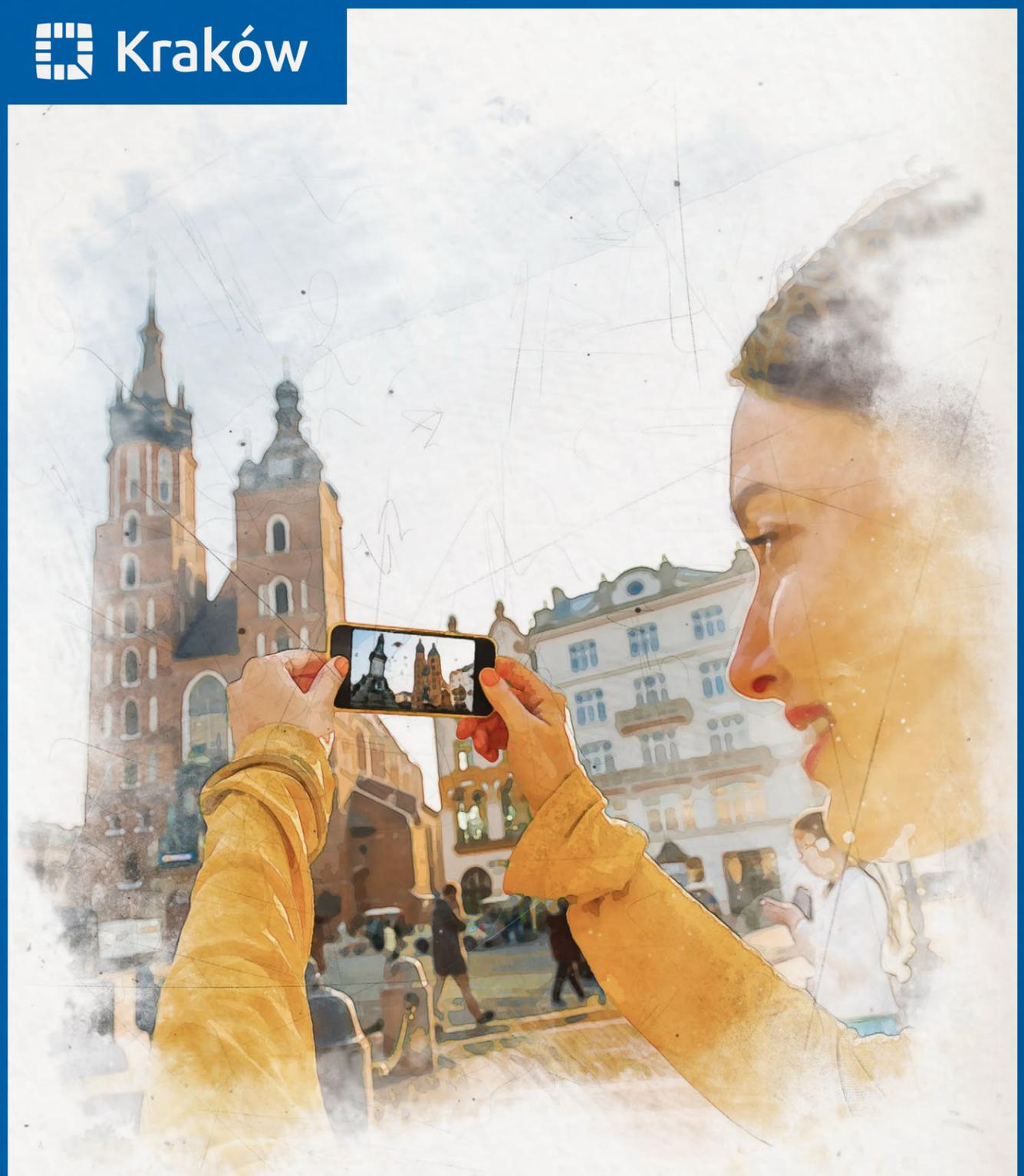


*Real
Estate
Market*

KRAKOW

2024





KRAKOW

space for business

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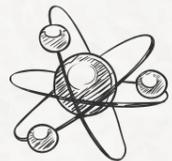
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About Krakow

Facts and figures



Science



- 23** higher education institutions
- 6** universities
- 130,000** students
- 32,000** graduates per year

Airport

- 7.4m** passengers in 2023
- 161** destinations
- 25** airlines



Greenery

- 56** parks
- 35** Krakow residents' parks
- 16** community gardens
- 32 ha** flower meadows
- 10** beehives



Events

- 3,200 seats** in ICE Krakow Congress Centre
- TAURON Arena Krakow:
 - 15,000 seats**
 - 9,000** standing places



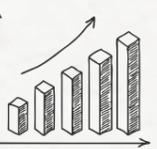
Business

- 273** BSS centres
- 97,950** employees of BSS centres
- 1.8m sq m** total office space stock
- 97,200 sq m** new supply in 2023
- 23,000 sq m** space under construction
- 201,200 sq m** take up in 2023
- 19.8%** vacancy rate
- 10-16 EUR/sq m/month** asking rents in class A buildings
- 50,000 sq m** flexible office space



Growth

- Over **500 technological companies**
- 55,000 IT employees**
- 9,000 students of IT degree programmes** make Krakow one of the top innovation hubs
- 19** global unicorns with R&D teams have their offices here
- 77%** of IT specialists in Krakow boast higher education in IT or a similar field
- Krakow** is one of the **100 best** rising ecosystems in the world according to Global Startup Ecosystems Report 2021



Culture

- Krakow is a UNESCO City**, and one of the 12 cities to be included in the 1st UNESCO World Heritage List in 1978
- UNESCO **City of Literature**
- Member of the UNESCO **Creative Cities Network**
- Seat of the Europa Nostra Heritage Hub for Central & Eastern Europe
- European **Capital of Culture 2000**



People

- 803,282** inhabitants
- 1.6m** residents in Krakow Metropolitan Area
- 8.0m** within a 100 km area



Office market in Krakow

KRAKOW IS THE LARGEST REGIONAL OFFICE MARKET IN POLAND, BOASTING A TOTAL OFFICE STOCK OF 1.81M SQ M. Owing to the city centre's historic significance, only one-fifth of Krakow's existing office stock is situated there, with the majority of office buildings located in the southern and northern parts of the city.

In 2023, nearly 100,000 sq m of modern office space was introduced to the market across six buildings, constituting almost 35% of the total volume of space delivered across all regional cities. This mirrors the results of the previous year and aligns closely with the average annual supply of 111,000 sq m over the past five years. The largest buildings completed in 2023 include

Mogilska 35, encompassing 11,900 sq m developed by Warimpex, and The Park Cracow 2, with 11,700 sq m and developed by White Star Real Estate.

