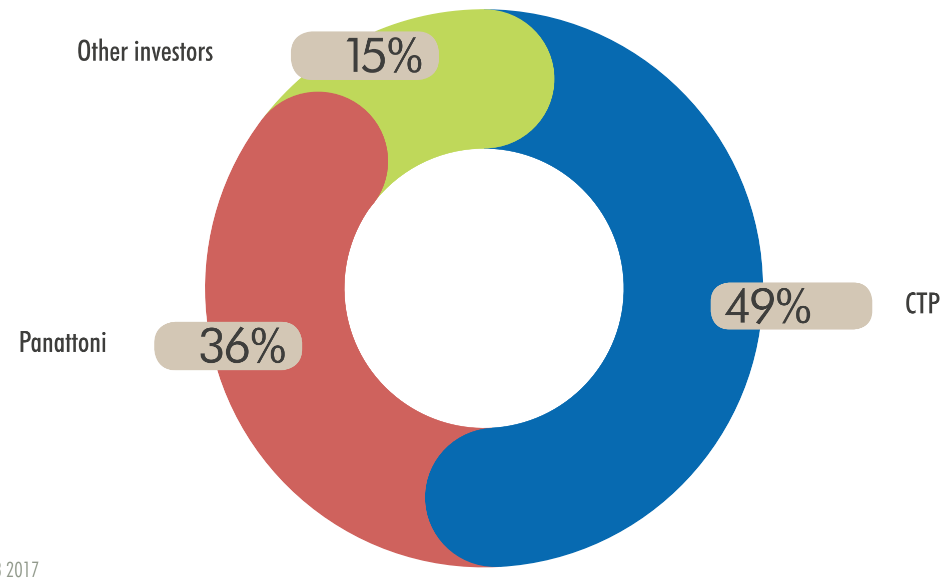
Opole's leasable industrial and logistics market has two commercial institutional developers active on the Polish and European property markets which develop class A space: Panattoni and CTP. At the end of Q3 2017 the leading position was held by Panattoni with 47% of Opole's existing stock (33 700 sqm) already constructed and further 51 000 sqm to be delivered (36% of the total space currently in the pipeline). CTP plans to deliver 69 000 sqm of modern class A space to Opole's market, out of which 45 500 sqm were already under construction at the end of Q3 2017. The class B warehouse space was constructed by a special purpose company dedicated to one specific scheme (Opolskie Centrum Logistyczne sp. z o.o.), and it was developed through refurbishment of old warehouses from the 80s and 90s of the previous century carried out by private investors. The ownership structure of Opole's existing stock is very similar. Only Panattoni BTS Polaris changed hands and is now owned by the W.P. Carey investment fund.

OPOLE'S EXISTING INDUSTRIAL AND LOGISTICS SPACE BY DEVELOPER



SOURCE: CBRE, Q3 2017

OPOLE'S INDUSTRIAL AND LOGISTICS SPACE UNDER CONSTRUCTION AND IN THE PIPELINE BY DEVELOPER



SOURCE: CBRE, Q3 2017

PANATTONI

Panattoni is a commercial developer of industrial and logistics space and the most active both in Opole and across Poland. Since the modern Polish warehouse market began, Panattoni have delivered 4.2 million sqm of space (33% of Poland's total existing stock). At the moment Panattoni is present on all of Poland's regional logistics markets, with more than 600 400 sqm of space under construction. Panattoni supports both local businesses and the large international players by delivering traditional warehouse and manufacturing multi-tenant facilities, while at the same time specializing in development of build-to-suit (or "made to measure") schemes designed to meet the requirements of one specific client. Tenants that occupy the space developed by Panattoni include global brands such as Avon, Castorama, Ceva Logistics, Coty Cosmetics, DSV, Flextronics, Gefco, H&M, Intermarche, Lear, Leroy Merlin, Orsay, Polaris, Raben, Sauer Danfoss, Schenker, Tesco, Wincanton and Zelmer (currently Bosch).

