



POLAND'S **CONSTRUCTION**  
INDUSTRY



## 1. Construction market in Poland

The Polish construction market is the largest (after Russia) in Central and Eastern Europe. In the last few years the market has been in a slump, but the current prognosis is for annual growth of 9–10% in the coming years. The slump was particularly noticeable in the macroeconomic indicators for the sector.

The number of newly completed flats, after a boom in 2003, declined in the last two years. Construction/assembly production rose by 7.4% in 2005. The total value of investments in the same year on the Polish construction market reached almost EUR 2.9 billion.

## 2. Causes of growth in the Polish construction market

Analysts say that the Polish construction market is in a growth phase now. This is caused especially by:

- progress in engineering construction,
- demand for new residential buildings,
- lack of office space in Warsaw, Łódź, Wrocław, Poznań, Gdańsk and the Silesia region.

The expected boom on the Polish construction market is related to the influx of European Union funds. Taking into account the necessity for civil engineering construction, there is a great chance for growth in the public procurement sector.

## 3. Geographical profile of construction/assembly market

The graph shows the profile of the construction/assembly production market in Poland, by province, as of the end of 2 most 1/3 of the demand for construction/assembly works is created by Mazovia Province. In Mazovia, demand is especially noticeable in Warsaw and vicinity.

A large percentage of construction/assembly production demand is also concentrated in the province of Silesia (including Katowice), Wielkopolska Province (Poznań), Lower Silesia (Wrocław) and Małopolska (Cracow).

## 4. Average employment and wages on the construction market in Poland

The average monthly wage on the Polish construction market in the 4<sup>th</sup> quarter of 2005 was PLN 2,500. In the public and private sector, average salaries were quite similar, at PLN 2,341 and PLN 2,344.

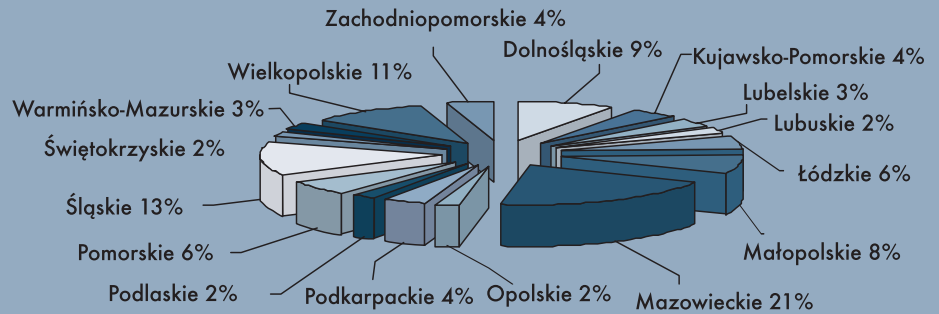
A decline in employment is noticeable in the Polish construction sector in the last few years. This downward tendency is also expected for the coming years. It is caused by high employment costs, especially in winter, when demand for construction services is low.

The other reasons for the decline of employment, related to high employment costs, include:

- self-employment of a growing number of the sector's workers,
- better organization of work, increased mechanization and efficiency.

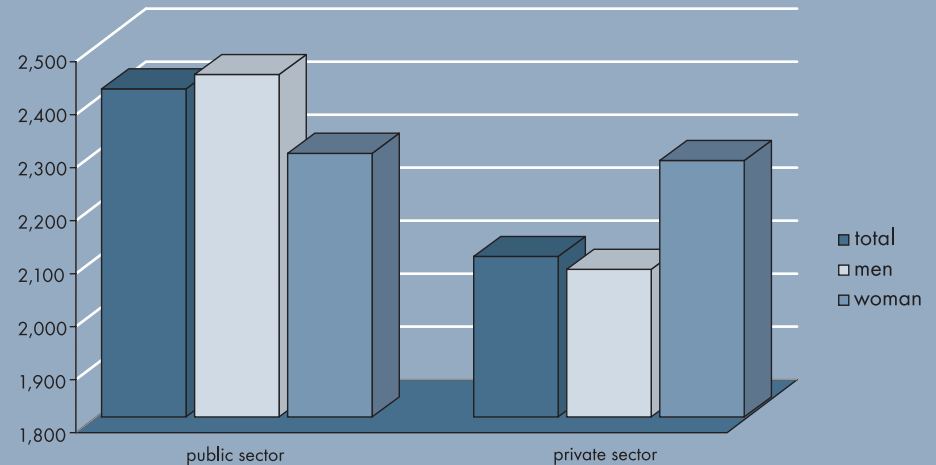
## 5. Profile of Polish construction market

