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Real
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Market

Krakow

2022

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There is where I want to
live, work, invest

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About Krakow



Science

- 23** higher education institutions
- 5** universities
- 35,000** graduates per year
- 130,000** students



Airport

- 3.072 million** passengers in 2021
- 35** countries
- 104** cities
- 149** destinations
- 21** airlines



Greenery

- 53** parks
- 10** beehives
- 12** community gardens
- 26** parks for Krakow residents
- 32 ha** of flower meadows
- Winner of the "Green Capital of Europe 2023" competition



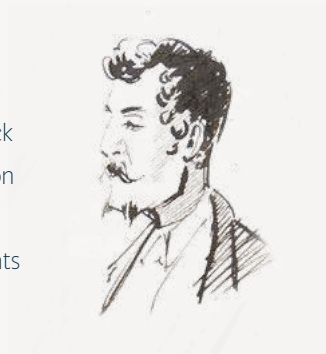
Events

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



Business

- 257** centres
- 82,600** employees
- 1.6 million sq m** total office space stock
- 190,000 sq m** space under construction
- 16.1%** vacancy rate
- 10.5-17 EUR/sq m/month** asking rents



Future

Location: The "**Krakow - Nowa Huta of the Future**" project located in the eastern part of Krakow, in the Nowa Huta district
Area - **700 ha**

The project includes the implementation of four investment tasks:

- Science and Technology Park „Branice”,
- Logistic and Industrial Centre „Ruszcza”,
- Centre for Large-Scale Outdoor Cultural Events „Błonia 2.0”,
- Recreation and Leisure Centre „Przylasek Rusiecki”.

People

- 8 million** within a 100 km area
- 1.2 million** city users
- 781,000** inhabitants
- 1.3%** birth rate



Culture

- 200** festivals and cyclical events per year
- 400** cultural events per year
- Krakow a UNESCO city
- European Capital of Culture
- UNESCO City of Literature



Office market in Krakow



Krakow continues to be the strongest, most dynamically developing regional market in Poland. Due, however, to the still ongoing COVID-19 pandemic, tenant interest in Krakow's office market remains weakened, with take-up lower than in pre-pandemic years. As a result, some developers have opted to amend their schedules, and in 2021 only some 60,000 sq m of new space was completed, although another 190,000 sq m is under construction. Due to the reduced take-up and lower market absorption, the vacancy rate increased significantly compared to the previous year.

Krakow, with 1.6 million sq m of office stock, maintained its leading position among Poland's regional office markets. Due to the city's historical character, only around 20% of office space is situated in the centre; the vast majority of stock being located outside the centre, with around 40% in the south of the city.

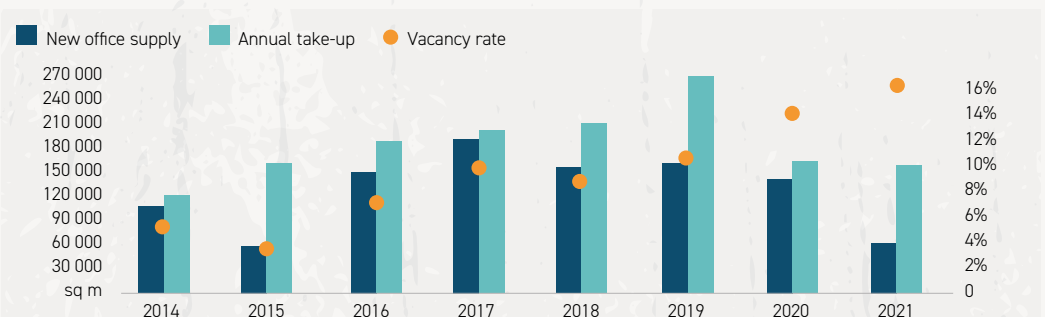
IN 2021, OVER 60,000 SQ M OF NEW OFFICE SPACE WAS DELIVERED TO THE KRAKOW MARKET IN 8 PROJECTS. This is more than 50% down on the average annual supply delivered in the previous five years. The largest projects completed in 2021 are: Tertium Business Park III (B) (Buma, 13,350 sq m), Equal Business Park D (Cavatina, 11,650 sq m), and Wadowicka 3 (Buma, 10,400 sq m).

At the end of 2021, approximately 190,000 sq m was identified as being under construction, of which over 100,000 sq m is set for completion by the end of 2022. **SUCH A HIGH SUPPLY UNDER CONSTRUCTION HAS BEEN MAINTAINED SINCE**

2016, TESTAMENT TO DEVELOPER INTEREST IN THE KRAKOW OFFICE MARKET. The supply under construction in Krakow accounts for more than 20% of the space under construction in the eight biggest regional cities in Poland.

Projects scheduled for completion in 2022 include: Ocean Office Park B (28,600 sq m, Cavatina), The Park Cracow 1 (12,500 sq m, White Star Real Estate), and MK29 (11,000 sq m, Caishen Capital Group).

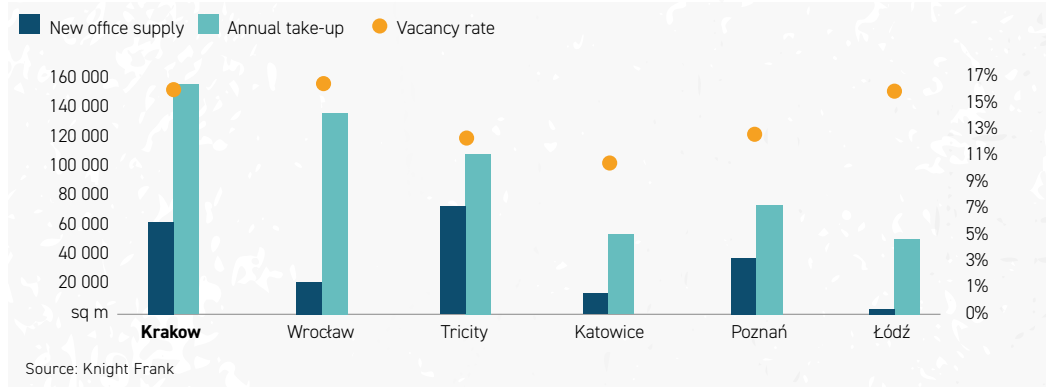
New office supply, annual take-up and vacancy rate in Krakow (2014-2021)



Source: Knight Frank

Between 2014 and 2019 Krakow broke new records for demand for office space. The COVID pandemic, however, saw a decline in tenant activity in almost all regional markets in Poland. In 2021, demand in Krakow remained at a comparable level to the previous year, with a volume of lease transactions of 156,000 sq m. This was the highest result recorded last year in the regional cities, with **KRAKOW ACCOUNTING FOR OVER 25% OF OFFICE SPACE LEASED IN THE REGIONS.** That said, it is still over 20% down on the average annual volume of take-up recorded in Krakow over the previous 5 years.

