

Real Estate Market Report 2006

Polish cities

Warsaw, Krakow, Katowice, Gdansk, Poznan

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Polish economy

Poland's economic development has slowed from over 5% in 2004 to 3.5% in 2005. GDP growth should reach 4.4% by the end of 2006. Reacting to the slowing economy, the Monetary Policy Council decreased interest rates four times last year. The current rate stands at 4.5%. Unemployment has dropped significantly by 1.8% to a level of 17.3%. Also, inflation was lower than in 2004 falling to 2.2%.



Warsaw Financial Centre was the first office tower in Warsaw, and is still a premiere location.

WARSAW

Office *Investors snap up assets*

Supply

By the end of 2005, total modern office stock stood at 2,300,000 sqm of which 45% is located in the Central Business District. Currently Warsaw has 730,000 sqm of A-class office space. In terms of development activity, 2005 brought less surface area to the market than 2004. 110,000 sqm of modern office space was constructed or renovated in 2005.

The six biggest Warsaw office buildings with over 30,000 sqm are:

Warsaw Financial Centre – This is the capital's biggest office building and is located on Swietokrzyska Street in the city centre. Completed in 1998, the building offers 49,800 sqm with the main tenants being Weil, World Bank, EBRD and Cameron McKenna.

Warsaw Trade Centre – Located on Towarowa Street with 37,000 sqm. The main tenants are KPMG, IMC, WGI, MSD and Nike.

Millenium Plaza – Offers 34,600 sqm on Al. Jerozolimskie. The main tenants are: Millenium Bank, Dresdner Bank, Wprost and Business Press.

Metropolitan – Constructed in 2003 and offering 33,600 sqm with DZ Bank and McKinsey as main tenants.

Focus – Constructed in 2001 and offering 33,000 sqm. The main tenants are GlaxoSmithKline, Hamburg Manheimer, Baker and McKenzie

Warta Tower and Intl. Tower – Offering a surface area of 30,000 sqm with Warta Companies, Exxon, and Poczta Polska as the main tenants.

The six biggest office buildings completed in 2005 are:

CPF Building – 15,000 sqm developed by the Polish company Vicar

Cirrus – 13,300 sqm developed by the Polish company ECI

Riverside Park (I and II) – 12,500 sqm developed by the American Company AIG Lincoln

Topaz – 12,000 sqm developed by GTC

Prosta 69 Building – 11,200 sqm developed by Warsaw West Gate

Deloitte House – 8,700 sqm developed by the Belgian Company Ghelamco

Future supply for 2006 - 2007 is estimated to be around 250,000 sqm. Most of this will be located in non-central locations and developed for speculative reasons. The supply pipeline is mainly limited by administrative obstacles and difficulty in obtaining all the necessary permits.



Warsaw Trade Tower - the highest office building in Poland

The main buildings planned for 2006 are:

Rondo 1 – 55,000 sqm developed by the German firm Hochtief Development

Trinity Park – 41,600 sqm developed by Belgian Ghelamco

Lumen (Golden Terraces) – 23,500 sqm developed by ING Real Estate

Prosta Office Centre – 18,600 sqm developed by Belgian Ghelamco

Demand

Take-up in 2005 reached 220,000 - 250,000 sqm exceeding new supply. Taking into account regional investment attractiveness, we forecast that take-up will peak at around 300,000 sqm over the next two years. The biggest share of demand is generated by Finance, Insurance and Real Estate (FIRE) and business activities (50%). Axel Springer with 7,000 sqm, and Philip Morris with 2,500 sqm, signed the biggest pre-lease agreements in 2005. Both will be tenants in Trinity Park I.

Rents

Based on transaction data, rents in Warsaw city centre fell on average by 2.1 EUR/sqm in 2005. Rents are at the level of 15 - 18 EUR/sqm per month for prime surface areas in the centre and 11 - 14 EUR/sqm per month in non-central locations. Small surfaces in top quality office buildings will fetch 19 - 20 EUR/sqm per month. In central locations net effective rents can be lower by up to 20%, and up to 12% in other locations. Service charges for A-class office space reach on average 4.5 EUR/sqm per month and 3.5 EUR/sqm per month outside the city centre. We expect rents to remain at the current level. Completion of the two large central office buildings, Rondo1 and Lumen, will increase vacancy rates in the city centre.

Investment

2005 can be described as the best in terms of real estate investment.

The main transactions in Warsaw were as follows:

1. Warsaw Financial center sold to TMW Pramerica for 98 million EUR at a yield of 8.25%.
2. DB Real Estate bought Topaz building for 30 million EUR at a yield of 7%
3. Renaissance Plaza acquired from Rida Development by Sireo for 20 million EUR at an 8% yield.

Retail

Waiting for new supply

Supply

Poland is a country of over 38 million inhabitants, which makes it the largest consumer market by population in the 10 new EU countries. It is also characterized as the youngest market in the European Union. Total modern retail area surpasses 5.2 million sqm of which over 1 million sqm (including factory outlets and retail parks) is located in Warsaw. There are 37 retail buildings larger than 10,000 sqm.

The most important retail centers are:

Galeria Mokotow - The most popular shopping mall in Warsaw with 58,500 sqm of retail space and an additional 4,000 sqm planned. The center has 240 shops and restaurants, a 14-screen multiplex cinema, and attracts around 1 million customers per month. Rodamco Europe purchased 50% of the scheme in 2003.



Renaissance Plaza was sold by Rida Development

Promenada – A retail scheme developed by European Construction Consortium and located in the south-eastern part of the city. This center consists of a 3-storey marble and glass atrium with an area of 20,000 sqm. It contains 110 retail outlets and is fully-leased to reputable domestic and international brands. The shopping mall is directly connected to Warsaw's first Family Entertainment Center, covering 14,000 sqm and housing a 13-screen multiplex movie theater, bowling alleys, restaurants and a sport's bar.

Arkadia – This 110,000 sqm shopping mall was developed by European Retail Enterprise for 265 million Euro. It houses over 250 shops and restaurants and is fully-leased with prominent tenants such as: Carrefour, Leroy Merlin, Saturn, Cinema City, Peek&Cloppenburg and H&M.

Blue City – A retail center with a surface area of 65,000 sqm located on Jerozolimskie Avenue near the Zachodni railway station. This scheme consists of a modern shopping and entertainment center including 224 shops, a Home City interior design center, a Magic City entertainment center, an Enel-Med medical center, a skating park, a go-cart track, and a car park for 3000 vehicles.

2005 can be characterized by a small increase in supply as only around 25,000 sqm of new retail surface was delivered to the market. This consisted of the Promenada extension (16,000 sqm) and Fashion House Warsaw with 8,500 sqm.

2006 will bring significant change to the Warsaw retail market with ING Real Estate's Golden Terraces (Zlote Tarasy) set to deliver a hefty 63,500 sqm. This project is located smack-bang in the center of Warsaw and will be delivered in September. Phase one of the Targówek Retail Park will also be delivered in 2006. The majority of this project has already been pre-leased.

Although the area in modern retail centers is expanding, major high streets in Warsaw are still desired by big retail chains and individuals. Ground level tenements are being renovated, but still demand is higher than supply.

Demand

Both local and international brands are still interested in opening new stores in Warsaw and are predominantly interested in retail centers. However, the most recognized retail chains are willing to maintain their presence on high streets. We expect further demand growth which will result in economic development and an increase in consumption. On the other hand, as we observe slower development activity in the capital, we predict further movement of retailers to other secondary and tertiary locations in Poland. The best example of this is Silesia City Center which opened in Katowice.