### GEOGRAPHICAL PROFILE OF THE CONSTRUCTION/ASSEMBLY PRODUCTION MARKET IN POLAND IN 2005



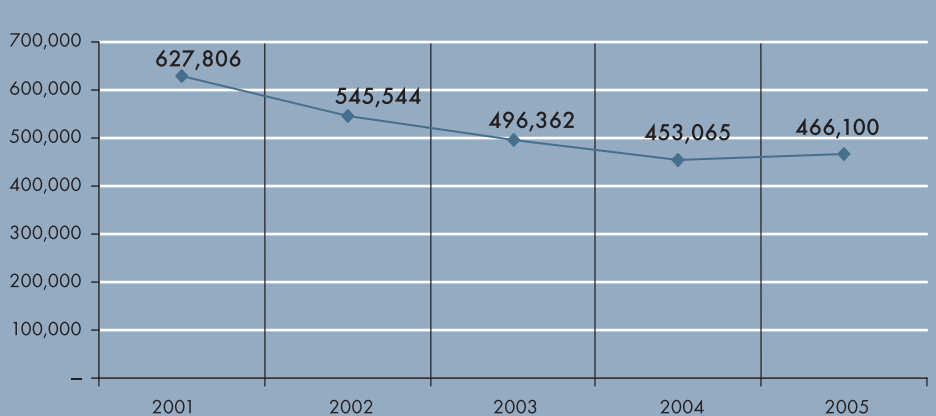
Source: GUS

### AVERAGE WAGES ON THE CONSTRUCTION MARKET IN POLAND IN 2004



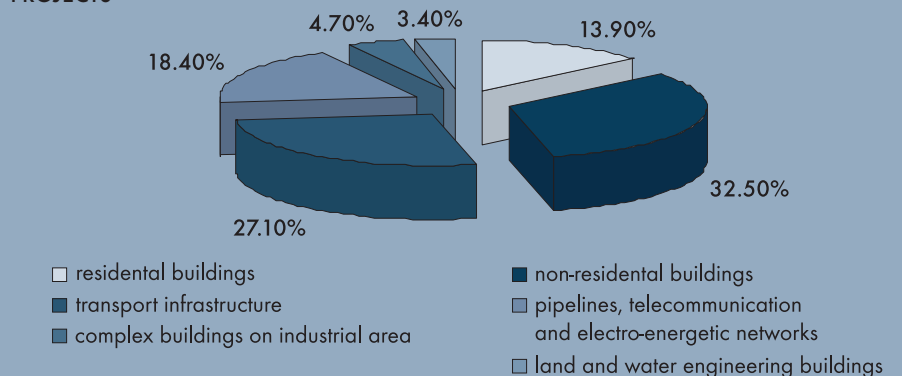
Source: GUS

### AVERAGE EMPLOYMENT ON THE CONSTRUCTION MARKET IN POLAND



Source: GUS

### PROFILE OF THE POLISH CONSTRUCTION MARKET IN 2006 BY TYPE OF IMPLEMENTED PROJECTS



Source: GUS

## 6. Legal regulations

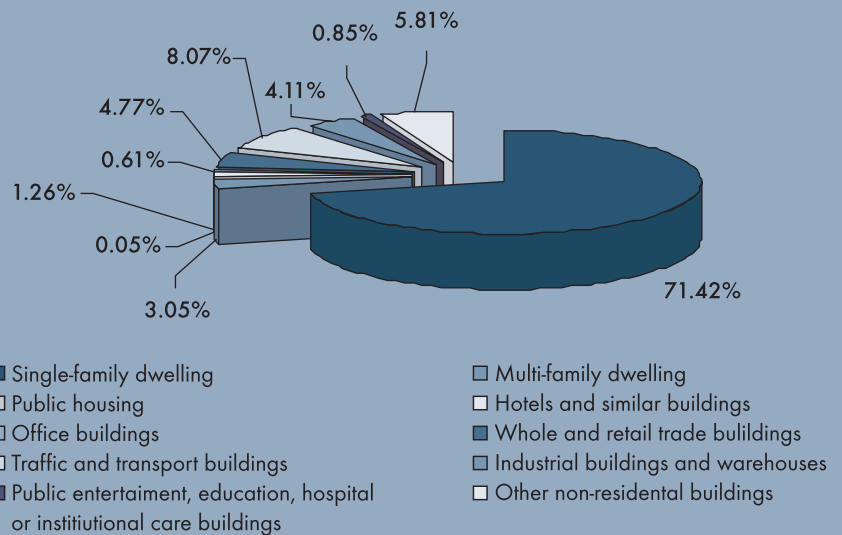
- Construction Law
- Zoning Law
- Construction Materials Law
- Procurement Law

