Prepared
in cooperation with

ARAW Wroclaw Agglomeration Development Agency

Michael Page

Knight Frank

WROCŁAW

City attractiveness and office market

Q3 2022

knightfrank.com.pl/en/research

CITY ATTRACTIVENESS

WROCŁAW

CITY AREA
293 sq km

POPULATION
674,300
(December 2021)

POPULATION FORECAST
611,359 (2030)
577,658 (2050)

MIGRATION BALANCE
(+) 1,065

GDP GROWTH
8.5%

GDP PER CAPITA
PLN 104,360

AVERAGE SALARY
PLN 7,160
(gross)

UNEMPLOYMENT RATE
1.6%
(August 2022, GUS)

INVESTMENT ATTRACTIVENESS

RANKINGS

1. 1st place in **fDi's Mid-Sized European Cities of the Future 2022/23 - Business Friendliness**

2. 2nd place for Dolny Śląsk in **fDi's Mid-Sized European Regions of the Future 2022/23 - Business Friendliness**

3. 3rd place in **fDi's Mid-Sized European Cities of the Future 2022/23 - Overall**

4. 4th place in **fDi's Mid-Sized European Cities of the Future 2022/23 - Economic Potential**

8. 8th place in **fDi's Mid-Sized European Cities of the Future 2022/23 ranking - Human Capital and Lifestyle**

1. 1st place ranked by managers in the evaluation of location as a **place to do business according to the ABSL report 2022**

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

Real estate tax exemptions in Wrocław

Lower Silesian Special Economic Zones

QUALITY OF LIFE

RANKINGS

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

2. 2nd place in the classification of **quality of life according to the ABSL report 2022**

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

Wrocław listed among the 100 cities of the EU mission, **„100 Climate Neutral and Smart Cities by 2030"**

QUALITY OF LIFE IN NUMBERS

Local business

- Protecting local business from the effects of the pandemic; as part of the Wrocław Assistance Package, 2021 saw the Wrocław authorities, as in the previous year, offering a number of discounts and granting exemptions to local businesses, including, among other things, a reduction in property taxes and a decrease in rents for commercial premises. The city has dedicated in excess of PLN 7m to this.

Municipal investments

- PLN 459.4m of municipal funds have been allocated to projects in the areas of transport and road infrastructure.

Transport and services

- Some 26 km of new cycle routes were built in 2021, including: 13 km of cycle paths, nearly 1 km of cycle lanes and more than 10 km of pedestrian and cycle routes. 46 vehicles were purchased to improve and upgrade public transport.

Education

- Last year saw a very important achievement in the field of education; an increase of 1,167 in the number of children in kindergarten education. As a result, for the first time in Wrocław's recent history, the number of places in public and non-public kindergartens exceeded the number of children in the 3-5 age group. Furthermore, it should be emphasised that expenditure on education accounts for almost a quarter of the city budget - in 2021 the figure amounted to over PLN 1.7 bn.

Social policy

- In 2021, six new Local Activity Centres (CALs) were created, bringing the number in Wrocław to 19. Their activity is based on the implementation of tailored programmes aimed directly at local residents, responding to their needs, passions and interests.

Ecology

- In 2021, 2,406 trees, 67,000 shrubs and climbers, and 66,000 perennials and ornamental grasses were planted, along with some 340,000 bedding plants and bulbs. In addition, urban green areas were further supplemented by the planting of 900 trees by other municipal units and private investors. According to existing afforestation plans, approximately 5.8 ha of non-forested land was afforested.

BIKE PATHS

758 km (2022)

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
106,517	**27,320**	**28**	**10 km**	**1,418,836** (2021) **3,548,026** (2020)	**208**	**59,500**

RATING **A-**

RATING AGENCY **Moody's**

WROCŁAW

Q3 2022

EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	NEW SUPPLY (Q1-Q3 2022)	TAKE-UP (Q1-Q3 2022)
1.32m sq m	154,500 sq m	15.6%	58,400 sq m	84,200 sq m

At the end of September 2022, Wrocław's office stock stood at more than 1.32m sq m. The city thus remained the second largest office market among regional markets in Poland. Office space has increased by nearly 58,400 sq m since the beginning of the year, which accounted for 18% of the total volume of space delivered in regional cities in the first three quarters of 2022. Moreover, Wrocław was the only regional city in which new office developments were completed in Q3 2022. Between July and September 2022, the Wrocław market gained nearly 20,200 sq m of office space delivered in two projects: L'Uni (3,950 sq m, L'Uni) and Quorum Office Park D (16,200 sq m, Cavatina). In addition, the renovation of the Centrum Orląt building (15,900 sq m) was completed.

