

Strong cities



City attractiveness, office market, HR trends

H1 2023

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

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Warsaw

Prepared
in cooperation with



Michael Page

Warsaw

-  **City area**
517.2 sq km
-  **Population**
1,792,000
(state of 30.06.2022, GUS)
-  **Population forecast**
2,132,000 (2030)
2,249,000 (2050)
-  **Migration balance**
(+) 2,526
(state of 30.06.2022, GUS)
-  **Unemployment rate**
1.7%
(state of 28.02.2023, GUS)
-  **GDP growth**
2.4%
(2020)
-  **GDP per capita**
PLN 133,400
(2020)
-  **Average salary (gross)**
PLN 8,395.76
(in the business sector, 01.2023)



Investment attractiveness

Rankings

1ST PLACE in the Infrastructure and Connectivity category in the Emerging Europe **"Business-Friendly City Perception Index 2021"** report

2ND PLACE in the business friendliness category in the fDi Intelligence **"European Cities and Regions of the Future 2023"** ranking

2ND RANKED CAPITAL city in Europe **in terms of share of public transport in city travel**

TITLE: Investor-Friendly City in the contest **Prime Property Prize 2021**

Investment incentives

Investment support

Offer for investors:

- | | |
|--|--|
| individual approach; | back office support; |
| assistance at every stage of the investment, including the organization of reference visits; | 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

1ST PLACE in the **European Best Destinations 2023** plebiscite

4TH PLACE in the world among cities with a population below 3m in the **Cities of Choice** study conducted by Boston Consulting Group

1ST PLACE in the **Healthy Cities 2022 Index** compiled by the Warsaw School of Economics, LUX MED Group and the Open Eyes Economy Summit

1ST PLACE as **the most disabled-friendly city in Europe** in the **Access City 2020** competition, organised for the last 10 years by the European Commission and the European Disability Forum

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


- 87% of citizens express positive opinion on Public Transport Authority (Warsaw Barometer 2019);
- 2 metro lines, 5 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;
- 3rd largest electric car system in carsharing in Europe (500 cars).

 **Bike paths**
Over **739 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)
5.48m (2020)

 **BSS sector - number of centres**
330 (2022)

 **BSS sector - number of employed**
82,000

RATING AGENCY






Fitch

RATING

A-

Warsaw

H1 2023

-  Existing stock **6.25m sq m**
-  Supply under construction **265,000 sq m**
-  Vacancy rate **11.4%**
-  New supply **18,700 sq m**
-  Take-up **325,700 sq m**

In H1 2023, only 18,700 sq m of modern office space was delivered to the Warsaw office market, almost 90% down on 2022's corresponding period. Three projects were completed in Q2 2023: The Park 9 (11,000 sq m) located in the Jerozolimskie Corridor, Wał Miedzeszyński 628 (6,000 sq m), and the first office building of the Bohema complex (building F Glicerynownia, 1,700 sq m), both located in the East office zone. This activity brought Warsaw's total office stock at the end of June 2023 to 6.25m sq m.




At the beginning of July 2023, only 265,000 sq m of office space was identified as under construction. This is, however, 25% up on the previous quarter, as a result of the start of construction on the Upper One and Towarowa 22 buildings. Furthermore, only 55,900 sq m of this space is planned to be delivered by the end of 2023, with the remainder scheduled to reach the market between 2024 and 2026. More than 75% of the office space currently under construction is to be found in central locations.

After the good demand-side results recorded in 2022, H1 2023 has witnessed reduced tenant activity in the capital's office market. Take-up in the first half of 2023 amounted to some 325,700 sq m - 32% down on the first half of 2022. By way of contrast, leases for more than 167,100 sq m were signed in Q2 2023, of which the three largest deals came in renegotiations: 7,100 sq m in the Taifun building (Lionbridge Poland), 5,900 sq m in Warsaw Spire A (Tower) (a company from the business services sector), and 5,300 sq m in the Horizon building (an undisclosed tenant from the IT sector).










In H1 2023, new agreements accounted for the largest share of the lease structure, representing more than 60% of the transaction volume (more than 196,100 sq m, including owner agreements). Indeed, eleven of the twenty largest leases concluded during the period were new agreements, with the remainder coming in renegotiations, which accounted for nearly 35% of the volume (around 115,200 sq m of leased space). There remain a limited number of tenants opting for leased space expansions, with expansion agreements accounting for only 14,400 sq m in the lease structure - i.e. just over 5% of the volume of H1 2023 agreements.