Rents

High quality surfaces of 100 sqm in well located retail centers cost 50 - 60 EUR/sqm per month with additional service charges of 4.5 - 8.5 EUR/sqm per month. Rents on high streets in renovated buildings reach 60 - 70 EUR/sqm per month. Retail parks are the cheapest - renting an area of 1000 sqm usually costs around 8 - 10 EUR/sqm per month with service charges of 2.5 EUR/sqm per month. High demand is apparent, therefore we expect rents to remain at a high level in 2006. As the supply of retail space on main retail streets is limited, Zlote Tarasy has been able to set higher rent levels in comparison with other retail centers.

Investment

Three major transactions took place on the Warsaw retail market: Carrefour acquired 12 Ahold supermarkets for 65 million Euros; Sadyba Best Mall was bought by Klepierre as part of a plaza portfolio in Poland at a yield of 8%; and finally, Mainl European Land acquired over 32% of Foras Holding A/S. Mainl is now the main shareholder of Foras who own the Reduta and Targówek Retail Centers in Warsaw.



Arkadia Shopping Center with over 250 shops and restaurants, is the largest in Central Europe.

Industrial Great development potential

Supply

Poland possesses 60% of all warehouse space in the CEE region. Industrial units are located in five major Polish regions: Warsaw and its surroundings, Central Poland, the Poznan region, Lower and Upper Silesia. Warsaw is very dominant with about 1,300 000 sqm and an 80% share of the market. The capital's industrial space market is divided into three zones. Zone I ranges up to 12 km from the city centre and is characterized by a higher share of offices and rather smaller leases. Zone II covers an area up to 30 km from the city centre and is mainly leased by medium companies that distribute their goods to the local market. Zone III is up to 50 km from the centre and mainly along major roads where big logistic centers are located.

Some of the most recognizable buildings are:

ProLogis Park Warsaw - Comprises four buildings totalling 35,455 sqm of warehouse and office space and is located within the southwestern boundary of Warsaw, close to Okęcie International Airport.

Parkridge DC Nadarzyn - This park is located in Nadarzyn, which is 15 kilometres to the southwest of Warsaw and is directly located at the Warsaw - Katowice Highway. The site measures 13.5 ha, on which 60,000 sqm of warehouse space will be developed. The first phase of 15,000 sqm was delivered in April 2005. The second phase delivered in September 2005. Further phases can be delivered 4 months after signing a lease agreement.

Metropol Park Blonie – A modern, multi-functional logistics center, located in Blonie, on the west side of Warsaw, 25 km from the centre. The Park's area totals about 220,000 sqm and total built area will amount to 90,000 sqm of warehouse and office space. The first warehouse building (B) of around 12,395 sqm was completed in 2001; the second warehouse building (C) of around 14,500 sqm was completed in 2004; building (D) was completed in September 2005 and the fourth (E) in October 2005.

Metropol Park Jagiellonska – A warehouse and office park located in Warsaw at 82 Jagiellonska Street. Total area is about 140,000 sqm. There are a few buildings in the area of the Park which are actually being rebuilt, totalling 55,000 sqm. Warehouse space will be expanded to 70,000 sqm in the future.

Diamond Business Park – A 57,000 sqm warehouse owned by AIG/Lincoln 15 km south of Warsaw city centre and 7 km to Okęcie Airport. Convenient access to the existing Kraków and Katowice expressways and to the future A2 highway. The last phase was completed at the end of 2005.

In the fourth quarter of 2005, more than 120,000 sqm of industrial surface was under construction in Warsaw. At the same time more than 250,000 sqm was developed in other Polish regions. It is very difficult to estimate 2006 supply as most investors wait to sign preliminary agreements in order to start construction (built-to-suit).

Demand

From the beginning of 2005 we observed growing demand both from Polish and foreign companies. Take-up in 2005 was estimated at around 200,000 - 250,000 sqm which was 75% higher than 2004. As Polish warehouse and logistic potential is high, we expect that 2006 take-up will be again higher reaching over 300,000 sqm. In our opinion the further growth of this market depends on transport infrastructure development (mainly for road transport).

Rents

Rents vary between the three zones in Warsaw. Average rent in Zone I equals 5.4 EUR/sqm per month with service charges between 1 and 1.3 EUR/sqm per month. Zone II is usually leased for 3.25 EUR/sqm per month with 0.8 to 1 EUR/sqm per month for service charges. Zone III is the cheapest with average rent of 3.1 EUR/sqm per month and service charges of 0.2 to – 0.9 EUR/sqm per month. Rent increases were observed only in Zone I whereas in Zone I and II rents remained stable over 2005. We predict that rents will generally remain stable over 2006 possibly with slight decreases in Zones II and III. Developers continue to provide incentives (rent-free, capital contributions, moving expenses) for long-term leases.

Residential Supply revival

Prices

The average price per sqm in Warsaw in 2005 was 4,900 PLN (1,289 EUR) and is 18% higher than the year before. The most significant growth of 30% was noted in Mokotow and the city centre districts. Twelve districts are characterized by price growth whereas four witnessed decreases. The most expensive districts are the Centre, Wola, Wilanow and Mokotow. The average price in Centrum is 6,300 PLN/sqm (1,658 EUR) and 5500 PLN/sqm (1,447 EUR) in the three other districts. The cheapest developments can be found in Wesoła, Bialoleka and Ursus. Incomes and mortgage loan availability are growing slower than prices, which might result in decreasing demand in the future and a slowdown in price increases in 2006 and 2007.



Konstancja - the second phase of this GTC development is sold out. For information on the third phase, call Ober-Haus on +48 22 819-1212.

Supply and demand

The third quarter of 2005 was the best since 2002 in terms of new apartments brought to the market. The whole of 2005 saw the delivery of around 13,200 new apartments which, in comparison to 8,800 in 2004, marks a significant rise. Supply in 2006 should reach around 11,800 apartments due to the long administrative procedures and a lack of a local master plan.

The housing stock in Warsaw is currently around 741,800 residential dwellings. The average area of an apartment is 73 sqm and is constantly growing. Today over half (59%) of the residential construction is focused in three Warsaw districts - Mokotow, Bemowo and Bialoleka. Apartments priced from 4,000 PLN (1,053 EUR) to 4,500 PLN (1,184 EUR) /sqm make up the largest percentage of apartments offered for sale. Rapidly increasing supply is observed with high-end apartments with prices starting from 7,000 PLN (1,842 EUR) /sqm.

Currently we are witnessing overdemand in every market segment. The most important group of buyers are people between 25 and 35

years of age. Still, most customers search for two or three-roomed flats with floorplates of 45 - 80 sqm.

There is also great demand among both foreign and local investors for 'buy-to-let' properties. With residential profits in the range of 6 - 9%, historic price growth at 10 - 15% per year, and interest rates at all time lows, investors can get positive cash flow and total returns on equity of over 30%.

New projects

Nowa Rezydencja Krolowej Marysienki – Located in the Wilanow district and set to be delivered in the third quarter of 2006, this scheme offers 167 apartments with surface areas of 36 - 123 sqm. Prices vary between 5,377 PLN (1,415 EUR) and 9,385 PLN/sqm (2,470 EUR).

Meridian – Developed by Ronson Development Group on Wronia Street in the Wola district, this project comprises 205 apartments to be delivered in June 2007 with surfaces of 47 - 183 sqm and prices from 6,313 PLN (1,661 EUR) - 7,062 PLN/sqm (1,858 EUR). The project is already 66% sold.

Pegaz II – Also developed by Ronson Development Group, this scheme is located on Granitowa Street in the Mokotow District. These apartments vary from 50 - 81 sqm and prices range from 4,836 PLN (1,272 EUR) - 5,654 PLN/sqm (1,488 EUR) and will be delivered in the fourth quarter of 2006.



