Strong cities

City attractiveness, office market, HR trends

H1 2024

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

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Krakow

Prepared in cooperation with

CENTRUM Business in Małopolska

Michael Page

Kraków

City area
327 sq km

Population
806,200
(state of 31.12.2023)

Population forecast
756,470 (2025)

Migration balance
internal
(+)2,327
(2023, GUS)

external
(+)934
(2023, GUS)

Unemployment rate
2.1%
(05.2024, GUS)

GDP growth
16.6%
(2021, GUS)

GDP per capita
PLN **116,630**
(2021, GUS)

Average salary (gross)
PLN **9,905.84**
(in the business sector, 05.2024, 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

- Government Investment Support Program grants
- Polish Investment Zone - income tax exemption
- Real estate tax exemption
- Tax relief for R&D
- Assistance under the EU Funds
- Support for business environment institutions - incl. Business in Małopolska Centre

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
- 317 km of bicycle paths
- 9m passengers handled in one year by Kraków-Balice Airport

INFRASTRUCTURE

- 1.82m 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
317 km

Green areas
60%
of the cities area

Facts & Figures

Number of students
130,396
(2023/2024)

Number of graduates
31,860
(2022/2023)

Number of universities
23 (2022/2023)

Airport - distance to the city centre
11 km

Airport - number of passengers
9m (2023)

BSS sector - number of centres
288
(ABSL 2024)

BSS sector - number of employed
101,000
(ABSL 2024)

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

Kraków

H1 2024

Existing stock
1.82m sq m

Supply under construction
43,000 sq m

Vacancy rate
20.2%

New supply
14,000 sq m

Take-up
93,000 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, Kraków is the second largest office market in Poland, offering 1.82 million sq m of modern office space, constituting over 14% of the country's total office supply. The city remains a focal point for tenants, with lease signings totalling over 93,000 sq m of office space in the first half of 2024, marking the most impressive outcome among regional cities.

SUPPLY

The total office space in Kraków has reached 1.82 million sq m maintaining its leading position among regional cities in Poland. Nonetheless, development activity has notably decelerated. Only two buildings, totalling 14,000 sq m, were completed in the first half of the year, and by year-end, an additional 10,500 sq m will have been delivered. Consequently, the projected new supply for 2024 is 24,500 sq m, a significant drop from the five-year average of 110,000 sq m. A comparable situation is expected in 2025, with 32,000 sq m of new supply planned.

TAKE-UP

In the first half of 2024, the leasing transaction volume in Kraków's office market increased by 13% compared to the same period the previous year, reaching over 93,000 sq m. This figure represents the highest transaction volume among regional cities, constituting 33% of the total transaction volume in these cities.

Half of the leased space in the first half of 2024 resulted from renewals of existing leases, while the percentage of new leases in the total leased space remained high at 44%. The data indicates that few tenants are opting to expand their occupied space, as expansions accounted for less than 5% of the total leased volume, with the remaining volume designated for self-use.

VACANCY RATE

The Q2 2024 vacancy rate in Kraków remained consistent with that of Q1, holding steady at 20.2%. In the city centre, the vacancy rate decreased to 11.9% from the 12.6% recorded at the end of March 2024. Conversely, in other areas of the city, the vacancy rate saw an increase. Given the stable demand and the limited supply under construction, a sustained decline in the vacancy rate can be anticipated for the long term.

RENTS

At the end of H1 2024, asking rents in Kraków have remained steady, typically falling within the range of EUR 10 to 16/sq m/month, with the most prestigious buildings commanding rates of up to EUR 18/sq m/month. Average service charges, following increases in previous years, have held steady in the first half of 2024, generally ranging from PLN 16.00 to 29.00/sq m/month.