New office supply, annual take-up and vacancy rates in major regional markets in Poland (2021)



The sizeable number of new agreements in the take-up structure is a positive signal for the market – such agreements made up the largest percentage, amounting to 60% of all leased space, of which pre-lets were over 24,000 sq m. Renewals accounted for around 34% of the transaction volume and expansions for 6%.

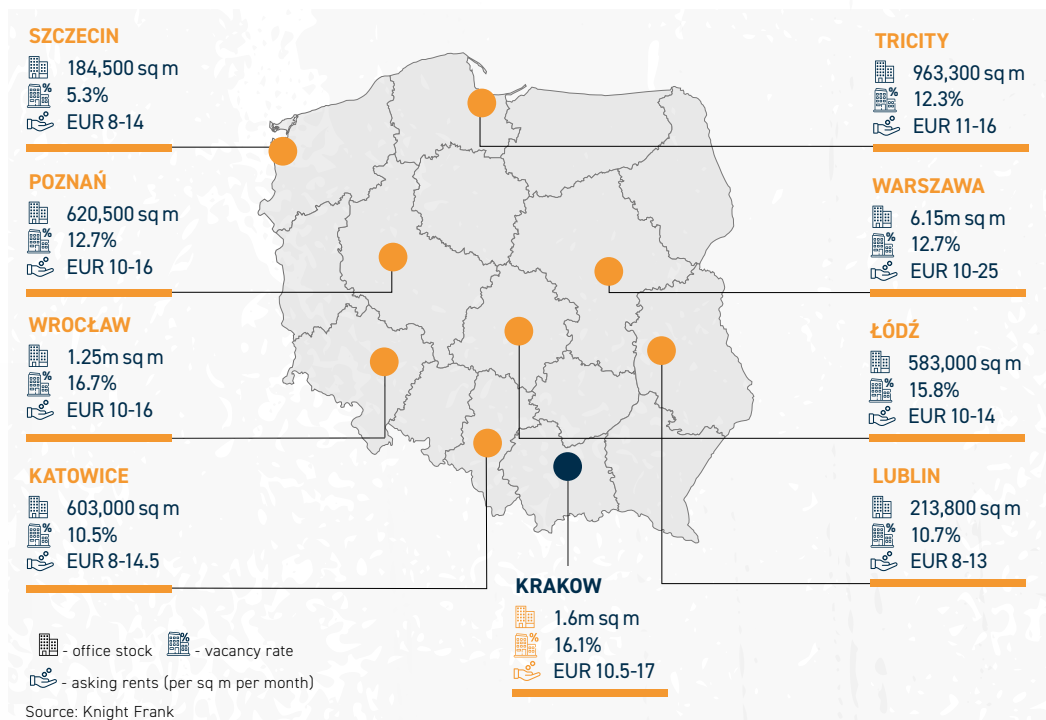
ASKING RENTS FOR OFFICE SPACE, DESPITE THE WEAKER DEMAND IN THE OFFICE SECTOR, REMAINED STABLE. Rents in A-class office buildings ranged between EUR 13 and EUR 16/sq m/month, with asking rates reaching EUR 17/sq m/month in the most prestigious, city centre buildings. In B-class buildings rents ranged from EUR 10.5 to 13/sq m/month. Effective

rents, however, were 15-17% lower than the level for asking rents. The high availability of office space, along with a weaker demand not matching supply, suggest tenants will take an interest in renegotiating rent rates and seeking incentive packages. On the other hand, rising construction costs (an increase in building material prices and labour costs), coupled

with an increase in construction loan costs, may limit investor openness towards lease negotiations, especially in new buildings. **IN ALL PROJECTS, HOWEVER, AN INCREASE IN SERVICE CHARGES IS TO BE EXPECTED, DUE TO THE ONGOING INCREASES IN THE PRICE OF SERVICES AND COST OF UTILITIES.**

Continued weak demand and limited market absorption resulted in an increase in the vacancy rate to 16.1%. Consequently, **AT THE END OF 2021 THERE WAS OVER 260,000 SQ M OF OFFICE SPACE AVAILABLE FOR LEASE IN THE CAPITAL OF MAŁOPOLSKA.** The vacancy rate increased by 0.9 pp. from the previous quarter, while there was an increase of 2.1 pp. compared to 2020. This is a continuation of a trend visible since the beginning of the COVID-19 pandemic, where companies have been holding off on decisions to lease new office space due to changing trends in work models and workplace strategies.

Major Office Markets in Poland (2021)



Coworking space in Krakow



Before the COVID-19 pandemic, remote working or hybrid working systems were considered more of a benefit for employees than a standard element of workplace strategy. Recent global changes, however, have necessitated a different approach from employers, and working from home has become a fundamental element in workplace organisation. Over the past two years, a significant number of companies have moved to a hybrid mode of working, giving the opportunity to work from both home and office, allowing employees greater flexibility.

After this period of experimentation with a different working model, most companies have no doubt that they need offices to successfully run their business. **FLEXIBILITY OF LEASE TERMS, HOWEVER, HAS BECOME A VERY IMPORTANT CONSIDERATION, ALONG WITH A COMPANY'S ABILITY TO ADAPT TO DYNAMICALLY CHANGING MARKET SITUATIONS AND FINANCIAL CONDITIONS.**

From the beginning of the pandemic there has been an ongoing process among tenants to evaluate current lease conditions and prepare new workplace strategies. Evaluating the need for office space in the long term for some companies can be challenging due to the rapidly changing business environment. As a result, demand for flexible office setups and

coworking spaces can be expected to grow year on year. For many tenants, the key are flexible lease terms that allow them to adapt their needs quickly to a dynamically changing reality.

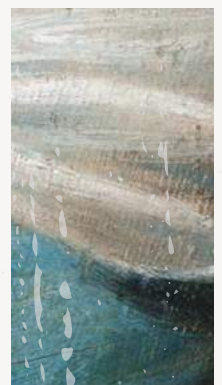
The number of coworking spaces and options in Poland are growing, whilst the offer of flexible offices is also becoming wider and wider. International operators are opening new, additional offices in most major business centres in Poland, building communities of start-ups, freelancers, and small businesses. Indeed, larger companies too are increasingly willing to use the offer of coworking operators.

