





Cracow,

The former capital of Poland

In the rankings of world travel sites it is one of the highest-ranked European – and what is more – world cities. It attracts guests with the beauty of its architecture, rich cultural offer, and unique atmosphere. Administratively, it is located in the Małopolska Voivodeship.

Cracow is the second largest city in Poland in terms of population – currently inhabited by 781 thousand of people, and the number is regularly increasing (in comparison – at the end of 2010: there were 757.7 thousand people living in Cracow, whereas the total number of inhabitants of Poland was higher by approximately 100 thousand people than in present times).

In annual terms, the population of Cracow increased by 2 thousand of people. This natural increase in the capital of Małopolska has remained at a positive level since 2008 and amounts to approximately 2% each year. The balance of internal migration for permanent residence also increases annually at a similar level. In 2019, it amounted to 6 331 people (4 131 the year before).

Cracow is also the second biggest Polish city, considering its area. It extends to 326,91 km². There are several neighbouring small towns around Cracow, such as Skawina, Zabierzów or Wieliczka, and the borders between them are slowly blurring thanks to excellent transport connections, which allow their residents to freely use the infrastructure and employment in Cracow.

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Labour market



In previous years, Cracow could talk proudly about its thriving labour market. Since June 2020, there was an increase within unemployment rate, and currently its value achieves 3.2%, whereas the national unemployment rate is 6.5% (almost doubled result). In the enterprise sector, the average gross monthly salary is PLN 6 308.8 and the average employment values at 219 thousand of employees.

The current number of national economy's entities in Cracow equals to 153.145 thousand. This result continues to maintain its growing tendency.

A Special Economic Zone has been operating in Cracow since 1997, and initially it covered a total of 66 ha. At present, it covers as much as 949.66 ha. The SEZ allows companies located in its territory to conduct their business activity on preferential terms, e.g. receive tax exemptions. This is to accelerate the development of regions through for e.g. attracting new investments, developing exports and creating new jobs. The SEZ has been managed by a specialised business environment institution since 2004, known as the Cracow's Technology Park. Till the end of 2018, SEZ allowed 263 companies to operate within SSEs, where 28 thousand of job positions were created, and investment was estimated for PLN 5 billion

In addition, Cracow, through the activity of venture capital funds, business cooperation, universities and innovation incubators, supports start-ups. Every year, there are over 500 start-up and technology events organised here, and leading ventures of this type have already attracted investments worth over PLN 500 million.

Investment market



Cracow is considered to be the Polish capital of business services. It has become an attractive place for outsourcing companies from around the world, providing financial and accounting services (BSS).

According to the most prestigious rank of *Top 100 Outsourcing Destinations*, carried out in 2018 by Tholons, Cracow is the most attractive city in Europe in terms of these services and occupies sixth place in the world ranking, leaving Warsaw behind.

Investors have located 234 business service centres in Cracow, which altogether employ over 77.7 thousand of people. Everyday, there are 20 new job positions created in Cracow within this sector. Companies, such as PricewaterhouseCoopers, Capgemini, Shell, International Paper, UBS Business Solutions Poland and Universal Investment, have set up their centres or branches in Cracow. The visibly growing number of companies encourages new ones to invest in Cracow.

Office space market



The year of 2020 was definitely a significant one, when it comes to dynamics of the office market everywhere. Many Tenants were forced to face short- and long-term decisions, considering leasing of office spaces, preceded by the choice of a work model, valid in the whole company. In most of firms, these issues still has to be resolved.

As we are now, in the beginning of 2021 we may observe changes which shall be noticeable in the long-term perspective, meaning safety rules introduced within buildings, changes within work model to a remote or hybrid one.

In 2020, there has been delivered the smallest amount of office space for 5 years, which is the result of global pandemic. Nonetheless, the greatest number of square meters was delivered to the office market of Cracow – in 2020, the market enlarged by more than 140 thousand sqm. The sublease trend was present in this city as well – in the past year, there appeared 150 thousand sqm of space for sublease within regional markets (outside of Warsaw), including 34.5 thousand sqm in the capital city of Lesser Poland region.