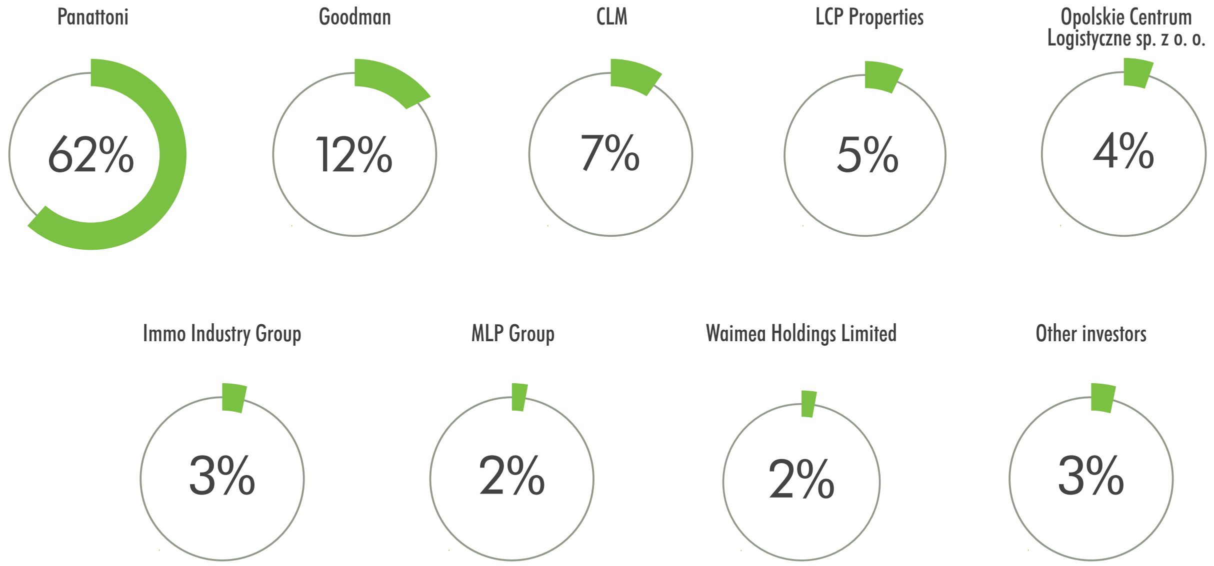
CTP

CTP is a developer that has only recently made the decision to enter the Polish market and grow its business here starting with its first scheme to be developed in Opole (45 500 sqm for International Automotive Components, Raben and UFI Filters and further 23 500 sqm in the pipeline at a later stage of the company's growth). CTP is a developer active in Central Europe (mainly the Czech Republic, Hungary, Slovakia and Romania) specializing in construction of industrial and logistics space developed with one specific client in mind. Its portfolio holds 4.1 million sqm of class A space in more than 80 strategic European locations.

CTP CHOSE OPOLE AS THE LOCATION FOR ITS FIRST CONSTRUCTION PROJECT IN POLAND

EXISTING INDUSTRIAL AND LOGISTICS SPACE BY DEVELOPER

AN ANALYSIS OF 10 EMERGING MARKETS



SOURCE: CBRE, Q3 2017

Outside of Opole, Panattoni is the dominant developer in nearly all of the analysed cities. When looking at the so-called emerging markets, Panattoni delivered a total of nearly 470 000 sqm (62% of the existing stock) there. Goodman takes the second place with approx. 90 000 sqm of modern warehouse space developed (12%).

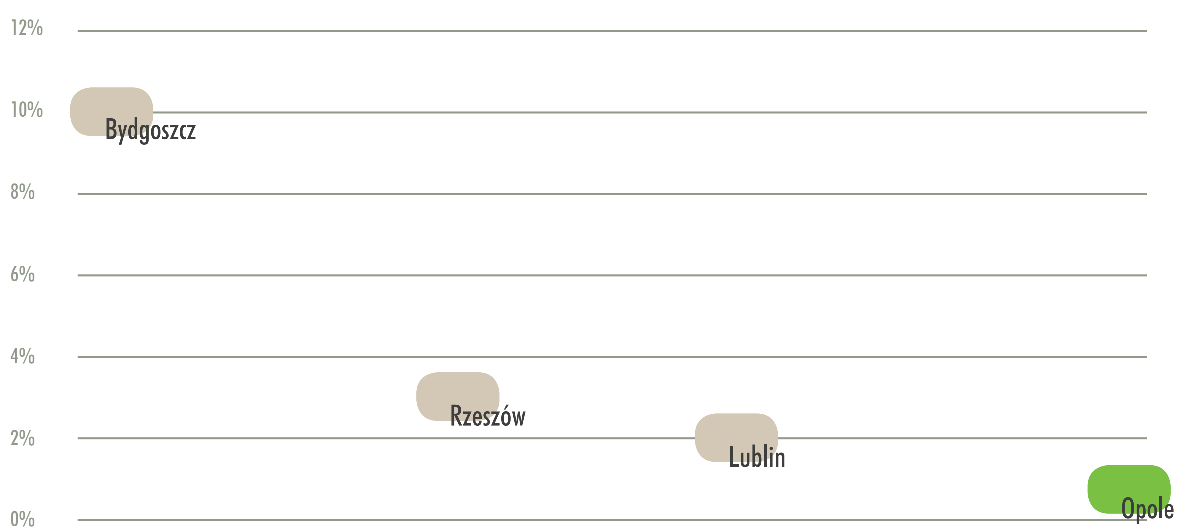
VACANCY RATE

At the end of Q3 2017 the vacancy rate for Opole's industrial and logistics space stood at a mere **0.6%**. Only the Opolskie Centrum Logistyczne complex had 400 sqm of warehouse space still available to lease. The remaining stock to be found on Opole's market was fully leased by either a number of tenants within one park or by one specific client for whom the given scheme was developed and who made the decision to lease the property under a long-term contract (Polaris).

