



RESEARCH



**AT A GLANCE
Q2 2020**

MODERN RETAIL MARKET' IN POLAND

- **Covid-19 new normal – “unfreezing” shopping centres (4 May), hairdressing and cosmetic services, restaurants and cafés (18 May), and fitness clubs and cinemas (6 June).**
- **Footfall in shopping centres after the reopening is higher than expected and increases every week; the obligation to cover the mouth and nose in shopping centres.**
- **Wave of renegotiation of lease terms in retail schemes.**
- **Netto takes over Tesco’s supermarkets across Poland.**

NEW SUPPLY

The modern retail sector in Poland is in its maturity phase, and the pace of its development is much slower than three years ago. In Q2 2020, only about 92,000 sqm of new space was delivered, and another 250,000 sqm are expected to be completed by the end of this year (unless the current situation changes developers' plans). This volume is well below the average of recent years. The largest share of the new supply (50%) was delivered in cities with more than 400,000 inhabitants and cities with less than 50,000 inhabitants (28%). After the "unfreezing" of retail schemes, some tenants have still not opened all their shops in shopping centres. Several key retailers are still negotiating new terms of operation.

The process of retail consolidation in the Polish market is underway. Tesco's chain of 301 supermarkets will be taken over by Salling Group, the owner of Netto, after the approval by the anti-monopoly office.

The current crisis will probably speed up the processes as a result of which assets facing a decline in their position already before the crisis will have to change significantly in order to continue their operations. The closure of Sukcesja shopping and entertainment centre in Łódź seems to be in line with this trend.

KEY FIGURES (July 2020)



Over **15m sqm**
MODERN RETAIL SPACE
IN STOCK



92,000 sqm
NEW SUPPLY
in Q2 2020



480,000 sqm
SPACE UNDER
CONSTRUCTION
(2020-2021)



77-81%
AVERAGE SHOPPING
CENTRE FOOTFALL
(PRCH: 22-28 June 2020, y-o-y)



6.2%
RETAIL SALES DROP
(Statistics Poland:
January-May 2020, y-o-y)

1. Modern retail space includes shopping centres, outlet centres, retail parks and stand alone retail warehouses.

STOCK UNDER CONSTRUCTION

As of the end of June 2020, there were about 480,000 sqm under construction, of which about 250,000 sqm are expected to be delivered this year, according to developers' earlier announcements. Around 42% of the volume of space currently being built is located in cities with up to 50,000 residents, and 23% in major agglomerations. Despite a considerable interest of investors in retail parks, shopping centres invariably remain the dominant format in Poland, accounting for 61% of the volume of space currently under development, while retail parks account for 27%. The majority of the shopping centres in the pipeline are small and medium-sized objects, and only five of them are to have an area exceeding 20,000 sqm. The format of retail parks under construction is also dominated by small projects with 5,000-10,000 sqm of leasable area, located in cities with less than 100,000 inhabitants. The development of this segment follows the expansion of discount chains, developing mainly in the segment of small centres and convenience retail parks, in cities with up to 100,000 residents.

Among the extended assets, there are, for example: Galeria Oławska in Oława, Designer Outlet Center in Piaseczno and Saller Park in Kutno. There are 3 former Tesco's building being redeveloped: Bydgoszcz (now owned by Leroy Merlin), Olsztyn and Starogard Gdański (Castorama).

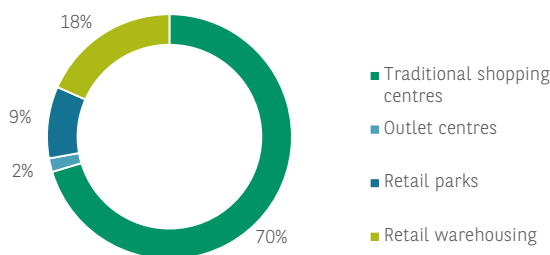
FOOTFALL AND NEW TENANTS

According to PRCH* data, in the first week of the reopening of shopping centres, the average footfall in the analysed assets was 53-68% (depending on the day of the week) compared to the corresponding period in 2019. In the following weeks this value was increasing steadily and in the eighth week after the lifting of the restrictions, the average footfall on individual days of the week reached 77-81% of the previous year's value. So far, the fastest to regain customers were small and medium sized facilities (up to 40,000 sqm of leasable area), which, depending on the day of the week, recorded 79-84% of the 2019 value. The entertainment industry, still operating under a special sanitary regime, has seen a drastic drop in demand with less than 6% of customers returning after the reopening. In the following months we can expect further difficulties in this sector.