AMONG THE REGIONAL CITIES, KRAKOW HAS THE LARGEST VOLUME OF COWORKING SPACE, AND NUMEROUS CHAIN OPERATORS ARE OFFERING THEIR SERVICES IN KRAKOW'S

OFFICE BUILDINGS IN VARIOUS LOCATIONS. The pandemic has shown that, as well as bringing businesses together, flexible lease terms and the possibility to quickly respond to forthcoming market changes are beneficial and desirable. **THE OFFER OF COWORKING SPACE PROVIDES THE OPPORTUNITY TO MANAGE COSTS EFFECTIVELY AND OPEN NEW LOCATIONS WITHOUT A LARGE CAPITAL OUTLAY.**

An additional factor influencing the development of the sector will be the hybrid working model that is gaining in popularity. Consequently, large companies are increasingly including it as an element in their strategy – looking at the mix in their portfolios of long and short-term leased office space, along with flexible space.

KRAKOW, AS THE MOST DEVELOPED REGIONAL OFFICE MARKET, IS FOLLOWING MARKET TRENDS AND CHANGES IN TENANT EXPECTATIONS, ADJUSTING ITS OFFER, INCLUDING FLEXIBLE OFFICE SPACE, ACCORDINGLY. Thanks to a developed range of available coworking space, Krakow may become an attractive location for tenants looking for flexible solutions.





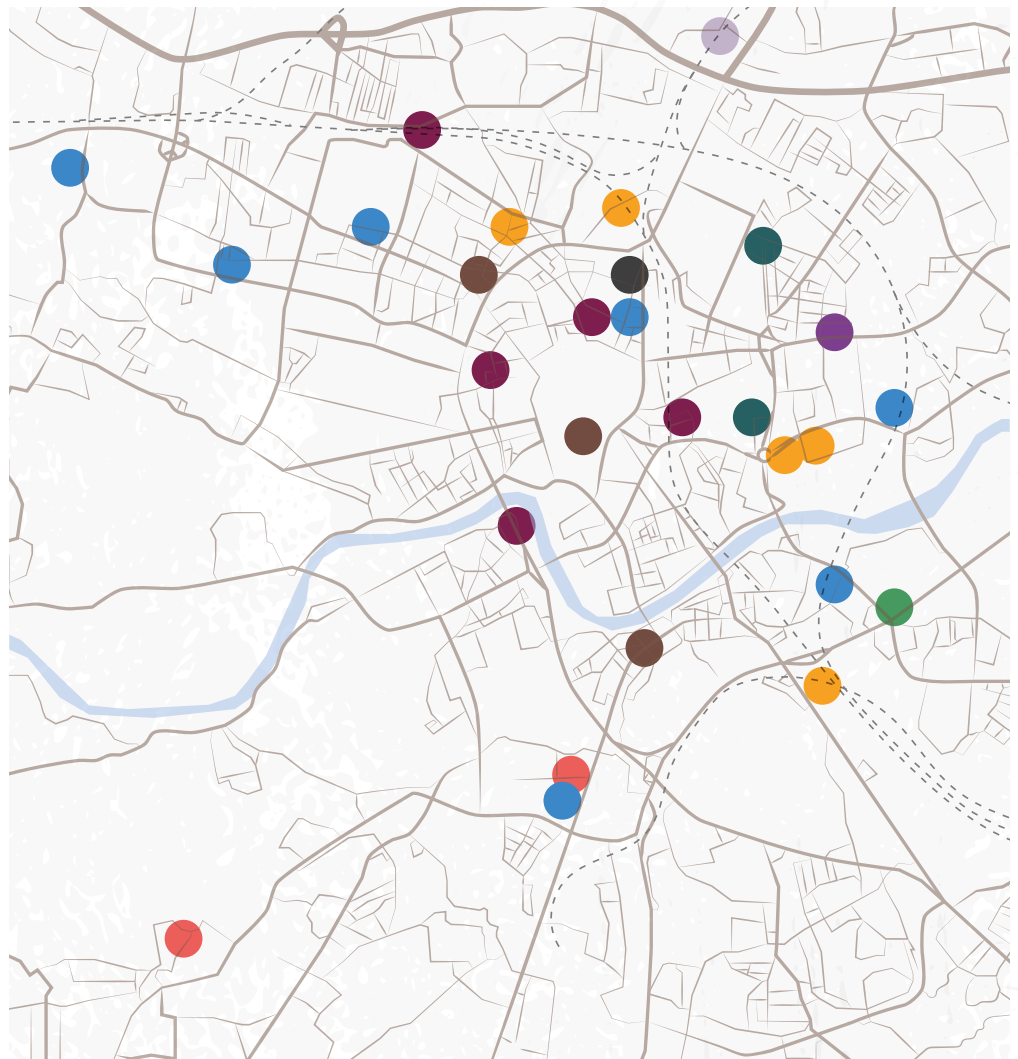
Commentary on current situation

The Krakow market saw a very high demand for coworking spaces and serviced offices, which is confirmed by the limited availability of workplaces in such spaces. Coworking office space closer to the centre, in particular, is almost 100% rented out, and new offers appearing on the market are taken up almost immediately.

Such high demand in the coworking space sector is leading to a growing supply of this type of space. The available space, however, is still insufficient, meaning that the dynamic development of this market segment in the coming years can be expected.

Selected coworking operators in Krakow

- Regus
- Chillispaces
- Office & Cowork Centre
- Biznes Lab
- Cluster Cowork
- Business Link
- CitySpace
- At Office
- Mogilska43 Cowork
- QuickWork



Retail market in Krakow



Following the difficult situation for the Krakow retail market in 2020, caused by the COVID-19 pandemic, the condition of the sector began to gradually improve in 2021.

Although it is visible that shopping centre operating figures have yet to return to 2019 levels, the turnover figures between May and December 2021 stood at 130% of the figures recorded in the corresponding 2020 period. In the months of May-December 2021, the average footfall in shopping centres showed an upward trend, reaching 92% and 127% of the values for 2019 and 2020, respectively. Moreover, in December 2021 turnover levels returned to those of the pre-pandemic period, giving positive signals for the retail sector, which will further attempt to return to normal in 2022.

