



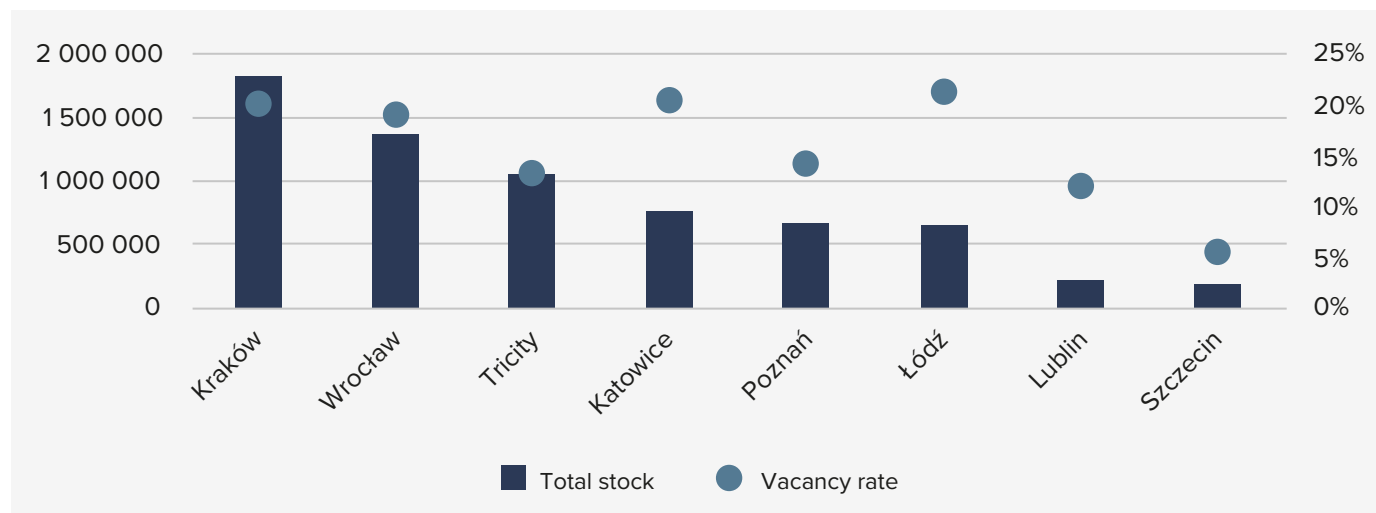
Office market in Kraków Q1 2024

Kraków is the largest regional office market in Poland.

The office stock in the city exceeded 1.8 million sq m at the end of Q1 2024, accounting for approximately 27% of the total regional stock. Unlike other cities, the majority of office space in Kraków is located outside the city centre.



Total office stock (sq m) and vacancy rate in the major regional office markets (Q1 2024)



Developer activity in the Polish office market was exceptionally constrained in 2023 due to high inflation, rising construction costs, high financing costs, economic uncertainty, and suspension of many projects during the pandemic. This led to the lowest new supply volume in the office market's history, approximately 350,000 sq m. This trend continued in Q1 2024, with just over 30,000 sq m delivered in two projects (in Wrocław and Kraków).

In contrast, developer activity in Kraków remained stable in 2023 compared to the previous year and several year averages, highlighting the city's attractiveness for business development. Approximately 100,000 sq m of office space was completed in 2023, the highest volume of new supply among regional cities. Key projects included: Ocean Office Park B (28,600 sq m), delivered to the market by Cavatina Holding, Kreo (24,000 sq m) by Ghelamco Poland, and Mogilska 35 (11,900 sq m) by Warimpex. The Brain Park C (13,000 sq m) delivered by Echo Investment was one of the two projects completed in regional markets in Q1 2024.

