CB RICHARD ELLIS | **MARKET VIEW**

WARSAW BIG BLOCK

Warsaw Office Market View

THIRD QUARTER 2007

Take-up amounted to 351,000 sq m from the beginning of 2007

181,000 sq m of modern office stock was delivered to Warsaw in 1-3Q 2007.

The vacancy rate for Warsaw office stable, recorded at 3.6%.

Prime rents still increasing - €30 – 33 /sq m/month.

Office investment activity slowed down in 2007, with volume amounting to EUR 691 M in the first three quarters.

Prime office yields remain stable.

MARKET OVERVIEW

Since the beginning of 2007 we observe a rapid development of Warsaw economy. In August the unemployment dropped to 3.6%, the number of business entities in the region increased to almost 620,000. The planned EURO Football Cup in 2012 has speed up the infrustructure investments. The city plans to deliver three inner ring-roads, two new bridges, a new metro line and a brand new stadium in an international sport centre.

At the same time, foreign and local companies generate a huge demand for modern office space. In 2007 the total take-up is estimated at the high level of over 420,000 sq m and vacancy rate even below 3% at the end of the year.

However the existing resources of office areas have been occupied and developers decided to launch a number of new projects. Currently there are 380,000 sq m of office space under construction and next 412,000 sq m to be delivered till the end of 2009.

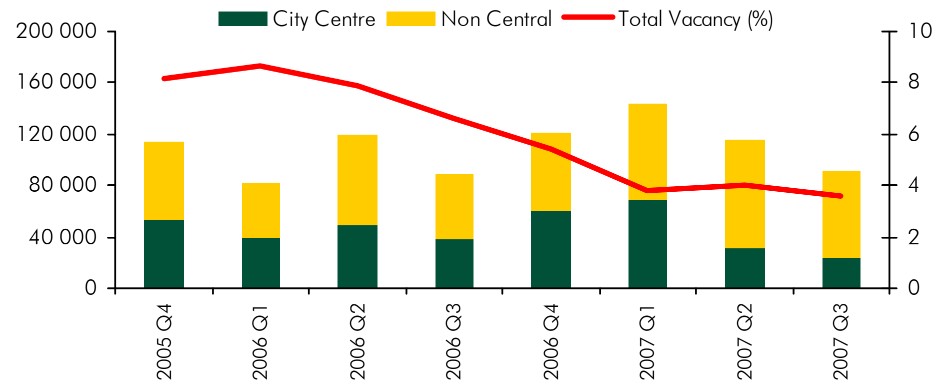
The most popular location in Warsaw, apart from City Centre, is area surrounding the Okęcie International Airport – US (Służewiec) and SW (Żwirki i Wigury and Jerozolimskie Streets). 87% off all pipeline projects for 2008 and 2009 are located in these zones.

Nevertheless, despite a possible oversupply, we do not expect a serious break down on the real estate market. Such factors as forecasted favourable economic conditions in Poland, growing demand among new and expanding companies, high office rental level and limited supply in City Centre, to some extend will let the new space to be absorbed. The current high rents are foreseen to remain rather stable.

3Q 2007 AT A GLANCE

Take-up	↔
Supply	↓
Vacancy	↓
Rents	↑
Yields	↔

TAKE-UP (sq m) & VACANCY RATE (%)



Source: CB Richard Ellis / WRF

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SUPPLY

In 2007 the office market in Warsaw witnesses a small number of office buildings completed. The largest ones were Złote Tarasy Lumen (23,500 sq m) and Skylight (19,500 sq m). In Q3 2007 the total new supply amounted to 42,900 sq m which increased the office stock to 2.7 million sq m.

However the construction activity is very advanced. Currently around 380,000 sq m of office space is under construction. 90% is located in Non Central zones, mostly in Mokotów (US) as well as Ochota and Okęcie districts (SW).

The most active are international developers such as Skanska, Ghelamco, GTC or Hochtief but local ones, including Echo Investment, also plan to start new projects.

In general, within the next three years a new million sq m of new office space will appear on Warsaw market.

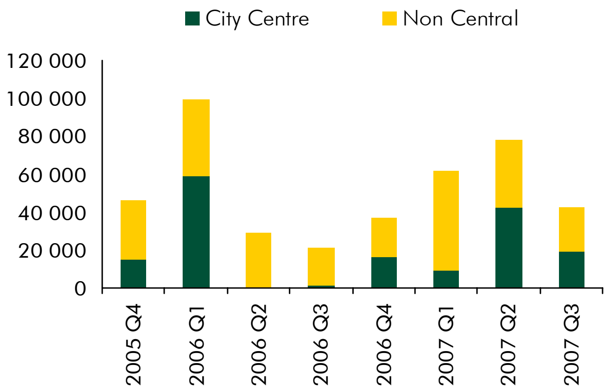
TAKE-UP

Demand for modern office space in Warsaw remains strong. Up till the end of 3Q2007 around 350,600 sq m have been leased, out of which 65% in Non-Central submarket. Comparably to the previous year, in 2007 total take-up is estimated to exceed 400,000 sq m.

