




# Real Estate Market Report 2009

## Poland

Warsaw, Kraków, Katowice, Gdańsk, Poznań, Łódź

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## Polish Economy

Poland's economy is cooling down rapidly, but the International Monetary Fund and other observers still feel an outright recession may yet be avoided. GDP growth is certain to drop from the 5.5% growth rate of 2008 to 1 - 2% growth in 2009. But the tax cuts which take effect in 2009 will support growth in private consumption, and the 15% decline in the value of the Polish zloty (PLN) versus the euro in 2008, to 4.2 PLN per EUR, will help exporters stay competitive.

Inflation in Poland began 2009 at only 4% and dropping, allowing the Polish Central Bank to cut rates its reference rate to 5%. Analysts expect the Polish Central Bank to slash rates to 3% by the end of 2009.

However, declining foreign direct investment and declining rates has hit the value of the Polish zloty (PLN) hard. After rising to an all-time high against the euro in the first half of 2008, the zloty then fell 30% to end the year 14% down for the year from 3.60 PLN per EUR to 4.15 PLN per EUR.

## Warsaw

### Office

#### *Supply Still High*

### Supply

The capital city office real estate market is the most abundant one in all of Poland. In 2008, 270,000 sqm were added to the Warsaw office real estate market. The available modern office space is now 2,960,000 sqm. Another 340,000 sqm will be completed in 2009. In 2008, the vacancy rate for office space was only 2.7%. The limited choice available to the potential tenants causes the new investments to be rented as early as in their construction phase. Due to the low supply of new office space in downtown Warsaw, this tendency is going to uphold. The most popular Warsaw office locations are: City Centre, Mokotów, and Ochota.

### Recent Developments

To lease space in these or other properties, call Ober-Haus on +48 22 528 54 54.

**Lipowy Office Park** - the investment is located at Aleja Żwirki i Wigury, by the main artery communicating downtown with the airport. These are 4 office buildings in A-class standard. The investment was completed in the 4th quarter of 2008 and rented by PKO SA, what represented the largest lease transaction of 2008 in Warsaw. The entire office complex has an area of 39,000 sqm.

**North Gate** - A-class standard office building located on the border of downtown and Żoliborz districts, with a total area of 30,000 sqm. The lease area is distributed across 24 upper and three underground floors. The major tenants are: Dom Mediowy Mindshare and Centrum Unijnych Projektów Transportowych.

**Marynarska Business Park** - a complex of four 9 and 5-storey buildings in A-class and B-class standards, located in Służewiec district, with a total area of 43,000 sqm. Major tenants: Netia S.A., Schering-Plough.

**Equator I** - 15-storey A-class office building located at Al. Jerozolimskie, with an area of 17,000 sqm.

**Tulipan House** - 4-storey A-class office building with an area of 17,900 sqm, located in Mokotów at Domaniewska Street. The location provides for a convenient and easy access by both



municipal and own transport. Main tenants: Ernst & Young, Aster, TP Emitel, Kodak.

**SkyLight** - offices in the Skylight skyscraper, which forms part of the Złote Tarasy complex, are located in strict downtown Warsaw, at the very heart of the Central Business Area. The tower raises over 16,780 sqm.

**Grzybowska Park** - modern, 7-storey A-class skyscraper with an area of 10,400 sqm. The building is located in the heart of Warsaw's Central Business Area. The location provides for a convenient access to all means of public transportation, hotels, restaurants, banks and other business institutions. The main tenants are: AIG Lincoln.



• Horizon Plaza, Curtis Development Sp. Zo.o.

## New Projects

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**Platinum II** - A-class office building near Galeria Mokotów, constituting phase II of the office complex. Phase III will be completed at the beginning of 2010. The tenants of phase II have been joined by: IC Companys, Helm, Accetis, Crédit Agricole, mBank.

**Horizon Plaza** - office building at the corner of Wołoska and Domaniewska Streets. Along Domaniewska there is a 6-storey building and perpendicular to it, farther into the lot, an 11-storey office building, the cross section of which will resemble three overlaying waves. The usable area of the complex is 35,000 sqm. The main tenant is Nokia Siemens Network

**Poleczki Business Park** - two buildings are to be constructed in the first phase. At completion, in 2010, both buildings will offer a total of 38,000 sqm of office area and 7,000 sqm of services area on the ground floor. The following phases will be completed successively and the completion of the entire

project is planned for 2015. The project will consist of a line of office buildings, a hotel, logistic facilities and a standalone parking building

**Catalina Office Center** - 10-storey A-class office building near Galeria Mokotów at Rzymowskiego Street. The total area of this building office will reach 14,200 sqm. Estimated completion date is 3rd/4th quarter of 2009.

**Crown Square** - A-class standard office building located in upper Wola district, at Przyokopowa Street. The total area of this office building is 17,000 sqm, and the estimated completion date is the 4th quarter of 2009.

**Park Postępu** - these are four 7-storey A-class office buildings, to be completed in August 2009. The total area of the complex is 34,000 sqm.

**Trinity Park III** - office complex in the business part of Mokotów, at Domaniewska Street. To be completed in the 3rd quarter of 2009. Total area of the complex will be 33,000 sqm.

## Demand

In spite of the economic slowdown, demand for Warsaw office space remained high in 2008. By the start of 2009, 58% of the new office space slated for delivery in 2009 was either pre-leased or under intent to be leased. However, the slowdown started to affect demand in 2009, with rents beginning to soften.

## Rents

Rents rose 12% in 2008 to EUR 24 - 30 (PLN 96 - 120) per sqm monthly in A class offices in the city centre. Rents for modern office buildings are denominated in EUR.

In 2008, rents in the south of centre Mokotów district rose to 15 - 18 EUR per sqm monthly. Maintenance fees for A-class space range from EUR 4 - 5 (PLN 16 - 20) per sqm.

As interest in renting office space increased in 2008, owners had less reasons to offer additional incentives, such as rent-free periods or furnishing the space. Parking prices downtown range from PLN 720 to 1,000 (EUR 180 to 250) a month for one parking spot, whereas outside of city centre tenants have to pay PLN 280 to 360 (EUR 70 - 90) a month for an underground parking spot and PLN 180 to 300 (EUR 45 - 75) a month for an outside parking spot.

In 2009, with the economy softening and new supply rising, Ober-Haus expects A class rents in the city centre will fall 10%, to EUR 22 - 27 (PLN 88 - 108) per sqm monthly.

## Investment

The largest transaction was the PLN 640 million (EUR 160 million)-worth purchase of 50% of Rondo 1 office building shares by an Australian fund Macquarie Global Property Advisors. Another noteworthy transaction was Segro's sale of a new office building, Tulipan Park at Domaniewska Street, to a German fund Commerz Real Investmentgesellschaft mbH for PLN 240 million (EUR 60 million). Moreover, in 2008, Ghelamco sold Marynarska Business Park, completed this year, for PLN 668 million (EUR 167 million) to the German fund, DEGI.

## Retail

### *The Largest In Poland*

### Supply

The Warsaw commercial space market is the largest one in Poland. The total supply of modern commercial space exceeds 1,410,000 sqm. In 2008, developers built 18,300 sqm of new retail space.

### Major Shopping Malls

To lease space in these or other properties, call Ober-Haus on +48 22 528 54 54.

**Wola Park** - Wola, Górczewska Street 124, 73,000 sqm of commercial area. The two floors of the mall house 160 stores, cafes, restaurants and services. The entertainment section accommodates a movie theater and a fitness club. The main tenants are: Auchan, RTV EURO AGD, C&A, H&M, ZARA, Kappahl, Galeria Centrum, Silver Screen.

**Arkadia** - Downtown/Żoliborz, Al. Jana Pawła II 82, is 110,000 sqm with almost 230 commercial venues. These include Polish and foreign brands, restaurants, cafes and a movie theater. The main tenants are: Saturn, Carrefour, Leroy Merlin, Peek&Cloppenburg, Royal Collection, Cinema City.

**Galeria Mokotów** - Mokotów, Wołoska Street 12, 60,000 sqm of commercial space. The three floors house 240 stores, commercial and service points, an entertainment centre and a movie theater. Galeria Mokotów is considered the most prestigious and popular shopping mall. The main tenants are: Carrefour, Cinema City, EURO RTV AGD, Galeria Centrum, Royal Collection, Marks&Spencer, Smyk.

**Złote Tarasy** - Downtown, Złota Street 59, 64,000 sqm of commercial space. This is a commercial-office-entertainment complex situated in the strict centre of Warsaw, right by the Central Station and the Palace of Culture and Science. On the four floors, we can find, among others: Albert, Van Graaf, Zara, Rogal Collection, H&M, Marks&Spencer, Saturn, Multikino.



• Galeria Mokotów, Globe Trade Centre S.A.

### Recent Developments

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**Centrum Familijne Skorosze** - located at Al. Jerozolimskie. The total area of 12,000 sqm is completely rented. The main tenant are the delicatessen Alma. In 2008 another construction phase of 7,000 sqm was completed. IIC Group, a subsidiary of Giron Development & Building is responsible for this project.

**Centrum Handlowe Trenów** - one-storey, service and commercial development completed towards the end of 2008, located in Izabelin at Trenów Street. The commercial area of the investment amounts to 2,200 sqm, of which 1,000 sqm is occupied by the supermarket MarcPol, and the remaining part is reserved for a shopping mall. One of the tenants is Avans.

**Park Handlowy Targówek** - the main tenants are IKEA, Decathlon and Elektro Word. Domoteka, with stores, is also located here. This year, Park Handlowy Targówek was enlarged by 14,800 sqm of area of Leroy Merlin and 3,600 sqm of more commercial space.

### New Projects

**Fort Wola** - Mayland Real Estate wants to expand the area of Fort Wola to 45,000 sqm of commercial space. Many tenants from the "everything for the house" sector, offering finishing

materials, decoration, furniture, etc. will rent here. The estimated completion date of the investment is 2009.

## Demand

The Warsaw sector of commercial real estate is still holding strong. There is still a large demand for commercial space in the capital city. The vacancy rate in 2008 amounted to 1% of the total. The most coveted location is downtown Warsaw, where rents are successively increasing. This is mostly due to the lack of possibilities to build new developments. The main investors are companies from Great Britain, Ireland, the Netherlands, Germany and the USA.

## Rents

Retail rents were largely unchanged in 2008, and may even soften in 2009. Rents for the best spaces with an area of 100 - 150 sqm in the most attractive shopping malls in Warsaw are from EUR 80 - 90 (PLN 320 to 360) per sqm. Rents for modern retail centres are denominated in EUR.

The most attractive high street locations are Chmielna and Nowy Świat, where rents are from EUR 85 - 100 (PLN 340 to 400) per sqm. In the case of large-area (1,000 sqm and up) commercial real estate, rents are from EUR 12 - 15 (PLN 48 to 60) per sqm depending on the location; for the 150 - 300 sqm sector, rents are from EUR 30 - 50 per sqm or calculated as a percentage of the turnover. Depending on the type of business, it ranges from 2.5% to 4% for the food sector, from 5% to 7% for the sports sector, 7% to 8% for the clothing sector and 5% to 10% for the restaurant sector.

## Investments

In 2008 the Warsaw commercial real estate market did not witness any major transactions. For most attractive real estate, yields are from 5.75% - 6%.

## Industrial

### Continued Development

### Supply

Warsaw has 2,1 mln sqm of warehouse space, which represents nearly 50% of logistics centres in Poland. In 2008, 380,000 sqm of warehouse space were built on the outskirts of Warsaw. The largest warehouse parks around Warsaw are Park Warsaw,

Panattoni Park Pruszków, Alliance Logistic Center Błonie. The vacancy rate was at 8,6% in 2008. The warehouse spaces around Warsaw are divided into three zones, depending on their distance from downtown:

**Zone I** - south-up to 12 km from downtown Warsaw - Okęcie, Służewiec, Żerań, Targówek.

**Zone II** - from 12 to 30 km from downtown Warsaw - Nadarzyn, Pruszków, Piaseczno, Ożarów Mazowiecki.

**Zone III** - from 30 to 50 km from downtown Warsaw - Mszczonów, Teresin, Sochaczew.



• Panattoni Park Teresin, Panattoni Europe.

## New Projects

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**ProLogis Park Warsaw II** - another phase of the investment by ProLogis, with an area of 38,000 sqm, located at Staniewicka Street. The main tenants are in the logistics, pharmaceutical and paper sectors.

**Panattoni Park Teresin** - modern distribution park offering 36,500 sqm of warehouse and office space. It is located 33 km west from Warsaw, nearby planned highway linking Berlin and Warsaw.

**Panattoni Park Błonie** - constructed by Panattoni Europe, with an area of 46,000 sqm, located in Błonie, 30 km from Warsaw, close to the A2 highway connecting Berlin and Moscow and the E30 expressway. It is a convenient spot for a distribution centre servicing Polish and European markets.

**Tulipan Park Warszawa** - located 18 km from Warsaw, in Nadarzyn, by the Katowice-Warsaw route. Total warehouse area will be of 130,000 sqm; the first phase of the investment with

an area of 50,000 sqm has been rented out in 60%. The main tenants are Navo PGD and Athletic Group.

## Demand

The demand for warehouse space remains high in Warsaw. In zone I, within 12 km from downtown Warsaw, areas of up to 1,000 sqm are in highest demand. However, in 2008, zone II, between 12 and 30 km from downtown turned out to be the most developed both in terms of new areas (40%) and rented areas (70%), and there the most often rented spaces are those of above 1,000 sqm. Zone III, ranging from 30 to 50 km from downtown Warsaw, is characterized mostly by rents of spaces above 10,000 sqm, generally by logistics operators.

## Rents

Retail rents were largely unchanged in 2008, and may even soften in 2009. Depending on the location, rents generally fall into the following ranges:

**Zone I** - 4.80 to 6.00 EUR per sqm.

**Zone II** - 2.90 to 3.30 EUR per sqm.

**Zone III** - 2.75 to 3.20 EUR per sqm.

Rents for modern warehouses are denominated in EUR.