The growth rate of new office space is projected to decelerate in the coming quarters. At the close of 2023, only 23,000 sq m of office space was under construction, with approximately 80% anticipated for completion in 2024. This represents a threefold decline compared to the previous year. Noteworthy among the largest projects under construction are



Krakow remains the largest regional office market in Poland exhibiting constant growth. In 2023, the office market saw an additional 100,000 sq m added, while tenant interest remains stable, even slightly surpassing last year's figures in terms of leased space. Nevertheless, developers are refraining from initiating new projects due to rising vacancy rates and the persistently high costs of financing.

Brain Park C, with 12,800 sq m of space and developed by Echo Investment, and Fabryczna Office Park B7, covering 5,000 sq m and developed by Inter-Bud.

KRAKOW CONTINUES TO BE THE MOST APPEALING REGIONAL RENTAL MARKET IN POLAND, WITH THE LEASED OFFICE SPACE REACHING 201,000 SQ M IN 2023, THE HIGHEST AMONG REGIONAL OFFICE DESTINATIONS.

Simultaneously, there is a shift in the composition of take-ups, with a growing proportion of renegotiations outweighing new contracts. In previous years, new agreements held the largest share in the lease structure. However, in 2023, renegotiations represented 47% of leased

space (over 95,000 sq m), while new agreements made up more than 45% of the transaction volume, and expansions accounted for only 8%. **THIS INCREASE IN RENEGOTIATIONS SUGGESTS THAT COST REDUCTION, ESPECIALLY REGARDING RELOCATION AND ADJUSTMENT TO NEW OFFICE SPACES, CONTINUES TO BE SIGNIFICANT FOR TENANTS.**

The significant increase in new supply to the market during the last quarter of 2023 led to a rise in the vacancy rate to 19.8%. This marks a 1.1 pp. increase compared to the previous quarter and a 3.8 pp. increase compared to the same period in 2022.

IMPORTANTLY, THE LIMITED AMOUNT OF NEW SUPPLY

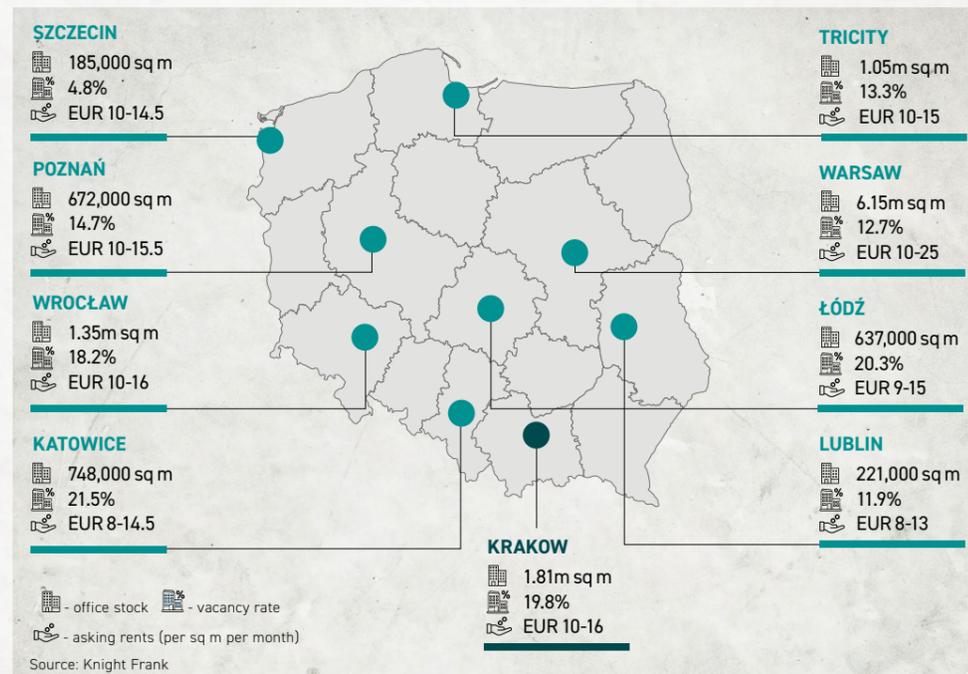
PLANNED FOR DELIVERY IN 2024 IS EXPECTED TO CONTRIBUTE TO A DECREASE IN VACANCY RATES IN THE UPCOMING QUARTERS.

The rental rates for office space in Krakow remained stable. Prime office buildings in Krakow typically commanded rates between EUR 12-16/sq m/month but in prime office buildings in the city center under construction, they could reach as high as EUR 18/sq m/month. Rates in secondary schemes were lower, ranging from EUR 10 to 14 /sq m/month.

Nonetheless, tenants are facing a growing financial strain due to rising service and utility prices, leading to an increase in service charges. As of the end of December 2023, these charges ranged from PLN 16-29/sq m/month.

The abundance of available office space may prompt tenants to initiate rent and incentive renegotiations. Conversely, escalating expenses related to construction loans could potentially constrain developers' negotiating power, particularly in newly completed buildings and those under construction.

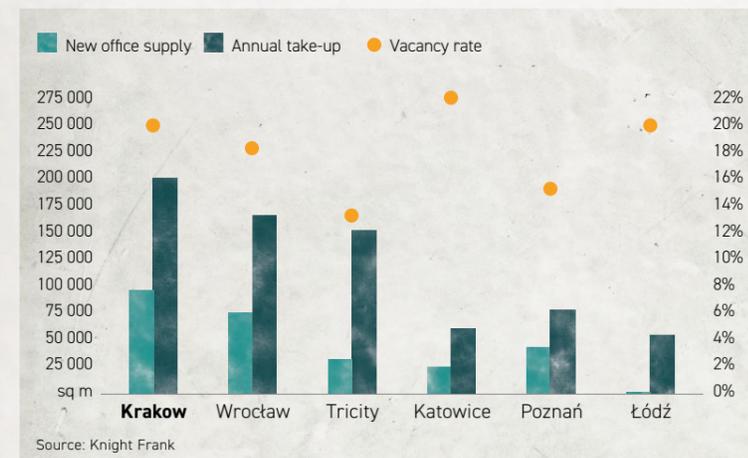
Major Office Markets in Poland (2023)



— As long as we all gathered here
As long as coach is a coach,
Shaft is a shaft and horse is a horse,
As long as waters of Vistula are flown,
In every village, in every town
There will be always, always viable
Maybe the last one, the less comfortable:
ENCHANTED CARRIAGE
ENCHANTED COACHMAN
ENCHANTED HORSE.