The most active are companies from FMGC and manufacturing sectors. They are usually interested in larger spaces (above 1,000 sq m) in non-centrally located business parks. However in 3Q2007 the largest lease transactions over 3,000 sq m were signed by Tebodin SAP Project and TBWA from IT and media sectors. The average size of deal in 1-3Q2007 was 985 sq m.

We observe an increasing number of pre-lets concluded due to a lack of available existing space. This year pre-lets concerned 50% of all agreements signed in Warsaw.

WARSAW OFFICE SUPPLY (sq m)

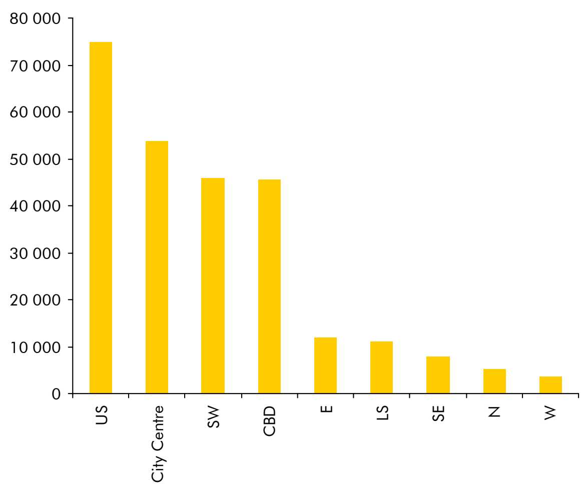


Source: CB Richard Ellis / WRF

SELECTED OFFICE DEVELOPMENTS COMPLETED IN Q3 2007		
Project	Total Office Space (sq m)	Submarket
Złote Tarasy Skylight	19 500	CC - Core
Comfort Offices	13 300	South East
Cybernetyki Office Park Helion	8 300	Upper South

Source: CB Richard Ellis / WRF

WARSAW OFFICE TAKE-UP (sq m) BY SUBMARKETS IN 1-3Q 2007



Source: CB Richard Ellis / WRF

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VACANCY RATE

The vacancy rate for Warsaw office space registered a slight decrease in 3Q, down from 4% to 3.6% q-t-q. Almost 60% of all vacant space is generated by four buildings – newly delivered Skylight and Lumen, IO-1 and Salzburg Centre.

With such a strong demand and lack of available other options for tenants, the vacancy rate at the end of year should drop even below 3%.

The highest level of vacancy rate in Q3 was recorded in CBD - 7.7%. However once Złote Tarasy are leased, the vacancy rate in this zone will fall down, as there are only a few new projects planned in the area. In other locations the vacancy rate is around 4%, apart from Żoliborz (N), Wola (W) and Fringes of City Centre (CC) where the vacant space oscillates around only 1%.

RENTS

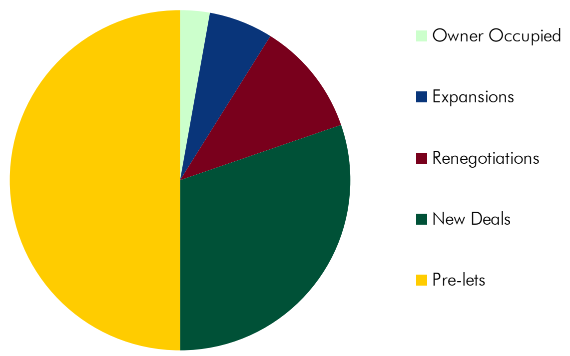
Limited supply in City Centre results in further increase of prime headline rents. We have recorded transactions signed at the level of €30 – 33 /sq m/month in the best office buildings such as Rondo1 or Grzybowska Centre. In Non Central locations, rents are remaining stable, standing at around € 15 – 16 /sq m/month. Effective rents offered in pipeline prime buildings vary from 10 to 20% off the headline ones and despite a forthcoming competition are not much decreasing.

OFFICE INVESTMENTS

Office investment activity has recently slowed down due to a shortage of available high quality products for sale. In Q3 2007, there were only three office transactions completed in Warsaw. This gives around €709 million in the first three quarters of 2007 – a 40% decrease when comparing with 1-3Q2006.

Prime office yields on the Warsaw investment market have stabilised at 5.5%.

WARSAW COMPOSITION OF LETTING ACTIVITY IN 1-3Q2007 (%)



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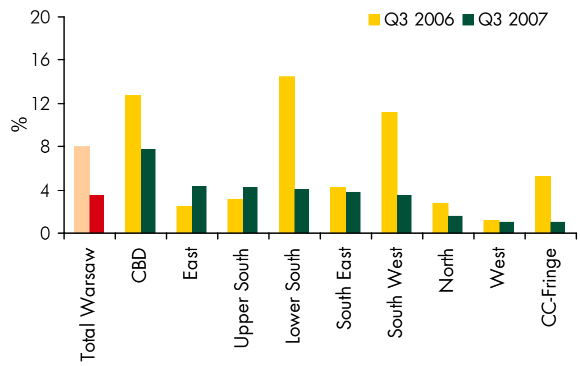
WARSAW OFFICE VACANCY RATE BY SUBMARKETS IN Q3 2007



