Strong cities

City attractiveness, office market, HR trends

Knight Frank

Q4 2023	The office market sentiment, the investment potential of the city and the labour market.	*knightfrank.com.pl/en/research*

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
1.9%
(12.2023, GUS)

GDP growth
2.8%
(2020, GUS)

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

Average salary (gross)
PLN **9,741.83**
(in the business sector, 12.2023, GUS)

Investment attractiveness

Rankings

1ST PLACE – **in the business friendliness category** of fDi's European Cities and Regions of the Future 2023 ranking (among large cities)

2ND PLACE – **in the human capital and lifestyle category** of fDi's European Cities and Regions of the Future 2023 ranking (among large cities)

3RD PLACE – overall in fDi's European Cities and Regions of the Future 2023 ranking (among large cities)

3RD PLACE – in the **"Business-friendly cities 2023"** ranking conducted by Forbes magazine (among cities with more than 300,000 inhabitants)

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
33,328
(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

Q4 2023

Existing stock
1.81m sq m

Supply under construction
23,000 sq m

Vacancy rate
19.8%

New supply
(2023)
97,000 sq m

Take-up
(2023)
201,000 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

Krakow holds the distinction of being the largest regional office market in Poland, boasting a total stock of 1.81m sq m, constituting over 14% of the country's entire office stock. Notably, Krakow demonstrates robust tenant demand, with the leased office space reaching the highest volume among regional cities. In 2023, 201,000 sq m of office space was leased, marking the third highest result in the market's history. However, the substantial growth in new supply caused the vacancy rate to rise to 19.8%.

SUPPLY

At the close of Q4 2023, Krakow's total office stock reached 1.81m sq m, of which nearly 100,000 sq m was delivered over the year, encompassing almost 35% of the total space delivered in all regional cities. The quantity of new space introduced in 2023 aligns closely with the average annual supply of 111,000 sq m over the last five years. Mogilska 35, an 11,900 sq m development by Warimpex, and The Park Cracow 2, encompassing 11,700 sq m and developed by White Star Real Estate, were the largest office buildings completed in 2023.

Developer activity has slowed in recent quarters, with only 23,000 sq m of office space under construction in Q4 2023. Nearly 80% of this is expected to be delivered to the market in 2024, marking an almost 50% decrease compared to the previous year. The major projects under construction are Brain Park C, a 12,800 sq m development by Echo Investment, and Fabryczna Office Park B7, comprising 5,000 sq m and developed by Inter-Bud.

TAKE-UP

In 2023, Krakow was stable in terms of tenant activity and the number of lease transactions concluded. The total leased space over the year reached 201,000 sq m, encompassing 27% of the total space leased in regional cities. Although this figure was 5% lower than the previous year, it still marked the highest result among regional business destinations and the third highest in the local market's history. Notably, while new agreements previously dominated the lease structure, renegotiations took the lead in 2023, accounting for 47% of lease agreements (over 95,000 sq m). New contracts represented over 45% of the transaction volume, with expansions comprising only 8%.

VACANCY RATE

As a result of the new space delivered in Q4 2023, the vacancy rate in Krakow rose to 19.8%, indicating a 1.1 pp increase from the previous quarter and a 3.8 pp increase from the same period in 2022. Despite this, with the stable demand and anticipated slowdown in the construction of new office space in the upcoming years, there is an expectation for the vacancy rate to decline.

RENTS

In Q4 2023, asking rents for office space in Krakow maintained stability relative to the previous quarter, ranging from EUR 10.00 to 16.00/sq m/month, with the potential to reach up to EUR 18.00/sq m/month in prime buildings located in coveted areas. Additionally, service charges remained consistent with those of the previous quarter, ranging from PLN 16.00 to 29.00/sq m/month.