Due to their relatively insignificant stock of modern industrial and logistics space, the majority of the so-called emerging markets have only a small volume of vacant space. At the end of Q3 2017 the highest vacancy rate was recorded in Bydgoszcz (10.2%). For Rzeszów, Lublin and Opole it stood at respectively 3%, 2% and 0.6%, while the other markets had no vacant space at all. At the end of Q3 2017 the average vacancy rate for Poland stood at 5.2%.

VACANCY RATE

A COMPARATIVE ANALYSIS OF EMERGING MARKETS

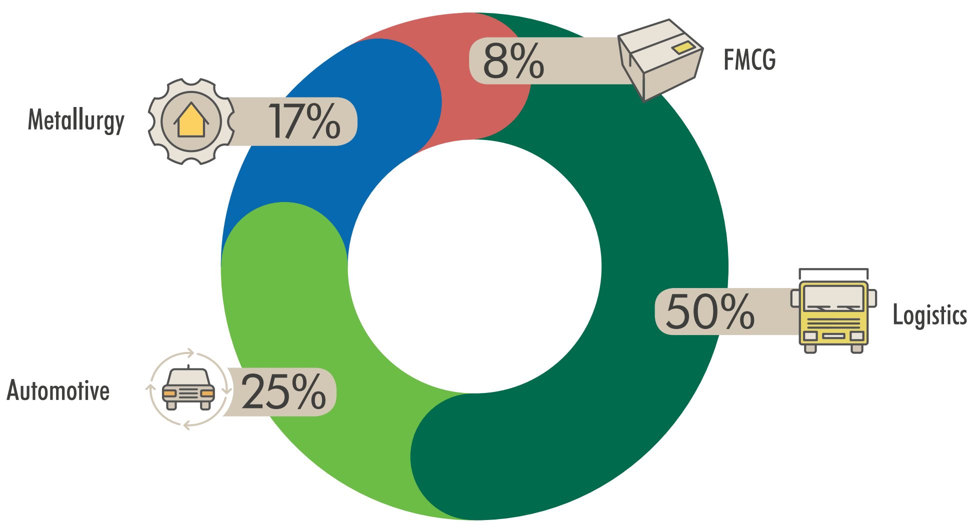


SOURCE: CBRE, Q3 2017

DEMAND

The majority of businesses active on Opole's industrial and logistics market are companies from the logistics and automotive sectors. The industries represented by the remaining tenants include the metallurgical and FMCG sectors.

DEMAND BY TENANT SECTOR



SOURCE: CBRE, Q3 2017

LARGEST INDUSTRIAL AND LOGISTICS TENANTS ON OPOLE'S MARKET

AUTOMOTIVE INDUSTRY

Polaris Polska

Polaris Polska belongs to the American Polaris Industries group founded in 1954 in Minnesota. Polaris has manufacturing facilities in the USA, Mexico and India. In Poland the company manufactures off-road vehicles, mainly quadbikes. The Polaris Polska site in Opole is the company's first European manufacturing facility. It was completed in 2014 and is responsible for approx. one third of the company's sales outside of North America.

IAC – International Automotive Components

International Automotive Components (IAC) is a global supplier of automotive interior and exterior components. The company is headquartered in Luxembourg, with more than 50 manufacturing facilities in 18 countries and more than 31 000 employees worldwide. In 2017 the company opened one of its state-of-the-art facilities in Opole to manufacture luxury vehicle interiors.

UFI Filters – Universal Filter Italiana

UFI Filters is an Italian company founded in 1972 specializing in the manufacture of automotive filters. The company supplies its products to car manufacturers such as BMW, Fiat Group, Ford Group, Hyundai-KIA, Mercedes-Benz, PSA, Nissan-Renault and Volkswagen Group. Products bearing the UFI Filters logo are also purchased by automotive wholesalers and repair businesses. Additionally, the company supplies its filters to six of the Formula 1 teams. It employs 3 800 staff in 17 manufacturing facilities worldwide. In 2017 it took the decision to open a facility in Opole to ultimately employ 100 staff.

