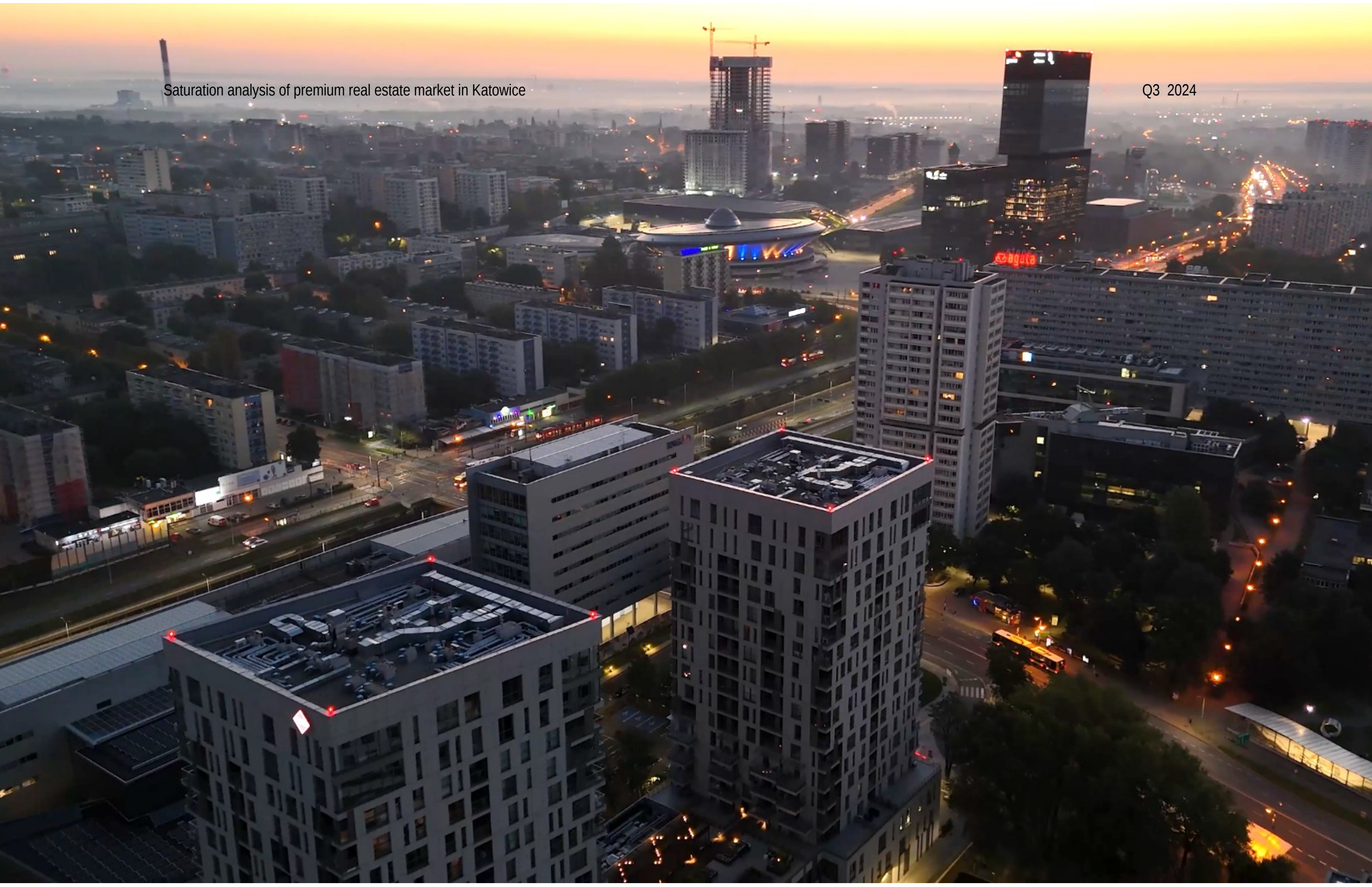


Katowice’s premium estate market saturation – the analysis

Q3 2024

Prepared by: Deweloperskie P.S.A.

Table of Contents

1. Introduction

The premium real estate market in Katowice is expanding in response to growing client expectations for a superior standard of living. The city's transformation from an industrial hub to a modern business center has led many individuals to choose Katowice as their home. The city's central location in the Upper Silesian-Zagłębie Metropolis also contributes to its appeal.

This report presents the current state of the premium real estate market in Katowice, including demand and supply analyses, and forecasts for future development. It also incorporates the concept of the "15-minute city," which is gaining prominence in modern urban planning.

Our analysis requires the definition of three basic housing segments, along with their brief descriptions:

- **Standard apartments** - This category includes properties with basic finishes, typically smaller or around the size of regional average for new developments, which for Katowice in 2023 was 57 m² (613 sqft).
- **Premium apartments** - This segment includes properties with a higher standard of finish and above-average square footage, usually found in new developments offering dedicated amenities for residents and better-quality materials and functionality.
- **Luxury apartments** - These are significantly larger than the average, built with no compromises to ensure the highest standard of living, using top-class materials and advanced technical solution.

