

Graphic Design:
Tomasz Argasiński

Photo:
Paweł Krawczyk
Wiesław Majka
(www.krakow.pl/fotogaleria)
Marcin Sigmund
Artur Wędziński

Translation:
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Behlert & Behlert

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Partner:
Colliers International Poland

Regional Office Krakow
Anna Galicka-Bieda
e-mail: krakow@colliers.com

Research & Consultancy
Dominika Jędrak
e-mail: dominika.jedrak@colliers.com

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PRICES

Prices in the report are quoted in PLN or EUR, depending on the transaction; often one of the currencies is referred to as the basis for defining the value.

Average currency exchange rates are published every day on the website of the National Bank of Poland (www.nbp.pl)

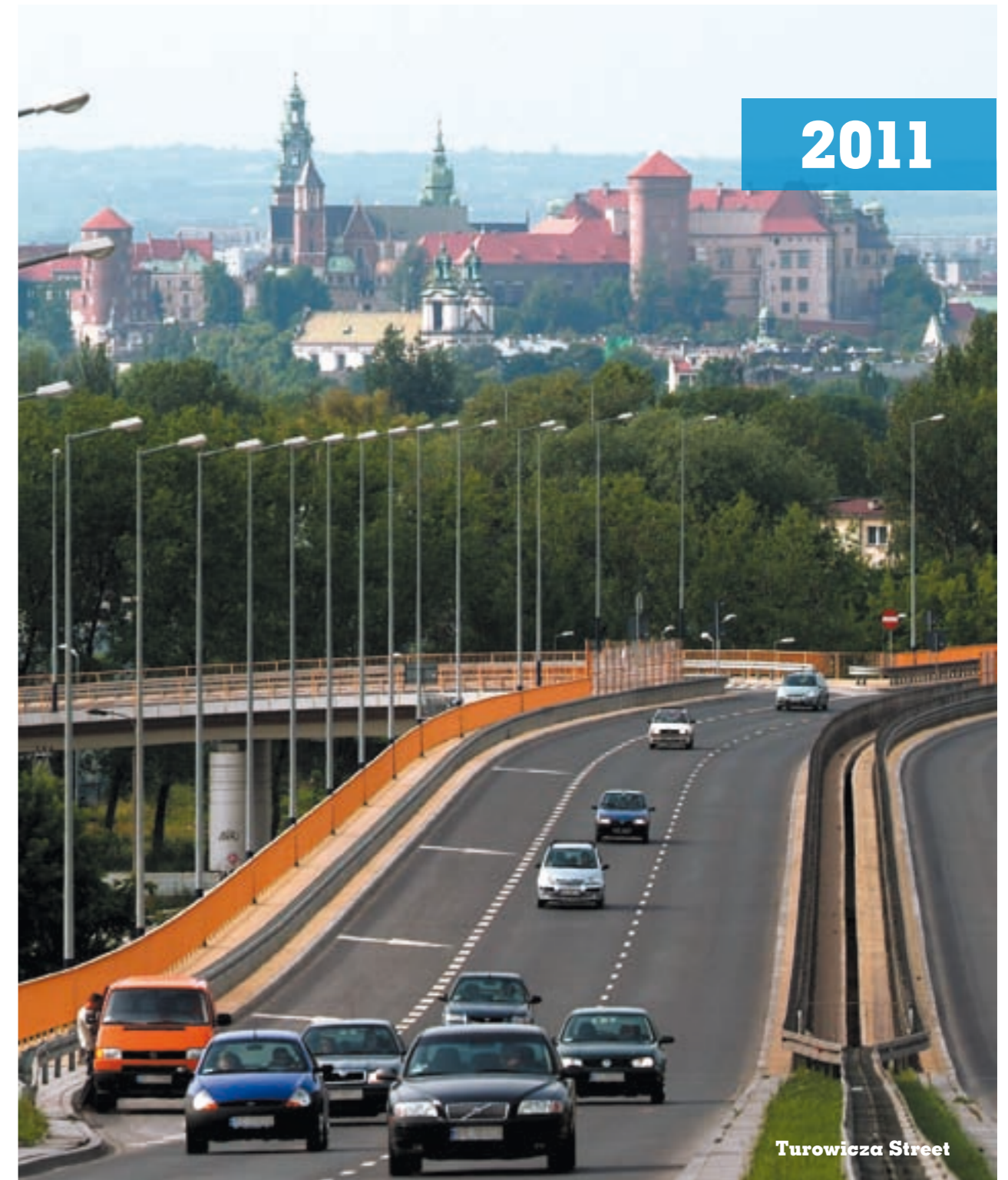
MEASURES

Used in Poland: 1 ar = 100 sqm = 0.01 hectare (ha)

1 hectare = 10 000 sqm = 100 ars (ar)

Used in English speaking countries:

1 acre (UK) = 40.47 ars (ar) = 0.40 hectare (ha)



The extended version of the *Krakow Real Estate Market 2011* on the housing and land markets is published on www.krakow.pl in the business tag.

Krakow Real Estate Market

Ladies and Gentlemen,

The Krakow Real Estate Market is a periodic publication of the City Strategy and Development Department of the Municipality of Krakow, which presents a comprehensive analysis of the changes that took place in the field of commercial spaces and residential property in Krakow in the preceding year.

The publication, which I am delighted to present to you now, forms part of this series, but focuses solely on commercial space: offices, hotels, warehouses and shops. Together with the publication's partner, Colliers International, we highlight the key aspects of those market segments, including supply and demand, as well as the most important investments in 2011 and the development outlook for the upcoming years. Whenever possible, we try to compare Krakow with other regional centres in Poland.

On the one hand, the condition of the property market influences the development of the city, and on the other, it results from it. Therefore, I would like to invite you to read the publication, which will allow you to gauge the condition of Krakow's market, estimate the impact of the global economy on its standing and identify development trends for the near future. Other items in the series can also prove helpful in this context – these are available online at www.krakow.pl, under the business tab.

