Kraków

KRAKOW REAL ESTATE MARKET 2018

Krakow, 2019

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ABOUT KRAKOW

THE CITY IS CONSTANTLY DEVELOPING AND ITS POPULATION IS CONTINUING TO GROW

Krakow enjoys the unflagging interest of tourists, and many students choose Krakow to become their place of residence and work after graduation.

769,500
RESIDENTS

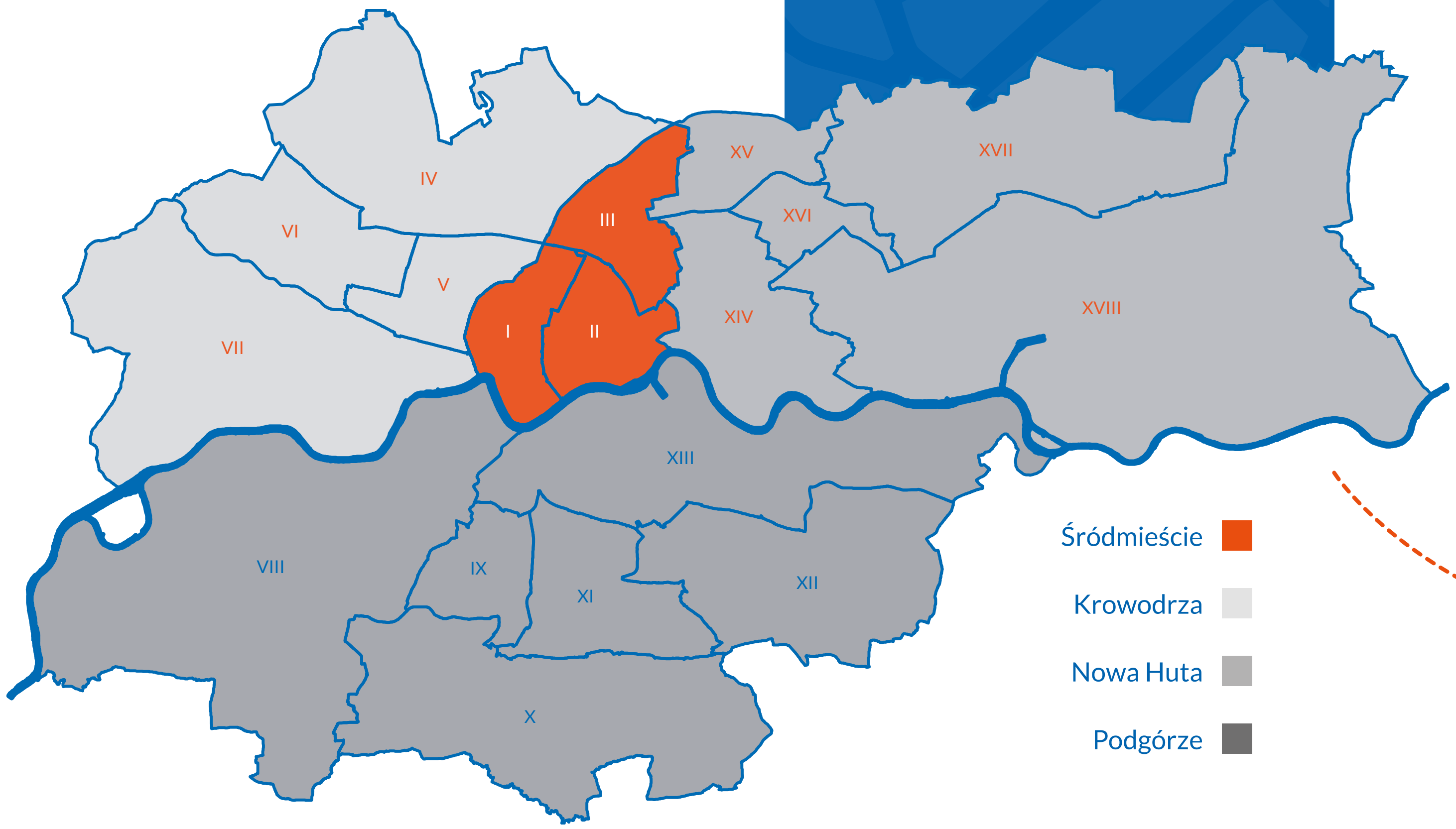
327 KM²
(sic: $327\ km^2$)

2,353
PERSONS PER KM^2

1.46%
RATE OF NATURAL INCREASE

1,337
INTERNAL MIGRATION BALANCE

KRAKOW – ADMINISTRATIVE DISTRICTS



22
HIGHER EDUCATION UNITS
including 5 universities

144,000
STUDENTS
including 40,000 in higher technical schools

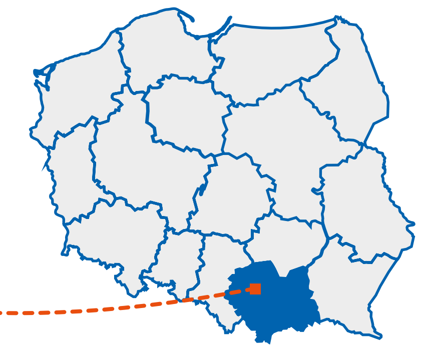
49,000
GRADUATES
including 15,000 in technical schools

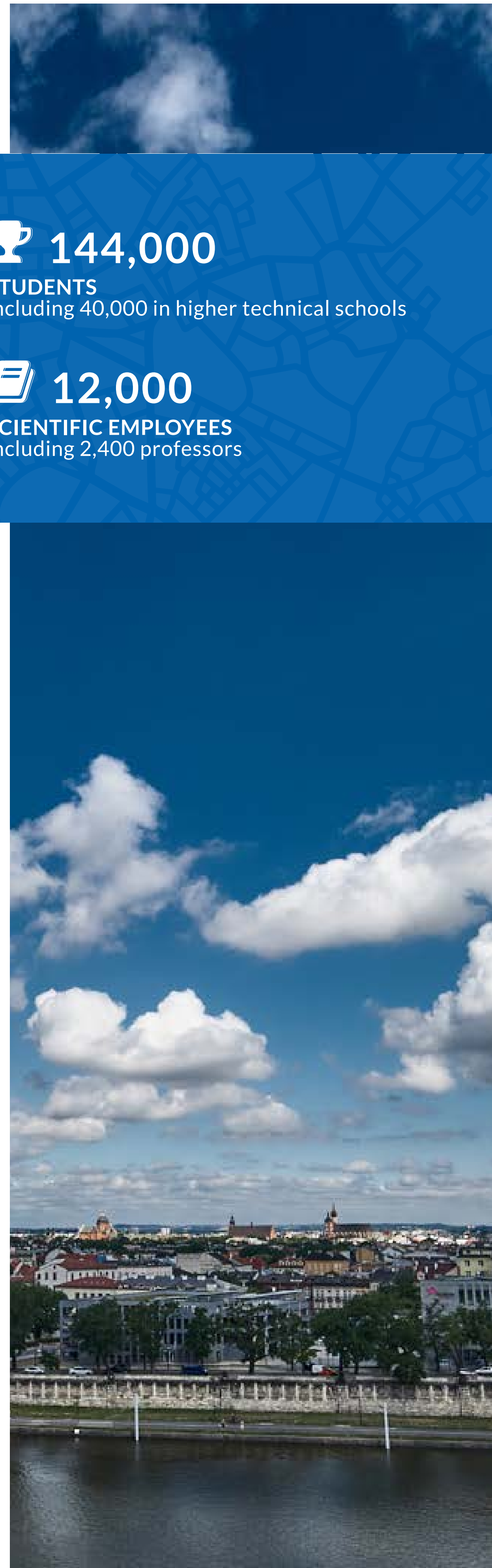
12,000
SCIENTIFIC EMPLOYEES
including 2,400 professors

KRAKOW IS ONE OF THE MOST IMPORTANT RESEARCH AND ACADEMIC CENTERS IN POLAND.

The graduates of Krakow universities make up approx. 70% of the employees of the modern business services sector, including modern technologies and the research and development sector. The high quality of teaching translates into Krakow's high position in economic rankings and on the labor market.

Krakow is home to the headquarters of the National Science Center, the seat of the Polish Academy of Sciences and a branch of the Polish Academy of Sciences with 21 institutes and laboratories.





ABOUT KRAKOW

According to the CBRE „EMEA Tech Cities" ranking, the city was ranked 3rd in Europe in the „Growth Clusters" category, i.e. cities with the largest growth potential in the technology sector.

66% INCREASE IN EMPLOYMENT IN THE HI-TECH SECTOR IN 10 YEARS

In the modern business services sector – Krakow ranked 1st in Poland and 6th in the world (according to the Tholons Services Globalization „City Index 2018" ranking).

Our city took second position in the category of big cities in the European Cities and Regions of the Future Financial Times – FDi Magazine ranking – in terms of attractiveness for business. Krakow was also among the top ten ranking positions of the cities of the future. The high-quality human capital and good quality of life in the city gained special appreciation.

323 **76,000**

COMPANIES AND EMPLOYEES
in the modern business services sector (SSC, BPO, IT, R & D, etc.)

Source: Aspire

MORE THAN 500 EVENTS
related to startups and technology take place in Krakow each year, and the top projects of this type have already attracted investments worth over PLN 500 million to the city

Source: report „Polish Startups 2017"

Krakow is one of the largest start-up centers in Poland thanks to the activities of venture capital funds, the cooperation of businesses, universities and innovation incubators.

Business meetings are an important goal of business trips to Krakow. More than 6,000 events: conferences and congresses, corporate events and fairs, are held there annually.

THE SHARE OF GDP GENERATED BY THE MEETINGS INDUSTRY AMOUNTED TO 3.4% OF THE KRAKOW'S ECONOMY

Source: report „Meeting industry in Krakow 2017"

As a city with high academic potential, Krakow focuses on attracting events related mainly to modern technologies and science, especially medicine. The events take place in new facilities: ICE Krakow Congress Center, Tauron Arena Krakow and EXPO Krakow.

ICE KRAKOW WAS AWARDED 2ND PRIZE IN THE COMPETITION FOR THE BEST CONGRESS CENTER OF NEW EUROPE

ABOUT KRAKOW

The advantages of Krakow include its very well-developed hotel and restaurant infrastructure, rich offer of attractions and cultural events. The city attracts tourists with its beauty, unique atmosphere and a unique historic complex, including priceless architectural objects.

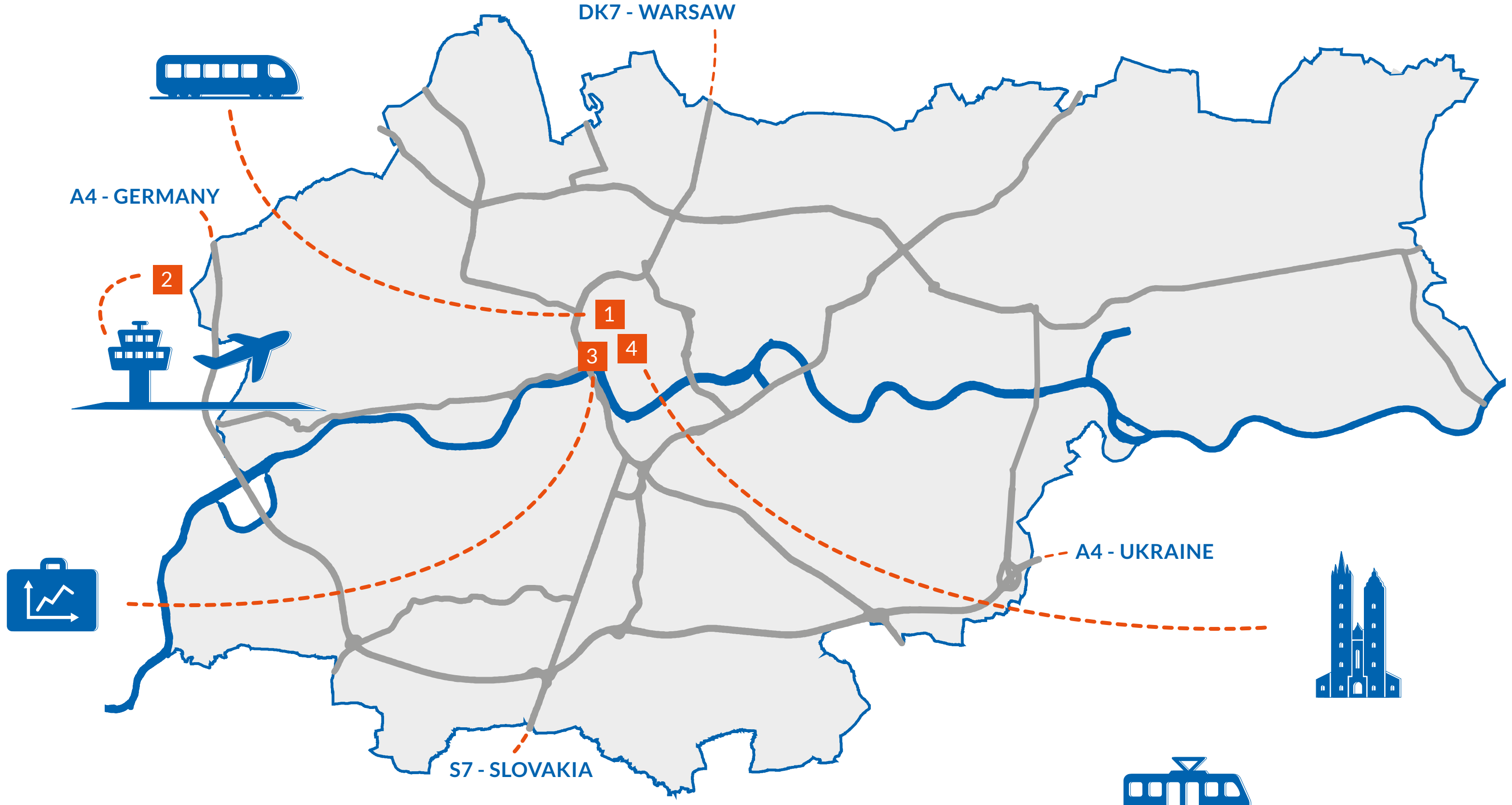
CNN TRAVEL PLACED KRAKOW AT THE HEAD OF THE LIST OF THE MOST BEAUTIFUL PLACES IN POLAND

The area of the Old Town was inscribed on the 1st UNESCO World Cultural and Natural Heritage list in 1978, and in 2013 Krakow was granted the UNESCO City of Literature title.

Krakow is called the cultural capital of Poland. The Historical Museum of Krakow, the Wawel Royal Castle and the Saltworks Museum in Wieliczka are among an elite group of museums that have reached a yearly turnout of over a million visitors. Krakow is also a city of festivals. Every year, approximately 100 various festivals take place here, half of which are of international significance.

KRAKOW IS AMONG THE TOP 10 CITIES IN THE WORLD IN THE RANKING OF THE USERS OF THE GLOBAL TRIPADVISOR TOURIST WEBSITE

KRAKOW – MAIN ROADS, HIGHWAYS AND EXIT ROUTES



You can reach Krakow easily and quickly. It is located near the A4 motorway connecting the borders of Germany and Ukraine and near the A1 motorway from the Tricity area to the Czech border. The S7 express road in the north of the city connects Krakow, Warsaw and Gdansk. From the train station in the center you can take a train to the largest cities in Poland. ICE trains to Warsaw leave almost every hour, and the journey takes approximately 2.5 hours.

The Krakow International Airport is only 10 km from the city center and is the largest regional airport in Poland. From the center, the SKA train can reach the airport in 20 minutes, it takes 25 minutes by taxi, and approximately 40 minutes by an agglomeration bus.

In accordance with the policy of sustainable transport, public transport is being developed in the city with the use of „Park & Ride" car parks and bicycle transport. The fleet of public vehicles is constantly increasing with new electric vehicles being added.

Public transport includes: trams, buses and agglomeration railway.

The real estate market is a reflection of the growing economy of Krakow. Krakow is the largest regional office space market and has the largest number of categorized hotels in the country and occupies a leading position among Polish cities in terms of the number of dwellings completed.

You are kindly invited to read next analyzes describing the real estate market in Krakow.

Main Station 1

Krakow Airport 2

Investors and Innovative Economy Support Centre 3

Old Town 4

13.5 MILLION TOURISTS

6.77 MILLION PASSANGERS OF THE KRAKOW AIRPORT

PUBLIC TRANSPORT:

27 TRAM LINES

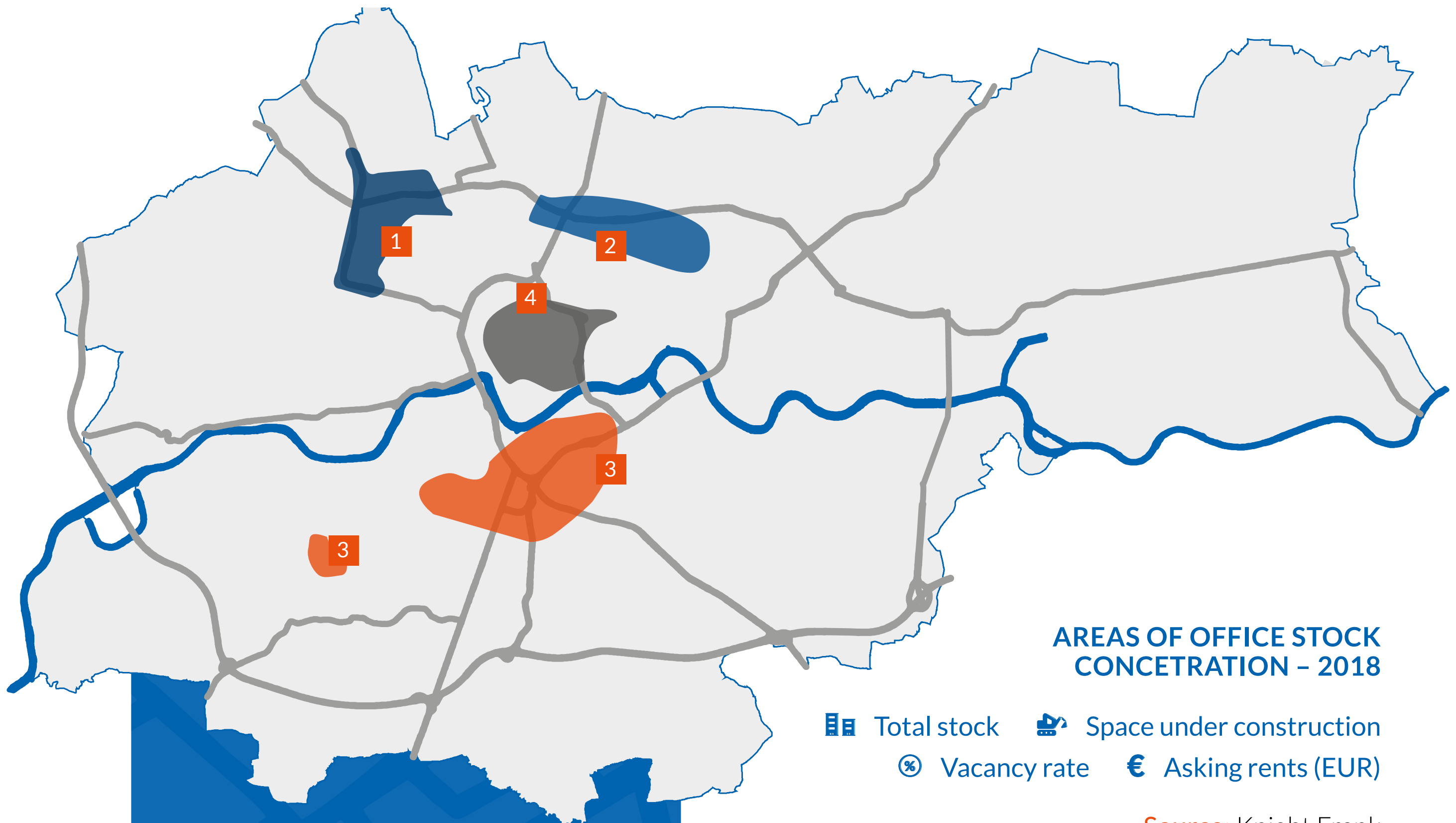
165 CITY AND AGGLOMERATION BUS LINES

FAST AGGLOMERATION RAILWAY (SKA)

1,500 BICYCLES CITY BIKE NETWORK „WAVELO"

OFFICE MARKET

Knight Frank



AREAS OF OFFICE STOCK CONCETRATION – 2018

Total stock · Space under construction · Vacancy rate · € Asking rents (EUR)

Source: Knight Frank

1 NORTH-WEST
- Total stock: 152,700 m²
- Space under construction: –
- Vacancy rate: 10.8%
- €: 11-13.5/m²/month

2 NORTH-EAST
- Total stock: 329,800 m²
- Space under construction: 10,000 m²
- Vacancy rate: 10.7%
- €: 12-14/m²/month

3 SOUTH
- Total stock: 510,300 m²
- Space under construction: 110,000 m²
- Vacancy rate: 4.7%
- €: 12-14.5/m²/month

4 CITY CENTRE
- Total stock: 182,300 m²
- Space under construction: 137,000 m²
- Vacancy rate: 2.7%
- €: 12.5-16/m²/month

Krakow is the most dynamically developing office market among major regional Polish cities. In 2018, the city maintained its leading position among regional markets in terms of existing stock and supply under construction, new supply and take-up. Despite the substantial new supply delivered in 2018, the vacancy rate did not increase, as might have been expected, thanks to record-breaking demand. The vigorous leasing activity, along with relatively stable asking rents, confirms the positive market sentiment.

Krakow with a total office stock of some 1.26 million m² is the leader among regional office markets in Poland. Nearly 85% of modern office space was located outside the city centre. In 2018, approximately 155,000 m² of new office supply was delivered, representing the second highest result in the history of the local market. The largest new developments included Equal Business Park C, O3 Business Campus, Podium Park A, and High5ive 1, together making up nearly 50% of new office supply (out of 19 projects).

Moreover, the investment boom in the office sector in Krakow shows little sign of slowing. At the end of 2018, approximately 260,000 m² in 16 projects was identified as being under construction, making up 28% of the total volume in the six largest regional markets in Poland. In 2018, developers commenced the construction of new developments offering over 100,000 m² of office space in total. These included both extensions of existing office complexes (DOT Office, High5ive) and new investments (Tischnera Office). Approximately 60% of the space under construction is scheduled for completion in the first half of 2019.

1.26 MILLION M²
TOTAL MODERN OFFICE STOCK
155,000 M²
new supply in 2018

260,000 M²
OFFICE STOCK
under construction
177,000 M²
planned to be completed in 2019

108,000 M²
OFFICE SPACE
available for lease

Thanks to 2018's strong recorded demand, the significant volume of new supply did not translate into what might have been an expected increase in the vacancy rate. At the end of the previous year, 110,000 m² of office space was available for lease in the city, which represented 8.6% of the local office stock. The vacancy rate decreased by 2 pp. q/q and 1.2 pp. y/y. In the upcoming quarters fluctuations in the vacancy rate are expected due to the completion of a significant scheduled new supply, which is unlikely to be fully leased upon completion.

OFFICE MARKET

2018 saw high tenant activity in Krakow and was a record-breaking year in terms of take-up. Lease agreements amounting to some 209,000 m² were signed in 2018, representing 34% of the total leased space in the largest regional markets. The 2018 result was 20% higher than the five-year average take-up.

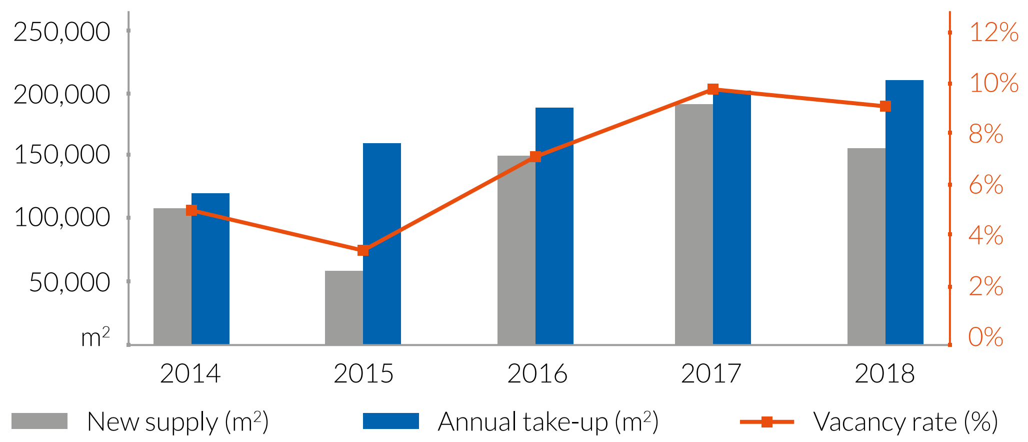
EUR 13.5-16/M²/MONTH
RENT RATES
for A-class office

8.6% VACANCY RATE

The high office demand in Krakow has been driven mainly by companies from the BPO/SSC sector and IT companies. In terms of lease type, the highest share was renewals (34%) and new agreements in existing buildings (31%). Approximately 22% of leased space was the subject of pre-let agreements, and the remaining 13% constituted expansions.

