

AT A GLANCE

Q3 2022

POLAND'S MODERN RETAIL MARKET*

KEY HIGHLIGHTS

- Rising inflation and lower purchasing power are changing the shopping habits of Poles
- Drop in the vacancy rate in shopping centers (y / y)
- Further development of retail parks and convenience centers
- Transactions of large retail schemes on the horizon (including Matarnia Shopping Park in Gdańsk and Galeria Andrychów)
- Japanese brand Uniqlo enters Poland

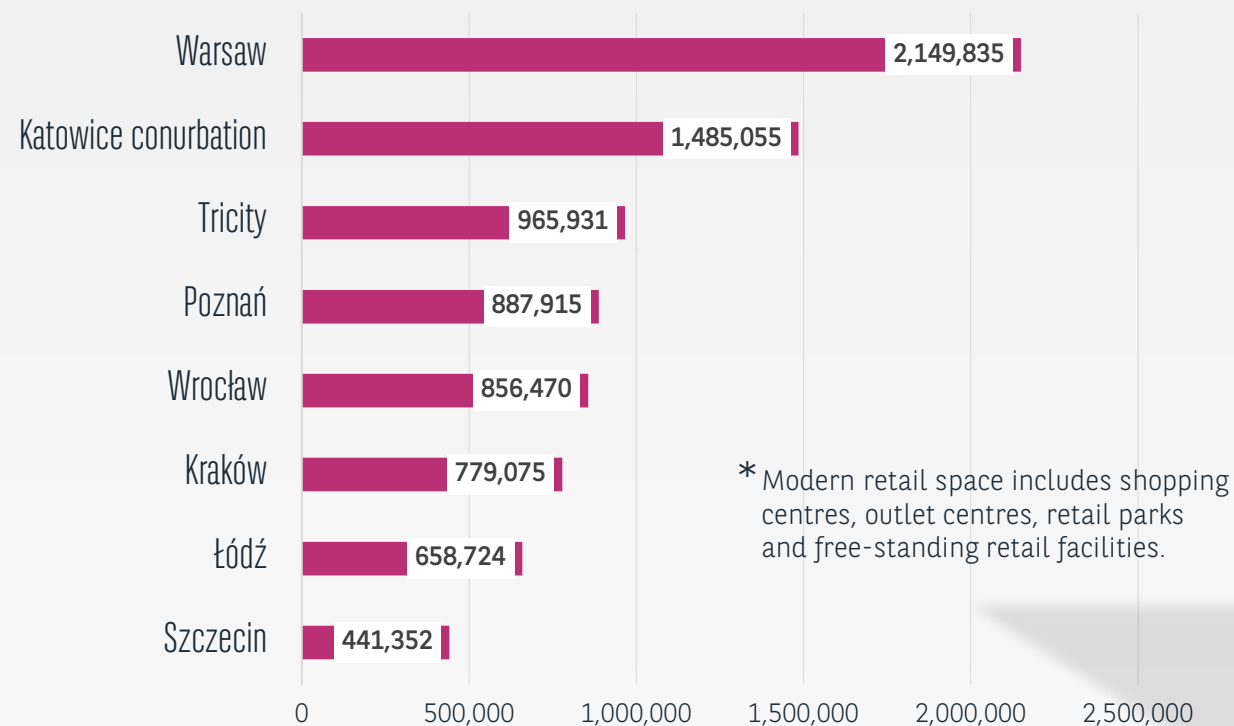
TOP 3 OPENINGS Q3

1. Aniołów Park Częstochowa, former Tesco (17,500 sqm, DOR Group)
2. Cuprum Park Lubin (11,500 sqm, MGC Invest)
3. Leroy Merlin Głogów, former Tesco (10,500 sqm, Leroy Merlin)

TOP 3 UNDER CONSTRUCTION

1. Koszalin Power Center (38,000 sqm, Acteeum, Q1 2023)
2. Karuzela Kołobrzeg (30,000 sqm, Karuzela Holding, Q4 2022)
3. Karuzela Biała Podlaska (28,000 sqm, Acteeum & Karuzela Holding, Q3 2023)

Modern retail stock* in major agglomerations



* Modern retail space includes shopping centres, outlet centres, retail parks and free-standing retail facilities.

