

# AT A GLANCE

## Q4 2022

# POLAND'S MODERN RETAIL MARKET\*

## KEY HIGHLIGHTS 2022

- The beginning of the year marked by the COVID-19 pandemic and the war in Ukraine
- Domination of retail parks in new supply and space under construction
- Further expansion of discount brands (Action, Pepco, Dealz) and mixed-use projects
- Increase in the costs of construction and operation of commercial facilities
- Transactions of large commercial facilities on the investment market have become a fact
- Purchasing power of Poles beyond the European average




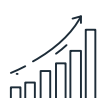

### TOP 3 OPENINGS Q4

1. Karuzela Kołobrzeg (30,000 sqm, Karuzela Holding)
2. ATUT Ruczaj II (25,000 sqm, KG Group)
3. ATUT Kraków Galicyjska (23,000 sqm, KG Group)

### TOP 3 UNDER CONSTRUCTION

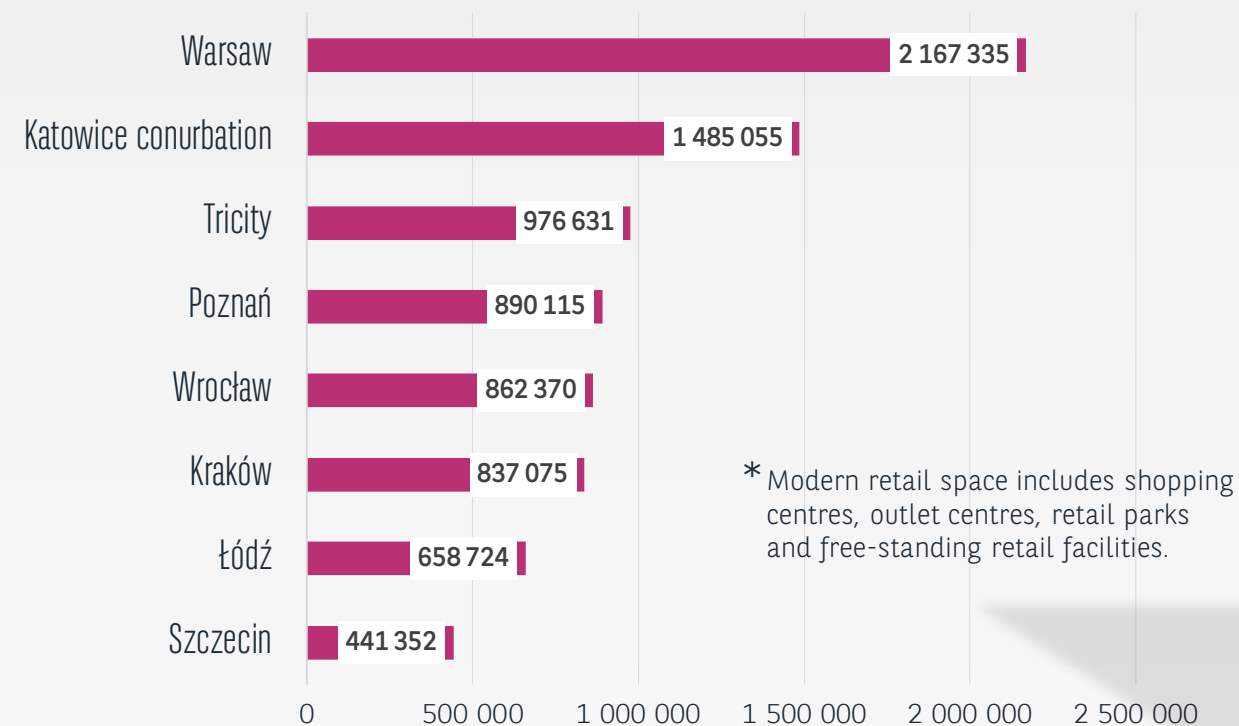
1. Koszalin Power Center (38,000 sqm, Acteeum, Q1 2023)
2. Karuzela Biała Podlaska (28,000 sqm, Karuzela Holding, Q3 2023)
3. Vendo Park Szczecin (24,000 sqm, Trei Real Estate, Q2 2023)

## Economic forecasts for 2023

		Trend	Change y/y
	GDP	0.0%	↓
	Unemployment rate	6.0%	↑
	Private consumption	-0.5%	↓
	Wages in enterprise sector	13.0%	↑
	Inflation (CPI)	14.5%	↑

