

A detailed line-art illustration of the Krakow skyline, featuring various historical buildings, towers, and domes. The illustration is rendered in a light brown/gold color and is framed by a large, thin yellow circle. Small birds are scattered throughout the scene, flying in the sky.

KRAKOW REAL ESTATE MARKET

2019

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A horizontal timeline with colored circles containing page numbers and text labels for various market sections. The circles are connected by a dark blue line. The labels are written in blue, uppercase letters.

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ABOUT KRAKOW

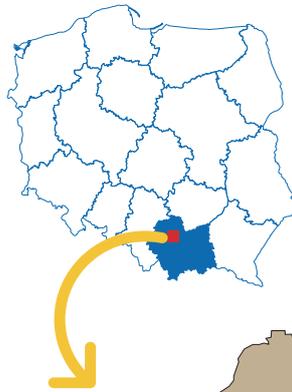



775,000
RESIDENTS

The natural growth and internal migration balance in the city are positive. Many students choose Krakow as their place to live and work after graduation.

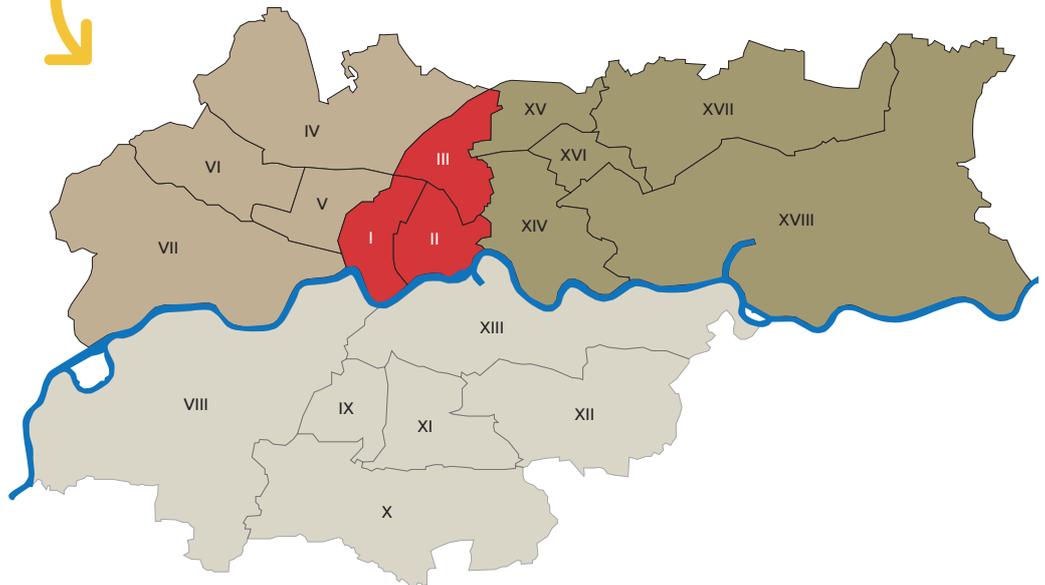
KRAKOW IS CONTINUALLY DEVELOPING AND HAS A GROWING NUMBER OF RESIDENTS


327
KM²



KRAKOW - ADMINISTRATIVE DIVISION


2,370
PEOPLE / KM²




1.69%
NATURAL GROWTH


2,840
INTERNAL MIGRATION BALANCE

 Śródmieście
 Podgórze
 Krowdrza
 Nowa Huta

ABOUT KRAKOW

Graduates of Krakow's universities make up some 70% of employees working in the business services sector, including the modern technologies and research and development branch. The high quality of teaching in the universities maintains Krakow's leading position in the economic rankings, and has a significant influence on the perception of Krakow's labour market.

The National Science Centre, the headquarters of the Polish Academy of Learning, and a branch of the Polish Academy of Sciences with 21 institutes and facilities are located in Krakow.

**KRAKOW IS ONE OF THE LEADING
SCIENTIFIC AND ACADEMIC HUBS IN
POLAND**

KRAKOW IN BUSINESS RANKINGS

2019

Krakow was ranked 8th in Europe in the 'CEE Investment Report 2019: Thriving Metropolitan Cities' and 2nd in Poland. The capital of Małopolska was also ranked 3rd in the category 'Percentage of population with an academic degree' - just behind London and Warsaw.

Krakow was ranked 11th on the Top 100 Super Cities list; part of the **Tholons Services Globalization CITY INDEX 2019**.

In the **Forbes 2019 ranking**, Krakow was ranked:

- 2nd in the 'Business-friendly City' category, amongst cities with a population between 300,000 and 999,000 - [Krakow, a business-friendly city](#)
- 2nd in the 'Most ecological city in Poland' category - [Krakow, an ecological city](#).

Poland's former capital was amongst the leaders of the **fDi Polish Cities of the Future 2019/2020** ranking.

The Financial Times once again analysed Polish cities, rating their efficiency in attracting foreign direct investment. 50 cities were analysed and ranked in 5 main categories: economic potential, human capital and lifestyle, cost effectiveness, communication, and business-friendliness. Leaders were identified in each of the categories for: large, medium, and small cities. Additionally, a general ranking was prepared.



23
ACADEMIES
including 5 universities



151,000
STUDENTS



39,000
GRADUATES
ANNUALLY



In the **Top 10 Polish Cities of the Future** fDi 2019/2020 ranking, **Krakow was the best location** amongst regional cities (Warsaw was the first overall). Krakow was 2nd in three categories: economic potential, human capital and lifestyle, and business-friendliness.

Krakow was ranked 2nd in the fDi **Top 5 Major Polish Cities of The Future** 2019/2020 in four categories, and was 5th in the cost effectiveness category. This indicates that the capital of Małopolska offers a high standard of living and urban infrastructure, and competes with quality and not just low prices, while simultaneously offering the best location in Europe for SSC companies.

Krakow was ranked 2nd in the general classification of both of the above rankings.



Thanks to the activity of venture-capital funds and collaboration between business, academies and innovation incubators, Krakow is one of the major start-up hubs in Poland.

Business meetings are one of the most commonly cited travel reasons for visiting Krakow. Annually, more than 6,000 events are held there: conferences and congresses, corporate events and fares.

As a city with great academic potential, Krakow concentrates on attracting events related to new technologies and sciences, especially in the fields of medicine and the life sciences. These events are held in locations such as the ICE Krakow Congress Centre, Tauron Arena Krakow, and EXPO Krakow.

Krakow's attributes include a highly-developed hotel and restaurant network as well as a wide variety of entertainment and culture events. The city attracts tourists with its beauty, unique charm, and an exceptional range and number of monuments and architectural treasures.

The Historic Centre of Krakow has been on the UNESCO World Heritage list since 1978, while Krakow was awarded the title of UNESCO City of Literature in 2013.

Krakow is referred to as the cultural capital of Poland. The Museum of Krakow, the Wawel Royal Castle, and the Salt Mine Museum in Wieliczka are among an elite group of museums with over a million visitors. Krakow is also a city of festivals - each year, over 100 different festivals are held there, with half of them of international significance.

In 2018, 8,156 meetings and events were organised with 1,114,243 visitors in total. 506,988 people participated in congresses and conferences.

When summarising the year 2018, it is worth highlighting the city's advancement by 9 places in the ranking of the International Congress and Convention Association (ICCA).

The city is considered an attractive destination for the convention industry, a fact borne out by its 45th place in the world, gained thanks to its hosting of 53 ongoing meetings for various associations (in line with all ICCA requirements).

ABOUT KRAKOW

KRAKOW – MAIN ROADS, HIGHWAYS AND EXIT ROUTES



**KRAKOW WAS RANKED 8TH AMONGST
THE 10 BEST CITIES IN THE WORLD BY
TRIPADVISOR, THE GLOBAL TOURIST
WEBSITE**

TripAdvisor selected the 10 best cities in the world based on the interest and positive reviews of its community members. Other cities included in the ranking were: Key West (USA), Reykjavik (Iceland), Edinburgh (Great Britain), Marrakech (Morocco), Amsterdam (The Netherlands), Dublin (Ireland), Bali (Indonesia), Glasgow (Great Britain), and New Orleans (USA).

**KRAKOW WAS RANKED AS ONE OF
THE LEADERS ON THE LIST OF MOST
BEAUTIFUL PLACES IN POLAND,
ACCORDING TO CNN TRAVEL**

The CNN journalists acknowledged the rich history, architecture, and exquisite Krakow cuisine. They highlighted the attractiveness of the Market Square, the Cloth Hall, St. Mary's Basilica, and the Jagiellonian University, and gave special mention to the Wawel Royal Castle. In their reports, the journalists emphasized that it is worth visiting Krakow because of its rich heritage inspired by Italian renaissance.

