Prepared in cooperation with Centrum Business in Małopolska, Michael Page

Knight Frank

KRAKÓW

City attractiveness and office market

2021

knightfrank.com.pl/en/research

KRAKÓW

FACTS & FIGURES

CITY AREA	POPULATION	POPULATION FORECAST	MIGRATION BALANCE
327 sq m	**780,800**	**756,470** (2025)	**(+) 2,032** (2020) **(+) 880** (Q1 2021)

GDP GROWTH	GDP PER CAPITA	AVERAGE SALARY	UNEMPLOYMENT RATE
8.4%	**PLN 93,753**	**PLN 7,193.17** (gross / 11.2021)	**3.0%** (11.2021)

INVESTMENT ATTRACTIVENESS

1. RANKINGS INDICATING THE INVESTMENT ATTRACTIVENESS OF THE CITY

1. 1st place in the national **„Business-friendly cities 2021”** ranking, conducted by Forbes magazine (among cities with between 300,000 and 999,000 inhabitants).

10. 10th place in the business-friendliness category, in the **fDi Tier 2 Cities of the Future 2020/21** ranking.

20. 20th position (up 5 places on the previous year) in the **TOP 100 Super Cities** list in the Tholons Global Innovation Index 2021.

7. 7th place in the business-friendliness and economic potential category, in **fDi's European Cities and Regions of the Future** 2020/21.

The title of **Award in „Municipality for 5!” and the title of „Golden Municipality for 5!”** in the 2020/21 edition of the ranking prepared by the Student Scientific Association of Acceleration, on behalf of the Institute of Entrepreneurship at the Warsaw School of Economics.

In the top 25 of the international **Tech Cities of the Future 2020/21** ranking by fDi and TNW.

2. INVESTMENT INCENTIVES

- Incentive programs offered to investors by the local government.
- Tax relief for R&D.
- IP Box.
- Assistance under the EU Funds.
- Polish Investment Zone - income tax exemption.
- Real estate tax exemption.
- Government Investment Support Program grants.
- Support for business environment institutions - incl. Business in Małopolska Center.

QUALITY OF LIFE

3. RANKINGS ON THE QUALITY OF LIFE IN THE CITY

1. 1st place in the OVO Network and expatriateconsultancy.com 2021 ranking as **the best place to work remotely**.

2. 2nd place in the **Water City Index 2021** - a national ranking of water efficiency in cities.

3. 3rd in Europe and 5th place in the world **in Husqvarna Urban Green Space Index** (HUGSI). The list was created on the basis of satellite images and the share of green areas in metropolises.

1. 1st place for Jagiellonian University **in 22nd College Ranking by Perspektywy 2021.**

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

- Multifaceted actions aimed at reducing the use of high-emission solid fuels in heating installations in order to improve air quality.
- Supporting investments in public transport - systematically modernized tram and bus fleet (for example investments in hybrid and electric buses).
- Modernisation, development and improvement of the road system in Kraków (Park and Ride parkings, flyovers, road junctions).
- Actively promoted Civic Budget supporting local initiatives of residents.
- City-supported cultural events and festivals. The development of sports infrastructure (swimming pools, sports halls, bicycle paths) provides wide and easy access to sports and recreational facilities.
- The expansion of the sports infrastructure (swimming pools, sports halls, bicycle paths) provides a wide and easy access to sports and recreational facilities.
- Investments under the Municipal Revitalization Program of Kraków in the areas of Stare Podgórze-Zabłocie, Stare Miasto-Kazimierz, Nowa Huta.
- Implementation of the program of active participation of young people in the life of the city „Young Kraków 2.0".
- Modern congress and event infrastructure, e.g. ICE Kraków Congress Centre (37,000 seats), TAURON Arena Kraków (15,000 seats and 9,000 standing places).

BIKE PATHS

258 km

GREEN AREAS

203.7 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
130,428 (2020)	**32,881** (2020)	**19** (2020)	**11 km**	**~ 3m** (2021) **~ 8.5m** (2019)	**247**	**82,100**

RATING **A-** (STABLE OUTLOOK)

RATING AGENCY **S&P**

OFFICE MARKET

KRAKÓW

Q4 2021

EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	NEW SUPPLY (2021)	TAKE-UP (2021)
1.6m sq m	190,000 sq m	16.1%	60,700 sq m	156,000 sq m

Almost 60,700 sq m in 8 projects of new supply was delivered in Kraków in 2021, less than half the figure for the previous year (140,000 sq m). Total stock in the capital of Małopolska exceeded 1.61m sq m, maintaining the city's leader status among regional markets. The largest completed investments in 2021 were Tertium Business Park III (B) with an area of 13,350 sq m, and Equal Business Park D (11,650 sq m), both opened in H1 2021.

