

Prepared
in cooperation with



Michael Page

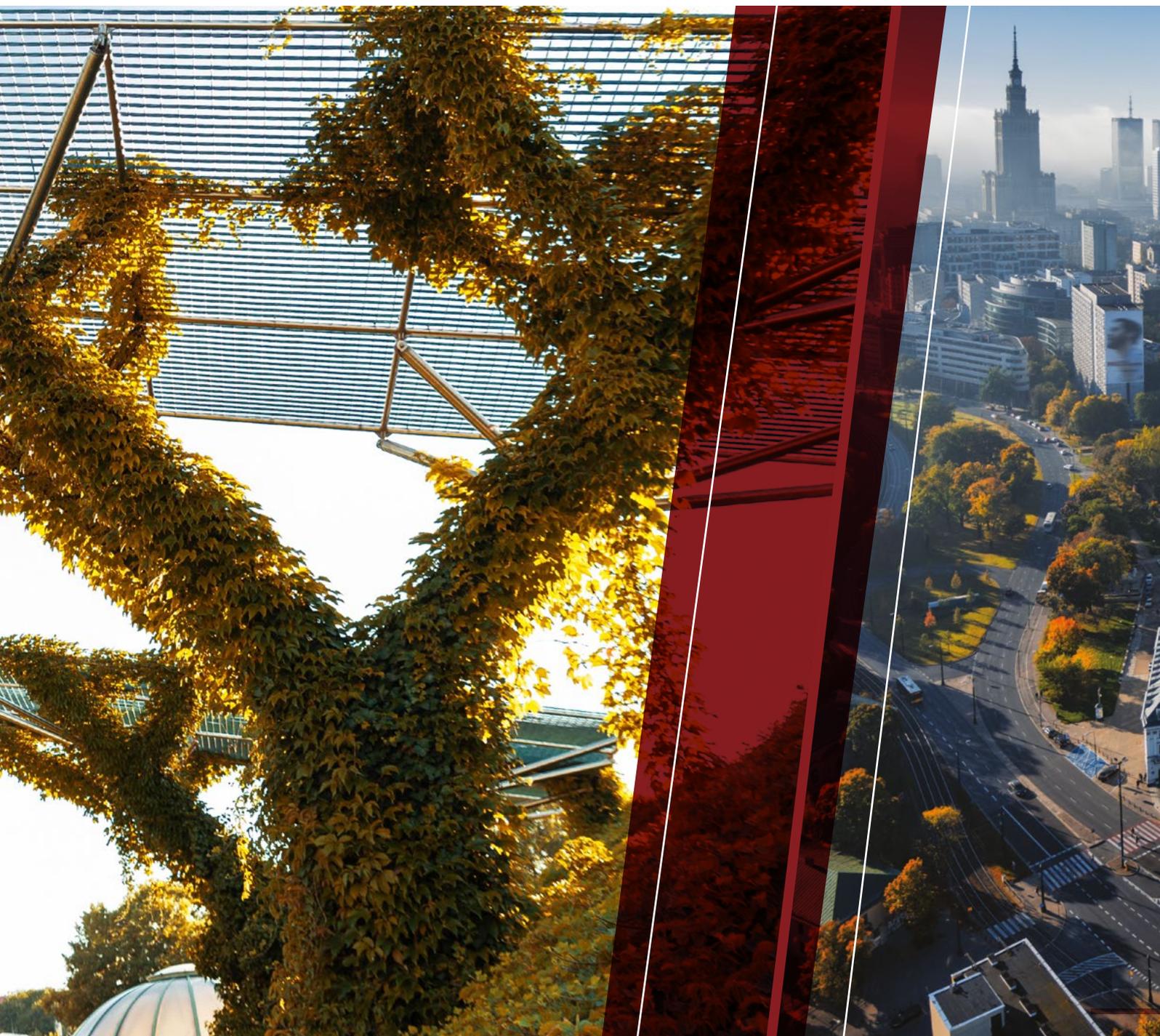


WARSAW

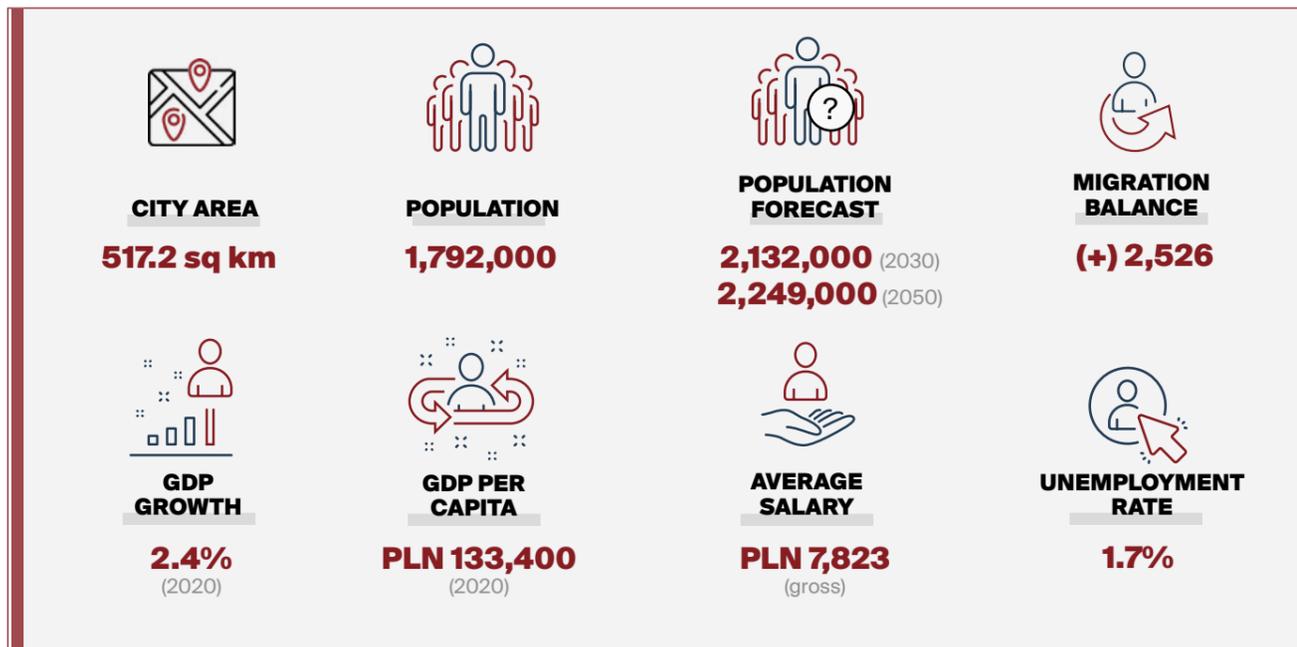
City attractiveness and office market