**KRAKOW WAS NAMED THE EUROPEAN
CULINARY CAPITAL OF 2019**

The title was first awarded by the European Culinary Academy. Krakow's restaurants are additionally renowned for the fact that they currently have 26 Michelin Guide distinctions, making Krakow the only city in Poland with them apart from Warsaw. Twice as many Krakow restaurants were recognised by Gault et Millau. The Slow Food Poland Association recommended more than 8 places in Krakow to eat delicious food.

Krakow is within quick and easy reach. The city is located close to the A4 highway connecting the borders of Germany and Ukraine, and near the A1 highway which runs from the Tricity to the border with the Czech Republic. The S7 express route just north of the city connects Krakow, Warsaw and Gdańsk. The railway station in the city centre offers rail connections to the Poland's major cities. EIP (Express Intercity Premium) trains to Warsaw depart almost hourly, with the ride lasting only 2.5 hours. The International Airport - Krakow Airport, Poland's largest regional airport, is located only 10 kilometres from the city centre. It is accessible by SKA train in 20 minutes, in 25 minutes by taxi, and around 40 minutes by city bus.

THE KRAKOW AIRPORT IN 2019

ALMOST **8.5** MILLION PASSENGERS

150 SCHEDULED CONNECTIONS

40 NEW CONNECTIONS

32 COUNTRIES

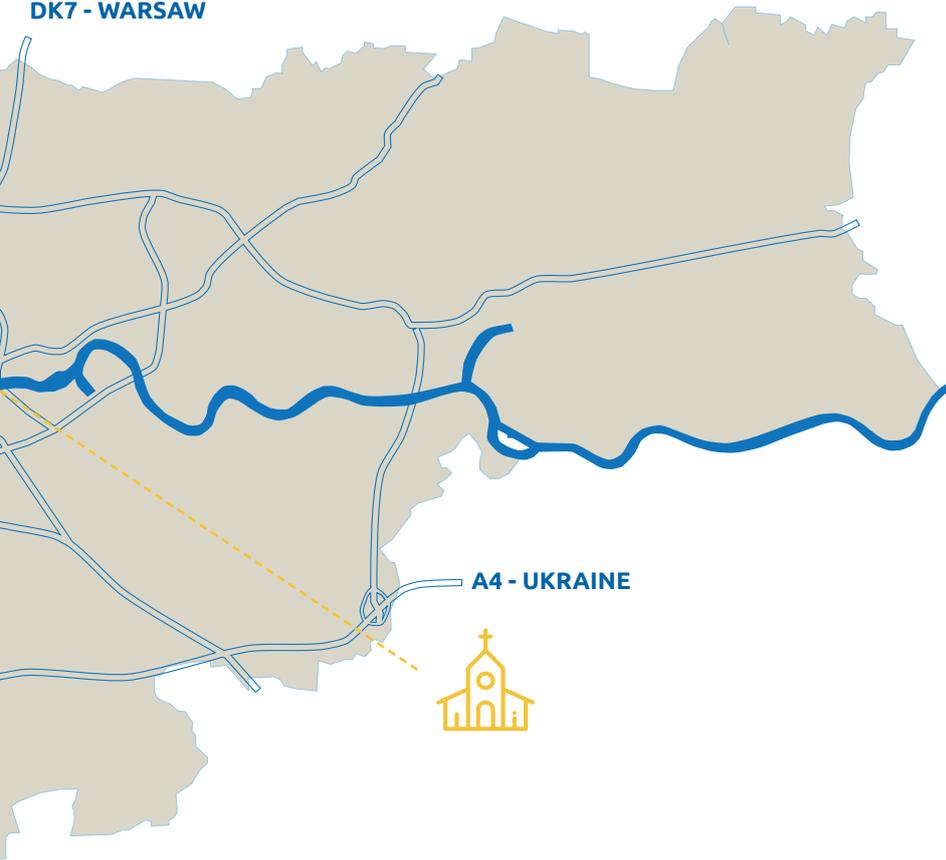
24 CARRIERS

114 AIRPORTS

Source: Kraków AIRPORT

Source: „The Convention Industry in Krakow 2018” report

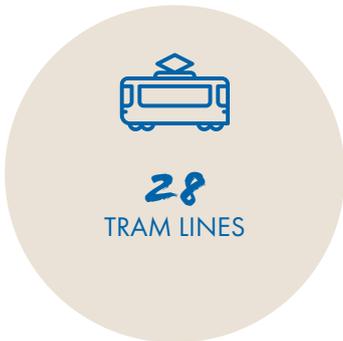
DK7 - WARSAW



- 1 Main Station
- 2 Krakow Airport
- 3 Investors and Innovative Economy Support Centre
- 4 Old Town



CITY TRANSPORTATION IN KRAKOW HAS:



Electromobility in public transport - the fleet of modern electric buses plays both a significant role in the development of public transport, whilst increasing the comfort and safety of travel. MPK SA currently possesses:

- **26 non-emission vehicles.** The Krakow carrier has plans to purchase another 50 articulated electric buses within EU projects, and 161 as part of an agreement with the National Centre for Research and Development. MPK SA has fast charging stations (8 'pantograph' type and 28 'plug-in' stations in the Wola Duchacka bus depot),
- **34 hybrid buses.**

Additionally, MPK SA in Krakow possesses only buses whose engines conform to the EURO 5 European emissions norms. All vehicles are environmentally-friendly, comfortable and safe.

In 2020, 50 modern Stadler trams will be delivered to Krakow. MPK SA has plans to purchase another dozen modern, low-floor trams for Krakow.

Source: MPK SA in Krakow

1,42 m sqm
total office space
in 2019

7 000+
foreigners employed
in shared services
centres

8,5 m
number
of passengers
at Kraków Airport

Kraków
creates
**YOUR
BUSINESS**

217
companies
from the sector
of shared services
for business and IT

77 000
number of persons
employed in shared
services centres

39 000
graduates
annually

151 000
students

OFFICE MARKET

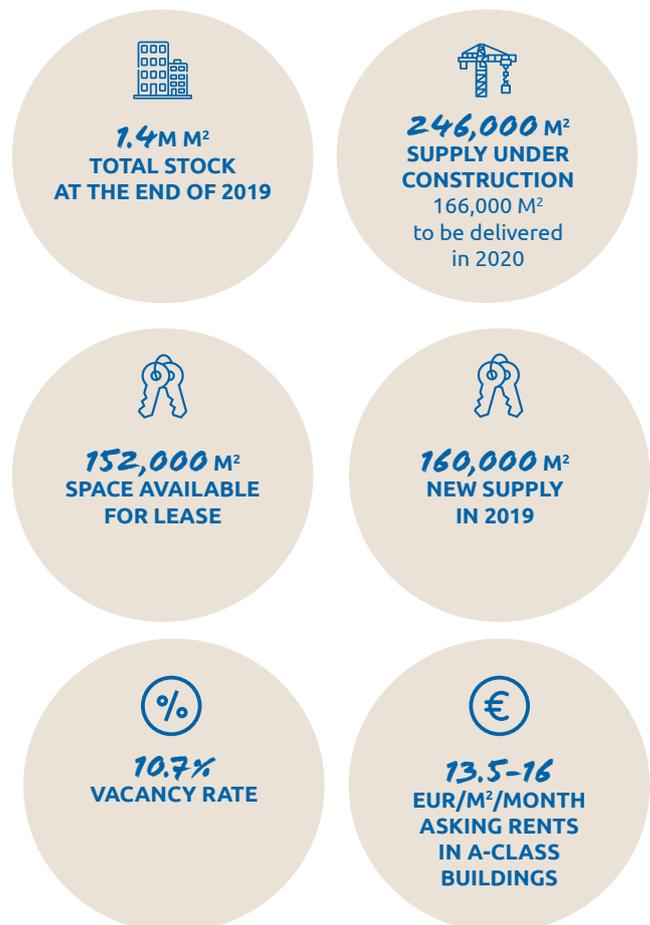


Krakow continues to be the strongest regional market in Poland with both developers and tenants showing solid interest in the local office market. 2019 brought a record-breaking lease transaction volume, and new supply remains at a high level. The vacancy rate increased compared to the previous year, however it is expected that continual, vigorous tenant activity will result in the gradual absorption of the available office space.

Krakow with office stock reaching 1.4 million m² held its leading position among regional Polish office markets. In 2019, almost 160,000 m² was delivered in 16 projects. It is the second best result, after a record-breaking 2017. The biggest projects finished in 2019 were: V.Offices, Mogilska Office, Fabryczna Office Park B1 and B2, High5ive 5 and Tischnera Office.

