

## Office rents climb in southern Poland as remaining vacancies taken up



By Peter Gage Morris  
Managing Director  
Ober-Haus Real Estate Advisors

*October 2007*

In both Krakow and Katowice, the largest markets in southern Poland, rents are climbing as take-up surpasses new stock and vacancies continue to drop.

### **Krakow**

Modern office space totals only 163,000 sqm in Krakow. We expect to see another about 26,500 sqm of high standard office space added to the market in 2007.

Rents rose slightly in 2007 so that A-class rental rates now vary from EUR 15 to EUR 18 per sqm per month, and B-class buildings are leasing for EUR 10 to EUR 15 per sqm. We expect rents to continue increasing slightly through 2008.

Krakow is enjoying a fast-growth, with take up in the last 12 months totaling 34,000 sqm. We expect the next few years will see the demand for Krakow office space to continue growing and, based on our analysis of earlier trends, we expect the highest activity to come from companies in the IT and financial sectors.

Main Office Buildings in Krakow include: **Centrum Lubicz** (13,800 sqm) one of the first class-A buildings to be built in Krakow, **Buma Square** (36,000 sqm) fully leased to tenants that include Motorola, Tesco, BZ WBK, Provident, Electrolux, Slovnaft and CapGemini, **Euromarket** (12,000 sqm) in the western part of the city, fully leased to companies like OPEL, BP and Fortis Bank. **Galileo** (Phase I 10,000 sqm) fully leased to IBM Consulting, Raiffeisen Bank, KPMG, Grupa Lotos and others, **Centrum Biurowe Zasada** (5,000 sqm) fully leased, **Cracovia Business Center** (14,000 sqm) the tallest in the city, leased by BPH Bank, and **Krakow Business Park Zabierzów** (9,500 sqm) near Jan Pawel II Airport and the A4 Motorway, fully leased.

Main new investments in 2007 include: **Centrum Biurowe Brama Bronowicka** (4,500 sqm) developed by Azbud company, completely leased. **Newton** (10,100 sqm) developed by GTC, also completely leased. **Rondo Business Park** Phase I comprises 9,400 sqm completed in April 2007; Phase II, scheduled for completion in IIQ2008, will add 7,500 sqm. Developed by Buma Group. **Kraków Business Park Zabierzów** (10,000 sqm) more than 50% leased.

### **Katowice**

Large vacancies in existing developments were filled in 2006 and 2007. Currently there is only 85,000 sqm of modern office space, of which more than half is A-class space. Katowice is still not a large market for class A space. The area's most significant buildings include: **Altus** (13,000 sqm), **Chorzowska 50**

(22,000 sqm), **Milenium Plaza** (10,500 sqm), **Greek Park** (6,000 sqm plus 5,000 sqm more this year), **Korfantego 2** (12,500 sqm).

No major developments are scheduled for 2007 or 2008, but GTC plans to start two major developments next few years in Katowice: an 11,000 sqm office building near Francuska Street and a 15,000 - 20,000 sqm project on Mikołowska Street.

Demand for office space continues to grow in Katowice. Altus provides a good indication of the market's dynamics: just 35% occupied last year, the building is now fully leased. With demand outpacing supply there are solid fundamentals for the development of this market sector.

Rents in Katowice remained largely unchanged in the last year as the large amount of vacancy remained to be filled. Rents for the highest standard office space range from EUR 12 to EUR 19 per sqm, while space may be leased in lower-standard buildings for between EUR 7 and EUR 12 per sqm per month. We do not expect significant changes in the next year.