Q3 2022

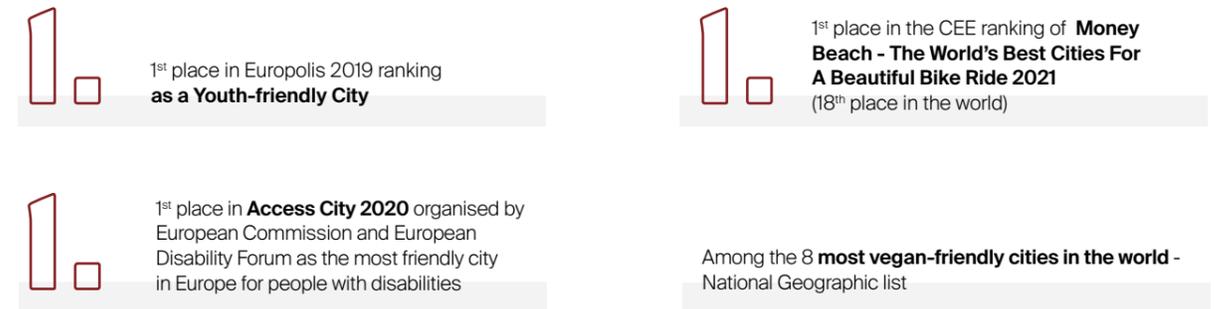
knightfrank.com.pl/en/research



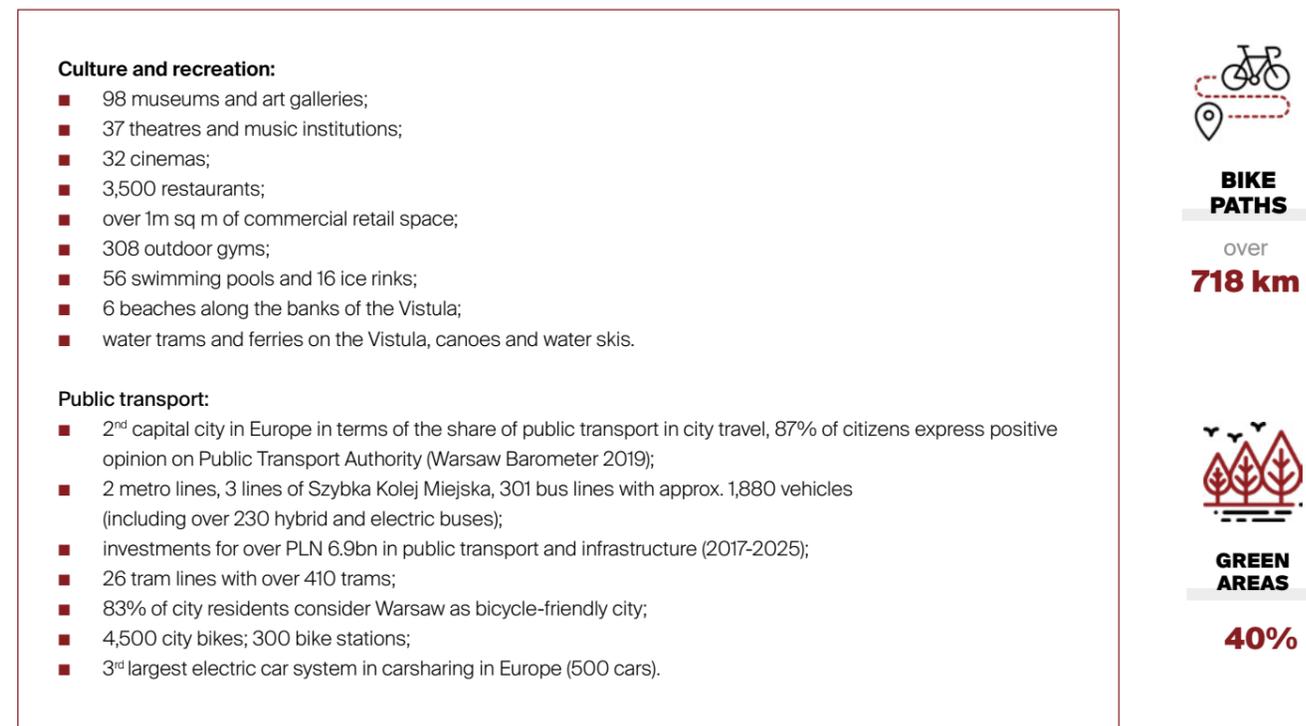
CITY ATTRACTIVENESS WARSAW



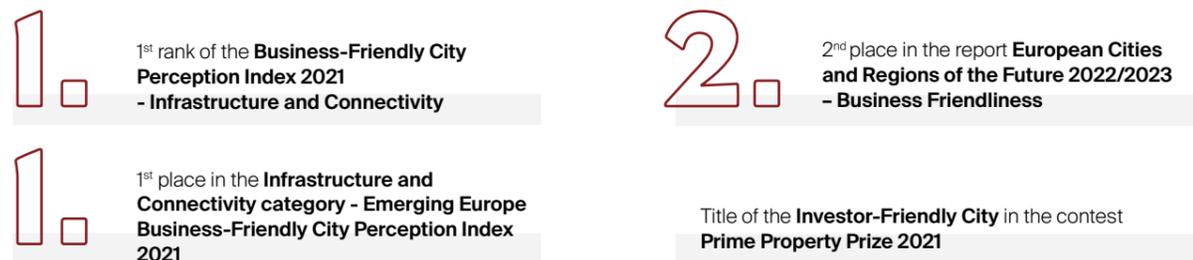
QUALITY OF LIFE RANKINGS



QUALITY OF LIFE IN NUMBERS



INVESTMENT ATTRACTIVENESS RANKINGS



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.

