

Prepared  
in cooperation with



Michael Page



# WARSAW

*City attractiveness and office market*

2022

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# CITY ATTRACTIVENESS

# WARSAW



## CITY AREA

**517.2 sq km**



## POPULATION

**1,792,000**



## POPULATION FORECAST

**2,132,000** (2030)  
**2,249,000** (2050)



## MIGRATION BALANCE

**(+) 2,526**



## GDP GROWTH

**2.4%**  
(2020)



## GDP PER CAPITA

**PLN 133,400**  
(2020)



## AVERAGE SALARY

**PLN 7,823**  
(gross)



## UNEMPLOYMENT RATE

**1.7%**

## INVESTMENT ATTRACTIVENESS RANKINGS

1.

1<sup>st</sup> rank of the **Business-Friendly City Perception Index 2021**  
- Infrastructure and Connectivity

2.

2<sup>nd</sup> place in the report **European Cities and Regions of the Future 2022/2023**  
- Business Friendliness

1.

1<sup>st</sup> place in the **Infrastructure and Connectivity category - Emerging Europe Business-Friendly City Perception Index 2021**

Title of the **Investor-Friendly City** in the contest **Prime Property Prize 2021**

## INVESTMENT INCENTIVES

### INVESTMENT SUPPORT

#### Offer for investors:

- individual approach;
- assistance at every stage of the investment, including the organization of reference visits;
- back office support;
- providing necessary information on available public aid.

### KEY AREAS OF SUPPORT

#### Information activities:

- assistance in obtaining data;
- providing industry know-how;
- city information pack.

#### Support in acquiring office space:

- access to information on municipal real estate;
- support in choosing a location;
- cooperation with real estate agencies.

#### Recruitment activities:

- cooperation with academic centres and universities;
- cooperation with HR agencies;
- coordination of joint activities with universities.

#### Post-investment support:

- support in day-to-day operations in the form of obtaining industry information;
- undertaking joint activities for the development of sectors;
- coordination of joint projects;
- support in corporate social responsibility projects.

# QUALITY OF LIFE

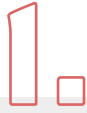
## RANKINGS



1<sup>st</sup> place in Europolis 2019 ranking  
as a **Youth-friendly City**



1<sup>st</sup> place in the CEE ranking of **Money  
Beach - The World's Best Cities For  
A Beautiful Bike Ride 2021**  
(18<sup>th</sup> place in the world)



1<sup>st</sup> place in **Access City 2020** organised by  
European Commission and European  
Disability Forum as the most friendly city  
in Europe for people with disabilities

Among the 8 **most vegan-friendly cities in the world** -  
National Geographic list

## QUALITY OF LIFE IN NUMBERS

### Culture and recreation:

- 98 museums and art galleries;
- 37 theatres and music institutions;
- 32 cinemas;
- 3,500 restaurants;
- over 1m sq m of commercial retail space;
- 308 outdoor gyms;
- 56 swimming pools and 16 ice rinks;
- 6 beaches along the banks of the Vistula;
- water trams and ferries on the Vistula, canoes and water skis.

### Public transport:

- 2<sup>nd</sup> capital city in Europe in terms of the share of public transport in city travel, 87% of citizens express positive opinion on Public Transport Authority (Warsaw Barometer 2019);
- 2 metro lines, 3 lines of Szybka Kolej Miejska, 301 bus lines with approx. 1,880 vehicles (including over 230 hybrid and electric buses);
- investments for over PLN 6.9bn in public transport and infrastructure (2017-2025);
- 26 tram lines with over 410 trams;
- 83% of city residents consider Warsaw as bicycle-friendly city;
- 4,500 city bikes; 300 bike stations;
- 3<sup>rd</sup> largest electric car system in carsharing in Europe (500 cars).



### BIKE PATHS

over  
**734 km**



### GREEN AREAS

**40%**

## FACTS & FIGURES

### NUMBER OF STUDENTS



**236,000**

### NUMBER OF GRADUATES



**48,350**

### NUMBER OF UNIVERSITIES



**68**

### AIRPORT - DISTANCE TO THE CITY CENTRE



**9.8 km**

### AIRPORT - NUMBER OF PASSENGERS



**14.4m** (2022)

### BSS SECTOR - NUMBER OF CENTRES



**330** (2022)

### BSS SECTOR - NUMBER OF EMPLOYED



**82,000**

RATING

**A-**

RATING  
AGENCY

**Fitch**

# OFFICE MARKET WARSAW

Q4 2022



**EXISTING STOCK**

**6.27m sq m**



**SUPPLY UNDER CONSTRUCTION**

**185,000 sq m**



**VACANCY RATE**

**11.6%**



**NEW SUPPLY (2022)**

**233,600 sq m**



**TAKE-UP (2022)**

**860,100 sq m**

2022 saw a significant improvement in tenant sentiment in the Warsaw office market, with the weaker pandemic demand less and less visible with each passing quarter.

