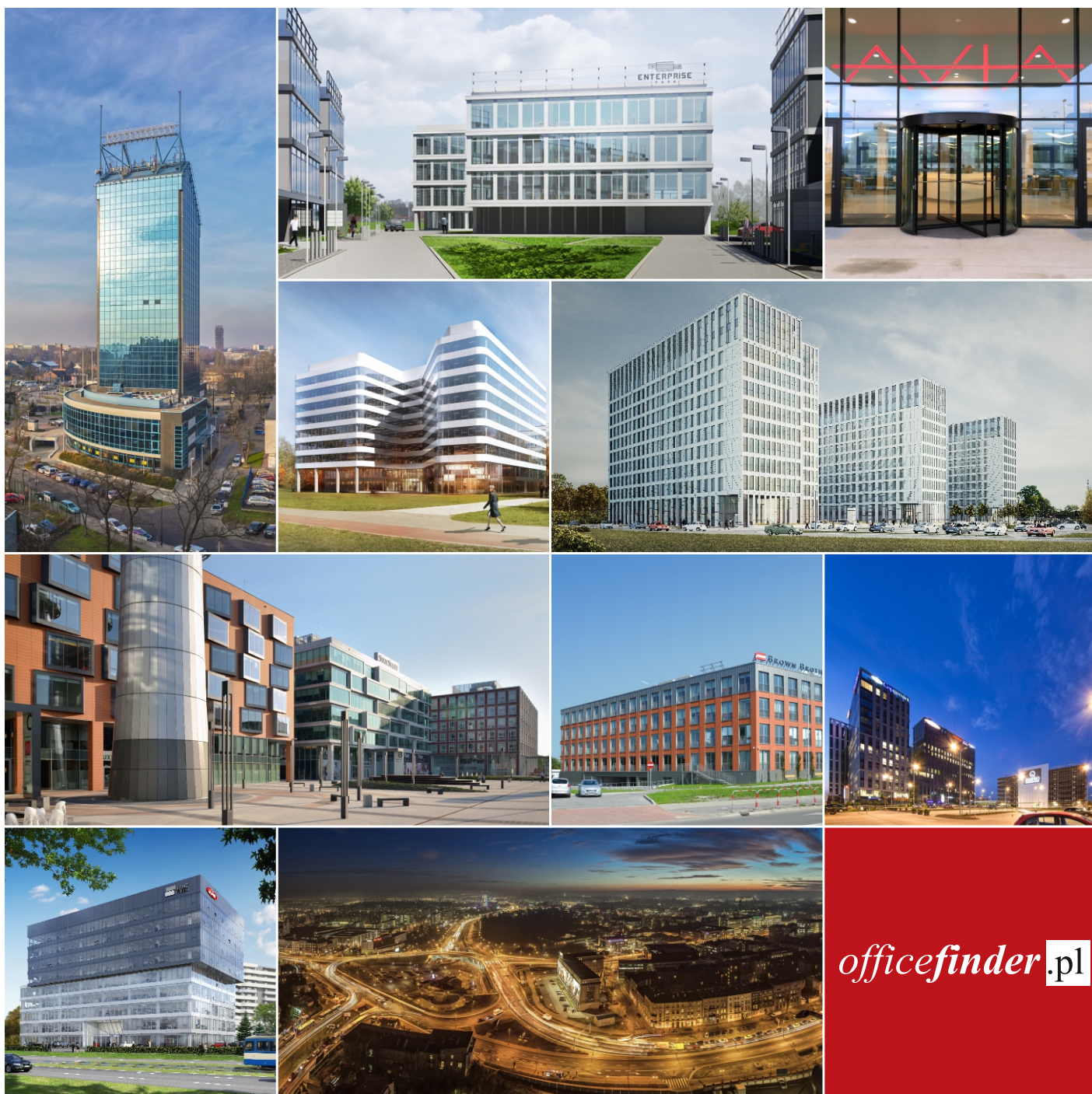


Office Market in Kraków

March 2015



officefinder.pl

Centre of National & International Tourism



2nd MICE destination in Poland
(Meetings, Incentives, Conferences, Events)