Asking rents in Krakow have remained stable in most buildings. Rent rates for A-class office space ranged from EUR 13.5–14.5/m²/month, however, a few buildings in the city centre were quoted at EUR 16/m²/month. Asking rents in B-class buildings ranged from EUR 10 to 13/m²/month. Effective rents remained about 15-20% lower than asking rates.

NEW SUPPLY, ANNUAL TAKE-UP AND VACANCY RATE IN KRAKOW (2014-2018)



Source: Knight Frank

OFFICE MARKET IN POLAND

Total stock
Vacancy rate
Asking rents (EUR)

Major office markets
Developing markets

1 WARSAW
5.46m m²
10%
€ 9-24/m²/month

2 KRAKOW
1.26m m²
8.6%
€ 10-16/m²/month

3 WROCŁAW
1.05m m²
9.1%
€ 10-16/m²/month

Source: Knight Frank

4 TRICITY
775,000 m²
6.1%
€ 10-14.5/m²/month

5 KATOWICE
519,000 m²
8.8%
€ 10-14.5/m²/month

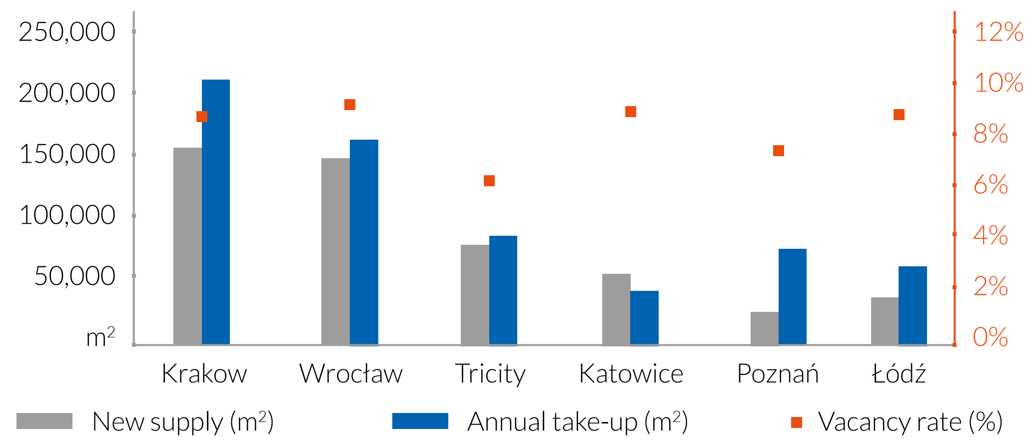
6 POZNAŃ
479,000 m²
7.3%
€ 10-15/m²/month

7 ŁÓDŹ
469,000 m²
8.7%
€ 9-14/m²/month

8 LUBLIN
194,000 m²
15.4%
€ 8-13/m²/month

9 SZCZECIN
159,000 m²
5.1%
€ 9-15/m²/month

NEW SUPPLY, ANNUAL TAKE-UP AND VACANCY RATE IN MAJOR REGIONAL MARKETS – 2018



Source: Knight Frank

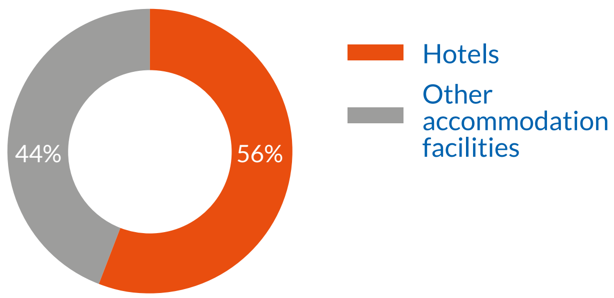
HOTEL MARKET

Knight Frank

AMONG POLISH AND EUROPEAN TOURISTS, KRAKOW IS KNOWN TO BE ONE OF THE BEST DESTINATIONS FOR A CITY BREAK. EVERY YEAR, THE CITY ATTRACTS THOUSANDS OF VISITORS, AND THEIR NUMBER IS CONTINUALLY INCREASING

According to Małopolska Tourist Organisation data, in 2018 the number of tourists visiting Krakow reached 13.5 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 hotel sector in the city. The strong position of Krakow on the tourist map of Poland is further supported by its hosting and organizing of international events (conferences, congresses, trade fairs, corporate and incentive events). According to the Poland Convention Bureau, Krakow was the second most popular Polish city for meetings in 2017. Moreover, the ever-improving transport infrastructure and growing network of airline connections with Krakow are also factors which underline the city's attractiveness. In 2018, Krakow's Balice Airport served nearly 6.8 million passengers, almost 1 million more than in the previous year. Krakow Airport began hosting four new airlines in 2018: Flydubai, Laudamotion, Transavia and Blue Air, which directly connect Krakow with Dubai, Vienna, Eindhoven and Turin respectively.

STRUCTURE OF THE ACCOMMODATION MARKET IN KRAKOW



Source: Knight Frank

BASED ON THE NUMBER OF OFFICIALLY CATEGORISED HOTELS, KRAKOW, WITH ITS 171 HOTELS, SITS IN 1ST PLACE IN POLAND

Due to its ever-growing visitor numbers, 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 171 officially categorised hotels of 1- to 5-stars operating in Krakow at the end of 2018.

Krakow provides the largest number of such officially categorised hotels compared to other cities in Poland. At the end of 2018, the total supply of categorized rooms in the city stood at 11,364 units.

THE LOCAL MARKET BENEFITS FROM THE LARGEST NUMBER OF SMALL, LUXURY HOTELS COMPARED WITH OTHER REGIONAL POLISH CITIES

NEW HOTELS IN 2018

★★★★
Puro Krakow Kazimierz
228 rooms

★★★★
Metropolo Krakow by Golden Tulip
220 rooms

★★★★
Garden Square Hotel
73 rooms

★★★
B&B Hotel Krakow Centrum
130 rooms

★★★
Hotel 32
32 rooms

75% – AVERAGE HOTEL ROOMS OCCUPANCY RATE IN 2018

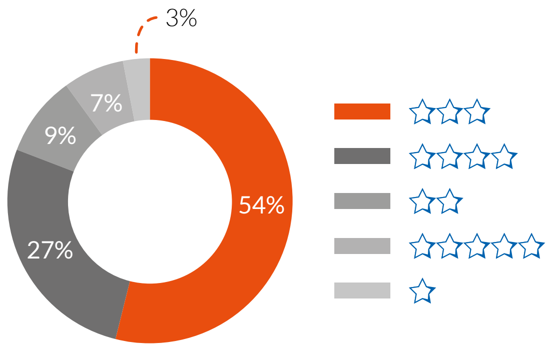
In terms of number of buildings, the hotel stock in Krakow is dominated by 3-star hotels, with a 54% share of hotel stock. However, in terms of number of hotel rooms, the largest share (40%) can be found in 4-star hotels.

HOTEL MARKET

According to the latest data provided by STR Global hotel rooms occupancy in Krakow in 2018 remained on a stable, high level. Throughout the year the monthly occupancy rate ranged between 51%-87%, resulting in 75% on average in 2018. June, August, September and October were months when occupancy exceeded 80%, and the only month with occupancy lower than 60% was January.

At the end of 2018, there were 9 hotel projects under construction in Krakow, set to offer 704 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.

STRUCTURE OF THE HOTEL MARKET IN KRAKOW



Source: Knight Frank

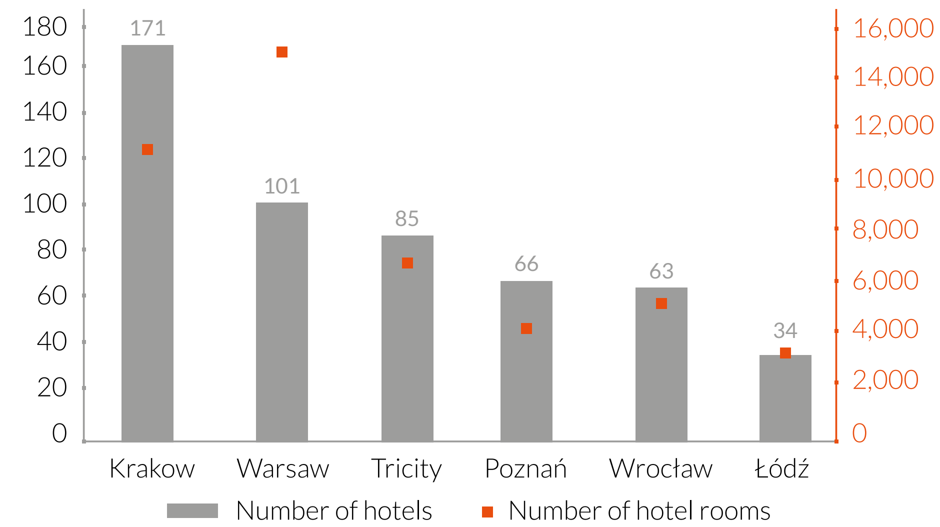
SELECTED HOTELS UNDER CONSTRUCTION

★★★★★	★★★★★	★★★★	★★★★	★★★★
Autograph Collection 125 rooms	**Ferreus Hotel** 71 rooms	**Radisson Red** 230 rooms	**Best Western Balice Airport** 153 rooms	**MGallery by Sofitel** 64 rooms

STRUCTURE OF THE HOTEL MARKET IN KRAKOW

	171 HOTELS	11,364 ROOMS
★★★★★	12	1,137
★★★★	46	4,628
★★★	92	4,447
★★	16	752
★	5	400

NUMBER OF HOTELS AND HOTEL ROOMS IN THE LARGEST POLISH CITIES



Source: Knight Frank

RETAIL MARKET

Knight Frank

Following a dynamic 2017, when the Serenada shopping centre was opened, 2018 brought a decrease in developer activity both in Krakow itself and in the wider agglomeration. No retail scheme was delivered to the market in the 12 months of 2018. Furthermore, there are only two projects under construction in the agglomeration, of which only one is located in Krakow. However, the interest of retail brands in the Krakow market has not weakened, which translated into a reduction in the volume of available retail space. Rental rates for prime retail units remained at a high level.

615,000 M²

MODERN RETAIL STOCK

15 retail schemes in Krakow
3 in the agglomeration

Although during the 12 months of 2018 no new retail scheme was opened in Krakow and its vicinity, the agglomeration maintained its sixth position on the list of largest retail markets in Poland. At the end of 2018, the area of modern retail stock in the Krakow agglomeration stood at 615,000 m². The volume in Krakow alone includes 15 retail schemes, diverse in terms of scale (both small local projects not exceeding 10,000 m² and large-scale centres reaching up to 90,000 m²) and range of services (convenience centres, outlet centres, and shopping centres with extended fashion and entertainment space). An additional 3 developments can be found in locations neighbouring Krakow, namely; Myślenice and Modlniczka. Due to its diverse structure, retail stock in Krakow is able to satisfy the needs of both local inhabitants and tourists, whose number has been growing annually.

SHOPPING CENTRES UNDER CONSTRUCTION: ATUT RUCZAJ, GALERIA WIELICZKA

At the end of 2018, two shopping centres of almost 50,000 m² were under construction in the Krakow agglomeration. Completion of approximately 7,000 m² (within ATUT Ruczaj in Krakow) is due at the beginning of 2019; the remaining 42,000 m² (within Galeria Wieliczka in Wieliczka) is expected by the end of 2020. Such a modest volume under construction in Krakow and its surroundings is likely to increase in the subsequent quarters of 2019 or 2020, following probable commencements of projects currently at the planning stage. One such project includes the reconstruction and modernisation of the Krokus shopping centre, with its planned connection to Serenada. Once the process is completed, the schemes and the neighbouring OBI DIY store, 12-room Multikino cinema and Aqua Park Krakow will create the largest retail and entertainment complex in this part of the city.

RETAIL STOCK UNDER CONSTRUCTION IS LIKELY TO INCREASE IN 2019 OR 2020, FOLLOWING COMMENCEMENTS OF PROJECTS CURRENTLY AT THE PLANNING STAGE

Cracovia Outlet is another anticipated retail scheme in Krakow. Almost 60,000 m² will be split between an outlet centre (21,000 m²) and a grocery hypermarket, DIY store, retail park and interior design store (almost 40,000 m² in total). The KG Group will deliver the complex at Nowohucka street, in close proximity to the M1 shopping centre, Selgros, and the Expo Krakow and Tauron Arena.

SATURATION RATIO

589 m²/1,000 inhabitants – agglomeration
740 m²/1,000 inhabitants – Krakow

At the end of 2018, the saturation ratio in the Krakow agglomeration remained steady at 589 m²/1,000 inhabitants (ranking 5th amongst Poland's 8 major agglomerations). Based on the saturation level, Krakow itself ranked sixth among major Polish cities, approaching 740 m²/1,000 inhabitants.

RETAIL MARKET

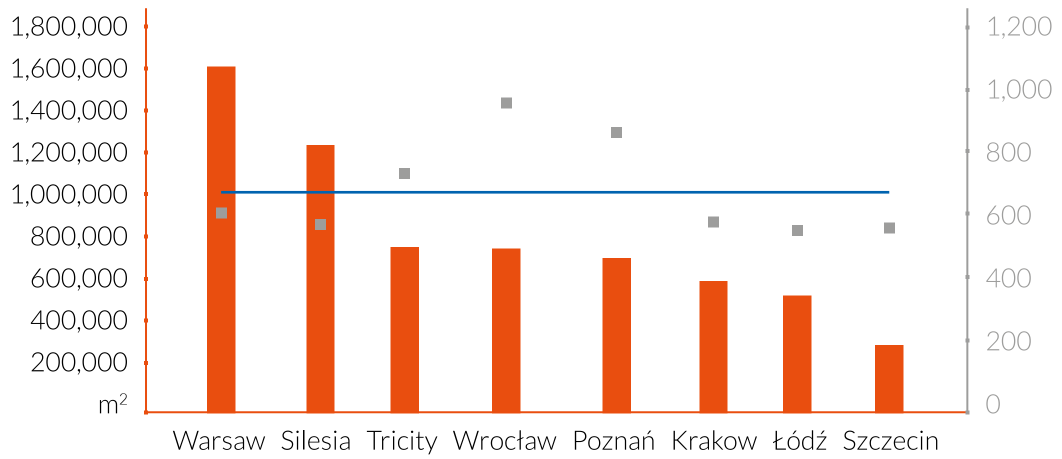
4% VACANCY RATE

EUR 35-70
asking rent in the best shopping centres

The vacancy rate in December 2018 in Krakow stood at 4%, a decrease of 0.9 percentage points over the previous 12 months. The vacancy rate was highly impacted on by OBI's lease of the large-scale DIY store vacated by Praktiker in the M1 shopping centre. The scale of the decrease in the ratio was, however, limited by some tenants vacating the Krokus shopping centre (due to its planned redevelopment) and relocating to the Serenada shopping centre.

Demand for retail space in Poland in 2018 showed no signs of weakening. Several new brands from the fashion/accessories sectors entered the Polish market in 2018, e.g.; Armani Exchange, Kocca, Bebe, San Marina and Saffiano. However, most of them opted for Warsaw shopping centres. In Krakow, the available retail space was absorbed by brands that already had a presence in the city.

RETAIL STOCK AND MARKET SATURATION IN THE MAJOR POLISH AGGLOMERATIONS (END-2018)

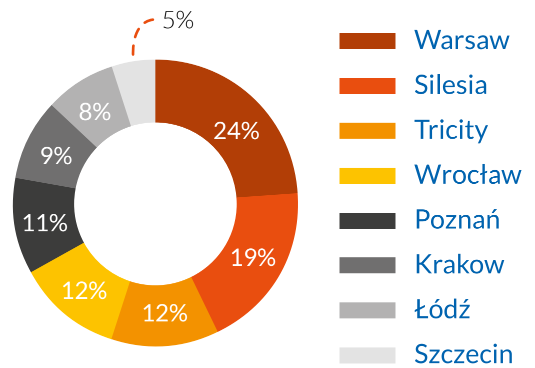


Source: Knight Frank

The lack of international debuts resulted mainly from the small supply of available premises in the best Krakow shopping centres.

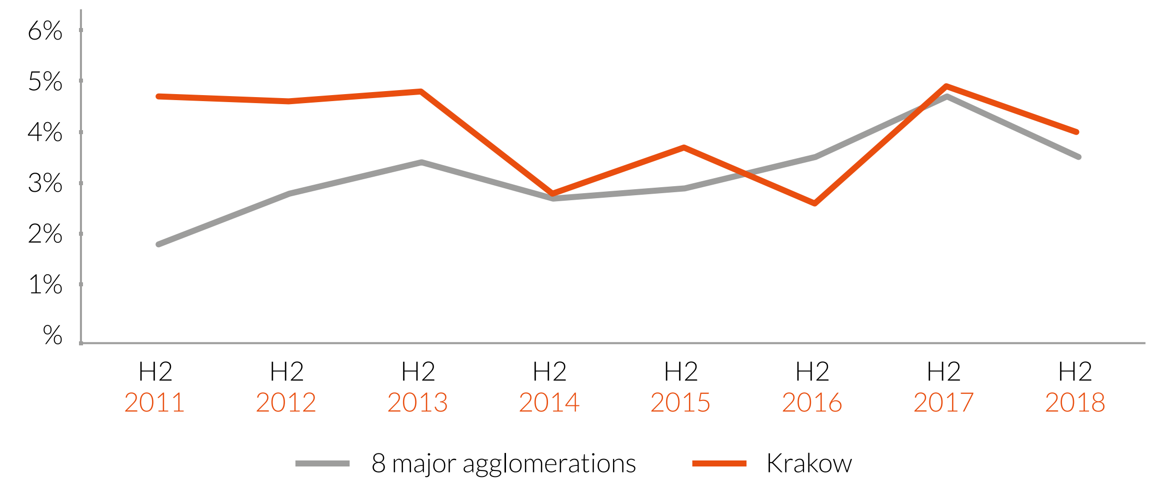
Monthly asking rents for the most attractive units (below 100 m^2, leased to the fashion sector) in the best shopping centres in Krakow varied between EUR 35–70/m^2/month, approaching levels registered in major agglomerations (excluding Warsaw). The rental rates depend mostly on the tenant's brand, the unit size, its location within the retail space, and on the landlord's rental strategy.

TOTAL RETAIL STOCK IN THE 8 AGGLOMERATIONS BY LOCATION IN 2018



Source: Knight Frank

VACANCY RATE IN KRAKOW AND MAJOR AGGLOMERATIONS (2011-2018)



Source: Knight Frank

WAREHOUSE MARKET

480,000 m²
modern warehouse stock in Krakow

45,500 m²
new supply in 2018

68,000 m²
under construction

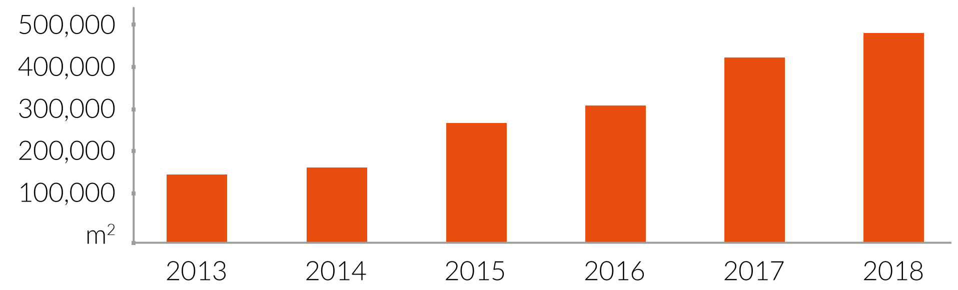
2018 SAW RELATIVELY HIGH DEMAND FOR WAREHOUSE SPACE IN KRAKOW COMPARED TO PREVIOUS YEARS

The same year saw developers deliver to the market schemes on a speculative basis, with the total stock in the region showing 13% growth. However, in terms of new supply, the Krakow warehouse market witnessed a slowdown in growth in 2018. Due to the limited new supply and high demand for warehouse space the vacancy rate fell significantly over the last year.

The warehouse market in Krakow is growing steadily, yet it remains one of the smallest in Poland in terms of existing stock. The region is conveniently situated close to the country's southern border, and it benefits from well-developed road infrastructure connecting various locations across Poland, as well as across Europe. Nevertheless, Krakow has relatively high prices for industrial land and is located close to Upper Silesia, Poland's second largest industrial hub, somewhat restricting rapid development in the warehouse sector in the Małopolska area.

At the end of 2018, the modern warehouse stock in Krakow was estimated at approximately 480,000 m², little more than 3% of Poland's total warehouse stock. Warehouse developments in the Krakow region are situated within the city's administrative boundaries, as well as in adjacent towns such as: Modlniczka, Skawina and Olkusz.

WAREHOUSE STOCK IN KRAKOW (2013-2018)



Source: Knight Frank

In 2018, a limited new supply was delivered to the market in Krakow, with only 45,500 m² of warehouse space for lease completed in the two projects developed by 7R Logistic and MR Logistic. Nevertheless, according to investor information, nearly 68,000 m² is currently under construction, to be delivered by the end of 2019 or in 2020, along with approximately 84,000 m² of logistics space which is at an advanced planning stage.

In 2018, the warehouse market in Poland overall achieved record-breaking results in terms of the volume of leased area, amounting to over 3.8 million m². In Krakow the share of this amounted to 88,000 m², making up approximately 2.3% of the warehouse transaction volume nationwide.

The warehouse market in Krakow saw a significant decrease in the vacancy rate, which fell to 8% at the end of 2018, a drop of 5 pp. compared to the end of 2017. The observed decrease was caused by the gradual absorption of available space in schemes delivered in 2017.

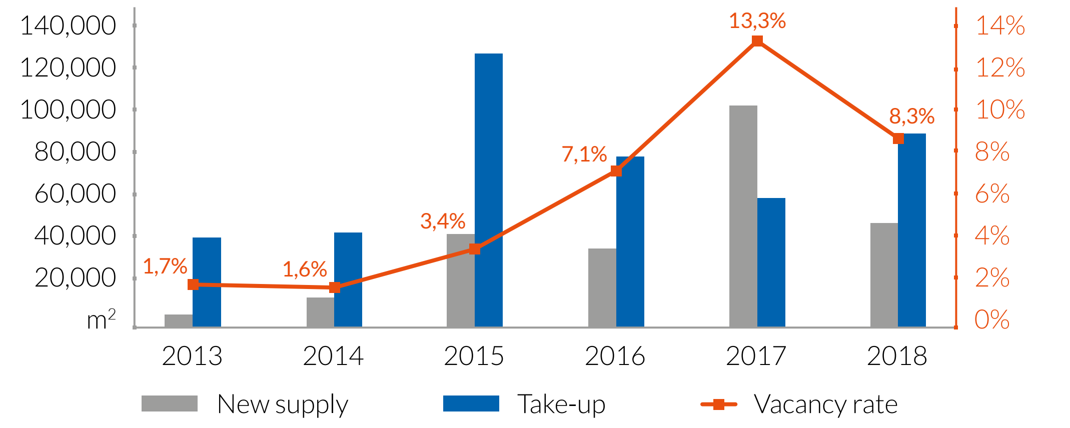
WAREHOUSE VACANCY RATE
2018 – 8.3%
2017 – 13.3%
2016 – 7.1%

In terms of lease costs, Krakow remains the second most expensive logistics location in Poland (behind Warsaw's Zone 1). Monthly asking rents in Krakow for modern warehouse space have remained stable, ranging EUR 4–4.5/m² for projects located within the city's administrative boundaries. Larger schemes are usually slightly cheaper and the asking rents in the Krakow region were quoted at EUR 3.9–4/m²/month.

EUR 4-4.5/m²/MONTH
asking rate in city's administrative boundaries

EUR 3.9-4/m²/MONTH
asking rate in the Krakow region

NEW SUPPLY, TAKE-UP AND VACANCY RATE IN KRAKOW (2013-2018)



Source: Knight Frank

INVESTMENT MARKET

Within the last two years, an increasing interest in regional markets such as Krakow, Wrocław, Poznań or Tricity from both core funds and opportunistic investors was observed.

KRAKOW, AS A POPULAR TOURIST DESTINATION AND THE LARGEST REGIONAL OFFICE MARKET WITH RELATIVELY WIDE OFFER OF ASSETS AVAILABLE FOR SALE, IS FOUND AS ONE OF THE MOST ATTRACTIVE CITIES AMONG REGIONAL MARKETS

Its attractiveness is also supported by a continuous development in infrastructure, along with a growing number of newcomers and the BPO/SSC sector, which all serve to boost the office market. The total transaction volume in 2018 in Krakow reached EUR 411 million which accounted for 6% of the total investments in Poland.

A record-breaking 2018 ended with a total transaction volume of EUR 7.2 billion, representing the highest volume in the history of the Polish investment market, topping the previous record of EUR 5.1 billion figure achieved in 2006. As a result of the wide range of modern assets in all the categories on offer, the market is attracting a growing number of investors each year. In 2018, a variety of new investors entered the market, including from Singapore and the Philippines. Furthermore, FTSE Russell has announced the promotion of Poland to developed market status; the first country from the CEE region to do so. From a long term perspective, this fact will have a positive impact on the risk assessment in investment transactions in Poland, not only in the commercial sector.

