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**KATOWICE**  
*for a change*

# Katowice

## Office Market Report

2013



## Major roads and international airports in Poland



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# Why Katowice?

## Human Potential in the Silesia Metropolis

- almost 2 million inhabitants
- 28 universities
- 97 R&D units
- 123,000 students
- more than 33,000 graduates a year

## Katowice: It's worth Investing here

- city is spending more than 30% of its own budget on investments
- good rating from Fitch: "A-"
- Katowice Special Economic Zone
- support for investors, including property tax exemptions
- friendly local and regional authorities

## Real Estate

- fifth largest office market in Poland in terms of office stock
- high quality office space
- competitive rents
- transparent market practice

## Excellent Location

- easy railway and air access from the main European cities
- close (30 km) to the fastest developing airport in Poland (Katowice International Airport), which is also the highest (above sea level) passenger airport in Poland with the lowest number of foggy days in the year for all Polish passenger airports offering international flights
- crossing point of trans-European transportation routes
- well-developed road system

## High Quality of Life

- good place to live, 45% of the city cover green areas
- well-developed social infrastructure: international educational establishments, high-quality health care and sport & recreation facilities
- high-quality, modern apartments
- Volleyball World Championships to be held in 2014
- EHF European Men's Handball Championship in 2016
- numerous international music festivals: Rawa Blues Festival, OFF Festival, Tauron Nowa Muzyka Festival



## Katowice – convenient location for BPO/SSC centers

A prime location within the one of the most economically developed regions of Poland, highly skilled human resources and advanced transportation system create excellent opportunities for BPO/SSC investments.

### About the city

Katowice: the central city of the Silesia Metropolis, with a population of 2 million, is a well-known economic, academic and cultural centre of Poland.

In the past, Katowice was associated only with heavy industry; today, it is undergoing a complex transformation and is successfully becoming a modern, innovative and intelligent city.

Currently, Katowice with its human, scientific and technical potential, is an ideal destination of efficiency-, market- and resource-seeking foreign investments.

The favourable climate for foreign investments is created by the city's intrinsic advantages:

- The huge human potential and high absorption capacity of the output market: access to 2 million people in the Silesia Metropolis.
- A leading Polish academic centre: 123,000 students in the Silesia Metropolis, attending schools such as the University of Silesia, the University of Economics, the Silesian University of Technology and many private universities.
- Location at a crossing point of two trans-European transport corridors.
- Three international airports located within a short distance (Katowice, Kraków, Ostrava).
- The best developed road network, with direct access to two motorways (the A1 and the A4).
- Access to the largest Polish special economic zone (Katowice Special Economic Zone), which offers substantial corporate income tax relief.

Nowadays, Katowice is considered as an excellent destination for new investment projects. Katowice has been chosen by many international companies.

The BPO/SSC sector is represented by, inter alia, Capgemini, Kroll Ontrack, Rockwell Automation, Steria and PwC.

### Air Transport

Katowice International Airport offers international connections via airline hubs in Frankfurt, Munich and Düsseldorf. Additionally, two other airports provide international air transport to Katowice: the John Paul II International Airport in Krakow-Balice and the airport in Ostrava.

### Road Transport

The Silesia Metropolis is very well located, at the crossing of most important Polish and European transport routes. The city is at the crossing point of the following routes:

- Corridor III: Berlin - Wrocław - Katowice - Kraków - Lvov
- Corridor IV: Gdansk - Katowice - Żylin - Bratislava - Vienna

The Silesian Intercity Road (DTŚ) connects the majority of key cities of the Silesian Metropolis and, due to the important role it play in the road infrastructure of the region, is often referred to as the regional 'backbone'.

### Rail Transport

Among the numerous recent improvements to Katowice a particularly significant investment is the reconstruction of the railway station. The new railway station opened in October 2012 and when the redevelopment plan has been completed the station complex will include a trade and service centre, a car park and an office building. Two main railways cross in Katowice, meaning that the station can offer connections to virtually all destinations in Poland and Europe.

