Prepared in cooperation with

KRAKÓW

City attractiveness and office market

H1 2022

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CITY ATTRACTIVENESS

KRAKÓW

CITY AREA
327 sq km

POPULATION
782,100
(December, 2021, GUS)

POPULATION FORECAST
756,470
(2025)

MIGRATION BALANCE
(+) 2,525 (2021, GUS)
(+) 880 (H1 2021)

GDP GROWTH
8.4%

GDP PER CAPITA
PLN 93,753

AVERAGE SALARY
PLN 8,115
(gross)

UNEMPLOYMENT RATE
2.6%
(May, 2022, GUS)

INVESTMENT ATTRACTIVENESS

RANKINGS

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)

1. 1st place in the large cities **category for business friendliness** and 2nd in **human capital and lifestyle** in the European Cities and Regions of the Future 2022/2023 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

4. 4th place in the overall ranking of **European Cities and Regions of the Future 2022/2023** (including economic potential, business friendliness, transport connections, human capital and lifestyle, and cost effectiveness)

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

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

RANKINGS

1. **Best place to work remotely** as ranked by OVO Network and expatriateconsultancy.com in 2021

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

3. 3rd in Europe and 5th in the world in the ranking of the **world's greenest cities** created by Husqvarna Urban Green Space Index (HUGSI)

2. 2nd place in the category of **human capital and lifestyle** in the European Cities and Regions of the Future 2022/2023 ranking

QUALITY OF LIFE IN NUMBERS

- 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
over
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
130,000 (2020)	**32,900** (2020)	**19** (2020)	**11 km**	**~3m** (2021) **~8.5m** (2019)	**247**	**82,100**

OFFICE MARKET

KRAKÓW

H1 2022

EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	NEW SUPPLY	TAKE-UP
1.67m sq m	170,000 sq m	16.2%	47,700 sq m	109,000 sq m

At the end of June 2022, Kraków's office stock stood at nearly 1.67 million sq m, meaning the city maintained its leading position among regional markets. Office space increased by more than 47,700 sq m from the beginning of the year, accounting for more than 15% of the space delivered in regional cities in the first half of 2022. In Q2 2022, the Kraków office market was strengthened by projects such as MK29 (11,000 sq m, Caishen Capital Group), The Park Kraków I (11,800 sq m, White Star) and Rondo 1 Business Office (3,500 sq m, Howell).

In Kraków, more than 170,000 sq m of office space remains under construction and will be steadily delivered in the coming years. If developers meet their planned deadlines, 20% of the space under construction will be delivered to the market in 2022. The largest projects still under construction are Ocean Office Park B (28,600 sq m, Cavatina Holding) and Kreo (24,000 sq m, Ghelamco Poland).

In Q2 2022, tenants in the Kraków office market remained active, and the transaction volume reached nearly 74,000 sq m (up 51% y-o-y). It should be noted that this is the best result among the regional cities, accounting for 39% of the total transaction volume in in Q2 2022. New deals made up the largest share at over 58% (62% of which were pre-lets), while renegotiations accounted for nearly 41% of the volume. Expansions made up less than 1% of the volume of signed contracts. In the first half of the year, tenants leased almost 109,000 sq m of office space in Kraków.

Despite the high take-up, the vacancy rate at the end of Q2 2022 stood at 16.2% - the highest figure seen in the last 10 years (up 0.6 pp q-o-q and 0.7 pp y-o-y). This is the second highest figure among regional cities (behind Łódź).

Asking rents in Kraków at the end of June 2022 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. In all projects, however, an increase in service charges can be expected due to ongoing increases in the price of services and utilities.

SELECTED SCHEMES UNDER CONSTRUCTION

Scheme	Total office space	Completion date	Developer / Owner
BRAIN PARK	40,000 sq m	2023/2024	Echo Investment
THE PARK CRACOW II	13,500 sq m	Q1 2023	White Star Real Estate
OCEAN OFFICE PARK B	28,600 sq m	Q1 2023	Cavatina Holding
KREO	24,000 sq m	Q2 2023	Ghelamco Poland
MOGILSKA 35	11,000 sq m	Q3/Q4 2023	Warimpex

Total office space · Completion date · Developer / Owner

STANDARD LEASE TERMS IN NEW BUILDINGS

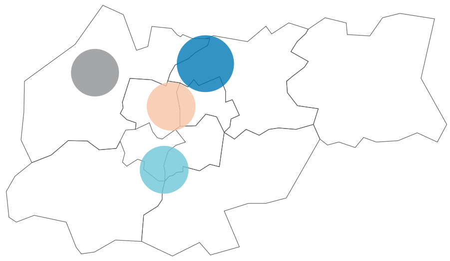
SERVICE CHARGE PLN/SQ M/MONTH	RENT-FREE PERIOD	FIT-OUT BUDGET EUR/SQ M
16-20	5-8 months	380-500

COWORKING OPERATORS IN KRAKÓW

At Office | BusinessLink | Wirtualne Biuro | City Space | Regus | Loftmill | New Work

MAJOR OFFICE CONCENTRATION AREAS

	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
CITY CENTRE	352,900 sq m	83,300 sq m	15.2%	EUR 12.5-16/sq m
NORTH EAST	400,600 sq m	0 sq m	13.8%	EUR 11-14.5/sq m
NORTH WEST	166,400 sq m	0 sq m	17.9%	EUR 11-14/sq m
SOUTH	666,100 sq m	73,200 sq m	12.9%	EUR 10-15/sq m



