

2023

REPORT ŁÓDŹ

corees

Commercial Real Estate

FOREWORD

I am glad to present our Łódź's market annual report for the year 2022.

In addition to the information on the office, co-working, industrial and logistics, retail and PRS market we also wanted to present a wider urban context including basic data on demographics, urban infrastructure and education.

I hope you find this small summary helpful and interesting.

I wish you a pleasant reading,

Marek Ciunowicz

Warsaw, 04.2024



Marek Ciunowicz, SIOR
CEO at Corees Polska

I am connected with commercial real estate market from nearly 30 years. I founded the real estate agency which provides comprehensive and competent support for a Client, where a person and their needs builds up for our priority.

This is how Corees Polska was created.

A boutique-format agency, which specializes in commercial real estates. We advise, negotiate, and back upon external assistance, considering Polish and European companies, independently from their size or location, in the field of office spaces. Corees Team is a group of people who share those values, who present wide perspectives and ready for taking initiative. Corees Polska is a partner of The Instant Group, belongs to SIOR and ProProgressio.

ŁÓDŹ

Łódź is a city located in the central part of Poland, the capital of the Łódź Voivodeship. It is the fourth largest city in Poland regarding the number of inhabitants - right after Warsaw, Krakow and Wrocław.

At the end of June 2022, Łódź was inhabited by 661,000 people. people, of which 396,000 are people of working age. Together with the surrounding towns, the city forms the Łódź Metropolitan Area, the third largest agglomeration in Poland, inhabited by over 1.2 million people.

Łódź is also the fourth largest city in Poland in terms of area, surpassed only by Warsaw, Kraków and Szczecin.

The area of the city covers 293.3 km². Interestingly, since 1992 there have been no districts in it, and the administrative division is only conventional and designated for five regions of operation of the Delegatures of the City of Łódź. The city has no historical traditions. It owes its population and area to its inclusion in 1820 in the group of industrial settlements.



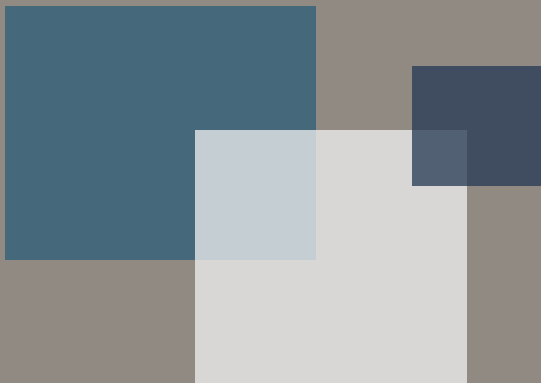
Labor market

Until 1989, Łódź was the Polish textile and film industry centre. The liquidation of many workplaces after 1989 caused a significant increase in unemployment in the region.

For several years, however, the situation in the Łódź labour market has been improving significantly. At the end of December 2022, the unemployment rate in the Łódź Voivodeship amounted to 5.4%, and in Łódź itself to 4.4% in 2022, 15.4 thousand were registered in the Łódź Voivodeship—unemployed people, i.e. by 24.1% less than at the end of 2021.

The share of foreigners in the total number of registered unemployed was 3.9%, while a year earlier, this indicator was at 0.5%.

It should be noted that due to the entry into force of the Act of March 12, 2022, on assistance to Ukrainian citizens due to armed conflict in the territory of this country, it is possible to register citizens of Ukraine aged 18 and more in powiat labour offices as unemployed or job seekers.



There is also a decrease in job offers in the city. From January to December 2022, 43.9 thousand jobs were reported to employment offices in Łódź. (23.5 thousand less than the year before) job offers, and professional activation, of which 2.7% were intended for people with disabilities and 2.1% were places of professional activation.

5.7% came from the public sector—all offers. The number of job offers at the office's disposal at the end of December 2022 was 1,045 (63.0% less than at the end of December 2021); there were 15 unemployed per 1 job offer, i.e. eight more than in the corresponding period of 2021.

