Łódź revitalised

POLAND'S THIRD LARGEST CITY IS UNDER TRANSFORMATION
Once a powerhouse of the textiles industry, then neglected and forgotten by Polish authorities for decades, the city of Łódź has diversified and transformed itself into a hub for logistics, R&D, BPO, IT and advanced manufacturing. Sebastian Shehadi reports

Located in the centre of the country, Poland’s third largest city, Łódź, is also at the heart of a vast national revitalisation programme, partly funded by the EU to the tune of €1bn just for Łódź. The city, which celebrates its 600th anniversary in 2023, has come a long way from its origins as a small village.

Łódź’s early development began in the 1830s. Its many streams made it ideal for the textile industry (eventually earning it the nickname ‘the Manchester of the east’). As the textile trade grew, Łódź attracted merchants and workers from Germany, Russia and the Jewish community and evolved into a highly multicultural community for its time. Its largest factories employed up to 12,000 workers, and some historians consider it to be the second fastest growing city during the 19th century after Chicago.

However, Łódź’s dominance in textiles also contributed to its demise when, after the fall of Communism, Poland lost its Soviet markets. The country was flooded with cheaper goods from Asia, and Łódź’s textile industry collapsed within six months. With unemployment hitting about 30%, the city of 900,000 inhabitants also witnessed a mini-exodus.

Change of direction
Łódź’s industrious spirit, however, remained strong. Smaller Polish enterprises replaced the fallen Soviet giants. From the late 1990s onwards, it attracted foreign investment into manufacturing. Following the advice of consultancy McKinsey, Łódź’s strategy was to be a European hub for household appliances.

This proved highly successful with the arrival of German and US sector leaders BSH and Whirlpool, respectively. Due to their success, as well as the city’s talent pool, these companies added business processes to their factories, such as logistics, R&D and IT. BSH and Whirlpool now employ about 20,000 people in Łódź. The city recently attracted Germany’s Miele, another giant in the sector, which will build a manufacturing plant.

Łódź’s many universities also played a role in the city’s rebirth. “Our young, educated and open-minded people facilitated a change in mentality. People realised that they could do more than just textiles or industry,” says Łódź mayor Hanna Zdanowska.

“This process of diversification started largely thanks to young engineers. We now have large modern sectors such as R&D, IT, BPO and shared services centres [SSC],”

From forgotten to thriving
which employ more than 20,000 people right now."

Down to business
As Europe’s leading location for BPO/SSC, Poland is expected to employ more than 300,000 people in the sector as early as the first quarter of 2019, according to the Association of Business Service Leaders. Łódź hosts 20% of the country’s business services centres.

The city is also benefiting from Poland’s wave of foreign investment over the past decade. Following 2017’s record high, greenfield FDI into Poland is on track for another stellar performance in 2018, according to greenfield investment monitor fDi Markets. Łódź already boasts many major foreign investors, such as Bosch, TomTom, Fujitsu and Samsung’s Harman. Despite this diversification, the city still enjoys a substantial proportion of industry in its agglomeration, with factories producing steel, white goods and hi-tech engineering parts.

Łódź’s unemployment rate has hovered around the 6% mark over the past few years, similar to the national average. As the third largest city in Poland, and 13th largest non-capital city in Europe, Łódź’s population stands at 700,000 (about 80,000 of them students). However, unofficially the number is closer to 900,000, including as many as 70,000 unregistered Ukrainian inhabitants.

The hidden city
Walking around Łódź can feel like a stroll through the 19th century. There are chimneys at every angle, and it is impossible to miss the beautiful red-brick factories and eye-catching period homes.

“Łódź is basically the only big city in Poland that wasn’t destroyed in the Second World War, for better and for worse,” says Adam Pustelnik, director of Łódź’s Investor Service and International Co-operation Bureau. “As a result, the city did not benefit from the massive, decades-long post-war funding that took place to reconstruct Warsaw and Kraków’s historic centres. The destruction of war in Wrocław, which also saw a huge flood in 1997, also [sparked] massive investment.”