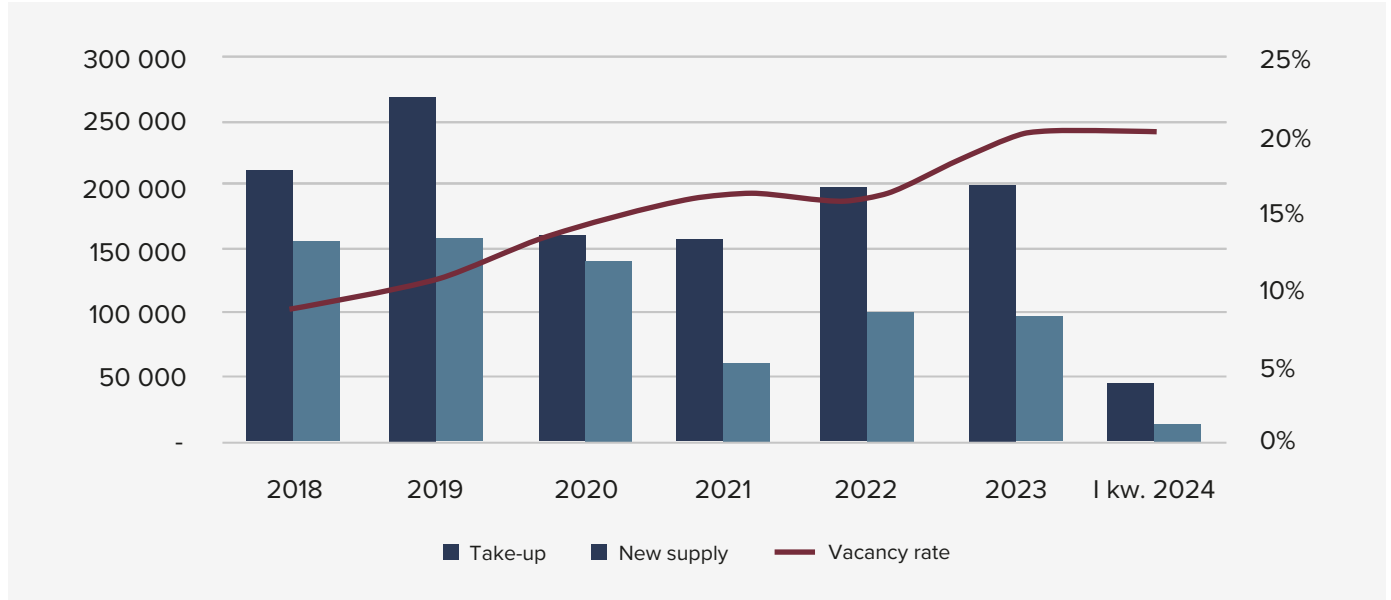
Despite robust development, the office market in Kraków is expected to slow down in 2024, with only 25,000 sq m under construction. However, many projects are in various planning stages, indicating continued investment interest.

Leasing activity in the Kraków office market was intense in 2023, with approximately 200,000 sq m leased. This was the highest volume among regional cities and one of the highest in the market's history. High demand was also recorded in Q1 2024 when tenants leased more than 40,000 sq m.

Continued unfavourable economic situation, high costs of office interior finishing, and large-scale remote work verify tenants' approach to relocation or expansion. Renegotiations of existing contracts have already accounted for a significant share of transaction volume for many quarters. Approximately half of the take-up volume in 2023 and Q1 2024 involved renewals, as tenants seek cost-effective solutions.

The substantial volume of new supply completed in 2023 and Q1 2024 has reflected increases in vacancy rate to 20% at the end of Q1 2024, up nearly 3 pp. year-on-year. In contrast, the average vacancy rate for regional cities stood at 17.8%, with the majority of available space located in older projects. If the current pace of demand continues, along with the deficient volume of new supply planned for delivery in the coming quarters is maintained, the vacancy rate is expected to decrease, indicating a potential for future investments.

Activity of developers and tenants (sq m) and vacancy rate in Kraków



Asking rents for office space increased in all markets in 2023, particularly in modern buildings, but remained stable in Q1 2024. In Kraków, rents ranged from EUR 10 to EUR 17 per sq m per month, depending on location and the building standard, making it the most expensive regional office market. No rent increases are expected due to high office availability, but further increases in service charges, ranging from PLN 18 to PLN 32 per sq m per month, are anticipated, reflecting the increasing costs of maintaining office spaces.