Best Regards,

Monika Piątkowska

**Plenipotentiary
for the Krakow Brand**

**Director of the City Strategy
and Development Department
of the Municipality of Krakow**



Main Market Square

About Krakow

I

About Krakow

Krakow is one of the most economically attractive Eastern European cities. Recent years show that Krakow has become the target of many direct investments. The advantages of the city, as i.e. rich offer of the property market, attractive areas, scientific and demographic potential, attractive location, affect investors' decisions.



Ofiar Katynia Roundabout

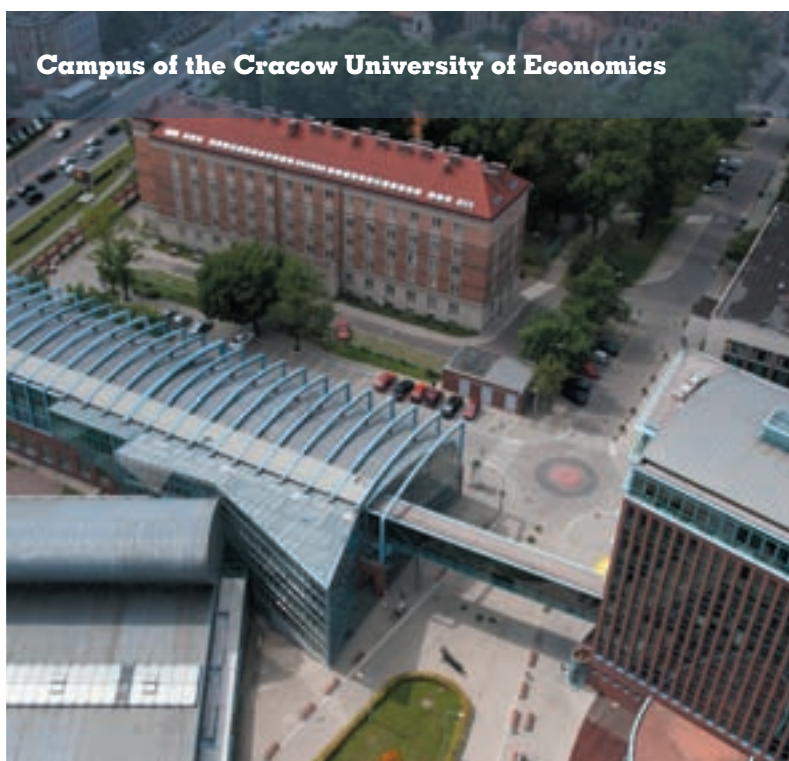
People potential

Krakow has about 756,000 inhabitants, positive birth rate and positive migration balance. Almost 60% of its inhabitants constitute young people who are less than 44 years old. Krakow is populated not only by permanent inhabitants, but also by several dozen thousands of people residing temporarily, mainly students. It is because the capital of Małopolska region is one of the most important academic centres in Poland. Over 206,000 people, study in 23 universities and colleges. In 2011 about 50,000 students graduated from Krakow universities and colleges, most of them from the Jagiellonian University, the AGH University of Science and Technology, the Krakow University of Economics and the Krakow University of Technology. Not only Krakow, but the whole region is characterised by high demographic potential. The suburban area is inhabited by 1.5 million people and around 8 million people live within the radius of 100 km from the city.

Scientific potential

The city development strategy favours the involvement of the cooperation between science, business and local government. The cooperation of universities and colleges with research and development units, as well as hi-tech companies contributes to the establishment of research and development centres in Krakow (Centres for Advanced Technologies, Centres of Excellence, Technology Transfer Centres and Research and Development Centres of companies). Another example of such cooperation includes clusters embracing enterprises, universities and research units which, despite the fact that they

Campus of the Cracow University of Economics



conduct separate, competing activities, cooperate in certain areas, e.g. they conduct research and development works together.

Modern economy

The Special Economic Zone sub-zones operating within the city altogether have around 104 ha and is managed by Krakow Technology Park. They offer state aid of a certain range, as well as attractive green land and office space of the highest class to investors. Admission to the Special Economic Zone is available to almost all the companies operating in the sector of traditional industry and some service sector enterprises, including IT, research and development, accounting and audit, bookkeeping, technical research and analyses as well as call centre companies.

At the moment in Krakow the hi-tech sector as well as the sector of specialised services are developing particularly dynamically. According to the investment report of the United Nations Conference on Trade and Development (UNCTAD), launched in July, 2011, Krakow is the best place to locate service centres in the world due to the availability of well-educated workforce, business-friendly environment, low business-related risk and the transparency of the Polish law and fiscal systems.

Credit rating

Since 1997 Krakow has been undergoing annual credit rating conducted by an international rating agency Standard and Poor's. In 2008, as the first city in Poland, Krakow improved its credit rating from "BBB+/Positive Outlook" to "A-/Stable Outlook". The city kept its A- credit rating in 2011.

Attractive location

Krakow is the second biggest city in Poland and the administrative centre of the Małopolska region. It is situated around 300 km south of Warsaw at the intersection of important transportation routes. Roads and railway routes running in the vicinity of Krakow connect the Baltic Sea with the south of Europe (Gdansk – Budapest) as well as the Eastern Europe with the Western Europe (Frankfurt – Kyiv).

The International Krakow Airport is the biggest among Polish regional airports. Situated nearby the city (about 15 minutes by direct train from the city centre) the Airport provides many domestic, European and pan-European connections. In 2011 there were 19 airlines: 11 traditional and 6 low-cost, permanently operating flights from and to the Krakow Airport, the Airport's services also included charter flights.

Tourism

Krakow, the historical capital of Poland, is the place where modernity meets tradition.

The historic centre of Krakow, together with the Wieliczka Salt Mine located in its vicinity, were registered on the first UNESCO World Heritage list in 1978.