Office market in Poland

H1 2024

Existing stock **13m** sq m

New supply (H1 2024) **125,000** sq m

Take-up (H1 2024) **602,000** sq m

Supply under construction **530,000** sq m

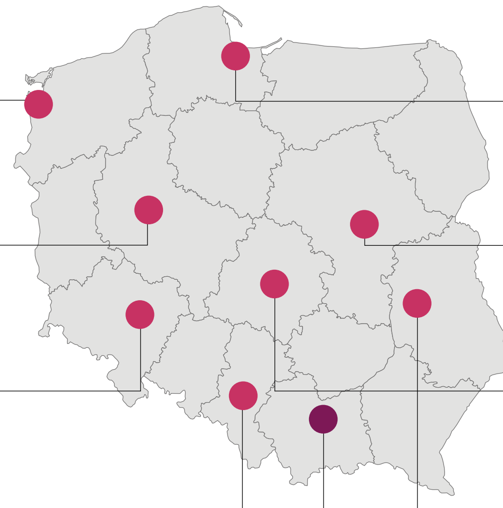
Vacancy rate **14.4%**

SZCZECIN
187,000 sq m
6.3%
EUR 10-14.5

POZNAŃ
674,000 sq m
13.9%
EUR 11-15.5

WROCŁAW
1.38m sq m
18.2%
EUR 10-16

KATOWICE
751,000 sq m
20.8%
EUR 9-14.5



KRAKOW
1.82m sq m
20.2%
EUR 10-16

TRICITY
1.05m sq m
12.5%
EUR 11-15.5

WARSAW
6.26m sq m
10.9%
EUR 10-27

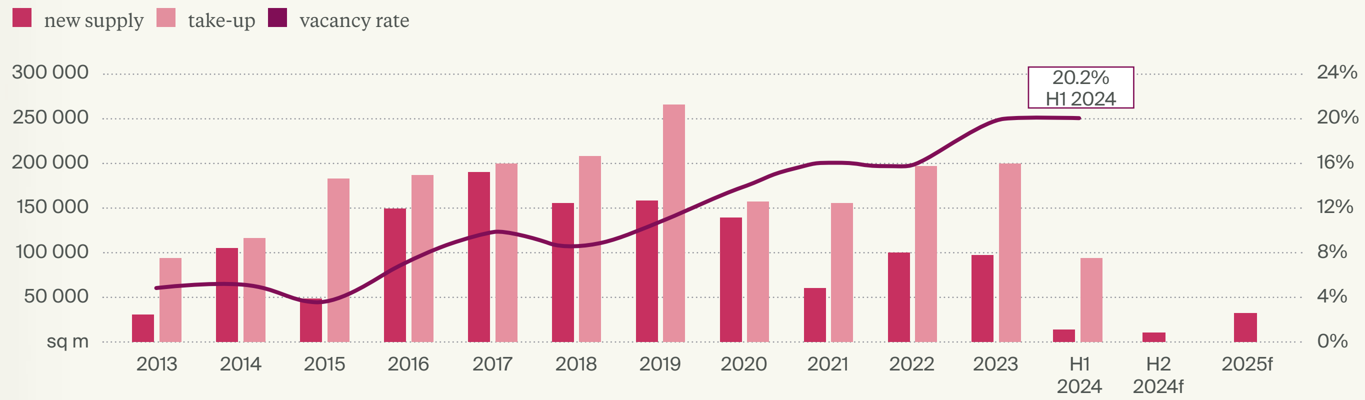
ŁÓDŹ
645,000 sq m
23.3%
EUR 9-15

LUBLIN
221,000 sq m
12.3%
EUR 9-13

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

Source: Knight Frank

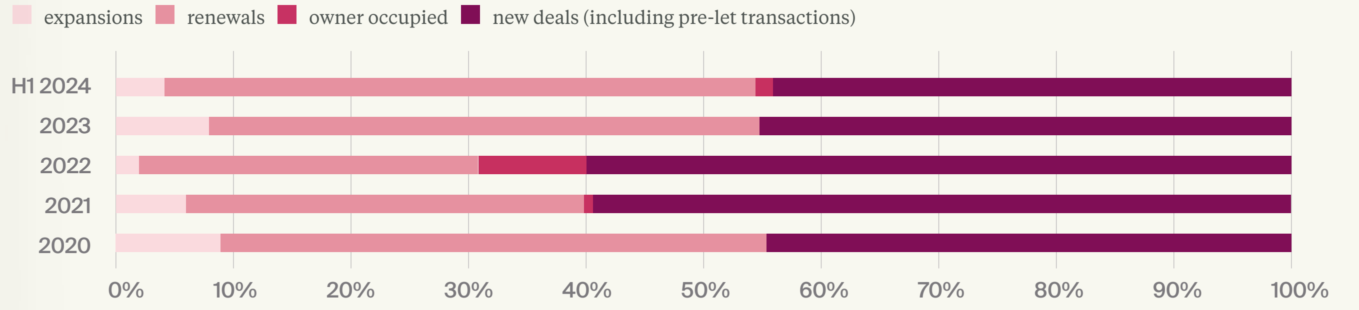
Annual new supply, take-up and vacancy rate in Kraków



f-forecast based on schemes under construction

Source: Knight Frank

Take-up structure in Kraków



Source: Knight Frank

Michael Page

Human Leadership: Effectively Managing Teams in the Digital Era

Despite Poland achieving the lowest unemployment rate in the EU in 2024, job vacancies are on the rise, particularly in IT, data analysis, sales, marketing, and fields related to digitalisation and AI. The European Commission reports that 77% of companies struggle to hire suitable specialists. Given these shifts, leaders must adapt their strategies to effectively manage teams in the digital era by adopting the Human Leadership approach.