# Incentives available to investors in Katowice

A wide variety of actions are being taken by the city to support investors

## Investor care in the long-term perspective: support from the Strategic Investors Assistance Centre

The Strategic Investors Assistance Centre values investors and treats them as its most important customers, offering them full-time support and professional assistance. The Strategic Investors Assistance Centre helps with regard to investment location decisions by:

- providing market analysis (e.g. workforce availability);
- preparing location specific data;
- organising investors' site visits and holding meetings with the Mayor, regional authorities and universities;
- day-to-day support in the recruitment process.

## Real estate tax exemptions

One tax break available is real estate tax exemption, constituting regional investment aid. This tax exemption in Katowice applies to real estate, or parts thereof, used for new investment that conduct economic activity in one of two sectors, i.e. services and manufacturing.

The second tax break on offer is exemption from property tax within the framework of de minimis assistance. The exemption is granted to entities conducting business activities in the city of Katowice for the first time.

## Financial help from District Labour Office

The District Labour Office offers the following as support for investors who create new jobs: funding for internships at the employer's workplace, subsidized jobs, full or partial reimbursement for equipment for a work-stand, and funding for training.

## Katowice Special Economic Zone

The Katowice Special Economic Zone, the largest Polish economic zone in terms of investment and employment, offers state aid in the form of tax exemption, which is calculated on the basis of the investment cost or number of new jobs created.

Medium-size enterprises are granted an additional 10% of aid, while small enterprises are granted an additional 20%.

## Employment support

Once an investor confirms it is looking to employ a number of people, the District Labor Office organises a work fair. Additionally, Academic Careers Centres operating in the city's universities are dedicated to supporting employment opportunities for students and graduates. In co-operation with the city of Katowice, careers centres can organise special websites and notice boards allowing companies to advertise their job vacancies. Careers centres maintain candidate databases which can simplify staff search.

## Marketing support for investor

The city of Katowice can provide marketing campaigns about investments in Katowice. These campaign feature outdoor advertising, online advertising (web banners, dedicated web pages, social network advertising) and press advertising.

## Training facilities for investors

To make the recruitment process as smooth as possible the city of Katowice, together with the District Labour Office, offers special facilities where recruitment teams can interview candidates. Space can also be arranged intensive training courses.

## Public transportation adjustment

The public transport network (new bus stops or bus lines) can be adjusted to satisfy the needs of investors, so that easy, quick and efficient transport for future employees can be secured.

## Accommodation for investors' employees

Katowice Town Hall offers apartments for strategic investors' employees. These apartments are located close to the city centre, offer comparatively low rent and are modern and fully-furnished.

## Labour market

Katowice is one of ten biggest Polish cities in terms of population and one of the several biggest locations for SSC / BPO centres in the country. Moreover, it is the largest city in the Katowice urban area (also known as the Silesia Metropolis). This area also includes, inter alia, Sosnowiec, Gliwice, Zabrze, Bytom, Ruda Śląska and Tychy. Given the close co-operation between these cities, Katowice should be presented in terms of the regional labour market, along with information on the whole region.

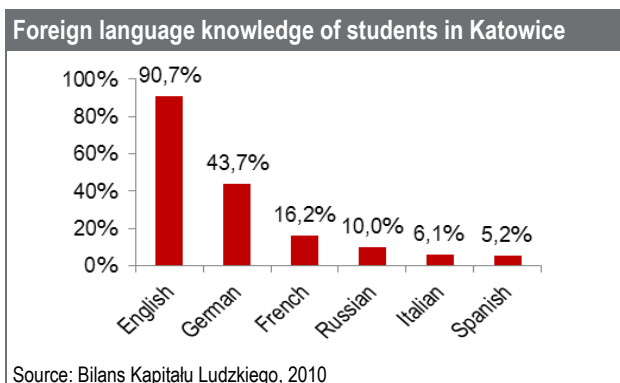
### Students and graduates

In 2011, nearly 123,000 students in the Silesia Metropolis were studying at 28 tertiary institutions. In Katowice alone, more than 76,000 people attended 15 universities. As for key courses of study from the SSC / BPO sector's point of view, those were chosen by almost a third of all students: 21,000 were studying business and administration, nearly 2,000 Information Technology and nearly 1,000 engineering and engineering trades.

