Strong cities

City attractiveness, office market, HR trends

Q4 2023

The office market sentiment, the investment potential of the city and the labour market.

knightfrank.com.pl/en/research

Prepared in cooperation with

ARAW Agencja Rozwoju Aglomeracji Wrocławskiej

Michael Page

Wrocław

City area
293 sq km

Population
674,100
(31.12.2022, GUS)

Population forecast
611,359 (2030)
577,658 (2050)

Migration balance
(+) 1.4 (12.2021)

Unemployment rate
1.6%
(12.2023, GUS)

GDP growth
8.5%

GDP per capita
PLN **104,360**
(gross)

Average salary (gross)
PLN **8,163.59**
(in the business sector, 12.2023, GUS)

Investment attractiveness

Rankings

Intel, the world's largest microprocessor manufacturer, **will invest nearly PLN 20bn in its factory in Miękinia near Wrocław.** This is the largest foreign investment in the history of Poland.

1 ST PLACE in fDi's **Mid-Sized European Cities of the Future 2024 - Overall**

1 ST PLACE in fDi's **Mid-Sized European Cities of the Future 2024 - Business Friendliness**

1 ST PLACE in **„Polish Startups 2023"** complied by the Startup Poland Foundation

1 ST PLACE in fDi's **Mid-Sized European Cities of the Future 2024 - Human Capital and Lifestyle**

4 TH PLACE in fDi's **Mid-Sized European Cities of the Future 2024 - FDI Strategy**

4 TH PLACE in fDi's **Mid-Sized European Cities of the Future 2024 - Economic Potential**

WROCŁAW - rising star among technology hubs – No. 1 in Poland, No. 2 in Europe, No. 8 in the world, according to the „The next generation of tech ecosystems" report compiled by Dealroom

Investment incentives

"One stop shop" - Investment process support from the Wrocław Agglomeration Development Agency.

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

1 ST PLACE **in the classification of a place for doing business** according to the subjective ranking by managers, ABSL **report 2023**

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

Drivers of ICT development in the Wroclaw Agglomeration

Based on the analysis of historical signals of change, the results of the quantitative survey and the conclusions of the research workshop organized as part of the work on the report 'Digital Co-creation and other scenarios for the future', 8 factors affecting the ICT industry in the Wroclaw Agglomeration have been defined.

- Committed and inclusive ICT community operating at the interface of business, education, and administration. Focus on cooperation, openness and exchange of competencies helps build innovativeness in the Wroclaw Agglomeration.
- Designing the integrated, complete and friendly urban space in the Wroclaw Agglomeration to satisfy the needs of diverse groups of residents and workers.
- Creating programmes and initiatives supportive of careers in the ICT industry for a diverse workforce. Systemic solutions addressing challenges related to the employment of people with different backgrounds, genders and demographic profiles support the building of diverse teams in the ICT sector.
- Development of local enterprises, investors and workers thanks to end-to-end support models. The Wroclaw Agglomeration builds a good growth environment for enterprises and implements the strategy based on the needs of residents and enterprises.
- Building a flexible strategy of the Wroclaw Agglomeration, supportive of urban resilience and helping to respond quickly to unexpected external factors.
- Diversification of educational paths and models. The possibility to use various sources of knowledge in the area of ICT industry technologies.
- Creation of technology solutions positively impacting and responding to the needs of various recipients. Implementation of the technology created in the Wroclaw Agglomeration for the benefit of local interested parties.
- Attractive support instruments for investors, considering the development of the Wroclaw Agglomeration. The public administration builds facilities so that investing in business in the Wroclaw Agglomeration both supports the needs of businesses and benefits the agglomeration and its residents.

Bike paths
406 km

Green areas
120 sq km

Facts & Figures

Number of students
106,555

Number of graduates
27,320

Number of universities
29

Airport - distance to the city centre
10 km

Airport - number of passengers
3,891,553 (2023)

BSS sector - number of centres
215

BSS sector - number of employed
63,421

RATING AGENCY | **Moody's**

RATING | **A-**

Wrocław

Q4 2023

Existing stock
1.35m sq m

Supply under construction
66,000 sq m

Vacancy rate
18.2%

New supply (2023)
76,000 sq m

Take-up (2023)
166,000 sq m

Standard lease terms in new buildings

Service charge
PLN/sq m/month
16.00-31.00

Rent-free period
1.5 month
for each contract year

Fit-out budget
EUR/sq m
450.00-550.00

Wrocław, after Warsaw and Kraków, is the third largest office market in Poland, with a stock of over 1.35m sq m, constituting over 10% of the total modern office space in Poland.

