

Strong cities

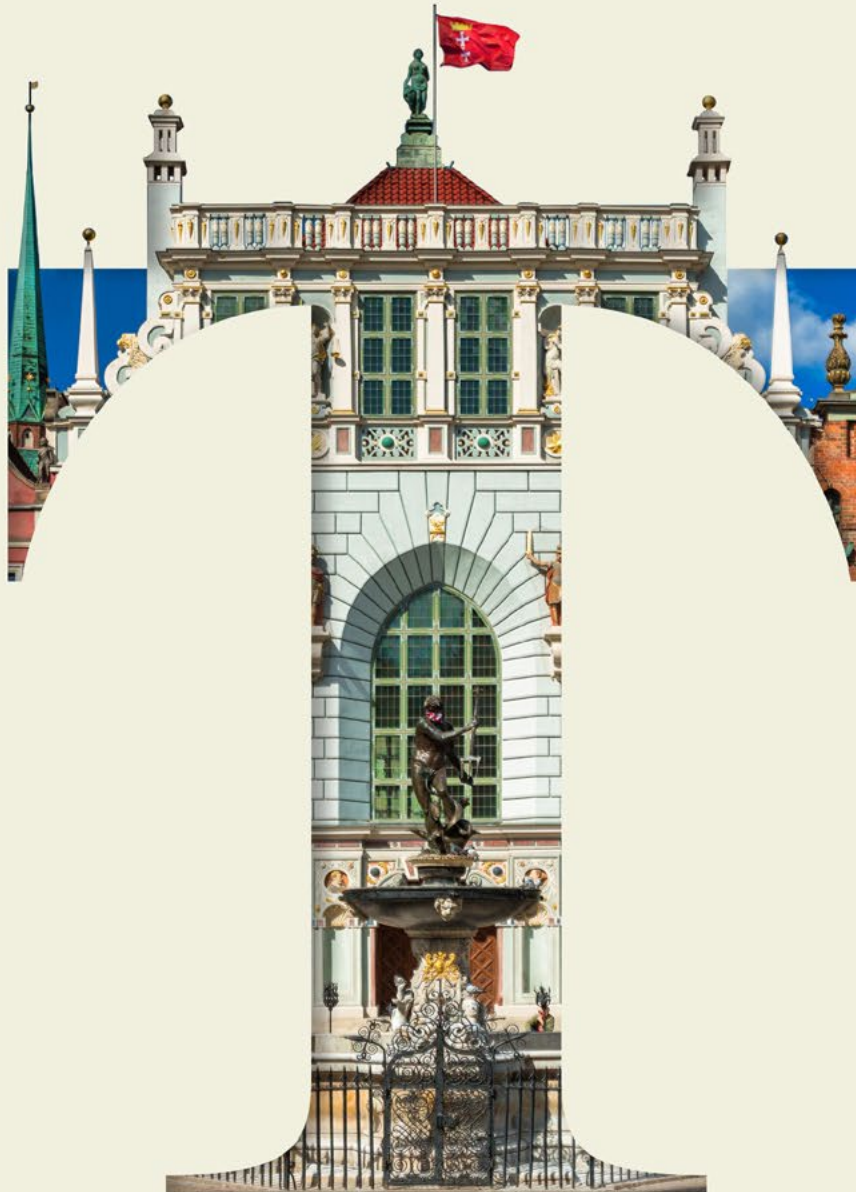


City attractiveness, office market, HR trends

Q1 2024

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

knightfrank.com.pl/en/research











Tricity

Prepared
in cooperation with



Michael Page

Tricity

-  **Agglomeration area**
5,316 sq km
-  **Agglomeration population**
~1.6m (2021)
-  **Population forecast for agglomeration**
~1.58m (2030)
-  **Migration balance**
(+) 790
(Tricity)
-  **Unemployment rate**
2.1%
(12.2023, GUS)
-  **GDP growth**
9.7%
-  **GDP per capita**
PLN 89,995
-  **Average salary (gross)**
PLN 8,159.61 (Gdańsk)
(in the business sector, 12.2023, GUS)



Investment attractiveness

Rankings

1ST PLACE Outsourcing Stars 2021, 2022 in the City category for **the fastest growing city in the BSS sector in Poland**, Pro Progressio

1ST PLACE in 2022 for Tricity as **the most dynamically developing city in Poland**, CEE Shared Services and Outsourcing Awards

1ST PLACE in 2020 and 2022 for Tricity as **the best place to do business** in Poland by ABSL

European Entrepreneurial Region 2020

Gdańsk, Gdynia and Pomeranian Voivodeship in **TOP 10 of fDi European Cities and Regions of the Future 2022/2023** ranking. Pomeranian Voivodeship in the category fDi strategy - medium-sized regions. Gdańsk was awarded a distinction as a business-friendly medium-sized city, and in the category of small cities, fDi strategy - Gdynia

Investment incentives

INVEST IN POMERANIA

Invest in Pomerania is a regional initiative supporting both foreign and domestic investors in establishing businesses in the Pomeranian region. It offers comprehensive support, from facilitating contact with local administration and business partners, to organizing reference visits and preparing economic reports. All services are provided free of charge, as Invest in Pomerania's main goal is the economic development of the Pomeranian voivodeship.