Variety of shopping
and leisure centres

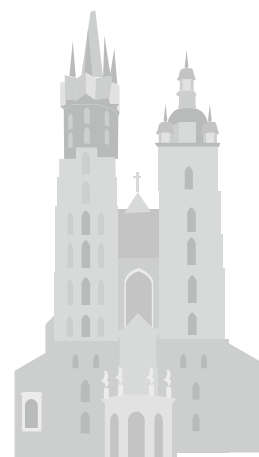


9,9 mln tourists
in 2014
preliminary data: Małopolska
Organizacja Turystyczna

Kraków's Old Town on the
UNESCO World Heritage List



Wide residential and hotel base



Prominent Location & Convenient Access



- 2nd busiest airport in Poland (3,8 million passengers served in 2014 - 5% growth y-o-y); potential airport capacity of 8 mln passengers per year after terminal extension planned in H2 2015
- Regular flight connections with Europe, the US and Asia



Well-placed at international roads to Germany,
Ukraine, Slovakia, The Czech Republic,
towards the Baltic sea



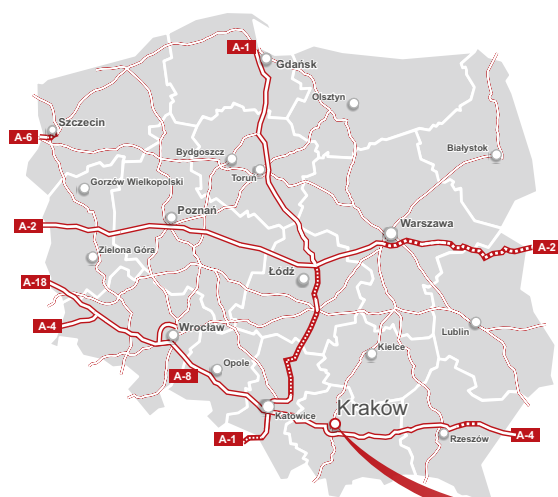
Extensive national and international
railway network; fast railway connections
(Warsaw-Kraków: 2.5 hours)



Balice airport railway line



Fast City Tram



Top Rated Business Destination



"A-" credit rating by Standard&Poor's
(highest possible score for administration unit)

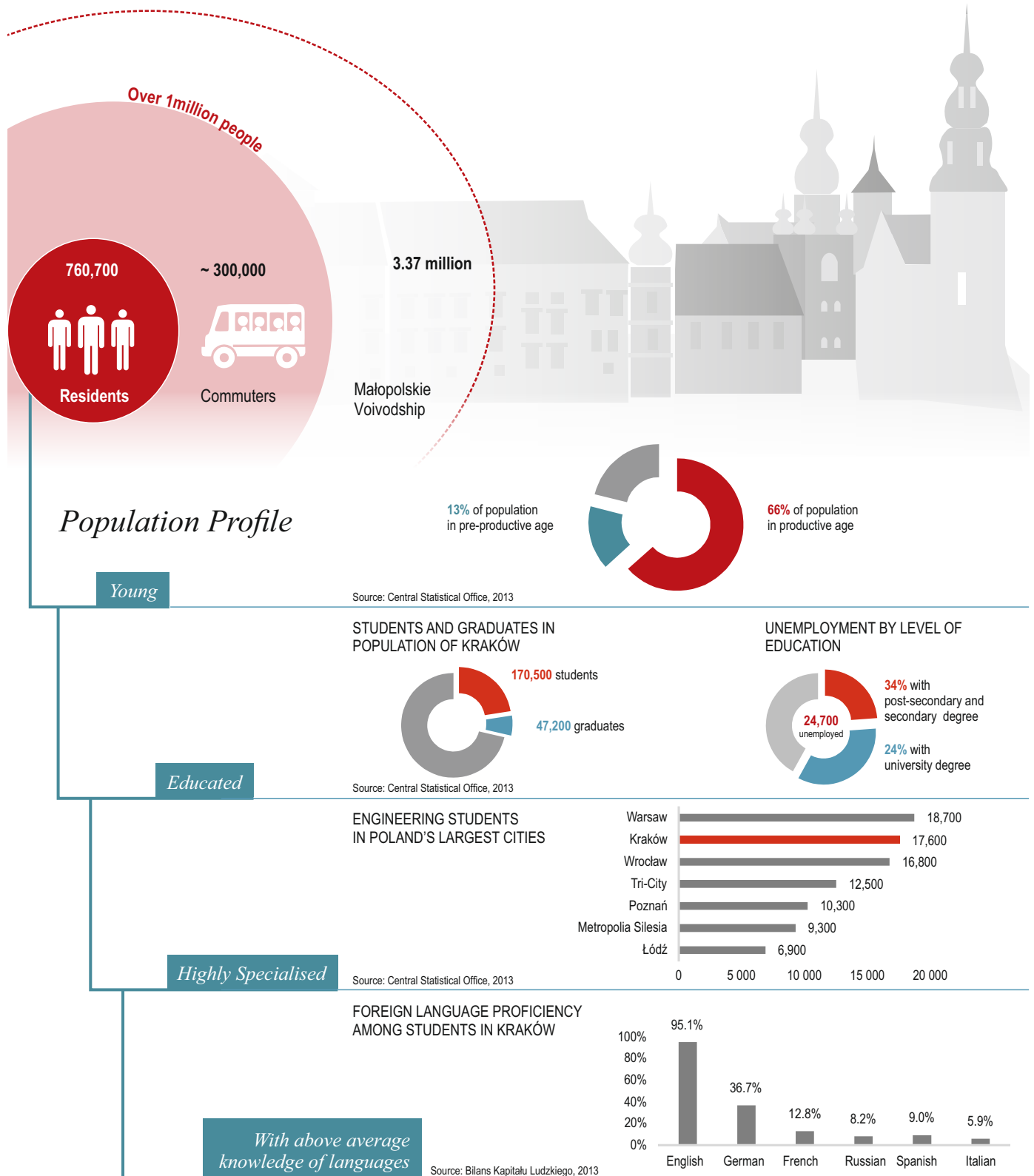
2nd best attractive area for technology advanced businesses in Poland

