Investment areas
in the Silesian Agglomeration

2006

Metropolis
Commercial Real Estate

Introduction

This report constitutes a complex study of the investment areas located within the Silesian Agglomeration. The main objective of this publication is to present the basic factors influencing the real estate market in the region, the analyses of the supply and demand, and the development of prices in particular sectors of the market.

The information provided here is a summary of Metropolis Commercial Real Estate experiences connected with the activities in Silesia during the last 2 years. During this period we have observed a growing interest in the region on the part of investors, which was a consequence of, among other factors, Poland having joined the European Union. We believe that this rising tendency will continue and new projects will also be carried out in smaller towns up until now unappreciated within the Agglomeration.

In our report we paid a lot of attention to the investors already located in the area and to those who plan to start their activities here. The presence of the investors has a strong influence on the image of the Agglomeration as an attractive area for running business activities. The detailed description of the functioning rules of the Katowice Special Economic Zone results from its importance to the economy of the areas devoted to the business activity within the region.

We hope that the study which you hold in your hands will contribute to broadening knowledge on the attractiveness of the Silesia for investors, and on the real estate market.

Marek Wollnik
The Managing Director of Metropolis
Commercial Real Estate

Table of contents:

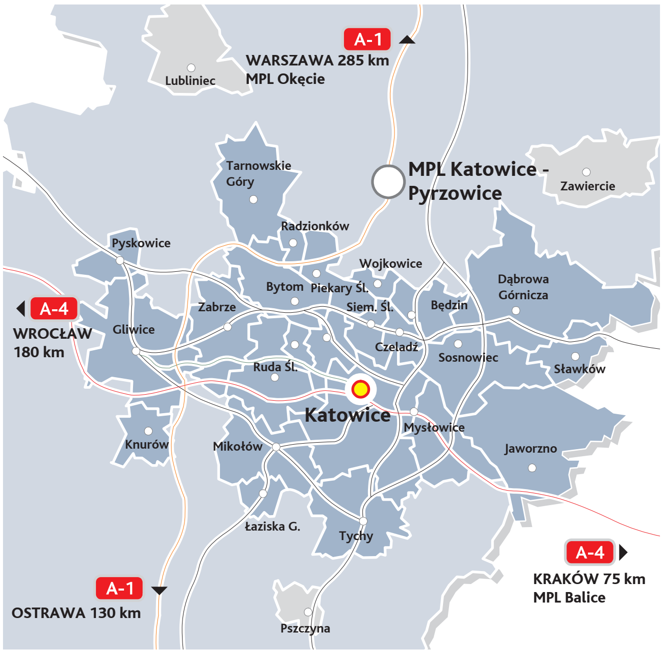
Introduction 1
Table of contents 1
1. Silesian Agglomeration 2
   - Basic Information 2
   - Human Potential 4
   - Key sectors in the region 4
2. Transport and infrastructure 5
3. Investment attractiveness of Silesia 8
4. Offer of the investment areas on the terrain of the Agglomeration ... 11
   - Areas devoted to industrial investments and logistics ... 11
   - Areas for commercial purpose ... 12
   - Residential areas ... 13
   - Areas for office and hospitality buildings ... 14

1. Silesian Agglomeration

Basic information

The Silesian Agglomeration is the largest urban area in Poland: populated by 2.7 million people living in 24 cities and several smaller towns, it is joined together into one big industrial organism.
The capital of the region is the city of Katowice with a population of 321 000, while the role of the local administrative and business centres is played by Gliwice (200 000 inhabitants) and Sosnowiec (228 000 inhabitants).

Map 1. Cities of the Silesian Agglomeration.



Source: Metropolis Commercial Real Estate.

Table 1. Cities of the Silesian Agglomeration.

POPULATION	CITIES
3 cities with a population of over 200 000	
	Gliwice
	Katowice
	Sosnowiec
6 cities with a population of between 100 000 and 200 000	
	Bytom
	Chorzów
	Dąbrowa Górnicza
	Ruda Śląska
	Tychy
	Zabrze
7 cities with a population of between 50 000 and 100 000	
	Będzin
	Jaworzno
	Mysłowice
	Piekary Śląskie
	Tarnowskie Góry
	Siemianowice Śląskie
	Świętochłowice
8 towns with a population of under 50 000	
	Czeladź
	Knurów
	Łaziska Górne
	Mikołów
	Pyskowice
	Radzionków
	Sławków
	Wojkowice

Source: Own study on the basis of the Statistical Office in Katowice data.

Table 2. Silesian Agglomeration in Poland.

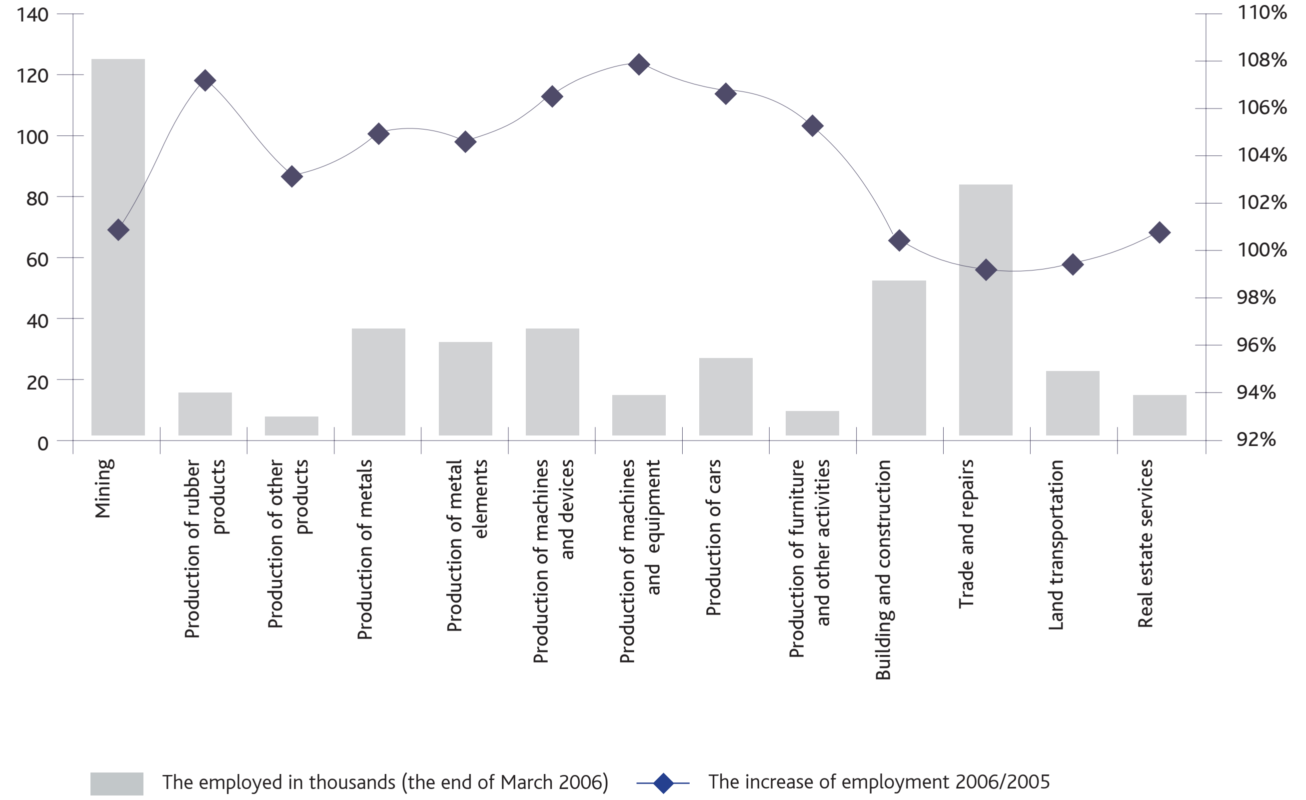
	SILESIAN AGGLOMERATION	POLAND
Population	2 700 000	38 000 000
Average remuneration in the industrial sector	2 700 PLN	2 570 PLN
GDP *per capita*	26 100 PLN (sub-region of Central Silesia)	22 000 PLN
Unemployment rate	15,6% (Province of Silesia)	17,8%
Increase in sold industrial production (1st quarter 2006)	17%	11%
Growth of GDP (2005)	4,7%	
Inflation (May 2005 = 100%)	100,9%	

