



# Real Estate Market Report 2008

## Poland

Warsaw, Krakow, Katowice, Gdańsk, Wrocław, Poznań, Łódź

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## Polish Economy

Poland's economy keeps improving with 6.4% GDP growth year-on-year in 2007, and projected growth of 5.5% in 2008. The unemployment rate dropped to 11.4% and inflation rate was merely 3.6% in 2007. FDI per capita in 2007 was EUR 291.

## Warsaw

### Office

#### *Enormous demand*

#### Supply

The supply of office space grew by 197,000 sqm in 2007 to total amount close to 2,700,000 sqm. However, the demand is still significantly higher than the supply (the vacancy rate dropped to 3.6% in 2007), which provides lessees with a strong position. Due to a low level of new supply of office space in the centre of Warsaw, such a trend will continue, while in locations outside the centre a change in favour of lessees is expected, as 500,000 sqm of office space will be delivered by the end of 2008. Office space market in Warsaw is the owner market now.

## Recent Developments

**Lumen** - A+ Class building located in the centre of Warsaw, on Złota Street, a part of Złote Tarasy. Total space to lease is 23,500 sqm. Office space in Lumen has been leased by, among others: AMGEN, Discovery Polska, DTZ, Gleiss Lutz, ING Real Estate, ProLogis, Solidex and Vattenfall.

**Skylight** - the tower on the side of E. Plater Street - A Class office building in the Centre, on Złota Street, a part of Złote Tarasy, offers an office space on eighteen floors from level 5 to 22, in total 20,000 sqm.

## New Projects

**Nefryt** – the office building developed by GTC, located in the neighbourhood of Galeria Mokotów, in total 15,200 of modern office space will be completed by the end of 1st quarter 2008.

**Platinum II** – second phase (more than 3 700 sqm) of Platinum Business Park, developed by GTC on Domaniewska Street, ultimately complex will compound of 5 office Buildings offering A class space of 45,000 sqm). The II building will be completed in 2008.

**Zephyrus** – second modern office building of the Okęcie Business Park realized by GTC, on Stycznia 17 Street, nearby Okęcie international airport. Ultimately there will be 7 office buildings offering about 61 000 sqm of A class office space. The building will be completed in August 2008. Total office space – 9,600 sqm.

**Atrium City** – developed by Skanska Property Poland, located near ONZ roundabout, ultimately three buildings (with one 36-storey tower 140 m high), I stage will provide 18,500 sqm of office space completed at the beginning of 2009. The tower building is scheduled to be completed in 2010/2011.

**Wolf Marszałkowska** – A class office building realized by Wolf Immobilien Polen on Marszałkowska Street. The usable space of the whole building (17 storey) – equals 25,000 sqm in which the office space will be 11,052 sqm. The completion is planned for I quarter of 2010.

**New City** – 35 000 sqm office space neighbouring Galeria Mokotów shopping center, realized by ECI Group. New City will offer also 1205 underground parking places. The complex will be completed in the beginning of 2010.

**Horizon Plaza** – developed by Curtis Development, on Domaniewska and Wołoska Streets, two buildings of total office space 34,800 sqm. Planned completion on September 2008.

## Demand

At the moment there is high demand on the Warsaw market, which will probably not change in the nearest future, it is confirmed by a few significant preliminary rent agreements for the buildings which will be completed at the beginning of 2008. In 2007 vacancy rate was 3.5%.



• Nefryt, Globe Trade Centre S.A.

## Rents

In 2007 rents of the premium class A offices rose by 50% to even PLN 108 (EUR 30) - as a result of limited available office space for potential lessees. Rents in the most prestigious buildings centrally located amount to PLN 96 - 135 (EUR 27-38) per sqm - depending on the size of the leased space. Outside the city centre the rates remain at a slightly lower level of PLN 57 - 64 (EUR 16-18) per sqm.

## Investment

In the first quarter of 2007 total transactions on the Warsaw market amounts to 144,000 sqm, and in the second quarter they reached a slightly lower level of 116,000 sqm. In the first quarter ca 48% of transactions were recorded in the Central Business Area, while in the second quarter recovery outside the zone of the Central Business Area where 45% of transactions were made was recorded.

One of the biggest transactions on the office market in Warsaw was a rent agreement signed by Canal+ Cyfrowy for a space of 7,600 sqm in an office building recently developed by Hochtief. Other building transactions in the area of the city centre: Business Centre I and II - the agreement signed by PricewaterhouseCoopers and Provident. In the second quarter the biggest transaction was the rent agreement for a space of 22,000 sqm in Harmony Office signed by Bank Millennium.

## Retail Market

### New investors

### Supply

There are over 1,300,000 sqm of retail space in over 30 shopping centres in Warsaw at the moment. The retail space includes hypermarkets, huge shopping centres, outlets, factories and retail parks.

In the last few months a shopping centre - Centrum Familijne Skorosze in Ursus with a space of 12,000 sqm was opened, there are plans of further 7000 sqm space extension.

In the following months there are plans to start a development of Hala Koszyki with a space about 35,000 sqm located on Koszykowa Street in the city centre.

### Major Shopping Centres

**Złote Tarasy** - located in the city centre, at 59 Złota Street, about 64,000 sqm is a retail-office-entertainment complex situated in the city centre of Warsaw, next to the Central Railway Station and the Palace of Culture and Science. Lessees operating on the four levels include Albert, Van Graaf, Zara, Royal Collection, H&M, Marks&Spencer, Saturn and Multikino.

**Wola Park** - located in Wola district, at 124 Górczewska Street, about 73,000 sqm. On two levels of the shopping arcade there are over 160 shops, cafes, restaurants and service points, and in the entertainment section there is a cinema and a fitness club. Principal lessees include Auchan, RTV EURO AGD, C&A, H&M, Zara, Kappahl, Galeria Centrum and Silver Screen

**Arkadia** - located in Centrum/Żoliborz district, 82 Jana Pawła II Alley - about 110,000 sqm, comprising of nearly 230 retail outlets. There are shops of Polish and foreign brands, restaurants and cafes, and a cinema. Principal lessees include Saturn, Carrefour, Leroy Merlin, Peek&Cloppenburg, Royal Collection and Cinema City.

**Galeria Mokotów** - located in Mokotów district, 12 Wołoska Street, about 60,000 sqm. On three floors there are almost 240 shops, retail outlets and service points, an entertainment centre and a cinema. Galeria Mokotów is considered to be the most prestigious and popular shopping centre. Principal lessees include Carrefour, Cinema City, EURO RTV AGD, Galeria Centrum, Royal Collection, Marks&Spencer and Smyk.

**Blue City** - located in Ochota district, at 179 Jerozolimskie Alley, about 65,000 sqm. The retail section comprises of 200 outlets:

retail and service outlets, catering operators on three levels. Major lessees include Piotr i Paweł, Smyk, Megasklep Dziecko, Home City, Centrum Medycznego ENEL-MED, Magic City and Skate Park.

**Promenada** - located in Praga Południe district, at 75 C Ostrobramska Street, about 110,000 sqm, one of the biggest shopping centres in Warsaw. Since 1996 has been gradually extended. Principal lessees include Alma, Cinema City, Electro World, Zara, H&M and Young Polish Designers Foundation



• Galeria Mokotów, Globe Trade Centre S.A.

## Recent Developments

**Centrum Familijne Skorosze** – located by the Aleje Jerozolimskie, total area is 12,000 sqm and is fully rented – major lessee is Alma (delicatessen).

## New Projects

**Centrum Familijne Skorosze** - At the beginning of 2008 completion of another stage with additional 7,000 sqm is planned. Project is developed by IIC Group (Giron Development & Building)

**Libretto Park** – residential, office, hotel and retail complex developed by Mayland Real Estate, located in Mokotów district, at the corner of Czerniakowska and Siekierkowska Streets. Total area of the complex will be 190,000 sqm. Planned completion of the whole investment – 2012.

**Fort Wola** – Mayland Real Estate is going to extend Fort Wola to 45,000 sqm of the retail space. Future lessees include shops and service points, providing house finishing materials, decoration and materials for house finishing, decoration and furnishing. Completion is planned for 2009.

## Demand

Demand for modern retail space remains at a high level, in particular in retail buildings in the city centre. In the nearest future new international shopping chains and networks of luxury shops are expected to enter the market.

High demand is reflected in the full use of the space or a very low vacancy rate which amounts to about 3%.

Regarding to main shopping streets a dynamic development of this sector may be observed, in particular due to the renovation of tenement houses and adapting them for commercial functions.

## Rents

In 2007 an increase in rents was recorded in retail outlets. The rents were fluctuating between at PLN 198 - 234 (EUR 55 – 65) per sqm for 100 sqm of leased space. Rates depend on the location in a shopping centre, size of the space and its purpose.

Rents for the lease of retail space of about 100 sqm along the main streets vary from about PLN 90 to 324 (EUR 25 - 90) per sqm, taking into account aspects like pedestrian volume, outlet visibility, outlet standard, the length of the lease agreement, industry and brand of the lessee.

In 2008 further increase of rent rates for the lease of retail outlets is expected. The reasons are limited opportunities for new retail space development in the city centre and simultaneous increase of interest in our market of the existing or new brands.

## Investment

One of the biggest transactions on the retail space market was the sale of Wola Park by Ivanhoe Cambridge to the French fund IXIS AEW Europe for the amount of PLN 525.6 m (EUR 146 m).

## Industrial

### *Still the biggest market in Poland*

## Supply

Warsaw warehouse real estate market provides 1.7 million sqm, while the vacancy rate is 8%, most of it in Zone III. Warehouse real estate market in the capital may be divided into three main areas:

**Zone I** - within the city limits within up to 12 km, south-western districts like Okęcie or Służewiec, and northern districts - e.g. Targówek, Żerań. Principal lessees are from the following industries: pharmaceuticals, electronics and cosmetics. The average size of leased space ranges from 300 to 3,000 sqm. The zone total supply in the 3rd quarter of 2007 amounted to 475,550 sqm.

**Zone II** - from 12 to 30 km from the centre of Warsaw in Nadarzyn, Pruszków, Piaseczno and Ożarów Mazowiecki. Space is leased mainly by logistics companies and the same industries as in Zone I. The average size of leased space ranges from 2,000 to 10,000 sqm. The zone total supply in the 3rd quarter of 2007 amounted to 907,460 sqm.

**Zone III** - the area within 30 to 50 km from the city centre - Mszczonów, Teresin and Sochaczew. The zone total supply in the 3rd quarter of 2007 amounted to 331,900 sqm.

Due to the growing demand for new warehouses space new investments are being developed. The state of new warehouse space which is being developed at the beginning of the 4th quarter of 2007 in following zones:

- 64,570 sqm, including 24,370 sqm which already have lessees in Zone I
- 219,640 sqm, including 69,180 sqm which already have lessees in Zone II
- 105,100 sqm, including 51,100 sqm which already have lessees in Zone III

### Important warehouse parks

**Panattoni Park Teresin** – located 40 km from the centre of Warsaw, target floor area of the park is 140,000 sqm, at present 36,500 sqm leased to the logistics operator DSV.

**ProLogis Park Nadarzyn** – located 20 km from the centre of Warsaw, target project floor area is about 65,000 sqm. Available 16,000 sqm up to 7 months of signing the agreement. Lessees include Toyota, Michelin and Hellman Worldwide Logistics.

**Alliance Logistics Centre** – located 30 km from the centre of Warsaw, target project floor area is about 200,000 sqm. Available 21,000 sqm. Lessees include Wella, Danone, McLane Polska, Pekaes, Helio and Stacipol.

**Ożarów Business Centre** – located 15 km from the centre of Warsaw, target project floor area is 36,000 sqm. Available 11,190 sqm. Lessees include Nokia Poland, Kameleon S.A., Summit Motors Poland and Giraud Polska.

**Łopuszańska Business Park** – located 7 km from the centre of Warsaw, target project floor area is about 25,000 sqm. There is no available space. Lessees include Triumph, Biovena and Nestle.



• ProLogis Park Nadarzyn, ProLogis

### Demand

In the first three quarters of 2007 rent agreements for 340,000 sqm were signed, which in comparison with 2006 (during the whole year 285,000 sqm were rented) means an increase in demand for warehouse space in the Warsaw area by at least 20%. Demand for modern space in the vicinity of Warsaw is mainly generated by logistics operators, paper and food industry retail chains. In the city centre space is leased mainly by pharmaceutical and retail companies which operate mainly in the capital. According to forecasts for 2008, both supply and demand will rise.

### Rent

Due to growing demand, rents will also rise and they are expected to show a growing trend in 2008 as well. It is not only the result of high demand for new warehouses but also the result of the increase of land prices and costs of labour and materials.

**Zone I** - the average starting rent rate: PLN 18 (EUR 5) per sqm

**Zone II** - the average starting rent rate: PLN 10.5 (EUR 2.9) per sqm

**Zone III** - the average starting rent rate: PLN 10 (EUR 2.7) per sqm

## Land

### *Shortage of plans*

#### Supply

The most important feature of land in Warsaw is its unregulated legal status due to many claims of former owners. Lack of a reprivatisation act, which would solve this problem, has significant influence on the supply of land in Warsaw, in particular in its central locations. Land purpose is also important in this situation — it is determined by master plans. However, due to the fact that there is always shortage of them, it is necessary to apply for the development conditions (WZ). Theoretical waiting time for development conditions amounts to 30 days, but in practice it takes from 3 to 6 months. Additionally, in order to obtain development conditions, it is necessary to prepare a land development concept, which involves the expense of PLN 25,000 — 100,000.

Land availability is still insufficient and the available land is often not prepared for investment. Therefore many developers decide to start their investments in more challenging locations, for example on land at the riverside which, albeit its attractiveness, is difficult and costly to adapt for housing development, or in former industrial area, which in turn requires considerable financial outlays to raise the attractiveness of the investment itself, as well as the surroundings.

As in 2007 there was still not enough land available the development density has been rising. The situation changed slightly in the last quarter of 2007 when more land was made available for sale but its prices were too high in relation to those which could be accepted by the market. It is forecasted that in 2008 the supply of land will increase and that there will be an adjustment of price level.

#### Prices

Prices of plots in Warsaw, as well as in other Polish cities depend mainly on their location and purpose, for example;

Prices in the centre for multifamily housing development vary between PLN 4,500 to 16,000 (EUR 1,250 – 4,440) per sqm, for infill buildings even up to PLN 30,000 (EUR 8,330) per sqm

Prices of land at the outskirts of the city for multifamily housing development from PLN 1,200 to 2,500 (EUR 330 – 690) per sqm

Prices of land for commercial development in the centre from PLN 1,500 to 15,000 (EUR 420 – 4,170) per sqm

Prices of land for commercial development at the outskirts from PLN 700 to 1,200 (EUR 190 – 330) per sqm

The price at which the investor will buy the land has significant influence on the future prices of completed apartments or commercial space. There are also other costs which the developer has to include in the price, among others: the cost of the project, construction costs and the cost of obtaining a loan for investment.

2007 brought certain consequences from the previous year in which a relatively dynamic growth of land prices took place. Taking note of the increase in demand many owners decided to sell their land. As late as in spring 2007 a price rise of 15% was noted. However since the beginning of summer time till the end of the year the prices increased only by inflation level. As a result, there was oversupply of land at the end of the year.

#### Demand

Demand for plots is growing because the investment in land is still considered to be a very good decision especially taking into consideration prices of the apartments. The level reached by the prices of building plots in Warsaw and their continuous rise resulted in increase of interest in land distant from the city centre of Warsaw, within the city limits and within a 30 km radius of the capital. In addition to location, the purpose of land is also of vital importance — except for demand for land for multi-family housing development, land for commercial development i.e. office development, large-area retail development and warehouses is also popular.

Due to the high prices of apartments in Warsaw, land for single-family housing development is also popular, taking into account the upper limit of prices accepted by potential buyers. There continues to be a trend to invest in real estate, including real estate within up to 30 km from the city centre. Except for speculative purchases, due to the high prices of apartments in the centre of Warsaw, a growing number of people decide to settle in detached housing at the outskirts of the city. Depending on individual tastes and purchasing capabilities they settle in Konstancin, Powsin, Milanówek, Czarny Las, Zalesie Górne or Dolne, or in Anin.