EUR 411 MILLION
TOTAL TRANSACTION VOLUME IN KRAKOW
(6% of the total investments in Poland)

THE STRUCTURE OF INVESTMENT TRANSACTION VOLUME

55%
OFFICE FACILITIES

32%
RETAIL SECTOR

7%
WAREHOUSE ASSETS

6%
HOTELS

INVESTMENT MARKET

SELECTED INVESTMENT TRANSACTIONS IN KRAKOW (2017–2018)

1 HIGH5IVE
2018, Q3
⇄ Skanska
NIAM
€ 72,000,000

2 QUATTRO BUSINESS PARK
2018, Q2
⇄ Starwood
Globalworth
€ 139,700,000

3 PARK INN BY RADISSON
2018, Q2
⇄ UBM
Union Investment
€ 26,000,000

4 DOT
2017, Q4
⇄ Buma
Golden Star
€ 90,000,000

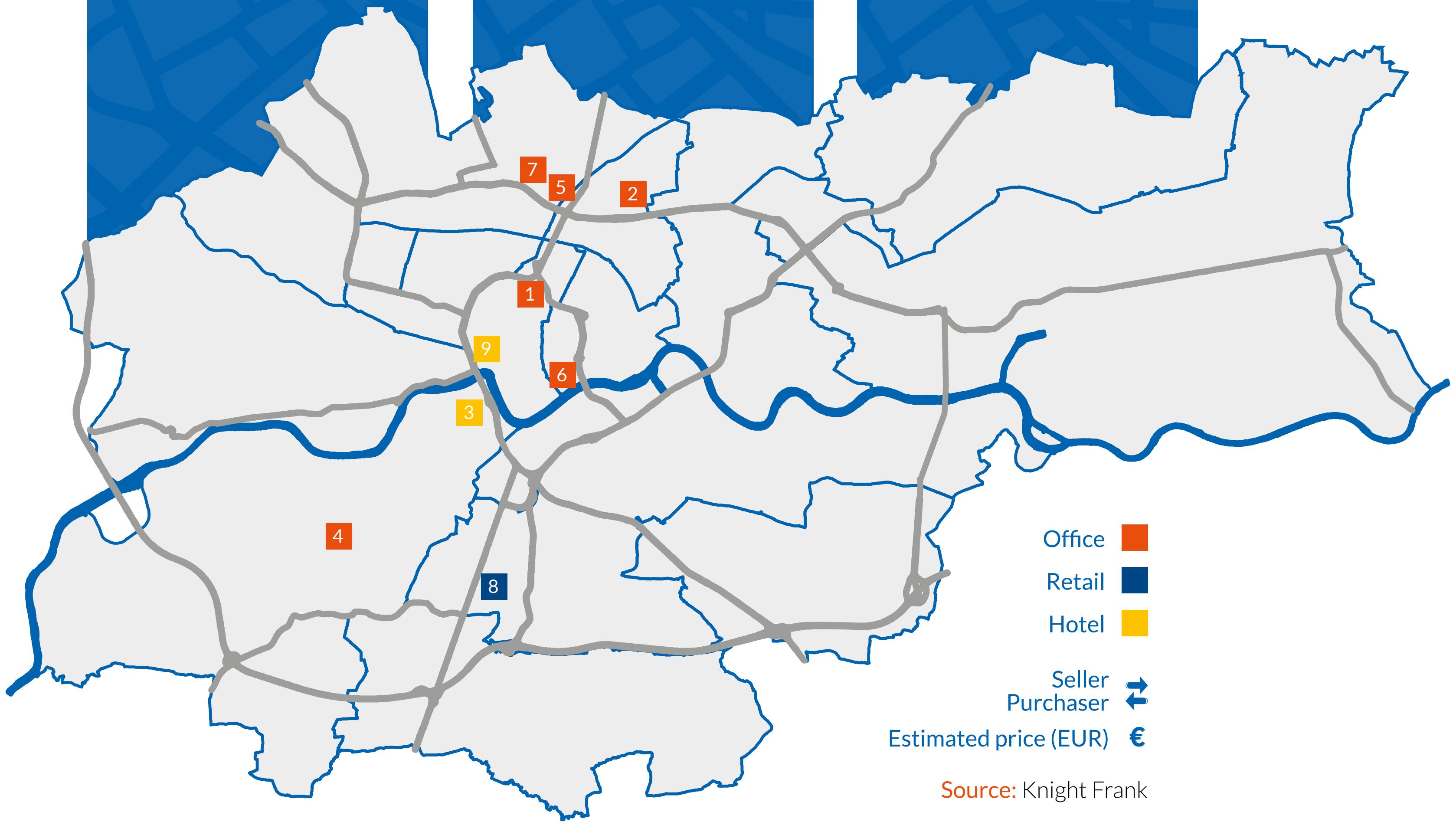
5 O3 BUSINESS CAMPUS II
2017, Q4
⇄ Echo Investment
Echo Polska Properties
€ 49,200,000

6 KOTLARSKA 11
2018, Q4
⇄ UBM
IAD
€ 30,000,000

7 VINCI
2017, Q3
⇄ Dyskret
Benson Elliot
€ 45,000,000

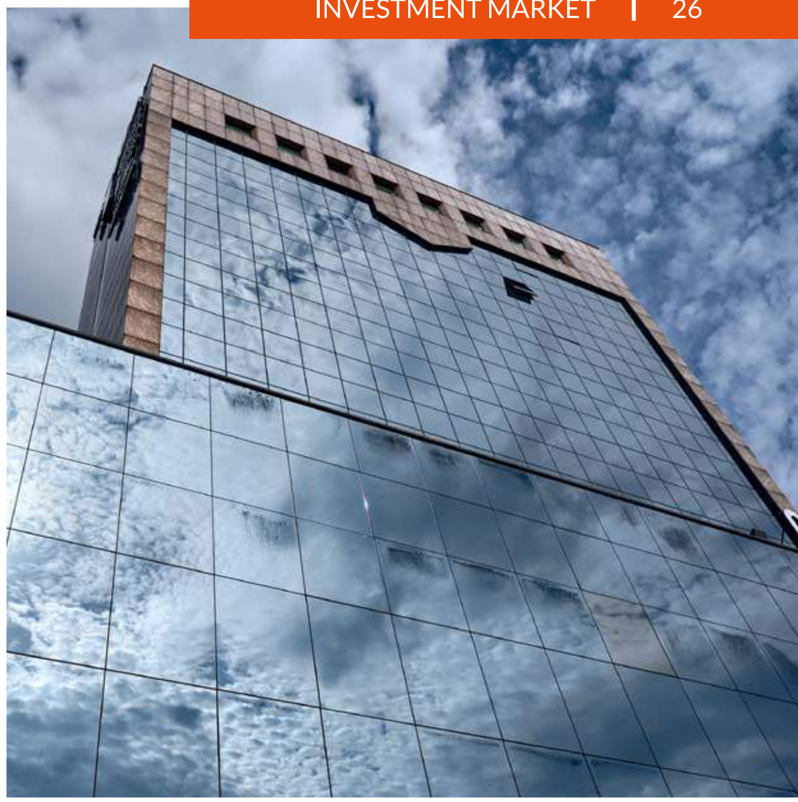
8 ZAKOPIANKA
2017, Q2
⇄ Tristan Capital Partners
Echo Polska Properties
€ 53,300,000

9 SHERATON KRAKOW
2017, Q1
⇄ Alonquin
Invesco
€ 70,000,000



Source: Knight Frank

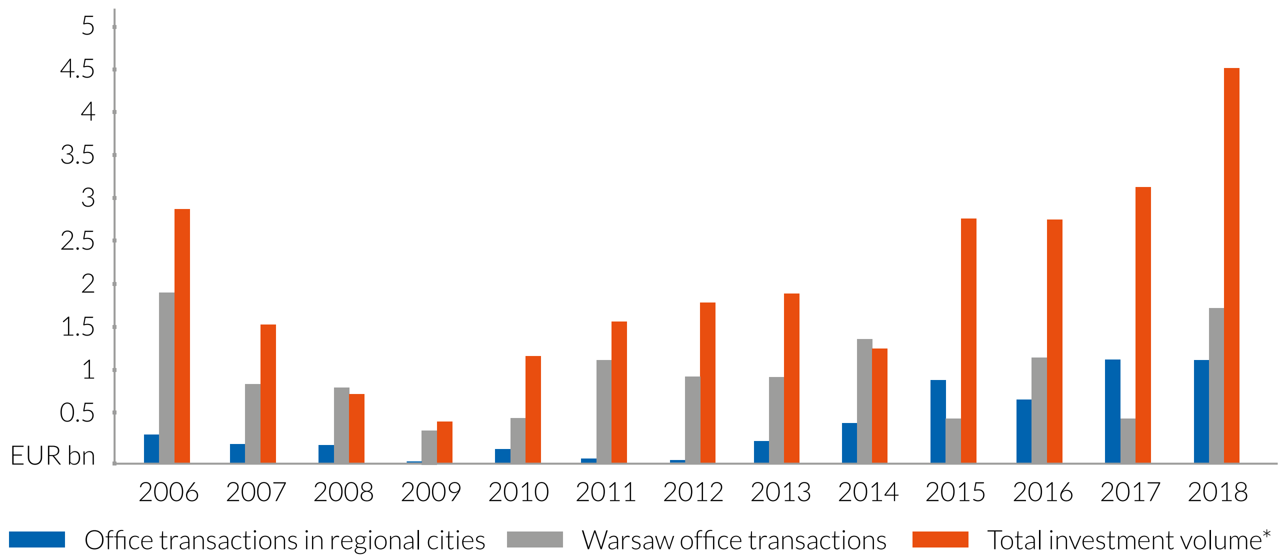
IN 2018, PRIME OFFICE ASSETS IN KRAKOW WERE VALUED AT YIELDS OF 5.75-6.75%, WHILE PRIME RETAIL SCHEMES ARE VALUED AT 5–5.5%



Based on the market analysis and investors' preferences in the office sector, investors were mainly drawn to the newly built, modern assets located both in the city centre and in non-central locations. The largest investment transactions concluded in Krakow in 2018 were the purchase of Quattro Business Park by Globalworth, the sale of High5ive office scheme to NIAM and the purchase of Park Inn by Radisson by Union Investments.

Since the beginning of 2016, investors have allocated nearly EUR 1.4 billion in Krakow, mainly in the retail and office assets. The local market boosted by historically high take-up in the office sector saw increasing capital value and prime yields compression.

THE TOTAL TRANSACTION VOLUME VS. REGIONAL AND WARSAW OFFICE TRANSACTIONS



* without office transactions

Source: Knight Frank, RCA

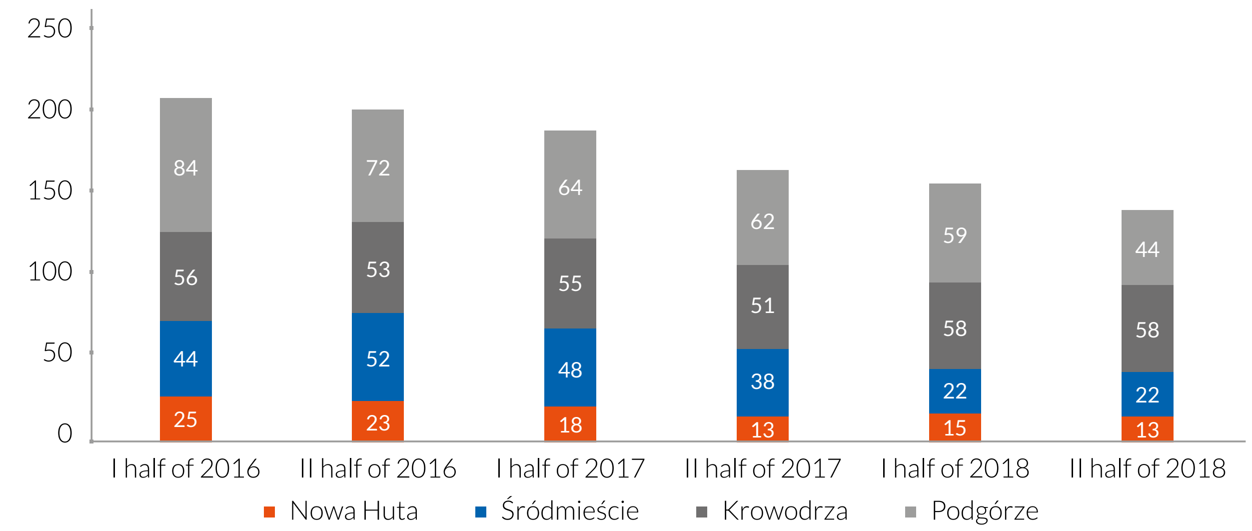
PRIMARY HOUSING MARKET

FOR THE FIFTH CONSECUTIVE YEAR THE SALE OF RESIDENTIAL PREMISES IN THE CAPITAL OF THE MALOPOLSKA REGION IS NOT ABLE TO SATISFY THE STRONG DEMAND

Despite the record sales of apartments in 2017, sales in 2018 still remain at a high level. It is worth noting that since 2016 the availability of places approved for housing development in the city has clearly been decreasing. It is true that this is not due to the fear of recession, but it results from the lack of new areas where investments in multi-family housing can be carried out.

The sales in 2017 caused shortcomings in the current short-term offer. In the first half of 2016, the average number of housing investments in Krakow oscillated around 210 locations. At the end of 2018, however, it fell to just over 130 locations where multi-family housing was under construction. A significant decrease in the number of constructions was not only recorded in the former district of Krowodrza. In the remaining parts of the city, the fall in saturation of housing investments fell by almost half.

THE NUMBER OF HOUSING INVESTMENTS IN THE CITY IN 2016-2018



Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

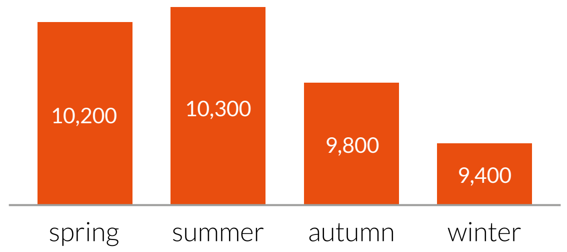
Krowodrza is the district with the highest density of development investments. This is due to the perception of this district as the most attractive in terms of price / location ratio. Despite the fact that Śródmieście is more attractive in terms of location, the average prices of apartments are out of reach of the average buyer. This is the result of the lack of plots for development and the resulting low supply of new areas. Nowa Huta still has bad connotations in the minds of buyers, only a small part of the Krakow development market is concentrated there, despite the relatively highest availability of investment areas.

THE INVESTMENT BOOM LASTING FOR SEVERAL YEARS HAS TRIGGERED THE MOBILIZATION OF ALL LAND RESERVES IN THE DEVELOPERS' RESOURCES

The so-called "land banks" virtually ceased to exist, as all the plots of land were put up for sale. The process of purchasing and preparing further land for investment is long, which resulted in a gradual decrease in the housing offer. Although developers have delivered a record number of apartments to the Krakow market in recent years, the offer has begun to shrink, and premises are sold with an increasingly distant deadline.

The times of buying apartments at the "hole in the ground" stage are now back. Thanks to the Development Act, this method of purchase is secure because the funds are paid into fiduciary accounts kept by banks. What is more, an increase in prices is being more and more observed during the investment period.

NUMBER OF APARTMENTS OFFERED ON THE PRIMARY MARKET IN INDIVIDUAL QUARTERS OF 2018*



* Note: the pool of apartments on offer also includes apartments that are subject to reservations.

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

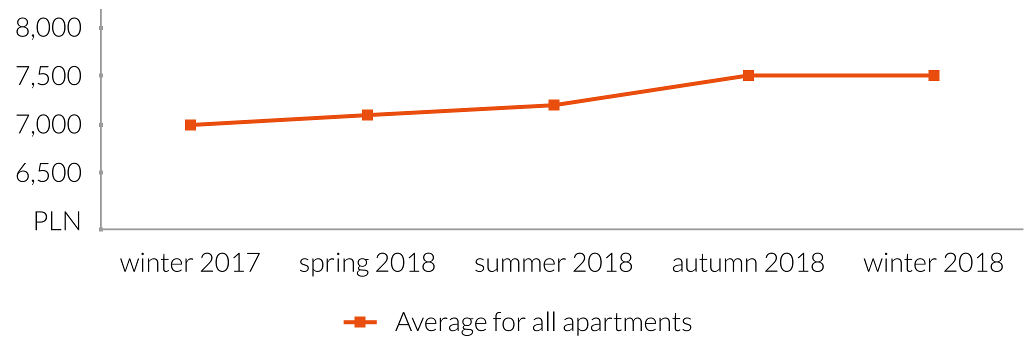
Reduced competition and weak demand have also affected the secondary housing market. People who could not wait for years to build new housing units tried to satisfy their housing needs by buying real estate on the secondary market. This resulted in the record sales of the so-called secondary apartments in Krakow in 2018.

Low interest rates are still the driving force behind sales. In 2018, more housing loans were contracted again than in the previous year. Increased bank margins or the need to have a 20% down payment to buy an apartment did not prevent the above situation. Cash transactions still account for a significant share in purchases, which is due to the low interest rate on deposits and the lack of investor confidence in alternative capital instruments (e.g. stock exchange). With rising prices, investment clients are slowly being replaced by people buying apartments for their own needs.

The average offer price at the end of 2018 for all (over 9,000 offers) of the apartments available for sale is PLN 7,500/m^2. This was an increase of 7%.

PRIMARY HOUSING MARKET

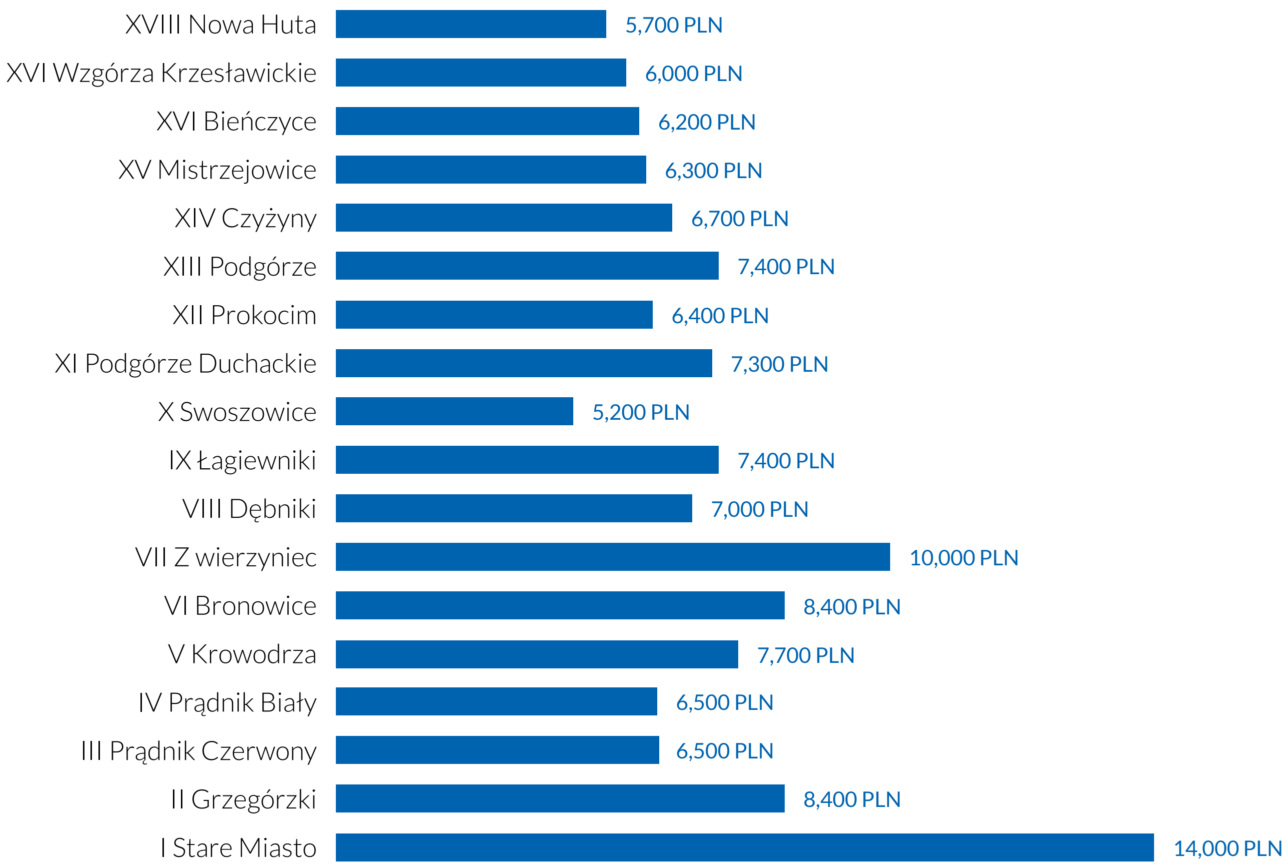
AVERAGE PRICES OF APARTMENTS OFFERED IN INDIVIDUAL QUARTERS (2017-2018)



Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

Market analyses show a clear increase in prices depending on the location of the investment.

AVERAGE PRICES OF APARTMENTS IN INDIVIDUAL CITY DISTRICTS



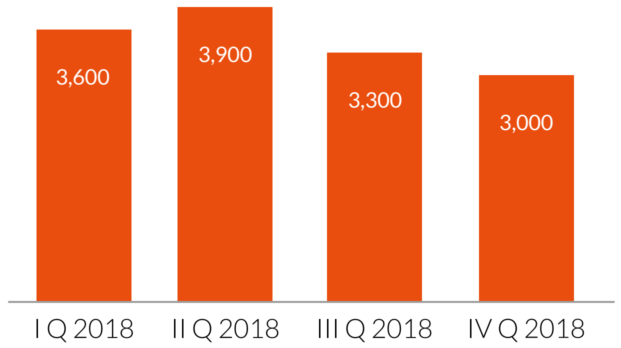
Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

The Institute's research, conducted cyclically for 11 years at the Krakow housing fair, shows that 2 and 3-room apartments are the most sought after, especially those with small floor area parameters. At the same time, it has been observed for a long time that the average area of apartments purchased is slowly increasing by approx. 0.5 m²/year.

Developers would prefer to build small apartments, because the unit prices of such premises are the highest. However, the successively raised barrier of ensuring the right amount of parking spaces imposes the construction of ever larger apartments. Since 2018, the new regulations have also limited the minimum floor space, which also contributed to the increase in the average floor space of the premises constructed.

As compared to the previous year, the sale of apartments clearly decreased. The number of apartments made available by developers on the market has also decreased. In 2018, nearly 14,000 apartments were sold, and including investments in the entire Krakow metropolitan area, there were approx. 15,000.

NUMBER OF APARTMENTS SOLD ON THE PRIMARY KRAKOW MARKET IN 2018*



* Note: apartments with reservations are not included in the pool of apartments sold.

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

What's more, in 2018, demand on the primary housing market in Krakow dominated over supply. This resulted in a noticeable increase in prices, as compared to 2017 and the stabilization of the average offer price at the level of 7.5 thousand PLN/m². The current decreasing supply, rising costs of making and buying land – are likely to translate into further price increases in 2019. This will probably cool down demand and cause a further reduction in sales, which should result in price stabilization in the longer term.

SECONDARY HOUSING MARKET – TRANSACTION PRICES

In 2018, the number of transactions of residential premises on the secondary market increased, although the increase was slightly smaller than the one recorded in the previous year. It is worth noting that although we are observing an upward trend in the number of transactions on the secondary real estate market, the level of this increase varies. In 2016 it was 5%, as compared to 2015, and in 2015 – 11%, as compared to 2014. On the other hand, in 2017 the increases were the largest, accounting for 17%, while the initial results for 2018 indicate an increase in the number of transactions carried out at the level of 7%. After a sharp increase in the number of transactions in 2017, this level can be considered a good result. The more frequent purchases of premises intended for rent are one of the reasons for the unflagging demand.

Investment purchases of residential premises are currently a favourable alternative to saving money in the bank. Despite the fact that the purchases are mainly carried out on the primary market, they also increasingly include the secondary market. Investors care, among others for a good location, where they will find people willing to rent and where – when "leaving" the investment – there will be no problems with the quick sale of the apartment.