Source: Own study on the basis of the Statistical Office in Katowice data.

The region is very strong economically: GDP per capita here amounts to 120% of the national average. The traditions of enterpreneurship and the work ethos contribute to quick economic development. The growth of industrial production in April 2006, in comparison to April 2005 could be observed in all the sectors. The biggest increase - by 9.4% - was the increase in the manufacturing industry.

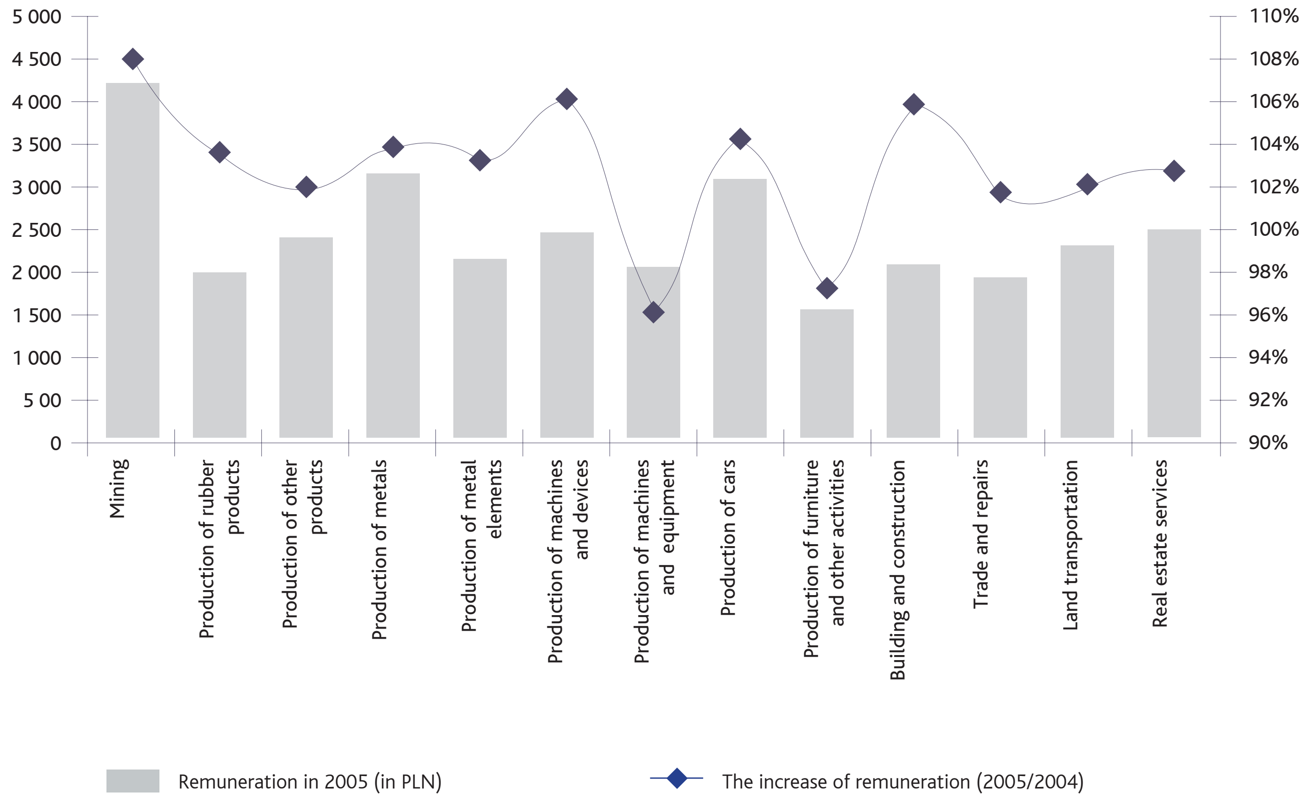
The development of the economy caused an increase of employment in almost all areas of business activity (with the exception of trade, repair and road transportation). This process resulted in a decrease in the unemployment rate (from almost 300 000 people unemployed in the Province in May 2005 to 268 000 in May 2006). However, the costs of labour in the region are low (Pic. 2).

Picture 1. Employment in the enterprise sector and the increase in employment in the Province of Silesia in 2006.



Source: Own study on the basis of the Statistical Office in Katowice data.

Picture 2. The remuneration in the Province of Silesia at the end of 2005.



Source: Own study on the basis of the Statistical Office in Katowice data.

Human Potential

In the Agglomeration there are about 150 000 university students, which amount to approximately 15% of all university students in Poland. The most popular fields of study are those related to economics and finance (47 000 students), and the humanities (35 000 students). Due to the industrial traditions of the region, the universities offering education in the areas of engineering and science also do not complain about a lack of students (12 000 and 7 000 students, respectively).

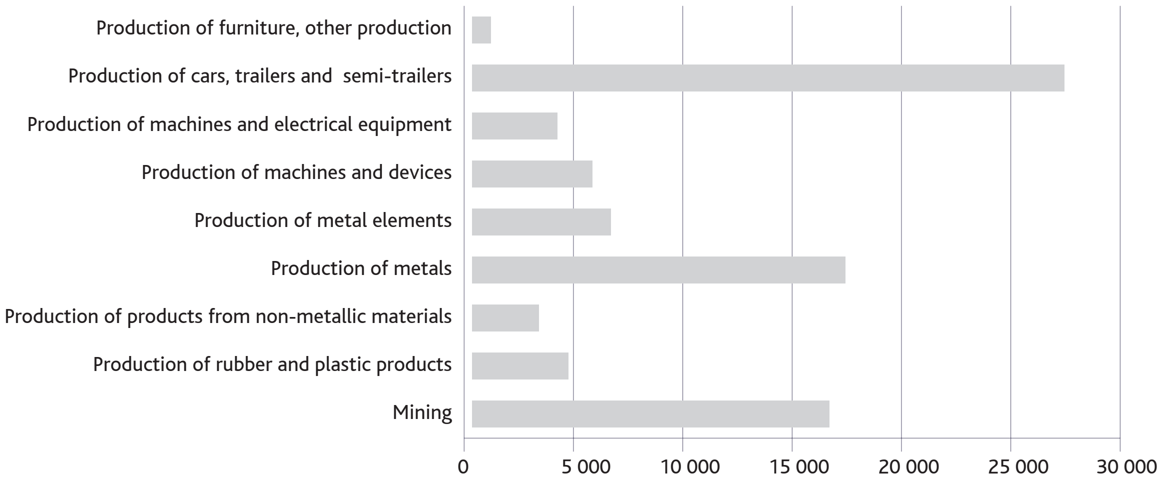
Silesian universities are closely connected with the enterprises of the region, the majority of them co-operate on a regular basis with companies interested in obtaining new, well-educated employees. The companies and the universities work together on research programmes, students' work experience programmes and internships. The most active sectors are: the machine and automotive industries, and the software producers.

