Prepared in cooperation with

Centrum Business in Małopolska | Michael Page | Knight Frank

KRAKÓW

City attractiveness and office market

Q1 2022

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CITY ATTRACTIVENESS

KRAKÓW

CITY AREA
327 sq km

POPULATION
780,800

POPULATION FORECAST
756,470 (2025)

MIGRATION BALANCE
(+) 2,032 (2020)
(+) 880 (H1 2021)

GDP GROWTH
8.4%

GDP PER CAPITA
PLN 93,753

AVERAGE SALARY
PLN 7,158
(gross)

UNEMPLOYMENT RATE
2.8%

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

OFFICE MARKET

KRAKÓW

Q1 2022

EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	NEW SUPPLY	TAKE-UP
1.64m sq m	197,000 sq m	15.6 %	21,400 sq m	31,100 sq m

At the end of Q1 2022, Kraków's office stock stood at just under 1.64m sq m, thanks to which the city maintained its leading position among regional markets. Two projects were delivered: High5ive III and Aquarius with a combined office space of over 21,000 sq m, accounting for less than 10% of the space delivered in regional cities in Q1 2022. Additionally, at the end of March, nearly 197,000 sq m of office space remained under construction, of which approximately 24% is expected to be completed in 2022. The remaining buildings are predominantly scheduled for completion in 2023. The largest projects under construction are: Brain Park (40,000 sq m, Echo Investment), Ocean Office Park B (28,600 sq m, Cavatina Holding) and Kreo (24,100 sq m, Ghelamco Poland).

In Q1 2022, tenants in the Kraków office market remained active compared to other regional cities. From January to March 2022, the volume of office space transactions was higher than in the corresponding quarter of 2021, reaching nearly 31,100 sq m (an increase of 16% y-o-y). This is the second highest result, accounting for 20% of the total signed transaction volume in regional cities. In Q1 2022, new leases accounted for the largest share of total take-up, representing nearly 90% of total take-up (of which 6% were pre-let). Renegotiations in existing buildings contributed 10% of the transaction volume.

The sizeable take-up and relatively low new supply resulted in a decline in the vacancy rate to 15.6% (a decrease of 0.5 pp q-o-q). Nevertheless, the rate is at a notably high level compared to the levels of available space in Kraków in recent years.

Asking rents in Kraków at the end of March 2022 ranged from EUR 10.00 to EUR 16.50/sq m/month, while in the most prestigious locations office space was offered at EUR 17.00/sq m/month. Pressure from tenants to renegotiate rents and incentive packages can be expected in coming quarters due to the very 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 effectively inhibit investor openness towards negotiation, particularly in new buildings. In all projects, however, an increase in operating rates can be expected, due to an ongoing increase in the prices of services and utilities.

SELECTED SCHEMES UNDER CONSTRUCTION

	Total office space	Completion date	Developer / Owner
BRAIN PARK	40,000 sq m	2023/2024	Echo Investment
THE PARK CRACOW II	12,500 sq m	2023	White Star Real Estate
OCEAN OFFICE PARK B	28,600 sq m	Q1 2023	Cavatina Holding
KREO	24,100 sq m	Q1 2023	Ghelamco Poland
MOGILSKA 35	11,000 sq m	Q2 2023	Warimpex

STANDARD LEASE TERMS IN NEW BUILDINGS

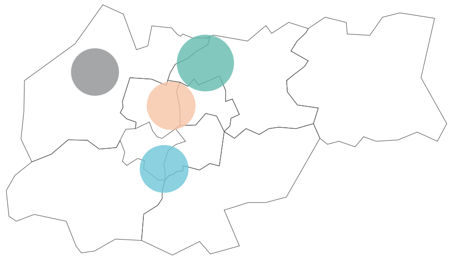
SERVICE CHARGE PLN/SQ M/MONTH	RENT-FREE PERIOD MONTHS	FIT-OUT BUDGET EUR/SQ M
15-19	5-8 months	380-500