#### Investment

One of the most significant transactions in 2007 was a purchase of a plot of 6.7 hectare by Dom Development from TESCO in the Praga Południe district in the immediate vicinity to the Goławskie Lake. The land was bought for PLN 92 m (EUR 25.5 m). The price of a square meter was PLN 1,370 (EUR 380). Another significant transaction included the purchase of land between

the streets Grzybowska, Towarowa and Wronia for the price of PLN 85 m (EUR 23.6 m). The price of a square metre was PLN 4,200 (EUR 1,170). Yet another transaction was the purchase by Pirelli Pekao Real Estate of 10 hectare of plot at Ostrobramska Street owned by Przemysłowe Centrum Optyki, for the price of over PLN 100 million (EUR 27.8 million).

## News

The development study passed by the resolution of the Capital City of Warsaw No. LXXXII/2746/2006 of 10.10.2006 applies to Warsaw and encompasses the whole city. The study contains guidelines to prepare master plans.

Currently the number of master plans is still insufficient and the process of making them is very protracted, e.g. the plan for Natolin has not been passed yet even though work on it started as early as in 1995. There is a shortage of master plans for former industrial areas, e.g. in industrial Żoliborz, which causes difficulties in development of this area of the city. Investors develop this area on the basis of the development conditions. The most debated changes concern the central area of Pl. Defilad and the Soviet-era Palace of Culture skyscraper. The new city authorities plan to ring the Soviet-era building with high buildings of higher density.

The development of Warsaw to the north will be possible due to the development of airport in Modlin which received an EU subsidy of PLN 85 million (EUR 23.6 million and will be opened in 2009.

There is an opportunity of development also for North Praga due to the National Stadium planned to be built there for the 2012 European football championships.

## Residential

### Stable growth

#### Prices

In 2007 the average price in the capital city grew by 15% to PLN 8,700 (EUR 2,420) per sqm. The price of new flats grew by 10%. We estimate that by the end of 2008 the average price will not exceed PLN 10,000 (EUR 2,780) per sqm. Warsaw is the most expensive city in Poland. New apartment's average price in the city centre amount to PLN 15,000 (EUR 4,170) per sqm. The average price of older, secondary market flats in City centre district amounts to PLN 12,250 (EUR 3,500) per sqm. In the outer districts such as Targówek, Ursus, Rembertów and Wawer

flats are less expensive and the price of new apartments range between PLN 4,500 (EUR 1,200) per sqm to PLN 5,950 (EUR 1,700) per sqm.

## Supply

In 2007, 12,922 new apartments were completed. Ober-Haus projects that about 19,200 flats will be delivered in 2008.

Almost all new apartments are offered for sale as a bare shell, i.e. without fit-out. The largest number of investments is currently being developed in the south-western, western and north-eastern part of the city. The largest number of new apartments is being developed in Wilanów, Wola, Ursynów, Targówek, Ursus, Wawer and also in nearby Żyrardów, where revitalization of old former factory building is taking place – which will bring a new live to it as fabulous Lofty de Girarda.

Supply of all newly built apartments is still insufficient to meet market demand, however the situation is changing because of the increasing amount of flats provided and being under construction on the market.

Older buildings are often in very bad condition, middle class homeowners want to move from the buildings built in 1960's, 1970's, 1980's to newly developed complexes, where security, 24-hour monitoring is a standard, and sometimes even a swimming pool is located in the building.

The most active local developers on the market include Dom Development, J.W. Construction, Budimex Nieruchomości, GTC, Echo Investment and Prokom. Other investments are now being developed or will be developed soon by international developers like AFI Europe, Orco Property, Reinhold and Ronson Development.

## Demand

We still observe overdemand in every market segment. The most popular are 2- or 3-room apartments with the space between 55 – 80 sqm. Clients are willing to buy apartments 41-50 sqm – 28%, 51-60 sqm - 20% and 61 sqm and more, almost 30%. The most important group of buyers are people between 25 and 40 years of age. The clients prefer to buy flats in Mokotów, Bemowo, Ursynów, Wola, Bielany, Wilanów.

## New Projects

**Lofty de Girarda** – developed by Green Development, located in the city of Żyrardów – only 26 min by train from the centre of Warsaw. The project includes 230 lofts (with a space form 35 to



100 sqm, the lofts are going to be 4.7m high) and commercial area in renovated and rearranged building of former New Spinning Factory which is a well-known landmark of the city. The next building is converted and will be a multi-storey garage with a large garden on the roof and is exclusively for use by the De Girard Loft's residents. Ober-Haus is the exclusive agent to sale this project.



• Lofty De Girarda, Green Development Sp. z o.o.

#### **Galeria Park Housing Estate in Służewiec Przemysłowy**

– developed by Park Projects. The entire housing estate will include 970 apartments. The investment is scheduled to be completed in three stages. The first three buildings are planned to be set into operation in two years, and the next two stages half a year later. In total the project will provide 360 apartments in these two buildings. Prices of apartments vary from PLN 9,000 (EUR 2,500) to over PLN 14,500 (EUR 4,030) per sqm. More than 90% of the apartments are sold by the end of 2007.

**Złota 44** - luxury city centre skyscraper under development by Orco Property Group. The 54-storey building with 251 apartments will be 192 metres high. Prices in this project vary from 26,600 – 34,200 PLN (7,390 – 9,500 EUR) per sqm, depending on the floor and a standard of finishing. The development will start in the third quarter of 2007. Completion of the investment is scheduled in the first half of 2010.

**Atelier Residence** is a luxury 200 apartments' house to be completed by SRF Poland. Prices for apartments without full fit-out standard will begin at the level of PLN 12,500 (EUR 3,470) whereas prices of the most quality apartments which include air conditioning will reach PLN 23,000 (EUR 6,390) per sqm. Till the end of 2007 approximately 60% of the residences have been sold.

**Wilanów One** – developed by B.S.R. Polska Wilanów – in six stages, from 2008 to 2012, 2,500 apartments will be developed on Przyczółkowa Street, in Wilanów district. The space of apartments varies from 38 up to 300 sqm, the prices from PLN

7,000 - 14,000 (EUR 1,940 - 3,890) per sqm. First buildings is scheduled to be completed the end of 2008.

**Człuchowska/Światlików** – 200 apartments with the area between 33 and 117 sqm each, developed by Wawel-Service in Bemowo district. The prices start from PLN 6,420 (EUR 1,780) per sqm. 30% of the project is sold. Completion is scheduled for the second quarter of 2009.

Other interesting projects include Capital Art Apartments on the Giełdowa Street, Mokotowska 59, Króla Olbrachta in Wola district and next stages of Ostoja Wilanów.

### **Mortgage Market**

Mortgage lenders are starting to compete not only on the basis of margin but also by prolonging the mortgage loan period up to 50 years and granting mortgage loans of over 100% of the property value with additional amount available for property refurbishing.

However, the banks are more becoming careful when granting mortgages and assessing clients' credit ratings. Average mortgage margins stand at 4.3% in Swiss francs, 5.5% in euros, and 6.6% in Polish zloty.

In 2007 clients were granted a total of PLN 140 billion (about EUR 39 billion) mortgage loans and further 20% growth in residential loans' market is expected. Still, the total mortgage loans outstanding in Poland are less than 9% of GDP, which is the lowest rate of mortgage penetration in the CEE region.

### **Rent**

Typical monthly rent for 2-room flat, 50-60 sqm in the city centre ranges from PLN 2,500 – 5,000 (EUR 690 – 1,390). However on the market of exclusive apartments was observed about 20% rent increase. Prices for such apartments have reached about PLN 10,000 (EUR 2,780). Yearly yield for flats and exclusive apartments is the highest in the city centre and waves between 4 and 6%.

Warsaw rent market is diverse, beside popular, low standard apartments there is a big interest in elegant apartments, which are usually used by corporate customers – companies, which rent them for their employees. The most popular districts among lessees include City Centre, Mokotów and Ursynów, and as far as prestige is concerned, undoubtedly Wilanów.

## Kraków

### Office

*Very active market*

### Supply

Currently, modern office space available for lease in Krakow equals almost 200,000 sqm. Over 40,000 sqm became available in 2007, thanks mainly to completion of Newton building by GTC, next stages of KBP in Zabierzów, Rondo Business Park by Buma and Wielicka 72 by MIX. We expect additional 40,000 sqm of high standard office space to be added to the market in 2008. Major developments to come up in 2008 are: third building Edison by GTC (10,300 sqm), Office Centre Kazimierz by GTC (14,700 sqm) and further stages of Krakow Business Park.

### Main Office Buildings in Krakow

**Centrum Lubicz** – the A-class office building in the heart of Krakow is developed with the highest world standard. The 6-storey office building with two underground levels provides in total 13,800 sqm of functional space.

**Buma Square** –modern, multi-function facility located in the southern part of Krakow. The 36,000 sqm complex is now fully leased by lessees like; Motorola, Tesco, BZ WBK, Provident, Electrolux, Slovnaft and Capgemini.

**Euromarket** – the building with a space of 12,000 sqm, located in the western part of the city. The office building is currently fully leased, with ground level space occupied by trade companies and car dealers. Main lessees include OPEL, BP and Fortis Bank.

**Galileo** – the first of three office buildings planned by GTC, located by Armii Krajowej Street. It provides 10,000 sqm of space in the western part of the city; the building is currently fully leased by IBM Consulting, Raiffeisen Bank, KPMG, Grupa Lotos.

**Newton** – the second of three office buildings by GTC on Armii Krajowej Street. 10,300 sqm of office space is mainly leased by IBM, Deloitte, Fortis and Hewitt

**Cracovia Business Centre** – one of first modern office buildings in Krakow, it is also the highest one in the city. Most of its 14,000 sqm is leased by Pekao S.A.

**Krakow Business Park Zabierzów** – located in a small town at the western outskirts of Krakow, near the Krakow Airport and the A4 Motorway. Its 30,000 sqm of space is fully leased. Main lessees include Shell, Delphi and Cap Gemini

**Rondo Business Park** – the newest building developed by Buma Group. The modern building located near Rondo Polsadu provides a space of 9,400 sqm, fully leased by Cap Gemini



• Pascal, Globe Trade Centre S.A.

### New Projects

**Office centre Kazimierz** – the newest proposal of GTC in prime location on Podgórska Street directly adjacent to popular Galeria Kazimierz. 12,600 sqm of modern office space with two-level underground parking is scheduled to be completed by the end of 2008.

**Edison** – next after Galileo and Newton, the third building of the GTC office complex in Krakow by the Armii Krajowej Street. The 11-storey office building with 125 parking places provides ca.10,000 sqm of high standard office space, Completion is scheduled to be completed in spring 2008.

**Pascal** – the fourth of GTC office buildings located at the corner of Lea and Przybyszewskiego Streets. In 2009, it will provide 5,200 sqm of top-class office space and an underground car park.

**Galeria Kazimierz Office** provides 2,000 sqm of A class office space. The project is the next stage of development of Galeria Kazimierz shopping centre. The space will be available in spring 2008.

**Avatar** – new modern office building which will be developed by Echo Development by the end of 2009. Space of 12,000 sqm with an underground garage on Lea Street has already been fully leased by Fortis Bank.

**Onyx** – building developed by Buma will provide 6,000 sqm of B+ office space on Powstańców Śląskich Street.

**M65 Meduza** – A class office building located on Mogilska Street will be developed by GD&K Group by the end of 2008. It will provide 4,600 sqm of space directly in the centre of Krakow.

**Wielicka 72** – the second stage of development of the building located by Wielicka Street realized by MIX will provide 3,000 sqm by the end of 2008.

## Demand

At the moment there is high demand on the Warsaw market, which will probably not change in the nearest future, it is confirmed by a few significant preliminary rent agreements for the buildings which will be completed at the beginning of 2008. In 2007 vacancy rate was 3.5%.

## Rent

2007 brought a slight increase of rents on the office market in Krakow as has been expected in 2006. A-class rents now vary from PLN 50 to 61 per sqm (EUR 14 to 17) per month, and B-class buildings are being leased for PLN 40 to 54 per sqm (EUR 11 to 15). Utility charges vary depending on the standard of building between PLN 7 and 22 per sqm (EUR 2 – 6) per month.

## Retail

### New projects to come

### Supply

Supply of modern commercial space in Krakow is estimated to be 420,000 sqm. Historically shopping centres were situated away from the city centre, whereas recently new modern shopping centres have been developed much nearer to the heart of Krakow.

### The most important shopping centres

**Galeria Krakowska** – adjacent to Krakow's central train station is the first stage of a comprehensive New City project that, over the next several years, will provide hotels, apartments and 2,500 sqm of office space. EUR 250 million shopping centre was developed by ECE and opened in September 2006 with 60,000 sqm of commercial space available on three levels. The space

was 90% leased a year before opening. Lessees include food supermarkets Albert and Alma, Saturn, Peek & Cloppenburg, H&M, C&A, New Yorker, Reserved, Intersport and Smyk (children's clothing).



• Galeria Kazimierz, Globe Trade Centre S.A.

**Galeria Kazimierz** – a GTC commercial property completed in March 2005. The investment, valued at about EUR 70 million, provides 36,200 sqm of space occupied by 160 shops, service points and a 10-screen cinema. The Gallery is located at Vistula river in the city's popular Kazimierz district, about 1.5 km from the city centre. The main lessees include; Cinema City, Zara, H&M, C&A, Reserved, Alma Market, Empik and Smyk. During the first three months of its existence the gallery was visited by over one million of customers.

**M1** – the shopping centre with 52,000 sqm of space on Pokoju Ave, completed in 2001. M1 is currently fully leased by Real, Media-Markt, Praktiker, H&M and others.

**Krakow Plaza** – located on Aleja Pokoju Alley, opposite the M1 shopping centre. This 40,000 sqm shopping and entertainment centre provide space for retailers like Carrefour, Reserved, Zara, Maks Sport, Smyk and House of Colours, as well as a modern Cinema City complex and Fantasy Park with billiards, bowling and a disco.

**Zakopianka** – the 50,000 sqm shopping centre in the southern part of Krakow. The complex offers its customers a wide range of shops including Carrefour, Decathlon, Maks Sport and Bata. Next to the centre there are shops with home improvement tools and supplies, including Castorama.

**Krokus** – opened in 1997 as one of the first modern shopping centres in Krakow. Its 29,000 sqm of commercial space is leased by: Real, EURO RTV AGD and Empik. Next to the centre there are Obi, Multikino, Aqua Park.

## Recent Developments

**Galeria Handlowa Solvay Park (Solvay Park Shopping Gallery)** – the modern commercial-service centre developed by WP Investment in the neighbourhood of Carrefour and Castorama hypermarkets and Cinema City in the southern part of Krakow. It was set into operation in early 2007, the shopping gallery provides 23,500 sqm occupied by retailers including MediaMarkt, BOMI, Immedia, ExiSport and Americanos.

## New Projects

**Krakow Retail Park** – the new 2-storey development by Neinver, combining a Factory Centre with a Retail Park, within a close proximity to the extensive car park. The factory centre will be located in Modlniczka at the western edge of Krakow and developed in two phases, with a total space of 19,000 sqm, comprising of some 100 stores including top Polish and international brands. The project will be strengthened by the presence of seven big-box retailers with their total space of 16,600 sqm.

**Bonarka City Centre Trigranit Development** with cooperation with Austrian Immoeast will develop in Krakow's the largest shopping-entertainment complex – nearly 90,000 sqm with 250 retail shops – in developing rapidly Podgórze district. The shopping and the entertainment centre are scheduled to be completed in the second half of 2008, development of a hotel and office building will begin later.

**Mayland Retail Park** - located in Krakow Olsza district along the main road linking the Old Town to the industrial city Nowa Huta, adjacent to the existing Krokus mall, with an aqua park centre and a multiplex cinema. Park will provide a high-tech mixed-used space of 40,000 sqm – for retail, office and hotel operations.

## Demand

Although Krakow offers a wide variety of retail space, demand for modern commercial space is still outpacing supply, and we expect further increases during 2008 with developers scrambling to respond to growing consumer expectations. The most attractive commercial locations continue to be situated along the main streets in the city centre and Market Square, but there is very little space currently available either here or in the shopping centres.

## Rent

The average rent level for commercial space on the main streets in the Old Town varies from PLN 108 to PLN 288 per sqm (EUR

30 - 80) per month and has remained constant over recent time. Rents in the shopping centres range from PLN 65 to 180 per sqm (EUR 18 – 50) with utility charges of extra PLN 11 – 22 per sqm (EUR 3 - 6).

## Industrial

### Still insufficient supply

### Supply

The majority of existing warehouse space in Krakow area is old and of low quality judging by today's standards. More sophisticated requirements and the inflow of investors developing new sites is leading many owners of outdated facilities to renovate and rebuild them in order to retain current tenants and remain competitive in terms of quality and features. Prime examples of this are found in the Rybitwy, Zabłocie and Nowa Huta districts. Current supply of industrial modern space amounts to 19,000 sqm, which is a very low figure in comparison to other regions in Poland.