LOGISTICS

InPost

InPost is a Polish private logistics operator that has been active across Poland since 2006. InPost runs its own technical and logistics facilities through which it provides courier delivery and self-service parcel pick-up services. It operates approx. 1 900 self-service parcel pick-up stations in more than 400 locations across Poland, while its e-commerce delivery services are available in Poland and 18 other countries in Europe. InPost has been listed on Warsaw's stock exchange since 13 October 2015, and currently ranks second on the distribution market after Poczta Polska.

Raben

The Raben group is a company offering its services within the following industries: logistics, warehouse, international road transport, intermodal transport, domestic distribution, sea and air shipping and fresh logistics, i.e. fresh produce logistics. It was founded in 1931 in the Netherlands and currently operates its individual branches from 12 countries across Europe. It has been present in Poland since 1991, now operating from nearly 50 locations.

FedEx

FedEx Corporation is an American shipping and logistics company founded in 1971 and running its operations using mainly airplanes. The company's global reach means it provides its services in more than 200 countries and territories, effecting more than 3.6 million deliveries on any working day, which in turn makes it the largest express delivery business in the world. FedEx pioneered the shipment tracking and monitoring system, which at the moment is a standard practice for the majority of courier delivery companies. The company has been active on the Polish market since 2012 following the acquisition by FedEx of the Polish courier business Opek sp. z o.o.

GLS

General Logistics Systems (GLS) is a Dutch logistics organization founded in 1999 in the Netherlands as part of the British Royal Mail group. GLS operates across 42 countries using its own companies and associated entities. It has been providing its services in Poland since 2005 through its daughter company, General Logistics Systems Poland sp. z o.o. with its seat in Głuchowo.

DHL

DHL is a German organization active within the international courier deliveries sector. It operates globally with branches in more than 220 countries and more than 350 000 employees. DHL is part of Deutsche Post DHL specializing in the provision of postal and logistics services. It operates through a number of highly specialized entities such as: DHL Express, DHL Parcel, DHL eCommerce, DHL Global Forwarding, DHL Fracht and DHL Supply Chain.

DPD Polska

DPD Polska forms part of DPDgroup, the second largest international courier delivery chain in Europe. DPD Polska (formerly Masterlink Express) launched its operations in 1991 as a 100% Polish-owned company. In 2004 the French holding Geopost became Masterlink's sole owner, while in 2007 the company officially changed its name to DPD Polska sp. z o.o.

FMCG

Eurocash

Eurocash is a Polish company established in 1993 on the foundations of the distribution company Elektromis. At the moment the company comprises Eurocash Cash&Carry (wholesalers addressed to small and medium grocery and convenience stores), Eurocash Serwis (active in the area of distribution of the so-called impulse goods, i.e. coffee, tea, cigarettes, sweets, etc.), as well as store brands such as abc, 1Minute, Delikatesy Centrum, Groszek, Lewiatan, Mila. Eurocash currently holds a nearly 25% share in Poland's FMCG market and was listed on the Stock Exchange in 2005.

METALLURGY

Aluprof

Alupruf S.A. is a producer of aluminium systems for the construction industry with a focus on, amongst others, window and door systems, façade systems, roller shutters, gate systems and other steel systems. The company was founded in 2006 by the Kęty group of companies and at the moment is a leading producer of aluminium systems in Europe with branches in many European countries. Exports account for approx. one third of total sales. Its Polish manufacturing facilities are located in Bielsko-Biała, Opole, Goleszów and Złotów.

Brokelmann Aluminium

Brokelmann Aluminium is a German company founded in 1826 focused on production of stainless steel equipment and gear addressed mainly to the food and drink industry, specifically the meat processing and food and drink service sectors. The company has been active on the Polish market since 1995.

RENTS

Rents in Opole are closely linked to the class of the building. Headline rents in class A buildings range between 3.50 and 4.20 EUR/ sqm/ month, while effective rents stand between 3.10 and 3.90 EUR/ sqm/ month. Effective rents are calculated for the entire lease term, taking into account any financial incentives that may be offered to the tenant by the developer (e.g. rent-free periods, fit-out and relocation contributions). Rents for the office component within a warehouse scheme range between 8.50 and 9.50 EUR/ sqm/ month. Service charges stand at approx. 0.30 - 1.00 EUR/ sqm/ month.

Rents for class B warehouse schemes are stated in PLN and stand at respectively 12.00 – 18.00 PLN/ sqm/ month and 10.00 – 16.00 PLN/ sqm/ month for headline and effective rents. Office rents for space in class B buildings range between 20.00 and 30.00 PLN/ sqm/ month. Tenants cover the costs related to operating and insuring the property individually.

Due to the limited availability of warehouse schemes in Opole, rents there remain stable.