"The enchanted carriage" - Konstanty Ildefons Głowacki, 1946

New office supply, annual take-up and vacancy rates in major regional markets in Poland (2023)



Retail market in Krakow

The modern retail space market in Krakow continues to prosper, even in the face of a challenging macroeconomic environment. Despite reduced consumer spending and a slower retail sales growth due to high inflation, modern shopping centres have shown resilience, with increased turnover and footfall in 2023 compared to 2022. Additionally, the Krakow modern retail market benefits from the strong financial position of Cracovians, who earn well above the national average. The city also boasts one of the lowest unemployment rates in the country.

THE MODERN RETAIL STOCK MARKET IN THE KRAKOW AGGLOMERATION IS WELL DEVELOPED, WITH A TOTAL OF APPROXIMATELY 630,000 SQ M, RANKING IT AS THE SIXTH LARGEST MARKET IN POLAND. The stock of modern space remained stable in 2023, with no new supply during the year. This trend aligns with the nationwide focus of recent years on small and medium-sized cities, where market saturation is lower and site accessibility is higher, drawing developers' interest away from larger agglomerations. Consequently, out of the nearly 420,000 sq m of modern retail stock introduced to the market in 2023 across Poland, only 20% was located in the largest agglomerations.

The latest additions to modern retail schemes in Krakow included two retail parks introduced to the market in 2022: Atut Ruczaj comprising 25,000 sq m and Atut Galicyjska comprising 23,000 sq m, both developed by KG Group.

Currently, there is limited developer activity, with only 16,000 sq m under construction in two schemes. The first involves the expansion of the existing Bonarka City Center shopping centre by an additional 4,200 sq m, while the second concerns Designer Outlet Kraków the first phase of which, comprising 12,000 sq m, is expected to be completed in 2025. Upon its completion, Designer Outlet Kraków will

become the second modern outlet centre in the Krakow agglomeration.

Developer reluctance to construct large shopping centres stems from a combination of factors, including the already quite strong saturation of modern retail space in Krakow agglomeration (amounting to 386 sq m/1,000 inhabitants by the end of 2023) and shifts in Poles' shopping habits, particularly the rise of online sales.

THE VACANCY RATE IN KRAKOW HAS BEEN ON A DOWNWARD TREND, REACHING 1.7% IN AUGUST 2023, DOWN FROM 1.9% IN AUGUST 2022. The vacancy rate in Krakow's shopping centres remains significantly

below the average for major Polish agglomerations. This is attributable to the positive market perception by tenants and the lack of new supply in 2023.

THE STRONG DEMAND FOR MODERN RETAIL SPACE IN KRAKOW IS EVIDENT, NOT ONLY FROM THE MULTITUDE OF ESTABLISHED BRANDS IN THE CITY BUT ALSO FROM THE INFLUX OF NEWCOMERS.



In 2023, the German brand Woolworth, which entered the Polish market in 2023, opened its first stores in Poland within the Atut Galicyjska retail park in Krakow.

Due to the favourable condition of the Krakow retail market, the monthly rents for the most desirable units (up to 100 sq m for the fashion sector) in the best shopping centres in Krakow remain stable, ranging between EUR 30 and EUR 75 per sq m. This level is comparable to other major agglomerations (excluding Warsaw). However, rents can vary significantly based on factors such as brand, size, type of facility, location within the facility, and the rental policy of the landlord.

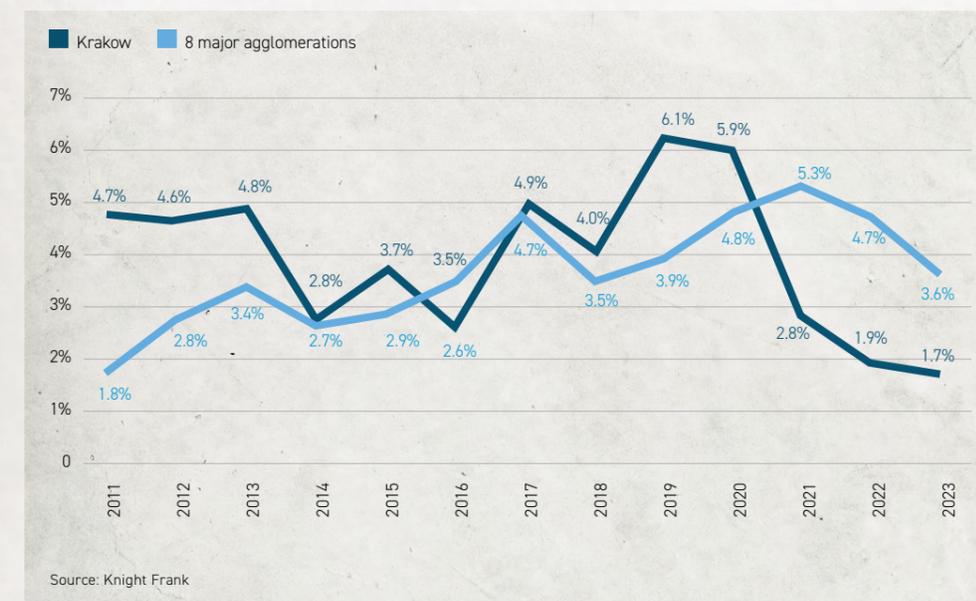
Modern retail stock in the 8 major agglomerations in Poland (2023)



The most characteristic Krakow baked good is the inconspicuous round obwarzanek. Traditionally they are sprinkled with salt, poppy seeds or sesame and more recently also cheese, black cumin and herbs. The production is still done by hand and the baker transforms the dough ball into a sulka - a finger-thick roll, then twists two or three of them together and connects their ends, forming a neat circle. After the dough has risen, it goes into a hot water bath and is boiled. Cooked rings are sprinkled with salt, poppy seeds or sesame seeds, and then baked.

The first mentions of the Krakowski Obwarzanek (Latin circinellos) come from 1394. From court accounts we find out that they were on the table of Queen Jadwiga.

Vacancy rate in the Krakow agglomeration (2011-2023)



Bake your own Obwarzanek!



Scan QR code for recipe

Warehouse market in Krakow

The warehouse market in Krakow is expanding steadily, although it remains one of the smallest areas for warehouse space in Poland. The high prices of industrial land and the proximity to Upper Silesia, which is the second-largest warehouse area in Poland, are impeding the development of the logistics and industrial sector in Małopolska. However, Krakow is gaining importance as a logistics destination due to its strategic location, robust domestic demand, and well-developed road infrastructure, which includes the A4 highway, as well as the S7 and S52 expressways.

