Strong cities

City attractiveness, office market, HR trends

Q1 2024

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

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Warsaw

Prepared in cooperation with

Warsaw

City area
517.2 sq km

Population
1,861,644
(state of 30.06.2023, 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 02.2024, GUS)

GDP growth
2.4%
(2020)

GDP per capita
PLN **191,000**
(2021)

Average salary (gross)
PLN **9,646.92**
(in the business sector, 02.2024)

Investment attractiveness

Rankings

1 ST PLACE in the fDi Intelligence **"European Cities and Regions of the Future 2024"** - OVERALL - among the Central and Eastern Europe cities

2 ND PLACE in the business friendliness category in the fDi Intelligence **"European Cities and Regions of the Future 2024"** ranking

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

1 ST PLACE in the **Ranking of Shared Mobility Friendly Cities in Poland 2024**

Investment incentives

Investment support

Offer for investors:

- individual approach;
- assistance at every stage of the investment, including the organization of reference visits;
- back office support;
- 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

1 ST PLACE in **the European Best Destinations 2023** plebiscite

3 RD PLACE in **"The world's most walkable cities"** report by Compare The Market Australia 2024

1 ST 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

4 TH PLACE in the world among cities with a population below 3m in the **Cities of Choice** study conducted by Boston Consulting Group

Quality of life in numbers

Culture and recreation

- 104 museums and art galleries;
- 36 theatres and music institutions;
- 37 cinemas;
- 2,700 restaurants;
- approx. 1.9m sq m of commercial retail space;
- 224 outdoor gyms;
- 44 swimming pools and 15 ice rinks;
- 11 beaches along the banks of the Vistula.

Public transport

- 88% of citizens express positive opinion on Public Transport Authority (Warsaw Barometer 2023);
- 2 metro lines, 5 lines of Szybka Kolej Miejska, 304 bus lines with approx. 1,480 vehicles (100% low floor);
- investments for over PLN 6.9bn in public transport and infrastructure (2017-2025);
- 23 tram lines with over 400 trams;
- 79% of city residents consider Warsaw as bicycle-friendly city;
- over 3,00 city bikes; 300 bike stations;
- water trams and ferries on the Vistula, canoes and water skis.

Bike paths
Over **773 km**

Green areas
43%

Facts & Figures

Number of students
246,550

Number of graduates
48,350

Number of universities
69

Airport - distance to the City centre
9.8 km

Airport - number of passengers
18.5m (2023)

BSS sector - number of centres
356 (2023)

BSS sector - number of employed
95,000

RATING AGENCY	Fitch	RATING	A-

Warsaw

Q1 2024

Existing stock
6.2m sq m

Supply under construction
281,000 sq m

Vacancy rate
11%

New supply
(Q1 2024)
49,000 sq m

Take-up
(Q1 2024)
139,000 sq m

Warsaw remains the primary office market in Poland in terms of both supply and demand. In Q1 2024, Warsaw's total take-up exceeded 139,000 sq m, constituting half of the total leased space nationally. Moreover, nearly 49,000 sq m of new space was introduced to the market during this period, representing over 60% of the total new supply in Poland. As a result, the vacancy rate in Warsaw rose to 11%, marking a 0.6 pp increase from the previous quarter.

Anticipated low supply over the next three years is projected to have a positive impact on vacancy rates and rents.

SUPPLY

In Q1 2024, the total office space in Warsaw reached 6.2m sq m, accounting for over half of the total modern office space in Poland. The city's central zones housed the largest concentration, with 2.8m sq m, representing 45% of the total stock, while Służewiec had over 1m sq m, making up 17% of the capital's total office stock.

Development activity has been limited since the outbreak of the pandemic. In Q1 2024, nearly 49,000 sq m of modern office space was delivered to Warsaw's market, with an additional 57,000 sq m planned for completion by the year-end. Consequently, the new supply in 2024 is projected to reach 106,000 sq m, the second-lowest result in over two decades.

Currently, 281,000 sq m of office space is under construction in Warsaw, with completion dates scheduled for the end of 2026. Around 94% of the space under construction is concentrated in central areas, primarily around the Daszyński Roundabout, contributing to the dynamic growth of modern office space in the area. Notably, the construction of skyscrapers in this area is reshaping Warsaw's skyline and transforming the Wola district from an industrial to a business-oriented function.

