

RETAIL – A SECTOR OF CONTINUOUS CHANGES

More than 100,000 sqm of new retail space appeared on the market between the beginning of April and the end of June 2022. Smaller commercial formats accounted for more than half of the delivered space. Aside from retail parks, the second quarter also belonged to convenience-type centers. In the analyzed period, a continuous fall of shopping Centre share in the total stock was observed, which are giving way to discount chains.

At the end of the first half of the year, the country's modern retail stock increased by more than 155,000 sqm, two-thirds of which were commissioned in the second quarter. The shopping Centre segment recorded two notable events: completion of the modernization and expansion of the E.Leclerc shopping center in Zamość and opening of the Karuzela center in Puławy. The facility at Wyszyńskiego street in Zamość expanded by more than 6,000 sqm, and the new space includes PSB Mrówka store with external garden. As part of the expansion, the center gained about 130 additional parking spaces. Another interesting event was the launch of the Karuzela Puławy center, wherein an old Tesco location was replaced with a modern facility with an area of 14,000 sqm. The anchor tenant at Karuzela is Netto supermarket. The list of stores also includes such well-known brands as: Half Price, Action, Dealz, Rossmann, Pepco or Jysk. Customers of the shopping centre can also shop in several stores belonging to the LPP network. Large parking lot for more than 500 cars grants this shopping park an additional advantage. Karuzela in Puławy is another project implemented by Karuzela Holding and Mitiska REIM. This year, the investors are planning to open two further investments located in Kołobrzeg and Wągrowiec.

- Taking into account that inflation has continued to raise for months now, in the first half of the year it has not yet impacted significantly the level of demand, including fashion. This is driven by the mixture of circumstances: lifting the pandemic restrictions on one hand, on the other one, this is the impact of the season. Spring and summer create naturally better shopping moods, which are used by majority of chains, recording a rebound in sales. This is also shown in the data collected by PRCH, which indicate that in May 2022 footfall in shopping centers, measured by the number of customers per 1 sqm of leasable space, was 7.8% higher, compared to the pre-pandemic May 2019. The increase was also visible in turnover, which compared April 2022 to April 2019 increased by 13% - says **Renata Weikert**, from the Retail Leasing Department at BNP Paribas Real Estate Poland. However, one should underline that higher turnover does not mean that Poles are buying more. Poles are certainly buying more cautiously, taking deeply into consideration the continuously deteriorating economic situation, and inflation is the factor responsible for higher basket value (it has arisen by more than 20% since April 2019 which was the last pre-pandemic year), which then impacts the level of turnovers – adds **Renata**.

The report's authors emphasize that retail parks accounted for nearly 60% space delivered in the second quarter. The biggest one of them – occupying the area of nearly 11,000 sqm and already fully leased - recently opened in Jasło. A 800 sqm Pepco outlet completed the list of tenants joining the company of such stores as: Rossmann, Jysk, Biedronka or Bricomarche. The fact that today the shopping parks, convenience centres, and discount stores are the main player on the market is reflected in the debut of a retail chain named Smart Park. The first two Smart Parks will



be established in Działdowo and Mława occupying 5,000 sqm in total. Their customers will have the opportunity to shop at well-known chain stores - Pepco, Action or Castorama Smart. The second quarter was also strong for discount chains, which gained market shares hitherto belonging to large markets. Price increases and increasing inflation had a great impact on rising turnover results of the grocery chains.

The total volume of new supply included a significant share of stand-alone retail facilities, mainly offering DIY products. BNP Paribas Real Estate Poland experts estimate their share at about 30,000 sqm of space. The largest one was created between Warsaw and Piaseczno. The OBI store was opened on 12,000 sqm – of which almost 25% was allocated to a gardening center. It is the OBI's fifth DIY market in the Warsaw metropolitan area.

Many brands have felt the impact of restrictions and a change of shopping habits related to multiple months of the pandemic. Some of them have left Poland entirely in the second quarter. A strongly recognizable fashion chain Orsay, which opened the first store in Poland in 1997, can serve as an example. For Orsay, the entire previous year was exceptionally difficult, which resulted in the closure of 30 out of 160 showrooms. The pandemic also impacted a chain of clothing discount stores – TXM and Textilmarket, whose owner filed for bankruptcy on 30 April. The second quarter was also the last one for the Go Sport chain. The owners have immediately closed all the stores in Poland, to which the presence on the sanctions list in connection with the war in the territory of Ukraine greatly contributed.

On the other hand, the second quarter saw the debuts of several interesting brands. Lovisa – a jewelry brand, which has been operating since 2010 and is present in 15 countries all over the world – opened its first store in Galeria Katowicka on the June 30. Lovisa is advised by BNP Paribas Real Estate Poland Retail Leasing Department experts with regards to the chain's expansion in Poland. Also, a Philipp Plein's showroom of more than 200 sqm was launched in a historical townhouse of Dom Dochodowy at the Three Crosses Square in Warsaw. The designer himself appeared at the opening of the boutique, and emphasized that launching the first location in Poland is a strategic move in the development of the brand. Another interesting brand, which has announced the opening of its first store, is the German Haribo. The store, over brimming with gummy bears, is planned for launch in the fall, in the Factory Ursus center in Warsaw.

- *The authors of the analysis underline the increasing key role played by re-commerce, accompanied by environmental and economic motivations, while providing staunch support for technological knowledge, as well as sharp and significant marketing message. - The circular economy changes the image of online trade and will make its mark on the warehouse and logistics market in the near future. Its potential was first recognized by start-ups – which today are powerful marketplaces, valued at billions of dollars – and now it is time for large, global companies like Zalando Circle. It is estimated that the second-hand clothing market will at least double between 2022-2026, and the sector will grow at the rate of 15-16 % per year - notes **Małgorzata Fibakiewicz** from the Business and Intelligence HUB at BNP Paribas Real Estate Poland.*

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