

# Office market



Prepared  
in cooperation with



CENTRE  
Business in Małopolska

Michael Page

Q1 2023

City attractiveness, office market, HR trends

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**Kraków**

# Kraków

-  **City area**  
**327 sq km**
-  **Population**  
**802,800**  
(state of 30.06.2022)
-  **Population forecast**  
**756,470 (2025)**
-  **Migration balance**  
internal  
**(+)305**  
(2022, Statistics Poland)
-  **external**  
**(+)265**  
(2022, Statistics Poland)
-  **Unemployment rate**  
**2.3%**  
(02.2023, Statistics Poland)
-  **GDP growth**  
**2.8%**  
(2020, Statistics Poland)
-  **GDP per capita**  
**PLN 99,946**  
(2020, Statistics Poland)
-  **Average salary (gross)**  
**PLN 8,439.85**  
(in the business sector, 01.2023)



## Investment attractiveness

Rankings

- 1<sup>ST</sup> PLACE** **in the business friendliness category** of fDi's European Cities and Regions of the Future 2023 ranking (among large cities)
- 2<sup>ND</sup> PLACE** **in the human capital and lifestyle category** of fDi's European Cities and Regions of the Future 2023 ranking (among large cities)
- 3<sup>RD</sup> PLACE** overall in fDi's European Cities and Regions of the Future 2023 ranking (among large cities)
- 3<sup>RD</sup> PLACE** in the **"Business-friendly cities 2023"** ranking conducted by Forbes magazine (among cities with more than 300,000 inhabitants)
- 20<sup>TH</sup> POSITION** **in the TOP 100 Super Cities list** in the Tholons Global Innovation Index 2021

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

## Investment incentives

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

## Quality of life

Rankings

- 1<sup>ST</sup> PLACE** **Best Place to Work Remotely**, as ranked by OVO Network and expatriateconsultancy.com in 2021
- 2<sup>ND</sup> PLACE** **in the national ranking of water efficiency in cities** - Water City Index 2021
- 3<sup>RD</sup> PLACE** in Europe and 5<sup>th</sup> in the world **in the ranking of the world's greenest cities** by the Husqvarna Urban Green Space Index (HUGSI), 2021
- 2<sup>ND</sup> PLACE** **in the human capital and lifestyle category** in fDi's European Cities and Regions of the Future 2023 ranking (among large cities)
- 3<sup>RD</sup> PLACE** in Poland in the **"Quality of life ranking"** conducted by the Polityka weekly magazine and the AGH University of Science and Technology
- 4<sup>TH</sup> PLACE** in Poland in the ranking **"Commune good to live in"** organised by PAP Local Government Service, 2022







## 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), TAURON Arena Kraków (15,000 seats and 9,000 standing places).

 **Bike paths**  
**258 km**

 **Green areas**  
**~62%**  
of the cities area






## Facts & Figures

-  **Number of students**  
**130,000**  
(2021/2022)
-  **Number of graduates**  
**33,000**  
(2021/2022)
-  **Number of universities**  
**23** (2021/2022)
-  **Airport - distance to the City centre**  
**11 km**
-  **Airport - number of passengers**  
**~7.4m** (2022)
-  **BSS sector - number of centres**  
**261**  
(ABSL 2022)
-  **BSS sector - number of employed**  
**92,700**  
(ABSL 2022)

RATING AGENCY **S&P** RATING **A- (stable)**

# Kraków

Q1 2023

-  Existing stock **1.75m sq m**
-  Supply under construction **67,600 sq m**
-  Vacancy rate **17.4%**
-  New supply **42,600 sq m**
-  Take-up **38,400 sq m**

At the end of Q1 2023, Kraków's office stock amounted to more than 1.75m sq m, maintaining the city's leading position among regional markets. The quarter saw the completion of two office projects: Ocean Office Park B (Cavatina Holding) and Fabryczna Office Park B5 (Inter-Bud), with a total office space of nearly 42,600 sq m, the highest result among regional cities in Q1 2023, accounting for more than 62% of new supply.

At the end of March 2023, only 67,600 sq m of office space remained under construction, of which 90% is expected to be completed in the remaining quarters of 2023. This is more than four times lower than in the pre-pandemic years, when an average of 250,000-300,000 sq m was under construction. The largest projects under construction are Kreo (23,000 sq m, Ghelamco Poland) and Mogilska 35 (13,500 sq m, Warimpex), both of which are due for completion in 2023.

In Q1 2023, tenants in the Kraków office market remained active. From January to March 2023, the volume of office lease transactions was higher than in the corresponding quarter of 2022, reaching nearly 38,400 sq m (an increase of nearly 10% y-o-y). This is the second highest result among regional cities, accounting for nearly 22% of the total transaction volume. In Q1 2023, new leases accounted for the largest share of leases, representing nearly 59% of total demand. Renegotiations in existing buildings accounted for 34% of the total transaction volume, and expansions the remaining 7%.