Despite the rising optimism among tenants, however, developer activity in 2022 remained at a relatively low level. The largest schemes delivered to the market in 2022 were Varso Tower - part of the Varso Place complex (64,000 sq m, HB Reavis), Forest Tower (51,500 sq m, HB Reavis), P180 (32,000 sq m, Skanska), and the Skysawa A and B complex (31,300 sq m in total, PHN). 2022 brought nearly 234,000 sq m of new space to the Warsaw office market,

a result on a par with 2017 and 2018 (275,000 sq m and 233,000 sq m, respectively). In Q4 2022, only one small office building, for the owner's own use, was delivered to the market - DPD HQ (8,700 sq m). As a result, Warsaw's modern office stock increased to 6.27m sq m.

It should also be noted that among developers there is still a reduced willingness to start new constructions. This is influenced by factors such as the significantly higher costs of financing for office projects. In 2022, developments of the Vibe office building (15,000 sq m, Ghelamco Poland) and the Drucianka complex (25,000 sq m, Liebrecht & Wood Polska) started in 2022 in Warsaw. At the

end of 2022, there were several more schemes under construction, including, The Bridge (46,800 sq m, Ghelamco Poland), Lakeside (23,900 sq m, Atenor Group), and the Lixa D and E complex (28,000 sq m, Yareal). As a result, in total, only 185,000 sq m of modern office space was under construction in December 2022. This is a higher volume than recorded in the previous quarter (an increase of 20%), but still a result much lower than that of 2021 and pre-pandemic years, when the supply under construction was at a level of 700,000-800,000 sq m.

Despite lower developer activity, tenant demand for office space in Warsaw returned to the pre-pandemic levels of 2017-2019. From January to December 2022, lease agreements were signed for around 860,000 sq m (an increase of over 33% compared to 2021), and in Q4 2022 alone, around 253,000 sq m were leased.

The structure of the lease agreements signed is also worth noting. Renegotiations accounted for nearly 40% of the volume of signed agreements (almost 337,000 sq m of leased space) - thirteen of the twenty largest lease agreements signed in 2022 were renegotiations. Despite a lower share in the structure of lease transactions than before, new agreements dominated and covered more than half of the leased space in Warsaw. Additionally, relatively few tenants in 2022 expanded their leased space, with expansion agreements being signed for only 73,000 sq m (some 8% of the annual volume).