Between the world wars, Łódź was sidelined due to its lack of ‘Polishness’ and cosmopolitan make-up (the aforementioned German, Russian and Jewish citizens). Transportation lines bypassed the city that is now one of Europe’s most promising logistics hubs.

“For many decades Łódź was forgotten. [To this day], when foreigners think of Poland they think of Warsaw, Kraków, Wrocław and Gdański. Where is Łódź, the third biggest city in Poland?” says Andrzej Kuczyński, project management office director at TME, one of the largest global distributors of electronic components, which was founded in Łódź. “For a long time, there was no political will to invest here. Now it’s our time. Łódź’s Mayor Zdanowska has really helped raise our profile over the past eight years. Development and investment have [come in very quickly].”

Moreover, as the city became the epicentre for household appliance production, logistics and much more, its aged or non-existent infrastructure has developed rapidly. The century of neglect also ended with Poland’s EU entry, which spurred huge amounts of revitalisation funding.

“Łódź needs billions more in funding, an endless amount of money to revitalise its red-brick buildings. The city is [bringing it in] and we have the biggest revitalisation programme in Europe – with around €1bn dedicated to our red brick. However, this still meets only 20% of the need,” says Mr Pustelnik.
PLANSTODEVELOPŁÓDŹ
WILL BENEFITITS CITIZENS,
WORKERSANDINVESTORS,
SAYSERECENTLY RE-ELECTED
MAYORHANNA ZDANOWSKA.
SHEETALKSTOSEBASTIAN
SHEHADIABOUTTHEŁÓDŹ-
WARSAW ‘DUOPOLIS’

Q & A: HANNA ZDANOWSKA

A people place

You’ve been mayor for eight years; what does your re-election mean for Łódź?

First of all, it means a continuation of this huge process of transformation, which entails further revitalisation of the city centre, continued improvement to the quality of life for the city’s inhabitants, as well as further [attitudinal] changes, since the city is its people. In the past, the people of Łódź did not believe their own strength. Now, thanks to this transformation, they have started being proud of their city.

I make it a point to manage the city in a modern way; as a place to live, as well as for economic development. Therefore, it is very important for us to attract investors. I think that a change in the leadership of the city could imply a disruption in this process, as is happening elsewhere in the country. My outlook is basically liberal, both in terms of economics and world view, while in other places in Poland, let’s say, they are more focused on the social safety net. But this does not mean that we don’t care for Łódź’s inhabitants.

I have won the next term on a programme of developing the city centre, but also various neighbourhoods surrounding the city centre. This means ensuring appropriate infrastructure, such as sidewalks, parks, squares, kindergartens and schools, as well as appropriate care for the elderly. It is extremely important for me to ensure a good quality of life for people who deserve it.

What makes łódź exciting for foreign investment?

On a map of Poland and Europe, Łódź is one of the best places in terms of the ratio of wages to quality of life. When you compare both, you can get the best value for your money.

For manufacturers, the location and workforce – which is highly competent and qualified – is of great importance. We have an unemployment rate of about 5%. Łódź offers multi-talented human resources – high-level and mid-level managers, as well as workers. What is also crucial is the quality of life in the city, as many of the decision makers, or their subordinates, will have to come here to live.

In modern economies, cities are competing not so much for foreign investors but also inhabitants – that is, potential workers. We can attract them by creating good living conditions and conditions for development. Workers are the basic resource for investors, and it’s workers that are basically the crucial factor right now in market development.

Given the general ageing population across Europe, this is what will determine the growth trajectory of various cities and countries. This is one reason why we’re developing the idea of a ‘duopolis’ between Łódź and Warsaw, a 90-minute drive away [in other words, connecting the two cities further, not least through an airport between the two].

Is this ‘duopolis’ going to happen, or is it wishful thinking?