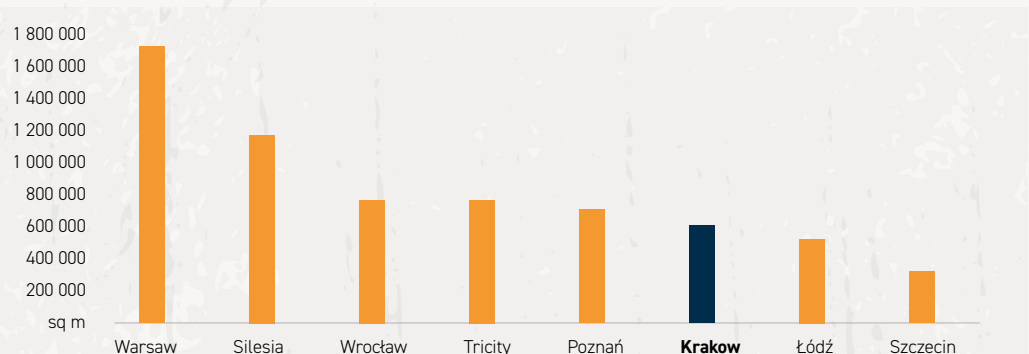
In 2021, one new retail project was opened in the Krakow agglomeration, contributing to a slight increase in retail stock. At the beginning of 2021, Atut Bielany retail park, with an area of 5,200 sq m, was opened, although the following quarters saw no new retail projects added to the Krakow market. **AS A RESULT, THE KRAKOW AGGLOMERATION REMAINED SIXTH IN TERMS OF SECTOR SIZE OF THE 8 LARGEST AGGLOMERATIONS, OFFERING NEARLY 600,000 SQ M OF SPACE** in shopping centres, retail parks and retail outlets in Krakow, Myślenice and Modlniczka. The low developer activity in Krakow reflects a trend observed in the largest Polish cities. In 2021, supply delivered in the 8 major agglomerations accounted for only 12% of the total annual supply.

Two retail projects were under construction in the Krakow agglomeration in December 2021: Designer Outlet Krakow (12,000 sq m was under construction, of a total planned area of 21,000 sq m), and the

second stage of Atut Ruczaj retail park (an additional 25,000 sq m). It is worth emphasising that facilities with retail park formats (excluding common areas, with separate entrances from the parking level to individual stores)

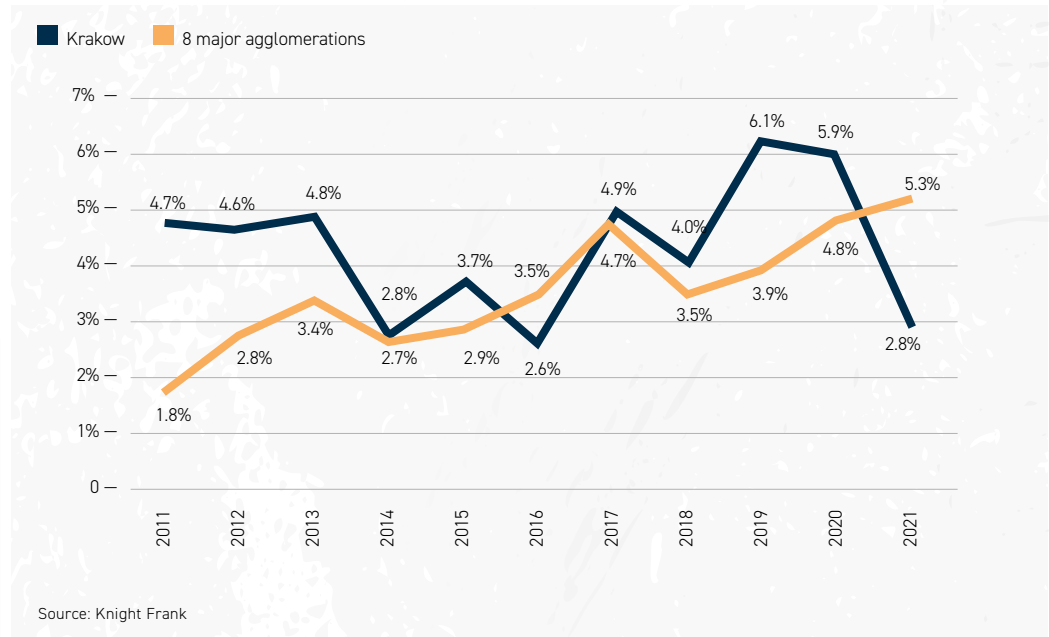
accounted for over 70% of the newly delivered supply throughout Poland at the end of 2021. The popularity of such retail projects among customers has been growing for about 3 years and, in pandemic times, their position

Modern retail stock in the 8 major agglomerations in Poland



Source: Knight Frank

Vacancy rate in the Krakow agglomeration (2011 - 2021)



has further strengthened (largely due to the higher sense of sanitary safety felt by shoppers because of the lack of common areas), with a resulting positive influence on both footfall and turnover.

The construction of Galeria Wieliczka (27,000 sq m), started in 2019, has remained suspended since the end of 2020. **NEVERTHELESS, THE VOLUME OF NEW SUPPLY IN THE KRAKOW AGGLOMERATION IS EXPECTED TO INCREASE IN THE COMING YEARS, WITH SEVERAL FACILITIES PLANNED FOR COMPLETION IN 2022 AND 2023.** The future of the Krakow retail sector no longer includes the building of the former Galeria Plaza in Krakow; its new investor - Strabag

Real Estate - having taken the decision that, post-demolition, the site will host office buildings of approximately 45,000 sq m, with retail units on the ground floor and, possibly, a hotel.

THE AUGUST 2021 VACANCY RATE IN SHOPPING CENTRES IN THE KRAKOW AGGLOMERATION STOOD AT 2.8%, A DROP OF 3.1 PP OVER THE PREVIOUS 12 MONTHS. Such a significant decrease in the Krakow vacancy rate is in large part down to the absorption of the space vacated by the Leroy Merlin DIY market in the Bonarka shopping centre. It is worth emphasizing that Krakow's vacancy rate was the lowest among the 8 major agglomerations. Monthly asking rents for the most attractive premises (up to 100 sq m

leased to the fashion sector) in the best shopping centres in Krakow varied between EUR 30 and 75/sq m/month, and are comparable to the other major agglomerations, excluding Warsaw. The rents mainly depend on the tenant's brand, the size of the premises, the location within a given facility, and the landlord's rental policy.



Warehouse market in Krakow



The warehouse market in Krakow has been growing steadily since 2006, although it remains one of the smallest in Poland in terms of existing supply. The region is conveniently situated close to the country's southern border, and it benefits from a constantly developing road infrastructure (the A4 motorway, and the S7 and S52 expressways), linking various locations across Poland and Europe. That said, Krakow has relatively high prices for industrial land and is located close to Upper Silesia - Poland's second largest industrial hub, somewhat restricting the rapid development of the warehouse sector in the Małopolska region as a whole.

