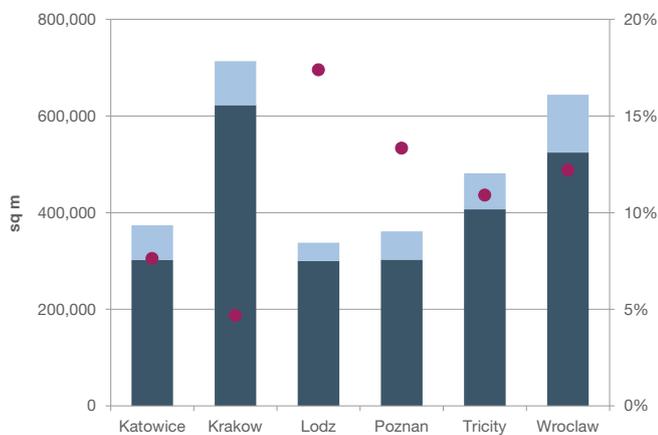


# Market in Minutes

## Katowice office market

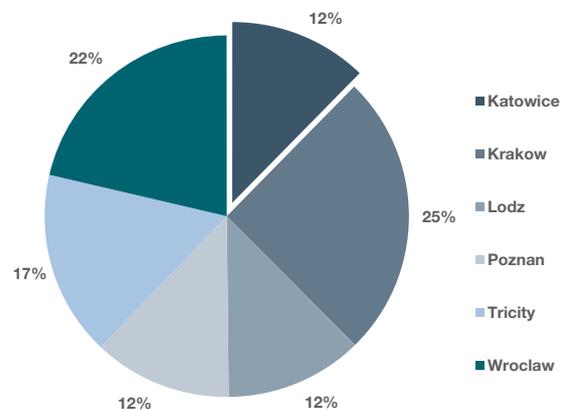
November 2013

GRAPH 1  
Stock, developments and vacancy rate



Graph source: Savills

GRAPH 2  
Office stock in major regional markets by city



Graph source: Savills

## SUMMARY

### Overview

- The total stock of modern offices in Katowice exceeded 302,600 sq m at the end of the third quarter of 2013.
- New supply increased in Q1-Q3 2013 to ca. 23,500 sq m compared to only 9,400 sq m in the entire 2012.
- Further 71,250 sq m of new office space is currently under construction, of which 6,000 sq m is due for completion in H2 2013.
- Average vacancy rate decreased from 8.3% to 7.6% over the last quarter, but increased from 6.8% recorded at the beginning of 2013.
- Letting activity in Q1-Q3 2013 was relatively high at ca. 43,700 sq m, reflecting ca. 23% growth compared to the entire 2012.
- Prime office headline rents are at €12.00-14.00 per sq m/month and are expected to remain stable. Nevertheless, tenants may count on attractive incentives packages which reduce effective rates.

.....  
 “Tenants with requirements below 500 sqm have a number of buildings to choose from. Tenants with bigger requirements need to plan 2-3 years ahead in order to secure office in planned A-class locations..”  
 .....  
 Tomasz Buras, Savills Office Agency  
 .....

→ **Katowice**

Katowice is the largest city in Upper Silesia – the industrial centre of Poland and a core of the Upper Silesian Metropolitan Union consisting of 14 adjacent cities inhabited by over 2.1 million people. Altogether, the agglomeration is the most densely inhabited area in Poland as well as the major location for heavy industry.

Katowice benefits from a good road infrastructure as well as location at the intersection of important international routes, which in conjunction with high availability of workforce provides good conditions for industrial and business development.

There are 15 higher education institutions in Katowice and further 13 in the agglomeration, with the total number of students in excess of 115,400 with a further 34,600 graduates. University of Silesia in Katowice, University of Economics in Katowice and the Silesian University of Technology are the three biggest higher education centres in the region.