At the end of 2019, 21 office projects were identified as under construction with a total area of 246,000 m² in Krakow, which accounts for 25% of the total space under construction in the eight biggest regional cities (with 33% of Krakow's supply due for delivery in 2020). This supply was mainly in the further stages of existing office projects, including: High5ive 4, Podium Park B, DOT OFFICE L1, Equal Business Park D, and Fabryczna Office Park B3 and B4.

Krakow has been breaking its own records for demand since 2014, although an increase in the vacancy rate was noted at the end of 2019. The capital of Matopolska had over 150,000 m² of available office space, accounting for 10.7% of existing stock. Compared to the previous quarter, the vacancy rate increased by 1.3 pp, while over the year the increase was 2.1 pp. The growth of the vacancy rate may be caused by the high volume of new supply which was not fully leased before completion (at the end of 2019, 25% of the year's new supply remained vacant).



OFFICE MARKET

Tenant activity revival brought record-breaking demand. In 2019, 267,000 m² was subject to lease - some 58,000 m² more than in 2018. In terms of leased office space, Krakow took the lead among the eight largest regional markets in Poland, with the results it posted accounting for almost 40% of total regional demand. The share of signed contracts was dominated by new contracts both in existing buildings and under construction (55%) and renegotiations (33%), with expansions accounting for 12%.

Asking rents in Krakow have remained stable in most buildings. Rental rates for A-class office space ranged from EUR 13.5-14.5/m²/month, with several buildings in the city centre being quoted at EUR 16/m²/month. Asking rents in B-class buildings ranged from EUR 11 to 13/m²/month. Effective rents remained some 15-20% lower than asking rates.

AREAS OF OFFICE SPACE CONCENTRATION IN KRAKOW IN 2019

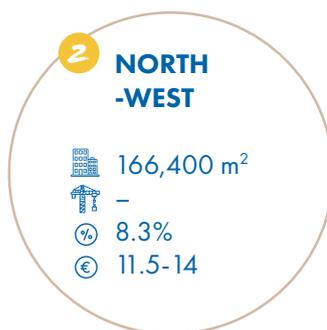
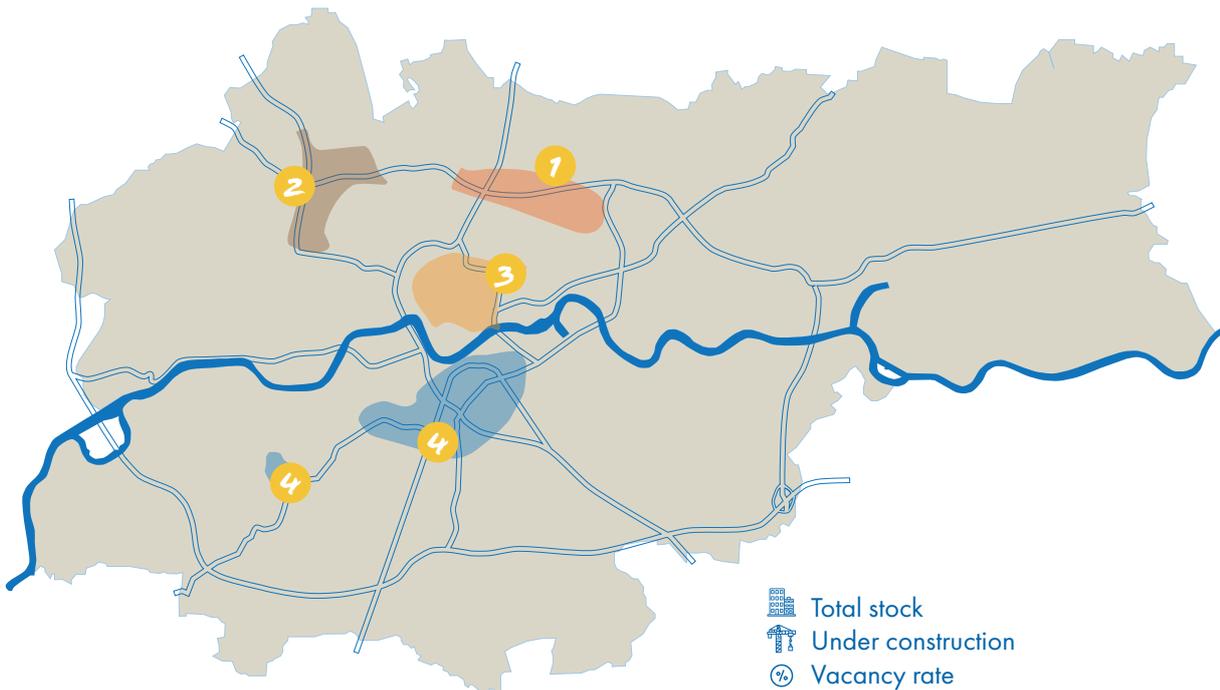
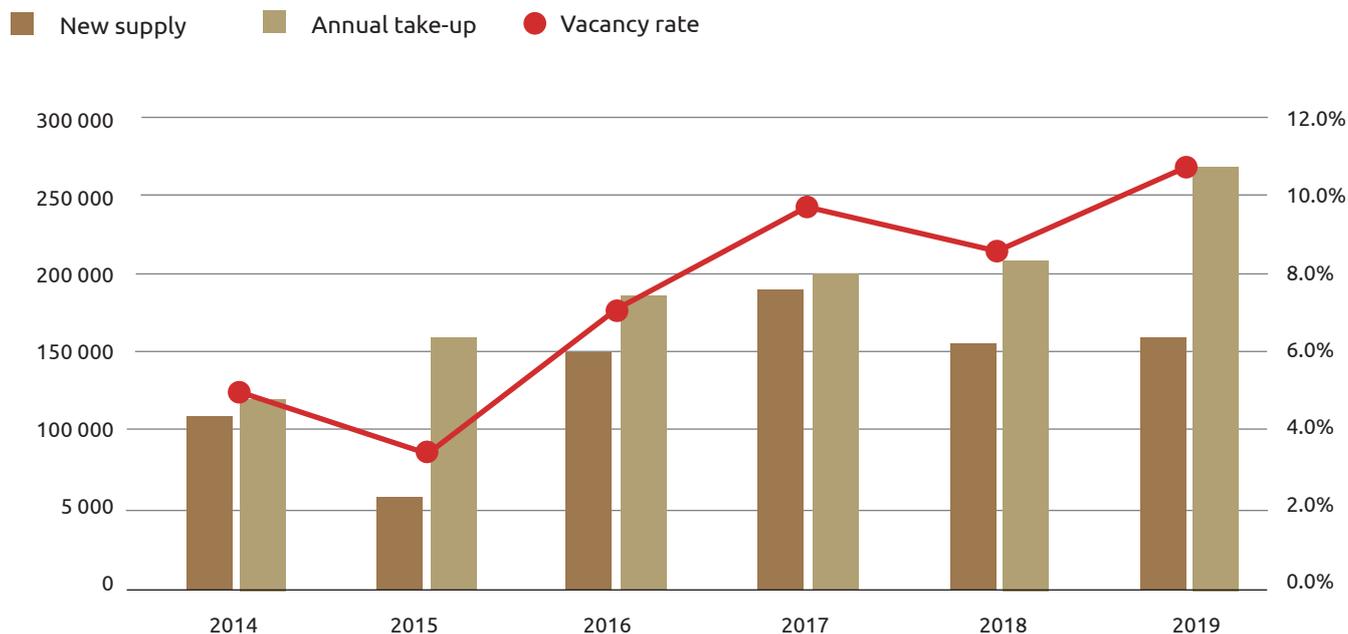
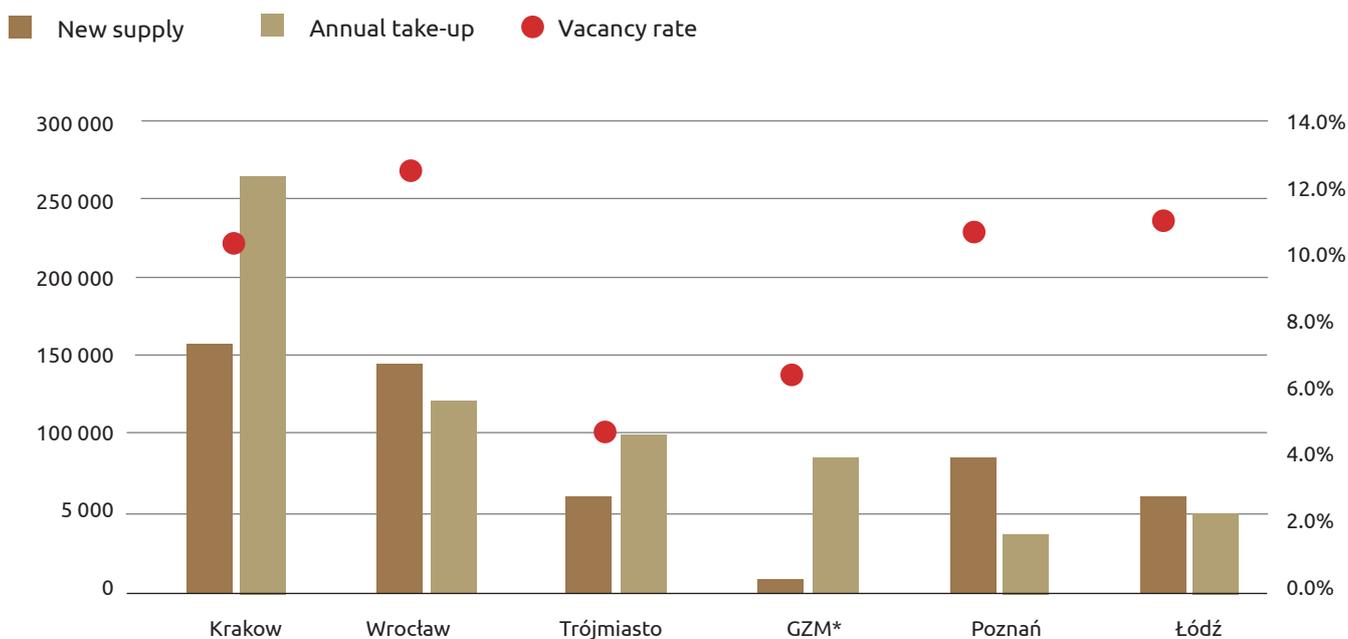


