

German Cities of the Future 2016/17 Winners



THE FINANCIAL HUB OF FRANKFURT HAS TOPPED THE TABLE IN **fDi**'S 2016/17 GERMAN CITIES OF THE FUTURE RANKING, WITH STRONG SHOWINGS ALSO FROM MUNICH AND BERLIN. **CATHY MULLAN** ANALYSES THE RESULTS

Frankfurt, the largest city in Germany's Hesse state, has placed first in **fDi**'s German Cities of the Future 2016/17 ranking. The city, a financial hub at the heart of the Frankfurt-Rhein-Main metropolitan region, is a picture of economic health, boasting a low unemployment rate of just 2.92% and a GDP per capita of more than \$50,000 at power purchasing parity. The city is a strong FDI performer, attracting 328 inward investment projects between 2011 and 2015 – the highest number of FDI projects of any city in the study – according to greenfield investment monitor **fDi** Markets. More than one-quarter of Frankfurt's inward investment was in software and IT, followed by business services (16.95%) and financial services (14.97%).

Twenty-four expansion projects were recorded in Frankfurt between 2011 and 2015, reinforcing the city's reputation for attracting investors. The highest percentage of expansion projects were recorded in the communications sector (accounting for 21.7%), followed by financial services (17.4%) and software and IT services (13%).

Munich growth

Munich, the capital of Germany's largest and most southerly state of Bavaria, ranked second overall, scoring highly in both the Economic

Frankfurt's financial importance helped make it German City of the Future in **fDi**'s ranking



Potential and Business Friendliness categories. The city's population is growing at the highest rate of all German cities analysed, while also benefiting from the lowest unemployment rate, of just 2.02%. FDI in the city remained relatively stable between 2011 and 2014. However, in 2015 Munich saw FDI project numbers almost double to 102. Capital investment and job creation also significantly increased to about \$696m and nearly 2500 jobs, respectively.

After Berlin, Munich recorded the highest level of FDI job creation of all German cities analysed. US-based technology giant IBM created 1000 jobs in the city in December 2015 when it established the headquarters for its Watson Internet of Things busi-

ness, focused on the development of smart technology. Munich is a natural home for such companies, with more than 11,000 companies in the city in the knowledge-based sector (8.6% of total companies). The city also recorded the highest number of outward FDI projects at 592 between 2011 and 2015. Munich is home to major international companies including electronics and engineering company Siemens (which invested in 135 FDI projects globally), gas and engineering firm Linde (52) and auto manufacturing giant BMW (50). The majority of Munich's outward FDI goes to Asia (190 projects), followed by western Europe (179) and North America (81).

Germany's capital city Berlin ranked third in the study, coming ▶

first in the Human Capital and Lifestyle Category, third in Business Friendliness and sixth for Economic Potential. The city generated the highest GDP of all cities analysed, and attracted nearly 300 FDI projects between 2011 and 2015, the second highest in the study. More than 160,000 students are based in the city, which has been an influential factor in investment decisions. Netherlands-based software developer Osudio cited this creative and innovative energy as the reason for opening an office in the city in 2015. Finland-based Vaadin, also a software company, opened an office in Berlin in 2015, crediting its decision to the several universities and technical colleges in the city. Berlin boasts seven of the top 100 German universities according to Webometrics, more than any other city in the country. ■

BY YEAR INVESTORS IN MUNICH BETWEEN JANUARY 2011 AND DECEMBER 2015

| YEAR | PROJECTS | CAPEX | AVERAGE CAPEX | JOBS CREATED | AVERAGE JOBS | COMPANIES |
|------|----------|-------|---------------|--------------|--------------|-----------|
| 2011 | 53 | 290.2 | 5.5 | 836 | 15 | 52 |
| 2012 | 58 | 213.9 | 3.7 | 862 | 14 | 58 |
| 2013 | 53 | 317.9 | 6.0 | 1,241 | 23 | 53 |
| 2014 | 55 | 321.7 | 5.8 | 955 | 17 | 55 |
| 2015 | 102 | 695.5 | 6.8 | 2,492 | 24 | 102 |

