Prepared
in cooperation with CENTRUM Business in Małopolska

Knight Frank

KRAKÓW

City attractiveness and office market

H1 2021

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KRAKÓW

FACTS & FIGURES

CITY AREA	POPULATION	POPULATION FORECAST	MIGRATION BALANCE
327 sq km	780,000	756,470 (2025)	(+) 2,032 (2020) (+) 6,331 (2019)

GDP GROWTH	GDP PER CAPITA	AVERAGE SALARY	UNEMPLOYMENT RATE
8.4%	PLN 93,753	PLN 7,063.75 (gross)	3.3%

INVESTMENT ATTRACTIVENESS

1. RANKINGS INDICATING THE INVESTMENT ATTRACTIVENESS OF THE CITY

1. 1st place in **"Top 10 Polish Cities of the Future fDi 2019/2020"** - Kraków gained the highest rank among regional cities, and took place right after Warsaw

2. 2nd place in **„Top 10 Polish Cities of the Future fDi 2019/2020"** in three categories: economic potential, human capital and lifestyle, and business friendliness

20. 20th place **in the Tholons Global Innovation Index 2021**

2. 2nd place **as a Business-friendly City** and 2nd place **in The Most Eco-friendly City in Poland ranking** by Forbes in 2019

8. 8th place in Europe and 2nd place among **Polish cities as most developing city in the EU**, and 3rd place in category Percentage of the population with higher education" according to the „CEE Investment Report 2019: Thriving Metropolitan Cities"

2. INVESTMENT INCENTIVES

- Incentive programs offered to investors by the local government.
- Tax relief for R&D.
- IP Box.
- Assistance under the EU Funds.
- Polish Investment Zone - income tax exemption.
- Real estate tax exemption.
- Government Investment Support Program grants.
- Support for business environment institutions - incl. Business in Małopolska Center.

QUALITY OF LIFE

3. RANKINGS ON THE QUALITY OF LIFE IN THE CITY

1. 1st place **according to the indicator of satisfaction with the place of residence by voivodships - 86%** (Poland 80%) source Central Statistical Office 2018

3. 3rd place **in „Quality of life in Polish cities Ranking"** by weekly newspaper Polityka in 2018

3. 3rd in Europe and 5th place in the world **in Husqvarna Urban Green Space Index** (HUGSI). The list was created on the basis of satellite images and the share of green areas in metropolises

1. 1st place for Jagiellonian University **in 22nd College Ranking by Perspektywy 2021**

4. CITY INITIATIVES AIMED AT IMPROVING THE QUALITY OF LIFE IN THE CITY

- Multifaceted actions aimed at reducing the use of high-emission solid fuels in heating installations in order to improve air quality.
- Supporting investments in public transport - systematically modernized tram and bus fleet (for example investments in hybrid and electric buses).
- Modernisation, development and improvement of the road system in Kraków (Park and Ride parkings, flyovers, road junctions).
- Actively promoted Civic Budget supporting local initiatives of residents.
- City-supported cultural events and festivals. The development of sports infrastructure (swimming pools, sports halls, bicycle paths) provides wide and easy access to sports and recreational facilities.
- The expansion of the sports infrastructure (swimming pools, sports halls, bicycle paths) provides a wide and easyaccess to sports and recreational facilities.
- Investments under the Municipal Revitalization Program of Kraków in the area of Stare Podgórze-Zabłocie, Stare Miasto-Kazimierz, Nowa Huta.
- Implementation of the program of active participation of young people in the life of the city „Young Kraków 2.0"

BIKE PATHS
236 km

GREEN AREAS
203.7 sq km

FACTS & FIGURES

NUMBER OF STUDENTS	NUMBER OF GRADUATES	NUMBER OF UNIVERSITIES	AIRPORT - DISTANCE TO THE CITY CENTRE	AIRPORT - NUMBER OF PASSENGERS	BSS SECTOR - NUMBER OF CENTRES	BSS SECTOR - NUMBER OF EMPLOYED
129,887	35,074	23	11 km	2,592,972 (2020) 8,410,081 (2019)	247	82,100

