Prepared in cooperation with

Centrum Business in Małopolska · Michael Page · Knight Frank

KRAKÓW

City attractiveness and office market

Q3 2022

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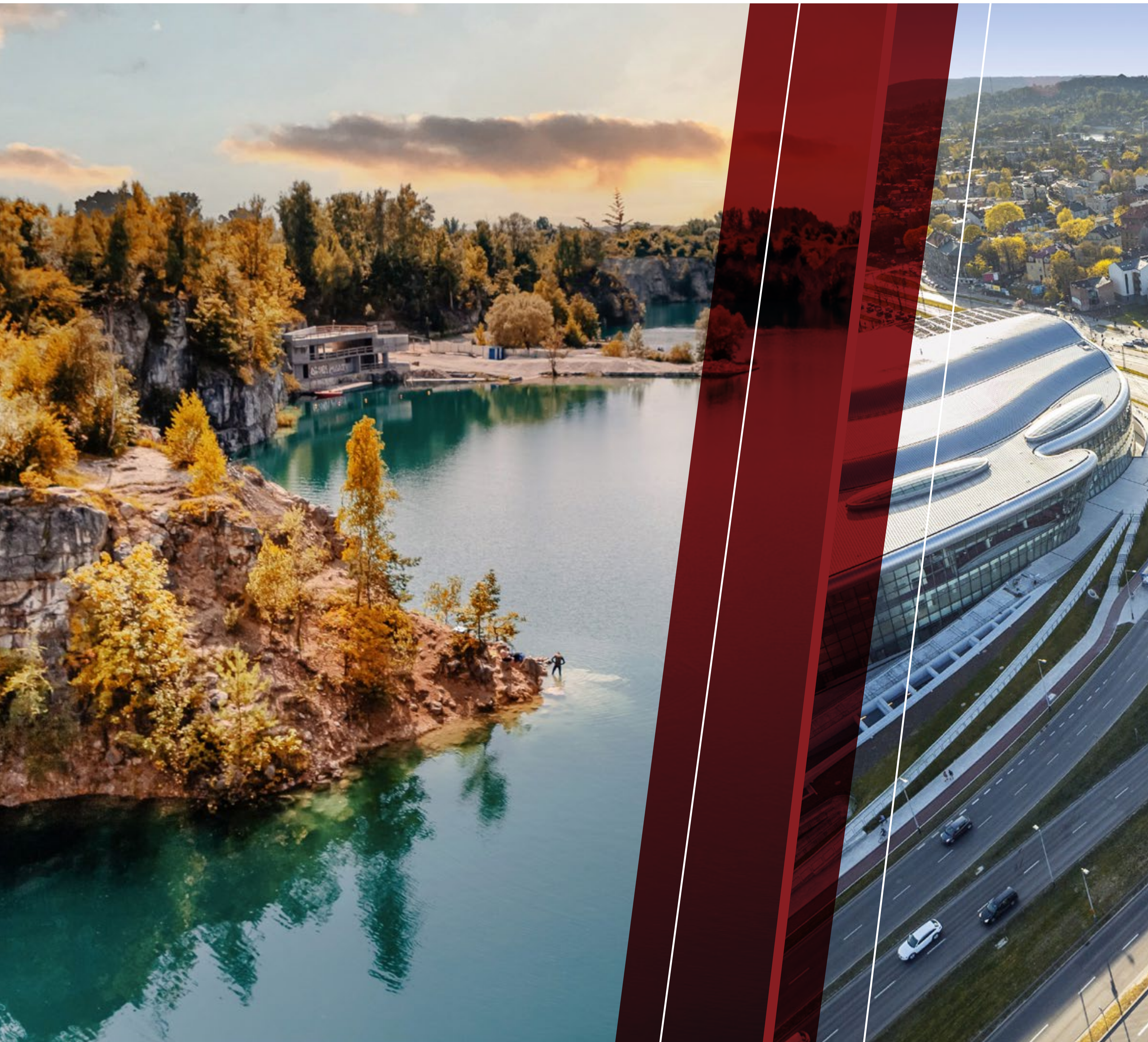


CITY ATTRACTIVENESS

KRAKÓW

CITY AREA
327 sq km

POPULATION
782,100
(December 2021, GUS)

POPULATION FORECAST
756,470
(2025)

