

AT A GLANCE

Q1 2022

POLAND'S MODERN RETAIL MARKET*

KEY HIGHLIGHTS

- As of 28 March, restrictions related to the pandemic are being lifted. They remain in force only in medical facilities
- Discount chains are desirable tenants in shopping centers
- Increase of construction materials prices, disrupted supply chains, and an outflow of employees from the construction industry will affect the supply of new projects, creating thus an opportunity for redevelopment projects

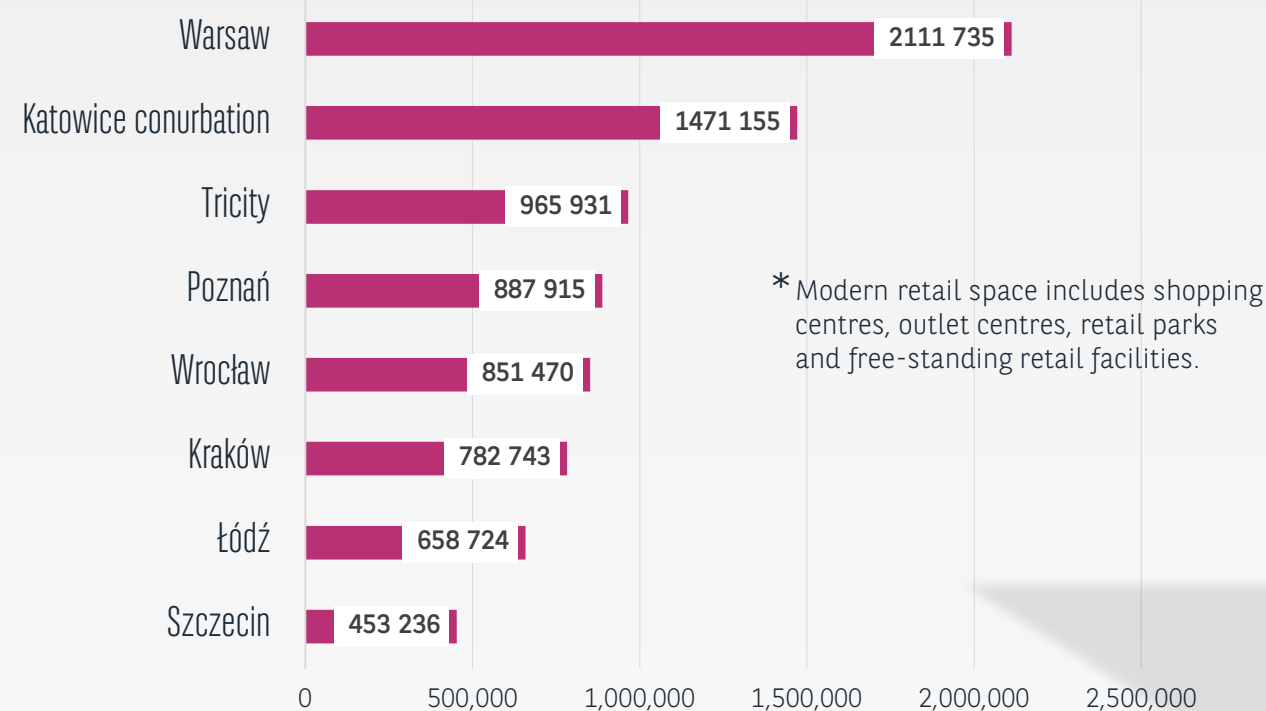
TOP 3 OPENINGS

- Stacja Sierpc (8,000 sqm, Zefir 10)
- Leroy Merlin Kołobrzeg (8,000 sqm, Leroy Merlin)
- Leroy Merlin Andrychów (7,000 sqm, Leroy Merlin)

TOP 3 UNDER CONSTRUCTION

- Karuzela Kołobrzeg (30,000 sqm, Karuzela Holding, Q4 2022)
- Galeria Bawełnianka (23,000 sqm, Gbb Invest, Q3 2022)
- Fort Wola (reconstruction) (23,000 sqm, Mayland, Q4 2022)

