

PRESS RELEASE

RETAIL REAL ESTATE ENSHADOWED BY INFLATION

Deteriorating economic indicators and inflation, which was expected to flatten out, but instead continues to rise rapidly, resulting in a further decline in purchasing power, these are the key factors that shape the landscape of the retail real estate market in the third quarter of the year. Once again, smaller formats have confirmed their strong position, while the opportunity for long-unseen deals involving large facilities is looming on the horizon.

Retail parks are growing

At the end of September, the total existing retail space in Poland approached 15.5 million sqm, with new quarterly supply reaching 70,000 sqm. As in previous quarters, retail parks performed very well. Quick and affordable 'just-around-the-corner' shopping destinations accounted for 60% of the space supplied to the market between July and September 2022. The top of the ranking of the most significant openings was also occupied by retail parks. The largest of them, called Aniolów Park, was launched in Częstochowa and in the first phase offered around 18,000 sqm of retail space to tenants. The facility, located where Tesco used to operate, was bought by DOR Group two years ago. After a significant metamorphosis, the park is now a place where customers from Częstochowa and the vicinity can go shopping in outlets carrying logos of brands such as Carrefour - the park's main tenant occupying 8,000 sqm - as well as the Rossmann, JYSK, Jula and Pepco chains. The park is expected to expand by further 3,000 sqm.

Another newly opened facility, which also cropped up on the site of a former Tesco chain hypermarket, is Cuprum Park in Lubin. Turning the old into the new, the developer, MGC Invest, has created 11,500 sqm of leasable area. The conversion of the hypermarket into a modern retail park involved an original idea of splitting the old building into halves, which made it possible to create an attractive public space in the form of a passageway. In addition, the new architectural design envisaged the use of space to enable the separation of large premises with an area ranging from 1,000 sqm to as much as 2,000 sqm.

In the analyzed quarter, the Leroy Merlin chain opened another shop. The 76th construction and home improvement store was launched in Ruszowice, in the Głogów community, next to the Glogovia shopping centre. The retail area in this port-Tesco shop, amounts to c.a.10,000 sqm. Customers can also do their shopping in an open-air market with an area of around 3,000 sqm.

Larger transactions on the horizon

After a hiatus of almost two years, the market recorded preliminary sales agreements for larger retail facilities, both shopping centres and retail parks. The first to decide on making an investment in Poland was FREY – an investor, developer and real estate property manager from France. The company is set to pay EUR 105 million for the Matarnia retail park in Gdańsk. The Israeli investment company BIG Shopping Centers also plans some



acquisitions in Poland, and chose two existing facilities in Lubin and Andrychów. on which the fund will spend around EUR 65 million on both properties.

These transactions confirm that the Polish retail real estate market has not disappeared from investors' sight. What is particularly important is that the decision to spend money in our country has been made by investors who are taking their very first steps here, which is a testimony to the maturity and stability of the market as well as the opportunity it offers.

-A positive signal for the retail market in Poland is the entry of the Japanese fashion giant Uniqlo, says **Natasza Mika**, Director in Retail Agency department of BNP Paribas Real Estate Poland.

Uniqlo is opening its first stationary outlet in 'pop-up store' format in the Wars Sawa Junior Department Store in the centre of Warsaw at the end of October. Taku Morikawa, president of Uniqlo Europe, when speaking about the opening plans, emphasized that the decision on its debut in Warsaw was made after analysis of the brand's strong sales results recorded in e-commerce. He also added that Poles had become fond of clothing made in line with Japanese values: simplicity, functionality, quality and durability.

The authors of the report from BNP Paribas Real Estate Poland, referring to data from the Polish Council of Shopping Centres (PRCH), highlighted the increasing average footfall in shopping centres, which was 105.4% compared to July 2022 and July 2019. In the same period, growth at 15.7% was also recorded in turnover. This was, however, largely due to price increases, rather than higher purchasing volumes. At a time of rampant inflation, Poles have started to economize most on clothing and accessories, cosmetics and entertainment. In July, spendings on these categories grew the slowest compared to July 2019: by +8.2%, +11.9% and +13.0%, in respective years. Inflation is also affecting discount stores, where sales of confectionery and spirits have fallen.

At the end of the third quarter, over 350,000 sqm of new space was under construction and approx. 130,000 sqm of space, which included both the change of commercial formats and the expansion of existing facilities. The format of retail parks and convenience centers is currently dominant in the total space under construction or reconstruction and accounts for over 70% of space under construction.

-Poles have changed their shopping patterns and grown to like retail parks, especially those in prime and convenient locations. However, local or even neighbourhood-type shopping does not mean the end of large shopping centres or outlet centres. We are rather seeing the establishment of a certain state of equilibrium, in which facilities with different profiles and offerings can operate and develop at the same time, catering for a variety of consumer needs. The difference is that the business of all of them will be driven by different factors, comments **Justna Krawczyńska**, Consultant in Retail Agency department of BNP Paribas Real Estate Poland.

The authors of the report indicate that the Poznań and Wrocław agglomerations have had the highest density of retail space for a long time. They are at the level of 1,047 sqm per 1,000 inhabitants. On the opposite pole there is the agglomeration of Łódź (687 sqm/1,000 inhabitants) and the Katowice conurbation (704 sqm/1,000 inhabitants).

At the end of the first half of the year, the vacancy rate on the markets of the 8 major agglomerations (Warsaw, Kraków, Łódź, Poznań, Silesia, Szczecin, Wrocław and the Tricity) was 4.7% year-on-year, which means a 0.6 percentage point decrease compared to the corresponding period in 2021. The largest year-on-year decrease in vacancy rate was recorded in Wrocław. This was mainly due to the absorption of space formerly occupied by Tesco, as well as the signing of a lease agreement by the Primark chain in the Magnolia Park centre. Another outlet of the world-famous brand will be built in Wrocław by the end of 2023.



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