• Alstar Logistic Centre,

### Important warehouse parks

**Krakow II Logistic Centre** – this investment, completed in September 2006, one of the largest and the most modern warehouse space in the Rybitwy area. The warehouse space of 11,000 sqm includes the highest quality, storage facilities, 9-meter high ceilings, industrial flooring of 6 ton per sqm capacity, loading docks with heating or cooling options.

**ANWA Warehouse Base** – the modern warehouse space completed in stages between 2000 and 2005. With its total space of 13,000 sqm, the complex of five warehouses provides high-capacity storage facilities with tiled, non-dusting floors.

**Alstar Logistic Centre** – the modern warehouse/office centre facility in the western part of Krakow. The total warehouse space of 6,000 sqm was fully leased. The investment includes 2,100 sqm of space developed for Veracomp computer company. Completed in 2000, the warehouse hall was developed with an office building of a space of 1,320 sqm available for lessees' specifications. A warehouse facility space of 1,120 sqm was designed and developed to meet extremely strict lessee's requirements; completed in 2001. The investment including a high-capacity 2,017 sqm storage hall with 270 sqm of integrated office space was completed in 2001.

**Warehouse Base BIK Rybitwy** – provides a modern, air-conditioned warehouse space of 1,710 sqm with 8 metres interior height, non-dusting floors, a signalling-alert system, and four regulated ramps.

**GMG Warehouse Base** – an office-warehouse/office facility in the south-eastern part of Krakow, the investment developed by GMG completed in 1999. The investment includes a 1,050 sqm high storage warehouse, a 460 sqm low warehouse and an administration-office building with a space of 850 sqm.

## New Projects

**Krakow Airport Logistics Centre** - located in Modlniczka, 300 m from the planned ring road S7 around Krakow. The total land area of development is 31.5 hectares, located in Modlniczka. Warehouse units, exceptional flexible and built-to-suit, will be able to meet needs and requirements. The target space amounts to 150,000 sqm. First space will be available in October 2008

## Demand

In 2007 take-up for industrial space in Krakow was at the level of 4,900 sqm. Significant and ongoing demand is driving increased investment expenditures on modern warehouses in and around Krakow, especially along the city bypass in the Balice Airport area, Skawina and Opatkowice Junctions, as well as in the Wieliczka area.

## Rent

At the end of 2007, rents for warehouses of the highest standard varied from PLN 13.70 – 21.60 per sqm (EUR 3.80 - 6.00) plus utility charges between PLN 7.20 and 14.40 per sqm (EUR 2.00 - 4.00) per month. Ober-Haus expects that these rates will increase slightly through 2008 as a response to relatively low supply and rapidly increasing demand.

## Land

### *Regions around Krakow the most popular*

## Supply

Supply of land both for the development of single- and multifamily housing, and commercial buildings is still insufficient. Krakow is among the leaders in the disgraceful ranking of cities with the smallest number of Zoning Plans. However, the situation looks much better in communes and towns in its vicinity, in the majority of which local zoning plans have already been approved. Even if these developments will result in increased supply it will probably be of insignificant scale, like on the housing market due to the fact that land has always been considered a great investment. Lack of Local Zoning Plans causes land to be still a commodity which in the most attractive city locations in Poland will continue to lie fallow.

## Prices

In 2007 prices in better locations increased by 100% and in the prime ones even by 200%. In 2008 stabilization and further rise of prices in good locations is probable, with a small adjustment in less popular locations. Small plots for infill buildings in the city centre enjoy unflagging popularity but their prices may be discouraging for potential investors. More and more entrepreneurs have to be prepared that they are not buying a square meter of a plot but a square meter of an apartment which could be built on that plot and therefore prices reach as much as PLN 5,000 per sqm (EUR 1,390). This approach directly affects apartment prices in new investments in the city centre, not infrequently exceeding PLN 20,000 per sqm (EUR 5,500). Average price of land for a single-family housing in the Krakow conurbation understood as the city and adjacent communes is as following: Libertów, Mogilany, Liszki, Czernichów, Zabierzów, Wielka Wieś, Zielonki and Michałowice amount now to PLN 200 per sqm (EUR 55). Average prices in the best locations in Krakow such as Wola Justowska, Salwator, Dębniki and Bronowice amount to PLN 1,000 per sqm (EUR 280), PLN 1,500 per sqm (EUR 420) and PLN 850 per sqm (EUR 240) respectively. The lowest prices of undeveloped plots remain in the south-eastern region: Prokocim, Bieżanów, Rybitwy and Płaszów where the average price amounts to PLN 250 per sqm (EUR 70). This is caused by the proximity to industrial areas and relatively weak communications links with the city centre and other districts.

## Demand

Investors, both individual and developers are looking for developed plots within a 20 km radius of the city centre. Access

to local roads and possibility of a quick journey to the city centre are also very important. Real estate developers take into account that financial means invested in land will generate significant returns in the not too distant future, as their value increases continuously on an annual basis. Investment in land continues to be a profitable form of investing money, especially in many beautiful and until now somewhat forgotten locations — the surroundings of Liszki, Wołowice, Kryspinów, Bolechowice and Tyniec. These are places equipped with good infrastructure and transport links, panoramic views of the mountains, greenery and picturesque rocks.

## Residential

### Market slowdown

#### Prices

The average price of new apartment rose by 4% in 2007 and currently amounts to PLN 7,500 (EUR 2,080) per sqm. In the city centre the average residential price can reach the level of PLN 15,000 (EUR 4,170), and in case of exceptionally attractive or luxury premises located at the Main Market Square amounts to PLN 25,000 (EUR 6,940) per sqm. It is expected that prices will increase in the range of 4-5% in 2008.



• Szlacheckie Wzgórze, MZMS Inwestycje Sp. z o.o.

#### Supply

4,921 apartments were built in 2007. Ober-Haus projects that there will be over 7,000 new flats developed in Krakow in 2008. The lack of an approved master plan limits the faster growth of supply.

The most active local developers on the market include Salwator, Budomat, Dom-Bud, Proins, Inter-Bud, Leopard, Fronton. There are also investments developed by international developers

like Invest-House, Verona Building, Novo Maar, Maylane Polska, Angel. New developers on the local market are Atal, MZMS Inwestycje and Nowe Mieszkania.

Almost all new apartments are offered for sale as a bare shell, i.e. without fit-out. The largest number of investments is currently being developed in the south-western, western and northern part of Krakow. The largest number of new projects is being developed in Podgórze - Ruczaj, Bronowice, Prądnik Biały and Czerwony.

Supply of all newly built apartments is still insufficient to meet market demand, however the situation is changing because of the increasing amount of flats provided and being under construction on the market.

#### Demand

2006 market trend when 100% of the available apartments were sold has changed in 2007. We now observe more and more transactions on the market when clients buy properties which are already under construction or even completed. Some developers have to wait longer for the projects to be sold out – however the best offers are still attracting a significant interest and are selling very well and only few apartments are left unsold. Apartments, in premium locations, not necessarily in the city centre, but with good transport services such as in Bronowice, Krowdrza are the easiest to sell. 50% of buyers want to buy flats with 40 – 60 sq m of space.

#### New Projects

**Salwator City** – developed by local developer Salwator on Zapolskiej Street in the Bronowice area. Prices are in the range of PLN 8,000 (EUR 2,220) – PLN 11,200 (EUR 3,110) per sqm. The investment will provide 1,000 apartments. The project is scheduled to be completed in four stages. At the end of 2007 11% of the apartments were available (in total 690 have been offered for sale so far)

**Valley Golf Village** – the residential complex of 166 exclusive apartments (first stage), near Krakow, located on the Paczółtówice Valley Golf, developed by Maexpa Polska. The price amounts to PLN 8,350 (EUR 2,320) per sqm. The project provides 2, 3 and 4-room comfortable apartments with nearby attractions like a driving range, a horse driving centre, a shooting range, as well as many winter attractions.

**Szlacheckie Wzgórze** – the traditional housing estate including 47 single family houses in Wołowice, 15 km west of Krakow city centre. All the houses are free-standing with integrated garages

and developed gardens and a high standard external finish. House space varies from 147 to 235 sqm. The prices start from PLN 4,000 (EUR 1,110) per sqm, first buildings are reserved.

**Atrium Residence** – modern residential complex of 242 apartments (in the first stage) developed by Acar Developer in Grzegórzki district at the corner of Cystersów Street and Pokoju Avenue. Prices vary from PLN 7,000 (EUR 1,940) to PLN 10,000 (EUR 2,780) per sqm. In 2007 30% of the project were sold.

**Wiślane Tarasy (Vistula Terraces)** – modern complex of 900 apartments composed of six buildings located on five hectares in Grzegórzki district, and in the Vistula river and Kotlarski bridge area. Prices vary from PLN 8,000 (EUR 2,220) per sqm up to even PLN 11,000 (EUR 3,060) per sqm (for 100 sqm apartment with a balcony of 17 sqm). Currently apartments in the first two buildings are available. There are in total 250 apartments, over 60% were sold at the end of 2007.

**Bronowice Apartments** – project provides 152 apartments developed by Atal (new developer in Krakow) in the Bronowice district on Nowosłowicza Street. All apartments are available with the price of PLN 6,740 (EUR 1,870) per sqm. Since the beginning of October till the end of 2007 about 6% of apartments have been sold.

Other interesting projects include Torre Verona, Garden Residence and second stage of the investment developed by Mieszkaniowy As on Poznańska Street

## Rent

Rents in 2007 increased by 8%. Because of growth of apartment prices, yields are less than 5%. Prices for attractive city centre located two-room apartments are over PLN 2,500 (EUR 700) per sqm and the most prestigious apartments in the Old Town cost even PLN 9,000 (EUR 2,500) per sqm. The typical 70 sqm, three-room modern suburban flats (the most popular rental type) vary from PLN 1,500 (EUR 420) to PLN 2,000 (EUR 560).

## Katowice

### Office

#### *Supply will skyrocket in the next years*

#### Supply

In the Katowice office space market, 2007 was the year of filling out existing buildings by lessees. Current office space resources are estimated to be approximately 160,000 sqm, of which more than half is A-class space. The remainder is primarily available in older buildings, in which the owner sub-lets unused rooms to other companies. Last year, office space totalling 11,000 sqm was made available for use in the Green Park investment in Dolina Trzech Stawów area and in Ligocka 103 office B+ building. Next years will bring very significant supply to the market mainly due to big scale developments.



• Francuska, Globe Trade Centre S.A.

#### Main Office Buildings

**Altus** – with a space of 13,000 sqm, located in the centre of Katowice. Most of the space is still not leased. The average rent (without utility charges) amounts to PLN 43 PLN per sqm (EUR 12) per month. Currently, Kredyt Bank is the largest lessee.

**Chorzowska 50** – highly visible office building with 22,000 sqm of space, the main lessee is Mittal Steel Polska. Chorzowska 50 is almost fully leased.

**Millenium Plaza** – located near the A4 Motorway, opposite 3 Stawy Shopping Centre. The building's with a space of 10,500 sqm is fully leased, with major lessees including Raiffeisen Bank, PricewaterhouseCoopers, PZU and Era.

**Green Park** – B+ standard office complex. Four completed buildings provide a space of 6,000 sqm ; three additional

buildings (5,000 sqm) are scheduled to be completed in 2008.

**Kompleks Atal (Atal Complex)** – two office buildings providing 1,800 sqm of B-class space.

**Korfantego 2** – 12,500 sqm of B-class office space with the average rent of PLN 36 per sqm (EUR 10). The Modernization of its interior has been completed recently; in 2008 the building will have a new façade. It is nearly fully leased.

#### New Projects

**GTC Francuska** – the GTC investment located on Francuska Street with 10,500 sqm of modern office space is scheduled to be completed by the end of 2008.

**GTC Mikołowska** – a space of 17,000 sqm equally spread between two buildings will be provided at the beginning of 2009 in the prime location on Mikołowska Street

**Silesia Towers** – new, high-rise development by Trigranit. Two towers, one 54-storey will provide 60,000 sqm of modern office space on Chorzowska Street, right next to Silesia City Centre. Completion is scheduled for the second quarter 2010

**Francuska – Echo Investment** – huge development by polish developer Echo at the corner of Francuska and Górnośląska Streets will provide 70,000 sqm of office space. The investment is scheduled to begin in mid 2008. Completion of first buildings is scheduled by the end of 2009

**Silesia Business Park** – Skanska Property Poland will develop four 11-storey office buildings opposite to Silesia Towers with a space of 10,000 sqm each. Completion of two first buildings is scheduled by the end of 2009

**Silesia Atrium** – new development by Reinhold in northern part of Katowice on Korfantego Street. Modernization of old printing house will provide 11,200 sqm of A-class office space. First stage is scheduled to be completed in May 2008

**Jupiter** – A-class office building will be developed on Sokolska Street in the city centre. It will provide a space of 5,000 sqm

#### Demand

Demand for office space continues to grow in Katowice. Altus provides a good indication of the market's dynamics. Although the building was only 35% let in 2007, it is now fully leased. With annual demand for office space at the level of 40,000 sqm, dynamic economic changes in the region and an intensification of investments in infrastructure provide a strong, solid premise



for development of this market sector. Vacancy rate amounts to 4.9%.

## Rent

Rents for office space remained mostly at the same level in 2007. Monthly rents for the highest standard office space range from PLN 36 to 61 per sqm (EUR 10 – 17), while space may be leased in lower-standard buildings for between PLN 25 and 36 per sqm (EUR 7 – 10). Utility charges also remained stable at the level of PLN 7 to 11 per sqm (EUR 2 – 3) in the top-class buildings, and PLN 3.60 to 7 per sqm (EUR 1 – 2) in others. Ober-Haus do not expect significant changes in 2008.

## Retail

### *Smaller cities – new projects to be delivered*

### Supply

The retail space in Katowice currently amounts to 280,000 sqm, including two shopping centres opened in 2007. However, modern shopping centres are not limited to Katowice but are also found throughout the numerous, often contiguous cities in the Silesia Region.

Since the start of 2007, smaller cities of Upper Silesia are seeing numerous new retail projects taking shape. Ober-Haus expects this trend to continue over next two years in the area perceived by investors as the future of retail marketing in the region.



• Silesia City Centre, TriGranit Development Polska Sp. z o.o.

### Main shopping centres

**Silesia City Centre** – the investment with a space of 65,000 sqm developed by Hungarian Trigranit. Completed in November

2005, with a space of 40,000 sqm the retail complex is the largest in Silesia, comprising of Tesco (15,000 sqm), several restaurants, a cinema and a leisure centre and 250 other shops including Saturn, Zara, C&A, Empik, Reserved, Maks Sport, Royal Collection, Smyk and Almi Décor. Trigranit is currently developing a 1000-apartment residential complex behind the SCC

**AKS** – opened in April 2005 with a space of 21,000 sqm in Chorzów. Carrefour occupies 10,000 sqm and the rest of space is leased by 50 shops including Reserved, Bata and Cropp Town. The centre is fully leased.

**Dolina 3 Stawów** – a 45,000 sqm centre in an idyllic location surrounded by lakes and a forest near the A4 highway. Main lessees include Real, EURO RTV AGD, Conforama and Go Sport.

**M1** – the first M1 site opened in Poland in 1998. Located near the Katowice-Warsaw route in Czeladź, the centre is fully leased, main lessees: Real and Praktiker.

**Platan Zabrze** – opened in October 2003, the complex provides 33,000 sqm of retail space with 83 shops and service points. Main lessees include Real, Deichmann, RTV EURO AGD, Carry, CCC, Sephora, Reserved and Go Sport

**Plejada Bytom** – opened in November 2000 comprises of 80 shops and service points, including Carrefour hypermarket and other high-profile lessees including Promod, Vero Moda, Empik, Jysk, EURO RTV AGD, Vision Express, Maks Sport, Reserved and Bata.

### Recent Developments

**Focus Park Rybnik** – with a total area of 42,000 sqm, Focus Park Rybnik comprises of 85 shops, numerous restaurants and a multiplex cinema. It was opened fully leased in September 2007.

**Plaza Sosnowiec** – a 33,000 sqm retail building opened in early 2007 in the centre of Sosnowiec. Plaza Sosnowiec is fully leased.

**Forum Gliwice** – with a total area of 46,000 sqm, Forum Gliwice was opened in 2007 and is fully leased.

### New Projects

**Focus Park Gliwice** – a 140,000 sqm complex of 140 shops and a multiplex cinema. The leasing process has started and the opening is scheduled for early 2010.

