Prepared in cooperation with

INVEST IN ŁÓDŹ

Michael Page

Knight Frank

ŁÓDŹ

City attractiveness and office market

2022

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CITY ATTRACTIVENESS

ŁÓDŹ

CITY AREA
293.25 sq km

POPULATION
661,329
(June 2022, GUS)

UNEMPLOYMENT RATE
4.5%
(November 2022, GUS)

GDP GROWTH
4.7%

GDP PER CAPITA
PLN 70,846

AVERAGE SALARY
PLN 6,314 (gross)
(in the business sector, November 2022, GUS)

INVESTMENT ATTRACTIVENESS

RANKINGS

3. 3rd place in CEO Magazine in **„Best Country to Invest in 2020”** category

2. 2nd place in **Local Authority Support – business-friendly city**

1. 1st place in Emerging Europe ranking – Business-Friendly Cities Perception Index 2020 in Business Climate – **the most business-friendly city category**

1. 1st place awarded by the ABSL **for cooperation with local universities and for transport availability**, and 3rd place for local universities quality, modern office space availability and cooperation with the local investor service unit

1. 1st place in the ranking of cities of **PZFD as the most efficient city in terms of administrative activities in 2021**

1. 1st place in the **City of The Year category, 12th Europa Property Investment & Manufacturing Awards**

INVESTMENT INCENTIVES

- Know-how in key areas: regularly prepared reports in the field of HR and real estate and annual economic guide
- Assigned employee of Łódź City Council (e.g. offering support for investments in the location selection process, in ongoing administrative processes in the office about related entities)
- Marketing support: preparing press conferences, publications in social media (FB, LinkedIn, www.investinlodz.pl)
- Other support in recruitment activities: internship programme organised by the Łódź City Council in cooperation with investors, activities in the field of employer branding
- Personalized offer of investment areas (urban and private)
- Support within the Łódź Special Economic Zone

QUALITY OF LIFE

RANKINGS

2. 2nd place in the **Forbes People Friendly Cities 2021 ranking**

3. 3rd place in the **Europolis Green Cities ranking**

3. 3rd place for President of the city Hanna Zdanowska in **Pearls of the Local Government 2021** by Dziennik Gazeta Prawna

5. 5th place in the **Forbes Green Cities 2021 ranking**

National Geographic - Best of The World 2022 **award, placed among 25 cities in the sustainability category**

4. 4th place in the **Pearls of Local Government 2022 national ranking of Dziennik Gazeta Prawna**, and recipient of the title of **Good Practice Leader in the Digitalisation category**

QUALITY OF LIFE IN NUMBERS

- Parks conservation, e.g. Park Helenów.
- A series of eco workshops.
- Development of new infrastructure, e.g. Orientarium.
- Karta Łodzianina.
- Improving electromobility and ecological means of public transport.
- Civic budget.
- Municipal programs against addiction.
- Organization of recreational and sports events.
- Organization of cultural events.
- Downtown revitalization.
- Elimination of illegal landfills.
- City bike system, public electric scooters, expansion of the network of bicycle paths and electric charging stations.
- Expansion of the city transport system: construction of the Łódź metro (cross-city tunnel).
- Increasing the level of security in the city.
- Conducting more intensive CSR activities - „business for the environment", as part of the implementation of the Ecopact.
- The opening of a bus connection between Łódź and the Łódź Special Economic Zone in Ksawerów.

BIKE PATHS

230.3 km

GREEN AREAS

51.51 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
75,047	17,397	19	6 km	52,767 (Q4 2022) 179,926 (2022)	105	30,000

RATING **BBB+ (STABLE OUTLOOK)**

RATING AGENCY **S&P**

OFFICE MARKET
ŁÓDŹ

Q4 2022

EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	NEW SUPPLY (2022)	TAKE-UP (2022)
631,200 sq m	48,100 sq m	21%	43,300 sq m	48,400 sq m

The total office stock in Łódź at the end of 2022 stood at over 631,000 sq m. From the beginning of 2022, some 43,300 sq m of modern office space was delivered to the Łódź office market in projects such as the Fuzja C and D complex (18,700 sq m, Echo Investment) and React I (14,200 sq m, Echo Investment). This is close to the average annual supply of over 39,000 sq m for the previous five years and accounts for 11% of the office space delivered in regional cities last year. Only one small office project, Milionowa 21 (1,800 sq m) was completed in Q4 2022.

It should be noted that developer activity in Łódź remains at a relatively high level. At the end of December 2022, more than 48,100 sq m of modern office space remained under construction - 85% of which is expected to be completed in 2023. These projects are: Widzewska Manufaktura (29,880 sq m, Cavatina Holding) and another building in the Fuzja complex (8,300 sq m, Echo Investment).

The transaction volume in Łódź in 2022 remained at a level comparable to 2021, reaching nearly 48,400 sq m. This accounted for less than 8% of the total transaction volume registered in regional cities. Furthermore, it should be noted that this figure is lower than in pre-pandemic years, and less when compared to the 55,000 sq m average annual demand of the past five years. Between October and December 2022, contracts were signed for nearly 11,100 sq m. The structure of lease transactions concluded in 2022 was dominated by new agreements (74%). Renegotiations accounted for 21% and expansions a mere 5%.