The most significant increase in the number of employees was recorded in activities related to accommodation and catering (by 18.1%), in the sections of information and communication (by 15.9%), construction (by 4.5%) and trade; repair of motor vehicles (by 2.4%). A decrease was recorded in the industry (by 1.5%) and in the real estate services section (by 0.7%). The average monthly gross salary in the enterprise sector in Łódź at the end of December 2022 amounted to PLN 6,219.82 and was higher by 10.1%. Compared to the corresponding period of the previous year

Labor market



Investment market

Over the last 30 years, Łódź has radically changed its character. From a typical centre in the textile industry, it has evolved into one of the leading outsourcing and logistics centres in Poland and one of the fastest-growing cities in Europe. Łódź is developing based on the Regional Development Strategy, which assumes supporting innovation and creating cooperation and partnership between regional authorities and investors.

The city continues with tradition - the critical industries for the region are still primarily modern textile and fashion industries, as well as advanced construction materials, medicine, pharmacy, cosmetics, energy, IT and telecommunications. Łódź attracts investors from the shared services and IT sectors. The largest include the accounting centre of Philips and Citibank, the Accenture IT centre, the head office of Ericpol Telecom, the headquarters of mBank and multiBank. Over a hundred international investors are currently operating in Łódź and the region.

Since the 1820s, the Lodz Industrial District has been operating in Łódź, which today - after sweeping changes - serves as the headquarters for factories of large corporations producing household appliances (Philips, Bosch, Siemens AG, General Electric and Indesit).

There is also the Łódź Special Economic Zone, consisting of several dozen subzones. The largest investors operating in ŁSEZ S.A. include, among others, Procter & Gamble, Whirlpool Corporation, Dell, Ceramika Tubądzin, Atlas and Hutchinson. In 2022, the Lodz Special Economic Zone acquired 44 investments worth PLN 4 billion.

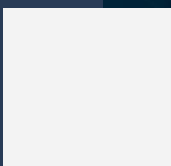
This is the best result this year among all Polish zones. In 2022, as many as 70 companies joined it, among which production plants predominate - as many as 42 out of 44. Investors from the food, furniture, chemical, packaging, steel construction and agricultural machinery industries prevail.

The share of small and medium-sized enterprises and large companies is almost identical; there are only two more large companies. The Polish capital is still in the lead; Polish companies carry out 30 of 44 investments. The Japanese Daikin invested the most in 2022 in the Łódź Special Economic Zone, building a modern heat pump factory in Ksawerów near Łódź.

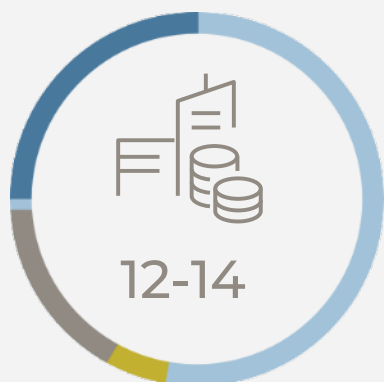
Łódź is an investor-friendly city, reflected in numerous awards granted to the town. It was voted the most business-friendly place in emerging Europe as part of the Future of Emerging Europe Awards 2021, topping the list of business-friendly cities (Business-Friendly Perception Index).

The city has one of the most extensive acceleration programs for startups - "I have an idea for a Startup", to which a record 150 innovative projects from around the world applied in 2022 (an increase of 50% year on year).