By the end of 2023, the warehouse space in Krakow totalled 980,000 sq m, making up 3.1% of the total warehouse space in Poland. The city is on the brink of reaching the milestone of 1.0m sq m. Notable developers active in the logistics market in the Małopolska region are Panattoni Europe, 7R S.A., GLP Poland, and local players such as BIK.

The primary areas of warehouse space concentration are near the airport and in communities surrounding Krakow, including Skawina, Modlniczka, and Wieliczka. Additionally, locations to the east of Krakow, such as Targowisko, Niepołomice, and Rzeszawa, are also gaining increased attention as emerging destinations for warehouse space.

IN THE KRAKOW AGGLOMERATION REGION, DEVELOPERS EXPERIENCED AN EXCEPTIONALLY ACTIVE PERIOD, SETTING A HISTORIC RECORD FOR THE ANNUAL VOLUME OF NEW SUPPLY. IN 2023, NEARLY 170,000 SQ M OF MODERN WAREHOUSE SPACE WERE COMPLETED, MARKING A REMARKABLE 75% INCREASE OVER THE PREVIOUS YEAR.

New warehouse supply, annual take-up, vacancy rate in Krakow (2014 - 2023)



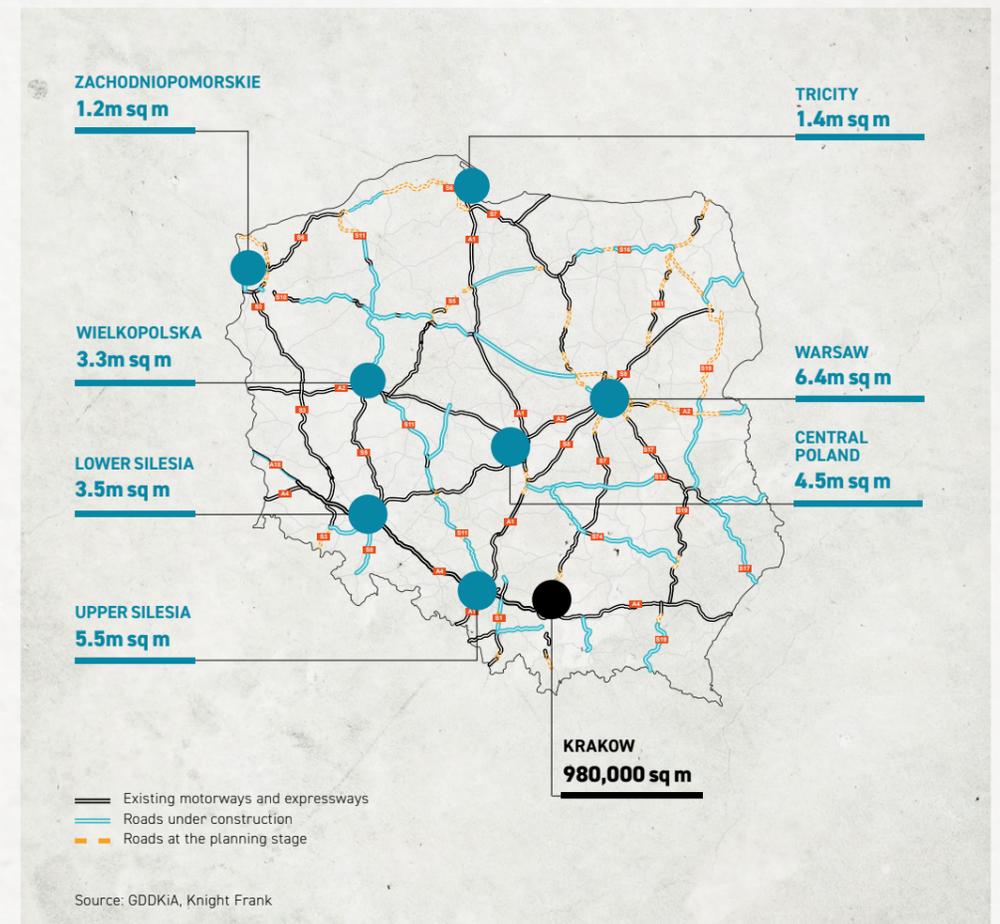
The new supply encompassed the completion of 8 projects, including one of the largest - a new hall at the MDC2 Park Krakow South warehouse complex in Skawina, covering an area of nearly 35,300 sq m.

Furthermore, the completion of the 7R City Flex Kraków Airport city logistics facility, comprising two buildings with a total area of 28,000 sq m, took place last year. Other newly completed facilities were situated within the administrative boundaries of Krakow, Modlniczka, and Skawina.

In 2023, developers in the Krakow warehouse real estate market maintained their robust development activity. By the end of December 2023, construction was underway for five buildings with a total area of 141,000 sq m. These investments include facilities built on a speculative basis, like City Logistics Kraków Airport II aimed at city logistics, as well as big-box projects for single tenants, such as Panattoni Park Kraków East IV. A noteworthy trend is the growing significance of constructing warehouses that are compliant with green certification standards, aligning with ESG (Environmental, Social, and Governance) principles. Warehouses under construction incorporate environmentally friendly solutions, including the installation of photovoltaic panels, LED lighting with intelligent systems, and motion sensors.

The dynamics in the Polish warehouse market are currently at a high level, leading to the third largest result ever recorded. In 2023, the total volume of leased warehouse space reached an impressive 5.6m sq m, with the Kraków market accounting for approximately 4% of this total. **IN THE CITY OF KRAKÓW, LOCATED IN THE MAŁOPOLSKA REGION, THE DEMAND FOR LOGISTICS SPACE HAS REMAINED CONSISTENTLY HIGH, WITH 231,000 SQ M BEING LEASED, MARKING THE SECOND HIGHEST VOLUME OF LEASED SPACE IN THE HISTORY OF THE LOCAL MARKET.**

Warehouse stock in concentration areas in Poland (2023)

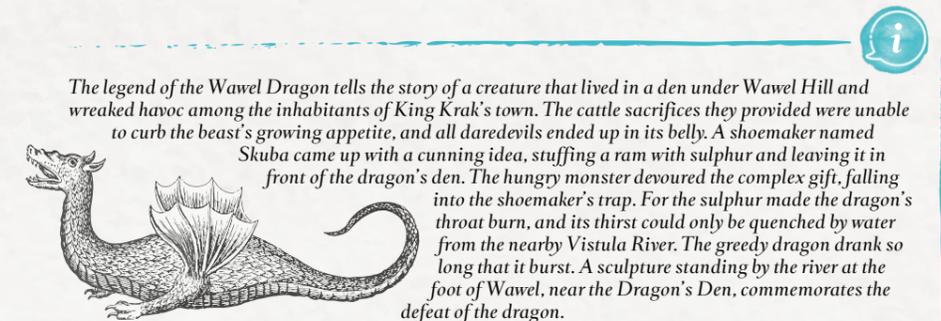


The high demand for modern warehouse space in Krakow, combined with the introduction of numerous commercial warehouse projects in 2023, has led to a significant decrease in the availability of warehouses in the region. By the end of Q4 2023, the space available for immediate lease was estimated to be less than 23,000 sq m.

