Prepared
in cooperation with

ARAW Wroclaw Agglomeration Development Agency

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Knight Frank

WROCŁAW

City attractiveness and office market

Q3 2021

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WROCŁAW

FACTS & FIGURES

CITY AREA	POPULATION	POPULATION FORECAST	MIGRATION BALANCE
293 sq km	**641,900** (December, 2020)	**611,359** (2030); **577,658** (2050)	**(+) 1,065**

GDP GROWTH	GDP PER CAPITA	AVERAGE SALARY	UNEMPLOYMENT RATE
8.7%	**PLN 94,373**	**PLN 6288.91** (gross)	**2.5%** (August, 2021 GUS)

INVESTMENT ATTRACTIVENESS

1. RANKINGS REPRESENTING THE INVESTMENT ATTRACTIVENESS OF THE CITY

1. 1st place in the subjective ranking in the category of centres in terms of running a business by business service centres (ABSL Report: Business Services Sector in Poland 2021, p. 77)

7. 7th place in fDi ranking **among cities in Eastern Europe**

15. 15th place in ranking **„Global Cities of the Future”**

1. 1st place in **„Global Cities of the Future”** in medium-sized and small cities category

1. 1st place in **„2020 Return on Investment”** ranking (fDi)

„Specialism Awards” in ranking **„Strategy Awards 2020”** (fDi) in BPO category

2. INVESTMENT INCENTIVES

- Project title: „Development of entrepreneurship and supporting the low-emission economy through financial instruments in the Dolnośląskie Voivodeship” 2014-2020.
- Real estate tax exemption in case of investments in a photovoltaic installation, heat pump, recuperator, ground heat exchanger, solar collector.
- Apx inQube Program.
- Lower Silesian Special Economic Zones.
- Real estate tax exemptions in Wrocław.

QUALITY OF LIFE

3. RANKINGS ON THE QUALITY OF LIFE IN THE CITY

100. 100th place in **"Quality of life 2018"** ranking by Mercer

88. 88th place in **Cities in Motion Index 2020**

4. CITY INITIATIVES AIMED AT IMPROVING THE QUALITY OF LIFE IN THE CITY

- Grow Green project.
- Creating consistent network of public transport, enriched with bicycle transport and public spaces for pedestrian traffic and with well-developed road system.
- Smart City.
- In 2020, Wrocław announced #TORYwolucja program, as part of which a number of repairs, replacements and renovations of tram tracks were carried out for a total amount of PLN 78 million.
- Part of the Wrocław Strategy 2030 is percentage of people living within 300m of green areas. At the end of 2020, the indicator stood at 80.2% for the city and 93.7% for downtown area. In 2020, over PLN 35 million was spent on the ongoing maintenance and greenery (547,346 plants were planted, including trees, shrubs, forest seedlings, bedding plantings).
- In 2020, the commune spent for the implementation of its own, commissioned and entrusted tasks total amount of PLN 5,432,109,133, of which PLN 4,674,319,885 were intended for current expenditures, and PLN 757,789,248 for investments. Expenditures increased by 9% when compared to 2019, and by 19% comparing to 2018. Most, as much as PLN 1,564,354,210 was allocated to educational tasks, i.e. 10% more than in 2019. Significant increase also occurred in expenditure on social policy (increase by 22%) and transport (increase by 10%).
- In 2020, the amount of PLN 631,371,673 was spent on investment projects. Most investments concerned transport (PLN 328,321,203), housing (PLN 117,196,412), education (PLN 66,519,100) and municipal economy (PLN 27,047,129).

BIKE PATHS
435 km (2019)

GREEN AREAS
120 sq km

FACTS & FIGURES

NUMBER OF STUDENTS	NUMBER OF GRADUATES	NUMBER OF UNIVERSITIES	AIRPORT – DISTANCE TO THE CITY CENTRE	AIRPORT – NUMBER OF PASSENGERS	BSS SECTOR – NUMBER OF CENTRES	BSS SECTOR – NUMBER OF EMPLOYED
107,984	**29,142**	**28**	**10 km**	**1,007,323** (2020) **3,548,026** (2019)	**201**	**52,500**

RATING	**A2**
RATING AGENCY	**Moody's**

WROCŁAW

Q1-Q3 2021

EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	NEW SUPPLY	TAKE-UP
1.24m sq m	170,000 sq m	14.9 %	11,800 sq m	74,400 sq m

At the end of September 2021 total office stock in Wrocław stood at 1.24m sq m, placing it second largest among the regional office markets. Due to a lack of new supply, the total stock remained at a similar level to the previous year. In the coming quarters, however, Wrocław's office market will see an increase in its modern office space, with approximately 170,000 sq m under construction (35% is to be completed by the end of 2021). The visible drop in planned new supply over the coming years is due to the uncertain economic situation around the pandemic and investors placing new projects on hold.