Katowice – basic information

Katowice, the capital of the Silesian Voivodeship, remains a dynamic urban and industrial center in 2024, combining industrial heritage with modernity. The city, once associated mainly with mining and metallurgy, has for many years consistently focused on economic diversity, developing technological, service and cultural sectors.

Katowice is an important academic center, attracting students from various parts of Poland and from abroad, giving the city a youthful character. Numerous green areas help maintain a high standard of living for residents and balance the intense development of the city center, offering places for recreation and leisure.

Demographically, Katowice, like many other cities in Poland, faces the challenges of an aging population and an outflow of people to suburban neighborhoods. Although the city has an active pro-family policy and invests in quality of life, internal migration and low birth rates are affecting the demographic structure. At the same time, it is worth mentioning that the low demographic indicators are largely due to a sizable number of people living in Katowice without formally declaring a permanent or temporary place of residence. The real number of residents is therefore clearly higher than the figure of 278,100 reported by the Statistical Office (2024).

Katowice in 2024 is still a city of contrasts, characterized by large disparities in quality of life and infrastructure accessibility. Although the pace of development is impressive, and the shape of the metropolitan capital has changed tremendously over the past 30 years, the local government still faces the challenge of making up for the neglect from the past.

As the capital of the voivodeship and the metropolis, with the highest average salary level of PLN 9974.44 in Q3 2024, the city remains the driving force of development of the Upper Silesian and Zagłębie Metropolis and also the most attractive labor market in the region.

2. Characteristics of the premium segment

Premium real estate is a market segment that differs from standard apartments by several factors. It is worth mentioning that according to Central Statistical Office data for 2023, the average usable area of an apartment put into use in Katowice was 57m^2 (613 sq ft). For this reason, we have doubts about the prestige of apartments with smaller square meters.

The key characteristics of premium real estate are:

- **Location** - for most customers, the attractiveness of a location is defined by its proximity to the city center (Town square, Spodek).
- **Finishing quality** - use of high-quality materials, modern design and attention to detail.
- **Amenities for residents only** - such as fitness areas or patios.
- **View** - remains an important factor determining how a specific premium apartment is perceived.

The real estate market in Katowice is growing rapidly, as evidenced by the number of 14,022 apartments under construction in development projects in the northern and central parts of the city alone. For this reason, the characteristics we have described are subject to change. At the same time, as of the date of writing this analysis, they allow us to determine whether a property can be called premium.

3. 15-minute city concept

The concept of the 15-minute city means that all the basic needs of residents can be met within a 15-minute walk or bike ride from where they live. It is an urban model that promotes sustainability, reduced carbon emissions and improved quality of life by minimizing the need to use cars to meet every last need. In a 15-minute city, residents should have easy access to work, education, health, recreation and physical activity, shopping, culture and entertainment. This idea encourages more integrated communities, supports local commerce and develops pedestrian- and bicycle-friendly spaces. For the average city resident, who has easy and quick access to most of the categories of needs listed above, the 15-minute city offers convenience and significant savings in time that would normally be spent on daily commuting.

When talking about Katowice, it should be mentioned that due to polycentric urban character of the city, it is possible to separate areas where the implementation of this concept's assumptions will be almost impossible, and those where it will be relatively easy or is already in at least partial execution.

The downtown area of Katowice looks particularly favorable in this aspect, which, due to its location and the variety of available services, most closely meets the concept's objectives. The Achilles' heel of downtown, however, remains access to modern residential properties - although there is no shortage of residential units in downtown Katowice, very little of the existing development offers not only up-to-date, but even modern standards. The vast majority of investment projects in Katowice bypass the center, mostly due to the inaccessibility of investment land, but also because of the consciousness of the investor, who above all else seeks to maximize his bottom line..

According to data from Q3 2024, those looking for a premium apartment in a modern development, meeting most of the criteria of the 15-minute city concept, can choose from already completed projects: Sokolska Towers, Global Office Park, as well as the recently announced Mikato project. At the same time, it is worth noting that, on the scale of the whole city, the greatest attention of developers is drawn to Katowice's Culture Zone, which, although it is often wishfully assigned to downtown Katowice, meets practically none of the criteria of the 15-minute city concept.

To conclude, we would like to point out that the 15-minute city concept was chosen for this analysis because of its strong orientation to the needs and expectations of specific communities, relative ease of implementation, and simple principles and objective evaluation criteria. At the same time, we would like to point out that this concept does not conflict with other contemporary urban concepts such as the Smart City, the mixed-use city, or the biophilic city. Each of these concepts answers the question of how to shape the urban fabric differently.

4. Demand characteristics

The growing demand for premium real estate is due to the rising expectations of wealthy clients, who are looking not only for high quality, but also for prestige and unique amenities. Customers for this type of property are usually high-income individuals. Their basic needs are comfort, security, privacy and access to conveniences such as functional interiors, innovative Smart Home technologies, 24-hour security or recreational amenities - relaxation, rest or fitness zones.