Additionally, at the end of December 2021 over 190,000 sq m was identified as under construction, of which more than a half is set to be delivered in 2022. At the end of 2021, the largest projects under construction were Ocean Office Park B with an area of nearly 28,600 sq m (Cavatina Holding), and Kreo (24,000 sq m, Ghelamco Poland).

Between January and December 2021 take-up volume reached almost 156,000 sq m - the highest result among regional cities. This take-up remained at a level comparable to the figure for 2020. It was, however, much lower than the 2019 pre-COVID-19 pandemic level, when almost 270,000 sq m were leased. In 2021 the largest share in the take-up came in new contracts (over 92,000 sq m, of which pre-lets were 26%). Renewals accounted for 34% of total take-up, and expansions 6%.

Despite the small amount of new space delivered in 2021, weakened tenant activity resulted in an increase in the vacancy rate to 16.1% (an increase of 0.9 pp. q-o-q and 2.1 pp. y-o-y). Comparing the availability of vacant space to other regional cities, Kraków had the second highest vacancy rate after Wrocław.

Asking rents in Kraków at the end of 2021 ranged from EUR 10.50 to EUR 17.00 / sq m / month and remained stable despite the weaker economic climate in the office sector. The high availability of office space, along with demand not matching supply, suggest tenants will take an interest in renegotiating rent rates and seeking incentive packages. On the other hand, rising construction costs (an increase in building material prices and labour costs), coupled with an increase in construction loan costs, may limit investor openness towards lease negotiations, especially in new buildings. In all projects, however, an increase in service charges is to be expected, due to the ongoing increases in the price of services and cost of utilities.

SELECTED SCHEMES UNDER CONSTRUCTION

Scheme	Total office space	Completion date	Developer / Owner
MK29	11,000 sq m	Q1 2022	Caishen Capital Group
THE PARK CRACOW I	12,500 sq m	Q1 2022	White Star Real Estate
OCEAN OFFICE PARK B	28,600 sq m	Q4 2022	Cavatina Holding
KREO	24,100 sq m	Q1 2023	Ghelamco Poland
MOGILSKA 35	11,000 sq m	Q2 2023	Warimpex

STANDARD LEASE TERMS IN LARGE SCALE, NEW BUILDINGS

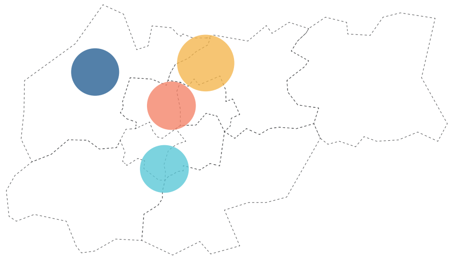
SERVICE CHARGE PLN/SQ M/MONTH	RENT-FREE MONTHS	FIT-OUT BUDGET EUR/SQ M
15-18	5-8 months	380-500

SELECTED COWORKING OPERATORS IN KRAKÓW:

At Office | Business Link | Wirtualne Biuro | City Space | Regus | Rise.pl |

MAJOR OFFICE CONCENTRATION AREAS

	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
NORTH WEST	166,400 sq m	0 sq m	10.3%	EUR 11-13.5/sq m
NORTH EAST	389,000 sq m	10,400 sq m	14.6%	EUR 11-14/sq m
CITY CENTRE	330,900 sq m	77,500 sq m	16.7%	EUR 13-17/sq m
SOUTH	658,000 sq m	77,200 sq m	12.3%	EUR 10.5-14.5/sq m