The office space take-up in Wrocław rose for the fifth consecutive year, reaching 165,500 sq m in 2023. This marked the second-highest level in the city's history, only slightly behind the 2017 record of 170,000 sq m leased. Despite this robust take-up, the vacancy rate increased to 18.2% due to the substantial addition of new office space to the market over the previous two years. However, with a decrease in the amount of office space under construction and the anticipation of stable occupier demand, the upward trend in the vacancy rate is expected to end.

SUPPLY

As of the end of 2023, the total office stock in Wroclaw reached 1.35m sq m. About one-fifth of the existing supply in the city is situated in the historical city centre, while a quarter is located in adjacent areas around the centre. In 2023, a substantial 76,000 sq m was introduced to the market, representing the highest annual new supply since 2020 and making up 29% of the total volume of space delivered to the market in regional cities during that period.

Currently, developer activity has decreased, and the amount of office space under construction has reduced to 66,000 sq m, with over half of this amount set to be delivered to the market in 2024. The largest buildings under construction include the 18,200 sq m Quorum Office Park A by Cavatina Holding, the 16,000 sq m Swobodna I by Echo Investment, and the 13,621 sq m B10 by Vastint Poland.

TAKE-UP

The take-up for office space in Wroclaw remains strong. In 2023, tenants leased nearly 165,500 sq m of office space, which is 23,000 sq m more than in 2022 and only 4,500 sq m less than the record year of 2017. This figure is the second highest among regional cities and accounts for 22% of the total transaction volume recorded outside Warsaw, indicating the strong position of Wroclaw on the office map of Poland.

The largest share in the take-up structure consisted of new agreements, representing over 52% of the total volume of leased office space, while renegotiations accounted for nearly 43%. There has been a noticeable drop in expansions. The results of over 10% in the years 2019-2021 declined to only 5% of the total volume in 2023.

VACANCY RATE

The high take-up has absorbed much of the new supply. However, the significant amount of new office space brought to the market in 2018 and 2019 caused vacancy rates to increase to over 15%, a level that has remained elevated until today. By the end of 2023, the vacancy rate reached 18.2%, which is 1.0 pp higher than in Q3 and 2.6 pp higher than at the end of 2022. However, the reduced rate of new supply planned for 2024 and the expected stable demand for office space may positively influence the vacancy rate in the coming quarters.

RENTS

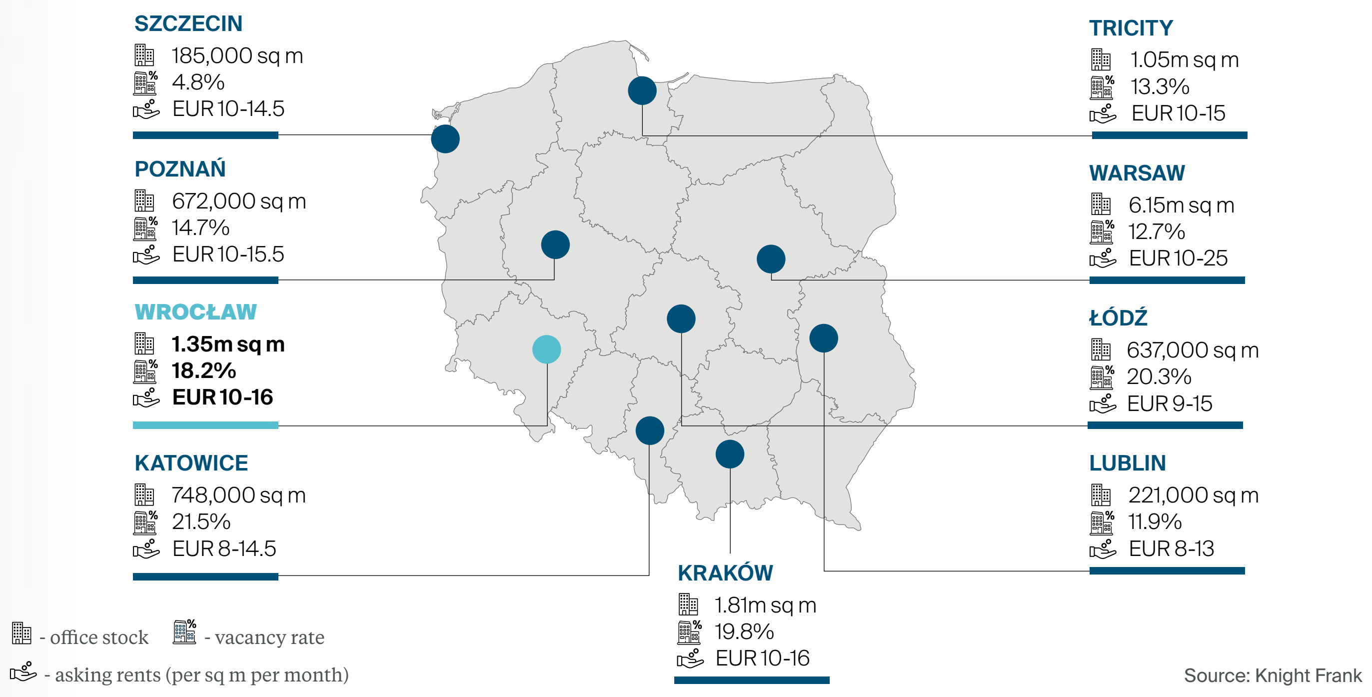
Asking rents in Wroclaw at the end of 2023 remained stable compared to the previous quarter, ranging from EUR 10.00 to 16.00/sq m/month, depending on the location and standard of the building.

