

# Katowice Office Update

## Lower Rents Fail to Stimulate Demand

### Economy

Poland's economy is strong, with 3.6% GDP growth in 2003 and 4.5% growth predicted for 2004. Inflation decreased to 0.8% last year. Interest rates are at an all time low and are not expected to rise significantly in 2004. Corporate taxes were slashed from 24% to 19% this year. The unemployment rate in Katowice is 7.1%.

### Supply

The supply of 50,000 sqm class A and B office space is high in comparison to the existing demand. Rents have remained stable over the last 12 months, but a depressed market appears to be leading to a downward trend in rents.

**Chorzowska 50** – the only building that can be classified as class A office space. The property consists of two buildings that opened in 2001, Chorzowska 50 and Sokolska 34. The buildings are owned by a subsidiary of Bank Slaski, and developed by ING Bank Slaski and Buildico. 24% of the office space is vacant.

**UniCentrum** – The 15,500 sqm UniCentrum building is the tallest in southern Poland, but has been plagued by difficulties, including the bankruptcy of the developer, which has caused it to repeatedly miss scheduled opening dates for over two years. The new owner (Reliz) opened the building in December 2003. For leasing information contact Ober-Haus.

Other projects, such as the 6,500 sqm **Katowice Jesionowa** office building, owned by Korporacja Budowlana Inwestycje, are on hold until leases are signed.

Class B office buildings are: **Millenium Plaza** (10,900 sqm) recently purchased by Residence Europark, **Holdimex** (4,500 sqm), **Atal** (2,200 sqm), **Ceglana 4** (7,000 sqm), **Energomontaz** (5,600 sqm), and **Progress** (2,400 sqm). The total Class B office stock amounts to approximately 32,500 sqm, 18% of which is vacant.

### Demand

Although labour is cheap, no major corporations have relocated to Katowice, and local companies have no requirements for class A space. Katowice is still a tenants' market with the vacancy rate remaining at 25%, discouraging further development.

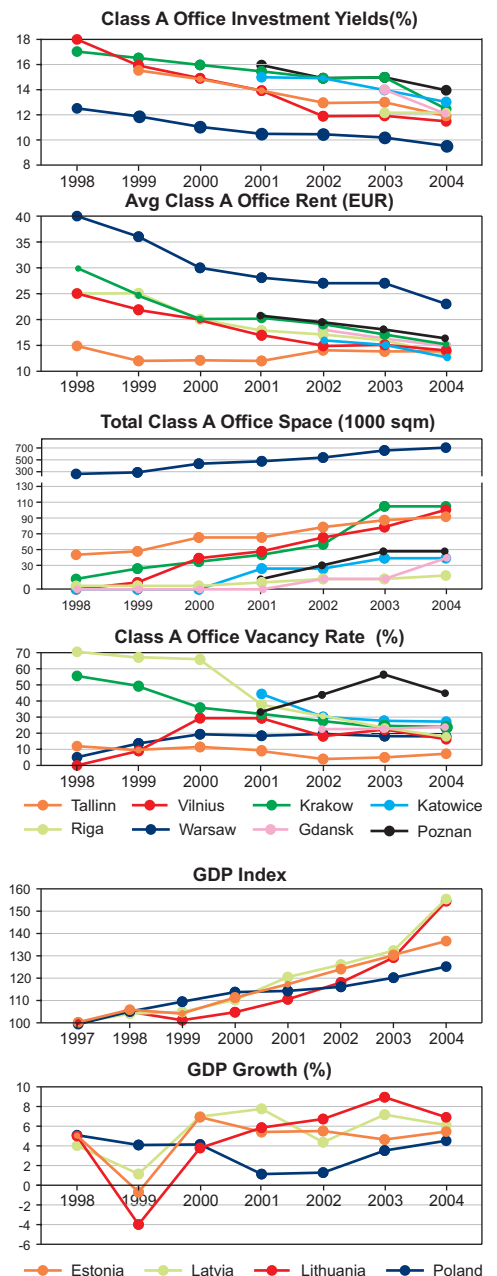
### Rents

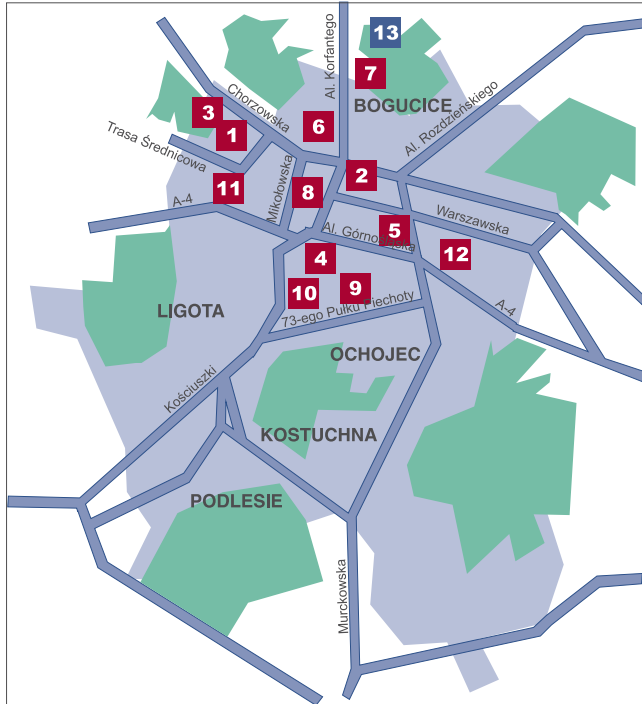
Rents in class A office buildings are quoted including service charges as 14 to 17 EUR per sqm, making net rents effectively 12 to 13.5 EUR per sqm.

The rents in class B buildings range from 9 to 12 EUR per sqm. Total class C office stock amounts to 21,000 sqm, and includes Wita Stwosza 2, COIG, and TOP. The high vacancy rate of 30% will pull rents down from today's 7 EUR per sqm.



**Jesionowa Tower** – 6,500 sqm office building owned by KB Inwestycje.





## Office sqm existing in Katowice

Property name	sqm
<b>1</b> ING Bank Slaski	18 800
<b>2</b> Uni Centrum	15 500
<b>3</b> Chorzowska 50	14 200
<b>4</b> COIG	12 600
<b>5</b> Millenium Plaza I	10 900
<b>6</b> KOMAG	9 500
<b>7</b> GIG	6 300
<b>8</b> Energomontaz	5 600
<b>9</b> Ceglana 4	7 000
<b>10</b> Holdimex	4 500
<b>11</b> TOP Centrum Handlowo-Uslugowe	3 000
<b>12</b> ATAL	2 200
<b>TOTAL</b>	<b>110 100</b>

## Office sqm planned in Katowice

Property name	sqm
<b>13</b> Jesionowa	6 500
<b>TOTAL</b>	<b>6 500</b>

### FOR COMMERCIAL LEASING OPPORTUNITIES THROUGHOUT THE REGION, PLEASE CONTACT:

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