In the same year, the number of graduates in Katowice was 22,000, with a total of 35,500 for the whole region. Some 8,900 people graduated from business administration faculties in the Silesia Metropolis in 2011, 2,300 graduated in engineering and engineering trades, and another 1,200 in Information Technology.

### Knowledge of foreign languages

Data on the foreign language knowledge of students in Katowice is very positive: more than 90% said they spoke English, a third of whom rated their command of the language as very good.



The knowledge of German, Russian, and Spanish is similar to that found in other major Polish cities, while the percentages for French and Italian are the highest in the whole country.

### Experienced workforce

Katowice is one of the most popular SSC / BPO locations in Poland. In 2011, it was in the fifth place as regards the number of business centres and third in terms of number of shared service centres, behind only to Łódź and Kraków. World famous companies such as Capgemini, Unilever and Ericsson have been operating in Katowice for several years now. New investors are interested in the city's potential as a SSC / BPO destination. Only last year, Oracle and Tele-Fonika Kable, among others, decided to open centres here. Katowice's efforts at fostering investments are shown by the award it received in the "Poland Outsourcing and Shared Services Awards" contest. The city won the category "Newcomer city of the year", which is recognition of how it has been promoting the development of the SSC / BPO sector.

The large number of SSC / BPO centres clearly shows that Katowice offers not only a large pool of candidates for entry-level positions, but also many experienced professionals capable of managing teams and whole processes. Average monthly salaries in GL Accounting in SSC / BPO centres in Katowice are presented below.

| Average monthly salaries in General Ledger Accounting in SSC/BPO sector in Katowice (gross sums in PLN) |        |        |        |
|---------------------------------------------------------------------------------------------------------|--------|--------|--------|
| Position                                                                                                | Salary |        |        |
|                                                                                                         | Min    | Opt.   | Max    |
| Junior Accountant                                                                                       | 2,800  | 3,500  | 4,500  |
| Accountant                                                                                              | 4,200  | 4,800  | 5,500  |
| Senior Accountant                                                                                       | 5,000  | 6,500  | 7,000  |
| Team Leader                                                                                             | 7,000  | 8,000  | 9,500  |
| Process Manager                                                                                         | 11,000 | 14,000 | 17,000 |

Source: Hays Poland, February 2013

## Office Market

Katowice is the major office hub in the Silesia Metropolis, offering approximately 290,000 m<sup>2</sup> of modern office space. Until the late 1990s, office supply in Katowice consisted mostly of refurbished tenements, redeveloped low class office blocks and owner-occupied developments.

With the completion of Millennium Plaza and Chorzowska 50 in 2001, the market started to offer reasonably good quality office space for lease.

Currently Katowice is well prepared to meet the needs of new companies starting their operations in the city, and to provide expansion possibilities for enterprises already operating in Katowice.

The City offers a number office locations, including such areas as:

**City Centre:** the area between the main square, Korfantego Ave, Sokolska and Chorzowska streets and further along Rożdżińskiego Ave. City Centre stock accounts for approximately 42% of the total office supply in Katowice, which equates to 122,000 m<sup>2</sup> of modern office space. Major buildings in this area include Katowice Business Point, Nowe Katowickie Centrum Biznesu, Chorzowska 50, Altus, ING Bank Śląski, Citi Bank Handlowy and the NBP building.