Almost 154,500 sq m of office space remains under construction in Wrocław and is set for systematic delivery. If developers meet planned schedules, 43% of the space under construction will be delivered to the market in 2023. The investments remaining under construction are Infinity (22,000 sq m, Avestus) and Centrum Południe III (20,000 sq m, Skanska Property Poland).

In Q3 2022, the volume of leased office space amounted to nearly 23,300 sq m, representing 22% of all transactions concluded in regional cities in the same period. Since the beginning of 2022, tenants have already leased over 84,200 sq m of office space in Wrocław, 13% higher than in 2021's corresponding period. New agreements accounted for the largest share, over 63% (of which pre-let agreements were 20%), while renegotiations represented nearly 26% of the transaction volume and expansions nearly 11% of the space leased in Wrocław during the period.

Due to the substantial new supply delivered to the Wrocław office market, the vacancy rate at the end of Q3 2022 stood at 15.6%, increasing by 0.8 pp on the previous quarter. Despite the significant new supply delivered in the past year, however, the availability of space in the city increased by only 0.7 pp y-o-y.

At the end of September 2022, asking rents in Wrocław ranged from EUR 10.00 to EUR 16.00/sq m/month. In the near future, pressure from tenants to renegotiate rents and seek incentive packages in older buildings seems likely due to the high availability of office space. On the other hand, rising construction costs (rising prices of construction materials and labour costs) and growing construction loan costs may inhibit investor openness towards negotiation, particularly in new buildings. At the same time, due to the rising costs of utilities and services, there has been a noticeable increase in service charges, which at the end of September 2022 in Wrocław ranged from PLN 16.00 to PLN 24.00/sq m/month.

SELECTED SCHEMES UNDER CONSTRUCTION

	INFINITY	CENTRUM POŁUDNIE III	BRAMA OŁAWSKA
Total office space	22,000 sq m	20,000 sq m	14,060 sq m
Completion date	Q2 2023	Q4 2022	Q4 2022
Developer / Owner	Avestus Real Estate Tristan Capital	Skanska Property Poland	Tower Inwestycje

STANDARD LEASE TERMS IN NEW BUILDINGS

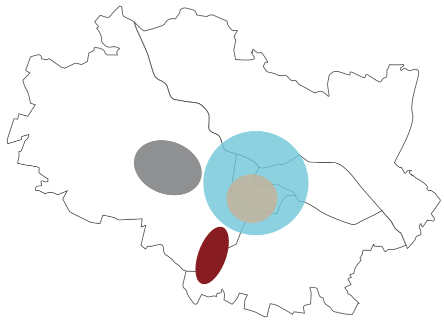
SERVICE CHARGE PLN/SQ M/MONTH	RENT-FREE PERIOD	FIT-OUT BUDGET EUR/SQ M
16-24	7 months	450-550

COWORKING OPERATORS IN WROCŁAWU

City Space | Quickwork | Spaces
BusinessLink | Loftmill

MAJOR OFFICE CONCENTRATION AREAS

	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
CITY CENTRE	217,200 sq m	37,500 sq m	12.9%	EUR 10-16/sq m
SOUTHERN BUSINESS AXIS	169,500 sq m	29,100 sq m	12.3%	EUR 11-15/sq m
WESTERN BUSINESS DISTRICT	452,500 sq m	14,500 sq m	15.0%	EUR 11-14/sq m
SUBCENTRAL ZONE	368,800 sq m	73,300 sq m	20.7%	EUR 10-16/sq m