Chart 1.
New supply, annual take-up and vacancy rate in Krakow (2014-2019)



Source: Knight Frank

Chart 2.
New supply, annual take-up and vacancy rate in major regional markets in 2019



*Górnośląsko-Zagłębiowska Metropolia

Source: Knight Frank

OFFICE MARKET



Map 1.
Office market in Poland (2019)

1	WARSAW	5.6m m ²	7.8%	10.5-25
2	KRAKOW	1.4m m ²	10.7%	11-16
3	WROCLAW	1.18m m ²	12.5%	10-16
4	TRICITY	840,000 m ²	4.9%	11-16
5	GZM*	697,000 m ²	6.6%	9-15

6	POZNAŃ	565,000 m ²	4.9%	11-16
7	ŁÓDŹ	528,000 m ²	11.2%	8-15
8	LUBLIN	191,000 m ²	9.3%	8-13
9	SZCZECIN	181,000 m ²	5.8%	7.5-15

- Total stock
- Vacancy rate
- Asking rents (EUR/m²/month)

- Major office markets
- Developing markets

Source: Knight Frank

*Górnośląsko-Zagłębiowska Metropolia (include: Katowice, Gliwice, Tychy, Dąbrowa Górnicza, Bytom, Zabrze, Ruda Śląska, Chorzów, Sosnowiec)

RETAIL MARKET



620,000 M²
RETAIL STOCK
IN KRAKOW IN 2019



21,000 M²
NEW SUPPLY
IN 2019



26,700 M²
RETAIL SPACE
UNDER CONSTRUCTION
(GALERIA WIELICZKA)



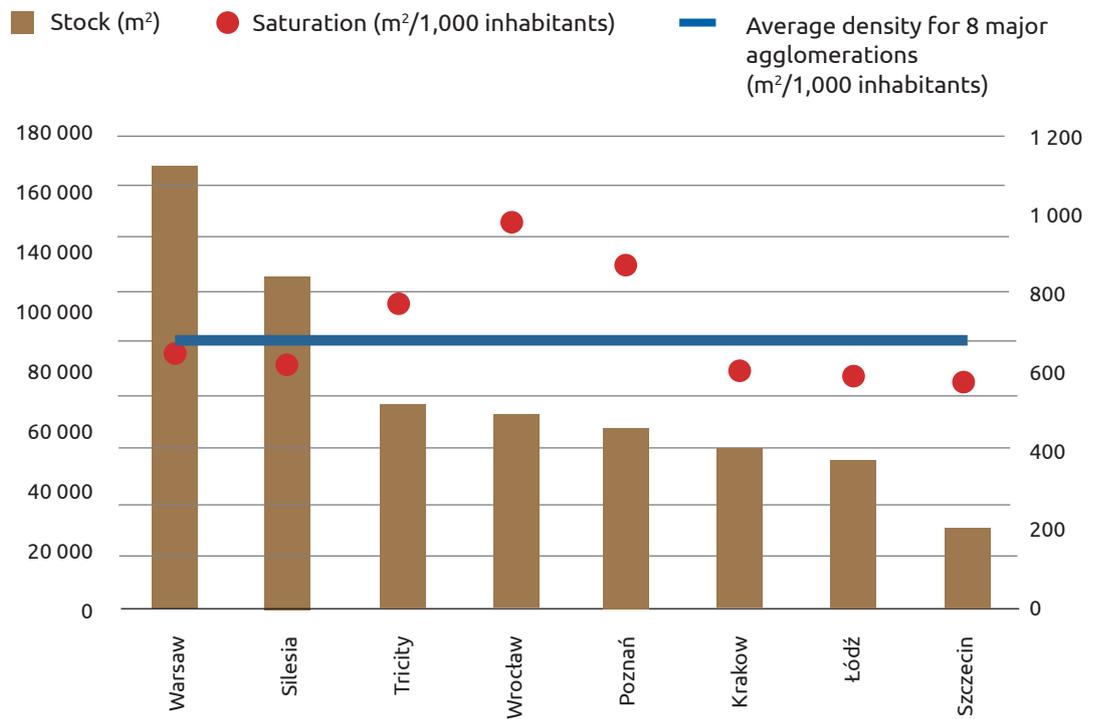
37-70
EUR/M²/MONTH
ASKING RENTS
IN THE BEST
SHOPPING CENTRES
IN KRAKOW

The situation in the Krakow retail market in 2019 reflected the general trends prevailing in the retail sector in Poland. Year by year, an increasing saturation with large-scale retail schemes is discouraging developers from the construction of such projects. Instead, smaller projects are being built, with areas below even 5,000 m², containing small retail parks or convenience shopping centres.



RETAIL MARKET

Chart 1.
Retail stock and market saturation in the major Polish agglomerations (2019)



Source: Knight Frank

Such a situation is being observed in the Krakow agglomeration. In 2019, only approximately 7,000 m² of retail space was delivered within the ATUT Ruczaj scheme. In Wieliczka, at the end of 2019, the Leroy Merlin store (14,000 m²) opened its doors. Moreover, only some 27,000 m² of retail space was under construction in the Krakow agglomeration; Galeria Wieliczka is scheduled for completion by the end of 2021.

Consequently, the Krakow agglomeration remained in sixth position on the list of largest retail markets in Poland. At the end of 2019, the area of modern retail stock in the Krakow agglomeration exceeded 620,000 m², in schemes diverse in terms of location (both in Krakow and in neighbouring towns), scale and range of services offered.

Such a modest volume under construction in Krakow and its surroundings is likely to increase in 2020, following likely commencement of projects currently at the planning stage. Long-awaited are retail developments in Centralna and Nowohucka streets. Developer plans include the delivery of another ATUT scheme, and Cracovia Outlet; the latter being split between a retail park (40,000 m²) and an outlet centre (21,000 m²). Construction works for the outlet are due to begin in 2020. The ATUT brand facility is also to be built in Wieliczka.