**Pogoria Shopping Centre** – the investment is being developed by Casino Group development. It is scheduled to be open in 2008.

Prime streets in Katowice city centre also play a key role on the retail market. Most important are 3 Maja Street (popular fashion stores for youth), Stawowa Street (focusing on gastronomy), Staromiejska Street and Monopol Passage, well known for their luxury shops. Another popular retail passage is located in Altus office building.

## Demand

With a population of 4.8 million, a growing workforce and constantly improving economic ratings, demand for retail space in Katowice and the Silesia region continues to exceed supply. The area purchasing power is second, behind Warsaw, in Poland. With a vacancy rate of just 0.5%, Ober-Haus expects no slowing down of demand in a foreseeable period of time, and the continuing move of a new demand toward the smaller cities where retailers want to take an advantage of smaller but very dynamic consumer markets.

Demand also far exceeds supply on the prime city retail streets, where space of between 50 and 100 sqm is considered to be the most popular among lessees.

## Rent

Interestingly, rents have changed very little over 2007, and Ober-Haus expects them to remain stable through 2008. The average rent in shopping centres is between PLN 90 and 126 per sqm (EUR 25 – 35); with service charges vary from PLN 9 to 13 per sqm (EUR 2.50 - 3.50) per month. Rents of retail space on main retail streets range between PLN 108 and 144 per sqm (EUR 30 – 40).

## Industrial

### *Strong and developing market*

### Supply

Katowice and Upper-Silesia locate themselves on a second place behind Warsaw on the industrial market in Poland. In 2007 the total industrial space in modern warehouse buildings is estimated for 440,000 sqm with further 256,000 sqm under construction. Due to well-developed roads and a rail net, logistic parks are located in the whole region without one main centre.

## Main warehouse parks

**Parkridge Distribution Centre Dąbrowa Górnicza** – with an existing space of 64,000 sqm within a close proximity to E40 and E75 international road with plans including further space extension of 61,000 sqm. Main lessees include Saint Gobain, Valeo, DHL Fiege

**Logistic Terminal Promont Tychy** – with a space of 48,000 sqm near national road 92 with plans including further space extension of 23,500 sqm. Welz is the main lessee

**ProLogis Park Chorzów** – the investment with a space of 145,000 sqm in six buildings in Chorzów



• ProLogis Park Chorzów, ProLogis

**ProLogis Park Sosnowiec** – the investment with a space of 47,000 sqm, along E40 and 12 kilometres from A4 motorway. Main lessees include Milo, JAS FBG, ABC Data, Distriland, Delta Plus Wincanton

**ProLogis Park Będzin** – the investment with an existing space of 34,100 sqm close to A4 motorway and E75 international road with plans including further space extension of 22,000 sqm. Ahold Polska is the main lessee

**Panattoni Bielsko – Biała** – the investment located several kilometres from Bielsko city centre, within a close proximity to E75 international road. Over 100,000 sqm is planned to be provided

**Alliance Logistic Centre Silesia** – the investment with a planned space of 86,500, 20 kilometres from Dąbrowa Górnicza developed by Menard Doswell

**Silesia Logistic Centre** – the investment with a planned space of 65,000 sqm will be developed in Sosnowiec close to S1 and A4 motorway.

**Diamond Business Park Gliwice** – AIG/Lincoln will provide a space of 46,000 sqm next to A4 motorway

## Demand

Demand for modern warehouse space in Upper Silesia is very strong and growing. The region has a great road infrastructure, central location as well as strong consumer market, economic development, special economic zones and plenty of land for further developments. Take up in 2007 is estimated for 220,000 sqm. The main lessees of warehouse space include mainly logistics operators and manufacturers from automotive and construction industry. Vacancy rate remains at very low level of 4.7% with further decline perspective.

## Rent

Rents remain at a constant level of PLN 11.50 (EUR 3.20) per sqm, with effective rents from PLN 9 to 10 (EUR 2.50 – 2.80) per sqm.

## Land

### *Market of great prospects*

### Supply

The best plots for industry and logistics are along the A4 motorway and near the Katowicka Special Economic Zone. The offers on the market mostly include an area of 5,000 to 60,000 sqm. The situation is different at the outskirts of the agglomeration and along the main routes of the region where offers exceed 150,000 sqm of area.

Supply of the land for shopping centres (over 2,000 sqm) is very limited; the best plots have already been bought by the investors. Supermarket chains (Lidl, Plus, Biedronka) are interested in the plots located in the towns with total population over 50,000 residents. Area of plots for residential investments vary from 10,000 to 50,000 sqm. In 2008 due to ongoing works on the local master plans higher supply of these plots is expected. There are numerous Investment plots assigned for offices or hotels with the average area between 2,000 and 8,000 sqm.

## Prices

Plots available for industrial and logistics purposes near the A4 motorway exits or express roads in Katowice, Gliwice or Sosnowiec are priced even above PLN 300 per sqm (EUR 83), but it is possible to buy an attractive land from PLN 150 per sqm (EUR 42). Plots located in the vicinity of main communication routes attract lower prices than these situated near the main transit routes of the region, where prices reach levels of up to PLN 100 per sqm (EUR 28). Plots equipped with full infrastructure and located in a very close proximity to motorways are priced in the range of PLN 50 - 100 per sqm (EUR 14 – 28).

Plots for shopping centres located in the heart of the city or within a close proximity to big housing complexes reach the level of PLN 500 per sqm (EUR 139). Along the transit routes as Zabrze – Gliwice, Rybnik – Gliwice, prices amount to the average of PLN 160 per sqm (EUR 44). In the slower developing cities of the region as Czeladź or Bytom, prices are not growing fast – some offers are even priced PLN 100 per sqm (EUR 28).

Plots for residential investment, located in the southern and western districts of Katowice are priced from PLN 180 – 350 per sqm (EUR 50 – 97). Price of plots in Mysłowice, Tychy, Mikołów, in the southern parts of Ruda Śląska and Gliwice neighbourhood range between PLN 100 – 150 per sqm (EUR 28 – 42). Less attractive plots are priced up to PLN 90 per sqm (EUR 25). Prices of small, attractive land in the city centre (up to 5,000 sqm) exceed PLN 1,400 per sqm (EUR 389).

Ober-Haus expects that the average prices of plots will grow by 20% in 2008. The best located plots in the city centre may even increase by 200%.

Regarding to plots for offices and hotels, land located in the centre of Katowice and Gliwice can reach the highest price exceeding PLN 2,000 per sqm (EUR 556). In the smaller cities of the region, prices are up to PLN 300 per sqm (EUR 83). Prices of plots along routes linking Chorzów and Katowice, Katowice and Sosnowiec range between PLN 200 - 500 per sqm (EUR 56 – 139).

## Demand

Land for commercial purpose (industry and logistics operators) located nearby A4 motorway (Gliwice) and route Warszawa – Cieszyn (mainly surroundings of Sosnowiec, Tychy, Czechowice-Dziedzice as well as locations along the planned A1 motorway or the junction of A1 and A4, or close to Pyrzowice Airport) are considered to be the most popular.

Demand for plots available for residential developments is still very high, particularly in Katowice and Gliwice, two growing rapidly cities.

## Residential

### *Fast developing market*

#### Prices

Residential prices rose by 56% in 2007 to the average level of PLN 4540 (EUR 1260) per sqm. Further price increases are expected throughout 2008 as the supply/demand gap continues to widen.

#### Supply

Only 325 new flats were built in Katowice in 2007, but we anticipate the growth of about 50% in 2008. As the supply is weak – there is not much to buy and good offers are usually sold within a few days – there is a huge potential for the new development. Limited sites with developed infrastructure and a lack of master plans are the main factors limiting new investment.



• *Apartamenty Moderna, Globe Trade Centre S.A.*

#### New Projects

**Apartamenty Moderna** – the modern residential complex developed by GTC, consisting of three 5 to 9-storey buildings is located in the heart of Katowice. 450 apartments will be developed with high standard, architectural glazing, views in 2-3 directions, balconies, loggias or terraces in each apartment. The total residential usable space of the project amounts to 26,000 sqm.

**Inwestycja Lotnisko** – The Lotnisko Project (consisting of

12 residential 6 to 9 storey buildings) will be developed at the corner of Francuska Street and Lotnisko Street, within a close proximity to Park Katowicki and Trzy Stawy shopping centre. In the first stage over 900 apartments in 7 buildings will be delivered. The project of the complex and every single apartment was planned with a great concern for details, functionality and comfort of the future inhabitants.

**Oak Terraces** – over 1,000 new apartments in four stages to be built in the Silesia City Centre neighbourhood by Trigranit. The first stage (250 apartments) was successfully sold by Ober-Haus in summer of 2006. Prices of the second stage vary from PLN 5842 (EUR 1623) and PLN 7522 (EUR 2089) per sqm.

**Park Residence** – one of the first luxury apartment projects in Katowice. Park Residence is an 11-storey building with 47 spacious apartments, an underground garage, air conditioning and a fitness room with sauna. Its location on Jesionowa Street in the northern part of the city is a very attractive location in terms of public transport accessibility, beautiful views and a pleasantly green neighbourhood. Prices range from PLN 5,700 (EUR 1,500) to 8,968 PLN (EUR 2,360) per sqm.

**Ligota Park** – the complex of nine residential buildings (five storey). In total 360 apartments, located on the green fields between Ligota and Brynów districts. The project is developed by Atal. The price amounts to PLN 5,000 (EUR 1388) per sqm.

**Bažantowa Komplex** – the further development of the Millenium-Inwestycje project in Kostuchna. The developer offers flats, apartments in a luxury 'IQ building' and terraced houses. A small recreation and retail building is also being developed.

#### Demand

Demand is very high, due mainly to a dynamic economic growth in the Silesia region, increasing wages and decreasing unemployment, excellent mortgage affordability, good roads and transport infrastructure, poor standards and continuing deterioration of housing stock, and a number of foreign investments.

#### Rent

The residential rental market can be described as developing, with yields of about 5% on the area's limited supply in high quality apartments. The average rents amount to: PLN 930 (EUR 259) per month for a one-room apartment, 2- and 3-room apartments are priced from PLN 1240 (EUR 344) to PLN 1660 (EUR 461), and apartments of the highest standard reach the level of PLN 4,405 (EUR 1,160).

## Gdańsk – Gdynia – Sopot

### Office

#### Clear recovery

#### Supply

In the Tri-City (Gdansk, Gdynia and Sopot) modern office space is estimated at a level of 226,000 sqm. In 2007 only 11,400 sqm were provided and most of the office space was in old buildings which had been renovated.

#### The biggest office buildings

**Prokom Building** — the investment with a space of 21,000 sqm, built in 2005 for a leading IT company (as the company headquarter)

**Alfa Plaza Business Centre** — the investment with 13,300 sqm of A Class office space, located in Gdynia

**Hossa Office Centre** — the investment with 9,300 sqm of B Class office space, located in Gdynia, on Władysława Street, the principal lessee is Grupa Inwestycyjna Hossa S.A.

**Baltic Business Centre** — the investment with 14,000 sqm of B Class office space, located in Gdynia, the principal lessee is Bank PKO S.A.

**Chipolbrok – Investment** — the investment with a space of 4,900 sqm, located on Śląska Street in Gdynia, the principal lessee is Chinese-Polish Ship Association

**Allcon Dmowskiego Centre** — the investment with a space of 4,900 sqm, located in Gdansk Wrzeszcz

**Centromor** — the investment with a space of 8,000 sqm, located in Gdansk Główny, on Okopowa Street

**Vigo** — the investment with 7,000 sqm of office space in Gdansk Wrzeszcz, principal lessees include Energobudowa, Hempel and Ergo Hestia

**Allcon Słowackiego Centre** — the investment with 6,000 sqm of office space, located in Gdansk Rębiechowo, principal lessee is Intel S.A.

**Torus** — provides an office space of 7,090 sqm, located on

Grunwaldzka Street in Gdansk Przymorze, principal lessees include Gdańskie Wydawnictwo Oświatowe, Transcom, Allianz Insurance Company and Genfer Lloyd.

**Office space in REAL** — REAL shopping centre provides 4,300 sqm of office space.

**Office space in Manhattan** — Manhattan shopping centre provides 4,000 sqm of office space.

**Heweliusza Office Centre** — provides 2,500 sqm of office space, which has not been offered before on the market



• Grunwaldzka, Torus Sp. z o.o.

#### Recent Developments

**Office building on Biała Street in Gdansk** — provides 4,000 sqm of office space, completely modernized in 2007.

**ANCORA** — provides an office space of 4,000 sqm in a building originally developed in 1948 but renovated in 2007.

#### New Projects

In 2008/2009 a modern office space of 120,000 — 130,000 sqm will be provided. Most of the new space will be provided by three office parks and big office buildings (e.g. TRYTON) and a few middle-sized buildings (e.g. ALFA).

**Arkońska Business Park** - Gdańsk, Arkońska Street, Developer: Torus, Size (sqm): 50,000 till 2009

**Łużycka Office Park** - Gdynia, Łużycka Street, Developer: Allcon, Size (sqm): 22,000

**Hossa** - Gdańsk, Grunwaldzka Street, Developer: Hossa, Size (sqm): 20,000 -30,000

**Tryton** - Gdańsk, Jana z Kolna Street, Developer: Echo Investment, Size (sqm): 23,000

**Alfa** - Gdańsk, Piastowska Street, Developer: Alfa Investment, Size (sqm): 5,000

**Ka5** - Gdańsk, Kartuska Street, Developer: Mart, Size (sqm): 3,800

**Barracks** - Gdańsk, Grunwaldzka Street, Developer: Hossa, Size (sqm): 9,000

**Konsultant** - Gdańsk, Abrahama Street, Developer: Konsultant, Size (sqm): 7,000

**Inpro** - Gdańsk, Hynka Street, Developer: Inpro, Size (sqm): 1,100

**TON** - Gdańsk, Reja Street, Developer: TON, Size (sqm): 22,500

**Polnord Centrum Uphagen** - Gdańsk, Uphagena Street, Developer: POLNORD, Size (sqm): 13,000

**NDI** - Sopot, Powstańców Warszawy Street, Developer: NDI, Size (sqm): 3,700

**AD Inwestycja** - Gdynia, Zwycięstwa Avenue, Developer: AD Inwestycja, Size (sqm): 2,000

## Demand

In 2007 there was a significant increase of interest in office space among lessees. The demand in the following years is estimated at the level of 115,000 sqm. In 2007 the vacancy rate in A class buildings fell from the average 15% to 2.5% while in B class buildings the vacancy rate fell from 16.5% to 7%.

## Rent

Rents in Tri-City amount to PLN 45-65 (EUR 12.5-18) per sqm. A majority of lessees pay rents in Polish currency in contrast to the beginning of 2007 when rates were given as an equivalent of value in EUR. In 2007 rents increased from PLN 38 (EUR 10.5) at the beginning of the year to PLN 65 (EUR 18) per sqm at the end of the year. Service charges for A Class office space did not change in 2007 and remained at the level of PLN 14 (EUR 4) per sqm.

Ober-Haus expects that rents in 2008 will rise to PLN 65-70 (EUR 18-19.50) for small spaces up to 250 sqm and PLN 50-60 (EUR 14-16.50) per sqm for spaces from 250 to 5,000 sqm.

Forecasted further increase of rents for small lessees (up to 250 sqm) is a result of a very limited supply of space in the existing buildings and the lease limit in new buildings determined by the lessees at the level of 250 sqm. Moreover, office buildings are re-commercialized on the market, i.e. agreements with small lessees are terminated (for an indefinite time), or not extended, and the office space is offered to bigger lessees. In 2007 in the Tri-City lessees looking for A Class office space for companies like BPO, BPN, and R&D have appeared on the market, as well as several lessees which were interested in a space between ten and twenty thousand square meters (5,000 sqm on average). Due to the inflow of foreign lessees we expect that in 2008-2010 labour forces will be highly-qualified and trained.

## Retail

### Still place for new investments

## Supply

In 2007 over 140,000 sqm of retail space were completed. Total retail space in the Tri-City shopping centres now amounts to over 517,000 sqm, including 40,000 sqm for hyper- and supermarkets.



• Retail Park Matarnia, Inter IKEA Centre Group

## The most important shopping centres:

**Galeria Bałtycka** – located in Gdansk Wrzeszcz with 123,000 sqm of total retail space including 45,000 sqm of retail space fully leased. The main lessees include Saturn, Carrefour, Peek & Clopenburg.

**Retail Park Matarnia** – situated in Gdansk, at Słowackiego Street. The first stage of the investment includes 33,000 sqm. The total project area includes 72,000 sqm. 5,000 sqm of space remains for lease upstairs. The principal lessees are Ikea, Obi and Electro World.