COWORKING OPERATORS IN KRAKÓW

At Office | BusinessLink | Wirtualne Biuro | City Space | Regus | Rise.pl |

MAJOR OFFICE CONCENTRATION AREAS

	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
CITY CENTRE	342,000 sq m	96,500 sq m	15.8%	EUR 12.5-16.5/sq m
NORTH EAST	400,000 sq m	0 sq m	14.1%	EUR 11-14.5/sq m
NORTH WEST	166,400 sq m	0 sq m	12.7%	EUR 11-14/sq m
SOUTH	663,000 sq m	75,300 sq m	11.9%	EUR 10-14.5/sq m



MAJOR REGIONAL CITIES

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

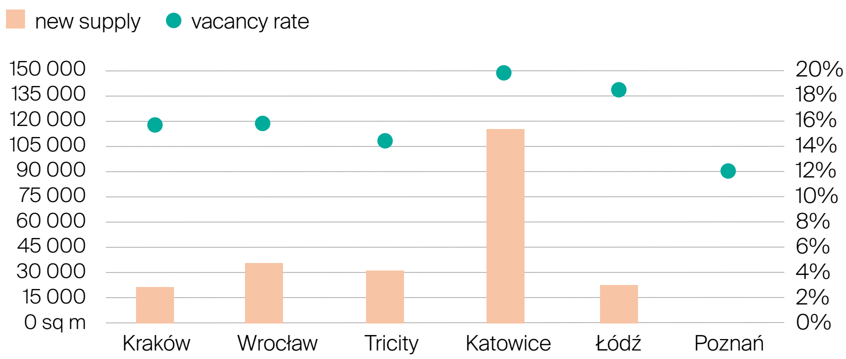
Q1 2022

EXISTING STOCK	NEW SUPPLY	TAKE-UP	SUPPLY UNDER CONSTRUCTION	AVAILABLE SPACE
6.27m sq m	243,500 sq m	153,500 sq m	673,900 sq m	970,100 sq m

KRAKÓW AMONG THE MAJOR REGIONAL CITIES

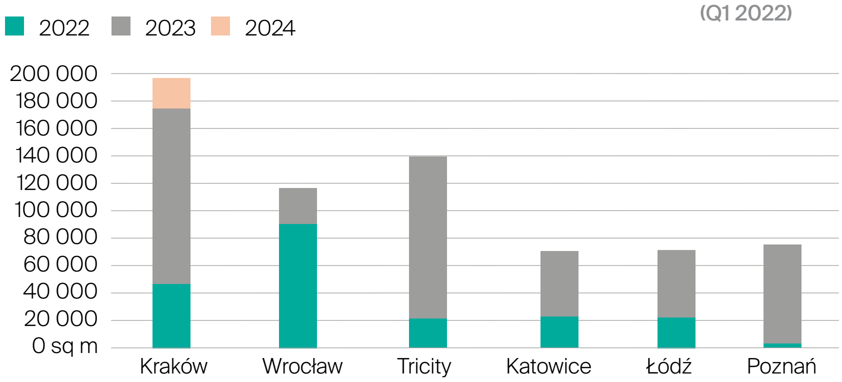
As the largest regional office market, Kraków is an attractive choice for investors and tenants. This is due to a wide range of office space in existing buildings and projects under construction, as well as one of the highest volumes of lease transactions among the six largest regional cities. The expected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

NEW SUPPLY AND VACANCY RATE (Q1 2022)



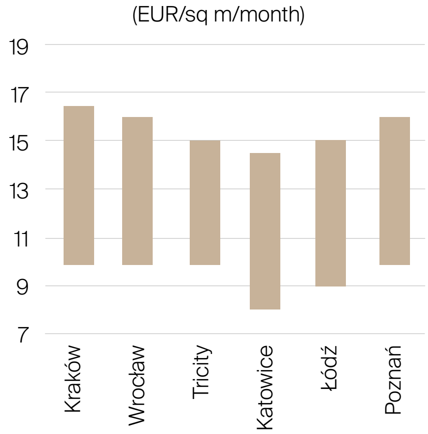
SUPPLY UNDER CONSTRUCTION BY COMPLETION YEAR

(Q1 2022)



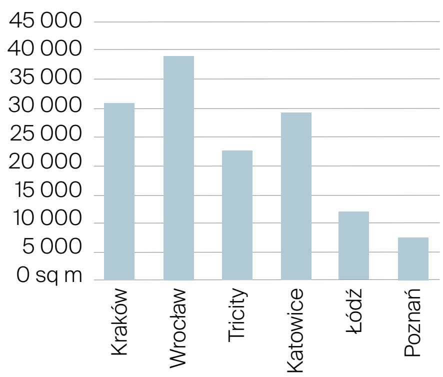
ASKING RENTS

(Q1 2022)



TAKE-UP VOLUME

(Q1 2022)



NEARLY HALF OF THE CANDIDATES HAVE CHANGED BUSINESS SECTORS SINCE THEY STARTED THEIR CAREER.