The unique architecture, variety of artistic and cultural events (every year over 40 festivals are held in Krakow) attract tourists from Poland and abroad. The city belongs to one of the most often visited places in Europe.

In 2011 Krakow was visited by 8.6 million people, including 2.15 million foreign guests. Most of the foreigners coming to Krakow are the citizens of Great Britain, Germany, Spain, Italy, France, Spain, the USA and Russia.

Office Market

II

Executive summary

At the end of 2011 the amount of modern office space in Krakow exceeded 434,000 m². With new supply of approximately 46,000 m² the city recorded the biggest increase in total stock among all the regional office markets.

In terms of leasing activity 2011 saw a continuation of the positive tendencies recorded in 2010. Krakow remained the most sought-after location among regional markets. Thanks to its recognised position as the major BPO/SSC centre in the region, the city continued to attract companies from this sector.

Moderate new supply together with stable, yet strong demand resulted in a further decrease in the availability of space.

In 2012 ca. 54,000 m² of modern office space will be delivered to the Krakow market, which is a level similar to results recorded in 2010.

Supply

At the end of 2011 the total resources of modern office space in Krakow amounted to 434,320 m². Office space completed in 2011 reached nearly 46,300 m², which constituted a 15% drop in comparison to 2010. Developers' activity concentrated mainly in the southern part of the city, where nearly 60% of new space was completed. New supply was delivered to the market within seven office schemes. The most significant com-

pletions were: two buildings within the Bonarka 4 Business complex (15,700 m²) by Trigranit, phase II of Quattro Business Park (11,700 m²) by Buma Group and the next phases of Green Office complex (11,300 m²) completed by the same developer.

Currently ca. 54,000 m² of office space is under construction, all of which is scheduled for delivery in 2012. The first quarter of 2012 will see completion of 13,200 m² in three office schemes: phase I (7,500 m²) of MIX Jasnogórska complex and Fronton Office Center (5,700 m²). The largest office projects planned for 2012 will be

delivered in the second half of the year. These are: two buildings in Enterprise Park with a total of 15,160 m² of leasable office area, 10,000 m² within the Green Office complex and phase III of Bonarka 4 Business (8,200 m²).

Table II.1.

Selected office buildings under construction

Building	Location	Total office space (m ²)
MIX Jasnogórska	Jasnogórska Str.	7,500
Fronton Office Center	Kamienna Str.	5,700
Green Office C	Czerwone Maki Str.	10,000
Enterprise Park A	Na Dołach Str.	6,980
Enterprise Park B	Na Dołach Str.	8,180
Bonarka 4 Business C	Puszkarska Str.	8,200

Source: Colliers International

Companies from the BPO/SSC sector remained the main drivers for demand for office space in Krakow as they concluded the largest lease transactions recorded in 2011. New deals concluded in the discussed period were: 4,400 m² leased by Heineken in Vinci Office Center, Alexander Mann Solutions in Bonarka 4 Business (3,800 m²) and Capita in Lubicz Office Center (3,500 m²). Significant renegotiations and expansions were also recorded: Shell (16,000 m²) in Krakow Business Park, Sabre (8,900 m²) in Buma Square and International Paper (4,000 m²) in Lubicz Office Center.

Vacancy

Since the beginning of the year Krakow experienced a decrease in availability of office space. The highest drop was registered in Q3 2011 as no office schemes were completed in this period. The vacancy rate recorded a downward trend and stood at 8.5% at the end of 2011, which was a 3.8 p.p. drop in comparison with the same period of 2010 (12.3%).

Demand

2011 saw a continuation of the strong leasing activity recorded in 2010. The total demand for office space registered in the four quarters of 2011 exceeded 82,000 m², which was comparable to the level of 2010.

New leases constituted 58% of total take-up while renewals and renegotiations amounted to 34%. Contrary to the previous year, pre-let agreements constituted a modest share of the total transaction volume (7% against 37% in 2010).

Rents

Throughout the year the average rental rates in Krakow varied from EUR 12.00/m²/pcm to EUR 14.50/m²/pcm. Prime rents for modern office space in the best locations were slightly higher and reached EUR 15.00/m²/pcm. Despite decreasing vacancy rate, asking rents in existing office buildings remained relatively stable during the year. In projects scheduled for delivery in 2012 the average asking rents are between EUR 13.00–14.50/m²/pcm.

Forecast

In terms of leasing activity the upcoming year should be comparable to 2011. Consequently, a further drop in vacancy rate is expected. Decreasing availability of space may encourage developers to begin construction of their pipeline schemes. Therefore, in 2012 the Krakow office market may witness new office projects entering the construction stage.

Krakow office market against other Polish cities

2011 recorded weaker supply dynamics across all regional markets and this was reflected both in the lower number and smaller scale of completed schemes. Krakow reported the largest

new supply of office space, while Tricity – with over 36,000 m² of delivered space – held second position. Cities such as Wrocław, Poznań and Łódź recorded only minimal increases in total office stock.

Table II.2.

Office markets in regional cities as of end 2011

	Total stock (m ²)	Vacancy rate (%)	Rental rates (EUR/m ²)
Krakow	434,320	8.5	12.00-14.50
Wrocław	315,430	5.1	11.00-16.00
Tricity	252,100	10.8	12.75-15.00
Poznań	203,160	8.4	14.00-16.50
Łódź	190,320	24.2	11.00-12.50
Katowice	188,630	13.7	11.00-13.50

Source: Colliers International

In comparison with 2010 all major regional cities registered an important increase in total