according to:
The Institute for Market Economics,
The attractiveness of voivodships and subregions in Poland, 2014

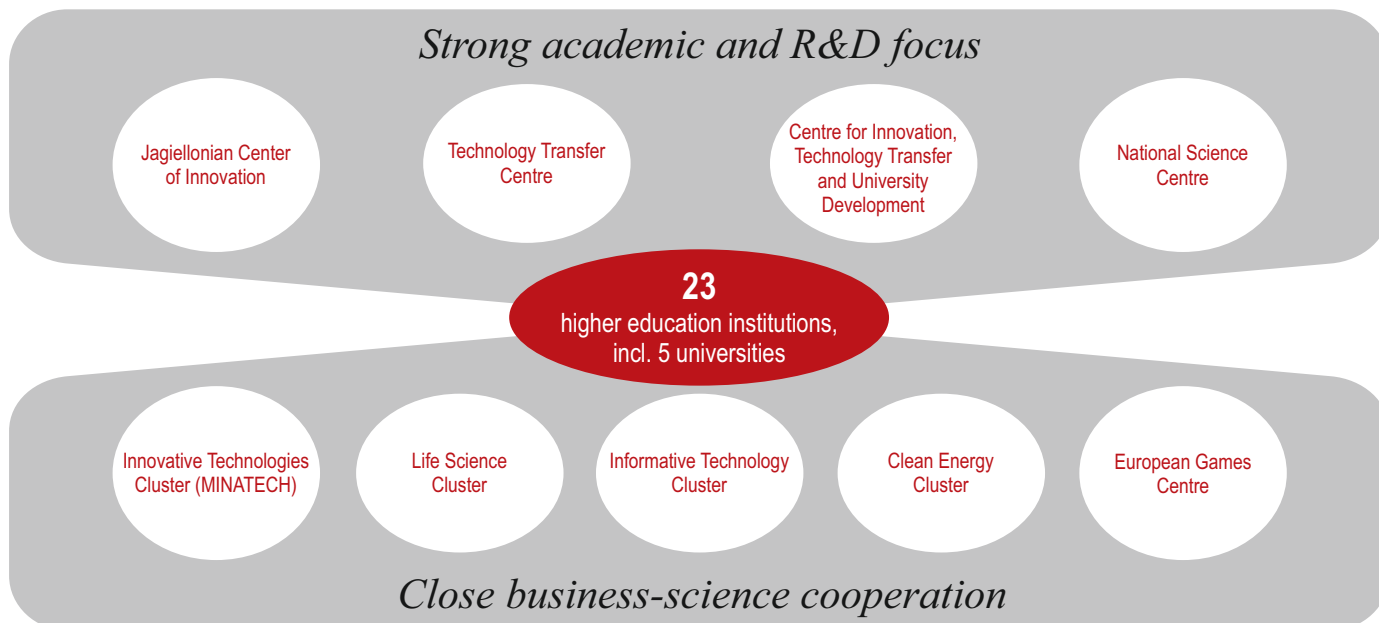
2nd Polish city of the future, behind Warsaw

according to:
fDi Intelligence,
Fdi's Polish Cities of the Future 2015/16

Highest Quality Labour Force



Specialised Economy Geared Towards Innovation, IT, R+D



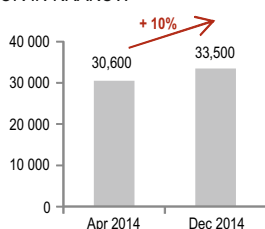
Special Economic Zone specialising in innovative projects

