

Warsaw Office Update

Vacancy Falling as Demand Rises

Economy

Poland's economy is developing much faster than the Eurozone with GDP growth of 5.4% in 2004 and over 4% predicted in 2005. Consumer price inflation (CPI) is decreasing. Average annual inflation amounted to 3.5% in 2004 and in the period January-July 2005 CPI increased by 2.7% - in comparison with the same period of 2004. The high unemployment rate is expected to drop below 19% by year end and to continue to decrease within the coming years. In the first half of 2005 Polish exports and imports increased by approx. 5% in comparison with the same period of 2004. The Monetary Policy Council decreased interest rates five times this year. The reference rate is 4.5%.

Supply

2004 saw only 160,000sqm of new office space added to the market with the same amount due to be completed this year. The majority of new buildings are built outside the city centre. The demand for space in the centre of Warsaw is still limited. Only 20% of new office space, out of the 180,000sqm planned, will be located in the centre of Warsaw.

The **Mokotow district** remains one of the most popular locations for office developments, due to good public transport, infrastructure and amenities.

Among buildings completed last year are: **Centrum Jasna** (7,000sqm), **Centrum Zielna** (1,400sqm) and **Renaissance** (4,400sqm) in the CBD, **Crown Point** (10,500sqm) and **Crown Tower** (8,500sqm) in Wola, and **Kliwer** (6,100sqm) in the Mokotow district.

New buildings to be completed in 2005 are: **Deloitte House** (10,000sqm) and **Riverside Park** (12,500sqm) in the centre, **Topaz Allianz** (11,800sqm) and **Kopernik III** (3,500sqm) outside the CBD.

Buildings planned to be completed in 2006: **Rondo 1** which will deliver 130,000sqm class A office space in the CBD. This will definitely influence the vacancy rate in the area. Rondo 1 will also deliver 75,000sqm at the end of 2005 and the beginning of 2006. The nearby **Zlote Tarasy** is set to pitch in with 55,000sqm of class A office space due to come online.

Demand

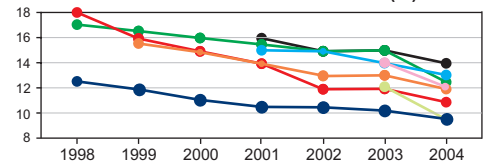
Vacancy rates are decreasing in central locations as well as in the suburbs. The overall vacancy rate in Warsaw decreased to 11% in the first half of this year. The most attractive offers are buildings in Non-Central locations where the vacancy rate is as low as 6.7%. Vacancy in the CBD remains at 18% and is predicted to rise within the next two years due to two big schemes scheduled to hit the market.

The most popular floorplates are offices covering 300-500sqm.

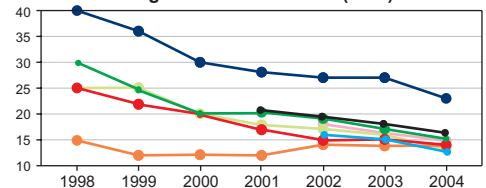


IPC – one of the best, class A office building located near Konstytucji square.

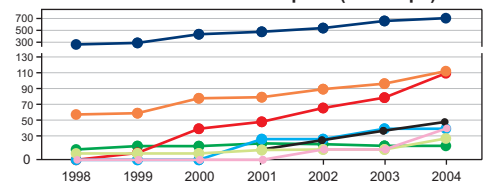
Class A Office Investment Yields(%)



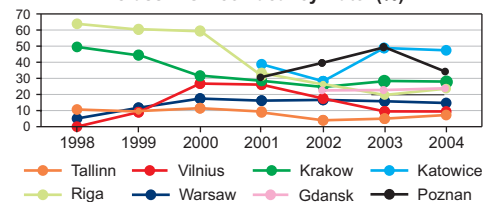
Avg Class A Office Rent (EUR)



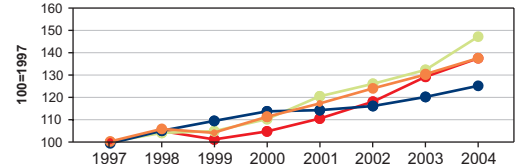
Total Class A Office Space (1000 sqm)



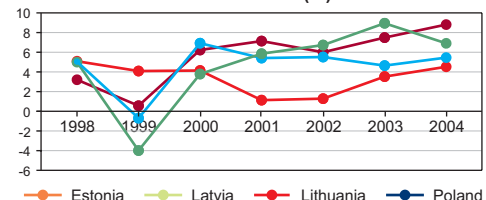
Class A Office Vacancy Rate (%)

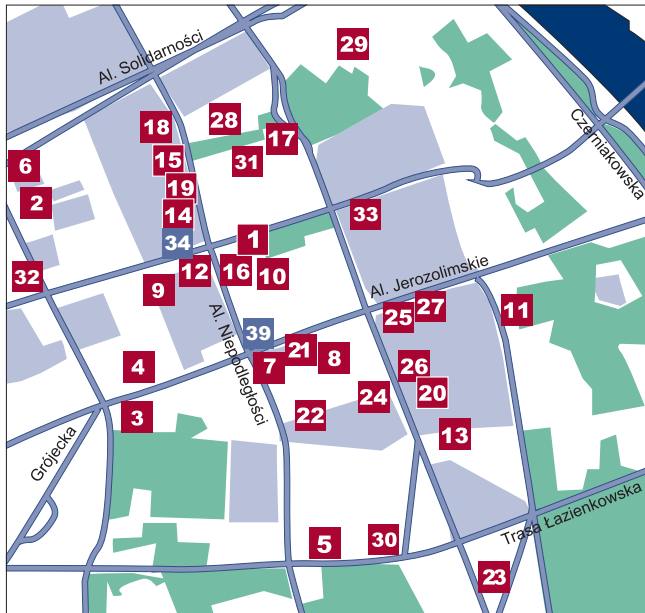


GDP Index



GDP Growth (%)





Rents

Rents have been decreasing for the last few years. At present rents for class A office space are at 16-19 EUR/sqm and we predict these to decrease slightly within the next few years. Rents in buildings located in Non-Central locations are 12-16 EUR/sqm. Net effective rents are 10-15% lower due to added incentives.

Service charges for high standard office space in the CBD are 4-6 EUR/sqm and in the suburbs 2.5-4 EUR/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
32	Articom	5 000
24	Wspolna 47/49	7 200
25	Nautilus	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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