Nowy Wilanow - apartments by Pekao Development in Warsaw's newest upscale neighbourhood. For information, call Ober-Haus on +48 22 819-1212.

Gdanski Building – Developed by Dom Development in the city centre, with 260 apartments from 37 - 122 sqm, this scheme will be located on 22 floors and delivered in December 2007. Prices vary between 5,800 PLN (1,526 EUR) and 12,300 PLN/sqm (3,237 EUR) and around 42% of apartments are vacant.

Olympia II – Also developed by Dom Development and located in the Ursynow district, this building offers 605 apartments with surface areas of 35 - 123 sqm and prices from 4,100 PLN (1,079 EUR) - 6,300 PLN/sqm (1,658 EUR). The building will be finished in December 2006 and still has 138 apartments available.

Rezydencja na Wspolnej – A luxury project with prices from 8,025 PLN (2,112 EUR) - 14,240 PLN/sqm (3,747 EUR) and apartment sizes up to 142 sqm. The project is being constructed in the city centre and will be delivered in the first quarter of 2007 by Maripol-Yaapol Developer.

Rents

The slight growth of rents is mainly caused by the growing sale prices of apartments and a strong demand from foreigners and their companies. Small high-standard apartments in the city centre can even cost 800 - 1,000 EUR per month. The further from the city centre and the lower the standard, the lower the rents for potential clients. Profits in the city centre are estimated to average about 5%. Rents in suburbs are lower and vary between 200 EUR for a low standard small flat to 500 EUR for bigger and renovated apartments. The most popular are two-roomed apartments with a surface area of 50 - 60 sqm and good access to public transport and amenities.

Mortgage market

Housing is now more affordable than ever before. This is, in part, because of the increasing liquidity in the mortgage market provided by local banks and an increasing number of foreign banks. As of today, the total outstanding bank debt of households stands at 21.5 billion EUR. Residential housing loans comprised a mere 41% of the entire loan portfolio of households, with the rest being consumer loans. Liquidity in Poland is improving, with the total housing loan portfolio of banks to households having grown more than 6 times between 1999 and 2004, reaching approximately EUR 9 billion at the end of 2004. Growth has been very rapid and according to economic forecasts, the residential loans' market is expected to grow at a level of 20 - 30% year-on-year until 2009. It should reach the level of 24 billion EUR. An ever expanding range of loan packages, improved advertising, and the generally heightened awareness of bank loans are responsible for the surge in housing loans. Roughly between 70 - 85 percent of all homes purchased, in both low and middle income ranges of the market, are being at least partially financed by bank loans.

Taxes

VAT - The VAT on new flats is 7% and there is no VAT on property more than five years old. The next expected change to VAT will be the introduction of the full 22% VAT on newly-built flats on 1st January 2008, assuming the government sticks to their timetable.

Rents - There is no VAT on residential rents. Private 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 this may not claim any deductions. Corporate income tax is 19%, with all deductions allowed. Both loan interest and improvements are tax deductible for both

corporate and individual owners. Improvements may be amortized over a period up to five years.

Purchase - Upon purchasing property the buyer pays the Treasury Office 2% of the transaction value, notary fees, and a court fee of 200 PLN (53 EUR). The typical broker's fee is 3%. Notary and brokerage fees have 22% VAT on top. Expect to pay 5 - 6% on a typical purchase.



The Jasna Center, opened in mid-2004, has five office stories with auxiliary functions-commercial space and a restaurant on the ground floor.

Property tax - At present, property tax for natural persons is calculated only for parcels and comprises 1.5 % of the nominal property value. According to the new property taxation rules, this tax will soon depend on the market value of the property, and therefore land tax in Krakow will increase. It will likely equal that of taxes paid by companies i.e. 1% of the property's market value. However, there will be various exemptions and a certain share of property will be non-taxable.

Sale - On the sale of an asset, companies pay standard corporate income tax rates on profits (19%), while private individuals can pay no tax if they either held the property for more than five years, or they re-invest the sale proceeds into a property purchase within two years of the sale. Otherwise a private seller can be hit with an uncomfortable tax of 10% of the selling price (not the profit).

Commissions - The standard agency commission fee comprises 2 - 3% of the sale price. It should also be taken into consideration that VAT is mandatory for all legal persons, and that the client's 'success fee' will therefore actually amount to 2.5 - 3.5% of the value of the property at the time of sale.

Restrictions - EU citizens can freely buy and sell properties in Poland, except for agricultural land. Other foreigners can only freely buy and sell property of up to 0.4 hectares with larger purchases requiring approval from the Interior Ministry, which can take up to three months.

For more information call Darek Karbowniczak +48 22 829 12 12.

KRAKOW

Office

Big transactions, weak supply

Supply

Modern Office stock in Krakow offers 131,000 sqm for lease. This space is equally distributed between the city centre and its surrounding areas. A meagre 5,000 sqm was delivered in 2005 and only three out of five buildings were completed.

The main office buildings in Krakow are:

Lubicz Centre – After being half empty for many years since it opened, the 13,800 sqm building is now fully-let. Being the largest city centre office building in Krakow, it is a barometer for the market and its success is a strong positive sign for developers.

Blekitek – One of the first modern office buildings, and the tallest in Krakow, with the vast majority of its 14,000 sqm leased to Bank BPH

Galileo – The first of three planned out-of-centre buildings by GTC in the western part of Krakow. Its 10,000 sqm is now fully-let with IBM BTO being the biggest tenant.

Buma Square – A large mixed-use scheme in the south of Krakow. Buma is being developed in stages with a final area of 36,000 sqm. The main tenants are Motorola, Tesco, Lukas, Provident and Electrolux.

Euromarket – Located in the western part of the city on Jasnogorska Street, this building offers 12,000 sqm. It accommodates retailers and car dealers on the ground floor and is now fully-leased with the main tenants being Can Pack, BP and Fortis Bank.

CB Zasada – Located just opposite the Galileo building, this project offers 5,000 sqm of very modern office space. The building is also fully-leased with Orlen Oil as the main tenant.

KBP Zabierzow – Located in a small town close to Krakow Airport and the A4 highway, this 9,500 sqm building is fully-leased.

Major office buildings completed in 2005 are:

Buma Square B1 – 3,050 sqm (next stage) developed by Buma System on Wadowicka Street

Sosnowiecka Office Building – 1,200 sqm delivered by KIM Group in the western part of the city.

Kielecka 1 Building – A 700 sqm building located in the city centre near Mogilskie Rondo. This building was fully leased by Ober-Haus.

Around 22,000 sqm of new office space is expected to be completed in 2006.

The planned buildings are as follows:

Nowe Miasto – Developed by ECE, this mixed-use project located

in the heart of Krakow will offer 10,000 sqm of top quality office space.

Galileo II – Planned to be developed by GTC next to Galileo I and set to offer 10,000 sqm.

CBO – Developed by Superkrak, this project is located near Palsad Crossing and will deliver A-class space. With a gross leasable area of 12,200 sqm, the first stage will be the Primus scheme, the main building in this multi-functional complex.

Havre – This is the second office building developed on Kamin-skiego Street by Havre Company and will offer 6,700 sqm of B-class space. Nearly 50% is pre-leased at the moment.



Maexpa, sold out by Ober-Haus. For more offers in Krakow, call Lukasz Wysocki on +48 12 267 9100.

Demand

Krakow is currently chosen as the preferred company location by foreign investors - more often than it used to be a year ago. Moreover, it has a well-qualified work force, a renowned scientific background, low employment costs and is a Special Economic Zone where investors are offered tax incentives. Due to these reasons demand continues to grow. Take-up was estimated at 15,000 sqm in 2005 and we expect this to increase to the level of 20,000 sqm per year in 2006 and 2007. Following past trends, IT companies are expected to be the most active.

