



2022

REPORT CRACOW

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Commercial Real Estate

FOREWORD

I am pleased to present our Cracow's market annual report for the year 2021.

In addition to the information on the commercial, office, and industrial and logistics real estate market, we also wanted to present a wider urban context. The report also includes basic data on demographics, urban infrastructure and education.

I hope you find this small summary helpful and interesting.

I wish you a pleasant reading,



Marek Ciunowicz

Kraków, 02.2022



Marek Ciunowicz, SIOR CEO at Corees Polska

I am connected with commercial real estate market for nearly 30 years. I founded the real estate agency which provides comprehensive and competent support for a Client, where a person and their needs builds up for our priority.

This is how Corees Polska was created.

A boutique-format agency, which specializes in commercial real estates. We advise, negotiate, and back upon external assistance, considering Polish and European companies, independently from their size or location, in the field of office spaces. Corees Team is a group of people who share those values, who present wide perspectives and ready for taking initiative. Corees Polska is a partner of The Instant Group, belongs to SIOR and ProProgressio.

CRACOW

Cracow, the former capital of Poland. One of the highest-ranked European and even world cities in world travel website rankings. It attracts visitors with the beauty of its architecture, rich cultural offer and unique atmosphere.

Administratively, it is located in the Lesser Poland Voivodeship. It is the second largest city in Poland in terms of the number of inhabitants - currently it is inhabited by 780,800 persons (as of June 30, 2021), which accounted for 22.9% of the total population of the Lesser Poland voivodship. In annual terms, the population of Cracow decreased by 0.2 thousand people.

This was due to the negative birth rate resulting from a significant (1.9%) decrease in births and an increase (19.5%) in the number of deaths. The balance of internal migration for permanent residence also decreased year on year. In 2020, it amounted to 2,331 people (previous year: 6331). This decline was undoubtedly influenced by the Covid-19 pandemic and the implementation of the remote work model in most companies and universities.

Cracow is also the second city in Poland in terms of area. It covers as much as 326.91 sqkm. There are several neighboring small towns around Cracow, such as Skawina, Zabierzow or Wieliczka, and the borders between them are slowly blurring thanks to excellent transport connections, which allows their residents to freely use the infrastructure and employment in Cracow.



Labor market

Cracow can boast of a thriving labor market. In December 2021, the unemployment rate in this city was only 2.9%, which is almost half the data for the entire voivodship and almost half the rate calculated for the entire country (5.4%).

The average monthly gross salary in the enterprise sector in September 2021 was PLN 7,052.74 and was higher by 12.3% than in the corresponding period of the previous year. The average employment in the enterprise sector was 225,700 persons, which is 12.3% more than in the corresponding period of the previous year (in which a decrease by 1.4% was recorded).

The number of companies registered in Cracow has also been gradually increasing by about 4.4% annually. As at the end of September 2021, there were 158,100 entities of the national economy, i.e. 4.5% more than in the previous year. They accounted for 35.9% of the total number of entities entered into the register in the Lesser Poland Voivodeship.

The number of registered natural persons conducting business activity amounted to 99,100 and compared to the same period last year increased by 4.4%. The number of companies amounted to 45,000. (5.0% more than the year before), including 33,000 commercial companies (7.0% more than at the end of September 2020).

A special economic zone has been operating in Cracow since 1997, which initially covered a total of 66 ha, and now covers as much as 949.66 ha. The SEZ allows companies located in its territory to conduct business activities on preferential terms, e.g. to receive tax exemptions.

This is to accelerate the development of regions through, among others, attracting new investments, developing exports and creating new jobs. The SEZ has been managed by a specialized business support institution since 2004 known as the Kraków Technology Park.

In addition, Cracow supports start-ups through the activities of venture-capital funds, business cooperation, universities and innovation incubators. Every year, among others, over 500 events on startup and technology, and leading ventures of this type have already attracted investments to the city with a total value of over PLN 500 million.