- ✓ Tax relief
- ✓ Comprehensive investment services
- ✓ Land for construction
- ✓ Office space for lease

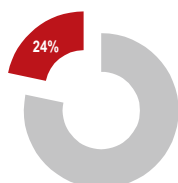
SEZ in numbers: 27 subzones
 45 permits in 2014
 1,700 new workpaces in 2014
 17,000 since the start of SEZ

Established Location for Business Service Sector

EMPLOYMENT IN BUSINESS SERVICES SECTOR IN KRAKÓW



SHARE OF KRAKÓW IN TOTAL EMPLOYMENT IN FOREIGN SERVICES CENTRES IN POLAND



Source: Association of Business Service Leaders in Poland (ABSL), 2014

No. 1 locally

Kraków as leader in employment in the business service sector (centres with foreign capital) in both Poland and the whole of CEE, according to: Association of Business Service Leaders in Poland (ABSL), 2014



No. 9 globally

Kraków as ninth best global investment location for BPO/SSC sector, according to: 2015 Top 100 Outsourcing Destinations, Tholons

AVERAGE MONTHLY SALARIES (EUR GROSS) IN SSC/BPO SECTOR IN KRAKÓW

Position (only English required)	Salary	
	Min	Max
Junior GL Accountant	810	1,160
GL Accountant	1,050	1,390
GL Team Leader	1,860	2,390
1 st line IT Support	740	1,050
Oracle Administrator (5 yrs of experience)	2,000	3,300
Java Developer (3-5 yrs of experience)	1,860	3,020

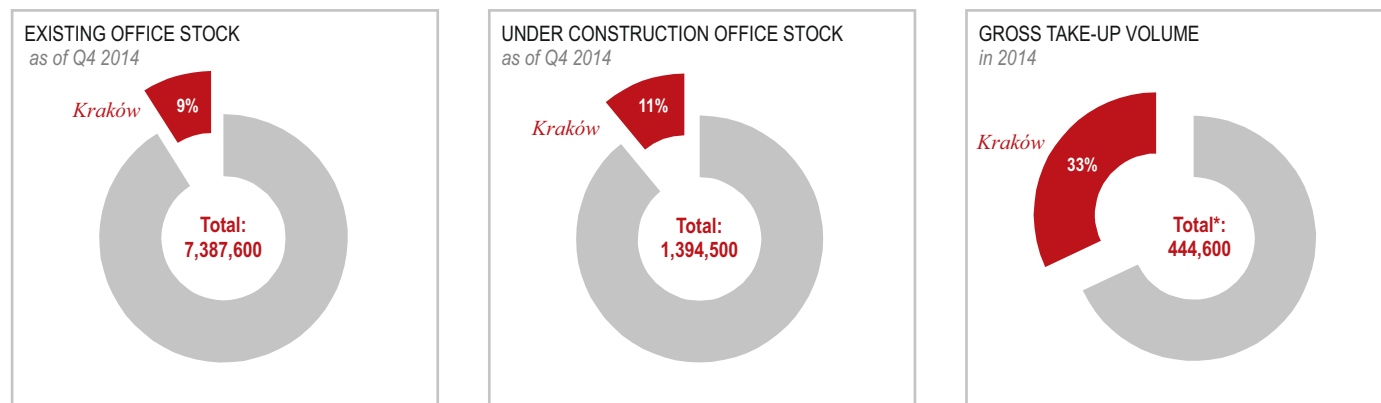
Source: Hays Poland, January 2015
 Exchange rate: EUR = 4.3 PLN



