Strong cities

City attractiveness, office market, HR trends

H1 2023	The office market sentiment, the investment potential of the city and the labour market.	*knightfrank.com.pl/en/research*

Prepared in cooperation with

CENTRUM Business in Małopolska

Michael Page

Kraków

City area
327 sq km

Population
803,300
(state of 31.12.2022)

Population forecast
756,470 (2025)

Migration balance
internal
(+)305
(2022, Statistics Poland)

external
(+)265
(2022, Statistics Poland)

Unemployment rate
2.0%
(06.2023, Statistics Poland)

GDP growth
2.8%
(2020, Statistics Poland)

GDP per capita
PLN **99,946**
(2020, Statistics Poland)

Average salary (gross)
PLN **9,134.24**
(in the business sector, 06.2023)

Investment attractiveness

Rankings

1ST PLACE – **in the business friendliness category** of fDi's European Cities and Regions of the Future 2023 ranking (among large cities)

2ND PLACE – **in the human capital and lifestyle category** of fDi's European Cities and Regions of the Future 2023 ranking (among large cities)

3RD PLACE – overall in fDi's European Cities and Regions of the Future 2023 ranking (among large cities)

3RD PLACE – in the **"Business-friendly cities 2023"** ranking conducted by Forbes magazine (among cities with more than 300,000 inhabitants)

20TH POSITION – **in the TOP 100 Super Cities list** in the Tholons Global Innovation Index 2021

The title of Award in **„Municipality for 5!"** and the title of **„Golden Municipality for 5!"** in the 2022/23 edition of the ranking prepared by the Student Scientific Association of Acceleration, on behalf of the Institute of Entrepreneurship at the Warsaw School of Economics

Investment incentives

- Polish Investment Zone - income tax exemption
- Incentive programs offered to investors by the local government
- Tax relief for R&D
- Support for business environment institutions - incl. Business in Małopolska Centre
- IP Box
- Assistance under the EU Funds
- Government Investment Support Program grants
- Real estate tax exemption

Quality of life

Rankings

- The Kraków Old Town and Wawel Hill on the UNESCO World Heritage List
- European Capital of Culture (2000)
- UNESCO City of Literature
- IFEA World Festival & Event City

Quality of life in numbers

CULTURE AND ENTERTAINMENT

- 1,207 monuments and approx. PLN 30m allocated annually for their renovation
- 117 museums and 41 art galleries, 1.4m exhibits and 5m visitors annually
- 16 theaters, 2,000 performances, 270,000 spectators annually
- 12 cinemas, 73 cinema halls, 12,000 seats in the auditorium, 140,000 screenings annually
- Over 200 restaurants (2 Michelin stars for Bottiglieria 1881 restaurant)
- 15 regional products under EU protection (including obwarzanek, oscypek, sour rye soup Cracovian style, carp from Zator)
- 180 festivals and artistic-entertainment and sports events annually (including Jewish Culture Festival, The Great Dragon Parade, Kraków Film Music Festival)

TRANSPORT

- 28 tram lines and 175 bus lines
- 4 Fast Commuter Rail lines
- 258 km of bicycle paths
- 8.41m passengers handled in one year by Kraków-Balice Airport

INFRASTRUCTURE

- 1.75m sq m of modern office space
- 190 hotels with 23,000 rooms (including 16 five-star hotels)
- Modern congress and entertainment infrastructure (including ICE Kraków Congress Centre with 5,200 seats, TAURON Arena Kraków – 24,000 seats)
- 2,000 business meetings annually, attended by over 300,000 people

NATURAL ENVIRONMENT

- 54 city parks, 30 pocket parks, 30 ha of wildflower meadows
- 80% of city residents have a 5-minute access to green areas
- 8 air pollution monitoring stations
- Significantly decreasing air pollution issue in the city due to consistent implementation of the anti-smog resolution
- 32 recommendations from the Kraków Climate Panel and the City of Kraków's Climate Change Adaptation Plan until 2030

Bike paths
258 km

Green areas
60%
of the cities area

Facts & Figures

Number of students
130,360
(2021/2022)

Number of graduates
33,242
(2021/2022)

Number of universities
23 (2021/2022)