With a significant amount of new office space being delivered to the Łódź market in 2022, and with demand remaining relatively low, albeit close to 2021 levels, the vacancy rate increased by some 5.2 pp compared to the end of 2021, standing at 21% at the end of December 2022. This is the highest vacancy rate recorded among regional cities, although the rate decreased by 1 pp in Q4 2022.

At the end of Q4 2022, asking rents in Łódź ranged from EUR 9.00 to EUR 15.00/sq m/month.

This high availability of office space may encourage tenants to renegotiate rents and incentive packages. On the other hand, high construction costs and rising construction loan servicing costs may effectively limit investors' desire for negotiation, especially in new buildings. There are still noticeable increases in service charges due to the increasing cost of services and utilities and, at the end of December 2022, these ranged from PLN 15.00 to 21.00/sq m/month.

SELECTED SCHEMES UNDER CONSTRUCTION

FUZJA I	MONOPOLIS M2	WIDZEWSKA MANUFAKTURA
8,300 sq m	8,000 sq m	29,880 sq m
Q1 2022	2024	2023/2024
Echo Investment	Virako	Cavatina Holding

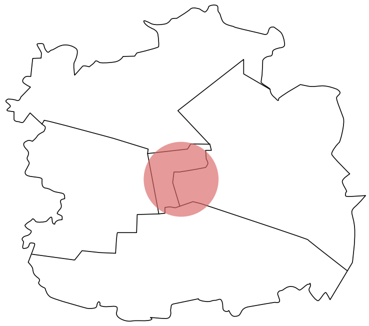
Total office space · Completion date · Developer / Owner

STANDARD LEASE TERMS IN NEW BUILDINGS

SERVICE CHARGE PLN/SQ M/MONTH	RENT-FREE PERIOD	FIT-OUT BUDGET EUR/SQ M
15-21	5-9 months	350-500

MAJOR OFFICE CONCENTRATION AREAS

	EXISTING STOCK	SUPPLY UNDER CONSTRUCTION	VACANCY RATE	MONTHLY ASKING RENT
CITY CENTRE	466,900 sq m	2,000 sq m	24.9%	EUR 9-15/sq m
OUTSIDE CITY CENTRE	164,300 sq m	46,100 sq m	9.8%	EUR 9-14/sq m



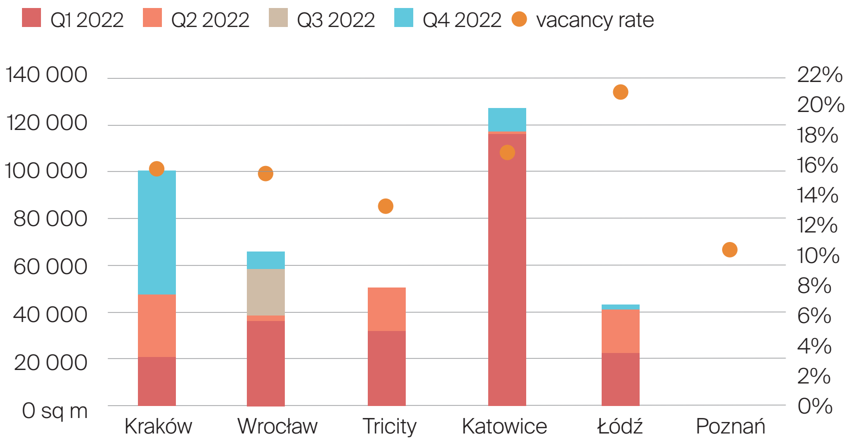
MAJOR REGIONAL CITIES

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

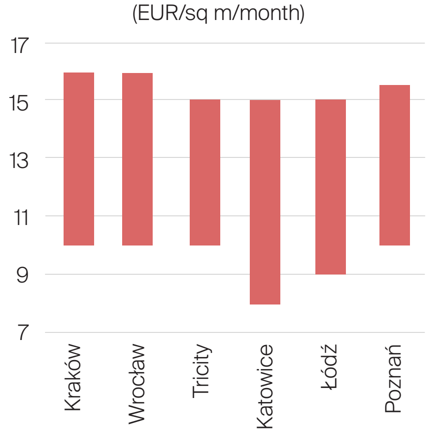
Q4 2022

EXISTING STOCK	NEW SUPPLY (2022)	TAKE-UP (2022)	SUPPLY UNDER CONSTRUCTION	AVAILABLE SPACE
6.44m sq m	405,300 sq m	623,200 sq m	567,200 sq m	985,100 sq m