## Transactions

One of the transactions on the Warsaw warehouse market was the takeover by a Luxemburg investment fund PBW II, managed by the AEW Europe group, of a logistics centre Good Point in Warsaw (40,000 sqm).

## Land

### High Demand

### Supply

Due to the crisis which hit both the real estate and the credit markets, the demand for residences has diminished and, coupled with the simultaneous high land prices, it resulted in decreased demand for them on the investors' side.

Land supply is fuelled not only by private sellers, but also by investment funds, i.e. smaller foreign investors who, faced with the current situation, decided to withdraw from the Polish real estate market. More and more often the land is offered up for sale with valid zoning regulations or even construction permits.

## Prices

The prices of land plots in Warsaw depend mostly on location and their intended use. Due to the increase of supply, coupled with the simultaneous slowdown of demand for residential land, there has been a downward tendency for this real estate in 2008.

Downtown prices for land to be developed with blocks of flats range from PLN 3,000 to 16,000 per sqm, while in the outskirts it is PLN 800 to 2,500 per sqm.

Areas for commercial developments (offices, shopping malls), depending on their location, cost from PLN 1,500 per sqm outside downtown to PLN 15,000 per sqm in the centre of Warsaw. Investment land for a warehouse project currently costs up to PLN 600 per sqm, depending on the location and the zoning plan, and in zone I, the price can reach as high as PLN 1,200 per sqm.

## Demand

Starting in early 2008, the market has seen a substantial slowdown in demand for residential land, which disappeared almost altogether by the start of 2009. The situation in the segment of land destined for office and commercial developments is looking much better - this is a result of limited supply of land, especially downtown.

In the case of land for warehouse investments, the developers, due to continuously high land prices, limit their purchases in fear of the decrease of demand for warehouse space and also due to the situation on the credit market, fearing trouble with financing the real property. Investors are holding out on land purchases, expecting price corrections to come next year.

## Investments

Municipal company PBU Warsaw North has announced a second tender for the purchase of a plot of land with an area of 12 hectares, at Górczewska Street. The real property, despite the original reserve price having been lowered from 250 to 210 million PLN, has yet to find its buyer.



## Residential

### A Slowdown

#### Supply

In Warsaw developers built 19,429 apartments in 2008, a 33% on 2007 supply. There are at least 16,000 unsold new apartments on the market at the start of 2009, and Ober-Haus estimates that additional 18,500 new flats will be delivered to the market by developers in 2009.

New projects are being built in all of the city's districts, but depending on the location, their finishing standard and prices vary. The developers are diversifying their investment portfolio - in order to limit the risks, they diversify the standard of the built apartments and the target groups of their offers.

The best known developers in the capital city are Dom Development, Marvipol, Sando Inmobiliaria, Budimex Nieruchomości, Ghelamco, Orco, Ronson, JW Construction.

The market of new flats is supplied both by builders' new developments, and also by speculators who in previous years bought large blocks of empty new flats with the intention of reselling later.

#### Prices

Warsaw new apartment prices grew 2% in 2008, to average of PLN 8,000 (EUR 2,000) per sqm. While the city centre is characterised by investments in expensive residential projects, with prices ranging from PLN 15,000 to 28,000 per sqm (EUR 3,750 - 7,000), other regions offer plenty of apartments in the "popular segment" costing PLN 8,000 to 10,000 per sqm (EUR 2,000 - 2,500), and in locations farthest from the centre, such as Białołęka, Włochy, Ursus and Miasteczko Wilanów, prices range from PLN 5,000 to 6,000 per sqm (EUR 1,250 - 1,500).

The average price of secondary market apartments rose 2% in 2008 to PLN 8,900 per sqm (EUR 2,225). In the Old Town and in the city centre prices average PLN 14,000 per sqm (EUR 3,500), in a range from PLN 7,000 to 25,000 per sqm (EUR 1,750 - 6,250). In outer districts, such as Włochy, Ursus, prices are from PLN 6,000 to 8,000 per sqm (EUR 1,500 - 2,000). Residential prices are nearly always offered in Polish zloty (PLN).

## New Projects

To buy or rent in these or other residential properties, call Ober-Haus on +48 22 528 54 54.

**Grzybowska 4** - a project by Dom Development, located in downtown Warsaw at Grzybowska Street. The project consists of 286 apartments with an area of 38 to 140 sqm with the option of upgrading to high-standard. The prices range from PLN 15,000 to 28,000 per sqm (EUR 3,750 - 7,000). Completion date: end of 2009.



• Grzybowska 4, Dom Development.

**Złota 44** - a luxury highrise residence in downtown Warsaw, by Orco Property Group. This 192-metre high, 54-storey building with 251 apartments will be one of the city's earmarks. The prices stretch from PLN 26,600 to 34,200 per sqm (EUR 6,650 - 8,550) depending on the floor and the finishing standard. The construction commenced in the third quarter of 2007 and its completion is planned for the end of 2010.

**Nautica** - by Ronson Development Group. The project is located in Ursynów, Stryjeńskich Street - it consists of 147 apartments with an area of 32 to 125 sqm, distributed across two 5-storey buildings. The prices are of PLN 9,300 to 11,500 per sqm (EUR 2,325 - 2,875). Completion date: stage I - February 2010, stage II - June 2010.

**Wiślana Aleja** - built by JW Construction. The project is located at Odkryta Street, it consists of 400 apartments with an area of 30 to 80 sqm distributed across six 5-storey buildings. The price of the remaining apartments is of PLN 6,700 per sqm (EUR 1,675). Completion date: second quarter of 2010.

**Osiedle Platany** - built by Marvipol Development. The project is located in Ursus, at Ryzowa Street. It consists of 308 apartments with an area of 27 to 90 sqm distributed in three 5-storey buildings. Prices range from PLN 5,999 to 8,175 per sqm (EUR 1,500 - 2,044). Completion date - second quarter of 2010.



## Demand

In 2008, supply was greater than demand, with the only 11,500 new units sold last year. This result is worse than that achieved in 2007, when more than 16,000 units were purchased. Therefore we see that the demand in 2008 fell by 4,500 apartments, more than 25%.

Actual transaction prices were 12% lower than asking prices, on average. The largest demand is for apartments from the so-called popular segment: 1-2 bedroom of 30-50 sqm, in well-communicated districts with good infrastructure and access to downtown, as well as ones in more remote locations in new settlements. The main choice criterion was the price, often at the cost of the location. The popular districts are: downtown, upper Mokotów, Ochota, Żoliborz, while Białołęka (Tarchomin included), Ursus and Włochy are considered to be fairly reasonably priced.

## Mortgage Market

Until the third quarter of 2008 banks showed a 16% annual increase in the total volume of mortgage loans. But starting in September 2008 banks tightened the criteria of granting credit to both developers and purchasers, hitting the real estate market hard. Banks, which at the beginning of the year were pursuing customers, in following months and up until the end of the year practically stopped granting the up until then popular credits in CHF, at the same time raising the requirements for credit in this currency as well as in zlotys (for example increased down payment to 10-35% in CHF). In the first half of the year, the interest rate of credits in CHF for a credit to purchase real estate worth 400,000 PLN with 25% down payment amounted to 4,2%, while the credit to buy the same real estate, with the same down payment in PLN had the interest rate of 7,65%. By the end of the year, the interest rates were of 4,87 for CHF and of 8,05% for PLN, respectively.

## Rents

In 2008 residential rents grew by 11%. Ober-Haus anticipates that rents will be unchanged in 2009. The most popular type of apartment for rent is a 2-room one in the price range of PLN 2,200 - 2,800 (EUR 550 - 700), located downtown or in districts adjacent to it, with an area most often 45 - 55 sqm, preferably with an underground garage and fully furnished. The monthly rent for a 3-room apartment with an area of around 70 sqm in downtown Warsaw typically ranges from PLN 3,000 to 5,000 (EUR 750 - 1,250). The price depends mostly on the location of the apartment and on its standard, but the attractiveness of the complex in which it is situated is no less important, as are a parking spot and safety measures offered to the residents.

These are most often rented by people staying in the capital city on contracts, also by foreigners.

The popular districts are City Centre, Mokotów, Ochota, Żoliborz, and Wola. Renting a studio or a 2-room apartment with an area of 30 to 45 sqm costs from PLN 1,600 to 2,000 (EUR 400 - 500) a month – these are mostly rented by young people starting their professional life. The prices of apartments with areas of 50 to 70 sqm are as follows: from PLN 2,200 to 3,000 (EUR 550 - 750) a month for a 2-room apartment and from PLN 3,000 to 5,000 (EUR 750 - 1,250) for a 3-room one. For a 3 to 4-room apartment, the rent range from PLN 3,000 to as high as PLN 10,000 (EUR 750 - 2,500) a month.

The most profitable apartments are those located close to or at the heart of city centre, well-communicated, in new developments, equipped in a good standard - their yields are from 6 to 7%. The average rental yield in Warsaw rose to 6.0% by the end of 2008.

The inaccessibility of credit has caused an increase in the number of rents; the demand, even in times of high supply, was upward, especially in attractive locations and for finished apartments, furnished in high standard. This is a stable tendency - apartments for rent still maintain high prices.

## Kraków

### Office

#### *Continuous High Demand*

#### Supply

In Kraków, we are still witnessing a continuously insufficient supply of A-class office space. The currently available, modern office space is 250,000 sqm. The deficit of top-class office space has caused a tremendous interest in this segment of the market. The investments planned for next year will offer the tenants several interesting office developments, which will give Kraków 150,000 sqm of top-class space. These are, among others: the next phases of Quattro Business Park (phase I) - 12,000 sqm, Krakowski Business Park (next phase - 3 buildings, each with an area of 16,300 sqm) - 48,900 sqm, Building Vinci - 20,000 sqm.

#### Main Office Developments

To lease space in these or other properties, call Ober-Haus on +48 12 428 17 00.

**M65 Meduza** - A-class building with an area of 3,950 sqm (the target is 4,630 sqm) located on the corner of Mogilska and Cystersów streets. Currently (as of December 2008), 93% of the rental area is rented out. One of the tenants is company GD&K Group.

**ONYX** - modern, four-storey, B+ class office building with an area of 6,000 sqm located at Powstańców Śląskich Street. This investment was completed in October of 2008. The building has been already 100% commercialized. The main tenants are: Electrolux Poland Sp. z o.o. i Skanska S.A.

**Rondo Business Park** - a modern A-class office complex with an area of 17,400 sqm. It is located in Kraków, on the corner of Lublańska and Bora-Komorowskiego streets. This investment was completed in two phases. In phase I, in 2007, two buildings were commissioned for use (3- and 14-storey) with a total area of 9,400 sqm, and in phase II, in 2008, a 5-storey office building with an area of 8,000 sqm. The main tenants are Capgemini, Statoil i ArcelorMittal.

**Edison** - after Galileo and Newton, this is the third GTC building constructed at Armii Krajowej Street in Kraków. The 11-storey office building offers 10,000 sqm of high-class office space. Tenants moved into Edison in February of 2008. 100% of the building space is rented out. The main tenants are: IBM, Ahold, Citibank and Ergomed.

**Galeria Kazimierz Office** - 2,000 sqm of A-class office space; a continuation of the shopping mall building Galeria Kazimierz. Commissioned for use in 2008.



• Quattro Business Park, Buma Inwestor Sp. z o. o.

#### New Projects

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**Quattro Business Park (QBP)** - a modern A-class office building with an area of 48,800 sqm located at Gen. Bora-Komorowskiego Avenue. It will be composed of 4 fourteen-storey office buildings. The construction of the QBP complex has been divided into 4 phases. The first one is to be completed in December 2009, and the completion of the entire investment is scheduled for 2012. (Quattro Business Park, Buma Inwestor Sp. z o. o.)

**Centrum Biurowe Vinci** - office building Vinci, located at Opolska Street will offer 20,000 sqm of modern office space. The office building will be offered to tenants in the 3rd quarter of 2009. The location of the investment on the crossroad of two important national expressways allows for quick and easy access to the International Airport Balice (10 km) and to the strict city centre.

**Pascal** - the fourth GTC office building, located in the complex of buildings at Armii Krajowej Street. In 2009, 5,200 sqm of top-class office space with an underground parking will be available for the use of tenants.

**Mosiężnicza** - a four-storey office building with an area of 1,625 sqm, located a short distance from Rondo Mogilskie, at Mosiężnicza Street, in the vicinity of the Kraków Court of Appeal and the seat of the Regional Court. Scheduled date of completion: the 3rd quarter of 2009.

**Bonarka 4 Business (B4B)** - office centre offering 32,000 sqm of A-class office space spread across 4 buildings. Planned investment completion in the 4th quarter of 2009.

## Demand

Kraków is the only market besides Warsaw which shows a growing demand for office space. The coefficient of unrented space in the capital city of the Lesser Poland region is 0. It is estimated that next year it may go up slightly, to 1%.

## Rents

2008 saw A class office rents rise to EUR 16 - 20 per sqm (PLN 64 - 80), while B class rents are from EUR 12 - 15 (PLN 48 - 60). Maintenance costs range from PLN 12 - 24 (EUR 3 - 6) per sqm. Rents for modern office buildings are denominated in EUR.

## Retail

### Still Big Potential

### Supply

The investors are noticing the continuously growing potential of Kraków, and hence their interest in commercial developments is still strong. This sort of investments are leased by international concerns well in advance. A new investment - Angel City, located in strict downtown of Kraków by the end of 2008 offered 3,600 sqm of commercial space. Bonarka City Center - the largest investment of the year, is to offer 91,000 sqm of commercial space in the years to come. Currently, Kraków is starting to witness the rise of tendency to build multifunctional commercial developments, which unite commercial, entertainment and office functions. The supply of modern commercial space in Kraków stands at 423,600 sqm.