Key Industries in the Region

The specialties of the Silesian Agglomeration are the metal industry, machine industry, and also the quickly developing automotive sector. The region is currently the largest producer of cars in Poland. Most of the production is exported abroad. Polish industrial plants are the leaders in terms of quality of production and efficiency.
The General Motors plant in Gliwice was chosen as the best European enterprise belonging to the Group. Also Fiat in Tychy is the most effective Fiat factory in Europe. This success was possible, primarily as a result of the highly qualified staff, who showed major involvement in the activities of the company.

Every year the dynamically developing enterprises offering services to other companies or to the inhabitants of the region gain more and more importance in the economic framework of the Agglomeration.

Picture 3.Sold Industrial Production in the Province of Silesia (2005, in mln PLN).



Source: Own study on the basis of the Statistical Office in Katowice data.

Table 3. The number of entities and amount of employment in particular sectors of GDP (private sector).

GDP SECTOR	% INCREASE OF THE NUMBER OF ENTITIES IN SILESIA (2005/2001)	THE SHARE OF THE PROVINCE OF SILESIA WITHIN THE EMPLOYMENT OF THE BRANCH IN POLAND (2005)
Retail and wholesale trade; the repair of cars, motorcycles, personal use and household appliances	142%	13%
Hotels and restaurants	165%	13%
Transport, stock management and communication	137%	12%
Financial brokerage	147%	12%
Real estate management, lease, and services associated with running a business activity	152%	12%
Education	150%	6%
Healthcare and welfare	151%	10%
Communal, social and individual services, other	157%	13%

Source: Own study on the basis of the Central Statistical Office data.

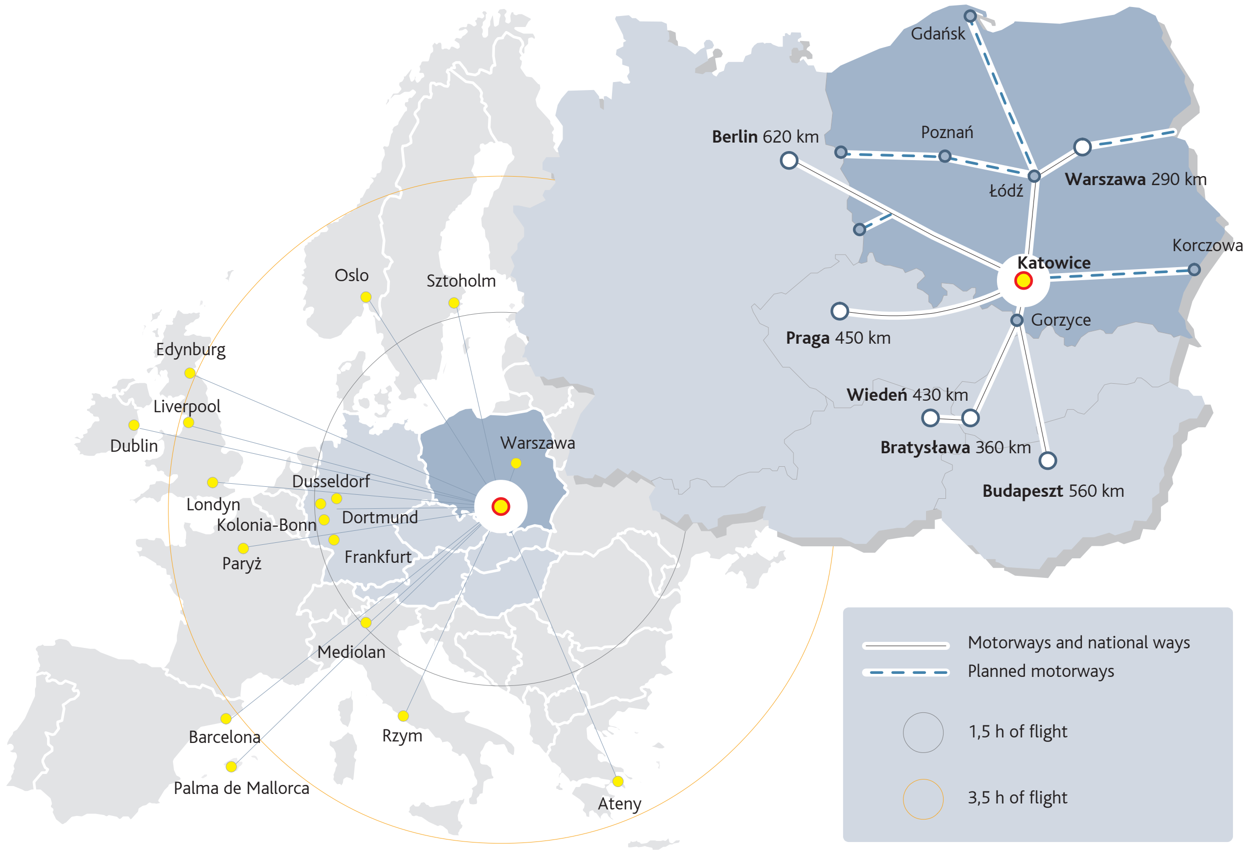
2. Transport and Infrastructure

The Silesian Agglomeration is located in the south of Poland, in the central part of the Province of Silesia.
Ideal transport connection, due to the A4 motorway which joins the west of the country (Polish-German border) with the east (Kraków and then the Polish-Ukrainian border), as well as the A1 (north-south), influences the development of the region as a base for logistics and production of international importance.

