

# Warsaw Retail Update

## Growth Strengthens Demand

### 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

180,000sqm of new retail space was added to the market during last year in three projects: **Blue City** (60,000sqm), **Arkadia** (103,000sqm) and **phase II of Reduta** (11,000sqm). Warsaw currently has over 1 million sqm of retail space and naturally remains the most developed market in Poland. By year end 2006 around 175,000sqm of shopping centre retail space will have been added to the market.

The beginning of this year saw the opening of **phase II of Promenada** (23,000sqm). New projects scheduled to open are **Zlote Tarasy** (65,000sqm) and **Fashion House** outlet centre (12,000sqm) – which is being developed in Piaseczno.

Two retail parks, **Centrum Janki** and **Retail Park Targowek**, are now being extended with Inter Ikea Polska planning to add 50,000sqm to the Targowek Park.

Major high streets in Warsaw are changing. Buildings are being redeveloped and modernized. Supply remains much lower than demand.

### Demand

Demand for retail units of 300 - 1,500sqm in high streets is growing and is mostly coming from new retail chains entering the market.

The biggest demand is for small to medium size units of 50 - 250sqm. The largest retail chains are willing to maintain a presence on high streets as well as in shopping centres.

Demand is predicted to get even stronger during the next two years due to improving economic conditions. The vacancy rate in shopping centres in Warsaw is very low at 3-5%.

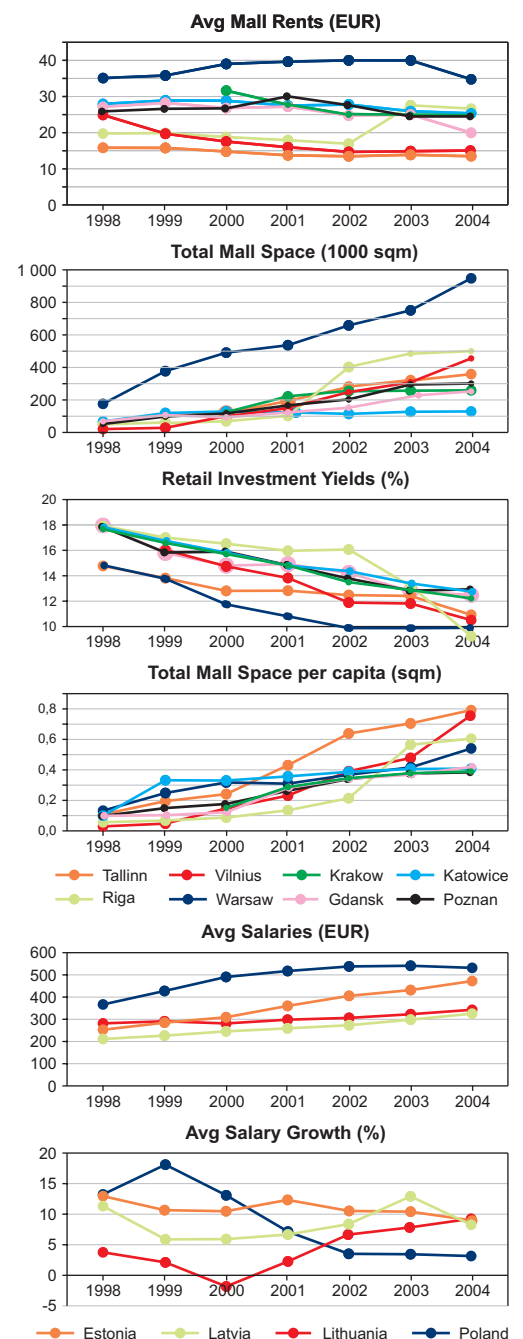
New brands that have entered or will enter the market are: Dixons, Highlandscoffee, and Humanic.

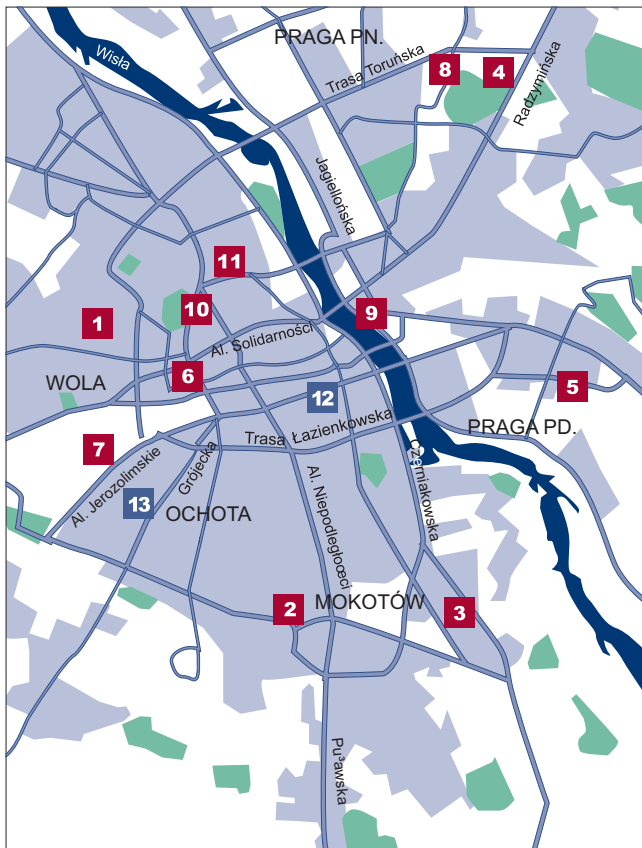
### Rents

Rent levels in shopping centres depend on the location of the object, location of the unit in the object, tenant brand and the area of the unit. Average rents in shopping



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





centres are about 35 EUR/sqm, and service charges are from 4 to 6 EUR/sqm.

Rents in high streets are 25 to 70 EUR/sqm and depend on pedestrian flow, unit visibility, standard of the unit, lease agreement conditions, and the brand of the tenant.

Rents in outlet centres are 8-20 EUR/sqm, and in retail parks 7 to 9 EUR/sqm plus 2-3 EUR/sqm service charges.

Rents are expected to increase during the medium term due to limited supply hitting the market this year.

### Retail sqm existing in Warsaw

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

### Retail sqm planned in Warsaw

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

#### FOR COMMERCIAL LEASING OPPORTUNITIES THROUGHOUT THE REGION, PLEASE CONTACT:

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