**A4 Motorway vicinity:** the second largest office district is located between Graniczna, Francuska, Mikołowska and Powstańców Śląskich streets, with a total stock of over 102,000 m<sup>2</sup>. The area provides convenient access the motorway but is still reasonably close to the city centre. This location is attracting new office investments. Major existing buildings include Millennium Plaza, Atrium, PKO BP, BRE Bank and Centrum Biurowe Francuska A&B.

**North:** the area to the north of General Jerzy Ziętek Roundabout has about 10% of the city's total office supply. Major office developments in this area include Reinhold Centre and GPP Business Park.

**South-West:** this region is found between Ligocka, Gawronów, Kolejowa and Tadeusza Kościuszki streets. Its major feature is the Euro-Centrum office complex (seven existing buildings offering approximately 19,000 m<sup>2</sup>).

**East:** this is the least developed office district in Katowice and offers only 15,000 m<sup>2</sup> of modern office space.

### Developing in a right pace

In 2012, total new supply was 20,650 m<sup>2</sup>, more than double the 2011 completions. Existing vacant space is being absorbed well by the market, so developers are becoming more willing to announce and start new office projects.

| Summary Statistics                             | Q4 2012 | Y-o-Y change | 12 Month Outlook |
|------------------------------------------------|---------|--------------|------------------|
| Gross Take-up* (m <sup>2</sup> ) FY 2012       | 51,400  | +15,600      | ➔                |
| Net Take-up (m <sup>2</sup> ) FY 2012          | 42,100  | +16,800      | ➔                |
| Vacancy (m <sup>2</sup> )                      | 29,000  | -100         | ➔                |
| Vacancy Rate (%)                               | 10.0    | -1.5 b.p.    | ➔                |
| Completions (m <sup>2</sup> ) FY 2012          | 20,650  | +12,250      | ➔                |
| Prime Rental Band (€ / m <sup>2</sup> / month) | 12-13.5 | 0%           | ➔                |
| Under Construction (m <sup>2</sup> )           | 32,500  | -8,300       | ➔                |

\* Gross Take-up = Net Take-up (incl. pre-lets) + registered renewals

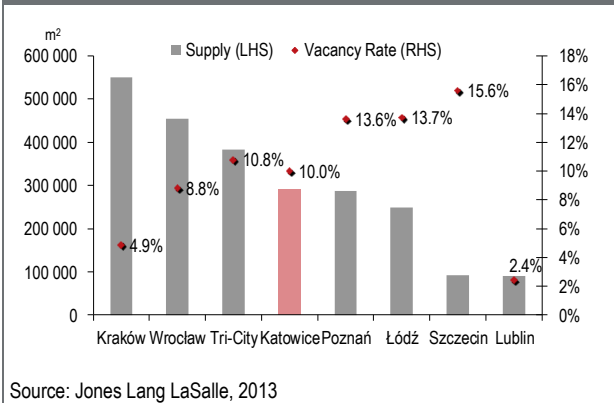
Currently, around 32,500 m<sup>2</sup> of modern office stock in Katowice is at the construction stage, of which 77% will be delivered in 2013. That includes, among others: A4 Business Park I (9,120 m<sup>2</sup>), Euro-Centrum VIII (6,300 m<sup>2</sup>) and Polski Koks HQ (6,150 m<sup>2</sup>, owner occupier).

Further development plans include such office projects as: Silesia Business Park (four buildings totalling 43,000 m<sup>2</sup>, Skanska), A4 Business Park II & III (23,620 m<sup>2</sup>, Echo Investment) and further stages of GPP Business Park (22,500 m<sup>2</sup>, Górnos Śląski Park Przemysłowy).

### More opportunities coming up

At the end of 2012, the vacancy rate in Katowice stood at approximately 10%, which corresponds to around 29,000 m<sup>2</sup> of immediately available space for rent in existing buildings. A further 20,800 m<sup>2</sup> is still available for tenants in developments being currently under construction, providing additional leasing possibilities.