Airport - distance to the City centre
11 km

Airport - number of passengers
7.4m (2022)

BSS sector - number of centres
261
(ABSL 2022)

BSS sector - number of employed
92,700
(ABSL 2022)

RATING AGENCY **S&P**   RATING **A- (stable)**

Kraków

H1 2023

Existing stock
1.75m sq m

Supply under construction
78,000 sq m

Vacancy rate
18.4%

New supply
42,600 sq m

Take-up
82,600 sq m

At the end of June 2023, Kraków's office stock amounted to nearly 1.75m sq m, allowing it to retain its leading position in terms of size among regional markets in Poland. Office space in the city increased by more than 42,600 sq m in H1 2023, accounting for almost 37% of the total volume of space delivered in regional cities. It should however be noted that these investments were all delivered in Q1 2023, with Q2 seeing no new office project brought to the Kraków market. The largest project completed in the first half of the year was the 28,600 sq m Ocean Office Park B, developed by Cavatina Holding..

Rising construction and financing costs, along with a continued rise in vacancy rates, are affecting developer activity in the Kraków market. At the end of June 2023, only 78,000 sq m of office space remained under construction, with more than 90% expected to be completed in the second half of 2023. This is four times less than in pre-pandemic years, when there was an average of 250,000-300,000 sq m under construction. The largest projects under construction are Kreo (23,000 sq m, Ghelamco Poland) and Mogilska 35 (13,500 sq m, Warimpex), which are both scheduled for completion in H2 2023.

In Q2 2023, the volume of lease transactions on the Kraków office market amounted to nearly 51,600 sq m, representing a decrease of 30% on the same period last year. Moreover, since the start of 2023, tenants have leased 82,600 sq m of office space, which is the second highest result among regional cities. It's worth noting that this result accounts for 25% of the total volume of transactions recorded in regional cities in H1 2023. The largest share, over 56%, came in new contracts, with renegotiations accounting for nearly 32% of the transaction volume. Expansions, with a 12% share, accounted for the remainder.

Despite no new supply in Q2 2023, the vacancy rate in Kraków reached 18.4% at the end of June, an increase of 1 pp. on the previous quarter, and an increase of 2.2 pp. on 2022's corresponding period.

Asking rents in Kraków at the end of June 2023 remained stable compared to the previous quarter, ranging from EUR 10.00 to EUR 16.00/sq m/month. Persistently high construction costs, along with the still high costs of servicing construction loans, are limiting investor negotiating possibilities. Thus, rent increases, particularly in new buildings, remain a possibility. Service charges ranged from PLN 16.00 to PLN 29.00/sq m/month.

Coworking operators in Kraków

At Office | Business Link | Chillifiex | CitySpace | Regus | Loftmill | Cluster Offices

Standard lease terms in new buildings

Service charge
PLN/sq m/month
16.00-29.00

Rent-free period
1-1.5 month
for each contract year

Fit-out budget
EUR/sq m
380.00-500.00

Selected schemes under construction

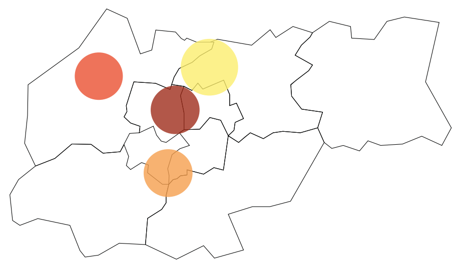
BRAIN PARK C	KREO	MOGILSKA 35	THE PARK CRACOW II
12,800 sq m	23,000 sq m	13,500 sq m	11,700 sq m
Q4 2023	Q3 2023	Q3 2023	Q3/Q4 2023
Echo Investment	Ghelamco Poland	Warimpex	White Star Real Estate

Total office space | Completion date | Developer / Owner

Office space

Major concentration areas

	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
City Centre	403,500 sq m	26,200 sq m	13.0%	EUR 12-16 sq m
North east	400,600 sq m	0 sq m	22.8%	EUR 11-14.5 sq m
North west	161,900 sq m	0 sq m	17.2%	EUR 11.5-14.5 sq m
South	706,900 sq m	39,900 sq m	16.0%	EUR 10-15 sq m