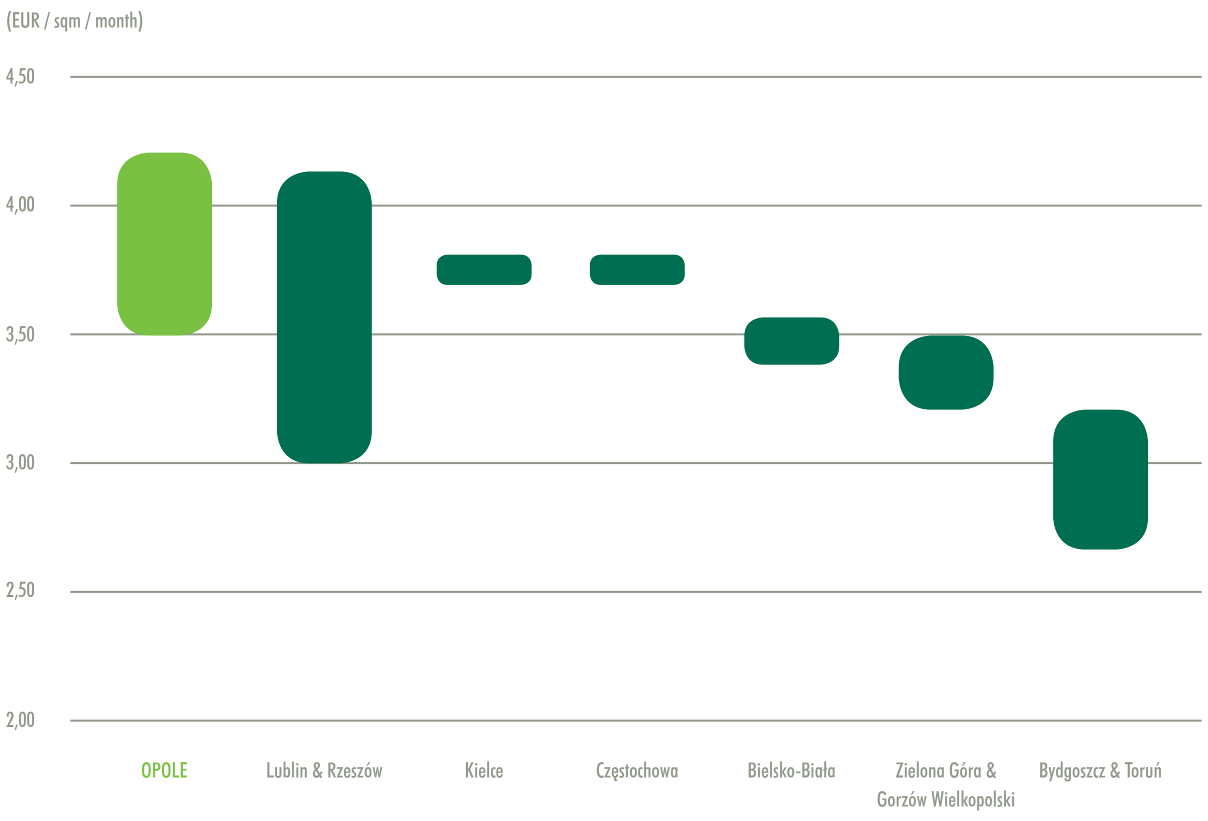
RENTS IN OPOLE, Q3 2017

Class A schemes, Q3 2017	
Headline rents	EUR 3.50 – 4.20/ sqm/ month
Effective rents	EUR 3.10 – 3.90/ sqm/ month
Office component	EUR 8.50 – 9.50/ sqm/ month
Service charges	EUR 0.30 – 1.00/ sqm/ month
Class B schemes, Q3 2017	
Headline rents	PLN 12.00-18.00/ sqm/ month
Effective rents	PLN 10.00-16.00/ sqm/ month
Office component	PLN 20.00-30.00/ sqm/ month
Service charges	Covered by tenants individually

SOURCE: CBRE, Q3 2017

Rents in comparable cities have reached the following values:

HEADLINE RENTS FOR CLASS A SCHEMES IN Q3 2017



SOURCE: CBRE, Q3 2017

MARKET PRACTICE AND LEASE TERMS

Lease terms in Opole differ depending on the class of the given warehouse building. The market practice for class A schemes is very similar to what would be included in a lease in other strategic locations across Poland. The typical lease terms for class A and class B properties are shown below.

