



RESEARCH



**AT A GLANCE
Q4 2020**

MODERN RETAIL MARKET¹ IN POLAND

- **Three retail lockdowns throughout 2020**
- **Significant increase of the share of e-commerce in total retail figures**
- **Small convenience retail facilities showing highest resilience during the pandemics**

NEW SUPPLY, DIRECTIONS OF GROWTH

Poland's modern retail market has reached a stage of maturity, where its growth is now stimulated by qualitative – rather than quantitative – changes, and consequently the volume of new supply is decreasing considerably year by year. The impact of the COVID-19 crisis on the entire economy has strengthened this trend even more. 2020 saw the volume of retail space increased by approx. 330,000 sqm, with more than 50% of the new supply delivered in cities with a population of up to 100,000 residents, usually in the format of small retail parks and convenience centres. As it became apparent, facilities of this type were able to cope best with the successive lockdowns, with shoppers being the quickest to return to them. This is currently the fastest growing sector of the retail market. Moreover, 2020 also belonged to DIY's stores, which despite the pandemic, were doing very well.

Approx. only 24% of the new supply was delivered in cities with a population of over 400,000 residents. There were no retail facilities with the leasable area exceeding the 25,000 sqm completed in 2020. As far as shopping

centres are concerned, the largest openings of the year included: Galeria Wiślanka in Żory (20,000 sqm) and Dekada in Nysa (19,000 sqm).

The Polish Council of Shopping Centres (PRCH) estimates to approx. 30 billion PLN drop in turnover throughout 2020, resulting from the three lockdowns and the significant restrictions introduced with regard to shopping centre operations across Poland. Moreover, the uncertainty and challenges experienced by tenants impacted negatively on the position of retail landlords, with downward pressure on rents becoming progressively stronger.

2020 contributed to growth of the e-commerce sector, which in turn translated into a record breaking increase in the share of online sales in total retail figures, with the best results (11.9% in April and 11.4% in November) achieved, when the most stringent social and economic restrictions were in effect and the majority of stores in shopping centres were closed.

KEY FIGURES (Q4 2020)



Over **15 M sqm**
EXISTING MODERN
RETAIL SPACE



129,500 sqm
NEW SUPPLY
IN Q4 2020



352,000 sqm
SPACE UNDER
CONSTRUCTION
(2021)



70%
AVERAGE SHOPPING
CENTRE FOOTFALL
(PRCH: 14-20 December 2020, y-o-y)



11.4%
SHARE OF INTERNET
SALES IN RETAIL SALES
(Statistics Poland: November 2020)

¹ Modern retail space includes shopping centres, outlet centres, retail parks and free-standing retail warehouses.

STOCK UNDER CONSTRUCTION

As of the end of December 2020, there were approx. 352,000 sqm of retail space under construction to be completed by the end of 2021. The majority, i.e. approx. 67%, of the space currently under construction will be delivered in cities with a population of up to 100,000 residents. The high share of the retail park format in the total figure, i.e. approx. 34% of all the space under construction at the moment, is worth mentioning here. Small schemes, with the leasable area of 5-10,000 sqm, located in cities with a population of up to 100,000 residents, are the dominating force. Growth of this segment is driven by the unwavering high tenant interest and the seemingly permanent change in consumer behaviour. Approx. only 13% of the space currently under construction will be delivered to the markets in the largest cities with a population of in excess of 400,000 residents.

The schemes where extension works are carried out at the moment include: Galeria Oławska in Oława, Focus Mall in Zielona Góra and Saller Park in Kutno. Additionally, refurbishment is underway at, amongst others, 4 former Tesco's assets: Bydgoszcz (with Leroy Merlin as the new owner), Olsztyn, Tychy and Starogard Gdański (with Castorama as the new owner).

The nearest future will bring further growth for tenants offering "low-cost" options, discount operators and home supplies chains. Additionally, the sectors most affected by the restrictions introduced during the pandemic, i.e. restaurants or entertainment and leisure, will be looking for new operation models.