BY REGION DATA FOR COMPANIES FROM MUNICH INVESTING BETWEEN JANUARY 2011 AND DECEMBER 2015

| DESTINATION REGION | PROJECTS | CAPEX | AVERAGE CAPEX | JOBS CREATED | AVERAGE JOBS | COMPANIES |
|--------------------|----------|---------|---------------|--------------|--------------|-----------|
| Asia-Pacific | 190 | 9,227.4 | 48.6 | 43,061 | 226 | 76 |
| Western Europe | 179 | 5,919.7 | 33.1 | 15,146 | 84 | 86 |
| North America | 81 | 3,810.9 | 47.0 | 7,026 | 86 | 53 |
| Emerging Europe | 75 | 3,106.4 | 41.4 | 16,212 | 216 | 44 |
| Latam/Caribbean | 38 | 2,280.3 | 60.0 | 5,870 | 154 | 21 |
| Africa | 17 | 1,138.9 | 67.0 | 2,770 | 162 | 10 |
| Middle East | 10 | 704.2 | 70.4 | 1,738 | 173 | 9 |

TOP 10 GERMAN CITIES OF THE FUTURE 2016/17 – OVERALL

| RANK | CITY | STATE |
|------|------------|------------------------|
| 1 | Frankfurt | Hesse |
| 2 | Munich | Bavaria |
| 3 | Berlin | Berlin |
| 4 | Hamburg | Hamburg |
| 5 | Düsseldorf | North Rhine-Westphalia |
| 6 | Stuttgart | Baden-Württemberg |
| 7 | Waldorf | Baden-Württemberg |
| 8 | Cologne | North Rhine-Westphalia |
| 9 | Heidelberg | Baden-Württemberg |
| 10 | Mannheim | Baden-Württemberg |

TOP 10 GERMAN CITIES OF THE FUTURE 2016/17 – ECONOMIC POTENTIAL

| RANK | CITY | STATE |
|------|------------|------------------------|
| 1 | Frankfurt | Hesse |
| 2 | Munich | Bavaria |
| 3 | Waldorf | Baden-Württemberg |
| 4 | Stuttgart | Baden-Württemberg |
| 5 | Düsseldorf | North Rhine-Westphalia |
| 6 | Berlin | Berlin |
| 7 | Hamburg | Hamburg |
| 8 | Mannheim | Baden-Württemberg |
| 9 | Heidelberg | Baden-Württemberg |
| 10 | Ulm | Baden-Württemberg |

TOP 10 GERMAN CITIES OF THE FUTURE 2016/17 – BUSINESS FRIENDLINESS

| RANK | CITY | STATE |
|------|------------|------------------------|
| 1 | Frankfurt | Hesse |
| 2 | Munich | Bavaria |
| 3 | Berlin | Berlin |
| 4 | Hamburg | Hamburg |
| 5 | Waldorf | Baden-Württemberg |
| 6 | Düsseldorf | North Rhine-Westphalia |
| 7 | Stuttgart | Baden-Württemberg |
| 8 | Hannover | Lower Saxony |
| 9 | Cologne | North Rhine-Westphalia |
| 10 | Ulm | Baden-Württemberg |

TOP 10 GERMAN CITIES OF THE FUTURE 2016/17 – COST EFFECTIVENESS

| RANK | CITY | STATE |
|------|----------------|------------------------|
| 1 | Frankfurt/Oder | Brandenburg |
| 2 | Dresden | Saxony |
| 3 | Leipzig | Saxony |
| 4 | Hannover | Lower Saxony |
| 5 | Waldorf | Baden-Württemberg |
| 6 | Dortmund | North Rhine-Westphalia |
| 7 | Bremen | Bremen |
| 8 | Aachen | North Rhine-Westphalia |
| 9 | Nurnberg | Bavaria |
| 10 | Duisburg | North Rhine-Westphalia |

TOP 10 GERMAN CITIES OF THE FUTURE 2016/17 – CONNECTIVITY

| RANK | CITY | STATE |
|------|------------|------------------------|
| 1 | Duisburg | North Rhine-Westphalia |
| 2 | Hamburg | Hamburg |
| 3 | Düsseldorf | North Rhine-Westphalia |
| 4 | Wiesbaden | Hesse |
| 5 | Heidelberg | Baden-Württemberg |
| 6 | Essen | North Rhine-Westphalia |
| 7 | Neuss | North Rhine-Westphalia |
| 8 | Mannheim | Baden-Württemberg |
| 9 | Cologne | North Rhine-Westphalia |
| 10 | Frankfurt | Hesse |

