JONES LANG LASALLE

Real value in a changing world

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Kraków Office Market - November 2013

Increasing developer activity provides more lease options for tenants in H2 2014.

Summary Statistics*	Q3 2013	Y-o-Y change	12 Month Outlook
Gross Take-up* (m^2), cumm.	84,300	-4,050	→
Net Take-up (m^2), cumm.	64,800	+ 450	→
Vacancy (m^2)	24,800	-13,350	↗
Vacancy Rate (%)	4.4	-2.7 p.p.	↗
Completions (m^2) – FY est.	34,600	-13,600	↗
Under construction (m^2)	124,800	+87,700	→
Prime Rent (€ / m^2 / month)	13.5-14.5	0%	→

* Cummulative (Q1-Q3): Net take-up = letting transactions excl. renewals

Supply

Kraków is one of Poland's fastest growing office markets. The total modern office stock in Kraków is estimated at approximately 563,000 m^2, second only to Warsaw.

At the end of Q3 2013, more than 124,800 m^2 of modern office stock was under construction in the city; however, only 17,000 m^2 (75% secured with pre-lets) will enter the market in Q4 2013. The low volume of new office space has caused a supply gap and a lack of immediate available office space on the market is resulting in a low vacancy rate; currently just 4.4% (Q3 2013).

Due to expected limited new supply and the forecasted stable demand in Q4 2013, the vacancy rate should remain stable or drop further. Large tenants have to sign pre-let agreements in developments under construction in order to secure space, as currently the market offers only two units of more than 2,000 m^2 in existing office buildings. We expect the 2014 to be a more balanced market, as a large amount of pipeline supply (around 98,000 m^2) is scheduled to enter the Kraków office market then.

Demand

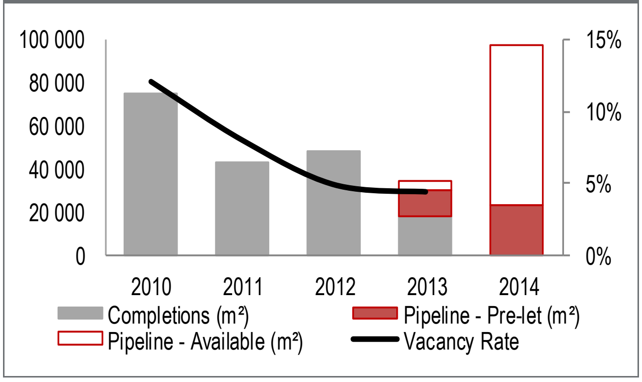
Kraków has seen sustained office demand. In 2012, net take-up was 80,000 m², up 26% on 2011. In Q1–Q3 2013, net take-up was almost 65,000 m², which is comparable to the level registered in Q1–Q3 2012. The number of pre-lets is expected to increase as there is a shortage of existing office space to let.

Kraków is recognised worldwide as an excellent BPO / SSC location thanks to a combination of factors, such as excellent scores in international rankings, talented labour pool and support from institutions, helping the sector, both in Poland generally and in Kraków specifically.

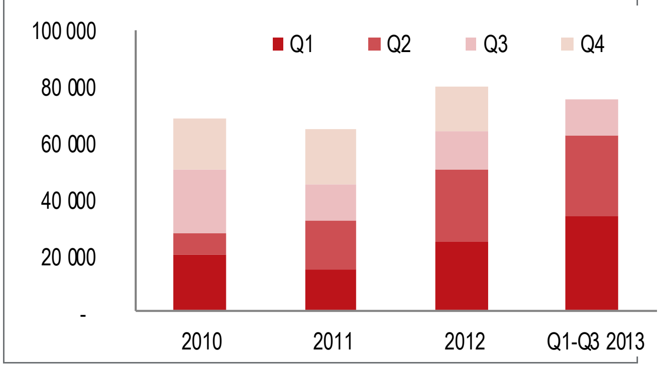
Rents

Prime headline rents are between €13.5 and €14.5 / m² / month. The current low vacancy rate and low completion level 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. We expect the prime headline rents to remain stable.

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



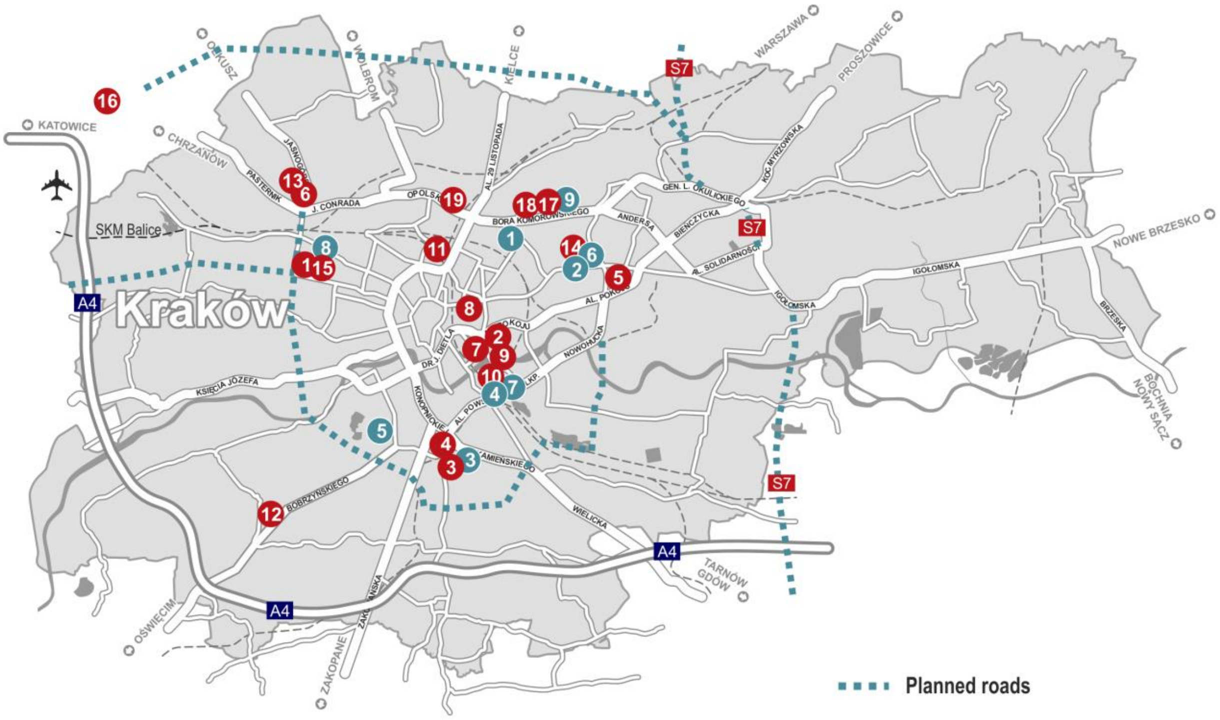
Net Take-up (m²) by Quarter



Major Office Transactions Q1-Q3 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
Q1	**Szara Kamienica**	Google	Expansion& Renewal	3,650
Q2	**GTC Edison**	Genpact	Renewal	3,200
Q2	**Quattro Business Park**	Google	Pre-let	3,050

Source all charts: Jones Lang LaSalle



Major Existing Office Buildings

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

Major Office Buildinngs Under Construction

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

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