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Warsaw Office Update

Recovery Drives Demand, Cycle Turns up

Economy

Poland's economy is strong, with 3.6% GDP growth in 2003 and 4.5% growth predicted for 2004. Inflation decreased to 0.8% last year. Interest rates are at an all time low and are not expected to rise significantly in 2004. Corporate taxes were slashed from 24% to 19% this year. The unemployment rate in Warsaw is 6.5%.

Supply

Total modern office space in Warsaw has now reached 1.9 million sqm, with six new buildings opened in the CBD last year:

Saski Crescent – A 15,000 sqm development by AIG/Lincoln. The primary tenant is the building's leasing agent, Jones Lang LaSalle, The Danish mortgage bank Nykredit, and project managers EC Harris.

Liberty Corner – An 8,200 sqm building at Mysia Street 5, developed by the Von der Heyden Group.

Articom Center – A 5,050 sqm building, including retail units on the ground floor and five stories of office space, developed by Litewska Development.

Merlini – A 2,300 sqm building at Pulawska 107, developed by Rezydencja Merlini. The building, opened in April of 2003.

IBC – A 16,000 sqm building, opened in May of 2003 and developed by GE Capital Golub Europe. The primary tenant is PriceWaterhouseCoopers. The developer plans to build a second phase of the building, if enough pre-development leases are signed.

Metropolitan – 33,500 sqm of Class A office space in a prime city centre, located on Pilsudski Square. The building was designed by British architect Lord Foster, and developed by US developer Hines. The first tenants to sign were McKinsey & Company (2,200 sqm) and Amerbank (2,200 sqm).

Seven new office buildings will open in Warsaw this year: **Articom** (5,000 sqm), **Jasna Center** (7,000 sqm), **PAST** (7,200 sqm), **Mistral** (12,000 sqm), **Kliwer** (6,000 sqm), **Crown Point** (10,600 sqm) and **Catalina** (14,000 sqm).

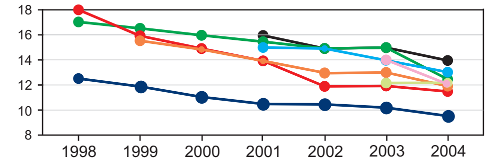
Rondo 1 – developed by Rondo ONZ Project Development, will be the biggest office building in the CBD. It will deliver a massive 103,000 sqm of class A office space in 2005.

Demand

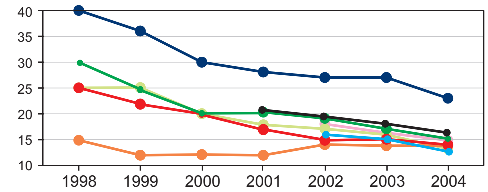
With few large companies moving, the fastest growing demand segment is for small to medium sized office space, ranging from 50 to 350 sqm, with an average net rent

Offices out of CBD are popular with local tenants, like this **planned Class B office in Mokotow district.**

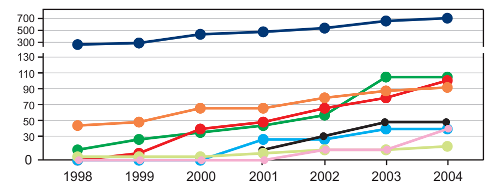
Class A Office Investment Yields(%)



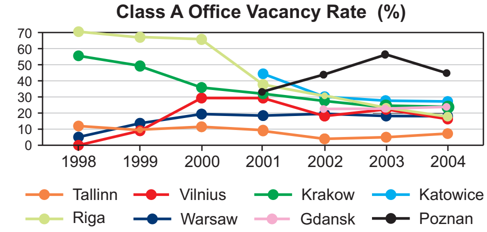
Avg Class A Office Rent (EUR)



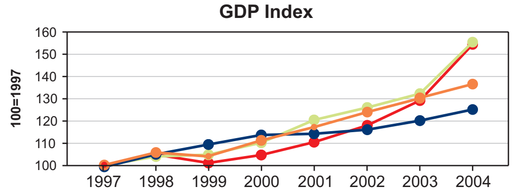
Total Class A Office Space (1000 sqm)