Modern retail stock* in major agglomerations



Source: BNP Paribas Real Estate Poland



KEY FIGURES

89%

AVERAGE SHOPPING CENTRE FOOTFALL

(PRCH: February 2022, compared to the same week in 2019, Monday-Sunday)

10.0%

SHARE OF ONLINE SALES IN TOTAL RETAIL SALES

(Statistics Poland: February 2022)

nearly 15.3 M sqm

EXISTING RETAIL SPACE

32,500 sqm

NEW SUPPLY Q1 2022

430,000 sqm

SPACE UNDER CONSTRUCTION

(to be delivered to the market by the end of 2024)

Economic forecasts for Q4 2022

		Trend	Change y/y
	GDP	3.5%	↓
	Unemployment rate	5.0%	↓
	Private consumption	2.9%	↓
	Wages in enterprise sector	9.4%	↑
	Inflation (CPI)	11.0%	↑

Source: BNP Paribas, as of the end of March 2022, average in quarters (% 2020/2021); Forecasts in line with the scenario of 26 January, they do not consider the impact of the situation in Ukraine

” Retail market – new challenges

Retail properties, similarly to the other real estate assets, are facing various challenges nowadays. Two years of the pandemic, which meant lockdowns of varying length for shopping centres as well as the Russian invasion in Ukraine, economic downturn, growing inflation, weakening of the Polish zloty or, finally, lower purchasing power, are the factors with the greatest impact on the retail real estate sector in Poland. On the other hand, the retail industry has the ability to adapt to new market conditions, using difficult moments as a signal for the next change cycle of the industry. The transformation of former Tesco facilities into other retail facilities over the last few months may be example of this - e.g. Park Handlowy DOR Plaza in Częstochowa, Park Handlowy Saller in Tarnowska Góra and Rzeszów, Castorama Piastów, Leroy Merlin Głogów. The rising price of construction materials, a reduction in imports from countries affected by war or sanctions, disrupted supply chains from China and beyond, or, finally, the outflow of Ukrainian workers from the construction and transport sectors, will result in delaying launches of new projects. Thus, redevelopment can also gain in importance as a concept of giving a second life to the older facilities.

