

Prepared
in cooperation with



Michael Page



WARSAW

City attractiveness and office market

H1 2022

knightfrank.com.pl/en/research



CITY ATTRACTIVENESS

WARSAW



CITY AREA

517.2 sq m



POPULATION

1,792,000



POPULATION FORECAST

2,132,000 (2030)
2,249,000 (2050)



MIGRATION BALANCE

(+) 2,526



GDP GROWTH

7.4%
(2018)



GDP PER CAPITA

PLN 133,400
(2020)



AVERAGE SALARY

PLN 7,823
(gross)



UNEMPLOYMENT RATE

1.8%

INVESTMENT ATTRACTIVENESS

RANKINGS

1.

1st rank of the **Business-Friendly City Perception Index 2021**
- Infrastructure and Connectivity

2.

2nd place in the report **European Cities and Regions of the Future 2022/2023**
- Business Friendliness

5.

5th place in **Deloitte ranking „Connecting Global FinTech” 2017**, among developing tech-hubs

Title of the **Investor-Friendly City** in the contest **Prime Property Prize 2021**

INVESTMENT INCENTIVES

INVESTMENT SUPPORT

Offer for investors:

- individual approach;
- assistance at every stage of the investment, including the organization of reference visits;
- back office support;
- providing necessary information on available public aid;

KEY AREAS OF SUPPORT

Information activities:

- assistance in obtaining data;
- providing industry know-how;
- city information pack.

Support in acquiring office space:

- access to information on municipal real estate;
- support in choosing a location;
- cooperation with real estate agencies.

Recruitment activities:

- cooperation with academic centres and universities;
- cooperation with HR agencies;
- coordination of joint activities with universities.

Post-investment support:

- support in day-to-day operations in the form of obtaining industry information;
- undertaking joint activities for the development of sectors;
- coordination of joint projects;
- support in corporate social responsibility projects.

QUALITY OF LIFE

RANKINGS

1.

1st place in Europolis 2019 ranking
as a **Youth-friendly City**

1.

1st place in the CEE ranking of **Money
Beach - The World's Best Cities For
A Beautiful Bike Ride 2021**
(18th place in the world)

3.

3rd **the most vegan-friendly city
in Europe**, 6th in the world
- on HappyCow 2020 ranking

1.

1st place in **Access City 2020** organised by
European Commission and European
Disability Forum as the most friendly city
in Europe for people with disabilities

QUALITY OF LIFE IN NUMBERS

Culture and recreation:

- 98 museums and art galleries;
- 37 theatres and music institutions;
- 32 cinemas;
- 3,500 restaurants;
- over 1m sq m of commercial retail space;
- 308 outdoor gyms;
- 56 swimming pools and 16 ice rinks;
- 6 beaches along the banks of the Vistula;
- water trams and ferries on the Vistula, canoes and water skis.

Public transport:

- 2nd capital city in Europe in terms of the share of public transport in city travel, 87% of citizens express positive opinion on Public Transport Authority (Warsaw Barometer 2019);
- 2 metro lines, 3 lines of Szybka Kolej Miejska, 301 bus lines with approx. 1,880 vehicles (including over 230 hybrid and electric buses);
- investments for over PLN 6.9bn in public transport and infrastructure (2017-2025);
- 26 tram lines with over 410 trams;
- 83% of city residents consider Warsaw as bicycle-friendly city;
- 4,500 city bikes; 300 bike stations;
- 3rd largest electric car system in carsharing in Europe (500 cars).



BIKE PATHS

over
715 km



GREEN AREAS

40%

FACTS & FIGURES

NUMBER OF STUDENTS



222,152

NUMBER OF GRADUATES



48,352

NUMBER OF UNIVERSITIES



68

AIRPORT - DISTANCE TO THE CITY CENTRE



9.8 km

AIRPORT - NUMBER OF PASSENGERS



7.5m (2021)

BSS SECTOR - NUMBER OF CENTRES



321

BSS SECTOR - NUMBER OF EMPLOYED



**over
70,000**

RATING | **A-**

RATING
AGENCY

Fitch

OFFICE MARKET WARSAW

H1 2022



EXISTING STOCK
6.27m sq m



SUPPLY UNDER CONSTRUCTION
251,000 sq m



VACANCY RATE
11.9%



NEW SUPPLY
129,000 sq m



TAKE-UP
480,000 sq m

In the first half of 2022, in line with market expectations, only 129,000 sq m of modern office space was completed in Warsaw. This was some 42% less than in 2021's corresponding period. In Q2 2022, only two office schemes were completed: Intraco Prime (12,800 sq m, PHN) and SKYSAWA B (22,800 sq m, PHN). As a result, Warsaw's total office stock surpassed 6.27m sq m at the end of June 2022.