**Port Rumia Auchan Shopping Centre** – located in Rumia, on Grunwaldzka Street, right next to Gdynia, with total 11,000 sqm of retail space, fully leased. Principal lessees include Auchan, Leroy Merlin and C&A

**Manhattan Shopping Centre, Gdansk** – located in Wrzeszcz, on Grunwaldzka Street, with 53,000 sqm of retail space. H&M, Reserved, Kolporter, Ahold and Awans are the principal lessees.

## Demand

In 2007 the vacancy rate decreased to 4% from 11% the year before. Interest in smaller, retail facilities in housing estate locations will increase in 2008, due to the limited supply of land for large-area shopping facilities in the centres and at the outskirts of the cities.

## Rent

Rents in Tri-City main shopping centres increased by 20% in 2007 to PLN 43 -144 (EUR 12 – 40) per sqm. Maintenance costs in Tri-City main shopping centres amount to PLN 11 – 25 (EUR 3-7) per sqm and stay nearly at the same level as a year ago.

In the main shopping streets rents increased by 35% in 2007 to PLN 133 – 198 (EUR 37 – 55) per sqm for a retail outlet of about 100 sqm. Prices were growing in 2007 mainly because of huge interest from banks and other financial institutions. They were aggressively leasing space for their branches and customer service points on main shopping streets, often agreeing to pay higher rents than previous lessees from another industry. Ober-Haus expects that retail rents will continue to grow in 2008 at a similar level as the year before.

## Industrial

### Huge potential

### Supply

Total modern warehouse space in the city: 84,000 sqm in ProLogis Park Gdańsk, Centrum Magazynowe Hutnicza, Kowale I and II, and a space of 10,000 sqm outside the city in Logistic Centre Pruszcz Gdański – before 2007 there was no modern warehouse space. In 2007 94,000 sqm was completed in ProLogis Park Gdańsk, Centrum Magazynowe Hutnicza, Logistic Centre Pruszcz Gdański, Kowale I and II. Developers will provide 80,000 sqm in Tri-City in 2008.

## The most important warehouse buildings

**ProLogis Park Gdańsk** – located in Gdansk Kokoszki, on Bysewska Street, industrial district of Gdansk, near the Tri-City Ring Road. Warehouses provide 27,000 sqm of free space, principal lessees include Emperia Holding, Solid Logistics, Marcopol, Lekkerlan, DSV, C.Hartwig Gdynia, Iron Mountain, DHL/Exel, and Schenker.

**Centrum Magazynowe Hutnicza** – located in Gdynia, on Hutnicza Street, in the industrial district of Gdynia, near Gdynia harbour, with container terminal, provides 12,000 sqm including about 4,000 sqm of free space, main lessees include WKT Polska, Onninen Polska.

**Logistic Centre Pruszcz Gdański** – located in Pruszcz Gdański, on Zastawna Street, 500 m from the Tri-City Ring Road, part of A1 motorway, with about 11,000 sqm of space, principal lessees include - Nagel Polska, LPP, Crown Packaging .



• ProLogis Park Gdańsk, ProLogis

## Demand

Take-up in 2007 reached 73,000 sqm. The demand for warehouse space in 2008 is estimated at the level of 108,420 sqm. At the beginning of 2008 the vacancy rate was 15%.

## Rent

In 2007 rents stayed stable at the level of PLN 11 – 20 (EUR 3 – 5.5) per sqm.

## Land

### *Still not enough supply*

#### Supply

In Gdansk, as well as in Gdynia or Sopot, in order to take advantage of the constantly growing interest in land, the Tri-City authorities prepared in 2007 the sale of about 35 attractive construction plots, with a dozen in Gdansk. The most interesting are 2 plots adjacent to Hala Olivia with a total space of 34,500 sqm. This real estate was valued by experts at the level over PLN 50,000,000 (EUR 13,888,000). However it is not sufficient to meet the market demand.

#### Demand

Until now, investors were practically not interested in construction plots with outdated plans or without decisions on development conditions. The year 2007 brought changes. Investors were ready to buy plots with a plan which was being drawn, or to apply on their own for development conditions after signing preliminary conditional agreements. In Tri-City there is lack of supply of plots where commercial facilities exceeding 2,000 sqm can be developed, such plots were purchased a few years ago. Locations in the city centres and at the seaside are in high demand.

#### Prices

Prices depend on location, land purpose and its area. Land price per sqm for single-family housing development are as follows:

##### **In central locations:**

- Gdansk PLN 500–3,500 (EUR 140-970)
- Sopot PLN 1,200-7,000 (EUR 330-1,940)
- Gdynia PLN 480-3,700 (EUR 130-1,030)

##### **Outside the centre:**

- Gdansk PLN 150-700 (EUR 40-190)
- Sopot PLN 560-1,500 (EUR 155-415)
- Gdynia PLN 180-800 (EUR 50-220)

Plots for multi-family housing development:

##### **In central locations:**

- Gdansk PLN 700-1,500 (EUR 190-415).
- Sopot PLN 1,900-6,500 (EUR 570-1,805).
- Gdynia PLN 680-1,800 (EUR 190-500).

##### **Outside the centre:**

- Gdansk PLN 90-1,000 (EUR 25-280)
- Sopot PLN 1,200-4,500 (EUR 330-1,250).
- Gdynia PLN 120-1,200 (EUR 30-330).

It is worth highlighting that plots located at the seaside in Gdansk districts like Jelitkowo, Brzeźno in Sopot or Gdynia district - Orłowo were reaching much higher prices. Also land located in the old city of Gdansk or in its immediate neighbourhood reached very high prices. One of the highest prices on the market was reached by a plot located at the seaside in Gdynia Orłowo. The transaction price amounted to nearly PLN 12,000 (EUR 3,330) per sqm. The rising price of land increased development costs both in housing and commercial projects. In the first half of 2007 land amounted to 8-12% of total development costs. At the end of the year this rate was 15-20%. During 12 months of 2007 the average land prices in Tri-City rose by 30%. Due to further demand increase for land with relatively low supply investments in plots are considered to be the most popular among investors. Profitability of investing in land results in the fact that more and more funds are interested in purchasing large areas of land even without local master plans for them.

## Residential

### *Stable growth*

#### Prices

In 2007 residential prices increased by 20%. In Gdańsk price for new apartments varied from 5,500 (EUR 1,530) to PLN 13,000 (EUR 3,610) per sqm and reached the average level of PLN 7,300 (EUR 2,030) per sqm. On the secondary market the prices varied from PLN 4,900 (EUR 1,360) to PLN 14,000 (EUR 3,890) per sqm. The highest prices are obtained in Jelitkowo, Brzeźno, Wrzeszcz and City centre with the Old Town districts, where the prices vary from PLN 9,000 (EUR 2,500) to PLN 19,000 (EUR 5,280) per sqm.

In nearby Lower Sopot prices are higher than in Gdańsk and they are from PLN 9,500 (EUR 2,640) up to PLN 21,000 (EUR 5,830) per sqm. In the other districts of Sopot prices of apartments vary from PLN 6,800 (EUR 1,890), up to PLN 12,500 (EUR 3,470) per sqm.

In Gdynia, the third city in the Tri-city area, prices are on a similar level as in Gdańsk. The most expensive parts of Gdynia are Kamienna Góra and Orłowo Morskie, where prices are from PLN 7,800 (EUR 2,170) up to PLN 17,500 (EUR 4,860) per sqm



## Supply

In 2007, in Gdańsk, Gdynia and Sopot 3,960 new apartments were developed, but supply was limited by the lack of master plans for numerous locations, mainly in Gdynia and Sopot. In Gdańsk only 46% of the city has a master plan. In Gdynia and Sopot only 10% of the city has planning. The most active developers include Hossa, Ekolan, Allcon, Inpro, Invest Komfort. Ober-Haus expects that about 4,500 new apartments will be provided in 2008.

## Demand

We observe that developers in i.e. Kraków, Wrocław have to put more effort to sell apartments and sales process takes longer than in 2006. However two- and three-room apartments with an average space of 40 - 60 sqm are considered to be the most popular (about 50% of clients are interested in such apartments), districts like Wrzeszcz, City centre, Zaspą and Przymorze are considered to be the most popular among clients.



• Sea Towers, Invest Komfort S.A. fot. archiwum Invest Komfort S.A.

## New Projects

**Brętowska Brama** – the investment was developed by Przedsiębiorstwo Budowlane Inpro, located in Gdańsk, in Wrzeszcz district, on Słowackiego Street. Prices vary from PLN 6,850 (EUR 1,900) to PLN 10,700 (EUR 2,970) per sqm. In total 72% of 207 apartments were sold by the end of 2007.

**Morena Park** – the investment developed by Invest Komfort S.A in Gdańsk (Piecki - Migowo), on Wołkowyska Street. Prices vary from PLN 6,850 (EUR 1,900) to PLN 8,130 (EUR 2,260) per sqm. In total there are 90 apartments and almost all are sold (95%) in 2007.

**Królewskie Wzgórze** – developed by Allcon Osiedla in Gdańsk (Piecki - Migowo), on Myśliwska Street. The investment

will provide 680 apartments in 21 buildings. The project is scheduled to be completed in several stages. Prices vary from PLN 6,260 (EUR 1,740) to PLN 6,920 (EUR 1,920) per sqm. During stage I, 6 buildings were developed and currently all provided apartments are sold.

**Sea Towers** – the investment developed by Invest Komfort S.A. in Gdynia on Hryniewieckiego Street. Prices range between PLN 6,960 (EUR 1,930) to PLN 24,000 (EUR 6,670) per sqm. In total there are 538 apartments in the project (two towers) and about 75% were sold in 2007.

**Apartamenty na Polanie** – developed by Ekolan S.A. in Gdynia, on Żniwna Street, where 370 apartments will be built. The prices range from PLN 6,960 (EUR 1,930) and PLN 10,700 (EUR 2,970) per sqm. 37% of the apartments offered were sold in 2007.

In 2008 Neinver company is going to start development of an exclusive residential complex in Wrzeszcz district in Gdańsk. The project Puerta Del Sol will provide in total a residential area about 160,000 sqm. The investment is scheduled to be completed in several stages.

## Rent

Yields in the city centre are at level of 6%. Price for a high standard apartment in the city centre varies from PLN 2,500 to 4,000 (EUR 690 – 1110), while for a typical new two-room suburban flat ranges between PLN 1,000 - 1,500 (EUR 280 – 420).

## Wrocław

### Office

#### *New office buildings welcome*

#### Supply

Office space provided in 2007 amounts to over 80,000 sqm and in 2008 there will be provided 90,000 sqm of space. In 2007 the supply of modern office space was doubled as a result of new buildings completion and amounted to about 170,000 sqm. The best locations in Wrocław, outside the city centre, are the southern areas of the city along the axis of Powstańców Śląskich Street (Krzyki) and the areas along Legnicka and Strzegomska (Fabryczna) Streets from the centre to the west. More and more business centres are being located there. At present the total office space in the city amounts to over 180,000 sqm. Investments are being developed in this city by the biggest real estate developers: GTC, Skanska, Ghelamco, as well as local investors. More and more BPO centres are being located there and the policy of the local authorities favours new investments. Such companies like Volvo, Capgemini, Siemens and other companies have opened their centres in Wrocław so far.

#### The biggest office buildings

**KGHM Cuprum** - located at the junction of Podwale Street and Sikorskiego Street, in the city centre, provides 11000 sqm of B Class office space. KGHM Cuprum is the investor. Final stage of commercialisation.

**Silver Forum** - the investment located in the western part of Wrocław, on Strzegomska Street. It provides in total 13,500 sqm of A Class office space and small service section space. Office space is fully leased. AD Management Sp .z o.o. (Archicom Group) is the investor.

**Arkady Wrocławskie** – investment located on Powstańców Śl./Swobodna Street . The office section provides 9,000 sqm of space. LC Corp. is the investor. The building is fully leased.

#### New Projects

**GLOBIS Wrocław** located is in the city centre, on Powstańców Śląskich Street. It provides in total 14,500 sqm of A Class office space. Investment completion is scheduled in the 1st or 2nd quarter of 2008. Globe Trade Centre S.A. is the investor.

**Grunwaldzki Centre** - the biggest project in the city will be located on Skłodowskiej Street. The 13-storey office building will provide 30,000 sqm of A Class office space. Skanska Property Poland plans to complete the first stage in 3rd or 4th quarter of 2008.

**Legnicka - Park - Popowice** - provides of 6,000 sqm of usable space of B standard in its office section. Completion is scheduled in May - June 2008. Under commercialization. VICA INVEST is the investor.

**Wrocław Business Park II** - located at the exit route to Poznań, on Wołoska Street. Four modern, commercial buildings of A Class will provide 22,000 sqm of office space. Completion of the first stage is scheduled in 2007/2008 and second stage in April 2008. Devco is the investor

**Zachodnie Centrum Biurowe** located on Strzegomska Street is a complex of 5 – 8 office buildings with 15,000 sqm to 20,000 sqm of office space per building (in total 100,000 sqm). The investment will be completed in 5 years. The first stage completion is scheduled in 2008. Archicom is the investor



• Globis, Globe Trade Centre S.A.

#### Demand

In 2007 take up in Wrocław was 165,000 sqm, which drove the vacancy rate down to 2.5%. Due to planned completions in 2008, there will be 90,000 sqm of additional space available for which demand is likely to be almost 100%. The demand for office space is mainly generated by big foreign investors and financial institutions operating on Polish market. In Wrocław there is a high demand for offices with an office space of 20 - 60 sqm in A and B Class office buildings. Currently the availability of such a space is insufficient.

#### Rent

The demand for A and B Class offices exceeds the supply, which is the reason for a slight rent rise for this standard. Rents range

from PLN 43-65 (EUR 12-18) per sqm for A and B Class, and PLN 27-36 (EUR 7.5-10) per sqm for B Class. Maintenance fees range from PLN 11-15 (EUR 3-4) per sqm. Due to the increase of office space, prices will remain at the same level, or will increase slightly throughout the year. Rents in older buildings which cannot offer well-developed infrastructure and high standard will fall.

## Retail

### Dynamic growth

### Supply

The total space in shopping centres in Wrocław increased by 60% to 490,000 sqm. In 2007 Pasaż Grunwaldzki, Arkady Wrocławskie and Magnolia Park provided new retail space. In 2008 retail space will be provided in following shopping centres - Idylla Wrocławska at Horbaczewskiego Street - about 80,000 sqm, in extended Galeria Strzegomska - 8,000 sqm, Park Handlowy Bielany - 90,000 sqm and in the extended Renoma building - about 36,000 sqm.

### Main retail buildings

**Galeria Dominikańska** – located at Dominikański Square provides 28,500 sqm of retail space for 100 shops and service points. Lessees include; Media Markt, van Graaf and Cubus.

**Korona** – provides 31,000 sqm for 65 shops and service points. Principal lessees include EURO TV AGD and GO SPORT. There are also Geant and Castorama on the grounds of this centre

### Recent Developments

**Pasaż Grunwaldzki** – provides 51,000 sqm of retail space for over 200 shops. Principal lessees include Delikatesy „Tradycja I Jakość, Zara, H&M, C&A, Saturn and Multikino.

**Arkady Wrocławskie** – scheme is located at Powstańców Śląskich Street with 30,000 sqm of retail space available for about 130 shops, service points, restaurants and cafés. Principal lessees include Delikatesy Alma, H&M and Royal Collection

**Magnolia Park** – is located at Legnicka Street. Magnolia Park provides about 75,000 sqm of retail space, available for 250 shops, restaurants, cafés and service points such as Tesco, Saturn, Peek & Cloppenburg, Smyk and C&A

**Factory Outlet Shopping Centre** - the project with 10,000 sqm of retail space comprising of 80 shops. Principal lessees include Mango Outlet, Nike, Reebok and Vero Moda



• Magnolia Park,

### New Projects

**Idylla Wrocławska** – planned by Mayland. The retail complex with about 50,000 sqm space of 145 shops and service points is located in western parts of the city close to the future ring road. Completion is scheduled in 2010.

**Renoma** – originally from 1928, now under renovation and rebuilding to meet the highest standards requirements and get a modern look, located on Świdnicka Street, totally there will be 100,000 sqm of including about 36,000 sqm for 120 shops. Completion planned for the end of 2008.

### Demand

The demand for modern retail space in Wrocław remains at the stable high level and concentrates around shopping centres. The market of investment in retail real estate attracts capital mainly from Germany, Austria, Holland, France, the UK and Ireland. The vacancy rate is at the level of 2.7%.