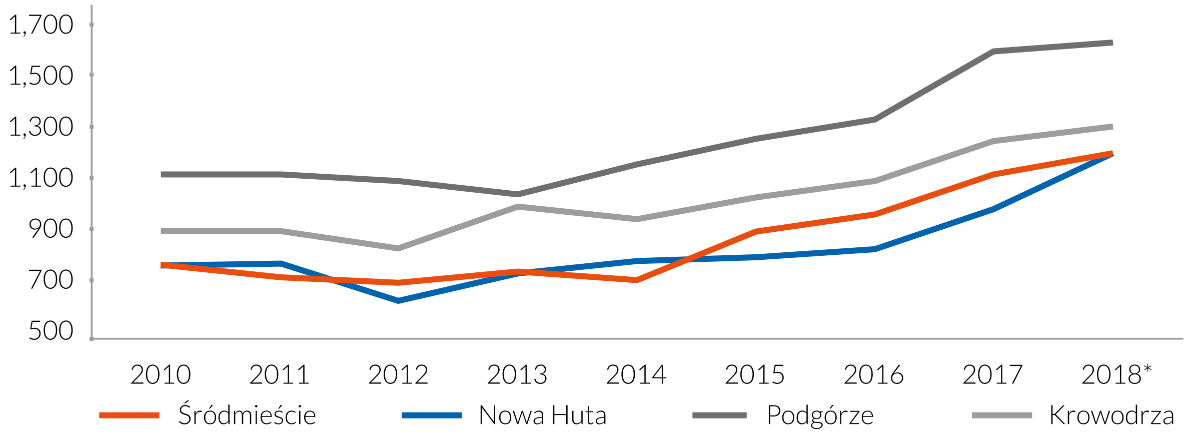
As every year, the largest number of apartments on the Krakow secondary market was sold in the largest cadastral unit – Podgórze. The smallest number of apartments is sold in Śródmieście (mainly due to its smallest area and high prices) and Nowa Huta in which the slope of the graph line indicates the largest increase in the number of transactions.

The average sales prices for newly built apartments in 2018 reached their record level, mainly because the prices of building materials and plots for the construction of new investments increased rapidly. This led to a significant increase in the prices of new apartments and stratification between the segments which used to be similar in prices.

The attractiveness of individual areas of Krakow can be assessed at average prices of residential premises. The highest prices are recorded in Śródmieście and Krowodrza, while the price spread between these districts increased in the past year – the average price of an apartment in Śródmieście increased significantly in 2017 and maintained this trend in 2018. In the remaining districts, the growth over the past two years was rather steady. The highest increase by percentage over the last 2 years was recorded in Nowa Huta, where the cheapest price of housing was still available (the lowest prices for 1m^2). At the same time, the average area of premises located in this part of the city is the smallest. In Śródmieście, both the average unit price and the average area of the apartment sold were the highest.

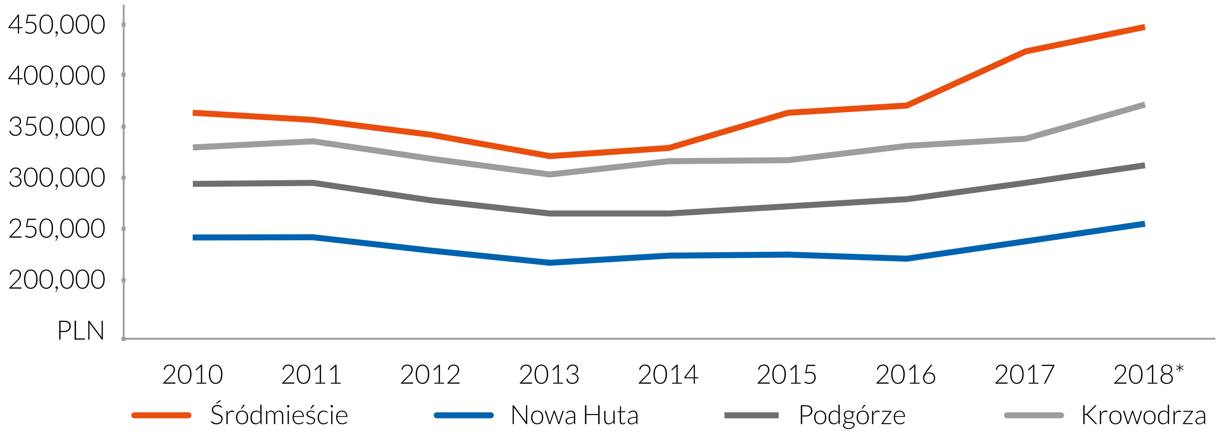
THE AVERAGE PRICE OF AN APARTMENT ON THE KRAKOW SECONDARY MARKET EXCEEDED THE LIMIT OF PLN 300,000 AND IN 2018 IS STILL ABOVE THIS LIMIT

VOLUME OF TRANSACTIONS ON THE SECONDARY HOUSING MARKET (2010-2018)



* Numbers estimated due to incomplete data.
Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

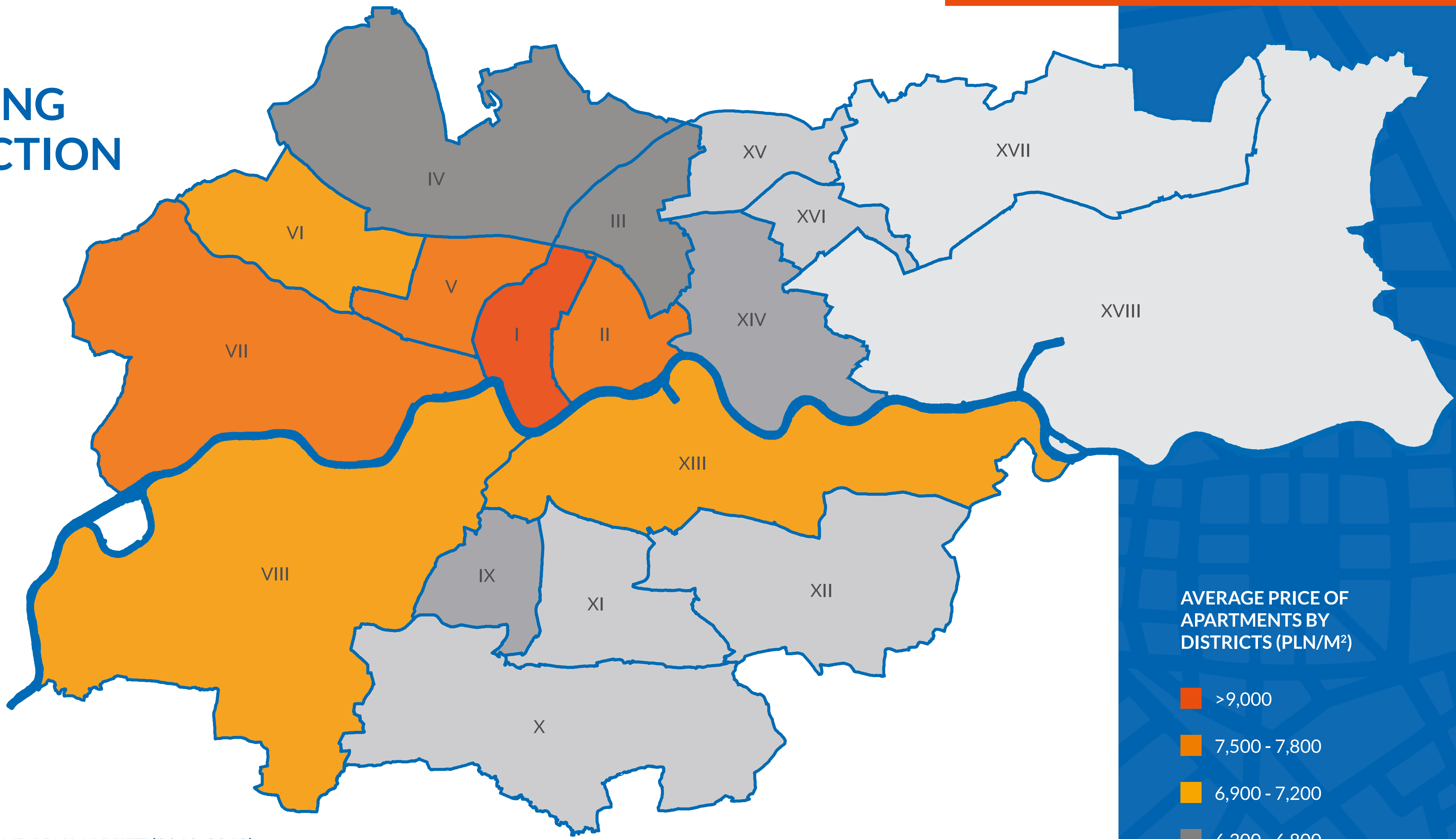
AVERAGE PRICES OF APARTMENTS ON THE SECONDARY MARKET (2010-2018)



* Numbers estimated due to incomplete data.
Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

SECONDARY HOUSING MARKET – TRANSACTION PRICES

The average price for 1 m² of an apartment on the Krakow secondary market in 2018 increased by approx. 7%, as compared to the previous year, approaching PLN 6.8 thous./m². The trend from the previous year, in which the increase was at the level of 6.4%, was maintained. In terms of unit prices, an increase was recorded in all districts, the largest of which was recorded in Śródmieście (about 10%), while in other administrative areas – it amounted to about 7%. Comparing the past two years, it can be safely seen that the increases are flattening, despite the fact that the largest ones were still recorded in Śródmieście (almost 20%), and came second in Nowa Huta (13.8%).

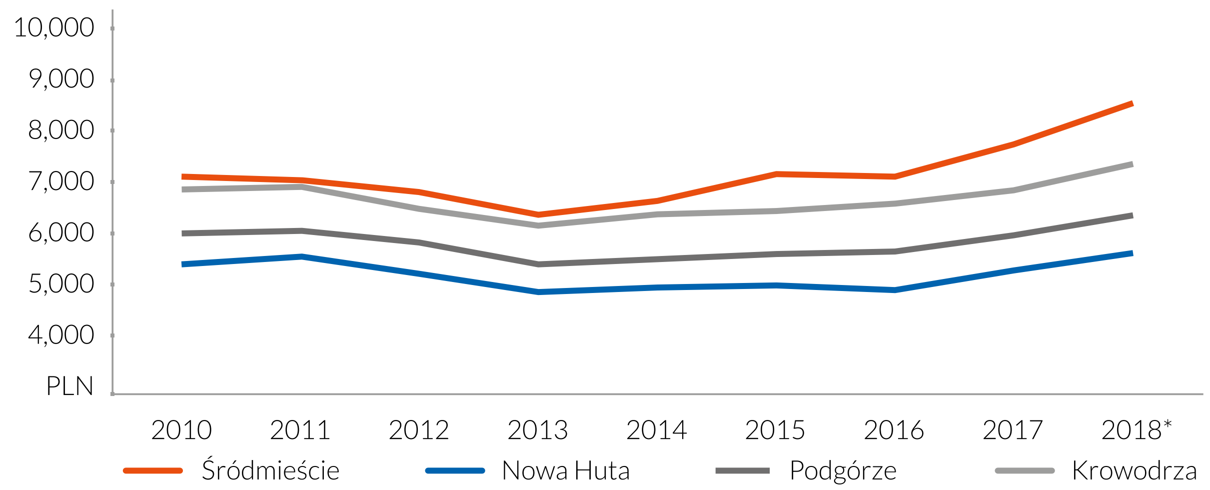


AVERAGE PRICE OF APARTMENTS BY DISTRICTS (PLN/M²)

- >9,000
- 7,500 - 7,800
- 6,900 - 7,200
- 6,300 - 6,800
- 5,500 - 5,700
- 5,300 - 5,400
- 5,000 - 5,200

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

AVERAGE PRICES FOR 1 M² APARTMENT ON THE SECONDARY MARKET (2010-2018)



* Numbers estimated due to incomplete data.

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

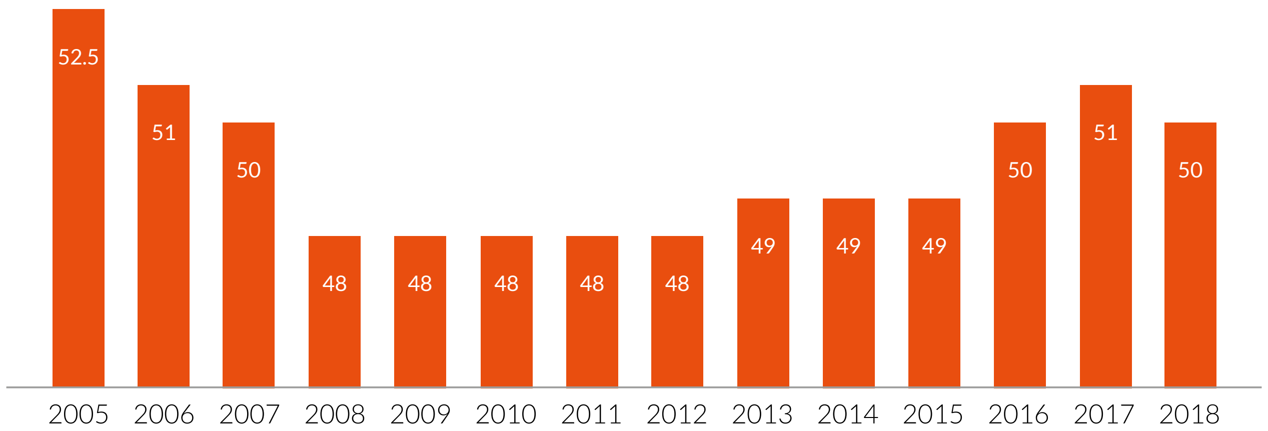
The division into administrative districts shows that the current distribution of average transaction prices on the secondary market has not changed. Districts located close to the center are characterized by the highest prices per 1 m² of usable floor space. The Old Town, Krowodrza and Zwierzyniec are in the lead due to the immediate vicinity of the districts. The Dębniki District is also increasingly appreciated – and in particular the areas closest to the center, i.e. old Dębniki and the Podwawelskie Housing Estate. Last year, prices also increased in Grzegórzki, where premises from new investments hit the secondary market. In turn, the lowest average prices are recorded in: Bieżanów-Prokocim, Nowa Huta and Wzgórza Krzesławickie.

SECONDARY HOUSING MARKET – TRANSACTION PRICES

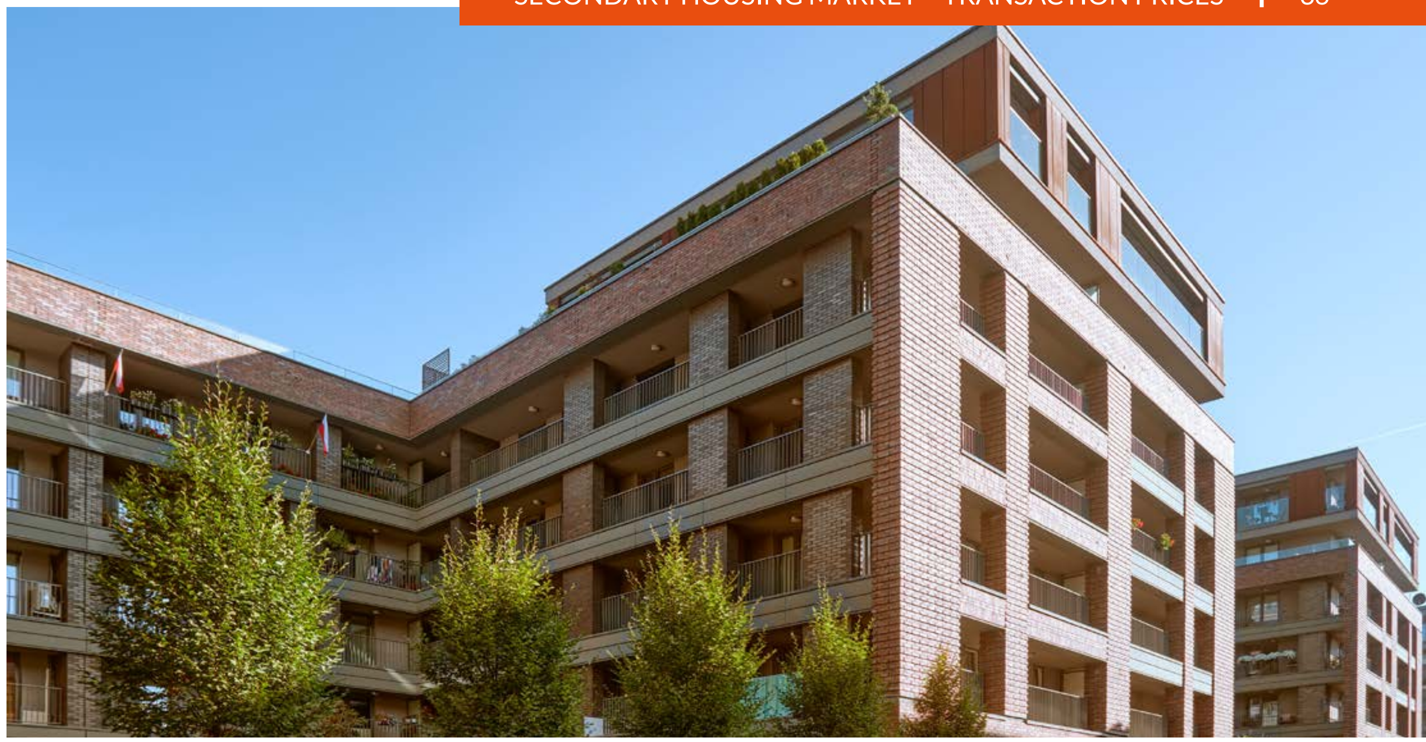
As in previous years, mainly small apartments were sold on the secondary market. Large apartments are relatively rarely marketed. In 2018, transactions in premises with an area of over 75 m^2 accounted for 7% of all transactions, and the sales of premises over 100 m^2 – only slightly over 1.5% of the total market. This has been going on for a long time and it will be difficult to change it, because mainly premises with small areas are being built at present, they will supply the secondary market over time, resulting in maintaining the current trends. What's more, according to the latest statistical data, more than half of the apartments sold are in the range from 35 to 55 m^2.

50 M²
Average floor area of the premises being purchased, on the Krakow secondary market in 2018

AVERAGE FLOOR AREA OF RESIDENTIAL PREMISES ON THE SECONDARY MARKET IN KRAKOW (2005-2018)



Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

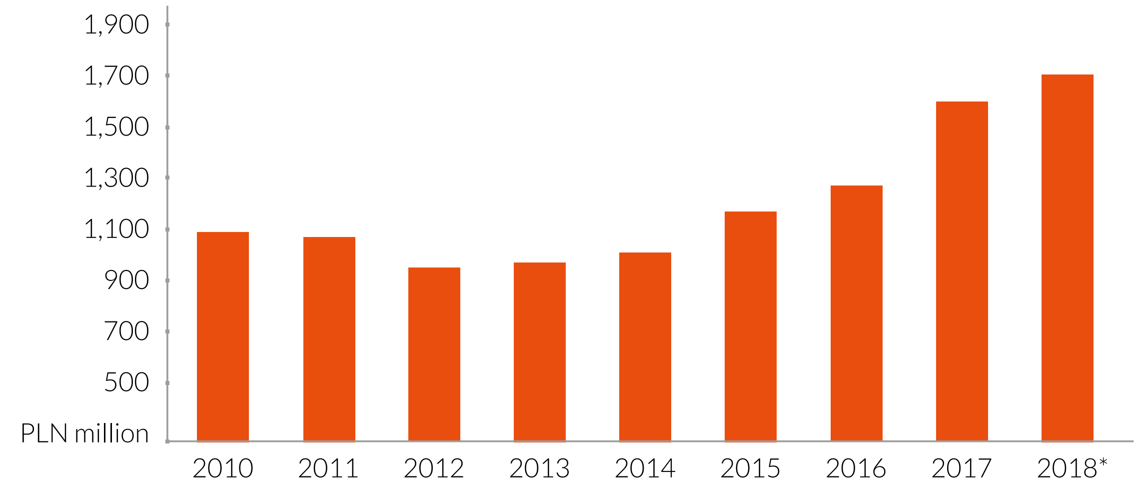


2018 was another year in which the turnover increased (about 7%). Interestingly, this level was, however, lower than in 2017, when a significant increase in turnover was recorded, amounting to as much as 26% more.

It is expected that in 2019 the Krakow secondary housing market should be similar to the one from 2016-2018.

AS COMPARED TO 2017, IN WHICH A 5% INCREASE IN PRICES IN ALL DISTRICTS WAS RECORDED, AN INCREASE IN AVERAGE PRICES IN 2018 AT 7% CAN BE CONSIDERED MAINTAINING THE UPWARD TREND IN PRICES

TURNOVER ON THE SECONDARY HOUSING MARKET (2010-2018)



* Numbers estimated due to incomplete data.

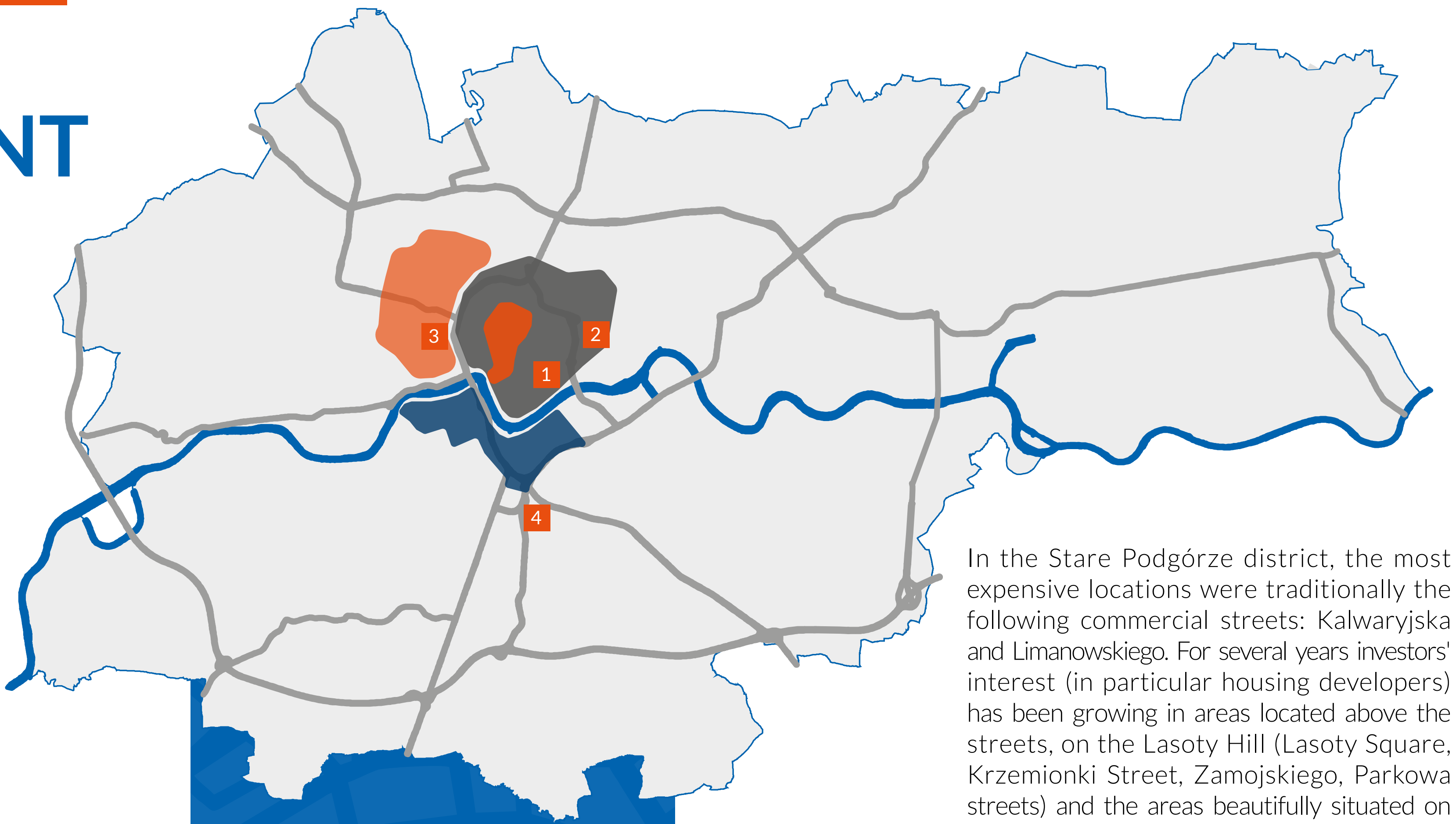
Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

TENEMENT HOUSES

Tenements are the dominant form of development in four areas of the city: in the Old Town surrounded by Planty and in the pre-war parts of the districts: Śródmieście, Krowodrza and Podgórze.

In the Old Town district, the residential function has for years been supplanted by hotels, hostels, trade and tourist services. The most desirable streets are part of the former "Royal Route", such streets as: Floriańska, Grodzka, Szewska, Mały Rynek and Rynek Główny. Outside the city center, the most attractive locations in Śródmieście are: the Kazimierz district with Plac Nowy, Szeroka, Krakowska and Starowiślna streets, and in the remaining part – such shopping streets as: Stradomska, Zwierzyniecka, Karmelicka, Długa and Pawia. The attractiveness of the remaining streets and areas of pre-war Śródmieście is increasing all the time, including the areas from Lubicz Street to Prażmowskiego Avenue and the Oficerskie Housing Estate, which used to be neglected areas.

In Krowodrza, the most expensive is Salwator around the Na Stawach Square and Kosciuszko Street. The area around the Krakow Park and the following streets: Lea, Królewska, Mazowiecka and Wrocławska are also attractive.