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

## 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



**96.9%**  
AVERAGE SHOPPING CENTRE FOOTFALL

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

**11.9%**  
SHARE OF ONLINE SALES IN TOTAL RETAIL SALES  
(Statistics Poland: November 2022)

about **15.7 M sqm**  
EXISTING RETAIL SPACE

**410,000 sqm**  
NEW SUPPLY Q1-Q4 2022

**270,000 sqm**  
NEW SPACE UNDER CONSTRUCTION  
(to be delivered to the market by the end of 2024)

**120,000 sqm**  
CHANGES IN FORMAT & EXTENSION  
(to be delivered to the market by the end of 2024)

The war in Ukraine, the influx of refugees, the increase of inflation as well as costs of energy and construction materials were the most important factors that affected the retail market in Poland in 2022. They resulted in a significant increase in construction and operational costs of retail facilities, which in turn translated into the suspension of investments already underway or the postponement of planned ones. In addition, the situation was aggravated by rising interest rates, which made developers face an increase in financing costs and thus decreased the profitability of their investments. However, there is no change in interest in the construction of retail parks, whose share of supply in 2022 was about 60%. The same applies for retail space currently under construction or redevelopment (former Tesco facilities), where more than 80% of the volume is realized in this segment. The number of mixed-use projects is growing, with a mixed-use complex - the PZO Factory in Warsaw (including a food hall zone) being completed in June 2022, and the launch of another mixed-use project Drucianka Campus investment announced.

## Expert comment



**Klaudia Okoń**

Consultant,  
Business Intelligence Hub & Consultancy

### Poles' purchasing power beyond the European average.

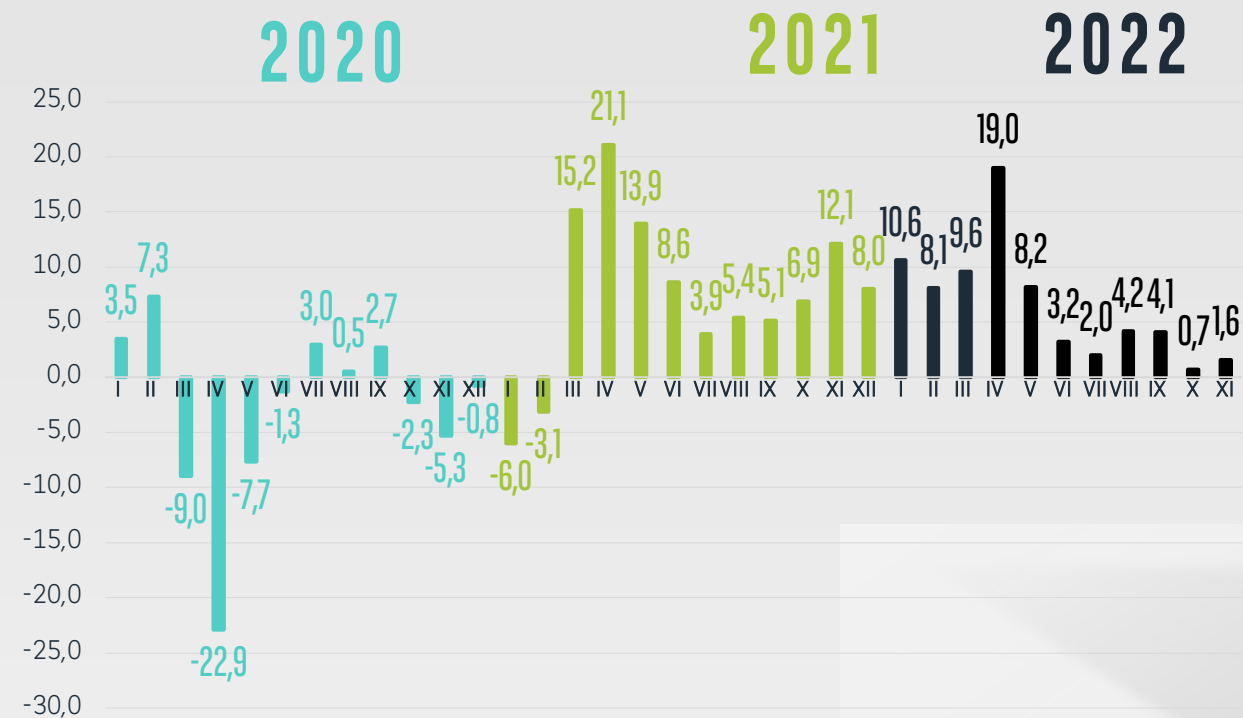
In the latest "GfK Purchasing Power Europe 2022" survey, which measures the purchasing power of 42 European countries, Poland ranked 29th and dropped one position from last year. Currently, the average purchasing power per capita in Poland has reached €9,254, while in Europe it is nearly 80% higher at €16,344. This also means that Poland's result is about €500 better than Hungary's and €1,200 higher than Romania's, but it is much weaker than the Czech Republic, where the average purchasing power in 2022 was as high as €12,970. In this regard, Poland has significantly narrowed the gap with the richest countries in Europe over the past few years, but strong regional disparities remain a major challenge in our country.