Human Leadership

Human Leadership is a management style grounded in empathy, understanding employees' needs, and building trust. In today's job market, where attracting and retaining talent is vital, leaders must view employees as individuals with unique needs and aspirations. Key elements of this approach include effective communication, flexibility, adaptability, and technological proficiency.

Communication and Empathy

Effective communication and empathy are crucial in managing teams, especially in the context of remote work. Leaders should regularly meet with their teams, listen to employees' opinions, understand their needs, and encourage open dialogue. In a competitive job market, understanding individual employee needs can significantly improve retention rates.

Flexibility and Adaptation

Leaders need to quickly adapt to changes, adopting new work models and adjusting strategies to a dynamic market. The Talent Trends 2024 report indicates that 45% of companies plan to increase hiring in 2024, emphasising the importance of flexibility in attracting talent.

Technological Proficiency

Leaders should be well-versed in digital tools, support innovation, and build digital competencies within their teams. In Poland, the demand for automation specialists is growing, making it crucial for leaders to bridge the gap between technical and non-technical team members.

Benefits of Implementing Human Leadership

Companies that have implemented Human Leadership report increased employee engagement and productivity, better talent attraction and retention rates, and a stronger organisational culture. Prioritising career development, work-life balance, competitive compensation, investing in employee development, fostering open communication, and building trust all contribute to organisational success.

For more information on Human Leadership and employee retention, please see our latest study Talent Trends 2024.

Recruitment in the Manufacturing and Supply Chain Sector

According to data from the Central Statistical Office (GUS), approximately 6.5 million people are currently employed in Poland. In the industrial sector alone, there are 2.8 million employees, making up 17.5% of the total 16 million employed. With a low registered unemployment rate of 4.9%, companies must compete with increasingly attractive offers to recruit production workers. Is it worth it? Yes. Experts highlight that well-selected and motivated team members can boost productivity by up to 18% and improve production quality by 15%.

Operational Efficiency in the Hands of Manufacturing Workers

Recruiting qualified workers in the manufacturing sector is one of the key challenges for industrial companies. This is crucial for maintaining operational continuity, high product quality, and cost optimisation.

A report by the Polish Economic Institute titled Poles on Foreigners in the Job Market – Facts, Myths, Opinions revealed that last year, 70% of employers reported difficulties in finding Polish workers. As a result, they are increasingly hiring foreign employees.

Experts from the Polish Confederation Lewiatan estimate that the Polish economy needs about 2.5 million workers from abroad annually, and there is no indication that this number will decrease. Our society is aging, and the number of available qualified workers is diminishing.

Consequences of Recruitment Errors

Recruitment errors can significantly impact an organisation's productivity and profitability, leading to high financial costs associated with re-recruitment processes, training, and onboarding new employees. The departure of an employee just a few months after being hired, during which they received an average monthly salary of 7,998.81 PLN gross, can realistically cost the employer around 100,000 PLN.

Best Practices

Effective recruitment in the production sector includes precisely defining job requirements, using multiple recruitment channels, employing advanced selection tools, and promoting a strong company culture and development opportunities. Systematic evaluation and optimisation of the recruitment process are key to its effectiveness.

TOP 3

Positions in the Manufacturing and Supply Chain Sector.

KATOWICE & KRAKOW:

- **Automation Engineer** 12,000 – 16,000 PLN gross
- **Process Engineer** 13,000 – 16,000 PLN gross
- **Technical Manager** 20,000 – 27,000 PLN gross

WROCŁAW & POZNAŃ:

- **Automation Engineer** 12,000 – 14,000 PLN gross
- **Quality Planning Engineer** 10,000 – 13,000 PLN gross
- **Quality Manager** 20,000 – 25,000 PLN gross

WARSAW, ŁÓDŹ & TRICITY:

- **Automation Engineer** 12,000 – 16,000 PLN gross
- **Project Manager** 15,000 – 25,000 PLN gross
- **Quality Manager** 20,000 – 25,000 PLN gross

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- tailored presentations and market reports for clients.

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