

Strong cities



City attractiveness, office market, HR trends

Q3 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**
1.3%
(state of 08.2023, GUS)
-  **GDP growth**
2.4%
(2020)
-  **GDP per capita**
PLN 133,400
(2020)
-  **Average salary (gross)**
PLN 8,862.99
(in the business sector, 08.2023)



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

- 101 museums and art galleries;
- 37 theatres and music institutions;
- 34 cinemas;
- 3,500 restaurants;
- approx. 1.9m 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;
- over 3,236 city bikes; 300 bike stations;
- 3rd largest electric car system in carsharing in Europe (500 cars).

 **Bike paths**
Over **741 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 AGENCY






Fitch

RATING

A-

Warsaw

Q3 2023

- ▶  Existing stock
6.2m sq m
- ▶  Supply under construction
243,800 sq m
- ▶  Vacancy rate
10.6%
- ▶  New supply (Q1-Q3 2023)
20,250 m²
- ▶  Take-up (Q1-Q3 2023)
496,550 m²

From the beginning of 2023, only 20,250 sq m of modern office space has been delivered to the Warsaw market. The figure represents a decrease of over 90% on 2022's corresponding period. In Q3 2023, only one office project was completed - the second phase of S-Bridge Office, with an office area of 1,900 sq m. Thus, at the end of September 2023, Warsaw's total office stock stood at 6.2m sq m, with a further 243,800 sq m of office space identified as being under construction – a slight increase on the figure for the end of Q2 2023.

Moreover, only 54,000 sq m of this space is planned for delivery by the end of 2023, with the remaining amount set to reach the market between 2024 and 2026. More than 80% of the supply under construction is located in central locations.




After 2022's healthy demand-side results, the first three quarters of 2023 have so far seen reduced tenant activity on the capital's office market. Demand between January and September 2023 reached some 496,550 sq m - almost 20% down on the same period of 2022. That said, Q3 2023 saw lease agreements signed for more than 174,000 sq m of space, of which the two largest agreements were: a pre-let agreement for 7,000 sq m in The Form building (ING Hubs Poland), and a renegotiation for 5,500 sq m in Europlex (Elavon).

New agreements accounted for the largest share of the contract structure in the first three quarters of 2023, representing close to 58% of the transaction volume (more than 287,800 sq m, including owner agreements). It should, however, be noted that twelve of the twenty largest leases concluded during this period are renegotiations, which accounted for more than 38% of the lease volume (around 190,000 sq m leased) between Q1 and Q3 2023. Still, a limited number of tenants are opting to expand their leased space, meaning expansion agreements in the structure accounted for only 18,700 sq m – i.e., only 4% of the agreement volume recorded between January and September 2023.

Available office space at the end of Q3 2023 in Warsaw amounted to 657,400 sq m, representing 10.6% of office stock. Compared to Q2 2023, the vacancy rate was down 0.8 pp, while compared to 2022's corresponding period, it was down 1.5 pp. In the central zones, the vacancy rate stood at 9.1% (down 0.8 pp on the previous quarter). Outside the city centre, the rate also saw a decrease (by 0.9 pp.), standing at 11.8%. The lowest vacancy rates were recorded in the North zone (4.8%) and in Mokotów (5.6%), while the highest was in Służewiec (20.2%).








Asking rents for office space in Warsaw in Q3 2023 have seen slight changes. In the best office buildings in the Central Business District, monthly asking rents were between EUR 18.00 and EUR 27.00/sq m. In other central locations, asking rents were between EUR 15.00 and EUR 23.00/sq m/month. Outside the city centre, asking rents ranged from EUR 10.00 to EUR 16.00/sq m/month. Service charges witnessed a slight increase, ranging between PLN 16.00 and PLN 36.00/sq m/month at the end of September 2023.