Labor market



Investment market

Cracow is considered the Polish capital of business services. It has become an attractive place for outsourcing companies from around the world that provide financial and accounting services (BSS). According to the most prestigious TOP 100 Super Cities ranking, carried out in 2021 by Tholons, Cracow strengthened its position, taking 20th place. Compared to the previous year, this is an advance of as many as 5 places. In addition to Cracow, the ranking includes two other Polish cities, Warsaw (35th place) and Wroclaw (99th place). In addition, Cracow took 1st place in the nationwide "Business-friendly cities 2021" ranking conducted by the Forbes magazine (among cities with 300,000 to 999,000 inhabitants).

Investors have located 257 business service centers in Cracow, which employ 82,600 people, which constitutes 23.1% of the total employment in the modern business services sector in Poland.

Around 205 of them (80%) belong to foreign entities. From the beginning of 2016 to the end of 2021, 79 new BSS centers were established, and employment increased by 31,400 people. Companies such as HSBC, PricewaterhouseCoopers, Capgemini, Shell, International Paper, UBS Business Solutions Poland and Universal Investment have located their centers or branches in Cracow.

In total, 29 countries have their headquarters here, with the largest share of companies from: the US, Great Britain, France, Germany, Switzerland, the Netherlands and Sweden (in total 64% of the total number of centers).

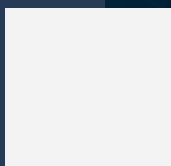
The apparently growing number of companies encourages new ones to invest in Cracow. Most centers were established in 2011-2016.

With the advent of the COVID-19 pandemic, the number of new entries has decreased. Given the scale of the pandemic and the size of the shock it caused, the sector showed high resilience, despite a slight decline in the number of centers in 2021.



Investment

market



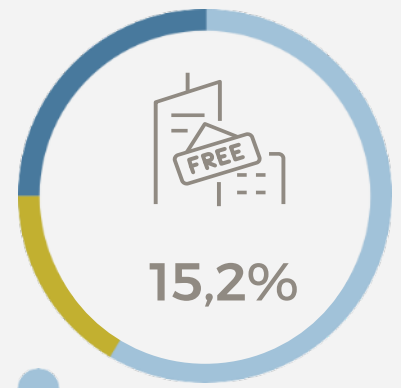
Characteristics of Cracow's real estate market



Base rent for office space
€ / sqm varied from
localisation



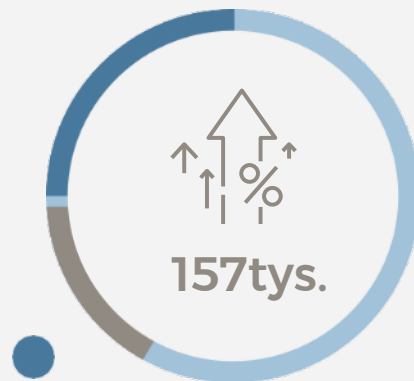
Total office space (sqm)



Vacancy rate is 2,9pp
higer vs last year



Delivered office space (sqm)



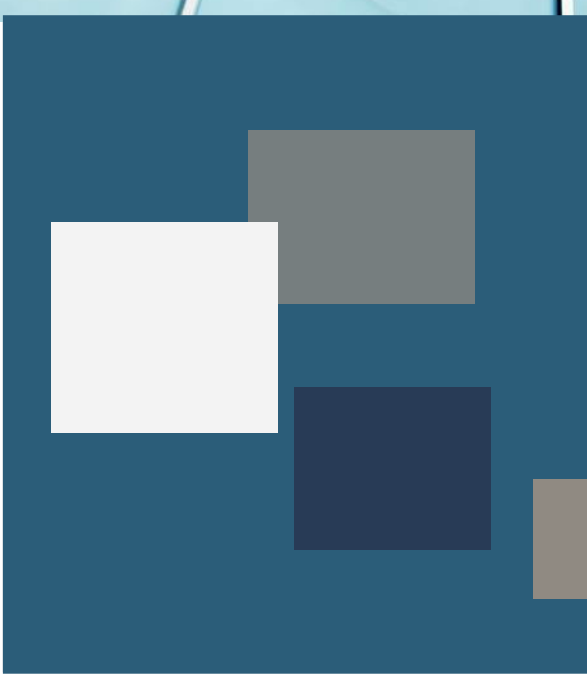
Projects under construction
(sqm)