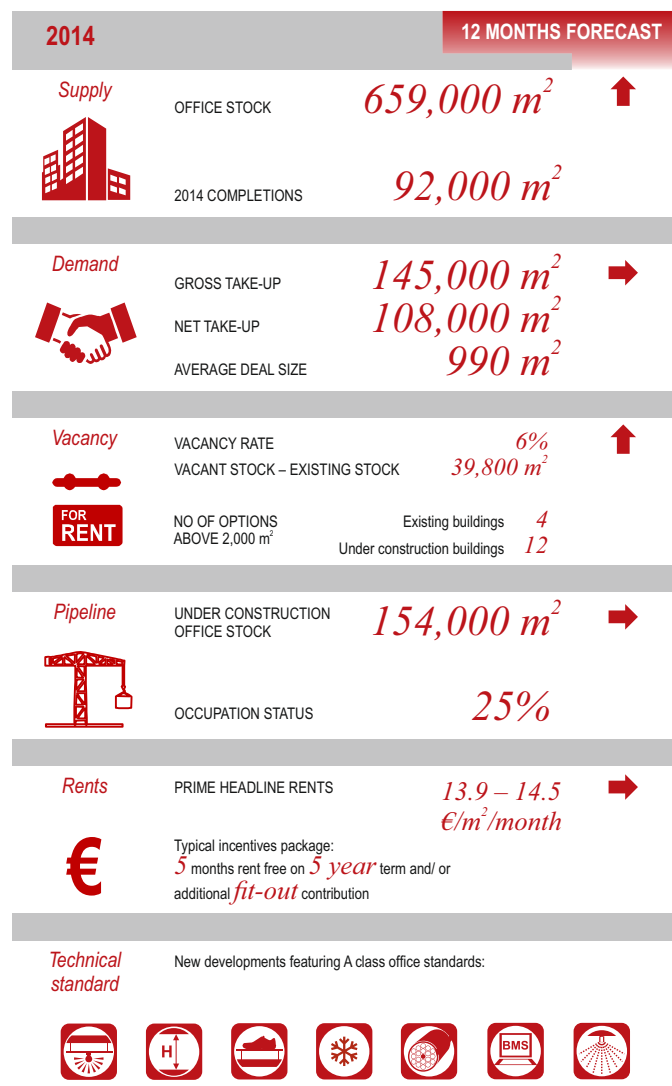
Institutions supporting the sector:
 ABSL, ASPIRE

Kraków Office Market Summary

Kraków on the Polish Office Map



* Regional office markets, excl. Warsaw



LARGEST LEASE TRANSACTIONS IN 2014

Tenant	Building	Leased Area
HSBC	Kapelanka 42	10,500 m ²
Delphi	Enterprise Park D	5,800 m ²
Nokia Siemens Network	Bobrzyńskiego 46	5,500 m ²
Electrolux	Onyx	5,000 m ²
Grupa Onet	Alma Tower	4,600 m ²
Sab Miller	Kapelanka 42	4,400 m ²
AON Hewitt	Diamante Plaza	4,400 m ²



MAJOR OFFICE COMPLETIONS IN 2014

Kapelanka	29,000 m ²
Enterprise Park II (bldg. C)	13,600 m ²
Quattro Business Park D	12,000 m ²
Avia	10,900 m ²
Alma Tower	10,400 m ²

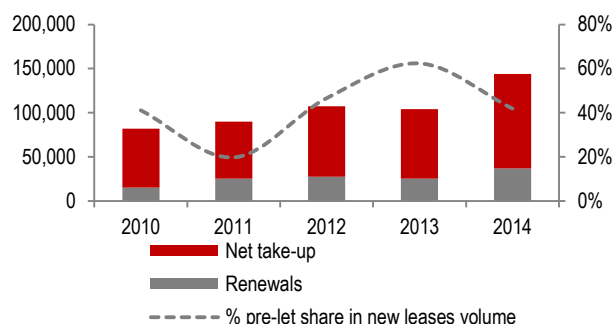
Kraków Office Market

Business confidence in Kraków firms up

Momentum is building in Kraków, with take-up levels in 2014 at their highest ever. Gross leasing volume totalled around 145,000 m², up some 35% on the take-up in 2012 (107,000 m²), which now becomes the second highest figure on record. This take-up accounted for 33% of total occupier demand last year in the major cities in Poland (excluding Warsaw).

However, it is worth noting that such unprecedented take-up volume was underpinned by the limited quality choice for large space users who wished to start operations in the city in 2013. The figure also mirrors the increased migration of occupiers already present on the Kraków office market actively reviewing their accommodation strategies during 2014, both in terms of increased standard and size.

Kraków take-up



Source: JLL, Q4 2014

Large occupiers led the way with a healthy take-up of office space in 2014; the market saw more than 40 lease agreements of over 1,000 m² accounting for some 76% of total take-up volume.

Around 70% of leasing activity in 2014 (approximately 99,000 m²) was new leases, with about 41,000 m² of that being pre-lets. Almost a quarter of gross take-up (around 37,000 m²) was by companies that decided to remain in their current offices (lease renewals) and 6% (around 9,000 m²) by those that moved into the growth mode and extended their current premises, such as Hitachi Data Systems, Brown Brothers Harriman, HSBC or Google, to name but a few.