MARKET PRACTICE AND LEASE TERMS

	Class A	Class B
Duration of lease	Usually 3 – 5 years for tenants in traditional schemes, 7 – 10 years for tenants occupying build-to-suit schemes	Most often for undefined term with a 3 months' notice
Rent currency	Rents are most often stated in EUR and payable in PLN	Rents are stated and payable in PLN
Incentives	Developers offer a number of different types of tenant incentives: rent-free periods, fit-out and relocation contributions	No tenant incentives to speak of
Effective rent	Effective rent is calculated for the entire duration of lease taking into account the financial incentives offered to tenants by the developer	Effective rent is agreed individually based on developer – tenant negotiation of asking rents
Service charges	In addition to rent, tenants cover all the service charges related to operating and insuring the property. Service charges take into account services such as security – common areas, property tax, insurance for the property (exclusive of the space occupied by the tenant), property management, maintenance and repairs, general maintenance and cleaning, snow clearing, technical crew for the property	Tenants cover the costs related to operating and insuring the property individually
Lease security	Bank guarantee or cash deposit	Deposit

SOURCE: CBRE, Q3 2017

SUMMARY

Opole stands out against the other emerging markets due to the diversity of the modern industrial and logistics space and the market's future growth potential.

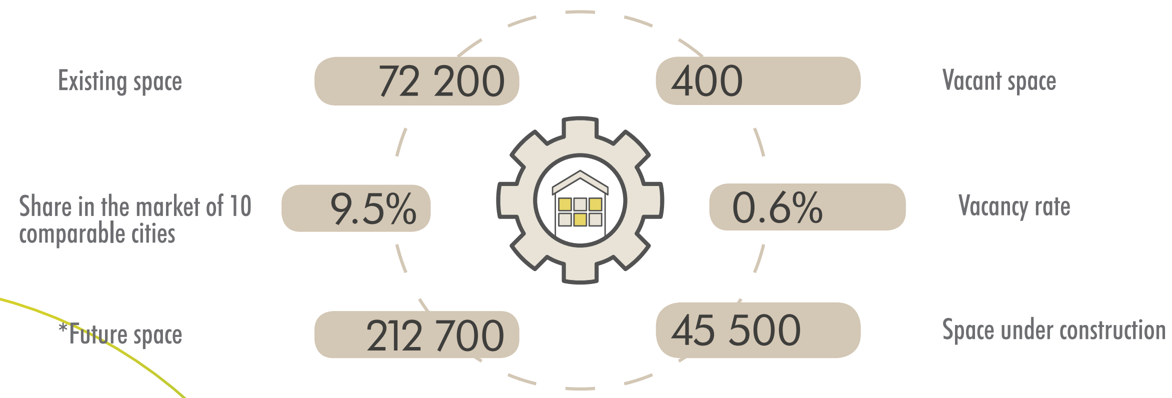
In terms of the existing stock of warehouse space, Opole is the undisputed leader amongst cities with a population of less than 150 000 residents. The modern warehouse stock in Opole is e.g. 3.7 times higher than that to be found in Zielona Góra (19 600 sqm) and 2.4 times higher than that of Gorzów Wielkopolski (30 100 sqm).

The volume of space remaining under construction in the cities analysed in this report at the end of Q3 2017 shows that Opole attracts the greatest interest from developers. New industrial and logistics schemes were also being developed in Zielona Góra (19 400 sqm), Bydgoszcz (16 200 sqm) and Lublin (12 100 sqm), however, when set against these markets, developer activity in Opole was higher by respectively 57%, 64% and 73%.

Opole has large potential for growth of its industrial and logistics market. In terms of new supply of industrial and office space in the pipeline, it takes second place amongst comparable cities.

At the end of Q3 2017 there were 45 500 sqm of new warehouse space under construction, with further 95 000 sqm in the pipeline. This means that in the future Opole's market could well double in size.

OPOLE'S INDUSTRIAL AND LOGISTICS MARKET, Q3 2017 – A SUMMARY (IN SQM)



*Future space = existing space + space under construction + space in the pipeline

SOURCE: CBRE, Q3 2017

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OPOLE

MARKET TRENDS

- at the end of Q3 2017 the total supply of modern industrial and logistics space in Opole amounts to 72 200 sqm,
- limited availability of vacant industrial and logistics space; vacancy rate at the end of Q3 2017 stood at 0.6%,
- 45 500 sqm under construction, new class A and class B schemes in the pipeline,
- automotive and logistics sectors are the main drivers for growth of Opole's market,
- developer activity in respect of build-to-suit (or "made to measure") schemes drives speculative investment,
- support for investors from Opole's City Hall (tax exemptions, assistance from the Investor Support Department),
- collaboration between academic and business circles.

INVESTOR SUPPORT

The Investor Support Department serves to stimulate Opole's economic activity and performance and strengthen the city's position as an influential academic centre. We offer our assistance to investors from priority industries such as the modern business services, automotive and IT sectors, as well as businesses that are intending to or have already chosen Opole as the location for their investment.