Investment market



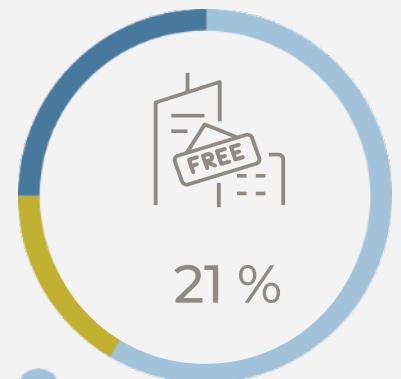
Characteristics of Łódź's real estate market



Base rent for office space
€ / m² varied from
localisation



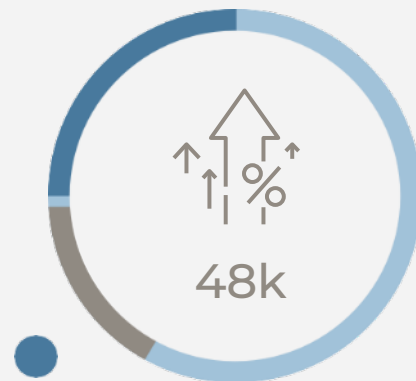
Total office space (m²)



Vacancy rate is 5,5pp
higher vs last year



Delivered office space (m²)



Projects under
construction (m²)



Office market

Łódź remains the sixth-largest regional office market in Poland. The volume of office space in Łódź exceeded 628,000 sqm at the end of 2022. i.e. by 7.1% more than at the end of the previous year.


From the beginning to the end of 2022, office space with a total area of 41.5 thousand square meters was commissioned in Łódź in two modern buildings:

- Fuzja C i D complex (18,700 m², Echo Investment)
- React I (14,200 m², Echo Investment).

In 2022, the construction of only one intimate office project was completed - Milionowa 21 (1.8 thousand m²).

Currently, another 48,000 are under construction. m², which in 60% are to be completed by the end of 2023.

The largest investments under construction are:

- Fuzja building I (7.8 thousand m²),
 - Fern Office (7.6 thousand m²),
 - Re_connect (1.7 thousand m²),
 - Manufaktura (31,500 m², Cavatina).
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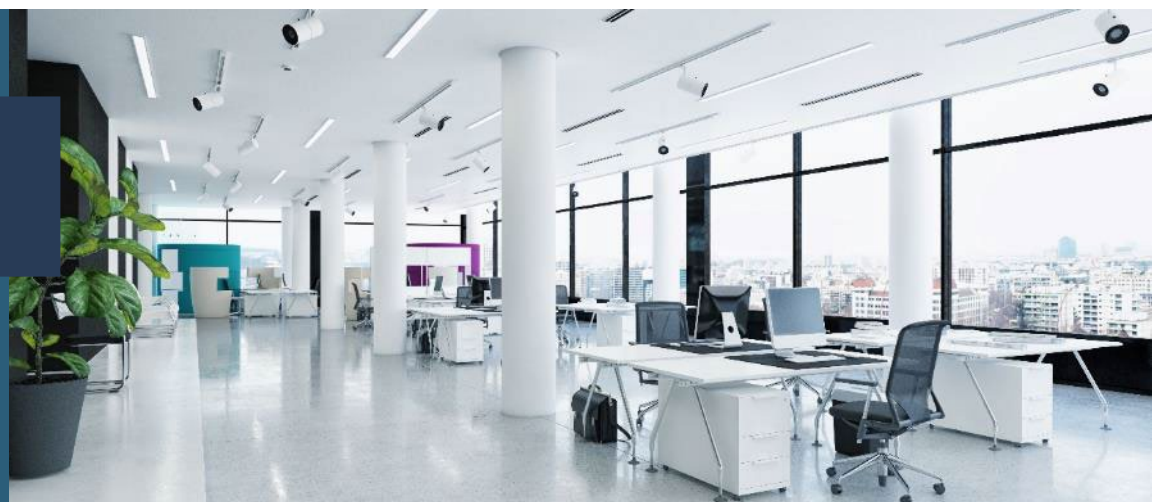
In 2022, 47.8 thousand sq. m. of office space was leased in Łódź. The majority, as much as 74% of transactions, were new contracts, 21% were renegotiations, and 5% were expansions.

Most contracts were signed by tenants from the IT sector (31%), manufacturing (16%), finance and banking (10%).

Despite high demand, the vacancy rate increased compared to 2021 – at the end of 2022, it was 21%, an increase of 5.2 p.p. Every year. At the end of the year, 98.1 thousand jobs were available in Łódź.