Major regional cities

H1 2023

Kraków, Wrocław, Tricity, Katowice, Łódź, Poznań, Szczecin, Lublin

Existing stock
6.51m sq m

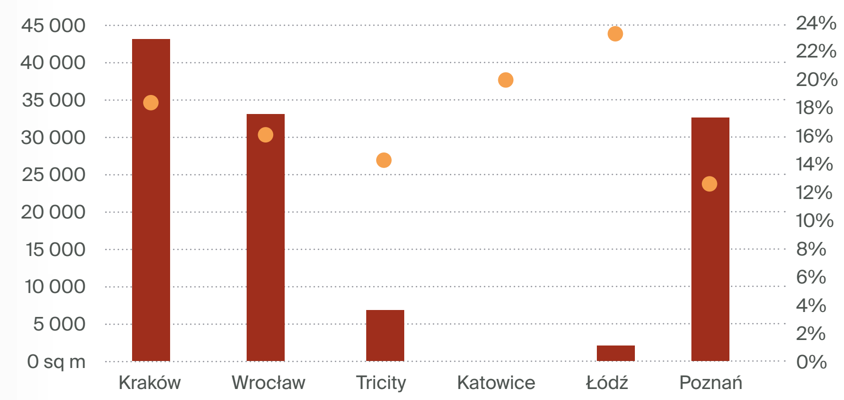
New supply
116,300 sq m

Take-up
333,760 sq m

Supply under construction
465,000 sq m

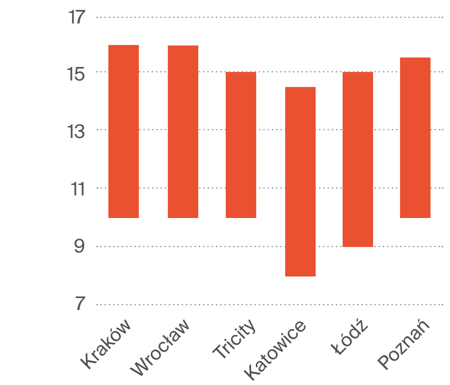
Available space
1.09m sq m

New supply and vacancy rate (H1 2023)

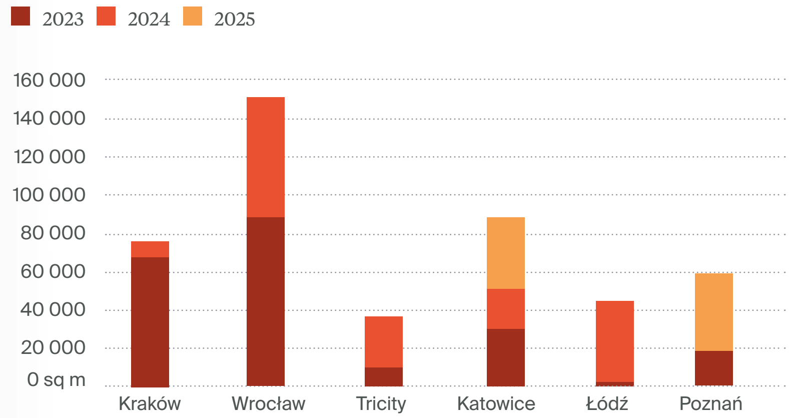


Asking rents (H1 2023)

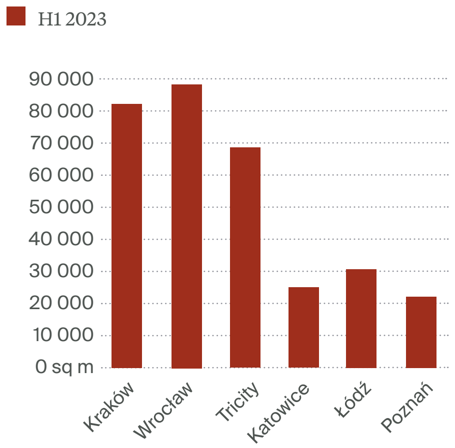
(EUR/sq m/month)



Supply under construction by completion year (H1 2023)



Take-up volume



Michael Page

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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- market reports and analysis available to the public,
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