At the end of 2021, modern warehouse stock in Krakow was estimated at approximately 763,000 sq m (3.2% of Poland's total share). It includes facilities developed

by key warehouse players such as Panattoni Europe, GLP, and 7R S.A., along with those of local developers such as BIK and Witek. Warehouse developments in the Krakow region are

situated within the city's administrative boundaries, in the airport area, and in adjacent towns such as Modlniczka, Skawina and Wieliczka. Areas located to the east of Krakow, such as Nowa Huta, Targowisko, Tarnów and Brzesko, are gaining in importance, becoming new locations on the Krakow warehouse map.

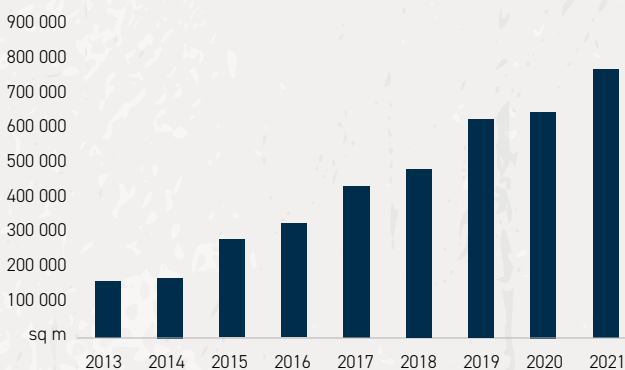
As part of the diversification of the warehouse space on the local market, Panattoni Europe developed the first facilities in the Krakow area dedicated to urban warehousing: Panattoni City Logistics Krakow I and Panattoni City Logistics Krakow Airport. Furthermore, at the end of December 2021 four projects were at an advanced construction stage, with their total volume exceeding 75,000 sq m. A further near 200,000 sq m is at an advanced planning stage, of which, according to investor information, almost 50,000 sq m is scheduled to commence in 2022.

A record-breaking growth in tenant activity on the Poland warehouse market in 2021, resulted in 71 million sq m of space being leased - a volume the likes of which has not been previously noted on the Polish

Following the moderate developer activity witnessed on the local market in 2020, when the volume of completed warehouse space was estimated at only 11,000 sq m,

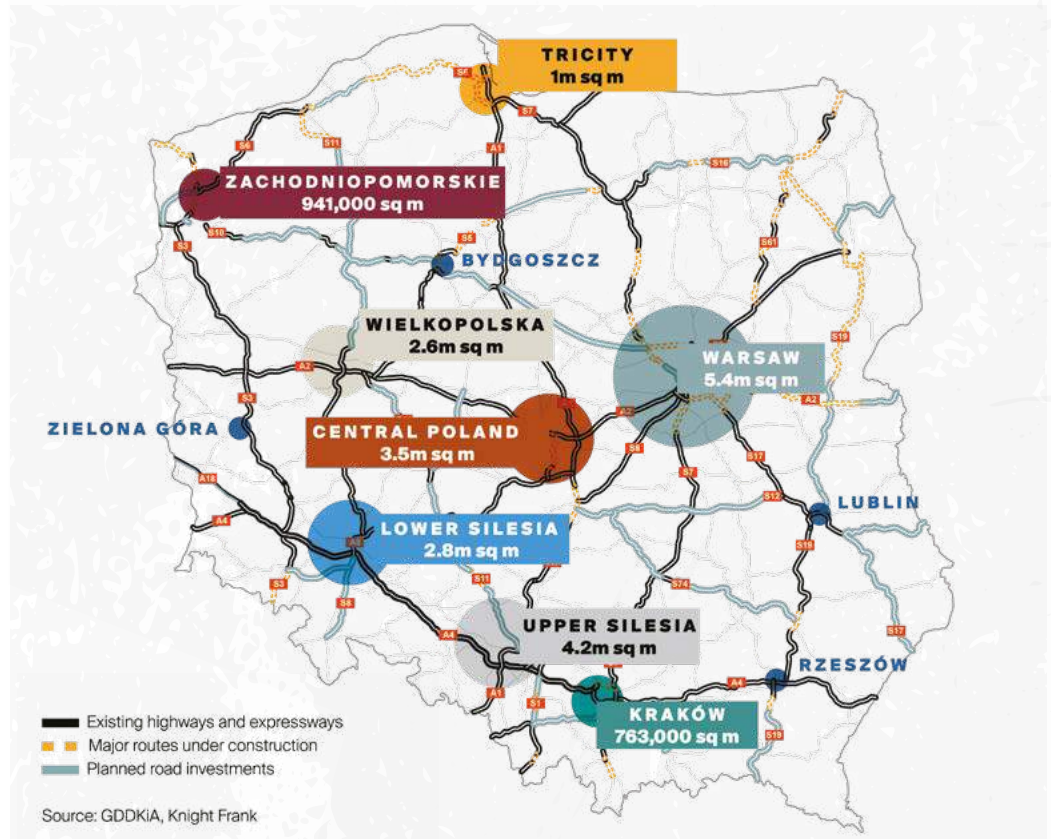
2021 BROUGHT A SIGNIFICANT REVIVAL IN TERMS OF NEW SUPPLY. THE AREA OF NEWLY BUILT WAREHOUSE STOCK IN MAŁOPOLSKA INCREASED BY 87,000 SQ M, DELIVERED IN FIVE PROJECTS, with the largest being 7R Park Krakow at over 33,000 sq m.

Warehouse stock in Krakow (2013 - 2021)



Source: Knight Frank

Warehouse stock in concentration areas in Poland (2021)