Rents

In 2005 rents in top quality buildings did not change and are between 12 - 15 EUR/sqm per month. B-class buildings are leased for 9 - 12 EUR/sqm per month. Service charges vary between 2 - 4 EUR/sqm per month depending on the building standard. We expect rents to remain stable.

Investment

Two big transactions took place on the Krakow office market. Lubicz Center was sold by Mostostal to AIB Polonia Property Fund for over 30 million EUR. The profit is estimated at 9%. Also a preliminary agreement was signed for the Blekitek Building with the buyer and sale conditions remaining unknown.

Retail

Another supply injection

Supply

Modern retail stock in Krakow is estimated to total 293,000 sqm and is mostly located outside the city centre. Big retail schemes can usually be found along streets leading to big residential districts. Supply is growing continuously with 38,000 sqm delivered in 2005.

The most important retail centers are:

Galeria Kazimierz – The only retail scheme developed in 2005 (opening in March). GTC delivered 36,200 sqm with 160 shops, restaurants, and a 10-screen cinema for around 70 million EUR. It is located on the right bank of the Vistula river in the vicinity of the Kazimierz district of Krakow. Anchor tenants are: Cinema City, Zara, H&M, C&A, Reserved, Alma Market, EMPiK, and Smyk. During the first three months, Galeria Kazimierz was visited by over a million customers. Currently GTC is planning further multi-functional investments (hotel/retail/office) in this location.

M1 – A 52,000 sqm retail center located on Aleja Pokoju Street. Delivered in 2001, it is now fully-leased with Real, Media Markt, Praktiker and H&M as its main tenants. It has very attractive interiors in keeping with Krakow's history.

Krakow Plaza – Also located on Aleja Pokoju Street, right opposite the M1, this 40,000 sqm scheme is mainly leased by Inter Marche, Reserved, Zara, Maks Sport, Smyk and House of Colors. The Plaza is also recognized as a leisure destination with customers having access to a Cinema City complex, Fantasy Park with billiards, bowling and a disco. In summer a small lake can be found in front of the building and in winter a skating arena is open daily.

CH Zakopianka – Located in the southern district of Krakow, this project offers its customers 50,000 sqm with Carrefour, Decathlon, Maks Sport and Bata as its main tenants. It is accompanied by Castorama and various companies offering interior fittings and furniture.

CH Krokus – Opened in 1997, this is one of the first modern retail centers in Krakow. It has 29,000 sqm with Geant, Euro RTV AGD and Empik as its main tenants. Additionally, an Obi, a Multikino, an Aqua Park, and small hotels can be found in the neighborhood.

As well as those mentioned above, Hypermarkets like Tesco, Makro Cash&Carry, Ikea, Leroy Merlin, Castorama and Obi are present in the city

Supply is also expected to grow in 2006 with Galeria Krakowska planned to be delivered by ECE. The scheme is scheduled to open in the fall of 2006, and with it more than 250 stores covering an overall leasing area of 60,000 sqm. Additionally, around 10,000 sqm of office space and a 150 room four-star hotel are being developed. The investment volume of all projects amounts to around 250 mil-

lion Euro. With 12 months still to go before the opening, 90 % of the sales floor has already been leased. The largest tenants are an Ahold food market, the consumer electronics store Saturn, the large fashion stores Peek&Cloppenburg, H&M, C&A, New Yorker, and Reserved, the sports shop Maks Sport, and the children's fashion outlet Smyk.

The reason for such a positive response by the retail trade is the excellent accessibility of the service center. Nowe Miasto lies at the most frequented traffic junction of the town, only 5 minutes walking distance from Krakow's jewel, the Rynek, with its famous cloth halls and the Holy Virgin Mary Cathedral. Even today over 100,000 people pass by this location daily.

Modern retail units on prime streets like Florianska, Szewska, Grodzka and Market Square should also be mentioned. They are usually occupied by chain stores and restaurants. Supply will grow in this category. Another tenement on Market Square is currently being transformed into a luxury retail area. Moreover, 1,100 sqm of retail space will be constructed on Zwierzyniecka Street in the Angel Plaza Complex in 2007.

Demand

Demand for modern retail space is higher than supply and still growing. The most desired locations are on major streets in the city centre. The majority of space in shopping centers is fully-leased.

Rents

Average rents for retail units on prime streets in the Old Town are high but stable and range from 30 to 70 EUR/sqm per month. Rents in shopping centers stand at between 25 and 35 EUR/sqm per month with service charges 3 - 4 EUR/sqm per month.

Investment

Krakow Plaza was sold in May 2005 (as part of the Plaza Centers portfolio) to the French Company Klepierre at a yield of 8%.

Residential

Further supply needed

Prices

When taking Polish residential prices into account, Krakow sits in second place after Warsaw. New apartments and second hand ones are among the most expensive in the country. The average price of a new apartment is about 3 800 PLN/sqm (1,000 EUR), whereas the average for the main Polish cities is between 2,500 PLN/sqm (658 EUR) and 3,500 PLN/sqm (921 EUR). For the city centre, average prices start from around 1,400 EUR and can reach a level of 2,500 EUR or even 4,000 EUR for luxury apartments in prestigious loca-

tions. Prices for newly-completed apartments have increased by 15 - 30% over the last year depending on location. In over a quarter of newly-built properties a square meter costs from 2,500 PLN (658 EUR) to 3,000 PLN/sqm (789 EUR) and it is exactly these properties which are the most popular among flat-hunters.

Supply – demand

Krakow is the second fastest developing residential market after Warsaw. The share of cooperatives in the residential market is falling in favour of the developers. The most active are local companies such as Geo Development Group, Active Investment, Proins, Salwator or the Investment Consortium "KraKoin". However, international developers are also investing in the market, namely Skanska, Novo Maar and Lehman Brothers.

Residential supply on the primary market is far behind the revived demand (7,000 apartments per year), which has remained at a high level since the beginning of 2004. In 2005 around 4,500 apartments were completed and 90% of them were sold. As a local plan is still absent, we predict that in 2006 and 2007 around 10,000 dwellings will be completed. Given the state of the market, potential clients are forced to buy dwellings at the earliest stages of development, or even at the planning stage. The most sought after units are 50 - 60 sqm, situated in 3 to 4-storey buildings, in peaceful green areas in the Center, Bronowice or Krowodrza districts. In the segment of higher standard dwellings and apartments, the most sought after are those located in the Old Town, Kazimierz and Wola Justowska districts. Based on market research, more than 50% of current projects incorporate more than 50 units - the majority of those projects being the next phases of already existing schemes. A great majority of completed dwellings are delivered to the market without installations, fittings or doors, even though many developers offer, as an option, turnkey projects. The most intense development of residential schemes is taking place in the southwestern and northern area of Krakow, due to the large number of available land plots. The greatest number of developments is recorded in the Debniki, Lagiewniki, Pradnik Bialy and Bronowice districts. The biggest advantages of these green neighbourhoods is that they are peaceful and have numerous public transport routes and competitive prices.

New projects

Angel Plaza – Probably the most recognizable project in Krakow. 180 luxury apartments will be located on Zwierzyniecka Street in the proximity of the Old Town. Apartments on the top floors will have a view of Wawel Castel and the Vistula River. Prices start from 2,000 EUR/sqm and clients can choose one of several interior finish standards. The project is to be completed by the beginning of 2007 and is almost sold out.

Wisla Residence – Developed by Portuguese Maexpa Company in the district of Podgorze on the corner of Pivna and Solna Streets,

this project will comprise 65 apartments to be completed by November 2006. Currently 85% of the project is sold and prices start from 5,100 PLN/sqm (1,342 EUR).