Rents for office space in class A buildings range from EUR 12.00-14.00/m² (plus operating costs EUR 2-4/m²) and in class B buildings EUR 6-12/m² (operating costs EUR 2-4/m²). In 2023, an increase in rent rates for office rental is forecast, as well as the costs of utilities, heating, electricity, construction materials, labour and waste collection.

Office market



Co-working market

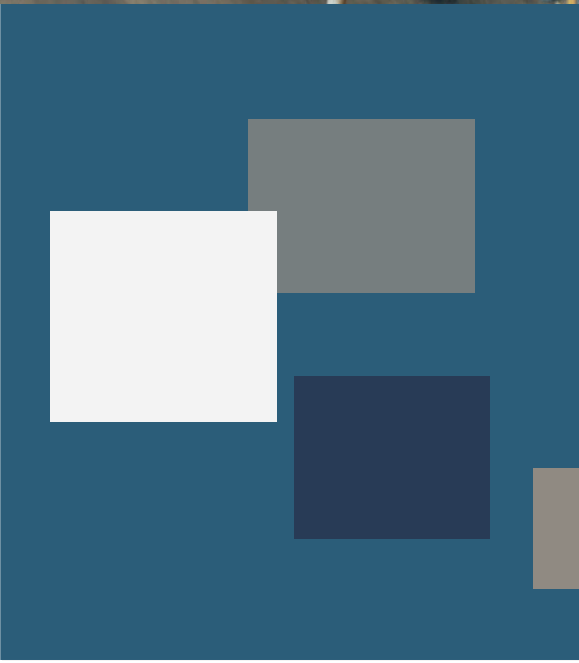
There are many co-working operators on the Łódź market, including:

- Regus,
- space,
- Business Zone or
- New Work.

Currently, 17 outlets in the city offer flexi offices and stationary workspaces for rent.

The coworking space market continues to attract much interest and is constantly developing.

The rental price of a desk shared with other tenants (HotDesk) varies between PLN 300/month and PLN 500/month, the cost of a permanent workplace ranges from PLN 400/month to PLN 600/month, and a private office PLN 700-1100/month.



PRS market

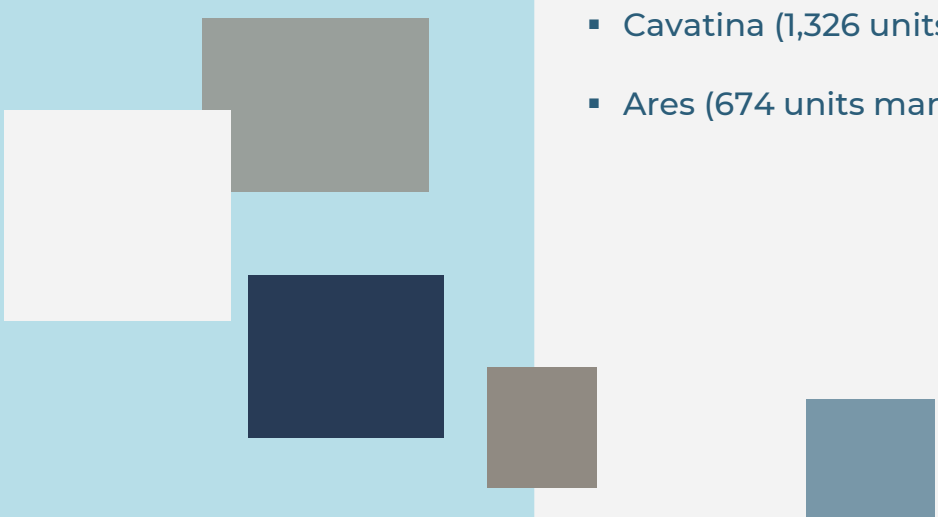
Although the PRS market is only at the initial stage of development in Poland, Łódź is already among the Polish ones with such solutions.