Only 3 brands made their debut on the Polish market in Q2 2020: Urban Outfitters (fashion), Modivo (fashion) and Ulla Popken (fashion). At the same time, four brands decided to exit from Poland: Camaieu (fashion), Papa Diego and Van Dog (F&B), as well as Mole Mole (bookshop).

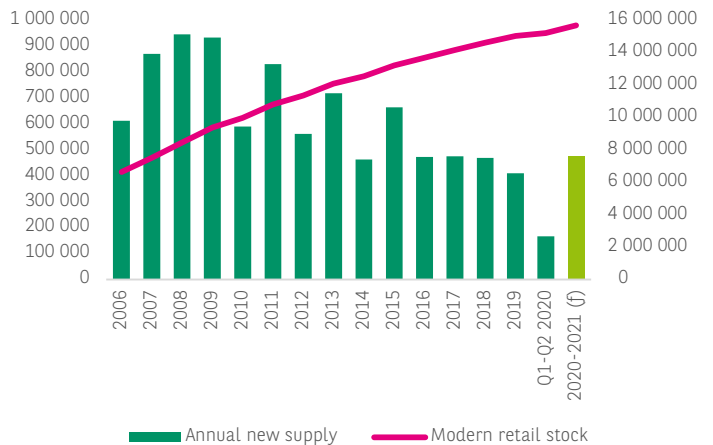
* PRCH data come from 90 assets across Poland, representing around 25% of the existing GLA

MODERN RETAIL STOCK BY FORMAT



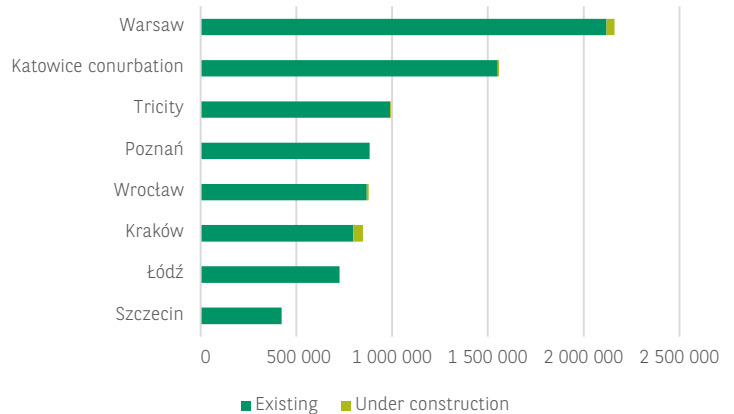
Source: BNP Paribas Real Estate Poland

STOCK AND NEW SUPPLY OF MODERN RETAIL SPACE (sqm of GLA)



Source: BNP Paribas Real Estate Poland, f - forecast

MODERN RETAIL STOCK IN MAJOR URBAN AGGLOMERATIONS (sqm of GLA)



Source: BNP Paribas Real Estate Poland

DENSITY OF MODERN RETAIL STOCK (sqm / 1,000 inhabitants) IN MAJOR AGGLOMERATIONS

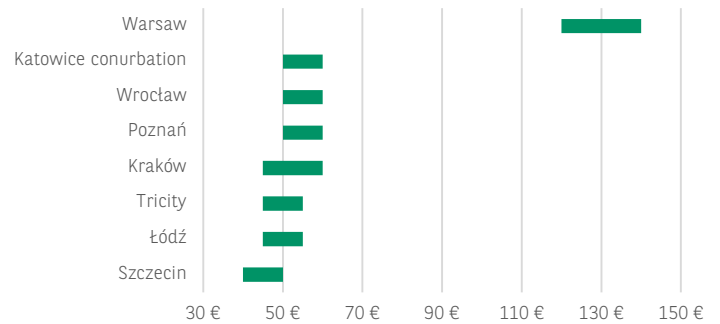


Source: BNP Paribas Real Estate Poland

RENTS

Over the past few years, prime rents in Warsaw's leading shopping centres have been gradually increasing and at the end of 2019 they oscillated between 120 and 140 €/sqm/month, while in the other major agglomerations they ranged between 40-60 €/sqm/month. The consequences of the current global crisis for the retail sector are reflected by the strong pressure on tenants to reduce their rent liabilities. A decrease in rent levels can affect even prime assets. To a lesser extent, this may be the case also for convenience assets, outlet centres or specialised standalone retail projects, whose market position seems to be quite stable these days. The upcoming quarters will be a test for many market players, tenants and landlords alike.