In total, almost 170,000 sq m of modern office space is planned to be delivered by the end of 2023, although the investment schedule still depends on the unstable market situation. Q1-Q3 2021, saw tenant activity in the Wrocław office market growing quarter by quarter. In the period from July to September 2021, 28,500 sq m was subject to lease. In Q3 2021, a significant part of the contracts signed were new lease agreements (approximately 65% of total transaction volume in this period), while 20% were renegotiations of over 5,000 sq m. Almost 75,000 sq m has been leased in Wrocław since the beginning of 2021. Despite the lack of new projects completed in the last quarter, the vacancy rate increased compared to Q2 2021 - at the end of September 2021 it stood at 14.9% (an increase of 0.8 pp. q-o-q and 0.6 pp. y-o-y). Asking rents in Wrocław in Q3 2021 remained stable, ranging from EUR 10.00 to EUR 16.00 sq m per month. It was, however, noticeable that in some prime office buildings, more exclusive offers are starting to appear, above EUR 16.00 per sq m per month.

SELECTED SCHEMES UNDER CONSTRUCTION

MID POINT 71
- 36,900 sq m
- Q4 2021
- Echo Investment

INFINITY
- 22,000 sq m
- Q3 2023
- Avestus Real Estate Tristan Capital Partners

L'UNI
- 3,600 sq m
- Q2 2022
- L'Uni

BRAMA OŁAWSKA
- 14,060 sq m
- Q2 2022
- Tower Inwestycje

CENTRUM POŁUDNIE II
- 20,000 sq m
- Q4 2022
- Skanska Property Poland

QUORUM OFFICE PARK D
- 15,390 sq m
- Q2 2022
- Cavatina Holding

Total office space | Completion date | Developer / Owner

SELECTED BPO, SSC/GBS, IT AND R&D CENTERS:

3M Global Service Center Poland | Credit Suisse | EY Global Services Poland | Google | Pattonair | Nokia | UPS Global Business Services

STANDARD LEASE TERMS IN LARGE SCALE, NEW BUILDINGS

SERVICE CHARGE PLN/SQM/MONTH	RENT-FREE MONTHS	FIT-OUT BUDGET EUR/SQM
18	7 months	450-500

COWORKING OPERATORS IN WROCŁAW:

City Space

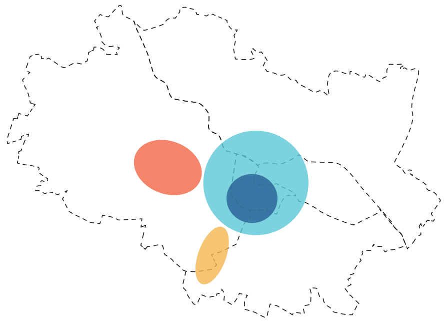
Quickwork

Spaces

BusinessLink

MAJOR OFFICE CONCENTRATION AREAS

	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
CITY CENTRE	209,600 sq m	52,600 sq m	14.3%	EUR 10-16 /sq m
SOUTHERN BUSINESS AXIS	131,300 sq m	66,400 sq m	9.9%	EUR 10-15,5 /sq m
WESTERN BUSINESS DISTRICT	442,500 sq m	29,900 sq m	18.7%	EUR 11-15 /sq m
SUBCENTRAL ZONE	336,600 sq m	15,400 sq m²	14.1%	EUR 0-15,5 /sq m



MAJOR REGIONAL CITIES

KRAKÓW, WROCŁAW, TRICITY, POZNAŃ, KATOWICE, ŁÓDŹ

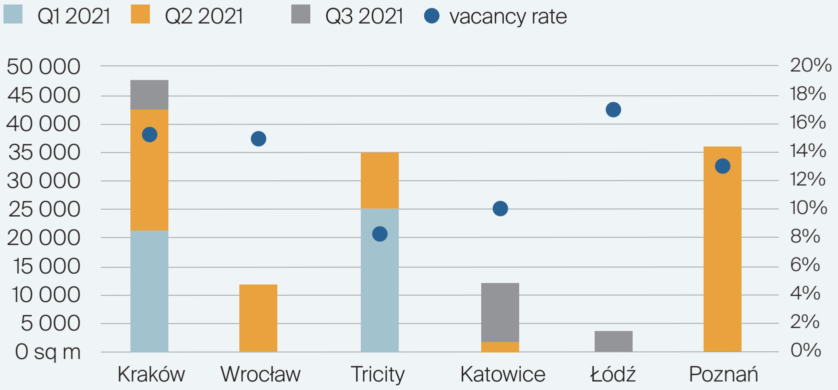
Q1-Q3 2021

5.9m sq m	142,800 sq m	377,300 sq m	913,000 sq m	793,000 sq m
EXISTING STOCK	NEW SUPPLY	TAKE-UP	SUPPLY UNDER CONSTRUCTION	AVAILABLE SPACE

