Strong cities

City attractiveness, office market, HR trends

Knight Frank

Q1 2024

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

knightfrank.com.pl/en/research

Krakow

Prepared in cooperation with

CENTRUM Business in Małopolska

Michael Page

Kraków

City area
327 sq km

Population
804,200
(state of 30.06.2023)

Population forecast
756,470 (2025)

Migration balance
internal
(+)812
(2023, GUS)

external
(+)403
(2023, GUS)

Unemployment rate
2.1%
(02.2024, GUS)

GDP growth
2.8%
(2020, GUS)

GDP per capita
PLN **99,946**
(2020, GUS)

Average salary (gross)
PLN **9,913.13**
(in the business sector, 02.2024, GUS)

Investment attractiveness

Rankings

1ST PLACE – **in the business friendliness category** of the fDi's European Cities and Regions of the Future 2024 ranking (among large cities)

1ST PLACE – **in the human capital and lifestyle category** of the fDi's European Cities and Regions of the Future 2024 ranking (among large cities)

4TH PLACE – **overall** in the fDi's European Cities and Regions of the Future 2024 ranking (among large cities)

6TH PLACE – in the **economic potential category** of the fDi's European Cities and Regions of the Future 2024 ranking (among large cities)

20TH 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 2022/23 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
- Incentive programs offered to investors by the local government
- Tax relief for R&D
- Support for business environment institutions - incl. Business in Małopolska Centre
- IP Box
- Assistance under the EU Funds
- Government Investment Support Program grants
- Real estate tax exemption

Quality of life

Rankings

- The Kraków Old Town and Wawel Hill on the UNESCO World Heritage List
- European Capital of Culture (2000)
- UNESCO City of Literature
- IFEA World Festival & Event City

Quality of life in numbers

CULTURE AND ENTERTAINMENT

- 1,207 monuments and approx. PLN 30m allocated annually for their renovation
- 117 museums and 41 art galleries, 1.4m exhibits and 5m visitors annually
- 16 theaters, 2,000 performances, 270,000 spectators annually
- 12 cinemas, 73 cinema halls, 12,000 seats in the auditorium, 140,000 screenings annually
- Over 200 restaurants (2 Michelin stars for Bottiglieria 1881 restaurant)
- 15 regional products under EU protection (including obwarzanek, oscypek, sour rye soup Cracovian style, carp from Zator)
- 180 festivals and artistic-entertainment and sports events annually (including Jewish Culture Festival, The Great Dragon Parade, Kraków Film Music Festival)

TRANSPORT

- 28 tram lines and 175 bus lines
- 4 Fast Commuter Rail lines
- 258 km of bicycle paths
- 8.41m passengers handled in one year by Kraków-Balice Airport

INFRASTRUCTURE

- 1.75m sq m of modern office space
- 190 hotels with 23,000 rooms (including 16 five-star hotels)
- Modern congress and entertainment infrastructure (including ICE Kraków Congress Centre with 5,200 seats, TAURON Arena Kraków – 24,000 seats)
- 2,000 business meetings annually, attended by over 300,000 people

NATURAL ENVIRONMENT

- 54 city parks, 30 pocket parks, 30 ha of wildflower meadows
- 80% of city residents have a 5-minute access to green areas
- 8 air pollution monitoring stations
- Significantly decreasing air pollution issue in the city due to consistent implementation of the anti-smog resolution
- 32 recommendations from the Kraków Climate Panel and the City of Kraków's Climate Change Adaptation Plan until 2030

Bike paths
258 km

Green areas
60%
of the cities area

Facts & Figures

Number of students
129,357
(2022/2023)

Number of graduates
32,328
(2022/2023)

Number of universities
22 (2022/2023)

Airport - distance to the city centre
11 km

Airport - number of passengers
9m (2023)

BSS sector - number of centres
273
(ABSL 2023)

BSS sector - number of employed
97,950
(ABSL 2023)