Due to the nature of the premium segment and its location in the middle between ordinary standard and luxury, we can distinguish several categories of customers:

- **Investors** - professional clients, who view the purchase of premium real estate as part of the expansion of their portfolio of assets or diversification of their investment portfolio, explicitly expecting a specific return on investment in accordance with their own investment strategy and the prospects adopted in it.
- **Premium consumers** - are looking for real estate for their own residential needs, and therefore pay high attention to both the investment potential of the property and the high (higher than before) comfort of living in the apartment and its close surroundings. This category of customers has a highly emphasized need for the comfort of living in a particular location. More often than not, this category also includes wealthier foreigners.
- **Executive Suite** - taking into account globalization and the strong position of Katowice and Silesia on the economic map of Central Europe: the clients are not individuals, but large corporations, for whom the investment of capital in a premium suite is often a more favorable tax and operational solution than the use of a hotel base for receiving delegations of executives.

Expectations of premium clients include first and foremost an excellent location, often in prestigious neighborhoods or surrounded by nature, proximity to high-end restaurants, boutiques and cultural centers. The originality of the design is also important - clients value unique architecture, high-quality finishing materials and the ability to personalize interiors. Preferences also include sustainability and eco-friendly solutions, such as energy-efficient technologies and access to green spaces. For each customer group, premium properties must fulfill both functional and aspirational functions, becoming a status symbol and an investment in the future.

According to data from the Ministry of Finance for 2022 cited in the JLL report, the Silesian Voivodeship ranks 1st in terms of density per km^2 of the number of wealthy and very wealthy people (with incomes above PLN 50,000 gross per month and above PLN 1 million gross per year). In terms of the number of inhabitants, the Silesian Voivodeship is in 3rd place, just behind the Greater Poland Voivodeship. The leader is the Mazowieckie Voivodeship.

It is worth noting that premium customers recognize the low price flexibility of premium real estate, and thus the ease and freedom of liquidating the asset in the future, especially with regard to luxury real estate, which requires a completely different level of capital involvement.

5. Supply characteristics

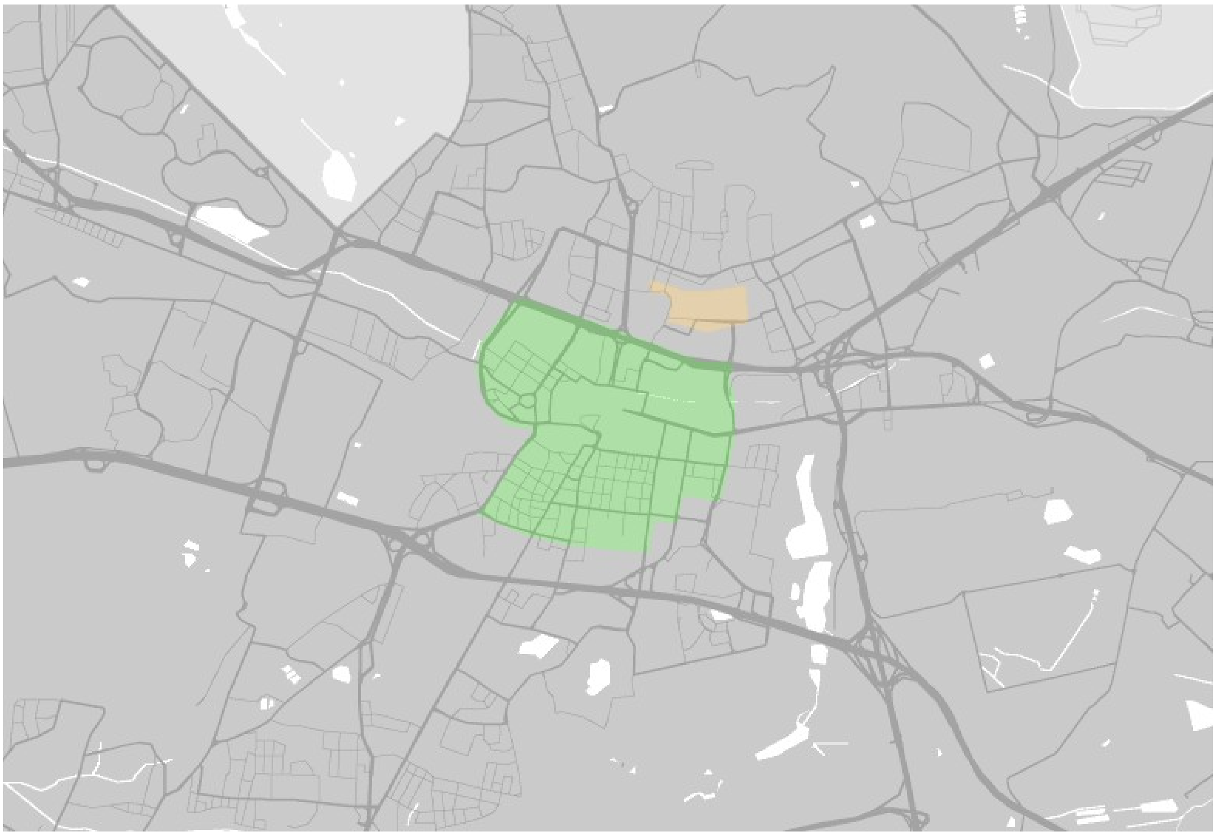
A distinctive feature of Katowice during the first two decades of the 21st century was a significant shortage of premium real estate due to historical issues. The provincial capital had long ago overcome the path leading from an industrial city with a major contribution to the mining industry, to a city of modern services and technology, thriving business and shared service centers, and an important academic center, shaping personnel for generations. Changing the city's image has proven to be a decidedly more difficult and complex challenge, which, thanks to a well-thought-out promotion strategy and consistency of action, is being systematically implemented, determining the way the city is perceived both inside and outside the metropolis.