## Retail sales

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

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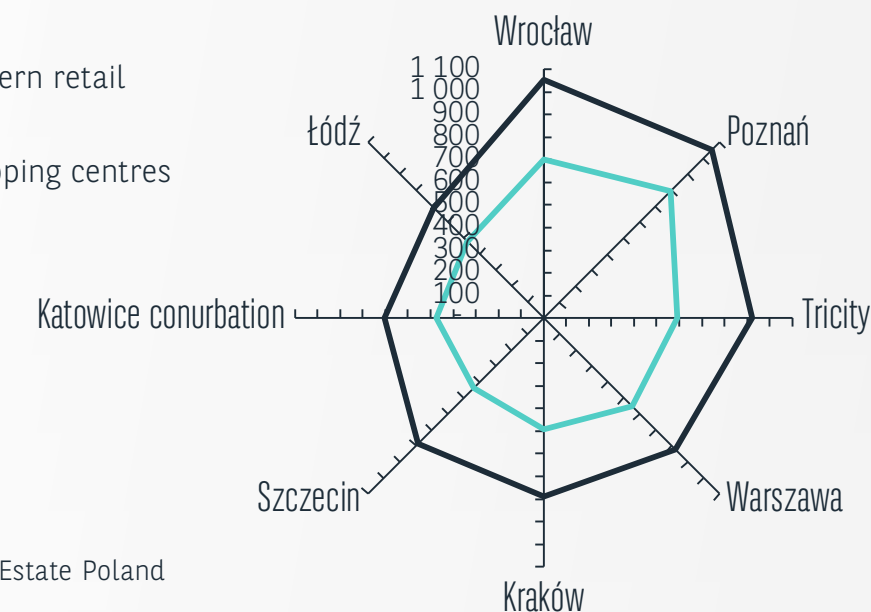


Source: Statistics Poland

## Density of modern retail stock in major agglomerations

(sqm of GLA/ 1,000 inhabitants)