### Main Shopping Malls

To lease space in these or other properties, call Ober-Haus on +48 12428 17 00.

**Galeria Krakowska** - adjacent to the Main Station in Kraków, is the first phase of an extensive investment project - Nowe Miasto, which is to include also hotel services, luxury apartments and 4,500 sqm of office space. The centre offers its tenants 60,000 sqm of commercial space on three storeys. The space has been rented out in 90% a year prior to being opened.

The main tenants are: Saturn, Carrefour, Peek & Cloppenburg, H&M, C&A, New Yorker i Reserved, Intersport, Smyk.

**Galeria Kazimierz** - the centre has an area of 36,200 sqm rented out by 160 stores, service points and 10 movie theater screening rooms. Galeria is located in the popular district Kazimierz by the Vistula river - about 10 km from the city centre. The main tenants are Cinema City, Zara, H&M, C&A, Reserved, Alma Market, Empik i Smyk.

**Galeria Handlowa Solvay Park** - a shopping mall located in the Southern part of Kraków, at Zakopiańska Street, near Carrefour and Castorama stores. The area of the mall is 23,500 sqm. MediaMarkt, BOMI, Immedia, ExiSport, Americanos and others are among the main tenants.



• Galeria Krakowska, ECE Projektmanagement Polska Sp. z o.o.

### Recent Developments

**Angel City** - a new investment in the strict centre of Kraków. Since November 2008, the investment offers its tenants 3,600 sqm of commercial and service space. The individual premises will have an area of 35 to 1,300 sqm.

### New Projects

To lease space in these or other properties, call Ober-Haus on +48 12 428 17 00.

**Bonarka City Center** - a multifunctional urban center is being constructed on a post-industrial lot in the Kraków district of Podgórze. The investment will be completed in 3 stages: phase I of Bonarka City Center is 91,000 sqm of usable space and the offer will include 250 commercial venues. The scheduled completion date for this part of the investment is the second half of 2009.



## Demand

The demand for modern commercial space is still growing. The investors are looking for locations attractive to consumers who feel well in new shopping malls. Galeria Krakowska, located in the vicinity of the Main Station and the Main Square has turned out a huge success, as did the smaller Galeria Kazimierz, also located downtown, close to Kazimierz and Vistula boulevards.

## Rents

The average rent for commercial space on the main streets of the Old Town is stable and it ranges from PLN 160 to 350 per sqm (EUR 40 - 88). The rent prices in shopping malls range from PLN 65 to 180 per sqm (EUR 16 - 45), with exploitation costs from PLN 11 to 22 per sqm (EUR 3,6 - 5,5). Rents for modern retail centres are denominated in EUR.

## Industrial

### Continuously High Demand

### Supply

The current supply of modern warehouse space in Kraków stands at 36,000 sqm and, in comparison to other regions in Poland, it is very small. In 2008, the investment Panattoni Park Kraków in Skawina with an area of 17,000 sqm was completed. The low supply of warehouse space is insufficient for the demand. Due to this, there is still space for new investments. New projects within the next few years will increase the supply several times. One investment currently developed is Kraków Airport Logistics Center in Modlniczka (planned to be 150,000 sqm).

### Main Warehouse Parks

To lease space in these or other properties, call Ober-Haus on +48 12 428 17 00.

**Kraków II Centrum Logistyczne** - one of the largest and most modern warehouse parks located in Rybitwy, comprises of 11,000 sqm.

**ANWA Baza magazynowa** - warehouse space - a complex of five warehouse halls with a total area of 13,000 sqm.

**Alstar Centrum Logistyczne** - modern warehouse and office space in Kraków, at Zawila Street. The total warehouse area is 6,000 sqm - currently fully rented out. The property includes 2,100 sqm built for the computer company Veracom. The investment was completed in 2001.

**Panattoni Park Kraków** - located near by Skawina, offers 17,000 sqm of warehouse and office space. The investment was commissioned for use in December 2008. The main tenants: Społeczny Instytut Wydawniczy ZNAK, OSG Polska and DSV Road.



• Panattoni Park Kraków, Panattoni Europe.

### New Projects

To lease space in these or other properties, call Ober-Haus on +48 12 428 17 00.

**Kraków Airport Logistics Center** - located in Modlniczka, 300 m from the planned Kraków ring road S7. The investment is located on a lot of land of 31,5 hectares. Exceptionally flexible warehouses, built with attention to the needs of future tenants which at completion will have an area of 150,000 sqm. One of the tenants is the logistics operator KMC Services.

### Demand

Due to the limited supply of modern warehouse space in 2008, 9,000 sqm of it were rented out in Kraków. Demand is still exceeding supply. The vacancy rate was 0%. Due to the growing interest in the renting of such space, also the interest of warehouse developers in this part of Poland, which holds large potential for this type of investments, is growing, especially for locations along the city ring road - Skawina, Opatkowiec, near the airport in Balice.

## Rents

Rent prices for modern warehouse space are denominated in EUR, at EUR 4 - 5 (PLN 16 to 20) per sqm, whereas for the low-standard, mostly unheated warehouses, the prices are denominated in zloty from PLN 8 to 16 per sqm (EUR 2 - 4).

## Land

### Verification of Prices

### Supply

In 2008 there was a noticeable rise of supply of land in good locations ready to be developed, with zoning regulations or building permissions, what was virtually unheard of in previous years. Before, sellers would offer land without master plans and without the decisions on zoning regulations. The supply of land in the single and multifamily residential construction segment remained high. 2008 verified the land prices - buyers withheld their decisions to purchase, although interest remained elevated.

### Prices

Prices of land in Kraków in the first half of 2008 went up by 2 to 3%, while in the second half of the year, one could observe a correction at the same level. The largest correction was witnessed on the city peripheries. The land prices depended on its location and purpose:

- Prices of residential land in the centre stabilized in the range of PLN 3,000 to 5,000 per sqm (EUR 750 - 1,250), in the intermediate regions - PLN 1,200 per sqm (EUR 300), and in the city outskirts, PLN 800 per sqm (EUR 200).
- Commercial land in the centre averages PLN 2,000 per sqm (EUR 500), while in the outskirts - PLN 700 per sqm (EUR 175).

### Demand

In Kraków, the demand for land is mostly tied to the demand for apartments in single and multifamily residential developments. In 2008, the situation on the market did not favour the rise of supply for residential land, due to which the interest for these lots decreased. The few buyers preferred locations north of Kraków, such as: Zielonki, Węgrzce, Bibice, and south of the city - Libertów, Mogilany.

Much higher demand was enjoyed by land property destined for

office, service and commercial (discount stores) developments, located in the traffic route along Zakopiańska and Wielicka streets, as well as along the traffic routes connecting Nowa Huta with downtown (Czyżyny) and the northern part of Kraków - Opolska, Armii Krajowej streets.

## Residential

### Crisis on the Market

### Supply

In 2008, 6,621 new flats were built in Kraków and supply significantly exceeded demand. The level of supply was influenced by not only the apartments completed in 2008, but also by those which had been bought for speculative purposes by Polish and foreign investors during the times of boom on the real estate market. Such situation, in combination with the crisis on the global financial markets contributed to the drastic fall of sales on the real estate market in 2008. In 2008, 12,100 residential building permits were issued, including private housing, and the construction of 17,600 new apartments was started.

### Prices

Residential prices fell 4% in 2008, to PLN 7,200 per sqm (EUR 1,800) for new developments, and PLN 8,780 per sqm (EUR 2,195) on the secondary market. In the case of attractive or luxury properties in the Old Town near the Main Square, prices can be as high as PLN 23,000 (EUR 5,750) per sqm. Ober-Haus expects some price declines in 2009 due to the declining availability of mortgage finance, and declining economic situation of foreign buyers. Residential prices are nearly always offered in Polish zloty (PLN).

### New Projects

To buy or rent in these or other residential properties, call Ober-Haus on +48 12 428 17 00.

**Kamienice Herbowe** - an investment by KCI Łobzów sp. z o.o., at Wrocławska Street. The prices go from PLN 8,330 per sqm (EUR 2,080) to PLN 12,760 per sqm (EUR 3,190). The investment includes three buildings, of which the first one, named Wrocław (72 apartments) has been completed, and the completion of the remaining two - named Gdańsk (70 apartments) and Poznań (59 apartments) is scheduled for May 2009.

**Wiślane Tarasy** - a complex of 900 apartments spread across six buildings located on a 5-hectare lot in the Grzegórzki district by Vistula, near the Kotlarski bridge. The investment is carried out by developer Inter-Bud. The prices go from PLN 7,800 per sqm (EUR 1,950) to PLN 13,000 per sqm (EUR 3,250). Currently, 85 apartments in two completed buildings are being sold, and the building scheduled for completion in the 4th quarter of 2010 will offer 9 apartments.

**Garden Residence** - a complex of 450 apartments constructed by Alpha Kraków Development sp. z o.o. in the Zabłocie district, at Przemysłowa Street. The prices range from PLN 7,000 per sqm (EUR 1,750) to PLN 13,000 (EUR 3,250). The entire investment will be completed in the 1st quarter of 2010.

**Torre Verona** - 3-storey building with 180 apartments, constructed by Verona Building sp. z o.o. in the Krowodrza district, at Krowoderskich Zuchów Street. The prices range from PLN 6,000 per sqm (EUR 1,500) to PLN 9,600 (EUR 2,400). The investment will be completed in late 2009/early 2010.



• Kamienice Herbowe, KCI Łobzów sp. z o.o.

## Demand

The crisis on the global financial markets recoiled strongly on the condition of real estate market in 2008. Restrictions imposed by banks for the financing of real estate purchases contributed to the decline of purchasing power of the buyers. When choosing an apartment, the customers took into account not only the attractiveness of the location and the apartment itself but, above all, the price, which has become the main criterion. The most-often bought apartments are those from the popular segment - 1 or 2-room, from 30 to 50 sqm in well-communicated locations with good infrastructure, such as Krowodrza, Bronowice, but also the ones offering accessible prices, such as Ruczaj.

## Rents

The Kraków rental market in 2008 was characterized by growing demand in the second half of 2008 and beginning of 2009. Simultaneously with the credit restrictions, the rent prices rose by 4%. The most popular and, what follows, the most expensive districts are the Old Town, City Centre, Krowodrza, Bronowice. The rent for a 2-room apartment downtown is currently over PLN 2,800 (EUR 700), and a luxury apartment around the Planty area costs up to PLN 9,000 (EUR 2,250). The least popular and the cheapest apartments are located in Nowa Huta, Bieżanów and Kurdwanów. The rent for a typical, most popular, 3-room apartment with an area of 70 sqm located in the outskirts is currently from PLN 1,600 (EUR 400) to PLN 2,200 (EUR 550) a month.



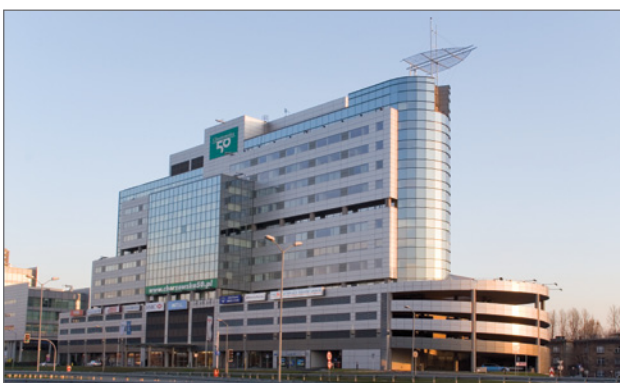
## Katowice

### Office

#### *Waiting for Supply to Skyrocket*

#### Supply

Current total modern office supply is 180,000 sqm. In the next three years an additional 70,000 sqm of A class and 55,000 sqm of B+ class will be delivered to the local market. Among the newest developments are CB Francuska by GTC and next stage of Green Park by CGI. The very attractive market lured the largest investors such as GTC, Ghelamco, Skanska, and Echo Investment.



• Chorzowska 50, ING Bank Śląski S.A.

#### Main Office Buildings

To lease space in these or other properties, call Ober-Haus on +48 32 609 00 90.

**Altus** - with a space of 13,000 sqm, located in the centre of Katowice. Still one of the most modern office building in Katowice. Currently, Kredyt Bank is the largest tenant.

**Chorzowska 50** - highly visible office building with 15,000 sqm of rentable office space, the main tenants are Ernest & Young, Mentor Graphics, Kancelaria Prawna Sołtysiński Kawecki & Szlęzak, GEMI. Chorzowska 50 is almost fully leased.

**Millenium Plaza** - located near the A4 Motorway, opposite 3 Stawy Shopping Centre. The building's 10,500 sqm are fully leased, with major tenants including Raiffeisen Bank, PricewaterhouseCoopers, PZU and Era.

**Green Park** - B+ standard office complex. Several buildings located by Murckowska Street. 10,000 sqm was completed in 2008.

#### New Projects

To lease space in these or other properties, call Ober-Haus on +48 32 609 00 90.

**GTC Francuska** - the GTC investment located on Francuska Street, building A and B, respectively with 11,048 and 10,423 sqm of modern office space are scheduled to be completed 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 (two buildings) is scheduled to be completed in August 2009.

**GTC Mikołowska** - a space of 17,000 sqm equally spread between two buildings will be provided in the prime location on Mikołowska Street in next years.

**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 Górnosłaska 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 10,300 sqm each. Construction is scheduled to start in the first quarter of 2009.

**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

High demand for modern offices in Katowice still outpaces supply, driving the vacancy rate A class buildings down to only 3% by the start of 2009, and even B class buildings down to 4%. Major tenants are the foreign companies interested in A class offices and local small firms operating in B class. Local companies which are developing fast are also more often moving to A class buildings to raise their image.

## Rents

Rents for office space were unchanged in 2008 and started 2009 averaging EUR 16 plus service charges of EUR 3 - 4 per sqm per month. Rents for modern office buildings are denominated in EUR.

