

Katowice Office Update

Growing Demand for Lower Class Buildings

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. 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

Modern office market in Katowice started to develop few years ago and has not matured yet. Modern office buildings are only a small part of that market. Most office buildings are old.

Katowice has only four buildings that could be considered class A (or high B standard): **ING Bank Slaski** (18,800 sqm) being used by the owner, **Millennium** (10,900 sqm), **Chorzowska 50** and **Altus** (formerly UniCentrum). The four buildings total 41,000 sqm.

There are three class B buildings amounting to 12,000 sqm: **Atal**, **Holdimex**, and **Ceglana 4**. The remaining buildings are class C, built in the 1970s and 1980s, and leased to small local companies.

There are no plans for other office buildings. Construction works of two planned buildings, **Jesionowa**, and **Katowice Business Centre**, are on hold due to financial problems.

Demand

Demand for modern office space is increasing slowly, and overall vacancy is down from 48% at the beginning of 2004 to 32% today. Among class A buildings, **ING Bank Slaski** is entirely used by the owner, and **Chorzowska 50** is now 100% leased, the last 20% being leased last year. **Altus** is still 80% vacant, which is responsible for the overall class A vacancy rate.

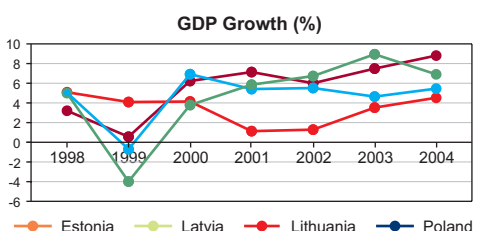
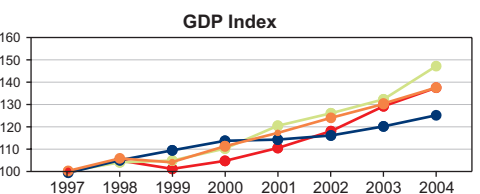
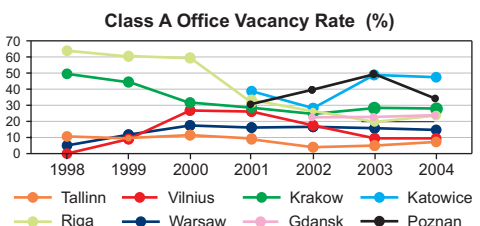
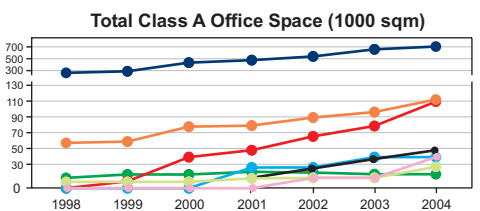
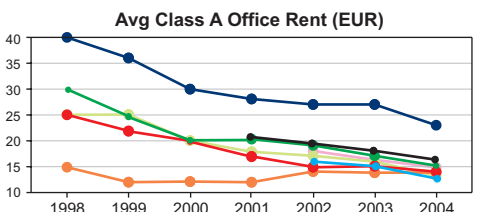
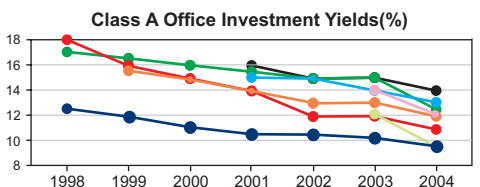
The only high-class B building, **Millennium**, is 85% leased. The vacancy rate in class C buildings is very low at 5%.

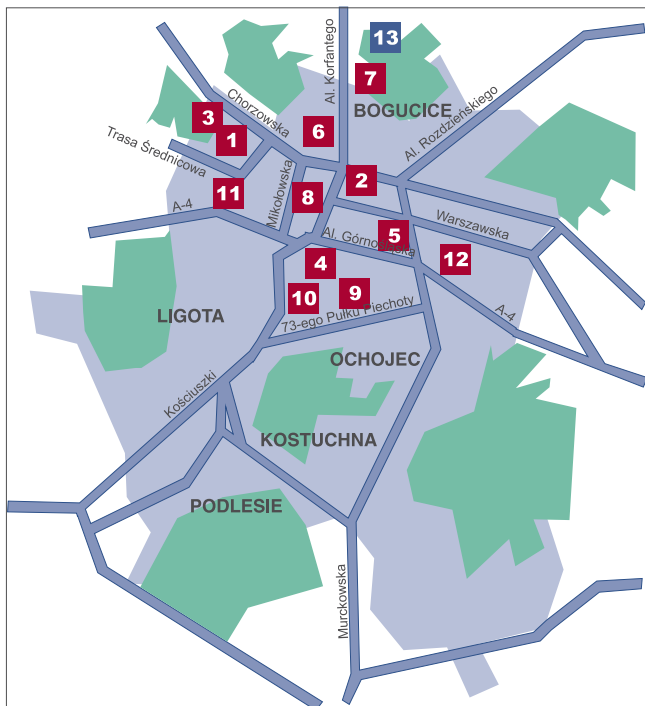
Rents

Katowice's market is not mature yet, and lease conditions are different from those normally expected by institutional investors.



High standard office space in a refurbished historical building on **Warszawska street**





Office sqm existing in Katowice

Property name	sqm
1 ING Bank Slaski	18 800
2 Uni Centrum	15 500
3 Chorzowska 50	14 200
4 COIG	12 600
5 Millenium Plaza I	10 900
6 KOMAG	9 500
7 GIG	6 300
8 Energomontaz	5 600
9 Ceglana 4	7 000
10 Holdimex	4 500
11 TOP Centrum Handlowo-Uslugowe	3 000
12 ATAL	2 200
TOTAL	110 100

Office sqm planned in Katowice

Property name	sqm
13 Jesionowa	6 500
TOTAL	6 500

Due to the high vacancy in Altus, class A rents have fallen to 10-12 EUR per sqm. Service charges in class A buildings stands at 2-4 EUR per sqm.

In class B buildings rents are quoted in PLN, and are gross rents (including all service charges). Typical gross rents are about 45 - 50 PLN per sqm, which equals 11-12 EUR per sqm gross, or equivalent to about 8 EUR per sqm triple net.

There have been no institutional investments into the office market in Katowice.

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