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

Kraków

Q1 2024

Existing stock
1.82m sq m

Supply
under construction
25,000 sq m

Vacancy rate
20.2%

New supply
(Q1 2024)
13,000 sq m

Take-up
(Q1 2024)
44,000 sq m

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
16.00-29.00

Rent-free period
1-1.5 month
for each contract year

Fit-out budget
EUR/sq m
380.00-500.00

After Warsaw, Krakow is the second-largest office market in Poland. It has a total stock of 1.82m sq ms of modern space, making up over 14% of the country's entire office stock. The city continues to enjoy robust tenant demand, with over 44,000 sq m of office space leased in Q1 2024, which is the highest result among regional cities.

SUPPLY

The total office stock in Krakow reached 1.82m sq m, solidifying its position as the leader among regional cities in Poland.

Developer activity, however, has slowed considerably, with only one building, Brain Park C, a 13,000 sq m development by Echo Investment, delivered to the market in Q1 2024. Additionally, a further 12,700 sq m will be delivered by the end of the year.

Presently, only 25,000 sq m of office space are under construction, the lowest result among the largest regional cities in Poland, with less construction activity noted only in Lublin and Szczecin. Furthermore, 42% of this space is being built for owner occupation, in the form of the Elte GPS HQ building with an area of 10,500 sq m.

The reduction in developer activity is attributable to an unfavourable macroeconomic environment, characterized by high credit and construction costs, as well as the substantial volume of space delivered to the market in previous years. The average annual new supply over the last five years in Krakow exceeded 110,000 sq m, the highest volume among regional cities.

TAKE-UP

In Q1 2024, the total leased space in the Krakow market increased by 15% compared to the same period in the previous year, reaching over 44,000 sq m. This marked the highest result among regional cities, comprising nearly 32% of the total space leased among the largest regional centres. In addition, Krakow, along with Poznań, was one of two cities in Poland where an increase in leased space was recorded in the first quarter of the year.

In Q1 2024, new agreements were prevalent in the lease structure, accounting for over 55% of the total take-up. Renegotiations made up nearly 41% of the volume of lease agreements, while expansions accounted for the remaining 4%.

VACANCY RATE

The vacancy rate at the end of March 2024 experienced a slight rise to 20.2%, signalling a 0.4 pp increase from the previous quarter. Notably, the city centre has the lowest vacancy rate, which reached 12.6% at the end of Q1 2024. Despite this, due to stable demand and limited supply under construction, a decline in the vacancy rate can be anticipated in the long term.

RENTS

In Q1 2024, asking rents for office space in Krakow remained stable compared to the previous quarter, ranging from EUR 12.00 to 16.00/sq m/month, with the potential to peak at EUR 18.00/sq m/month in prime buildings situated in desirable areas. Moreover, following the increases of preceding years, service charges remained consistent with those of the previous quarter, varying from PLN 16.00 to 29.00/sq m/month.