MIGRATION BALANCE
(+) 2,525 (2021, GUS)
(+) 880 (H1 2021)

GDP GROWTH
8.4%

GDP PER CAPITA
PLN 93,753

AVERAGE SALARY
PLN 8,092
(gross)

UNEMPLOYMENT RATE
2.6%
(August 2022, GUS)

INVESTMENT ATTRACTIVENESS

RANKINGS

1. 1st place in the national **„Business-friendly cities 2021"** ranking, conducted by Forbes magazine (among cities with between 300,000 and 999,000 inhabitants)

1. 1st place in the large cities **category for business friendliness** and 2nd in **human capital and lifestyle** in the European Cities and Regions of the Future 2022/2023 ranking

20. 20th position (up 5 places on the previous year) in the **TOP 100 Super Cities** list in the Tholons Global Innovation Index 2021

4. 4th place in the overall ranking of **European Cities and Regions of the Future 2022/2023** (including economic potential, business friendliness, transport connections, human capital and lifestyle, and cost effectiveness)

The title of **Award in „Municipality for 5!" and the title of „Golden Municipality for 5!"** in the 2020/21 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

In the top 25 of the international **Tech Cities of the Future 2020/21** ranking by fDi and TNW

INVESTMENT INCENTIVES

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

QUALITY OF LIFE

RANKINGS

1. **Best place to work remotely** as ranked by OVO Network and expatriateconsultancy.com in 2021

2. 2nd place in the national ranking of **urban water resource efficiency** - Water City Index 2021

3. 3rd in Europe and 5th in the world in the ranking of the **world's greenest cities** created by Husqvarna Urban Green Space Index (HUGSI)

2. 2nd place in the category of **human capital and lifestyle** in the European Cities and Regions of the Future 2022/2023 ranking

QUALITY OF LIFE IN NUMBERS

- Multifaceted actions aimed at reducing the use of high-emission solid fuels in heating installations in order to improve air quality.
- Supporting investments in public transport - systematically modernized tram and bus fleet (for example investments in hybrid and electric buses).
- Modernisation, development and improvement of the road system in Kraków (Park and Ride parkings, flyovers, road junctions).
- Actively promoted Civic Budget supporting local initiatives of residents.
- City-supported cultural events and festivals. The development of sports infrastructure (swimming pools, sports halls, bicycle paths) provides wide and easy access to sports and recreational facilities.
- The expansion of the sports infrastructure (swimming pools, sports halls, bicycle paths) provides a wide and easy access to sports and recreational facilities.
- Investments under the Municipal Revitalization Program of Kraków in the areas of Stare Podgórze-Zabłocie, Stare Miasto-Kazimierz, Nowa Huta.
- Implementation of the program of active participation of young people in the life of the city „Young Kraków 2.0".
- Modern congress and event infrastructure, e.g. ICE Kraków Congress Centre (37,000 seats), TAURON Arena Kraków (15,000 seats and 9,000 standing places).

BIKE PATHS
over
258 km

GREEN AREAS
203.7 sq km

FACTS & FIGURES

NUMBER OF STUDENTS	NUMBER OF GRADUATES	NUMBER OF UNIVERSITIES	AIRPORT - DISTANCE TO THE CITY CENTRE	AIRPORT - NUMBER OF PASSENGERS	BSS SECTOR - NUMBER OF CENTRES	BSS SECTOR - NUMBER OF EMPLOYED
130,000 (2020)	**32,900** (2020)	**23** (2020)	**11 km**	**~3m** (2021) **~8.5m** (2019)	**247**	**82,100**

RATING **A-** (STABLE OUTLOOK)

RATING AGENCY **S&P**

OFFICE MARKET

KRAKÓW

Q3 2022

EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	NNEW SUPPLY (Q1-Q3 2022)	TAKE-UP (Q1-Q3 2022)
1.65m sq m	152,000 sq m	15.4%	47,700 sq m	133,800 sq m

At the end of September 2022, Kraków's office stock stood at over 1.65m sq m, keeping it in first place in terms of size among regional office markets. Since the beginning of the year, modern office projects have been successively delivered, although in Q3 2022 the Kraków office market was not added to by any new office building.