Rondo Business Park Building



Wyspiański Pavilion

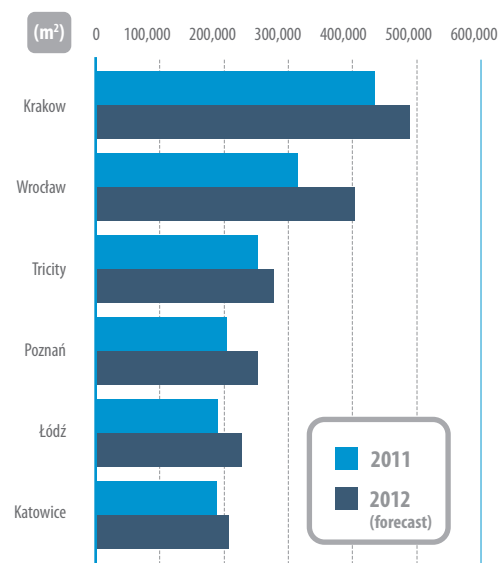
leasing activity. Wrocław reported the second best result in terms of leased space. In Poznań and Tricity, the total transaction volume in 2011 doubled the records from the previous year. Tenants were also more and more interested in the Katowice market, this was mirrored in a dropping vacancy rate (13.7% against 22% at the end of 2010).

Limited new supply and strong leasing activity resulted in a decreasing vacancy rate in the majority of regional cities. The only exception was Wrocław, which recorded only a slight increase (5.1% against 4.3% at the end of 2010). The highest vacancy was noted in Łódź (24.2%).

Rental levels in the regional markets recorded no major changes during the year. The average asking rents ranged from EUR 12.00/m²/pcm to EUR 15.50/m²/pcm. Łódź remained the market with the lowest rents between EUR 11.00-12.50/m²/pcm. On the other hand, Wrocław and Poznań offered the highest headline rents – up to EUR 16.50/m²/pcm.

Chart II.1.

Total office stock in the largest regional markets (m²)



Source: Colliers International

Industrial Market

III

Overview

The industrial property market in Krakow is one of the youngest in Poland. An attractive location, close to major national and international roads, as well as a Special Economic Zone covering not only Krakow but also adjacent municipalities, makes Krakow an interesting market to both developers and tenants.

In 2011 the Krakow warehouse market recorded exceptional results, both in terms of new supply delivered to the market and volume of transactions. At the end of Q4 2011 the total stock of modern warehouse space in Krakow amounted to nearly 115,000 m². Krakow's largest concentration of warehouse space is located in Podgórze district – on Rybitwy. It is also worth noting Modlniczka which is situated to the north west of Krakow and where Goodman opened the Krakow Airport Logistics Park – the next phase of this project is already under construction.

Supply

In 2011 nearly 47,000 m² of modern warehouse space was delivered to Krakow's market in two projects. In comparison to 2010 supply increased by nearly 40% and at the end of the year reached 115,000 m².

Most modern warehouse space was opened in Modlniczka. Within the Krakow Airport Logistics Center project (developer Goodman) over 34,000 m² was delivered to the market in two buildings. It is currently the largest industrial

project in Krakow area. In MARR Business Park belonging to the Małopolska Agencja Rozwoju Regionalnego S.A. four buildings with a total area of 12,500 m² were completed in 2011.

At the end of 2011 under construction was over 31,000 m² of modern warehouse space, of which ca. 12,500 m² will be completed in Q1 2012 in Witek Airport Logistics Centre. Goodman will deliver two buildings with an area of 12,200 m² and 6,600 m² in the next phase of the Krakow Airport Logistics Centre. Both buildings should be completed in Q2 2012. The next phase of this project is in the planning stage.

Table III.1.

Supply of modern warehouse space in Krakow

Delivery date	Project	Developer	Area (m ²)
2000	Centrum Logistyczne Krakow I	BIK	8,000
2006	Centrum Logistyczne Krakow II	BIK	11,000
2008	Panattoni Park Krakow	Panattoni	16,900
2009	MK Logistic Park	MK Logistic	32,000
2011	Krakow Airport Logistics Center	Goodman	34,200
2011	MARR Business Park	Małopolska Agencja Rozwoju Regionalnego S.A.	12,500

Source: Colliers International

Demand

In 2011 a significant increase in tenants' interest in Krakow as a location was observed. In terms of transaction volume, last year was a record for the industrial property market (since the beginning of the market). During the full year more than 54,000 m² was leased, which is nearly three times more than in 2010. Among these transactions, new contracts dominated (61% of leased space agreements constituted a "pre-lease"). The average amount of space in comparison to 2010 significantly increased and amounted to 4,940 m² (2,615 m² in 2010). The largest transactions recorded on the industrial market in Krakow included Krakow Airport Logistic Center (developer Goodman), and agreements signed by: Valeo (16,700 m²), Schenker (5,500 m²) and RUCH (5,200 m²).

Until now, the demand for warehouse space in Krakow was primarily generated by local companies but this trend is now beginning to change. Krakow's market still has great potential and has

captured interest from many large national and international companies. We can assume that as the supply of new warehouse space grows, entrance of these large international tenants will be observed.

Space available

Vacancy in the industrial market in Krakow regularly decreased over the first three quarters of 2011, while in the fourth quarter it increased reaching the level of nearly 8.6%. This increase was due to the delivery of four buildings with a total area of 12,500 m² in a project by the Małopolska Agencja Rozwoju Regionalnego S.A., which has not yet been fully leased. In the coming months we can expect a slight increase in the amount of the available warehouse space in Krakow's industrial market. Projects that are currently under construction are partially leased.

Rental rates

Krakow's industrial market remains one of the most expensive locations in Poland just after Warsaw's first zone. At the end of 2011, effective rents, ranged from EUR 3.5 to EUR 4.5/m². In comparison to 2010, rents remained stable. In the coming months, rental levels should continue to remain stable with a slight upward trend associated with the relatively limited available space.

Effective rents in neighbouring markets, such as Upper Silesia or Wrocław, are formed respectively at the level of 2.6-3.1 EUR/m² and 2.6-3.0

EUR/m². Lower rents and the availability of large units can influence the location selection process by tenants.