Duopolis is already happening. Łódź is a place where dreams come true and you can see that by the number of investors coming here, as well as by the number of people coming here to stay. Now, we have a positive migration ratio – so more people are coming here than leaving. ■
ŁOŹDŹ LEADS IN TERMS OF THE SCALE OF REAL ESTATE REVITALISATION [IN POLAND]

An overdue overhaul

AFTER A LONG PERIOD OF NEGLECT, ŁOŹDŹ IS RECEIVING MAJOR INFRASTRUCTURE INVESTMENT, RESULTING IN A VAST PROGRAMME OF REDEVELOPMENT THAT TAKES IN THE CITY CENTRE, INDUSTRIAL AND OFFICE SPACE AND THE MAIN RAILWAY STATION. SEBASTIAN SHEHADI REPORTS

Poland is undergoing a huge revitalisation programme, as part of which Łódź is receiving major attention. The city is enjoying one of Europe’s most extensive redevelopments. Regeneration between 2014 and 2020 will cost €5.82bn across Poland.

“Łódź leads in terms of the scale of real estate revitalisation [in Poland],” says the 2018 report from the Second Life Building Initiative.

Major revamp

A key part of Łódź’s city centre regeneration is the ‘New Centre’, encompassing 50 interlinked projects valued at €1.09bn. Alongside the regeneration of the EC-1 power plant, with state-of-the-art attractions such as a planetarium and a 3D cinema, is the €500m redevelopment of Łódź Fabryczna railway station, the oldest and largest in the city.

Another major redevelopment is the massive red-brick Manufaktura complex in what used to be the city’s largest textile factory, which now includes four museums, a shopping mall and a leisure centre.

Ranked among central Europe’s biggest regeneration projects, Manufaktura was developed by a French company and acquired by Germany’s Union Investment in one of 2012’s largest real estate transactions globally. Adjacent to Manufaktura is one of Łódź’s most exclusive hotels, Andels, which was developed by Austrian real estate group Vienna House.

Most red-brick refurbishments in Łódź have been undertaken by foreign investors. “The redevelopment process has been [facilitated] by private investors. We expect that each zloty spent from the public purse should bring 1.41 [zlotys] of private investment,” says Marcin Obijalski, head of the redevelopment office of Łódź.

Opportunity knocks

Łódź has many vacant buildings. “The city has many places in need of refurbishment, especially tenement houses. Many empty places have inheritance problems. Legal battles are ongoing and investors are lining up,” says Adam Pustelnik, director of Łódź’s Investor Service and International Co-operation Bureau.

This makes Łódź ripe for refurbishment. Offices in regenrated areas now comprise 24% of all existing office space in Łódź, while in Warsaw they account for only 4%, according to corporate law firm Schoenherr.

Łódź is also the seventh largest market in Poland in terms of modern office space stock, but is developing at an incredible pace, as evidenced by the arrival of international developers such as Echo Investment, HB Reavis and Skanska. A variety of international companies run their Polish or regional operations from Łódź offices, including ABB, Accenture, Cybercom, Ericsson, Nordea Bank and Infosys, hiring thousands.

“Łódź’s office market is maturing. The volume of new developments is [very] visible. Competitive labour costs and the availability of qualified staff make this city one of the best investment locations in central and eastern Europe, especially for the business services sector; Łódź has become a first-tier Polish destination,” says Dimitris Raptis, deputy CEO at Globalworth, a real estate firm specialising in distressed investments.

At the end of the third quarter 2018, total office stock in Łódź stood at more than 460,000 square metres with a vacancy rate of 9.7%, according to professional services and investment management company JLL.

The city is expecting another 300,000 square metres of modern office space to be built over the next five years, allowing for another 30,000 workers, according to Mr Pustelnik.

Industrial scale

Meanwhile, Łódź is playing a key role in Poland’s thriving industrial market, offering 300 hectares of industrial plots within the city, an unusually high number for the country.

