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Kraków Office Market - February 2014

The modern business services sector is continuing to drive demand for offices in Kraków, with a 71% share in total take-up volume in 2013.

Supply

Kraków remains the largest modern business services hub in Poland. The total modern office stock in the city is estimated at approximately 578,000 m^2 and this year will exceed 660,000 m^2.

At the end of 2013, nearly 110,000 m^2 of modern office stock was under construction in the city, of which approximately 32,000 m^2 has been already secured by pre-lets. Earlier last year, the low volume of new deliveries caused a supply gap and the lack of immediate available office space on the market is resulting in a low vacancy rate: currently it is just 5% (data as of Q4 2013).

Large tenants need to sign pre-let agreements in developments under construction in order to secure space, as currently the market offers only three units of more than 2,000 m^2 in existing office buildings. However, this should be changed by the large amount of new completions expected to come to the market from Q2 2014 on. We expect all of 2014 to be a more balanced market between the negotiating positions of tenants and developers.

Demand

In 2013, Kraków saw a record-breaking level of net take-up (excluding renewals): 78,900 m^2 (103,900 m^2 of gross take-up). This equates to a 14% increase when compared to net take-up volume seen in 2012. We believe that pre-letting activity is going to remain stable due to a temporary shortage of existing office space to let, especially in terms of larger requirements.

Kraków is recognised worldwide as an excellent BPO / SSC location thanks to a combination of factors, such as excellent scores in international rankings, a talented labour pool and support from various institutions. This has been proven by hard numbers, with the BPO/SSC sector accounting for 71% of Krakow's gross take-up volume in 2013.

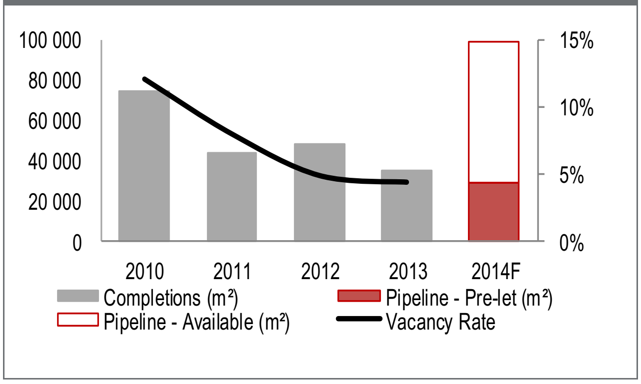
Rents

Prime headline rents in Kraków remain stable and vary between €13.5 and €14.5 / m² / month. The current low vacancy rate and low number of completions in 2013 has put a slight upward pressure on effective rents. More attractive rents can be found, especially in existing buildings offering large vacant spaces and in pipeline developments.

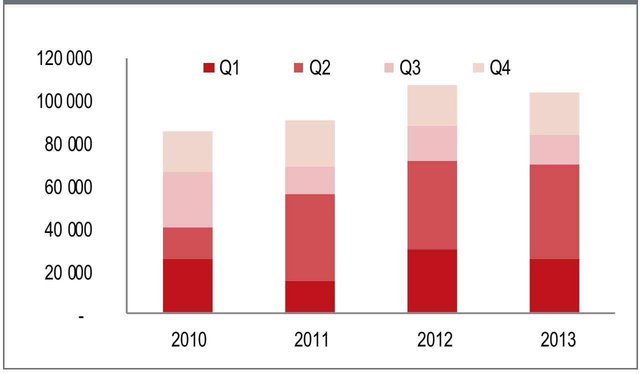
Summary Statistics*	2013	Y-o-Y change	12 Month Outlook
Gross Take-up* (m^2), cumm.	103,900	-3,150	→
Net Take-up (m^2), cumm.	78,900	-1,000	→
Vacancy (m^2)	28,800	+1,750	↗
Vacancy Rate (%)	5.0	+0.1 p.p.	↗
Completions (m^2) – FY.	34,800	-13,400	↗
Under construction (m^2)	110,000	+26,500	→
Prime Rent (€ / m² / month)	13.5-14.5	0%	→

* Cummulative (Q1-Q4): Net take-up = letting transactions excl. renewals

Completions (m²), Pipeline (m²) and Vacancy Rate (%)



