Prepared in cooperation with Centrum Business in Małopolska, Michael Page

Knight Frank

KRAKÓW

City attractiveness and office market

Q3 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%	**93,753 zł**	**7,121.41 zł** (gross / 31.08.2021)	**3.2%** (31.08.2021)

INVESTMENT ATTRACTIVENESS

1. RANKINGS INDICATING THE INVESTMENT ATTRACTIVENESS OF THE CITY

20.

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

Kraków was awarded the title of **„Municipality for 5!" In the ranking Municipality for 5!** Good practices in servicing entrepreneurs. Report 2020/21.

10.

10th place in the **fDi Tier 2 Cities of the future 2020/21** ranking in the business friendliness category.

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"

1.

1st place among European cities as **the best place to work remotely by Ovonetwork.** The ranking assessed the speed of the Internet connection, maintenance costs and the ease of running a business.

3.

3rd place in the „Growth Clusters" category in the ranking of cities with **the highest growth potential in the technology sector in Europe** prepared by CBRE „EMEA Tech 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 easy access to sports and recreational facilities.
- Investments under the Municipal Revitalization Program of Kraków in the areas 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".
- Krakow has a modern congress and entertainment infrastructure, incl. ICE Kraków Congress Centre (37,000 seats, including an auditorium hall - 2,000 seats), TAURON Arena Kraków (15,000 seats and 9,000 standing places).

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**

OFFICE MARKET

KRAKÓW

Q1-Q3 2021

EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	NEW SUPPLY	TAKE-UP
1.6m sq m	207,000 sq m	15.2%	47,600 sq m	107,000 sq m

At the end of Q3 2021, Kraków's office stock stood at a level just over 1.6 million sq m. The capital of Małopolska maintains its leader status among regional markets when it comes to total stock. Only one project was completed - Ocean Office Park A2, built by Cavatina, offering office space of over 5,000 sq m. At the end of the quarter, over 200,000 sq m of office space remained under construction. As long as developers keep to their schedules, another 54,000 sq m will be delivered by the end of 2021. The majority of the remaining projects, covering as much as 60% of the space planned for completion, are to be finished in 2022. From July to September 2021, tenant interest remained at a high level with over 30,500 sq m leased. Most contracts signed in Q3 were new contracts, with an area of over 25,000 sq m - accounting for 83% of all contracts signed in the period. Significantly fewer contracts than in the first half of 2021 were renegotiations (8%). From the beginning of 2021, the volume of transactions signed in Kraków stood at 107,000 sq m, accounting for almost 30% of the total take-up in the analysed regional cities. At the end of September 2021, the vacancy rate stood at 15.2% - 0.3 pp. lower than in the previous quarter and 2.6 pp. higher compared to the corresponding period of 2020. The Q3 2021 result stemmed from the limited new supply and high level of newly-signed agreements. Asking rents in Kraków have remained stable in recent years compared to other regional cities. In recent months, however, an increase in asking rates has been observed in prime projects with attractive locations. The asking rents in Kraków ranged from EUR 10.50 to EUR 17.00 per sq m per month.

SELECTED SCHEMES UNDER CONSTRUCTION

MK29
- 11,200 sq m
- Q4 2021
- Caishen Capital Group

THE PARK CRACOW 1&2
- 25,000 sq m
- 2022/2023
- White Star Real Estate

OCEAN OFFICE PARK B
- 26,500 sq m
- Q4 2022
- Cavatina Holding

KREO
- 24,100 sq m
- Q1 2023
- Ghelamco Poland

BRAIN PARK
- 22,500 sq m
- Q2 2023
- Echo Investment

Total office space | Completion date | Developer / Owner

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 months	380-500

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

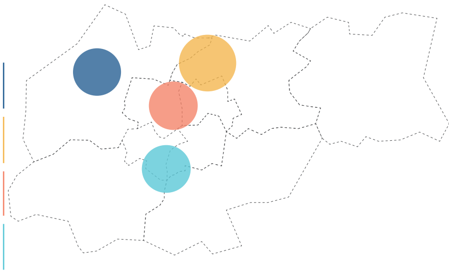
ABB Business Services | Accenture Operations Poland | Lufthansa Global Business Services | Motorola Solutions Systems | Nokia | Shell | UBS Business Solutions Poland |

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	166,400 sq m	0 sq m	7.4%	EUR 11-13,5 /sq m
NORTH EAST	389,000 sq m	10,800 sq m	13.2%	EUR 11-14 /sq m
CITY CENTRE	328,197 sq m	79,700 sq m	17.4%	EUR 13-17 /sq m
SOUTH	647,270 sq m	128,000 sq m	12.3%	EUR 10.5-14.5 /sq m



