

Warsaw Retail Update

EU Accession Strengthens Demand

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

Warsaw retail market is dominated by shopping centers with over 950,000 sqm retail space. There is one shopping and leisure project under construction in city centre. Zlote Tarasy will deliver 65,000 sqm of modern retail space in city centre by 2006. Two big box schemes were opened last year Blue City with 65,000 sqm retail space and the biggest retail centre up to date Arkadia (103,000 sqm). Extension (11,000 sqm) of city centre shopping mall Reduta opened in autumn 2004.

Suburban Promenada shopping centre is being extended by another 23,000 sqm including an ice rink, to be open in 2005.

Many modern shopping centres offer more leisure facilities in order to diversify their offer and attract more clients.

Main shopping streets are being changed and redeveloped, but supply is still lower than demand. Demand for shops from 300 to 1 500 sqm is getting stronger. International brands open their flagship shops in DT Centrum on Marszałkowska street, among them Sephora, H&M, Esprit, Reserved, C&A.

Outlet centres are becoming more popular in Poland. The first Factory Outlet was opened in 2002 in Ursus district of Warsaw. 46 shops are located on 9,000 sqm. Another outlet centre is under construction in Piaseczno near Warsaw.

There are over 130,000 sqm in retail parks in Warsaw, among them Janki and Targowek. They attract not only DIY and furniture but also fashion branches. There is still place on the market for this type of development.

Demand

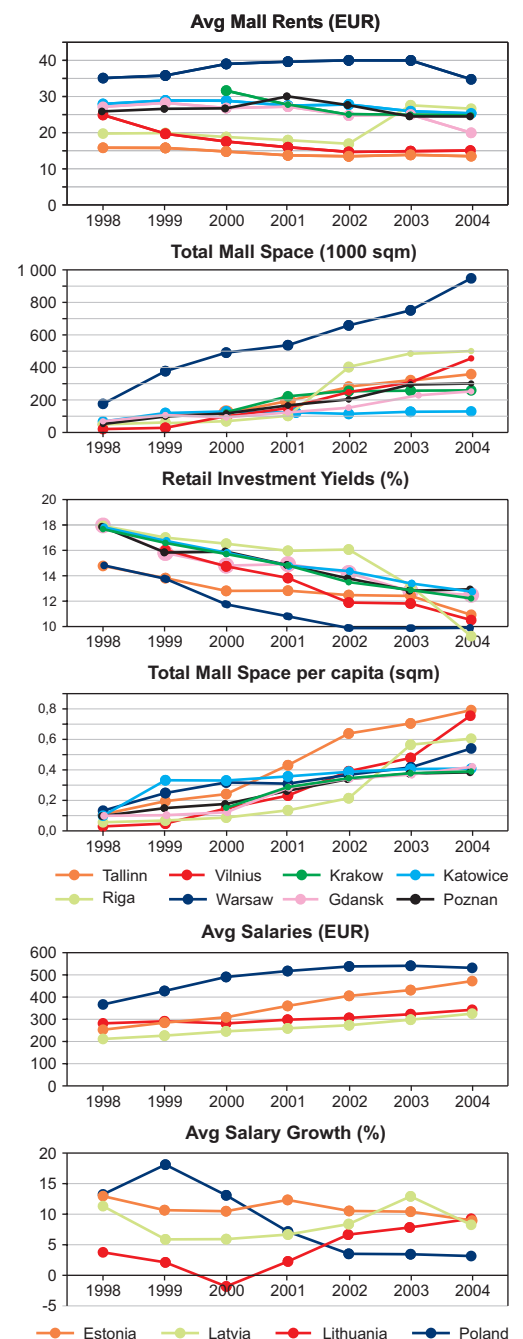
Demand for modern retail space in Warsaw is very strong. The strongest demand is for 50 to 250 sqm units. It is mostly generated by international brands and Polish chain stores. Major brands prefer to be present in shopping centres as well as on prime streets. Although, the demand for retail surfaces after EU accession was not as high as expected, it is believed to remain high in 2005.

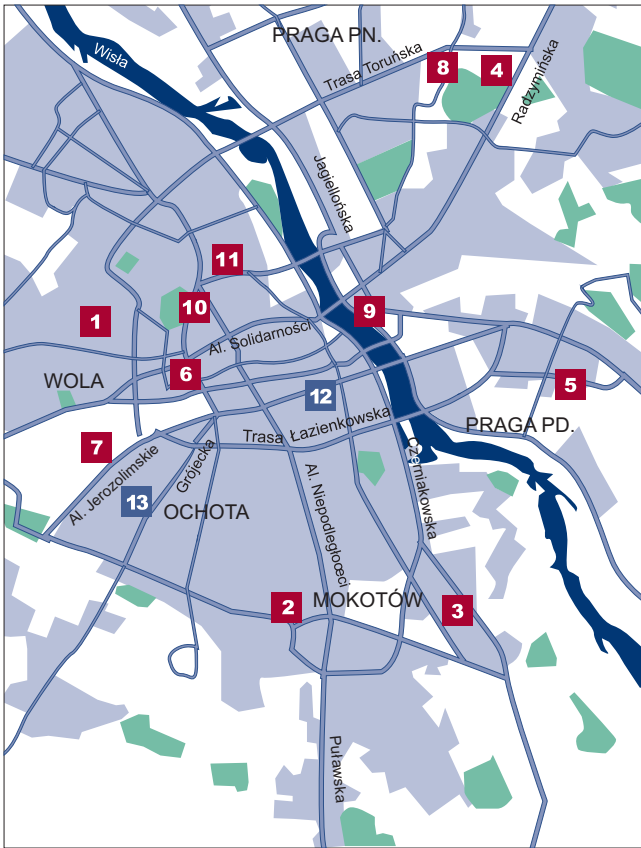
Rents

Rents in shopping centres depend on location of the centre, location and size of the



Arkadia – newly opened, successful and the biggest up to date shopping mall in Warsaw's residential Zoliborz district.





shop. Average rent for 70-100 sqm units is currently in the range of 46 EUR/sqm plus 4-6 EUR/sqm service charge. We predict rents in shopping centres to remain stable during next 6 months and a slight increase in the long term due to the lower supply.

Rents in traditional high-profile street locations are higher than in modern shopping centres, they depend on the visibility of the unit, standard and size, period of the lease agreement and branch of the lessee. Concerning main streets in Warsaw, rents are between 65 and 75 EUR/sqm, and they are the highest in Poland.

Rents in outlet shops are mostly paid as a percentage rent. The basic rents vary from 8 to 20 EUR/sqm.

Retail parks rents are the lowest and are on average 7-9 EUR/sqm, and 2-3 EUR/sqm service charges.

Retail sqm existing in Warsaw

Property name	sqm
1 Wola Park	73 000
2 Galeria Mokotow	60 000
3 Sadyba Best Mall	53 000
4 Centrum M1	52 500
5 Promenada	50 000
6 Fort Wola	40 500
7 Reduta	37 000
8 Targówek	35 000
9 Centrum Wileńska	32 000
10 Klif	26 000
11 Arkadia	103 000
Reduta II *	11 000
Centrum Janki *	74 000
TOTAL	712 000
* Not on the map	

Retail sqm planned in Warsaw

Property name	sqm
12 Złote Tarasy	65 000
13 Blue City	65 000
Promenada III *	23 000
TOTAL	88 000
* Not on the map	

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