Expert comment



Klaudia Okoń

Consultant,
Business Intelligence Hub & Consultancy

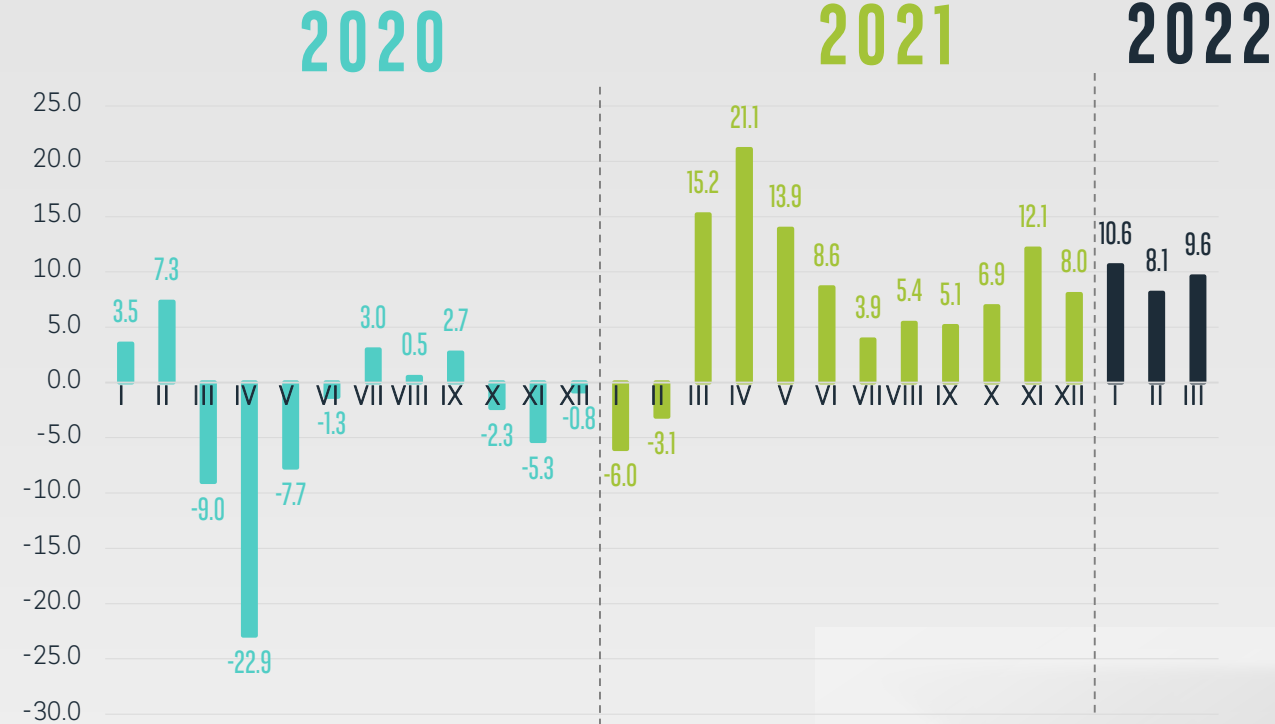
The pandemic accelerated the revolution in the retail sector in the direction of the "multi-channel" development. E-commerce transforms into quick commerce, and fast deliveries are made from so-called "dark stores" located in city centers. This format is based on instant deliveries within 10-15 min from the moment of ordering via the mobile application. Dark store is conceptually similar to a regular store, but the customers cannot enter it. Such a spread-out across the city allows for quick completion and delivery of purchases to the customer's home. According to the Allied Market Research forecasts, the global same-day delivery market in 2020-2027 will grow at more than 21% annually to reach more than USD 20 billion by 2027.

Retail sales

change % y/y 2020/2019
and 2021/2020, at constant prices

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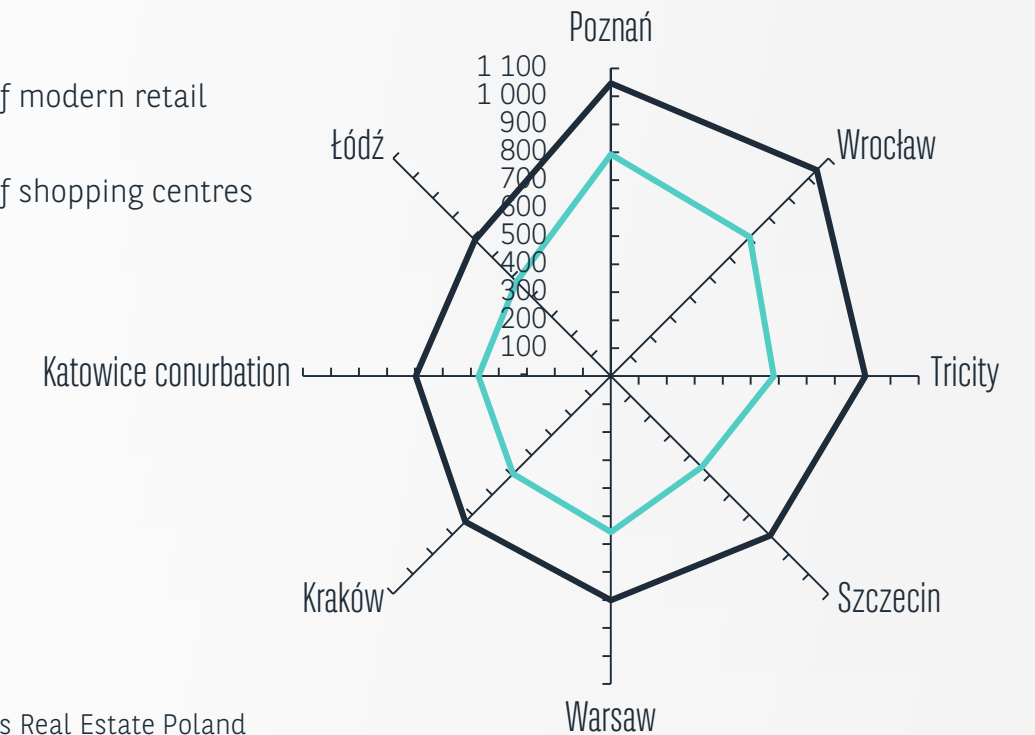


