

Strong cities



City attractiveness, office market, HR trends

Q4 2023

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

knightfrank.com.pl/en/research











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**
1.4%
(state of 11.2023, GUS)
-  **GDP growth**
2.4%
(2020)
-  **GDP per capita**
PLN 133,400
(2020)
-  **Average salary (gross)**
PLN 9,057.69
(in the business sector, 11.2023)



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**
- 2ND PLACE** in competition **European Innovation Capital - iCapital**

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 and 2023 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**
356 (2023)






 **BSS sector - number of employed**
95,000

RATING AGENCY **Fitch**




RATING **A-**

Warsaw

Q4 2023

-  Existing stock **6.2m sq m**
-  Supply under construction **234,000 sq m**
-  Vacancy rate **10.4%**
-  New supply (2023) **61,000 sq m**
-  Take-up (2023) **749,000 sq m**

Standard lease terms in new buildings

-  Service charge PLN/sq m/month **18.00-38.00**
-  Rent-free period **1.5-2 months** for each contract year
-  Fit-out budget EUR/sq m **250.00-750.00**

After a robust revival in the office market in Warsaw in 2022, with take-up returning to almost pre-pandemic levels, 2023 saw a decline in office demand. Nonetheless, Warsaw, as the primary office market in Poland, continued to attract a significant number of tenants, with nearly 750,000 sq m leased in 2023.

Despite the reduced demand, the vacancy rate fell to its lowest level in three years, standing at 10.4%. This decrease was attributable to a limited amount of new supply. Over the next three years, supply is expected to remain low, leading to a positive impact on vacancy rates and rents.

SUPPLY

In 2023, only 61,000 sq m of office space was delivered to the market - the lowest amount since 2010. This limited new supply stemmed from decisions made two years ago during the pandemic, when few developers opted to initiate new developments.

Developer activity remains limited. Currently, there are 234,000 sq m of office space under construction, with only 75,000 sq m scheduled for completion in 2024. Furthermore, nearly 90% of the space being built is situated in central areas, primarily around the Daszyński Roundabout, which has been the most active location for construction of office buildings in Warsaw for several years.

TAKE-UP

Total take-up in Warsaw in 2023 reached 750,000 sq m, reflecting a 13% decrease compared to the previous year, but surpassing the levels achieved in 2021 (650,000 sq m).

The most sought-after buildings in prestigious locations continue to attract tenants, with 51% of the total volume being leased in central zones of Warsaw in 2023. The majority of take-up was in new agreements, accounting for 51%, while renegotiations also constituted a significant share at 43% - an increase from 39% in 2022. This high share of renegotiations indicates that cost reduction, particularly related to moving and adapting to new office spaces, remains important for tenants. Furthermore, the number of expansions decreased in 2023, with the share of expansions in the total take-up reaching 4%, down 4 pp compared to the previous year. Owner-occupier deals accounted for the remaining 3% of the volume.

There is a growing interest among tenants in ecological and sustainable properties. As much as 54% of the take-up recorded in 2023 concerned space in certified buildings. This trend is expected to continue in the coming years, with an anticipated intensification in the shift towards quality and ecological considerations.

VACANCY RATE

The vacancy rate in Warsaw decreased to 10.4% in Q4 2023, marking a 0.2 pp decrease on the previous quarter and a notable 1.2 pp decrease on the same period last year. In the central area, the vacancy rate was 8.5% (a 0.6 pp decline on the previous quarter), while in non-central areas, there was a slight increase of 0.1 pp, bringing the rate up to 11.9%. The lowest vacancy rate was recorded in the Northern zone at 4.6%, while the highest vacancy rate was again observed in Służewiec, at 20.1%.

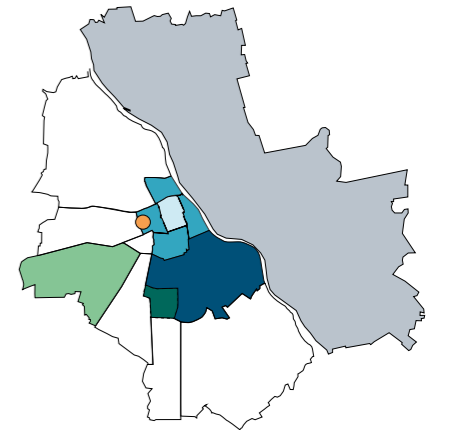
RENTS

In the final quarter of 2023, asking rates for office space in Warsaw remained stable. Prime office buildings in the Central Business District saw rates ranging between EUR 18.00 and 27.00 sq m/month, while in other central locations, rates varied from EUR 15.00 to 23.00 sq m/month. Beyond the city centre, asking rents in prime buildings ranged from EUR 10.00 to 16.00 sq m/month. Meanwhile, service charges in Q4 2023 continued to climb, typically ranging between PLN 18.00 and 38.00 sq m/month.