Among the rich network of road connections the key transport routes constituting the 'transport axes' of the Agglomeration are the following:

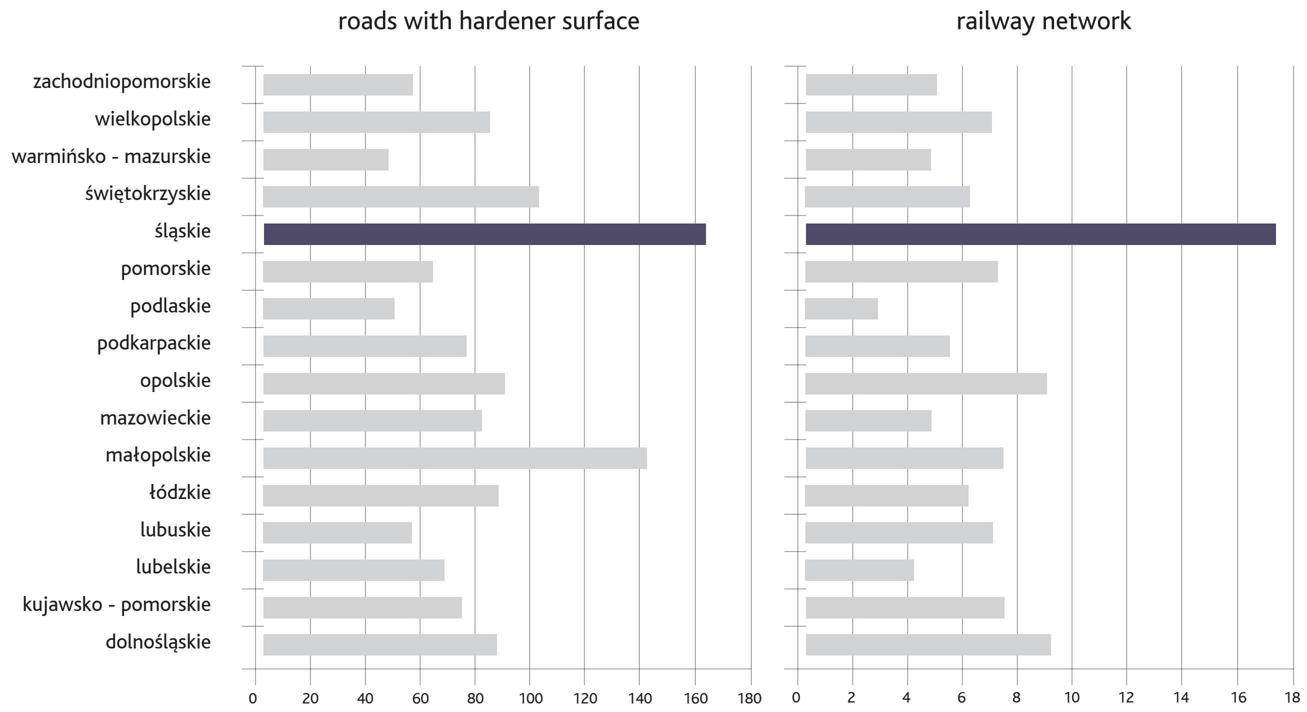
- The A4 motorway, improving the flow of local and transit traffic in the east – west direction.
- The intercity road, connecting Katowice and Ruda Śląska, which as a target will constitute the main internal arterial route from Gliwice to Dąbrowa Górnicza.
- National Road no 1 (DK 1), eastern ring road of the Agglomeration which runs from Warsaw through Dąbrowa Górnicza, Sosnowiec, Mysłowice, Tychy and Pszczyna to Cieszyn.
- National Road no 86 (DK 86) running through Będzin, Sosnowiec, Katowice, Mysłowice and Tychy
- National Road no 94 (DK 94) through Dąbrowa Górnicza, Sosnowiec, Będzin, Czeladź, Siemanowice Śląskie, Piekary Śląskie, Bytom and Zabrze to Pyskowice.
- National Road no 88 (DK 88) from Gliwice through Zabrze to Bytom.
- National Road no 44 (DK 44) from Gliwice through Mikołów to Tychy.

Map 2. A map of the key road and air connections for the area of the Silesian Agglomeration.



Source: Metropolis Commercial Real Estate.

Picture 4. The density of roads with a hardened surface for each province (2004, w km/ha).



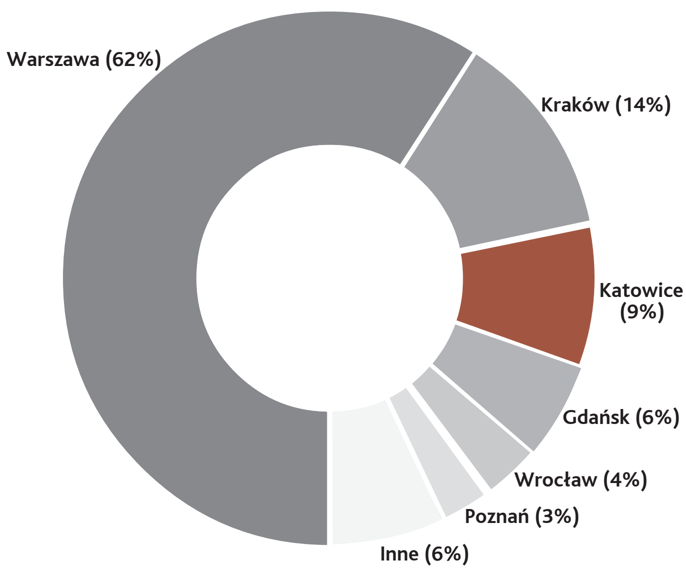
Source: Own study on the basis of Central Statistical Office data.

None of the other Polish provinces has such a well-developed road and railway network (Pic. 4). It serves both the transit traffic as well as the internal traffic of the Agglomeration.

The transport infrastructure of the region includes a dense network of railways, the main means of long-distance cargo transportation. The railway lines are located along the area of most of the industrial and logistic complexes: both the older ones and those built at the turn of the 21st century.

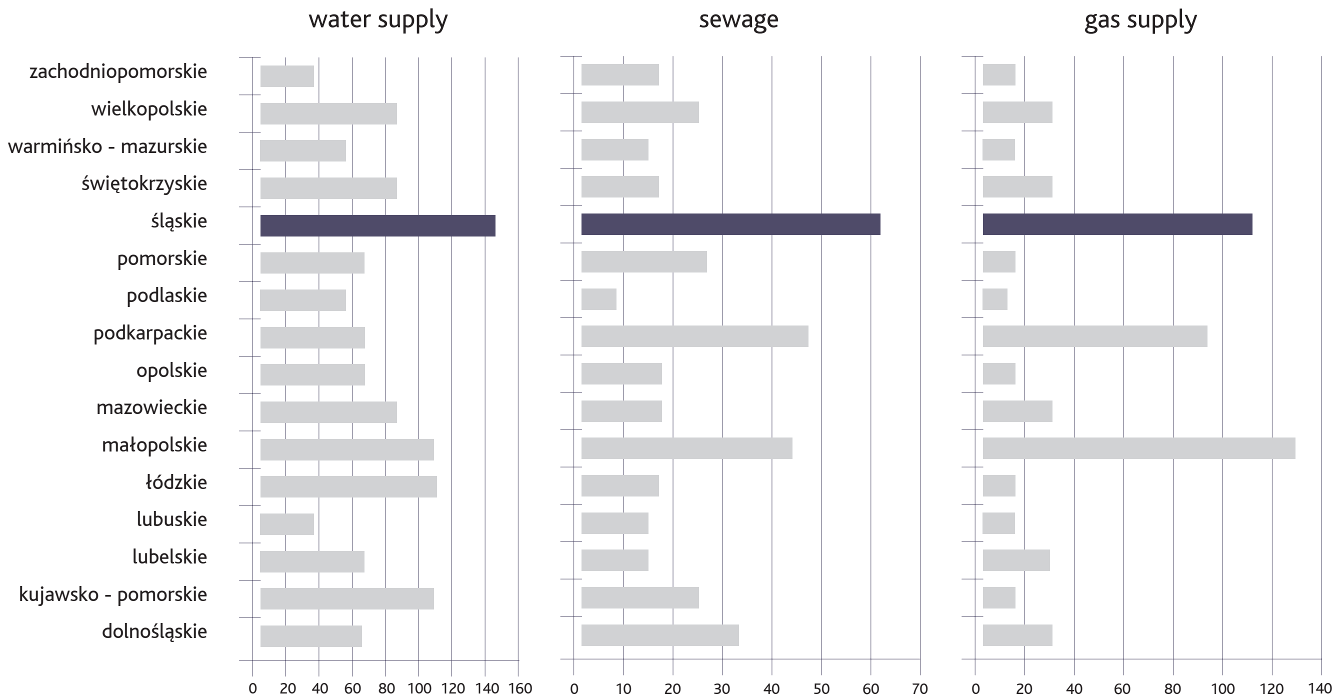
The transportation system of the Agglomeration is supplemented by the International Katowice Airport located in Pyrzowice. It is the third biggest airport in Poland according to the number of passengers. It is located in the north of the Agglomeration and it provides air connection to many cities of Europe. It is also connected with the key international transit flight centres in Frankfurt and London. An additional advantage of the region is its close proximity to the airports in Kraków (Balice) and in Ostrava (Mosnoy). As a result, **the region, as the only one in Poland, is serviced by three international airports**. The airports in Pyrzowice and in Balice together serve almost 25% of all passengers in the country (Pic. 5).