The historic arrears of premium development projects began to be addressed only recently. The success of the first projects ignited the imagination of developers, who realized the enormous potential that Katowice's own demand could develop, but also demand that reached far beyond the city's administrative boundaries. In the aftermath of this boom, large development projects appeared on the city's map, located in the south and north of Katowice, where the primary factor was the availability of large, open investment areas, giving more freedom to invest the land than smaller areas located in the center of Katowice, which required more attention. However, it is worth pointing out that some of the projects carried out over the past 15 years could only be classified as premium by wishful thinking.

One should also mention the individual projects focused on raising the standards of apartments located in old buildings to a premium level. However, due to the fact that the investment is limited to the interior of the apartment, the staircase and the facade at most, such apartments do not meet the growing demand of people expecting contemporary housing solutions. At the same time, it is worth bearing in mind that the large number of such revitalizations is not without an impact on real estate prices in the area.

In Katowice's downtown area, there is a clear shortage of premium residential units and apartments in modern construction. We can point to only a few investment projects of the last 15 years. This suggests that the source of the limited supply is the difficulty of acquiring land in an attractive location.

Taking this into account, we have separated three zones for further analysis and inference.



Zone I
Katowice City Centre

Zone II
Culture Zone

Zone III
The remaining areas in the northern and central parts of the city

Zone I - Katowice's City Centre

1 284	74%	9%
Apartments in new construction	Estimated completion rate	Percentage of analyzed projects

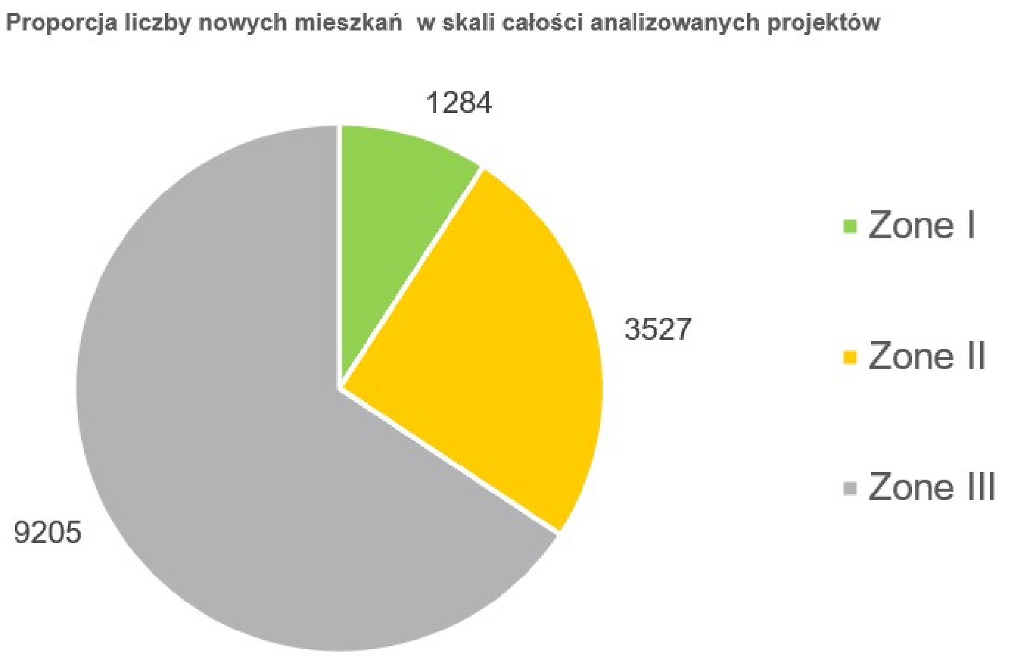
Zone II – City Centre surroundings

3 527	25%	25%
Apartments in new construction	Estimated completion rate	Percentage of analyzed projects

Zone III - Other projects

9 205	15%	66%
Apartments in new construction	Estimated completion rate	Percentage of analyzed projects

Supply - aggregate data



There are currently 1284 units of new housing construction under way in Zone I, which at first glance seems like a significant number. However, not all of them meet the criteria to qualify for the premium segment. Assuming a square footage in the 60-80 sqm (645-861 sqft) range, allowing for three independent rooms, and a location on at least the 12th floor, the number of apartments that meet these requirements drops to only 49, representing just 6.12% of the total offering. Although it is common knowledge that the majority of new apartments are characterized by a meterage smaller than the average for Katowice, the surprisingly low percentage of properties qualifying for the premium segment in the analyzed projects may be of particular concern. In our view, the low supply will be a factor in the increase in the value of properties in the premium segment in downtown Katowice.