Parking places rent for PLN 50 - 200 (EUR 12 - 50) per month. Lower standard B+ offices rent for EUR 11 - 16 per sqm and B class offices average EUR 9 per sqm. The other cities in Silesia region are 10 - 20% cheaper than Katowice.

## Retail

### Still Place to Grow

### Supply

Modern retail space in Katowice totals 300,000 sqm, and within the larger urban agglomeration totals 690,000 sqm. In Katowice region there is very high density of retail space of 960 sqm per 1,000 inhabitants. However the whole Silesia agglomeration has three times less retail space per capita, meaning there is still room for modern shopping centres in other cities of Upper Silesia and especially for those joining traditional commercial function with leisure and recreation.



• M1 Retail Center.

### Main Shopping Centres

To lease space in these or other properties, call Ober-Haus on +48 32 609 00 90.

**Silesia City Centre** - the largest mall in Silesia with 65,000 sqm developed by Hungarian developer Trigranit. Completed in November 2005 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 tenants 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 tenants: Real and Praktiker. The shopping centre was extended in 2008 by 14,000 sqm reaching now 68,250 sqm.

**Platan Zabrze** - opened in October 2003, the complex provides 33,000 sqm of retail space with 83 shops and service points. Main tenants 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 tenants including Promod, Vero Moda, Empik, Jysk, EURO RTV AGD, Vision Express, Maks Sport, Reserved and Bata.

**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 with "fully leased" status 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.

**Pogoria Shopping Centre** - the investment located in Dąbrowa Górnicza offering 30,000 sqm, developed by Casino Group development. It was opened in the end of 2008.

## New Projects

To lease space in these or other properties, call Ober-Haus on +48 32 609 00 90.

**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.

The main retail streets in Katowice are 3 Maja Street (popular fashion stores for youths), Stawowa Street (restaurants), Staromiejska Street and Monopol Passage, well known for their luxury shops. Another popular retail passage is located in Altus office building.

## Demand

A gap between supply and demand is still sharp with vacancy rate only 1%. Ober-Haus notes a slowdown in the supply increase comparing to last year and still high demand especially for modern multifunction retail centers.

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 tenants.

## Rents

The average rent in shopping centres is 20-30 EUR per sqm (PLN 80 - 120), with spaces in the best locations going for as high as 50 EUR (PLN 200) per sqm. Rents for modern retail centres are denominated in EUR.

Service charges vary from PLN 10 to 14 per sqm (EUR 2.50 - 3.50) per month. Average rent of retail space on main streets as area of Staromiejska Street range from PLN 120 - 160 per sqm (EUR 30 - 40) but for prime location as 3 Maja Street one needs to pay PLN 280 (EUR 70) per sqm per month.

## Industrial

### *Dynamic Growth*

### Supply

Upper-Silesia is the second largest industrial market after Warsaw. In 2008 the total industrial space in modern warehouse buildings grew to 750,000 sqm with further 370,000 sqm

under construction. Further development is possible thanks to attractive location on the A1 and A4 motorways, dense rail network and large market of numerous wealthy cities in the Silesia Region. The main owners are Panattoni, ProLogis, Segro and Millennium Logistic Park.

## Major Developments

To lease space in these or other properties, call Ober-Haus on +48 32 609 00 90.

**Alliance Logistic Centre Silesia** - the investment with a planned space of 86,500, 20 kilometres from Dąbrowa Górnicza on the back of M1 shopping centre in Czeladź developed by Menard Doswell.

**ProLogis Park Będzin I, II** - Park Będzin I 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. Carrefour is the main tenant. Park Będzin II is compounding of three buildings of total 48,000 sqm.

**ProLogis Park Chorzów** - the investment with a total warehouse and office space of 145,700 sqm in 7 buildings in Chorzów. Further extensions are planned to reach total of 330,000 sqm.

**ProLogis Park Dąbrowa Górnicza** - total existing warehouse and office space is almost 144,000 sqm. Close to E40 and E75 routes.

**ProLogis Park Sosnowiec** - the investment in two buildings with a total space of 47,000 sqm, along E40 and 12 kilometres from A4 motorway.

**Tulipan Park Gliwice** - located by the A4 motorway and close to planned A1, with 150,000 sqm planned modern warehouse space.

**Silesian Logistic Center** - the investment of planned area of 65,000 sqm (existing 22,500 sqm), located in Sosnowiec, by S1 road and only 4 km to A4 motorway junction.

**Panattoni Bielsko-Biała** - the investment located several kilometres from Bielsko city centre, within a close proximity to E75 international road offers 26,000 sqm. In total over 100,000 sqm is planned to be provided.



**Millennium Logistic Park Tychy** - warehouse park of planned 85,000 sqm (with additional 5,000 sqm for offices) in area of Katowice Special Economic Zone, near 44 country road and E75 international route. Main tenants are: Logpol, BOS Automotive, Navo Polska Grupa Dystrybucyjna, Aweco Appliance Polska.

**Diamond Business Park Gliwice** - AIG/Lincoln development of 45,000 sqm next to A4 motorway. Phase I and II completed in 2006 - 2008. One of the tenants is Giobert.

**Logistic Terminal Promont Tychy** - with a space of 70,000 sqm by 44 country road next to FIAT factory. By the end of 2008 there was 4,600 sqm warehouse space with office annexes available.

**Segro Business Park Gliwice** - located on Katowice Special Economic Zone, 6 kilometers from center of Gliwice, near 88 country road runs to A4 motorway. Segro Business Park Gliwice offers 10,000 sqm area for offices, small warehouses and small production. Available units from 300 sqm to 3,000 sqm.



• Segro Business Park Gliwice.

## Demand

Demand for modern warehouse space in Upper Silesia is still high, driving the vacancy rate as low as 6%. The main tenants of warehouse space are mainly logistics operators and manufacturers from the automotive and construction industry.

## Rents

Rents started 2009 at EUR 3.40 - 4.20 (PLN 13.6 - 16.8) per sqm. Rents for modern warehouses are denominated in EUR.

## Land

### Great Opportunities for Business

#### Supply

The offers on the market mostly include an area of 5,000 sqm inside the agglomeration to 30,000 sqm or even 200,000 sqm on its outskirts in the area of Dąbrowa Górnicza, Mysłowice or Gliwice. The best plots for industry and logistics are along the A4 motorway and near the Katowice Special Economic Zone.

There is limited supply of the proper land for shopping centres. Situation is better in smaller cities (over 50,000 inhabitants) where local authorities are more willing to grant permissions for such objects. Average offer of plot for residential projects is 20,000 sqm. In 2008 we observe more residential plot offers on the market. There are numerous investment plots assigned for offices or hotels with the average area between 2,000 and 8,000 sqm.

#### Prices

Land prices rose by 20% in 2008 due to still high attractiveness of the region for business. Industrial and logistic plots in the best locations near main routes cost even above PLN 300 per sqm (EUR 75), but is possible to buy attractive land from PLN 150 per sqm (EUR 37,5). Plots located further from main transit routes of the region are priced up to PLN 100 (EUR 25).

The best plots for shopping centres especially those in the heart of the city or within a close proximity to big housing complexes exceed the level of PLN 1,000 per sqm (EUR 250). Those along transit routes as Zabrze - Gliwice, Rybnik - Gliwice cost around PLN 200 (EUR 50) per sqm.

Plots for residential investment, located in the southern and western districts of Katowice are priced from PLN 200 - 350 per sqm (EUR 50 - 87). Price of plots in Mysłowice, Tychy, Mikołów, in the southern parts of Ruda Śląska and Gliwice neighbourhood range between PLN 100 - 180 per sqm (EUR 25 - 45). Ober-Haus expects that the average prices of building plots will grow further by 20 in 2009.

The best plots for offices or hotels especially in Katowice can exceed PLN 2,000 (EUR 500) per sqm. In the smaller cities of the region, prices are up to PLN 300 per sqm (EUR 75). Transit roads' plots as Chorzów - Katowice or Katowice - Sosnowiec cost between PLN 200 - 400 per sqm (EUR 50 - 100).

## Demand

Land for commercial purpose (industry and logistics operators) located nearby A4 motorway (Gliwice) and route Warsaw - 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.

Regarding retail the most sought for are plots for commercial purposes in the cities up to 100,000 inhabitants. Especially attractive are those plots or existing objects of minimum 4,000 sqm.

## Residential

### A Buyer's Market

### Supply

In 2008 1,303 new flats were built in Katowice and we forecast additional 1,000 to be finished by the end of 2009. The largest supply of apartments in Katowice is located in the south and western part of the city. The most active developers on the local market are Millenium Inwestycje, Trigranit, Atal, Activ Investment and J.W. Construction. Griffin RE will bring its first investment on the Katowice market in 2009 at Kościuszki 38.

### Prices

Residential prices dropped 9% in 2008 to an average of PLN 4,100 (EUR 1,025) per sqm, following the record breaking 53% price growth in 2007. The change in direction was mainly caused by the worldwide financial crisis, which made it much more difficult to get a mortgage loan, and also by the large supply of new flats.

Secondary market apartments for renovation and situated farther from centre cost from PLN 2,800 - 3,800 per sqm (EUR 700 - 950). Those in the city centre sell for PLN 3,700 - 4,500 per sqm (EUR 925 - 1,125).

The average price of new apartments is PLN 6,000 per sqm (EUR 1,500) but it is that high mostly because of several more expansive investments as for example Dolina Trzech Stawów realized by Bryksy. Ober-Haus expects prices to be roughly unchanged in 2009. Residential prices are nearly always offered in Polish zloty (PLN).

## New Projects

To buy or rent in these or other residential properties, call Ober-Haus on +48 32 609 00 90.

**Oak Terraces** - over 1,000 new apartments in four stages 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 are from PLN 5,560 - PLN 6,300 (EUR 1,390 - 1,570) per sqm. Second stage was completed in October 2008. The final completion dates of the third and fourth stage have not yet been announced.

**Ligota Park** - the complex of nine 5-storey residential buildings. In total 360 apartments, located in the green area between Ligota and Brynów districts. The project is developed by Atal. Prices are from PLN 5,350 (EUR 1,340) per sqm. The announced completion date is the end of 2010.

**Miłe Zacisze** - 330 flats and 61 terraced houses realized by Inwest PA by Tunelowa Street. Prices from PLN 5,200 - 5,600 per sqm (EUR 1,300 - 1,400). The investment is divided into two stages, the first to be completed in Spring 2009 and the second by the end of 2009.

**Bażantowa Komplex** - the further development of the Millenium-Inwestycje project in Kostuchna. The developer offers 43 flats and 16 luxury apartments in a luxury 'IQ buildings'. 63% sold.

**Mała Skandynawia** - 91 flats and 14 houses developed by Murapol by Armii Krajowej Street. Prices vary from PLN 4,000 to 5,200 per sqm (EUR 1,000 - 1,300). Developer so far sold 70% of the flats. The investment will be completed in August 2009.



• Mała Skandynawia, Murapol S.A.

## Demand

Demand has fallen since Summer 2008 in line with the reduced availability of mortgage finance.

## Rents

Residential rents grew 10% in 2008. The average rent for new three rooms apartment of 70 sqm located in the city centre is PLN 2,500 - 3,250 (EUR 630 - 810). However there is still lack of high quality apartments. The most demand is for flats located in the city centre, Brynów (Osiedle Ptasie), Ligota, and Koszutka districts.

## Gdańsk - Gdynia - Sopot

### Office

#### *Dynamic Development*

#### Supply

It is estimated that the supply of office space in Gdańsk, Gdynia and Sopot jointly comprises of 290 000 sqm. In 2008, another 64 000 sqm of modern office space in class A, B+ and B were added to that, both in newly constructed buildings and in renovated ones.

#### Recent Developments

To lease space in these or other properties, call Ober-Haus on +48 58 520 40 99.

**Arkońska Business Park** - in Gdańsk at Arkońska Street, developed by the Tricity company Torus Sp. z o.o. The first phase supplied the market with 11,000 sqm, all of which are already rented out and the main tenant is GE Money Bank. The project will consist of 29,000 sqm in total.

**Łużycka Office Park** - in Gdynia at Łużycka Street. The company Allcon has already completed the first phase of the investment, which includes 9,300 sqm of A-class office space. The entire project is to consist of 30,000 sqm and it is to be completed in 2009.

**Centrum Biurowe Grunwaldzka** - investment Group Hossa S.A. is renovating old army barracks in Gdańsk Wrzeszcz, which will be turned into B+ class office space. Eventually, 80,000 sqm are to be constructed here, and so far an area of 9,000 sqm has been completed.



• Centrum Biurowe Grunwaldzka, Grupa Inwestycyjna Hossa S.A.

**Ka5** - B-class office building completed by the Investment Group MART. It's a B-class office building located in Gdańsk at Kartuska Street, with an area of 3,800 sqm, already 100% rented out.

**Abrahama Street 11** - in Gdańsk, a new A-class building with a rental area of 8,000 sqm has been constructed. The investor is the company Konsultant.

#### New Projects

To lease space in these or other properties, call Ober-Haus on +48 58 520 40 99.

**Arkońska Business Park** - II phase of the investment in Gdańsk at Arkońska Street, with an area of 18,000 sqm. Planned completion date is late 2009/early 2010.

**Łużycka Office Park** - another phase of the investment, it consists of 20,000 sqm. Planned completion date of the construction is the end of 2009.

**Euro Office Park** - the development of an office building with an area of 12,500 sqm in B+ standard, for sale and lease. The investment is located in Gdańsk, at Armii Krajowej Street, by the East-West route. The developer is Euro-Styl. Planned completion date is 2010.

**Tryton** - modern office buildings developed by Echo Investment in Gdańsk, at Plac Solidarności. Planned rental area is 23,000 sqm and the planned completion date - 2010.

**Hynka** - in Gdańsk Wrzeszcz, at Hynka Street. A building with an area of 11,000 sqm is being constructed here. The investor is Inpro S.A. Completion towards the end of 2009.