Source: BNP Paribas Real Estate Poland



105.4%

AVERAGE SHOPPING CENTRE FOOTFALL

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

8.9%

SHARE OF ONLINE SALES IN TOTAL RETAIL SALES

(Statistics Poland: August 2022)

about 15.5 M sqm

EXISTING RETAIL SPACE

70,000 sqm

NEW SUPPLY Q3 2022

350,000 sqm

NEW SPACE UNDER CONSTRUCTION

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

130,000 sqm

CHANGES IN FORMAT & EXTENSION

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

Economic forecasts for end 2022

		Trend	Change y/y
	GDP	3.5%	↓
	Unemployment rate	5.3%	↑
	Private consumption	3.1%	↓
	Wages in enterprise sector	12.4%	↑
	Inflation (CPI)	14.2%	↑

Source: Statistics Office, NBP, Eurostat, BNP Paribas, as of September 2022, average in the quarter (% y / y)

Poles' purchases in the era of inflation

During this year, the situation of Polish households changed significantly. Galloping inflation and rising interest rates made people, who so far had been relaxed about their home budgets, to feel uncomfortable. Increases in mortgage interest, often exceeding twice the installments paid so far, force Poles, even those with decent salaries, to cut their expenses. Experts estimate that we will face a longer period of austerity and major sacrifices. Until a few months ago, wages grew faster than prices, but now, the rise in inflation is higher. This reduces the purchasing power, makes it more difficult to get new financing and consumes savings. Although PRCH Turnover Index in July 2022 was 15.7% higher than the one registered in July 2019, which means that Poles returned to shopping centers after the covid period, the increase in turnover is largely due to rising prices, not more purchase volumes. The lowest increase in turnover y / y in July 2022 vs. 2019 was registered in the categories: "Fashion and Accessories" (+ 8.2%), "Health and beauty" (+ 11.9%) and "Entertainment" (+ 13.0%). Poles save mainly on the purchase of clothes and cosmetics as well as reduce their expenses related to the entertainment area (cinemas, restaurants).