Zone I

1 284	101	7,87%
Total number of apartments in new construction	* Number of apartments meeting the criteria (60-80m^2)	Percentage of projects analyzed

Zone II

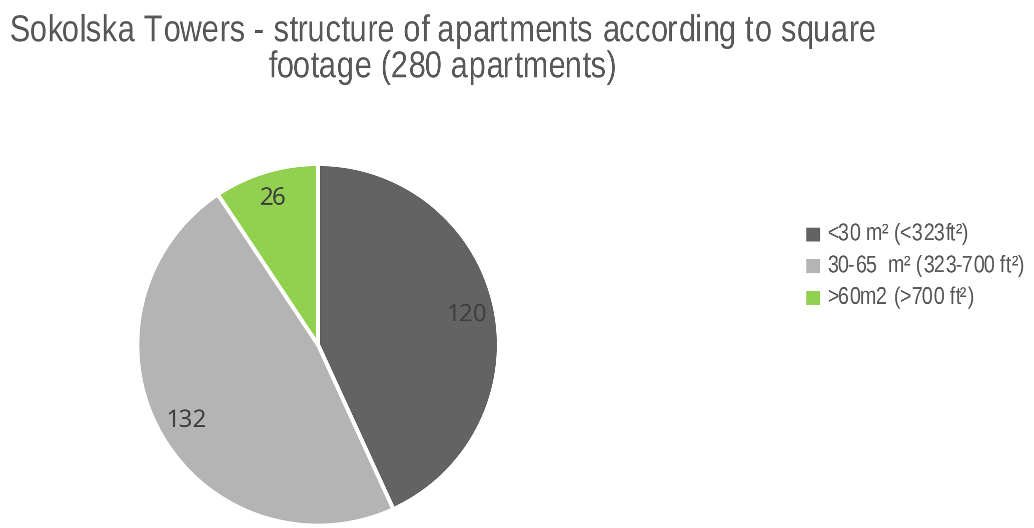
3 527	1366	38,72%
Total number of apartments in new construction	* Number of apartments meeting the criteria (60-80m^2)	Percentage of projects analyzed

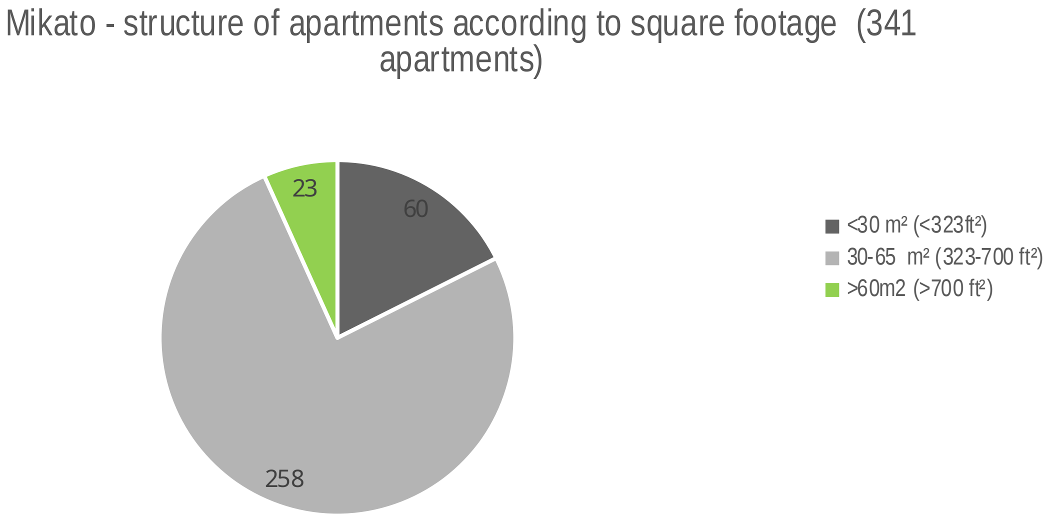
** - estimate based on data from key projects*

