SPRING 2005

OBER HAUS REAL ESTATE COMPANY

Warsaw Office Update

Warsaw Office Market's Revival

Economy

The economic recovery was in full swing in 2004, with GDP growth of 5.4% beating expectations. Economists forecast that GDP should grow by 4.5% in 2005. Although national unemployment remains above 19%, there is virtual full employment in Warsaw with the official jobless rate at 6.5%, and probably much lower considering the shadow economy. The National Bank of Poland lending rate started 2005 at 6.5%. The large influx of Foreign Direct Investment drove the Polish zloty up 15% against the euro in 2004. Poland joined the EU in 2004 and is widely expected to join the Euro currency in 5-7 years.

Supply

Current total modern office stock in Warsaw is estimated at 2.1 million sqm. 160,000 sqm were added to the market in 2004, the lowest new supply in years, as the development cycle bottomed out. This year will see more new stock than in the past three years, with 230,000 sqm coming to market. The biggest new development in years, **Rondo 1**, will bring 75,000 sqm of class A office space to market. Rondo 1, developed by Hochtief, signed Ernst & Young to 11,000 sqm as their first tenant.

Other large deliveries slated for 2005 include **IBC II** (19,400 sqm), developed by GE Capital Golub and **Zaulek Piekna** (8,700 sqm), developed by Ghelamco, and already 70% pre-leased.

New offerings scheduled to open in 2005 outside CBD include **Office Park Domaniewska**, developed by Hydrobudowa (19,900 sqm), **Wisniowy Business Park**, Building F, developed by GE Capital Golub (16,400 sqm).

Major developments completed in the city centre last year included **Jasna Centre** (7,000 sqm), and **Zielna Centre** (phase B, 1,300 sqm).

We expect another 200,000 sqm to be delivered in 2006, including the much awaited city centre **Zlote Tarasy** project, now under development next to the main train station by ING Real Estate. The project will have 55,000 sqm of office space.

Skanska Property Poland is considering developing a new mixed-use complex on its land near Rondo 1. The project would have about 120,000 sqm total space. Skanska is looking for pre-lets before starting construction.

Demand

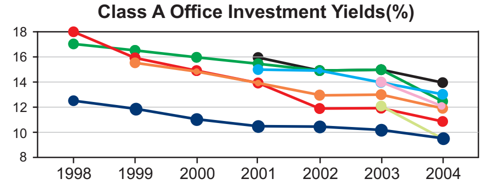
The overall vacancy rate in Warsaw has decreased to 14%, the lowest in years. Vacancy is even lower for out-of-centre office space, at 7%. Take up activity was focused on non-central areas (65%), which is a continuation of the last year's trend.

We expect overall vacancy rate in Warsaw to decline over the next two years, even in the face of large new supply, due to the strong economy. Many multinationals choose Warsaw as their hub for Central and Eastern European operations.

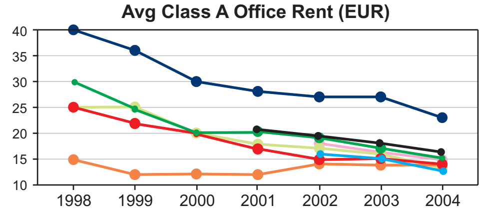
The fastest growing demand segment is for small to medium sized office space,

IPC – one of the best, class A office building located near Konstytucji square.

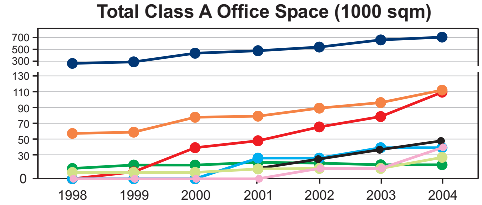
Class A Office Investment Yields(%)



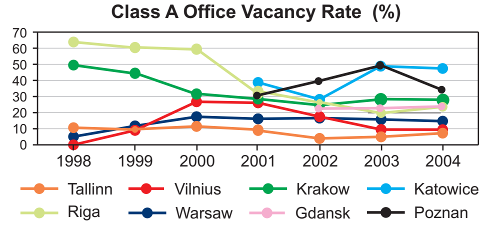
Avg Class A Office Rent (EUR)