Source: Statistics Poland

Density of modern retail stock in major agglomerations

(sqm of GLA/ 1,000 inhabitants)

— Density of modern retail space
— Density of shopping centres

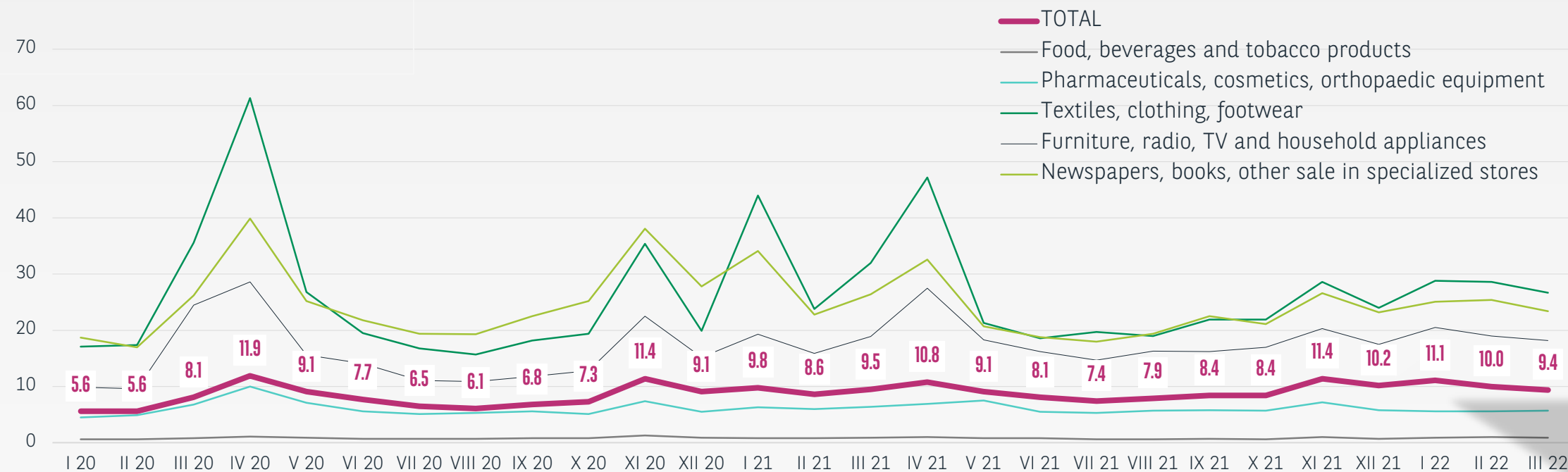


Source: BNP Paribas Real Estate Poland

“ For a long time, the highest saturation indicators of modern retail space have been observed in Poznań and Wrocław agglomerations, where they are at the level of 1047 sqm and 1041 sqm per 1000 inhabitants, respectively, whereas the lowest ones have been observed in the Katowice and Łódź urban area (711 sqm and 687 sqm per 1000 inhabitants, respectively).

Share of internet sales in retail sales

(in %; constant prices, 2020-2021)



Source: Statistics Poland

Retail gets involved in providing aid to Ukraine

In response to the Russian invasion in Ukraine, many global companies decided to hold or even close the activity in Russia. Among them, there are Polish ones that have taken this step, e.g. the CCC Group suspended the operation of 39 stores in Russia, similar actions were undertaken by LPP or BRW. In the meantime, retail facilities throughout Poland are actively involved in providing aid to refugees by organizing various types of fundraisers and by collecting essential products, they also providing parts of retail space to foundations free of charge. For example, the Blue City shopping center in Warsaw has taken such a step by offering accommodations for the support of Humanosh Foundation. In turn, a part of the building has been adapted to the distribution centre and a temporary warehouse of the Foundation in Plac Unii shopping center. FMCG companies use their stores to organize collections of products, which are delivered to the aid organizations in need.

