Business in Małopolska

Real Estate Market in Krakow and Małopolska

European Funds
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MAŁOPOLSKA

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Business in Małopolska

Małopolska Agencja Rozwoju Regionalnego S.A., Krakowski Park Technologiczny sp. z o.o. and Kraków Nowa Huta Przyszłości S.A. jointly implement a project titled: **"POWER UP YOUR BUSINESS IN MAŁOPOLSKA"**, co-financed by the Regional Operational Programme for the Małopolska Region for 2014–2020 (RPO WM) under Priority Axis 3: "Entrepreneurial Małopolska", measure: "The Internationalisation of Małopolska Economy", sub-measure "The Economic Promotion of Małopolska".

The objective of the project is to directly promote the economic potential of Małopolska on the international scene, improve the competitiveness of regional companies on foreign markets and support foreign investments in Małopolska.

The measures of the "Power up..." project include participating in foreign fairs, organising trade missions and regional workshops, issuing publications and creating a modern information system for the entrepreneurs of Małopolska.

We combine the potential of our institutions: **Małopolska Agencja Rozwoju Regionalnego S.A.** (1993): the largest regional business institution implementing entrepreneurial support programmes and EU projects, offering financial instruments to implement business projects, providing services for investors and conducting international promotion activities. www.marr.pl

Krakowski Park Technologiczny sp. z o.o., managing the Special Economic Zone in Małopolska, creating modern aid systems (incubator, seed capital, clustering, etc.), primarily for ICT companies. www.kpt.krakow.pl

Kraków Nowa Huta Przyszłości S.A., managing the largest investment area in Krakow, acting in the area of logistics projects, new technologies, recreation and leisure, urban planning and development of post-industrial areas. www.knhp.com.pl

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VIGILANT

1. Introduction

The following document is an analytical report containing substantive content for the purposes of the economic promotion of Małopolskie province within the *„Power up your Business in Małopolska"* project, co-financed by the European Union Regional Development Fund under the Regional Operational Program of the Małopolskie Province 2014-2020, sub 3.3.1 „Economic Promotion of Małopolska".

Data for 2017 relate to the situation at the end of September this year, or indicate average values based on the first three quarters of 2017.

The data come mainly from official statistics and commercial reports published by research institutes and marketing agencies operating in the real estate industry in Poland, as well as by specialized portals and publishers involved in the analysis of the real estate market.

The monetary values in PLN were also given in EUR, converted according to PLN 4.25 = EUR 1.

Characteristic of Krakow and Małopolska

GEOGRAPHY and ADMINISTRATION

The province of Małopolskie is located in the southern part of Poland, and its southern border is also the border between Poland and the Republic of Slovakia. In the west it borders with the Śląskie province, in the north with the Świętokrzyskie province and in the east - with the Podkarpackie province. Małopolska is the 12th province in the country in terms of surface area. According to Central Statistical Office, it covers an area of 15,183 km², which is 4.9% area of the whole country[1]. The population density is 222 people per 1 km².

In total, the province has 61 cities. Besides Krakow there are 10 largest cities within Małopolskie province: Tarnów, Nowy Sącz, Oświęcim, Chrzanów, Olkusz, Nowy Targ, Bochnia, Gorlice and Zakopane.

DEMOGRAPHY

The population status as at 06/30/2017 was 3,386.2 thousand. people, 51.5% of which were women, and 48.5% were men (for every 100 men there were 106 women). In the years 2002-2016, the region's population increased by 4.5%[2].

KRAKÓW – THE CAPITAL OF THE REGION

The capital of the region – **Kraków**, is the second largest Polish city both in terms of area (surface of 327 km²) as well as the population of 766,700 residents (data as at 06/30/2017)[3]. The average gross monthly remuneration in the enterprise sector is PLN 4,996.95

[1] „Statystyczne Vademecum Samorządowca 2016", p. 1; Statistical Office in Krakow, 2017

[2] Website http://krakow.stat.gov.pl/

[3] http://krakow.stat.gov.pl/

(EUR 1,175.75) and is PLN 595 (EUR 140) (+13.6%) higher than the average for the entire region. There are **137,758**[4] business entities located in Krakow, which is 36.5% of all entities in the region.

TRANSPORT

Kraków is located near important communication routes: the A4 motorway running from west to east (from the border with Germany to the border with Ukraine) and the A1 motorway running from north to south, which will eventually connect Gdańsk with the Czech border. 10 km away from the city center the largest regional airport in Poland is located – the John Paul II International Airport. For several years, the number of passengers checked at Kraków Airport has been systematically growing – from 3.82 million people in 2014, 4.22 million in 2015, 4.98 million in 2016, and in 2017 – 5.83 million[5]. From the main train station in the city center, you can easily get to the largest cities in Poland by train. Trains to Warszawa - the capital of Poland - leave almost every hour, and the journey takes about 2.5 hour.

Kraków is also famous for its very well-organized communication network based on trams and buses. The total length of tram lines is 354 km, on which 27 tram lines have been marked out. The total length of bus lines exceeds 2,280 km, followed by 159 bus lines. The total number of passengers transported in 2016 amounted to 375 million[6].

Residents can also use the city bike network “Wavelo”, which since May 2017 has already more than 150 stations with 1.5 thous. modern bicycles.

Currently, intensive railway investments focus on development of Fast Agglomeration Railway (SKA) – railway connection system between the center of Krakow, its suburbs, the airport and the most important towns in the region. The SKA system fits into the policy of sustainable transport development: based on public transport, cycling and pedestrian traffic, using Park&Ride car parks.

HIGHER EDUCATION AND SCIENCE

There are 29 universities in the Małopolskie Province[7] (public and non-public) in which there are more than 168 thous. of students[8]. The scientific staff is approximately 12 thous. people, including 1,400 professors[9] and Kraków is one of the most important academic centers in Poland.

BUSINESS

Kraków is the largest Polish center of business services – around 160 companies operate in the Kraków agglomeration, which accounts for almost a quarter of the Business Service Sector (BSS). There are also three subzones of the Krakow Special Economic Zone (there are 36 subzones of the SEZ in the whole region) which are managed by the Kraków Technology

[4] http://krakow.stat.gov.pl/

[5] http://www.krakowairport.pl/pl/b2b,c56/uslugi-lotnicze,c57/bettercountonnumbers,c58/statystyki,c68/statystyki-miesieczne-2017,a983.html

[6] Miejskie Przedsiębiorstwo Komunikacyjne SA w Krakowie (MPK), Mobilis sp. z o.o. Oddział Kraków, Zarząd Infrastruktury Komunalnej i Transportu

[7] Statistical Office in Krakow, Rocznik Statystyczny Województwa Małopolskiego 2017, p. 198

[8] Statistical Office in Krakow, Rocznik Statystyczny Województwa Małopolskiego 2017, p. 199

[9] Statistical Office in Krakow, Elaboration sygnalne – nr 10 „Szkoły wyższe w województwie małopolskim w roku akademickim 2015/2016”

Park, bringing together and supporting the development of modern economy in the fields of innovation and new technologies. The region particularly attracts investors due to the high research and educational potential of higher education, appropriate scientific background, the availability of qualified engineering staff and workforce as well as favorable natural and climatic conditions. In 160 companies from the modern business services sector of **IT** (Information Technology), **BPO** (Business Process Outsourcing), **R&D** (Research and Development) and **SSC** (Shared Service Center) works nearly 60,000 employees[10], and Polish and foreign concerns have their headquarters or branches here (among others: ABB, Accenture, Aon, Asseco, Capgemini, Cisco, Comarch, Delphi, Electrolux, EY, FedEx, FMC Technologies, HCL, Hays, HSBC, IBM, International Paper, Lufthansa, Mitsubishi, Motorola, Nokia, Ocado, Oracle, Philip Morris International, Samsung, Shell, Skanska, Tesco, Uber, UBS, Valeo, RWE).

In recent years, the city reported the highest increase in employment in this sector - 60.5 thous. (5 times more than in 2008 – 12 thous.). The economic value generated by the BSS sector is PLN 8 billion (EUR 1.88 billion). Every day, 29 languages are used in shared services centers in Kraków, and the number of foreigners employed in the BPO, SSC, IT and research and development centers in Krakow is over 7 thous. people[11].

The number of companies with foreign capital is systematically growing in Kraków (in 2012 there were 3,037 and in 2016 – 4,590 companies). The city is also one of the largest startup centers in Poland. The activities of venture capital funds, cooperation of entrepreneurs, universities have an impact on the development of this industry as well as „Inicjatywa inKRK" (inKRK initiative)[12]. Its aim is to encourage young people to choose Kraków as a place of their future residence and career, as well as to shape the image of this city as a career friendly one.