TAKE-UP

Total take-up in Warsaw in Q1 2024 reached over 139,000 sq m, reflecting an 11% decrease compared to the previous year's corresponding period.

During this quarter, tenants showed a notable preference for buildings outside the central areas, with 64% of the total volume being leased located in non-central locations, with Służewiec and sites along Al. Jerozolimskie being particularly popular choices. The majority of take-up, accounting for 63%, was in buildings with green certificates, reflecting the increasing trend towards environmentally sustainable choices among both building owners and tenants.

New agreements constituted the highest percentage of take-up at 48%, followed by renegotiations at 36%. Additionally, the number of expansions increased in Q1 2024, with them making up 10% of the total take-up, marking a 6 pp increase from the previous quarter (over the last five years, the average was close to 7%). Owner-occupier deals represented the remaining 6% of the volume leased. The substantial share of renegotiations and expansions suggests that tenants are prioritizing cost reduction, including factors like relocation and space adjustment costs.

VACANCY RATE

The vacancy rate in Warsaw rose to 11% in Q1 2024, signifying a 0.6 pp increase compared to the end of 2023. This increase was primarily driven by a relatively high level of new supply entering the market and lower tenant activity in comparison to previous quarters.

The highest increase in vacancy rates was observed in the central area, where 86% of the total new supply (42,000 sq m) was delivered. Consequently, the vacancy rate in this area reached 9.6%, marking a 1.1 pp increase from the previous quarter. Meanwhile, in non-central locations, the vacancy rate stood at 12.3% and remained relatively stable compared to the previous quarter, with an increase of 0.4 pp. The sustained vacancy rate stability in these locations is attributable to the low level of new supply and heightened tenant demand.

RENTS

In Q1 2024, office space asking rents in Warsaw remained stable. Prime office buildings in the Central Business District commanded rents ranging from EUR 18.00 to 27.00 sq m/month. Notably, rents for space in prime buildings can significantly exceed this range. In areas beyond the city centre, the asking rents typically varied from EUR 10.00 to 17.00 sq m/month, offering an appealing option for organizations seeking more affordable office solutions. Meanwhile, service charges in Q1 2024 displayed considerable variability, typically ranging between PLN 18.00 and 38.00 sq m/month..

Standard lease terms in new buildings

Service charge
PLN/sq m/month
18.00-38.00

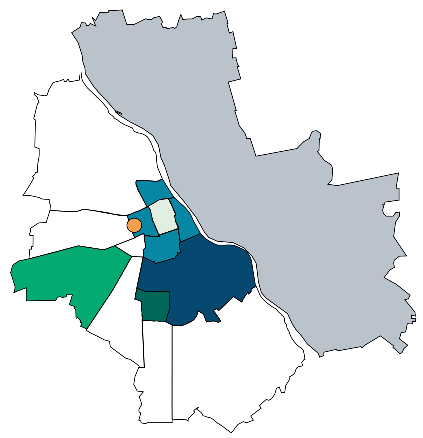
Rent-free period
1.5-2 months
for each contract year