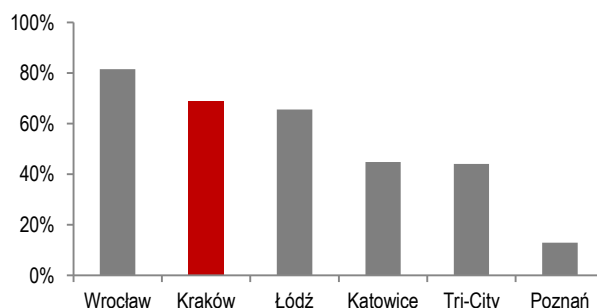
We believe that the city will not lose ground in 2015 in the fierce competition between the regional office markets for potential occupiers of office space, as leasing enquires remain strong and there are several significant office requirements exceeding 10,000 m². The positive leasing perspective will be

further supported by the increasing availability of large-space options expected in 2015 and 2016.

First choice destination for the global services sector

Kraków continues to establish its reputation as the leading Polish and European location for global shoring and outsourcing services. Over the past few months, it has secured 14 new foreign investors from this sector, the largest number by any office market in Poland, including GE Healthcare, Lundbeck, RWE, Getinge Group and Samsung.

Share of BPO/SSC in total take-up volume in 2014



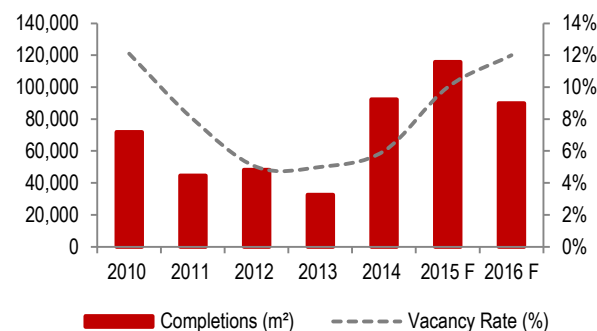
Source: JLL, Q4 2014

Similarly to previous years, this sector continues to be the driving force behind the demand for modern office space. In total it generated around 69% of all registered take-up in 2014.

Construction activity to maintain a steep growth path

Sound occupier demand has strengthened developer confidence in Kraków, as demonstrated by the 92,000 m² of space which was added to stock in 2014 (against the five-year average of 54,000 m²), and the additional 154,000 m² currently under development (nearly a quarter of existing office stock).

Office completions and vacancy rate in Kraków



Source: JLL, Q4 2014

F - estimated realistic supply

By the end of 2015, new office completion is expected to total 116,000 m². The realistic pipeline for 2016 is 90,000 m².

The changing skyline

Due to its historic character, the city centre in Kraków has not been regarded as a modern office destination, with the majority office accommodation located in small, redeveloped tenement houses. The city centre's skyline is, however, about to change considerably over the next few years, with the areas around Rondo Mogiłskie and Rondo Grzegórzeckie looking set to become the new Kraków central business district. Three large-scale office projects, i.e. K1 (the redevelopment of the former Cracovia Business Center), Aleja Pokoju 5 and Axis, totalling 47,000 m² will be delivered in 2015 and H1 2016, with more signs of further commitment to speculative development in the neighbourhood in 2017-2019 (e.g. the TreiMorfa mixed-used building).

Outside the city centre, considerable construction activity can be found at the further extensions of existing office projects, such as Quattro Business Park FIVE, Bonarka 4 Business, Enterprise Park, Jasnogórska II and Orange Office Park. 2015 will see the delivery of the first buildings in two newly established office complexes: Opolska Business Park and DOT Office.

As well as the above-mentioned, Kraków has also a number of significant development opportunities, including several large-scale office parks in Czyżyny, Bronowice or Podgórze, with a total development potential exceeding 200,000 m².

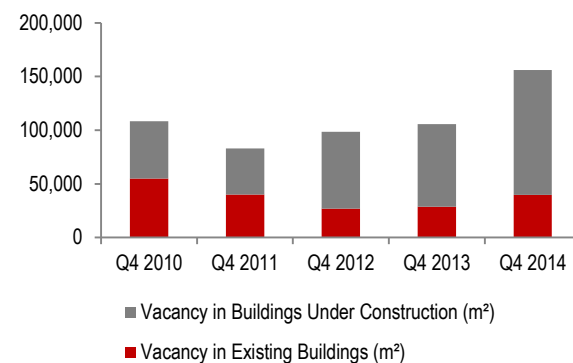
Remarkably, in the long-term perspective the city authorities intend to transform the areas of Nowa Huta, Płaszów-Rybitwy and Balice, which, according to the urban plan, will potentially mix commercial development, particularly logistics and office. The initiatives are, however, strongly conditioned by improvements to the transport infrastructure.