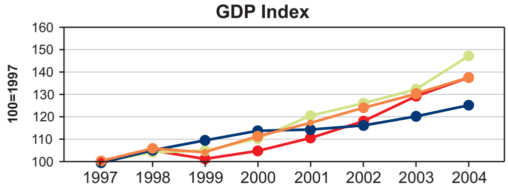
Total Class A Office Space (1000 sqm)



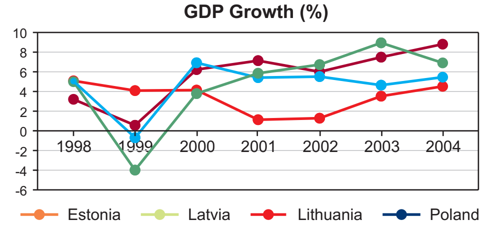
Class A Office Vacancy Rate (%)

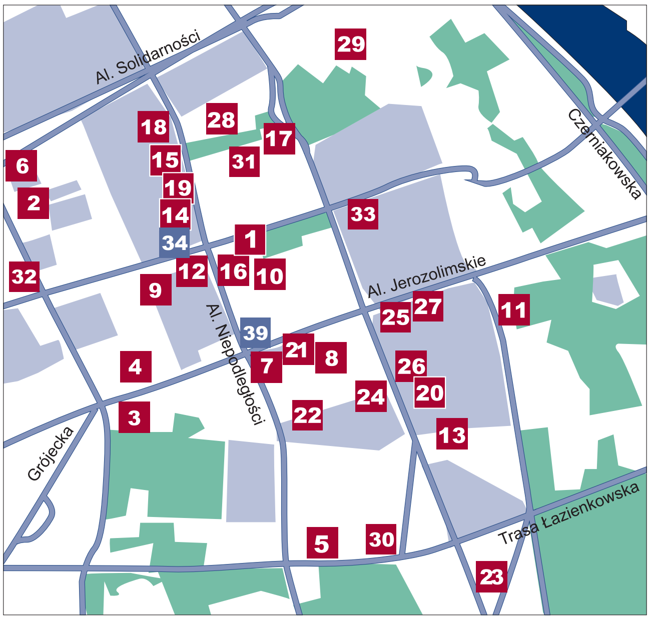


GDP Index



GDP Growth (%)





ranging from 50 to 350 sqm (the majority of leases did not exceed 500 sqm), with an average net rent of 12 to 15 EUR per sqm.

Rents

Rents for modern office space appears to have bottomed out, with class A rents now at 16-22 EUR per sqm. Rents in modern out-of-centre buildings are 12-17 EUR per sqm. Service charges in modern buildings are 2.5 to 6.5 EUR per sqm depending on the location and standard of the building.

Competition between buildings means owners still offer incentives, such as rent free periods and covering fit-out costs, which lowers net effective rents by 5-15%. Small tenants are more welcome than in the past.

Transactions

Since joining the EU, Poland has attracted far more real estate investors. The number of transactions is increasing, and yields have fallen from 15% in 1995 to under 9% in 2004. Recent transactions at that yield level included:

Polish company WAN-11 forward purchased the office building on Postepu 3 in the Mokotow district of Warsaw, with Ober-Haus acting as agent for the seller. The building is scheduled for completion in August 2005, and is pre-leased to Polkomtel.

Ghelamco sold Crown Investment, a portfolio of two office buildings – Crown Point (10,800 sqm) and Crown Tower (8,500 sqm) – for a total price of around EUR 55 mln. The purchaser is IMAK CEE N.V., a subsidiary, of Austrian real estate groups Immoeast and Akron.

Deka Immobilien purchased two buildings of Kredyt Bank HQ – Victoria Building and Kasprzaka Building - of total 23,700 sqm in the Wola district.

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
32	Articom	5 000
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	Zielna Centre	6 700
32	Crown Point	10 600
33	Jasna Center	7 000
	Catalina *	14 000
	Kliwer *	6 000
	Merlini *	2 300
	Mistral *	12 000
	TOTAL	**562 650**

Office sqm planned in CBD Warsaw

	Property name	sqm
34	Rondo 1	75 000
35	Zlote Terasy	55 500
	TOTAL	**130 000**

* Not on the map

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