Expert comment



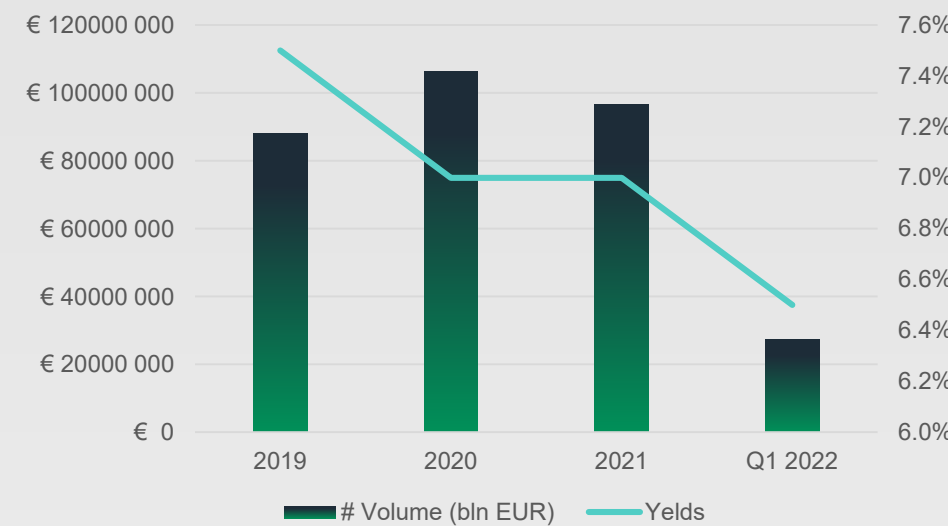
Fabrice Paumelle

Head of Retail Department

From 2021, interest in retail parks and convenience properties has increased among investors. This has been the result of the "resilience" of these formats to the pandemic-related restrictions. In the developers' plans for 2022, there will be ca. 330,000 sqm of retail space, located mainly in small commercial parks with the daily purchasing profile. New investments will not exceed the 30,000 sqm in size, and their average area under construction is approx. 8,000 sqm. Rents in commercial parks and "convenience" facilities are likely to increase, mainly due to the lack of costs of maintenance of common space, which is preventing the rents in shopping centers from the rise.

Investment market in retail parks segment

Investment volume in the retail park segment in the period 2019-2022



Prime yields for retail parks segment in the period 2019-2022

Source: BNP Paribas Real Estate Poland

In the first quarter of 2022, the retail sector generated transactions amounting to nearly 670 EUR million. This was due to the changes in the ownership in the portfolios of EPP, which sold some portion of shares in the portfolios by establishing JVs. The reasons were rooted in the pandemic and the statutory exemption of tenants from payment of rents and service charges in the lockdown period.

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AUTHOR

Klaudia Okoń

Consultant,
Business Intelligence Hub & Consultancy
klaudia.okon@realestate.bnpparibas

CONTACTS

Fabrice Paumelle

Head of Retail
fabrice.paumelle@realestate.bnpparibas

Natasa Mika

Director Retail Leasing
natasa.mika@realestate.bnpparibas

Anna Pływacz

Associate Director
Retail Leasing
anna.plywacz@realestate.bnpparibas

Mateusz Skubiszewski, MRICS

Head of Capital Markets
mateusz.skubiszewski@realestate.bnpparibas

Małgorzata Fibakiewicz

Head of Business Intelligence Hub & Consultancy
malgorzata.fibakiewicz@realestate.bnpparibas