More than 152,000 sq m of office space remains under construction in Kraków, and it will be systematically delivered in the coming years. If developers meet their planned schedules, 92% of the space under construction will be completed to the market in 2023, with the remaining 11,000 sq m completed this year.

The largest developments under construction are Ocean Office Park B (26,500 sq m, Cavatina Holding) and Kreo (24,000 sq m, Ghelamco Poland).

In Q3 2022, tenants on the Kraków office market remained active, with a resulting transaction volume of almost 25,000 sq m. It is worth noting that this is the best result among regional cities, accounting for more than 23% of the total transaction volume in those cities in Q3 2022. Moreover, from January to September 2022, tenants had already leased some 134,000 sq m of office space, 26% higher than in 2021's corresponding period. The largest share of the lease structure, over 73%, came in new agreements (of which pre-let agreements accounted for 34%), with renegotiations accounting for nearly 27% of the transaction volume.

Due to the lack of new supply and the relatively high take-up of office space, the vacancy rate at the end of September 2022 stood at 15.4% - a decrease of 0.8 pp on Q2 2022. The vacancy rate, however, has remained relatively stable over the past year, with only a 0.2 pp increase on the corresponding quarter of 2021.

At the end of September 2022, asking rents in Kraków ranged from EUR 10.00 to EUR 16.00/sq m/month. In the near future, pressure from tenants to renegotiate rents and seek incentive packages in older buildings seems likely due to the high availability of office space. On the other hand, rising construction costs (rising prices of construction materials and labour costs) and growing construction loan costs may inhibit investor openness towards negotiation, particularly in new buildings. Additionally, due to rising utility and service costs, there has been a noticeable increase in service charges, which at the end of September 2022 in Kraków ranged from PLN 15.00 to PLN 24.00/sq m/month.

SELECTED SCHEMES UNDER CONSTRUCTION

Scheme	Total office space	Completion date	Developer / Owner
BRAIN PARK I	22,500 sq m	Q1 2023	Echo Investment
THE PARK CRACOW II	13,500 sq m	Q4 2023	White Star Real Estate
OCEAN OFFICE PARK B	26,500 sq m	Q1 2023	Cavatina Holding
KREO	24,000 sq m	Q3 2023	Ghelamco Poland
MOGILSKA 35	13,500 sq m	Q3 2023	Warimpex

STANDARD LEASE TERMS IN NEW BUILDINGS

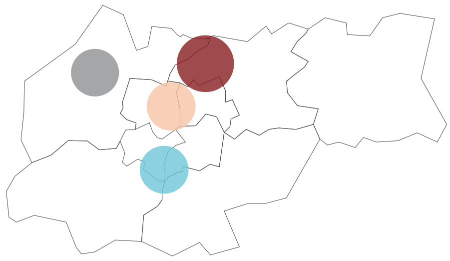
SERVICE CHARGE PLN/SQ M/MONTH	RENT-FREE PERIOD	FIT-OUT BUDGET EUR/SQ M
15-24	5-8 months	380-500

COWORKING OPERATORS IN KRAKÓW

At Office | BusinessLink | Wirtualne Biuro | City Space | Regus | Loftmill | New Work

MAJOR OFFICE CONCENTRATION AREAS

	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
CITY CENTRE	352,900 sq m	83,300 sq m	14.8%	EUR 12.5-16/sq m
NORTH EAST	400,600 sq m	0 sq m	13.6%	EUR 11-14.5/sq m
NORTH WEST	161,900 sq m	0 sq m	18.3%	EUR 11-14.5/sq m
SOUTH	666,100 sq m	55,200 sq m	12.3%	EUR 10-15/sq m