Type of Building	Share (%)	Number of buildings
Residential:	74.76%	60,380.0
Single-family housing	71.85%	58,031.0
Multi-family housing	2.87%	2,318.0
Public housing ( <i>budownictwo komunalne</i> )	0.04%	31.0
Non-residential:	25.23%	20,376.0
Hotels and similar buildings	0.85%	687.0
Office buildings	0.61%	490.0
Wholesale and retail trade buildings	4.68%	3,776.0
Traffic and transport buildings	8.16%	6,592.0
Industrial buildings and warehouses	4.16%	3,363.0
Public entertainment, education, hospital or institutional care buildings	0.85%	684.0
Other non-residential buildings	5.92%	4,784.0

Source: GUS

## 7. Profile of Polish construction market by type of construction

### PROFILE OF POLISH CONSTRUCTION MARKET IN 2006 BY TYPE OF IMPLEMENTED PROJECTS



Source: GUS

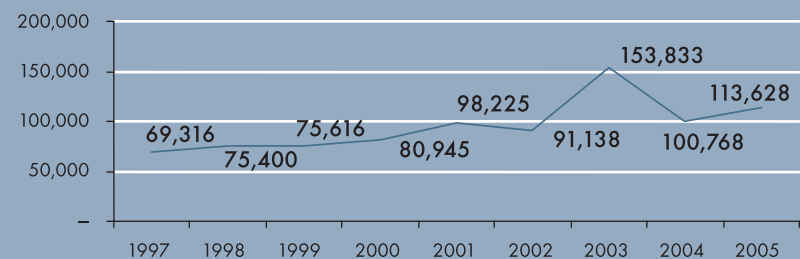
## 8. Number of newly completed flats

The number of new flats built has been growing since 1997, reaching a peak in 2003. At the end of 2004 a slight decline on the flat market was observed. This trend is expected to change in the coming years.

The prognosis for the construction sector is that growth in the number of newly completed flats will be generated by private developers, especially in the most attractive locations like Warsaw, Cracow, Gdańsk, Wrocław, Poznań, Łódź and Katowice. Growth in the housing market will also be affected by:

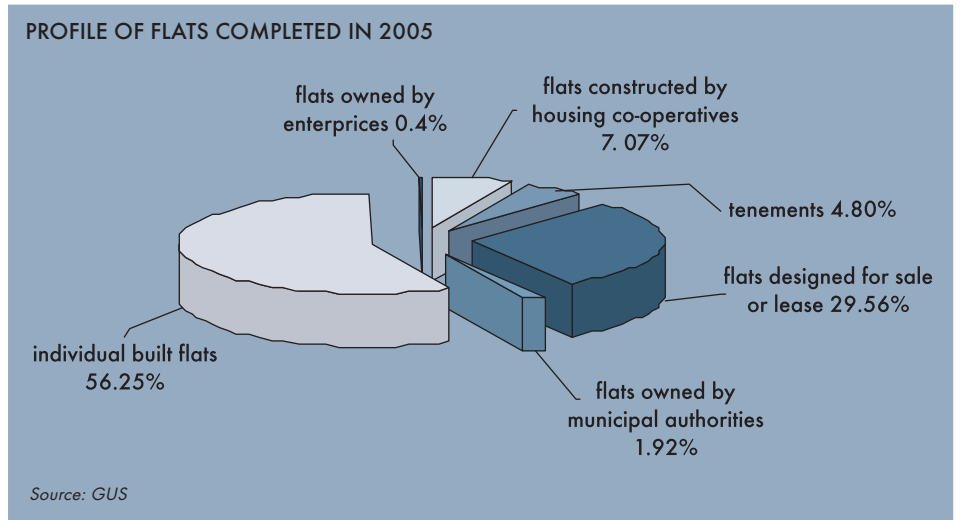
- growth of residential credit,
- 7% VAT in the market for newly built flats after 2007,
- refund of VAT for construction materials bought by individual investors,
- growth in consumer income,
- low interest rates,
- influx of European Union funds.