CONSEQUENTLY, THE VACANCY RATE IN KRAKÓW'S WAREHOUSE MARKET STOOD AT A LOW LEVEL OF 2.4%.

Krakow continues to be one of the most expensive areas for consolidating warehouse space. After experiencing years of stability, asking rents in the warehouse sector have, without

doubt, risen in 2023. The monthly rental rates for warehouse space situated within the city's administrative boundaries now range from EUR 3.50 to 6.00/sq m/month. Furthermore, an increase in service charge rates across all projects is anticipated owing to the escalating prices of services and utilities.



The legend of the Wawel Dragon tells the story of a creature that lived in a den under Wawel Hill and wreaked havoc among the inhabitants of King Krak's town. The cattle sacrifices they provided were unable to curb the beast's growing appetite, and all daredevils ended up in its belly. A shoemaker named Skuba came up with a cunning idea, stuffing a ram with sulphur and leaving it in front of the dragon's den. The hungry monster devoured the complex gift, falling into the shoemaker's trap. For the sulphur made the dragon's throat burn, and its thirst could only be quenched by water from the nearby Vistula River. The greedy dragon drank so long that it burst. A sculpture standing by the river at the foot of Wawel, near the Dragon's Den, commemorates the defeat of the dragon.

Hotel market in Krakow

THE UNDENIABLE DRAW OF KRAKOW AS A TOURIST DESTINATION HAS BEEN UNDERLINED BY THE CONSISTENTLY HIGH INFLUX OF VISITORS TO THE CITY FOR A NUMBER OF YEARS. In 2019, this figure reached a record-breaking 2.7m, 49% of whom were foreign tourists. Despite a notable decline in tourist numbers during the pandemic, 2022 witnessed a significant recovery, the city welcoming nearly 2.3m tourists. This figure continued to rise, with tourist numbers reaching almost 2m in the first three quarters of 2023 alone, marking a 12% increase on 2022's comparable period.

Both domestic and foreign tourists have rediscovered the

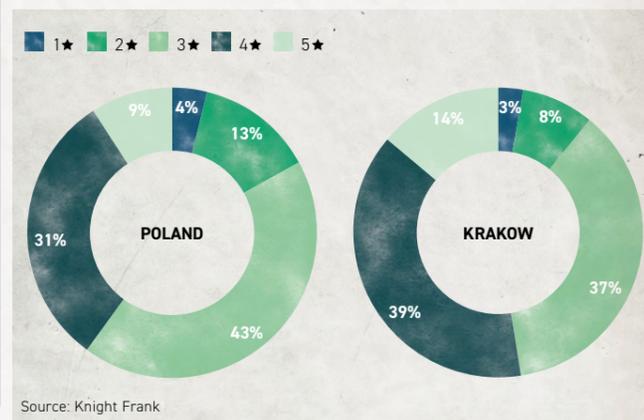
city, with the latter constituting 46% of visitors in Q1-Q3 2023. Notably, Krakow Balice Airport experienced the highest surge in passenger numbers among all airports in Poland during the first three quarters of 2023, recording 7.1m passengers, reflecting an increase of 864,000 from the same period in 2019.

THE IMPROVEMENT IN THE HOTEL MARKET IS EVIDENT FROM A SUPPLY PERSPECTIVE AS WELL. IN 2023, FOUR NEW HOTELS, TOTALLING 340 ROOMS, WERE INTRODUCED TO THE MARKET. These newly completed properties comprise the 3-star Meininger Krakow, 5-star Stradom Autograph Collection, 4-star The Crown, and 5-star Zinar Castle.

Krakow holds the distinction of being the second most visited city in Poland, drawing significant interest from both domestic and international tourists. Renowned for its rich history, cultural heritage, and diverse hotel offerings, Krakow is a vibrant MICE destination. Furthermore, as the second most important economic centre in Poland, next only to Warsaw, it serves as a focal point for businesses in sectors such as business services, new technologies, finance, IT, and telecommunications. This has contributed to the city's increasing appeal, presenting ever-improving prospects for the continued advancement of Krakow's hotel industry.

Furthermore, two additional hotels, totalling approximately 400 rooms, are currently under construction. This includes an Accor hotel, for which construction commenced in Q4 of 2023, and the 4-star Radisson RED Krakow, which

Structure of the hotel market in Poland and in Krakow (2023)



will form part of the Unity Center complex, offering 230 rooms. The opening of this development is scheduled for the first quarter of 2024. Moreover, numerous other hotel developments are in the early stages of planning.

At the end of 2023, Krakow boasted a total of 195 hotels, providing 14,400 rooms in total. Krakow leads in the number of hotels in Poland; however, Warsaw offers a higher number of rooms at 19,300, placing Krakow in second position.

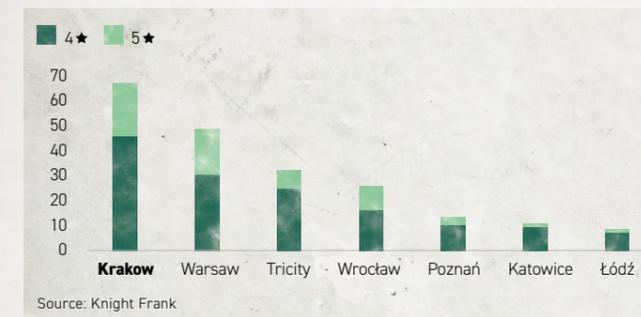
KRAKOW, AS A PROMINENT TOURIST DESTINATION, BOASTS THE HIGHEST NUMBER OF SMALL, LUXURY HOTELS IN POLAND. These establishments are primarily situated near the Old Town and the city's main tourist attractions. Consequently, chain hotels accounted for only 29% of the total number of hotels in Krakow at the end of 2023, the lowest share among Poland's major cities.