Picture 5. The various Polish airports according to the number of passengers checked-in in 2005.



Source: Own study on the basis of the Civil Aviation Office data.

Picture 6. The density of the water supply, sewage and gas supply systems for each province (2004, in km/100 km^2).



Source: Own study on the basis of the Central Statistical Office data.

Table 4. Chosen projects on the modernization of infrastructure in the area of the Silesian Agglomeration.

CITY	PROJECT	VALUE OF THE INVESTMENT (QUALIFIED COSTS)
Katowice	Construction of the intercity road and the Roundabout	335 mln PLN
Gliwice	The modernization and extension of the water supply system, the construction of seven pumping stations and the improvement of the sewage system	66,4 mln PLN
Katowice	The project consists of two elements: the construction of a new sewage network in order to increase the number of connections to the sewage treatment plant, and the modernization of the present sewage system, especially along the Rawa River, and also the modernization of the existing sewage treatment plant Gigablok Centrum (third level of treatment)	50,5 mln PLN
Ruda Śląska	The construction of the sewage system in the districts not covered by the existing one; the re-building of the present system and the increase in use of the new sewage treatment plant in Orzepowice; the closing down of four old sewage treatment plants	45,9 mln PLN
Pyskowice	A pressure pipeline for the sanitary sewage from Pyskowice to the Central Sewage Treatment Plant in Gliwice	8,9 mln PLN
Łaziska Górne	The extension of the sewage system in the commune	7,9 mln PLN

Source: Own study on the basis of Office of the Province of Silesia in Katowice, The Ministry of Regional Development.

The water supply, sewage and gas systems in the province are well developed. This is why the majority of the potential investment areas have access to all the utilities or can be quickly equipped with the technical infrastructure. Despite the fact that the province is characterized by the biggest density of infrastructure in Poland (Pic. 6), the cities of the Agglomeration carry out numerous financial projects, mostly with the use of the European Union funds, with the purpose of modernizing or extending the currently existing networks (Table 4).

3. Investment attractiveness of the Silesian Agglomeration

The dynamic development of the region is stimulated by the investments of the companies, which have been connected with the Agglomeration for a long time, as well as by the inflow of foreign investors, who appreciate the human potential, well- developed transport infrastructure and the accessibility of the technical utilities.

A range of projects carried out in the region during the past decade confirms the advantages of the Agglomeration for potential investors. The privatization projects, typical at the beginning of the 90s, have given way to the greenfield investments, which prevail at the moment. The exception of this rule was the privatization of the steel plant industry in 2005 and the appearance in Silesia of one of the biggest investors in Poland: Mittal Steel. At the moment, the majority of the mining industry is still owned by the State Treasury. The privatization of this sector may mean a significant inflow of foreign capital to the region.

Foreign investments are the driving force of the Silesian economy, including its main specialty – the automotive industry. The automotive industry is based on two pillars: the factories of Fiat and General Motors. We should not forget however about other investors, especially about suppliers producing components for Polish and foreign producers of passenger cars, trucks and buses.

The production of machines and devices, used both in industry and in households, is another sector in which foreign investors have their broad representation. The Agglomeration is also responsible for the production of construction materials: starting with cement, through insulation and weatherizing systems to glass and steel profiles, as well as the roofing materials. Also food processing, power industry, logistics, trade, financial and insurance services as well as telecommunication occupy an important position in the group of foreign investors.

The Katowice Special Economic Zone (Katowicka Specjalna Strefa Ekonomiczna - KSSE S.A.) is an important initiative, which attracts foreign investors to the region. The Zone was created in 1996 with the purpose of supporting the restructuring processes in the area. KSSE S.A. manages the areas belonging to the Zone, co-operates with the local authorities with the aim of creating an attractive offer for investors, and carries out many different activities supporting the investment projects in the region.

The Zone is very extensive and includes areas in:

- Gliwice and Zabrze (Gliwice Subzone),
- Jastrzębie Zdrój, Żory, Rybnik, Czerwionka-Leszczyny, Pawłowice, Godów and Bielsko-Biała (Jastrzebie-Żory Subzone),
- Sosnowiec, Dąbrowa Górnicza, Siewierz, Sławków, Siemianowice Śląskie and Częstochowa (Sosnowiec-Dąbrowa Subzone),
- Tychy, Bieruń i Katowice (Tychy Subzone).

Together the area of KKSE amounts to 1 153ha and includes more than 35 different areas, which allows for creating a wide offer for investors interested in this region. At the moment more than 300 entities are located on the area of the Zone, out of which 80 entities run production activities. The value of the investments has reached about 2 billion EUR and the number of persons employed is 21 000.

The key advantages attracting investors to the Zone include:

- clear procedures connected with the purchase of land and obtaining permission for business activity within the Zone,
- the offer of areas containing access to all utilities in attractive locations,
- tax breaks for investors.

It is worth mentioning that most of the areas offered by the KSSE area are owned by the cities, towns and communes of the region. For this reason the investor wishing to start a business activity in the Zone must take part in a tender for the purchase of land and obtain permission for operating in the Zone. The procedures can be a bit time-consuming, but they have been prepared in detail and they do not cause difficulties to the companies interested in investments.

Most of the big investment projects (production and logistics) in the region are carried out in the area of KSSE. We can include to the above the projects of such companies as: GM Poland, Fiat, Brembo, Atlas, Duda, Saint-Gobain and Electrolux. The success of the first enterprises (among others GM Poland) attracted other investors, creating a place characterized by one of the biggest accumulations of foreign capital in Poland.

Polish law allows for the extension of the areas of such zones for the lots freely chosen by the investor, provided that the investor plans to invest min. 40 million EUR or employ 500 people. This creates big possibilities for the development of the Zone and allows for also locating large investment projects outside the current scope of the Zone.