Gradual transition into a tenant market

Kraków saw the pace of absorption speeding up notably, with only 10% of the 92,000 m² of office space that entered the market in 2014 remaining unoccupied. The vacancy rate at the end of Q4 2014 averaged 6% (up by 1 pp from year-end 2013), the lowest nationwide, and equated to 39,800 m² of available space, which was scattered across 41 office buildings.

This indicates that, similarly to the situation observed in 2012 and 2013, larger requirements in 2014 had to follow the pre-let route. However, we expect a gradual transition into a tenant market, given the extensive development pipeline underway (around 116,000 m² of the under construction office stock is currently available for lease), which will drive the vacancy rate up. The first significant increase in the rate is anticipated in Q4 2015.

Vacant space in existing and under construction stock



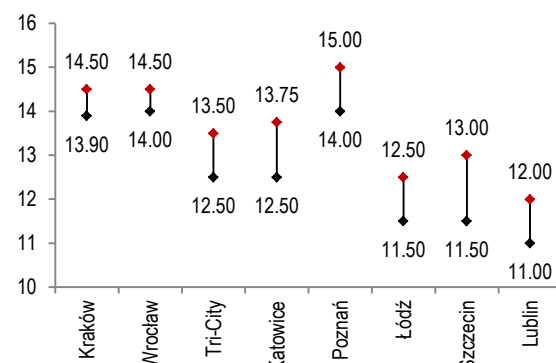
Source: JLL, Q4 2014

More generous approach towards fit-out

Kraków compares favourably with other regional office markets in terms of rents, remaining at a similar level to those in Wrocław and non-central locations in Warsaw.

Prime headline rents in the city have held firm over 2014 and vary between €13.9 and €14.5 / m²/ month. The higher rental band applies to prime, centrally located office projects.

Prime headline rents (€/ m²/ month)



Source: JLL, Q4 2014

Incentives continue to be important and usually include three to five months' rent free on a five-year term and/or an additional fit-out contribution.

We expect the prime headline rents to remain stable as 2015 progresses, with slight downward pressures possible in buildings offering large vacant space. The pressure is, however, more likely to be reflected in more generous incentive levels rather than reductions in headline rents.



Major office projects under construction

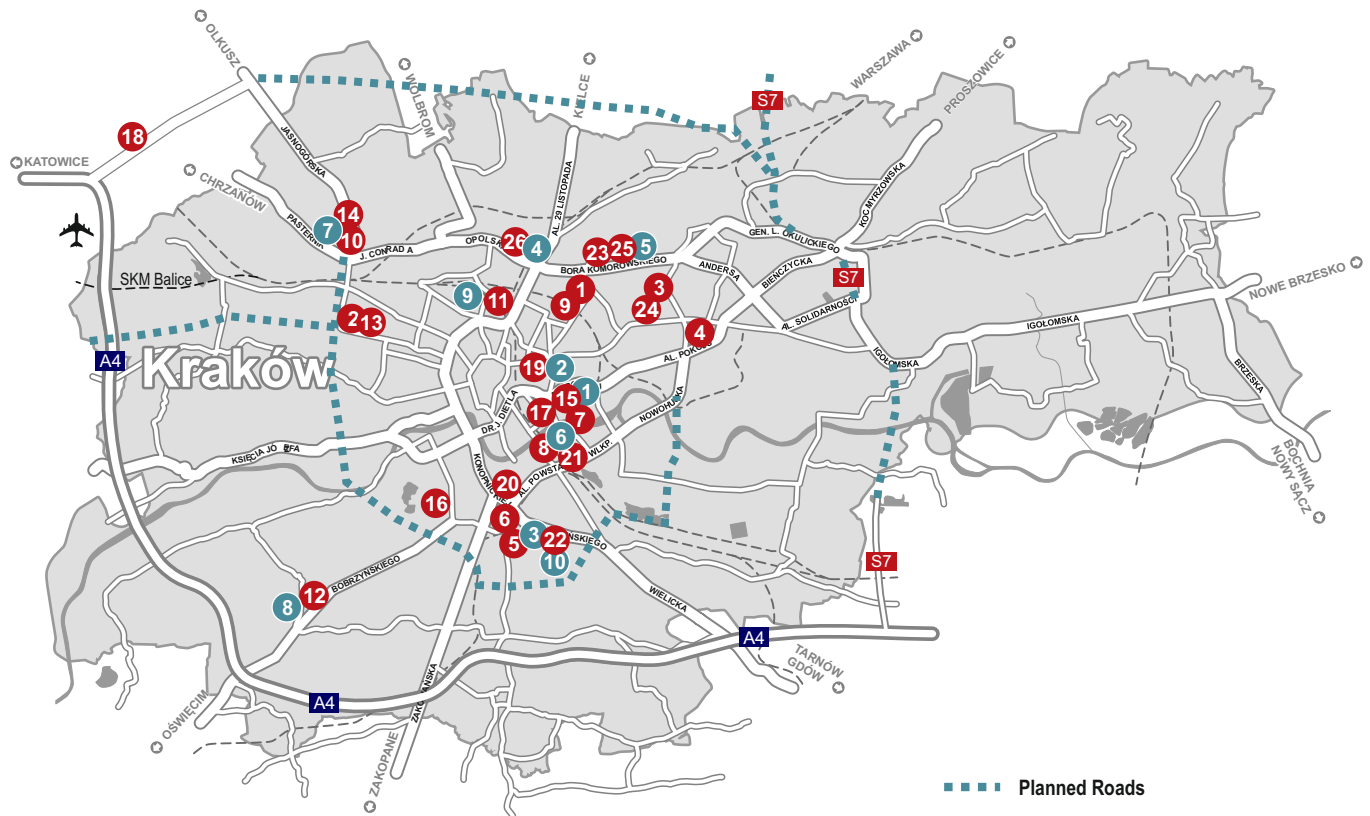
Building	Investor	m ²
Axis	Skanska	21,600
Opolska Business Park I	Echo Investment	19,200
Aleja Pokoju 5	Grupa Buma	13,000
K1 (under redevelopment)	Pramerica	12,300
Jasnogórska II	Mix Biura	12,000
Bonarka 4 Business F	TriGranit Development Polska	10,000
Quattro Business Park FIVE	Grupa Buma	8,700
DOT Office A	Grupa Buma	7,400
Enterprise Park D	Avestus Real Estate Poland, QPG Baltics	5,800

