

Krakow Office Update

Cheaper non-CBD Beats out Downtown Rivals

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 Krakow is 8.2%.

Supply

Total modern office stock in Krakow consists of 126,000 sqm. The majority of modern office buildings are located outside of the CBD. They are attractive for clients because of lower rents and large car parks. The only class A building in the city centre, **Lubicz Office Centre**, is 45% vacant with the highest rents in town (17 USD (13 EUR) per sqm).

Generally speaking, development remains slow in the region. There were no modern office buildings added to the market during 2003.

A new supply of approximately 60,000 sqm will be arriving on the market during the next three years including ECE's **Nowe Miasto** (22,000 sqm), two new **GTC buildings** (20,000 sqm), **Buma Square** (15,000 sqm), and **Nowa Kamienica** (1,400 sqm).

Due to poor market conditions, many developers have postponed their plans until future dates.

Demand

Demand continues to be low, with the vacancy rate at 28%. The typical demand is for 200 to 400 sqm. Companies are currently looking for office space in lower standard buildings, with rents ranging from 7 to 12 EUR per sqm.

No institutional transactions have taken place in 2003.

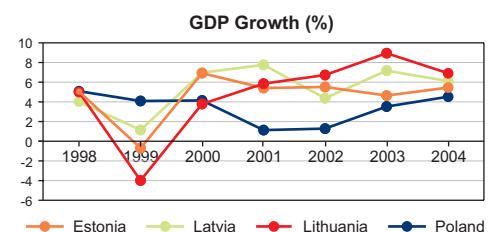
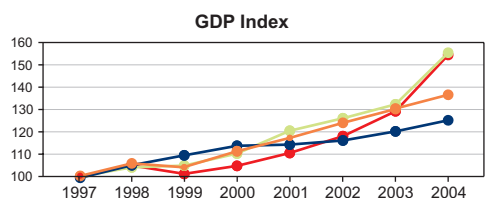
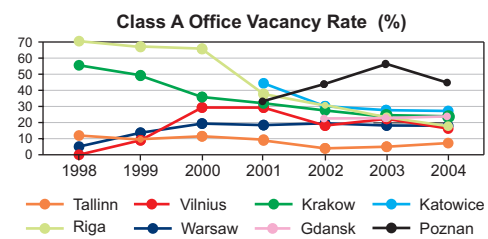
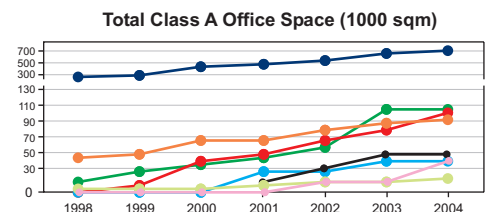
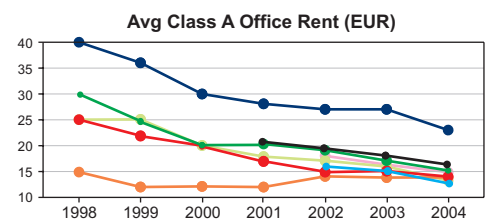
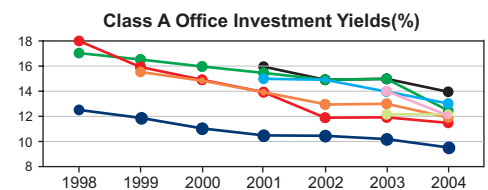
Rents

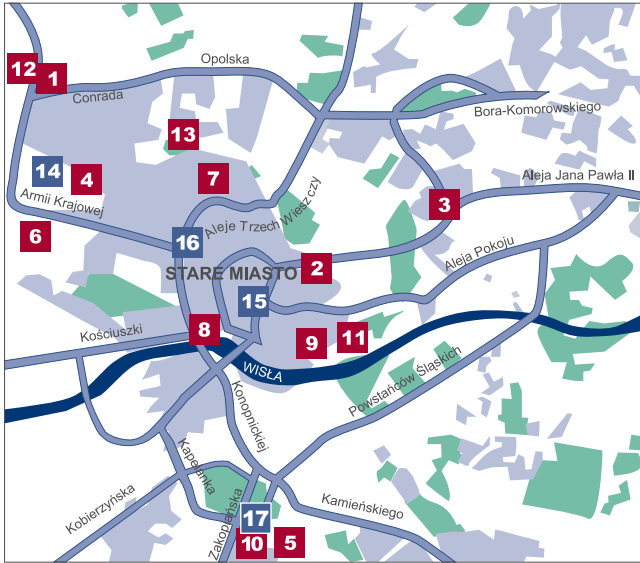
Rents in pre-war buildings located in the city centre decreased slightly by 5% to between 7 and 13 EUR per sqm during last 12 months.

Rents in modern office buildings decreased faster by 10% during last 12 months, down to 10 to 13 EUR per sqm, with additional service charges of between 2 to 3 EUR per sqm.



Lubicz Office Centre – The only true class A building today in Krakow.





Office sqm existing in Krakow

Property name	sqm
1 Euromarket	16 000
2 Centrum Biurowe Lubicz	13 800
3 Kompleks Biurowy Azbud	10 000
4 GTC Galileo	10 000
5 Krakow Business Park	9 500
6 Centrum Biurowe Zasada	4 400
7 Herbewo	3 500
8 Biuro Pod Wawelem	2 400
9 Cracovia Business Center	12 000
10 Buma+Wadowicka 8 W	10 000
11 Lobos	700
12 Business Park	30 000
13 Business Plaza	3 900
TOTAL	126 200

Office sqm planned in Krakow

Property name	sqm
14 Centrum Biurowe GTC	20 000
15 Nowa Kamienica	1 400
16 Nowe Miasto	22 000
17 Buma Square *	15 000
TOTAL	58 400
* Outside of the map area	

FOR COMMERCIAL LEASING OPPORTUNITIES THROUGHOUT THE REGION, PLEASE CONTACT:

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