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FOR IMMEDIATE RELEASE — 4 April 2005

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OVERVIEW OF OFFICE MARKETS IN CENTRAL AND EASTERN EUROPE

The office markets in Central and Eastern Europe (CEE) had a positive year overall according to a recent study by CB Richard Ellis. In their recently completed CEE Offices Market View Report, CB Richard Ellis comments on the increase in take-up in 2004, a fall in vacancy and further competition on the investment market with the associated compression of yields.

According to CB Richard Ellis, approximately 1.2 million sq m of modern office space was completed in the seven markets of our study during 2004, raising the total stock for these markets to 11.8 million sq m, a 17.3% increase from the end of 2003.

CB Richard Ellis' report shows that office take-up increased 9.0% y-o-y for the region as a whole, with increases seen in every market but Bratislava and Prague. Take-up rose significantly in Budapest, Moscow and Warsaw, helping to decrease the vacancy rate in these cities. This significant decrease in vacancy in Budapest, Moscow and Warsaw caused the overall vacancy for the region to decrease by 126 basis points to 11.8%. The vacancy rates in Bucharest, Budapest and Warsaw fell by 221, 531 and 259 basis points respectively (to 13.8%, 15.2% and 11.8% vacancy respectively).

2004 was a very strong year for the investment markets in CEE, CB Richard Ellis stated. The markets continue to be characterized by a shortage of available institutional-quality product. When product is sold on the open market, it usually attracts a large pool of very serious bidders. In the midst of such strong competition we have witnessed marked yield compression in the region. Prime yields currently range from 7.75% in Prague to 13.00% in Moscow; with prime yields for the four main Central European markets all near 8.00% concludes CB Richard Ellis.

Cory Hrncirik, Head of CEE Research for CB Richard Ellis, commented, "The office markets in Central and Eastern Europe performed generally very well in 2004. We are especially pleased by the falling vacancy rates in markets such as Budapest and Warsaw. The CEE markets are certainly becoming more and more attractive, both from an occupational and investment standpoint."

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