The high academic potential of Kraków and the presence of many scientific and research institutions attracts many organizers of scientific and business events. According to *Poland Meetings and Events Industry Report 2016*, Kraków is ranked as second in the country (just after Warsaw), in terms of the number of business meetings: conferences, fairs, corporate events and congresses[13]. It is mainly due to the modern ICE Kraków Congress Center operating for 3 years. In 2016, 177 events were organized at ICE Kraków, in which over 250 thous. participants took part.

[10] Elaboration Aspire Headcount Tracker 2016
[11] "Rynki regionalne jako produkt inwestycyjny", Colliers International 2017
[12] http://krakow.pl/inKRK/
[13] „Przemysł spotkań i wydarzeń w Polsce 2016", Poland Convention Bureau Polskiej Organizacji Turystycznej

TOURISM

The Małopolska region cannot be fully characterized without paying attention to tourism as an extremely important element of the identity of the city of Kraków and the region. Kraków is the historical capital of Poland, the former seat of kings, with its exceptional, historic climate (the area of the Old Town was inscribed on the UNESCO World Cultural and Natural Heritage List as early as 1978 as one of the first 12 objects in the world). The region has beautiful landscapes of Pieniny mountains with the turn of the Dunajec river and Tatra Mountains with the winter capital of Poland – Zakopane.

Małopolska is also the destination of pilgrimage tourism (sanctuaries in Łagiewniki, Kalwaria Zebrzydowska, Limanowa, Pasierbiec, Family House of John Paul II in Wadowice) and medical tourism (there are 9 health-resort towns in the entire region).

1.1. Real Estate market in Kraków and Małopolska

Małopolska is not a uniform real estate market. Kraków, the capital of the region and at the same time the second largest city in terms of the number of inhabitants in Poland, definitely stands out from the other cities and subregions of the province and constitutes a separate market characterized by much higher demand and supply indicators – and thus also higher turnover and prices both retail space and flats (according to the Central Statistical Office in 2016, Kraków occupied a leading position among Polish cities, in terms of the number of dwellings completed). Mainly thanks to its capital, Małopolska invariably is ranked fourth in the ranking of regional investment attractiveness published by Instytut Badań nad Gospodarką Rynkową (Institute for Market Economy Research)[14].

[14] Website http://www.kas.de/wf/doc/kas_43988-1522-8-30.pdf?161219080952

There are several units in Kraków, which serve with a help to investors. A specialized unit of the Municipality of Krakow – the Investor Assistance Center (COI)[15] which aim is to help in the broadly understood investment activity. It provides services to foreign and domestic investors, monitoring the investment process of COI clients, advising investment recipients, running databases of urban investment offers, acting to promote the city's investment offer in the country and abroad. COI cooperates with such units and organizations as CeBiM (Business Center in Małopolska, which is made up of: Małopolska Regional Development Agency, Małopolskie Province, Kraków Technology Park and Industrial Parks of Małopolska); PAIH (Polish Trade Information Agency), PARP (Polish Agency for Enterprise Development), ABSL (Association of Business Service Leaders) or ASPIRE (association associating companies from the IT sector – https://www.aspire.org.pl/ category/membership-directory/). The activity of COI is addressed to all those interested in business development in Kraków, starting from small construction projects, through the location of modern service centers, and ending with large investment projects. Thanks to this approach, Kraków was included in the prestigious ranking *„Top 10 Large European Cities of the Future 2016/17 – Business Friendliness"* (10 large European friendly business cities) conducted by a specialized publishing house devoted to direct foreign investments from the Financial Times group[16].

[15] „Magiczny Kraków" portal http://www.krakow.pl/biznes/17421,artykul,centrum_obslugi_inwestora.html
[16] "fDi European Cities and Regions of the Future 2016/17 Rankings". p. 10

Bearing in a mind the potential investor's point of view, attention should be paid to the Municipal Spatial Information System (*Miejski System Informacji Przestrzennej MSIP*[17]). MSIP (based on GIS system - Geographic Information System) is an interactive map that gives the possibility of remote checking of many information about the area of Kraków. The website is useful for people who plan to buy a flat or build a house, as well as for developers and investors. MSIP is a map-based service that integrates a lot of data in one place. This service includes the following components: monuments, architectural permits and decisions, spatial planning, strategic investments, land and building records, main roads, hydrography, geology, nature protection, ownership structure, prices of premises, management, media, transport. The portal contains not only data describing the current state of the urban space, but also historical data and spatial development plans.

[17] https://www.bip.krakow.pl/?bip_id=1&mmi=12838

In recent years, Kraków has become the largest business services center in Poland, which directly affects the supply, demand and turnover on the office space rental market.

The hotel chain of Kraków, which is very well developed in terms of quantity and quality (the city has the largest number of categorized hotels in the country[18]), is the result of the need to provide accommodation services to business representatives and numerous tourists visiting the capital of Małopolska, who want to learn about the historic and cultural values of Kraków and the surrounding area. All this makes the real estate market (commercial, residential, hotel) in Kraków significantly different in terms of the number of offers, turnover and prices compared to the rest of the Małopolskie province.

[18] Knight Frank „Polska. Rynek komercyjny IV kw. 2016"

2. The market of commercial real estate in selected cities of Małopolska

2.1. Offices

Particularly strong demand and high activity of developers have resulted in the development of the office sector in Kraków for years. The city remains the leader among regional markets in terms of total resources, the number of new investments and the demand for office space.

At the end of 2016, the total resources of modern office space in Kraków were estimated at 916,000 m^2. The office space located in the city center makes 15% of the total resources, and the remaining 85% of the area is located in off-center locations[19].

Table 1. Numerical data regarding office space in Krakow[20]

	CENTER		NORTH - WEST		NORTH - EAST		SOUTH	
	2015	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**
Space for rent (*in m^2*)	116,500	141,000	114,700	133,000	126,900	221,000	250,900	**339,900**
Space under construction (*in m^2*)	33,800	42,000	15,600	17,100	50,400	92,900	110,700	**109,000**
Vacancy rate	8.9%	8.6%	3.3%	10.2%	0.8%	1.4%	1.7%	**4.4%**
Rental rates (in EUR per m^2 / month)	13 -14.5	12.5-15	10-14	11-13.5	10-14	12-14	10-14	**12-14.5**

The first three quarters of 2017 were marked by a record-breaking new supply in Kraków. In that time, 17 buildings with a total area of 147,600 m² were commissioned. Thus, as the first regional market in Poland, in 2017, Kraków exceeded the 1 million m² of modern office space **(1.057 million)**[21].

Record supply has increased the vacancy rate in Krakow to 11.3% which was unlisted for years on the market. At the same time, the demand in the capital of Małopolska remains high. From January to September contracts covering a total of over 128,000 m² were signed[22]. Throughout 2016, lease agreements signed in Kraków covered almost 188,000 m² of office space, which was a slightly higher result compared to the record rental volume reached in 2015 and about 62% higher in relation to the average demand from the last 5 years (2011-2015)[23].

[19] „Krakowski Rynek Nieruchomości 2016", Instytut Analiz MRN
[20] Opracowanie firmy doradczej Knight Frank, PORF
[21] Publications of Polish Office Research Forum and JLL consultancy company.
[22] Knight Frank and Polish Office Research Forum
[23] „Krakowski Rynek Nieruchomości 2016", Instytut Analiz MRN

Despite the start of many investments, Kraków still has a prepared land for further investments. The office segment is also involved in the revitalization of post-industrial areas - mainly covering the area of Zabłocie (center), where in 2017 the space of some of the planned investments has been put into use, as well as projects for further investments covering 150,000 m² of office space[24].

The rent rates given in Table 1 are starting amounts in A-class buildings. In B-class buildings, the rates are lower by approx. EUR 2.5 – 3 per m². Operating costs fluctuate between PLN 12 – 16 (EUR 2.82 – 3.76)/m².[25]

Kraków maintained its leading position among Polish cities as the location of the first choice for companies from the BPO/SSC sector.

Apart from Kraków, in the other largest cities of the region (Tarnów, Nowy Sącz), the rental offer is proportionally smaller due to the much lower demand. The average rental rate for 1 m^2 of commercial space in Tarnów in the third quarter of this year amounted to PLN 24 (EUR 5.65), and PLN 28 in Nowy Sącz (EUR 6.59)[26].