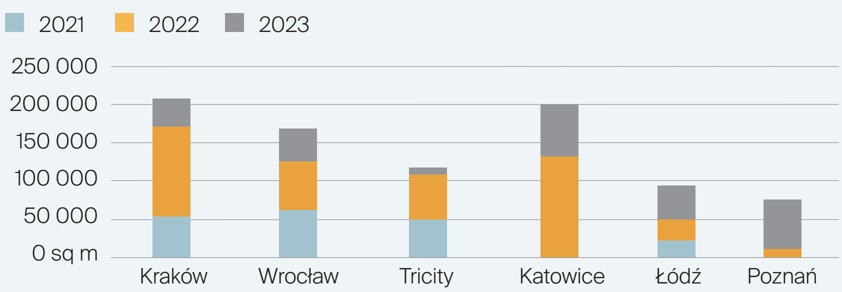
WROCŁAW COMPARED TO MAJOR REGIONAL CITIES

Wrocław, as the second largest regional office market, is developing at a stable pace, with consistently delivered new supply offering systematic expansion to the market. The limited new supply in the first nine months of 2021 may contribute to a decline in the vacancy rate in the coming quarters. Due to its wide university base, there is guaranteed access to an educated workforce, and Wrocław is an attractive choice for BPO / SSC centres and companies planning to enter the Polish market.

NEW SUPPLY AND VACANCY RATE (Q3 2021)

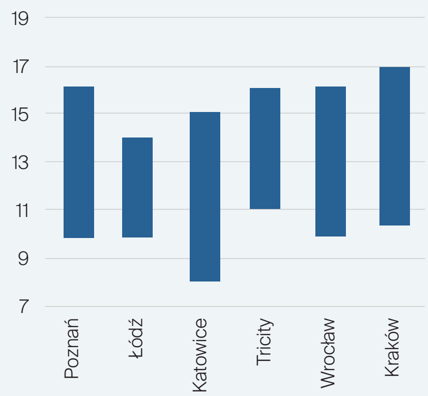


SUPPLY UNDER CONSTRUCTION BY COMPLETION YEAR (Q3 2021)

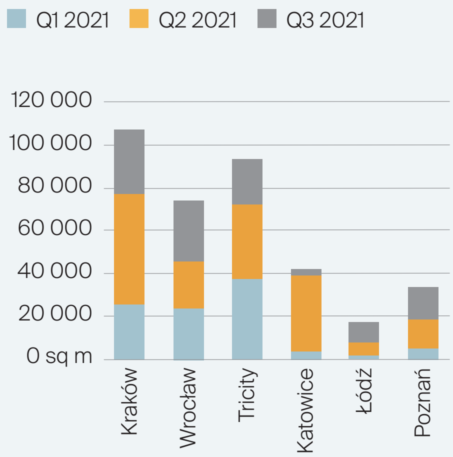


ASKING RENTS (Q3 2021)

(EUR/sq m/month)



TAKE-UP VOLUME (Q3 2021)