Panattoni, the largest industrial park developer in the world, is developing the largest consolidated industrial area in central Europe, ready for use in 2022. The Łódź hub will house the biggest Bosch factory outside Germany, and other confirmed tenants include BSH, Media Expert and Smyk.

A key area where Łódź has room for growth in the hotel sector, especially as the city’s tourism expands and it prepares for Expo Horticultural 2024. “Hotel infrastructure has been slower to improve than I’d have hoped,” says Sanjay Dhawan, president of connected services at Harman International, a Samsung company. “Investors should look into the city for that.”
A European gateway

LOCATED 30 KILOMETRES FROM POLAND’S GEOGRAPHIC CENTRE, ŁÓDŹ IS AT THE HEART OF THE COUNTRY AND, TO SOME EXTENT, EUROPE. ITS ADVANTAGEOUS LOCATION IS NOW BEING MATCHED BY IMPROVED TRANSPORT LINKS, AS SEBASTIAN SHEHADI DISCOVERS

The Łódź region was ranked the third most desirable logistics location in Europe and best performing market outside western Europe in a 2017 Prologis survey. Over the past 15 years, Poland’s infrastructure has undergone rapid development, with central Poland and Łódź among the major beneficiaries, as they form the country’s main transportation node.

At the heart of Europe
Łódź is at the crossroads of two major trans-European transport network corridors: the Baltic-Adriatic route from Gdańsk to Italy, and the North Sea-Baltic route from Belgium to Estonia. The city will also benefit from the western section of the Ring Road, which is set to connect all pan-European highways on its completion in 2022.

Further afield, Łódź boasts a direct rail connection with Chengdu in China, as part of the latter’s Belt and Road Initiative. Trains take roughly 13 days to transport goods to China – far quicker than the 45 days required by maritime shipping.

Local company Hatrans Logistics also wants to create a large multi-function ‘dry port’ to aggregate all rail transfers from China to central Europe, according to Adam Pustelnik, director of Łódź’s Investor Service and International Co-operation Bureau. “It’s a monumental initiative since export from China to Europe is huge. Łódź could be a major gateway,” he says.

Another of Łódź’s selling points is its proximity to Poland’s capital, Warsaw, an hour-and-a-half away by car, and the relationship between the two cities is becoming increasingly symbiotic.

The recent redevelopment of Łódź Fabryczna station has cut the Warsaw commute to 70 minutes, thereby further plugging Łódź into the capital and bolstering the so-called ‘duopolis’.

“Łódź wants to become a district of Warsaw’s economic environment – we’re basically already a suburb of Warsaw. [This is a duopolis],” says Mr Pustelnik. Thousands of workers commute from Łódź to Warsaw daily, and it is often quicker to get to central Warsaw from Łódź than from Warsaw’s suburbs.

Feeding off Warsaw
The ‘duopolis effect’ has already attracted foreign companies looking for proximity to Poland’s capital alongside the affordability, quality of life and talent offered by Łódź.

“It’s inefficient to put all resources in the capital. Front offices might be there, and Łódź can have the back offices,” says Mr Pustelnik.

Duopolis will get a huge boost if Warsaw Chopin Airport, a 90-minute drive from Łódź, moves outside the city. Envisaged to be a major international hub handling 40 million passengers yearly, it will be located between Łódź and Warsaw upon completion in 2028, should things go to plan.

“Nobody knows if it will happen. It’s a crazy idea. Why would people from Asia or elsewhere use this new airport as a hub? We already have so many,” says Andrzej Kuczyński, project management office director at TME, one of the largest global distributors of electronic components, headquartered in Łódź. Nonetheless, he would be happy to see such an airport built. “We work a lot with Warsaw and Leipzig airport. For me, Łódź local airport is dead.”

However, this has not stopped TME becoming a European logistics leader. The company dispatched parcels to more than 145 countries and roughly 155,000 customers in 2017.