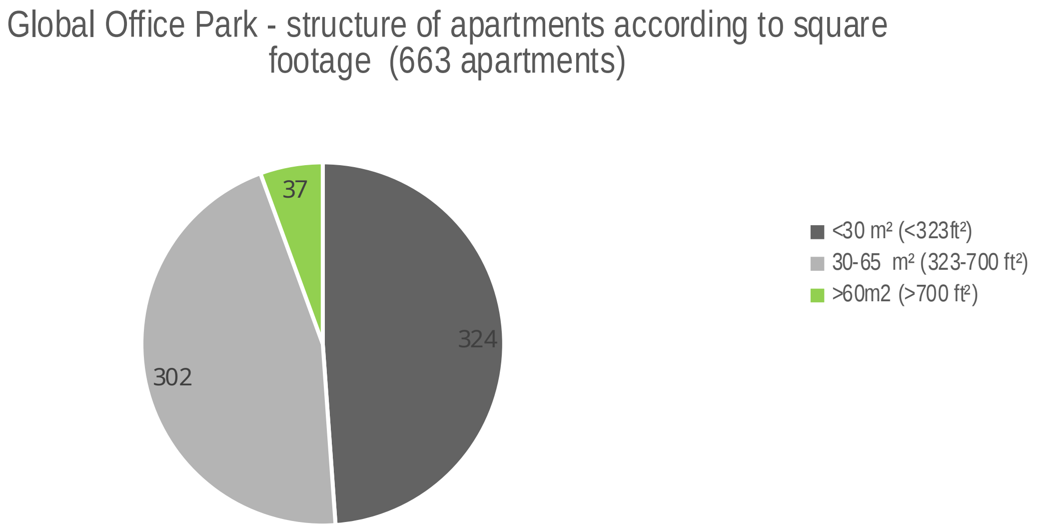
Zone III

Due to the insufficient elements of the premium segment and the difficulty in access to residential apartments in the premium segment, the calculations for zone III are not reliable and do not reflect the issues in question. For this reason they were omitted.

Structure of apartments in Zone I







6. Competitive factors

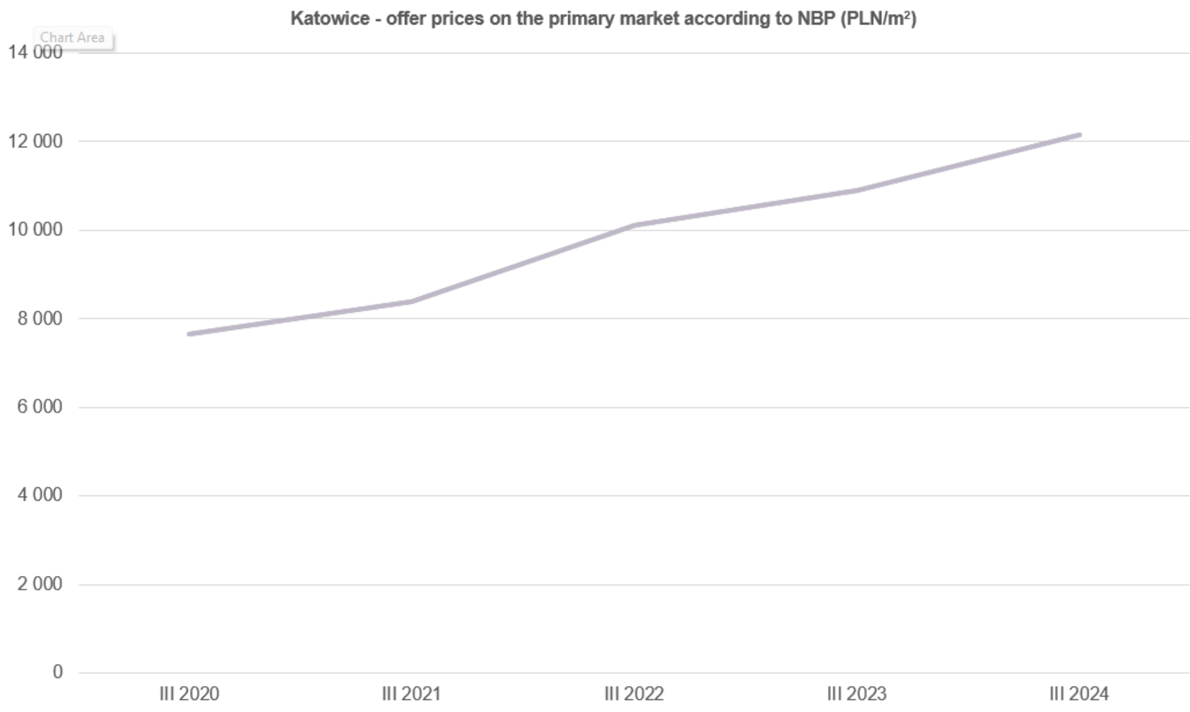
As pointed out in the second part of the analysis, premium properties are distinguished by four key features that determine their belonging to this segment and their degree of attractiveness. It is worth discussing these elements in more detail, as they form the foundation for assessing the value of such investments.