Office market

The office market is developing dynamically in Cracow. The increased dynamics of the development of the office market in Cracow dates back to 2014 and since then every year the city has an average of over 150,000 new jobs. The total office space at the end of Q4 2021 was 1,555,000 sqm in 202 buildings (for comparison - at the end of 2019: 1.3 million, 2017: 1.1 million sqm), of which 140,700 sqm was new supply, implemented in 6 projects. The largest project is the Tertium Business Park III building (13,350 sqm) completed in Q2 2021. Currently, a further 157,000 sqm is under construction, of which over 60% is to be completed in 2022.

In 2021, 156,000 sqm was leased in Cracow (for comparison: in 2018 - 209,000 sqm, in 2017 - 200,800 sqm). The highest share, as much as 49%, in the demand structure was attributed to new contracts, renegotiations and extensions of existing contracts accounted for 43% of registered demand, and expansions for 8%. The main tenants are companies from the BPO / SSC and IT sectors. The largest transactions were the renewal of confidential contracts for clients from the financial sector in the Kapelanka 42a building (15,600 sqm) and the service sector in the Kazimierz Office Center (12,800 sqm)



We can mention also two pre-lease agreements concluded by Pepsico in the Brain Park A building (5,300 sqm) and by a confidential tenant from the manufacturing industry in the MK29 building (5,100 sqm). The vacancy rate increased slightly and stood at 15.2% at the end of Q3.

Over 71% of office space is located outside the city center. Most, as much as 647,270 sqm in its southern part. Asking rents averaged EUR 15 / sqm / month for A-class offices ranging between 11-13.5 / sqm / month in the north-eastern regions, by 12-14.5 / sqm / month in the north-eastern and southern regions up to 18 / sqm / month in the city center. A large number of new office buildings also makes the Cracow office market very young - more than half of the buildings are not more than 5 years old.

Flexibility has become the most dynamic trend, manifested both in the interest in renting flex space - coworking spaces and serviced offices, their dynamic development, but also in regular leases where inquiries for annual or two-year lease appear more and more often.

Office market



Retail market

Despite the constant development of e-commerce, the interest in leasing space in existing shopping centers is not decreasing. Currently, modern retail resources in and around Cracow amount to 645,600 sqm, which consists of 17 shopping centers of various sizes (from less than 10,000 sqm to 90,000 sqm) in Kraków itself and in three neighboring towns.

In 2021, two shopping centers with a total area of 30,600 sqm were commissioned: Atut Bielany (5,200 sqm GLA) and Mozaika (25,400 sqm GLA). The surface saturation is 827 m² / 1,000 inhabitants of Krakow. ATUT Nowohucka (23,000 sqm GLA) is under construction, including Designer Outlet Cracow with an area of 20,000 sqm, phase 2: ATUT Ruczaj in Kraków (25,000 sqm GLA) and Galeria Wieliczka (42,000 sqm). Their commissioning is scheduled for 2022.

Rents in operating centers are kept at a constant level. The monthly rent for premises in the best shopping centers in Cracow (up to 100 sqm for the fashion sector) ranges between EUR 35 and 70 per 1 sqm. The difference depends mainly on the location, tenant's brand, size of the premises, and location on the map of the center.



Industrial and logistics market

The Cracow industrial and logistics market is divided into several zones. The highest density of industrial and logistics space is located behind the eastern border of the city - in Kotów, and to the south-west - in Skawina. Thanks to the completion of the eastern bypass of the city on the S7 section, Nowa Huta is becoming a very interesting location.

