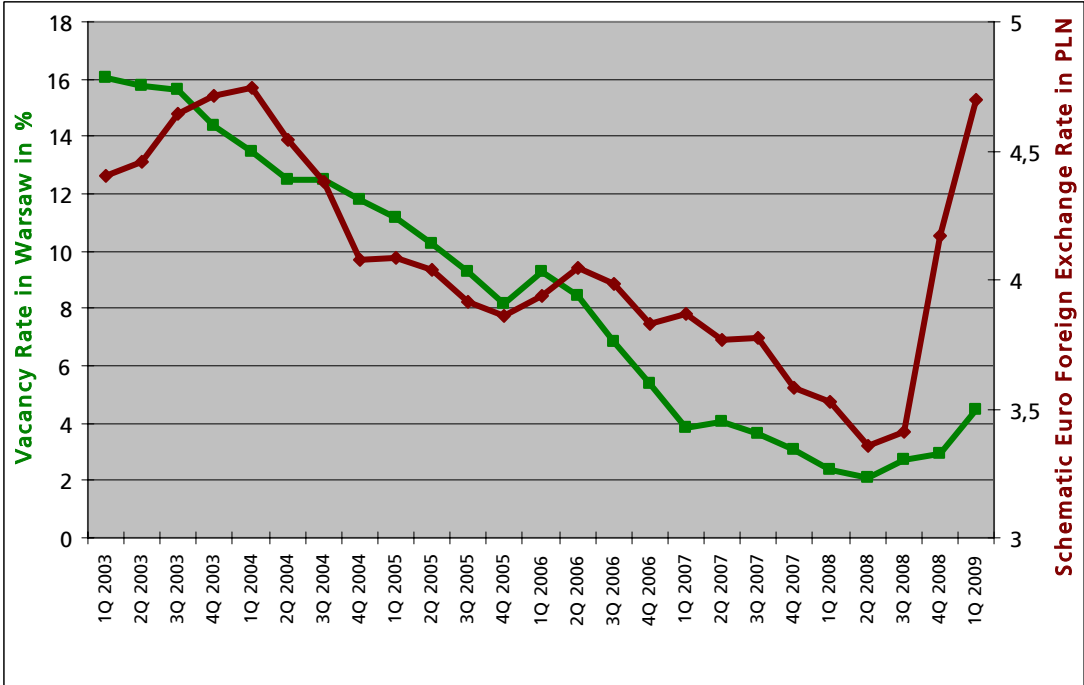


# Can EURO foreign exchange rate indicate the state of the modern office space?

Financial and economic crises appearing recently in Poland are felt by everyone. We can view it through our country development rate that amounted to 4.8 % last year, whereas according to the Ministry of Finance this rate will amount to 0.9 % at the end of 2009. We can see the increasing unemployment that amounted to 10.8% in April 2009, the increasing inflation that amounted to 3.5 % in May 2009. Deteriorating macroeconomic coefficients indicate an existence of crisis that influences also commercial real estate market.

We decided to review trends on the modern office market through the prism of fluctuation of Euro foreign exchange rate. For this purposes we have compared a schematic Euro foreign exchange rate valid in the last day of the quarter with the vacancy rate existing in Warsaw in particular quarters, in the period from the first quarter of 2003 to the first quarter of 2009. Based on such an analysis we observed that when Euro foreign exchange rate decreases/increases, due to appearing correlations between the schematic Euro foreign average exchange rate and a rate of vacant space existing in Warsaw, appropriately decreases/increases also the vacancy rate.



Prepared by: CPRF, source CPRF, DTZ, NBP

Upon analysis of correlation coefficient between the schematic Euro foreign average exchange rate and a vacancy rate of modern office space in Warsaw, we obtained a coefficient at a level of 0.76. It means that these data are interrelated to the significant extent, up to 76 %.

The vacancy rate of modern office space constitutes one of the main indicators that determine form and general state of the office space market. It is a fusion of existing relations on the market between supply, demand and rents. Based on our analysis, we may come to a conclusion that a foreign exchange rate can be an indicator that allows viewing the office space market in the broader range. It allows determining strength of the market, its form and potential perspectives of the development. Observing mid-term and long term fluctuation trends of foreign exchange rate it can be concluded on the potential trend for a vacancy rate, and in result, relations can be analyzed between supplied/ planned new office space to be introduced to the market, a demand, and a rent for which this space can be leased.

Asymmetry of Information in Economy means a situation where one party has more of better information than the other, when not all market players have the same information about being purchased or sold goods. It refers usually to the situation when a seller is in a privileged information situation in a comparison with a purchaser, however an opposite situation is possible. One of the major features (defects) characterizing the real estate market is Asymmetry of Information. An access to the appropriate market data about properties and a market is very difficult and their collection and analysis is expensive and time consuming. Whereas, an access to information about a daily and historical Euro foreign exchange rate is immediate and very easy. In our opinion, an observation of the office market in Poland through the prism of mid-term and/or long-term trend fluctuation of Euro foreign exchange rate allows Principals change into Agents. Everybody can try!

September 2009

Explanations:

A party which is better informed is called an **Agent**. Whereas, a party worse informed, not owning entire information is called a **Principal**.