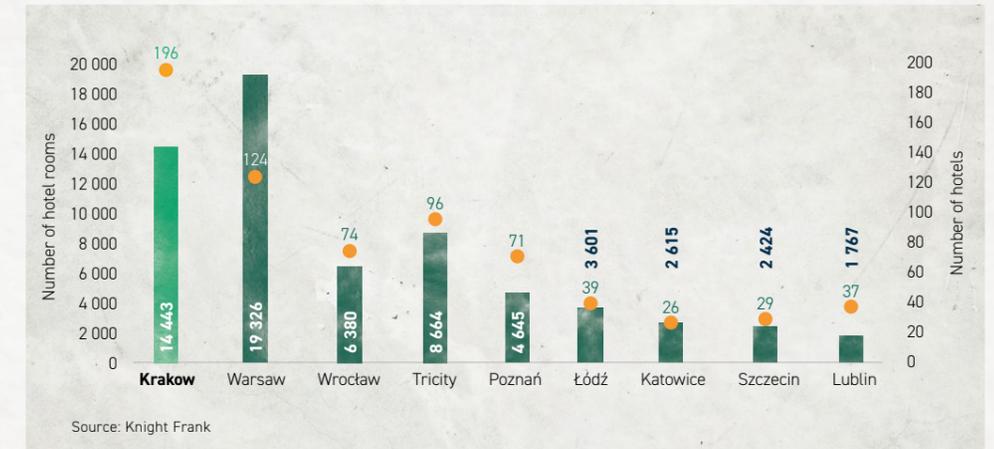
Almost 40% of Krakow's hotel rooms are to be found in establishments with a 3-star rating; however, at 14%, the share of 5-star rooms is one of the highest in Poland.

DESPITE THE INCREASE IN NEW SUPPLY IN 2023, OCCUPANCY RATES IN KRAKOW ROSE DUE TO THE GROWTH IN THE NUMBER OF TOURISTS.

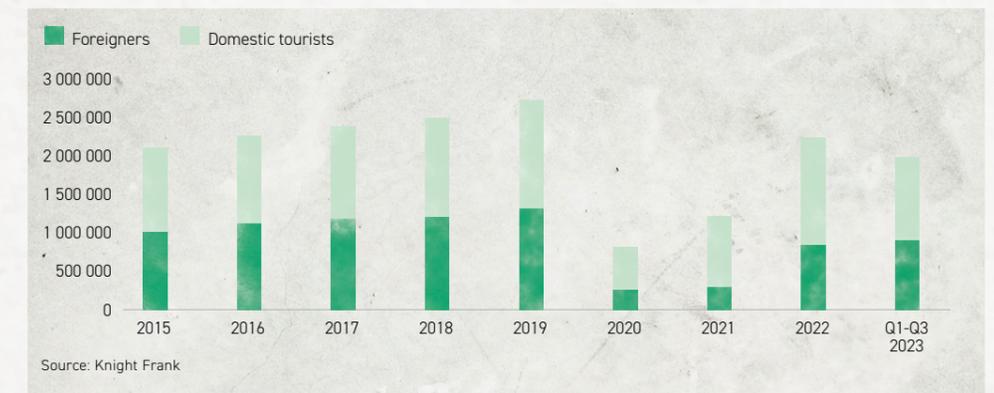
4-star and 5-star hotels in the largest Polish cities (2023)



Number of hotels and hotel rooms in major Polish cities (2023)



Number of overnight tourists in Krakow



The average occupancy rate in 2023 reached almost 68%, a notable increase from 2022 when it was at 60% yet remaining below the 2019 level of 76%.

The hotel sector continues to grapple with high operating costs,

attributable to significant surges in energy costs surpassing the inflationary growth in hotel operating income. This rise in operational costs was mirrored in an increase in ADR, which, coupled with growing occupancy, resulted in the growth of RevPAR.

BOTH ADR AND REVPAR IN 2023 EXCEEDED THEIR 2019 RESULTS, ATTESTING TO THE POSITIVE DEVELOPMENT OF THE LOCAL HOTEL MARKET.



Kosciuszko Mound in Krakow is one of five mounds located in the city. It was erected to commemorate Tadeusz Kosciuszko in 1823. The Mound is a favourite place for walks by residents of Krakow, and from its top, one can enjoy a beautiful view of the city and its surroundings.

Living sector in Krakow

In 2023, Poland's PRS witnessed a historic milestone, marked by the highest annual supply since the inception of the PRS market in the country. The dynamic real estate market and revailing socio-economic conditions are presenting new opportunities for further expansion of the living sector in Poland.

Krakow as an unquestionable educational powerhouse in Poland is also country's largest market for private dormitories. The city's rich academic tradition draws students from around the globe to its renowned higher education institutions, which consistently top the rankings in Poland.

PRS MARKET IN KRAKOW

With over 2,300 units, Krakow claims a 24% share of the PRS total stock among regional cities. This number is set to increase even further, with nearly 900 units planned for delivery in 2024, marking the highest annual new supply on the PRS market in Krakow to date.

In the past year, 700 apartments were completed across six projects, with the most significant developments being Osiedle Europejskie by AFI Home featuring some 220 apartments, Fredry III (150 units) by Heimstaden AB, and Greendustry (130 units) by Van der Vorm Vastgoed. As of the end of 2023, nearly 1,800 apartments were under construction, with

900 expected to be completed in 2024. The largest project currently under construction is R4R Kraków Romanowicza, which will boost Krakow's total stock by nearly 900 units by the end of 2025.

The key players in the PRS market in Krakow include Echo Investment, offering over 530 apartments, and AFI Home, with 410 apartments. Other significant entities with a notable number of PRS apartments in Krakow include Heimstaden AB, Lew Invest, Van der Vorm Vastgoed, and Fundusz Mieszkań na Wynajem.

THE SUBSTANTIAL NEW SUPPLY ENTERING THE MARKET IS A RESPONSE TO THE HEIGHTENED DEMAND FOR RENTAL HOUSING. In recent years, there has been a shift in

housing demand toward rental apartments due to limited supply in the residential sales market, reduced availability of mortgages, and escalating apartment purchase prices.

Furthermore, a generational shift is underway in Poland, reflecting changes in attitudes toward long-term liabilities. The demand

for rental properties is also driven by the availability of suitable locations for young working individuals, for whom purchasing apartments in these areas would be unfeasible.