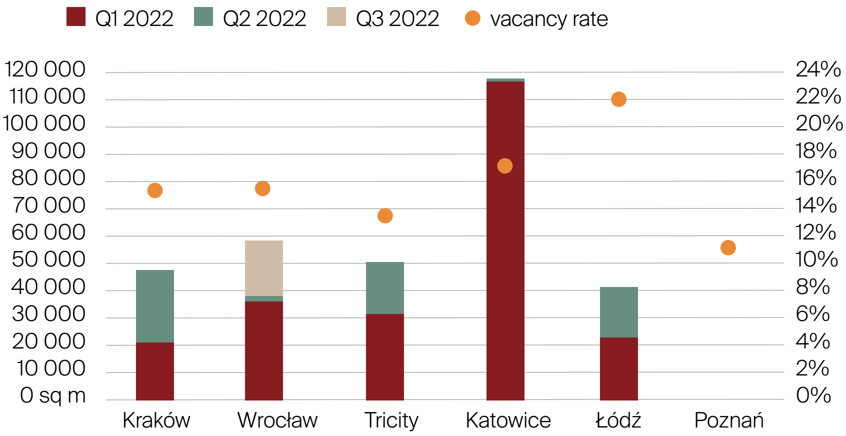
MAJOR REGIONAL CITIES

KRAKÓW, WROCŁAW, TRICITY, KATOWICE, ŁÓDŹ, POZNAŃ, SZCZECIN, LUBLIN

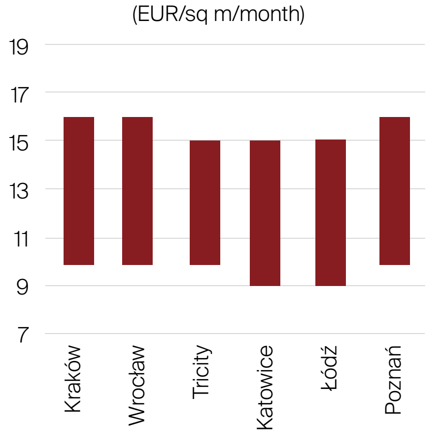
Q3 2022

EXISTING STOCK	NEW SUPPLY (Q1-Q3 2022)	TAKE-UP (Q1-Q3 2022)	SUPPLY UNDER CONSTRUCTION	AVAILABLE SPACE
6.36m sq m	332,100 sq m	450,600 sq m	628,800 sq m	967,200 sq m

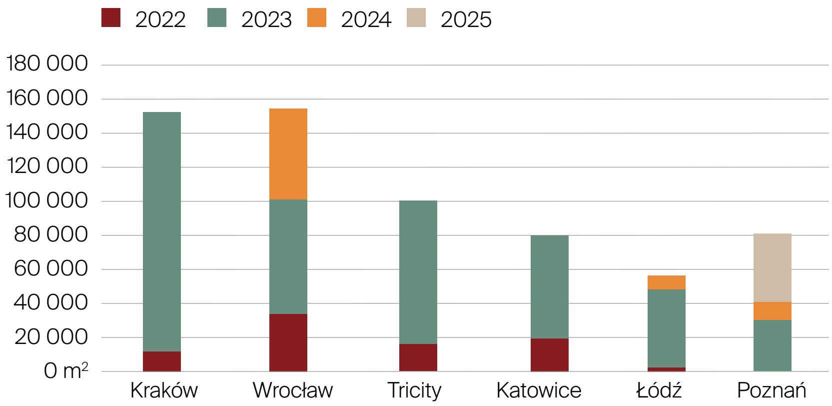
NEW SUPPLY (Q1-Q3 2022) AND VACANCY RATE (Q3 2022)



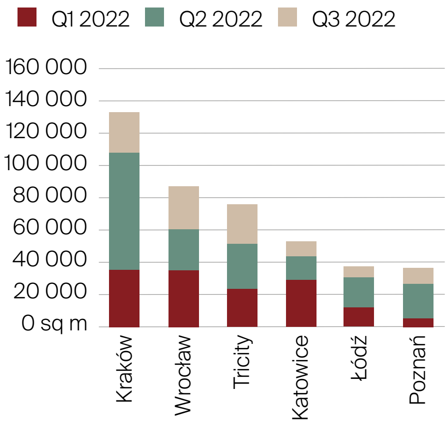
ASKING RENTS
(Q3 2022)



SUPPLY UNDER CONSTRUCTION BY COMPLETION YEAR
(Q3 2022)



TAKE-UP VOLUME
(Q1-Q3 2022)



Michael Page

A DREAM JOB – WHAT EXACTLY DOES IT MEAN?