Service charges, after significant increases in the cost of utilities over the past two years, remained stable in Q4 2023 compared to the previous quarter and typically ranged from PLN 16.00 to 31.00/sq m/month.

Office market in Poland

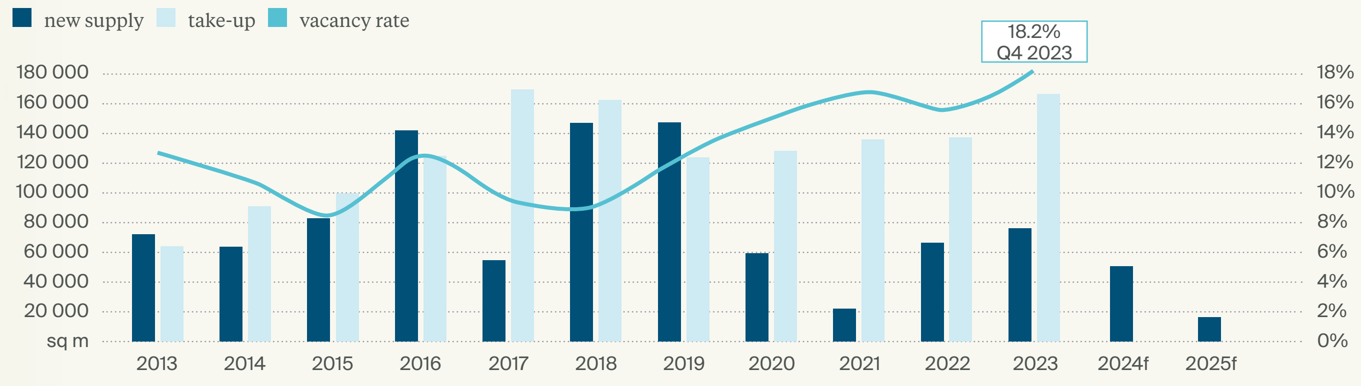
Q4 2023

Existing stock	New supply (2023)	Take-up (2023)	Supply under construction	Vacancy rate
12.9m sq m	**342,000** sq m	**1.5m** sq m	**534,000** sq m	**14.1%**



Source: Knight Frank

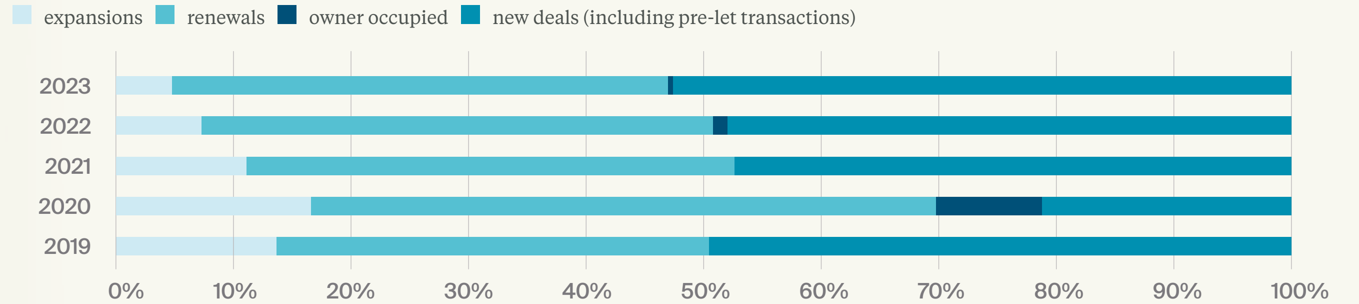
Annual new supply, take-up and vacancy rate in Wrocław



f-forecast based on schemes under construction

Source: Knight Frank

Take-up structure in Wrocław



Source: Knight Frank

Michael Page

Businesses keep a sharp lookout for effective leaders - as highlighted by the Michael Page 2024 Guide to Salaries and Trends in the Labour Market

The current decade is a time of transformation in the business world. ESG and DE&I are gaining momentum. At the same time, the impact of modern technologies is growing, with primary focus placed on artificial intelligence. There is also a clear change in the attitudes of employees, who prioritise work-life balance. All this proves the far-reaching metamorphosis of workplace culture.