Economic zones

Employment grant and investment grant in the form of CIT exemptions.

Government support

Employment and investment cash grant for investors.

Live more. Pomerania

A dedicated informational campaign by the Pomeranian voivodeship, spearheaded by the Invest in Pomerania initiative. The aim is to attract potential employees, both from outside the region and internationally, actively seeking employment opportunities or contemplating a career change.

Quality of life

Rankings

1ST PLACE for Gdańsk in **People Friendly Cities 2020** ranking by Forbes

3RD PLACE for Gdańsk in **Quality of life category** in Emerging Europe Awards, 2020

2ND PLACE for Gdańsk in quality of life category during last 5 years according to **Report on the Quality of Life in European cities**

55TH PLACE in Europe – **Quality of Life Index** by Numbeo (mid-2022)

142ND PLACE in the world – **Quality of Life Index** by Numbeo (mid-2022)

Quality of life in numbers

- Gdańsk systematically monitors quality of life and residents' satisfaction.
- According to Report on the Quality of life in European Cities, 2020, Gdańsk residents declare satisfaction with life in the city at - 97%.
- Bronze award - Gdynia as an example of clean living quality, The International Awards for Liveable Communities 2021.
- In Gdynia there is a position in local government structure of vice-president for quality of life, who is responsible for education, health and smart city activities.
- In 2021, Gdynia joined the ranks of five cities in the world receiving ISO 37122 certification, a distinction designed for cities that effectively create and implement a sustainable development strategy using available technologies.
- Air protection program for the City of Gdańsk.
- Development of the groundwater monitoring system in the area of Gdańsk, Sopot and the commune of Pruszcz.

 **Bike paths**
293,7 km






 **Green areas**
123 sq km

Facts & Figures

-  **Number of students**
86,400
-  **Number of graduates**
19,521
-  **Number of universities**
24
-  **Airport - distance to the City centre**
15 km
-  **Airport - number of passengers**
5,907,280 (2023)
-  **BSS sector - number of centres**
185
-  **BSS sector - number of employed**
36,000

Tricity




Q1 2024

-  Existing stock **1.05m sq m**
-  Supply under construction **35,000 sq m**
-  Vacancy rate **13.4%**
-  New supply (Q1 2024) **0 sq m**
-  Take-up (Q1 2024) **23,000 sq m**

Coworking operators in Tricity

Spaces | Regus | Chilliflex | O4 | Collab | City Space

Standard lease terms in new buildings

-  Service charge PLN/sq m/month **17.00-30.00**
-  Rent-free period **1-1.5 month** for each contract year
-  Fit-out budget EUR/sq m **100.00-300.00**

► The Tricity is among the four cities in Poland, alongside Warsaw, Kraków, and Wrocław, with a total office stock exceeding one million sq m. Since 2023, the rate of new supply growth has significantly decreased, with no new buildings completed in the first quarter and space under construction remaining at its lowest level in more than two decades.

The vacancy rate in the Tricity is relatively low compared to other regional cities, primarily due to the limited number of new buildings coming into use in recent quarters. This decline in demand in Q1 2024 follows a record increase last year.

SUPPLY

The total office stock in the Tricity amounts to 1.05m sq m, with the majority (76%) located in Gdańsk, primarily along Grunwaldzka Avenue and around the historic city centre. Approximately 21% of Tricity office space is situated in Gdynia, with the remaining 3% in Sopot.

Developer activity remains at a low level, with no new building completed in Q1 2024 and only 35,000 sq m under construction, of which 22,000 sq m will be delivered by the end of the year.

TAKE-UP

Tenant activity in the Tricity experienced a slight decline in Q1 2024 following a record-breaking 2023. During the first quarter of this year, tenants signed contracts for over 23,000 sq m, representing a 9% decrease compared to the previous quarter.

Gdańsk emerged as the most sought-after location among tenants, leasing 18,800 sq m, with the IT sector contributing significantly by accounting for 49% of the total leased space.

It was observed that tenants predominantly opted to retain their current premises. The lease structure in Q1 2024 was predominantly characterized by renegotiations, comprising 57% of the leased office space. In contrast, expansions were relatively uncommon, making up only 1% of the total leased space. Nevertheless, the proportion of space leased under new contracts saw a slight increase to 39% from the previous year's 36%. The remaining volume was let for own use.