### NUMBER OF NEWLY COMPLETED FLATS

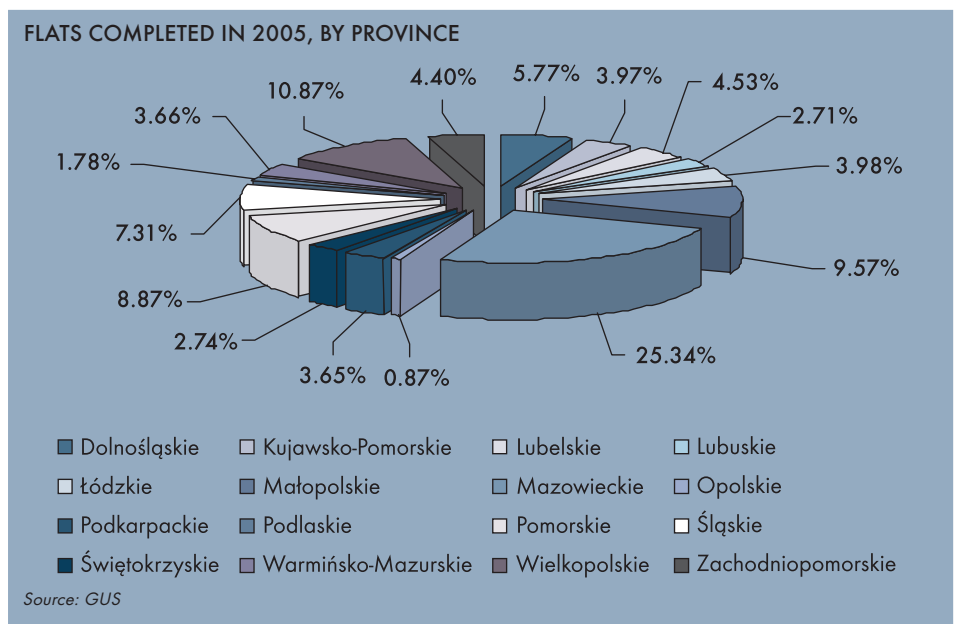


Source: GUS

### 9. Profile of flats completed in 2005

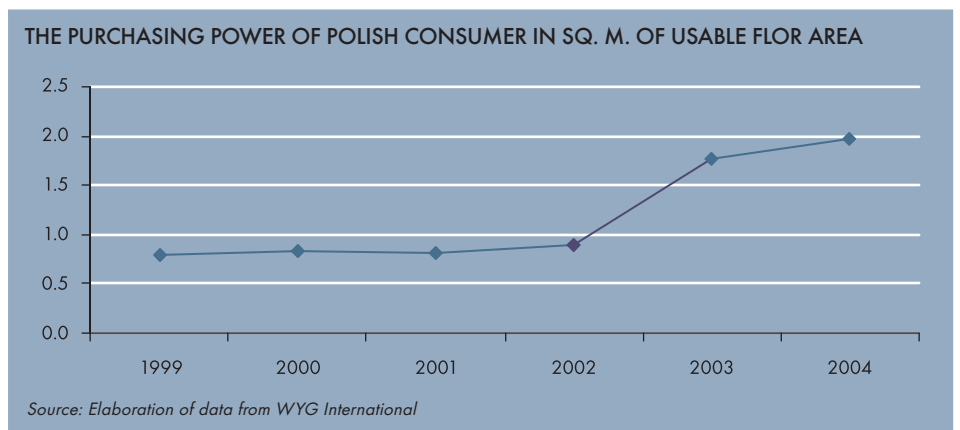


### 10. Geographical profile of flats constructed in 2005



### 11. Purchasing power of Polish consumers

Research by the Central Statistical Office of Poland (GUS) shows that at the end of 2004, 3.4% of consumers intended to buy or build a house (or flat) in the next twelve months.