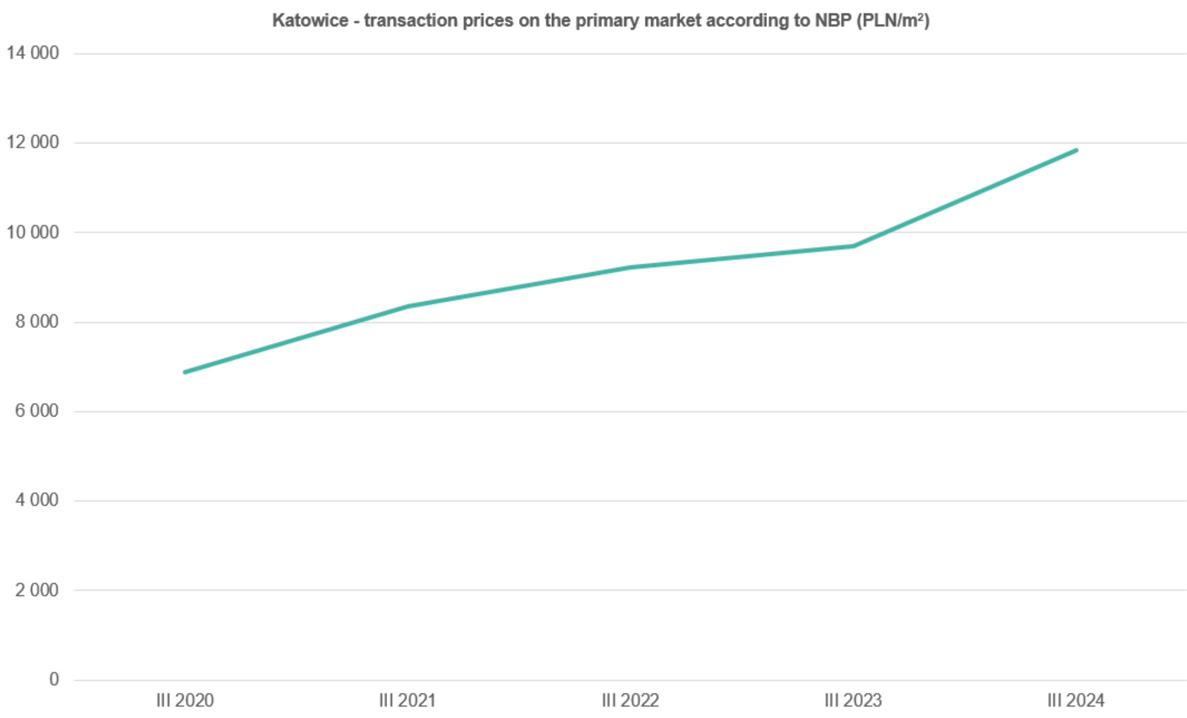
- **Location** - The center of Katowice, with its fully developed infrastructure, is an excellent place to live. It offers access to all the amenities of the 15-minute city concept, as well as providing quick transport links to the region's main arteries, such as the A4 highway and the Drogowa Trasa Średnicowa (DTŚ). Well-developed public transportation, including proximity to train and bus stations, also plays a key role. In recent years, several modern office buildings have been built in the center of Katowice, which has increased interest in premium apartments in this location. In addition, the proximity of green areas, such as the Silesian Park, significantly enhances the attractiveness of the central parts of the city. Accessibility to international transportation routes, used for business and tourism, is also not without significance.

- **Finishing quality** - The standard of finish is a key indicator of premium real estate, referring to both the body of the building and the interiors of individual units. In the premium segment, the building is expected to be distinguished by an original yet timeless design that blends harmoniously into the existing urban fabric. For customers, it is important that the building combine prestige with aesthetics and functionality. Similarly high requirements apply to the apartments themselves. Customers in this segment expect refined interiors, made of the highest quality materials, with attention to detail.

- **Residents-only amenities** - Resident-only amenities are playing an increasingly important role in the evaluation of premium properties. While reception areas, present in many projects, are becoming standard, more specialized common areas such as playrooms, fitness areas or saunas are still rare. Such amenities significantly increase the attractiveness of a development, emphasizing its exclusive character. Importantly, the amenities include both indoor and outdoor spaces. Common areas, such as patios, not only enhance living comfort, but are often a key element in assessing whether a development actually aspires to premium status. When evaluating this parameter, it is worth bearing in mind how well a particular amenity meets the expectations of a potential buyer, as well as the number of apartments the amenity is intended to serve.

- **View** - remains an important factor in determining the perception of a particular premium apartment. While low-quality construction will not defend itself with the view from the window alone, an inadequate view can influence the final decision to choose a particular premium apartment. It is also important to take an interest in how the view will change in the future, in addition to today's panorama visible outside the window.


Katowice - offer prices on the primary market according to NBP (PLN/m²)
Chart Area
14 000
12 000
10 000
8 000
6 000
4 000
2 000
0
III 2020
III 2021
III 2022
III 2023
III 2024


Katowice - transaction prices on the primary market according to NBP (PLN/m²)
14 000
12 000
10 000
8 000
6 000
4 000
2 000
0
III 2020
III 2021
III 2022
III 2023
III 2024

7. Conclusions

- According to data as of the end of Q3 2024, investments located in the center account for only 9% of total real estate. Investments in Zone II - the “Culture Zone” and Zone III account for 25% and 66% of investments, respectively.