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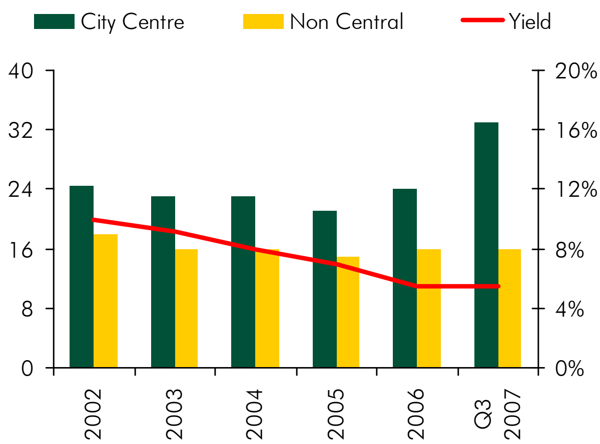
WARSAW PRIME OFFICE RENTS (€/sq m/month) & PRIME YIELD (%)



Source: CB Richard Ellis

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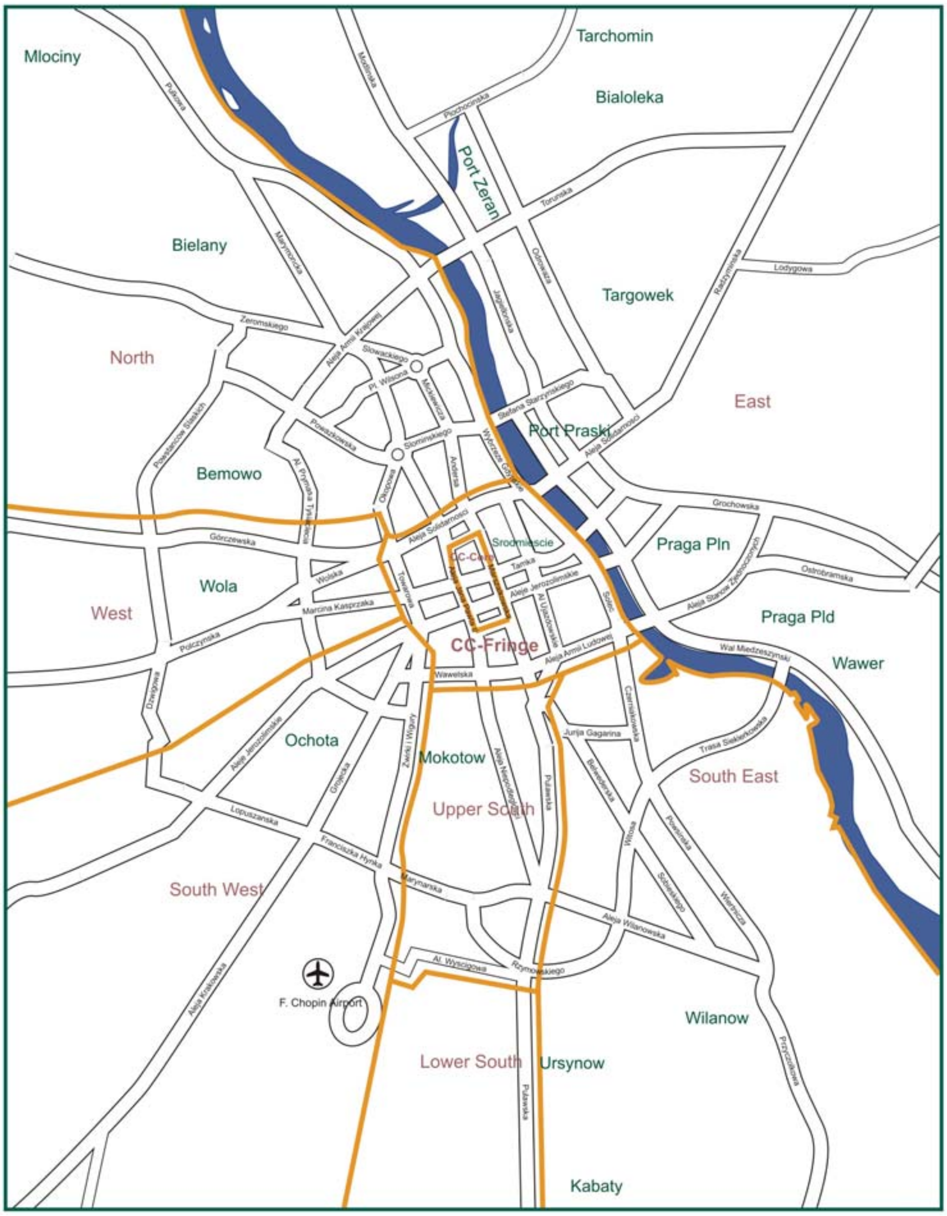
MAP OF WARSAW OFFICE MARKET WITH SUBMARKETS



Source: CB Richard Ellis / WRF

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