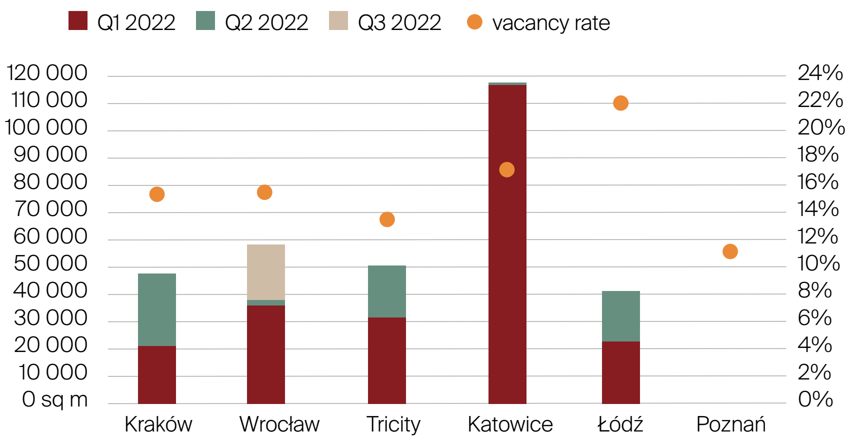
MAJOR REGIONAL CITIES

KRAKÓW, WROCŁAW, TRICITY, KATOWICE, ŁÓDŹ, POZNAŃ, SZCZECIN, LUBLIN

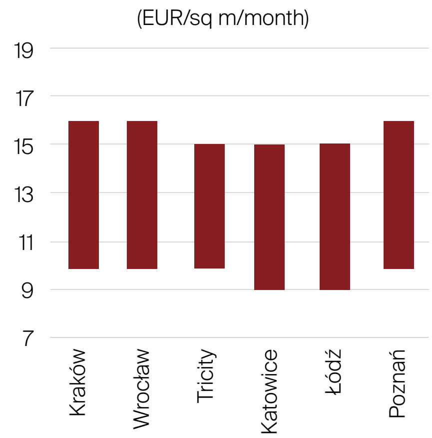
Q3 2022

EXISTING STOCK	NEW SUPPLY (Q1-Q3 2022)	TAKE-UP (Q1-Q3 2022)	SUPPLY UNDER CONSTRUCTION	AVAILABLE SPACE
6.36m sq m	332,100 sq m	450,600 sq m	628,800 sq m	967,200 sq m

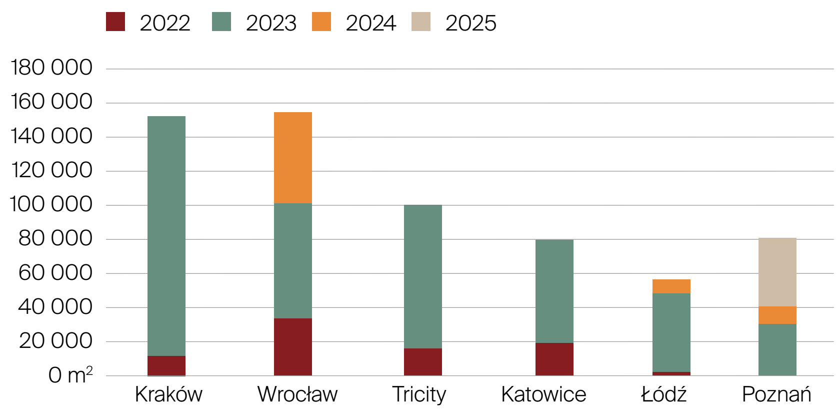
NEW SUPPLY (Q1-Q3 2022) AND VACANCY RATE (Q3 2022)



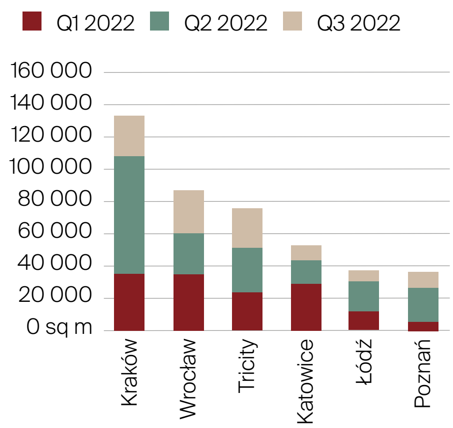
ASKING RENTS
(Q3 2022)



SUPPLY UNDER CONSTRUCTION BY COMPLETION YEAR
(Q3 2022)



TAKE-UP VOLUME
(Q1-Q3 2022)



A DREAM JOB – WHAT EXACTLY DOES IT MEAN?

According to a study by Michael Page, these days, the idea of a dream job goes hand in hand with a permanent contract (80% of respondents), working in a medium-sized company (41%), and a clear and unambiguous job description (93%). At the same time, the idea of working with an ideal leader means for a lot of candidates receiving the support needed to develop their potential (48%), respect (47%), professional management (46%), and effective communication (44%). What else makes a dream job, what discourages people from accepting a particular job offer, and what motivates them to turn elsewhere in their job search?