According to a study by Michael Page, these days, the idea of a dream job goes hand in hand with a permanent contract (80% of respondents), working in a medium-sized company (41%), and a clear and unambiguous job description (93%). At the same time, the idea of working with an ideal leader means for a lot of candidates receiving the support needed to develop their potential (48%), respect (47%), professional management (46%), and effective communication (44%). What else makes a dream job, what discourages people from accepting a particular job offer, and what motivates them to turn elsewhere in their job search?

COMPANY SIZE MATTERS

What sort of company would candidates be most willing to link their future with? Although the number one choice is a medium-sized organisation – 41% of respondents have opted for it – 30 and 25% have pointed to a large or small business, respectively. Medium-sized businesses are commonly perceived by candidates as those in which one can count on a clear sense of agency and have a major impact. This is what seems to explain the fact that such a preference is most often determined by a short decision-making process (for 36% of people), the possibility of training (30%) and a clear strategic vision (27%).

As far as large organisations are concerned, the strongest motivator is the possibility to grow through the various training schemes that they offer. This aspect has been indicated by almost half of the respondents (46%). Next on the list came advancement opportunities (39%), followed by higher wages (27%). Such a distribution of responses also proves that remuneration is no longer the key incentive that attracts candidates to a given company. Having said this, the significance of developing competences and enhancing opportunities to accelerate a career keeps growing.

A lot of candidates argue that such prospects are not available in small businesses, which have been chosen by the least respondents. In fact, only a quarter of those who have taken part in the Michael Page survey have listed them as a dream workplace. This does not mean, however, that these places do not have other important assets – especially for those who value the possibility of quick spontaneous action, an almost intimate work environment, and a high degree of independence. Here, too, as in medium-sized organisations, quick decision-making is a major driving force which is important for 41% of those who prefer this type of work environment. This way of working is also related to a typically less formal organisational culture, which attracts almost as many candidates to small companies (40%). In turn, one third of the respondents (34%) have mentioned the possibility of managing their duties more independently, a feature that seems to correspond well to the above characteristics.

THE INS AND OUTS OF THE SSC-BASED LABOUR MARKET

Over the last couple of years, we have been witnessing a steady annual growth of the market of centralised business services around the world in every possible respect: the number of people employed at the centres, the number of companies creating such places, and the countries in which they are launched, as well as their share in the GDP. Poland not only takes an active part in this trend, but it even sets it, taking the lead as one of the major players on the continent, and, certainly, the largest centre of this type of services in Central and Eastern Europe. In addition to transaction services, more and more complex processes are being centralised these days, which is why Centres of Excellence (CoE), Global Business Services and Shared Services Centres (SSC), which support them, are gaining momentum, taking over more and more advanced activities. Business centres are also developing in terms of the variety of services they provide. Beyond accounting processes, which dominated in the past, the area of finance has been further enriched with reporting, FP&A, and taxes. There is also a continuously growing interest in centralising IT functions and using the impressive and highly qualified talent pool of our country.

One of the characteristic features of the industry is also the very high competitiveness in acquiring the best talent on the market. Companies are already striving not only for university graduates with impeccable language skills, but also for people with a rich portfolio of professional experience and competences. This implies challenge for recruitment companies and their consultants who, whilst looking for experienced specialists, have to demonstrate a long practice and extensive expert knowledge. Alongside the growth of the percentage of roles that necessitate high competences, also referred to as 'knowledge-intensive', it is also obvious that the wages offered in such positions are correspondingly higher. It can be said with a high degree of certainty that wage growth is ahead of inflation. Despite the attractiveness of wages and professional challenges in this sector, the demand for workers exceeds the supply.

TOP 4

THE MOST DESIRED POSITIONS IN THE SSC SECTOR:

1.	2.	3.	4.
FP&A EXPERT	**CUSTOMER SERVICE SPECIALIST** (with foreign language skills, other than English)	**PROCUREMENT / SUPPLY CHAIN SPECIALIST** (with foreign language skills, other than English)	**PAYROLL SPECIALIST** (with foreign language skills, other than English)
PLN 12,000 – 18,000 gross	**PLN 6,000 – 10,000 gross + language bonus**	**PLN 9,000 – 12,000 gross**	**PLN 7,500 – 10,500 gross**

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As one of the largest and most experienced research teams operating across Polish commercial real estate markets, Knight Frank Poland provides strategic advice, forecasting and consultancy services to a wide range of commercial clients including developers, investment funds, financial and corporate institutions as well as private individuals. We offer:

- 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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PARTNER OF THE PUBLICATION:

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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