2.2. Hotels

Since 2009, the tourist traffic in Małopolska has been constantly growing. In 2016, the Małopolskie province was visited by 14.9 million people, i.e. 6.9% more than in 2015. At the same time, Kraków was visited by 9.8 million people, i.e. by 7.2% more than in the previous year[27]. Nowy Sącz in 2016 visited 31.2 thous. people using accommodation, including 3.8 thous. foreign tourists[28], and for Tarnów, 2016 was the year in which the number of foreign tourists using accommodation (9.7 thousand foreign tourists compared to 7.6 thousand in 2015) increased. There were 17.3 thous. accommodation, i.e. by 46.4%, more than in 2015[29].

[24] „Krakowski Rynek Nieruchomości 2016", Instytut Analiz MRN
[25] „Krakowski Rynek Nieruchomości 2016", Instytut Analiz MRN
[26] Imperium real estate agency
[27] „Województwo Małopolskie 2017" p. 213
[28] GUS Informator Statystyczny – Miasto Nowy Sącz 2017 p. 42
[29] GUS Informator Statystyczny – Miasto Tarnów 2017 p. 81

According to the data of the Marshal of the Małopolska Region, at the end of 2016, the records of hotel facilities in Małopolska included 522 hotel facilities and 16 promises to grade objects to the appropriate type and category[30].

Among the hotel facilities, the most are hotels (368) which makes 70.5% of the categorized hotel base, and then the boarding houses (101), which makes 19.3% of all hotel facilities in the region. Other hotel facilities make a small part of the categorized accommodation (from 0.8 to 4.4%)[31].

The degree of accommodation capacity in the entire Małopolskie province in 2016 was 39.4% (in Nowy Sącz, the percentage was 30.0%, in Tarnów also 30.0%, and in Kraków in the analyzed year - 51.2%[32]).

Table 2. Hotel facilities in Małopolska in 2016

	FACILITIES
TOTAL	522
Hotels	368
Motels	7
Guesthouses	101
Campsites	14
Holiday houses	4
Hostels	23
Youth hostels	5

Source: Records of Hotel Facilities of the Marshal of the Małopolskie province.

All hotels in the region have over 33,000 beds. Almost half of them are located in three-star hotels. The lowest number of beds (1,039 i.e. 3.1% of all accommodation places among hotels) are in the lowest category hotels (one star). In hotels of the highest category there are (7.8%) beds. Two- and four-star hotels have respectively (8.4%) and (33.9%) accommodation places. On average, the hotel has 91 beds. In relation to 2015, the share of beds in four-star hotels increased and amounted to 33.9%, and decreased in three-star hotels and amounted to 46.8%[33].

Table 3. The number of hotels and beds in Małopolska and selected cities of the region in 2016

	FACILITIES	ACCOMMODATION
MAŁOPOLSKA in general	368	33,648
Kraków	148	18,033
Tarnów	8	654
Nowy Sącz	4	231
Zakopane	29	4,978

Source: Statistical Office in Krakow, Central Index of Hotel Facilities, Index of Hotel Facilities of Małopolska Marshal

[30] „Województwo Małopolskie 2017" p. 221
[31] „Województwo Małopolskie 2017" p. 221
[32] GUS Informator Statystyczny – Miasto Nowy Sącz 2017 p. 42
[33] „Województwo Małopolskie 2017" p. 222

In Kraków, the standard of hotels is higher compared to the entire region – 25.7% of all hotels are four-star hotels, and 6.8% are five-star hotels. Most five-star hotels in the Małopolskie province are located in Kraków, hence the share of their beds in the total of accommodation in hotels in Kraków is 11.3%.

Table 4. Categorization of hotels in Małopolska and Kraków in terms of accommodation (as at the end of 2016)

Hotel's category	Małopolska		Kraków	
	Hotels	Accommodation	Hotels	Accommodation
TOTAL	**386**	**33,468**	**148**	**18,033**
*****	15	2,615	10	2,036
****	75	11,331	38	6,841
***	218	15,670	78	6,927
**	48	2,813	16	1,424
*	12	1,039	6	805

Source: Index of Hotel Facilities of Małopolska Marshal

In 2016, there were 11 tourist accommodation facilities in Nowy Sącz, including all year round places. The accommodation base consisted of 4 hotels, 1 guest house, 3 other hotel facilities and 3 other facilities - private accommodation. The number of beds in the aforementioned collective accommodation facilities in Nowy Sącz at the end of July 2016 was 477 – all are year-round places. On average, one facility had 43 beds. There were 231 places in hotels[34].

[34] GUS Informator Statystyczny – Miasto Nowy Sącz 2017 p. 42

In Tarnów, as at the end of July 2016, there were 13 tourist accommodation facilities, which constituted nearly 10% of those operating in the Małopolskie province. There were 8 hotels operating in the city, 1 campsite and 1 private accommodation as well as 3 other tourist facilities. These facilities had 888 beds. In 2016, compared to 2015, the number of beds increased by 8[35].

Hotel services can also be provided in other facilities, whose records are kept by the head of the commune (mayor, president of the city) competent for their place of residence. In the urban commune of Kraków, to the register of facilities providing hotel services, which are not hotel facilities run by the Mayor of the City of Kraków, are reported, among others, hostels, apartments, guest rooms, aparthotels, etc. At the end of 2016, this register contained 496 objects for the total number of 18,189 beds[36].

The southern part of the region also has a large number of beds in non-categorizable facilities. At the end of 2016, 1,996 objects (with a total of 29,945 beds) were registered in the records of the mayor of Zakopane, 704 objects in the records of the head of the commune of Bukowina Tatrzańska, (12,668 beds), in the records of the mayor of the Krynica-Zdrój 359 objects (9,004 beds)[37].

[35] GUS Informator Statystyczny – Miasto Tarnów 2017 p. 81
[36] „Województwo Małopolskie 2017" p. 222
[37] „Województwo Małopolskie 2017" p. 222

2.3. Retail space

Modern retail spaces in the Małopolskie province are located mainly in the largest cities of the region Kraków, Tarnów and Nowy Sącz. Only a few years ago, industry companies investigating the commercial real estate market reported that after years of expansion in the largest cities of the country, investors - sensing that the market has already been gradually saturated - choose expansion in a smaller and medium-sized cities. This was indicated by new investments - medium-sized shopping centers or small facilities, retail parks etc. Although expansion into smaller markets is still ongoing (according to the Colliers International - currently there are over 600,000 m^2 of new retail space under construction) it looks that developers have again chosen large cities. This trend is confirmed among by opening the Serenada Shopping Center in Kraków (the biggest one in the region), which increased the size of the already available retail space by another 42 thous. m$^{2.}$

Kraków is the sixth retail market in Poland, with resources reaching over 590,000 m^2 of usable space (GLA), including shopping centers and parks and outlets, which makes 9% of retail space in the largest agglomerations in Poland[38]. The vacancy rate in Kraków is 3.7% (according to the size of the area) and is in a stable trend. Demand for space in shopping centers remains in Krakow at a good level, structural vacancies are only listed in secondary facilities with a poor location or a commercial concept. As in other urban agglomerations, the dominant format in Kraków are shopping centers, which constitute 82% of the resources.

Monthly rents in shopping centers in Kraków remain at a constant level in the range of **40 – 50 EUR/m^2/month** for the best premises in the most attractive locations (premises with an area of less than 100 m^2) and are at a comparable level as in other regional cities.

Table 5. The largest shopping malls in Krakow (according to the criterion of total area)

NAME	CITY	TOTAL SPACE (m^2)	RETAIL SPACE (m^2)	NUMBER OF STORES	NUMBER OF PARKING PLACES
Bonarka City Center	Kraków	234 thous.	91 thous.	270	3,200
Centrum Handlowe M1	Kraków	211 thous.	54 thous.	120	1,270
Galeria Bronowice	Kraków	170 thous.	60 thous.	160	2,400
Galeria Krakowska	Kraków	129 thous.	60 thous.	270	1,400
Galeria Kazimierz	Kraków	112 thous.	36 thous.	130	1,800
Centrum handlowe Zakopianka	Kraków	81 thous.	58 thous.	85	2,200
Centrum handlowe Serenada	Kraków	80 thous.	42 thous.	170	3,280
Kraków Plaza	Kraków	59 thous.	31 thous.	110	1,500

Source: own elaboration based on data of facility managers

Much higher are rental rents at commercial streets, with the most attractive premises offered for **EUR 80/m^2/month[39]**. These are mainly the ground floors of residential buildings and tenements located around the Main Market Square (Old Town) and along the streets leading to it. The offer of Kraków's shopping streets is adapted to the needs of tourists, the consequence is that almost 40% of premises are intended for catering services.

[38] „Krakowski Rynek Nieruchomości 2016", updated by Colliers International 2017
[39] „Krakowski Rynek Nieruchomości 2016",

The year 2016 brought a slowdown in the commercial real estate market, which - according to experts - is a natural trend resulting from market saturation. In recent years, the commercial real estate sector focuses mainly on the revitalization or extension of already existing shopping centers. It is a response to the changing competitive environment and customer expectations.

