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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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%
(08.2023, Statistics Poland)

GDP growth
2.8%
(2020, Statistics Poland)

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

Average salary (gross)
PLN **9,112.46**
(in the business sector, 08.2023)

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
273
(ABSL 2023)

BSS sector - number of employed
97,950
(ABSL 2023)

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

Kraków

Q3 2023

Existing stock
1.78m sq m

Supply under construction
55,100 sq m

Vacancy rate
18.7%

New supply
(Q1-Q3 2023)
66,600 sq m

Take-up
(Q1-Q3 2023)
121,100 sq m

Coworking operators in Kraków

At Office | Business Link | Chilliflex | 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

As the largest regional office market, Kraków is an attractive choice for both investors and tenants. At the end of September 2023, Kraków's office stock amounted to nearly 1.78m sq m, allowing it to remain in first place in terms of size among regional markets in Poland.

Office space in the city has expanded by almost 66,600 sq m since the beginning of 2023, accounting for almost 28% of the total volume of space completed in regional cities. From June to September, the Kraków market was enriched by one new office project - Kreo (24,000 sq m, Ghelamco Poland).

Rising construction and financing costs, along with a continued rise in vacancy rates, are influencing developer activity in the Kraków market. At the end of September 2023, only 55,100 sq m of office space remained under construction, of which nearly 90% is expected to be completed in 2023. This is over 60% less space than was under construction in the same period last year. Projects remaining under construction are The Park Cracow 2 (11,700 sq m, White Star Real Estate) and Mogilska 35 (13,500 sq m, Warimpex) – both of which are scheduled for completion in the last quarter of 2023.

In Q3 2023, the volume of lease transactions on the Kraków office market amounted to nearly 38,300 sq m. Moreover, since the beginning of 2023, tenants have leased nearly 121,100 sq m of office space, which is the third highest result among regional cities (on a par with results for Wrocław and the Tricity). It is also worth noting that this result represents 23% of the total volume of transactions recorded in regional cities from January to September 2023. New agreements accounted for the largest share, over 61%, while renegotiations accounted for nearly 29% of the transaction volume. Expansions made up the remaining 10% of the volume of signed contracts.

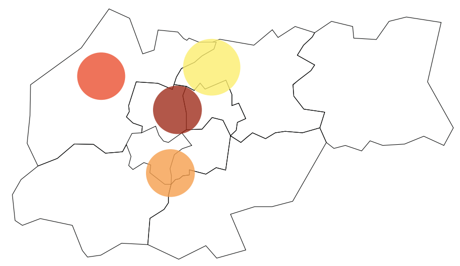
Due to the delivery of new space in Q3 2023, the vacancy rate in Kraków reached 18.7% at the end of September 2023, an increase of 0.3 pp. on the previous quarter, and an increase of 3.3 pp. compared to the same period in 2022.

Asking rents in Kraków at the end of September 2023 remained stable compared to the previous quarter, ranging from EUR 10.00 to EUR 16.00/sq m/month. Continued high construction costs and the still high cost of servicing construction loans are inhibiting the negotiating power of investors, making further increases in rental rates possible, especially in new buildings. Service charges recorded a slight increase and ranged from PLN 16.00 to PLN 29.00 /sq m/month.

Office space

Major concentration areas

	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
City Centre	403,500 sq m	26,500 sq m	10.0%	EUR 12-16 sq m
North east	402,600 sq m	0 sq m	22.3%	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	730,900 sq m	16,900 sq m	18.6%	EUR 10-15 sq m



Major regional cities

Q3 2023

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

Existing stock
6.63m sq m

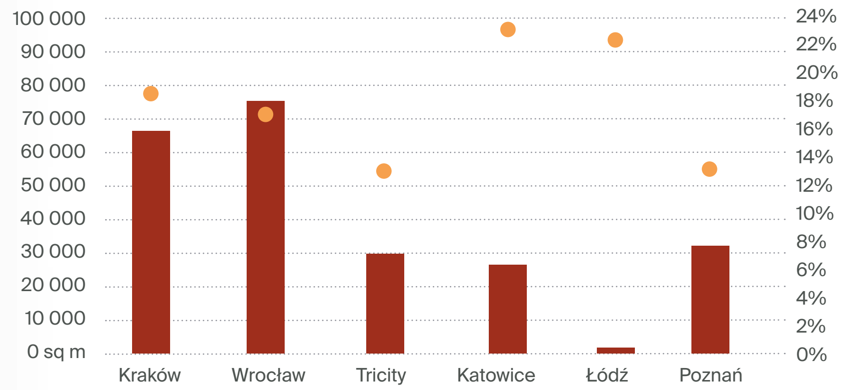
New supply
(Q1-Q3 2023)
236,000

Take-up
(Q1-Q3 2023)
533,300 sq m

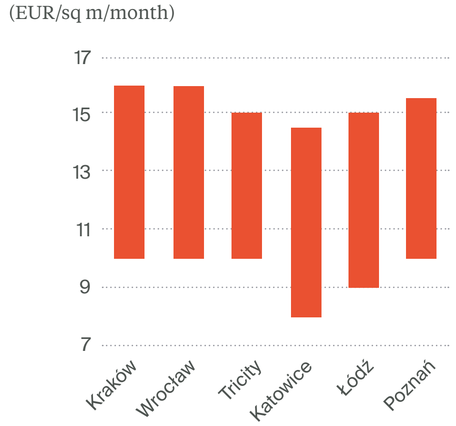
Supply under construction
347,200 sq m

Available space
1.15m sq m

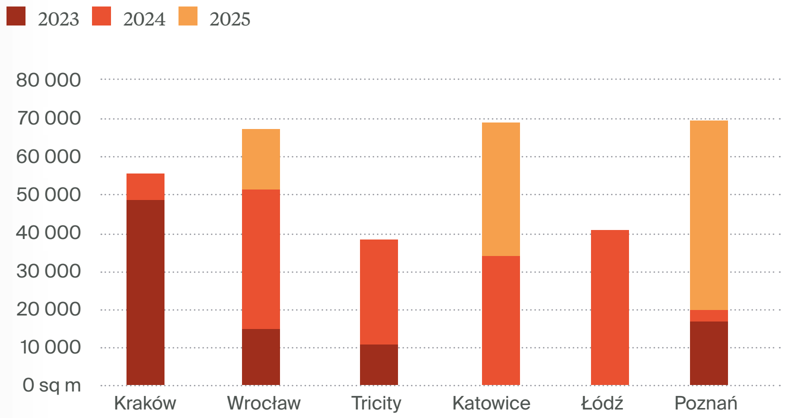
New supply (Q1-Q3 2023) **and vacancy rate** (Q3 2023)



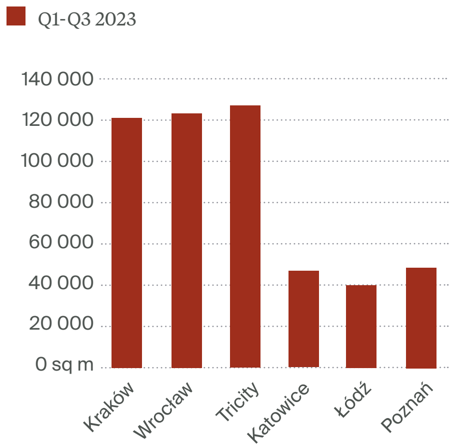
Asking rents (Q3 2023)



Supply under construction by completion year (Q3 2023)



Take-up volume



Michael Page

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

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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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