Due to the delivery of a relatively high volume of modern office space to the market, the vacancy rate stood at 17.4% at the end of March 2023, and recorded an increase of 1.4 pp. compared to the end of 2022 (up 1.8 pp. y-o-y). This is the second highest result among regional cities (just behind Łódź, where it is 20.5%).




Asking rents in Kraków at the end of Q1 2023 remain stable, ranging from EUR 10.00 to EUR 16.00 per sq m per month. Continuing high construction costs, along with the still high cost of servicing construction loans, are inhibiting the negotiating power of investors, making further increases in rents a possibility, particularly in new buildings.

At the same time, due to the rising costs of utilities and services, an increase in service charges is also noticeable. At the end of March 2023 in Kraków they ranged from PLN 15.00 to PLN 25.00/sq m/month.

## Coworking operators in Kraków

At Office | Business Link | Chilliflex | CitySpace | Regus | Loftmill | Cluster Offices

## Standard lease terms in new buildings

-  Service charge PLN/sq m/month **15.00-25.00**
-  Rent-free period **1-1.5 month** for each contract year
-  Fit-out budget EUR/sq m **380.00-500.00**

## Selected schemes under construction

Scheme	Total office space	Completion date	Developer / Owner
<b>BRAIN PARK C</b>	13,000 sq m	Q3 2023	Echo Investment
<b>KREO</b>	23,000 sq m	Q2 2023	Ghelamco Poland
<b>MOGILSKA 35</b>	13,500 sq m	Q3 2023	Warimpex
<b>THE PARK CRACOW II</b>	11,700 sq m	Q4 2023	White Star Real Estate

## Office space

Major concentration areas

Area	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
<b>City Centre</b>	422,000 sq m	26,500 sq m	15.4%	EUR 12-16 sq m
<b>North east</b>	400,600 sq m	0 sq m	20.6%	EUR 11-14.5 sq m
<b>North west</b>	161,900 sq m	0 sq m	14.3%	EUR 11.5-14.5 sq m
<b>South</b>	695,900 sq m	29,400 sq m	14.1%	EUR 10-15 sq m



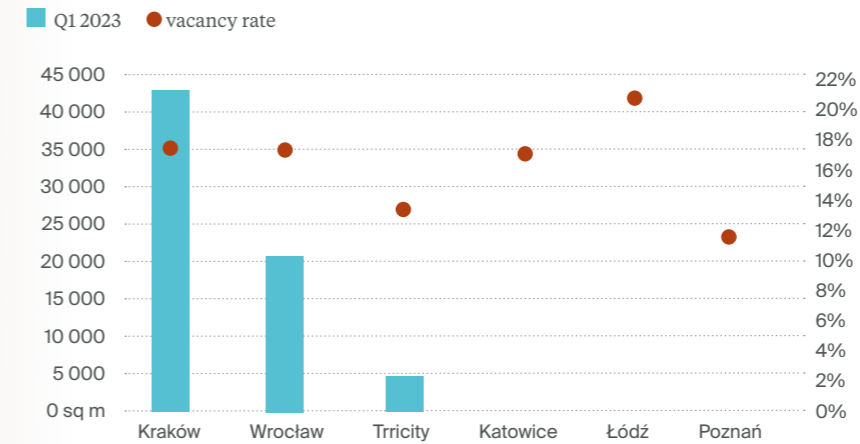
## Major regional cities

Q1 2023

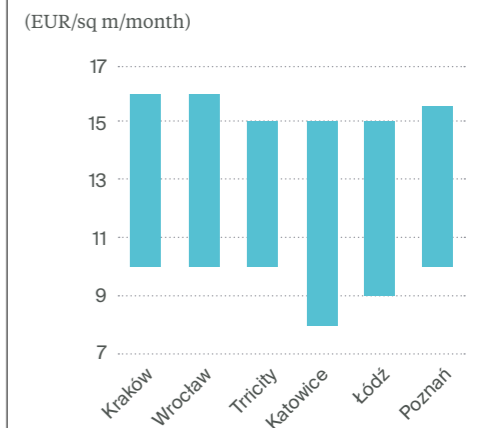
Kraków, Wrocław, Tricity, Katowice, Łódź, Poznań, Szczecin, Lublin

-  Existing stock **6.47m sq m**
-  New supply **68,100 sq m**
-  Take-up **175,000 sq m**
-  Supply under construction **502,000 sq m**
-  Available space **1.03m sq m**

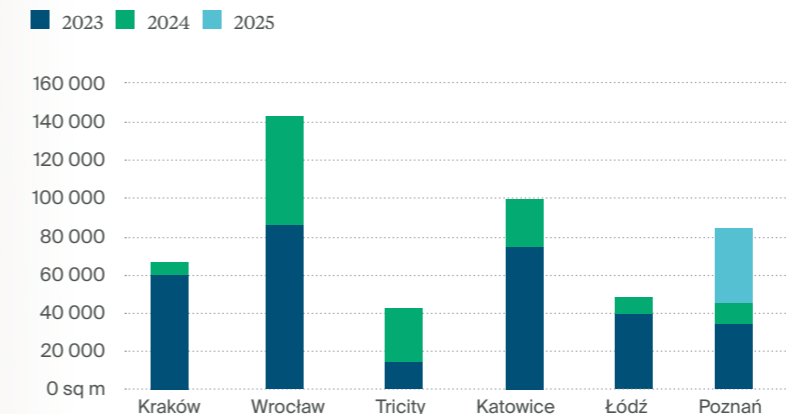
### New supply and vacancy rate (Q1 2023)