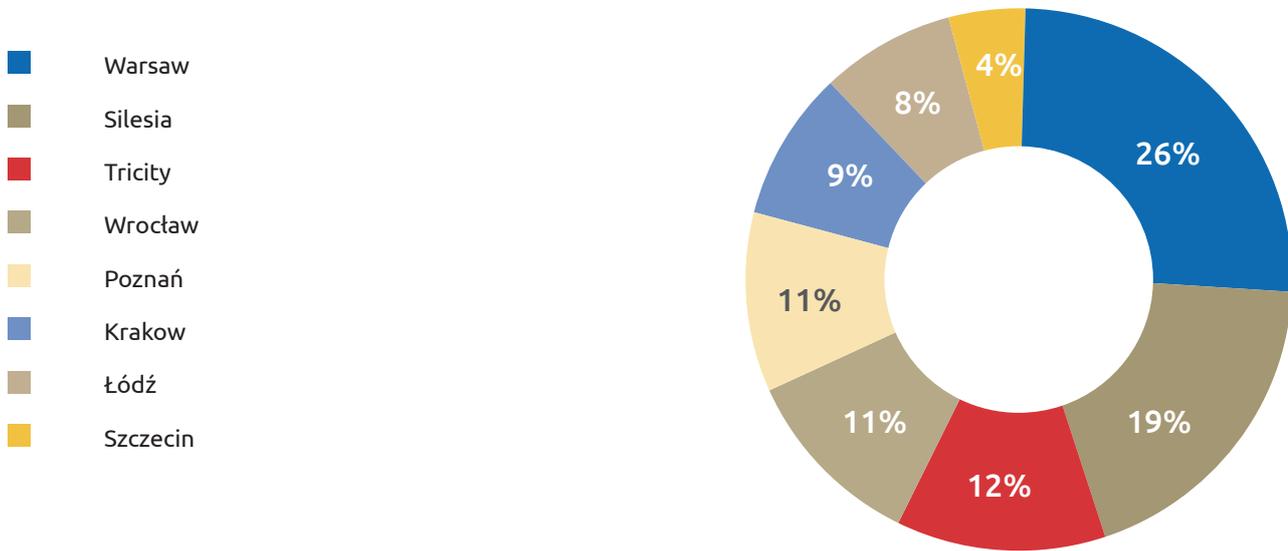
Krakow's vacancy rate in December 2019 stood at 6.1%, an increase of 2.1 pp over the previous 12 months. The vacancy rate was highly influenced by Bonarka City Center vacated by Leroy Merlin (due to the opening of a new stand-alone Leroy

Merlin DIY store in Wieliczka). Additionally, the operational restructuring process conducted by Tesco in Poland resulted in the downsizing of some Tesco stores (including Tesco Kapelanka in Krakow).

Monthly asking rents for the most attractive units (below 100 m², leased to the fashion sector) in the best shopping centres in Krakow varied between EUR 35 and EUR 70/m², approaching levels seen in major agglomerations (excluding Warsaw). The rental rates depend mostly on tenant brand, unit size, location within the retail space, and on landlord rental strategy.

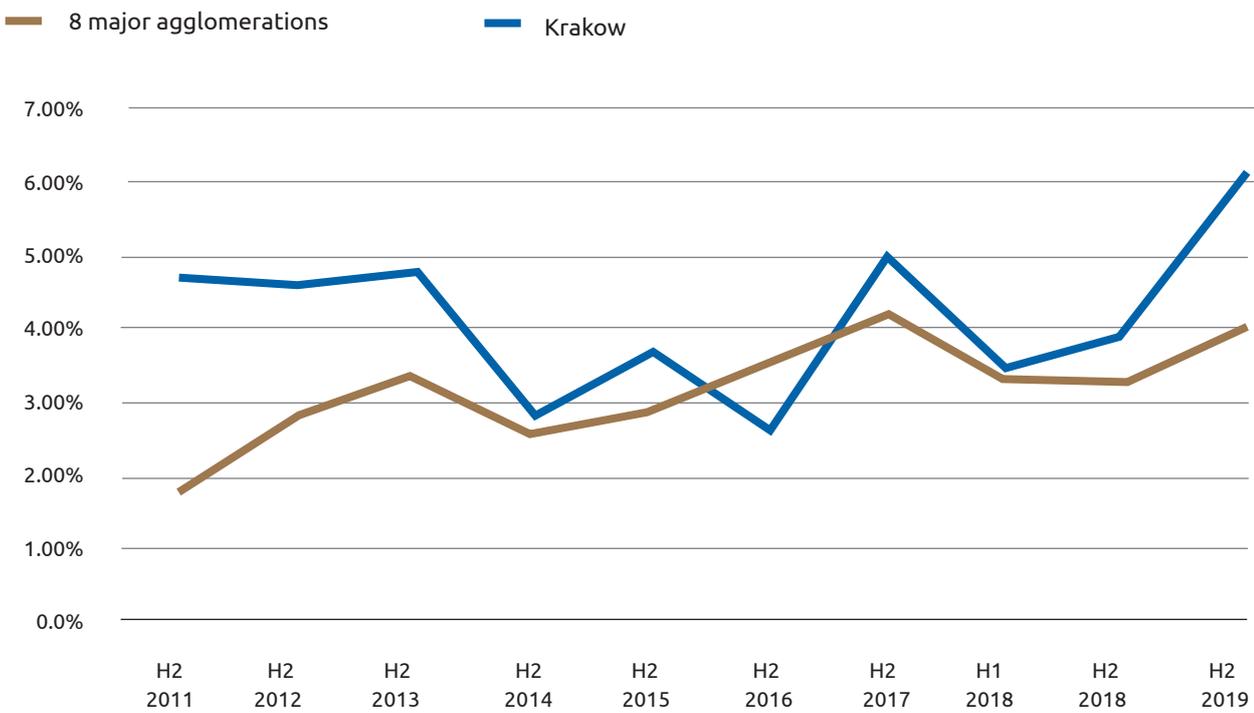


Chart 2.
Total retail stock in the 8 agglomerations by location (2019)



Source: Knight Frank

Chart 3.
Vacancy rate in shopping centres in Krakow and major agglomerations (2011-2019)



Source: Knight Frank

HOTEL MARKET

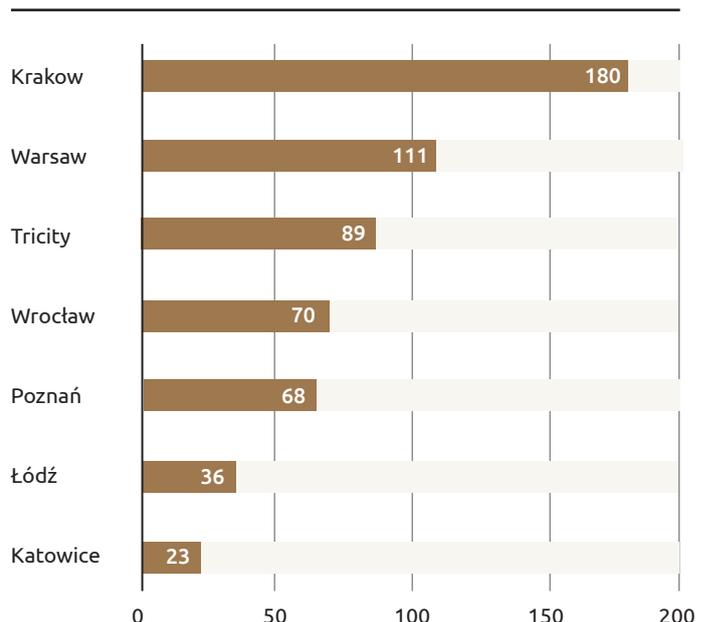


Among Polish and European tourists, Krakow is recognised as one of the best destinations for a city break. Every year, the city attracts thousands of visitors not only from Poland and Europe, but also from other parts of the world, and the number is continually increasing. According to data from the Małopolska Tourist Organisation, in 2019 the number of tourists visiting Krakow exceeded 14 million - a record-breaking result for the historical city. Krakow is also an important economic hub for Poland; one that focuses on professional services for business, new technologies, finance and IT. These factors contribute to the city's attractiveness as a cultural and business centre, helping stimulate further development of the city's hotel sector.

The ever-improving transport infrastructure and growing network of airline connections with Krakow are also factors underlining the city's attractiveness. In 2019, Krakow's Balice Airport served nearly 8.5 million passengers, almost 25% more than in 2018. Over the year, the airport extended its range, adding 40 destinations and enabling direct flights to countries such as Croatia, Georgia, Romania and Iceland.