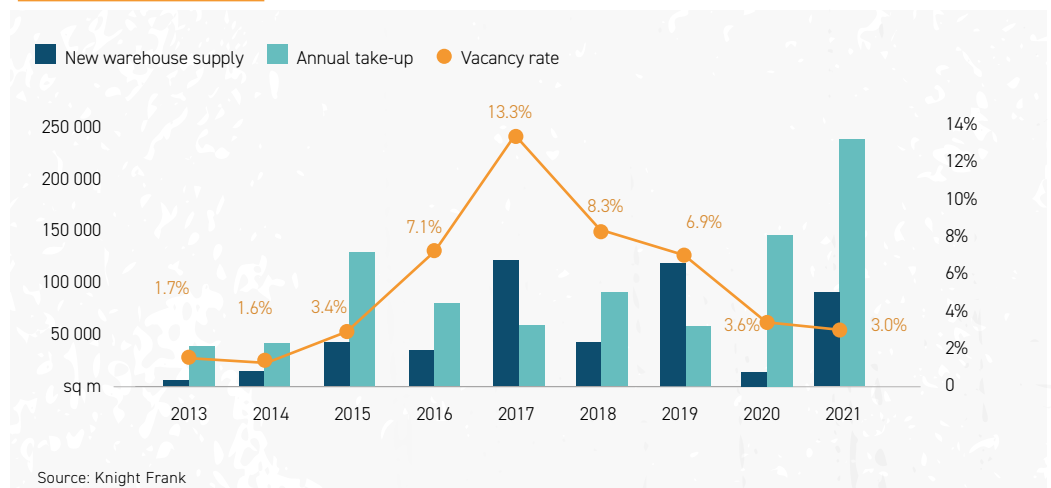
warehouse market. Krakow's share of the nationwide warehouse transaction volume was only around 3.0%. **NEVERTHELESS, THE CAPITAL OF MAŁOPOLSKA HAS ALSO SEEN SIGNS OF A TAKE-UP REVIVAL. IN 2021, THE VOLUME OF LEASED SPACE IN THE KRAKOW AREA EXCEEDED 223,000 SQ M - THE HIGHEST RESULT IN THE HISTORY OF THE LOCAL MARKET.**

High tenant interest in modern warehouse space brought about a decrease in the volume of available space for lease. **THE VACANCY RATE IN THE KRAKOW AREA AT THE END OF DECEMBER 2021 DROPPED TO ITS LOWEST LEVEL SINCE 2014, AND WAS ESTIMATED AT 3.0%.**

In terms of lease costs, Krakow remains the second most expensive logistics location in Poland (behind Warsaw's Zone I).

Monthly modern warehouse space asking rents in Krakow have remained stable, ranging between EUR 4.00 and EUR 4.50/sq m/month 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 3.90-4.00/sq m/month.

New warehouse supply, annual take-up, vacancy rate in Krakow (2013 - 2021)



Hotel market in Krakow



To Polish and European tourists alike, Krakow is viewed as one of the most attractive city break destinations. After Warsaw, the city is also the second most important economic hub in Poland, playing host to companies from the business services, new technologies, finance, IT and telecommunications sectors. As a result, the attractiveness of the city is growing by the year, offering better and better opportunities for the development of the Krakow hotel sector. Annually, the city was visited by millions of tourists, not only from Poland and Europe, but also from other parts of the world. As a result of the COVID-19 pandemic, however, the situation changed dramatically in the spring of 2020, bringing a temporary slowdown in the pace of growth in Krakow's tourist traffic – a slowdown observable also in 2021.

The accessibility of Krakow, its improving transport infrastructure, and a growing number of air connections are all factors that have contributed to the mounting interest in the city among tourists in recent years. According to the data of the Malopolska Tourist Organization, the number of tourists coming to Krakow in 2019 exceeded 14 million - a record-breaking result in the city's history. In 2020, due to the COVID-19 pandemic, visitor numbers dropped to less than 8 million. In 2021, however, Krakow was visited by 11.3 million people, the vast majority of whom (nearly 10.4 million) were domestic visitors. In 2019, Krakow Balice Airport handled 8.5 million passengers, while in 2020 the number fell below 2.6 million travellers. In 2021, the number of passengers handled increased to almost 3.1 million people, a result still far below those recorded

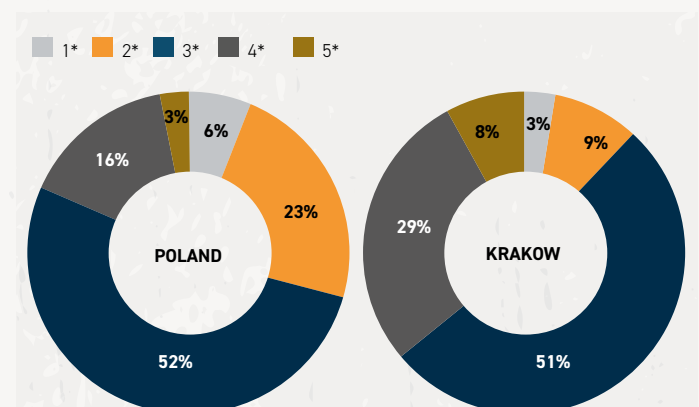
in pre-pandemic years. Nevertheless, the investment plans connected to the airport's expansion in the coming years remain active, and they are set to contribute to the further dynamic development of this region of Poland, restoring and maintaining Krakow's high interest among foreign tourists. The first works at the airport have, indeed, already begun - in September 2021.

KRAKOW INVARIABLY RANKS FIRST IN POLAND IN TERMS OF THE NUMBER OF HOTEL FACILITIES. Based on data from the Ministry of Sport and Tourism's Central Register of Hotels, 187 hotels of various standards (from 1 to 5 stars), offering 13,250 hotel rooms, were in operation in Krakow at the end of 2021. During the last year, 6 new hotel facilities, offering over

1,100 new hotel rooms, opened in Krakow: Sky Hotel with 60 rooms, King Salomon with 117 rooms, Hotel AC by Marriott with 300 rooms (all

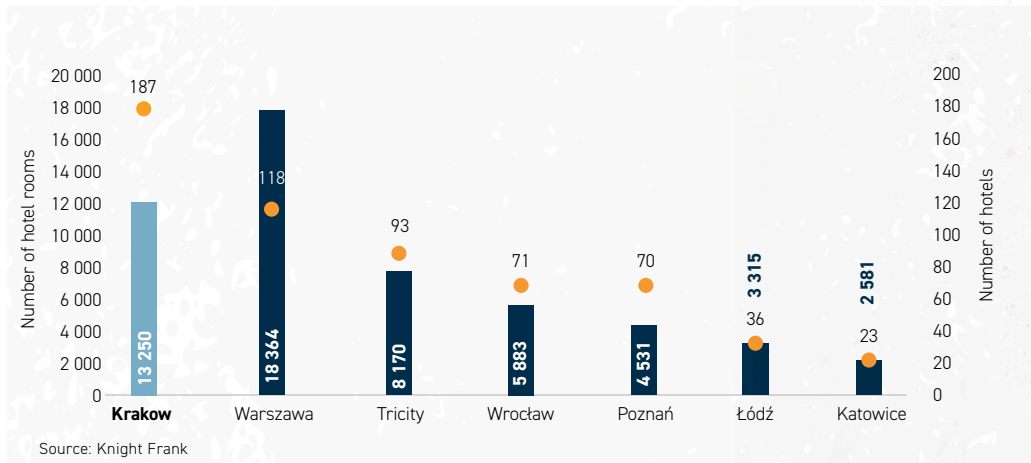
4-star hotels), Ibis Styles Krakow Centrum with 259 rooms (3-star), Mercure Krakow Fabryczna City with 200 rooms, Hampton by Hilton

Structure of the hotel market in Poland and in Krakow (2021)



Source: Knight Frank

Number of hotels and hotel rooms in major Polish cities (2021)



(Krakow Airport) with 173 rooms (both 4-star). By way of comparison, in 2020 only 2 new hotel facilities with approx. 110 new hotel rooms opened in Krakow.