It should be noted that Warsaw is currently recording the lowest volume of office space under construction for a decade, and investor decisions to start new construction in the Warsaw market are being increasingly put on hold.

In June 2022, little more than 251,000 sq m of office space was identified as being under construction. It is worth noting that this figure is some three times lower than the average supply under construction recorded over the last five years. Only 112,000 sq m of this space is planned for delivery by the end of 2022, with the remaining space to be delivered in 2023 and 2024. The downward trend in the amount of space under construction and the holding off on new constructions may lead to a supply deficit in the coming years.

More than 60% of the supply under construction is centrally located. The largest developments under construction

are Varso Tower (69,000 sq m, HB Reavis) and The Bridge (46,800 sq m, Ghelamco), which are scheduled for completion in July 2022 and the end of 2024 respectively.

Looking at the demand side of the office market, the first half of 2022 gives cause for optimism in the upcoming quarters, as the take-up volume since the beginning of the year reached almost 480,000 sq m - up over 92% compared to the first half of 2021. Furthermore, from April to June 2022, lease agreements were signed in Warsaw for more than 212,000 sq m, giving a take-up 51% higher than in 2021's corresponding period. The largest deal signed in Q2 2022 was Samsung Electronics Polska's renegotiation agreement in the Warsaw Spire C building for over 21,000 sq m. Another two large agreements were concluded in Karolkowa Business Park (9,850 sq m, KOWR) and Warsaw Financial Centre (9,500 sq m, confidential tenant from the IT sector).

The central zone was invariably the most popular destination for tenants in H1 2022, accounting for nearly 72% of leased space. Służewiec and the Jerozolimskie Corridor came second and third with more than 10% and 8% share of the leased space volume. Almost half of the six-month take-up came in new leases (over 48%), with 31% of that in pre-let deals. Renegotiations (36.5%) were the second most significant contract type. Expansions accounted for just over 10.5%.