**General Overview**

Office buildings in Katowice are concentrated close to the City Centre in the area of ul. Korfantego, Chorzowska, Sokolska, and Rozdzińskiego with Nowe Katowickie Centrum Biznesu, Altus and Chorzowska 50 office developments to name a few.

The second most important office location is the southern part of the city close to the A4 motorway where

“Katowice office supply is steadily growing, with several projects scheduled for delivery in 2014-2015.”

Tomasz Subocz, Savills Tenant Representation

the new Echo Investment is now under construction; Millenium Plaza, Francuska Office Center and Atrium are located.

Supply of office space in other parts of the city is very limited, often to only one or two developments.

Prior the development of Millenium Plaza and Chorzowska 50 most of the office space was located in tenement houses and owner occupied buildings not ideal for office tenants. Currently with just over 302,600 sq m of office space, the office market in Katowice is comparable in size to Poznan and Lodz and provides a wide variety of choices for office occupiers.

**New Supply**

The average office supply between 2000 and 2012 was 18,600 sq m whereas the expected supply of office space this year is 29,500 sq m. Majority of new supply planned for 2013 has already been completed during the first three quarters of the year when 23,500 sq m of office space in five buildings was delivered: Nowe Katowickie Centrum Biznesu developed by a private investor (13,000 sq m), new headquarter office

of Polski Koks (6,200 sq m), Rawa Office by Opal Development (1,500 sq m), building at Stara Huta complex by Hermes (600 sq m) and Dabrowki 16 (2,200 sq m).

Only one building of 6,000 sq m is due in Q4 2013. It is the new building at Euro-Centrum complex which was created as part of a project subsidised by the European Union and the Polish government.

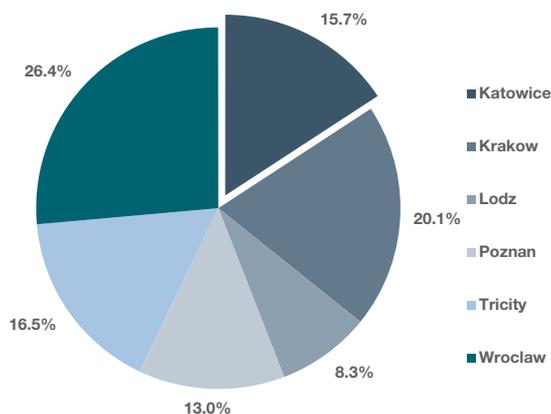
Supply for next year is forecasted at even 56,000 sq m located in eight buildings, the construction process of which has already started.

The largest development next year will be the first building of LC Corp project (12,700 sq m), Silesia Business Park by Skanska (11,500 sq m) and A4 Business Park by Echo Investment (9,000 sq m).

**Availability**

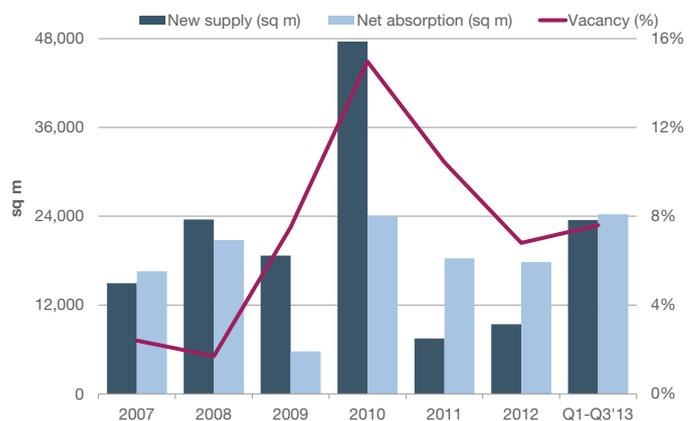
The availability of office space in Katowice was 7.6% at the end of September 2013, below the average among all regional cities which was ca. 10%. Vacancy rate dropped from 8.3% to 7.6% over the last quarter, but increased from 6.8% recorded at the beginning of 2013.