COMPANY SIZE MATTERS

What sort of company would candidates be most willing to link their future with? Although the number one choice is a medium-sized organisation – 41% of respondents have opted for it – 30 and 25% have pointed to a large or small business, respectively. Medium-sized businesses are commonly perceived by candidates as those in which one can count on a clear sense of agency and have a major impact. This is what seems to explain the fact that such a preference is most often determined by a short decision-making process (for 36% of people), the possibility of training (30%) and a clear strategic vision (27%).

As far as large organisations are concerned, the strongest motivator is the possibility to grow through the various training schemes that they offer. This aspect has been indicated by almost half of the respondents (46%). Next on the list came advancement opportunities (39%), followed by higher wages (27%). Such a distribution of responses also proves that remuneration is no longer the key incentive that attracts candidates to a given company. Having said this, the significance of developing competences and enhancing opportunities to accelerate a career keeps growing.

A lot of candidates argue that such prospects are not available in small businesses, which have been chosen by the least respondents. In fact, only a quarter of those who have taken part in the Michael Page survey have listed them as a dream workplace. This does not mean, however, that these places do not have other important assets – especially for those who value the possibility of quick spontaneous action, an almost intimate work environment, and a high degree of independence. Here, too, as in medium-sized organisations, quick decision-making is a major driving force which is important for 41% of those who prefer this type of work environment. This way of working is also related to a typically less formal organisational culture, which attracts almost as many candidates to small companies (40%). In turn, one third of the respondents (34%) have mentioned the possibility of managing their duties more independently, a feature that seems to correspond well to the above characteristics.

THE INS AND OUTS OF THE SSC-BASED LABOUR MARKET

Over the last couple of years, we have been witnessing a steady annual growth of the market of centralised business services around the world in every possible respect: the number of people employed at the centres, the number of companies creating such places, and the countries in which they are launched, as well as their share in the GDP. Poland not only takes an active part in this trend, but it even sets it, taking the lead as one of the major players on the continent, and, certainly, the largest centre of this type of services in Central and Eastern Europe. In addition to transaction services, more and more complex processes are being centralised these days, which is why Centres of Excellence (CoE), Global Business Services and Shared Services Centres (SSC), which support them, are gaining momentum, taking over more and more advanced activities. Business centres are also developing in terms of the variety of services they provide. Beyond accounting processes, which dominated in the past, the area of finance has been further enriched with reporting, FP&A, and taxes. There is also a continuously growing interest in centralising IT functions and using the impressive and highly qualified talent pool of our country.

One of the characteristic features of the industry is also the very high competitiveness in acquiring the best talent on the market. Companies are already striving not only for university graduates with impeccable language skills, but also for people with a rich portfolio of professional experience and competences. This implies challenge for recruitment companies and their consultants who, whilst looking for experienced specialists, have to demonstrate a long practice and extensive expert knowledge. Alongside the growth of the percentage of roles that necessitate high competences, also referred to as 'knowledge-intensive', it is also obvious that the wages offered in such positions are correspondingly higher. It can be said with a high degree of certainty that wage growth is ahead of inflation. Despite the attractiveness of wages and professional challenges in this sector, the demand for workers exceeds the supply.

TOP 4

THE MOST DESIRED POSITIONS IN THE SSC SECTOR:

1.	2.	3.	4.
FP&A EXPERT	**CUSTOMER SERVICE SPECIALIST** (with foreign language skills, other than English)	**PROCUREMENT / SUPPLY CHAIN SPECIALIST** (with foreign language skills, other than English)	**PAYROLL SPECIALIST** (with foreign language skills, other than English)
PLN 12,000 – 18,000 gross	**PLN 6,000 – 10,000 gross + language bonus**	**PLN 9,000 – 12,000 gross**	**PLN 7,500 – 10,500 gross**

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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). 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.

Knight Frank Research Reports are available at knightfrank.com.pl/en/research

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The Business in Małopolska Center is a joint initiative of the Małopolska Region, Małopolska Regional Development Agency and the Krakow Technology Park, which offers an integrated system of servicing investors and exporters, it also provides ongoing information services to entrepreneurs about external sources of financing of investment and export activities.

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