MAJOR REGIONAL CITIES

KRAKÓW, WROCŁAW, TRICITY, POZNAŃ, KATOWICE, ŁÓDŹ

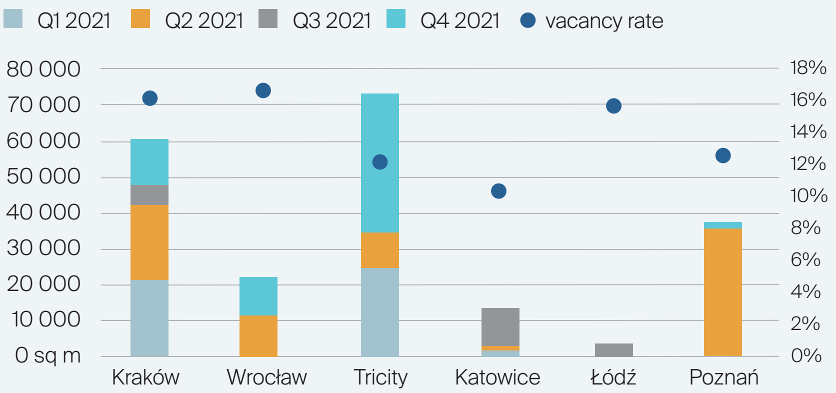
Q4 2021

6.04m sq m	226,300 sq m	594,500 sq m	910,000 sq m	853,650 sq m
EXISTING STOCK	NEW SUPPLY (2021)	TAKE-UP (2021)	SUPPLY UNDER CONSTRUCTION	AVAILABLE SPACE

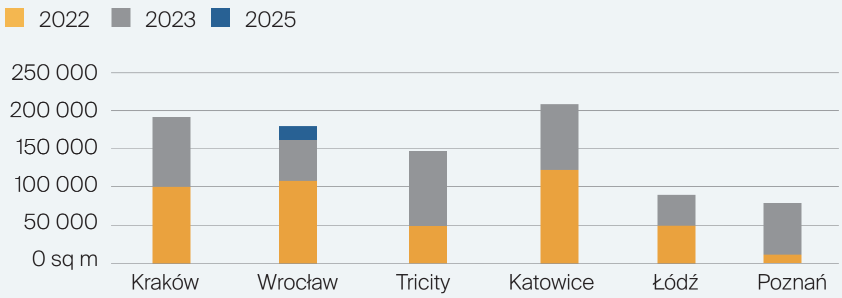
KRAKÓW COMPARED TO MAJOR REGIONAL CITIES

As the largest regional office market, Kraków is an attractive choice for both investors and tenants due to the wide range of office space on offer in existing projects and those under construction. Furthermore, Kraków's office market saw the highest volume of lease transactions among the six largest regional cities in 2021. The expected high new supply in 2022 may attract new companies to Kraków and encourage existing tenants to stay in the city.

NEW SUPPLY AND VACANCY RATE (2021)

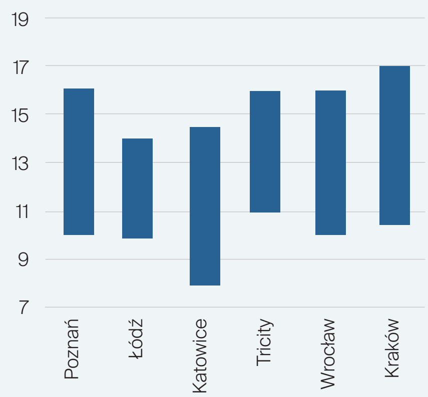


SUPPLY UNDER CONSTRUCTION BY COMPLETION YEAR (2021)

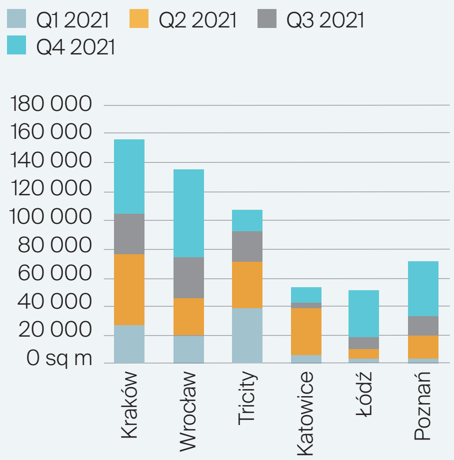


ASKING RENTS (2021)

(EUR/sq m/month)



TAKE-UP VOLUME (2021)



POLAND

FP&A
– SPECIALISTS AND MANAGERS

It looks like Financial Planning and Analysis (FP&A) is becoming one of the most popular financial functions currently placed in business centres on a massive scale. Once the accounting functions have proved their undeniable quality and effectiveness, companies have started looking for the same assets in financial analysis, planning and broadly understood controlling – apparently with outstanding results. Here, gross monthly wages of specialists start at PLN 11,000 and tend to go up to PLN 15,000–16,000, while managers can expect as much as PLN 17,000–25,000. What is more, additional benefits seem to be more and more a stock-in-trade of modern businesses with company cars for the managerial staff becoming common practice.