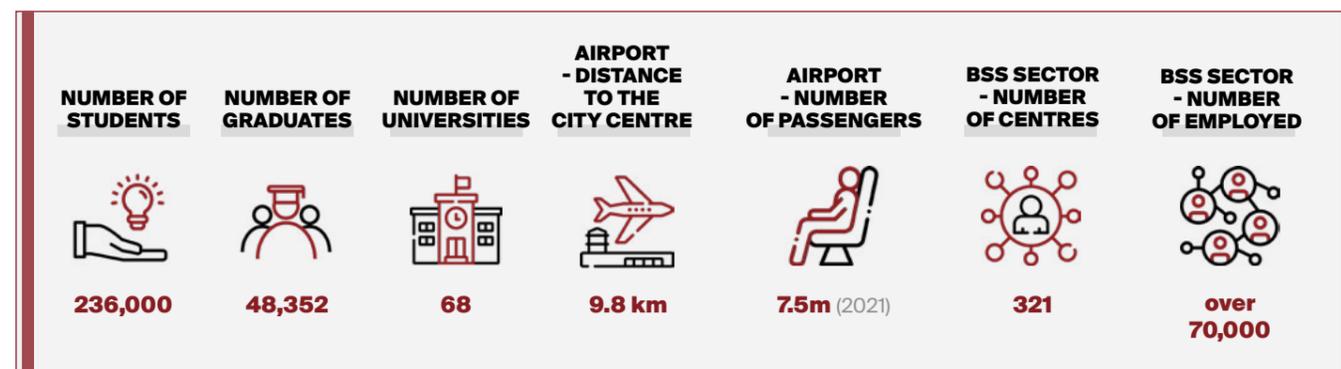
Recruitment activities:

- 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.

FACTS & FIGURES

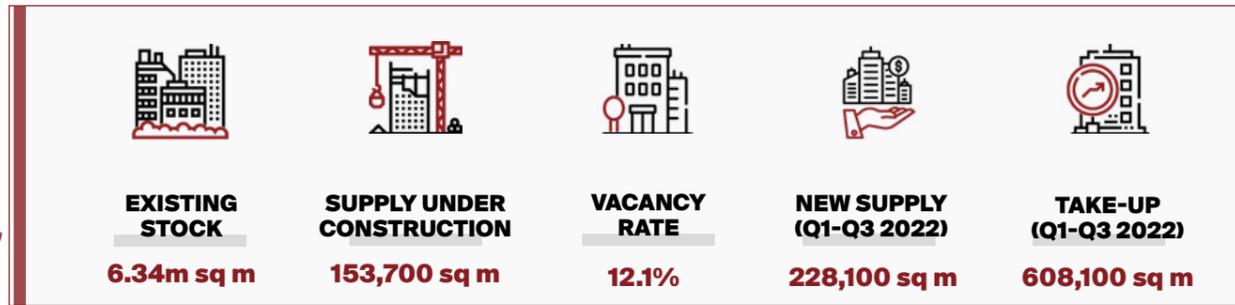


RATING **A-**

RATING AGENCY **Fitch**

OFFICE MARKET WARSAW

Q3 2022



The first three quarters of 2022 brought more than 228,000 sq m of new space to the Warsaw office market, almost 25% down on the result for 2021's corresponding period. In Q3 2022, three office schemes were completed: Varso Tower (63,800 sq m, HB Reavis); P180 (32,000 sq m, Skanska); Poleczki 32 (3,300 sq m, PID Polska). As a result, the capital's modern office stock has increased to 6.34m sq m.

Once again, Warsaw recorded the lowest volume of office space under construction for a decade, with investor decisions to start new projects increasingly being put on hold. At the end of Q3 2022, there were only 153,700 sq m of modern office space

under construction in the capital, over four times less than the average supply under construction recorded over the previous five years. 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. Only around 7,000 sq m of office space is planned to be delivered by the end of 2022, with the remaining space to be delivered to the market between 2023 and 2025. More than 60% of the supply under construction is centrally located. The largest such developments are The Bridge (47,000 sq m, Ghelamco) and LIXA D and E (28,000 sq m, Yareal).