## SELECTED SCHEMES UNDER CONSTRUCTION

### THE BRIDGE

46,800 sq m

2025

Ghelamco Poland

### LAKESIDE

23,900 sq m

Q4 2023

Atenor Group

### THE PARK WARSAW 9

12,500 sq m

2023

White Star Real Estate

Total office space

Completion date

Developer / Owner

## STANDARD LEASE TERMS IN NEW BUILDINGS



**SERVICE CHARGE  
PLN/SQ M/MONTH**

**16-30**



**RENT-FREE PERIOD**

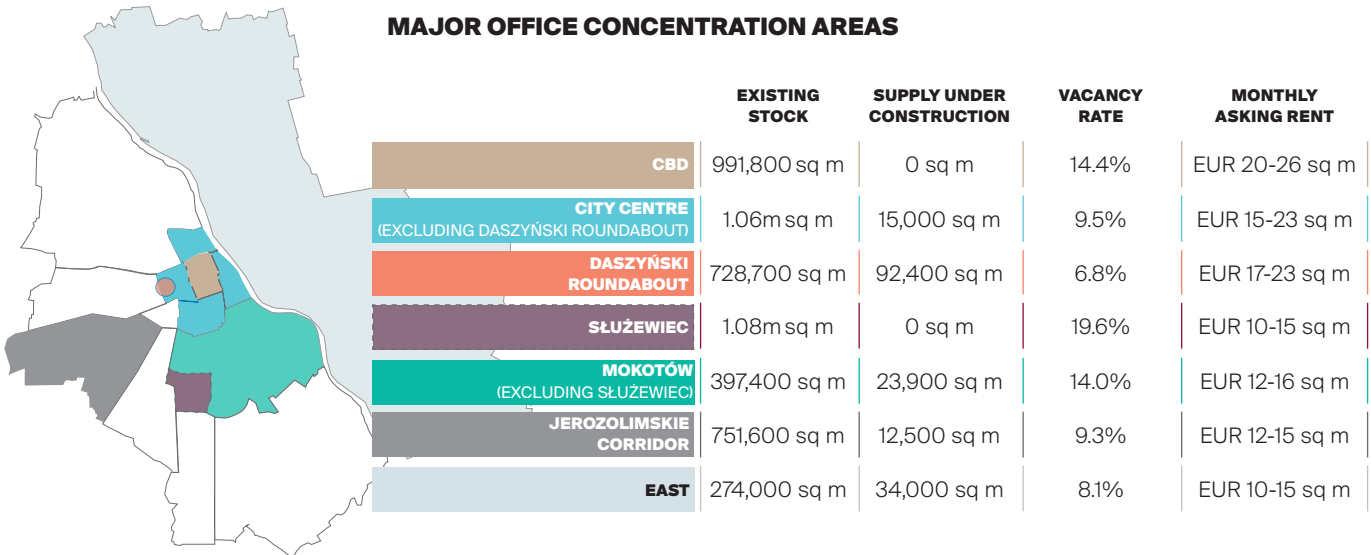
**7-10  
months**



**FIT-OUT BUDGET  
EUR/SQ M**

**200-750**

## MAJOR OFFICE CONCENTRATION AREAS



The central zones were invariably the most popular destination for tenants in 2022, accounting for nearly 60% of leased space (over 500,000 sq m). Second place was taken by Służewiec with almost 16% of the lease transaction volume (137,000 sq m of leased space).

As a result of the high tenant activity in the Warsaw office market, and also due to the low new supply seen in 2022, the vacancy rate in Warsaw stood at just under 11.6% at the end of December 2022. This means that compared to 2021's corresponding period, the vacancy rate decreased by 1.1 pp. Furthermore, it decreased by 0.55 pp. q-o-q. The vacancy rate varied by location - in central areas, it was

10.5% (a decrease of 0.6 pp. compared to Q3 2022), while in areas outside the city centre, it stood at 12.4% (also a decrease of 0.6 pp. q-o-q).

At the end of December 2022, asking rents in prime office buildings in the Central Business District remained at the level of EUR 20.00-26.00/sq m/month. In other central locations, rents varied between EUR 15.00 and 23.00/sq m/month. Asking rents outside the city centre ranged from EUR 10.00 to 16.00/sq m/month. There are still noticeable increases in service charges due to the increasing cost of services and utilities and, at the end of December 2022, these ranged from PLN 16.00 to 30.00/sq m/month.

## TRENDS

Investors are limiting the number of new commenced developments due to high construction and financing costs.

Tenant activity remains high; demand has returned to pre-pandemic levels.

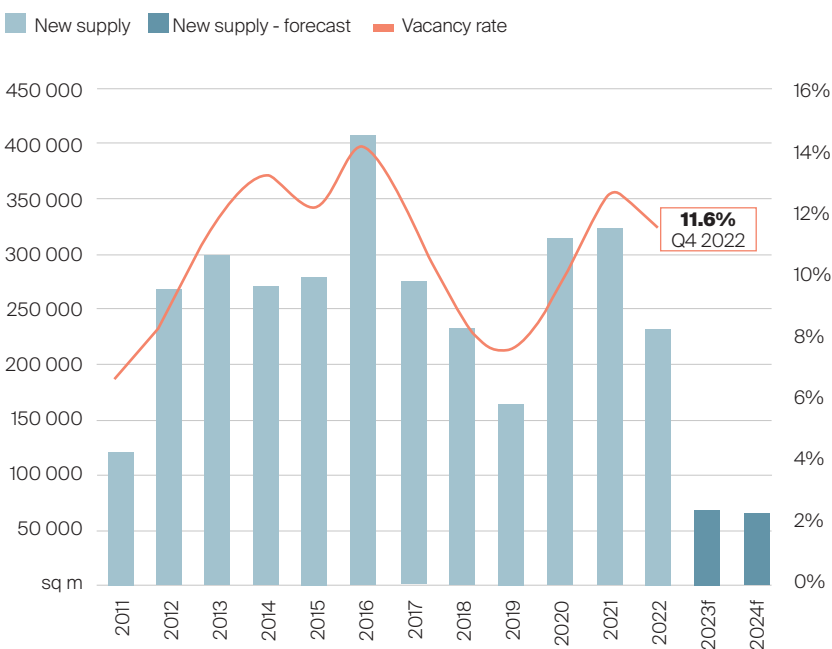
Economic uncertainty and high fit-out costs are discouraging some tenants from relocating and expanding, affecting the take-up structure. As a result, the share of renegotiations in the structure of lease transactions is increasing, while the number of new agreements and expansions is decreasing.

If demand for office space remains at levels similar to 2022, a further decrease in the vacancy rate is expected in the coming quarters due to the very limited new supply of office space expected in 2023.