Expert comment



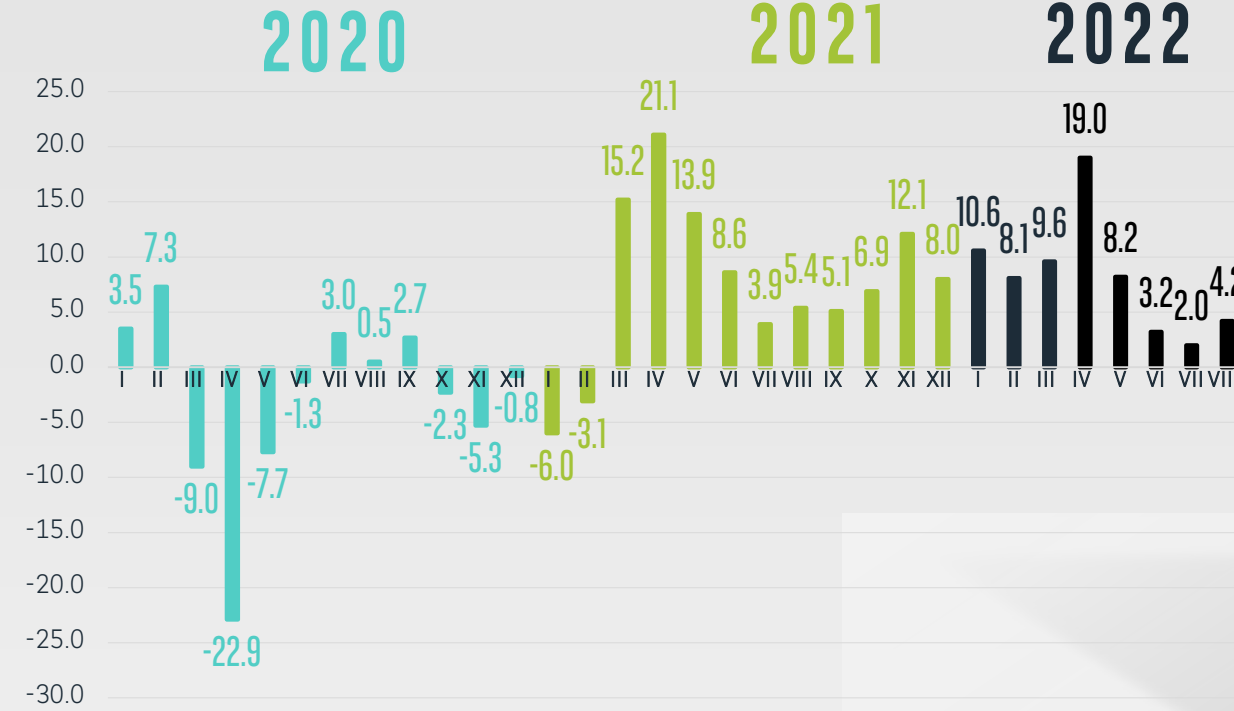
Klaudia Okoń

Consultant,
Business Intelligence Hub & Consultancy

Tesco, exiting Poland, left a number of properties of various sizes. The smaller ones were taken over by Netto, while the larger ones were purchased by investors. Some of them were taken over by operators of other commercial formats (Leroy Merlin or Kaufland), while others were acquired by investors with the purpose to transform them into retail parks. The example of such an approach is Cuprum Park, opened in Lubin in Q3 2022. The architects applied quite an innovative solution here, enabling the transformation of the hypermarket space into a retail park. The space was cut open, like a Gordian knot, in order to introduce a pedestrian-only zone between the shops, thus free from the immediate vicinity of cars. Thanks to this, it was possible to locate more large tenants (> 1,000 sqm).