### Office Supply and Vacancy Rate in Major Polish Cities (excl. Warsaw)

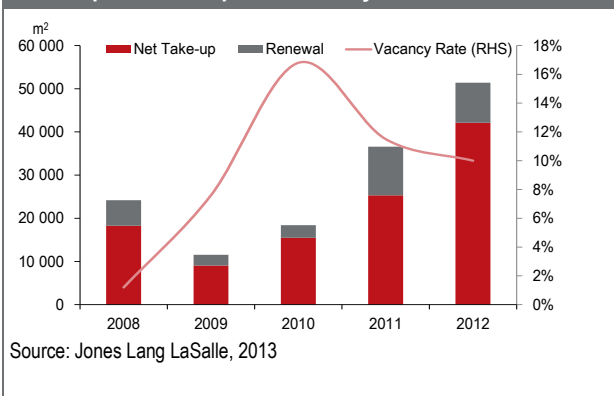


Due to the moderate construction activity and forecasted stable level of demand, we expect the vacancy rate to decrease slightly throughout 2013. However, the situation is dynamic and upcoming years may bring higher construction activity and more completions, which may put some upward pressure on the vacancy rate.

### Significant demand level

Leasing activity was up during 2012, with take-up totalling 51,400 m² (up 43% compared to 2011). Almost 82% of signed leases were new deals (including pre-lets and expansions) and 18% renewals.

### Office Space Take-Up and Vacancy Rate



The largest deals in 2012 included: Unilever (a pre-let of 5,400 m²), Tele-Fonika Kable (a new deal for 3,280 m² and an expansion for 1,500 m²), Steria (a renewal of 2,840 m²), Aegon (a renewal of 2,450 m²), ING Group (a new deal for 2,400 m²), Getin Bank Polska (a new deal for 2,200 m²), PZU Group (a renewal of 2,110 m²) and Rockwell Automation (a new deal for 2,000 m²).

### Rents

Prime headline rents in Katowice have fallen over the last couple of years to €12.00 to €13.50 / m² / month at the end of 2012.

Rents in Katowice seem to be slightly lower to those found in other major cities in Poland, which is beneficial for tenants. Moreover, developers continue to attract tenants by offering additional incentives, such as rent-free periods and/or fit-out contributions, the level of which depends on the original standard of the space.

Taking into account these additional tenant inducements, effective rents are typically 10% to 20% lower than headline rents.

However, due to improving market fundamentals we expect the effective rental level to increase slightly during 2013.