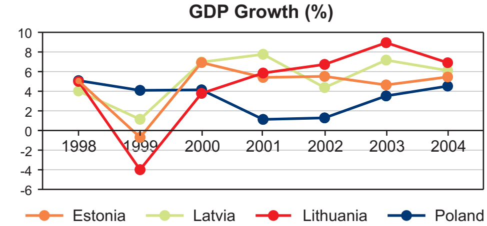
Class A Office Vacancy Rate (%)



GDP Index

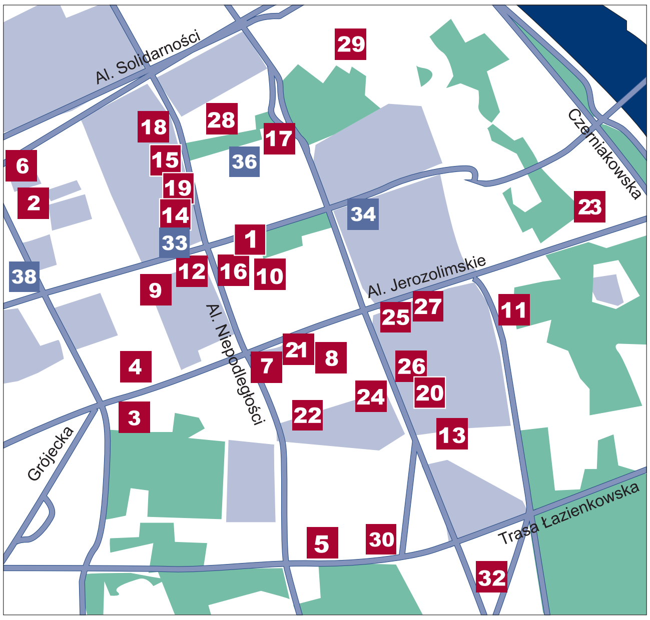


GDP Growth (%)



Warsaw Office Update

SPRING 2004



of 12 to 15 EUR per sqm. Rental price appears to be much more important then the standard within this fast-growing market segment.

Takeup activity was focused on non-central areas (164,000 sqm), which is a continuation of the 2002 trend. In the CBD area, 104,000 sqm of modern office space was taken up.

2003 major office lease transactions: Commercial Union 7,400 sqm in Crown Point, Compensa 4,500 sqm in Mistral, BRE Leasing 1,700 sqm in Stratos.

Rents

The new supply of office buildings has kept vacancy rates at 16% at the beginning of 2004, and rents had continued to decline.

Put in perspective, however, total vacancy, at roughly 180,000 sqm, approximately equals one-year's take up of office space. With far fewer square metres coming to market in 2004, and demand strengthening due to the economic rebound and EU membership, we see vacancies reducing and rents strengthening in the near-term.

Office rents have stabilized in Class A CBD buildings at 16-22 EUR per sqm. Rents for high standard buildings located in noncentral areas (Class B) range from 12 to 17 EUR per sqm. Service charges in Class A and B buildings are between 2.5 and 6.5 EUR per sqm.

Office sqm existing in CBD Warsaw

	Property name	sqm
1	Warsaw Financial Centre	50 000
2	Warsaw Trade Tower	44 000
3	Millenium Plaza	32 000
4	Warta Tower	30 000
5	Focus Filtrowa	30 000
6	City Gate	25 000
7	Lim Centre	22 000
8	Roma Office Centre	21 000
9	Sienna Building	20 000
10	Warsaw Towers	19 200
11	Holland Park	18 000
12	Ilmet	17 500
13	Raiffeisen	16 500
14	Atrium	16 000
15	Atrium Centrum	15 000
16	Kaskada	13 800
17	Saski Point	13 000
18	Atrium Plaza	13 000
19	Atrium Tower	11 000
20	Stratos	9 900
21	Warsaw Corporate Centre	8 750
22	IPC Business Centre	8 400
23	Nordic Park	7 200
24	Wspolna 47/49	7 200
25	Nautilius	7 200
26	Marszalkowska 76	7 000
27	Liberty Corner	8 200
28	Saski Crescent	15 000
29	Metropolitan	33 500
30	IBC	16 000
31	Merlini *	2 300
32	Articom	5 000
	TOTAL	**562 650**

Office sqm planned in CBD Warsaw

	Property name	sqm
33	Rondo 1	103 000
34	Jasna Center	7 000
35	Kliwer *	6 000
36	Past	7 200
37	Mistral *	12 000
38	Crown Point	10 600
39	Catalina *	14 000
	TOTAL	**159 800**

* Not on the map

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