In Tarnów, the largest shopping center is *Gemini Park Tarnów* with total area of more than 40 thous. m².[40] Additionally there is also *Galeria Tarnovia* with area of 16,5 thous. m²,[41] Echo Shopping Center with over 20 thous. m²,[42] and ŚWIT Shopping Center with over 6 thous. m²,[43] which is one of the most attractive large commercial facility in Tarnów with an excellent location in the city center, near railway and bus stations and stops of almost all public and suburban bus lines.

Table 6. The largest shopping malls in Tarnów (according to the criterion of the total area).

NAME	CITY	TOTAL SPACE (m²)	RETAIL SPACE (m²)	NUMBER OF STORES	NUMBER OF PARKING PLACES
Gemini Park Tarnów	Tarnów	80 thous.	42 thous.	69	1,050
Tarnovia	Tarnów	36.5 thous.	16.5 thous.	90	440
CH Echo	Tarnów	21 thous.	20 thous.	20	813
CH Świt	Tarnów	6 thous.	5.5 thous.	70	n.a.
CH Max	Tarnów	5.7 thous.	4.4 thous.	31	n.a.

Source: own elaboration based on facilities managers data

There are also several modern, large-scale shopping centers in Nowy Sącz. The largest is Galeria Trzy Korony, with 35 thous. m² of retail space[44]. The next in the ranking is Europa II Plaza and Galeria Sandecja (approx. 17,5 thous. m² each). In addition, the residents of Nowy Sącz and the surrounding area can still use the Gołąbkowice Shopping Center, where they can use 14 thous. m² of retail space and Auchan hypermarket with a shopping mall (13.3 thousand m²)[45].

Table 7. The largest retail schemes in Nowy Sącz (according to the criterion of total area)

NAME	CITY	TOTAL SPACE (m²)	RETAIL SPACE (m²)	NUMBER OF STORES	NUMBER OF PARKING PLACES
Galeria Trzy Korony	Nowy Sącz	90 thous.	35 thous.	120	800
Europa II Plaza	Nowy Sącz	n.a.	17.5 thous.	110	350
Sandecja	Nowy Sącz	40 thous.	17.3 thous.	100	800
CH Gołąbkowice	Nowy Sącz	25 thous.	14 thous.	60	690
Auchan	Nowy Sącz	n.a.	13.3 thous.	25	570

Source: own elaboration based on facilities managers data

[40] http://www.tarnow.geminipark.pl/
[41] http://www.galeria-tarnovia.com/o-nas
[42] http://lcp.pl/portfolio/powierzchnie-handlowe/ch-echo-tarnow
[43] http://www.swit.pl/
[44] http://www.galeriatrzykorony.com.pl/O%20galerii.html
[45] https://www.retailmap.pl/pl/centra-handlowe/nowy-sacz/auchan-493

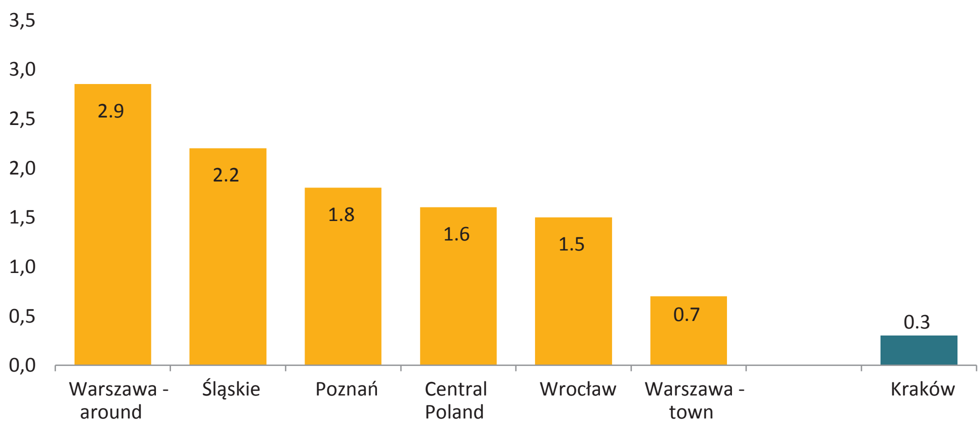
2.4. Warehouses

The warehouse market in Małopolska is one of the smallest among the main areas of concentration of warehouse space in Poland. Its resources at the end of the third quarter of 2017 amounted to 299,000 m^2, which is 2.3% of the total warehouse space in Poland[46]. In comparison with the largest agglomerations, the Kraków region is perceived as a local storage market.

The proximity of Śląskie province, which is the second largest concentration area of warehouse facilities in the country (with resources at the level of 2,209,000 m^2)[47], is one of the factors hindering the development of this sector in and around Kraków.

The vacancy rate in Krakow is 8.9% and is the second highest in the analyzed locations[48]. In Kraków, most of the logistics facilities are located within the city's administrative boundaries. Other investments are located in neighboring towns such as Modlniczka, Skawina, Olkusz and Jawornik.

Chart 1. Size of the areas of the largest concentration of warehouse space in Poland (in million m^2) in the third quarter of 2017.



Source: Cushman&Wakefield

Kraków is one of the most expensive warehouse locations in the country. Higher rents apply only in the urban zone of Warszawa. Rents in Kraków depend mainly on the location of the warehouse i.e. location within the city's administrative borders or outside. Logistic properties located within the administrative boundaries of Kraków, offer warehouse space in the price range from **3.50 – 4.50 EUR/m²/month**. Effective rent (nominal rent minus various financial incentives, the scope and value of which is determined by negotiations between the tenant and the owner of the facility) in the third quarter of 2017 fluctuated between **2.80 – 3.60 EUR /m²/month**[49].

[46] „Marketbeat. Rynek magazynowy w Polsce. Stan po III kwartale 2017 roku", Cushman&Wakefield
[47] Ibidem
[48] Ibidem
[49] „Marketbeat. Rynek magazynowy w Polsce. Stan po III kwartale 2017 roku", Cushman&Wakefield

3. The market for housing investments in Kraków

Kraków is certainly one of the most interesting residential markets in Poland. It is characterized by a very large range of offers - both when it comes to new and used apartments. A characteristic feature is also the large price range: from about **PLN 5,000 (about EUR 1,176)/m²** for the cheapest apartments in the popular segment, up to **several dozen thousand PLN per square meter** in luxury apartments.

The city offers a number of locations - from really prestigious in the very center, to much cheaper peripheral locations. At the same time, Kraków is constantly expanding, so the appearance, infrastructure and perception of particular districts is also changing.

Experts in the industry stress that the price range of the Kraków real estate market is not significantly different from that observed in other cities due to location. The closest center remains the most expensive (Old Town, Kazimierz) and districts adjacent to the center (Podgórze, Krowodrza), or those parts of the city that are well connected and allow access to various parts within a dozen or so minutes.

In 2016, sales increases recorded in Krakow were less dynamic than in comparable Wrocław or Tri-City (they're similarly sized markets. Krakow is still the second (after Warszawa) domestic housing market, although recently Wrocław has overtaken the capital of Małopolska in the number of flats built per capita. In this category, both Wrocław and Kraków rank before Warszawa.

Analysis of housing prices offered in Krakow indicates a slight rebound. It may be a signal that demand exceeds supply, but it may also mean that the cheaper housing segment is shrinking.. Despite the lack of growth in the mortgage market, apartment sales are increasing, which proves that we are currently dealing with a large percentage of apartments purchased for cash. People who have been enriched and have savings are currently investing in real estate[50].

3.1. Primary market - Kraków

2016 was also a very good period on the primary housing market in Krakow. The number of dwellings completed in 2016 amounted to 9,487 with a total area of 546,451 m^2, which means an increase by 46% in comparison to 2015[51].

The average usable floor space of a flat commissioned for use in 2016 in Krakow was 57.6 m^2 and was 1.9 m^2 lower than the average area of 2015[52].

Most new investments were made in the Podgórze district. The largest area is Nowa Huta, but due to the remembrance of the industrial past of the district, a relatively small part of the development market is concentrated there.

Chart 2. The number of investments in individual districts of Krakow in 2016 (average for the entire year).

Source: Institute of Analysis Real Estate Market Monitor

[50] The article of Dominium.pl based on press conference of REAS company, dealing with research and consultancy in the real estate market, https://www.dominium.pl/artykuly/artykul/rynek-mieszkaniowy--fenomen-krakowa-i-polski
[51] Biuletyn Statystyczny Miasta Krakowa - IV kwartał 2016 r, Statistical Office in Krakow p. 85
[52] Biuletyn Statystyczny Miasta Krakowa - IV kwartał 2016 r, Statistical Office in Krakow p. 85

The prices of new apartments in the city of Kraków are at a stable level. The average offer price for apartments available for sale for two years fluctuates around PLN 6,400 (EUR 1,505)/m^2, with slight fluctuations caused by various prices of new investments introduced to the market.