Salwator Tower – Developed by Salwator, one of the biggest Polish developers, in the district of Bonowice on Zapolskiej Street, this project offers 130 apartments with prices from 5,000 PLN/sqm (1,315 EUR). The scheme will be completed in the first quarter of 2007 and is already 97% sold.

Salwator City – Also developed by Salwator on Zapolskiej Street, the first two stages of this huge project are sold. Prices start from 4,500 PLN/sqm (1,184 EUR) and delivery is planned for the first and third quarters of 2007. Both stages offer 313 apartments and 75% of the project is sold out.

Konstelacja – Attractively located in the prestigious district of Krowodrza, this is a project developed by J&J Developer with 35 units to be completed by July 2006 at an average price of 6,500 PLN/sqm (1710 EUR). Around 65% of the apartments are sold.

Other interesting projects are: Zlota Brama Apartments, Villa Verona, Flower Residence, Cztery Korony Apartments and Osiedle Europejskie.

Rents

In the city centre, average prices start from around 1,000 EUR and can reach 1,800 EUR or even 2,000 EUR per month for luxury apartments in prestigious locations. The price in this range depends mainly on the standard and location - the closer to market square, the higher the price. Yields in the city centre are estimated at an average of 5%. Rents in suburbs are lower and vary between 150 EUR for a low standard small flat to 400 EUR for slightly bigger and renovated apartments. The most popular are two-roomed apartments with good access to public transport and within the vicinity of a high school.

For more information on mortgages and taxes on residential property, see pages 7 & 8.

For more information call Lukasz Wysocki+ 48 12 267 91 00.

KATOWICE

Office

Lethargic development vs increasing demand

Supply

The Katowice office market is developing very slowly. Only 4,000 sqm of renovated office space - in the Opolska 22 Building - was added to the market in 2005. Currently, office stock is estimated at 75,000 sqm of which 48,500 is A-class space. The rest is concentrated in post-industrial renovated buildings or company owned buildings.



Altus – Office building in centre of Katowice

The major office buildings in the city are:

Altus – A 13,000 sqm office building located in the heart of Katowice. It still has 8,000 sqm to be leased which resulted from a delay in construction which forced potential tenants to choose alternative locations. The biggest tenant is Kredyt Bank and average rent is 12 EUR/sqm per month.

Chorzowska 50 – A 17,000 sqm office building located very close to the Altus building. It is now almost fully-leased with Mittal Steel Polska taking 2,500 sqm this year.

Millenium Plaza – Located by the A4 highway opposite the 3 Stawy Retail Center, this building offers 10,900 sqm with Raiffeisen Bank and Era as the main tenants.

Jesionowa Building – Located in the north part of the city offering 6,500 sqm of empty space.

Atal Complex – Two office buildings offering 1,800 sqm of B-class space.

The only project which will offer new office space in the city center next year will be Korfantego 2 which is currently under renovation. It will deliver 12,500 sqm of B-class office space with average rents

of 10 EUR/sqm per month. Outside the city center, the Atal Complex offers an additional 500 sqm after signing a pre-let agreement.

Demand

We are still observing demand growth for high quality office space in modern buildings with parking facilities. Take-up in 2005 stood at 15,000 sqm and is expected to increase in 2006 due to the growing economic performance of the region. Potential tenants are more inclined to look for various incentives when renting office space.

Rents

Rents in Katowice have not changed over the last year. For top standard office space they vary between 10 EUR/sqm per month and 15 EUR/sqm per month. In lower standard buildings space can be leased for 7 - 10 EUR/sqm per month. Service charges have remained on the same level of 2 - 3 EUR/sqm per month in top class buildings and 1 - 2 EUR/sqm per month in others. We do not expect significant changes over the next year.

Investment

The only transaction that took place on the Katowice office market was the sale of the 6,800 sqm Jesionowa Building.

Retail

Retail explosion set

Supply

Katowice has the second fastest developing retail market in Poland. Current retail stock is estimated at 210,000 sqm of which 85,000 sqm were completed last year. The most notable delivery was the opening of Silesia City Center, located on Chorzowska Street. As SCC is targeting not only Katowice but the whole region, it is said to open a new chapter of regional city centers in the Polish retail market. Modern shopping centers are not only located in Katowice but also in the other cities in the Silesia Region. Among the most attractive are:

Silesia City Center – A 65,000 sqm scheme opened in November 2005 by the Hungarian company TriGranit. It is the biggest retail scheme in Silesia with a 15,000 sqm Tesco and 250 shops and restaurants. Anchor Tenants are: Saturn, Zara, C&A, Empik, Reserved, Maks Sport, Royal Collection, Smyk and Almi Décor. A cinema and leisure center are located on the first floor and TriGranit is also planning to develop a residential complex with 1,000 apartments right behind SCC.

AKS – This scheme has 21,000 sqm and is located in Chorzow. Carrefour occupies 10,000 sqm and 50 shops the remaining 11,000 sqm. It is now fully-leased with Reserved, Bata and Cropp Town as its main tenants.

Dolina 3 Stawow – Located by the A4 highway, this project offers a total area of 45,000 sqm with the main tenants being Geant, Euro RTV AGD, Conforama and Go Sport. The center has a pleasant location surrounded by lakes and forest.

M1 – This was the first M1 retail area delivered in Poland - in 1998. Located by the Katowice - Warsaw route, it is fully-leased with Real and Praktiker as the main tenants.

Platan Zabrze – Delivered in October 2003 in Zabrze, this complex offers retail space of 33,000 sqm with 83 shops and service points. The main tenants are: Geant, Deichmann, RTV EURO AGD, Carry, CCC, Sephora, Reserved and Go Sport.

Plejada Bytom – Opened in November 2000, this center offers 80 shops and service points with Carrefour as the hypermarket anchor. Other prominent tenants are: Promod, Vero Moda, Empik, Jysk, Euro RTV AGD, Vision Express, Maks Sport, Reserved and Bata.

As there are no major retail schemes planned for 2006, we predict supply to remain at the same level as in 2005.

Prime streets in the city center also play an important role in the market. The most important are: 3 Maja Street, which is popular with fashion stores for young people; Stawowa Street, which mainly accommodates restaurants and cafes; and Staromiejska Street and Monopol Passage, which are renowned for luxury shops. Another retail passage is located in the Altus office building.



Oak Terraces - the newest residential development by Trigranit, now being sold by Ober-Haus. For more information, call Jolanta Loranty on +48 32 609 00 90.

Demand

The whole Silesia Agglomeration covers 4.8 million inhabitants which makes it the biggest consumer market in Poland. Moreover, purchasing power is the second highest in the country, after Warsaw. Due to these facts, demand for retail space in Katowice - and the whole region - is high and should grow in 2006. Concerning prime retail streets, demand is much higher than supply. The most popular requirement is for a 50 - 100 sqm unit.

Rents

Rents have not changed over the last year and are expected to remain stable over 2006. The average rent in shopping centers is 25 - 35 EUR/sqm per month with additional service charges of 2.5 - 3.5 EUR/sqm per month. On main retail streets rental levels are between 30 - 40 EUR/sqm per month.

Investment

Platan Shopping Center in Zabrze was sold by Apsys Polska to GE Commercial Finance Real Estate Central Europe for 27 million Euro in July 2005. The yield was estimated at 10.5% and Apsys remained the property manager.

Immoeast Immobilien Anlagen forward purchased Silesia City Centre from TriGranit. The final sale conditions are unknown.

For more information call Jolanta Loranty +48 32 609 00 90.