As of February 2015



Map of Major Office Developments in Kraków

As of February 2015



Major Existing Office Buildings

1. Alma Tower
2. Avatar
3. Avia
4. Azbud Office Center
5. Bonarka 4 Business A,B,C,D,E
6. Buma Square Business Park
7. Diamante Plaza
8. Enterprise Park A,B,C
9. Etiuda
10. Euromarket Office Center
11. Fronton
12. Green Office A,B,C
13. GTC Office Complex (Galileo, Newton, Edison, Pascal)
14. Jasnogórska I
15. K1 (under refurbishment)
16. Kapelanka A,B
17. Kazimierz Office Center
18. Kraków Business Park Zabierzów
19. Lubicz Office Center I,II
20. ONYX
21. Orange Office Park I&II
22. Portus
23. Rondo Business Park
24. Office Complex in Special Economic Zone, incl. Centrum Biznesu i Innowacji Copernicus
25. Quattro Business Park A,B,C,D
26. Vinci

Major Under Construction Office Buildings

1. Aleja Pokoju 5
2. AXIS
3. Bonarka 4 Business F
4. Opolska Business Park I
5. Quattro Business Park FIVE
6. Enterprise Park D
7. Jasnogórska II
8. DOT Office A
9. Regent Office
10. G.O. Center



Rafał Oprocha

Head of Kraków Office
Kraków

+48 12 294 9430

rafal.oprocha@eu.jll.com

Anna Młyniec

Head of Office Agency
Poland

+48 22 318 0000

anna.mlyniec@eu.jll.com

Anna Bartoszewicz-Wnuk

Head of Research
Poland

+48 22 318 0007

anna.bartoszewicz-wnuk@eu.jll.com

Jakub Sylwestrowicz

Head of Tenant Representation
Poland

+48 22 318 0048

jakub.sylwestrowicz@eu.jll.com

officefinder.pl

www.jll.pl

© 2015 Jones Lang LaSalle IP, Inc. All rights reserved. The information contained in this document is proprietary to Jones Lang LaSalle and shall be used solely for the purposes of evaluating this proposal. All such documentation and information remains the property of Jones Lang LaSalle and shall be kept confidential. Reproduction of any part of this document is authorized only to the extent necessary for its evaluation. It is not to be shown to any third party without the prior written authorization of Jones Lang LaSalle. All information contained herein is from sources deemed reliable; however, no representation or warranty is made as to the accuracy thereof.