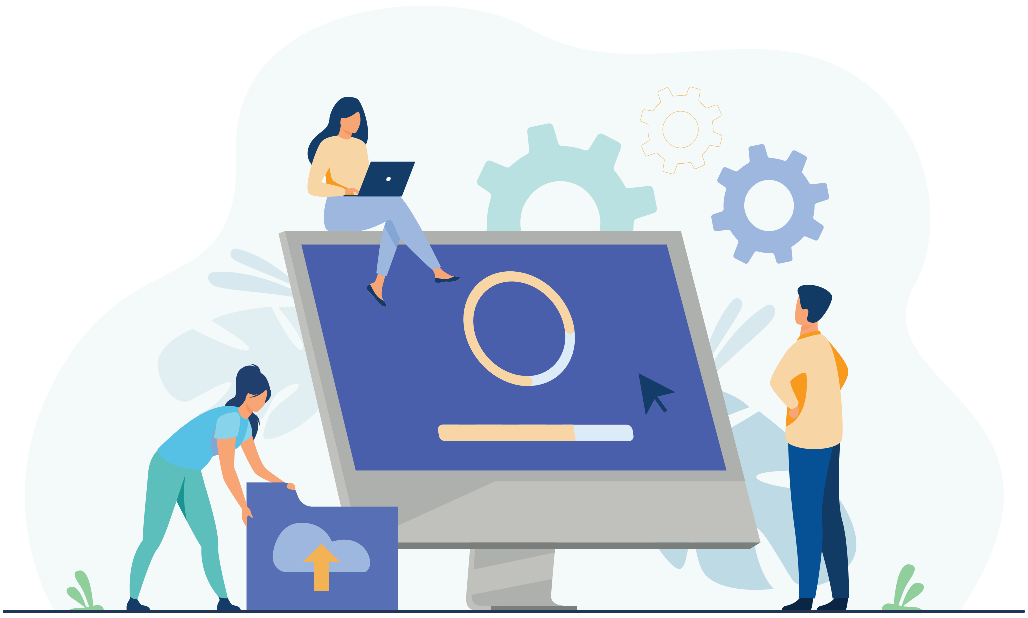
WROCŁAW

RECRUITMENT IN THE IT SECTOR

The major challenge is to acquire highly specialised staff from the IT sector. This applies primarily to hiring architects. **65% of businesses** claim to have experienced no major market-related difficulties trying to acquire juniors.

Investors believe that the factor with the largest impact on location is the availability of appropriate human resources, which means that when selecting a proper location for their investment projects, IT investors **regard Wroclaw as a place with an excellent academic background**, and one that boasts a wide array of majors offered by the 25 universities and colleges.

The most sought-after specialist skill in Wroclaw is **programming**, as revealed by as many as 93% surveyed businesses, the dominant programming language being Java, mentioned by 73% of the respondents. A competence that is also in high demand is project management, with only a slightly lower demand for analytics and testing. Of all the sought-after competences, 60% of the polled businesses pointed to handling databases.



TOP 3

1. DATA SCIENTIST

PLN 15,000 - 26,000 gross

2. BI DEVELOPER

PLN 15,000 - 27,000 gross

3. PHP DEVELOPER

PLN 12,000 - 20,000 gross

THE CRISIS IN THE HR SECTOR WAS INTENSE, BUT RELATIVELY SHORT

It looks like the changes brought about by the pandemic are here to stay. Both recruiters and candidates have openly appreciated the separation of the recruitment process from the physical location. Online job interviews will surely become a trend that will take root for a long time to come once the COVID-19 epidemic has been combatted. Online recruitment sessions simply save a lot of time to both parties of the process. Face-to-face meetings will now only be held at the final stages of the hiring procedure and will involve exclusively a handful of most promising candidates. There were already some feeble symptoms of recovery in July, followed by a calm and more holiday-like August. September, in turn, has seen a major upward trend, which is still in full swing. Those clients who earlier on preferred to hold back on taking major steps have now started to feel the need to hire additional staff on a mass scale.

THE DAWN OF THE DIGITAL TRANSFORMATION OF RECRUITMENT

In the past, it was common practice to vet candidates on the phone at the preliminary stage of recruitment, which in most cases eventually led to face-to-face meetings. Since the pandemic, new standards have been set, making video interviews a permanent fixture in modern hiring practices, forcing consultants to instantly shift to the virtual world. About 99% of recruitment procedures, including final meetings, are now conducted online. The force of habit of the past seems to have made room for the new pandemic-driven reality of the present. Despite the initial uncertainty, it has turned out that at the end of the day it is perfectly possible to use online tools to hire specialists, managers, or top-level managers.

THE ROLE OF MOTIVATION THROUGHOUT RECRUITMENT

In the era of the COVID-19 pandemic, particular emphasis is placed on issues related to work motivation, which are often raised at job interviews. Currently, the risk that a potential employee will change his/her place of employment after a few months is extremely high, and employers strive to avoid such situations. Candidates are also asked to explain why they are looking for a new job, and what factors lie behind their choices when deciding to change jobs. In this way, it is possible to check whether an applicant will successfully settle down within the structure of a given organisation, and whether his/her values coincide with its mission. Potential employees are expected to freely and honestly answer the questions they get during an interview. If they want to stay with the company for longer, they also need to be sure that they will adapt to its organisational culture. Since remote work to some extent hinders the mutual understanding and bonds between employers and employees, businesses often ask candidates about their attitude to the idea of coming back to traditional work in the office, even on a part-time basis.

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- strategic consulting, independent forecasts and analysis adapted to clients' specific requirements,
- market reports and analysis available to the public,
- tailored presentations and market reports for clients.

Reports are produced on a quarterly basis and cover all sectors of commercial market (office, retail, industrial, hotel) in major Polish cities and regions (Warsaw, Kraków, Łódź, Poznań, Silesia, Tricity, Wrocław). Long-term presence in local markets has allowed our research team to build in-depth expertise of socio-economic factors affecting commercial and residential real estate in Poland.

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Wroclaw Agglomeration Development Agency

The Wroclaw Agglomeration Development Agency is a company whose goal is to attract foreign investors, and thus create new jobs and increase economic region. The company also conducts extensive information and promotion activities for residents and implements projects supporting development and cooperation in the agglomeration.

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