About 0.60% of Lodz flats for rent are PRS resources. Although it is a relatively small market, the result places Lodz in seventh place in Poland.

Active players on the PRS market in Łódź include:

- Resi4Rent (219 apartments) and
- PFRN (80 units).

Currently, as many as 2,573 units are under construction - the investments are partly an extension of the existing resources (318 units for PFRN), as well as the entry of new entities to the market:

- TAG Immobilien (255 units to be managed by Vantage Rent),
 - Cavatina (1,326 units to be managed by ResiCapital),
 - Ares (674 units managed by LifeSpot).
- 

Retail market

There is 490,000 sqm in Łódź of modern retail space, which is approx. 5% of the country's total resources. Łódź is the fifth city in Poland in terms of retail space saturation per capita.

At the end of 2022, this number was 513 m²/1000 inhabitants. There are 16 shopping centres with a total area of 490,000 sqm. m² and about 140 hyper supermarkets, including discount stores.

Most shopping centers in Łódź are near the city centre or between the leading housing estates and the city centre.

Two of the centres in Łódź - Manufaktura and Port Łódź are the following complexes in particular categories of the size of shopping centres:

- Very large: Manufaktura (110,000 m² GLA), Port Łódź (110,000 m² GLA and 103,000 m² GLA, respectively),
- Large: Galeria Łódzka (40,000 m² GLA and Sukcesja, (79,900 m² GLA),
- Medium (10-39,900 m² GLA) - M1, Pasaż Łódzki, Tulipan and Tesco (Widzewska and Pojezierska),
- Small: Guliwer, Carrefour (Przybyszewskiego and Szparagowa) and Vis a Vis - (below 20,000 m² GLA).



Due to the high saturation of shopping centers in Łódź, solutions are being sought to make the existing ones more attractive by modernising, rebuilding or changing the format. Multifunctional facilities are also under construction, combining retail, gastronomic, entertainment, commercial and residential offers, such as Nowe Centrum Łodzi (approx. 100 ha), whose structure is to be completed in 2030, Fuzja (project on a plot of 8 ha), expansion of Książęce Młyn or a residential and entertainment complex in Ogrody Geyera. The retail market in Łódź may also be enriched shortly by another mixed-use facility thanks to Widzewska Manufaktura. Moreover, the Sukcesja Shopping Center (46,300 sqm), which closed in 2020, was bought by Amush Investment Group in 2022 and is to undergo reconstruction and partial change of function.

In 2022, no new shopping mall was built in Łódź itself. Instead, 6.3 thousand square meters were used in the Hepi Park retail park nearby Aleksandrów Łódzki.

Among the eight largest agglomerations, Łódź is at the forefront regarding the amount of vacant retail space (3.8%). In order to keep tenants, "rent wars" are also becoming noticeable in the retail market. Only some shopping centres can afford to maintain or increase rates. Rents for prime retail space in Łódź, i.e. for premises of approx. In the best shopping centres, 100 m² in the fashion and accessories category range from EUR 35-39/m².

Retail market



Industrial and logistics market

The central location of Łódź and the proximity of the A1 and A2 motorways make it an attractive place for the development of such industries as logistics and transport.

At the end of 2022, the resources of the modern logistics and warehouse space market in Central Poland amounted to 3.6 million m², including a new supply of 648,000 sq m. m². The completed facilities included Hillwood Stryków II (73,000 m²), Hillwood Łowicz Południe (69,000 m²), Hillwood Zgierz (58,000 m²), Panattoni Park Zgierz (52,900 m²), Panattoni Park Pabianice (44 thousand m²) and MLP Łódź (19,700 m²).

The largest projects completed in 2022 also include the Central European Logistics Hub halls combined with the existing building rented by Media Expert, creating a central complex for domestic distribution.

The three buildings occupy a total of 232,000 sqm. m². (The total space leased to Media Expert by Panattoni in the Łódź region already exceeds 270,000 m², another 35,000 m² is under construction.).