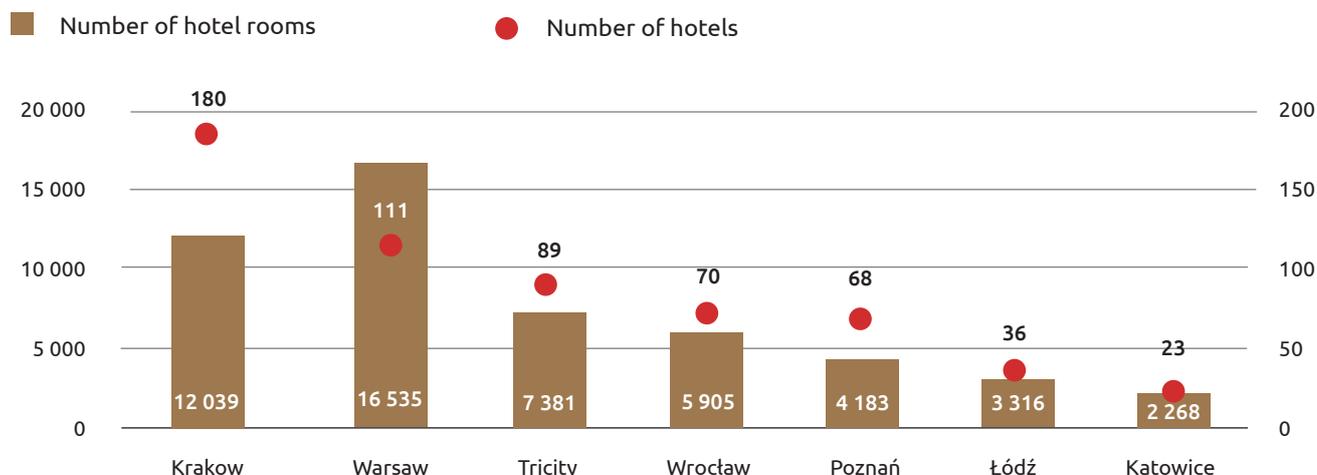
Due to its ever-growing number of visitors, Krakow is able to offer a wide selection of overnight accommodation options. According to Knight Frank data based on the Central Hotel Register in Poland supervised by the Ministry of Sport and Tourism, there were 180 hotels officially categorised 1- to 5-stars operating in Krakow at the end of 2019. Among Polish cities, Krakow provides the largest number of such officially categorised hotels. At the end of 2019, the total supply of categorized rooms in the city stood at 12,039 units. In 2019, six hotel developments offering 269 hotel rooms opened their doors: the 5-star Bachleda Luxury Hotel Krakow MGallery by Sofitel (64 rooms), the 5-star Balthazar Design Hotel (22 rooms), the 4-star Hotel Wawel Queen (49 rooms), the 4-star Plaza Boutique Hotel (34 rooms), the 3-star IBIS Styles Krakow Santorini (63 rooms) and the 3-star Domus Mater (37 rooms).

Chart 1.
Number of hotels in the largest Polish cities (2019)



Source: Knight Frank

Chart 2.
Number of hotels and hotel rooms in the largest Polish cities (2019)



Source: Knight Frank

In terms of number of buildings, the hotel stock in Krakow is dominated by 3-star hotels, which have 52% of the share. However, in terms of number of hotel rooms, the largest share (40%) can be found in 4-star hotels.

Krakow, with its 180 hotels, sits in first place in Poland. The local market benefits from the largest number of small, luxury hotels compared to other regional Polish cities.

According to the latest data provided by STR Global, hotel room occupancy in Krakow in 2019 remained at a stable, high level. Throughout the year the monthly occupancy rate ranged between 61% and 90%, resulting in a 76% average for 2019. May, June, August and September were months when occupancy exceeded 86%, and the only two months with occupancy approaching 60% were January and February.

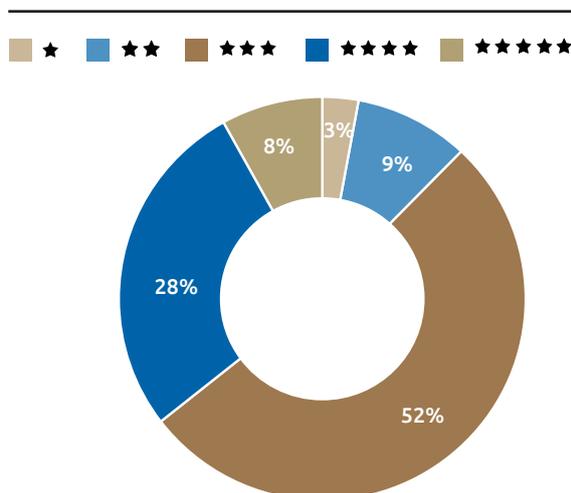
At the end of 2019, there were eight hotel projects under construction in Krakow, set to offer 856 hotel rooms upon completion. The number and quality of hotel projects currently under development in Krakow shows the significance of the city as a tourist and business destination. A selection of developments under construction include: the 5-star Autograph Collection (125 rooms), the 5-star Hyatt Place Krakow (216 rooms), the 5-star Ferreus (71 rooms), the 4-star Radisson Red (230 rooms), and the 4-star Best Western Balice Airport (153 rooms).

Table 1.
Selected hotels under construction in Krakow

Name of hotel	Number of hotel rooms	Opening day
Hyatt Place Kraków	216	2021
Autograph Collection	125	2020
Radisson Red	230	2020
Best Western Balice Airport	153	2020

Source: Knight Frank

Chart 3.
Structure of the hotel market in Kraków (2019)



Source: Knight Frank

WAREHOUSE MARKET



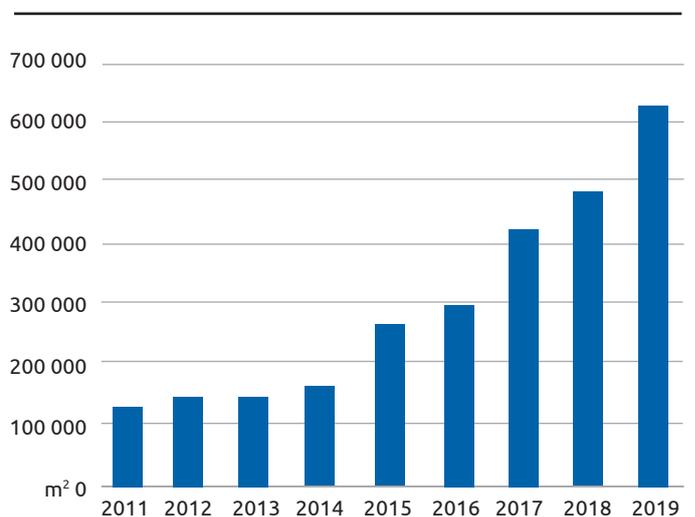
The Krakow warehouse market continues to show steady growth, with 2019's new supply approaching 120,000 m² for the second time in the history of the market. The end of 2019 witnessed a significant increase in demand for modern warehouse space in the region, resulting in a decrease in available space for lease. The vacancy rate at the end of 2019 stood at 6.9%; such a low result last being recorded in 2016.

Although total warehouse market stock in Krakow is growing constantly, the region remains one of the smallest in Poland in terms of existing supply. Relatively high prices of industrial land and a location close to Upper Silesia, Poland's second largest industrial hub, has resulted in a somewhat reduced pace of development in the warehouse sector in the Małopolska area. On the other hand, the region is conveniently situated close to the country's southern border, and benefits from a well-developed road infrastructure connecting various locations throughout Poland, as well as across Europe. All these factors increase the attractiveness of the hub.

At the end of 2019, modern warehouse stock in Krakow was estimated at approximately 625,000 m² (some 3% of Poland's total warehouse stock). Warehouse developments in the Krakow region are situated both within the city's administrative boundaries, and in such adjacent towns as: Modlniczka, Skawina and Olkusz.

In 2019, a record-breaking amount of new supply was delivered to the market in Krakow, with nearly 120,000 m² of warehouse

Chart 1.
Warehouse stock in Krakow



Source: Knight Frank

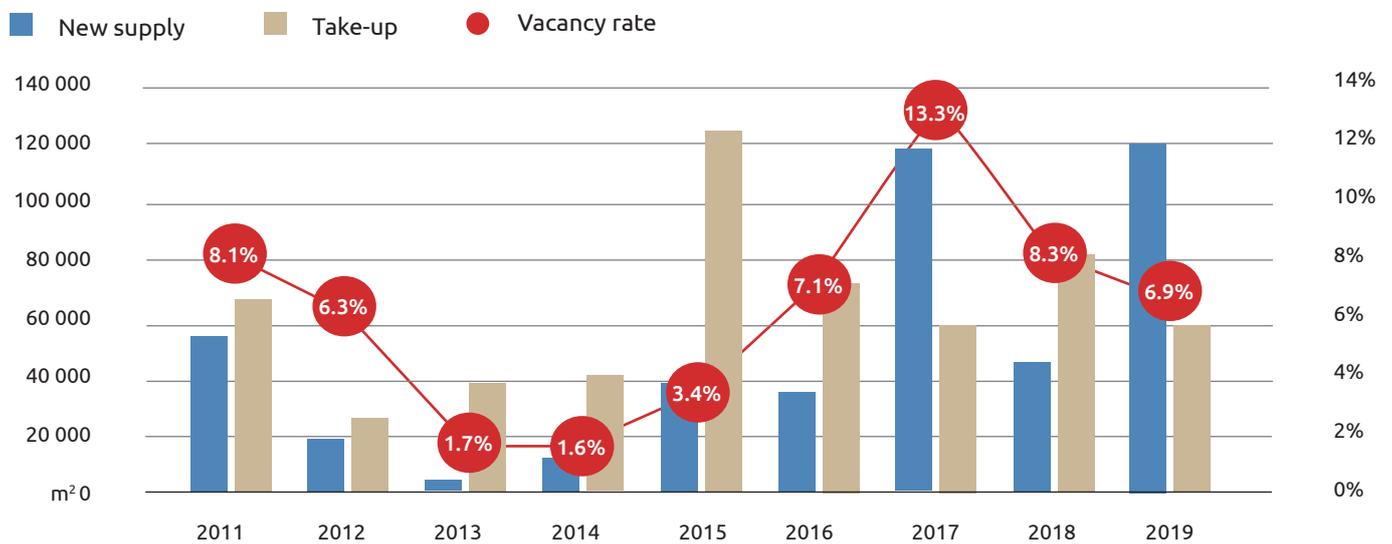
space for lease completed in two projects developed by 7R Logistic and Goodman Group. As much as 17,000 m² is currently at the construction stage in two BTS (built-to-suit) schemes. Additionally, approximately 200,000 m² of logistics space is at an advanced planning stage.