Office market in Poland

Q4 2023

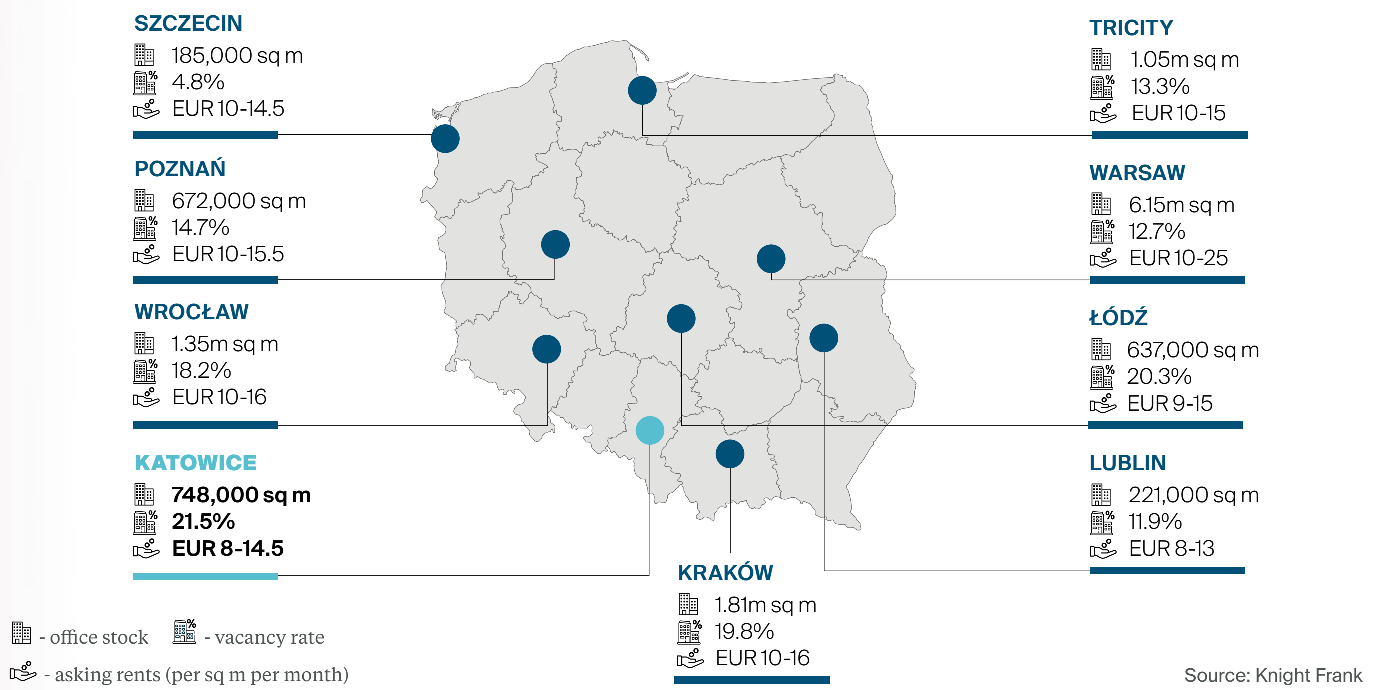
Existing stock
12.9m sq m

New supply
(2023)
342,000 sq m

Take-up
(2023)
1.5m sq m

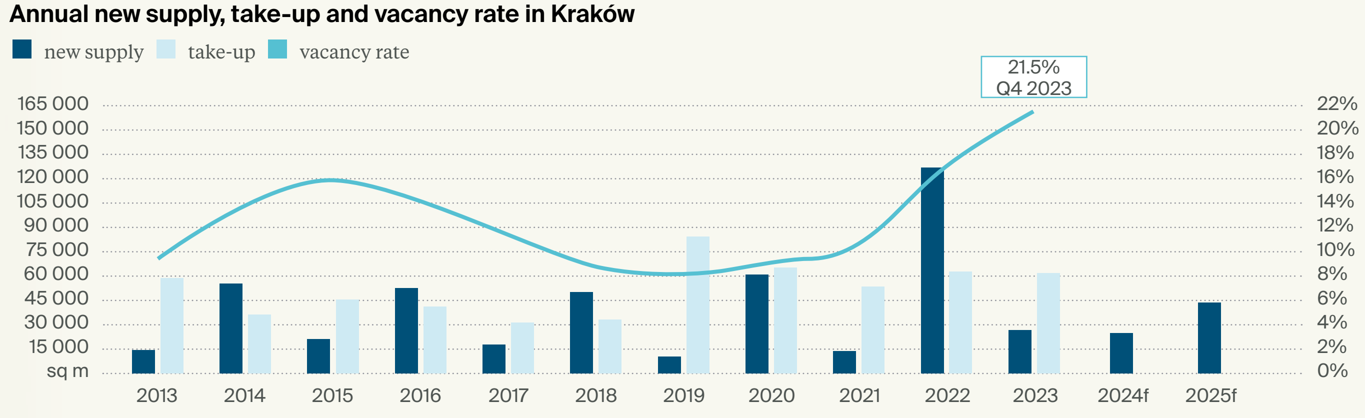
Supply under construction
534,000 sq m

Vacancy rate
14.1%



Source: Knight Frank

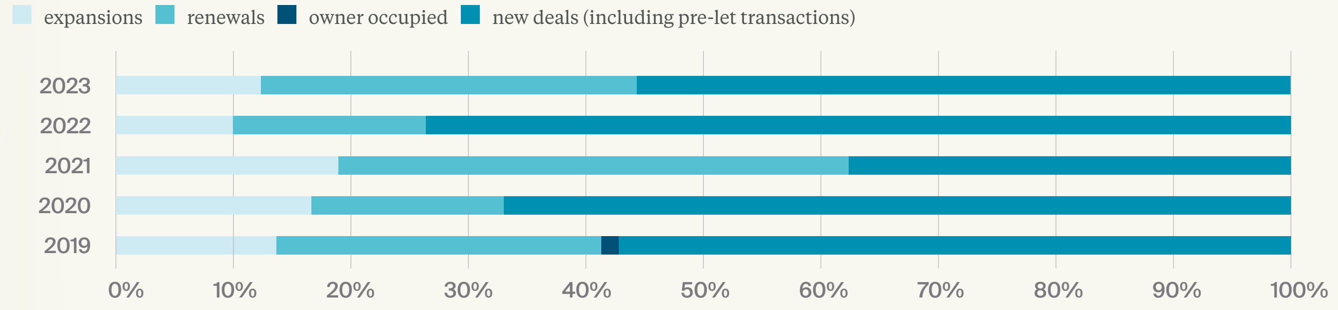
Annual new supply, take-up and vacancy rate in Kraków



f-forecast based on schemes under construction

Source: Knight Frank

Take-up structure in Kraków



Source: Knight Frank

Michael Page

Businesses keep a sharp lookout for effective leaders - as highlighted by the Michael Page 2024 Guide to Salaries and Trends in the Labour Market

The current decade is a time of transformation in the business world. ESG and DE&I are gaining momentum. At the same time, the impact of modern technologies is growing, with primary focus placed on artificial intelligence. There is also a clear change in the attitudes of employees, who prioritise work-life balance. All this proves the far-reaching metamorphosis of workplace culture.

Employees expect businesses to be committed to and actively involved in ESG, as well as in Diversity, Equity & Inclusion. These days, candidates tend to combine their ultimate decision of whether or not to join a given organisation with the thought of whether they identify with the values of their prospective employer.

Indeed, artificial intelligence has become an intrinsic feature of work in many sectors. Staff in various positions use AI tools to optimise their daily tasks. The development of this particular technology is also associated with the creation of more and more new positions in many teams.

Having said that, given the employee's market, we can see a far-reaching transformation of the workplace culture. Candidates stress the need for better work-life balance, which they prioritise over professional success. This explains why so many employees are reluctant to give up the more flexible working hours or hybrid work model that the pandemic has made possible.

In the face of these changes, businesses need effective leaders who can attract and retain talent within an organisation. The last months of 2023, however, revealed that the quality of leadership in the new reality is sometimes insufficient. The leadership skills deficit is a major challenge that organisations have to face up to if they want to operate efficiently in the ever-changing business environment.