Fit-out budget
EUR/sq m
250.00-750.00

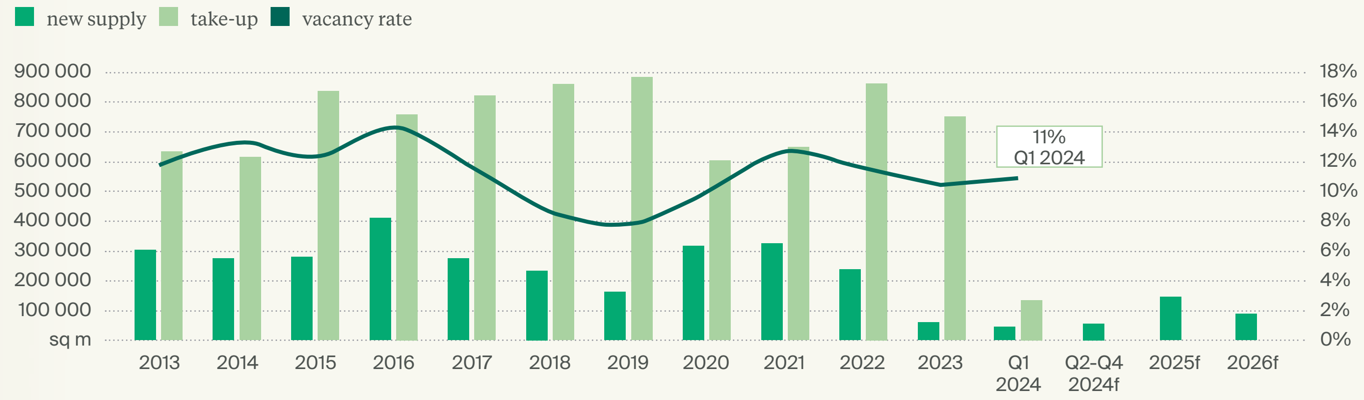
Office space

Major concentration areas

	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
CBD	1.01m sq m	36,000 sq m	10.4%	EUR 18-27 sq m
City Centre (excluding Daszyński Roundabout)	1.03m sq m	41,000 sq m	10.2%	EUR 15-23 sq m
Daszyński Roundabout	772,900 sq m	171,000 sq m	7.2%	EUR 15-23 sq m
Służewiec	1.06m sq m	0 sq m	20.0%	EUR 10-15 sq m
Mokotów (excluding Służewiec)	403,000 sq m	0 sq m	7.9%	EUR 12-16 sq m
Jerozolimskie Corridor	769,100 sq m	0 sq m	10.2%	EUR 12-15 sq m
East	280,700 sq m	11,000 sq m	5.8%	EUR 11-15 sq m
Other	922,800 sq m	22,000 sq m	8.9%	EUR 11-16 sq m



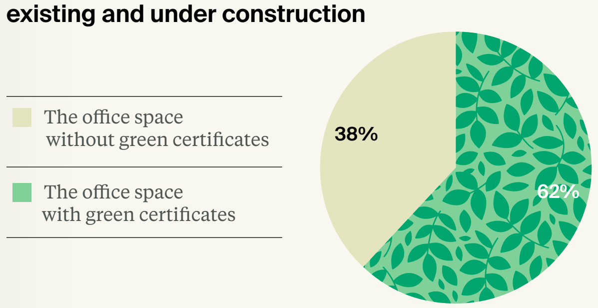
Annual new supply, take-up and vacancy rate



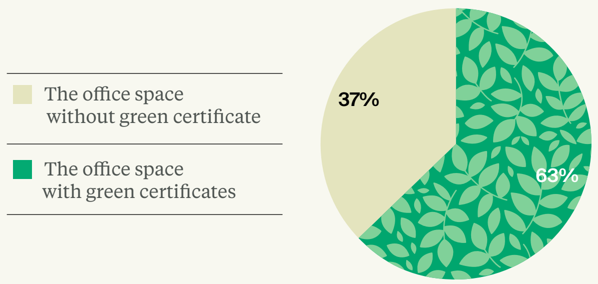
f-forecast based on schemes under construction

Source: Knight Frank

Office space in Warsaw - existing and under construction

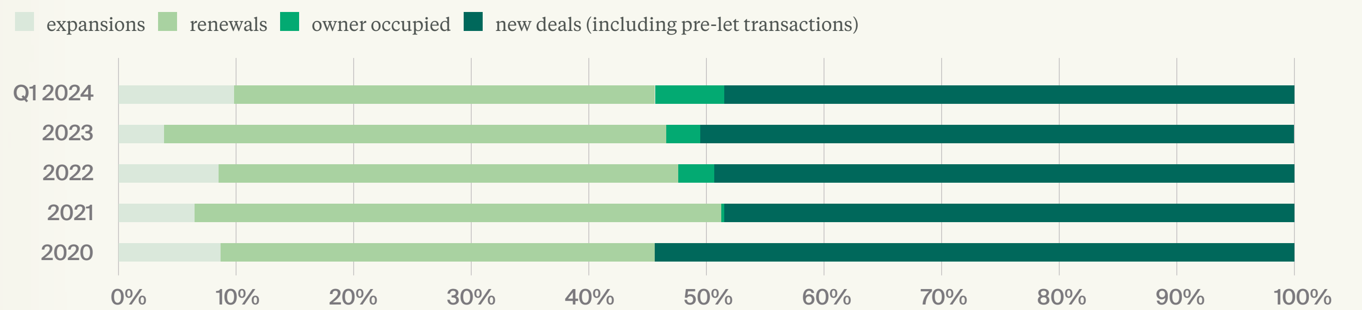


Total take-up in Warsaw in Q1 2024



Source: Knight Frank

Take-up structure



Source: Knight Frank

Michael Page

Talent Trends 2024: Bridging “The Expectation Gap”