RATING **A-** (STABLE OUTLOOK)

RATING AGENCY **S&P**

KRAKÓW

H1 2021

EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	NEW SUPPLY	TAKE-UP
1.6m sq m	250,000 sq m	15.5%	42,400 sq m	74,100 sq m

Over 42,000 sq m in 5 projects was delivered to the Kraków market in H1 2021. As a result, the total stock in the capital of Małopolska approached 1.6m sq m, and the city thus maintained its leader status among regional markets. At the end of June 2021 a further 250,000 sq m was identified as being under construction, of which approximately 25% is to be delivered in 2021, with the new supply by the year end set to reach 100,000 sq m. The first quarter of 2021 saw a continuation of the effects of the pandemic on demand and vacancy rates visible in 2020. However, increases in Q2 2021 on both the supply and demand side may indicate the beginning of a stabilisation of the market. H1 2021 take-up volume was 35% lower than in the previous year, reaching 74,000 sq m. In terms of quarterly demand in Kraków, the transaction volume in Q2 2021 was 78% higher than in the previous quarter, and 10% lower than in Q2 2020. In Q2 2021, renewals took up the largest share, accounting for 62% of leased office space. New agreements in existing buildings constituted 38% of total take-up. The large share of renewals and not fully-leased new supply caused a further increase in the vacancy rate, which at the end of June 2021 stood at 15.5% (a 0.5 pp. increase q-o-q and 4.4 pp. increase y-o-y).

SELECTED SCHEMES UNDER CONSTRUCTION

MK29
- 11,200 sq m
- Q3 2021
- Caishen Capital Group

THE PARK CRACOW 1&2
- 25,000 sq m
- 2021/2022
- White Star Real Estate

TEN OFFICE A1&A2&B
- 32,100 sq m
- Q2 2022
- Grupa Buma

KREO
- 21,360 sq m
- Q4 2022
- Ghelamco Poland

BRAIN PARK
- 20,000 sq m
- Q3 2022
- Echo Investment

Total office space | Completion date | Developer / Owner

SELECTED BPO, SSC/GBS, IT AND R&D CENTERS:

ABB Business Services | Accenture Operations Poland | Lufthansa Global Business Services | Motorola Solutions Systems | Nokia | Shell | UBS Business Solutions Poland |

STANDARD LEASE TERMS IN LARGE SCALE, NEW BUILDINGS

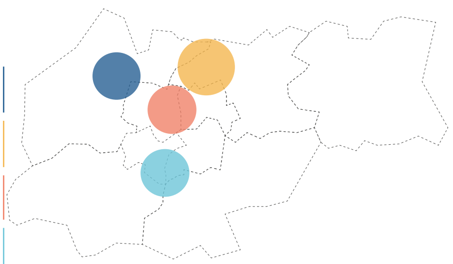
SERVICE CHARGE PLN/SQM/MONTH	RENT-FREE MONTHS	FIT-OUT BUDGET EUR/SQM
15-18	5-8	380-500

COWORKING OPERATORS IN KRAKÓW:

At Office | Business Link | Chillispaces.com | City Space | New Work | Rise.pl | Spaces

MAJOR OFFICE CONCENTRATION AREAS

	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
NORTH WEST	162,000 sq m	0 sq m	9.6%	EUR 11-13.5 /sq m
NORTH EAST	389,000 sq m	10,800 sq m	15.5%	EUR 11-13.5 /sq m
CITY CENTRE	328,000 sq m	79,700 sq m	17.4%	EUR 13-16 /sq m
SOUTH	647,000 sq m	128,000 sq m	11.9%	EUR 11-14.5 /sq m