In order to extend the offer of the Zone an initiative was undertaken to add to KSSE office spaces of the A class located in the office building Altus (7 000 m^2) and Chorzowska 50 (3 000 m^2) in Katowice. This would allow the companies interested in creating servicing centres to take advantage of the tax breaks offered by the Zone. There are also plans to join the areas in Czechowice-Dziedzice to the Zone.

Table 5. Chosen investors in the Silesian Agglomeration.

SECTOR	NAME OF THE INVESTOR	ACTIVITY IN POLAND	CITY/TOWN
Power industry	Vattenfall	Vattenfall Poland: One of two biggest distributors of electric power in the area of the Agglomeration	Gliwice
	Electricite de France Internationale	Rybnik Power Plant	Rybnik
Automotive Industry	General Motors	GM Poland: Production of Opel cars	Gliwice
	Fiat	Production of Fiat cars Production of spare parts for cars (Magneti Marelli)	Tychy, Sosnowiec
	Delphi Automotive Systems	Production of spare parts for cars (steering columns with electric support)	Tychy
	Ispol-IMG Holdings	Isuzu Motors Polska: Production of diesel engines	Tychy
	Lear Corporation	Production of the elements of interior equipment and car seats	Tychy i Gliwice
	TRW Auto Holdings	Production of spare parts for cars (steering and braking systems)	Czechowice- Dziedzice, Gliwice
	Tenneco Global Holding	Tenneco Automotive Polska: Production of exhaust systems and shock absorbers, construction centre, R&D centre	Rybnik, Gliwice
	Brembo	Brembo Poland: Production of braking disks	Dąbrowa Górnicza
	Manuli Auto Polska	Manuli Auto Polska and Manuli Hydraulics: Production of hydraulic systems	Mysłowice, Tychy
	HUF	HUf Polska: Production of car security systems	Gliwice
	Johnson Controls	Production of car seats	Tychy, Siemianowice Śląskie
Production and processing of metals	Mittal	Mittal Steel Poland: Production of steel and metallurgical products	Dąbrowa Górnicza, Sosnowiec i Świętochłowice
	Voigt & Schweitzer	Shares in Ocynkownia Pokój (galvanizing plant)	Ruda Śląska
	Final	Production of aluminium profiles for the building construction industry	Dąbrowa Górnicza
	Martifer	Martifer Polska: Production of metal elements	Gliwice
	Ugine & ALZ (Arcelor)	Service centre for metals	Bytom
	Voestalpine	Service centre for steel	Tychy
Trade	Metro (Real, Praktiker, Media Markt), Makro Cash&Carry, Auchan, Carrefour, Casino, Tesco, IKEA, OBI Heimwerkermarkt, Tengelmann (Plus), Germanos		
Logis-tics	Parkridge CE Developments, AIG/Lincoln, ProLogis, Mueller - Die lila Logistik, Raben, DHL, Schenker		Sosnowiec, Gliwice, Pyskowice, Chorzów
Machines, appliances	Electrolux	Production of hair dryers and washing machines	Siewierz
	MWCR	Shares in the Elzab plant: production of cash-register equipment	Zabrze
	Bitron	Production of steering devices for household appliances	Sosnowiec
	Saia-Burgess	Production of the elements for household appliances	Dąbrowa Górnicza
	Sest-Luve	Production of cooling appliances	Gliwice
	Voest Alpine Technika Górnicza i Tunelowa	Production of mining machines	Tychy
Plastics and chemicals	Pulverit	Production of powder paint	Tychy
	Hobas	Production of plastic pipes	Dąbrowa Górnicza
	Ergom, Ersi	Production of plastic elements for the automotive industry and household appliances	Sosnowiec
	Plastal	Production of plastic elements for the automotive industry	Gliwice
Food	Danone	Production of dairy products	Bieruń
	Unilever	Production of margarine (Rama, Flora, Delma, Kasia) and packaging teas (Lipton, Brooke Bond, Saga)	Katowice
	SAB Miller	Production of beer	Tychy
Building construction materials, ceramics and glass	Knauf	Production of plaster materials for walls and floors	Jaworzno
	Saint-Gobain Glass	Production of glass of the *float* type	Dąbrowa Górnicza
	Ekocem	Production of cement	Dąbrowa Górnicza
	Saint-Gobain Isover	Production of mineral wool	Gliwice

Table 5. Chosen investors in the Silesian Agglomeration.

SECTOR	NAME OF THE INVESTOR	ACTIVITY IN POLAND	CITY/TOWN
IT and telecommunications	Mentor Graphics	Software	Katowice
	Ontrack	Software	Katowice
	Liberty Global	Telecommunications, media (UPC cable TV network)	
	Capgemini	Outsourcing services (IT)	Katowice
	France Telecom	Telecommunications	
	Netia	Telecommunications	
Banking and finances	ING, Citibank, Raiffeisen Bank, UniCredito, GE, Nordea, AIG, Deutsche Bank, Dresdner Bank		

Source: Own study on the basis of the Polish Information and Foreign Investment Agency, Metropolis Commercial Real Estate data.

Table 6. New investment projects in the Katowice Special Economic Zone.

NAME OF THE COMPANY	TYPE OF ACTIVITY	LOCATION	NUMBER OF PERSONS EMPLOYED AND INVESTMENT VALUE
Müller – Die lila Logistic Polska	On the area of about 10 ha the company will run activities relating to railway and road transportation as well as storage services	Gliwice	82 people target 350 people 36 mln PLN
BEST Poland	Production of household appliances	Zabrze	270 people 34 mln PLN
NMC Polska	Production of insulation materials and plastics for the purposes of the construction industry	Zabrze	40 people 30 mln PLN
Joy Maszyny Górnicze	Poduction of machines and devices for the mining industry	Tychy	120 people 17,5 mln PLN
STILPOL	Production of household appliances and metal elements	Zabrze	152 people 16 mln PLN
UGINE & ALZ Polska	Production and service centre for rustproof metals on a 6 ha lot	Siemianowice Śląskie	85 people 10 mln EUR
CONVERTRONIC	Production of electronic devices	Zabrze	80 people 4 mln PLN

Source: Own study on the basis of the Katowice Special Economic Zone, Ministry of Economy data.

4. Offer of investment areas within the Agglomeration

Due to different requirements of the investors interested in starting a business activity on the area of the Silesian Agglomeration, and also due to the variety of the areas offered, we have prepared analyses for four main groups of real estate:

- areas for industrial and logistic investments,
- areas for residential buildings,
- areas for office buildings and hotels,
- areas for trade purposes.

Such factors as supply, demand and the prices were evaluated for each of the above groups.

Areas for the purpose of industrial investments and logistics

Supply

The Silesian Agglomeration, thanks to very good transport infrastructure, has become one of the leaders among the locations of investments in Poland and Europe. The most attractive lots are located along the A4 motorway and on the area of the Katowice Special Economic Zone. It is worth mentioning that most of the areas exceeding 50 ha belong to the local authorities or the Agricultural Property Agency. The lots owned by private persons usually require consolidation and the provision of access to the sewage, water supply and gas system, as well as to the power and telephone networks. The dense network of technical infrastructure allows however for providing these utilities to any area very quickly.