## 12. Average sale prices

The market price for flats in Poland depends on:

- surface area,
- layout,
- location of flat within building,
- location of building,
- availability of local infrastructure (Internet, cable, gas, electricity),
- transit to city centre (metro, tram, bus, rail).

## 13. Condition of commercial construction market in Poland

The commercial construction market in Poland can be divided into three segments:

- trade space,
- office space,
- warehouse space.

Growth in the supply of trade space is expected in 2006. This is mainly due to an increase in investments by supermarkets and discount shops. There is 102 sq. m. of shopping centre space per 1,000 inhabitants in Poland. This is less than the EU average of 159 sq. m. per 1,000 inhabitants. The greatest amount of office space is located in Warsaw, the largest and most popular construction investment market in Poland.

CB Richard Ellis reports that activity on the Warsaw office market in 2005 was about 15.8% higher than in 2004, with office space of 373,000 sq. m. Investments in office construction are also expected in such cities as Cracow, Poznań, Wrocław and Łódź.

The market situation in the warehouse segment is also impressive.

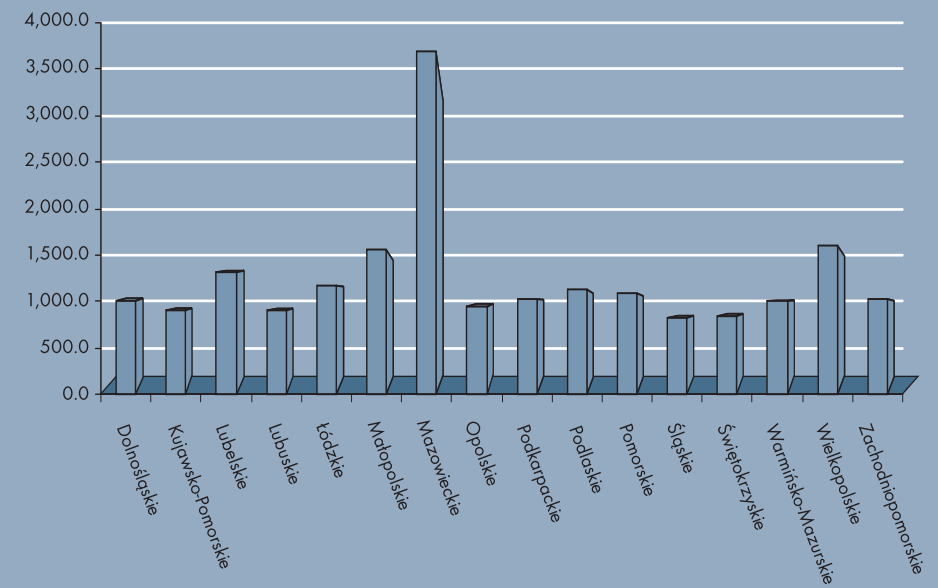
In 2005, warehouse space was 1,600,000 sq. m., the largest portion of which was in Warsaw. Most of the warehouse space growth was noticeable in the Silesia region (122,000 sq. m.)

A growth in demand for warehouse space is expected in Poznań, Łódź and Wrocław and in the Silesia region.

## 14. Export of construction services

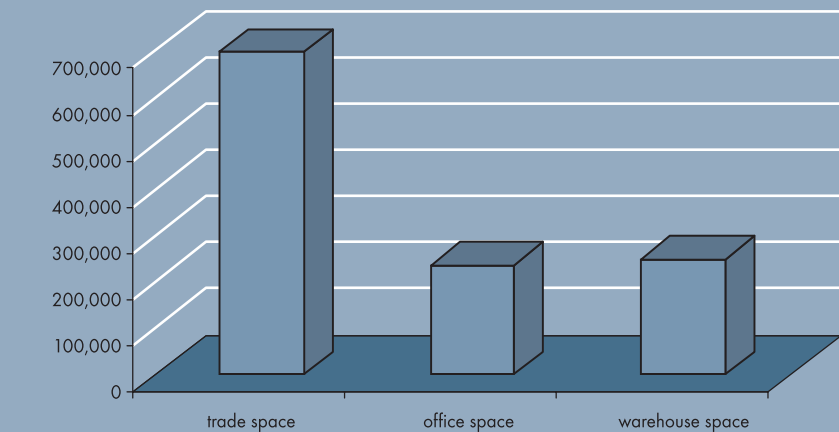
The balance of payments in construction services, according to National Bank of Poland (NBP) data, was EUR 99 million in 2005, which represents significant growth over 2004. This was caused by a 28% increase in revenues generated by Polish construction companies abroad, as well as twofold growth of costs of foreign companies operating on the Polish construction services market.