The high volume of signed leases, coupled with the relatively low new supply,

SELECTED SCHEMES UNDER CONSTRUCTION

VARSO TOWER

- 69,000 sq m
- Q3 2022
- HB Reavis

P180

- 32,000 sq m
- Q3 2022
- Skanska

LAKESIDE

- 23,900 sq m
- Q4 2023
- Atenor

Total office space Completion date Developer / Owner

STANDARD LEASE TERMS IN NEW BUILDINGS



SERVICE CHARGE
PLN/SQ M/MONTH
16-29

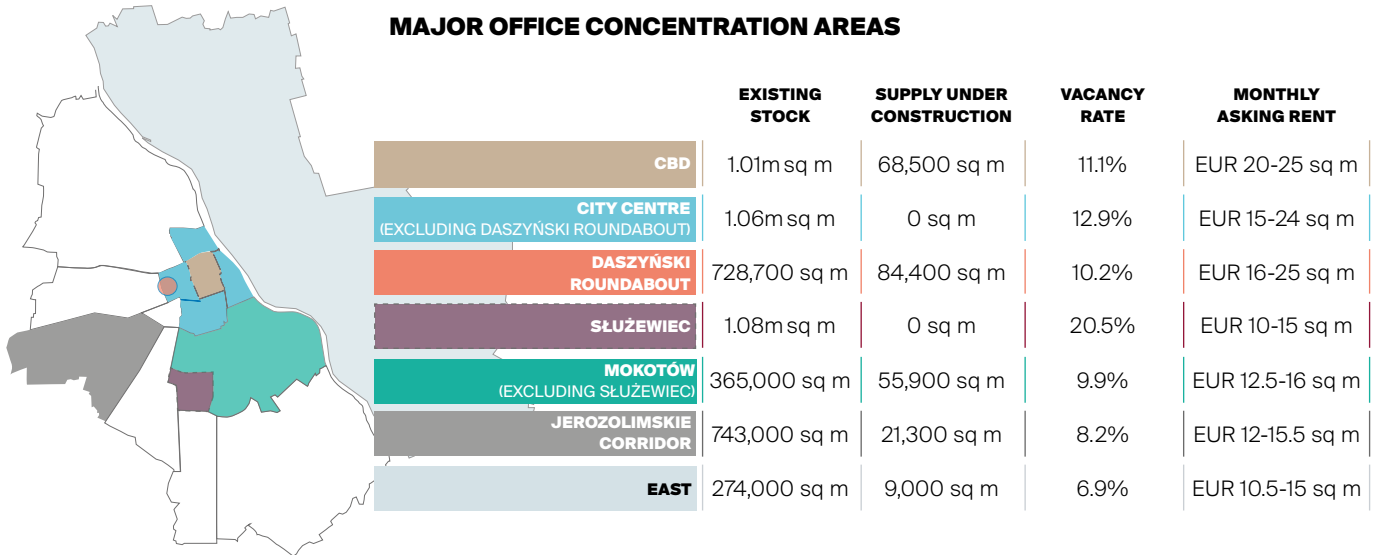


RENT-FREE PERIOD
7-10 months



FIT-OUT BUDGET
EUR/SQ M
200-750

MAJOR OFFICE CONCENTRATION AREAS



contributed to a decrease in the vacancy rate and thus the amount of available office space. At the end of Q2 2022, there was approximately 748,000 sq m of modern office space in Warsaw available for immediate lease and the vacancy rate stood at 11.9%. Compared to the end of Q1 2022, the rate had decreased by 0.3 pp. (down 0.6 pp y-o-y). Office space availability rates had indeed fallen in most of the key districts, with the exception of Służewiec, where the vacancy rate reached a record high of more than 20.5%.

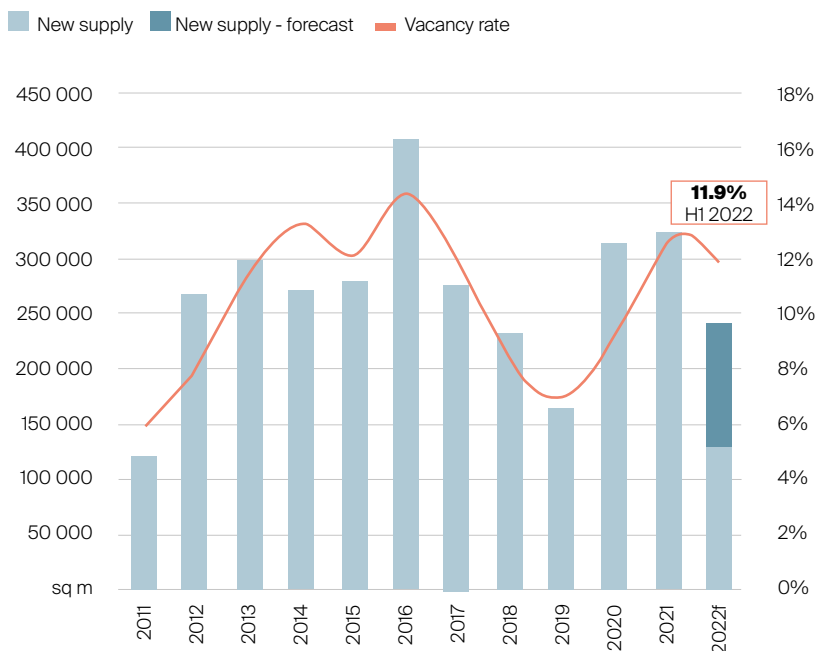
Asking rents for office space in Warsaw remained stable in the first half of 2022. In prime office buildings in the Central Business District, monthly rents were offered at a level of EUR 20-25/sq m. In other central locations, the asking rents ranged from EUR 15 to EUR 24/sq m/month. Rates offered outside the city centre varied between EUR 10 and EUR 16/sq m/month.

It should be noted, however, that asking rents in buildings under construction and scheduled for completion in the

coming years may be higher due to rising construction costs (an increase in the prices of construction materials and labour costs) as well as growing construction loan costs. There is, furthermore, a noticeable increase in operating costs due to ongoing rises in the prices of services and utilities.

TRENDS

ANNUAL SUPPLY AND VACANCY RATE



f-forecast based on schemes under construction

Developers are postponing commencements of new developments scheduled for 2022 due to rising construction costs and the cost of financing new projects.

Tenant activity has been increasing for the last few months. Growing tenant interest in office space looks set to continue in the upcoming quarters; despite their openness to new working models, companies' desire for office space is not declining.

If tenant activity in the coming quarters remains strong then, combined with the relatively low level of new supply expected in 2022, the vacancy rate may decline further.