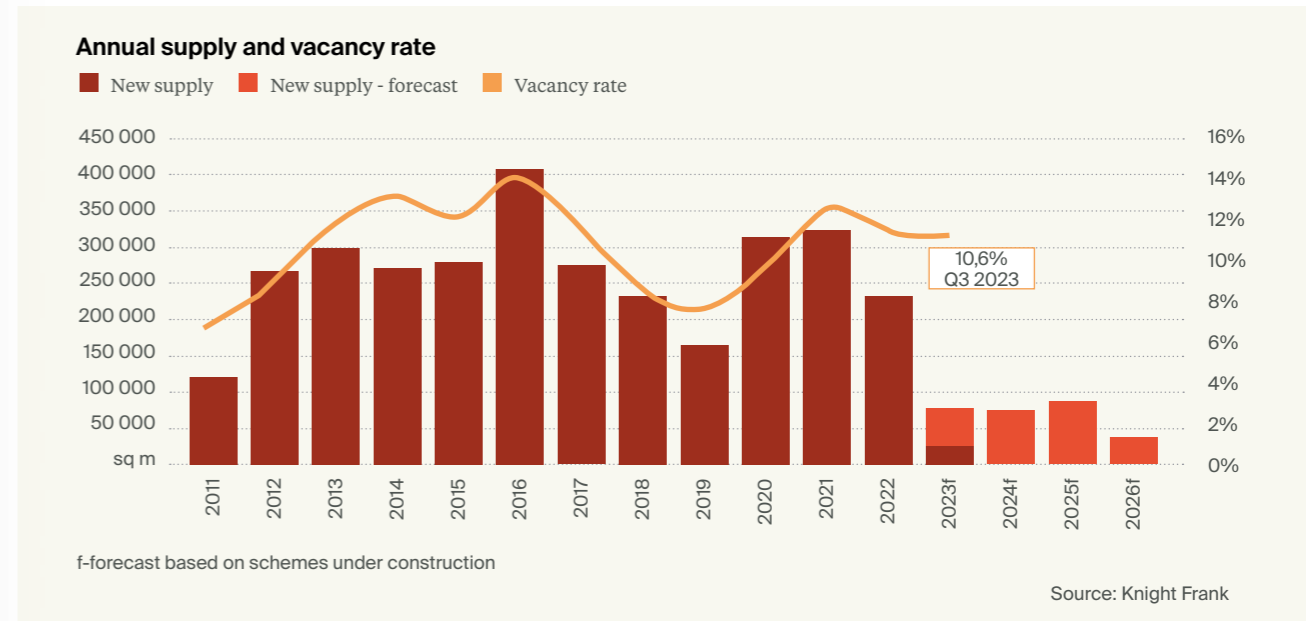
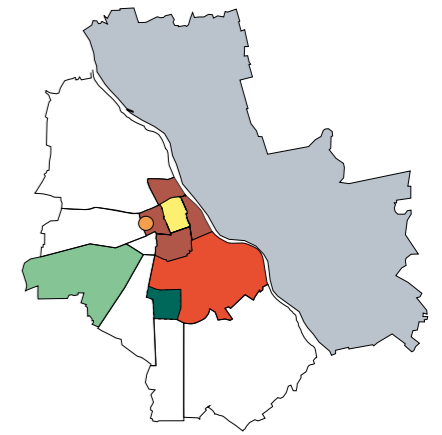
Standard lease terms in new buildings

- ▶  Service charge
PLN/sq m/month
16.00-36.00
- ▶  Rent-free period
1.5-2 months
for each contract year
- ▶  Fit-out budget
EUR/sq m
250.00-750.00

Office space

Major concentration areas

	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
 CBD	994,700 sq m	36,000 sq m	11.6%	EUR 18-27 sq m
 City Centre <small>(excluding Daszyński Roundabout)</small>	1.04m sq m	15,000 sq m	9.1%	EUR 15-23 sq m
 Daszyński Roundabout	728,700 sq m	150,500 sq m	5.6%	EUR 15-23 sq m
 Służewiec	1.08m sq m	0 sq m	20.2%	EUR 10-15 sq m
 Mokotów <small>(excluding Służewiec)</small>	377,700 sq m	23,900 sq m	5.6%	EUR 12-16 sq m
 Jerozolimskie Corridor	726,100 sq m	0 sq m	9.2%	EUR 12-15 sq m
 East	280,700 sq m	11,500 sq m	8.8%	EUR 11-15 sq m



Trends

- ▶ In the coming years, new supply will continue to be concentrated in central locations. Level of developer activity is still significantly lower than those recorded before 2020.
- ▶ The expected relatively low level of new supply in 2023 and 2024 may further reduce vacancy rates.
- ▶ 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.
- ▶ 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.
- ▶ 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.

I'd like some work-life balance and a competitive salary, please. Thank you!

The time of the pandemic has had a direct impact on people's approach to work, leading to the creation of a completely new employment culture. In today's job market, talent scouts have to work hard to ensure that their offer not only finds the right candidate, but also meets with a positive response.

Flexibility first

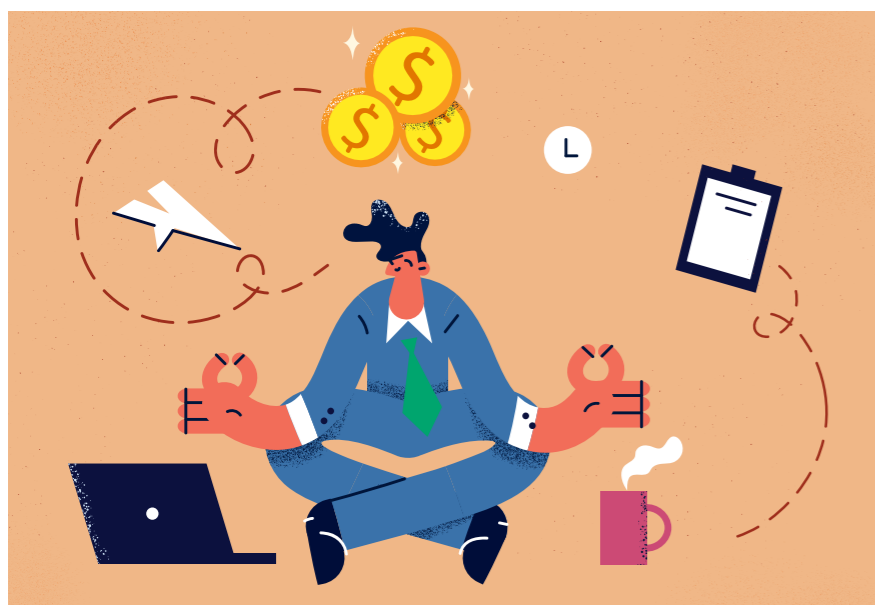
The Talent Trends 2023 report leaves no doubt – the importance of work-life balance is rising, a trend that will be difficult to halt. Indeed, work-life balance has now become a key component of professional life. As many as 7 in 10 people would prioritise mental health and work-life balance over success at work, and 40% of employees would turn down an offer of promotion if they felt it could have an adverse effect on their general wellbeing. That is why today's employees expect flexibility from their employers, focusing on the freedom to choose how, where, and when they can do their job.