Employees expect businesses to be committed to and actively involved in ESG, as well as in Diversity, Equity & Inclusion. These days, candidates tend to combine their ultimate decision of whether or not to join a given organisation with the thought of whether they identify with the values of their prospective employer.

Indeed, artificial intelligence has become an intrinsic feature of work in many sectors. Staff in various positions use AI tools to optimise their daily tasks. The development of this particular technology is also associated with the creation of more and more new positions in many teams.

Having said that, given the employee's market, we can see a far-reaching transformation of the workplace culture. Candidates stress the need for better work-life balance, which they prioritise over professional success. This explains why so many employees are reluctant to give up the more flexible working hours or hybrid work model that the pandemic has made possible.

In the face of these changes, businesses need effective leaders who can attract and retain talent within an organisation. The last months of 2023, however, revealed that the quality of leadership in the new reality is sometimes insufficient. The leadership skills deficit is a major challenge that organisations have to face up to if they want to operate efficiently in the ever-changing business environment.

For more information on the market analyses, forecasts for 2024, and the overall structure of salaries across 9 sectors the structure of wages in 9 sectors, please see the report A Guide to Salaries and Trends in the Labour Market. The publication was prepared by experts from Michael Page.

The ins and outs of the labour market in the IT Contracting sector in Poland

Following the outbreak of the pandemic, there was a surge in demand for IT products and services, with increased recruitment needs for companies. In 2023, the number of projects in the area of new technologies has been lower, and thus the number of recruitment processes has returned to the levels known before the pandemic. Representatives of the sector actively observed the development of artificial intelligence during this time, trying to anticipate its impact on the IT labour market. Due to the partial slowdown in demand for new technologies, global giants decided to reduce employment. However, Poland was still seen as a location worth setting up technology hubs and recruiting IT experts.

Cloud solution experts were invariably of great interest to employers. Companies also sought software developers, in particular those specialising in programming languages such as Java and Python. Employers were also very interested in specialists in the areas of ERP and big data.

Candidates, on the other hand, were more reserved about the prospect of changing jobs. They paid attention to the opportunities for development in the new company, taking into account currently implemented and planned projects, the technologies used, as well as the employer's offer to subsidise training courses. A person changing a job could usually count on a salary approximately 10 20% higher than the current one.

Average salary increases at companies were on a similar level. Those specialising in cyber security, cloud solutions, software development and data science gained the most in this respect. In 2023, there was an increase in companies accepting remote working only to a limited extent. Younger companies in particular, still building their corporate culture, were interested in having employees in the office at least on selected days of the week.

TOP 3

Most desirable positions in the IT sector:

1 **IT Business Analyst:**
PLN 20,000 – 24,000
gross/monthly

2 **BI Developer:**
PLN 18,000 – 23,000
gross/monthly

3 **SAP Implementation Consultant:**
PLN 23,000 – 27,000
gross/monthly

Contacts

in Poland

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

RESEARCH
Dorota Lachowska
dorota.lachowska@pl.knightfrank.com

COMMERCIAL AGENCY - WROCŁAW
L-REP Anna Patrzyk-Sperzyńska
anna.patrzyk-sperzynska@pl.knightfrank.com

T-REP Maciej Moralewicz
maciej.moralewicz@pl.knightfrank.com

CAPITAL MARKETS
Krzysztof Cipiur
krzysztof.cipiur@pl.knightfrank.com

VALUATION & ADVISORY
Małgorzata Krzystek
malgorzata.krzystek@pl.knightfrank.com

STRATEGIC CONSULTING EMEA
Marta Sobieszczak
marta.sobieszczak@pl.knightfrank.com

INDUSTRIAL AGENCY
Przemysław Jankowski
przemyslaw.jankowski@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, Lublin, Szczecin) and PRS sector in Poland. Long-term presence in major local markets has allowed our research team to build in-depth expertise of socio-economic factors affecting real estate market in Poland.

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

PARTNER OF THE PUBLICATION:

Wroclaw Agglomeration Development Agency

CONTACT TO WROCLAW AGGLOMERATION DEVELOPMENT AGENCY:
araw@araw.pl

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.

CONTACT:

Bogumiła Siwiec
Executive Manager

+48 607 299 533
bogumilasiwiec@michaelpage.pl

www.michaelpage.pl