MAJOR REGIONAL CITIES

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

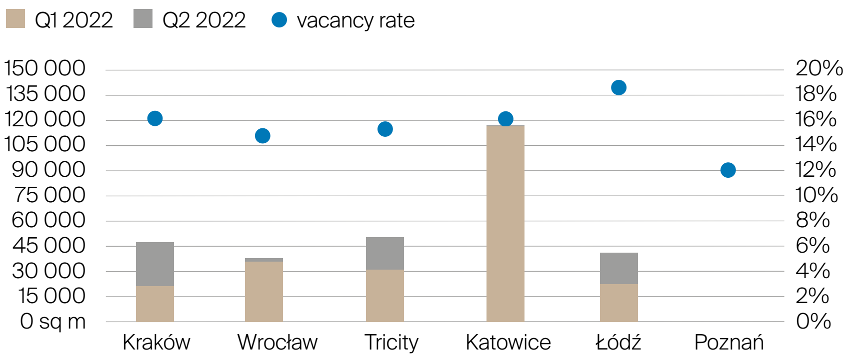
H1 2022

EXISTING STOCK	NEW SUPPLY	TAKE-UP	SUPPLY UNDER CONSTRUCTION	AVAILABLE SPACE
6.34m sq m	312,000 sq m	343,000 sq m	562,000 sq m	961,000 sq m

KRAKÓW AMONG THE MAJOR REGIONAL CITIES

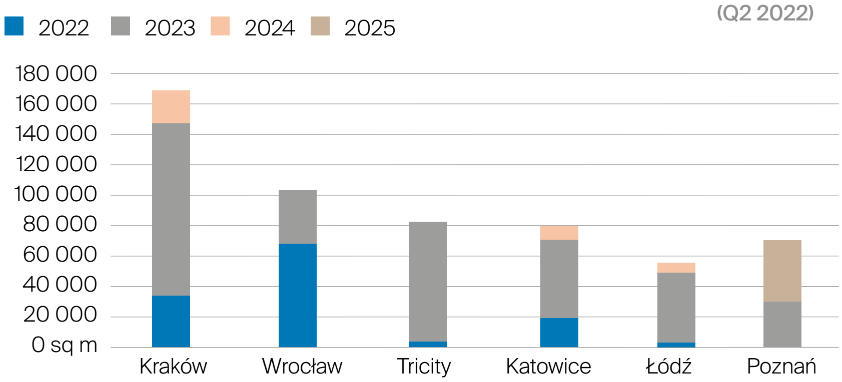
As the largest regional office market, Kraków is an attractive choice for both investors and tenants. This is due to the wide range of office space in existing buildings and projects under construction, and the highest volume of lease transactions among the six largest regional cities. 2022's expected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

NEW SUPPLY (H1 2022) AND VACANCY RATE (Q2 2022)



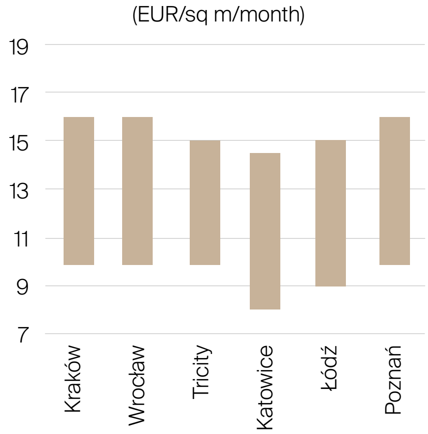
SUPPLY UNDER CONSTRUCTION BY COMPLETION YEAR

(Q2 2022)



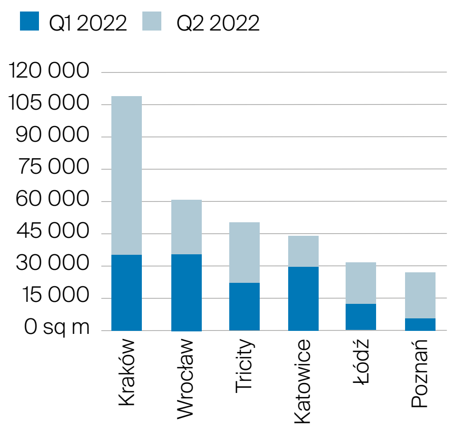
ASKING RENTS

(Q2 2022)



TAKE-UP VOLUME

(H1 2022)

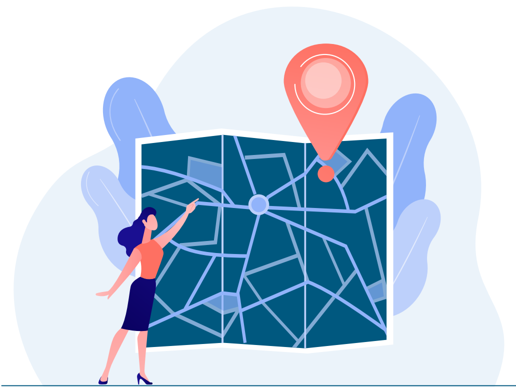


HR PERSPECTIVE

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%).



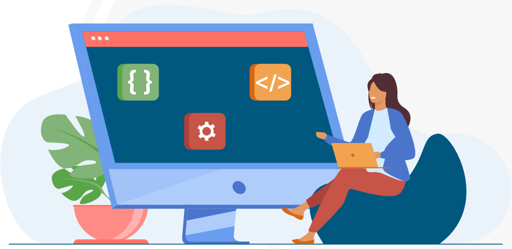
Despite the popularity of home office, as many as 6 of 10 respondents first look at the address of their potential employer when looking through job offers. This means that candidates care about a well-connected and often prestigious location. We can assume that for many people remote work is a very 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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