An ideal offer tempts with good salaries and benefits

Additional days off per year, shorter working weeks, use of the company's gym at lunch time, or foreign language lessons during office hours. An offer like this can be very effective, provided that financial expectations are also met. If staff are satisfied with their earnings, advanced benefits act as yet another lure. Recruiters in the industries where demand still exceeds supply need to be particularly creative in this field. Although proportions have been changing over the last months, and even IT workers are beginning to feel competition breathing down their neck, this sector keeps leading the way, and, truth be told, it is still calling the shots.

Promises likely to be met

An ideal job offer meets several criteria. In order to attract talents effectively, it must be tailored to the profile of a particular candidate that is being sought, and it should respond to any doubts in detail. Having said that, even the best-prepared advertisement can't fulfil its role in the long term if the promises it makes diverge from the actual offer of the employer.



► 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 IT Contracting sector

in Poland

Technology picked up the pace in a major way already during the pandemic, a trend that carried on until the end of 2022. The beginning of 2023 brought mass-scale layoffs at various tech giants in the US, which also affected the mood of IT companies in Poland. The situation has deteriorated further due to high inflation, which has halted Poland's economic growth, forcing businesses to be more cautious in developing their new IT projects, which has translated into the overall demand for the services of IT freelancers on the market. Several subcontractors of IT giants from the US – including software producers or IT outsourcing companies – have experienced major drops in their turnover. This said, there are industries in which the demand for IT competences shows no signs of weakening. These include financial institutions and insurance companies, which are constantly expanding their development teams and the area of security.



IT freelancers are still most likely to work for or cooperate with businesses based entirely on remote work. These job offers are still the most attractive, especially if they are made available by global businesses.

The financial requirements of IT specialists are not growing at such an exponential pace as the one we saw back in 2021 and 2022. There is now more room to negotiate even with experienced consultants and experts. This is also the result of a slight decrease in demand for their project work. The projects that companies had to implement to adapt to the pandemic, and now to the post-pandemic reality, are now coming to an end, and, as a result, the demand for freelancers has dropped.

Despite these changes, the best employees are still in demand on the labour market, especially if they have senior or expert experience in a given field, as their skills allow them to significantly shorten the span of an IT project, while maintaining high quality of service. The areas that are in the lead are software development, security, and SAP.

Even though the conditions worsened in 2023, many of our clients are planning the demand for IT Contracting in 2024, and they are currently analysing budgets for their new projects. Over the year, the situation in the US and in European markets has calmed down, and the cyclical decline in inflation also bodes well for a more propitious economic situation next year.

TOP 3

Most desired positions in IT Contracting in 2023:

1 ▶ Software Tester

PAY RATE (PER HOUR, NET)

JUNIOR (1-3 YEARS)	REGULAR (3-5 YEARS)	SENIOR (5+ YEARS)
105-145 PLN/h	155-185 PLN/h	185-200 PLN/h

2 ▶ Frontend Developer

PAY RATE (PER HOUR, NET)

JUNIOR (1-3 YEARS)	REGULAR (3-5 YEARS)	SENIOR (5+ YEARS)
105-145 PLN/h	155-195 PLN/h	185-225 PLN/h

3 ▶ DevOps

PAY RATE (PER HOUR, NET)

JUNIOR (1-3 YEARS)	REGULAR (3-5 YEARS)	SENIOR (5+ YEARS)
115-155 PLN/h	165-205 PLN/h	210-250 PLN/h

Contacts

in Poland

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

RESEARCH
Katarzyna Bojar
katarzyna.bojar@pl.knightfrank.com

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

COMMERCIAL AGENCY - WARSAW
T-REP Filip Kowalski
filip.kowalski@pl.knightfrank.com

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

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

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

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**CONTACT IN CITY
COUNCIL'S OFFICE:**
biznes.um.warszawa.pl
promocjagospodarcza@um.warszawa.pl

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.

Michael Page

CONTACT:

Magdalena Szabelska
Business Development Manager
+48 573 790 227
magdalenaszabelska@michaelpage.pl
www.michaelpage.pl