PRIME SHOPPING CENTRE RENTS IN MAJOR URBAN AGGLOMERATIONS (€/ sqm/ month)



Source: BNP Paribas Real Estate Poland

SELECTED MAJOR RETAIL PROJECTS DELIVERED 2018-2020

SCHEME	FORMAT	LOCATION	POPULATION (in thousands)	DEVELOPER	YEAR	GLA (sqm)
Galeria Młociny	SC	Warsaw	over 400	Echo Investment / EPP	2019	76,000
Forum Gdańsk	SC	Gdańsk	over 400	Blackstone	2018	62,000
Galeria Libero	SC	Katowice	over 400	Echo Investment	2018	42,000
Gemini Park	SC	Tychy, Katowice conurbation	over 400	Gemini Holding	2018	36,600
Stara Ujeźdźzalnia	SC	Jarostaw	below 50	CD Locum	2019	28,500
Nowa Stacja	SC	Pruszków, Warsaw agglomeration	over 400	ECC Real Estate	2018	27,000
Park Kujawia	P	Włocławek	100-200	Rank Progress / Omega Investments	2020	25,500
Centrum Janki (extension)	SC	Janki, Warsaw agglomeration	over 400	Cromwell	2019	21,000
Galeria Chełm	SC	Chełm	50-100	Acteum / Equilis	2020	18,000
Morski Park Handlowy (extension)	P	Gdańsk	over 400	Liebrecht&wood	2019	16,500
Elektrownia Powiśle	SC	Warsaw	over 400	White Star Real Estate	2020	15,000
Factory Gliwice	OC	Gliwice, Katowice conurbation	over 400	6B47 Real Estate Investors	2019	12,000
Galeria Hosso	SC	Świebodzin	below 50	Hosso Holding	2018	12,000
Tkalnia	SC	Pabianice, Łódź agglomeration	over 400	A&A	2019	12,000
Rondo Hakena Park	P	Szczecin, Szczecin agglomeration	over 400	DHNS	2020	10,200

Source: BNP Paribas Real Estate Poland

SELECTED MAJOR RETAIL PROJECTS UNDER CONSTRUCTION (JUNE 2020)

SCHEME	FORMAT	LOCATION	POPULATION (thousands)	DEVELOPER	PLANNED OPENING	GLA (sqm)
Karuzela Kołobrzeg	SC	Kołobrzeg	below 50	Karuzela Holding	2021	30,000
Color Park	SC	Nowy Targ	below 50	Nowotarska	2020	27,000
Fabryka Norblina	SC	Warsaw	over 400	Capital Park	2021	24,000
Bawetnianka (resume construction)	SC	Betchatów	50-100	Gbb Invest	2021	23,000
Karuzela Etk	SC	Etk	50-100	Mitiska REIM/Karuzela Holding	2020	21,000

SC - shopping centre, P - retail park, OC - outlet centres

Source: BNP Paribas Real Estate Poland

6 BUSINESS LINES in Europe

A 360° vision

AUTHOR

Klaudia Okoń

Consultant, Research & Consultancy,
Central and Eastern Europe
klaudia.okon@realestate.bnpparibas

CONTACTS

Fabrice Paumelle

Head of Retail
Central and Eastern Europe
fabrice.paumelle@realestate.bnpparibas

Anna Pływacz

Associate Director
Retail Leasing Department
Central and Eastern Europe
anna.plywacz@realestate.bnpparibas

Mateusz Skubiszewski

Head of Capital Markets
Poland
mateusz.skubiszewski@realestate.bnpparibas

Patrycja Dzikowska

Head of Research & Consultancy
Central and Eastern Europe
patrycja.dzikowska@realestate.bnpparibas

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

al. Jana Pawła II 25, 00-854 Warszawa
Tel. +48 22 653 44 00
www.realestate.bnpparibas.pl

All rights reserved. At a Glance is protected in its entirety by copyright. No part of this publication may be reproduced, translated, transmitted, or stored in a retrieval system in any form or by any means, without the prior permission in writing of BNP Paribas Real Estate.

Erik Drukker

Chief Executive Officer
Central and Eastern Europe
erik.drukker@realestate.bnpparibas

Michał Pszkit

Head of Property Management
Central and Eastern Europe
Member of the Board
michal.pszkit@realestate.bnpparibas

Izabela Mucha, MRICS

Head of Valuation
Central and Eastern Europe
izabela.mucha@realestate.bnpparibas



KEEP UP-TO-DATE WITH
BNP PARIBAS REAL ESTATE'S NEWS,
WHEREVER YOU ARE



www.realestate.bnpparibas.com
#BEYONDBUILDINGS



PROPERTY DEVELOPMENT | TRANSACTION | INVESTMENT MANAGEMENT | PROPERTY MANAGEMENT | VALUATION | CONSULTING



**BNP PARIBAS
REAL ESTATE**

Real Estate
for a changing
world