Talent Trends 2024 stands out as the most extensive talent study ever conducted, engaging over 50,000 professionals across 37 countries. Offering unique insights, it illuminates what employees truly desire, revealing a landscape where individualised needs surpass traditional perks like competitive salaries and flexible work arrangements. In parallel, employers face the challenge of adapting to this shifting terrain within a rapidly evolving business ecosystem.

This year's report zeroes in on the "Expectation Gap" between employees and employers, a theme threading through discussions on salary expectations, the clamour for workplace flexibility, organisational culture, work-life balance, the advent of artificial intelligence (AI), and the imperative of diversity, equity, and inclusion (DE&I). This gap permeates every facet of modern workspaces.

DE&I Challenges

Despite a surge in DE&I awareness across Poland, the journey to truly inclusive workplaces remains lengthy. Many Polish professionals perceive a dissonance between DE&I aspirations and the realities of their daily work lives, underscoring the need for substantive, not superficial, initiatives.

AI Integration

While artificial intelligence tools have yet to achieve ubiquity, they already steer career decisions. Navigating ethical and legal parameters, such as safeguarding personal data and upholding intellectual property rights, remains paramount.

Autonomy and Flexibility

Workers increasingly prize autonomy and flexibility, posing a quandary for employers with a penchant for traditional office setups. Prioritising the alignment of work with life, rather than the other way around, emerges as a key directive.

Salary Still Reigns Supreme

Despite the global deceleration in wage growth, employees persist in seeking higher salaries to offset escalating living expenses. Discontentment with current compensation propels many to explore fresh career avenues.

Talent Trends 2024 unveils the intricate dynamics of the job market and the delicate dance between employers and employees. Grasping these interconnections is pivotal in crafting HR strategies that foster mutual benefit.

Michael Page stands at the forefront of global personnel consulting and recruitment, specialising in top-tier professionals and executive management.
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The ins and outs of the labour market in the Business Service Centres sector

in Poland

In 2023, the business services market saw a slight slowdown compared to previous years, which were record-breaking. Faced with a complex international situation and various economic challenges, many organisations in the Polish market adopted a cautious approach, scrutinising investments and expenditures, which naturally affected recruitment.

Nevertheless, Poland remains highly appealing for companies looking to centralise their core functions, leading to ongoing new investments in roles focused on operational tasks. Meanwhile, established organisations have increasingly automated less advanced processes or outsourced them to other countries for cost-saving reasons. Language proficiency remains an advantage in Polish centres, yet roles requiring advanced skills are on the rise, with companies actively seeking employees with specialised expertise. Particularly, there's a high demand for individuals proficient in analysing large datasets, with positions such as Business Analysts, FP&A Specialists, Data Engineers, or BI Experts being sought after in 2023.

The demand for skilled workers exceeded the availability of candidates meeting organisations' expectations. Successful recruitment became more challenging as offered terms and conditions often fell short of candidates' expectations. For instance, candidates typically expected a salary at least 15 percent higher than their current one. Additionally, employees became more selective, considering factors like the company's image, product, vision, and potential for further development. Counter-offers from existing employers and customised job offers, often more motivating than mere financial incentives, posed significant recruitment risks.

In an era shifting towards hybrid working models, candidates placed significant emphasis on remote work possibilities and flexible policies. They also emphasised the importance of achieving a better work-life balance, with some willing to forego promotions or higher positions in order to prioritise their well-being. Employers and HR departments worked intensively to align policies with these expectations to the best of their ability.

TOP 3

most desirable positions in the SSC sector.

For more mature or well-established centres, we notice a strong interest in competencies in the following areas and positions:

1. **Finance and accounting roles from the areas of RTR/Reporting/FP&A:**
   8,000 – 30,000* gross monthly
2. **Compliance/Risk/ Audit/Internal Control:**
   12,000 – 30,000* gross monthly
3. **Role w obszarze Transformation/ Transition:**
   14,000 – 40,000* gross monthly

* depending on experience level and position

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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, 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:
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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.

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