Vigorous tenant activity in Poland resulted in the annual volume of leased warehouse area approaching 3.8m m² for the third year in a row. Some 58,000 m² of this volume was leased in Krakow, accounting for approximately 1.5% of the warehouse transaction volume nationwide.

The warehouse market in Krakow saw a significant decrease in the vacancy rate, which fell to its lowest level since 2016. At the end of 2019, the volume of available space for lease accounted for 6.9% of the total stock in this area.

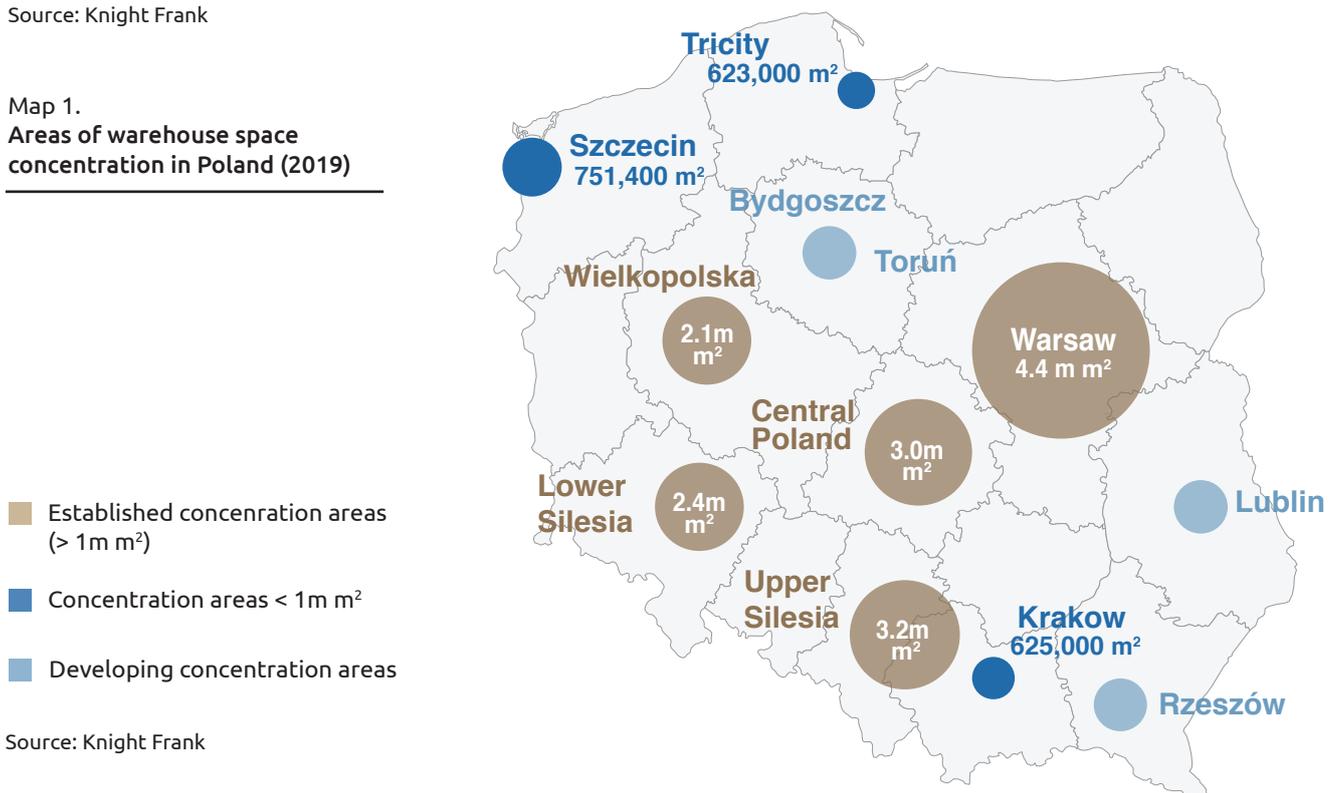
Krakow remains the second most expensive logistics location in Poland (behind Warsaw's Zone I). Monthly asking rents in Krakow for modern warehouse space have remained stable, ranging between EUR 4.00 and EUR 4.50 per m² for projects located within the city's administrative boundaries. Larger big-box schemes are typically slightly cheaper, with asking rents in the Krakow region between EUR 3.90 and 4.00 per m² per month.

Chart 2.
New supply, take-up and vacancy rate in Krakow (2011-2019)



Source: Knight Frank

Map 1.
Areas of warehouse space concentration in Poland (2019)



Source: Knight Frank

INVESTMENT MARKET



A record-breaking 2019 ended with a total transaction volume of EUR 7.6bn, the highest volume in the history of the Polish investment market, topping the previous record of EUR 7.2bn figure in 2018. Poland is thus proving to be the perfect alternative to Western European markets.

As a result of the wide range of modern assets on offer in all categories, the market is attracting a growing number of investors each year. In 2019, a range of new investors entered the market, including funds from Asia, Germany and Hungary, with the last year witnessing many purchases, most notably in the office and logistics segments.

Despite the limited number of prime assets available for sale, investor activity is growing, with projects from all sectors, situated in the most prestigious locations, being particularly sought. The Polish investment market remains very attractive for investors looking for a safe berth for capital allocation, offering returns between 4.25%-4.50%, compared to the most mature European markets, where the figure reaches 2.50%. Low prime yields mean foreign investors view Poland as a location offering risk diversification and the opportunity for stable investment returns in the long run.

In the last two years, increasing interest in regional markets such as Krakow, Wrocław, Poznań and Tricity, from both core funds and more opportunistic investors has been observed. Krakow, as a popular tourist destination and the largest regional office market, with a relatively wide range of assets

available for sale, is one of the most attractive cities among regional markets. Its attraction is underpinned by a continuous development in infrastructure, along with a growing number of newcomers and the BPO/SSC sector, all of which serve to boost the office market.

The total transaction volume in 2019 in Krakow exceeded EUR 300m which accounted for 5% of total investments in Poland. Of the acquired assets structure, some 73% of the transaction volume was in office facilities, the rest in hotels, warehouses and residential properties.

Based on market analysis and preferences for the office sector, investors were mainly drawn to the newly-built, modern assets located both in the city centre and in non-central locations.