Forecasts

It is expected that in the upcoming two quarters of 2012 demand for modern industrial space in Krakow will remain relatively stable. Due to the new supply that will be delivered to the market in Q1 2012 the vacancy rate will slightly increase. Rents are expected to remain on similar level during the next two quarters.



Wielicka Street

IV

Retail Market

General Overview

At the end of 2011 the total modern retail stock¹ in Krakow amounted to 489,300 m². In the previous year 47,500 m² was delivered to the market in one new retail project – Futura Park and in the extension of M1 shopping centre.

In 2011 also stand-alone retail warehouses such as Makro Cash and Carry (at Zakopiańska Street) and Castorama (Sosnowiecka Street) were delivered to the market, as well as Ikea store was extended by additional space.

The retail market in Krakow, similarly to other major cities in Poland, has been developing since the mid 1990's, when the first large hypermarkets were opened, such as Carrefour, Tesco or Real.

In terms of annual supply delivered the boom years were 2001 when M1 and Krakow Plaza were completed, 2006 in which Galeria Krakowska was finished and 2009 when Bonarka City Center, one of the largest shopping centres in Poland, was delivered to the market.

Up to 2011 almost all retail schemes present in Krakow were traditional shopping centres, just part of Zakopianka could be considered as a kind of retail park. In October 2011 Spanish developer Neinver completed Futura Park in Modlniczka near Krakow. It is a combined complex of retail park and outlet centre (Factory) at one retail destination. With the opening of Futura Park the first proper retail park and outlet centre entered the market.

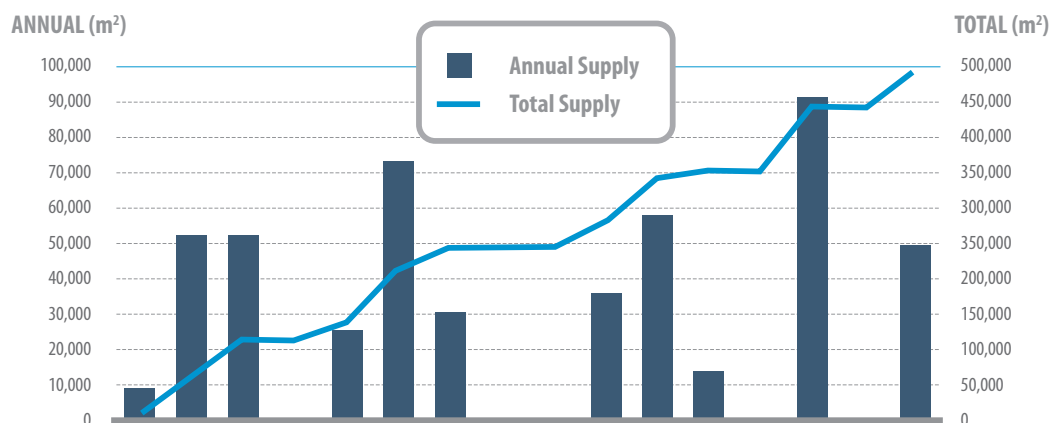
In terms of tenants the most diversified retail offer have Galeria Krakowska, Bonarka City Center and Galeria Kazimierz.

In Krakow there are also DIY stores located, such as Castorama, Praktiker, Obi and Leroy Merlin, as well as stand-alone Ikea store representing homeware sector.

¹ modern retail schemes over 5,000 m² GLA, excluding stand-alone buildings.

Chart IV.1.

Evolution of retail stock in Krakow



Source: Colliers International

Table IV.1.

Major retail schemes in Krakow (above 35,000 m²)

Shopping centre	Date of delivery	Area (GLA ¹)	Developer
Bonarka City Center	2009	91,000	Trigranit & Immoeast
Galeria Krakowska	2006	57,700	ECE
Zakopianka	1998	52,850	Cefic
M1	2001 / 2011	50,800	Metro
Futura Park	2011	39,000	Neinver
Galeria Kazimierz	2005	36,000	GTC

¹ GLA (Gross Leasable Area)

Source: Colliers International

Planned supply

The retail pipeline in Krakow is estimated at the level of more than 120,000 m² in projects such as Auchan Bronowice (about 60,000 m²), Serenada (about 42,000 m²) as well as one retail

park, however no retail scheme is planned to be delivered in 2012.

The construction of Auchan shopping centre by Immochan should start at the beginning of 2012 and the completion date is scheduled for the second half of 2013. Another shopping centre is Serenada, the project of Mayland Real Estate, which is also planned for delivery at the end of 2013, however construction has not started yet.

There is also one retail park of about 20,000 m² in the pipeline, however it is at the early stage of planning and no specific completion date is set.

High streets

Krakow with its Old Town and all historical sights is a world renowned tourist attraction as well as important business and academic centre. The combination of history, high footfall and a business ambience make Krakow's high streets very popular for international retailers.

High streets in Krakow are located in the Main Square and its vicinity, mainly along the Royal Track, such as Floriańska and Grodzka streets. Apart from many restaurants and cafes main retail brands present in this neighbourhood are Diesel, United Colors of Benetton, Promod, Vero Moda, Parfois, Hard Rock Cafe, Empik, Quicksilver, Swarovski, BGN, Accessorize, I am, Pandora, Tally Weijl, Calzedonia, Paul&Shark, Max Mara, Camel Active, Escada, Douglas, Shephora.



Nowaka-Jeziorańskiego Square

Rental levels and vacancy rate

Rental levels in 2011 were relatively stable. The average rent in the best shopping centres for the unit of 60–120 m² ranged between EUR 45–60/m². The highest rents were recorded in Galeria Krakowska.