Retail sales

change % y/y 2020/2019,
2021/2020 and 2022/2021,
at constant prices

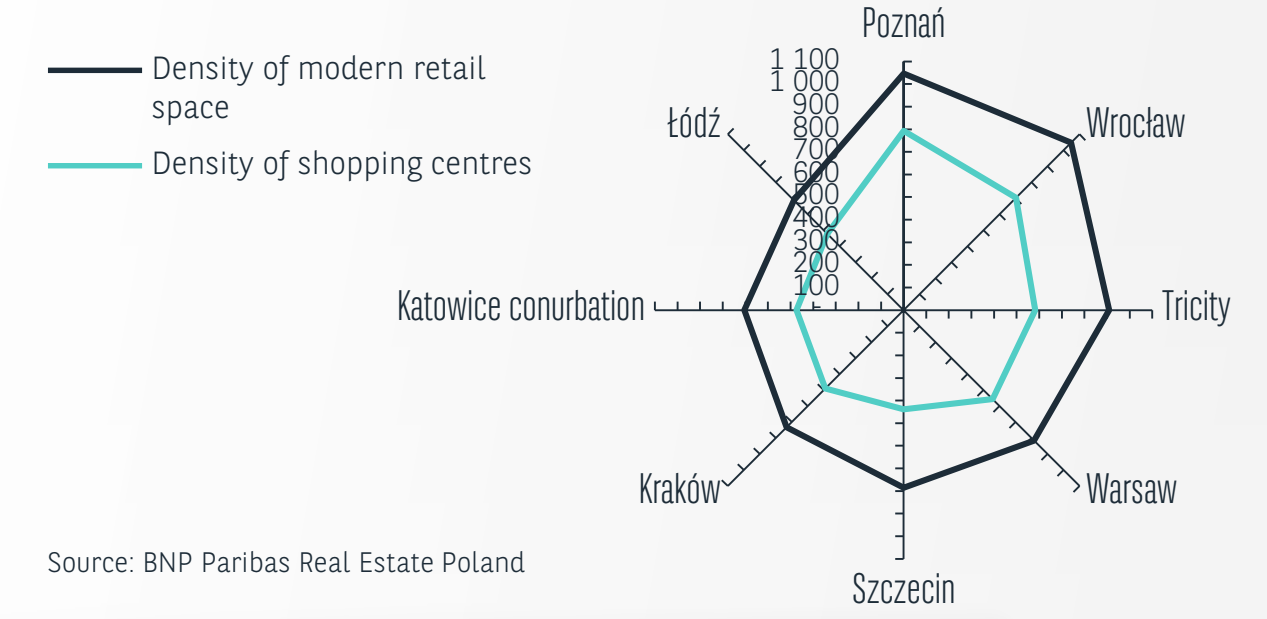


Source: Statistics Poland

AT A GLANCE Q3 2022

Density of modern retail stock in major agglomerations

(sqm of GLA/ 1,000 inhabitants)

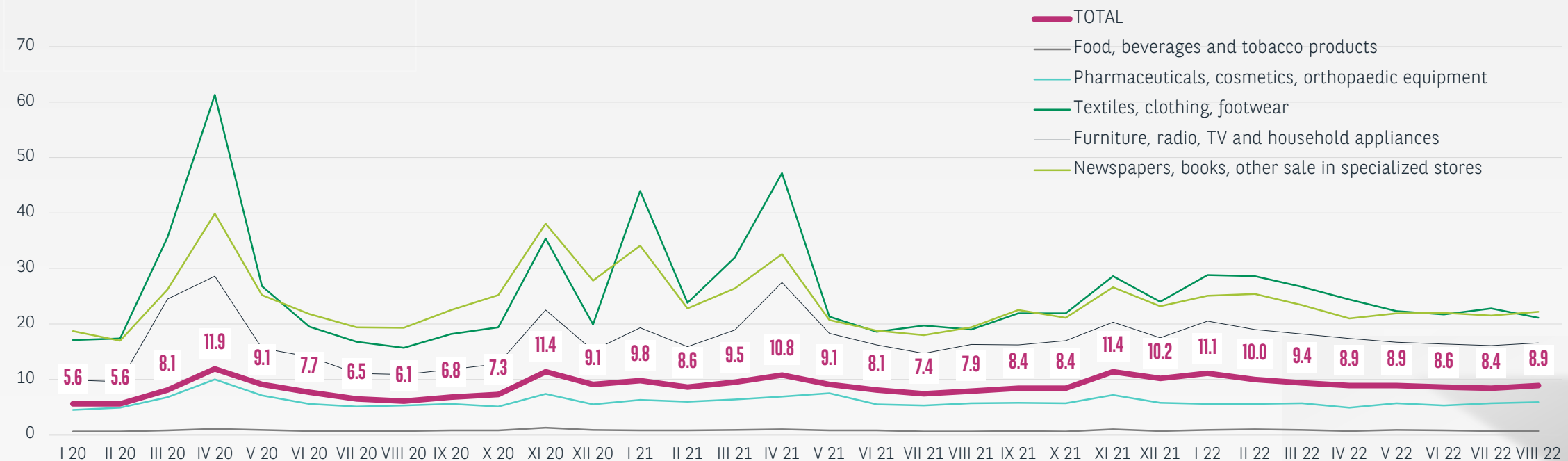


Source: BNP Paribas Real Estate Poland

“ 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 per 1000 inhabitants, whereas the lowest ones have been observed in the Katowice conurbation and Łódź agglomerations area (704 sqm and 687 sqm per 1000 inhabitants respectively).