Available office space at the end of Q2 2023 in Warsaw stood at 714,400 sq m - 11.4% of the office stock. Compared to Q1 2023, there was a 0.2 pp. decrease in the vacancy rate while 0.5 pp. down on 2022's corresponding period. In the Central zone, the vacancy rate stood at 9.9% (down on the previous quarter), while outside the centre the rate remained at the same level, an estimated 12.7%. The lowest vacancy rates were recorded in the North zone (5.1%), and in Ursynów and Wilanów (5.8%), while the highest was recorded in Służewiec (20.6%).

Standard lease terms in new buildings






-  Service charge PLN/sq m/month **16.00-35.00**
-  Rent-free period **1.5-2 months** for each contract year
-  Fit-out budget EUR/sq m **250.00-750.00**

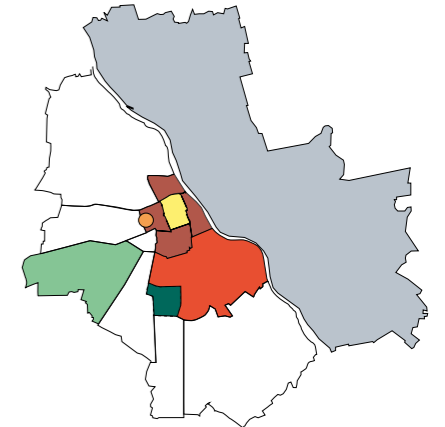
Selected schemes under construction

| THE BRIDGE | LAKESIDE | STUDIO I |
|--|---|---|
|  46,800 sq m |  23,900 sq m |  17,600 sq m |
|  Q2 2025 |  Q3 2023 |  Q3 2023 |
|  Ghelamco Poland |  Atenor Group |  Skanska Property Poland |
|  Total office space |  Completion date |  Developer / Owner |

Office space

Major concentration areas

| | EXISTING STOCK | SUPPLY UNDER CONSTRUCTION | VACANCY RATE | MONTHLY ASKING RENT |
|---|----------------|---------------------------|--------------|---------------------|
|  CBD | 991,800 sq m | 36,000 sq m | 12.4% | EUR 19-26 sq m |
|  City Centre (excluding Daszyński Roundabout) | 1.06m sq m | 15,000 sq m | 10.5% | EUR 15-24 sq m |
|  Daszyński Roundabout | 728,700 sq m | 150,800 sq m | 5.6% | EUR 16-24 sq m |
|  Służewiec | 1.08m sq m | 0 sq m | 20.6% | EUR 10-15 sq m |
|  Mokotów (excluding Służewiec) | 377,700 sq m | 23,900 sq m | 10.3% | EUR 11-16 sq m |
|  Jerozolimskie Corridor | 726,600 sq m | 0 sq m | 9.9% | EUR 12-14 sq m |
|  East | 281,600 sq m | 32,400 sq m | 8.1% | EUR 10-15 sq m |



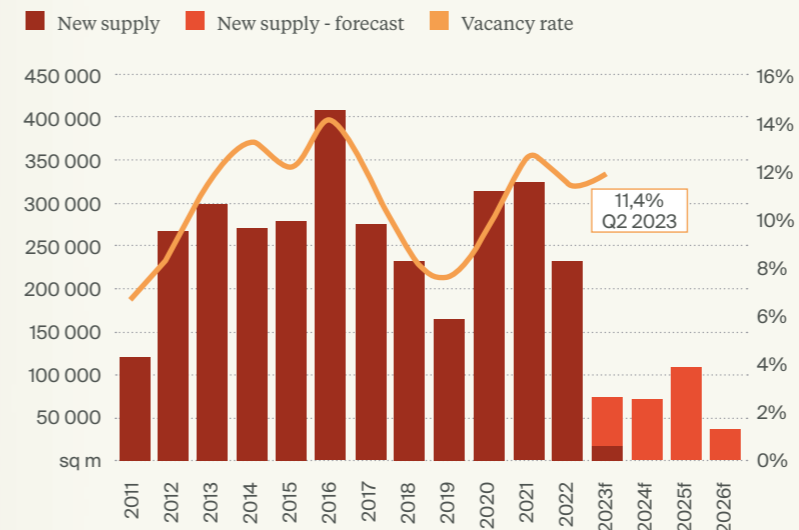
Trends

Asking rents for office space in Warsaw remained stable in Q2 2023. In prime office buildings located in the Central Business District, monthly asking rents were quoted between EUR 19.00 and 26.00/sq m/month. In other central locations, asking rents ranged between EUR 15.00 and 24.00/sq m/month. Asking rents outside the city centre varied between EUR 10.00 and 16.00/sq m/month. Service charges at the end of June 2023 were in the range of PLN 16.00 to 35.00/sq m/month.