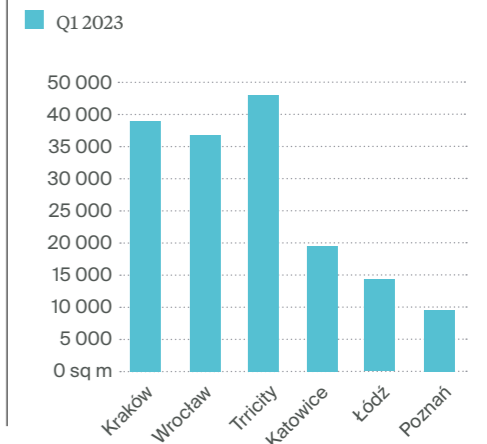
### Asking rents (Q1 2023)



### Supply under construction by completion year (Q1 2023)



### Take-up volume



# Promotion – is this what employees desire most?

An overwhelming 92% of employees who participated in Michael Page survey said that promotions were either “very important” or “important” to them. Indeed, 23% said they would consider resigning if they did not receive an expected promotion. Therefore, today’s employees are ambitious, and ready for career growth.

## Why do employees want to be promoted?

Even though a higher salary is the most important factor for employees when assessing a promotion, it is not their only motivation. 9 in 10 respondents consider having more responsibilities and accessing advanced training as crucial incentives when pursuing a promotion. Public recognition (internal and/or external communications announcing the employee’s new status) was also listed as an important promotion perk. Recognition is seemingly more important for older employees, with 73% of over-45s naming it as a critical factor.

## Who should make the first move?

The survey conducted by Michael Page also revealed that the majority of employees have never asked for a promotion, with almost half (45%) believing that it’s their manager’s responsibility to raise the subject. Employers should consider that some talented employees may not ask for a promotion, for example, due to lack of confidence, and employees should train themselves in the art of asking for a promotion or negotiating a salary raise.

Candidates considered access to advanced training as one of the most desirable promotion perks. However, according to the study, only 14% of companies provide regular training and 67% of respondents lacked a mentor who would guide them and give career advice. Therefore, employers who offer skill development programs, mentoring, and transparency around promotion criteria will have a greater chance of attracting and retaining talent.



## THE INS AND OUTS OF THE IT-BASED LABOUR MARKET

in Poland

Recent years have been marked by an unprecedented pace of changes and developments, both social and business ones. Global companies have focused on transitions related to digitization and process improvement. Poland is among the beneficiaries of these developments as in the 21<sup>st</sup> century it has confirmed its attractiveness for investors, mainly due to a rich pool of talents and skills of Polish job candidates.

### Here are the top 5 IT trends that set the trajectory for changes in the labour market in 2023:

#### Four-day working week

The issue of the four-day working week is gaining currency, in particular in the IT sector. Probably this year, measures similar to those already implemented in the UK, Spain, or Belgium will be introduced in Poland as well.

#### BIG DATA

In 2023, it is expected that the demand for competences required to work with big data will grow further. The trend has been consolidated along with the development of AI products and companies’ move towards decision-making based on real-time data.

#### Attacks in cyberspace

This year, the demand for IT Security Analysts is expected to increase further, with Identity and Access Management Specialists (IAM) representing the vacancies which will be the hardest to fill.

#### New positions in the structure

Already in 2022, it was observed that some roles were created without any standard scope of responsibility. New challenges which companies and organizations have been facing do not often fit into the scope of duties defined for positions known until now, and more and more jobs are offered with non-standard



responsibilities. The same tendency is expected to persist in 2023, as exemplified by an increased demand for the position of Enterprise Architect.

#### Digitization of companies

Digitization of processes is yet another distinct trend in the IT industry. Recruitments are most often done in SAP and MS Dynamics, in each module, both for the positions of In-House Functional Consultants and ERP Developers. In the field of digital transition, the hardest vacancies to fill include:

1. SAP EWM Consultant;
2. SAP QM Consultant;
3. MS Dynamics F&O Senior Consultant (Manufacturing/ Logistics).

## TOP 3

### The most desired positions in the IT sector:

- |   |   |   |
|---|---|---|
| <p><b>1</b> ▶ <b>IT Project Manager:</b><br/><b>PLN 19,000 – 23,000</b><br/>gross/monthly</p> | <p><b>2</b> ▶ <b>SAP Consultant (different modules):</b><br/><b>PLN 21,000 – 25,000</b><br/>gross/monthly</p> | <p><b>3</b> ▶ <b>Java Developer – Mid (3-4 years of experience):</b><br/><b>PLN 16,000 – 23,000</b><br/>gross/monthly</p> |
|---|---|---|

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