MAJOR REGIONAL CITIES

KRAKÓW, WROCŁAW, TRICITY, POZNAŃ, KATOWICE, ŁÓDŹ

Q1-Q3 2021

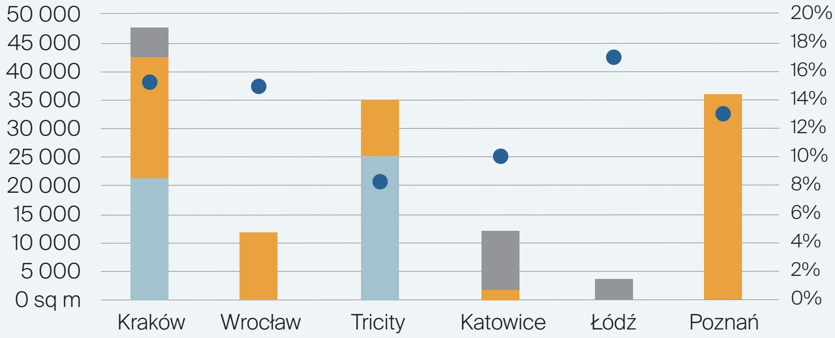
5.9m sq m	142,800 sq m	377,300 sq m	913,000 sq m	793,000 sq m
EXISTING STOCK	NEW SUPPLY	TAKE-UP	SUPPLY UNDER CONSTRUCTION	AVAILABLE SPACE

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 the wide selection of office space on offer. To its advantage, Kraków's office market has a stable level of new supply and projects under construction, coupled with the highest volume of signed lease agreements among the six largest regional cities.

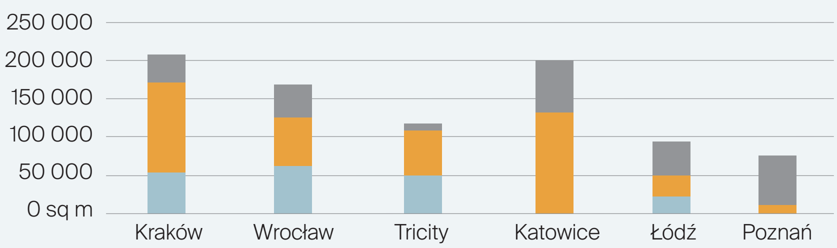
NEW SUPPLY AND VACANCY RATE (Q3 2021)

Q1 2021 Q2 2021 Q3 2021 vacancy rate



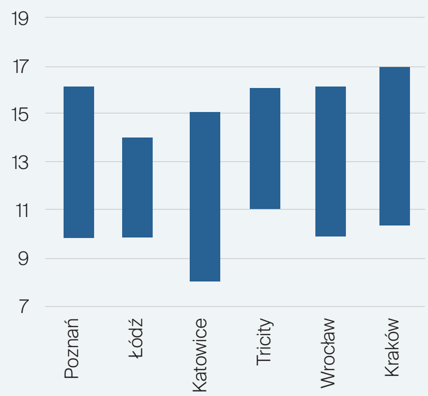
SUPPLY UNDER CONSTRUCTION BY COMPLETION YEAR (Q3 2021)

2021 2022 2023



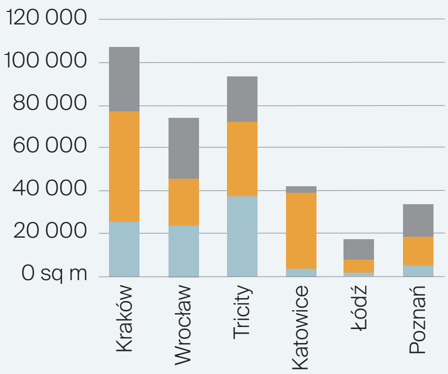
ASKING RENTS (Q3 2021)

(EUR/sq m/month)



TAKE-UP VOLUME (Q3 2021)