“TME has been so successful because of Łódź’s location and connectivity. Also, Łódź offers both types of workers: hands-on and office workers. We don’t need to outsource much, we have many specialists found in Łódź’s talent pool. Finally, we’re much cheaper than Warsaw, Kraków or Gdańsk,” says Mr Kuczyński.
THE EXPO IS A CATALYST FOR INVESTMENT INTO THE CITY. WE’RE BUILDING FOR THE FUTURE, NOT JUST FOR THE EXPO – SIMILAR TO THE LONDON 2012 OLYMPICS IN STRATFORD

Expo potential

ŁÓDŹ IS TO HOST THE PRESTIGIOUS EXPO HORTICULTURAL IN 2024, AND IS USING THE EVENT AS A CATALYST TO IMPROVE ITS URBAN ENVIRONMENT AND DRIVE TOURISM. SEBASTIAN SHEHADI REPORTS

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eating off world-class competition, Łódź recently won the right to host the prestigious A1 World Horticultural Exhibition, Expo Horticultural 2024. The event will attract several million visitors to the city between April and September 2024, boosting Łódź’s young tourism industry and accelerating the development of its infrastructure and public spaces in the process.

Having applied in 2017 to host the Specialised Expo 2023, only to come second to Argentinian capital Buenos Aires, Łódź showed that persistence pays off by applying for and winning the right to host Expo Horticultural in March 2018.

Nurturing nature

Organised by intergovernmental organisation the Bureau International des Exposition, Expo are large-scale, global gatherings designed to educate the public, share innovation and encourage progress. The Łódź Expo will promote an improved quality of life in the city and sustainable development with respect for nature and tradition.

“It is devoted to creating urban landscapes and the use of green areas. [It is] an opportunity to share international experience and draw the world’s attention to the challenge of urban renewal, presented from the heart of the largest regenerated area in Europe [i.e. Łódź],” says Maciej Riemer, head of Łódź Expo team.

With participants and exhibitors from 65 countries, the event provides the perfect platform for horticultural, wellbeing and greentech companies to present their products and services. It is also an opportunity to develop Łódź’s budding tourism sector, since it is expected to attract 3.6 million domestic and 400,000 foreign visitors.

This boost is needed as Łódź is Poland’s third largest city but only the country’s seventh top tourism destination, drawing in 800,000 visitors annually.

“Łódź is missing tourist attractions, unlike many other big cities in Poland. We are hoping that Expo 2024 will accelerate this. Millions of people will see the fruits of our revitalisation,” says Adam Pustelnik, director of Łódź’s Investor Service and International Co-operation Bureau. He adds that good first impressions for investors are very important.

Going greener

With some 2378 hectares of forest and many large parks within its boundaries, Łódź is one of the greenest cities in Poland, as well as being home to Europe’s largest urban park. Łódź is already planning new infrastructure for Expo Horticultural – for example, by developing all the parks around the city, the ‘green ring’, and even creating new lakes.

“The Expo is a catalyst for investment into the city. We’re building for the future, not just for the Expo – similar to the London 2012 Olympics in Stratford. [Making the city greener] is very high on the mayor’s agenda. We are ready and open for public-private partnerships,” says Mr Riemer.

The city’s two most central parks will see significant transformations. Park 3 Maja, at 77 hectares, will be the Expo’s main site as it is located next to Łódź Fabryczna station, one of Poland’s main rail hubs. Łódź’s new underground metro will be complete in three years’ time, providing two additional stations close by.

As many parks are on the outskirts, Łódź wants to make the city’s rather grey and sprawling centre greener, using green walls, roofs or any suitable space, according to Mr Riemer.

The Netherlands’ ‘pocket parks’ are a strong inspiration for Łódź’s development, and green tour routes are also being charted for walking and cycling, with many roads set for pedestrianisation.