**Centrum Majkowskiego** - office/parking building developed within a large project called Centrum Sopotu. The building has an area of 3,700 sqm. The main tenant is company NDI and its subsidiaries. Completion of the entire area is planned for the 1st quarter of 2009.

**Alfa** - Gdańsk Oliwa - office building with an area of 5,000 sqm, developed by Alfa Investment. Completion is planned for late 2009/early 2010.

#### Demand

It is estimated that in 2008 nearly 20,000 sqm were rented out. The demand for office space was much higher, however. The lack of modern, immediately accessible space has caused many tenants to enter into lease contracts for spaces which will



be ready no earlier than in 2009. It is estimated that this was the case of 10,000 - 12,000 sqm. It is also noteworthy that at the beginning of the year, the demand surpassed the supply significantly. The last quarter of the year seriously limited the demand for large, new office space.

## Rents

There was a clear upward trend in rent prices over 2008. Still in 2007, rents of PLN 45 to 75 per sqm (EUR 11.25 - 18.75) could be found. But in 2008, the bottom rent price increased significantly. And so, it is estimated that for office space in A or B+ class office buildings, the cost has already risen to PLN 55 -100 per sqm (EUR 13.75 - 25), with additional exploitation costs from PLN 20 to 25 per sqm (EUR 5-6.25). Rents for modern office buildings are denominated in EUR.

It is noteworthy that for smaller spaces (of up to 250 sqm), the rent prices range between PLN 75 and 100 per sqm (EUR 18.75 - 25), whereas for large spaces (500 - 2,000 sqm), the prices start at PLN 43 - 45 per sqm (EUR 10.75 - 11.25), and in certain locations they reach as high as PLN 65 per sqm (EUR 16.25). Due to the unstable exchange rate of PLN to EUR, the owners more and more often concluded contracts in zlotys - a rarity up until recently. It is anticipated that in 2009, the rent prices will keep up on a level similar to that from the second half of 2008, since the demand for new office spaces is likely to remain unchanged, which results from the announcements of companies limiting their new investments and development in 2009.

## Retail

### *Continuous Increase in Demand*

### Supply

The total commercial space in the Tricity (Gdańsk - Gdynia - Sopot) shopping malls is estimated at 576,000 sqm. In 2008, 55,000 sqm of new commercial space were completed.

### Main Shopping Malls

To lease space in these or other properties, call Ober-Haus on +48 58 520 40 99.

**Galeria Bałtycka** - located in Gdańsk Wrzeszcz. The total area is 123,000 sqm, of which 45,000 sqm is commercial space. The main tenants are: Saturn, Carrefour, Peek & Clopenburg.

**Park Handlowy Matarnia** - located in Gdańsk Matarnia at Złota Karczma Street, with a total area of 68,000 sqm. The main tenants are: OBI, Electro World, C&A, BOMI, EPIK.

**Centrum Handlowe Oliwa** - located in Gdańsk Oliwa, the total area of this shopping mall is 27,500 sqm, of which the commercial area takes up 16,500 sqm. The main tenants are: Leroy Merlin, Awans and BOMI. The investor is WKKS Inwestycje Sp. z o.o.

**Port Rumia Centrum Handlowe Auchan** - in Rumia, at Grunwaldzka Street. Its commercial area is 11,000 sqm. Completely rented out, mostly by: Auchan, Leroy Merlin, C&A.



• Centrum Handlowe Oliwa, WKKS Inwestycje Sp. z o.o.

## New Projects

To lease space in these or other properties, call Ober-Haus on +48 58 520 40 99.

More commercial venues are currently being developed in the Tricity area. Not only new investments are being constructed, but also existing buildings are undergoing renovation and expansion works.

**Centrum Handlowe Klif** - in Gdynia Orłów, which currently offers 20,000 sqm of commercial space is being expanded by Paige Investments. An extra 10,000 sqm is planned to be constructed here. Completion of renovation works is planned for 2009. The main tenants are: MaxMara, United Colors of Benetton, H & M, Mothercare, Sephora, Apia, Deni Cler, Marlboro Classics, Salamander, Hexeline, Simple czy Emanuel Berg.

**Centrum Handlowe Wzgórze** - in Gdynia is currently undergoing expansion works by Apsys Group. The building will be completed in spring of 2010 and will offer over 250 stores on an area of 65,000 sqm.

**Gdańsk Retail Park Kowale** - in 2010 will offer 52,000 sqm of top-class commercial space in Szadółki, Gdańsk. Construction works are currently under way. The investor is Liebrecht & Wood.

## Demand

In 2008 there was visibly more interest in commercial space on the market. The coefficient of unrented space fell last year to 2-3%. Also the demand for space in smaller commercial venues located in large residential areas grew. During the last quarter of 2008, demand decreased due to the general economic situation.

## Rents

In 2008, the rent prices remained unchanged. The rent for commercial spaces with an area of 100 sqm ranged from PLN 120 - 220 per sqm (EUR 30 - 55). Rents for modern retail centres are denominated in EUR.

Customers who rented larger spaces had to pay a rent of EUR 25 to 35 per sqm. Similar prices were charged for commercial areas located by main streets, where renting 100 -150 sqm meant a cost of PLN 120 - 240 per 40 sqm (EUR 30 - 60).

## Industrial

### Demand Is Going Up

### Supply

The Tricity offers 180,000 sqm of modern warehouse space to its tenants. Almost all the logistics parks, for reasons of communication, have been located outside of the agglomeration. Currently, three modern warehouse parks are located in the Tricity, as well as a few warehouse sites of smaller cubic capacity. Logistics parks are located by the Tricity ringroad or in its direct vicinity. There is quite a large number of old warehouse sites in old shipyard and seaport lots.

### Major Warehouses

To lease space in these or other properties, call Ober-Haus on +48 58 520 40 99.

**Logistic Center** - Pruszcz Gdański, at Zastawna Street, offers an area of 10,000 sqm. The main tenants are Nagle Polska, LPP,

Crown Packaging. Completed in 2007.

**Panattoni Park Gdańsk** - is located 4 km from downtown Gdańsk by the southern Tricity ringroad and the national road no. 7. The distance to the port is 2 km. It offers a total of 43,000 sqm of warehouse and production space.

**ProLogis Park Gdańsk** - at Bysewska Street, in the vicinity of the ringroad. It offers the tenants 92,000 sqm of modern warehouse space. The main tenants are Emperia Holding, Solid Logistics, Marcopol, Lekkerland, DSV, C.Hartwig Gdynia, Iron Mountain, DHL/Exel, Schenker. Completed in 2007.

**Centrum Magazynowe Hutnicza** - in Gdynia at Hutnicza Street offers 12,000 sqm of warehouse space and 1,653 sqm of office space. Completed in 2007.

**Torus** - Gdańsk, Energetyczna Street. A modern warehouse space. The first phase comprises of , 6,000 sqm and the next phase will include another warehouse hall with an area of 1,325 sqm . Phase I was completed in 2007 and the next phase is to be ready by the end of 2009.



• Panattoni Park Gdańsk, Panattoni Europe.

## Demand

Demand for modern warehouse space in the Tricity has clearly increased in the past year, although in the second half of the year no significant contracts with new tenants were concluded. It is estimated that in 2008, close to 85,000 sqm were rented out. The lack of suitable municipal transportation in the Tricity as well as the economic situation of the last quarter have effectively slowed down this demand. The commissioning for use of the last section of the A1 highway added to the attractiveness of the Tricity market a little. The demand for old warehouse space is slumping. According to estimates, 10% of warehouse space in modern parks is still available for rent. It is a feasible prediction that 2009 will not bring any radical

changes, although, according to analyses, Ober-Haus projects the demand for such space in 2009 will be in the range of 80,000 -100,000 sqm.

### Rents

Rent prices for modern warehouse area ranged from PLN 10 to 30 per sqm (EUR 40 -120) , and the smallest areas available for rent were those of 1000 sqm. In old buildings the prices are significantly lower, range from PLN 5 to 12 per sqm (EUR 20 - 48). No major changes in rent prices were observed last year. Rents for modern warehouses are denominated in EUR.

## Land

### *Developers Stopped Buying Land for Residential Projects*

### Supply

The accessibility of land in the Tricity last year left a lot to desire. The market in the area was characterized by a perceptible lack of land plots which would be developed with commercial venues with a sale space exceeding 2,000 sqm. Land destined for such endeavors has been sold a few years back. In 2008, several sale offers appeared for land to be developed with multifamily residential buildings, with ready settlement plans. These were offers of the developers who, faced with the difficult economic situation, decided to withdraw from the market. The supply of land for detached, single-family housing is considered to be satisfactory.

### Prices

Within the 12 months of 2008, land prices in the Tricity area increased by 5 - 7% on average. Rises could be only witnessed in the first half of the year, whereas the second half was characterized by a stabilization of prices. The highest increases were noted in central locations and on the sea coast, with the lowest on the outskirts of the cities. Residential land located both downtown and in the suburbs in 2008 reached very varied prices. This was conditioned, above all, by the location, land destination and its size. It is worth noting, however, that they did not vary significantly from those from last year.

Single-family residential land reached prices as follows:

#### Central locations:

- Gdańsk PLN 400 - 3,400 per sqm (EUR 1,200 - 13,600)
- Sopot PLN 1,200 - 7,000 per sqm (EUR 4,800 - 28,000)
- Gdynia PLN 420 - 3,500 per sqm (EUR 1,680 - 14,000)

#### On the outskirts:

- Gdańsk PLN 150 - 700 per sqm (EUR 600 - 2,800)
- Sopot PLN 560 - 1,500 per sqm (EUR 2,240 - 6,000)
- Gdynia PLN 160 - 800 per sqm (EUR 640 - 3,200)

Multi-family residential land:

#### Central locations:

- Gdańsk PLN 700 - 1,300 per sqm (EUR 2,800 - 5,200)
- Sopot PLN 1,700 - 6,500 per sqm (EUR 6,800 - 26,000)
- Gdynia PLN 680 - 1,800 per sqm (EUR 2,720 - 7,200)

#### On the outskirts:

- Gdańsk PLN 90 - 1,000 per sqm (EUR 360 - 4,000)
- Sopot PLN 1,200 - 4,500 per sqm (EUR 4,800 - 18,000)
- Gdynia PLN 120 - 1,200 per sqm (EUR 480 - 4,800)

In 2008, the decidedly highest prices were reached by land located in the sea coast strip. In Gdańsk, these are the districts of Jelitkowo and Brzeźno, in Gdynia - Orłowo Morskie and Sopot Dolny. Equally elevated prices were reached by land located in Gdańsk's Old Town and in its vicinities. High prices were also the case of commercial land. The sellers could get PLN 1,200 to 2,000 per sqm (EUR 4,800 - 8,000) for land destined for commercial or office use. Land prices in 2008 had no significant influence on the construction costs both in residential and commercial developments which constituted 10 - 15% of the price.

### Demand

The year 2008 saw a decided drop of interest in purchasing land for multifamily residential developments. The trade in such land has plummeted to practically zero. Commercial chains showed a lot of interest in purchasing such land, but the low supply translated into a small number of transactions in this sector. Discount chains have shown high demand for investment land. Demand for single-family developments has decreased.

### News

One of the largest transactions on the land real estate market in the Tricity was the purchase of a lot of land for a residential development, with an area of 5,6 hectares, at a price of PLN 25,928,000 (EUR 103,712,000) in January 2008.

### Changes in City's Zoning Plans

All the cities in the Tricity agglomeration are giving priority to the development of seaside areas in their zoning plans. In Gdańsk, the utmost importance is given to Wyspa Spichrzów and to Młode Miasto. The realization of these endeavours will allow

for the development of a few tens of hectares in an attractive area. The EURO 2012 schedule poses a large chance for the speeding up of urban planning, as according to it, locations and projects tied to EURO 2012 are to be treated as priorities. For Gdynia, such priority is the development of the Maritime Municipal Prestige Zone. This is the only case in Poland and South Baltic region, where the downtown of a large seaport city is located this close to the sea. The creation of a sea forum fits with the development mission of Gdynia. The local zoning plan provides for the construction of maritime tourism, sailing and vacation centres.



• Wzgórze Focha, Invest-Komfort S.A.

## Residential

### Prices Drop After Years of Rising

#### Supply

The most new residential projects were being developed in the Gdańsk district Piecki Migowo. A few developers were active in the area of Myśliwska Street, such as Allcon Osiedla, Inpro, Ars Kom, Polservice, Hossa and Ekolan. Other locations with a fairly large volume of residential constructions were the districts of Ujeścisko, Kowale and Łostowice. There is a predominance of Polish construction companies on the Tricity market: Invest-Komfort, Allcon, Hossa, Ekolan, Panorama, Eurostyl. Many of the foreign developers who were planning to go through with their investments in 2008 either withdrew from the market or held up their investments.

#### Prices

Residential prices dropped 12% in 2008, with new developments selling for PLN 4,800 - 6,900 (EUR 1,200 - 1,725) per sqm. The highest prices were on the sea coast strip (Sopot, Gdynia Orłowo, Gdańsk Brzeźno and Jelitkowo) and in the Old Town in Gdańsk. Apartments in these regions reached prices of PLN 7,900 - 25,000 per sqm (EUR 1,975 - 6,250). The Symfonia Residence development in Gdańsk, on the banks of Motława, and Orłowska Riwiera in Gdynia Orłów, with prices from nearly PLN 19,000 per sqm (EUR 4,750) to over PLN 30,000 per sqm broke the record. On the secondary market, apartment prices kept stable much longer than on the primary market. During the first half of the year, no significant decreases were noted. The second half, however, brought slumps of up to 15%. In the suburban districts, the prices were of PLN 4,900 to 6,000 per sqm (EUR 1,225 - 1,500) downtown from PLN 5,500 to 7,000 per sqm (EUR 1,375 - 1,750) and in the coastal districts and in the Old Town, PLN 7,200 to 14,000 per sqm (EUR 1,800 - 3,500). Residential prices are nearly always offered in Polish zloty (PLN).

