

WARSAW OFFICE

Warsaw Office Market View

FOURTH QUARTER 2007

Office Market in 2007:

Take-up	492,000 sq m
Completion	211,000 sq m
Under construction	470,000 sq m
Vacancy rate	3.1%
Prime rents City Centre	EUR 30 – 33 /sq m/month
Prime rents Non-Central	EUR 15 – 17 /sq m/month
Investment Volume	EUR 804 m
Prime yields	5.40 - 5.50%

MARKET OVERVIEW

Office market in Warsaw in 2007 was at the top of property cycle. This means a good situation for both developers and tenants.

From one hand we have observed a growing demand, low vacancy rate and high level of rents which strengthened the position of landlords. From the other hand, a forthcoming supply of new office space in Non-Central locations has restrained the rental increase and brought a wider choice of locations for companies looking for new office in the future and intending to sign a pre-lease agreement. Some large tenants, such as banks, decided to move out from the City Centre in order to cut costs and centralize their operations.

Moreover, a rapid development of the Warsaw economy has been observed. The unemployment is practically non-existent, the number of business entities in the city exceeds 300,000. Increasing employment generates demand for new office space. In 2007 we registered leasing transactions for almost half million of sq m. The demand for new office

office space declared by companies just entering the Warsaw market and companies that needed to take additional space (expansions) amounted to 205,000 sq m. This means that Warsaw absorbed by 8% of office space more than in the previous year. This excludes pre-lets.

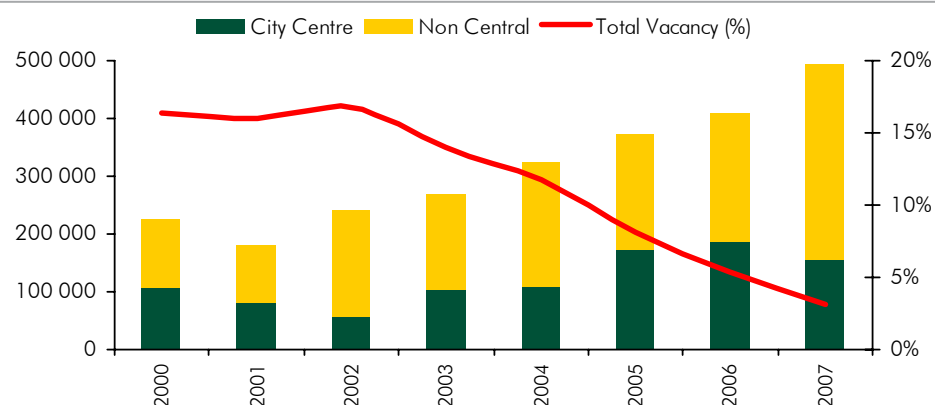
The most popular location in Warsaw, apart from City Centre, is the area surrounding the Airport. Around 53% of all transactions were concluded in buildings located in US and SW zones. This trend is followed by developers who, by the end of 2009, plan to deliver around 470,000 sq m (65% of all pipeline stock) in this area.

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 employment, high demand among new and expanding companies, stabilizing office rental levels and limited supply in the City Centre, to some extent will let the new space be absorbed.

4Q 2007 AT A GLANCE

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

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



Source: CB Richard Ellis / WRF

SUPPLY

In 2007 the total new supply amounted to 211,000 sq m in 21 new office buildings. Only 36% of the space was delivered speculatively, with no pre-lease agreement signed.

Majority of the office space was completed out of City Centre, however the largest projects appeared in the CBD - Lumen and Skylight. The most notable office projects located in Non-Central zones were IO-1, Trinity Park II and Wisniowy Business Park F. In Q4 2007 first phases of brand-new business parks were also completed – Okęcie and Platinum Business Parks.

At the same time intensive construction activity continues. Currently around 470,000 sq m of office space is under construction of which 90% is located in Non Central zones; mostly in Mokotow (US) as well as Ochota and Okęcie districts (SW).