At present, the market gathers 1.6 million sqm of office space. The greatest completed investment in the city is the fourth building of High5 office complex, with the overall complex area of 23 thousand sqm. In the 4th quarter of 2020, there was finished Unity Centre office complex, which includes Unity Tower building, previously known as the Skeleton. The building was left unfinished since 1975, when the construction process was stopped, and finally was brought into use in the end of 2020. Currently, there are 120 thousand sqm of office space under construction in Cracow. One of the greatest transaction of the past year in Poland was processed in this city, which was an extension of existing agreement of ABB Ltd. company in Axis office building (20 thousand sqm).

The vacancy rate in Cracow in 2020 amounted in 14%, which in the same time exposed a 3% increase in comparison to the previous year. Regardless of such, Cracow took the second place while considering office space market investment – 34% of them were located in this city.

Transactional rent rates went up significantly, which was caused by greater vacancy rate – now, the range amounts in 14 – 15.5 EUR/sqm.

Retail market



The retail market has been severely harmed by restrictions caused by the global pandemic. The overall market turnover fell by 12% and regardless of that, investors still want to invest in retail parks, grocery stores, home-improvement stores and convenience stores.

In the Cracow's agglomeration there are currently 20 commercial facilities of varied sizes (from less than 10 thousand to 90 thousand sqm).

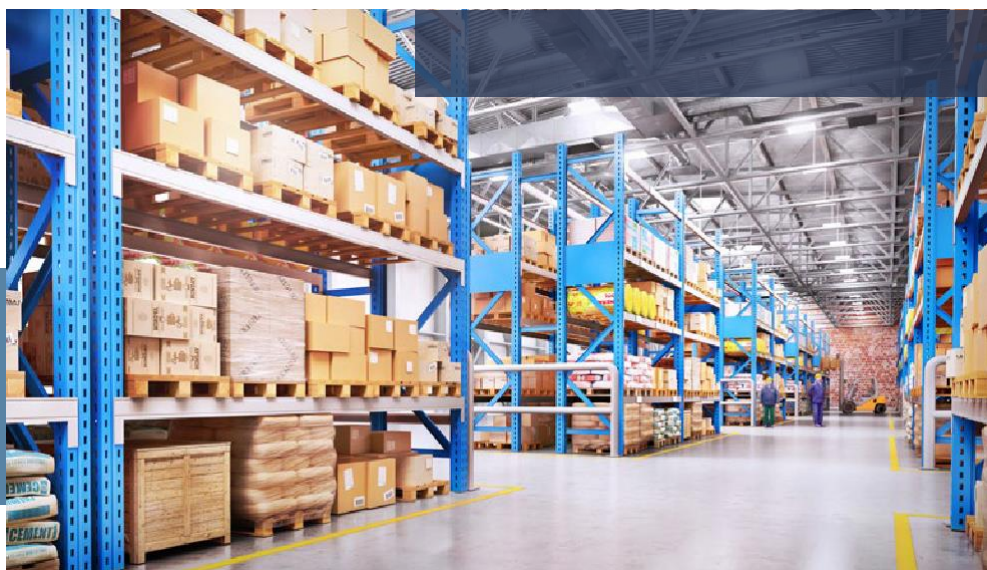
In 2021, there is planned another construction process of Designer Outlet Kraków, at Nowohucka St. (in the close neighbourhood of existing M1 shopping center), which offers the area of 23 thousand sqm. Its commissioning is planned for 2023.

In 2018 and in the beginning of 2019, there were delivered two commercial facilities, which overall area amounts in 50 thousand sqm. Additionally, in 2020, there were commissioned two retail parks of overall area of more than 23 thousand sqm.

The vacancy rate in 8 biggest Polish cities exposes that within a year, the value has grown by 0.7% on average. It is a slight difference, considering critical economic situation in the country, caused by pandemic. Forecasts indicate that this number shall increase soon.