AREAS WITH TENEMENT HOUSES DOMINANT ON THE CONTEMPORARY MAP OF KRAKOW

1 Old Town surrounded by Planty

2 Śródmieście

3 Krowodrza

4 Podgórze

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

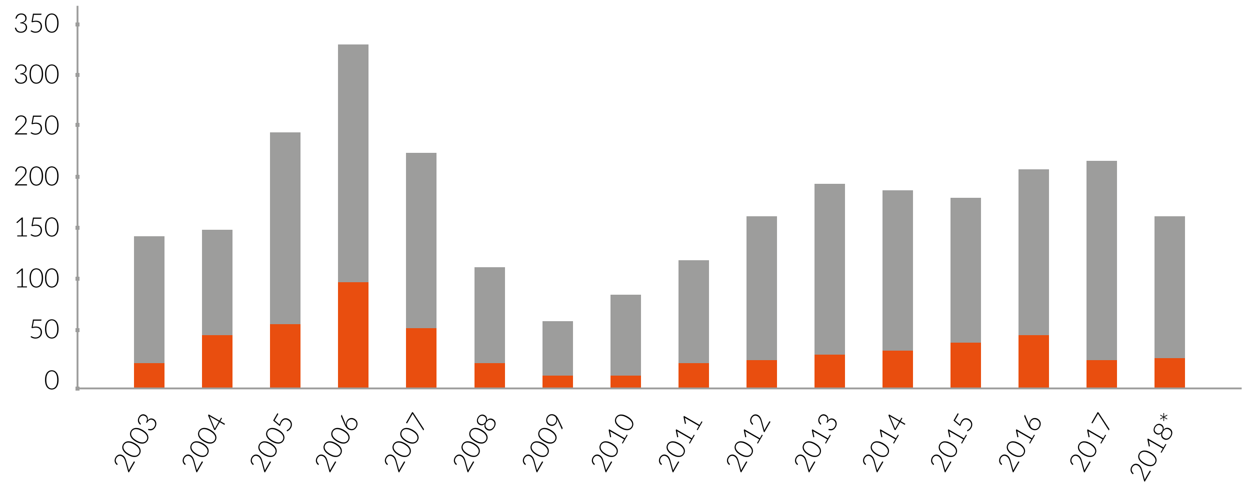
In the Stare Podgórze district, the most expensive locations were traditionally the following commercial streets: Kalwaryjska and Limanowskiego. For several years investors' interest (in particular housing developers) has been growing in areas located above the streets, on the Lasoty Hill (Lasoty Square, Krzemionki Street, Zamojskiego, Parkowa streets) and the areas beautifully situated on the Vistula River, Dębniki with the vicinity of Wawel, Vistula boulevards and park greenery.

In all of Krakow, there is a total of 10,000 tenement houses built before 1945, of which about 1,000 are historic buildings that still perform residential functions. About 7,000 tenement houses have been preserved in Śródmieście, 2,000 in Krowodrza, and almost 1,000 in Podgórze.

A significant number of tenements have an unregulated legal status. In many others, there has been a permanent division and separation of separate housing properties, which is not a favorable phenomenon, especially in historic properties. The supply of entire tenement houses is therefore significantly limited, and the new sales offers appearing are most often the result of successive regulations of the legal status, especially property rights, which translates into a decreasing number of transactions with the share of the properties from year to year. What is more, it is worth noting that the supply of shares in tenement houses is still very high.

It is estimated that in 2018, 30 transactions for the sale of entire tenements were concluded (27 in 2017) and 132 transactions of the sale of shares in tenement houses were concluded (191 in 2017).

NUMBER OF TRANSACTIONS ON THE TENEMENT HOUSE MARKET IN 2003-2018



■ Number of transactions in whole tenements ■ Number of transactions in shares in tenements

* Numbers estimated due to incomplete data.

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

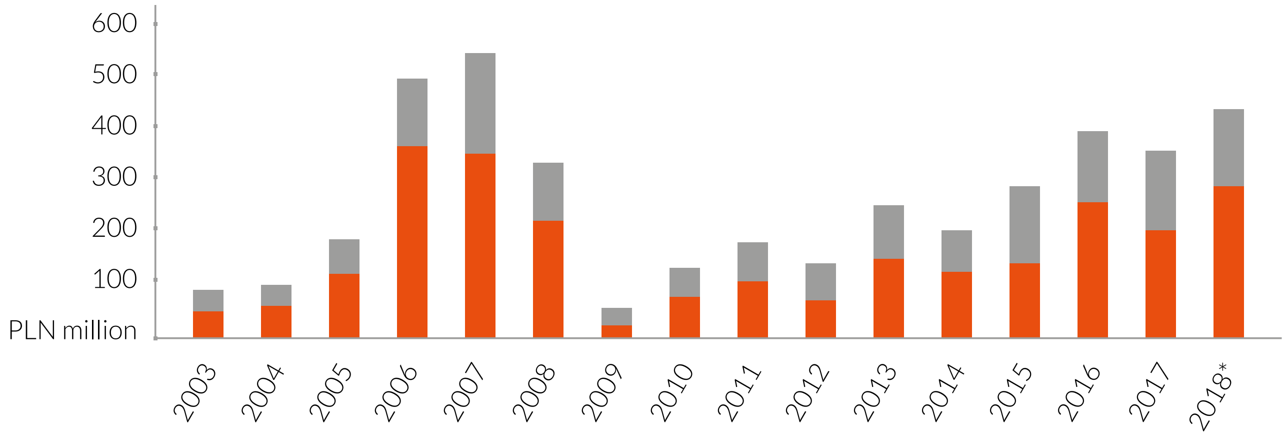
TENEMENT HOUSES

In 2018, there was a slight decrease in the number of transactions, which was caused mainly by the supply barrier due to a decrease in the sale of shares in tenement buildings only. This is still a significant sum of transactions reflecting the large interest in the market from both institutional investors and small buyers looking for attractive real estate. What is more, it is worth remembering that the strong demand with limited supply increases the price of tenement houses. Market trading in 2018 amounted to PLN 432 million, of which PLN 288 million was the amount paid by buyers for entire tenement houses, which is a record result since the peak of the previous bull market in 2007.

The fact that with a decrease in the number of transactions an increase in trading was recorded means that the capital engaged in investments in this market is growing despite the smaller number of offers, and investors are able to accept higher prices.

After the bull market in 2003-2007 and stabilization in the following years, the past 3 years (2016-2018) were distinguished by a return to a strong upward trend. The average unit price of a tenement house in the most reliable Śródmieście district is almost PLN 9,000/m² of usable floor area, which gives a 12% higher amount than in 2017 and as much as 20% more than in 2016. The high average unit prices of tenement houses in Śródmieście are affected by record high prices of tenement houses in the Old Town.

MARKET TRADING IN TENEMENT HOUSES AND THEIR SHARES IN 2003-2018



* Numbers estimated due to incomplete data.

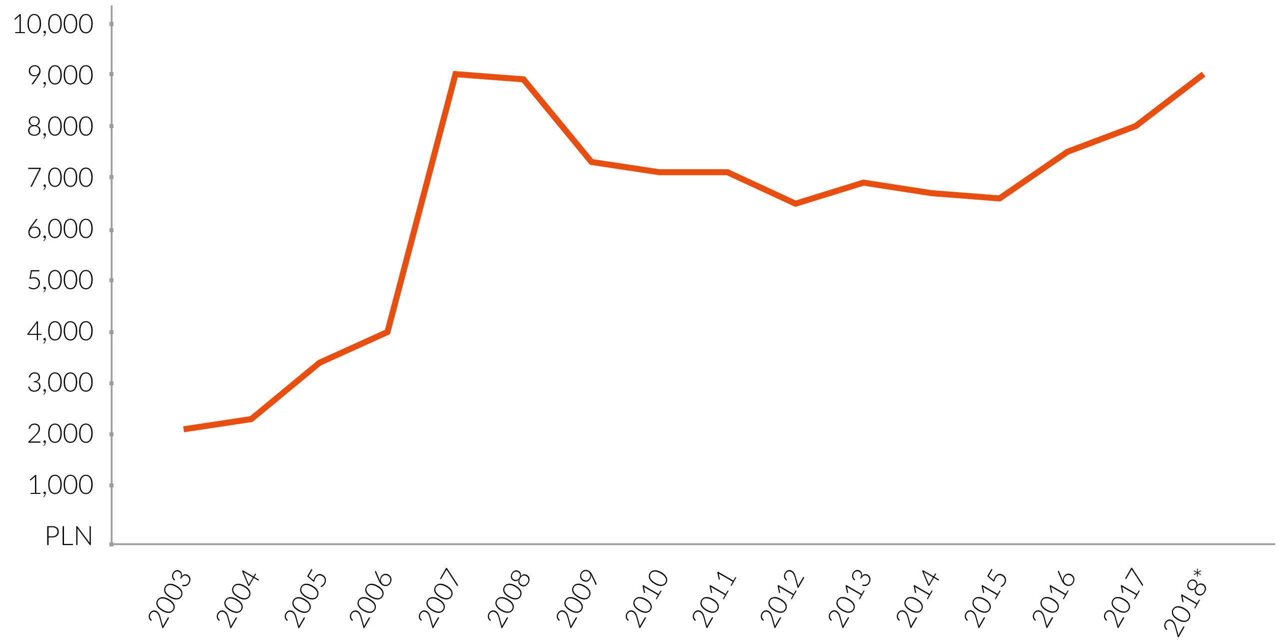
Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

PLN 9,000/M²

Average unit price of a tenement house in Śródmieście – 12% more than in 2017

Similar price trends of the bull market phase also occur on other correlated real estate markets in Krakow, i.e. on the housing and investment plots market.

PRICE TRENDS OF TENEMENT HOUSES IN ŚRÓDMIEŚCIE – YEARS 2003-2018 (PLN/M² PU)



* Numbers estimated due to incomplete data.

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

TENEMENT HOUSES

The Old Town (from the Main Market Square to Planty) is not only the smallest local market in terms of area, but also the most attractive market for apartment, tourist and commercial and gastronomic properties dominating here. One of the most interesting investments of 2017 was the sale of the entire tenement house located on the most expensive Krakow street – Floriańska, for the amount of almost PLN 30 thousand /m^2.

The average price that had to be paid in 2016 for a tenement house in Krakow was PLN 9.6 million (as compared to PLN 7.2 million in 2017 and PLN 5.7 million in 2015). The house in the Old Town reached the maximum price of PLN 29.6 million in 2018. On the other hand, in Śródmieście, outside the Old Town, the highest price for a tenement house was PLN 20.7 million. It is worth noting that tenement houses in Krowodrza and Podgórze achieve significantly lower prices, and the most expensive ones do not exceed PLN 5 million.

	TENEMENTS SOLD	TRADING	AVERAGE PRICE 1M^2
Old Town (Planty area)	No data	PLN 140 million	PLN 20 thousand
Śródmieście (excluding the Old Town)	24	PLN 350 million	PLN 7 thousand
Krowodrza	2	No data	PLN 6 thousand
Podgórze	2	No data	PLN 7 thousand

The greatest impact on the prices of tenement houses is certainly due to the location attractiveness measured generally by the distance from the Main Market Square, as well as the technical and functional condition, the manner of use measured by the amount of rental income (from commercial space to PLN 300-500/m^2 – for apartments with tenants paying the regulated rent of PLN 7-15/m^2) and investment potential expressed in the consent for extension or adaptation. The expected rate of return is increasingly becoming the basis for calculating a profitable house purchase price. In 2018, the lowest rate of return in sales transactions approached 5.5% for the tenement house on Floriańska (in 2017 it was 6%), which corresponds to the risk estimated at the level of the best commercial buildings in Warsaw.

Investors from the apartment and tourist industry have the largest share in the demand structure in 2018. In turn, investors associated with the hotel and tourist market (making purchases for hotels, hostels, guest houses or gastronomy) are rapidly increasing their portfolio of assets on this market. Large historic buildings are constantly being sought for adaptation to become hotels of the best world brands. The lease market of historic buildings for hotel and tourist functions is also slowly growing, which is associated with the huge demand and a small offer to sell entire tenement houses.

The demand pressure of investors looking for tenement houses for representative commercial functions in the center and on the main streets is also not weakening. Purchases of shares in tenements are often associated with taking possession of commercial premises.

PRICES OF TENEMENT HOUSES ARE EXPECTED TO REMAIN HIGH, AND MARKET STRENGTH (MARKET TRADING AND PRICE LEVEL) WILL BE GREATER THAN IN OTHER SEGMENTS OF THE REAL ESTATE MARKET

After several years of rapid growth, it is possible to stabilize prices and rents in tenements in the near future, however, the growing capital invested in this market segment is unlikely to allow prices to fall. Factors stimulating this tendency will continue to be: inexpensive loans, a bull market on the apartment market, the continuing prosperity in the hotel industry and a good Krakow brand attracting foreign investors.

Currently, tenements on the most attractive streets of the Old Town (Floriańska, Market Square) are offered for sale at prices up to PLN 20 thousand/m^2, despite the need for renovation and adaptation works.

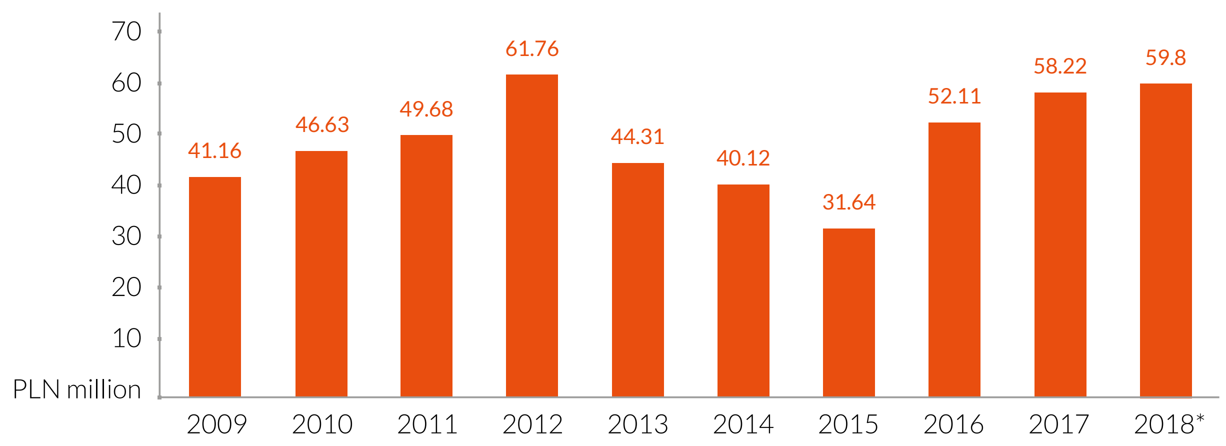
In the years to come, long-term leases in the tourism and hotel industry will increasingly be used on the historic tenement market, which will allow public and church institutions to maintain ownership while ensuring stable, high rent income, and allowing lessees to involve significantly less of their own capital in a hotel investment.

SINGLE-FAMILY HOUSES

PRIMARY MARKET

The primary market for single-family houses in Krakow recorded a downward trend in the number of transactions carried out in 2012-2015, which reversed in 2016 and has continued to this day. It was also a time of breakthrough in terms of trading, estimated at over 52 million, which gives a nearly 65 percent increase, as compared to 2015. Despite skeptical forecasts related to the small number of investment permits issued, the Krakow residential housing market of single-family houses recorded a renewed increase in 2017 reaching the value of about PLN 58 million. The number of transactions also increased. As indicated by preliminary analyses, in 2018 a similar level of trading will be maintained as in 2017. Thus, a comparison of the number of building permits issued in Krakow for 2017 and 2018 shows that this number remained at a similar level. In 2017 alone, 482 building permits were issued covering a total of 649 single-family buildings, while in 2018 434 building permits were issued, resulting in the construction of 604 single-family buildings.

TRADING IN MILLION PLN



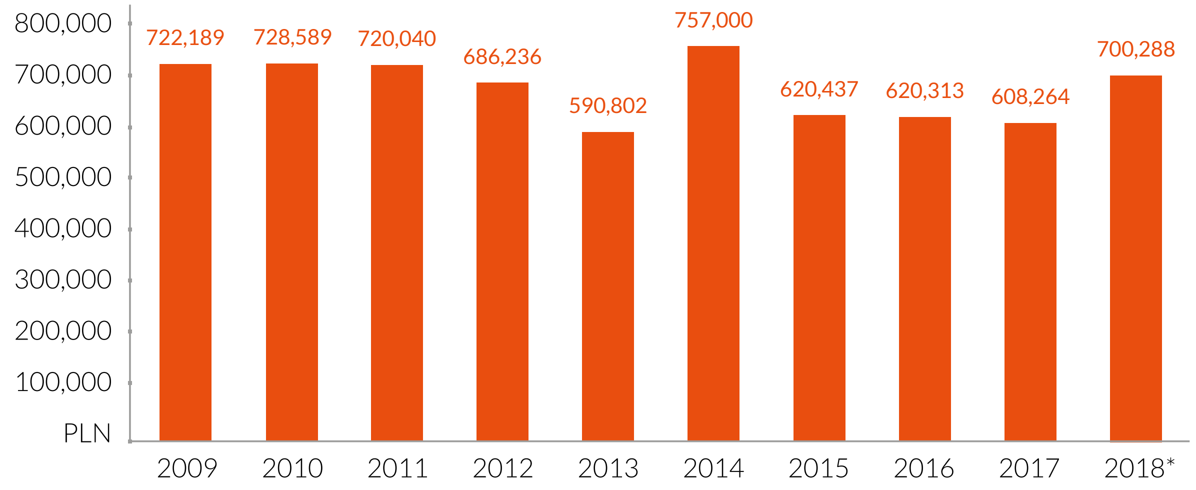
* For 2018 the data is incomplete.
Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

AROUND PLN 700,000
Average price of a house in 2018

THE LARGEST NUMBER OF HOUSES IS BEING BUILT IN PODGÓRZE, BUT THE NUMBER OF INVESTMENTS IN KROWODRZA AND NOWA HUTA IS GRADUALLY INCREASING

The number of houses sold in 2018 in Podgórze constituted over 60% of all transactions carried out in Krakow and was strongly correlated with the number of development investments. The total number of transactions carried out in the Krowodrza district was 25%, while in Nowa Huta it was about 15%. In Śródmieście - in the few single-family housing enclaves that exist there – there are no areas that could be used for new single-family housing, and therefore, only single transactions have been recorded in this district for many years. When analyzing historical data, it is worth noting that 2014 was marked by a significant increase in transaction prices as compared to 2013. In 2015, there was a correction compared to 2014, because the average transaction price fell by 12%. In turn, 2015-2017 were years of stagnation on the Krakow primary market offering single-family houses. According to preliminary data for 2018, the average price of the house increased significantly, as compared to previous years (on average by approx. 15%) and amounted to approx. PLN 700 thousand. The increase in the average transaction price in the past year was influenced by, among others, the bull market prevailing on the property market and economic development in Poland. The increase in average transaction prices for single-family houses was also caused by the impact of several expensive transactions of houses located in Wola Justowska. The highest transaction price recorded in Krakow concerned a house with a usable area of approx. 260 m², located on a small six-are plot, in the Wola Justowska district, and amounted to over PLN 3 million, which amounted to PLN 11,686 per 1 m of usable floor area.

AVERAGE TRANSACTION PRICE (PLN)



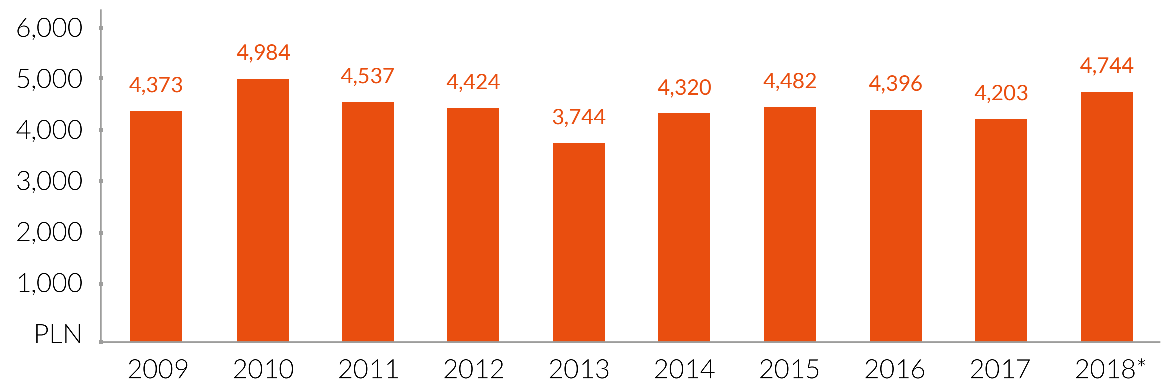
* For 2018 the data is incomplete.
Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

SINGLE-FAMILY HOUSES

In 2016-2017, unit prices per m² of usable floor area of a house in Krakow recorded a slight decrease. More importantly, no transactions were recorded in 2017 either in Wola Justowska or in Śródmieście, where the unit price ceiling is much higher than in other areas of Krakow.

According to preliminary data for 2018, the average unit price (PLN/m² of usable floor area) increased significantly, as compared to the previous year (about 13%) and was at the level of about PLN 4,744 /m² of usable floor area. On the other hand, the average area of houses sold fell slightly, which means that the average unit price increased slightly more than 13% in real terms.

AVERAGE PRICE OF 1M² OF FLOOR AREA (PLN)



* For 2018 the data is incomplete.

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

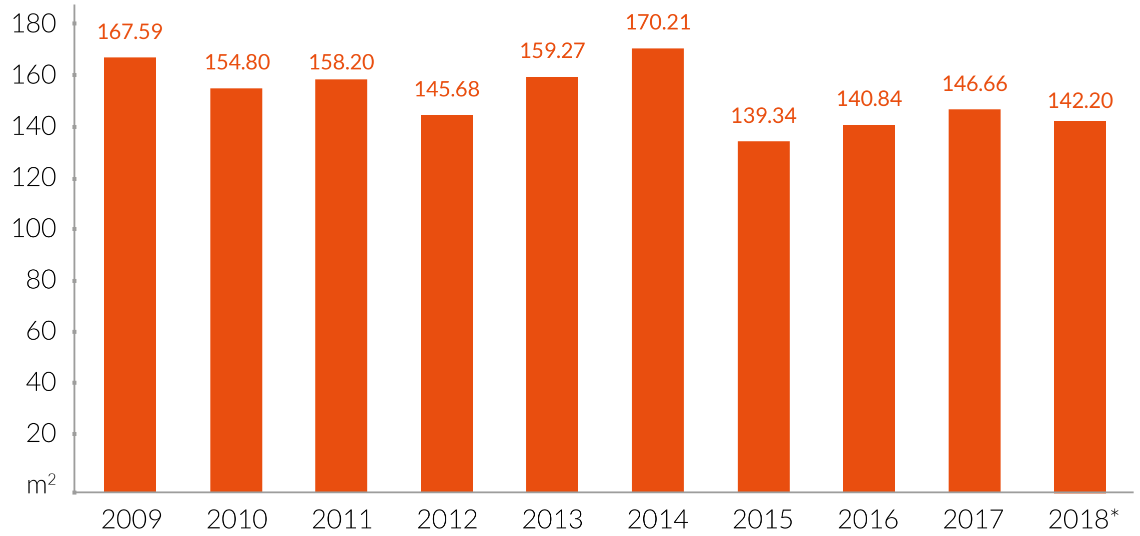
PLN 4,744/M²

Average price for a m² of usable floor area in 2018

Since 2015, the third year in a row, the average area of a single-family house sold on the development market is in the 140-145 m² range.

For comparison – in 2018 this average was 142 m². This means that it is the most optimal floor area accepted by the market. In turn, the average surface area under a single-family house built by the developer has been fluctuating between 430-460 m² for years.

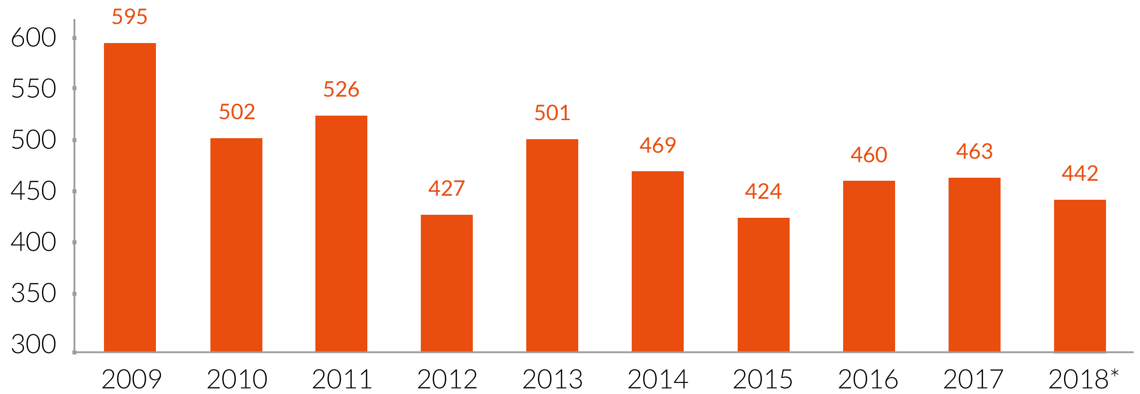
AVERAGE FLOOR AREA OF A SINGLE-FAMILY HOUSE (M²)



* For 2018 the data is incomplete.