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

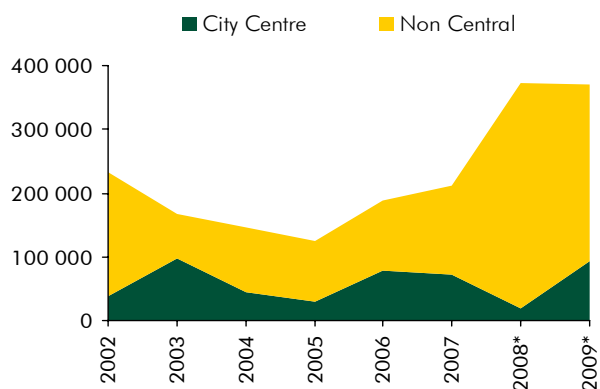
TAKE-UP

Demand for modern office space in Warsaw remains strong. In 2007 around 492,000 sq m has been leased, out of which 68% in Non-Central submarkets – mostly in Mokotow (US), Okęcie and along Jerozolimskie (SW).

Majority of demand is generated by companies from FMGC and manufacturing sectors, looking for space in business parks. However in 4Q2007 the largest lease transaction was signed in CBD by Deloitte, that pre-leased 14,500 sq m of office space in Deloitte House being developed by Skanska. Out of CBD Netia has leased over 13,000 sq m in Mokotow district.

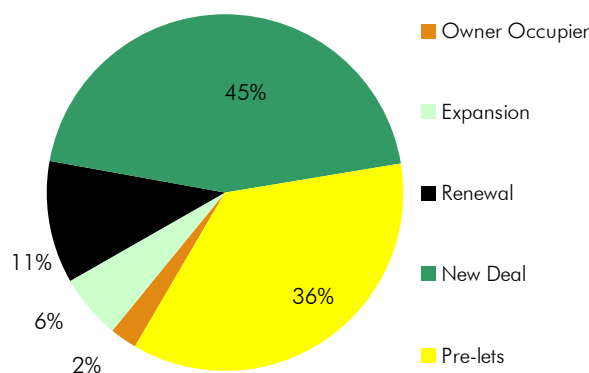
We still observe an increasing number of pre-lets concluded due to a lack of available existing space (36% of all leased space this year). There is less renegotiations registered. Many companies expand and have no choice but to change address and move out to larger premises. The competition forces developers to offer more favourable terms to tenants intending to sign pre-lease agreements.

WARSAW OFFICE SUPPLY (sq m)



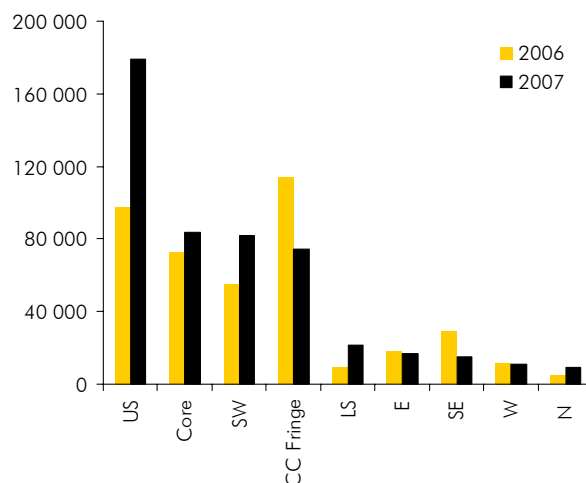
Source: CB Richard Ellis / WRF, * - Forecast

WARSAW OFFICE TAKE-UP BY TYPE (%)



Source: CB Richard Ellis / WRF

WARSAW OFFICE TAKE-UP (sq m) BY SUBMARKETS



Source: CB Richard Ellis / WRF

VACANCY RATE

The vacancy rate for Warsaw office space registers a constant decrease down from 3.6% to 3.1% q-t-q. The highest level of vacancy rate in Q4 was recorded in the SE (Wilanow) district at 7.8% and CBD at 6.8%. Many companies are expanding and decide to move out to newer and larger premises. Practically there is no space available in fringe of City Centre, Wola, Mokotow and Zoliborz districts. While Mokotow will witness an intensive development and increase of vacancy, the situation in the other three zones is not expected to change in the nearest future.