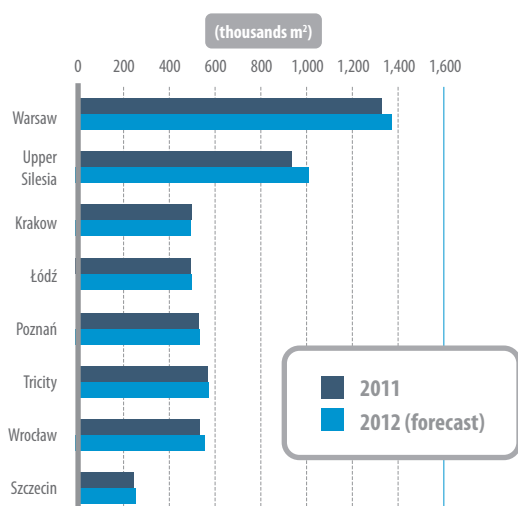
Retail parks offered lower rates. A unit up to 500 m² could be rented for EUR 12–14/m². Rental level for units of 500–1,000 m² was about EUR 10/m² and for units bigger than 1,000 m² was EUR 8/m².

In terms of high streets rental rates vary greatly and depend on location and the quality of leased space. Rents recorded on the top Krakow high streets, such as Floriańska, the Market Square and Grodzka are among the highest in Poland and range between EUR 70–110/m².

As at the end of 2011, vacancy rate in all modern shopping centres in Krakow was at the level of approx. 4.7%, however there are some significant differences among existing retail schemes in terms of availability. The highest vacancy rate was recorded in Futura Park, which can be caused by the fact, that it is newly opened shopping centre and the process of commercialization is still in progress, whereas in Galeria Krakowska, Galeria Kazimierz and Zakopianka there were no vacant units available.

Krakow retail market against major Polish cities

The total stock of modern retail space in Poland reached 8.8 million m² at the end of 2011, almost 55% of which was concentrated in the eight major Polish agglomerations.

Chart IV.2.
Total modern retail stock in major Polish agglomerations (existing and planned for 2012)


Source: Colliers International

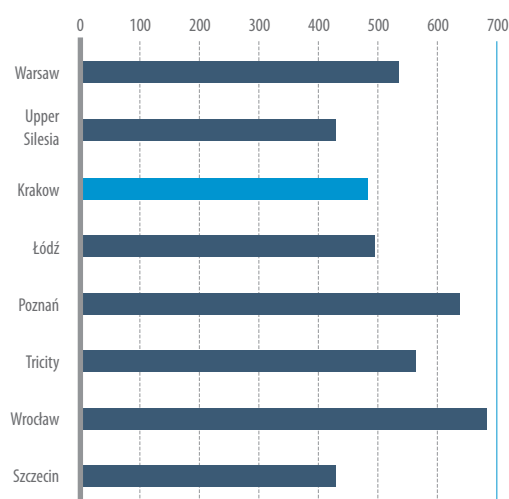
The capital market still remains the major retail location in terms of the supply and offer, due to its purchasing power and demographic potential. At the end of 2011 modern retail stock in the Warsaw Agglomeration amounted to 1.3 million m², nearly 80% of which are traditional shopping centres. The second largest retail market in Poland is located in the Upper Silesia and has more than 950,000 m². In terms of the total modern retail stock Krakow and Łódź are comparable with approx. 490,000 m². The smallest retail market among major agglomerations is Szczecin with only slightly above 230,000 m².

The main projects completed in the eight major Polish agglomerations in 2011 were Galeria Kaskada in Szczecin, Futura Park in Krakow, extensions of Silesia City Center in Katowice as well as M1 in Krakow and Zabrze. The largest new supply was delivered to the Krakow (47,500 m²) and Szczecin (43,000 m²) retail markets.

In terms of planned retail supply the highest developers' activity was recorded in the Upper Silesia, where as much as 125,000 m² was under construction at the end of 2011, 60% of which will be completed in 2012 (Europa Centralna and Galeria Zabrze). In two agglomerations, Krakow and Łódź, no retail space is planned for delivery in 2012.

Krakow has relatively low retail space density level of 484 m² per 1,000 inhabitants, placing the city sixth among the major agglomerations. The leaders in terms of market saturation are Wrocław and Poznań with 683 and 638 m² per 1,000 inhabitants, respectively. On the other hand the lowest rate is recorded in the Upper Silesia and Szczecin (approx. 427 m² per 1,000 inhabitants).

The highest rental levels are recorded in Warsaw, where the average rents in the best shopping centres for the unit of 60–120 m² range between EUR 60–85/m². In Krakow, Wrocław and Poznań rent rates in the best shopping centres are comparable and reach EUR 45–60/m².

Chart IV.3.
Retail space density in major Polish agglomerations (m² per 1,000 inhabitants)


Source: Colliers International

V

Hotel Market

General Overview

The capital of Małopolska in comparison to other cities in Poland has the highest and the most varied selection of categorised hotels. Krakow's hotels offer a different standards, appealing to different types of visitors. Many hotels are situated within the historical city centre area, surrounded by the Planty Garden as well as the popular district of Kazimierz. In Krakow we can find the largest international hotel groups, among them are: Starwood (Sheraton), InterContinental Hotels Group (Holiday Inn, Express by Holiday Inn), Accor (Novotel, Etap, Ibis), Best Western International (Best Western Premier), Louvre Hotels (Campanile), Rezidor Hotel Group (Radisson SAS, Park Inn), Qubus, Vienna International Hotels (Andel's, Chopin). However, there are also traditional Polish hotels such as the Grand Hotel, boutique hotels run by the Likus brothers and the Donimirski family. In the neighbourhood we can also find small, intimate tourist-class hotels, hostels and guest houses owned by private investors or small companies.

In comparison to 2010 the city performed positively in terms of number of visitors. According to Małopolska Organizacja Turystyczna, 8.6 million tourists came to Krakow in 2011, of which 75% were domestic travellers. This is 6.2% increase in comparison to 2010. The branded hotel products fared well and recorded an average occupancy of circa 63%, and an ADR (average daily rate) of EUR 65.5.