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

AVERAGE LAND AREA IN M²



* For 2018 the data is incomplete.

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

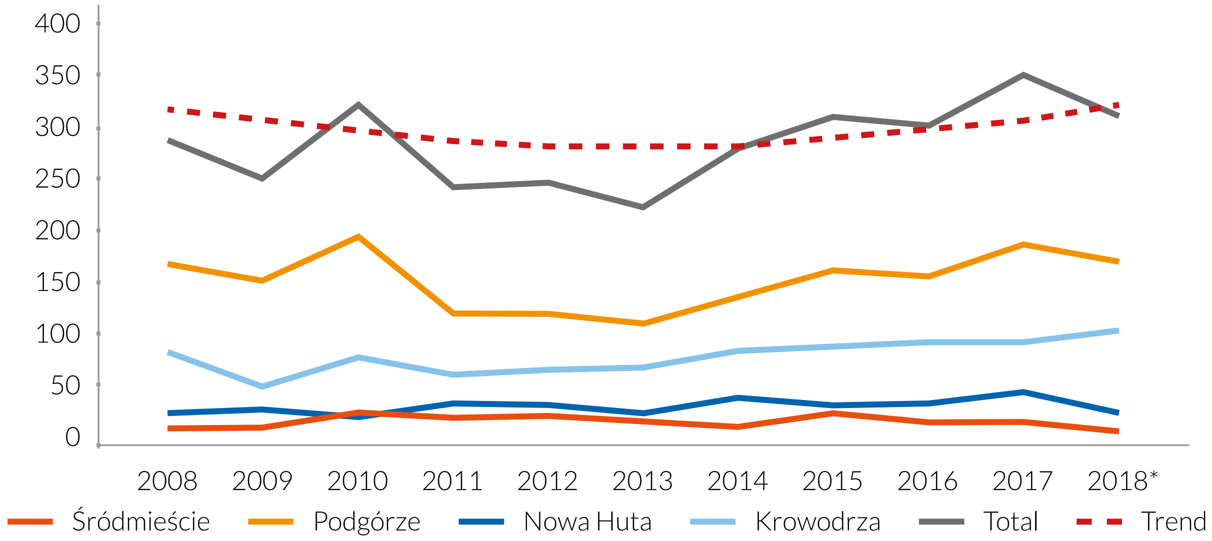
SINGLE-FAMILY HOUSES

SECONDARY MARKET

The secondary market of single-family houses in Krakow is characterized by annual fluctuations in the number of concluded transactions. What's more, this trend has been growing since 2013 (dashed line).

IN THE PODGÓRZE DISTRICT (THE LARGEST IN TERMS OF AREA) THE GREATEST NUMBER OF TRANSACTIONS IS CONCLUDED – THIS IS WHERE SINGLE-FAMILY HOUSING PREVAILS

NUMER OF TRANSACTIONS IN 2008-2018

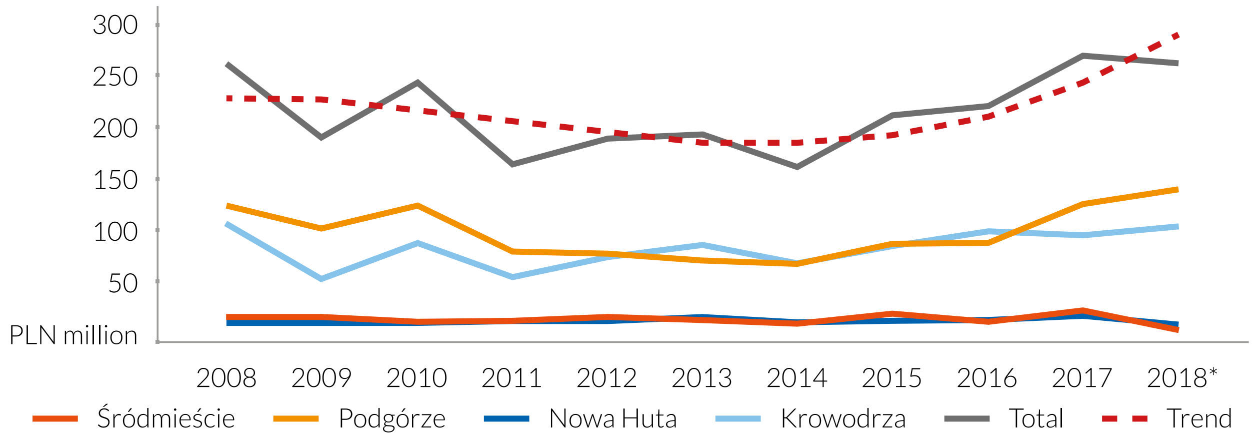


* Estimated based on incomplete data.

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

Considering the full data for 2017, it is worth pointing out that, starting from 2014, sales prices had shown a continuous upward trend. In the past two years, the volume of trading is at the level of 2008, when the largest trading volume on the real estate market was recorded. The largest share in the number of sales is related to two Krakow districts: Podgórze and Krowodrza.

TOTAL TRADING IN 2008-2018 (IN PLN MILLION)



* Estimated based on incomplete data.

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

SINGLE-FAMILY HOUSES

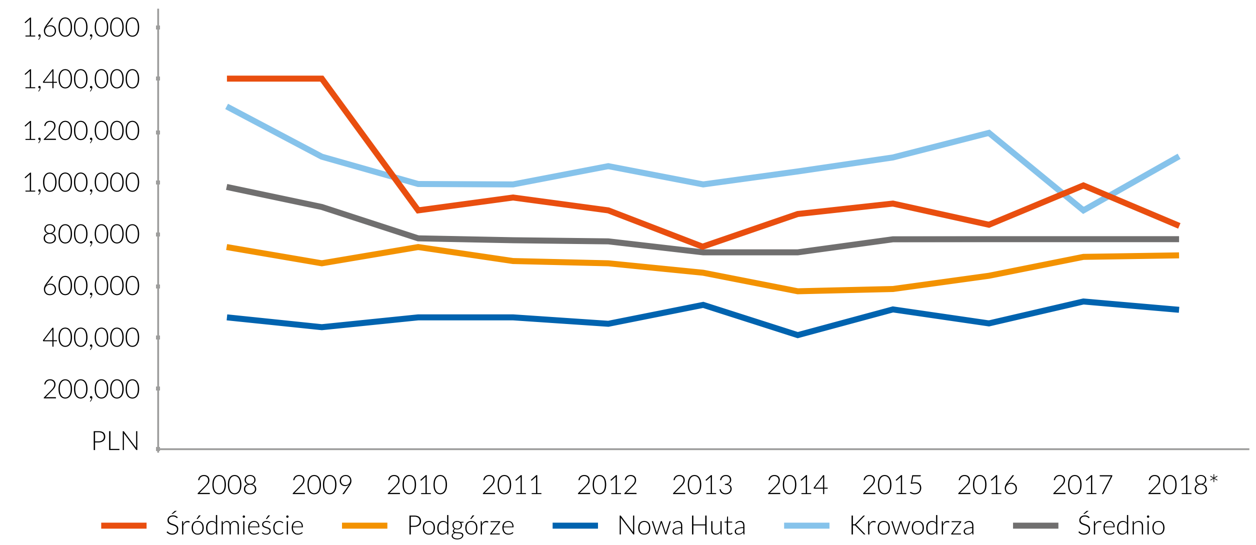
PLN 800,000
Average price for a house on the secondary market

AROUND PLN 5,000
Average price for 1 m^2

The average prices have remained unchanged for the subsequent year in a row. The average price for a house on the secondary market in Krakow is approx. PLN 800 thousand. The most expensive districts are: Krowodrza and Śródmieście (about PLN 1 million per house). The least expenses hourse are located on the outskirts of Nowa Huta (about PLN 500,000).

The statistical house on the secondary market for sale is located on a plot of eight ares and has an area of approx. 170 m^2, at a price per 1 m^2 of just below PLN 5,000.

AVERAGE PRICES FOR HOUSES IN 2008-2018 (PLN)



* Estimated based on incomplete data.
Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

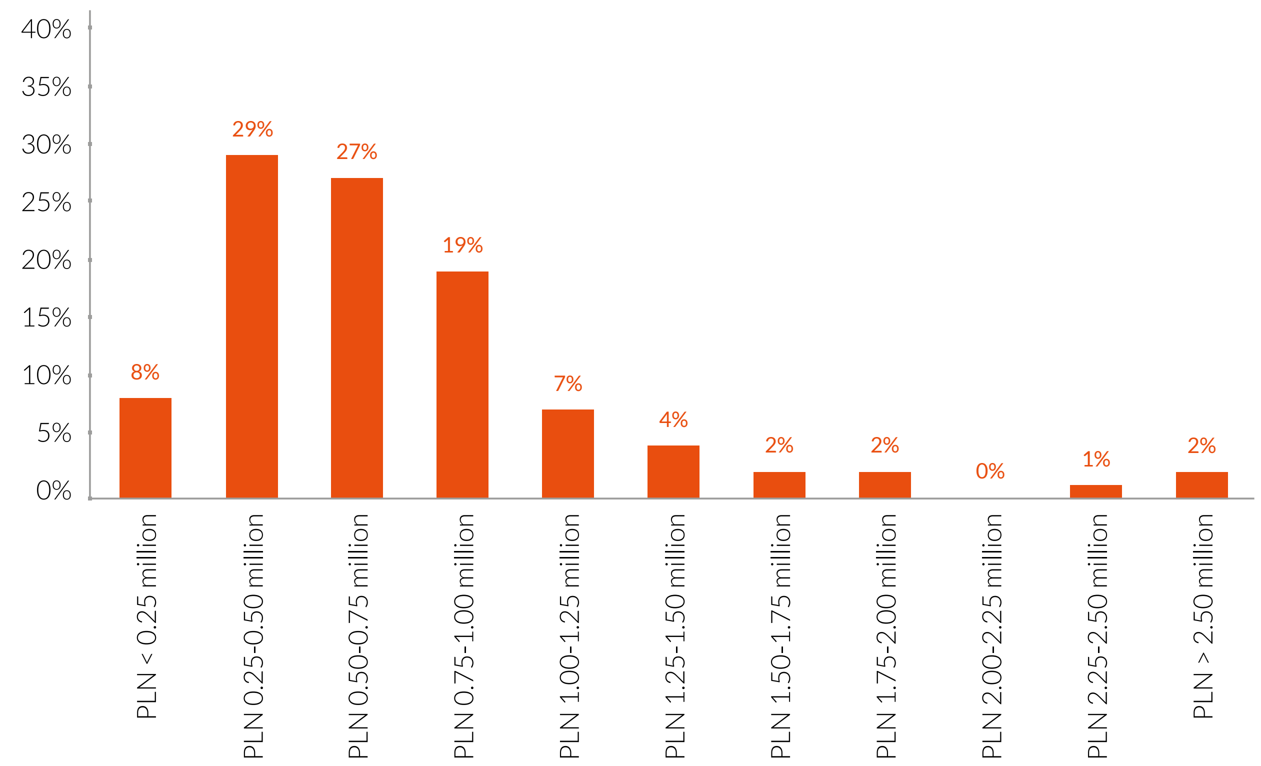
20% TRANSACTION NUMBER OF THE TOTAL
is the sale of houses with an "average" price

In 2018 – unlike the previous year – the largest number of transactions was recorded in the range of PLN 250,000 – 500,000 (29%), which indicates a high demand for houses with lower market value. On the other hand, an increase in the number of home sales exceeding PLN 2.5 million (2%) can be seen compared to 2017, where there was no single home sales above this amount (0%).

House sales at "average" prices have so far accounted for nearly 20% of the total number of transactions.

FROM SEVERAL YEARS OF REAL ESTATE MARKET OBSERVATIONS, IT CAN BE CONCLUDED THAT THE NUMBER OF TRANSACTIONS AND THE VOLUME OF TURNOVER WILL HAVE AN UPWARD TREND, UNLESS UNFORESEEN MACROECONOMIC FACTORS TAKE PLACE

SHARE OF TRANSACTIONS MADE IN 2018 DEPENDING ON THE REAL ESTATE PRICE (PLN MILLION)



Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

LAND IN KRAKOW

ACCORDING TO DATA FOR 2018, THE INCREASE IN PRICES ON THE LAND MARKET IN KRAKOW HAS BEEN VISIBLE CONTINUOUSLY FOR SIX YEARS

Last year, trading on the Krakow land market amounted to PLN 1.5 billion – the highest since the record year 2017, when trading amounted to PLN 2.5 billion. The number of transactions has also increased. Capital activity invariably concerned investment plots for multi-family housing. The balanced activity of buyers in acquiring land for commercial buildings was also noticeable. In this segment, the market was relatively balanced in terms of land for office buildings and commercial facilities. The majority of demand was obtained for land for hotels and private student housing.

The increase in housing prices was compensated by consistently rising construction costs, which is why the financial results of development companies remain at a good level, which allows them to continue investing in land.

A GREATER INTEREST OF DEVELOPERS IN THE KRAKOW EDGES IS CAUSED BY A SMALL NUMBER OF INVESTMENT AREAS AND THEY WANT TO OFFER LESS EXPENSIVE PREMISES FOR THOSE INTERESTED IN BUYING LAND

In recent years developers have focused on the outskirts of Krakow. Therefore, the most built-up areas in 2018 included, among others: Górka Narodowa, Bronowice, Kliny or Płaszów-Rybitwy.

IN 2018, TRANSACTIONS IN THE AREA OF KLINY AT PODGÓRZE COVERED OVER 50HA (IN 2017 THIS WAS BELOW 10HA)

Information from the beginning of 2018 about the acquisition of large plots of land by a state-owned company under the "Mieszkanie Plus" program could have been a factor stimulating transactions in this area. The emergence of a large state-owned entity and its cooperation with the Municipality of Krakow creates hope for more efficient road construction, utilities and the construction of public facilities.

In 2018, the Krakow land market (as compared to 2017) recorded an increase in both the number of transactions and the volume of trading. According to preliminary data, trading in 2018 reached around PLN 1.5 billion, which is covered by nearly 1,600 transactions that were finalized in this period. However, it should be noted that this is preliminary data, as some of the transactions carried out in the past year have not yet been fully included in the statistics. In 2017, trading was at the level of PLN 1.25 billion with 1,250 market transactions. Therefore, in terms of trading, 2018 was better than 2016 and 2017 in which the values were PLN 1.45 billion and PLN 1.25 billion, respectively.

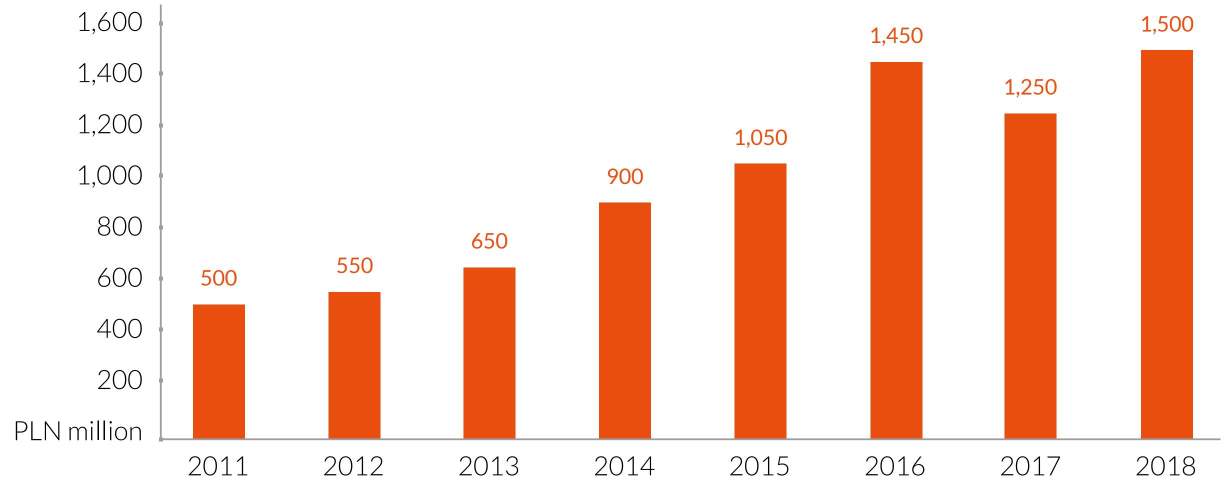
RECORD BREAKING INCREASE IN 2007 – PLN 2.5 MILLION – STOOD OUT AGAINST THE PREVIOUS YEARS, WHICH HAS BEEN A TRAIL OF PEAK CONDITIONS AND HIGH PRICES

It is worth mentioning that the good economic situation on the land market will depend, in particular, on maintaining positive trends in the economy, which, in turn, translates into a strong labor market and maintaining / increasing the creditworthiness of potential buyers of apartments, and in the office segment – at least a stable demand for new space.

Trading in the current cycle is at a similar level, which can be seen on the basis of data from 2016-2018. It is therefore probable that along with the good situation on the labor market and the low level of interest rates, the prosperity will last longer. Thus, it is worth bearing in mind that the amount of land for investment currently available to Krakow has decreased, and the legal situation of the land offered for sale is often complex or there can be problems with access and utilities in such areas. The declining acreage of land for investments also causes developers to return after a year or two to negotiate the purchase of land with a more complex legal and technical status, previously rejected for this reason.

IN 2018, KRAKOW'S LAND SEGMENT FOR MULTI-FAMILY HOUSING BUILDINGS RECORDED AN AVERAGE PRICE RATE INCREASE OF 10-15%

TRADING ON THE LAND MARKET IN KRAKOW (PLN MILLION)



Preliminary estimates for 2018. This data does not include land purchased by the Municipality of Krakow and the State Treasury in connection with the implementation of road investments, non-market transactions and in-kind contributions between various entities.

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

LAND IN KRAKOW

NUMBER OF TRANSACTIONS ON THE LAND MARKET IN KRAKOW

YEAR	2011	2012	2013	2014	2015	2016	2017	2018
NUMBER OF TRANSACTIONS	650	600	750	900	1,150	1,450	1,250	1,600

Preliminary estimates for 2018. The data does not include land purchased by the Municipality of Krakow and the State Treasury in connection with the implementation of road investments, non-market transactions and in-kind contributions between various entities.

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

The average transaction price of construction land in Krakow in 2018 was around PLN 700/m² and was slightly lower than in 2017, PLN 730/m². This does not mean a drop in prices, but only a change in the structure of the transaction. In 2018, there was a higher trading in less expensive plots of land that were located on the outskirts of Krakow. At the same time, the number of transactions with higher prices from more expensive locations and central areas, in which plots were sold out in earlier years, decreased.

The share of land real estate for single-family housing in relation to the total number of transactions in construction land increased to 60%, as compared to previous years. The largest share in the trading of land in Krakow (at a level of about 60%) was recorded in transactions regarding plots for multi-family housing and housing and commercial construction. What's more, the share of land properties intended for single-family housing remained at a total level of 14%. Trading in the commercial plots segment accounted for around 24% of the total. The relatively large share of plots intended to green areas is an interesting fact, they were bought for this purpose by the Municipality of Krakow. It is also worth pointing out here that trading in this segment exceeded PLN 25 million.

Interestingly, the market for land for multi-family housing and housing- commercial development, in terms of trading value in individual districts of Krakow, was asymmetrical. Podgórze accounted for 50% of turnover, Krowodrza over 30%, and Nowa Huta and Śródmieście in total less than 20%.

ABOUT PLN 700/M²

Average transaction price of construction land in Krakow in 2018

TRADING OF LAND IN 2018

60% – plots for multi-family housing and residential and commercial construction

25% – service plots

15% – plots for single-family housing

On the other hand, turnover in Śródmieście decreased significantly, where there is a noticeable lack of supply of land, especially land at reasonable prices.

Average unit prices of land increased, e.g. in Podgórze, by less than 10%, thus reaching the level of 1,550 PLN/m². At the same time, it is worth noting that this increase is underestimated by low transaction prices from the regions of Kliny and Rybitwy where only low buildings are permitted.

The average price per m² of the plot fell to the same amount statistically. This is an apparent decline caused by a large number of transactions of plots from the less expensive areas of Górka Narodowa and Bronowice, sold in the price range of PLN 500-600/m² of land, with low building intensity indicators. In Nowa Huta, on the other hand, prices increased by at least 10%, resulting in the amount of approximately PLN 1,000/m². The small number of transactions carried out in Śródmieście last year does not give the possibility to indicate a reliable average transaction price of real estate in this area.

The prices and the calculation of the increase in the price of plots in the calculation of the usable area of apartments (UFA), which is the most objective and independent of planning factors price indicator should be considered more reliable.

PRICES OF PLOTS FOR MULTI-FAMILY USE IN CONVERSION TO APARTMENT USABLE FLOOR AREAS (UFA) INCREASED IN COMPARISON TO 2017

In the least expensive, peripheral areas of Podgórze and Krowodrza (in particular: Kliny, Rybitwy and Górka Narodowa) the prices of plots converted to UFA fluctuated in the range of PLN 600-700 /m² UFA. In such intermediate locations as Płaszów, which has been gaining attractiveness in recent years, prices fluctuated within PLN 1,000 - 1,400/m² UFA.

In such prestigious locations as: Stare Dębniki, Łobzów and Nowa Wieś, prices exceeded UFA PLN 2,500/m², while on the outskirts of Śródmieście (mainly on Prądnik Czerwony near 29 Listopada avenue / Opolska street), prices fluctuated from UFA 1,400 to 2,000 PLN/m².

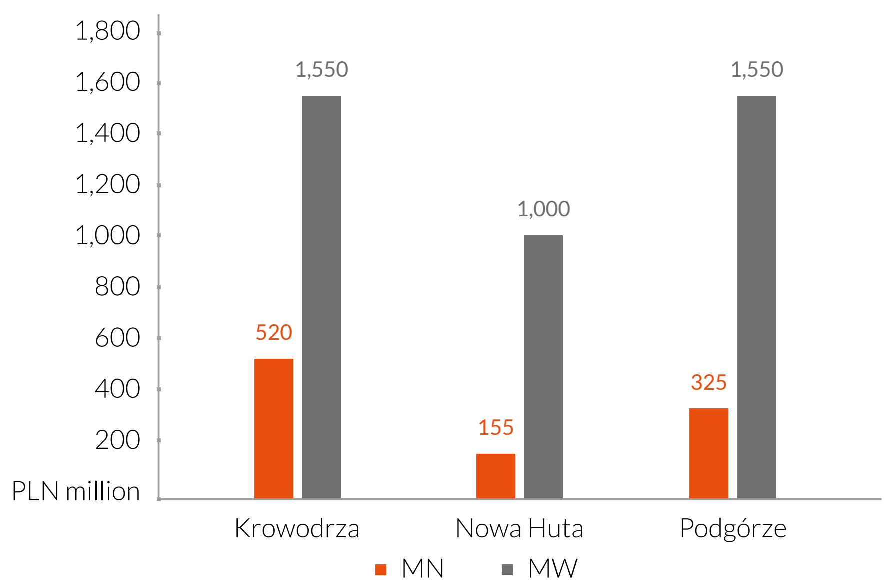
In 2018, the largest Krakow developers in Kliny at Podgórze purchased land with an area of 18.4 ha for PLN 63.4 million (PLN 344/m²) and 14.6 ha for PLN 21.1 million. At the beginning of past year, a plot of land with an area of 17.8 ha was purchased for PLN 53.4 million, i.e. approx. PLN 300/m² by a state-owned company implementing investments under the "Mieszkanie Plus" program. The low unit land prices therefore result, among other things, from the fact that a large proportion of the land purchased is allocated for greenery and roads. Planning considerations allow, in turn, a low building intensity, because this area is poorly connected and undeveloped.

On the opposite north side of Krakow (in the area of Górka Narodowa) one of the large Krakow developers bought almost 7 ha of land for PLN 64.5 million (PLN 929/m²), while in Bronowice (e.g. along Stelmachów Street) developers bought land for low-rise buildings in the range of PLN 500 - 600 /m².

The transaction that stood out from other transactions was certainly the sale in Nowa Huta near ul. Centralna in Czyżyny, where a listed developer purchased 5.5 ha for PLN 48 million for a further housing and commercial development. The former area after Zakład Prefabrykacji Budowlanej has almost been completely revitalized and developed within the past several years, including housing and commercial buildings. In Nowa Huta, the areas adjacent to Śródmieście in the vicinity of Lema Street, the Czyżyny area and the peripheral Mistrzejowice were still actively invested in.

LAND IN KRAKOW

AVERAGE PRICES OF PLOTS FOR MULTI- AND SINGLE-FAMILY HOUSING WITHIN KRAKOW IN 2018 (PLN/M²)



Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

ON THE MARKET OF PLOTS INTENDED FOR SINGLE-FAMILY HOUSING CONSTRUCTION, AS COMPARED TO PRICES FROM 2017, PRICES INCREASED, FOR EXAMPLE AT PODGÓRZE BY APPROX. 8%

In Krowodrza and Nowa Huta, the average price of land fell slightly, but this is an apparent drop caused by the change in the transaction structure.