AVERAGE SALE PRICE OF FLATS IN 2005 BY PROVINCE (PLN PER SQ M)



Source: GUS

ESTIMATED INVESTMENTS ON THE COMMERCIAL MARKET IN 2006 BY TYPE OF SPACE IN POLAND (SQ M)



Source: Analytical report 'Construction' of Investment House BRE Bank S.A.

### 15. Poland's largest construction companies and groups

### 16. Foreign investments on the Polish construction market

As of the end of 2004 the flow of indirect foreign investment into the construction market in Poland was USD 560.3 million. This makes up 7.1% of total indirect foreign investment in Poland. As shown in the table below, the largest investors came from the US, Germany, Sweden and France.

Company	Headquarters	Revenues (PLN thousand)	Employment
Budimex S.A. GK	Warsaw	2,702,877	5,086
Grupa Skanska S.A.	Warsaw	2,249,100	4,977
Budimex Dromex S.A.	Warsaw	1,919,111	1,585
Strabag Polska Sp. z o.o.	Warsaw	1,510,240	1,677
Warbud S.A.	Warsaw	990,008	726
Mostostal Warszawa S.A. GK	Warsaw	837,799	3,352
Hochtief Polska Sp. z o.o.	Warsaw	797,087	645
Hydrobudowa 6 S.A. GK	Warsaw	726,499	1,297
Kopex S.A. GK	Katowice	586,536	2,569
PBG S.A. GK	Przeźmierowo	409,004	575
Hydrobudowa 9 PIB Sp. z o.o.	Poznań	366,908	1,226
Mostostal Zabrze Holding S.A. GK	Zabrze	348,559	2,241

Source: List of 500 largest companies, 'Rzeczpospolita', 26.04.2006

### 17. Largest foreign investors on the Polish construction market as of the end of 2004

### 18. Condition of the Polish construction materials market

As a result of Polish accession to the European Union, the tax rate for construction materials rose from 7% to 22%. Therefore a boom in demand for these goods was observable until 2004. In 2005 sales of construction materials in Poland fell significantly. Growth was noticeable only in gypsum binding materials (+27.4%), ready-mixed concrete (+9.7%) and ceramic brick (+0.6%). Some Polish companies on the construction materials market began moving into the black market in order to avoid tax. Some manufacturers boost profits by connecting sale with assembly.

Company	Investment (USD million)	Country of origin
Apollo-Rida Poland Llc.	1,300.0	USA
BEG S.A.	47.5	France
Skanska Kraft AB	255.2	Sweden
Epstein	200	USA
Ferrovial	200	Spain
Bau Holding Strabag AG	118.2	Austria
Hines	99	USA
Eiffage Construction	85	France
TK Holding	83	Denmark
NCC AB	68.8	Sweden
Parkridge Holdings	50	UK
Sino Frontier Properties Ltd.	25	China
Lend Lease Central Europe	25	Australia
Chelverton Properties	25	USA
Acciona	24.4	Spain
Hochtief AG	20.8	Germany
Warimpex	20	Austria
Bilfinger und Berger Bau AG	18.5	Germany

Source: Polish Information and Foreign Investment Agency (PAIIZ)