INDIVIDUAL INVESTOR SUPPORT

All key investors in Opole are provided with a dedicated adviser to act as their guide through the investment process, assist them during viewings of investment land and visits to the relevant institutions. The adviser's responsibility is to help investors with all administrative procedures in order to ensure that the investment process is completed smoothly and efficiently. We take an active part in serving both foreign and domestic investors.

WE ARE HAPPY TO HELP THROUGH:

- advice on choosing investment locations,
- assistance with establishing cooperation with the relevant institutions in the business environment, such as the Polish Investment and Trade Agency (PAIH), the Opole Economic Development Centre (OCRG), the "INVEST-PARK" Wałbrzych Special Economic Zone, the Science and Technology Park, the Opole Exhibition and Congress Centre, developers, employment centres and professional consultancies, as well as media administrators, schools, universities and research centres,
- close collaboration in the process of obtaining all permits, consents and decisions as required by the law, and in all administrative procedures necessary when launching a business,
- PR support for business activities,
- recruitment support,
- advice and assistance throughout the investment process, as well as post-investment care.

SYSTEM OF INCENTIVES

One of the ways in which the city supports investors is through a system of tax exemptions and criteria specific packages under which investors have the option to apply for:

- exemption from property tax under "de minimis" aid for a period of up to 3 years, regional investment aid, including aid for newly developed properties for a period of up to 10 years, as well as newly developed office properties and implemented technology for a period of up to 5 years; newly developed properties may also be eligible for partial exemption from property tax following fulfilment of certain criteria:

exemption from property tax for newly constructed properties meeting one of the following criteria:

- implementation of new technologies (min. 25% of costs) or
- construction of an office building with the area of a min. of 1 500 sqm or
- investment cost of a min. of PLN 7 million and jobs for a min. of 40 people.

Exemption value – up to 55% of the investment costs

Duration – up to 5 years

exemption from property tax for newly constructed properties within Wałbrzych Special Economic Zone meeting both of the following criteria:

- investment cost of a min. of PLN 75 million
- a min. of 100 new jobs.

Exemption value – up to 55% of the investment costs

Duration – up to 10 years

exemption from property tax for newly constructed properties within Wałbrzych Special Economic Zone meeting the following criterium:

- usable area of a min. of 10 000 sqm

Exemption value – up to 55% of the investment costs

Duration – up to 10 years

- exemption from income tax for companies conducting activity within the Opole sub-zone of Wałbrzych Special Economic Zone, where the business receives regional state aid in the form of tax exemptions (corporate and personal income tax, depending on the form of the activity conducted).

Furthermore, entrepreneurs can also seek support from the regional employment centre in Opole which has a number of tools at its disposal for assisting business start-ups and continuing operations. The incentives available from the regional employment centre include: assistance in selecting candidates for work, support for hiring through traineeships, refund of the costs of standard and additional equipment for work stations, subsidies for salaries, refund of social security contributions and employment vouchers. Furthermore, the regional employment centre in Opole supports employers in increasing the competences and qualifications of job candidates and employees through training and the National Training Fund.

RECRUITMENT SUPPORT

Together with employment centres and HR companies, Opole offers a wide range of support services for employee recruitment. The city provides assistance and advice in finding the right candidates, e.g. by closely analysing the labour market, running promotional campaigns in regional media and through social media and internet channels, as well as through operating the dedicated website pracujwopolu.pl, developing a network of contacts among regional employment centres and educational institutions in Opole province and maintaining contacts with universities in Opole and the region, including university career offices.

EDUCATION

Opole actively supports initiatives that strengthen cooperation between business and science. The city's largest public universities, that is, Opole University of Technology and Opole University, strongly support local entrepreneurship. Their standard practices include creating specializations that meet the needs of businesses, implementation of an extensive ITS system, modifying their course schedules and providing investment advisers. Thanks to the comprehensive range of specializations offered by Opole's universities, entrepreneurs investing in Opole can count on support within most industries and specializations present on the market. It is also Opole's high schools that cooperate intensively with the city's businesses, through e.g. a system of sponsored classes. In this way, businesses are assured that schools supplement their basic curriculum with courses that teach the key competences needed in the sponsor's sector.

Additionally, the Science and Technology Park is developing dynamically and currently provides a range of business services, e.g. mathematical modelling, engineering design, fatigue testing and advanced IT solutions based on the ANSYS platform. At the same time, working closely with Opole University of Technology, it is intensifying its collaboration with the Fraunhofer Institute perceived to be one of the leaders in global implementation research, where research is carried out based on homegrown solutions and latest technological concepts.