Compared to Poland's other largest cities, Krakow is characterized by its extensive range of accommodation types. More than half (51%) of the city's hotels are of the 3-star variety while, in terms of the number of hotel rooms, **THE MARKET IS DOMINATED BY 3- AND 4-STAR FACILITIES, WHICH ACCOUNT FOR 36% AND 42% OF THE STOCK, RESPECTIVELY. KRAKOW IS ALSO DISTINGUISHED FROM OTHER POLISH CITIES DUE TO IT HAVING THE LARGEST NUMBER OF SMALL, LUXURY HOTELS** – principally located close to the Old Town and the city's main tourist attractions.

Due to the COVID-19 pandemic and its negative impact on the tourist market, there was a significant decrease in

the occupancy rate in 2020. Krakow, owing to its significant focus on foreign tourists, was one of the most affected cities. A difficult situation in the hotel sector was also observed in 2021 – a fact confirmed by STR Global data. The average occupancy rate in Krakow hotels in 2021 was 31%, which was a much lower result than those recorded in other major Polish cities. By way of comparison, the average monthly occupancy rate in 2021 in Poland, according to Statistics Poland data, was estimated at nearly 35%.

It is also worth emphasizing that, at the end of 2021 in Krakow, 6 hotels were under construction, of which 4 were chain hotels. The number, scale and quality of the facilities under construction reflect Krakow's role as a business and tourist city and confirm continuing investor interest in the city. The facilities under construction and awaiting opening to tourists include: 5-star Hyatt Place Krakow (216 rooms), 5-star Stradom House Autograph Collection (125 rooms), 4-star Radisson

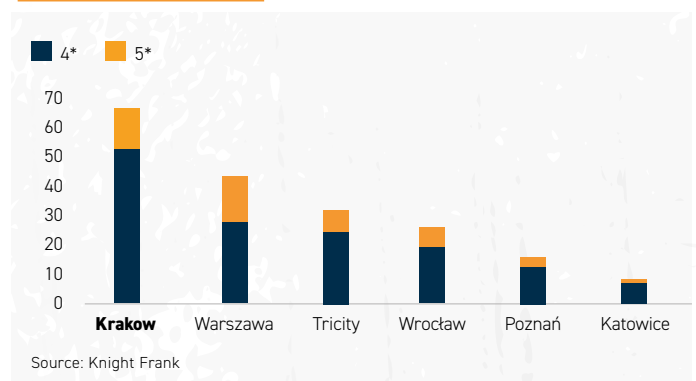
RED (230 rooms). It is worth noting that most of the hotels identified as being under construction are 4- and 5-star facilities. Investors, moreover, are planning a further 15 new hotel projects, the completions of which are scheduled for 2025 at the latest.

In 2021, following the example set by 2020's holiday season, the summer months saw an increase in the number of tourists using hotel services, which had a positive impact on the operating results and occupancy rate in Krakow's

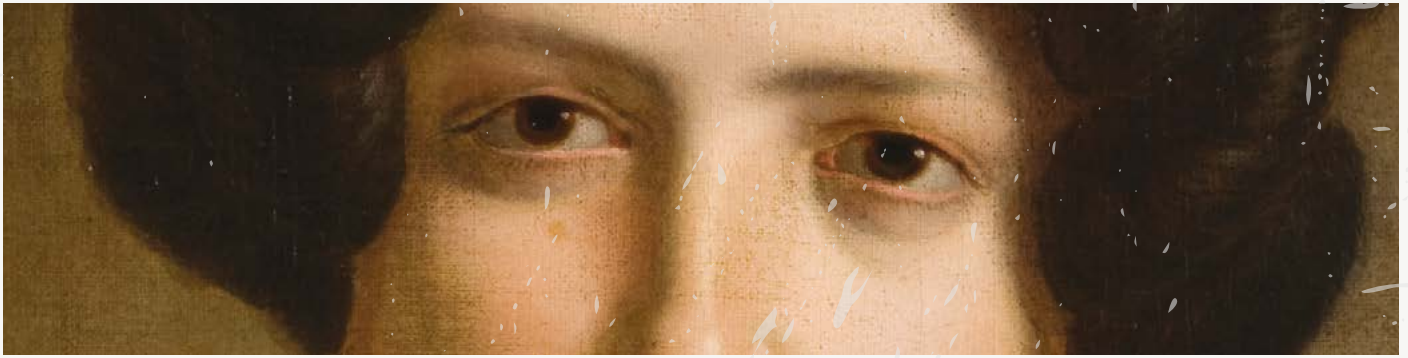
hotels. An increase, however, in tourist activity, especially from foreign guests, is a prerequisite for the return of the Krakow hotel sector to health. It looks likely, however, that a significant improvement in the operating results of hotels will be seen no earlier than 2023.



4-star and 5-star hotels in the largest Polish cities (2021)



Investment market in Poland



The volume of capital invested in the Polish property market in 2021 shows that foreign investors' moods have markedly improved compared to 2020. Over the course of 12 months, approx. EUR 5.75 billion was invested in Poland - over 7% more than in the previous year. This was also the third highest result (after 2018 and 2019) in the near 25-year history of the Polish investment market. Capital from European countries was dominant in 2021. Investors from Germany, France and the CEE region (e.g. the Czech Republic, Slovakia, Hungary) accounted for over 50% of the annual transaction volume, with a further 26% coming from North America and 10% from Asia.

Investors and foreign funds showed the biggest appetite for the warehouse sector, as in 2020. Positive expectations for the sector's development (due to, among other drivers, the dynamic development of the e-commerce sector) encouraged investors to put some EUR 3 billion into such assets, some 15% more than in 2020.