The average price level of development apartments offered on the primary market is derived from the location in the Kraków area. The highest prices are observed in the city center - this is the effect of the prestigious location and accumulation of the highest standard flats in this area. The second highest ranking is the area of Podgórze, from about PLN 6,500 – 7,000 (EUR 1,530 - 1,647)/m^2 - the largest construction site, where almost half of the development investments have been concentrated for years. The cheapest is in the area of Nowa Huta (here, prices are often below PLN 5,000 (EUR 1,176)/m^2) improving their position year by year, mainly among people who appreciate the good communication solutions and a large number of green areas around[53].

Slightly more expensive suburbs are Bieżanów - Prokocim, Pogórze Duchackie or Swoszowice - here average rates are more often at the level of PLN 5,000 - 5,200 (EUR 1,176 - 1,223)/m^2.[54]

[53] „Krakowski Rynek Nieruchomości 2016"
[54] „Krakowski Rynek Nieruchomości 2016"

Table 8. Average prices of 1 m^2 of flats in particular districts of Krakow in 2016 (in PLN)

DISTRICT	NAME	PRICE (PLN)	PRICE (EUR)
I	Stare Miasto	14,000	3,294
II	Grzegórzki	8,000	1,882
III	Prądnik Czerwony	6,300	1,482
IV	Prądnik Biały	6,300	1,482
V	Krowodrza	7,600	1,788
VI	Bronowice	7,500	1,764
VII	Zwierzyniec	9,600	2,258
VIII	Dębniki	7,200	1,694
IX	Łagiewniki- Borek Fałęcki	6,200	1,458
X	Swoszowice	5,000	1,176
XI	Podgórze Duchackie	5,800	1,364
XII	Bieżanów- Prokocim	6,200	1,458
XIII	Podgórze	6,800	1,600
XIV	Czyżyny	5,900	1,388
XV	Mistrzejowice	6,300	1,482
XVI	Bieńczyce	5,800	1,364
XVII	Wzgórza Krzesławickie	5,700	1,341
XVIII	Nowa Huta	5,700	1,341

Source: Institute of Analysis Real Estate Market Monitor

According to the Polish Bank Association, the average transaction prices of new apartments in the capital of Małopolska amount to less than PLN 6,400 (EUR 1,505)/m^2. Among the largest markets, apart from Warszawa, where the price of a new flat is more than PLN 7,500 (EUR 1,764)/m^2, rates on the same level as Kraków are still to be found in Gdańsk. It is slightly cheaper in Poznań - PLN 6,260 (EUR 1,473)/m^2 and in Wrocław - PLN 6,100 (EUR 1,475)/m^2.[55]

Table 9. Average prices for 1 m^2 of apartments on the primary market in and around Kraków in 2016 and 2017

Apartments	Kraków		Around Krakow	
Primary market	**2016**	**2017**	**2016**	**2017**
(price in PLN per 1m^2)	6,270	6,400	4,990	4,820
(price in EUR per 1m^2)	1,475	1,480	1,147	1,134

Source: redNet Consulting, krn.pl

3.2. Primary market – Tarnów and Nowy Sącz

In Tarnów in 2016, as compared to 2015, a decrease in the number of completed flats and apartments whose construction has begun was noted. The number of dwellings for which permits were issued was also reduced. In 2016, 265 flats with a total area of 22.3 thous. m^2 were handed over

[55] WGN Nieruchomosci, „Mieszkania w Krakowie. Sprzedaż i wynajem – analiza rynku" https://wgn.pl/artykuly/raporty-i-opinie-o-rynku/21767,rynek-mieszkan-na-sprzedaz-i-wynajem-w-krakowie.html

to use 6.0% less than in 2015[56]. Thus, Tarnów's housing stock at the end of 2016 amounted to 43.4 thous. apartments with a total usable area of 2760.2 thous. m^2.[57] The increase in housing was, among the effect of investments in construction as well as expansion and reconstruction of existing buildings. Most of the flats were completed within individual construction (175, i.e. 66.0%) and social housing construction (50, i.e. 18.9%)[58]. In addition, 40 apartments for sale or rent were commissioned.

The average usable floor space of constructed apartments in Tarnów in 2016 amounted to 84.3 m^2 and was higher by 0.4 m^2 i.e. by 0.5% in comparison with 2015. The largest apartments with an average area of 104.3 m^2 were built by individual investors, while the smallest with an area of 44.5 m^2 in social housing construction[59].

[56] GUS Informator Statystyczny – Miasto Tarnów 2017 p. 89
[57] GUS Informator Statystyczny – Miasto Tarnów 2017 p. 83
[58] GUS Informator Statystyczny – Miasto Tarnów 2017 p. 91
[59] GUS Informator Statystyczny – Miasto Tarnów 2017 p. 91

In 2016, 261 apartments with a total area of 28.0 thous. m^2 were handed over to use in Nowy Sącz, that is 17 flats (59.1%) more than in 2015. This increase occurred mainly as a result of the increase in the number of flats completed by individual investors (175 in the discussed period – 15 more than last year). However, their share in the total number of completed investments was only 67.0% (or 30.6 percentage points less than a year earlier)[60]. Thus, at the end of 2016, Nowy Sącz's housing stock amounted to 30.0 thous. flats, which accounted for 2.6% of the total housing resources of the Małopolskie voivodship. For comparison, Krakow's housing stock accounted for 31.8% of the total, and Tarnów - 3.7%[61].

In relation to 2015, the average area of one dwelling put into use decreased and amounted to 107.3 m^2 in 2016 (compared to 143.4 m^2 a year earlier), including 129.0 m^2 (by 16.4 m^2 less than in 2015) in individual buildings. For comparison, the average usable floor space of one flat put into use in Kraków was 57.5 m^2, in Tarnów - 84.3 m^2. An average space of one dwelling put into use for Małopolskie province was- 95.3 m^2.

An indicator of the intensity of housing construction is the number of dwellings completed per 1 thous. of the population. In 2016, this indicator in Nowy Sącz amounted to 3.1, in Kraków was 12.3, and in Tarnów - 2.4. The average for whole region was 5.1[62].

3.3. Aftermarket

Kraków is the second Polish city after Warszawa, with the largest number of housing resources[63]. These data confirm

[60] GUS Informator Statystyczny – Miasto Nowy Sącz 2017 p. 47
[61] GUS Informator Statystyczny – Miasto Nowy Sącz 2017 p. 45
[62] GUS Informator Statystyczny – Miasto Nowy Sącz 2017 p. 47
[63] „Raport z gospodarowania mieszkaniowym zasobem gminy miejskiej Kraków oraz zasobem tymczasowych pomieszczeń za 2016 rok".

the diversified offer of apartments, not only on the primary market, but also on the aftermarket. Factors that affect the large interest in real estate offered in the capital of Małopolska include good career prospects related to business service centers developing in the city, a high recognition of the city and its consistently shaped image as a tourist and cultural showcase of Poland and the fact that city is one of the biggest academic center in Poland. Real estate buyers notice not only the possibility of satisfying their own housing needs, but also the investment potential. Among the people buying premises for rent, for example for students or tourists, the dominating opinion is that a better solution would be to buy a flat on the aftermarket, because this type of real estate requires less financial expenses related to the arrangement and finishing. It should be remembered, however, that the specificity of the Kraków real estate market consists of the fact that the prices of used apartments do not differ significantly from the premises offered in new investments[64].