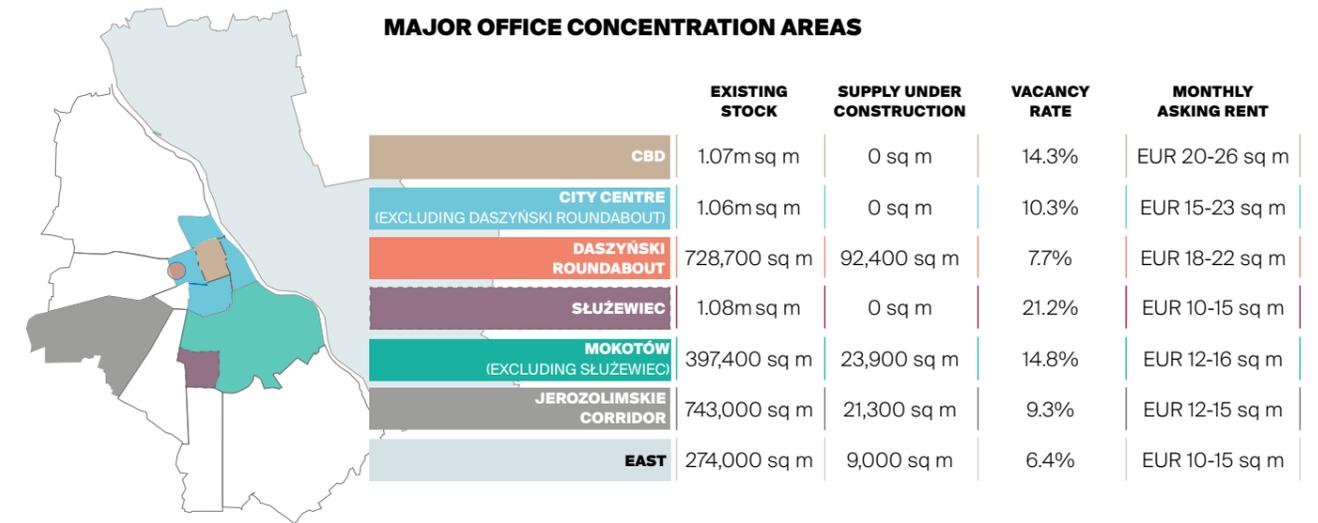
From July to September 2022, lease

agreements were signed for nearly 129,000 sq m. Although Q3 2022 witnessed a decrease in tenant activity compared to the previous quarter, it brought leases signed since the beginning of 2022 to more than 608,000 sq m, an increase of around 53% compared to the same period in 2021.

More than half (52%) of the total lease volume of Q1-Q3 2022 were new contracts, of which pre-lets were just 23%. Renegotiations, at over 38%, came next, with expansions, at just 9%, accounting for the remainder. It is worth noting that a change in the structure of take-up has become noticeable in recent years. Compared to the pre-pandemic period, the share of renegotiations has increased (from an average of 30% in the years before the pandemic to around 40% during and after the pandemic), while a significant decrease has been recorded in new agreements (from an average of 60% before pandemic to an average of 50% after pandemic).

The city centre was invariably the most popular destination for tenants in Q3 2022, accounting for nearly 35% of leased space. In second and third places were Służewiec and the Central Business District, with 20% and 19% of the share respectively.

Due to the high volume of new supply delivered to the capital's market between July and September 2022, as well as a lower demand for office space than in Q2 2022, the vacancy rate increased to 12.1%. At the end of September 2022, there was approximately



770,200 sq m of modern office space available for immediate lease in Warsaw. Compared to the end of Q2 2022, the rate had increased by 0.2 pp, although there was a decrease of 0.3 pp compared to the corresponding period of 2021. The highest vacancy rate was again observed in Służewiec - 21.2%. In central areas of Warsaw it was 11.1% (down 0.5 pp q-o-q), while in non-central zones it was 13% (up 0.8 pp q-o-q).

A slight increase in asking rents was

noticeable in the capital's office market. In prime office buildings in the Central Business District, monthly rents were offered at a level of EUR 20-26/sq m/month. In other central locations, rates were in the range of EUR 15-23 sq m/month, while outside the city centre they varied between EUR 10 and EUR 16/sq m/month.

Over the same period, rents in buildings under construction and scheduled for completion in the coming years are

expected to be higher than current asking rents owing to rising construction costs (due to increases in the prices of construction materials and labour costs) as well as rising construction loan servicing costs. There is still a noticeable ongoing increase in service charges due to the continuing increase in the prices of services and utilities, which at the end of September 2022 were in the range of PLN 17 to 30 sq m/month.