### Rent

Throughout 2007 rent for retail space in Wrocław increased by 30% from PLN 140 (EUR 40) to PLN 200 (EUR 55) per sqm. Last year additional maintenance fees for that space amounted to an average PLN 11-15 (EUR 3-4) per sqm.

Rent of retail outlets at the main shopping streets ranges from PLN 150-235 (EUR 42-65) per sqm. The rent rate of retail space per 1,000 residents increased from 380 sqm to 630 sqm. As a result of this a slight adjustment of rent levels is expected in 2008. Only prices in the prime locations will remain at the same level, or will rise slightly.

## Industrial

### *Logistic parks are booming*

#### Supply

Wrocław warehouse space market is developing very dynamically. Currently the supply of modern warehouse space amounts to almost 185,000 sqm. More than 160,000 sqm of warehouse space is under construction. It is a result of the proximity to a few large special economic zones. It is also of significance that the city is next to a highway and has well-developed communication infrastructure with the rest of the country. It is mainly space in warehouse parks located in the immediate neighbourhood of the A4 highway. Lessees include mainly companies servicing local consumer market, as well as major logistics operators and companies with foreign capital which export their products mainly to the Czech Republic and Germany.



• ProLogis Park Wrocław, ProLogis

#### New Projects

**ProLogis Park Wrocław I** – the warehouse with 160,000 sqm of space. The Logistics Centre is, located in Bielany Wrocławskie. The scheme will be completed in five years.

**ProLogis Park Wrocław II** – the warehouses with 45,000 sqm of space for lease located on Kępińska Street.

**Parkridge Distribution Centre** (Kąty Wrocławskie) with 85,000 sqm of space, Parkridge CE Developments Logistics Centre is located next to A4 interchange in the area of Kąty Wrocławskie. The scheme will be completed in the next several years.

**Tiner Logistics Centre** - modern warehouse park designed for medium and big lessees, available for distribution centres or production operations. The target project size is about 80,000 sqm.

**Panattoni Park Wrocław** – modern distribution centre with a space of 84,000 sqm with future potential development.

#### Demand

Popularity of the Lower Silesia region is not falling and we expect that in the period of the following 2 years the demand for a lease of modern warehouse space will amount to about 150,000 sqm - that is the cause of numerous investments in warehouse construction. The vacancy rate is 4%. The demand is generated mainly by logistics operators. Their market share has been steadily growing for years as a result of outsourcing tendency in storage, logistics and transport operations.

#### Rent

The average rent for a warehouse in the city ranges from PLN 12 (EUR 3.3) to PLN 20 (EUR 5.5) per sqm. Rent of warehouse space outside the city ranges from PLN 10 (EUR 2.8) to PLN 12 (EUR 3.3) per sqm.

## Land

### *Demand dominates over supply*

#### Supply

The supply of land around Wrocław for housing and office development, as well as for warehouse development does not meet the demand of the individual and institutional customers. Wrocław is covered in 32% by a master plan, which speeds up investment processes, but for the rest one must obtain development conditions (in Polish "WZ") which is time consuming. The availability of land in this area is limited but despite a price rise in the last two years an unflagging interest in land purchase may be observed.

#### Prices

As a result of heightened interest in land intended for single- and multifamily housing development, prices of land have risen surprisingly last year. In the first two quarters of 2007 prices have increased twice. Land prices within the administrative borders of Wrocław ranged from PLN 200 (EUR 56) in the north area of the city to PLN 4,000 (EUR 1,110) per sqm mainly in the city centre. Prices of land are expected to rise by 15-20% in 2008.

Plots in the city centre and in Krzyki district are considered to

be the most popular among investors and transactions reached prices ranging from PLN 1,000 (EUR 280) to PLN 2,700 (EUR 750) per sqm. In neighbouring communes of Wrocław - Kobierzyce, Tyniec, Bielany - land prices ranged from PLN 350 (EUR 100) to PLN 1,200 (EUR 330).

The western part of Wrocław is very popular among investors due to the construction of the stadium, new roads and infrastructure for Euro 2012 football championships, e.g. Ratyń – prices from PLN 300 (EUR 80) to PLN 500 (EUR 140) per sqm.

## Demand

Plots for single-family housing development with about 1,000 sqm of space, fully developed with utilities with good access to the city centre are the most popular. The highest demand for luxury apartment buildings is in the area of the Krzyki district and in the city centre. Due to a growing inflow of the tourists visiting the capital of Lower Silesia, plots for hotel development in the city centre, as well as at the road from the city centre to the airport are considered to be the most popular among investors.

## Residential

### City of Towers

#### Prices

Average prices in 2007 increased by 10% to 7,350 PLN (2,040 EUR) per sqm. High prices are obtained in the Old Town, Biskupin and the southern districts of Wrocław – Ołtaszyn, Partynice, Wojszyce, Krzyki, Borek. But the highest prices, like in other big cities, are obtained in the centre, where prices range between PLN 8,000 (EUR 2,220) per sqm to PLN 16,000 (EUR 4,440) per sqm for the top class apartments in premium locations.

#### Supply

In 2007 3,327 new units were completed. The most active companies operating on the local market include Archicom, Atal, Dach-Bud, WPBM Mój Dom, Euro-Dom, Pathway Plaza, Temar and Verona Buildings, Profit development and Verity Development. We expect over 5,000 units completed in 2008.

#### Demand

Demand is increasing mainly due to new vacancies and students. Two or three room flats with a space of 40-70 sqm are

considered to be the most popular. 65% of clients are interested in this type of apartments. The most important factors in making a decision are price, functionality and location (the best locations are still on the south of the city centre). However in 2007 we observe that some primary market offers are not 100% sold out as buyers have a wide variety of residential projects to choose from). The trend is going to change in favour of developers in the spring of 2008.



• Riverview Apartamenty, Pathway Plaza

## New Projects

**Słoneczna Aleja** – investment of Energy Investors in Brzeg, located close to Słoneczna and Lwowska Streets, modern complex of 23 semidetached houses. The space of each house equals 200 sqm and the plot size is 500 sqm. There is a possibility to divide each house for two independent apartments. Prices vary from PLN 3,900 (EUR 1,080) to PLN 4,300 (EUR 1,190) per sqm.

**Wileńska** – investment of Energy Investors in Brzeg, located at Wileńska Street. Two buildings with apartments of the spaces from 38 to 78 sqm. One of them is a new modern building with underground garage, the second is an old former military barracks adapted for residential apartments. Prices start from PLN 3,700 (EUR 1,030) per sqm.

**Riverview Apartamenty** – the modern, exclusive residential complex of 134 high standard apartments with a view on the Odra river, located on Sikorskiego Street in the Old Town. The investment is being developed by Pathway Plaza. Prices vary between PLN 9,000 (EUR 2,500) and PLN 16,000 (EUR 4,440) per sqm.

**Andaluzja** – provides 1,200 apartments located in Muchobór Wielki district on Graniczna Street, developed by Neinver Polska. Prices vary from PLN 6,100 (EUR 1,690) to PLN 6,900 (EUR 1,920) per sqm. First part including 78 flats available at the beginning of October (project put on hold).

**Platinum** – the investment developed by Archicom Development on Inowrocławska Street. That modern residential building will provide 115 residential units, with a space of 30 to 116 sqm each. The average price amounts PLN 9,000 (EUR 2,500) per sqm. The project is almost sold.

**Angel Wings** – the residential complex of about 1,200 apartments, located on Traugutta street, by the Oława river, developed by Angel Group. The prices vary from PLN 8,000 (EUR 2,220) to PLN 21,000 (EUR 5,830) per sqm.

**Sky Tower** – will provide 850 apartments built by LC Corp. in the quarter of Powstańców Śląskich, Wielka, Gwiazdzista and Szcześliwa Streets. It will be the highest residential building in Poland including a 55-storey tower, offices, commercial and recreational space. Inside the complex will include two swimming pools, a SPA centre, cafes and restaurants are planned. Sky Tower is scheduled to be completed in spring 2010.

**Centrum Południowe (Southern Centre)** – GP Investment will develop over 1,250 apartments in a modern residential-office-commercial centre located on Gwiazdzista Street and Powstańców Śląskich Street. Total usable space will reach the level of 180,000 sqm. Completion is scheduled by the end of 2011.

## Rent

Growing demand generated by employees of the companies located in Wrocław and its surroundings caused an increase in rents, and currently their level is very close to rents in Krakow. Yields are 6%. The highest rent prices are achieved by luxury apartments in the Old Town. Average rents in the centre begin at PLN 3,420 (EUR 950) and reach the level of PLN 6,650 (EUR 1,850), and for apartments in the most prestigious districts, developed in a very high standard - up to PLN 8,000 (EUR 2,220). Rents outside the city centre are PLN 950 (EUR 260) for one-room apartment up to PLN 3,000 (EUR 830) for four-room apartments in new or renovated good standard buildings. Small one or two-room apartments are also considered to be the most popular among clients.

## Poznań

### Office

*The supply of new projects is gradually increasing*

### Supply

The market for office space in Poznań is growing slowly. In 2006 the supply was 121,000 sqm, and in 2007 it increased by only 12,000 sqm. Nearly 60% of offices are located in the city centre. The supply of new investments is mainly limited by the lack of local development plans.

### Recent Developments

**Andersia** – the building developed by Von der Heyden Group in July 2007 is located at pl. Andersa 5, Office area of 10,000 sqm and a four-star hotel belonging to the Spanish IBB chain will be situated on the lower floors with commercial sections on the ground floor. The building is 97% let with main lessees including Franklin Templeton Investments (6,500 sqm), Ernst & Young, Grafton Recruitment Polska and G.I. Probuild.

**Office at Kaliska Street** – the building with commercial and exhibition areas in the centre of Poznań. Usable area of this 3-floor building is 2,090 sqm, including 813 sqm of offices, 773 sqm of services and exhibition facilities and 505 sqm of storage.

### Main office buildings

**Globis** – the building with 12,000 sqm of class A office space, built by GTC in 2003, located in the city centre on Roosevelta Street. The building is fully let, main lessees include BPH, Centertel, Bertelsmann, Lux Med and KPMG.

**Delta** – the office building was set into operation in 2003 by a local developer Ataner with a total usable area of 11,000 sqm located in the centre of Poznań on Towarowa Street. The building is fully let and its main lessees include Ataner and Automobilklub Wielkopolski.

**PGK I and II** – two identical in construction office buildings are located in the western part of Poznań, near the Ławica Airport. The buildings were set into operation in 2002 and 2003 respectively by GE Capital Golub. Total space amounts to

19,000 sqm. Main lessees include Piotr i Paweł, Pekao, CC-Bank, PTF, Marketing Services, Softlab, Deloitte and Touch, Raiffeisen Bank and Allegro. Both buildings are fully let.

**Stary Browar** – renovated and modern complex with an office area of 6,000 sqm (A class) set into operation in 2003, located in the city centre on Półwiejska Street. The building is fully let by BRE Bank, Fortis, Pramerica Financial and Centrum Medyczne LIM.

**Poznańskie Centrum Finansowe** – the first, A class office building in Poznań, located at 5 Andersa Street, completed in 2001 with 16,600 sqm of an office area. The building is fully let, main lessees include BZ WBK S.A., Pricewaterhousecoopers, Polkomtel.

**Kupiec Poznański** – the A class building with 10,000 sqm of space, located in the heart of the city centre, at Wiosny Ludów Square. Main lessees include Bank Millennium, BNP Paribas, Berlitz, ING and a consulting company HLB Frąckowiak i Wspólnicy.



• Malta Office Park; Echo Investment S.A.

### New Projects

**Nowe Garbary Office Centre** – the office block currently under development by Property Group Meerman Chamartin. This six-storey, modern building is located in the city centre. Total space amounts to 8,000 sqm, including 1,080 sqm on the ground floor for commercial purposes and services, 6,850 sqm for offices. The building is 75% let, main lessees include Carlsberg, Millennium Bank, the company Carry. The investment is scheduled to be completed in May 2008.

**Omega** – modern, 15-storey office building on Dąbrowskiego Street, developed by Ataner with 9,000 sqm of an office area. The investment is scheduled to be completed in the middle of 2008.

**Malta Office Park** – the complex of six independent buildings

currently under development, located at one of main lines of communication in Poznań – on Arcybiskupa Baraniaka Street. The building will provide 24,000 sqm of office space and 2,000 sqm of warehouse space. The investment is scheduled to be completed in the following three stages: first stage (6,900 sqm) – by September 2008, second stage (14,900 sqm) – by March 2009, third stage (6,300 sqm) – by April 2010.

## Demand

Take up level in 2007 reached 127,000 sqm. Demand for modern office space is constantly increasing. Offices with an area between 150-300 sqm are considered to be the most popular among lessees. Demand is growing mainly because of interest from banks and other financial institutions as well as companies providing marketing and consulting services. Strong demand is reflected in decreasing vacancy rate which currently hovers at less than 5%. There is a high likelihood that in 2008 there will be no areas available for rent.

## Rent

During the year rent rates for the A class office space were gradually increasing from the level of PLN 43 -47 (EUR 12-13) to PLN 50-54 (EUR 14-15) per sqm at the end of 2007. Service charges are from PLN 7 to 18 (EUR 2 – 5) per sqm. Demand for new office areas is still higher than supply and this situation is expected to continue during the next year which will be reflected in the continuing increase of rents.

## Investments

Selected transactions that took place on the market of office space in 2007 include among others the purchase of an office block at 27 Grudnia Street by Grudnia Investment from Weda Plus, with a rate of return for this investment reaching 6.4% and the purchase of an office block on Ratajczaka Street by a British investment fund.

## Retail

### *Dynamic market*

### Supply

In 2007 in Poznań there were 407,000 sqm of available space in existing shopping malls. The biggest (over 40,000 sqm) commercial centres in the city are: Stary Browar (first and second stages), King Cross and Poznań Plaza. According to the number

of investments planned in Poznań during the following years the new space in service and commercial centres will soon exceed 180,000 sqm.

## Recently completed commercial developments

**Centrum Handlowe Factory Outlet** – was put into operation in September 2007. It is located in Luboń at the A2 motorway. The space of the first stage that has already been provided is 10,000 sqm with plans including further space extension. The centre currently comprises of 70 shops but planned number of shops in the development is 120 (in total 15,200 sqm of usable space). The shopping mall comprises of a number of, shops including House, Diverse, Atlantic, Doramafi, Gino Rossi, Puma, Nike, Sphinx, Vip Collection, Próchnik, Wrangler/Lee.

**Polskie Meble** – exhibition centre with an area of 12,500 sqm, located on Solidarności Avenue in Winogrady (a northern district of Poznań). It comprises of 26 furniture stores with a space between 200 - 700 sqm each.

**Galeria Pestka** – the Pestka Centre project provides over 40,000 sqm of space and comprises of 80 shops. The first lessees of commercial space include Praktiker (12,500 sqm), Saturn (6,500 sqm) and Carrefour (9,000 sqm). The mall is located at the junction of Solidarności Avenue and Mieszka I Street.



• Poznań Plaza

## New Projects

**Galeria Metropolis** – the commercial, recreational and leisure centre which will be developed by Echo Investment at the junction of Dmowskiego, Krauthofera and Duszna Street. The total space of the mall will amount to 122,000 sqm. The complex will comprise of 220 shops, restaurants, cafés, and recreational facilities including a multiplex cinema. Lease agreements with the cinema operator – Helios Movie Centre, and the operator of the leisure centre BC Club, have been already concluded. The investment is scheduled to be completed in the turn of 2008 and 2009.



**Galeria Malta** – the investment of the Spanish Neinver company located at the junction of Abp. Baraniaka, Kaliska and Jana Pawła II Street. Planned office space is 52,000 sqm. The scheme will include 153,000 sqm of 200 shops and repair shops, a multiplex cinema and a food-court. 80% of the space is already booked, among others for Piotr i Paweł delicatessen, a fitness centre and Spa Reinhold Lifestyle. Completion is scheduled in the 4th quarter of 2008.

**Centrum Handlowe Łacina** – the centre developed by Grupa Apsys and located at the Rataje roundabout. The scheme will include 120,000 sqm with 57,000 of usable space (9,000 sqm for Carrefour operations). The complex will include a house and a garden shop, 200 boutiques, 8 restaurants and a multiplex cinema with 10 screens. Empik, Zara and Sephora are among the lessees of the mall.

## Demand

The demand for space in shopping malls at the main streets of the city is very high and we expect that it will be still increasing. The current supply does not satisfy the high demand, and available commercial areas are let in almost 100%. The most attractive units are those with 250-500 sqm of space in shopping malls and smaller 50-250 sqm on the main commercial streets of the city.