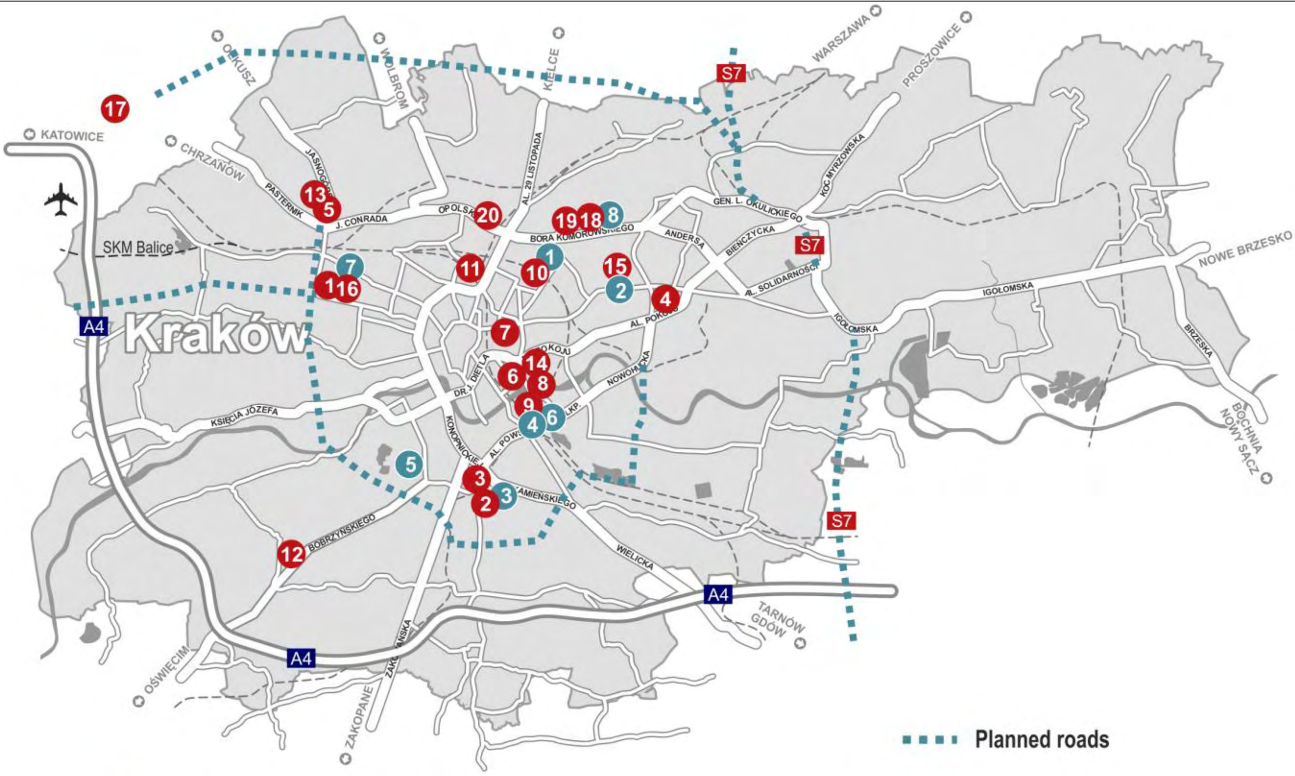
Gross Take-up (m²) by Quarter



Major Office Transactions in 2013

Qtr	Building	Tenant	Lease type	Size
Q2	**Rondo Business Park**	Capgemini	Renewal & Expansion	11,300
Q2	**Bonarka4Business D**	Lufthansa Airline Accounting Center	Pre-let	8,500
Q2	**Enterprise Park D**	Cisco	Pre-let	7,000
Q1/ Q2	**Green Office C**	UBS	New & Expansion	5,000
Q1	**Orange Office Park I**	Brown Brothers Harriman	Pre-let	4,700
Q3/ Q4	**Bonarka 4 Business C&D**	RWE	Sublease & Pre-let	3,840
Q1	**Szara Kamienica**	Google	Expansion& Renewal	3,650

Source all charts: Jones Lang LaSalle



Major Existing Office Buildings

1. Avatar
2. Bonarka 4 Business A&B&C&D
3. Buma Square Business Park
4. Centrum Biurowe Azbud
5. Centrum Biurowe Euromarket
6. Centrum Biurowe Kazimierz
7. Centrum Biurowe Lubicz I&II
8. Diamante Plaza
9. Enterprise Park A&B
10. Etiuda
11. Fronton
12. Green Office A&B&C
13. Jasnogórska / Mix
14. K1
15. Kompleks Biurowy w ramach krakowskiej Specjalnej Strefy Ekonomicznej, w tym Centrum Biznesu i Innowacji Copernicus
16. Kompleks Biurowy GTC (Galileo, Newton, Edison)
17. Kraków Business Park Zabierzów
18. Quattro Business Park A&B&C
19. Rondo Business Park
20. Vinci

Major Office Buildinngs Under Construction

1. Alma Tower
2. Avia
3. Bonarka 4 Business E
4. Enterprise Park C
5. Kapelanka A&B
6. Orange Office Park I&II
7. Pascal
8. Quattro Business Park D

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