TOP 10 GERMAN CITIES OF THE FUTURE 2016/17 – HUMAN CAPITAL AND LIFESTYLE

| RANK | CITY | STATE |
|------|-------------------|------------------------|
| 1 | Berlin | Berlin |
| 2 | Hamburg | Hamburg |
| 3 | Munich | Bavaria |
| 4 | Cologne | North Rhine-Westphalia |
| 5 | Heidelberg | Baden-Württemberg |
| 6 | Frankfurt am Main | Hesse |
| 7 | Bremen | Bremen |
| 8 | Stuttgart | Baden-Württemberg |
| 9 | Bonn | North Rhine-Westphalia |
| 10 | Freiburg | Baden-Württemberg |



Munich, home to the world's largest Oktoberfest (pictured), is targeting start-up investors

FDI Strategy

GIVEN THE RECORD LEVELS OF FDI THAT GERMANY RECORDED IN 2015, IT IS CLEAR THAT THE STRATEGIES OF INVESTMENT PROMOTION AGENCIES AND LOCAL GOVERNMENTS ARE HAVING A POSITIVE IMPACT, ENCOURAGING INWARD INVESTMENT. **CATHY MULLAN** REPORTS ON HOW THE COUNTRY'S CITIES ARE PUTTING THEMSELVES ON THE MAP

Aachen

Bordering the Netherlands and Belgium on Germany's western frontier, Aachen is a city with digital ambitions. Home to nearly 250,000 people, the city will boast Europe's largest research campus when RWTH Aachen Research Campus is completed, creating 10,000 jobs. The 800,000-square-metre facility will focus on collaboration between industry and science. This will be a boost to an already thriving relationship between industry and innovation in the city, where the University Clinic Aachen, RWTH Aachen University and Aachen University of Applied Sciences offer prospective investors a wealth of research facilities and staff. US-based Ford operates a research centre in the city, and in September 2015, Beijing Automotive Industry Holding established an R&D facility. Aachen is working to attract investment from China and Turkey in particular, attending roadshows and seminars focused on these markets.

Berlin

Working together closely, Berlin Partner for Business and Technology and the Chamber of Commerce and Industry of Berlin aim to bring inves-

tors from all over the world to their city. Berlin's online presence makes it easy for an investor to position themselves well in the city: website Talent in Berlin features job listings in both English and German directed at jobseekers with specialised skills and training, while Economic Atlas Berlin allows web users to browse maps in both 3D and 2D, offering a virtual and informative walk through of the city. The 'be Berlin' marketing campaign and active campaigns on social media increase the city's presence online, and innovative marketing ideas such as the Pop Into Berlin pop-up store in international locations present the city as a business location, while positioning it on a global stage. Tegel Airport is set to be replaced by the new Berlin Brandenburg Airport in 2017, leaving space to accommodate a research and industrial park, Berlin TXL – The Urban Tech Republic, with a particular focus on bringing in hi-tech investors specialising in urban technologies.

Cologne

The city of Cologne's economic development department is committed to ensuring its staff are equipped to

assist potential investors in the city. In addition to strategic training, staff are also entitled to take up to five days of paid educational leave annually to focus on their professional training. The city has target locations for attracting investment, including China, India and western Europe, and a programme of innovative marketing campaigns. One TV campaign in China reached more than 100 million people. Cologne's network of 23 city partnerships furnish investors with a sound contact base.

The city is extremely well connected, boasting three international airports within an hour and a robust broadband network covering the whole city. Furthermore, Cologne is the first city in Germany to roll out the LTE high-speed mobile network. Major infrastructure developments in the city will accommodate new investors, including the Gürzenich district, a 13,000-square-metre retail and office development; Gerling Quartier, a 46,000-square-metre residential and business district in the inner city; and Mülheim harbour, a 700,000-square-metre commercial and industrial area, which will be developed into an urban neighbourhood.