- Density of modern retail space
- Density of shopping centres

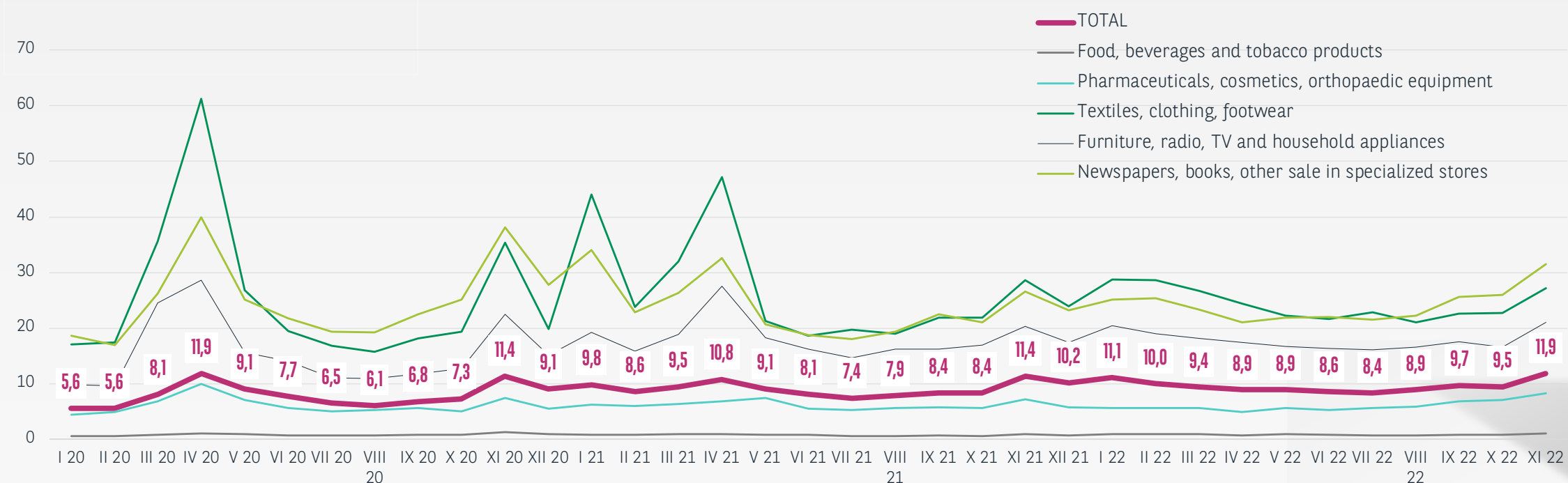


Source: BNP Paribas Real Estate Poland

For a long time, the highest saturation indicators of modern retail space have been observed in Wrocław and Poznań agglomerations, where they are at the level of 1054 and 1050 sqm per 1000 inhabitants respectively, 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

## Forecasts for the retail market for 2023

**In 2023, the retail market in Poland will be affected primarily by rising cost levels, especially energy.** As a result, regardless of the format of the facility, we expect rental rates to continue to rise, and record utility fees may adversely affect tenants' budgets. As stipulated in the lease agreements, rents will be indexed at the beginning of 2023, resulting in a one-time increase in rental charges of 7% to 9%. We also anticipate that the increase in property operating costs will reach 25 to 60% (depending on previously signed contracts with service providers and energy factors). The retail market will be dominated by refurbishments to existing facilities, especially those which are more than 10 years old, which account for as much as half of the current retail stock, in line with current ESG rules. The interest of equity investors in the retail segment, particularly retail parks, should continue for at least the next few quarters of 2023.

## Expert comment



**Fabrice Paumelle**  
Head of Retail

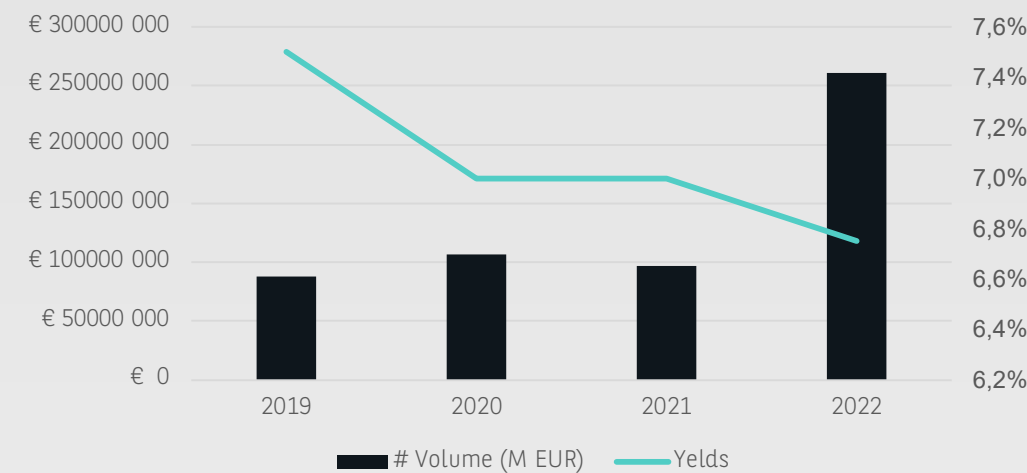
In the last quarter of 2022, the investment market was dominated by transactions concluded in the retail segment.