Rents in currently functioning shopping centers are kept on a similar level. The cost of a monthly rent in the most favored shopping centers in Cracow vary within a range of 35-70 EUR per sqm. The base rent's difference is dependant on location, name of the company, size of the particular leased area, and its location on the shopping center map. It is estimated that the base rent will not change in those facilities which has a stable market position, however shopping centers of lower quality shall experience a decrease of costs.

Industrial & Logistic market



In the end of 2020, there was noted a record-breaking sum of total warehouse space in Poland - the total demand amounted in 4.8 million m². Over 71% of the mentioned demand stood for new agreements and expansions. In the same time, Polish warehouse market is placed on the third position in Europe considering its activity, while following German and British markets.

Net demand in Cracow in the end of 2020 achieved approx. 100 thousand sqm, and agreements' renewals amounted in 30 thousand sqm. Cracow is the ninth Polish region with regards to the volume of demand, therefore it is not the biggest warehouse market in Poland. However, within past five years, thanks to investors activity, the market increased its supply by 260%. Cracow, the city located in the southern part of Poland, has a significant access to Slovakia, Czech Republic, and Ukraine, and what comes with that – it develops within the field of foreign distribution. What is more, the city is located in the close area of Upper Silesia region, which is one of the greatest warehouse regions in the country. Additionally, in 2022, there is planned a construction process of northern part of bypass in Cracow, which will contribute to market's development.

In the end of second quarter of 2020, the overall supply of warehouse market in Cracow amounted in 533 thousand sqm. Within the last 5 years, international and internal investors put into use 412 thousand sqm.

Base rent for such spaces were kept on a stable level. Localization in bigger cities were maintaining high rents, whereas smaller regions experienced a slight increase. Base rents for warehouse spaces in Cracow vary from 3.3 EUR/m² to 4 EUR/m².

Infrastructure market



Cracow is the proud owner of one of the best-developed public transport systems in Poland. The network of connections, allowing free movement between distant corners of the city plus modern rolling stock are the reasons why Cracow occupy one of the highest positions in the country in terms of transport. In addition, the infrastructure of the Polish National Railways (PKP), currently being rebuilt and renovated, has also contributed to the renewal of connections in the city and the improvement of railway communication with neighbouring municipalities

Additionally, Cracow has perfect connections 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. Direct railway connection with the capital of the country, supported by a high running frequency of comfortable and fast trains, allows free travel between cities and promotes business development in both regions.

Cracow is also one of the Polish cities that has a significant airlines' connections, operating from its large international airport, which last years served about 2.6 million passengers, recording 69% decrease in comparison to 2019. Cracow John Paul II International Airport operates within 24 regular airlines and 5 charter airlines. The direct network of Cracow connections in 2019 included 114 airports in 32 countries as distant as the United States or Dubai. The airport, in turn, is perfectly connected with the centre of Cracow, so you can get to the Old Town in 20 minutes (by taxi, city bus or high-speed train).

Educational market



Cracow is the first Polish city and in the same time one of the first European cities which obtained the Alma Mater title. It is continually one of the largest European academic centres. Currently, there are 24 colleges in Cracow, of which 14 are public colleges and 5 of them have the status of universities. The most well-known Cracow university is the Jagiellonian University, which ranks ex aequo with the University of Warsaw in the ranking of the best Polish universities. The AGH University of Science and Technology boasts the title of the best and largest university of technology in Poland, taking high positions in the rankings of world universities of technology.

The number of students in Cracow amounts in 135 thousand, out of which approximately 30% are students of Jagiellonian University – they have created a group of 40 thousand in the academic year of 2020/2021. Over 20% of Cracow's students study remotely, therefore it is non-obligatory for them to stay in the city.

Every year, between 55 000 and 60 000 graduates leave Cracow's universities, among whom the largest number complete studies in Technology, Industry and Construction, followed by: Business, Administration and Law as well as Social Sciences, Journalism and Information. Research shows that only a small proportion of graduates return to their hometown. Most remain in Cracow, looking for employment and, as a consequence, settling for a long time or even permanently.

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