For more information on the market analyses, forecasts for 2024, and the overall structure of salaries across 9 sectors the structure of wages in 9 sectors, please see the report A Guide to Salaries and Trends in the Labour Market. The publication was prepared by experts from Michael Page.

The ins and outs of the labour market in the IT Contracting sector

in Poland

Following the outbreak of the pandemic, there was a surge in demand for IT products and services, with increased recruitment needs for companies. In 2023, the number of projects in the area of new technologies has been lower, and thus the number of recruitment processes has returned to the levels known before the pandemic. Representatives of the sector actively observed the development of artificial intelligence during this time, trying to anticipate its impact on the IT labour market. Due to the partial slowdown in demand for new technologies, global giants decided to reduce employment. However, Poland was still seen as a location worth setting up technology hubs and recruiting IT experts.

Cloud solution experts were invariably of great interest to employers. Companies also sought software developers, in particular those specialising in programming languages such as Java and Python. Employers were also very interested in specialists in the areas of ERP and big data.

Candidates, on the other hand, were more reserved about the prospect of changing jobs. They paid attention to the opportunities for development in the new company, taking into account currently implemented and planned projects, the technologies used, as well as the employer's offer to subsidise training courses. A person changing a job could usually count on a salary approximately 10 20% higher than the current one.

Average salary increases at companies were on a similar level. Those specialising in cyber security, cloud solutions, software development and data science gained the most in this respect. In 2023, there was an increase in companies accepting remote working only to a limited extent. Younger companies in particular, still building their corporate culture, were interested in having employees in the office at least on selected days of the week.

TOP 3

Most desirable positions in the IT sector:

1 **IT Business Analyst:**
PLN 20,000 – 24,000
gross/monthly

2 **BI Developer:**
PLN 18,000 – 23,000
gross/monthly

3 **SAP Implementation Consultant:**
PLN 23,000 – 27,000
gross/monthly

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- 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.

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