RENTS

In 2007 we have recorded a 40% increase of prime headline rents to the level of EUR 30 – 33 /sq m/month. In Non-Central locations, asking rents are also increasing, particularly in the best projects such as Marynarska BP or Platinum BP. Currently the rents achieved here are at around EUR 16 – 17 /sq m/month and we expect them to stabilize. Effective rates are around 16 – 20% lower.

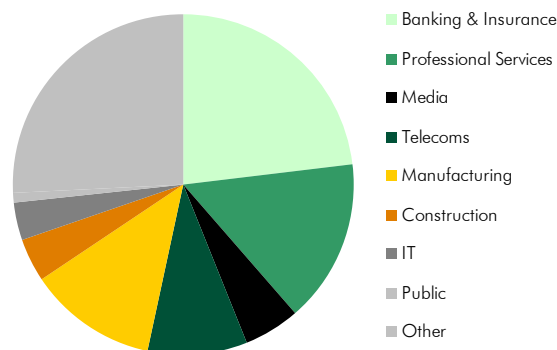
LAND PRICES

Due to the limited number of well-located and visible sites compiled with high demand, the land prices in Warsaw remain high. The transaction prices for sites in City Centre destined for office project ranged from EUR 1,000 to 3,500 per sq m (depending on size, location and “quality” of the site). Recently, the prices are calculated on the basis of potential gross lettable area (GLA) and they currently range from EUR 650 – 800 up to even EUR 1,000 per GLA in City Centre.

OFFICE INVESTMENTS

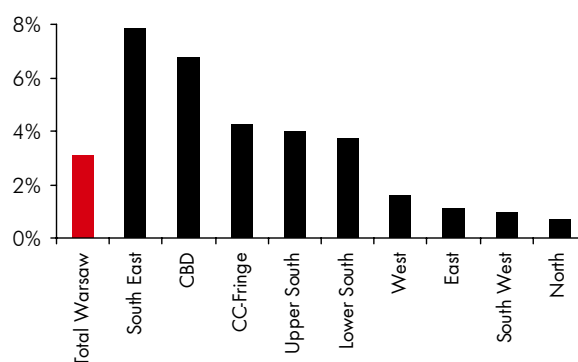
In 2007, there were 20 office investment transactions completed in Warsaw. In total the investment volume amounted to around €804 million in the city – a 45% decrease when comparing with 2006. The investment market suffers not only from a small number of products offered for sale but also from some financial limitations imposed as a result of „credit crunch” observed in western Europe. Prime office yields have stabilised at 5.4 – 5.5%.

WARSAW TAKE-UP by SECTOR IN 2007 (%)