Q1 2021 Q2 2021 Q3 2021



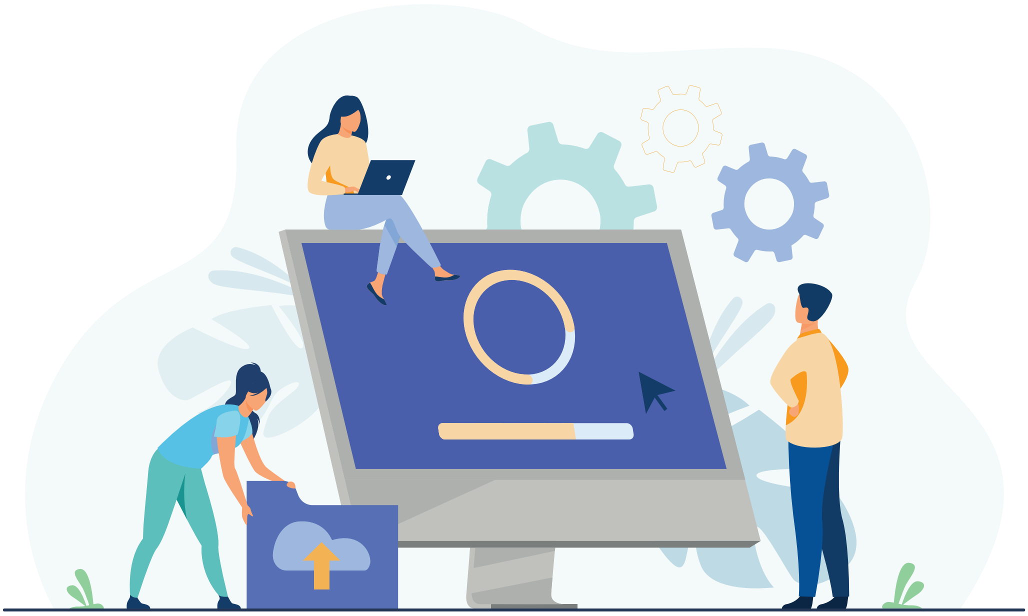
KRAKÓW

RECRUITMENT IN THE IT SECTOR

The Krakow IT market – as revealed by the report – stands out with its diversity of industries and a large concentration level of businesses operating in fintech, applications for business enterprises, as well as network solutions.

In Krakow, **Java** remains invincible as the most sought-after technology.

The IT specialists market in Krakow is still dominated by **backend programmers**, who make up over 35% of all developers. The second largest group who have seen the biggest demand on the part of employers are **frontend developers**. They constitute **approximately 19%** of the entire market. Next in line are full **stack developers (16.6%)**, and **testers (less than 9%)**.



TOP 3

1. .NET DEVELOPER
PLN 16,000 - 26,000 gross

2. IOS DEVELOPER
PLN 19,000 - 27,000 gross

3. IT PM
PLN 15,000 - 22,000 gross

THE CRISIS IN THE HR SECTOR WAS INTENSE, BUT RELATIVELY SHORT

It looks like the changes brought about by the pandemic are here to stay. Both recruiters and candidates have openly appreciated the separation of the recruitment process from the physical location. Online job interviews will surely become a trend that will take root for a long time to come once the COVID-19 epidemic has been combatted. Online recruitment sessions simply save a lot of time to both parties of the process. Face-to-face meetings will now only be held at the final stages of the hiring procedure and will involve exclusively a handful of most promising candidates. There were already some feeble symptoms of recovery in July, followed by a calm and more holiday-like August. September, in turn, has seen a major upward trend, which is still in full swing. Those clients who earlier on preferred to hold back on taking major steps have now started to feel the need to hire additional staff on a mass scale.

THE DAWN OF THE DIGITAL TRANSFORMATION OF RECRUITMENT

In the past, it was common practice to vet candidates on the phone at the preliminary stage of recruitment, which in most cases eventually led to face-to-face meetings. Since the pandemic, new standards have been set, making video interviews a permanent fixture in modern hiring practices, forcing consultants to instantly shift to the virtual world. About 99% of recruitment procedures, including final meetings, are now conducted online. The force of habit of the past seems to have made room for the new pandemic-driven reality of the present. Despite the initial uncertainty, it has turned out that at the end of the day it is perfectly possible to use online tools to hire specialists, managers, or top-level managers.

THE ROLE OF MOTIVATION THROUGHOUT RECRUITMENT

In the era of the COVID-19 pandemic, particular emphasis is placed on issues related to work motivation, which are often raised at job interviews. Currently, the risk that a potential employee will change his/her place of employment after a few months is extremely high, and employers strive to avoid such situations. Candidates are also asked to explain why they are looking for a new job, and what factors lie behind their choices when deciding to change jobs. In this way, it is possible to check whether an applicant will successfully settle down within the structure of a given organisation, and whether his/her values coincide with its mission. Potential employees are expected to freely and honestly answer the questions they get during an interview. If they want to stay with the company for longer, they also need to be sure that they will adapt to its organisational culture. Since remote work to some extent hinders the mutual understanding and bonds between employers and employees, businesses often ask candidates about their attitude to the idea of coming back to traditional work in the office, even on a part-time basis.

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- strategic consulting, independent forecasts and analysis adapted to clients' specific requirements,
- market reports and analysis available to the public,
- tailored presentations and market reports for clients.

Reports are produced on a quarterly basis and cover all sectors of commercial market (office, retail, industrial, hotel) in major Polish cities and regions (Warsaw, Kraków, Łódź, Poznań, Silesia, Tricity, Wrocław). Long-term presence in local markets has allowed our research team to build in-depth expertise of socio-economic factors affecting commercial and residential real estate in Poland.

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The Business in Małopolska Center is a joint initiative of the Małopolska Region, Małopolska Regional Development Agency and the Krakow Technology Park, which offers an integrated system of servicing investors and exporters, it also provides ongoing information services to entrepreneurs about external sources of financing of investment and export activities.

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