The city enjoyed a favourable summer season. Some of the increase in tourist arrivals was due to the EU Council Presidency. It is estimated that in this time around 54% of all occupied rooms were produced by foreign guests. Krakow is currently the most popular city for short weekends for Polish nationals. The railroad infrastructure is being updated and in 2012 the travel time of the Warsaw-Krakow trip will take around 3 hours.

Krakow offers also many cultural events such as the Jewish Culture Festival and the Krakow Film Festival. Furthermore, during the Euro 2012 championship, the city will be hosting the training camp for the England's national team. It is expected that these four weeks will have positive influence on hotel trading.

The BPO sector continues further development in Krakow. The city is becoming the most popular destination for BPO activities and many multi-national companies have established their operations, such as Shell, IBM, Google, Capgemini, Hitachi, Lufthansa, Electrolux, Motorola, Accounting Plaza and others. Additionally, the delivery of a congressional centre in the coming years will help to increase the MICE sector in hotels accommodation.



Hotel Park Inn

Table V.1.
Formally rated hotels and the number of beds and rooms in Krakow as of end 2011

Hotel	Number of hotels	Hotels awaiting confirmation ¹	Number of bed places	Number of rooms
Hotel *****	10	0	1,752	979
Hotel ****	25	1	4,451	2,398
Hotel ***	74	0	5,951	3,277
Hotel **	20	1	1,960	960
Hotel *	5	1	576	257
Total:	134	3	14,690	7,871

¹ hotels under construction or hotel upgrade; document called promesa

Source: Marshal's Office of the Małopolskie Voivodship and the Hotel Register in Poland, Colliers International

At the end of 2011 there were 134 officially rated hotels of different categories with a total of 14,690 bed places. This figure includes 10 five-star hotels, 25 four-star hotels, 74 three-star hotels, 20 two-star hotels and 5 one-star hotels. Hotels therefore account for 91% of the formally rated facilities. Other officially categorised facilities include 1 holiday house, 2 camping sites, 7 guest houses and 3 youth hostels.

In 2011 six hotels were classified in Krakow. New openings include three four-star and one three-star hotels. The Galaxy hotel at Gęsia Street offers 205 rooms, a conference room up to 500 people, restaurant for 270 people, Spa and underground car park. Another Hilton Garden Inn at Konopnickiej Street has 154 rooms, a large conference room, restaurant, Spa and underground car park. The four-star hotel Queen Boutique at Józefa Dietla Street with 31 rooms and a 150 m² conference centre, as well as the

three-star Wielopole Hotel (35 rooms) were also opened. The number of five-star hotels has not increased during the last year.

Apart from the delivery of new hotels there were also some changes in hotels classification. These include the Conrad Hotel, which received an additional star and became four-star hotel. As regards medium class hotels, the two-star Delta Hotel was converted into the three-star hotel. It is also worth mentioning that Best Western flagged the RT Monopol hotel in the Old Town.

The price of a hotel room depends on the hotel's location; its category; the standard of services provided and the time of year of booking. The most expensive hotels are located in the very centre of Krakow. Medium class hotels but located in the neighbourhood of the Main Square are often more expensive than hotels of a higher star category located on the city's outskirts.

Table V.2.
Hotels in Krakow classified in 2011

Hotel	Category	Number of rooms
Hilton Garden Inn	4*	154
Galaxy	4*	205
Queen Boutique	4*	31
Conrad	4*	98
Gromada	awaiting 4*	227
Wielopole	3*	35
Delta	3*	16
Ibis	awaiting 2*	135
Ibis Budget	awaiting 1*	167

Source: Marshal's Office of the Małopolskie Voivodship and Colliers International

Table V.3.

Hotels in Krakow from a historical perspective

	2005	2006	2007	2008	2009	2010	2011	Hotels awaiting confirmation
Hotel *****	4	6	6	6	8	10	10	0
Hotel ****	7	7	11	13	16	21	25	1
Hotel ***	50	53	64	71	73	74	74	0
Hotel **	18	20	23	24	22	22	20	1
Hotel *	6	6	7	6	5	5	5	1
Total:	85	92	111	120	124	132	134	3

Source: Marshal's Office of the Małopolskie Voivodship and the Hotel Register in Poland

According to the analysis of the Krakow hotel market it appears that limited development of one and two-star venues can be attributed to strong competition from non-categorised venues, mostly hostels, which in total offer ca. 15,000 bed places. Hostels often offer better locations at a lower or similar price. Currently two projects (one and two-star) are waiting to be classified. Lower-end hotels offer in total 2,536 bed places which equates to 17% of the market offer.

The three-star sector still remains the largest and has 74 properties offering 5,951 bed places, which constitute almost 41% of all the categorised facilities. A growth can also be seen at the higher end hotels. At the end of the year Krakow had 35 four and five-star hotels offering a total of 6,203 bed places and currently one four-star hotels is waiting to be classified.

Selected new hotel projects in Krakow

The Holiday Inn is expanding its room inventory by 90 rooms, a project that is to be completed by Q4 of 2012.

The Gromada Hotel is currently under construction. The delivery date was originally at the end of 2011, however it is scheduled to open in first quarter of 2012. The hotel is planned to be a four-star property with 220 rooms and the biggest in Krakow conference room up to 4,500 people.

The opening of the Hilton Garden Inn at the Balice Airport is scheduled to open in last quarter of 2013. The hotel with circa 150 rooms will be operated by the MLP Krakow-Balice.

A five-star Krakow Congress Centre at Dąbska Street is being built by Budimex-Ferrovial with an expected date of completion planned for 2014.

In the second quarter of 2012 – before EURO 2012 championship – Accor Group will deliver to the market two economic hotels with new amended brand names. These new facilities will be opened as a complex of one-star Ibis Budget and two-star Ibis located on Pawia Street.

The Pantheon at 69 Nowohucka Street is a project of the local investor. The opening is currently planned for 2012. It will be a four-star property, which will have 79 double rooms, three apartments, a conference room up to 180 people, restaurant for 80 people and Spa.