In Krowodrza, the average price calculated on the basis of market data from 2018 was about PLN 520/m², as compared to the average from the previous period, i.e. PLN 550/m². It is worth mentioning that the data from the previous period contained relatively high-value transactions from the Wola Justowska area. Comparing 2017 and 2018 in terms of average prices, the periods were similar, reaching prices of PLN 500/m² and PLN 520/m², respectively, which is an increase of approximately 4% in 2018.

Traditionally, the highest prices were recorded in Wola Justowska in the Zwierzyrzyniec district (prices range from PLN 1,000 to around 1,500/m²). On the other side of the price range there are relatively less expensive lands in the north-west of Krakow, e.g. in Tonie, where prices for land at Gaik and Gryczana streets was in the range of PLN 200-300/m². Increased trading could also be recorded in the western part of Prądnik Biały (e.g. at Chełmońskiego, Na Polach and Stawowa streets). The prices were close to the average transaction prices carried out throughout the Krowodrza district.

The average unit price for plots of land for single-family housing in Nowa Huta was approximately PLN 155/m², which is close to the average recorded last year (PLN 160/m²). The price distribution in the analyzed period of 2018 was, however, much more flattened, as compared to 2017. Transactions exceeding PLN 300/m² were recorded in the analyzed period, while in the structure of data from 2017 there were more such transactions (land located in relatively better locations in Czyżyn and Krzesławice) – which resulted in a higher average in 2017.

When we compile data from the past two years, then the average price per m² in 2018 will be higher than the adjusted average from 2017 by about 8%, which indicates an increase in prices on the land market for single-family housing in Nowa Huta. 2018 was dominated by transactions in the northern and northeastern part of the district (Wzgórza Krzesławickie, Łuczanowice, Wadów). They are peripheral locations within the city of Krakow that compete with the neighboring towns of the suburban area in the neighboring Municipality of Kocmyrzów-Luborzyca (Prusy, Zastów, Dojazdów, Krzysztoforzyce). Nowa Huta, with average prices still much lower than in other districts of Krakow, was an interesting alternative in the context of plots for single-family housing. The opening of the eastern beltway of Krakow in the second half of 2017 and the prospect of its further expansion to the north (S7 exit north) significantly increased the assessment of this location in terms of transport and had a positive impact on demand.

LAND IN KRAKOW

The increase in real estate prices for single-family housing can also be the consequence of a strong rise in housing prices. Buying a plot of land and building a house on your own, in less expensive locations, can be an alternative to more expensive apartments. This probably strengthens the demand side of the plots market for this purpose.

In the segment of plots for office development, there was a relative balance of supply and demand despite the prospect of a constant increase in the construction of new office space and the feeling of market saturation with office space. The most interesting transactions include: the purchase of 1.6 ha of land in Krowodrza at the Ofiar Katynia roundabout at a tender from the Municipality of Krakow for PLN 31 million (PLN 1,918/m^2 of land). At Saska Street in Płaszów, a 2.54 ha demolition site was bought for PLN 28 million. This is additional proof of a complete change in the perception of this location in the eyes of both residential and commercial investors.

One of the developers of Krakow's office spaces bought the area next to the Krakow City Office at Wielicka Street at the same price as in 2017. When we convert prices of plots into CUA, i.e. the commercial usable area, in the locations they ranged from about PLN 700/m^2 to about PLN 1,000/m^2, and it was basically the 2018 price range for CUA in the office plots segment.

The segment of commercial plots for commercial purposes was less active. Occasional transactions ranged from PLN 300 to 1,300/m^2. The most interesting transactions include the sale of plots with an area of 86 ares at Herbert street in Kurdwanów with the building permit for a large-scale facility for the price of PLN 10.5 million (1,220 PLN/m^2 of land).

On the market of industrial plots and industrial- commercial plots, mainly there Podgórze and Nowa Huta, increase in prices could be seen after years of stagnation. The price level in the main industrial areas of the districts, i.e. in Rybitwy and Łąg, was in the range of PLN 200-450/m^2. Prices increased the most in the vicinity of the S7 route in Rybitwy, where they exceeded PLN 400/m^2. Transactions in the vicinity of the former Huta T. Sendzimira along Łowińskiego street were noticeable with prices up to PLN 350/m^2.

It is also worth mentioning the market for plots intended for green areas, in which the municipality of Krakow buying land to create, for example, parks or squares for residents, plays a decisive role. In 2018, trading in plots where new green areas are to be built exceeded PLN 25 million.

The prices of land in Krakow have increased for several years, which means that here we can observe transactions in the price range of PLN 200-350/m^2, as well as those that reach up to PLN 700/m^2 of land (as a supplement to residential development). The upward trend in prices of Krakow land is also visible in the constantly growing expectations of sellers. This is especially true when plots of land designated for greenery are located in urban areas surrounded by residential buildings – primarily multi-family housing. The value and prices of such plots are approx. 20-30% of the price of residential plots.

In general, on the land market in Krakow in 2018, the upward trend in prices initiated in the second half of 2013 continued. In the segment of plots for multi-family housing, prices increased by 10-15%.

There was a noticeable investment activity of developers in the outskirts of Krakow, where large, "wild" areas were willingly bought.

In the segment of plots for commercial (office, shops) the market balanced in relation to supply and demand. Demand prevailed only for plots with the possibility of hotel development.

In the segment of plots for single-family housing, prices also increased. After several years of stagnation, prices of industrial and service plots increased.

SINGLE-FAMILY HOUSES IN THE KRAKOW SUBURBAN AREA

REAL ESTATE MARKET OF HOUSES OF LAND WITH SINGLE-FAMILY HOUSING IN THE SUBURBAN AREA OF KRAKOW FOR 2018 IS STILL SHOWING ITS GROWTH TREND

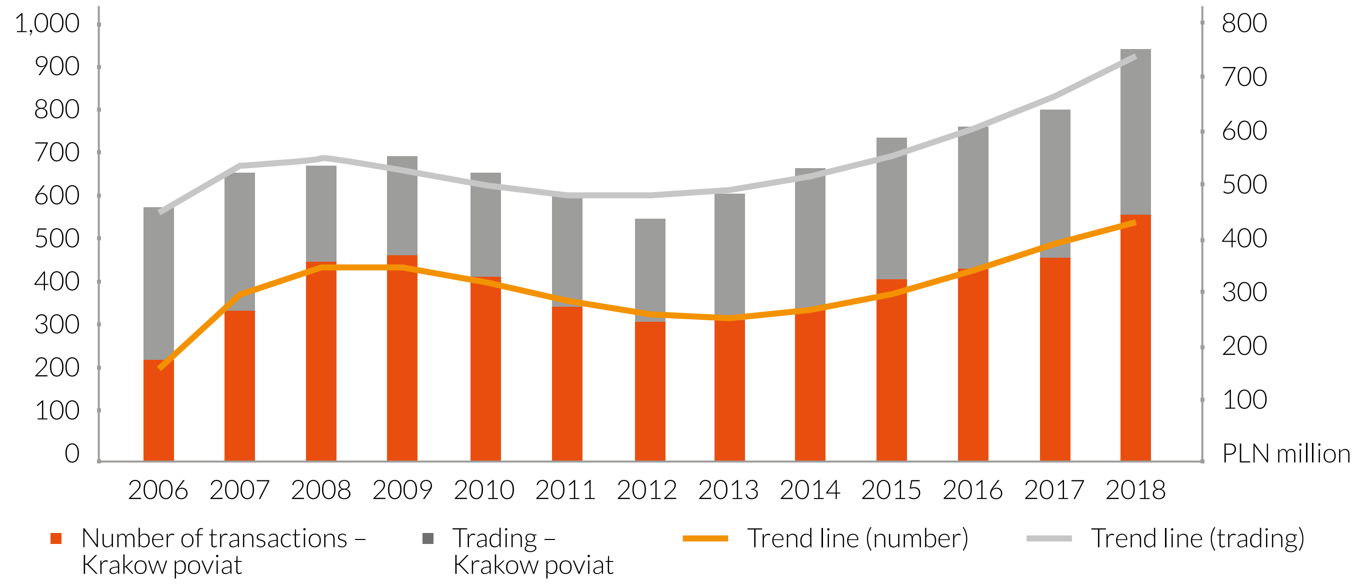
The increase in prices on the Krakow market of single-family houses located in the suburban area began in 2012, simultaneously leading to a record number of about 940 transactions in 2018. This result beat the record year of 2003. The estimated yearly increase in the number of transactions was 18% – a larger increase was recorded only in 2005 and 2006.

The correlation of trading volume, which is described on the right vertical axis of the chart, with the increase in the number of transactions, indicates a stabilization of the prices of real estate built-up with single-family houses. In the conditions of a significant increase in the number of transactions, this proves the balance of demand and supply in the previous year. Trend lines suggest maintaining upward trends in the market.

TRANSACTIONS IN HOUSES IN 2018

940 – Krakow poviat
500 – Wieliczka poviat

NUMBER OF TRANSACTIONS AND TRADING IN HOUSES IN THE KRAKOW POVIAT



Values for 2018 were approximated due to not providing all data.

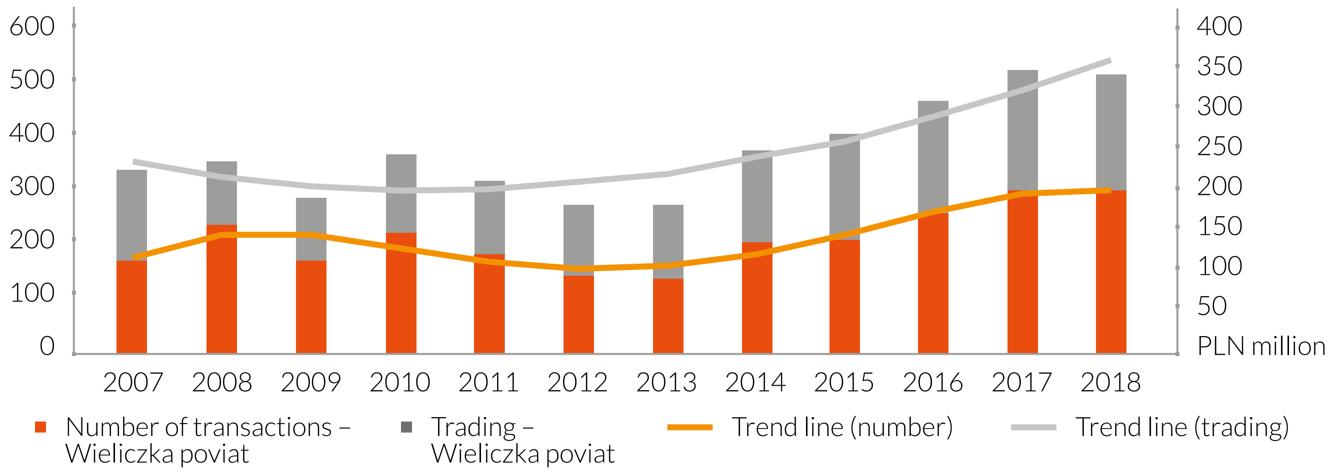
Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

SINGLE-FAMILY HOUSES IN THE KRAKOW SUBURBAN AREA

In the Wieliczka poviat, the tested parameters for 2018 indicate stabilization, as compared to the previous year. Starting from 2014, there has been a continuous increase in the number of transactions and the volume of trading with a record in 2017. In 2018, however, high values were achieved in relation to the number of transactions and the volume of trading, which was maintained and should be treated as a positive signal.

The very good results from the Wieliczka poviat, achieved in the past two years, confirm that the real estate located in this poviat enjoys the growing interest of buyers and constitutes an attractive alternative to Krakow.

NUMBER OF TRANSACTIONS AND TRADING IN HOUSES IN THE WIELICZKA POVIAT

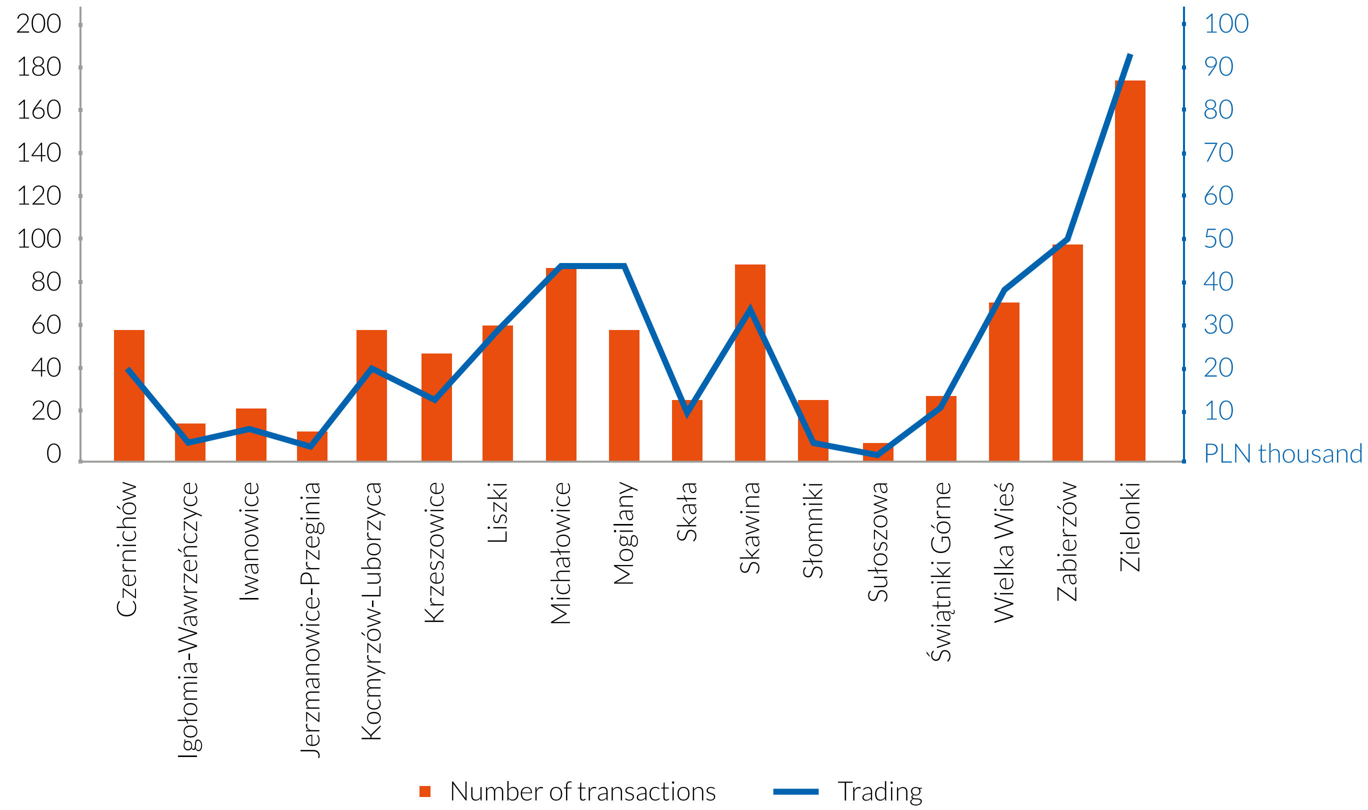


Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

Traditionally, the records of the largest number of transactions in single-family houses are beaten every year. In 2018, this record concerned the municipalities of Zielonki and Zabierzów, followed by Michałowice and Skawina – where we observe a strong revival of the market in the past two years. As in the previous year, the municipality of Zielonki located at the northern borders of Krakow is the clear leader.

The municipalities in which the number of transactions increased, as compared to 2017, are Zielonki and Michałowice, and this increase was due to intense development activity. The maximum values in the trading volume chart correspond to the maximum values for the number of transactions. In 2018, the highest transaction price was recorded in Mogilany, at the Parkowe Wzgórze estate, where PLN 2.5 million was paid for a 220-meter residence with furnishings and land.

NUMBER OF TRANSACTIONS AND TRADING IN HOUSES IN THE KRAKOW MUNICIPALITY POVIATS IN 2018



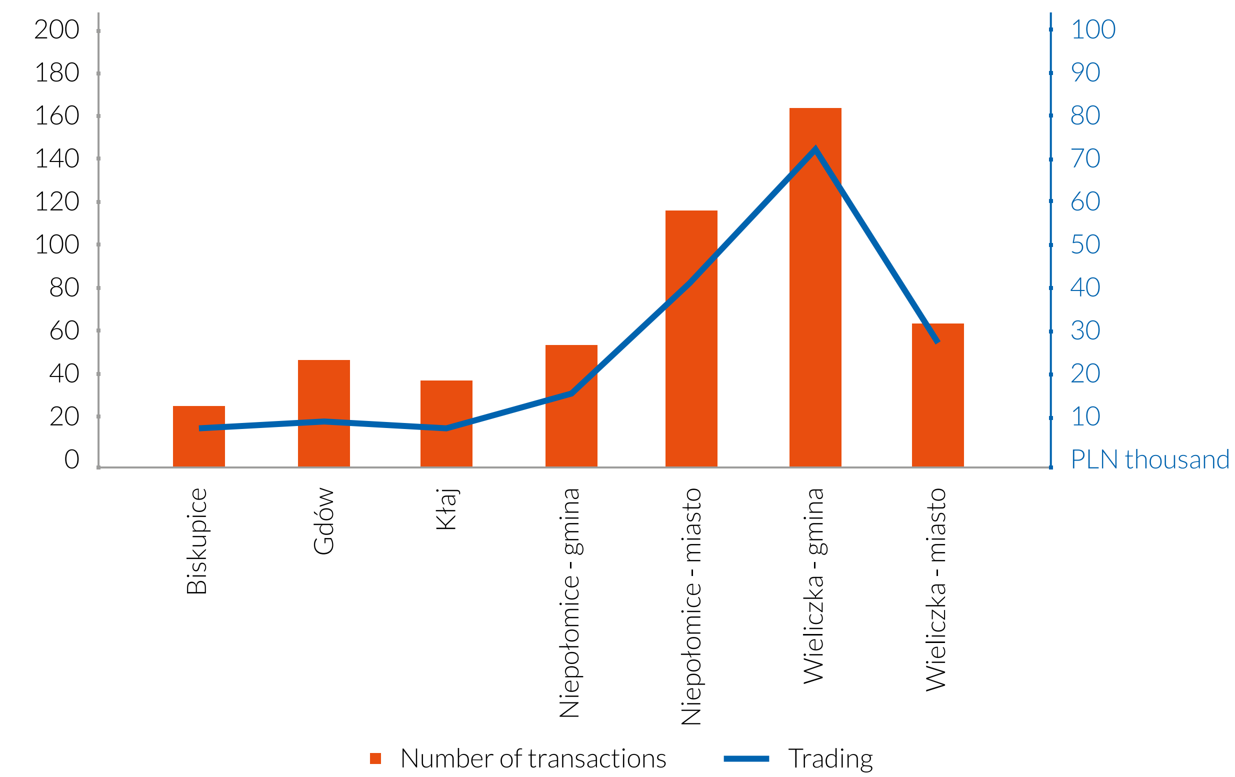
Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

SINGLE-FAMILY HOUSES IN THE KRAKOW SUBURBAN AREA

In 2018, the largest number of transactions was recorded by the Wieliczka Municipality and – as in 2017 – the city of Niepołomice. The most expensive transaction of 2018 was the purchase of a house on a 13 ares plot in Węgrzce Wielkie for PLN 1.2 million.

A historical analysis of average transaction prices for real estate in Krakow poviat indicates large differences between individual municipalities.

NUMBER OF TRANSACTIONS AND TRADING IN HOUSES IN THE MUNICIPALITIES OF THE WIELICZKA POVIAT IN 2018



Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

In three out of seven analyzed areas of the Wieliczka poviat, the average transaction price increased, while a clear decrease was recorded in Gdów. In terms of the number of transactions, the most active region is the area of the Wieliczka municipality, and the number of purchase and sale contracts is at a similar level in Niepołomice.

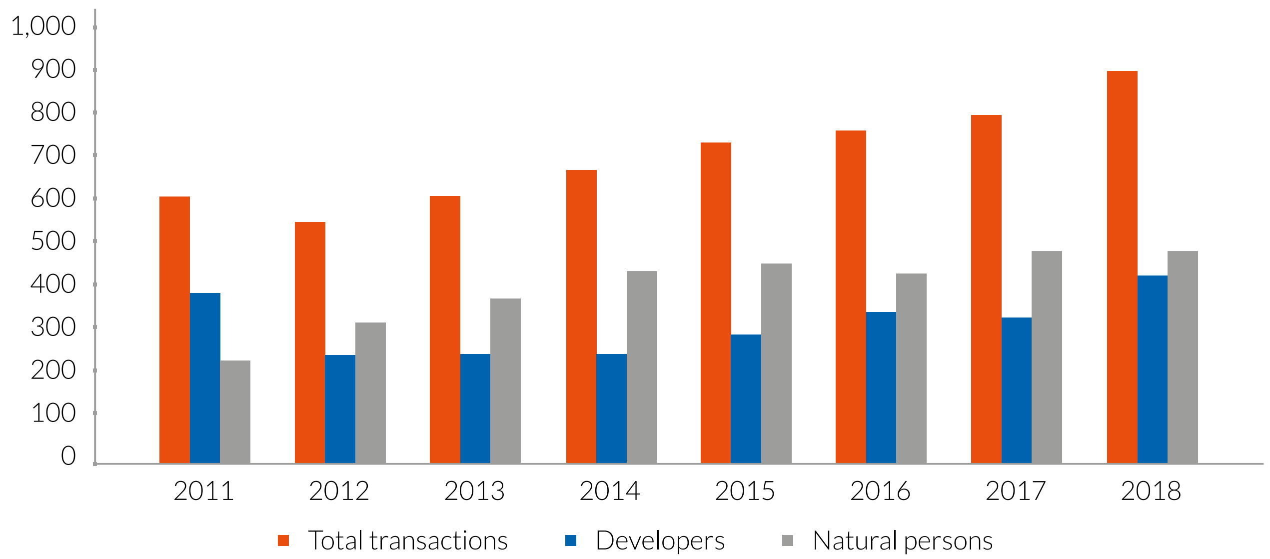
THE LARGEST PRICE INCREASE IN 2018, AS COMPARED TO THE EARLIER YEAR, WAS RECORDED IN THE MOGILANY AND SKAŁA MUNICIPALITIES. MAXIMUM MULTI-ANNUAL PERIODS WERE RECORDED IN THE MUNICIPALITIES OF SKAŁA, SKAWINA, MOGILANY AND

PRIMARY MARKET

In 2018, it was possible to exceed the period of the greatest developer activity measured so far in the number of transactions, achieved in 2011. This number has been increasing over the years since the fall in 2012, to reach 419 transactions in 2018, which means an increase of over 23%, as compared to 2017.

An analysis of prices per 1 m^2 of usable floor area of a building in development transactions shows (similarly to previous years) that in municipalities with the large number of them, the difference between the maximum and minimum price has become apparent, depending on the progress of works in the building sold. What's more, house prices in a developer standard, in a good location, usually exceed PLN 5,000/m^2.

