Poland - Krakow

Key Performance Indicators

Prime Yield
6,50%
Expected Investment Returns
Change YonY: 75 bps

Prime Rent
€ 15,50
Monthly, per sq m
Change YonY: 3,3%

Average Rent
€ 14,25
Monthly, per sq m
Change YonY: 4,0%

Office Investment Volume
€ -
In Krakow during Q4 2022
€ 206M (Rolling 12 months)

Take Up
44K
Square Meter
44K Year2Date

Vacancy Rate
16,02%
Percentage of Stock vacant
Change YonY: -8 bps

Completions
53K
Square Meter
101K Year2Date

Total Stock
1 708K
Square Meter
1 434K Occupied Stock

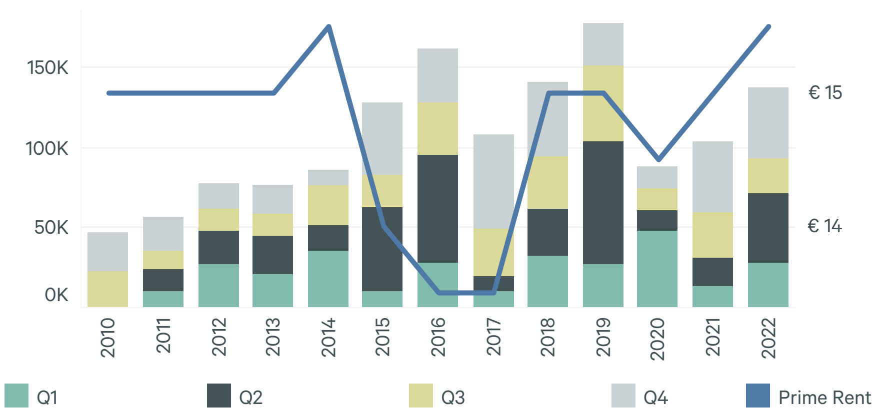
(Forecast) Completions
101K (2022)
Square Meter
104K (2023) // - (2024)

Krakow, being the largest regional office market, exceeded 1.70 million sq m of total stock at the end of 2022, which translates into market growth of almost 9.9% since the end of 2020. In Q4 2022 four new buildings were completed and 52,800 sq m was delivered in Krakow. The new supply is currently on average 79% let. In total, in 2022 more than 100,500 sq m was added to the stock.

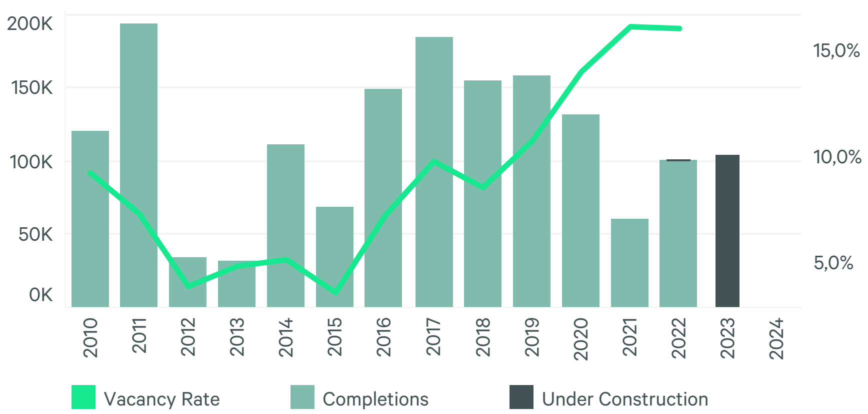
Total leasing activity in 2022 amounted to 198,100 sq m, which is 28% more than in 2021, with 65,300 sq m being let in Q4 alone. The structure of signed agreements in 2022 shows a positive trend. The relatively high share of new contracts (38%) in total demand is largely a result of the 9 largest deals for a total of 25,700 of sq m. Renegotiations represented 29%, pre-let agreements were at 22%, owner occupation at 9% and expansions at 2%.

Comparing to 2021, the vacancy rate remained relatively stable with a slight decrease of 0.08 p.p. The vacancy rate reached 16.02% which translates into 273,600 sq m of vacant space ready to let. However, in relation to the previous quarter, vacancy increased by 0.58 p.p. Vacancy is primarily located in older buildings with a clear steer towards new supply - 2020-2022 completions are currently on average 74% let. The prime headline rent remained stable in Q4 at the level of 15.50 EUR/ sq m/month. At the end of the last quarter average rents in Krakow amounted to 14.25 EUR/sq m/month with up to 10 rent free months for a standard 5-year agreement.

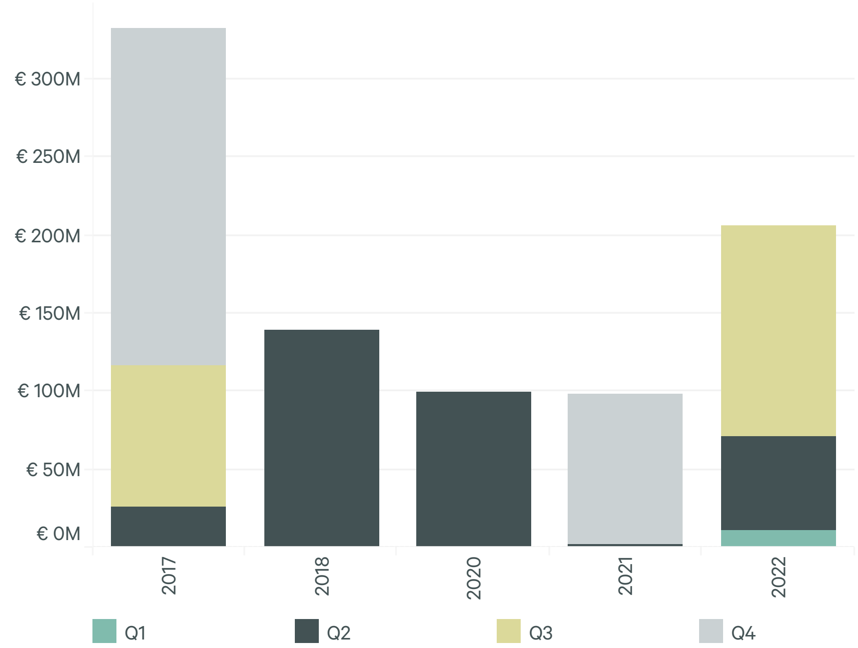
Market Trend (Take-Up | Prime Rent)



Development Activity (Completions | Vacancy Rate)



Krakow Office Investment Volumes



Krakow's office market is forecasted to expand by 6% by 2024, releasing an additional 103,900 sq m across seven buildings. The current pipeline is at its 10 year lowest. Not unlike many other cities in Poland, Krakow is about to face a supply gap, which is forecasted to influence both the vacancy level and rental values.

Strong domestic economic fundamentals will contribute to the development of local businesses and foreign companies which, looking for experienced staff and cost reductions, are forecasted to consider locating part of their business in Poland. A direct consequence of this will be an increase in demand for office space in Krakow, which is forecasted to contribute to a return to the pre-pandemic demand growth path.

The projected increase in demand and stable supply in the coming years should initially stabilize vacancy levels, which rose during the pandemic, and then gradually reduce vacancy levels in the city as businesses grow.

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