GRAPH 3 **Developments by city**



Graph source: Savills

GRAPH 4 **New supply, net absorption and vacancy in Katowice**



Graph source: Savills

We expect vacancy to be pushed downwards by December 2013 as the volume of new supply is low, but during 2014 an opposite trend will be observed as 56,000 sq m of new space will be delivered.

Office market in Katowice, like in other cities, is very volatile and sensitive to new supply, especially now when the majority of new projects are completed with significant share of vacant space.

### Demand

Tenants' activity was rather high at over 43,700 sq m of space let in the first three quarters of 2013. That

agreement of IBM (9,000 sq m) in A4 Business Park (Echo Investment), the relocation of Polski Koks to a new headquarters office (6,200 sq m), Getin Group lease of 6,000 sq m at the first building of LC Corp Tower to be ready in late 2014, pre-lease agreement of ING Services Polska (5,600 sq m) in the second phase of GPP Business Park and IBM move to Francuska Office Center (3,200 sq m).

When demand of office space is expressed by net absorption than it was 24,300 sq m during Q1-Q3 2013 compared to 17,800 sq m during the entire 2012.

“More corporate tenants are perceiving Katowice as an established destination for their office or outsourcing center.”

Tomasz Buras, Savills Office Agency

already exceeded the last year's gross take-up (35,400 sq m).

About 65% of the space let in Q1-Q3 2013 accounted for pre-lease agreements and what is important 8% of the volume were expansions which show tenants' confidence in Katowice as established office location.

Some of the biggest transactions in Katowice concluded during the first half of the year were the pre-lease

### Rents

The level of prime headline office rents in Katowice is in the range of €12.00 – 14.00 per sq m/month. In B-class office buildings they are €2.00 per sq m/month lower than in the best buildings. There are still number of office locations in Katowice where rents are quoted in Polish Zloty.

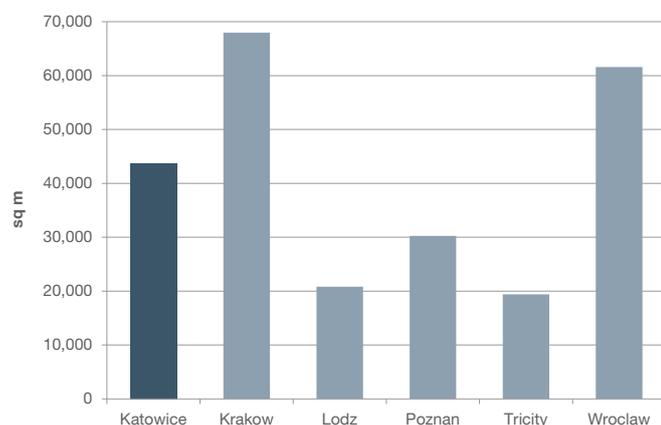
Rents are lower when compared to Poznan, Krakow and Wroclaw which, from the tenant's perspective is →

TABLE 1  
**Katowice - key facts**

<b>Population</b> (Dec 2012)	307,233
<b>Unemployment</b> (Sep 2013)	5.4%
<b>Average gross salary</b> (2012)	PLN 4,967 per month
<b>Number of students</b> (2012)	63,099
<b>Number of graduates</b> (2012)	18,805
<b>Higher education institutions</b>	15
<b>International Airport</b>	Katowice - Pyrzowice Airport
<b>Number of passengers</b> (2012)	2,518,000 +0.7% y-o-y
<b>Selected BPO/SSC/ IT/R&amp;D companies</b>	Capgemini, Steria, PwC, Unilever, Zywiec
<b>Modern office stock</b> (Q3 2013)	302,600 sq m
<b>Under construction</b> (Q3 2013)	71,250 sq m
<b>Available office space</b> (Q3 2013)	23,100 sq m
<b>Vacancy rate</b> (Q3 2013)	7.6%
<b>Letting activity</b> (Q1-Q3 2013)	43,700 sq m
<b>Prime headline office rents</b> (Q3 2013)	€12.00-14.00 per sq m/ month