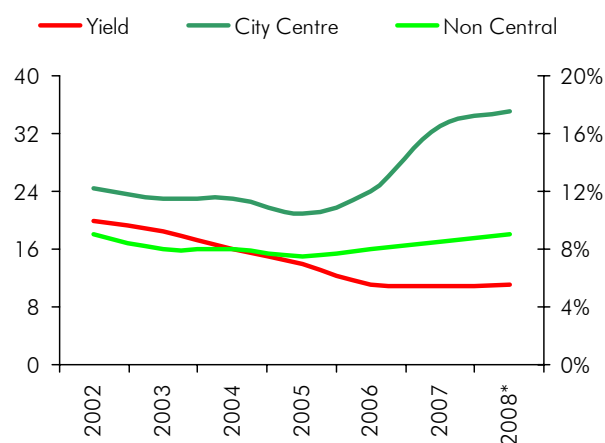
Source: CB Richard Ellis / WRF

WARSAW OFFICE VACANCY RATE (%) BY SUBMARKETS IN 4Q2007



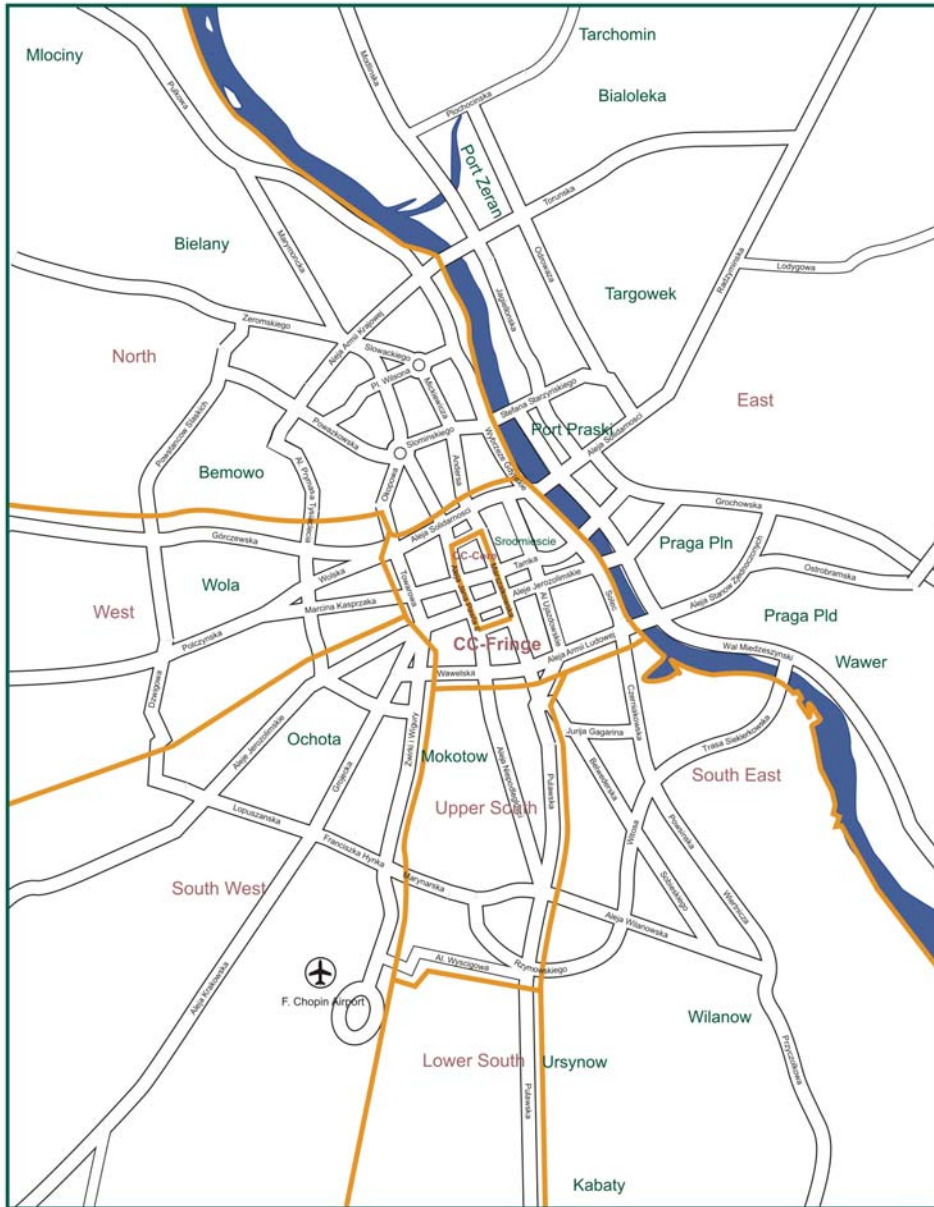
Source: CB Richard Ellis / WRF

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



Source: CB Richard Ellis, * forecast

MAP OF WARSAW OFFICE MARKET WITH SUBMARKETS



Source: CB Richard Ellis / WRF

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