MAJOR REGIONAL CITIES

KRAKÓW, WROCŁAW, TRICITY, POZNAŃ, KATOWICE, ŁÓDŹ

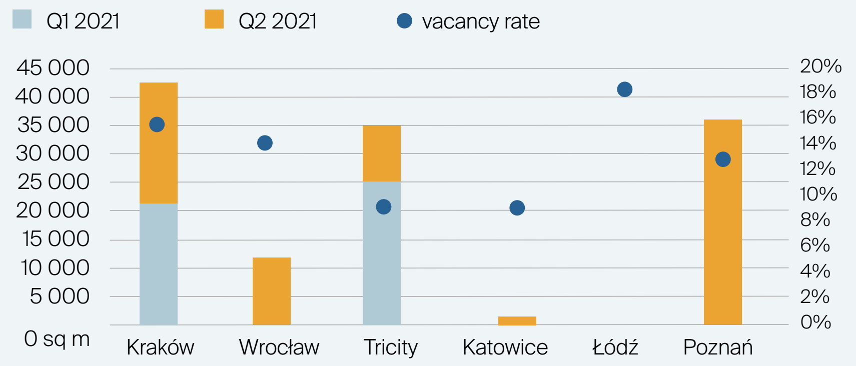
H1 2021

EXISTING STOCK	NEW SUPPLY	TAKE-UP	SUPPLY UNDER CONSTRUCTION	AVAILABLE SPACE
5.9m sq m	127,000 sq m	264,000 sq m	925,000 sq m	793,000 sq m

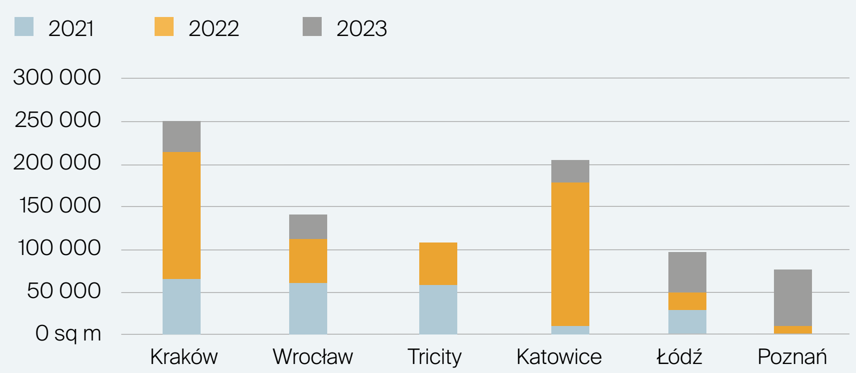
KRAKÓW COMPARED TO MAJOR REGIONAL CITIES

Kraków, as the largest regional office market, is an attractive choice for investors and tenants due to its stability and a wide selection of office space. In favour of Kraków's office market speak the stable level of new supply and projects under construction as well as the highest volume of lease agreements signed among the six largest regional cities.

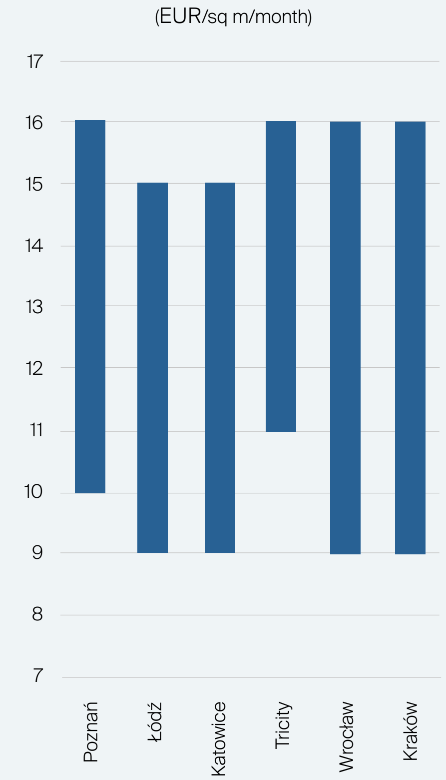
NEW SUPPLY (H1 2021) AND VACANCY RATE (Q2 2021)



SUPPLY UNDER CONSTRUCTION BY COMPLETION YEAR (Q2 2021)



ASKING RENTS (Q2 2021)



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