EUR 300M
TOTAL TRANSACTION
VOLUME IN KRAKOW
 (5% of the total
 investments in Poland)



73%
OFFICE PROJECTS
SHARE IN THE ACQUIRED
ASSETS STRUCTURE



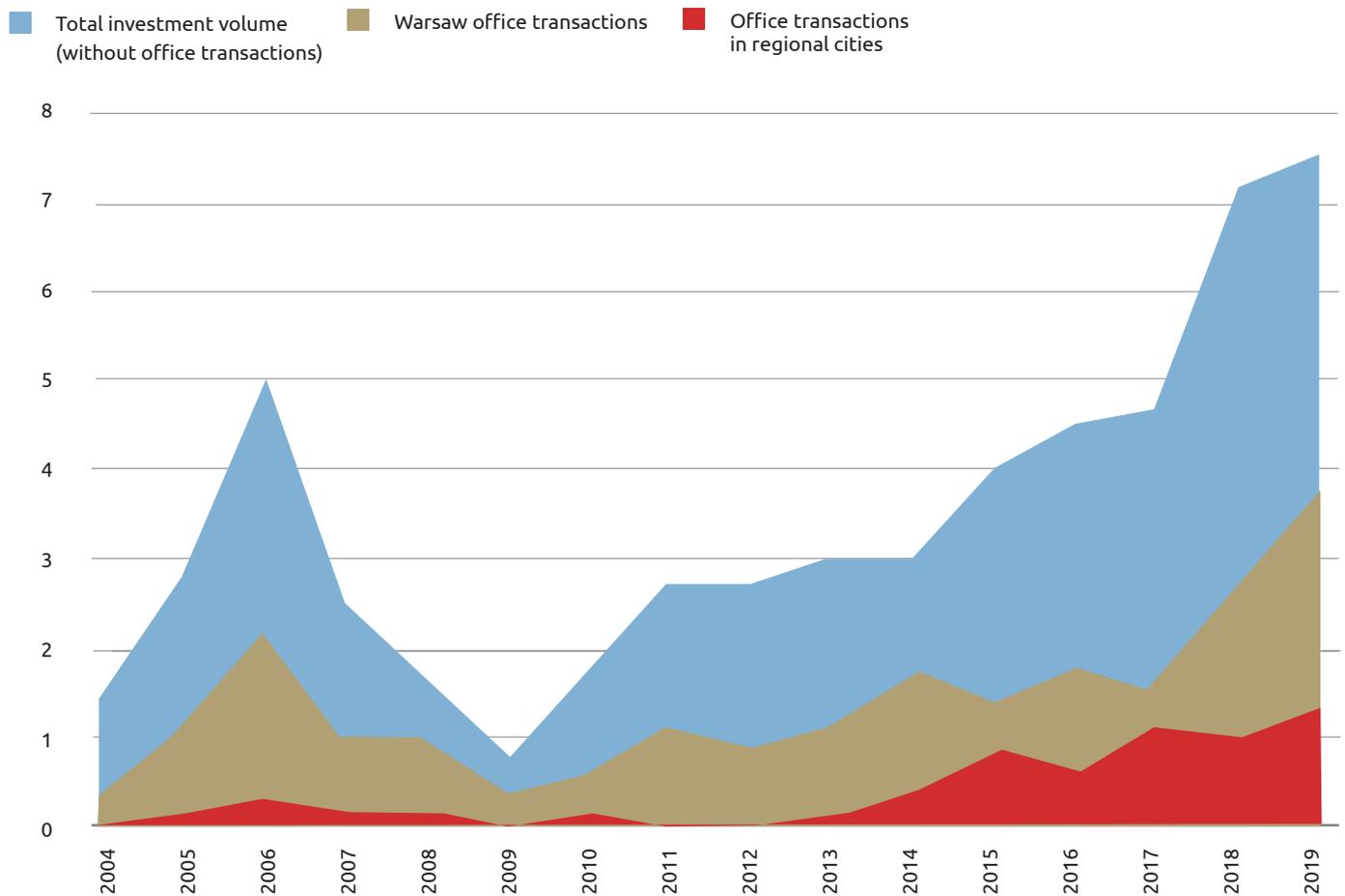
YIELDS IN KRAKOW IN 2019
5.5%-6.5%
 for prime office
 projects
5.0%-5.5%
 for prime retail schemes

The largest investment transactions concluded in Krakow in 2019 were the purchase of .BIG by Credit Suisse, the acquisition of Podium Park by Globalworth, and the purchase of Zabłocie Business Park A by Uniq.

also highly pre-leased before completion dates, resulting in prime yields compression. In 2019, prime office assets in Krakow offered yields of 5.50%-6.50%, while prime retail schemes were valued at 5.00%-5.50%.

Since the beginning of 2016, investors have allocated nearly EUR 1.7bn in Krakow, mainly in retail and office assets. New projects entering the market were not only high quality, but

Chart 1.
 The total transaction volume vs. regional and Warsaw office transactions (in EUR bn)



Source: Knight Frank, RCA

INVESTMENT LAND

OFFICE SECTOR

A central location in large cities and very good transport accessibility - these are the determinants of the attractiveness of plots most often mentioned by commercial investors. Areas with a local master plan or outline planning permit, or with an architectural concept and, ideally, a valid building permit will find a potential buyer faster. Due to the lack or very limited supply of greenfield land meeting the aforementioned criteria, 2019 saw transactions typified by purchases such as older office buildings for demolition in the coming years. Thanks to new planning regulations, plots upon which such buildings sit may be developed more intensively. Investment potential may also lie in „non-obvious” plots, such as those containing non-commercial buildings.

WARSAW

CITY CENTRE
PLN 3,200-4,500
per m² GLA

NON-CENTRAL AREAS
PLN 1,000-2,500
per m² GLA

KRAKOW

PLN 800-2,000
per m² GLA

TRICITY
PLN 1,000-1,600
per m² GLA

POZNAŃ
PLN 700-1,200
per m² GLA

KATOWICE
PLN 700-1,100
per m² GLA

ŁÓDŹ
PLN 700-1,000
per m² GLA

WARSAW

LARGE-SCALE RETAIL
PLN 2,000-2,800
per m² GLA

SMALLER SCHEMES
PLN 1,000-2,500
per m² GLA

**OTHER MAJOR
AGGLOMERATIONS**
PLN 500-2,000
per m² GLA

RETAIL SECTOR

High retail space saturation limited developer activity in implementing large-scale projects. On the other hand, market analysis shows that, even in large agglomerations, locations with retail development potential can still be found. The smallest cities (below even 50,000 inhabitants) still offer attractive investment opportunities, and an increasing number of developers are looking towards them. Areas are sought designated for small- or medium-sized retail parks (usually 3,000-10,000 m² GLA) or for mixed-use projects

WAREHOUSE SECTOR

Improving road infrastructure and a developed infrastructure of sea ports and airports encourage developers to speculatively purchase land and create land banks. The growing interest in the eastern part of the country is an increasingly visible trend, which is not to say that investors are neglecting the opportunity to buy attractively situated land in the major logistics regions. In addition to developer interest in land for large logistics parks, 2019 saw a noticeable increase in interest in areas designated for smaller warehouses to serve the urban market. Not without significance are the impact of changes in the retail market. Models of sale are changing, both in retail and wholesale, while purchasing on the internet has seen systematic growth. Increased tenant demand is contributing to increased warehouse developer interest for land in the vicinity of large cities, and the dynamic development of SBU (small business units) and so-called "last mile" warehouses. To meet these market expectations, developers are looking for land with slightly different specifics, but which nevertheless offer the chance to obtain higher rental rates.

HOTEL SECTOR

The hotel sector sits high on the list of investor interests, translating into a significant number of closed transactions with a high value. The growing demand for hotel services is positively influencing the interest in land in Warsaw, Krakow and Gdansk, where investors are competing in their search for the most attractive locations for this type of buildings. Furthermore, investors analyse both undeveloped and existing properties. In addition, due to the strong competition from large hotel chains, some private owners of hotel facilities of interest decide to sell them.

NEW INVESTMENT OPPORTUNITIES

Year by year, there has been a growth in the number of companies interested in continuing the acquisition of land for **apartments for rent**, as well as of those institutional investors who consider Poland being part of Europe – an attractive alternative to their domestic markets. Acquisition of land for these types of investments is becoming increasingly popular due to the fact that they are treated as an opportunity to build a portfolio on a growing and pioneering market in this field. The demand for apartments for rent is created, among other factors, by a young generation characterized by a lack of attachment to their place of residence or work. For investors seeking risk diversification, it is currently difficult to buy a portfolio of apartments for rent in Poland, and entering this market still means entering the development process. As a result, it should be expected that interest in land for this type of investment will also grow.

As expected, growth dynamics in the **private dormitories** sector remains high. Warsaw, Krakow, Gdansk, Poznan, Wroclaw, Lublin, Lodz are all cities where investors are competing in their search for the most attractive plots for this type of investment. A growing number of foreign investors are entering the Polish market, expecting close proximity to universities, good transport infrastructure, and appropriate accompanying infrastructure for the future student in order to gain a competitive advantage. Land with properties that will allow for the construction of 100 and 400 rooms are also popular.

In addition, post-industrial areas are often an opportunity to buy property in an attractive location, at a favourable price. These facilities have existing infrastructure that can be used by the developer both at the stage of investment project design and during construction works. As a result, interesting **mixed-use projects** are being created, combining several functions in one place, including commercial, residential and even cultural.



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The report was created in cooperation with the Municipality of Krakow

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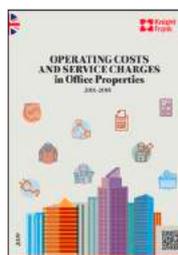
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