### New Projects

To buy or rent in these or other residential properties, call Ober-Haus on +48 58 520 40 99.

**Nad Wodą** - an investment by ArsKom, developed in Gdańsk at Myśliwska Street. The settlement comprises of almost 500 apartments. The first phase has already been sold at prices ranging from PLN 6,300 to 7,400 gross per sqm (EUR 1,575 - 1,850)

**Osiedle Pana Tadeusza** - in Gdańsk Osowa at Kielnieńska Street - an investment by the Eurostyl construction company. 105 apartments with an area of 32 to 87 sqm are planned. Offered prices: PLN 5,600 - 6,300 gross per sqm (EUR 1,400 - 1,575). 75% of apartments in this development were sold by the end of the year.

**Wzgórze Focha** - development in downtown Gdańsk, at Focha Street. Carried out by Invest-Komfort S.A. The settlement, once completed, is to consist of 260 apartments in 7 buildings. The planned completion date is the second half of 2009. The offered prices are from PLN 4,060 to 7,900 per sqm net (EUR 1,015 - 1,975).

**Apartamenty w Orłowie** - project located in Gdynia Orłów at Króla Jana III Sobieskiego Street. It includes 16 luxury apartments in 4 buildings. The project is being developed by Invest-Komfort S.A. These high-standard apartments are offered at a price of PLN 17,700 - 20 000 net per sqm (EUR 4,425 - 5,000)

**Aquarius** - is another project by Invest-Komfort. These apartments are located in Sopot, at Armii Krajowej Street. The development is to consist of 67 apartments with an area of 42 to 138 sqm. The developer is offering them at a price of PLN 7,450 - 16,440 net per sqm (EUR 1,862.5 - 4,110).



## Demand

In 2008, the most popular apartments were 2 and 3-room ones with an average area of 50 - 60 sqm. In comparison with last year, significantly more customers are purchasing apartments that are smaller or located on the outskirts of cities, in much cheaper districts. This is a consequence of the shrinking credit capacity of customers and, what follows, of the objective difficulties with obtaining credit and its higher cost. Real demand, i.e. demand backed up by financial capability has been almost halved in the past 12 months. The demand for package purchases of apartments has plummeted to almost zero.

## Rents

Rent prices in the previous year have basically remained stable. Renting a one-room apartment involved a cost of PLN 800 - 1,400 ( EUR 200 - 300) a month. A two-room apartment cost from PLN 1200 to 1900 ( EUR 300 - 475), and a three-room one - between PLN 1,500 and 3,200 ( EUR 375 - 800). Prices rose sharply during the summer season, especially in the coastal regions. The reason behind this was, as every year, short-term rentals by tourists. Off-season, the demand was decidedly highest in districts close to universities. In Gdańsk, these are Wrzeszcz, Żabianka, Zaspą, Morena. In Gdynia: Chylonia, Leszczyńki and City Centre. The most popular apartments for rent had 2 or 3 rooms and an area of 50 - 60 sqm, with a monthly rent PLN 1,000 - 1,500 ( EUR 250 - 375).

## Poznań

### Office

#### New Projects Awaited

#### Supply

The market for office space in Poznań is growing gradually. In 2008 the supply was 168,000 sqm, of which 25,000 sqm was completed the last year. 60% of offices are located in the city centre. The supply of new investments is mainly limited by the lack of local development plans.

#### Recently Developments

To lease space in these or other properties, call Ober-Haus on +48 61 851 90 00.

**Nowe Garbary Office Centre** - the office block currently under development by Property Group Meermann 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 95% let, main tenants include: Carlsberg, Millennium Bank, Allianz Bank, Fielmann, Carry Sp. z o.o. The investment completed in August 2008. Ober-Haus was exclusive an agent in commercializing of the office building.

**Omega** - modern, 15-storey office building on Dąbrowskiego Street, developed by Ataner with 7,450 sqm of an office area. Main tenants include PCSS, BOŚ, PKO BP, PZU.

**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.

#### Main Office Buildings

To lease space in these or other properties, call Ober-Haus on +48 61 851 90 00.

**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 95 let, main tenant is BPH.

**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 tenants 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 airport. The buildings were set into operation in 2002 and 2003 respectively by GE Capital Golub. Total space amounts to 19,000 sqm. Main tenants include: Pekao, AKB Marketing Services, Deloitte and Touche, Raiffeisen Bank. 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 tenant is Bank BZ WBK.



• Malta Office Park, Echo Investment.

#### New Projects

To lease space in these or other properties, call Ober-Haus on +48 61 851 90 00.

**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 1st stage (6,900 sqm) of investment was given to use in October 2008. The next two stages of 14,900 sqm and 6,300 sqm should be completed in 2009 and 2010. Ober-Haus is cooperating in commercializing of the office buildings.

**Szyperska** - A class office building of Wechta company, located by Garbary and Szyperska Streets will offer more than 20,000 sqm and is planned to be completed in third quarter of 2009. Ober-Haus is cooperating in commercializing of the building.

**Paderewskiego** - unique office building located by the Main Square in the Old Town will offer 1,000 sqm by the end of 2009. Ober-Haus is cooperating in commercializing of the building.

## Demand

Demand for modern office space is increasing. Offices with an area between 150 - 300 sqm are considered to be the most popular among tenants. Strong demand is reflected in decreasing vacancy rate which currently fluctuates at 2. In 2009 the demand for modern office should be stable.

## Rents

Office rents started 2009 at EUR 13 - 18 (PLN 52 - 72) per sqm. Rents for modern office buildings are denominated in EUR. Service charges vary from PLN 12 and 17 (EUR 3 - 4) per sqm. Demand for new office areas in 2009 should be stable especially for the small (150 sqm) and medium (200 - 500 sqm) size spaces.

## Investments

The Andersia Tower office building was sold by Von der Heyden Group to German invest fund DEKA Immobilien for more than EUR 80 million.

## Retail

### *Very Dense Market*

## Supply

Commercial market in Poznań is the most dense in Poland with more than 700 sqm for 1,000 of inhabitants. In 2008 in the functioning objects there were 450,000 sqm of commercial space. The biggest shopping centres and galleries are: Stary Browar, King Cross Marcellin, Poznań Plaza and Pestka Gallery.

According to building schedules in Poznań there will be soon more than 250,000 sqm of additional space in the new shopping centres.

## Recently Completed Commercial Developments

To lease space in these or other properties, call Ober-Haus on +48 61 851 90 00.

**Galeria Pestka** - the Pestka Centre project provides over 40,000 sqm of space and comprises of ca. 80 shops. The first tenants 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 Ave. and Mieszka I Street.



• Galeria Malta, Neinver.

## New Projects

To lease space in these or other properties, call Ober-Haus on +48 61 851 90 00.

**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 ca. 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 2009 and 2010.

**Galeria Malta** - the investment of the Spanish Neinver company located at the junction of Abp. Baraniaka, Katowicka Street. The scheme will include in total 162,000 sqm of which 54,000 sqm is for retail and entertainment. There will be 170 shops and service points, a multiplex cinema and a food-court. 100% of the space is leased, among others for Piotr & Pawel delicatessen, Avanti, Marks & Spencer and Niku Fitness. Completion was rescheduled for the spring of 2009.

**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 tenants of the mall.

## Demand

The demand of the big shopping chains for the commercial area in galleries is still very high and the supply is insufficient. There is hardly any free space to let in the major shopping centers in the city.

Regarding the most attractive main commercial streets we observed meaningful decrease in demand among financial centers, banks and it is because of the global financial crisis. However there is still many gastronomic and commercial firms that are looking for the area in the city centre.

## Rents

In 2008 the monthly rents in shopping malls in Poznań were stable at EUR 30 - 40 (PLN 120 - 160) per sqm. Rents for modern retail centres are denominated in EUR.

In the city centre the most attractive main commercial streets reached the level of even PLN 300 (EUR 75) but in the end of the year started to drop. Main reason for such a situation was retreating of the financial institutions without fighting for the best areas in the city centre. The rents should not change in 2009.

## Industrial

### Continued Progress

### Supply

Agglomeration of Poznań city is developing very well regarding modern warehouse and logistic parks. Currently in the region there are functioning more than 700,000 sqm of modern warehouse space of which 80 is concentrated in several still extending logistic parks. The biggest of them are: Panattoni Park Poznań I, II, Centrum Logistyczno-Inwestycyjne Poznań, ProLogis Park Poznań I, II, Tulipan Park Poznań I, II.

## Major Developments

To lease space in these or other properties, call Ober-Haus on +48 61 851 90 00.

**ProLogis Park Poznań I, II** - located 15 km west from Poznań city centre, opposite to each other, on both sides of E30. ProLogis Park Poznań I 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 (1st stage – 45,000 sqm).

**Panattoni Park Poznań I, II** - located at the junction of two important communication links: national Poznań-Wrocław no. 11 and the A2 motorway, ca. 12 km from the centre of Poznań. In total the investment will provide ca. 120,000 sqm of warehouse space (H&M is still the biggest operator – 70,000 sqm).

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

**Tulipan Park Poznań** - located in Komorniki, in the vicinity of the national road no. 5 and the A2 motorway, developed by Slough Estates. The park will ultimately provide 110,000 sqm of space. The 1st stage of the investment, providing 24,500 sqm of space was completed in 2007. Next development stages will provide 85,000 sqm of additional space.

**Centrum Dystrybucyjne Parkridge Poznań** - located at the A2 motorway, in Września, ca. 50 km from the centre of Poznań. Ultimately the investment will offer ca. 138,000 sqm. The investment is being developed by Parkridge CE Developments. Construction works are based on a pre-let agreement (construction period ca. 8 months).



• CLIP Centrum Logistyczno-Inwestycyjne, CLIP Group.



## Demand

The demand is still high and constantly growing. In connection with fast developing road infrastructure (mainly because of the organization of European Championship in 2012) is likely to develop further during the following years. The obstacle for the continuing development may be financial crisis in Europe and the whole world. The vacancy rate of warehouse areas is currently 8%.

## Rents

Offered rents for modern warehouses are EUR 3 - 4 (PLN 12 - 16) per sqm depending on the location and standard. In 2008 the rents slightly increase corresponding with higher investment costs. Rents for modern warehouses are denominated in EUR.

## Land

### *Commercial Plots Needed*

## Supply

The supply of plots for both commercial and housing investments still remains insufficient. Especially the supply of commercial plots is small, mainly those for office and hotel investments. This situation is connected with lack of master plans and fast growing demand for modern offices.

## Prices

In the city centre prices per sqm of residential plots vary from PLN 1,000 to 3,000 (EUR 250 - 750) with the expectation to decrease. Some examples of the prices per sqm of plots for individual housing development are: Podolany, Smochowice - PLN 600 - 900 (EUR 120 - 230), Szczepankowo, Morasko - PLN 280 - 450 (EUR 70 - 110).

Prices for commercial plots are between PLN 1,000 to 3,800 (EUR 250 - 950) per sqm with the exception of industrial building plots which cost from PLN 200 - 450 (EUR 50 - 110). The prices dropped by the end of the 2008, because the mortgage loans are much harder to get. However we still have situation when the seller is going to postpone the sale to not be forced to lower the price.

## Demand

The biggest demand is for the plots designated for offices and hotels. In connection with short supply of modern office

space, very quick commercialization of realized in 2008 offices (major in the building time) and growing demand for modern offices, the investors are looking for the plots in the city centre of the area 2,000 - 5,000 sqm. Anyway most of the area is not covered with the master plan, what means investors have to apply for building conditions of the plot they are interested in. However the investment in plots is still considered as very profitable.

## Investments

The most spectacular transaction took place in February. The city sold the plot by the Gajowa Street to the Portugal Company REF for the price of PLN 80,000,000 (EUR 20,000,000). The area was 27,000 sqm with the mix purpose of residential and commercial.

## Residential

### *Price Correction*

## Supply

In 2008 3,343 apartments were completed in Poznań, and in 2009 we expect even less.

The most new residential projects were started or continued in city centre. The largest of them are realized by Momo Development, Verona Building, Restaura and Ronson Development Group. Many residential investment are located in Naramowice, Jeżyce, Grunwald and Piątkowo. The biggest developers on the market are Ataner, Agrobex, Trust and Nickel.

## Prices

Residential prices dropped 12% in 2008 to an average of PLN 6,250 per sqm (EUR 1,560). The average price per sqm of new apartments in the city centre is PLN 9,700 (EUR 2,420) and new developments outside the centre sell for PLN 7,200 - 7,500 (EUR 1,800 - 1,870).

Still the cheapest new flats are offered on Plewiska and Luboń where the prices start from PLN 5,000 (EUR 1,250). On the secondary market the flats for renovation one can buy even below PLN 5,000 (EUR 1,250) for example in Rataje, Piątkowo, Winogrady.

On the secondary market, the most popular among buyers are

two and three rooms flat in area up to 60 sqm. The price per sqm of such apartment, according to location, its and building standard range from PLN 4,500 (EUR 1,125) on the outskirts to even PLN 13,000 (EUR 3,250) in the city centre. Average price per sqm of two rooms flat in several years old building is PLN 6,800 (EUR 1,700) and three rooms PLN 7,500 (EUR 1,875).

Residential prices are nearly always offered in Polish zloty (PLN).

### New Projects

To buy or rent in these or other residential properties, call Ober-Haus on +48 61 851 90 00.

**Apartamenty przy Kościelnej** - developed by Longbridge Development - project of 294 apartments of 35 - 82 sqm. Prices vary from PLN 6,950 (EUR 1,740) to PLN 7,800 (EUR 1,950) per sqm. 15% of apartments are sold. Completion is planned for the second half of 2009.

**Garbary Elite Residence** - realized by Momo Development only 200 m from the Main Square of the Old Town, 101 apartments of which 10 is sold. The prices vary between PLN 12,840 and 17,120 (EUR 3,210 - 4,280). The completion of first stage is planned for third quarter of 2009.