PORTFOLIO TRANSACTIONS ACCOUNTED FOR MOST OF THE WAREHOUSE SECTOR'S 2021 RESULT - the largest of them included: the sale of part of the EQT Exeter portfolio to GIC for EUR 260 million; Elite Partners Capital's sale of the Emerald portfolio to Blackstone for EUR 200 million; Ares' purchase of a portfolio for over EUR 196 million from Panattoni; CBRE IM's acquisition of the Nexus warehouse

portfolio from European Logistics Investment for EUR 190 million. Two of the transactions were identified in Krakow: Generali purchased 7R Park Kokotów IX from 7R S.A., while Panattoni Park Krakow II was a part of portfolio transaction between CBRE IM (purchaser) and European Logistic Investment (seller). Prime yields for transactions of multi-let big box warehouses located in the Warsaw area stood at a level of 5.00%-5.50% at the end of 2021, while in the other major areas of concentration - at 5.25%-6.25%. The best schemes with longer than standard (over 10 years) lease contracts were priced at 4.25-4.50%.

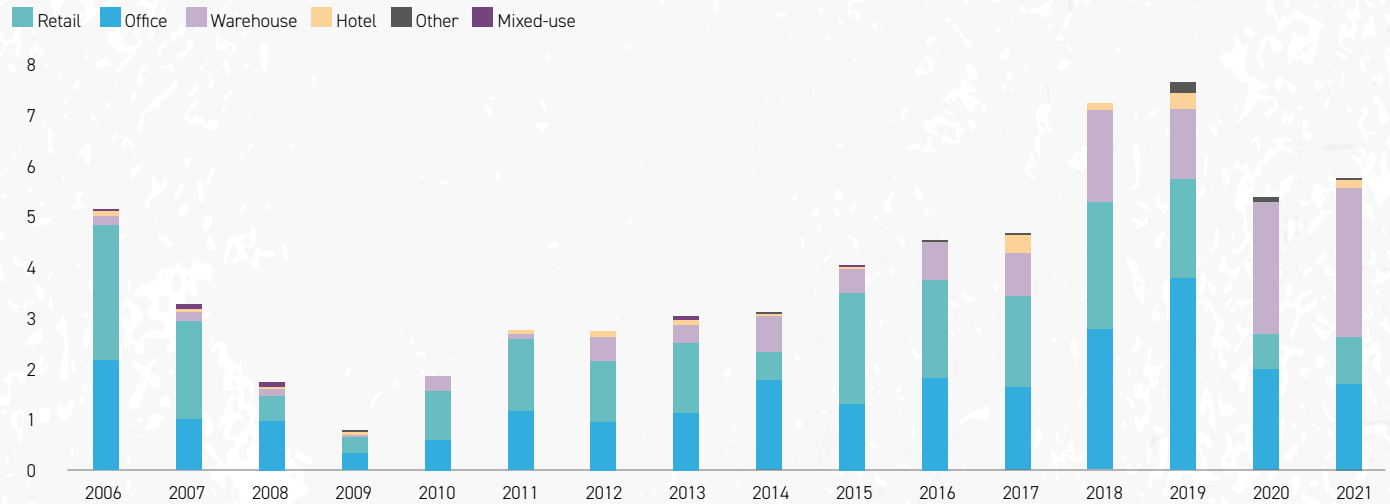
THE OFFICE SECTOR RANKED SECOND IN 2021 IN TERMS OF INVESTMENT VOLUME. The allocated capital of approx.

EUR 1.7 billion was some 15% down on the 2020 figure. Such a situation stemmed from ongoing **INVESTOR UNCERTAINTY OVER TRENDS IN THE DEMAND FOR OFFICES. AS A RESULT, INVESTORS FOCUSED THEIR ATTENTION PRIMARILY ON CORE PRODUCTS, WHOSE ATTRACTIVE LOCATIONS AND STABLE INCOMES FROM RECOGNIZED TENANTS LIMITED INVESTMENT RISK.** Consequently, transactions in Warsaw office buildings accounted for 72% of the annual volume in this sector. Regional city business was dominated by Krakow and Wroclaw (18% of the transaction volume in total), with the sale of 11 buildings of the Buma Group (sold to Partners Capital/REINO for EUR 200 million) having a decisive influence on the result. Moreover, office buildings Axis and Kapelanka

42A in Krakow were sold by Niam to Corum. At the end of 2021, the yields for prime office buildings in Warsaw were at 4.50%. Buildings of a similar class located in the major regional cities saw a level of approx. 5.75%.

THE PAST 12 MONTHS HAS SEEN THE POLISH RETAIL SECTOR ATTRACT CAPITAL OF APPROX. EUR 900 MILLION. Although this is a level that still falls far short of the volumes registered between 2016-2019 (approx. EUR 2 billion annually on average), it represented a 30% increase on 2020. Aside from these deals, the attention of investors interested in the retail sector continued to focus on smaller projects (small retail parks and convenience centres). Moreover, the consequences of Tesco's withdrawal from Poland were also felt on the investment market.

Investment transaction volume in Poland in 2006-2021 (EUR bn)



Source: Knight Frank

Although in 2021 (in particular, in the second half of 2021), traditional shopping centres began their recovery from the effects of lockdowns, recording higher and higher footfalls, the acquisition activities of prime schemes remained suspended, with mainly value-add facilities being traded (e.g. Galeria Bemowo in Warsaw and Manhattan Gdańsk, acquired by Futureal for EUR 26.6 million and EUR 25 million,

respectively). In 2021, there were no transactions for prime retail schemes, Knight Frank experts, however, estimate that if such transactions had taken place, the projects would have been priced at around 5.25%. For the best retail parks, yields amounted to approx. 6.75% at the end of 2021, with a tendency to compression due to the high investor demand of the previous two years.

The hotel sector continued to suffer from the consequences of the COVID-19 pandemic in 2021. Low hotel occupancy resulted in only three investment deals, with a total value of EUR 121 million. The largest of these was the completion by Union Investment of the purchase of Ibis Styles Krakow and Mercure Katowice concluded in 2019 using the forward purchase formula.

Selected investment transactions in Krakow (2021)



Sector	Property name	GLA (sq m)	Price (EUR)	Seller	Buyer
Office	Portfolio 11 buildings existing and under construction (Wroclaw, Krakow)	100,000	200,000,000	BUMA	Partners Capital/REINO
Office	Axis, Kapelanka 42A	39,200	96,000,000	Niam	Corum
Hotel	Ibis Styles Krakow, Mercure Katowice	527 rooms	86,000,000	UBM	Union Investment
Warehouse	7R Kokotow IX	33,600	27,700,000	7R	Generali

Source: Knight Frank



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- Reduction
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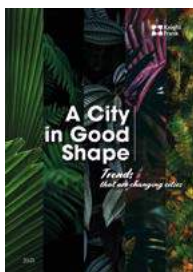
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