Despite high demand, the substantial new supply introduced to the market in 2023 has resulted in an increase in the vacancy rate



As legend has it, in the 13th century, Henry IV Probus ascended the ducal throne and he desired to unite all Polish lands and be crowned king. The obstacle was a lack of money, and for help in getting it he went to a witch. She changed his knights into pigeons, which flocked to St Mary's Basilica. Pecked out of its walls by the birds, small stones fell and turned into gold coins. Delighted with his quick riches, the prince went to Rome to seek the support of the Pope. On the way he did not begrudge himself fun and other pleasures, spending all his money and not reaching Rome in the end. His faithful team is still waiting for him, enchanted in the form of Krakow pigeons.

in Krakow. By the end of Q4 2023, the rate was estimated at 6.5%, up from 1.7% at the end of 2022, and exceeding the country average of 3.1%.

NEVERTHELESS, DUE TO THE ONGOING STRONG DEMAND, THE SECTOR IS MARKED BY A RAPID PACE OF COMMERCIALIZATION, WITH THE MAJORITY OF APARTMENTS OFTEN BEING RENTED BEFORE THE PROJECT IS COMPLETED.

The substantial new supply and the rise in vacancy rate have led to a slight decrease in rental rates

in Krakow. In contrast to other regional cities, where rents have increased on average by 2-7% compared to the beginning of the year, rents in Krakow have decreased by 6-13%, depending on the size of the apartment.

Rental prices in Krakow are lower than in Warsaw but remain the highest among the regional cities. Currently, average prices in the Krakow PRS market range from PLN 2,400 for a studio to PLN 4,850 for a 2-bedroom apartment. The price is contingent on the size of the apartment and the level of furnishings.

STUDENT HOUSING MARKET IN KRAKOW

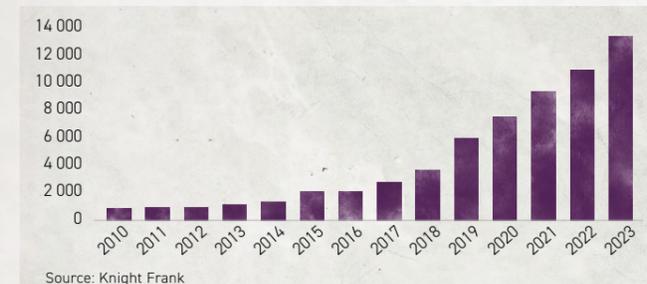
According to Statistics Poland, over 105,000 foreign students from 180 different countries studied in Poland in 2023, comprising about 8.6% of the total student population. The majority of foreign students originate from Ukraine and Belarus, with many others participating in the Erasmus program. **THE CONTINUOUSLY INCREASING NUMBER OF FOREIGN STUDENTS IN POLAND HAS REACHED THE EUROPEAN AVERAGE IN 2023,** clearly indicating a growing demand for student housing in the country.

AT THE END OF 2023, OVER 130,000 DOMESTIC AND FOREIGN STUDENTS WERE ENROLLED AT MORE THAN 20 UNIVERSITIES AND HIGHER EDUCATION INSTITUTIONS IN KRAKOW. As the city and its

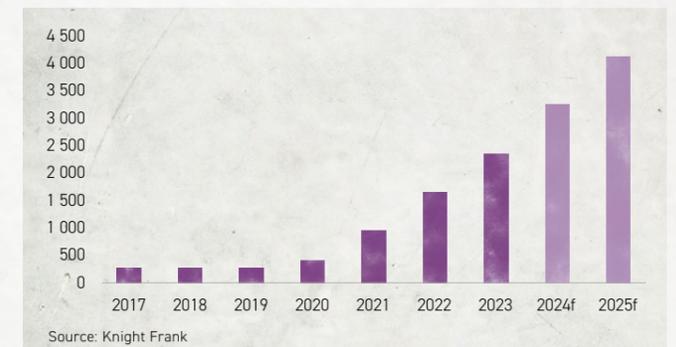
universities continue to develop, Krakow will undoubtedly remain an attractive destination for ambitious students worldwide, solidifying its position as one of the most important academic centres in Poland.

Purpose Built Student Accommodation (PBSA) facilities in Poland offered over 13,000 beds by the end of 2023, marking a substantial increase from 900 in 2010. **THE MARKET HAS EXPERIENCED ACCELERATED GROWTH IN RECENT YEARS, WITH THE HIGHEST ANNUAL NEW SUPPLY ON RECORD IN 2023, REACHING ALMOST 2,500 NEW BEDS.** Given the high demand and the market being in its early stages of development, there are plans to introduce a new supply of up to 5,000 beds within the next 3 years.

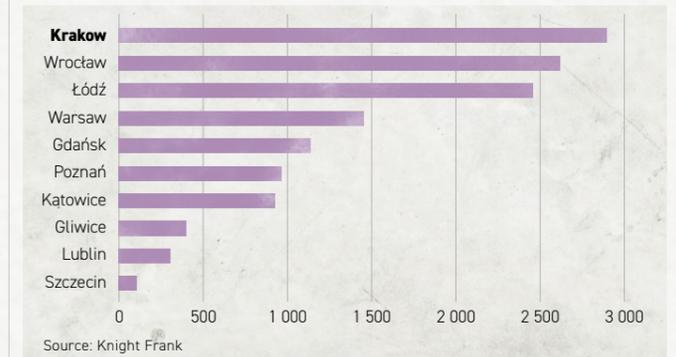
Number of beds in PBSA in Poland (2010 - 2023)



Total stock of PRS apartments in Krakow (2017 - 2025f)



Number of beds in PBSA by location



In Krakow, there are seven PBSA (PBSA) facilities, offering a total of almost 3,000 beds. In 2023 alone, nearly 900 beds were completed, accounting for 30% of the total student housing stock in the city. **COMPARED TO OTHER POLISH CITIES, KRAKOW HAS THE HIGHEST NUMBER OF BEDS IN STUDENT ACCOMMODATION, SURPASSING WROCLAW (2,600 BEDS) AND ŁÓDŹ (2,400 BEDS).**

THE DEMAND FOR STUDENT HOUSING IN KRAKOW IS VERY HIGH, WITH AN OCCUPANCY RATE CLOSE TO 100%. THIS STRONG DEMAND IS DRIVEN BY SHORTAGES IN HOUSING STOCK AND A LARGE STUDENT POPULATION.

Despite approximately 15,000 beds offered by public institutions and an additional 3,000 in PBSA, the number of beds per student

is as low as 0.14. This indicates the robust demand for student accommodation in Krakow and highlights the need for further development in the city's housing sector.