In particular, sale and purchase contracts for large shopping centers, which have been less popular with investors for a long time, rather than small retail park concepts, were responsible for the high volume of transactions in this asset class. The Forum Gdansk shopping center, with an area of over 63,000 sqm, was sold for EUR 250 million, with NEPI Rockcastle as the new owner. The concluded transaction is one of the largest single asset investment deals in the shopping center sector in 2022 in Europe. In addition, NEPI Rockcastle also concluded an agreement to acquire the Atrium Copernicus shopping center in Torun for EUR 127 million, and FREY signed an agreement with Ingka Centers to acquire the Matarnia retail park in Gdansk for EUR 105 million.

## Investment market in the segment of retail parks

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

Capitalization rates for the retail park segment in 2019-2022



Source: BNP Paribas Real Estate Poland

” **The retail parks segment generated transactions worth more than EUR 260 million in 2022, with the last quarter accounting for more than 60% of the volume.** During the same period, investors spent more than €1.45 billion on the purchase of all classes of retail assets, and the largest transactions of the year were changes of ownership in two EPP portfolios as part of the sale of part of the shares of newly established JV companies.

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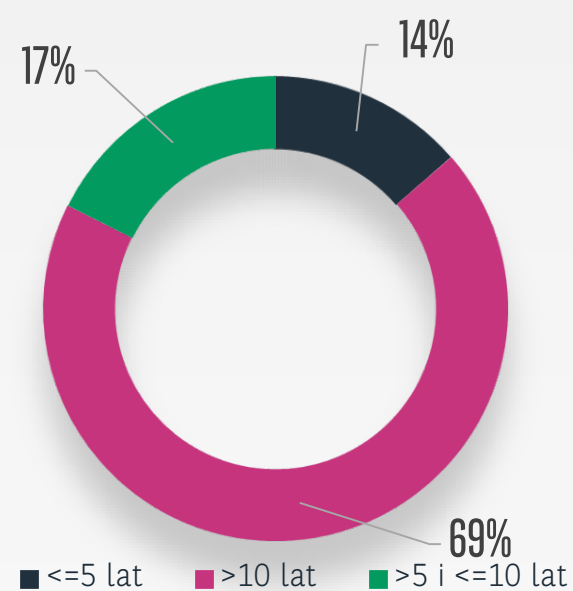
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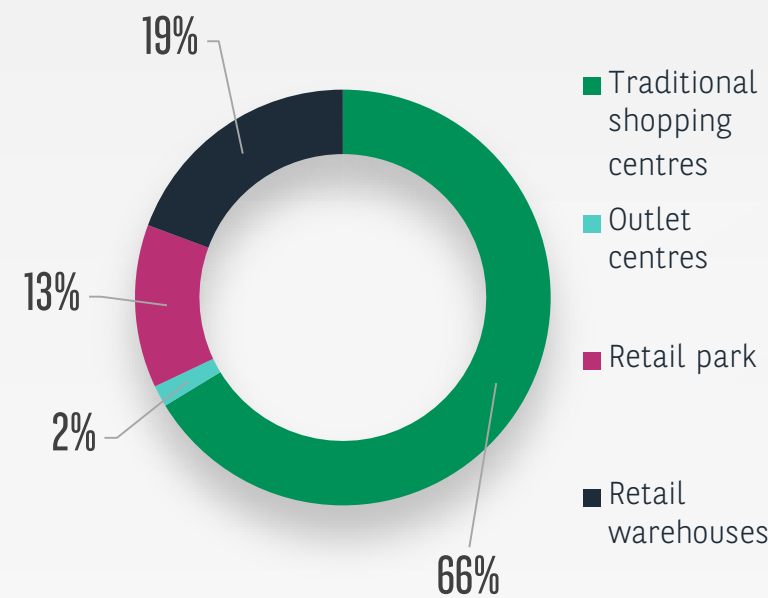
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## Modern retail space by age



Source: BNP Paribas Real Estate Poland

## Modern retail space by format



Source: BNP Paribas Real Estate Poland

” **Sukcesja is preparing to redevelop the interior of the facility.** In about a year, we will be able to use the shopping and entertainment offer of the center again.

” **The demolition of Galeria Plaza in Kraków, owned by STRABAG Real Estate, has begun.** The works will be completed in the second quarter of 2023, and the developer will build a mixed-use complex in the place of the shopping center, that has been closed for over a year.

” **In December, Ambercrombie & Fitch's Hollister clothing brand closed its only Polish store.** It was located in Westfield Mokotów.

” **In December, the first Jo Malone London boutique in Poland was opened in Westfield Mokotów.**