A high availability of office space implies an expectation for increased tenant interest in rental rate renegotiation and a growing desire for incentives from tenants. That said, rising construction costs (due to increases in the prices of building materials and labour costs), and growing construction loan costs may effectively inhibit investor openness towards negotiation, particularly in new buildings. In all buildings, however, an increase in operating rates is expected, due to ongoing increases in the prices of services and utilities.

HR PERSPECTIVE

Michael Page

CLEAR CANDIDATE EXPECTATIONS

The research conducted by Michael Page has proven that as far as job advertisements are concerned, candidates are chiefly interested in the location of their prospective job – as confirmed by 59% of the respondents. The type of contract (47%) and the job title (44%) have been ranked second and third, respectively. **Such aspects as wages (37%) and the level of the position of interest (24%) came a lot lower on the list.** Apparently, candidates also pay close attention to the name of the company (19%), and the date when a given job offer was published (18%).



Despite the popularity of home office, as many as 6 of 10 respondents first look at the address of their potential employer when looking through job offers. This means that candidates care about a well-connected and often prestigious location. We can assume that for many people remote work is a very convenient alternative, but sometimes their home is simply unable to replace the amenities offered by a modern and comfortable office, which many people would like to keep using. As a result, those employers who offer candidates a hybrid solution will certainly appear more attractive on the labour market.

The Michael Page study has also revealed what sort of information candidates miss in job offers. **Almost nine out of ten (88%) respondents believe that job advertisements should contain information about the company's organisational culture, i.e. the principles and values that a given business adheres to.** A similar percentage of those surveyed (87%) would like to know the salary range, while 69% have shown real interest in the benefits package. These findings prove how mature candidates are these days, as their expectations towards employers are crystal clear. In addition, they are consistent with the general trends that dominate the labour market, such as employees' increasingly higher financial expectations, the growing importance of well-being in the workplace, or potential employers' engagement in CSR.



THE JOB MARKET OF THE IT SECTOR AT A GLANCE

The labour market in the IT industry remains very dynamic, and we do not expect major slowdowns in this sector in the nearest future.

Today's trends in IT world have created excellent conditions for contracting services. These days, specialists prefer B2B cooperation, as it gives them greater freedom of work – especially in terms of the place and time of performing their professional duties, as well as higher earnings. IT employees still most frequently opt for the home office model, even those whose specificity of work in the pre-Covid world consisted in clients coming to their office. Candidates, especially those interested in contracting, are more likely to go for remote work, even if their clients are based in the same town.



The IT industry has been witnessing an invariably steady increase in wage levels. Wage reports that look at wage rates from the previous year turn out to be inadequate to the market trends that prevail in 2022.

Despite the constantly growing financial expectations, the availability of experts on the recruitment market is going down. Candidates manage to find a new job very quickly. Time pressure and the competitiveness of offers push companies looking for IT specialists to eventually hire candidates even with exorbitant expectations.

Companies most often rely on IT specialists in middle and senior positions, which means that they spend less time, and thus less money, on onboarding new staff. Especially in the case of contracting, employers tend to go for cooperating with more experienced experts who, in the case of short-term contracts, make a greater contribution to the design work.

TOP 3 MOST DESIRED POSITIONS BY EMPLOYERS IN 2021:

1.

JAVASCRIPT DEVELOPER

2.

JAVA DEVELOPER

3.

SOFTWARE TESTER

THE RATES BELOW REGARD DEVELOPERS (JAVASCRIPT DEVELOPER, AND JAVA DEVELOPER):

JUNIOR (2-3 YEARS)	80-120 PLN/h
MIDDLE (3-5 YEARS)	130-170 PLN/h
SENIOR (5+ YEARS)	160-200 PLN/h

THE FOLLOWING RATES REGARD SOFTWARE TESTERS:

	JUNIOR (2-3 YEARS)	MIDDLE (3-5 YEARS)	SENIOR (5+ YEARS)
MANUAL TESTER	60-100 PLN/h	70-120 PLN/h	120-150 PLN/h
AUTOMATION TESTER	80-120 PLN/h	130-170 PLN/h	160-200 PLN/h

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Warsaw has a lot to offer both for tourists and those who are thinking about staying here as residents, investing, opening a branch of your company or starting new business. For the investors we offer:

- individual approach;
- assistance at every stage of the investment, including the organization of reference visits;
- administrative support;
- providing necessary information on available public aid.