In the coming years, new supply will continue to be concentrated in central locations. There is a noticeable increase in developer activity and the start of new projects, but levels are still significantly lower than those recorded before 2020.

The expected relatively low level of new supply in 2023 may further reduce vacancy rates.

Annual supply and vacancy rate



f-forecast based on schemes under construction

Source: Knight Frank

Continued high construction costs, as well as the still high cost of servicing construction loans, inhibit the negotiating power of investors, so further increases in rental rates are possible, especially in new buildings. In addition, further increases in service rates are still to be expected due to the ever-increasing price of services and utilities.

As a result of changes in work models and the implementation of the hybrid model, some companies are deciding to reduce their lease space or to use more flexible forms of lease such as coworking offices.

Due to changing regulations and a move towards climate neutrality by more and more organisations, ESG is exerting an increasing influence on the office market. Such changes are already having a visible impact on developers and the measures they implement and ideas they use. Furthermore, owners of older properties are being forced to modernise their office buildings in the interests of cost optimisation for both tenant and landlord.

Talent Trends 2023: a complete transformation of workplace culture

80% of people who started a new job throughout the last year are open to new opportunities. The factors that have the greatest impact on candidates when choosing a new place of employment are salary (26%), flexibility (15%), and career growth (14%). This is clear to see in the Talent Trends 2023 survey, carried out by PageGroup experts on a group of Polish respondents.

Employees ready and willing to look for new opportunities

Employees are increasingly more open to change and are very flexible. Of the nearly 1,000 people who took part in the Talent Trends survey in Poland, 94% of respondents admitted to being ready for new professional challenges, and more than half said they were actively looking for a job or planning to look for it in the next six months. Interestingly, this attitude can be seen even in those employees who are satisfied with both their current employer and earnings.

The salary is the strongest motivator for change

These days, remuneration is the most common reason for quitting, the most frequent reason for accepting a new position, the key component of a job advertisement, and the core of the recruitment process.

Flexibility is the new basis

Employers should adapt their mindset to the new reality, prioritising work-life balance and staff well-being. 7 out of 10 people would choose mental health and work-life balance over professional success.

Career growth: the key element of the recruitment strategy

37% of employees claimed they prioritised those companies that invest in the career growth of their staff. Professional development plans should be clearly communicated and consistent with the culture of the organisation. In order to improve employees' loyalty, it is worth developing a transparent promotion path that will have a specific time frame.



► For more information on the transformation of workplace culture, make sure to read the findings of our latest [Talent Trends 2023 survey](#).

The ins and outs of the labour market in the SSC sector

in Poland

Over the last couple of years, global business has focused on transformations related to the digitisation and streamlining of processes. Poland has become one of the key beneficiaries of this trend, which proves its attractiveness. A large number of talented and competent candidates in our country is the main factor that helps to draw new investors toward it.

Here are the 5 major trends in the SSC sector that determine the trajectory of changes in the labour market in 2023:

Experienced recruiters = effective recruitment

In the face of stiff competition for candidates with specialist expertise, effective communication and recruiter experience are of primary significance. By understanding the mechanisms that take place in the labour market, recruitment consultants can effectively respond to the needs of both employers and candidates

20 days

A candidate's activity cycle on the market is a maximum of 20 days, and it results from the increased number of job offers received. Greatest effectiveness and best competitive advantage are achieved by those employers who cut down their recruitment to a maximum of 2 stages.

Building your own brand in conversations with candidates

As many as 77% of candidates are guided by the company's image on the market before deciding to take up a job. In 2023, meetings with candidates are crucial to show the values and position of the organisation.

Market diversification

Apparently, more and more strategic functions are being centralised these days. In 2022, roles in such areas as supply chain, purchasing, and human resources dominated in southern Poland, while positions in the controlling and financial analysis departments prevailed in the north. The trend is due to continue this year.



TOP 4

The most desired positions in the SSC sector:

- 1 ► **FP&A Expert:**
PLN 12,000 – 19,000 gross/monthly
- 2 ► **Process Excellence Lead:**
PLN 16,000 – 22,000 gross/monthly
- 3 ► **Procurement/Supply Chain Specialist:**
PLN 10,000 – 15,000 gross/monthly
- 4 ► **Reporting/Management Accounting:**
PLN 12,000 – 18,000 gross/monthly

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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, 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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Warsaw has a lot to offer both for tourists and those who are thinking about staying here as residents, investing, opening a branch of your company or starting new business. For the investors we offer:

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

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