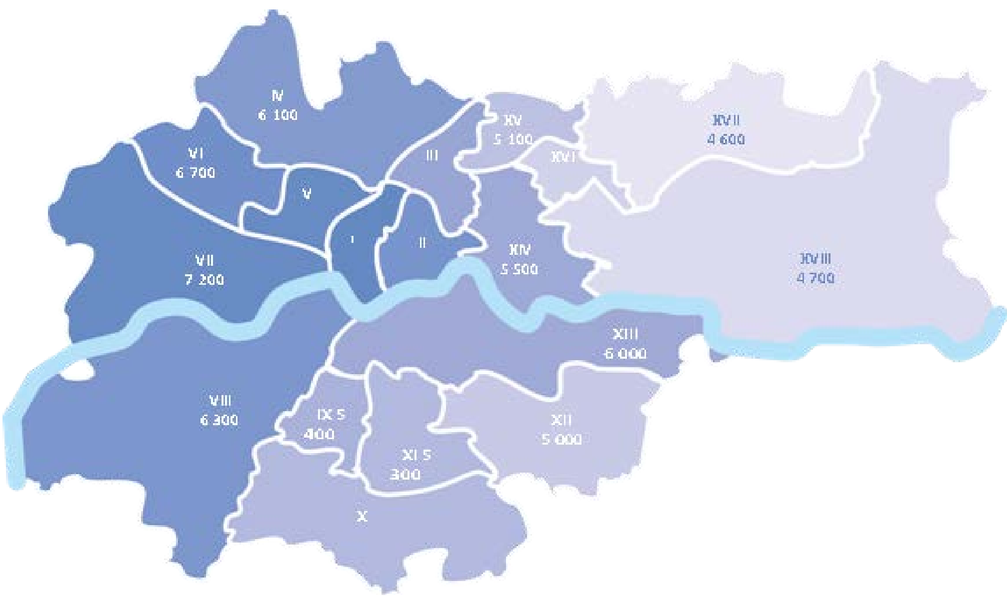
Table 10. Average prices of 1 m^2 of apartments on the aftermarket in and around Krakow in 2016 and 2017.

Apartments	Kraków		Around Krakow	
Aftermarket	**2016**	**2017**	**2016**	**2017**
(*price in PLN per 1m^2*)	6,965	6,350	4,860	4,770
(*price in EUR per 1m^2*)	1,638	1,494	1,143	1,122

Source: redNet Consulting, krn.pl

Analysis of housing offers from the aftermarket in Kraków in 2016 indicates a downward trend in the number of transactions[65]. Also when comparing the prices of apartments from the secondary market (year to year), a decrease in all the districts may be observed. The lowest has been in the area of Podgórze, where the most apartments on the aftermarket are sold. This is closely related to the largest developer activity on the primary market. Nearly half of all new apartments are built in this area, which supply the aftermarket, increasing the volume of transactions in this market segment. The least number of flats on the aftermarket are sold in the city center - due to high prices - and Nowa Huta, where the least flats are being built. We can estimate that in 2 or 3 years the turnover on the aftermarket in Nowa Huta will increase.

Drawing 1. Average prices of 1 m^2 of flat on the aftermarket in individual districts of Krakow in 2016



Source: Institute of Analysis Real Estate Market Monitor

[64] „Krakowski Rynek Nieruchomości 2015" p. 33
[65] „Krakowski Rynek Nieruchomości 2016" p. 28

Table 11. Average prices of 1 m² of a flat on the aftermarket in individual districts of Krakow in 2016

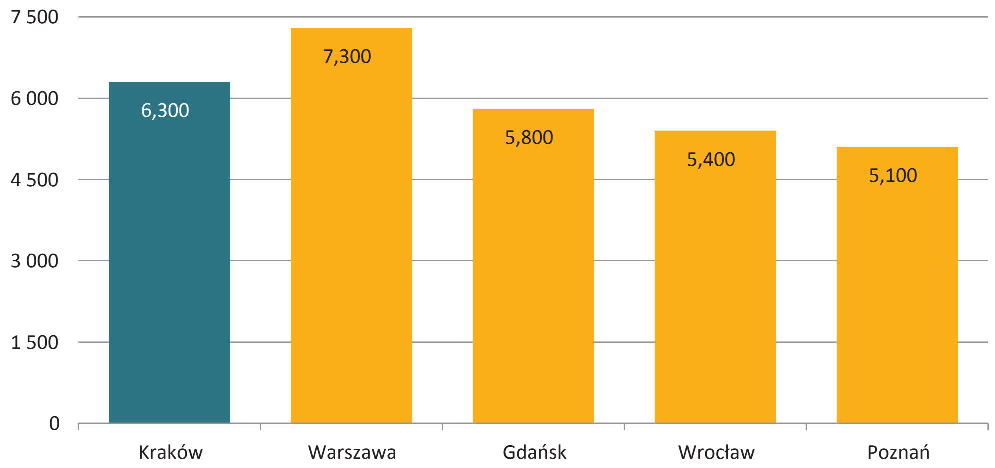
DISTRICT	NAME	PRICE (PLN)	PRICE (EUR)
I	Old Town	7,900	1,858
II	Grzegórzki	6,600	1,552
III	Prądnik Czerwony	5,900	1,388
IV	Prądnik Biały	6,100	1,465
V	Krowodrza	7,200	1,694
VI	Bronowice	6,700	1,576
VII	Zwierzyniec	7,200	1,694
VIII	Dębniki	6,300	1,482
IX	Łagiewniki- Borek Fałęcki	5,400	1,270
X	Swoszowice	5,300	1,247
XI	Podgórze Duchackie	5,300	1,247
XII	Bieżanów- Prokocim	5,000	1,176
XIII	Podgórze	6,000	1,411
XIV	Czyżyny	5,500	1,294
XV	Mistrzejowice	5,100	1,200
XVI	Bieńczyce	4,900	1,152
XVII	Wzgórza Krzesławickie	4,600	1,082
XVIII	Nowa Huta	4,700	1,105

Source: Institute of Analysis Real Estate Market Monitor

In the case of secondary market, average prices of apartments in Kraków are currently in the range of PLN 6,350 (EUR 1,494)/m² (in 2016 it was PLN 6,965 [EUR 1,638 /m²]). Despite the drop in prices, it is clearly more than in other competitive markets. In Wrocław, the price per square meter

of a flat is less than PLN 5,400 (EUR 1,270), in Poznań it is less than PLN 5,300 (EUR 1,200) and in Gdańsk PLN 5,800 (EUR 1,364). The more expensive secondary market than Kraków is Warszawa, where a square meter of a flat costs PLN 7,300 (EUR 1,717)[66].

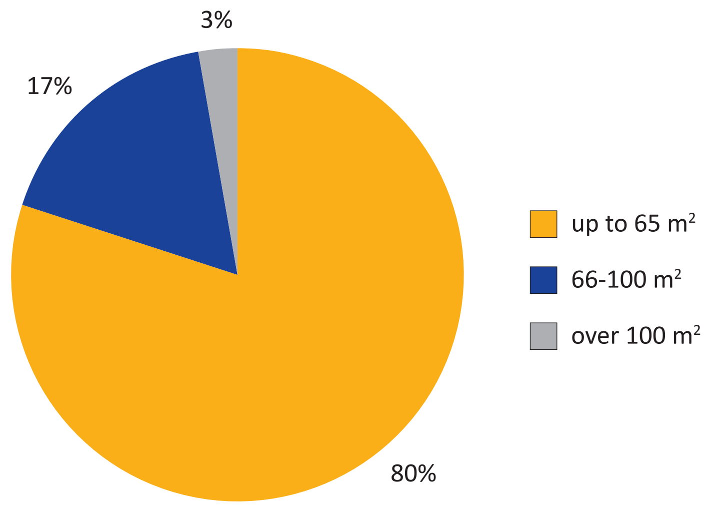
Chart 3. Average prices of apartments on the aftermarket in Kraków compared to other cities in 2016 (in PLN/m^2).



Source: Institute of Analysis Real Estate Market Monitor

High average prices on the secondary market in Kraków result from the very high value of attractively located real estate in the city center (e.g. apartments in tenement houses). For this type of well-located apartments on the secondary market, you have to pay a price even above PLN 20 thous. (EUR 4,700) per m^2. Kraków is characterized by a fairly large stock of such properties, and as a tourist city, this type of offer has a large rent investment potential. This results in increased prices, which translate into a fairly high average.

Chart 4. Supply of flats from the aftermarket of Kraków in 2016 in terms of surface area.



Source: Instytut Analiz Monitor Rynku Nieruchomości

[66] Instytut Analiz Monitor Rynku Nieruchomości

Among the announcements regarding the sale of premises from the secondary market, small apartments (up to 65 m^2) invariably dominate. Their supply in 2016 accounted for 80% of the total offer. Transactions with premises with an area of over 65 m^2 accounted for 17% of all transactions, and the sale of apartments above 100 m^2 is only less than 3% of the total market. This has been going on for a long time and it will be difficult to change it as mainly small-sized premises are being cur-

rently built, which will eventually supply the secondary market, causing current trends to persist. Experts estimate that in the 2018, the aftermarket for apartments in Kraków should be stable in price. Barriers as price growth and primary market competition are too strong to expect an increase of prices of the residential premises.


NON·NOBIS·DOMINE·NON·NOBIS·SED·NOMINI·TVO

4. Tenements and historical areas in Kraków

Kraków is also one of the most developed historic real estate markets in Poland. The Old Town district gives investors the chance to buy very attractive properties[67], with great potential - not only for housing, but also for commercial purposes. Well located real estate in the center are much more resistant to economic fluctuations, which is a rather safe investment, which thanks to the specificity of the Kraków market, can generate attractive profits.