## Rent

In 2007 the monthly rents in shopping malls in Poznań were stable at an average level of PLN 108-144 (EUR 30-40) per sqm and may be compared to the rents for a lease of service and commercial units on the most popular streets of the city centre. In the city centre in Stary Browar rents are PLN 126 to 162 (EUR 35-45) per sqm. Rents in the malls outside the city centre are between PLN 90 and 115 (EUR 25-32) per sqm. Service charges for the above spaces amount to PLN 18 (EUR 5) per sqm plus advertising costs of between PLN 7 (EUR 2) per sqm and PLN 14 (EUR 4) per sqm. Rents at the city main streets increased by 10% and vary from PLN 60 to 180 (EUR 17-50) per sqm. As demand is increasing – in particular in relation to attractive places located in the main shopping malls and at the main streets, e.g. Półwiejska Street – the rents are expected to increase in 2008.

## Investments

PBW II Real Estate Fund completed a forward purchase transaction of Poznań shopping mall Galeria Pestka for EUR 85 mln. The investment was sold by Walther Beheer, a subsidiary company of the German Moebel Walther. The mall has been officially opened in February 2008.

## Industrial

### *Progress stimulated by the development of A2 motorway*

### Supply

Poznań is constantly developing a network of modern warehouse parks, in particular in the neighbourhood of the A2 motorway. Currently the city offers almost 669,000 sqm of warehouse space, whereas almost 170,000 sqm is under construction. 186,000 sqm of space is available for lease. The main developers operating in the local market: Panattoni, ProLogis and Segro.



•ProLogis Park Poznań, ProLogis

### Important warehouse parks

**ProLogis Park Poznań, ProLogis Park Poznań II** – Located 15 km west from Poznań city centre, opposite to each other, on both sides of E30. ProLogis Park Poznań comprises of 4 buildings with 44,000 sqm of total warehouse and office space. ProLogis Park Poznań II comprises of 7 buildings and provides a space of 122,600 sqm (first stage – 45,000 sqm).

**Panattoni Park Poznań** – located at the junction of two important communication links: national Poznań-Wrocław no. 11 and the A2 motorway, 12 km from the centre of Poznań. In total the investment provides 93,000 sqm of warehouse space (H&M is the biggest operator – 70,000 sqm). The third stage of the investment is currently under development.

**Centrum Dystrybucyjne Parkridge Poznań** – located at the A2 motorway, in Września, 49 km from the centre of Poznań. Ultimately the investment will offer 138,000 sqm; The investment is being developed by Parkridge CE Developments.

Construction works are based on a pre-let agreement (construction period 8 months).

**CLIP Centrum Logistyczno-Inwestycyjne** – located in Swarzędz at the E30 international road Warszawa-Poznań-Berlin. In total, two warehouses provide 75,000 sqm of space, including 2 000 sqm of office space.

**Tulipan Park Poznań** - located in Komorniki, in the vicinity of national road no. 5 and the A2 motorway, developed by Slough Estates. The park will ultimately provide 110,000 sqm of space. The first stage of the investment, providing 24,500 sqm of space was completed at the beginning of 2007. Next development stages will provide 22,500 and 63,000 sqm of additional space. Huntleigh Healthcare, a producer of medical equipment, is one of the lessees.

## Demand

The demand is still high and significantly exceeds supply. Therefore, this sector of property market in the vicinity of Poznań is likely to develop further during the following years (in particular along the A2 motorway which is still being developed). In 2007 in Poznań region 140,000 sqm of storage space was let. Logistic operators and retail chains (e.g. Piotr i Paweł) were the most frequent lessees.

## Rent

Current rents are PLN 11 (EUR 3) per sqm and are likely to increase in 2008 due to more expensive investment plots. The vacancy rate of warehouse areas is currently at the level of 6%.

## Land

### *Seller's market*

## Supply

The supply of plots for both commercial and housing investments remains insufficient. Even when districts and cities accept local development plans, the supply of plots will increase only temporarily. It may result in a price reduction, but similar to the housing market, it will be insignificant. Land in Poland will remain a product in short supply.

## Prices

Prices of apartments have stabilized, whereas prices of plots have been growing dynamically. Since the beginning of this

year, prices in prime locations in Poznań have even increased by 100%. By the middle of 2008 the prices of plots are forecasted to further increase by another 20%. Average price of land for a single-family house in the Poznań area, i.e. the city and adjacent districts: Swarzędz, Kórnik, Komorniki, Dopiewo, Puszczykowo, Luboń, Tarnowo Podgórne, Suchy Las, Mosina, is currently around PLN 250 (EUR 70) per sqm. Average prices in prime locations such as Sołacz, Stary Grunwald and Puszczykowo have reached the levels of PLN 1,500 (EUR 420), PLN 1,300 (EUR 360) and PLN 850 (EUR 240) per sqm respectively. The lowest prices of plots without fittings are in the southern regions: Luboń, Starołęka, Wiry, Czapury, Borowiec and are an average of PLN 90 (EUR 25) per sqm. This situation is primarily due to a close proximity to the NATO airport in Krzesiny.

## Demand

Investors are looking for plots within the city borders, with fittings, local roads, good communication to the city centre and at least a final planning permission. The developers are aware, that the financial resources invested in plots will generate profit in the near future because their value increases by several dozen percent per annum. Plots are continuously considered to be a very profitable investment.

## Investments

One of the biggest transactions on the plot market was the sale of a plot with an area of 4,079 sqm located in the Grunwald district for PLN 12,300,000 (EUR 3,417,000). The purpose of the plot was a multi-family development. Another significant transaction was the sale of 560 sqm on Ostrówek Street in Śródka for a multi-family development for PLN 3,600,000 (EUR 1,000,000).

## Residential

### *In momentum*

## Prices

Poznań is currently one of the fastest developing residential markets in Poland. Residential prices jumped 31% in 2007 to an average of PLN 7,150 (EUR 1,990) per sqm, and new flat prices increased by 37% to an average of PLN 7,650 (EUR 2,120) per sqm. In the suburban area (such as Plewiska and Luboń), prices of new flats range between PLN 6,000 (EUR 1,670) – PLN 6,700 (EUR 1,860) per sqm. Prices depend mainly on the age of the building (apartments in older buildings are cheaper than other apartments on the secondary market, but this does not apply

to buildings under 10 years). The segment of luxury apartments in prestigious locations is growing dynamically. Prices for the best apartments reach PLN 12,000 (EUR 3,330) per sqm.

## Supply

In 2007 over 4,100 apartments were completed in Poznań, and in 2008 we expect more than 5,200 to be finished. The largest supply of apartments in Poznań is in the suburban area, not too far away from the city centre. It is also the easiest location in order to find vacant land. Unfortunately there is limited number of construction plots left in the city centre; the still available plots have no development plans, or some other legal obstacles to begin investment.

## Demand

Demand is still significantly higher than supply and this factor drives price growth. Demand has grown for large apartments with over 80 sqm of space (16% of clients wish to buy such an apartment). However, about 55% of potential buyers are looking for 2-3 room apartments with 40-70 sqm of space.



• Parkowa Aleja, Maexpa Polska

## New Projects

**Parkowa Aleja** – provides 40 apartments with an area of 32-117 sqm, developed by Maexpa Polska, located on Mostowa Street, within a close proximity to the Old Town. Prices vary from PLN 8,240 (EUR 2,290) to PLN 10,910 (EUR 3,030) per sqm. Almost 50% of apartments are already sold. Completion is planned by the end of 2008.

**Willa Wierzbowa II** – is a second stage of the successful Willa Wierzbowa project with 63 apartments with an area of 48-81 sqm, developed by Maexpa Polska. Prices range from PLN 8,560 (EUR 2,380) to PLN 9,420 (EUR 2,620) per sqm. The investment is located on Mostowa Street and is anticipated to be completed by the end of 2009.

**City Park** – is a 212 apartment complex (3 buildings) located in the Grunwald district and developed by City Park. The project is based on historical buildings which underwent an extensive revitalization. Newly built residences reflect the design of existing buildings. Buildings will be turned into lofts, with spacious garages situated in the basement part. The investor guarantees a high standard by combining style, elegance and functionality of so called intelligent housing. Nearly 65% of the apartments have been sold by the end of 2007. Price of still available apartments varies from PLN 7,700 (EUR 2,140) up to PLN 10,600 (EUR 2,940) per sqm.

**Kasztanowa Aleja** – provides 282 apartments located on Wojskowa Street with areas between 30-84 sqm, developed by Echo Investment. Prices vary from PLN 8,900 (EUR 2,470) to PLN 11,500 (EUR 3,190) per sqm. From the first stage (46 apartments) of the project 10% of the apartments were sold by the end of 2007.

**Casa Verona** – provides 117 apartments located in the Old Town on Garbary Street, developed by Verona Building. Prices vary from PLN 8,350 (EUR 2,320) to PLN 12,840 (EUR 3,570) per sqm. To date several apartments have been sold. Completion of the investment is scheduled by 2010.

## Rent

The average rent for a 70 sqm, 3-room apartment in the city centre ranges between PLN 2,500 (EUR 690) – PLN 4,500 (EUR 1,250). Average yields in the city centre are estimated to be 5%.

## Łódź

### Office

#### *Dynamic development*

#### Supply

In 2007 the supply of office space amounted to 110,000 sqm. Ober-Haus expects that an additional space of 85,000 sqm will be delivered in 2008. There are several A and B Class office buildings in Łódź, but the situation will be changed in the following two years when new investments will be fully operational. Well-developed Łódź Special Economic Zone is one of the main assets of the city.

#### Major office buildings

**Armada Business Park** – B+ Class office building completed by Copernicus Księży Młyn, located on Tymienieckiego Street, provides a space of over 1,000 sqm. Main lessees include Bankowy Fundusz Leasingowy, Armada and Insights.

**Faktoria Office Centre** – the investment developed by Inter-Mar, located on Dowborczyków Street. The office space that has already been provided is 2,800 sqm with plans including further space extension.

**Orion** – the office building located on Sienkiewicza Street, completed in 1978, remodelled in 2004, with a total office space of 9,150 sqm.

**Centrum Biznesu N&R** – Aviator Real estate – built by N.R. on Kopcińskiego Street. It provides office space of 8,000 sqm.

#### New projects

**University Business Park (GTC)** – one of the biggest development companies in Central Europe is currently developing two office buildings (27,000 sqm) in the area between Kościuszki Avenue and Wólczańska Street. The investment is scheduled to be completed by the end of 2008.

**Fabryka Biznesu** – investment of the company under the same name, situated at al. Politechniki, the centre includes revitalization of an old factory and construction of new buildings. Ultimately 58,000 sqm of A Class office space in 2009, in the first stage 10,000 sqm will be delivered in March 2008.

**FORUM 76** – the A Class office centre is being developed by

Faktoria on Piłsudskiego Street. It will provide an office space of 12,000 sqm. The investment is scheduled to be completed in the 4th quarter of 2008.

**Textorial Park** – the complex of 3 A Class buildings is being developed by St. Paul's Developments Polska on Tymienieckiego Street in the city centre. It will provide a space of 11,000 sqm by the end of 2008.



• University Business Park, Globe Trade Centre S.A.

#### Demand

Demand for modern office space will be increasing. Offices with a space of 100 – 200 sqm of space are the most attractive units for smaller, regional companies, big, international corporations are interested in offices with a space of 1,000 sqm. The vacancy rate was 8% at the end of 2007. Ober-Haus expects that vacancy will decline to 5% by the end of 2008.

#### Rent

In 2007 rents for A and B Class office space are from PLN 47 to 54 (EUR 13 – 15) per sqm. Maintenance fees are from PLN 7 to 14 (EUR 2 – 4) per sqm. As demand is increasing – in particular in relation to attractive modern places in the city centre – the rents are expected to increase.

#### Investments

Philips Łódź Service Centre – located on Sienkiewicza Street, was taken over in October 2007 by the Infosys Technologies – an Indian company providing financial - accounting services for Philips.

## Retail

### *The Manufaktura market*

#### Supply

Currently there is a space of 370,000 sqm in Łódź. The biggest facility in the city is well known shopping and entertainment centre Manufaktura with a total space of 200,000 sqm including over 100,000 sqm of retail space. There are no plans to provide an additional space in 2008.

#### Major retail facilities

**Manufaktura** – the shopping and entertainment centre, developed by Apsys, one of the biggest in Poland, located in the centre of Łódź, provides a retail space of 100,000 sqm leased by restaurants, a museum and galleries. Principal lessees include Leroy Merlin, Cinema City, Go Sport and H&M.

**Galeria Łódzka** – the shopping centre completed by ECE in 2002, located on Piłsudskiego Avenue. The investment provides a total retail space of 40,000 sqm. Principle lessees include Media Markt, Tesco and Go Sport.

**M1 Shopping Centre** – located on Brzezińska Street, developed by Metro AG investment, provides retail space both in the shopping arcade and in large-area stores. Principal lessees include Real, Media Markt and New Yorker.



• Manufaktura, Apsys

#### Demand

Demand for retail space is stable and is satisfied by current supply in almost 100%. Retail outlets with a space of 50 – 200 sqm are considered to be the most popular among lessees. The vacancy rate is at the level of 0%.

#### Rent

Rents in shopping arcades have reached PLN 145 (EUR 40) per

sqm. As far as lease by retail and service operators on the main streets in the city centre is concerned, the average rents amount to PLN 110 (EUR 30) per sqm and on the premium premises can reach PLN 220 (EUR 60) per sqm.

## Industrial

### *Development due to central location*

#### Supply

Łódź is currently being developed its warehouse parks base taking advantage of its central location, close proximity to the future junction of two crucial motorways A1 and A2 and a short distance from Warsaw. The existing warehouse space in Łódź and its vicinity (Stryków, Piotrków Trybunalski) amounts to 511,000 sqm. The additional space of 470,000 sqm will be provided in this region in the next three years.

#### Major warehouse parks:

**Diamond Business Park** – the investment developed by AIG/Lincoln, located six kilometres from the city centre, with a warehouse space of 60,000 sqm, nearly fully leased. Principal lessees include TPD, DHL Logistics, Hartwig Warszawa, Gillette and Kaufland.

**Tulipan Park Stryków** – the investment developed by Slough Estates Polska (SEGRO), located about 16 km from the centre of Łódź and only three km from the future junction of A1 and A2 motorways. At present provides a space of 76,000 sqm, ultimately a space will reach 400,000 sqm. Principal lessees include Komfort, Azymut, Corning and Investa.

**ProLogis Park Stryków** – the warehouse park developed by ProLogis, 14 km from the centre of Łódź. The warehouse space will ultimately amount to 115,000 sqm.

**ProLogis Park Piotrków, ProLogis Park Piotrków II** – the investment developed by ProLogis, warehouse park situated at the junction of A1 and E-67 routes, ultimately 109,000 sqm and 125,000 sqm (II). Principal lessees include Ahold, NOMI and Unilever.

**Panattoni Park Łódź** – the investment developed in Widzew district about six km from the city centre by Panattoni Poland will provide 55,000 sqm of space, available in September 2008.



• Diamond Business Park, AIG/Lincoln

## Demand

Demand stays at a very high level and is expected to rise due to the favourable location at the junction of A1 and A2 motorways. In 2007 take up was on the level of 410,000 sqm. Ober-Haus expects that in the following two years the demand in the region of Łódź and Piotrków Trybunalski will reach the level of 440,000 sqm. New lessees include mainly logistics operators and electronics companies.

## Rent

Rents currently are PLN 11 (EUR 3) per sqm and are likely to stay at a similar level in 2008 due to fast-growing supply of new warehouse space. The vacancy rates of existing warehouse space remains below the level of 5%.

## Land

### *Revitalization of the city centre*

## Supply

Supply of attractive land for housing development is insufficient and shrinking, which has significant impact on their price. Łódź real estate market is unique in the way that its many plots of historic old factory buildings are situated in the city centre. In the recent years such plots have quickly attracted investors' interest who invested in revitalization of the existing buildings converting them into apartments – lofts, office or shopping centres. However the key limitation for investments is a low efficiency of authorities in processing applications and issuing decisions on development conditions (no master plan) for which one has to often wait even a year. The municipal council is currently planning to spin off a special unit which would be responsible for issuing decisions.

## Prices

Land prices increased even by 30% in 2007. Prices of plots within city borders and outside the city have increased. Average prices of building land vary from PLN 50 – 100 (EUR 15 – 30) per sqm in Lublinek to PLN 250 – 400 (EUR 70 – 110) per sqm in Julianów. Prices are expected to further increase by another 20% in 2008.