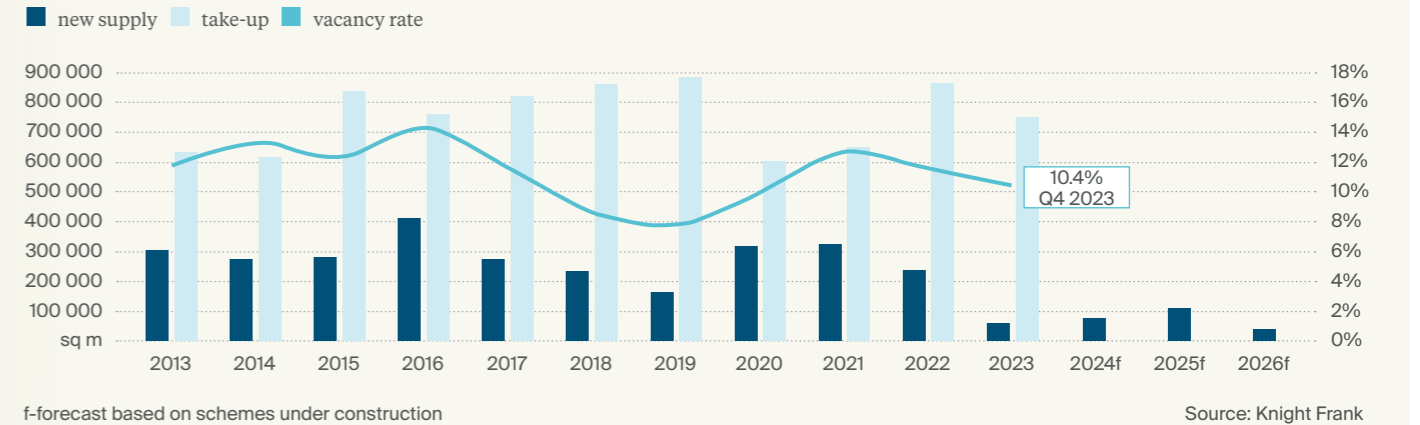
Office space

Major concentration areas

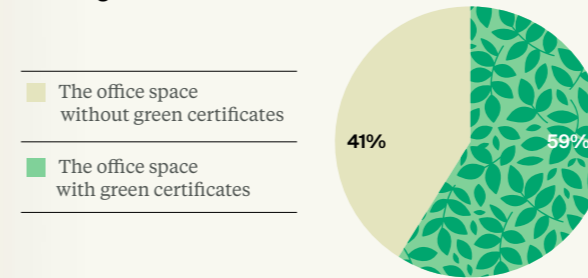
	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
CBD	994,700 sq m	36,000 sq m	9.6%	EUR 18-27 sq m
City Centre <small>(excluding Daszyński Roundabout)</small>	1.04m sq m	0 sq m	9.5%	EUR 15-23 sq m
Daszyński Roundabout	746,000 sq m	172,000 sq m	5.5%	EUR 15-23 sq m
Służewiec	1.07m sq m	0 sq m	20.1%	EUR 10-15 sq m
Mokotów <small>(excluding Służewiec)</small>	403,000 sq m	0 sq m	7.8%	EUR 12-16 sq m
Jerozolimskie Corridor	762,100 sq m	8,300 sq m	9.2%	EUR 12-15 sq m
East	280,700 sq m	11,000 sq m	7.7%	EUR 11-15 sq m
Other	934,300 sq m	7,000 sq m	7.1%	EUR 11-16 sq m



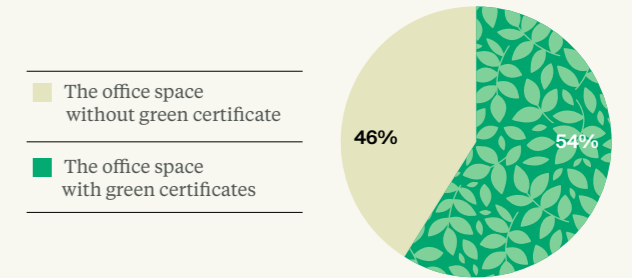
Annual new supply, take-up and vacancy rate



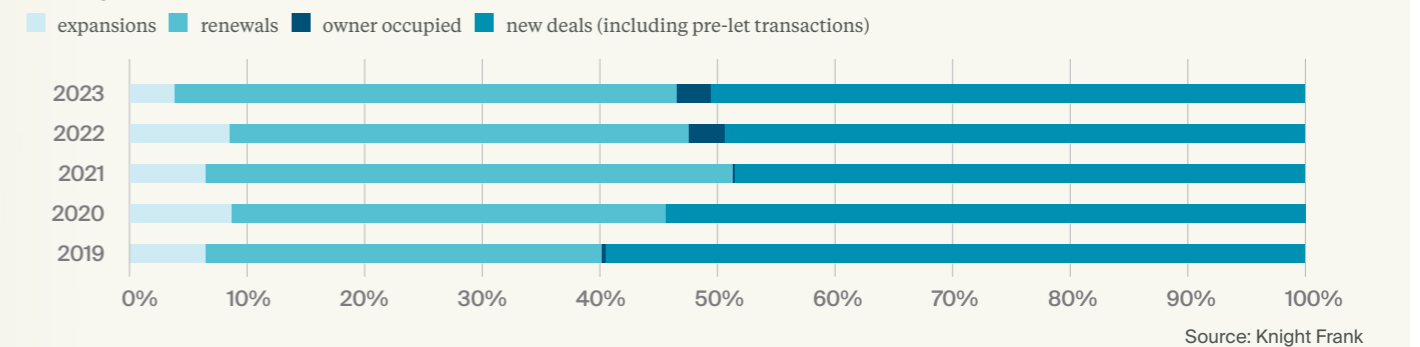
Office space in Warsaw - existing and under construction



Total take-up in Warsaw in 2023



Take-up structure



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

Contacts

in Poland

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

RESEARCH
Dorota Lachowska
dorota.lachowska@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

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

Authors: Dorota Lachowska, Michał Kusy.

PARTNER OF THE PUBLICATION:



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:

Magda Tarkowska
Executive Manager
+48 798 506 886
magdatarkowska@michaelpage.pl
www.michaelpage.pl