VACANCY RATE

The vacancy rate in the Tricity at the end of March 2024 was 13.4%, marking a slight increase of 0.1 pp compared to the previous quarter. This places it as the third lowest among regional cities, trailing only Szczecin and Lublin.

In Gdańsk, the vacancy rate rose by 0.6 pp compared to the previous quarter, reaching 11.3%. However, it remains lower than in Gdynia and Sopot, where the rates are 19.9% and 22.4% respectively.

RENTS

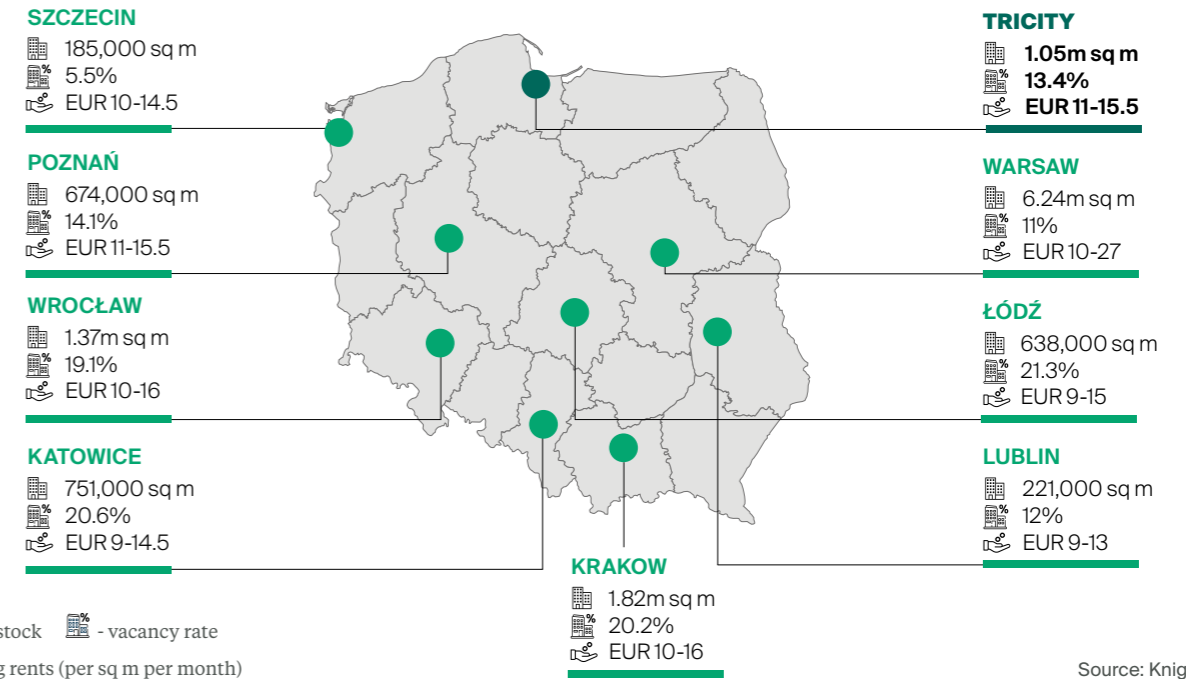
Asking rents in the Tricity at the end of Q1 2024 remained stable, typically ranging from EUR 11.00 to 15.50/sq m/month. However, due to factors such as the high costs of construction and the continued high expense of servicing construction loans, rents for prime space in newly constructed buildings may exceed this level.

Service charge rates have stabilized at a typical level of PLN 17.00 to 30.00/sq m/month.