## Demand

Foreign investors like Opal Development or St. Paul's Development determine the demand in Łódź. Investments in former factory premises are considered to be a very profitable form.

## Residential

### *Primary market still rules over the secondary*

## Prices

Residential prices in Łódź increased by 18% to an average of PLN 4,700 (EUR 1,300) per sqm, while the price of new flats increased by 25% to an average of PLN 6,250 (EUR 1,740) per sqm. Ober-Haus expects that residential prices will rise by 20% in 2008.

## Supply

754 new flats were delivered in Łódź in 2007. Ober-Haus expects that 980 new flats will be delivered in 2008.

The most active developers in Łódź include Opal Property Developments, SGI Komfort, J.W. Construction, Urbanica, BRE. locum, Profit Development and Maxbud. Currently the most popular and prestigious investments are considered to be apartments in monumental factories, called lofts.

## Demand

Potential purchasers look for two- and three-room apartments with a space ranging from 45 to 65 sqm and in localisations with good access to public transport and green area neighbourhood. The most popular districts to buy a flat are currently Retkinia, Widzew, Olechów and Radogoszcz.



•U Scheiblera, Opal Property Developments

(EUR 330 – 420). In the city centre, rents for the apartment with a space of 70-90 sqm vary between PLN 2,500 and 4,000 (EUR 690 - 1110).

## New Projects

**U Scheiblera** – provides 420 loft apartments developed on a historical factory building by Opal Property Developments on Tymienieckiego Street. Stage I of the investment was considered to be the most popular among purchasers and as a result all apartments were sold in a short period of time. Prices of apartments have reached the level of PLN 8,000 (EUR 2,200) per sqm. Currently the next stage of the investment providing 200 apartments is available.

**Barciński Park** – developed by SGI Komfort on Tylna Street. There are 1,000 apartments in the project. Prices of apartments have reached the level of PLN 5,283 (EUR 1,390) per sqm. Completion of the stage I including 4 buildings is scheduled in December 2007.

**Plejada** – provides 106 apartments, developed by Profit Development on Przybyszewskiego Street, prices vary from PLN 5,250 (EUR 1,450) to PLN 6,700 (EUR 1,860) per sqm. 40% of the apartments are sold by the end of 2007.

**Osiedle Szlacheckie** – provides 200 apartments, developed by BRE locum on Podbięty Street in Janów district, The prices vary from PLN 5,960 (EUR 1,660) to PLN 6,100 (EUR 1,690) per sqm. Completion of the stage I of the project is scheduled at the beginning of 2009.

## Rent

Rental yields on newly built apartments are 7%. Rents are stable and the average rent for 27-35 sqm, 1-room flat amounts to PLN 400 – 600 (EUR 110 – 170). The average rent for 37-50 sqm, 2-room flat located in Retkinia district and Widzew district ranges from PLN 700 to 900 (EUR 190 – 250). Rents for new apartments with a space of 50-60 sqm located within a close proximity to the city centre vary from PLN 1,200 to PLN 1,500

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## Taxes

### Purchase

**VAT** - The sale of commercial real estate is subject to standard 22% VAT. A rare exception is the sale of buildings (generally constructed before 1993) which the vendor did not have the right to deduct the input VAT against the output tax, in which case the transaction is exempted from the VAT.

For residential property, in 2008 the VAT rate on new property is still 7% on all apartments with usable space up to 150 sqm and all houses with usable space up to 300 sqm. Any excess over the specified sqm threshold will be taxed at a higher, 22% VAT rate.

**Civil Tax** - In case of the purchase transaction which is outside the scope of the VAT or is VAT exempted (i.e. purchase of an agricultural land), the transaction will be subject to 2% Civil Law Activities Tax instead.

**Notary fees** - Notary fees depend on the value of the transaction and may amount up to EUR 2,800, plus 22% VAT. The court fee is approximately EUR 50.

### Rents

**VAT** - Commercial rents are subject to standard 22% VAT rate. There is no VAT on residential rents.

**Income tax** - Rents collected by companies are subject to standard 19% corporate income tax. Individuals must declare rent collected as income and pay income tax annually on a progressive rate scale of 19%, 30%, 40%, or they may register for a flat tax of 19%, but those who opt for the flat tax may not benefit from the special methods of tax reconciliations or claim any deductions from the tax base except social security payments. Building and constructions may be subject to tax depreciation. Both, loan interest (with reservation to thin capitalization rules) and improvements are tax deductible however in case of the individual owners only if the property is used for the purpose of business activities.

**REITS and other tax optimization structures** - Recently, a new strategic tax optimization method is growing in popularity. It is based on establishing and operating through a REIT being an "investment fund" allowed under the Act on Investment Funds. The main advantage of a REIT structure is that, under the Polish CIT Act, any profit achieved by the investment fund

is exempt from income tax as long as it is not distributed to the participants. Further structuring of the holding structure may limit or eliminate taxation on the transfer of money from the Investment Fund to the participants, thus leading to a tax free structure of investment in real estate. The exemption is complete, i.e. the fund does not pay any CIT on profit derived from real estate nor on capital gains realized. The tax exempt structure may be utilized either by new investors or by existing property owners who wish to mitigate the capital gains taxation in case of property disposal (or mitigate price adjustment for hidden reserves in case of a share deal).

Apart from the above, there are a number of the optimization structures allowing to step-up of book value of the property to its market value for the tax purposes. Consequently, without incurring cash expenses, these solutions allow for the increase of the tax cost base as well as minimization or even elimination of taxable income on the future disposal of the assets. The above discussed structure covers liquidation step ups, enterprise contributions as well as partnership structures.

### Real estate tax

Land, buildings and constructions used for business activities are subject to real estate tax. Tax is calculated for land and buildings based on their area. The tax rate depends on whether land or buildings are used for residential or commercial purposes and may amount at approximately EUR 0.10 - 1.06 for land and EUR 0.16 - 5.37 for buildings, per sqm per year. The tax for other engineering objects is calculated as 2% of their initial value per year.

Land may be also subject to perpetual usufruct. In such case the annual fee is calculated at 0.3 - 3% of the land value depending on the land classification.

### Sale

The companies pay standard corporate income tax on profits at 19% rate on the sale of real estate assets. Individuals generally also pay 19% personal income tax on the income derived from the sale of the property (acquired after the 1st January 2007), however no tax may be calculated on the sale of a flat or house if it has been previously registered as a place of residence of the vendor for at least 12 months.

However, real estates acquired or put into use before the 1st January 2007, are subject to the tax regulations valid till 31st December 2006. Therefore, sale of an asset would be subject to personal income tax on revenue at 10% rate. The taxation will not apply if revenue achieved will be utilized for particular purposes (i.e. acquisition of other flat) within 2 years period -

counted from the date of sale. The revenue from the sale of the flat/house will be also exempted from the personal income tax should the sale take place after 5 years - counted from the end of the year the real estate was constructed or bought.

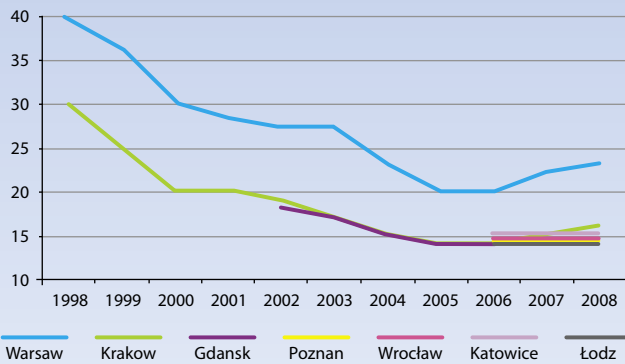
**Restrictions**

EU citizens can freely buy and sell properties in Poland, except for agricultural land. Other foreigners require prior approval from the Ministry of Internal Affairs for the purchase of the property; however some exceptions are provided (i.e. flats).

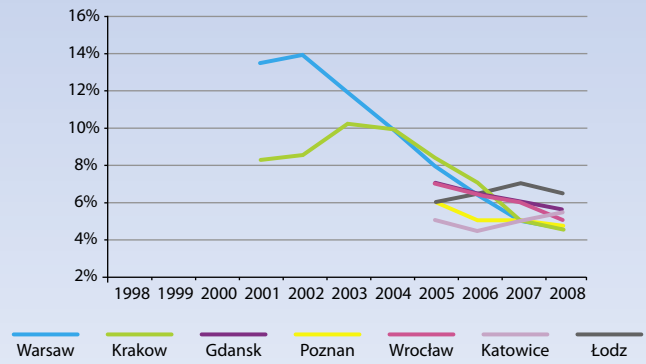
**For information on taxation in Poland, contact:**

Piotr Źarski – Partner, Deloitte, on +48 22 511 0859,  
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or  
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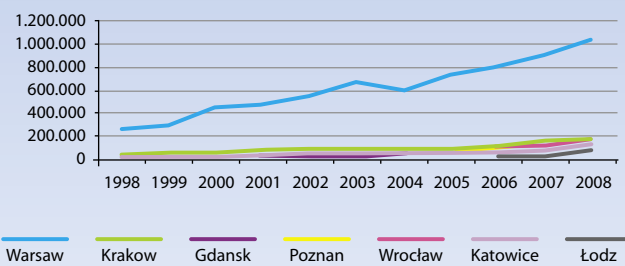
Avg class A office rents (EUR)



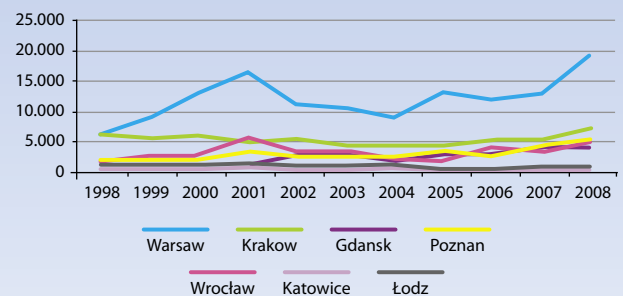
Residential investment yields



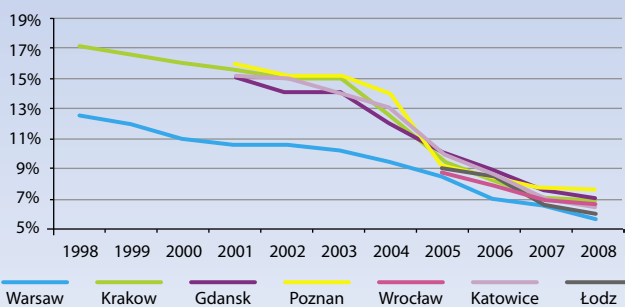
Total class A office space (sqm)



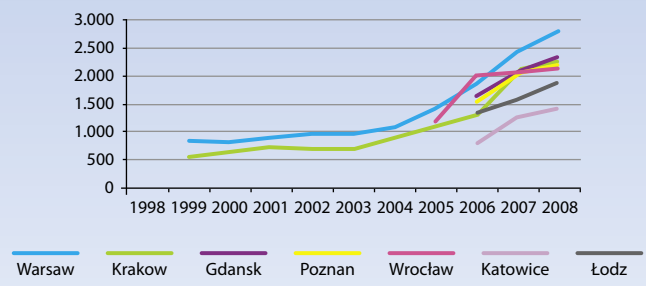
Completed residential units



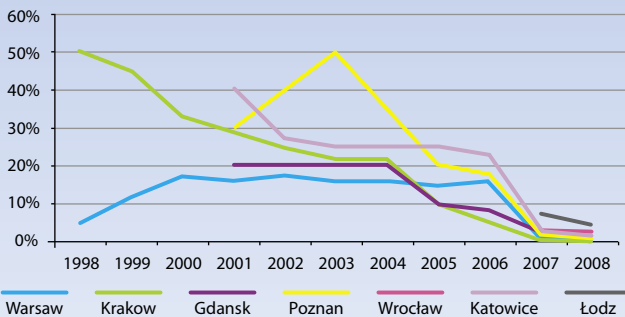
Class A office investment yields



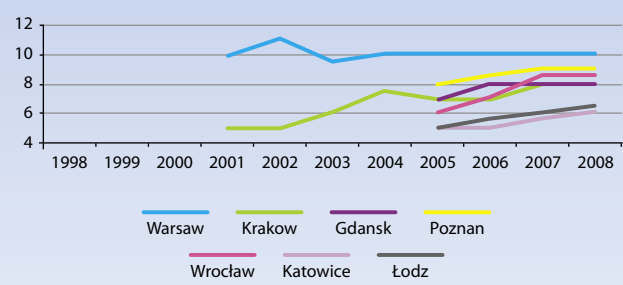
Average city centre residential prices (EUR/sqm)



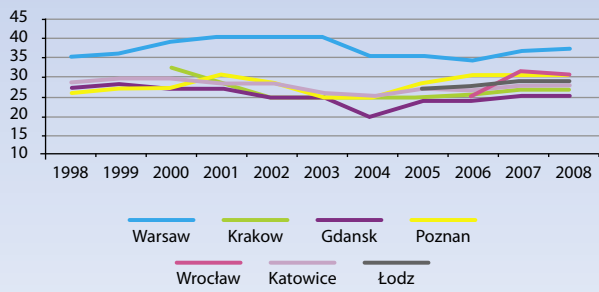
Class A office vacancy rates



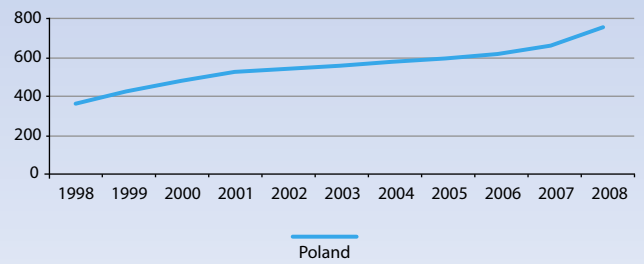
Average residential rents (EUR/sqm/month)



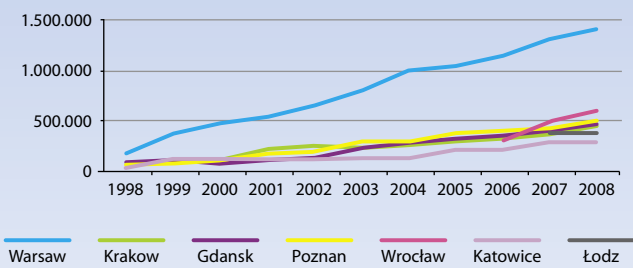
Avg mall rents (EUR)



Avg salary per month in Poland (EUR)



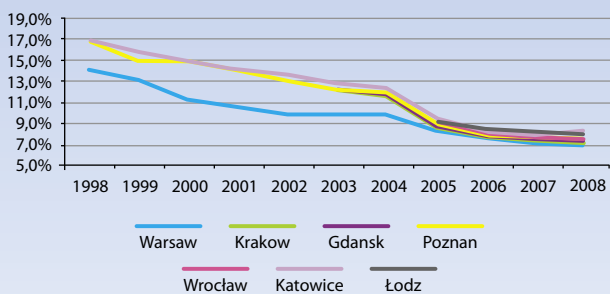
Total mall space (sqm)



GDP growth in Poland (%)



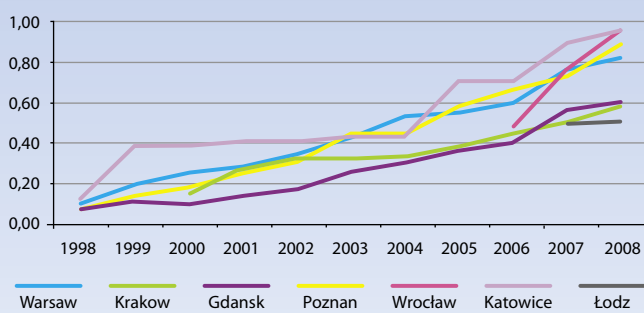
Retail investment yields



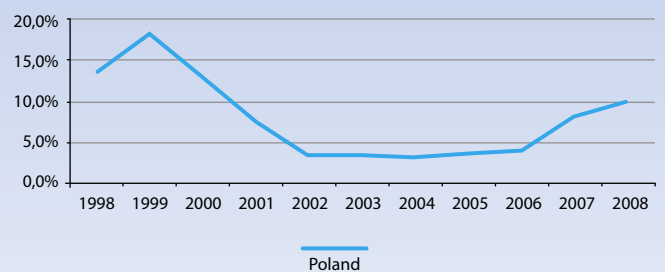
GDP per capita in Poland (EUR)



Total mall space per capita



Avg salary growth in Poland (%)





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