NETWORKING

We realize how important relationships and a network of contacts are in business. Every visit by an investor and the services provided thereafter are "individually tailored" and in accordance with the investor's suggestions. This covers organizational matters such as meetings with institutions that have a significant impact on the success of an investment, such as universities, economic zones, consultancies, recruitment agencies, law firms and business community institutions, as well as meetings with other investors from the city, with particular attention paid to the views and needs of the company. We also organize diverse business events, meetings, conferences and conventions focused on a variety of industry subjects, thereby helping to forge business relationships and creating a responsible and friendly environment for developing business in Opole. Investors are given the opportunity to visit and take advantage of Opole's Exhibition and Congress Centre and the Science and Technology Park that thanks to their infrastructure and facilities on offer represent an exciting location for events, meetings and conferences.

OUR OBJECTIVES

In seeking to fulfil the expectations of the local community and the business community, we place great emphasis on developing industries that are of key importance for Opole. That is why, at the beginning of 2017, we acquired more than 100 hectares of investment land, designating it for industrial purposes, and, together with the Science and Technology Park in Opole and Opole University of Technology, we launched our cooperation with the Fraunhofer Institute, one of the world's largest research institutes cooperating with industry. Thanks to the continuously competitive employer market, employment in Opole is on the rise, and our estimates forecast further significant growth. A big advantage of the region's labour market is the availability of workforce, including those who are fluent in German. In this respect, Opole is the only region in Poland that offers investors such a recruitment opportunity.

At the same time, our two main universities, Opole University of Technology and Opole University, produce specialists who meet the needs of investors. In addition to programmers and process automation engineers, these include finance specialists, civil engineers, philologists and lawyers. At the same time, together with the Science and Technology Park, we are now developing an Engineering Design Centre, whose main role will be to support the business community based on a specially constructed infrastructure and support equipment along with a program tailored to facilitate calculations in the area of mechanics, flow stress, kinetics, processing and manufacture.

SUMMARY

OPOLE SWOT ANALYSIS AGAINST THE BACKGROUND OF ITS INDUSTRIAL AND LOGISTICS MARKET

SWOT

STRENGTHS

- Availability of class A and class B industrial and logistics space of class
- Well-developed road infrastructure – proximity to the A4 motorway, Opole's north ring road
- Situated in the proximity to the TEN-T cargo railway network
- Situated on the commercial banks of the Odra river (Metalchem and Zakrzów river ports, another port to be developed at the power station in the pipeline)
- Access to an inland river port with the largest gantry crane in Poland with adjoining railway siding

WEAKNESSES

- Relatively underdeveloped industrial and logistics market as compared to the national market
- Limited availability of leasable space
- Relatively low level of competition amongst developers – relatively higher rents
- Situated at a relatively long distance from airports

OPPORTUNITIES

- Road infrastructure investments – Opole's south ring road
- Potential demand resulting from the proximity to Poland's south and west borders
- Potential demand to be generated by occupiers interested in properties of lower quality
- Potential demand to be generated by occupiers interested in relocating their businesses from properties of lower quality to modern spaces
- Potential demand resulting from the city's dynamic growth

THREATS

- Competition from Wroclaw and Upper Silesia
- Risk of a low level of interest in the region amongst developers
- Risk of a low level of interest in the region amongst occupiers

SOURCE: CBRE, Q3 2017

Opole together with the surrounding towns and villages is a region with large potential in terms of future growth of the modern industrial and logistics market. Interest from developers will be closely correlated with demand from tenants for modern space: it is expected that developers will be dynamically reacting to future tenants' needs, as was already the case with the schemes delivered for Polaris and International Automotive Components by Panattoni and CTP (where the international developer entered the Polish market with its first project in Opole). Developer activity in the area of build-to-suit (or "made to measure") properties will lead to speculative investments.

THE FOLLOWING FACTORS WILL DRIVE GROWTH OF DEMAND:

- large local market (the Opole agglomeration has a population of 320 000 residents),
- the market's location near the Czech and German borders (an asset for businesses distributing goods outside of Poland's borders),
- planned investment in infrastructure (Opole's south ring road),
- wide range of investor support (e.g. partial or full exemption from property tax for companies creating new jobs and developers investing in leasable schemes with an area of more than 10 000 sqm, exemption from corporate and personal income tax for businesses conducting their activities within the Opole sub-zone of Wałbrzych Special Economic Zone, recruitment support from the regional employment centre, i.e. assistance in finding the right candidates, refund of the costs of standard and additional equipment for work stations, subsidies for salaries for specific groups of workers, organizing training to increase the qualifications and skills of candidates to fit in with the requirements set by employers),
- innovation and joint efforts of academic and business circles – collaboration with the Fraunhofer Institute in Opole, where the key objective is introduction of new technologies to businesses and gradual growth of the Science and Technology Park in Opole.

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