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#BEYONDBUILDINGS

Erik Drukker

President of the Board
erik.drukker@realestate.bnpparibas

Michał Pszkit

Head of Property Management
Member of the Board
michal.pszkit@realestate.bnpparibas

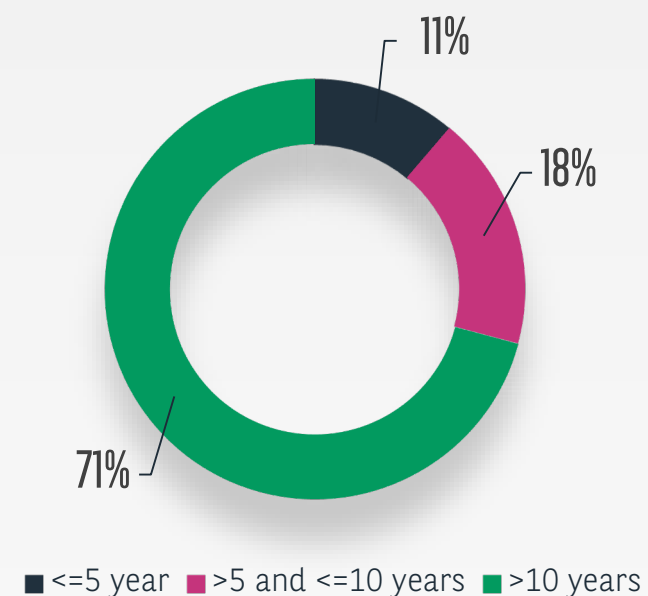
Izabela Mucha, MRICS

Head of Valuation
izabela.mucha@realestate.bnpparibas

BNP Paribas Real Estate Poland Sp. z o.o.

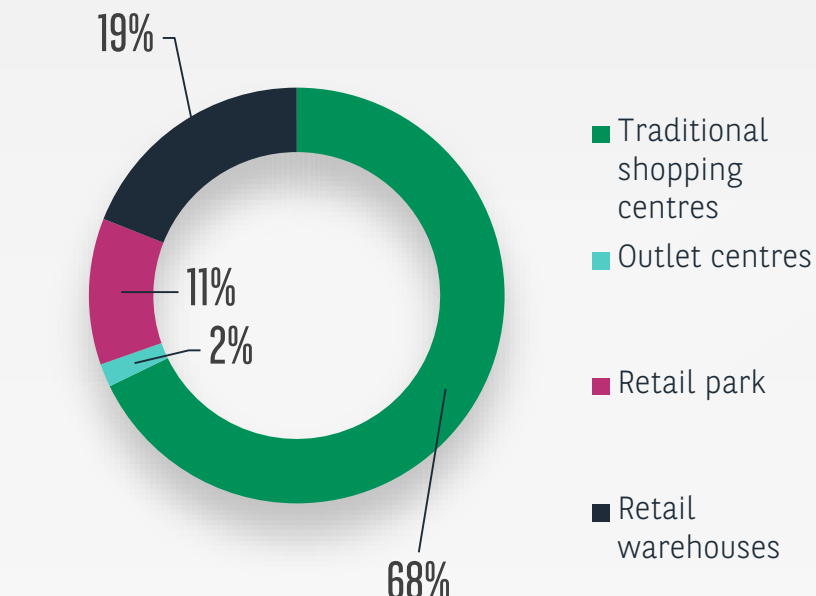
ul. Grzybowska 78,
00-844 Warsaw
Tel. +48 22 653 44 00
www.realestate.bnpparibas.pl

Modern retail space by age



Source: BNP Paribas Real Estate Poland

Modern retail space by format



Source: BNP Paribas Real Estate Poland

Poland will be the 14th country where dm will start operating, the first dm-branded store in Poland was opened on 21 April in Wrocław's Galaktyka.

Amush Investment Group was a new owner of Sukcesja in Łódź, as the centre was sold during the sixth tender for PLN 79.5 million.

The first Philipp Plein showroom in Poland is open. Flagship boutique is located in the Dom Dochodowy, a historic building at Plac Trzech Krzyży 3 in Warsaw.