The Puro hotel will be built at Pawia Street and will offer around 140 rooms. The beginning of construction is scheduled for the first half of 2012. Genfer capital group is also planning to deliver Puro hotels in other largest Polish cities by 2015.

Krakow hotel market compared with selected regional cities

The following analysis takes into account only regional cities. Warsaw as a capital city and business centre has the most developed hotel market and offers the highest number of bed places in Poland.

However, in terms of the number of categorised hotels in Poland, Krakow with 134, is on the first place. The city has the highest number of hotels of any category. Among other regional markets Wrocław is in second position with 47 categorised hotels, closely followed by Poznań with 45. The number of formally rated hotels grew most

in Gdańsk and Wrocław, this include especially middle hotels. Only Krakow and Wrocław saw delivery of four-star hotels.

In Krakow four new hotels were ranked, and three planned projects were waiting for classification.

In comparison to other regional cities, the capital of Małopolska has an exceptionally well developed pool of middle and upper scale hotels. There are 10 five-star, 25 four-star and 74 three-star hotels. Among regional cities Wrocław is second with respect to the number of upscale hotels – five five-star and ten four-star hotels, while Gdańsk has four five-star and five four-star venues. Poznań and Katowice have only one five-star and five four-star hotels each. Łódź still does not have five-star venue.

It is worth mentioning that as regards to three-star facilities Krakow has almost three times as many as Wrocław, which has only 25, whereas Katowice has only 5, it is the weakest city in this category.

Only in Krakow and Poznań, the number of lower end hotels is significant in comparison to other regional cities, where number of such venues is much lower.

Table V.4.

Hotels in regional cities as of end 2011

Formally rated hotels	Krakow	Poznań	Wrocław	Gdańsk	Łódź	Katowice
Hotel *****	10	1	5	4	0	1
Hotel ****	25	5	10	5	2	5
Hotel ***	74	22	25	14	10	5
Hotel **	20	15	3	7	9	4
Hotel *	5	2	4	0	2	2
Total:	134	45	47	30	23	17

Source: Colliers International on the basis of the Hotel Register in Poland

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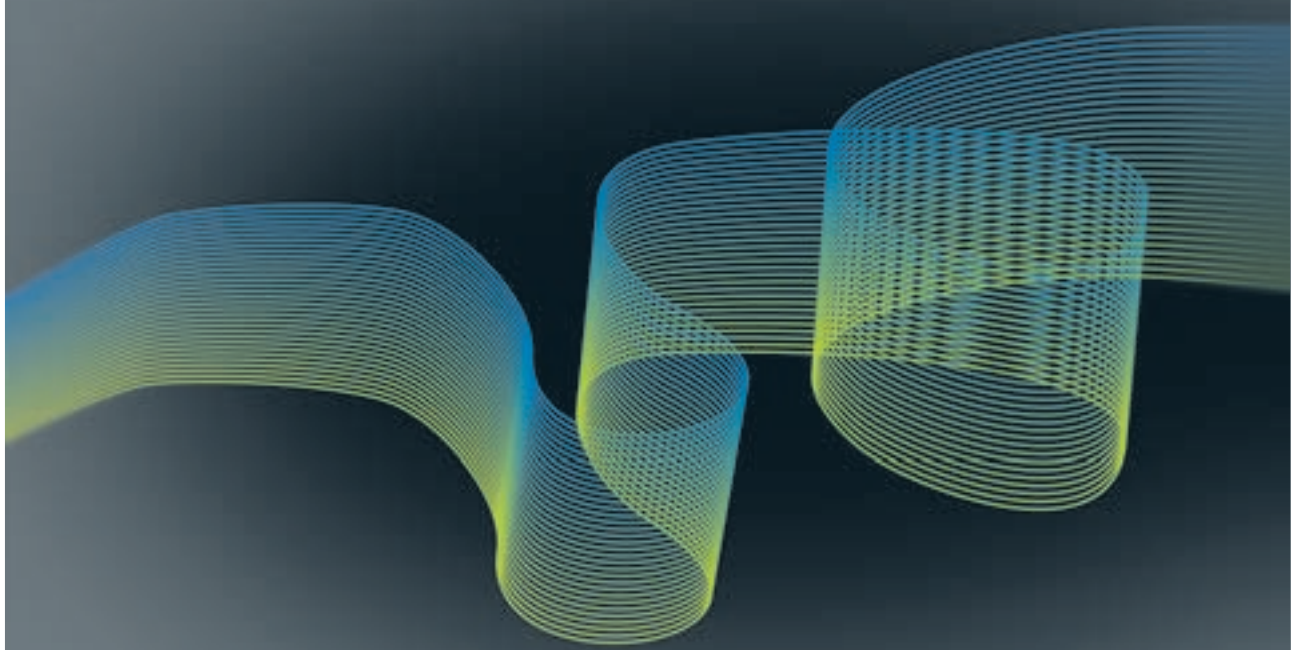
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City Strategy and Development Department Municipality of Krakow

sr.umk@um.krakow.pl | www.krakow.pl



Map of the Krakow districts

ADMINISTRATIVE BOROUGHS

Area	Number	Name
Śródmieście	I	Stare Miasto/Old Town
	II	Grzegórzki
	III	Prądnik Czerwony
Krowodrza	IV	Prądnik Biały
	V	Krowodrza
	VI	Bronowice
	VII	Zwierzyniec
Podgórze	VIII	Dębniki
	IX	Łagiewniki – Borek Fałęcki
	X	Swoszowice
	XI	Podgórze Duchackie
	XII	Bieżanów – Prokocim
	XIII	Podgórze
	XIV	Czyżyny
Nowa Huta	XV	Mistrzejowice
	XVI	Bieńczyce
	XVII	Wzgórze Krzesławickie
	XVIII	Nowa Huta