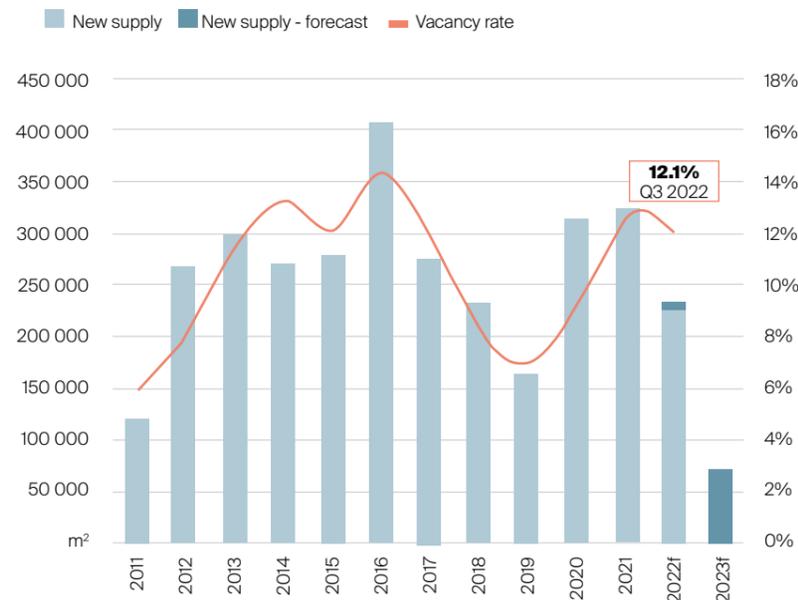
SELECTED SCHEMES UNDER CONSTRUCTION

THE BRIDGE	LAKESIDE	THE PARK WARSAW 9
47,000 sq m	23,900 sq m	12,500 sq m
2025	Q4 2023	2023
Ghelamco	Atenor Group	White Star Real Estate
Total office space	Completion date	Developer / Owner

STANDARD LEASE TERMS IN NEW BUILDINGS

SERVICE CHARGE PLN/SQ M/MONTH	RENT-FREE PERIOD	FIT-OUT BUDGET EUR/SQ M
17-30	7-10 months	200-750

ANNUAL SUPPLY AND VACANCY RATE



f-forecast based on schemes under construction

Source: Knight Frank

TRENDS

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

Tenant activity remains high. It is possible that take-up will return to pre-pandemic levels by the end of 2022. The demand structure, however, is changing, with more renegotiations and fewer new contracts being signed than pre-pandemic.

If take-up remains at a high level until the end of the year and the supply expected for 2022 remains relatively low, the vacancy rate is expected to decrease significantly.

Rising construction costs (due to increases in the prices of building materials and labour costs), and growing construction loan servicing costs may effectively inhibit investor openness towards negotiation, particularly in new buildings. In all buildings, however, an increase in operating costs is expected, stemming from ongoing increases in the prices of services and utilities.

HR PERSPECTIVE

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

CONTACT IN POLAND:

+48 22 596 50 50
www.knightfrank.com.pl

COMMERCIAL AGENCY WARSAW

T-REP Piotr Borowski
piotr.borowski@pl.knightfrank.com

STRATEGIC CONSULTING EMEA

Marta Sobieszczak
marta.sobieszczak@pl.knightfrank.com

CAPITAL MARKETS

Krzysztof Cipiur
krzysztof.cipiur@pl.knightfrank.com

INDUSTRIAL AGENCY

Michał Kozdrój
michal.kozdroj@pl.knightfrank.com

RESEARCH

Elżbieta Czerpak
elzbieta.czerpak@pl.knightfrank.com

VALUATION & ADVISORY

Małgorzata Krzystek
malgorzata.krzystek@pl.knightfrank.com

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.

© Knight Frank Sp. z o.o. 2022

**Knight Frank Research
Reports are available at
www.knightfrank.com.pl/
en/research/**

This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank to the form and content within which it appears.

PARTNER OF THE PUBLICATION:**CONTACT IN CITY
COUNCIL'S OFFICE:**

GrowWithWarsaw.um.warszawa.pl
growwithwarsaw@um.warszawa.pl

**CONTACT:**

www.michaelpage.pl
contact@michaelpage.pl

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.