Duisburg

Located in the western state of North Rhine-Westphalia, Duisburg is a pivotal city in Germany's trade with the East. Two-thirds of Germany's imports and exports are shipped along the river Rhine, placing Duisburg at the heart of the country's logistics and distribution. Freight rail lines run between Duisburg and Chongqing in China, forming what is being called the New Silk Road. Goods being shipped to Asia by train can travel at up to twice the speed of sea freight. Duisburg Promotion Agency recently relaunched its website in three languages (German, English and Chinese), while investors are provided with location presentations available in eight languages in the company's bi-annual magazine. The agency aims to help prospective investors find suitable property for their investment, and has close links and collaborates with local education institutions to ensure a supply of suitably qualified staff.

Düsseldorf

Situated on the banks of the Rhine in Germany's North Rhine-Westphalia state, Düsseldorf's Office of Economic Development works to attract investors from a list of target markets (including China and Japan and neighbouring European countries such as France and the Netherlands) and has a target list of clusters with a digital focus. Promotional events are organised in these markets, and in an effort to attract investment from new technology companies, a welcome package for digital firms was organised offering tailored services including 50% off the rental costs of serviced offices and apartments for up to three months. Some major infrastructure developments are lined up for the city, including the expansion of the airport and inner-city road and tram networks, as well as the development of major logistics centres to boost commercial trade at the new Rhine Harbour Port. These developments will boost investor confidence, providing better accessibility for people and goods.

Frankfurt

This year's German City of the Future, Frankfurt, has an impressive strategy in place to attract investors.

With a global focus and presence, the city's economic development agency has offices in the US, Japan, China and India, while also participating in international events and seminars, trade exhibitions and investment roadshows. Sixty-three of the Fortune Global 500 companies have a presence in the city. According to the CEO of the local economic development agency, 27% of Frankfurt's population are non-Germans, demonstrating an openness to global business and talent. The city is undergoing some major infrastructure developments that are bound to have a positive impact on the investment landscape. One such development is the new Gateway Gardens Global Business Village, planned for a site next to the city's airport but connected to the regional train network. Extensive transport developments are under way, with rail, tram and subway extensions under development.

Hamburg

Forward-thinking and future-proof are two attitudes Hamburg city and state, one of three city-states in the country, are projecting to attract investment. A strategy for the implementation of intelligent transport systems, as well as the extension of two subway lines and a renewable energy strategy for the city's port, looks ahead to the future of mobility in the city. The construction of the landmark Elbphilharmonie concert hall, which also comprises hotel and residential units, will position Hamburg as a global city of culture. The city wants to market itself as a leading location for European headquarters and start-up companies, working with international providers of co-working spaces.

Konstanz

Nestled on the shore of Lake Constance at Germany's southern tip, Konstanz is the only German city to form part of Zurich metropolitan area in Switzerland. The city council works to exploit this unique location with Austria, Liechtenstein and Switzerland on its doorstep. As such, networks that integrate business from these countries have been set up and the city has a high profile at local trade exhibitions for this four-country region. The city prides itself

on its quality of life and scenic location, as well as its name as a tourist destination, to garner interest among investors. To house these investors, a new urban hotspot is under development along the shore of the lake, which includes office and residential units, hotels and restaurants and a conference centre.

Leipzig

Leipzig, the largest city in Germany's Saxony state, has been reaping the benefits of a regional economic development agency, Invest Region Leipzig, which was founded in 2012. The agency works to represent the city at a national and international level, and trade delegations visited Vietnam, Japan, South Korea, Switzerland and the US in 2014 and 2015. The city is working to build on its reputation as a centre for electromobility investment, and hopes anchor companies such as BMW and Porsche, as well as logistics operations from Amazon and DHL (whose hub in Leipzig is its largest globally), will serve to attract other investors.

Munich

The city of Munich, the capital of south Germany's Bavaria state, offers potential investors a dedicated service centre for international professionals, with a one-stop-shop offering advice on legal issues such as visa and immigration, and information on living in Munich and education in the city. Recognising its appeal to start-ups, dedicated consultancy BayStartUP provides advice and information on everything from setting up a business to accessing finance, while the Munich Business Startup Office helps new companies prepare business plans and assists with self-employment issues. An English language website acts as a digital welcome centre to prospective investors, with information on all aspects of investing, living and working in the city, as well as serving as a marketing platform. This is supplemented by the city's attendance at international trade fairs such as Mipim at Cannes and Expo Real in Munich. In addition, international trade delegations are also welcomed to the city and city representatives participate in similar trade missions abroad, with the aim of promoting Munich and attracting investment. ■