Office market in Poland

Q1 2024

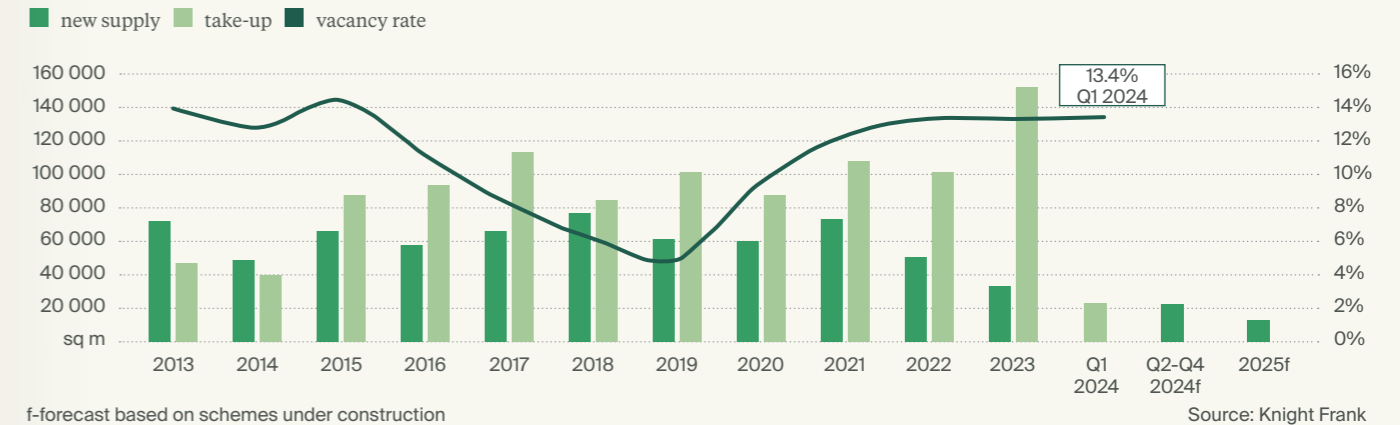
-  Existing stock **13m sq m**
-  New supply (Q1 2024) **80,000 sq m**
-  Take-up (Q1 2024) **279,000 sq m**
-  Supply under construction **561,000 sq m**
-  Vacancy rate **14.5%**



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

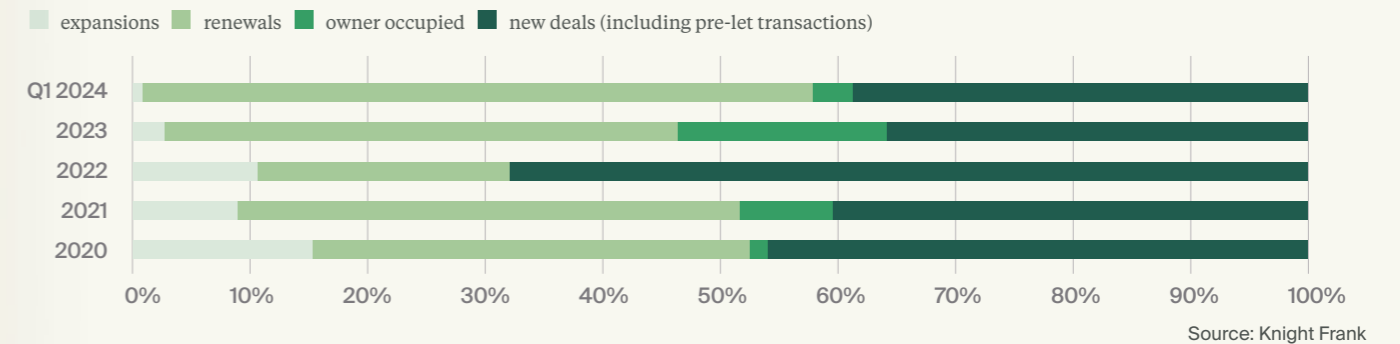
Source: Knight Frank

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



Source: Knight Frank

Take-up structure in Tricity



Source: Knight Frank

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. <https://www.michaelpage.pl/>

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

Contacts

in Poland

+48 22 596 50 50
www.KnightFrank.com.pl

RESEARCH
Dorota Lachowska
dorota.lachowska@pl.knightfrank.com

COMMERCIAL AGENCY - TRÓJMIASTO
Joanna Gomułkiewicz
joanna.gomulkiewicz@pl.knightfrank.com

CAPITAL MARKETS
Krzysztof Cipiur
krzysztof.cipiur@pl.knightfrank.com

VALUATION & ADVISORY
Małgorzata Krzystek
malgorzata.krzystek@pl.knightfrank.com

STRATEGIC CONSULTING EMEA
Marta Sobieszczak
marta.sobieszczak@pl.knightfrank.com

INDUSTRIAL AGENCY
Przemysław Jankowski
przemyslaw.jankowski@pl.knightfrank.com

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:
www.knightfrank.com.pl/en/research/

© KNIGHT FRANK SP. z o.o. 2024

This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank to the form and content within which it appears.

PARTNER OF THE PUBLICATION:



CONTACT TO INVEST IN POMERANIA:
Al. Grunwaldzka 472 D
Olivia Business Centre - Olivia Six
80-309 Gdańsk

+48 (58) 32 33 256
office@investinpomerania.pl

Invest in Pomerania is a regional non-profit initiative bringing together institutions responsible for the economic development of Pomerania. Supports foreign investors in the implementation of investment projects in Pomerania, providing support at every stage of investment process and building the investment attractiveness of the region.

Michael Page

CONTACT:

Aleksandra Zawadzka
Senior Associate Manager
+48 518 243 932
aleksandrazawadzka@michaelpage.pl

www.michaelpage.pl