Office market in Poland

Q1 2024

Existing stock
13m sq m

New supply
(Q1 2024)
80,000 sq m

Take-up
(Q1 2024)
279,000 sq m

Supply under construction
561,000 sq m

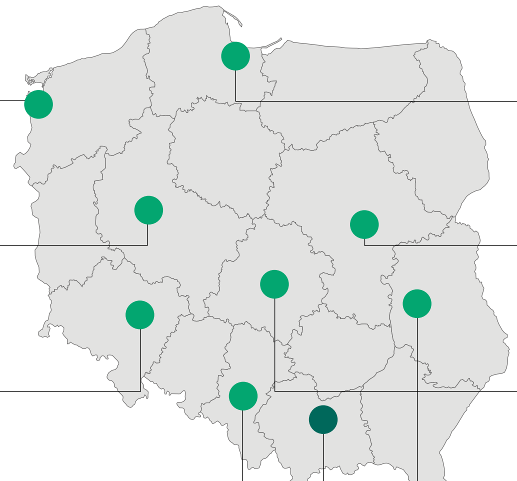
Vacancy rate
14.5%

SZCZECIN
185,000 sq m
5.5%
EUR 10-14.5

POZNAŃ
674,000 sq m
14.1%
EUR 11-15.5

WROCŁAW
1.37m sq m
19.1%
EUR 10-16

KATOWICE
751,000 sq m
20.6%
EUR 9-14.5



TRICITY
1.05m sq m
13.4%
EUR 11-15.5

WARSAW
6.24m sq m
11%
EUR 10-27

ŁÓDŹ
638,000 sq m
21.3%
EUR 9-15

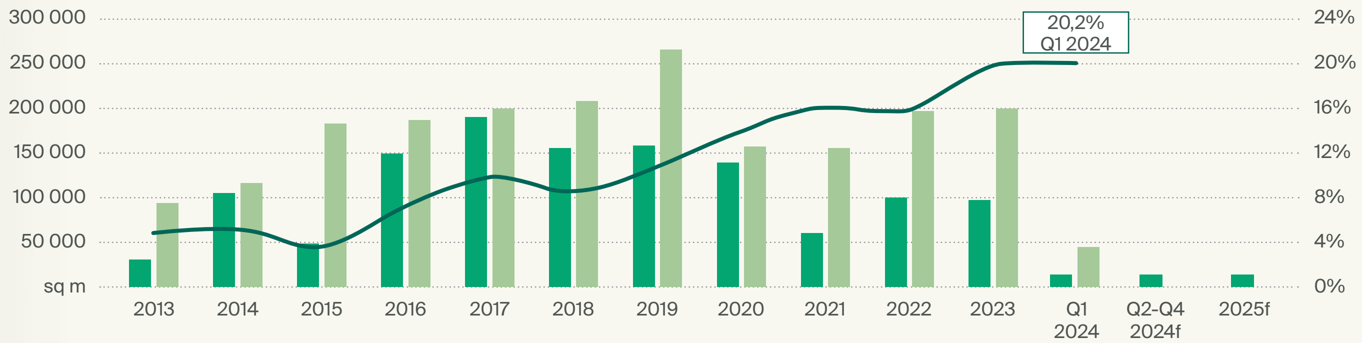
LUBLIN
221,000 sq m
12%
EUR 9-13

KRAKÓW
1.82m sq m
20.2%
EUR 10-16

- office stock - vacancy rate
- asking rents (per sq m per month)

Source: Knight Frank

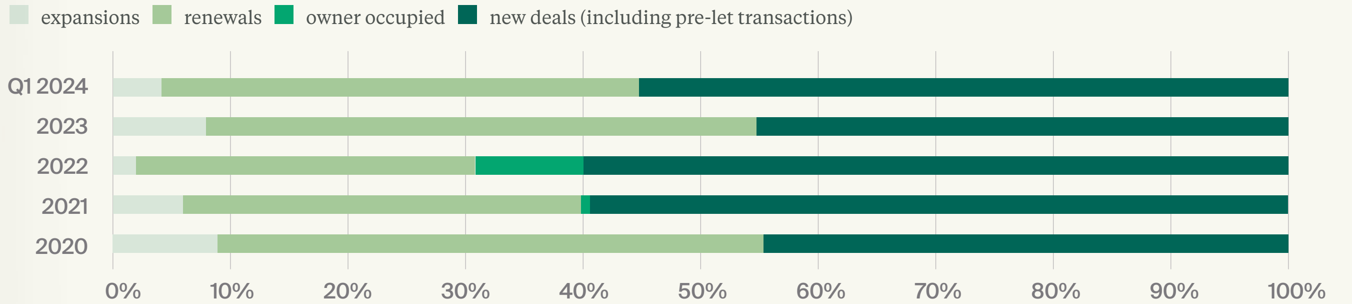
Annual new supply, take-up and vacancy rate in Kraków



f-forecast based on schemes under construction

Source: Knight Frank

Take-up structure in Kraków



Source: Knight Frank

Michael Page

Talent Trends 2024: Bridging "The Expectation Gap"

Talent Trends 2024 stands out as the most extensive talent study ever conducted, engaging over 50,000 professionals across 37 countries. Offering unique insights, it illuminates what employees truly desire, revealing a landscape where individualised needs surpass traditional perks like competitive salaries and flexible work arrangements. In parallel, employers face the challenge of adapting to this shifting terrain within a rapidly evolving business ecosystem.