Currently, there are still 673.7 thousand sq. m. m² of modern warehouse space, incl. Panattoni Park Tuszyn (57,200 m²) and Hillwood Łódź II (97,100 m²).

In 2022, 886,000 sq m of warehouse space was leased in Central Poland, which places this region at the forefront of warehouse markets in the country. Logistics operators remain the primary tenant sector (accounting for half of the demand on average). The most crucial lease agreements on the Central Poland warehouse market in 2022 included, among others: an extension of the lease for 60.8 thousand sq m. m2 by a confidential tenant from the 3LP industry in the P3 Piotrków facility, extension and expansion for 59,000 sqm. m2 by a confidential tenant from the FMCG industry in the EOT Exeter Park Stryków facility, a new lease of 59,000 sqm. m2 by a confidential tenant at Panattoni Park Sosnowiec III and a new contract for 47,700 sqm. m2 in the Hillwood Łowicz Południe facility signed by Dealz (FMCG).

The vacancy rate for 2022 is a record low and amounts to 2.5% and is 0.5 pp more down than in the previous year. In turn, rents have increased compared to 2021. Base rates are EUR 3.00-3.40/m2 in warehouses on the outskirts of Łódź and EUR 3.50-4.50/m2 within the city limits.

Industrial and logistics market



Infrastructure market

The Łódź agglomeration, due to its location in central Poland, is perfectly connected with the rest of the country.


But also its location almost in the centre of Europe means that it is crossed by routes from the west to the east of the continent, and a network of expressways and motorways surrounds the city itself - the junction of the European A1 and A2 motorways is 10 km from the city.

Apart from car roads, Łódź has excellent railway connections from the north to the south and from the west to the east.

Restored in 2016, the Łódź Fabryczna railway station is the largest in Poland and one of the most modern in Europe.

In addition, Łódź offers a direct rail connection to Chengdu in China, which is part of the New Silk Road.

In addition, they are located in the very centre of Poland, Lodz Airport. Władysława Reymont is located 6 km from the centre of Łódź. The airport serves an increasing number of passengers - in 2022, there were 179.9 thousand—people, which is more than twice as many as in the 2021 pandemic.



Currently, the boat can fly to eleven European cities. In turn, Łódź is only 130 km away from Warsaw and can be reached in 1.5 hours. In addition, in 2027, the construction of the Central Communication Port (CPK), located between Łódź and Warsaw, is planned to be completed.

Public transport in Łódź is provided by buses and trams, and connections with neighbouring towns are supplied by the Łódź Agglomeration Railway.

In addition, residents can use the bike, scooter and hybrid car rental system for hours.

Infrastructure market



Education market

Łódź is one of the most important Polish academic centres. There are six public and 12 non-public universities here.

The remaining ten non-public higher education institutions operate in other cities of the Łódź Voivodeship.

According to the Central Statistical Office, the number of students in the academic year 2021/2022 was 66,000, including nearly 3,500 international students (85,000 students in the entire province).

In the same year, 14.8 thousand students graduated from Łódź—graduates (almost 24,000 graduates in the entire province).

In addition, there are 30 research and development institutions in Łódź.

The University of Lodz is the largest in Lodz. It offers 104 fields of study at 12 faculties. Twenty-four thousand students study there.

The second in line is the Lodz University of Technology, which for years has occupied a leading position in the rankings of Polish technical universities, whose diploma opens doors in many major companies.

The Medical University of Lodz occupies leading positions in the rankings, and its didactic, research and laboratory facilities are one of the best equipped in Poland. It is also the only medical academy in Poland, educating medical officers for the military health service.

Above all, Łódź is known all over the world for its Film School (L. Schiller National Film, Television and Theater School) - one of the oldest and most prestigious in the world, whose graduates include: Andrzej Wajda, Roman Polanski, Kazimierz Kutz and Krzysztof Kieślowski.

In consultation with Lodz employers, Lodz universities create fields of study tailored to market demand, preparing study subjects in consultation with the CISCO academy and JUNIPEROK.

Education market





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