Drawing 2. Areas of the city of Kraków with the dominant of tenements

Source: Institute of Analysis Real Estate Market Monitor – mrn.pl

Tenements have always been a separate segment of the real estate market, with its own dynamics, demand and supply. The tenement house market is most strongly correlated with the housing market (especially the apartment market) and with the commercial space market and the hotel and tourist market, because these functions are mostly served by these buildings. The city center, where historical housing is concentrated, is an area bounded by Planty (green area surrounding the Old Town) with the most expensive tenements at the Main Market Square and the Kazimierz district.

Kraków is the only big city in Poland, where almost 1/3 of the apartments were built over 60 years ago, which means 90 thous. apartments in 10 thous. tenement houses, 1 thous. of which are inscribed on the monuments register of the city of Kraków. In the city center remained about 7 thous. pre-war houses, 2 thous. in Krowodrza, and in Podgórze almost 1 thousand[68]. A significant part of them has an unregulated legal status (no physical division of the tenement house and the spin-off of shares). Another trend is the permanent division and exclusion of separate housing properties. The supply of entire tenement houses is, therefore, considerably limited, and new

[67] „Krakowski Rynek Nieruchomości 2016" p. 33
[68] K. Bartuś „Rynek Zabytkowych Kamienic w Krakowie. Rok 2016". Instytut Analiz Monitor Rynku Nieruchomości

sales offers appear in most cases as a result of successive regulations of legal statuses, especially property rights. However, the offer for the sale of entire tenement houses is decreasing year by year but the supply of shares in tenement houses for sale is still very large. Within the Old Town nothing new is being built, because it is a protected area. This inevitably raises prices, and developers who are rivaling the locations in the center are more and more willing to implement projects involving the revitalization of tenements and adapting them to new functions - not just housing. The rates are also raised by the tourist market. Well located flats have great investment potential, there are ideal for apartments for rent or for corporate headquarters, offices or boutique hotels.

The largest share in the demand structure in 2016 had investors from the residential and apartment industry, but more and more tenement houses were bought by investors from the hotel and tourist market (shopping for hotels, hostels, guesthouses, gastronomy). Demand from the hotel and tourism industry is, however, mostly limited to entire tenement houses, according to the specificity of these services. The demand pressure of investors looking for tenements under the distinctive location of the office and headquarters of the companies as well as representative shops in the center and on the main streets does not diminish. The investment attractiveness of tenement houses is confirmed by numerous new apartment projects in the city center, the so-called seals (replenishment between existing tenement houses).

In 2016, 167 transactions were made (a drop by 23 transactions compared to 2015) for a total amount of PLN 320 million (increase in turnover compared to 2015 by PLN 30 million)[69].

[69] K. Bartuś „Rynek Zabytkowych Kamienic w Krakowie. Rok 2016", Instytut Analiz Monitor Rynku Nieruchomości, p. 3

Table 12. Parameters of the tenement market, depending on the location in the city (data at the end of 2016)

DISTRICT	Sale of whole tenements (number of transactions)	Sale of shares in tenements (number of transactions)	Turnover (million PLN)	Average price for 1 m² (PLN)
Old Town	3	6	90	16,244
City center (without Old Town)	27	69	174	6,599
Krowodrza	2	13	22	4,902
Podgórze	9	38	35	4,704
TOTAL	**41**	**126**	**321**	**8,112 (average)**

Source: Institute of Analysis Real Estate Market Monitor

In good technical condition of the building, rates in the Old Town area may exceed PLN 10 thous. (EUR 2,352) per m^2, which makes the Old Town of Kraków similar to the Warsaw city center - the most expensive housing location among large Polish cities[70].

[70] Agencja WGN Nieruchomości, http://www.mieszkaniasprzedaz.com.pl/mieszkania-na-sprzedaz-krakow-najdrozsze-i-najtansze-lokalizacje/

Here are some examples of transactions: a 54-meter flat in Kazimierz with a panoramic view of Kraków and Wawel has been valued at PLN 1.16 million (EUR 0.27 million), which gives a rate of over PLN 21,000 (EUR 4,941) per m^2. For a 100-meter apartment in a guarded housing estate in the city center of Kraków, you need to pay about PLN 870 thous. (EUR 204 thous.). Here, the rate per square meter amounts to PLN 8,700 (EUR 2,047)[71]. In turn, a 30-meter studio in a historic tenement house on the outskirts of Kazimierz, just a few hundred meters to the Old Town was valued at PLN 314 thous. (EUR 73.8 thous.), which gives the price of the meter exceeding PLN 10 thous. (EUR 2,352) per m^2.[72]

The average price to be paid in 2016 for a tenement house in Krakow was PLN 5.3 million (EUR 1.25 million) compared to PLN 3.8 million (EUR 0.89 million) in 2015. The maximum price - PLN 16,5 million (EUR 3.88 million) has reached a tenement house in the Old Town. In the city center the highest price amounted to PLN 12.3 million (EUR 2.89 million), while in Podgórze PLN 7.2 million (EUR 1.69 million)[73].

The capital of Małopolska is characterized by a well-developed premium segment where many apartment projects are implemented. There are as well projects as revitalization of unique properties in the luxury segment, distinguished by their unique character and unique architecture. The average price of representative investments in this segment in ranges from PLN 12,500 to 13,500 (EUR 2,941 - 3,176)/m^2.[74]

[71] Ibidem
[72] Ibidem
[73] „Krakowski Rynek Nieruchomości 2016"
[74] Agencja WGN Nieruchomości, https://wgn.pl/artykuly/raporty-i-opinie-o-rynku/21767,mieszkania-w-krakowie--sprzedaz-i-wynajem-analiza-rynku.html

5. Single-family houses and lands

5.1. Single-family houses - Kraków

Since 2014, there has been a clear decrease in the volume of transactions and the number of transactions in this segment. In 2015, the same number of transactions has been noticed as in 2014 with a significant drop in the volume of turnover to the level of nearly PLN 32 million (EUR 7.53 million). The number of transactions in 2016 increased slightly, as did turnover to the level of about PLN 35 million[75] (EUR 8.24 million).

Table 13. Decisions on land development and development conditions

TYPE OF INVESTMENT	2014	2015	2016
Number of decisions issued, including:	3,271	2,970	2,783
single-family buildings	902	747	805
multi-family buildings and housing complexes	493	450	502
public service facilities	19	73	65
commercial services facilities	407	249	229
industrial facilities	18	19	26

Source: Department of Architecture and Urban Planning of the City of Kraków

Table 14. Decisions on planning permission

TYPE OF INVESTMENT	2014	2015	2016
Number of decisions issued, including:	3,998	4,251	4,159
single-family buildings	467	616	490
multi-family buildings and housing complexes	70	87	100
public service facilities	56	57	41
commercial services facilities	23	27	36
industrial facilities	6	13	26

Source: Department of Architecture and Urban Planning of the City of Krakow

High activity of developers on the housing market continues to limit the development of the single-family housing market. Due to the costs, the houses are sold directly by the developers.

The primary market of single-family houses is strongly diversified in the areas of the districts of Krakow. Buyers demonstrate the highest activity in Podgórze. The number of sold houses in this district reaches almost 80% of all transactions and is strongly correlated with the number of development investments. There are only a few transactions per year in Krowodrza and Nowa Huta, and only single transactions in the city center in recent years.

In the segment of single-family houses, the most expensive locations include residential districts – Wola Justowska and Olsza. In such locations, houses for sale are offered at rates of over 10,000

[75] „Krakowski Rynek Nieruchomości 2016"

PLN (2,353 EUR)/m^2. It is cheaper in more distant areas of Kraków. The average rates for houses for sale in Bronowice amount to approximately PLN 3,500-4,000 (EUR 823- 941)/m^2.

Table 15. Prices of single-family houses in Kraków and the suburban area over the last two years (per 1 m^2)

AREA	2016	2017
Kraków	PLN 4,430 EUR 1,042	PLN 4,667 EUR 1,098
Kraków suburban area	PLN 3,530 EUR 830	PLN 3,540 EUR 833

Source: www.szybko.pl

In 2015, there was a correction in prices compared to 2014 – the average transaction price dropped by 12% at that time. In 2016, a further decrease in the average price of 1 m^2 of usable space was observed, as a result of which in Kraków it amounted to PLN 4,430 (EUR 1,042), to increase again in 2017 and to reach PLN 4,667 (EUR 1,098)[76]. In the suburbs of Kraków, the value of 1 m^2 of the area of a single-family house in 2017 was PLN 3,540 (EUR 833)[77].