**Pelikan** - developed by Nickel Development, 157 apartments located in the modern building by the Warta river. As an addition for the future owners the building offers swimming pool and sauna. Prices vary from PLN 6,900 to 9,000 (EUR 1,720 - 2,250) per sqm. 70 of the apartments are sold.

**Rynarzewska/Palacza Street** - 100 apartments of 28 to 85 sqm and ground floor commercial area realized by Ataner. Prices are from PLN 6,800 to 7,120 (EUR 1,700 - 1,780). The residential complex is fenced and monitored. The completion is planned for the first half of 2009.



• Apartamenty przy Kościelnej, Longbridge Development.

### Demand

On the secondary market, the most popular among buyers are two and three rooms flat in area up to 60 sqm.

### Rents

Residential rents grew 9% in 2008, with the biggest increase for one and two room flats. The average rent for a 70 sqm, 3-room apartment in the city centre ranges between PLN 2,800 (EUR 700) - PLN 5,000 (EUR 1,250).

The most popular were two, tree room flats in locations as Rataje, Wilczak, Naramowice and City Center. Two room apartments are usually rented by private persons and their prices waves between PLN 1,600 (EUR 400) and PLN 2,500 (EUR 625) plus media and administration costs. Three and more rooms apartments are usually rented by companies for its employees, and the bests cost even PLN 8,000 (EUR 2,000).

## Łódź

### Office

#### *Full Bloom of the Office Space Sector*

#### Supply

Counting the A and B-class office space available for rent in Łódź in 2008, it amounted to 140,000 sqm in 2008. This expanded the supply in comparison to the previous year by 30,000 sqm, mainly thanks to the completion of Red Tower, Business House and Gdańska 47. The Łódź market offers modern A, B+ and B-class space, concentrated mostly in the strict city centre at Piotrkowska, Piłsudskiego and Sienkiewicza streets, but C-class space, located far from downtown, still constitutes a significant part of what is available. The vacancy rate will rise significantly in 2009, due to more large developments scheduled for completion. In 2009, we're expecting a supply of 75,000 sqm.

#### Main Office Buildings

To lease space in these or other properties, call Ober - Haus on +48 44 683 59 59.

**Forum 76** - Virako Sp. z o.o., located on the corner of Marszałka J. Piłsudskiego Avenue and Stefana Kopcińskiego Street. 12,000 sqm of modern A-class office space and 411 sqm of commercial space, 60% rented out.

**Red Tower** - (previously Bre Tower) at Piotrkowska Street 148/150. The tallest office building in Łódź, which offers 125,000 sqm of B+ class office space. In 2008, a thorough modernization of the building was completed. It is 86% rented out.



• Centrum Biznesowe Synergia, Inter-Mar Z.P.U.H.

**Centrum Biznesowe Synergia** - of the investor Inter-Mar, located at Kościuszki 103/105 Avenue and at Wólczarska Street 128/134. It is a revitalization of an old wool and cotton products factory. 6,300 sqm of A-class office space.

**Business House** - investor: PTP, at Żeligowskiego Street, near Piotrkowska Street. It is a modern, A-class office complex. It entails three buildings with a total area of 6,250 sqm. It is 75% rented out.

#### New Developments

To lease space in these or other properties, call Ober-Haus on +48 44 683 5959

**University Business Park A, B** - on Wólczarska Street, 37,000 sqm of modern, A-class office space. Investor GTC.

**Aurus** - Echo Investment S.A is constructing 28,000 sqm of modern, A-class office space at Piłsudskiego Street 86, in the Widzew district. Construction works have been temporarily held up.

**Textorial Park** - a complex of three A-class buildings with a total office space of 11,600 sqm, developed by St. Paul's Developments Polska on Tymienieckiego Street, downtown Łódź.

**Centrum Biurowe Zenit** - investor Zenit Sp. Z o.o. is building an A-class office building with a total area of 6,600 sqm in downtown Łódź, on Sienkiewicza Street. The building is scheduled for completion towards the end of 2009.

**Cross Point** - Cross Point is constructing an office building at Śmigłego - Rydza Avenue in downtown Łódź. It is to supply the market with 14,000 sqm of revitalized, modern, A-class space in the 3rd quarter of 2009.

#### Demand

In 2008, 30,000 sqm of office space were commissioned for use. In strict city centre, the vacancy rate is 7%. The Łódź office space market enjoys high interest of mostly international investors, outsourcing companies and local entrepreneurs.

#### Rents

The prices for A-class space towards the end of 2008 ranged from PLN 56 to 68 per sqm (EUR 14 - 17). Rent prices for B-class space fell by 10% and stood at PLN 48 to 56 per sqm (EUR 12 - 14). Rents for modern office buildings are denominated in EUR.

The maintenance fees amounted to PLN 12 to 16 per sqm (EUR 3 - 4). Prices for A-class space will remain unchanged. Considering the prices proposed in Euro, they actually increased in late 2008. In 2009, everything will depend on the Euro exchange rate. Numerous office investments developed in Łódź will bring on a fight for tenants. Eventually it will surely cause the rent prices to drop.

## Retail

### *Galeria Łódzka and Manufaktura*

#### Supply

In 2008, the supply of commercial space remained unchanged at 370,000 sqm. No new site with an area above 5,000 sqm was completed in 2008. There are 12 large shopping malls in Łódź, of which the most popular ones are still Manufaktura and Galeria Łódzka.



• Manufaktura, Apsys.

#### Main Shopping Malls

To lease space in these or other properties, call Ober-Haus on +48 44 683 59 59.

**Manufaktura** - a shopping and entertainment centre, developed by Apsys. One of the largest in Poland, located in downtown Łódź, has 110,000 sqm of commercial space, as well as restaurants, museums, galleries. The main tenants are: Leroy Merlin, Cinema City, Go Sport, H&M and Jysk. Currently, a building on Ogrodowa Street is being revitalized, and in the middle of 2009, a 4-star hotel Andels will be located here.

**Galeria Łódzka** - a shopping mall completed in 2002 by ECE, located on Piłsudskiego Avenue. The total commercial area is 45,000 sqm. The main tenants are: Media Markt, Tesco, Go Sport.

#### New Developments

To lease space in these or other properties, call Ober-Haus on +48 44 683 59 59.

**Port Łódź** - on Pabianicka Street. The planned total area of the malls will increase the Łódź supply of commercial space by 120,000 sqm in total. Construction works are currently under way and the site is scheduled for completion for spring of 2010. The main tenant is supposed to be Ikea, renting an area of 33,000 sqm, which will make it the largest of its stores in all of Poland.

#### Demand

During the past year, the coefficient of vacancies in the sector of commercial space was close to zero, which demonstrates the continuous increase of demand for this type of real estate. The forecasted increase of supply towards the end of 2009 and the beginning of 2010 might weaken the demand slightly. The most popular and sought out are the venues in shopping malls, with an area of 200 to 500 m<sup>2</sup>, as well as those on main commercial streets with large and visible shop windows. In 2008, the largest demand was enjoyed by space destined for clothing and computer stores, as well as banking and financial services.

#### Rents

Rents in shopping malls reach a level of EUR 38 - 42 (PLN 152 to 168) per sqm. Rents for modern retail centres are denominated in EUR.

Maintenance fees stand at PLN 22 to 28 per sqm (EUR 5.50 - 7.00). For service and shopping venues located on the main streets in downtown, the rents on average range from PLN 100 to 120 per sqm (EUR 25-30), and the best locations can cost as much as PLN 220 per sqm (55 EUR).

## Industrial

### *Central Location Is a Big Advantage*

#### Supply

Central Poland, with Łódź as the capital city of the region is considered a particularly favourable location for logistics sites and parks. Supply of modern warehouse space is concentrated mostly in 8 logistics parks and in 2008 offered a total of 480,000 sqm. The largest logistics parks are concentrated outside the city, by crossings of the main roads, A1 and A2 in Stryków, where supply reaches 775,000 sqm (Tulipan Park Stryków,



Diamond Business Park, Panattoni), and in Piotrków Trybunalski - 1,178,000 sqm.

In 2008, two logistic parks of Panattoni were completed, with a total area of 178,000 sqm and Tulipan Park - 30,000 sqm by Segro.



• Panattoni Park, Panattoni Europe.

### Main Warehouse Parks

To lease space in these or other properties, call Ober-Haus on +48 44 683 59 59.

**Tulipan Park Stryków** - an investment by SEGRO, located about 16 km from downtown Łódź and just 3 km from the future crossing of highways A1 i A2. The target warehouse space is 400,000 sqm. Main tenants are Komfort, Azymut, Corning, Investa.

**ProLogis Park Stryków** - warehouse park developed by ProLogis, around 14 km from downtown Łódź. The target warehouse space is 115,500 sqm.

**ProLogis Park Piotrków, ProLogis Park Piotrków II** - developed by ProLogis. This warehouse park is located by the crossing of routes A1 and E-67, the target space is 109,000 sqm and 125,000 sqm (II). Main tenants are Ahold, NOMI, Unilever.

**Panattoni Park Łódź East** - located in Widzew - Olechów district in direct neighbourhood of planned junction Andrespol of A1 highway. Offers 157,000 sqm of the highest quality warehouse space. The Park was honored by prestigious prizes: CEE Quality Award and The Cepif & International Herald Tribune CEE Best Project Awards.

### Demand

In 2008, demand for modern warehouse space around Łódź did not diminish. Łódź itself has a strong supply of old sites,

revitalized, which are less and less popular. Entrepreneurs are looking for modern, functional space. In 2008, 280,000 sqm were rented out. The vacancy rate stood at 4.2% and these were mostly lower-standard warehouses located in old buildings. Investors are still looking for suitable land to build new logistics parks. The demand is created mostly by logistics operators and store chains.

### Rents

Rents for warehouses range from 3.30 - 4.50 (PLN 13.2 to 18) per sqm, depending on the location of the site in relation to the main roads and downtown. In Piotrków Trybunalski and in Stryków the observed prices were a little lower, from PLN 12.4 to 15.2 per sqm (EUR 3.1 - 3.8). A slight price increase is anticipated for 2009. Rents for modern warehouses are denominated in EUR.

### News

In March 2008, at Panattoni Park Stryków, the largest contract in the Polish warehouse business was signed - Leroy Merlin rented 56,000 sqm of warehouse space.

### Land

#### *Sluggish Demand for Residential Land*

### Supply

During the past year, one could observe declining demand for land, especially for land destined for residential investments. This is a consequence of the problems that developers have with selling the completed apartments, as well as of the general situation on the market. The largest demand was enjoyed by land for private, single family residential developments. The most sought out were lots located in quiet, safe neighbourhoods, preferably in green areas with good access to city centre.

### Prices

In 2008, one square meter of a construction lot entailed a cost of PLN 70 to as much as PLN 200 per sqm (EUR 17.5 - 50). The cheapest lots were located around Tuszyn, the most expensive ones in close vicinity of Natolin and Ksawerów. A square meter in a good location cost on average PLN 100 (EUR 25). Land for office buildings in downtown costs from PLN 2,000 to 6,000 per sqm (EUR 500 - 1,500), while in the outskirts - PLN 500 - 1,500 per sqm (125 - 375 EUR).

## Demand

Last year, demand for land for residential developments slumped significantly. Plots for office developments were popular. Discount chains also showed lots of interest in land for their stores.

## Residential

### Prices Soften As Economy Weakens

### Supply

The largest developers active on the Łódź market in 2008 were: Varitex, Polnord, BRE locum, SGI Balist, Opal Property Developments S.A., TOM-BUD, MGM Development. 2008 brought 2397 newly completed apartments to the Łódź market. Many new residential developments were constructed in the Widzew-Janów district and around downtown. The revitalization of old, destroyed tenement houses around Piotrkowska Street and in its direct vicinities was taking place on a broad scale.

### Prices

In 2008, the apartment prices on the Łódź primary market fell by 6% to the average of PLN 5,250 per sqm (EUR 1,310), while prices of secondary market apartments fell to the average level of PLN 4,800 per sqm (EUR 1,200). Prices of apartments which require renovation, located in the outskirts, slumped to as low as PLN 3,400 per sqm (EUR 850). Residential prices are nearly always offered in Polish zloty (PLN).

### New Developments

To buy or rent in these or other residential properties, call Ober-Haus on +48 44 683 59 59.

**Słoneczne Tarasy** - Opal Property Developments is carrying out a residential investment at Tymienieckiego Street, currently available completed apartments are 30 - 100 sqm, with prices from PLN 5,000 per sqm (EUR 1,250).

**Oaza nad Jasionem** - a residential complex at 332 Obywatelska Street with an area of 44 to 85 sqm. Apartments are offered for prices of PLN 4,700 to 4,900 per sqm (EUR 1,175 - 1,225). The completion of the investment is scheduled for the 4th quarter of 2009.

**Nowe Polesie** - at Pienista Street, around the Lublinek airport, located in the „green” part of the city. 347 apartments with an area of 50 - 120 sqm will be constructed in 10 buildings. They will have spacious patios or winter gardens. The selling prices of the apartments range from PLN 5,200 to 5,800 per sqm (EUR 1,300 - 1,450). The completion of the investment is scheduled for the 3rd/4th quarter of 2009.

**Marina** - a luxury apartment building located at Świętej Teresy Street, including 101 apartments with an area of 40 to 150 sqm, offered at prices from PLN 9,000 to 12,000 per sqm (EUR 2,250 - 3,000). The completion of the investment is summer of 2009.

**City Park** - at Żeligowskiego Street, in the quiet part of the city. The complex entails 464 apartments with a total area of 30,000 sqm, offered at prices of PLN 4,300 - 5,500 per sqm (EUR 1,075 - 1,375). The investment is scheduled to be completed towards the end of 2009.



• Marina, Varitex S.A.