Rising construction costs (due to increases in the prices of building materials and labour costs) and growing construction loan servicing costs may effectively inhibit investor openness towards negotiation, particularly in new buildings. In all buildings, however, an increase in operating costs is expected, stemming from ongoing increases in the prices of services and utilities.

Due to changing regulations and the drive towards climate and carbon neutrality by more and more organizations, ESG is developing a momentum that is increasingly impacting the office market. These changes will affect the building characteristics and systems favoured by developers, but will also influence decisions on optimizing costs for both tenants and landlords by the owners of older buildings and those undertaking one of the increasingly popular office building renovations.

## ANNUAL SUPPLY AND VACANCY RATE



f-forecast based on schemes under construction

Source: Knight Frank

# HR PERSPECTIVE

Michael Page

## BENEFITS ARE SETTING THE TONE IN THE MODERN EMPLOYEE MARKET

According to a 2021 report by the Union of Entrepreneurs and Employers, last year employees already expected benefits that would allow them to meet their individual needs and thus respond to the effects of the pandemic. The study showed that additional benefits were typically expected to guarantee stability and be personalised and flexible. It is worth noting that there has been a small revolution in the area of non-wage benefits. Those that were attractive before the pandemic have become insufficient or even outdated in today's world. Multisport or medical plans are already a standard in Poland's labour market, and they are unlikely to attract the attention of potential employees. Just like delicious coffee from the coffee machine, or fruit Tuesdays.

### FLEXIBILITY FIRST

Undoubtedly, the most important aspect of the modern labour market is the option of remote work. As stated in a study by Michael Page, the majority (59%) of respondents would prefer to work exclusively online, or in a hybrid system. Flexible working hours, the ability to perform one's duties from home is not only a way to save time and costs related to commuting, but it also helps staff to strike work-life balance, which is of key significance for as many as 88% of the respondents. It is the meeting of employees' expectations, an approach that respects their needs and family life that gives a sense of support, and in the long run it can help to bond with the organisation. The role of managers is also worth highlighting. On the one hand, employees expect trust and the opportunity to work from home from their superiors, but at the same time they also want to feel part of the team and be actively involved in integration events. We know perfectly well that it is not easy to build a sense of belonging to a company or a team in times of virtual meetings. Clearly, the benefit of remote/hybrid work entails further expectations of employees in the form of co-financing or equipping, on the part of the employer, of the workplace at home (extra allowances for desks or armchairs, or covering at least a fraction of the costs of electricity). Another response to high inflation and the needs of the labour market that seems to be gaining momentum can be found in prepaid cards, co-financing of meals, or a company car with a fuel card.



# THE INS AND OUTS OF THE LABOUR MARKET IN THE HR SECTOR

Regardless of the industry, HR staff keep having to face up to the challenges that recent years have posed to them. The fourth quarter of the year is a period of intensified work, but also a time that sees several personnel-related changes in organisations. Companies want to go through another challenging year with competent employees on board. **HR Business Partners** are ambassadors of change within organisations and a perfect link between candidates and hiring managers. The high demand for specialists in this field means that the number of employees sought after for these positions is on the increase.



An effective strategy in the area of Learning & Development is also a real value for business. Monitoring and providing appropriate tools aimed at developing employees' skills, which, in turn, translates into increasing profits, is the role of **L&D experts and coordinators**. Recently, we have noticed more recruitment processes dedicated to these professionals.

The future undoubtedly belongs to digitization. Changes in this area will also apply to HR and payroll departments, as the scale of applications of new technological solutions keeps growing. The most desirable are those tools that streamline processes and help to save time. Clearly, one of the most sought-after roles in Q4 2022 were **HR and payroll department leaders** with experience in process automation and digitization of resources.

## TOP 3

### MOST DESIRED POSITIONS FROM THE HR AREA

The wages shown below correspond to the Michael Page & Page Executive | Part of PageGroup **Salary Guide**. The average rate given here indicates pay rates found across Poland.

1.

**HR  
BUSINESS PARTNER:**

**PLN 12,000 – 18,000  
gross**

2.

**EKSPERT  
LEARNING & DEVELOPMENT:**

**PLN 14,000 – 18,000  
gross**

3.

**HEAD OF HR  
AND PAYROLL:**

**PLN 13,000 – 24,000  
gross**

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- ◆ market reports and analysis available to the public,
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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). Long-term presence in local markets has allowed our research team to build in-depth expertise of socio-economic factors affecting commercial and residential real estate in Poland.

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- individual approach;
- assistance at every stage of the investment, including the organization of reference visits;
- administrative support;
- providing necessary information on available public aid.