This year's report zeroes in on the "Expectation Gap" between employees and employers, a theme threading through discussions on salary expectations, the clamour for workplace flexibility, organisational culture, work-life balance, the advent of artificial intelligence (AI), and the imperative of diversity, equity, and inclusion (DE&I). This gap permeates every facet of modern workspaces.

DE&I Challenges

Despite a surge in DE&I awareness across Poland, the journey to truly inclusive workplaces remains lengthy. Many Polish professionals perceive a dissonance between DE&I aspirations and the realities of their daily work lives, underscoring the need for substantive, not superficial, initiatives.

AI Integration

While artificial intelligence tools have yet to achieve ubiquity, they already steer career decisions. Navigating ethical and legal parameters, such as safeguarding personal data and upholding intellectual property rights, remains paramount.

Autonomy and Flexibility

Workers increasingly prize autonomy and flexibility, posing a quandary for employers with a penchant for traditional office setups. Prioritising the alignment of work with life, rather than the other way around, emerges as a key directive.

Salary Still Reigns Supreme

Despite the global deceleration in wage growth, employees persist in seeking higher salaries to offset escalating living expenses. Discontentment with current compensation propels many to explore fresh career avenues.

Talent Trends 2024 unveils the intricate dynamics of the job market and the delicate dance between employers and employees. Grasping these interconnections is pivotal in crafting HR strategies that foster mutual benefit.

Michael Page stands at the forefront of global personnel consulting and recruitment, specialising in top-tier professionals and executive management.
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The ins and outs of the labour market in the Business Service Centres sector in Poland

In 2023, the business services market saw a slight slowdown compared to previous years, which were record-breaking. Faced with a complex international situation and various economic challenges, many organisations in the Polish market adopted a cautious approach, scrutinising investments and expenditures, which naturally affected recruitment.

Nevertheless, Poland remains highly appealing for companies looking to centralise their core functions, leading to ongoing new investments in roles focused on operational tasks. Meanwhile, established organisations have increasingly automated less advanced processes or outsourced them to other countries for cost-saving reasons. Language proficiency remains an advantage in Polish centres, yet roles requiring advanced skills are on the rise, with companies actively seeking employees with specialised expertise. Particularly, there's a high demand for individuals proficient in analysing large datasets, with positions such as Business Analysts, FP&A Specialists, Data Engineers, or BI Experts being sought after in 2023.

The demand for skilled workers exceeded the availability of candidates meeting organisations' expectations. Successful recruitment became more challenging as offered terms and conditions often fell short of candidates' expectations. For instance, candidates typically expected a salary at least 15 percent higher than their current one. Additionally, employees became more selective, considering factors like the company's image, product, vision, and potential for further development. Counter-offers from existing employers and customised job offers, often more motivating than mere financial incentives, posed significant recruitment risks.

In an era shifting towards hybrid working models, candidates placed significant emphasis on remote work possibilities and flexible policies. They also emphasised the importance of achieving a better work-life balance, with some willing to forego promotions or higher positions in order to prioritise their well-being. Employers and HR departments worked intensively to align policies with these expectations to the best of their ability.

TOP 3

most desirable positions in the SSC sector.

For more mature or well-established centres, we notice a strong interest in competencies in the following areas and positions:

1. **Finance and accounting roles from the areas of RTR/Reporting/FP&A:**
   8,000 – 30,000* gross monthly
2. **Compliance/Risk/ Audit/Internal Control:**
   12,000 – 30,000* gross monthly
3. **Role w obszarze Transformation/ Transition:**
   14,000 – 40,000* gross monthly

* depending on experience level and position

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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, 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:
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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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