Source: Savills / GUS

GRAPH 5  
**Letting activity in regional cities in Q1-Q3 2013**



Graph source: Savills

TABLE 2  
**Largest office projects to be completed in 2013 - 2014**

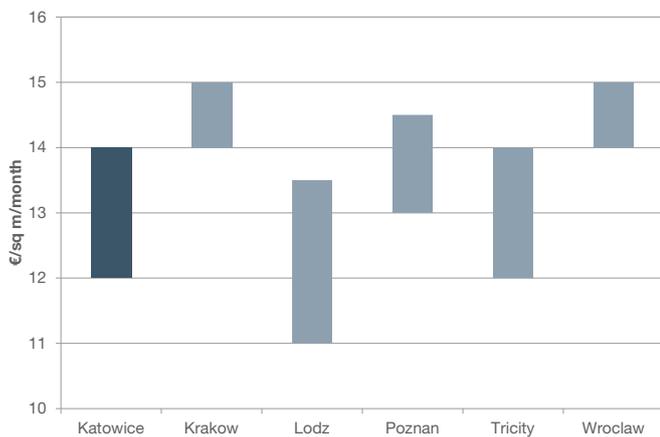
Project	Developer	Size (sq m)	Date
Euro-Centrum	Euro-Centrum	6,000	2013
LC Corp Tower I	LC Corp	12,700	2014
Silesia Business Park A	Skanska	11,500	2014
A4 Business Park I	Echo Investments	9,000	2014
GPP Business Park II	GPP	6,300	2014
GPP Business Park III	GPP	6,300	2014
Brynów Center I	Holdimex	5,200	2014

Source: Savills

→ beneficial. As the volume of new supply due in 2014 is high, tenants can expect some attractive packages of incentives (rent free periods and fit-out contributions) offered by landlords and owners to encourage tenants to lease space in their buildings.

Rent for parking space in case of underground garages amounts to €50.00-90.00 per space/month. Service charges usually range between PLN 12.00-16.00 per sq m/month. ■

GRAPH 5  
**Headline office rents in regional cities**



Graph source: Savills

## OUTLOOK

### Improving cityscape to attract business services

For many years Upper Silesia has been the largest heavy industry zone in Poland, leading in coal and steel production. Thus, as a region's capital, Katowice has been enjoying one of the lowest unemployment rates and the highest salaries in Poland. At the same time, most of the local companies were self-sufficient in terms of office requirements.

For a few years, local authorities have been making a lot of efforts to improve and promote investor attractiveness of the city and its perception among present and potential investors. The cityscape is continuously improving and new business space is being created.

The city has already managed to attract a few larger investors, including IBM, PwC, Capgemini and it is expected that these investors will be expanding and further attracting tenants to this unique location with good infrastructure, availability of skilled workforce and a friendly business environment. This shall be a key driver of demand for modern office space in the coming years. On the other hand, relatively high average employment costs (compared to other regional cities) position the city behind its competitors in terms of attractiveness for BPO/SSC sectors, forcing local authorities to offer other incentives to ensure inflow of investment capital and further growth of business services.

## Savills contacts

Please contact us for further information



**Brian Burgess**  
 Managing Director  
 +48 (0) 22 222 4004  
 bburgess@savills.pl



**Mark Freeman**  
 Director,  
 Valuation & Consultancy  
 +48 (0) 22 222 4040  
 mfreeman@savills.pl



**Tomasz Buras**  
 Director,  
 Office Agency  
 +48 (0) 22 222 4020  
 tburas@savills.pl



**Dorota Ejsmont**  
 Associate Director,  
 Office Agency  
 +48 (0) 22 222 4056  
 dejsmont@savills.pl



**Tomasz Subocz**  
 Associate Director,  
 Tenant Representation  
 +48 (0) 22 222 4026  
 tsubocz@savills.pl

#### Savills plc

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 200 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.