## 19. Rate of production of construction materials

Name of the product	Unit	Production			
		2002	2003	2004	2005
natural construction sand	Thousand tonnes	18,348.4	19,890.6	22,351.8	no data
natural construction sand, shared	Thousand tonnes	503.1	631.9	695.2	no data
natural flooring sand	Thousand tonnes	9,122.3	8,611.6	8,310.6	no data
chipboard and similar materials	Cubic dm	3,111.5	3,748.0	4,101.2	no data
fibrebord and similar materials	Square metres	253,790.0	318,051.0	354,704.0	no data
paints, lacquers and similar covering agents	Tonnes	749,972.0	831,382.0	1,035,948.0	980,998.0
natural rubber cement	Tonnes	2,201.0	925.0	1,529.0	1,426.0
synthetic rubber cement	Tonnes	5,445.0	6,495.0	7,053.0	7,503.0
plastics goods for construction	Tonnes	348,265.0	501,427.0	524,973.0	550,760.0
glass fibre matting	Tonnes	33,900.0	37,872.0	36,691.0	39,779.0
insulating materials of glass fibre	Tonnes	28,285.0	28,894.0	31,765.0	no data
bricks	Mln bricks	628.3	587.6	609.3	616.1
ceramic structural-wall tile and ventilating brick	Mln bricks	1,295.1	1,407.9	1,511.1	no data
ceramic structural-floor tile	Thousand items	9,603.0	11,595.0	14,591.0	11,478.0
ceramic roof elements	Thousand items	95,886.0	118,305.0	128,156.0	133,359.0
cement	Thousand tonnes	11,206.4	11,653.4	12,566.3	12,646.2
lime	Thousand tonnes	1,960.4	2,053.4	2,167.6	1,748.5
gypsum binders	Thousand tonnes	405.2	478.8	557.0	757.4
concrete products	Thousand tonnes	11,249.9	12,427.5	13,676.0	15,759.0
masonry mortar	Thousand tonnes	2,880.6	2,967.4	3,041.9	2,872.3
abrasive products	Tonnes	69,499.0	75,141.0	102,041.0	no data
building paper	Square metres	76,621.0	80,155.0	90,636.0	89,339.0
mineral wool	Tonnes	394.0	82.0	123.0	no data
mineral wool thermal insulation products	Tonnes	225,883.0	294,076.0	359,237.0	392,934.0

Source: GUS

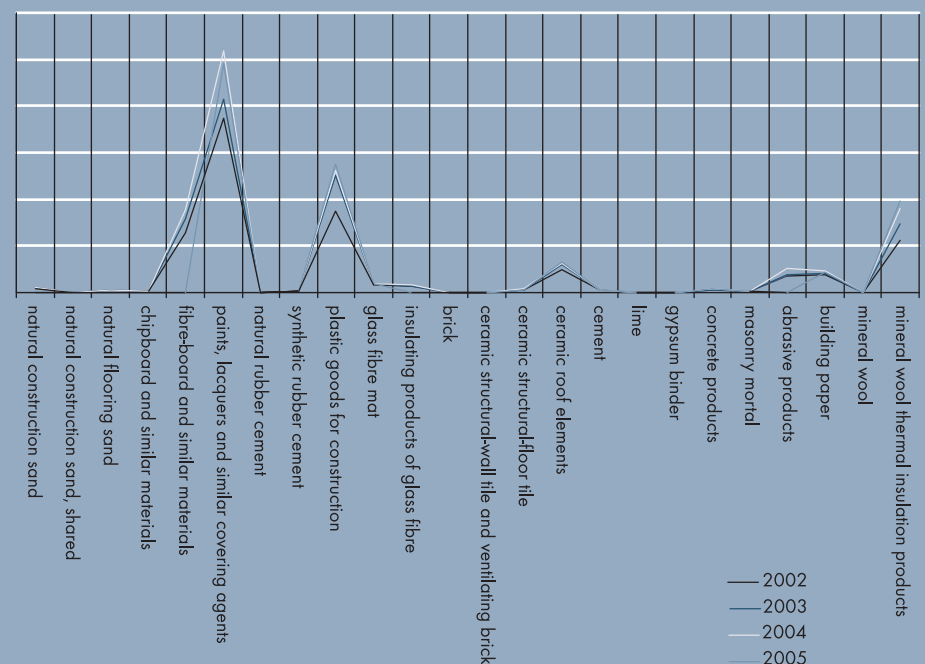
## 20. Potential changes in production growth in particular segments of the construction materials market in Poland

### 21. Prospects for the Polish construction market

The Polish construction market is going to grow. The boom indicators will be:

- supply of newly completed flats,
- public procurement in civil engineering construction,
- demand for office and warehouse construction.

## TRENDS IN THE PRODUCTION OF EACH SEGMENT OF CONSTRUCTION MATERIAL MARKET



Source: GUS



Polish Information and Foreign Investment Agency (PAIiZ)

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