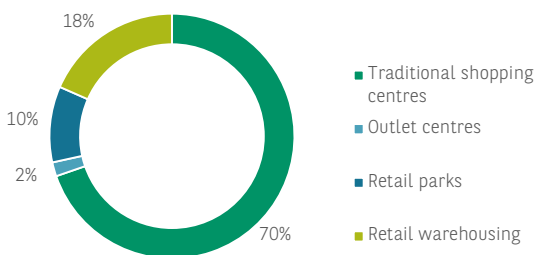
FOOTFALL, NEWCOMERS, MARKET EXITS

The temporary closures of retail facilities and the stringent sanitary measures imposed on retail operators had a strong impact on footfall in shopping centres. According to PRCH* figures, footfall during the best weeks in 2020 reached approx. 80-85% of the values recorded in the previous year. In the third week of December, i.e. during the Christmas shopping fever, average footfall in the analysed retail facilities was lower than the result recorded in the corresponding period in 2019 by 29%.

Q4 2020 saw two international brands entering the Polish retail market, i.e. Georgio Armani Beauty, with a premium beauty products store opening in Galeria Mokotów, and Zuliani Arredi, a luxury Italian furniture brand. At the same time, Promod, the French ladies fashion brand, that has been operating on the Polish market for more than 20 years, announced that it would be closing its traditional stores to fully move its operations online. Moreover, Salamander, the shoe store operator, that has also been present in Poland for more than 2 decades, announced that it would be leaving Poland by springtime 2021.

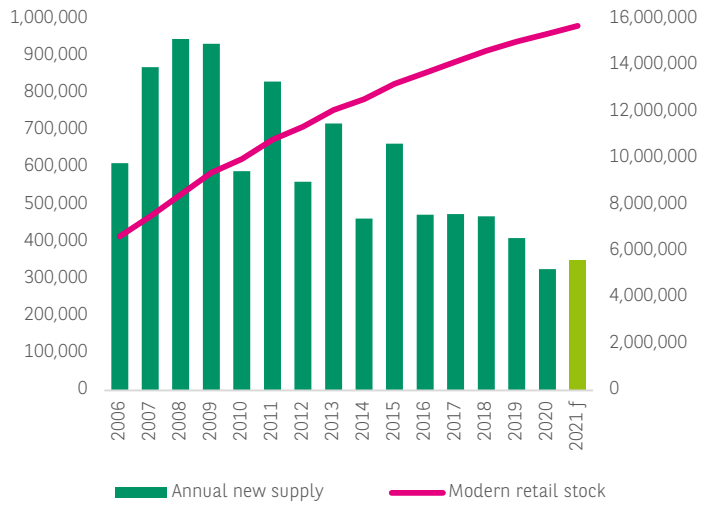
* The PRCH figures were collected for 113 retail schemes across Poland representing approx. 33% of the sector's total leasable area.

MODERN RETAIL STOCK (GLA) BY FORMAT



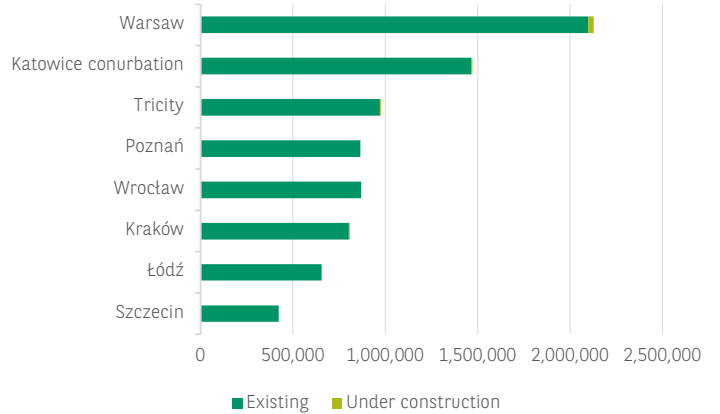
Source: BNP Paribas Real Estate Poland

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



Source: BNP Paribas Real Estate Poland, f - forecast

MODERN RETAIL STOCK IN MAJOR 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