### Demand

In 2008, demand for apartments decreased significantly in comparison to the previous year. The reason was mostly the increasingly less accessible mortgage credits, especially in the second half of the year. However, the most popular sector of apartments, 45-60 sqm in the districts of Widzew, Olechów or Retkinia still found its buyers. As for the primary market, virtually only already completed apartments, or those scheduled for completion within the next 6 months, were sold.

### Rents

The rental yield on new apartments is 7%. A monthly rent for a 1-room apartment with an area of 25 - 35 sqm stands at PLN 700 - 1,000 (EUR 175 - 250). Renting a 2-room apartment of 37 - 50 sqm is a cost of PLN 1,100 to 1,800 (EUR 275 - 450), mainly in the districts of Retkinia and Widzew. Closer to downtown, in

newer buildings, renting an apartment with an area of 50 - 60 sqm costs monthly from PLN 1,800 to 2,500 (EUR 450 - 625). In the strict city centre, renting an apartment of 70 - 90 sqm entails a cost of PLN 3,000 to 4,500 (EUR 750 - 1,125).

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## Taxes

### Purchase

**VAT** - In general the supply of buildings, constructions and parts thereof is exempt from VAT. The sale of real estate conducted before or within 2 years after the first settlement is subject to VAT. However, in the above cases, the exemption will apply if the vendor of the real estate did not have the right to deduct the input VAT against the output VAT and he did not incur costs of improvements of the real estate, with respect to which he would have the right to offset the input VAT, or the incurred costs of improvements did not exceed 30% of the initial value of the real estate. In case of a sale transaction conducted more than 2 years after the first settlement, the parties are entitled to opt for taxation, though this type of transactions are generally exempt from VAT, provided specific conditions are met. The above sale will be subject to 22% VAT rate.

In case of the residential property, in 2009 the VAT rate on flats is 7%, since government introduced the specific provisions allowing for the application of the lower rate in respect to the social building industry. The definition of social building industry, allowing for application of the reduced 7% VAT rate, encompasses apartments as well as residential houses with usable space not exceeding 150 sq.m and 300 sq.m respectively. Any excess over the specified threshold shall be taxed with 22% VAT rate.

**CLAT** - In case of the purchase transaction which is outside the scope of the VAT or is VAT exempt, the transaction will be subject to Civil Law Activities Tax equal to 2% of the real estate value.

**Other fees** - The notary fees depend on the value of the transaction and may amount up to approx. EUR 2.200. The court fee is approx. EUR 45. The typical broker's fee is 3% of the transaction value. Notary and brokerage fees have 22% VAT on top, however the tax is fully recoverable.

### Rents

**VAT** - Commercial rents are subject to standard 22% VAT rate. Residential rents received outside the scope of economic activity are exempted from VAT.

**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 18% and 32%. Provided that specific condi-

tions are met, they may also settle up in a form of a lump-sum tax of 8,5% and 20% of the revenue or 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. Buildings 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.

**Tax optimization structures** - There is 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.

Recently, a 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 or 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).

### 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 in 2009 they may amount to approx. EUR 0.1 - 1.06 for land and EUR 0.16 - 5.37 for buildings, per sq.m p.a. The tax for constructions is calculated as 2% of their initial value p.a. 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. The above income may, however, be exempt from taxation provided it will be allocated by a taxpayer for residential purposes. The above regulation concerns the real estate purchased after January 1, 2009.

The sale of real estate purchased in the period between January 1, 2007 and December 31, 2008 is subject to 19% tax with optional exemption for real estate being 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 January 1, 2007, are subject to the tax regulations valid till December 31, 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.

## Commissions

The agency commission fee is subject to 22% VAT. Generally the VAT is recoverable for legal entities. For individuals which cannot recover the VAT charged on the agency commission, the amount of input VAT paid on the purchases will constitute effectively (economically) additional acquisition cost.

## 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 (e.g flats).

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

Dominik Stojek - Director, Deloitte, on +48 22 511 0854,

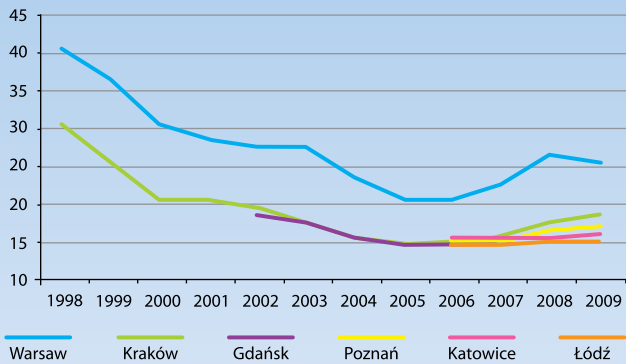
or

Aleksander Kot - Manager, Deloitte, on +48 22 511 0421,

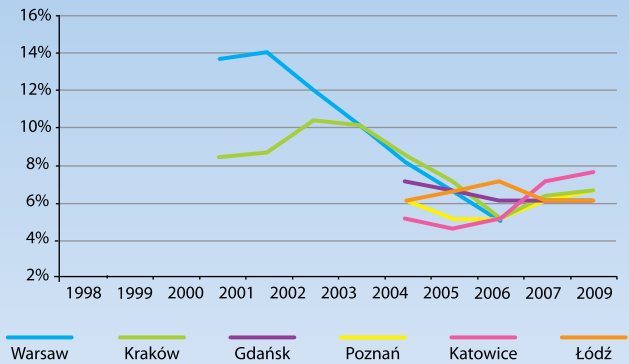
or

Michał Siekierzyński - Manager, Deloitte, on +48 22 511 0763.

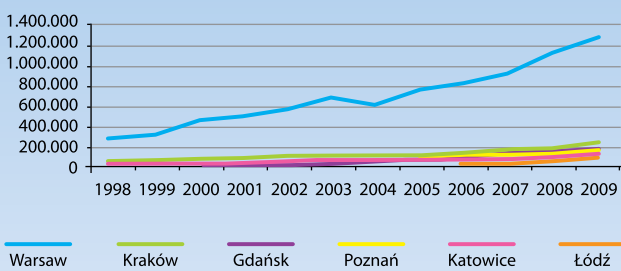
Avg class A office rents (EUR)



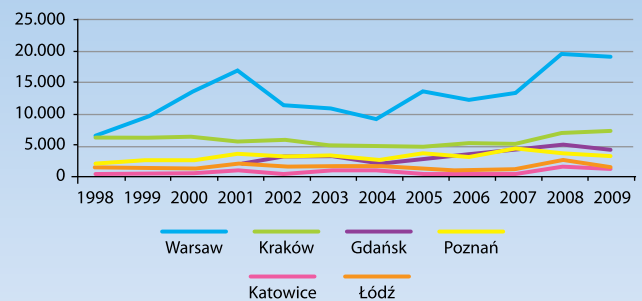
Residential investment yields



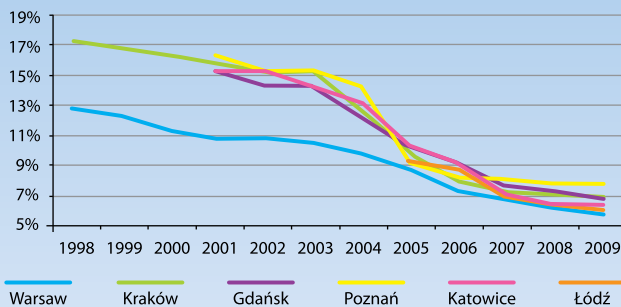
Total class A office space (sqm)



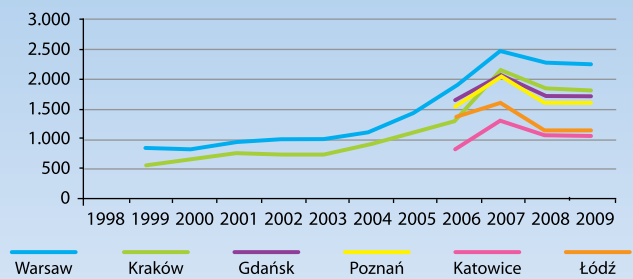
Completed residential units



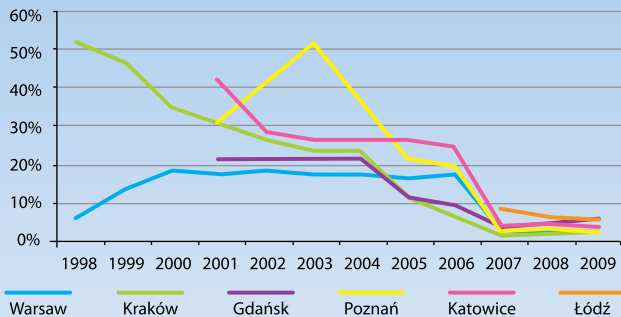
Class A office investment yields



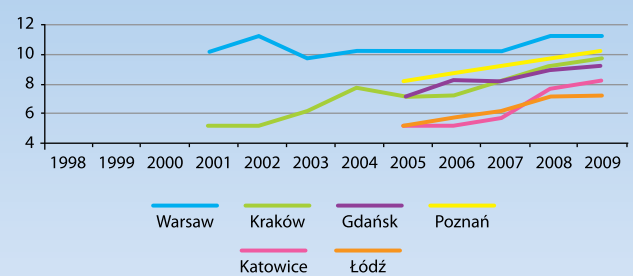
Average city centre residential prices (EUR/sqm)



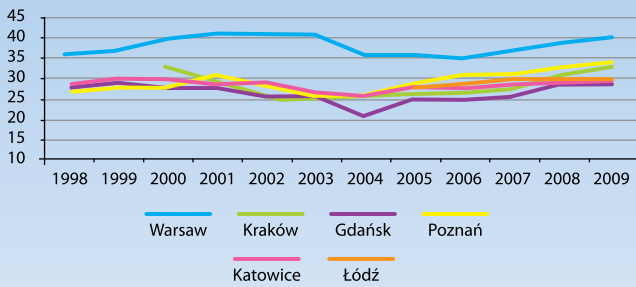
Class A office vacancy rates



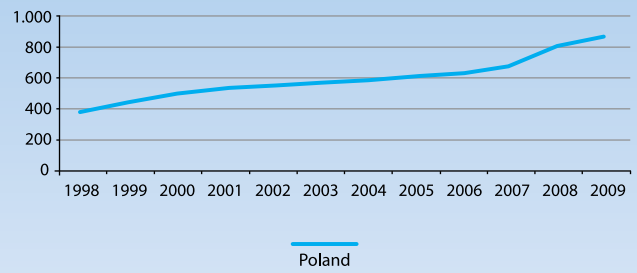
Average residential rents (EUR/sqm/month)



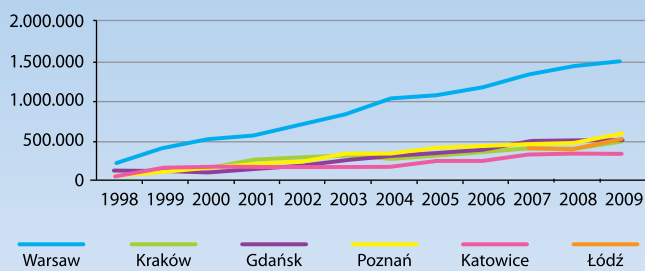
Avg. mall rents (EUR)



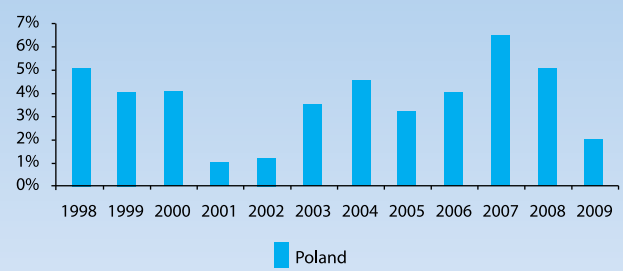
Avg. salary per month in Poland (EUR)



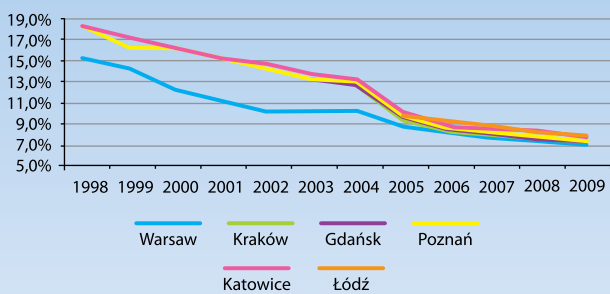
Total mall space (sqm)



GDP growth in Poland (%)



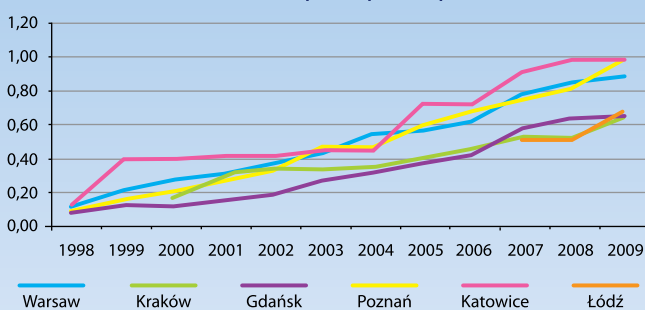
Retail investment yields



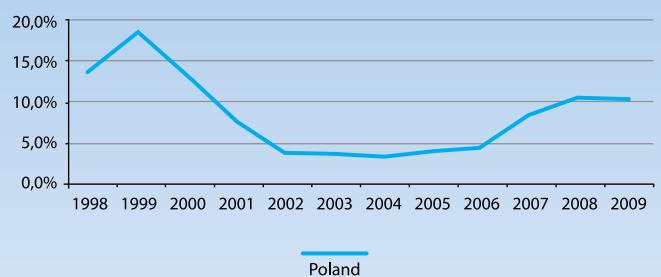
GDP per capita in Poland (EUR)



Total mall space per capita



Avg. salary growth in Poland (%)







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