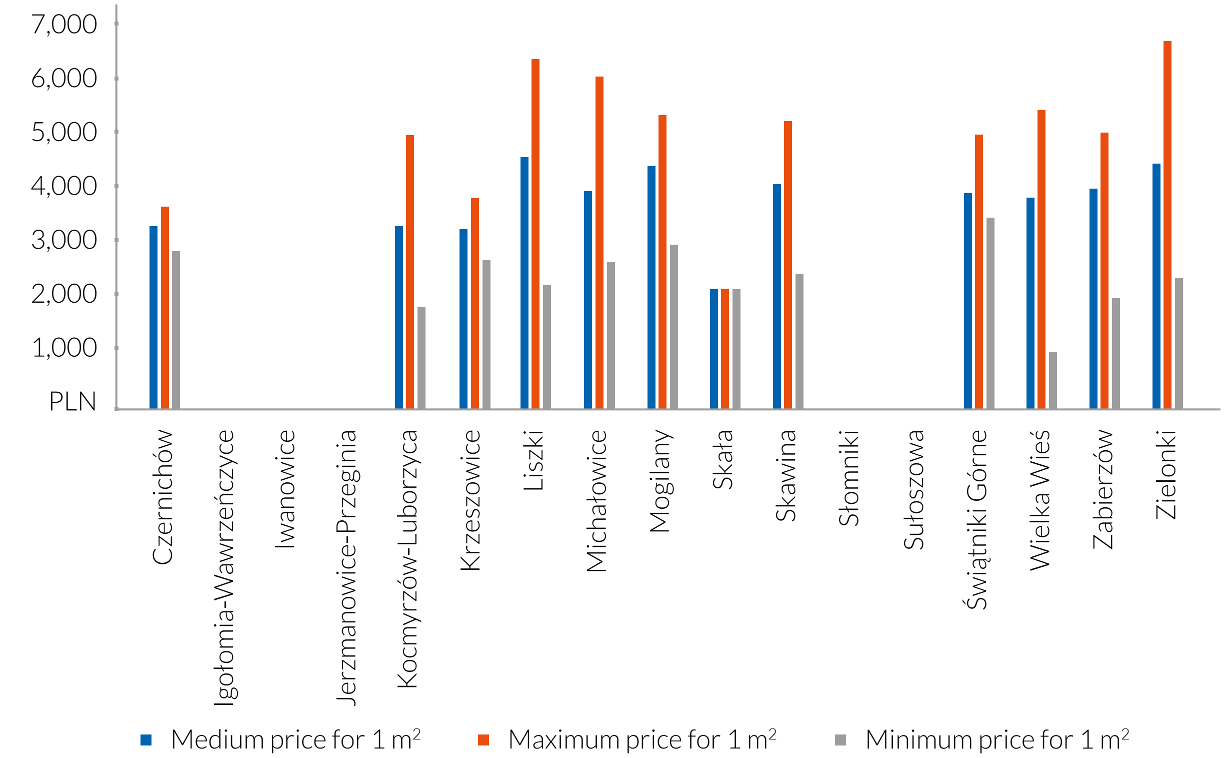
NUMBER OF TRANSACTIONS MADE BY DEVELOPERS AND NATURAL PERSONS IN THE KRAKOW POVIAT



Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

SINGLE-FAMILY HOUSES IN THE KRAKOW SUBURBAN AREA

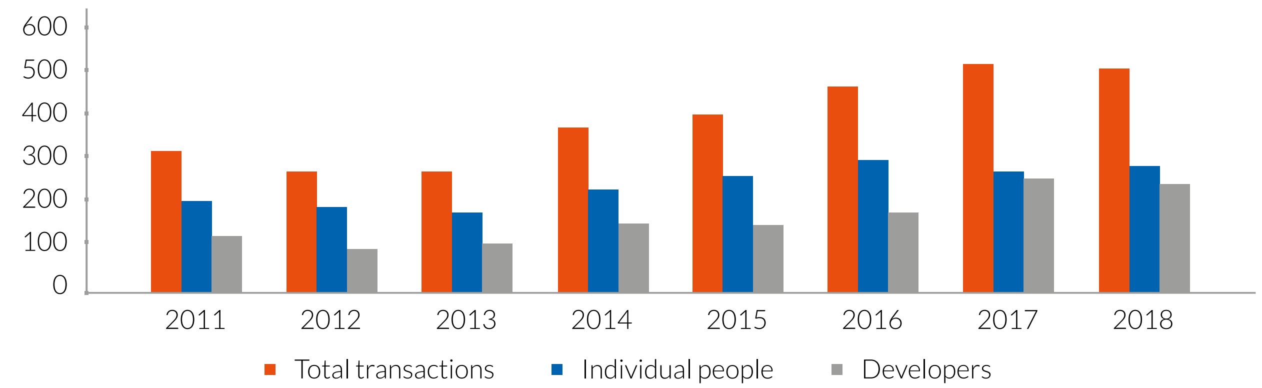
MINIMUM, AVERAGE AND MAXIMUM PRICES FOR 1 M^2 OF A HOUSE IN KRAKOW POVIAT MUNICIPALITIES IN DEVELOPMENT TRANSACTIONS IN 2018 (PLN/M^2)



No bars means no developer transactions in the municipality.

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

NUMBER OF TRANSACTIONS CARRIED OUT BY DEVELOPERS AND NATURAL PERSONS IN THE WIELICZKA POVIAT

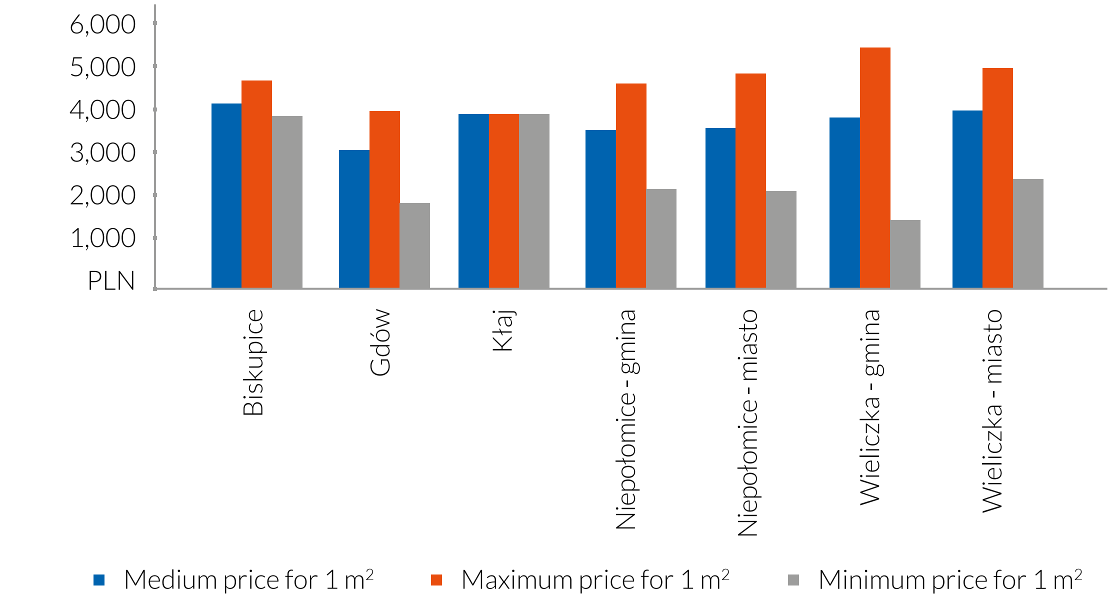


Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

The number of developer transactions in 2018 in the Wieliczka poviat confirms the recovery of this market segment, which has been observed since 2015.

In the Wieliczka poviat, developers conducted their activities mainly in the city of Niepołomice and in particular towns of the Wieliczka municipality. In turn, the area of the city of Wieliczka was in third place, while in other municipalities (e.g. Kłaj and Biskupice) such investments were recorded sporadically.

MINIMUM, MEDIUM AND MAXIMUM PRICES FOR 1 M^2 OF A HOUSE IN THE WIELICZKA MUNICIPALITY POVIATS IN DEVELOPMENT TRANSACTIONS IN 2018 (PLN)



Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

AS IN THE PREVIOUS YEARS, IN 2018 THE AMOUNT OF PLN 500-600 THOUSAND ALLOWED FOR THE PURCHASE OF A SINGLE-FAMILY HOUSE NEAR KRAKOW BOTH ON THE PRIMARY MARKET (DEVELOPMENT) AND ON THE SECONDARY MARKET

The purchase price is the most important selection criterion for many customers, which is why there is still a lot of interest in less expensive real estate located further from the borders of Krakow, they are suitable for renovation or have never been finished by the owners, and now buyers are found.

LAND MARKET OF THE KRAKOW POVIAT

THE GREATEST NUMBER OF TRANSACTIONS REGARDING THE SALE OF LAND DEDICATED FOR RESIDENTIAL PURPOSES IN THE KRAKOW POVIAT WAS ONCE AGAIN RECORDED IN 2018

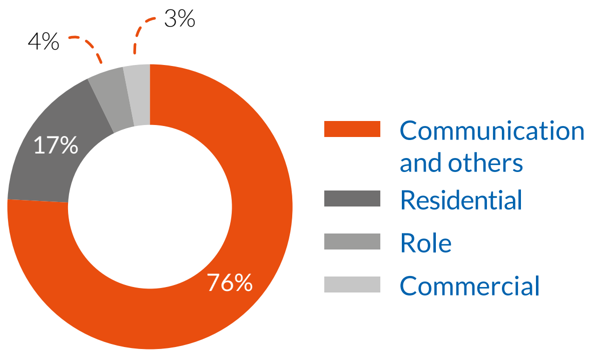
As compared to the previous year, the number of transactions for the sale of land intended for housing development turned out to be almost 20% higher. This demonstrates the growing interest of potential buyers who look for an alternative to the increasingly expensive apartments in Krakow. Taking the current economic situation into account, it can be predicted that the good economic situation on the market of land for housing development in Krakow poviat will remain stable but at a high level.

NUMBER OF CONCLUDED SALES TRANSACTIONS IN THE KRAKOW POVIAT

DESTINATION	2017	2018
Communication and others	67	56
Residential	1,075	1,270
Role	244	283
Commercial	57	62

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

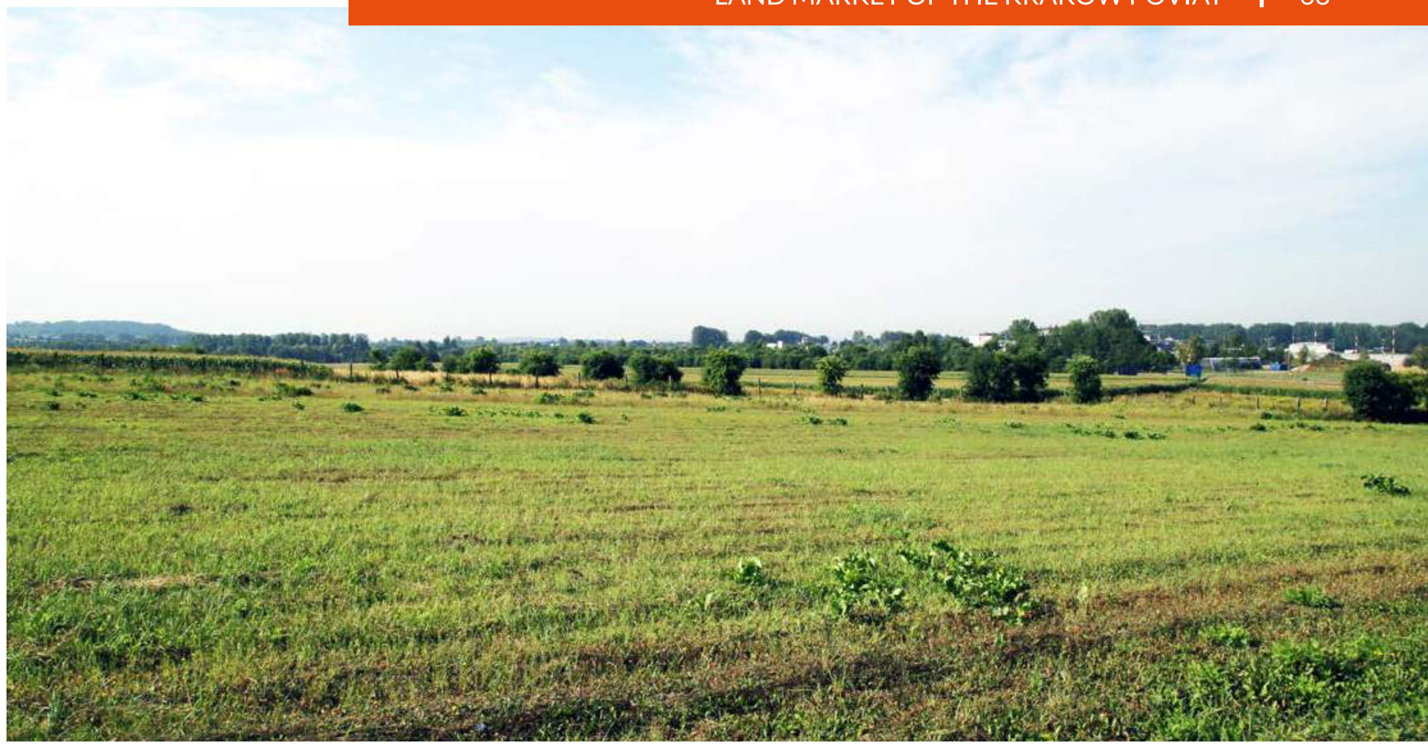
SHARE OF AREAS WITH A SPECIFIC DESTINATION IN THE GENERAL QUANTUM OF LAND SALES TRANSACTIONS IN THE KRAKOW POVIAT IN 2018



Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

When analyzing the above statistical data, it is also worth paying attention to the increase in the number of agricultural land sales transactions. It can be presumed that some of the transactions regarding the sale of agricultural land concerned real estate located within residential or commercial development areas, where buyers began to notice the development prospects for a given area.

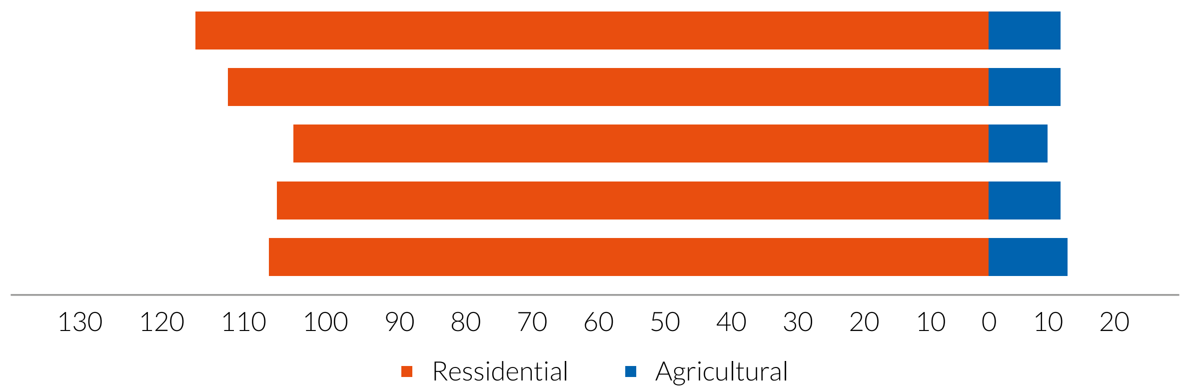
IN 2018 THE LAND PROPERTY MARKET IN THE KRAKOW POVIAT RECORDED A GROWTH IN THE NUMBER OF SALES TRANSACTIONS OF HOUSING LAND AND AGRICULTURAL LAND WITH RESPECT TO 2017



Most of the entities purchasing land rights in the Krakow poviat are natural persons – over 80% of buyers. However, we anticipate that with the increase in the price of residential land and the decreasing availability of investment areas in Krakow, developers' interest in the implementation of building plans in Krakow poviat will increase in the next few years.

In 2018, there was a slight increase in the average unit price for plots of land intended for housing, of 3.6%. This is half the amount of 2017, when the average unit price for residential land, as compared to the previous year, was 7.2%.

AVERAGE UNIT TRANSACTION PRICES FOR HOUSING AND AGRICULTURAL LAND [PLN/M²]

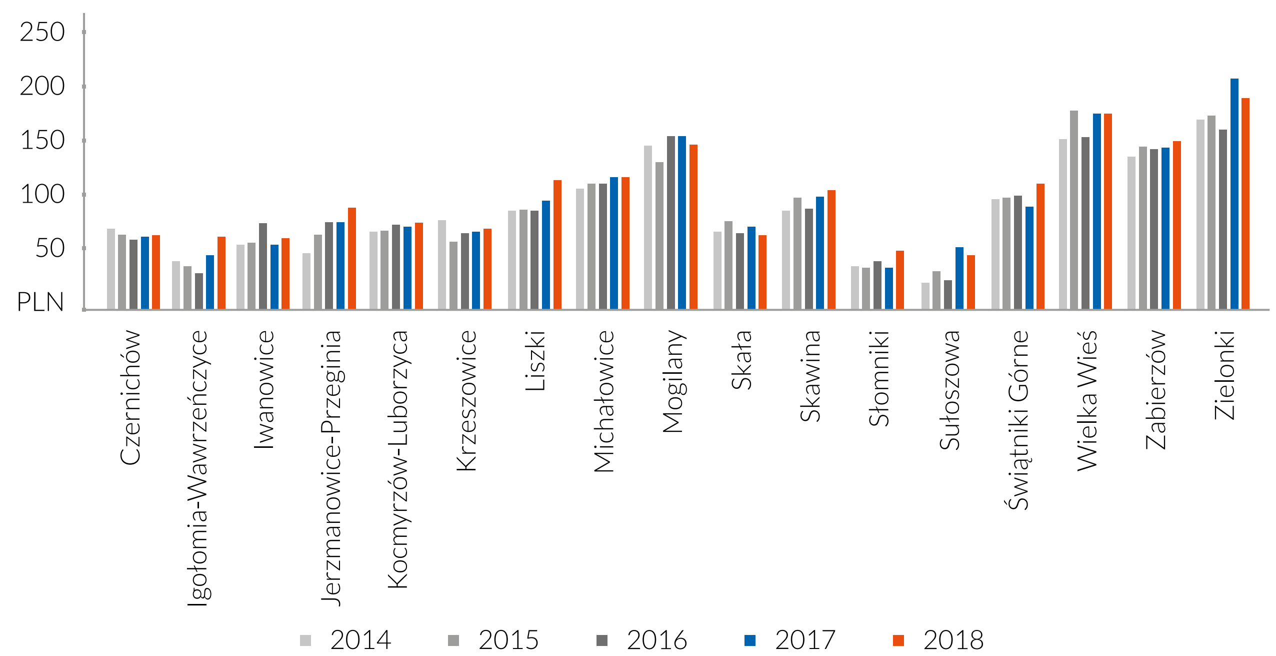


Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

THE ABOVE SUMMARY TESTIFIES THE RELATIVE STABILIZATION OF TRANSACTION PRICES FOR HOUSING AND AGRICULTURAL LAND IN THE KRAKOW POVIAT

LAND MARKET OF THE KRAKOW POVIAT

AVERAGE UNIT PRICES FOR HOUSING LAND IN THE KRAKOW POVIAT MUNICIPALITIES [PLN/M²]

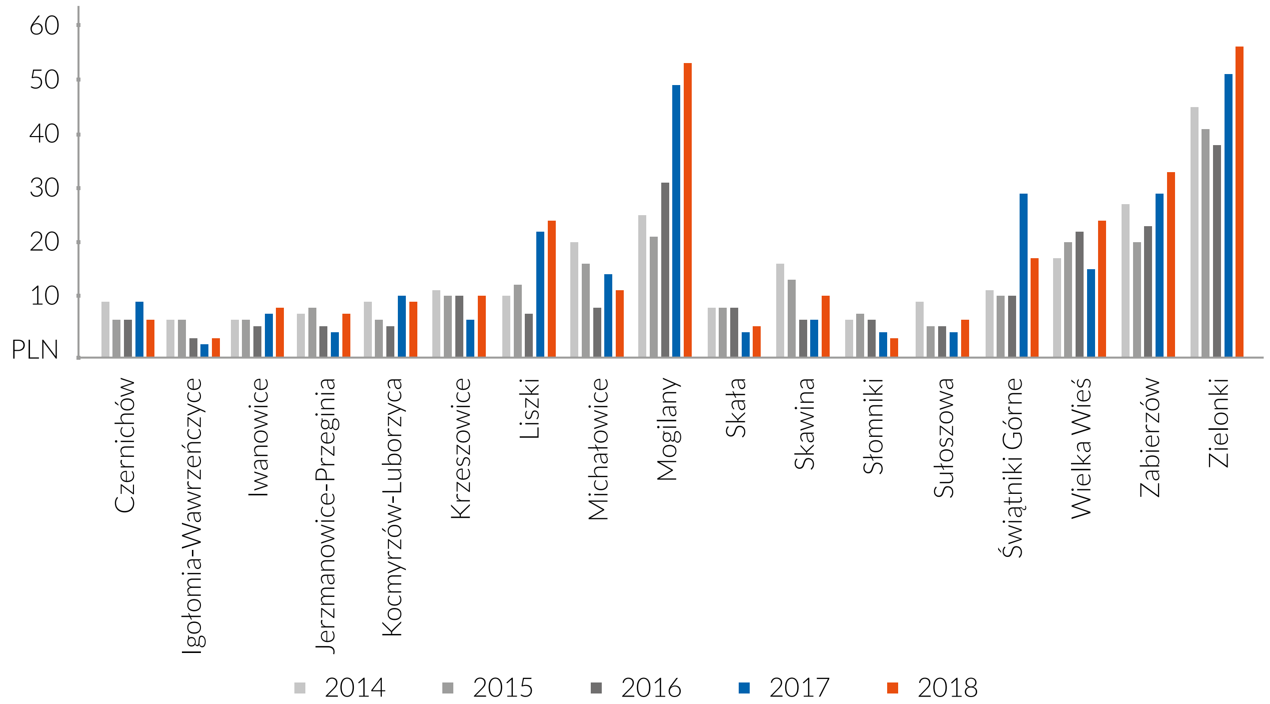


Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

In some municipalities, where stagnation in the housing land market in previous years was present, an increase in average unit transaction prices can be seen. In this regard, we can distinguish the following municipalities: Igołomia – Wawrzeńczyce, Jerzmanowice – Przeginia, Liszki, Słomniki and Świątniki Górne. On the other hand, in the communes of Mogilany and Zielonki, where the highest prices in Krakow poviat have been recorded in recent years, the average unit prices of land dedicated for housing development has dropped. This is probably due to the high demand for land properties located in the municipalities in recent years, which resulted in the depletion of the land bank with the most desirable market features. We are dealing with price stabilization in the Municipalities of Wielka Wieś and Zabierzów, characterized by the highest value of residential land on the scale of the Krakow poviat, next to Mogilany and Zielonki.

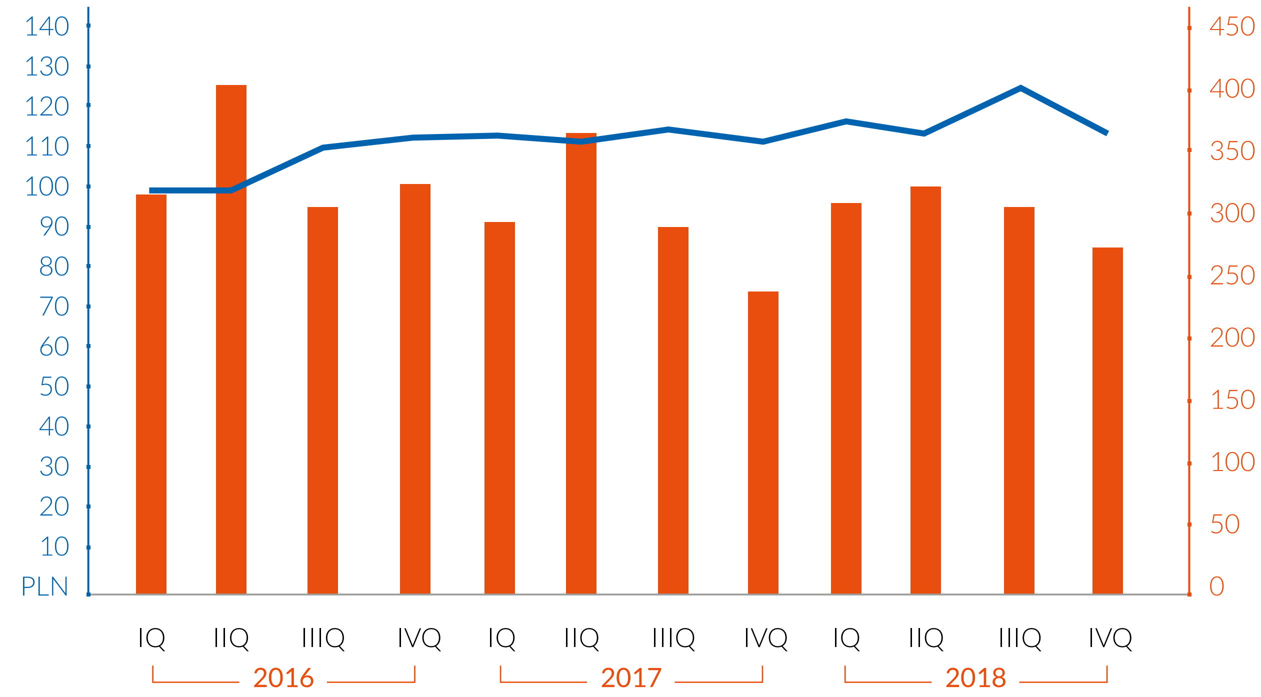
It is worth noting that the highest average unit transaction prices of agricultural land in the poviat are recorded in the area of the municipalities where we are dealing with the highest value of land for housing development. This is visible, among others, in the municipalities of: Mogilany, Wielka Wieś, Zabierzów and Zielonki.

AVERAGE UNIT PRICES FOR AGRICULTURAL LAND IN KRAKOW POVIAT MUNICIPALITIES [PLN/M²]



Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

AVERAGE UNIT PRICES FOR RESIDENTIAL AREAS IN KRAKOW POVIAT IN 2016-2018



Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

LAND MARKET OF THE KRAKOW POVIAT

AVERAGE UNIT PRICES FOR AGRICULTURAL LAND IN THE KRAKOW POVIAT IN 2016-2018

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

RESIDENTIAL FUNCTION LAND REAL ESTATE MARKET OF THE KRAKOW POVIAT IS IN A STABILIZATION PHASE

Price fluctuations recorded throughout the year and in individual quarters are the result of the natural differentiation of market features of the land subject to market trading.

The land property market of the Krakow poviat recorded an increase in the number of sales transactions of residential and arable land in 2018, as compared to 2017. What is more, as in 2017, over 80% of entities purchasing land in Krakow poviat were natural persons.

It is worth pointing out that the value of land for housing and agricultural land throughout the entire poviat remains stable.

The highest average unit prices of agricultural land are recorded in the municipalities where we are dealing with the highest value of land for housing development (Mogilany, Wielka Wieś, Zabierzów and Zielonki). Within the municipalities, the largest annual increases in average unit prices of arable land were also recorded.

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