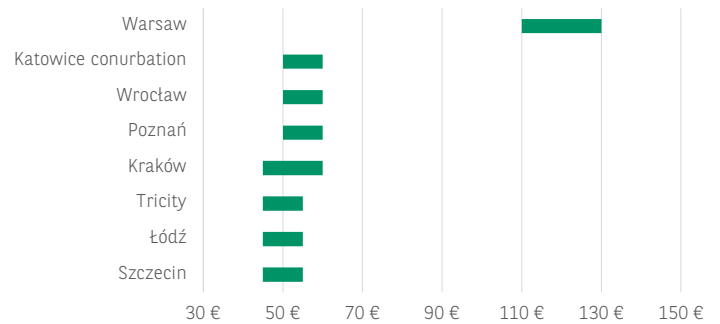
RENTS

Prior to the outbreak of the COVID-19 pandemic, prime rents* in Warsaw's leading shopping centres stood at 110-130 EUR/sqm/month. As far as regional cities are concerned, rents were in the range of 45-60 EUR/sqm/month. The downward pressure on rents from tenants has considerably intensified as a result of the current market situation, which means that we can expect the future to bring significant rent adjustments in the medium-term.

Rents in retail parks and convenience centres remain stable, where at the moment they oscillate around 6-12 EUR/sqm/month for premises with the area of 1000-2000 sqm.

* Refers to premises with the area of approx. 100 sqm, from the "fashion and accessories" segment, in a prominent location in a leading shopping centre.

PRIME SHOPPING CENTRE RENTS IN MAJOR AGGLOMERATIONS BEFORE THE OUTBREAK OF COVID-19 (€/sqm/month)



Source: BNP Paribas Real Estate Poland

LARGEST RETAIL SCHEMES DELIVERED IN 2020

SCHEME	TYPE	LOCATION	POPULATION (in thousands)	DEVELOPER	YEAR	GLA (sqm)
Park Kujawia	P	Włocławek	100-200	Rank Progress / Omega Investments	2020	25,500
Galeria Wiślanka	SC	Żory	100-200	Błysk Investment Group	2020	20,000
Dekada Nysa	SC	Nysa	below 50	Dekada SA	2020	19,000
Galeria Chełm	SC	Chełm	50-100	Acteeum / Equilis	2020	18,000
Elektrownia Powiśle	Mix	Warsaw	over 400	White Star Real Estate	2020	15,000
Karuzela Ełk	P	Ełk	50-100	Karuzela Holding/Mitiska	2020	12,000
Stacja Mława	P	Mława	below 50	Scotia Development	2020	12,000
Rondo Hakena Park	P	Szczecin, Szczecin Agglomeration	over 400	DHNS	2020	10,500
Park Handlowy Mieszka	P	Szczecin, Szczecin Agglomeration	over 400	J.P. Development	2020	10,200
Galeria Kupiecka	SC	Otwock, Warsaw Agglomeration	over 400	WOT Invest	2020	9100

Source: BNP Paribas Real Estate Poland

MAIN RETAIL SCHEMES UNDER CONSTRUCTION (DECEMBER 2020)

SCHEME	TYPE	LOCATION	POPULATION (in thousands)	DEVELOPER	PLANNED OPENING	GLA (sqm)
Karuzela Kołobrzeg	SC	Kołobrzeg	below 50	Karuzela Holding	2021	30,000
Galeria Andrychów	SC	Andrychów	below 50	Acteeum / Equilis	2021	24,000
Fabryka Norblina	Mix	Warsaw	over 400	Capital Park	2021	24,000
Bawetnianka (resume construction)	SC	Bełchatów	50-100	Gbb Invest	2021	23,000
Park Handlowy Stopiak	P	Nowy Targ	below 50	Stopiak	2021	18,500

SC - shopping centre, P - retail park, OC - outlet centre, Mix - mixed use

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

CONTACT DETAILS

Fabrice Paumelle

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

Anna Pływacz

Associate Director
Retail Advisory
anna.plywacz@realestate.bnpparibas

Mateusz Skubiszewski, MRICS

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

Patrycja Dzikowska

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

Erik Drukker

President of the Board
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

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

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