WHAT ARE THE STRATEGIES FOR PROFESSIONAL DEVELOPMENT IN THE MODERN LABOUR MARKET?

According to the Michael Page survey, Poles are getting more and more willing to avail themselves of a variety of opportunities for professional development. Almost half (47%) of the surveyed candidates have switched industries since they first embarked on their career, while only 10% of the respondents have never thought of changing jobs. Professional growth within one organisation is still a popular concept: 45% of respondents admitted that while working in the same company all the time, they were given a promotion.

POLES EMBRACE CHANGE QUITE EAGERLY

Career development strategies are changing really fast. Regardless of whether an employee is affiliated with just one organisation, changes his/her workplace, or even the whole industry – the times when professional success was defined by the stability of employment within one department or business enterprise are long gone. Recruitment company Michael Page has asked candidates how long they would be willing to remain in the same position before making a career move. More than a third (35%) pointed to a period of three to five years, the most common time frame being three years. **However, 40% of those surveyed admitted that the decision of whether or not to make a change depended on the dynamics of their company, suggesting that a flexible employer approach is necessary to plan effective promotion paths.**

MOTIVATION FOR CHANGE AT A GLANCE

Respondents have also been asked about their expectations when changing their position or profession. It turns out that the need for professional development is not the only factor that motivates job seekers. Many candidates want a sense of accomplishment in their professional lives. Nearly 39% of those surveyed want to work for a company that is strongly focused on achieving their goals, while 32% are looking for a career path that would be more in line with their values. **Certain duties and responsibilities of staff, backed by their personal interests, are also of key importance: in fact, for 41% of candidates, striking a work-life balance is a priority.**

THE JOB MARKET OF THE REAL ESTATE SECTOR AT A GLANCE

We are currently witnessing a clear recovery in the real estate sector, which is why most experienced candidates have no trouble finding a new job in this industry quite quickly. The turnover is at a moderate level and depends, among other things, on the organisation, scale of operation, number of projects, organisational culture, and management style. At the same time, we can see some major changes taking place in the commercial, warehouse, and residential real estate segment. The warehouse sector is experiencing a major boom, a trend that seems to have settled in for some time. Leaders are strengthening their positions, and new players and developers from other sectors are emerging – they have noticed the scale of the change and the growth opportunities, which is why they diversify their portfolios also based on warehouse investments. In the residential sector, there is a wave of mergers, acquisitions, and focus on PRS investments. Due to the high market demand, most developers have already signed contracts for the sale of their projects or are in the middle of finalising the transactions.

The greatest demand for candidates concerns those positions that are connected to the creation and acquisition of businesses, which is closely related to the already mentioned considerable growth of the warehouse and residential segment. Businesses are intensively looking for land managers, development managers, or leasing managers. Because the demand for candidates for these roles is bigger than the talent pool available on the market, recruiters need to get ready for trade-offs, which means having to offer higher wages, hiring candidates from other sectors, or engaging less experienced candidates and gradually enhancing their competences for a given position. Currently, the average recruitment process for specialist and lower-level managerial positions spans about one month. When it comes to senior managers and directors, the recruitment cycle for these positions is typically completed in a timespan of three months.

KRAKÓW TOP 3

THE MOST SOUGHT-AFTER JOBS IN REAL ESTATE & CONSTRUCTION

1.	2.	3.
PROJECT MANAGER	**CONSTRUCTION WORKS MANAGER**	**PROJECT MANAGER INDUSTRIAL**
PLN 15,000 – 18,000 gross	**PLN 10,000 – 14,000 gross**	**PLN 18,000 – 21,000 gross**

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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.

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PARTNER OF THE PUBLICATION:

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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.

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