Due to the specific polycentric arrangement of the cities, most of the industrial and logistic areas are located near the routes connecting one city or town with another, and not on the suburban areas. The areas offered on the market are usually lots with an area ranging from 5000 to 15 000 m^2, although on the outskirts of the Agglomeration and near some of the exit routes of the region (also along the A4 motorway) they often exceed 150 000 m^2. Despite many investments which have already been executed, there is still space for other ones, even in cities with such density of buildings as Katowice and Chorzów.

The presence of mining damages might be a problem limiting the possibility of using a given area for investment, or it might mean extra expense connected with preventing future damages to the building. It should be said however, that the mining damages are only found in a limited area and their influence is accurately described by specialist government institutions. On the other hand, it is worth noticing that the contemporary technical solutions allow for minimizing the risk connected with investing on areas degraded by the mining industry.

In a region with such big industrial traditions, the percentage of the post-industrial areas in the general offer of investment areas is significant. These are usually lots which are the property of former state-owned companies undergoing restructuring processes which sell out the non-production property. They are often built-up areas with storage or production buildings; quite frequently they are full production complexes (the majority of which were built in the period between the 1960s and 1980s).

Demand

There is stable interest in the areas located in the vicinity of the A4 motorway as well as the Warsaw - Cieszyn route (particularly in the areas of Gliwice, Sosnowiec, Tychy, and Czechowice-Dziedzice). On the whole the investors are seeking to purchase the lots - there is little interest in leasing. This results mostly from the strategies chosen by the investment companies, but also from cost reasons (the purchase of a lot is treated by most companies as an investment, not as a cost).

There is growing demand for locations in the vicinity of the planned A1 motorway, especially in the area of the planned junction with the A4 motorway and near the airport in Pyrzowice. The areas of special demand are those lots with regulated legal status, with the valid local land utilization plan, preferably located near the motorway exits and visible directly form the main route.

With the growing demand for lots with an attractive location, there is also a growing interest in the post-industrial areas, which have not been appreciated by investors thus far. The local authorities support projects focusing on the revitalization of buildings, streets or municipal quarters, because the activities of the private sector in this respect support the policy of the cities, which aim at bringing back the usable functions of the degraded areas.

Prices

The prices of real estate for the purpose of industry and logistics are quite differentiated depending on the location. The lots located near motorway exits or expressways in Katowice, Gliwice and Sosnowiec reach a value of more than 200 PLN/m^2, though it is possible to purchase a very attractive area for about 100 PLN/m^2.

Cheaper areas are located in the vicinity of more important urban routes, but they do not constitute the 'transport axes' of the region (compare the map in Chapter 1), for example near the road from Chorzów to Bytom, or Zabrze to Gliwice. In such places it is possible to purchase the area for a price not exceeding 50 PLN/m^2. The lots with all utilities located at a distance of several metres from the motorway, with good road access, have a value of about 50-100 PLN/ m^2.

Table 7. Chosen industrial and logistic project being carried out on the area of the Silesian Agglomeration.

INVESTOR	DESCRIPTION OF THE INVESTMENT	LOCATION
MLP Capital Group	Construction of a logistic centre	Tychy, areas located at ul. Oświęcimska
Menard Doswell	Construction of a logistic centre	Czeladź
ProLogis	Construction of a logistic centre, planned storage space about 15 000 m^2	Chorzów near the exit off A4 motorway
ProLogis	Extension of an existing logistic centre	Będzin
Rockwell Automation	The company produces industrial automatics and plans to employ 500 people in the new production plant, a centre of software development and business services	Katowice, areas of the former state coach company (PKS) headquarters
Unilever	Construction of a new tea confectioning plant (investment value: ca 60 mln PLN)	Katowice

Source: Own study on the basis of the Katowice Special Economic Zone, Ministry of Economy data.

Areas for the purpose of trade

Supply

The supply of the areas for big shopping centres (above 2 000 m^2) is strictly limited, because the best locations (in the vicinity of the residential areas or near the routes connecting the cities) have already been obtained by investors.

A consequence of the lack of areas for the greenfield type of trade investments could be the projects associated with the revitalization of the post-industrial areas, especially in the centres of the cities. The enterprises of this type can count favourably on the part of the local authorities, because this is a solution to the painful problem of the degraded areas.

At the moment there is an increased interest from the supermarket chains (such as Lidl, Plus, Biedronka) in towns with not more than 50 000 people. The opinions of the local authorities concerning the activities of the supermarkets vary. In cities permission for constructing such buildings is not granted due to the excess of the mega stores' shopping area (in some of the cities it exceeds the average European value). In smaller towns the mayors perceive it as a chance to reduce unemployment, but on the other hand also as a potential danger as a result of the protests of the local traders. Despite such extreme differences of opinions concerning the mega stores, the number of these kinds of places is still increasing.

Demand

The information about the Aldi network entering the Polish market or the investment plans of Tesco or Auchan cause agitation on the market, but what we can expect in the bigger cities is most of all the dynamic development of buildings with a smaller area. Big shopping chains have already found their place in Silesia or are in progress of carrying out their investment projects. Mostly smaller towns of the Agglomeration (below 100 000 people), where the saturation point for the modern big shopping areas has not been achieved, will be the centres of interest.

At the moment we can observe fierce competition concerning the best locations. The estate in demand are the areas or existing buildings with an area of at least 4 000 m^2. Special attention should be paid to the growing number of commercial centres of the third generation, which combine shopping, entertainment and cultural functions. Apart from the finished Silesia City Center project, other ones are in progress: Focus Park in Gliwice and Forum Gliwice as well as the shopping and entertainment centre in Bytom.

Prices

The most attractive areas located in the city centres and near big residential areas may reach a value of more than 200 PLN/m^2. The investors also appreciate land located near the arterial roads, for example Zabrze - Gliwice, Rybnik - Gliwice, etc. where the price of land circulates at around 100 PLN/m^2. This results from the fact that such locations provide access to a broader market, which consists of two or more cities. There are also lots near the main transport routes at a price of about 450 PLN/m^2, but many of them have not managed to attract any buyers for a long time. It is worth mentioning that in some of the less dynamically developing towns of the region, such as Czeladź or Bytom, the prices of real estate for the purpose of trade are not growing particularly quickly. At the moment some of the lots for this purpose can be bought at a price of about 50 PLN/m^2.

Residential areas

Supply

The average area of the lots offered for the purposes of residential buildings is about 20 000–50 000 m^2. Such lots are usually located in the vicinity of forests, parks, water reservoirs, and main roads. In some cases however, the areas require work in order to obtain access to the water supply and sewage system. The authorities of some of the cities which are interested in the developments of the residential buildings support the developers in the process of providing these utilities.

Table 8. Chosen revitalization projects in Silesia.

PLACE NAME	LOCATION	REVITALIZED AREA	VALUE OF THE INVESTMENT(EUR)	PROGRESS OF WORKS
Silesia City Center - shopping and entertainment centre	Katowice	Hard Coal Mine 'Kleofas'	200 mln	the end of the first stage
Focus Park - shopping and entertainment centre Gliwice	Gliwice	Gliwice Steel Plant	100 mln	in construction
Forum Gliwice - shopping and entertainment centre	Gliwice	Plant of Fireproof Materials in Gliwice	75 mln	in construction
Nowe Gliwice - business and academic centre	Gliwice	Hard Coal Mine 'Gliwice'	15 mln	in construction
Euro-Centrum Industrial Park	Katowice	'Wimach' Chemical Equipment Plant	13.5 mln	in construction
Squash Ball Club - sports centre, includes squash courts	Gliwice	Factory of Technical Devices in Gliwice	no data available	ready for use
Old Brewery - office centre	Katowice	Brewery in Katowice-Szopienice	no data available	ready for use
Silesian Museum	Katowice	Hard Coal Mine 'Katowice'	no data available	in construction

Source: Own study on the basis of the Katowice Special Economic Zone, Ministry of Economy data.