- The completion rate for zones I-III are 74% (zone I) , 25% (zone II), and 15% (zone III). This translates into difficulties and discomfort of functioning in the vicinity of construction sites in a time perspective that depends on the stage of completion of a given project. This problem will be particularly acutely felt in large development projects. In addition, it translates into the need to wait until the next stages of the project are completed. For this reason, already completed projects are gaining the advantage.

- The limited supply of premium real estate in the center is due to the smaller number of easily accessible development sites and the need to fit architecture and solutions into existing buildings and the urban fabric. The limited supply will translate into maintaining the exclusivity and uniqueness of these projects.

- The overwhelming majority of properties positioned as premium class in Zone II cover the Culture Zone area. The supply of a large number of residential units very similar in parameters means strong competition in the aftermarket. While there is no reason to believe at this stage that this will result in a decline in property prices, certainly their growth will be significantly restrained, especially as more developments and their next stages are launched.

- Although the investments in Zone III are somewhat more scattered, here, again, the dominant one in terms of the volume of usable floor space remains Nowy Wełnowiec, with an area twice as large as all the investments being carried out in the Cultural Zone. Although the developer has not provided any specific data on the individual project and its staging, it should be assumed that around 7,000 residential units may be built here. Overall, the completion rate in Zone III is only 14%.

- In the case of some areas, there is a risk of the so-called saturation effect: This occurs when urban development exceeds the upper limit of infrastructure capacity. This effect can arise even when a single investment (or its phase) is not oversized, but the overall investment effort exceeds the capacity of the surrounding infrastructure. If organic growth is replaced by the launch of a large number of projects within a similar time frame, it can lead to a dilution of prestige and the creation of a highly mono-functional space that creates more problems than it solves.

- While the center of Katowice has considerable development potential for premium real estate, there is no reason to assume that new development projects will be available quickly. The city center faces a shortage of suitable, undeveloped plots. It may therefore turn out that further projects will require the demolition of part of the existing buildings. If this happens, we may have to wait a long time for new ventures, potentially up to several years.

- A sort of litmus test for evaluating the condition of a given investment could be the appearance of unfinished apartments as secondary market offerings. Individual investors may decide not to complete the apartment after verifying costs and recalculating the return on investment. A rushed sale of such an apartment represents an attempt to recover capital and withdraw from the development project. These should not be seen as investment opportunities — if such offers hit the market, the realization of the subsequent phases of the development project will only worsen the chances of selling such an apartment.

- By analyzing the offering and transaction prices of apartments in new development projects over time, we can indicate that the market expects the continuation of current trends. However, price increases will not be uniform across the city. It may turn out that two development projects located in close proximity to each other will register completely different levels of interest from potential buyers. We also expect that the uniqueness of the development will become an increasingly important factor.

8. Katowice's market development forecasts

he premium real estate market in Katowice will develop dynamically in the coming years, but changes in the location of new investments are inevitable. The city center, currently the most prestigious location for this segment, is struggling with an increasingly limited availability of plots for new projects. The shortage of land in this part of the city will limit the supply of new investments, which will contribute to maintaining the high value of existing properties. It is worth citing the example of apartments with an area of 60 - 80 m^2 with three rooms located on at least 12 floors, of which there are only 49 in the city center. Such a small supply will result in the stability of the value of the property. At the same time, on the secondary market, especially within the Katowice Culture Zone, there may be a problem of oversupply of similar offers, which will affect the competitiveness of sellers. Similar concerns can also be raised regarding a number of investments implemented in the area of the upper section of Aleja Korfantego.

To meet the growing demand for premium properties, developers will be forced to move their activities to areas further from the city center. However, this situation requires the expansion of infrastructure, including new roads and public transport connections near planned residential areas. It is important to note that not every district in Katowice has suitable land reserves secured for this purpose. The planned completion of the railway overpasses reconstruction by 2030 should improve transport to the southern districts of Katowice, increasing their attractiveness as locations for premium investments. However, the availability of educational, medical, and sports-recreational services in areas with a high concentration of new development remains uncertain. If developers do not allocate appropriate space for these functions, the local infrastructure will not be able to accommodate and service such a large number of new residents without overloading the roads with thousands of cars.

Developers will continue to try to implement the concept of the 15-minute city, which, as demonstrated by recent developments in the center, works very well. However, in the case of new projects on the outskirts of the city, there are justified concerns about their impact on local infrastructure. A significant increase in the number of residents in a short time could lead to the overload of existing resources. This situation will require a quick response from city authorities to ensure the sustainable development of new districts.

Contact details

Deweloperskie P.S.A.

Address: Katowice Al. Murckowska 14C

40-266 Katowice, Poland

Phone: +48 666 000 999

Website: deweloperskie.pl