“We want more leisure space and a less polluted city – which is a problem for Poland as a whole. Our pollution levels are higher than most countries in Europe because our cities have developed so rapidly in the past 20 years, causing environmental devastation. Also, many old homes in Poland are heated by coal fires,” says Mr Riemer.
WITH STRONG INDUSTRIAL AND INTERNATIONAL CONNECTIONS AND A POOL OF INTELLECTUAL TALENT, ŁÓDŹ IS GIVING POLAND’S OTHER ACADEMIC STRONGBOLDS A RUN FOR THEIR MONEY. SEBASTIAN SHEHADI REPORTS

Łódź is one of Poland’s major academic centres, with almost one in seven of its population a student. The city boasts 19 institutions of higher education – including an internationally renowned film school – as well as 30 R&D centres. It is not hard to find talent in the city, which also has a growing tech and start-up sector.

Like many of Łódź’s institutions, the University of Technology is internationally oriented, with a strong student exchange programme. The vast majority of young people in Łódź speak English and/or German as a second language.

Due to its strong research focus, the university’s tech transfer centre has produced many spin-off companies – such as Advanced Graphene Products, which makes highly refined carbon materials and is valued at €1m. Other innovations are market-ready but awaiting funding, such as Gust, which produces urban wind turbines. This student project has won the Netherlands’ International Small Wind Turbine Contest for three years in a row. Meanwhile, Łódź Solar Team, the biggest student project team in Poland, has prototyped an electric car powered by solar panels. The vehicle is carbon dioxide-free and has a range of 450 kilometres at night.

“Our university has huge cooperation with industry and business: they train us in their company labs. We have a special business council with Procter & Gamble, Bosch, Airbus Helicopter and others,” says Łukasz Kaczmarek, associate professor at Łódź University of Technology.

**Industry links**

Łódź’s Medical University is the largest of its type in Poland. The institution is part of a world-class network combining academia and business, and includes EIT Health’s 150 European partners, which is composed of leading universities and global companies such as Thermo Fisher and AstraZeneca.

The university has gained international recognition for its pioneering research on ageing. Łódź expects one-third of the city’s population to be over 65 by 2035. The Medical University has responded to this local and global challenge, as have companies who see a local health-care market for elderly people.

“Łódź has a tradition of collaboration with business – more than 70% of our students train with companies. Our courses are adapted for the businesses in the region,” says Lucyna Wozniak, vice-rector for research and international relations at the Medical University of Łódź. Switzerland’s Roche is one company that recently began researching with the university.

“Companies are looking for educational potential to conduct research here in Łódź. Our university’s transfer of innovation centre is extremely busy. We’re becoming a very interesting market for innovative pharma. What’s important for new investment is the raised awareness about Łódź’s potential,” says Ms Wozniak.

**Tech talent**

Tech research is booming in the city. For example, US electronics company Harman International has expanded from 100 to 400 engineers in Łódź over the past two-and-a-half years.

“The R&D being done at Harman’s centre in Łódź is amazingly innovative thanks to the talent. [We’re very happy with the city’s] proximity and connectivity to Warsaw and major European cities, and Łódź offers the right work-life balance,” says Sanjay Dhawan, president of connected services at Harman, which is a subsidiary of Samsung.

There is also a growing tech and start-up scene in Łódź, which has blossomed in no small part thanks to significant financing for these sectors from the EU and the Polish government. The mix of different universities also provides excellent crossovers for innovation.

These sector opportunities were not in Łódź 20 years ago, according to Rafał Janczyk, CEO and co-founder of Enigma Patterns, an SME focused on big data and machine learning.

“Łódź is a great place to start a company. We have more students than Kraków – the same size as [Łódź] – but fewer companies here and no monolith tech company recruiting everyone. So there’s a lot of talent here. Plus, we spend half as much on rent as we would in Warsaw – and I can [go everywhere] on foot,” says Mr Janczyk.

He notes that Łódź has a good start-up community, albeit less developed than those in Kraków, Warsaw or Poznań.