GDANSK

Office

Modern product lacking

Supply

Tricity (Gdansk, Gdynia, and Sopot) modern office stock is estimated at 190,000 sqm, but only two buildings are top standard. 55% of the total stock is concentrated in Gdynia while 40% is in Gdansk. Approximately 50,000 sqm of office space was delivered in 2005.

The following office buildings play a major role in the market:

Prokom Building – This 21,000 sqm building was delivered in 2005 by leading Polish IT company Prokom (as their own headquarters).

Alfa Plaza Business Center – 13,300 sqm of A-class space located in Gdynia

Hossa Office Center – 9,300 sqm of B-class office space located in Gdynia on Wladyslawa Street. The main tenant is Grupa Inwestycyjna Hossa S.A.

Baltic Business Center – 14,000 sqm of B-class space located on Slaska Street with Bank PKO S.A. as the anchor tenant



Baltic Business Center - 14,000 sqm B-class building

Chipolbrok – Investment – 4,900 sqm located in Gdynia center on Slaska Street. The main tenant is Chinsko-Polskie Towarzystwo Okretowe.

Allcon Dmowskiego – Located on Dmowskiego Street in Wrzeszcz District offering 4,900 sqm.

Centromor – 8,000 sqm located on Okopowa Street in Gdansk Glowny.

Vigo – 7,000 sqm situated on Szymanowskiego Street in Gdansk's Wrzeszcz District. The main tenants are Energobudowa, Hempel and Ergo Hestia.

Company House – 3,500 sqm mainly leased by AIG Amplico Life. The building is located on Aleja Grunwaldzka in Gdansk Wrzeszcz.

Allcon Centrum Slowackiego – 6,000 sqm completed in 2005 on Slowackiego Street in Gdansk's Rebiechowo District with Intel S.A. as an anchor tenant.

Torus – 8,300 sqm delivered last year on Grunwaldzka Street in Gdansk Przymorze. Torus Ltd. is the main tenant.

Office space in Real – 4,300 sqm located in the Real shopping center and delivered in 2005.

Office Space in Manhattan – 2,500 sqm delivered in 2005 and located in the Manhattan shopping center.

There are no major office projects planned for delivery in 2006. As demand was quite weak in the previous year, some investors were forced to change their projects and turn them into multi-functional buildings or smaller schemes of less than 4,000 sqm. Bigger office buildings are developed by local companies for their own purposes - the Lotos Building constructed in Raffineria Gdanska being a good example.

Demand

Last year we observed low and stable demand. In order to reduce costs companies were looking for smaller areas from 150 - 300 sqm. Local companies are most active. As the office space on offer is quite limited, and lots of agreements in old fashioned office buildings are about to end, we predict growing demand for modern centrally located office space. Moreover, the construction of the A1 Motorway and the economic development of the region should stimulate demand.

Rents

Rents in the Tricity region slightly declined in 2005 to a level of 12 - 15 EUR/sqm per month for modern office space and 8 - 12 EUR/sqm per month for lower standard product. Service charges remained unchanged at 2.5 - 4 EUR/sqm per month. Due to expected demand growth and limited supply, we predict an end to rent decline. By the end of 2006 they will probably increase slightly.

Investment

In 2005 ARKA BZ WBK purchased Alfa Plaza Building for 43 million PLN at a yield of around 9%.

Retail

New openings in 2006 and 2007

Supply

The majority of retail product in the region is concentrated in Gdynia and Gdansk. The total retail stock in the Tricity area is estimated at 320,000 sqm.

The most important centers are:

Retail Park Matarnia – Located in Gdansk on Slowackiego, stage I consists of 33,000 sqm with the whole project set to have a total area of 72,000 sqm. Main tenants are Ikea, Obi, Bomi, H&M, Cubus and Kapphall.

Retail Center Manhattan – Located in Wrzeszcz on Grunwaldzka with an area of 53,000 sqm with H&M, Reserved, Kolporter, Ahold and Awans as main tenants.

Retail Center Osowa - Located in Gdansk on Spacerowa Street, this center offers 40,000 sqm with 65 shops and 1,750 parking places. It first opened in November 1998 and main tenants are Geant, Deichman, CCC, and Go sport.

Alfa Centrum Gdansk – Located on Kolobrzaska Street with a total area of 54,100 sqm including 15,550 sqm of retail space, this project offers a two-level underground car park, two levels with 70 shops and a cinema on the top floor. It is fully-leased with H&M, Galeria Centrum, CCC, Smyk, Empik, House, Reserved and Orsay as the main tenants.



Retail Center Manhattan located in Gdansk

Retail Center Madison Gdańsk – Located at the edge of the Old Town on Rajska Street and offering 33,000 sqm with almost 100 shops and service outlets, restaurants, cafes, ice-cream parlours, a tourist information point, a great playground for children, and an underground parking lot. Main Tenants are BOMI, Gymnasion, Reserved and House.

2005 saw the addition of a further 50,000 sqm of modern retail space. The major openings were an additional 22,000 sqm in Matarnia Retail Park and 23,100 sqm in the form of the Fashion House Outlet Center on Przywidzka Street in Gdansk. This is the first retail development of its kind in northern Poland and offers 16,400 sqm with over 80 shops.

The next two years will bring important retail openings for the whole Tricity retail market. One of the most significant deliveries will be Galeria Bałtycka by German ECE. This scheme is located in the

center of Wrzeszcz and will offer a sales area of 45,000 sqm located on three levels, housing 200 shops including fashion stores, sports outlets, a food court, a big supermarket and consumer electronics. This project is due to come online at the beginning of 2007.

2006 should see stage II of the 39,000 sqm Matarnia completed, as well as the beginning of construction on a modern retail center in the heart of Sopot.

Demand

Demand for retail space in the Tricity area remains at a high level with Gdansk being more popular than Gdynia. We have observed demand moving from suburbs to retail centers with a more central location. Also, prime streets like Długa in Gdansk's Old Town, Grunwaldzka and Dmowskiego in Wrzeszcz, Bohaterow Monte Cassino in Sopot or Swietojanska and Starowiejska in Gdynia, are still desired by retailers who search for relatively smaller areas. We do not predict any significant change in demand.

Rents

Rents are rather stable in the Tricity region and we do not envisage any change over the next year. A small unit in a prime shopping center currently costs on average 30 - 35 EUR/sqm per month with service charges of 3 - 5 EUR/sqm per month. Bigger units located in the suburbs can be leased for 8 - 9 EUR/sqm per month with 2 - 3 EUR/sqm per month for service charges. Rents for prime street units with a high pedestrian flow reach 20 - 30 EUR/sqm per month.

Investment

The only important investment transaction on the Tricity retail market took place in March 2005. The 18,000 sqm Galeria Madison in Gdansk was acquired from Grupa Inwestycyjna Hossa by Capital Partners for 17 million Euro at a tidy yield of around 10%.

For more information call Joanna Gomulkiewicz +48 58 520 40 99.

POZNAN

Office

Waiting on demand to strengthen

Supply

A few years ago Poznan was the second fastest developing office market after Warsaw. Since 2003, when supply broke all records, no modern office buildings have been completed. As well as this, no major schemes are planned to hit the market this year. Investors are waiting for demand growth and the introduction of new local planning.

Total office stock in Poznan is estimated at 121,000 sqm of which 77,000 sqm is located in the city center, with 66,000 sqm being up to A-class standards.

The major office buildings are:

PGKI – A 9,500 sqm A-class office building located on Marcelinska Street with Piotr i Paweł, Pekao, CC-Bank Deloitte and Touch as its main tenants.

PGKII – Also a 9,500 sqm A-class facility in the same location with Raiffeisen Bank and Allegro as the main tenants.

Stary Browar – A 6,000 sqm A-class building located in the city center on Polwiejska Street with BRE Bank, Fortis, Pramerica Financial, and Centrum Medyczne LIM as tenants.