On the single-family houses aftermarket in Kraków in 2016, there was a slight decrease in the number of transactions compared to the previous year. The decline was recorded in all districts except of Krowodrza. Traditionally, most transactions were made in the district of Podgórze. The number of houses sold in this district reaches over 50% of the total transaction volume. City center and Nowa Huta are of marginal importance, which results from the specific development of these districts (compact housing, multi-family housing estates).

Average house prices have basically remained unchanged compared to 2015. An average prices in Kraków were about PLN 800 thous. for a house (EUR 188 thous.) – in the most expensive Kro-

[76] https://ceny.szybko.pl/
[77] https://ceny.szybko.pl/

wodrza district, the average price increased to PLN 1.2 million (EUR 280 thous.), and in the cheapest district of Nowa Huta - approx. PLN 470 thous. (EUR 110 thous.)[78].

In 2016, the majority of transactions (over 50%) concerned houses with prices in the range PLN 250-750 thous. (EUR 58.8 - 176.4 thous.). One can observe the extraction of the expensive house market: in the price range PLN 1.25-1.5 million (EUR 290-350 thous.), located in prestigious locations. A clear price barrier is PLN 1.75 million (EUR 410 thous.).

5.2. Land - Kraków

In 2016, the positive trends from previous years remained on the land market in Kraków. The turnover value and the number of transactions increased with a reasonable price increase. The capital activity, as in 2015, was related to investment in land for multi-family housing but also in obtaining land for office development.

In Kraków, the number of transactions increased on the market of plots, with the increase in turnover compared to 2015. Preliminary data point to a turnover of about PLN 1.35 billion (EUR 0.32 billion), with around 1,350 transactions[79].

Table 16. Land prices in Krakow and the suburban area over the last two years (per 1 m²)

AREA	2016	2017
Kraków	PLN 265 EUR 62	PLN 304 EUR 72
Kraków urban zone	PLN 113 EUR 26	PLN 116 EUR 27

Source: www.szybko.pl

In 2016, land prices in Kraków increased as a result of the increased demand of current and new investors. We can observe the trend of shifting capital from bank deposits (unattractive, notably in relation to real interest rates) to land and housing market.

A good image of Kraków and a wide labor market also tempted new developers active in other cities, which is why the value of turnover is growing. For example, a listed on the stock exchange developer from Wrocław purchased land for multi-family housing in 2016 for almost PLN 78 million (EUR 18.3 million)[80]. As a result, the number of transactions (2016 = 1,350) and turnover (PLN 1.35 billion/EUR 0.32 billion/) was higher than in 2015[81].

5.3. Suburban areas of Kraków

The analysis of real estate transactions involving single-family houses in the Kraków poviat for 2015 proves the recovery of this market segment, while the available data for 2016 indicate the maintenance of a high number of transactions. The upward trend started in 2013, when more than 600 agreements were noted, and the number of such transactions for 2015 reached a long-term maximum. The increase in the volume of turnover is correlated with the increase in the number of

[78] „Krakowski Rynek Nieruchomości 2016” p. 41
[79] Ibidem, p. 44
[80] „Krakowski Rynek Nieruchomości 2016” p. 44
[81] Ibidem

transactions, which proves that the prices of properties built-up with single-family houses are stable. While maintaining a high number of transactions, the lower trading volume in 2016 indicates a slight decline in prices in this market segment.

Drawing 3. Map of the Kraków poviat

In 2016, the largest number of transactions related to single-family houses was recorded in the municipalities of Zielonki and Zabierzów, while a revival of the market in the Czernichów commune and a decline in activity in Mogilany are somewhat surprising. As in 2015 the Zielonki commune, located at the northern borders of Kraków, is a definite leader. Certainly, the popularity of this commune is determined by the relatively close location from the center of Kraków.

The Wieliczka town and commune is traditionally the most active in the Wieliczka poviat, but last year exceptionally a lot of purchase and sale contracts were concluded in the city of Niepołomice, which resulted in a record number of transactions throughout the whole poviat.

Historical analysis of average transaction prices for real estate in the Kraków poviat shows that the situation differs in individual communes. Clear and unfortunately negative is the signal from the commune of Krzeszowice – an uninterrupted decline in average prices since 2011, which should be considered a permanent, unfavorable phenomenon. In other communes, periods of growth appear alternately with declining years. The three-year period of the average price increase for the purchase of a single-family house was observed in the municipalities of Zielonki, Wielka Wieś, Liszki and Iwanowice. In these communes, in addition to the commune of Zielonki, in 2016, the average transaction price reached its maximum[82].

Invariably for the last few years over 60% of all transactions, is recorded on the market of land designated for housing development. The second place is the agricultural land sector.

[82] Instytut Analiz Monitor Rynku Nieruchomości

5.4. Attractive cities and areas of Małopolska

The table below shows average prices for 1 m^2 of single-family houses in Nowy Sącz, Tarnów and Zakopane. The highest price has to be paid in Zakopane, the lowest in Tarnów.

Table 17. Prices of single-family houses in selected cities of the region over the last two years (per 1 m^2)

CITY	2016	2017
Nowy Sącz	PLN 2,571 EUR 605	PLN 2,571 EUR 605
Tarnów	PLN 2,430 EUR 572	PLN 2,056 EUR 483
Zakopane	PLN 4,503 EUR 1,059	PLN 5,849 EUR 1,140

Source: www.szybko.pl

Table 18. Land prices in selected cities of the region over the last two years (per 1 m^2)

CITY	2016	2017
Nowy Sącz	PLN 102 EUR 24	PLN 72 EUR 17
Tarnów	PLN 88 EUR 21	PLN 81 EUR 19
Zakopane	PLN 681 EUR 160	PLN 688 EUR 162

Source: www.szybko.pl

In addition to the Kraków agglomeration, Zakopane - visited by masses of tourists - attracts developers, hoteliers, investors of apartments, apartments for rent or business premises (catering, service).

6. Conclusions

Małopolska is an example of a region dominated by its capital city. Kraków and the Kraków agglomeration definitely stand out from the other urban centers and sub-regions of the province, in every aspect discussed in the report. Kraków as the largest Polish center of business services has its measurable impact on the entire local real estate market (office, commercial and residential spaces).

There was a noticeable increase in the warehouse market, but Kraków is still far behind the warehouse leaders in Poland – partly due to the lack of land and the proximity of Śląskie province, partly due to the city's economic profile (focus on services for modern technologies).

2016 was another year with high internal demand for housing in Kraków. It accumulated mainly on the primary market, and the secondary market noted a drop in turnover to the level from 2 years ago. In all districts, mainly small apartments were sold, wealthier customers preferred the primary market. Compared to 2015, there was a slight drop in prices in the city center (about 2%), while in other districts, the prices of used dwellings didn't change. Outside Krakow, there has been a decline in house prices due to the appearance of a large number of new investments.

In the coming years, the market of tenement houses is likely to continue growing trends along with the development of the entire real estate market in Kraków. The factors that stimulate these trends will be still low-cost loans, a boom on the apartment market, a better business climate in

the hotel industry and established good Kraków brand, attracting foreign investors. The noticeable price increase in the tenement house market was caused by the increase in the value of such properties and submission to general fashion for the revitalization of historic properties.

In 2016 on the primary market segment of single-family houses in Kraków, there was a slight increase in turnover and the number of transactions, while the average transaction price for the house dropped. A decrease in the average unit price means that the market of single-family houses is correlated with the residential real estate market, where the market boom prevailed in 2016. The market for single-family houses in Kraków also feels strong competition from single-family housing located outside of Kraków (among the wealthy residents of Kraków, there is a tendency to move outside the city). The falling average area of houses is a confirmation of the need to keep prices as low as possible.

In terms of prices for plots for housing, the market has relative stability. The market is concentrated in the segment of plots for housing, service and multi-family housing (developers have been purchasing cheaper land located on the outskirts of Kraków). New developers have also appeared on the market, and until now, they have been extensively supplementing land banks.

The real estate market recorded a decrease in the number of transactions in the second half of 2016, mainly in the agricultural land sector. The agricultural land market strongly correlates with the state policy, and the Act of 14 April 2016 on suspending the sale of the State Treasury Property Reserve and the amendment to the Act on land trading has become the turning point of the ongoing business cycle and the announcement of the recession on the agricultural land market.

Systematically increasing tourist traffic enforces the development of tourist infrastructure both in Kraków and Zakopane – hence the greater demand for hotels and apartments.

In the area of tourist infrastructure, Zakopane also differs from the remaining part of the Małopolskie province, attracting a large number of investors and buyers of residential and apartment properties.

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