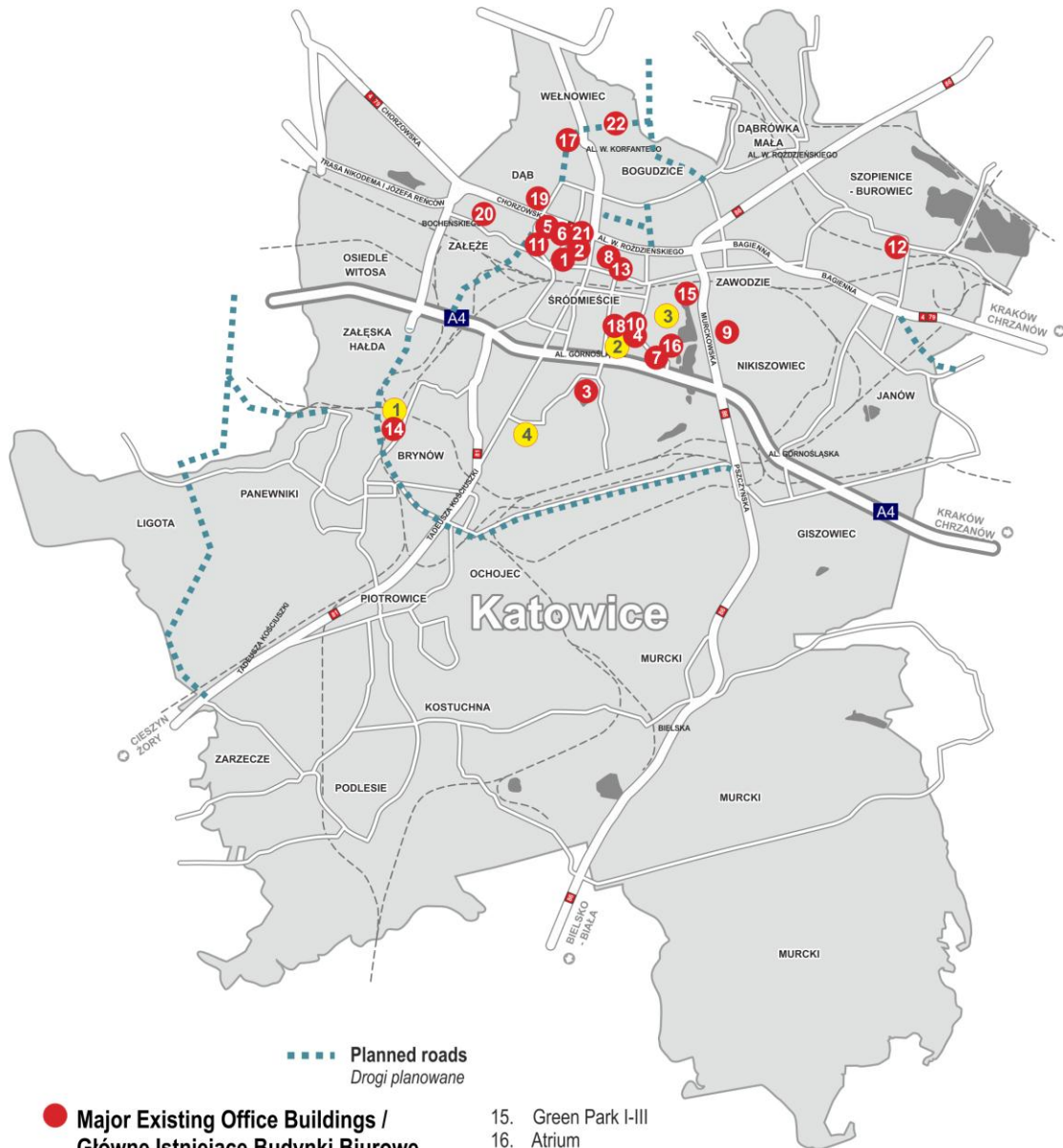
„The ‘Newcomer city of the year’ award crowns the efforts of the local authorities to be a dynamic centre of the modern business services sector.

Already in 2006 Capgemini believed in the potential of the city and region and currently we hire 1,500 employees in Katowice, which makes us the biggest investor of this sector in the city.”

**Marcin Nowak, Delivery Centre Director at Capgemini Polska**



## Map of selected office developments in Katowice



### ● Major Existing Office Buildings / Główne Istniejące Budynki Biurowe

1. Energomontaż
2. CitiBank
3. Plus Centrum
4. BRE Bank
5. Centrum Chorzowska 50
6. ING Bank Śląski
7. Millenium Plaza
8. Altus
9. Atal
10. Bank PKO BP
11. Opolska 22 (A,B,C,D,E,F)
12. Browar Factory Centrum
13. NBP
14. Euro-Centrum I-VII

15. Green Park I-III
16. Atrium
17. Reinhold Center A&B
18. GTC Francuska A&B
19. Katowice Business Point
20. Opal Gliwicka
21. Nowe Katowickie Centrum Biznesu
22. GPP Business Park I

### ● Major Office Buildings Under Construction / Główne Budynki Biurowe w Trakcie Realizacji

1. Euro-Centrum VIII - Green Building
2. A4 Business Park I
3. Polski Koks HQ
4. Brynów Center I



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