Kupiec Poznanski – A 10,000 sqm A-class project with Bank Millennium, PNB Paris Bas and ING as its main tenants.

Globis – A 13,000 sqm A-class office building located in the city center with BPH, Lux Med, KPMG and Centertel as its main tenants.

Winogrady Bussines Center – 5,100 sqm of B class space located in the northern part of the city with Wrigley and Raiffeisen Bank as main tenants.

Poznan Financial Center – The biggest office building in the city offering 18,000 sqm of A-class space. The main tenants are BZ WBK, Polkomtel, Dresdner Bank and FCS.

Delta – 11,000 sqm of A-class space on Towarowa Street in the city center. The main tenants are Ataner, Emax DGA and PZU Zycie.

The following office projects are planned over the next two years:

COB Centrum Obslugi Biznesu – Two buildings with the first offering 16,500 sqm of modern office space in the very heart of the city center in 2007. The second building will be occupied by the Sheraton Hotel and is under construction.

Nowe Garbary – 6,850 sqm planned for mid-2007, to be developed near Market Square.

Andersia Tower – Located in the proximity of Stary Browar, this

building will offer multi-functional space of which 10,000 sqm is designated for offices. Construction works are due to finish in early 2007.

Demand

Supply continues to be higher than demand. The vacancy rate decreased from 35% in 2004 to the still high level of 20% at the end of 2005. The most popular units in A-class buildings are from 100 to 250 sqm. Demand is mostly generated by the financial and banking sectors. Marketing and consulting companies are also quite active. We predict that demand will grow accompanied by slow supply growth.



No class A office buildings were completed in Poznan since 2003.

Rents

Rents in Poznan are stable at 12 - 14.5 EUR/sqm per month for high standard space. Service charges account for 3 - 4 EUR/sqm per month. Over the next year, as the supply/demand balance is decreasing, we predict a slight increase in rents in the best locations.

Investment

The acquisition of Winogrady Business Center by the Polish fund ARKA BZ WBK Fundusz Rynku Nieruchomości was the most notable investment on the local market. The yield was estimated at 9.5%.

Retail

Demand outstripping supply

Supply

Poznań is one of the fastest developing retail markets in Poland. There are several shopping centers with surface areas of over 15,000 sqm including: M1, Centrum Franowo Ikea, Kupiec Poznanski, Stary Browar, two Tesco Hypermarkets, Hypernova, Makro Cash&Carry, Selgros Centrum Panorama, Castorama, Centrum Auchan-Komorniki I Swadzim, Poznan Plaza, and King Cross Marcelin. Poznan cur-

rently offers 374,000 sqm of retail space with the following being the most significant schemes:

Stary Browar – A 22,400 sqm complex located in the very center of Poznan. This project was chosen as ‘The Best Retail Building in Europe’ in 2004 (mid-sized category) and is currently fully-leased with Piotr and Pawel, Zara, Mega Awans and Bata as the main tenants.

M1 – This project offers 55,000 sqm of retail surface and is fully-leased with Real, Media Markt, Praktiker, and H&M as the main tenants

Kupiec Poznański – This 22,000 sqm center was completed in 1994 and is centrally located with a focus on exclusive clothing. It is currently 98% leased with C&A and Kappall as the main tenants.

Auchan Komorniki and Auchan Swadzim – Each of these offer 18,000 sqm of retail space with Euro RTV AGD, Reserved, and Apart as the main tenants in both of them.

In 2005, two major retail projects were completed adding 86,000 sqm of retail space to the Poznan market. They were:

King Cross Marcelin – Opened in April 2005, this is the biggest retail center in Poznan. The 121,000 sqm project - of which 50,000 is retail - was developed by Companies Casino Group and Poznanski Zonkil. It is located in the western part of the city on Bukowskiej Street and its biggest tenants are Geant with 20,000 sqm and Media Markt with 7,000 sqm. Customers also have the option of Reporter, H&M, Reserved, New Yorker, Tatum, Orsay, Empik, Apart, Sphinx, and Smyk. The building is fully-leased with rents ranging from 30 - 35 EUR/sqm per month.



Poznan Plaza combines both shopping and leisure.

Poznan Plaza – Opened on the last day of May and the first retail center in Poznan which combines both shopping and leisure. This 64,000 sqm project cost around 60 million Euro and is fully-leased with over 200 shops including Piotr & Pawel, H&M, Carry, Reserved, House of Colors, CCC, Ecco, Bata. Average rents are between 35 - 40 EUR/sqm per month.

The following retail schemes are planned:

Stary Browar II stage – This new building will be dominated by commercial entities like brand shops and chain stores which are not present in Poznan yet – such as Peak & Cloppenburg from Hamburg. Also a small luxury hotel, restaurants, pubs and open space for shows and art galleries are planned. The 65,000 sqm project should be delivered in autumn 2006 and will include three above ground and three underground parking levels.

Galeria Hetman – In Autumn 2006, construction of a 60,000 - 80,000 sqm shopping center is scheduled to begin on the plot between Hetmanska, Dmowskiiego, Krauthofer and Grojecka Streets. The project is slated to be delivered in the middle of 2007.

Brama Zachodnia – A modern bus station combined with a retail centre has been planned on the crossing of Dabrowskiego and Polska Streets. City authorities are currently looking for an investor who would like to deliver this 25,000 sqm scheme.

The continual revitalization of Poznan city center is making prime streets more and more popular among retailers. Polwiejska Street is still the most popular because of the proximity of Stary Browar and Kupiec Poznanski. We have also noticed increasing attention paid to Szkolna Paderewskiego and Wroclawska Streets.

The Interhart company began renovation of the Paderewskiego 10 tenement which will offer 1,722 sqm of commercial space.

Demand

Demand for retail space - especially on prime streets and in shopping centers - is still very high and we expect it to grow even further. The most popular units are from 250 sqm to 500 sqm in shopping centers and from 50 sqm to 250 sqm on prime streets. Demand is higher than supply and vacancy stands at a mere 5%.

Rents

The average price for retail space in shopping centers stands at 25 - 40 EUR/sqm per month with service charges 2.5 - 3.5 EUR/sqm per month. Main shopping street rents are a little bit lower, from 15 - 35 EUR/sqm per month in the best locations. We expect rents to keep growing in both cases, based on the supply/demand dynamic.

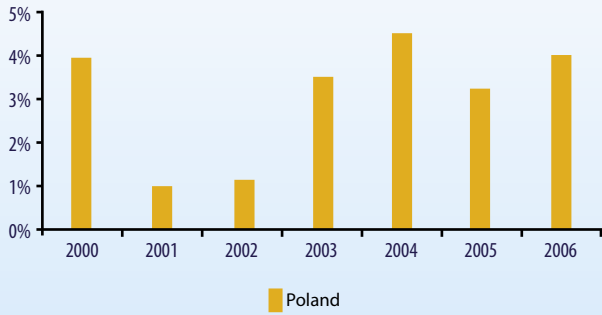
Investments

Poznan Plaza was sold in May 2005 as a part of Plaza Centers portfolio to the French Company Klepierre at a yield of 8%.

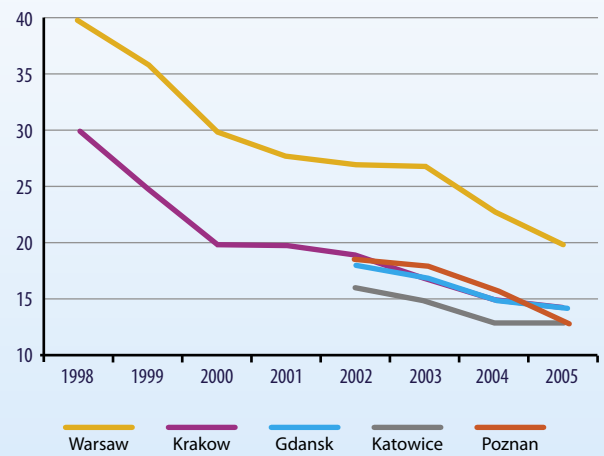
For more information call Justyna Płonka + 48 61 851 90 00.