Share of internet sales in retail sales

(in %; constant prices, 2020-2022)



Source: Statistics Poland

Retail parks and galleries as complementary formats

The shopping center market in Poland has matured, which naturally forced a slowdown in its further development. On the other hand, retail parks, which gained momentum in the pandemic, still enjoy the growing interest of tenants, who see the parks as an opportunity to develop their brands on markets smaller than before. The offer of shopping centers and retail parks is not comparable – they are two completely different formats. Retail parks are primarily a destination for quick, everyday shopping, as well as a place for the development of discount brands. While the customer of the shopping center is focused on a different type of shopping, looking for a much wider offer, in addition to fashion, gastronomy and entertainment. This allows us to conclude that shopping centers and retail parks complement each other rather than compete. The continued popularity of retail parks is evidenced by new openings in Q3 2022 – 60% of the space delivered to the market was in the format of retail park, it is also the dominant format under construction, accounting for more than 70% of the space being currently under construction.

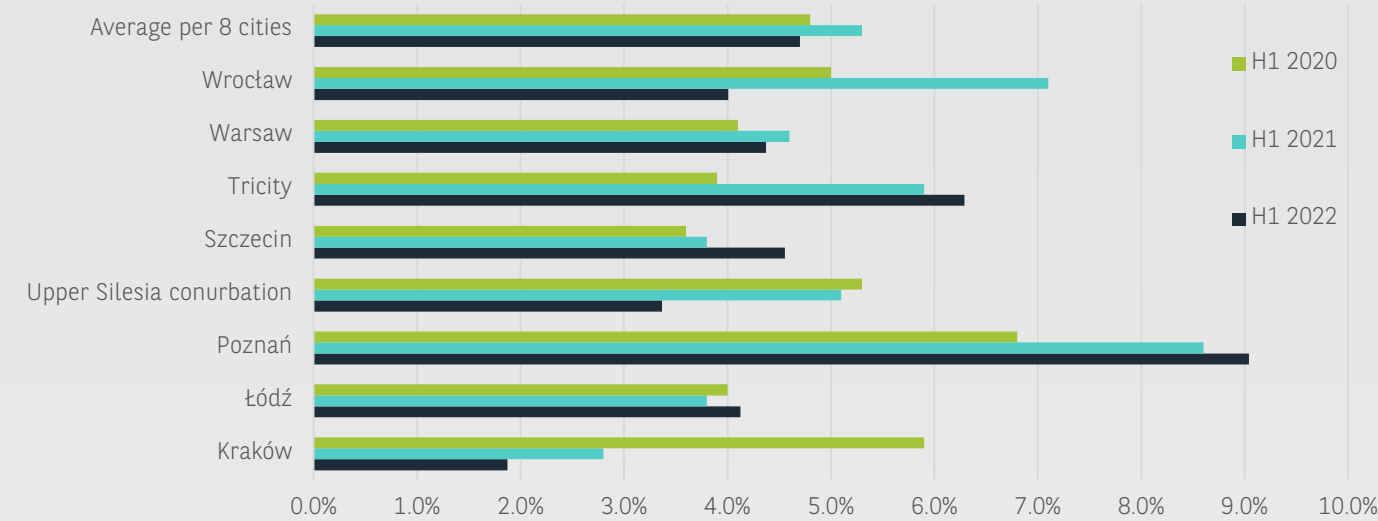
Expert comment



Małgorzata Fibakiewicz
Head of Business Intelligence Hub
& Consultancy

On the investment market, you can see and hear that in the coming quarters there may be a return to transactions in large retail facilities, which have not been seen for over two years. Preliminary purchase agreements signed for Galeria Andrychów or Park Handlowy Matarnia in Gdańsk are a visible evidence of this fact. BIG Shopping Centers, an investor from Israel, bought two shopping centers in Poland: Galeria Andrychów and Cuprum Park in Lubin. The transaction amounts to EUR 65 million and is the first investment of an Israeli company in Poland. These transactions reflect BIG Shopping Centers' plans to locate strategic assets in Eastern Europe and the Balkans.

Vacancy rate in shopping centers in H1 2020 – H1 2022



Source: BNP Paribas Real Estate Poland

“ The vacancy rate for 8 major agglomerations (Warsaw, Kraków, Łódź, Poznań, Silesia, Szczecin, Tricity, Wrocław) at the end of H1 2022 amounted to 4.7%, which means its decrease by 0.6 pp. compared to the same period last year. The largest drop in vacancy rate y/y was recorded in Wrocław. This was mainly due to the absorption of Tesco's remaining space as well as Primark's lease of space in the Magnolia shopping center, which intends to open its store there at the end of 2023.