In 2020, there was an increase in demand by 82% compared to the previous year - 137,000 sqm of industrial and logistics space was leased during the year. At the end of Q1 2021, the total demand was only 15,000 sqm. The number of industrial and logistics spaces in Kraków was estimated at 700,000 sqm at the end of 2021. Around 16,000 sqm is available for rent. However, the Cracow market, although systematically developing, still lags behind other Polish markets, including the very well-functioning and nearby Silesian market (this is related to, among others, very high prices of land to be used for industrial and logistics space), and thus the most expensive rental prices, right after Warsaw). The offer of industrial and logistics space in Cracow in 2021 accounted for only 3% of the total stock in the whole of Poland in total.

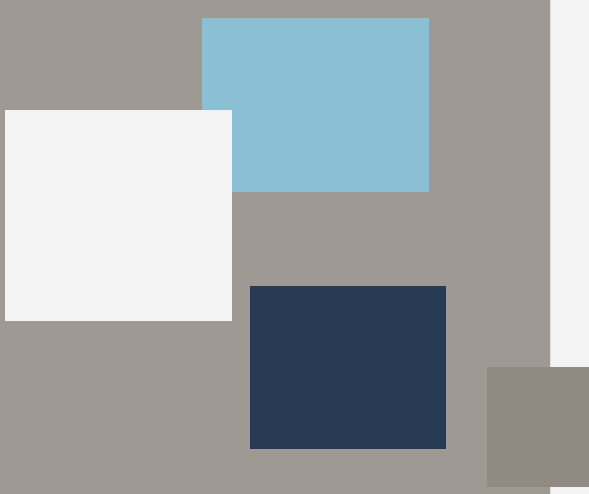


Infrastructure market

Cracow boasts one of the best developed public transport networks in Poland. The network of connections, allowing for free movement between distant corners of the city, plus a modern rolling stock, place Cracow in one of the highest positions in the country in terms of transport. In addition, the currently reconstructed and renovated infrastructure of the Polish State Railways also contributed to the renewal of connections in the city itself and the improvement of rail communication with neighboring communes.

In addition, Cracow is perfectly connected with other parts of the country - the city is located in a straight line between Germany and Ukraine as well as Slovakia and the Baltic border.

The direct rail connection with the capital of the country, supported by the high frequency of comfortable and fast trains, allows you to travel freely between cities and favors the development of business in both regions.



Cracow is also one of the Polish cities that can pride itself on air connections from a large international airport, which annually serves about 6 million passengers from around the world (in 2018, the number was a record 6,769,369 people), 24 regular airlines and 5 charter airlines.

Cracow 's network of direct connections in 2018 included 91 airports in 28 countries, as far away as the United States or Dubai. The airport, in turn, is perfectly connected with the center of Cracow, so you can get from it to the Old Town in 20 minutes (by taxi, city bus or fast train).

Infrastructure market



Education market

Cracow is also the first Polish and one of the first European cities that can boast of Alma Mater and is still one of the largest European academic centers. Currently, there are 23 universities in Cracow, 10 of which are public universities, and 5 of them have the status of universities. The most famous university in Cracow is the Jagiellonian University, which ranks ex aequo with the University of Warsaw in the ranking of the best Polish university. The AGH University of Science and Technology, in turn, prides itself on the title of the best and largest technical university in Poland, winning high positions in the rankings of world technical universities.

Among Cracow students, the largest group is made up of students of technical universities (about 1/4 of the total number of students), the second largest group, not much different from the first, is made up of people studying at the Jagiellonian University (apart from humanities, also offering medical and technical faculties). A large part of students, about 15%, study at economic universities. Every year between 55 and 60 thousand students graduate, most of whom graduate from studies in the following groups: technology, industry and construction, followed by business, administration and law, as well as social sciences, journalism and information.

Research shows that only a small percentage of graduates return to their hometowns. Most of them stay in Cracow, looking for employment there and, consequently, settling for a longer period or even permanently.



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