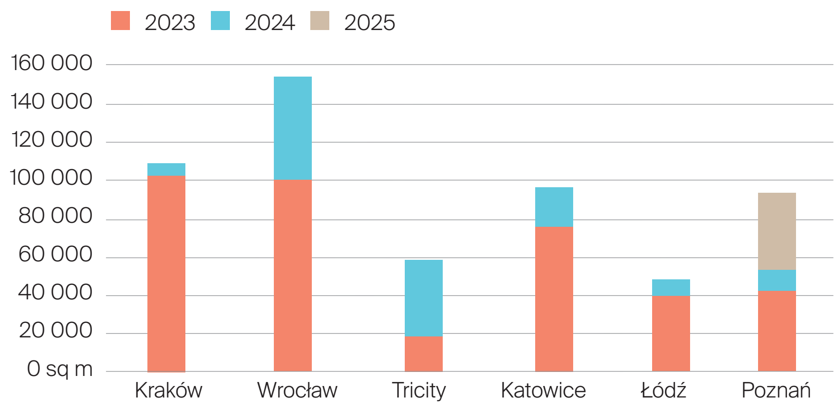
NEW SUPPLY (2022) AND VACANCY RATE (Q4 2022)



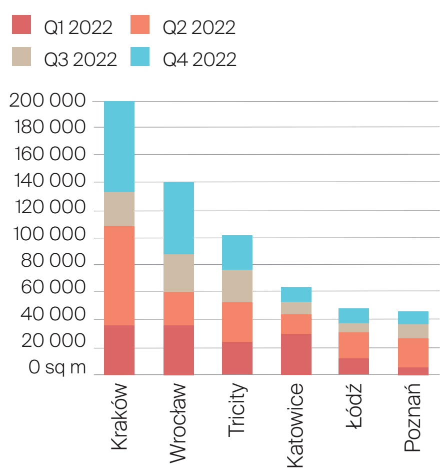
ASKING RENTS (Q4 2022)



SUPPLY UNDER CONSTRUCTION BY COMPLETION YEAR (Q4 2022)



TAKE-UP VOLUME (2022)



BENEFITS ARE SETTING THE TONE IN THE MODERN EMPLOYEE MARKET

According to a 2021 report by the Union of Entrepreneurs and Employers, last year employees already expected benefits that would allow them to meet their individual needs and thus respond to the effects of the pandemic. The study showed that additional benefits were typically expected to guarantee stability and be personalised and flexible. It is worth noting that there has been a small revolution in the area of non-wage benefits. Those that were attractive before the pandemic have become insufficient or even outdated in today' world. Multisport or medical plans are already a standard in Poland's labour market, and they are unlikely to attract the attention of potential employees. Just like delicious coffee from the coffee machine, or fruit Tuesdays.

FLEXIBILITY FIRST

Undoubtedly, the most important aspect of the modern labour market is the option of remote work. As stated in a study by Michael Page, the majority (59%) of respondents would prefer to work exclusively online, or in a hybrid system. Flexible working hours, the ability to perform one's duties from home is not only a way to save time and costs related to commuting, but it also helps staff to strike work-life balance, which is of key significance for as many as 88% of the respondents. It is the meeting of employees' expectations, an approach that respects their needs and family life that gives a sense of support, and in the long run it can help to bond with the organisation. The role of managers is also worth highlighting. On the one hand, employees expect trust and the opportunity to work from home from their superiors, but at the same time they also want to feel part of the team and be actively involved in integration events. We know perfectly well that it is not easy to build a sense of belonging to a company or a team in times of virtual meetings. Clearly, the benefit of remote/hybrid work entails further expectations of employees in the form of co-financing or equipping, on the part of the employer, of the workplace at home (extra allowances for desks or armchairs, or covering at least a fraction of the costs of electricity). Another response to high inflation and the needs of the labour market that seems to be gaining momentum can be found in prepaid cards, co-financing of meals, or a company car with a fuel card.

THE INS AND OUTS OF THE LABOUR MARKET IN THE HR SECTOR

Regardless of the industry, HR staff keep having to face up to the challenges that recent years have posed to them. The fourth quarter of the year is a period of intensified work, but also a time that sees several personnel-related changes in organisations. Companies want to go through another challenging year with competent employees on board. **HR Business Partners** are ambassadors of change within organisations and a perfect link between candidates and hiring managers. The high demand for specialists in this field means that the number of employees sought after for these positions is on the increase.

An effective strategy in the area of Learning & Development is also a real value for business. Monitoring and providing appropriate tools aimed at developing employees' skills, which, in turn, translates into increasing profits, is the role of **L&D experts** and **coordinators**. Recently, we have noticed more recruitment processes dedicated to these professionals.

The future undoubtedly belongs to digitization. Changes in this area will also apply to HR and payroll departments, as the scale of applications of new technological solutions keeps growing. The most desirable are those tools that streamline processes and help to save time. Clearly, one of the most sought-after roles in the fourth quarter of 2022 were **HR and payroll department leaders** with experience in process automation and digitization of resources.

TOP 3

MOST DESIRED POSITIONS FROM THE HR AREA:

The wages shown below correspond to the Michael Page & Page Executive | Part of PageGroup „Salary Guide". The average rate given here indicates pay rates found across Poland.

1.	2.	3.
HR BUSINESS PARTNER:	**EKSPERT LEARNING & DEVELOPMENT:**	**HEAD OF HR AND PAYROLL:**
PLN 12,000 – 18,000 gross	**PLN 14,000 – 18,000 gross**	**PLN 13,000 – 24,000 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.

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