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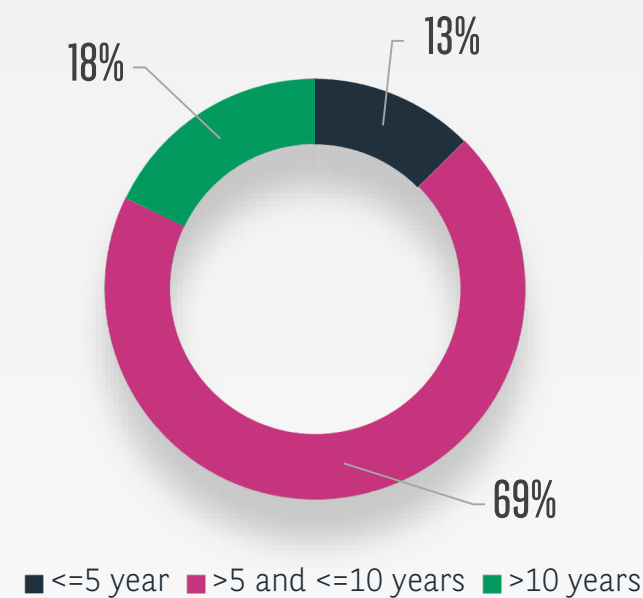
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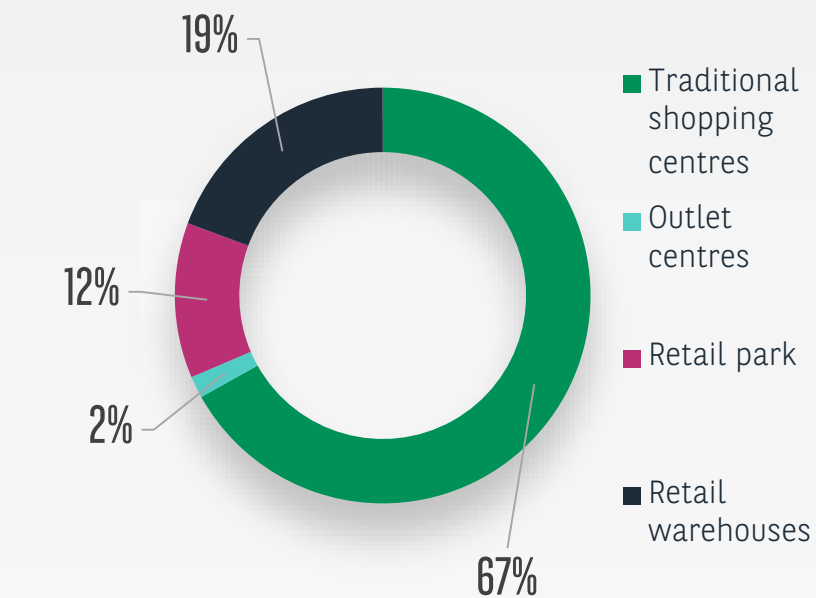
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Modern retail space by age



Source: BNP Paribas Real Estate Poland

Modern retail space by format



Source: BNP Paribas Real Estate Poland

“ **Uniqlo enters Poland.** Uniqlo "Japanese Zara" is the largest brand belonging to the Japanese Fast Retailing holding. According to Brand Finance statistics from 2022, Uniqlo is the 10th most valuable clothing brand in the world.

“ **Value retailers are the most active tenants, not only in retail parks.** In the era of rising prices, discount brands are quickly gaining popularity, entering various commercial segments.

“ **Drucianka Campus – a new multifunctional project on the map of Warsaw.** Liebrecht & wood has started initial works over the implementation of its latest investment (42,000 sqm of office space and over 7,500 sqm of retail space).