Recently we have observed an increase in the number of residential lots offered to developers. There is the possibility to locate new projects even in the centres of the cities. An example of this is seen in Katowice and Gliwice, where in the city centre perfect lots for residential buildings can be found. These areas usually have local land utilization plans and they are also equipped with the necessary technical utilities. Such locations are usually used by investors for erecting multi-family residential buildings.
We can expect a greater supply of the lots for developers due to the progress of works on approving the local land utilization plans.

Demand

There is growing demand for lots for residential buildings, especially in the two fastest developing cities: Katowice (especially in the southern part and in the area near the Provincial Park of Culture and Recreation) and Gliwice. All the data show that in the near future the supply of flats, and, what is associated with this - the number of purchased building lots - will increase very quickly.

There is also a growing interest in the old, damaged factories which could be adopted for residential purposes. The use of traditional post-industrial architecture allows for recovering new spaces in the central zones of the cities belonging to the Agglomeration.

The most important features of a residential lot from the perspective of the investor are the following:

- regulated legal status,
- approved local land utilization plans or an agreement about the conditions of construction,
- small distance and time of commuting to the city centre both by private and public means of transport,
- vicinity of green areas.

At the moment the developers carry out a lot of projects in the region, which include detached and terraces houses, as well as multi-family residential buildings. The biggest investments are:

- Oak Terraces (Debowe Tarasy) developed by Tri Granit,
- The Area of Pheasants (Osiedle Bażantów) by the developer Millenium Inwestycje,
- The Coppice Area (Osiedle Zagajnik) by MK Inwestycje.

In the near future, Nestin Polska will start a big investment. Just 7 minutes away from the centre of Katowice a luxurious, fenced area with detached and terraced houses will be constructed.

Prices

The value of the residential areas for developers located in the southern and western districts of Katowice in the vicinity of green areas is estimated at about 100 PLN/m^2. The demand for the building lots is also high in Mysłowice, Tychy, Mikołów, in the southern districts of Ruda Śląska and, most of all, in Gliwice. The cost of purchasing a lot in these cities amounts to about 40-80 PLN/m^2. The value of the lot increases depending on the neighbourhood and the other factors described above. The least attractive areas are characterized by difficult road access and unfavourable location in the vicinity of industrial areas. The value of such lots does not exceed 50 PLN/m^2.

We should also take into consideration the fact that the value of the lot increases as soon as the local land utilization plan has been approved, which allows for erecting residential buildings. In some of these cases the prices of such areas may exceed 100 PLN/m^2.

In the next few years we should not expect dramatic changes to the prices of the building lots. The average increase in price should not exceed 10% per year. Nevertheless, we should take into consideration the fact that the lots with the best location in the centres of the cities may increase their value by as much as 40 to 200% annually.

Areas for office buildings and hotels

Supply

The supply of investment areas to be used for office buildings and hotels is relatively large. These areas normally have very good road access and are located in the city centres, making them easy to reach. Most of such lots have an area of between 2 000 and 8 000 m^2. In case of hotels, perfect locations include those in the vicinity of the railway stations in the bigger cities of the Agglomeration and in the direct neighbourhood of the key transport axes of the region. There is growing availability for the areas located in the vicinity of the airport in Pyrzowice, which is connected with the growing number of passengers.

Demand

In the area of the Agglomeration there is shortage of office spaces of all classes, and especially the ones allowing for free arrangement of the available space (open space type). A similar situation can be observed on the hotel market in respect to all categories. Although at the moment two big hotel investments are in progress (Diament hotel and the redecoration of Senator Hotel), and at least two other investments are being planned (the Radisson SAS network and System Hotel of the Grupa Kapitałowa Salwator), due to the dynamic development of the region, these investments will probably not satisfy the demand for lodging spaces.

This is why we can recently observe a strong tendency in the increase of demand for areas suitable for these kinds of investments. The areas of special demand are the lots in good locations (especially in Katowice – in the centre and near all the exit routes), and the basic condition required by investors is good accessibility by road.

In the case of the office buildings there is a growing demand for investment in those with an area exceeding 10 000 m^2. The saturation of Kraków and Wrocław with the investments by the BPO (Business Process Offshoring) makes the Silesian Agglomeration the optimum place for the execution of such projects on the large scale of all of Central and Eastern Europe. The investors search for high quality, large office spaces with a suitable back-up of services and a sufficient number of parking spaces.

The planned investments in the office buildings are the response of the investors to the demand of the companies. The biggest project assumes the construction in the centre of Katowice of a multi-purpose building (with a large residential part) with a total area of more than 90 000 m^2. At the moment at least 5 large office buildings of A and B class to be located in the centre of Katowice or its direct vicinity are being planned.

Prices

The highest prices, which is not surprising, are the prices for those areas located in the centres of Katowice, Gliwice and Zabrze, as well as other bigger cities of the Agglomeration. The price for a square metre may exceed in such cases 500 PLN. The prices for similar real estate in smaller towns fall dramatically due to the low level of attractiveness and do not exceed 150 PLN/m^2. Potentially attractive places for the location of the office buildings and hotels also include the routes connecting such cities as Chorzów and Katowice, Katowice and Sosnowiec, etc. In such locations the prices reach a value of 100–400 PLN/m^2.

Metropolis Commercial Real Estate, ul. Francuska 35; 40-027 Katowice, Poland; tel.: +48 32 206 46 46; fax: +48 32 255 23 70; office@metropolis.pl

Metropolis Commercial Real Estate

We are a team of advisors and we provide our Clients with professional support in all aspects connected with investing in real estate in Silesia. Due to our experience and the analyses we carry out, we posses the necessary knowledge needed to make strategic decisions in the field of investment policy.

We support our Clients in all aspects connected with agency services and investments in the most urbanized and industrialized agglomeration in Poland.

The scope of services:

- We specialize in advisory services for investors interested in purchasing real estate which brings stable income or has the potential to generate future profits.
- We offer our advisory services to the owners of real estate in order to help them find optimal solutions for a given building and maximize profits within a given time.
- To those persons searching for real estate we offer office spaces, storage houses, production and trade spaces and investment lots. Our specialists also search for buildings and areas for network Clients.
- For developers we offer specialist solutions aiming at choosing the best location for residential, logistic, office and industrial investments.
- As specialists on the area of Silesia, we understand this region and this is why we are able to offer to local authorities solutions concerning the development of the areas which require revitalization.

In order to obtain additional information about our activity, visit our website: www.metropolis.pl.

Contact:

Metropolis Commercial Real Estate
ul. Francuska 35
40-027 Katowice, Poland
ho: +48 32 206 46 46
fax: +48 32 255 23 70
e-mail: office@metropolis.pl