The rental prices in private dormitories in Krakow can vary significantly due to differences in the standard of the facilities. Typically, prices for student accommodation range between PLN 1,700-2,500 month/bed in a studio, and between PLN 1,000-1,800 month/bed in a three-bedroom apartment.



Investment market in Poland

Limited investor activity can be attributed to high interest rates, tight credit conditions, and an uncertain economic outlook. However, **A REVIVAL IN COMMERCIAL REAL ESTATE INVESTMENT IN POLAND IS EXPECTED IN THE LATTER HALF OF 2024, ALIGNING WITH PROJECTED DECREASES IN INFLATION AND EUROZONE INTEREST RATES.**

Investors are currently employing a highly selective approach to acquisitions, showing preference for new constructions in prime locations with the potential for rental income growth. Additionally, in 2023, there were only three transactions exceeding EUR 100m in value. This trend aligned with limited access to financing, high interest rates, and

reduced willingness to accept high capital concentration due to lower risk tolerance.

WAREHOUSE AND LOGISTICS FACILITIES REMAIN THE MOST LIQUID SECTOR, EXPERIENCING ROBUST DEMAND SINCE THE BEGINNING OF THE PANDEMIC.

The investment share in this sector surged from 18% in 2019 to 49% in 2020. In 2023, the total value of warehouse transactions reached nearly EUR 966m, representing 47% of the total investment volume.

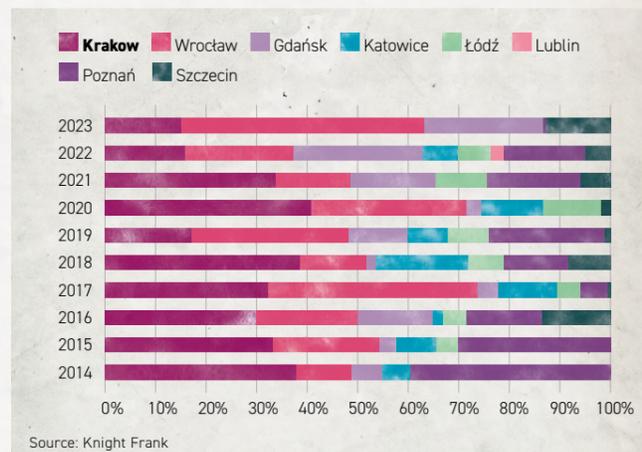
The office sector's share of total investment has declined to its lowest level since 2001, reflecting uncertainties about future demand and limited access to debt. Retail investment remains low, mainly

In 2023, EUR 2bn was spent on the Polish commercial real estate market, marking a 64% decrease from the previous year and representing the lowest investment level since 2010. This period was defined by reduced liquidity, a decline in the average transaction volume, and an increase in yields. Specifically, Krakow saw four transactions totalling EUR 80.4m, significantly down from the EUR 268.8m generated by nine transactions in 2022. Despite the market's numerous challenges, potential opportunities continue to exist in certain sectors, notably residential, as evidenced by recent transactions in Krakow.

involving smaller-scale facilities in secondary cities. Notably, the transaction volume in the PRS and PBSA sectors reached a record

9% of the total, nearly EUR 182m, with the largest hotel transaction since 2019 marking a return to pre-pandemic levels.

Investment volume by city



Source: Knight Frank

Investment transaction volume in Poland (EUR bn)



Source: Knight Frank

KRAKOW, HAVING ATTRACTED NEARLY EUR 4BN IN INVESTMENTS OVER THE PAST DECADE, IS EMERGING AS POLAND'S LEADING COMMERCIAL REAL ESTATE MARKET OUTSIDE OF WARSAW.

The office sector has drawn in over EUR 2.3bn in the past decade, highlighting Krakow's prominence on the national office market map. The most recent significant office transactions in Krakow occurred in 2022 and involved Cavatina selling two schemes, Tischnera Office and Ocean Office Park A, to Lone Star Funds for a combined price of EUR 98.7m. In 2023, there were no primary office transactions in either Krakow or Poland as a whole. However, the sole office transaction outside Warsaw in 2023 occurred in Krakow, involving a small office building of approximately 2,000 sq m on Sosnowiecka street. Throughout

2023, yields continued to rise, reaching 6% for prime office schemes in Warsaw, while yields for prime assets in regional cities grew markedly.

The warehouse sector in Krakow remains constrained in scale due to the lack of suitable sites, leading to a limited number of investment transactions. Over the past three years, only four transactions have been recorded in the Krakow area, with none occurring in 2023. One of the more recent significant deals is the forward purchase by Generali of the 90,000 sq m MDC2 Park Krakow South project in Skawina, in 2022. MDC2. Similar to other sectors, yields for warehouse assets increased throughout 2023, estimated to be around 6.50%-6.75% for prime multi-tenant warehouses located in the main concentration areas in Poland by the conclusion of 2023. The retail investment landscape is primarily characterized by small-



scale facilities in smaller cities. Krakow being the second largest city in Poland and well-saturated with retail space, has not seen any retail transactions since 2018. In 2023, the total retail investment volume in Poland dropped to EUR 430m from over EUR 2bn in the previous year. Yields for retail parks ranged between 7.00%-8.00% and, due to the absence of prime transactions, estimates for yields for prime shopping centres currently hover around 6% based on prevailing sentiment.

The combined transaction volume in the PRS and PBSA sectors in 2023 reached nearly EUR 182m, with 43% of these involving properties in Krakow. The most

substantial deals included Heimstaden Bostad's acquisition of 430 units at Moko Botanica in Warsaw for EUR 56m and Bain Capital Credit's purchase of the Youniq/Joyn private dormitory in Krakow for EUR 55m.

THE PRS AND PBSA SECTORS, KNOWN FOR THEIR COUNTERCYCLICAL NATURE, ARE ANTICIPATED TO DEMONSTRATE RESILIENCE DUE TO STRONG FUNDAMENTALS SUCH AS SUPPLY SHORTAGES AND HIGH DEMAND. THE NOTABLE TRANSACTIONS IN THESE SECTORS HIGHLIGHT THE SUSTAINED INVESTOR INTEREST IN THESE MARKETS.

The Lajkonik, also known as Tartarzyn or Konik zwierzyniecki, walks the streets of the Old Town, brings smiles to the faces of adults and children. The tradition dates back to the 13th century, when brave raftsmen, locally known as włóczkowie, killed Tartars sleeping near the village of Zwierzyniec and thus saved the inhabitants of Krakow from attack. According to tradition, being touched by the Lajkonik's mace and stocking up on good luck for the whole year!

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