Charts

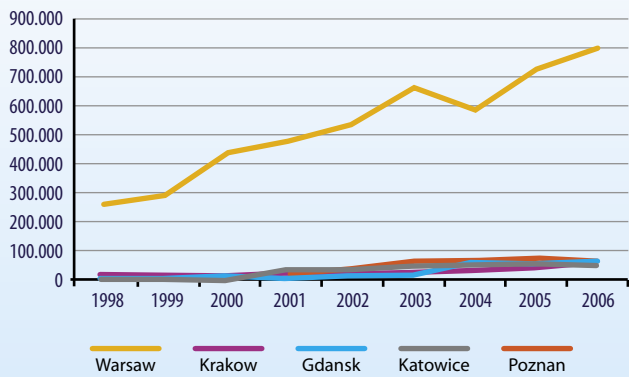
GDP growth



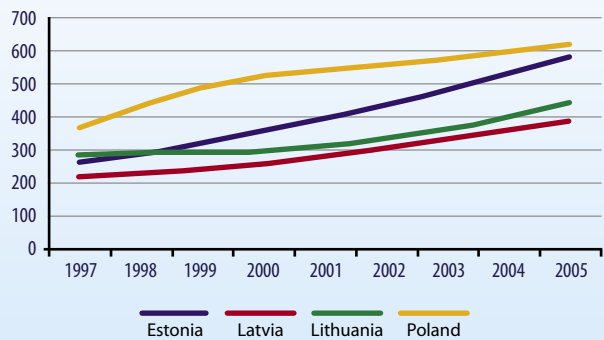
Avg class A office rent (EUR)



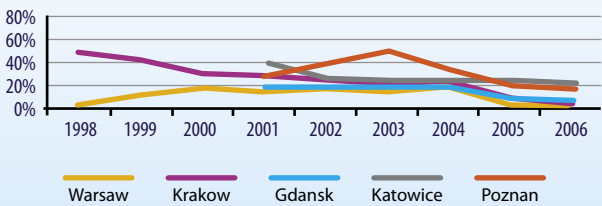
Total class A office space (sqm)



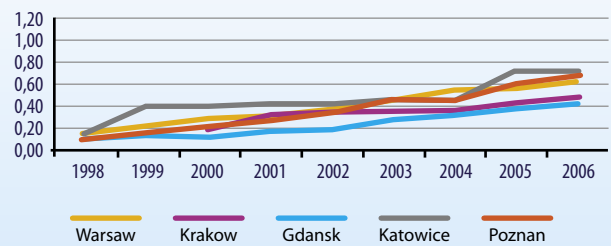
Avg salary per month (EUR)



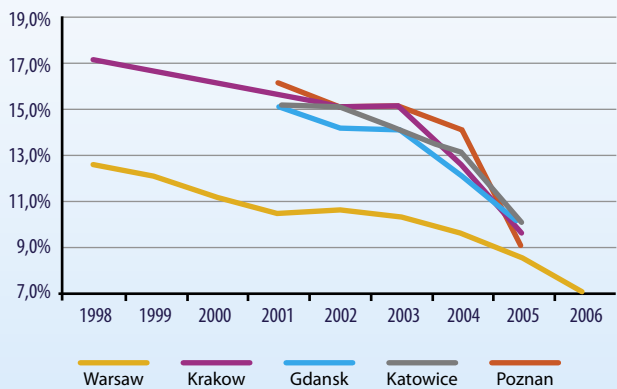
Class A office vacancy rate



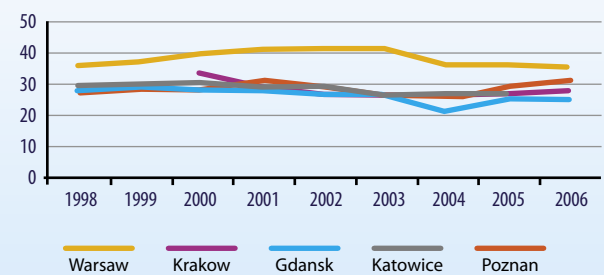
Total mall space per capita



Class A office investment yields

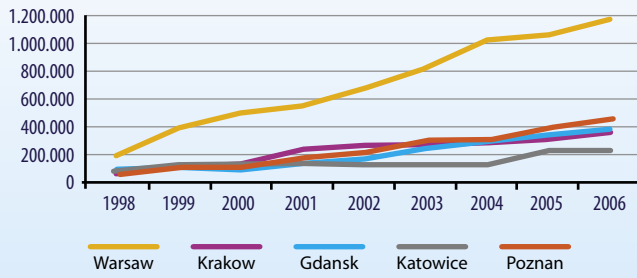


Avg mall rents (EUR)

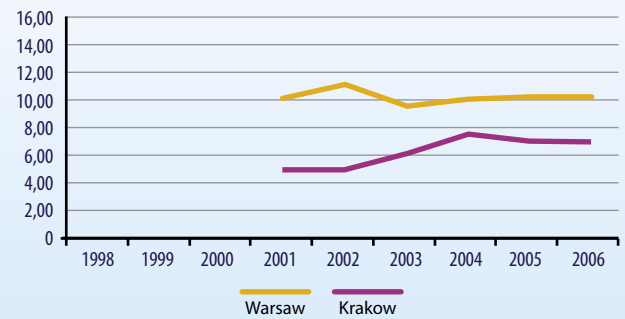


Charts

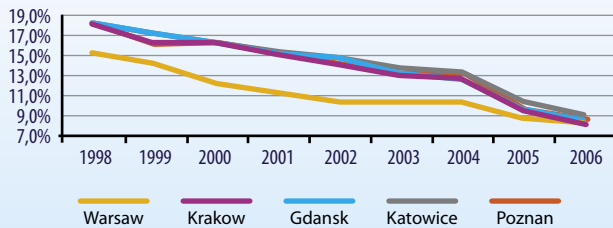
Total mall space (sqm)



Average residential rents (EUR/sqm/month)



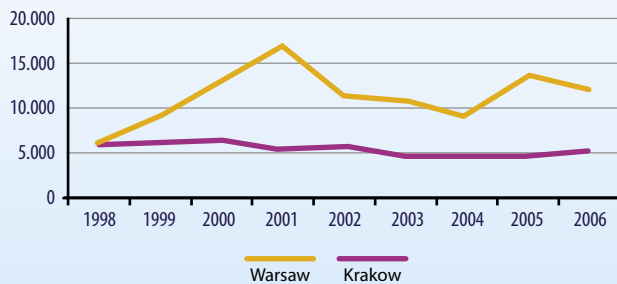
Retail investment yields



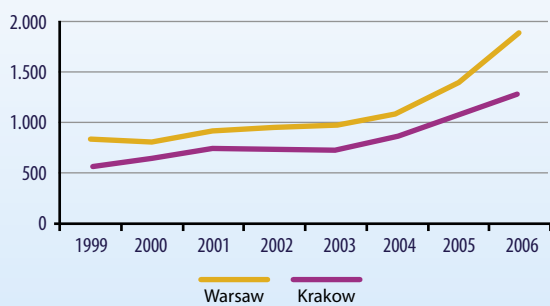
Residential investment yields



Completed residential units



Average city centre residential prices (EUR/sqm)



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