AVERAGE SALARY:

SPECIALIST	MANAGER
PLN 11,000 - 15,000 gross	**PLN 17,000 - 25,000 gross**

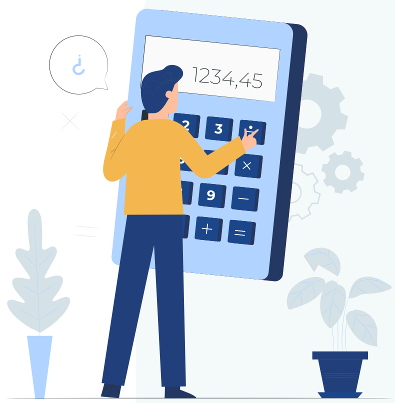
CUSTOMER SERVICE – ONE OF THE MOST "CAPACIOUS" FUNCTIONS PLACED IN BUSINESS CENTRES ACROSS POLAND

Customer service has become to a much lesser extent than before a simple "call centre" that solves the basic problems of customers, or the staff of the parent company. These days, it is more and more often geared towards advanced roles that revolve around the sale of products and services or its support, after-sales service, or second or third customer support lines tasked with the handling of more complex matters. Here, the wages of specialists are strongly correlated with the level of the required foreign language, which in a vast majority of cases makes them "language-dependent" roles. This means that the core competence actually lies in an excellent command of the language of the country or region where a person is going to work. Experienced candidates can expect a monthly salary ranging from PLN 7,000 gross (for those who know English only) to PLN 9,000–10,000 (for those who know other Western European languages, such as German, Italian, French, Spanish, as well as Scandinavian languages), or even all the way up to PLN 11,000–12,000 in the case of extremely niche languages – though gaining more and more popularity – such as Chinese, Arabic, or Hebrew.

AVERAGE SALARY:

SPECIALIST WITH ENGLISH LANGUAGE	SPECIALIST WITH A WESTERN EUROPEAN LANGUAGE	SPECIALIST WITH A NICHE LANGUAGE
PLN 7,000 - 9,000 gross	**PLN 9,000 - 10,000 gross**	**PLN 11,000 - 12,000 gross**

TAXES AND REPORTING



Accounting done in business centres no longer rests on plain transaction roles, which increasingly more often end up in Asian SSCs nowadays, but above all on such areas as intercompany, statutory, tax, compliance, or reporting. The successful centralisation of these functions has encouraged more and more companies to include this service in the portfolio of the services provided in the business centre, and to further penetrate this area within the already existing structures. In fact, these roles are often not dependent on the knowledge of foreign languages other than English, which allows you to recruit excellent specialists who can still be found in rather satisfying numbers on the Polish job market. Monthly wages in this sector start from PLN 8,000 gross for those with basic experience and can reach PLN 14,000–15,000 gross for accomplished experts with extensive expertise and additional certifications.

AVERAGE SALARY:

JUNIOR	SPECIALIST
PLN 8,000 gross	**PLN 14,000 - 15,000 gross**

The source of the salaries and information presented is internal Michael Page data obtained during 2021 recruitment interviews with candidates and employers.

CONTACT IN POLAND:
+22 596 50 50
www.knightfrank.com.pl

RESEARCH
Elżbieta Czerpak
elzbieta.czerpak@pl.knightfrank.com

CONTACT IN KRAKÓW:
Monika Sułdecka-Karaś
monika.suldecka@pl.knightfrank.com

COMMERCIAL AGENCY - OFFICE
L-REP **Janusz Garstka**
janusz.garstka@pl.knightfrank.com

T-REP **Monika Sułdecka-Karaś**
monika.suldecka@pl.knightfrank.com

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

PROPERTY MANAGEMENT
Izabela Miazgowska
izabela.miazgowska@pl.knightfrank.com

PROPERTY MANAGEMENT COMPLIANCE
Magdalena Oksańska
magdalena.oksanska@pl.knightfrank.com

PROJECT MANAGEMENT
Urszula Łuszpińska
urszula.luszpinska@pl.knightfrank.com

VALUATION & ADVISORY
Grzegorz Chmielak
grzegorz.chmielak@pl.knightfrank.com

STRATEGIC CONSULTING EMEA
Marta Sobieszczak
marta.sobieszczak@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.

Raporty Knight Frank dostępne są na stronie
knightfrank.com.pl/badanie-rynku/

© Knight Frank Sp. z o.o. 2022

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 TO BUSINESS IN MAŁOPOLSKA CENTRE:
contact@businessinmalopolska.pl
www.businessinmalopolska.pl

The Business in Małopolska Center is a joint initiative of the Małopolska Region, Małopolska Regional Development Agency and the Krakow Technology Park, which offers an integrated system of servicing investors and exporters, it also provides ongoing information services to entrepreneurs about external sources of financing of investment and export activities.

CONTACT:

www.michaelpage.pl
contact@michaelpage.pl