Research

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Retail parks and convenience centres in Poland

4th edition

SEE A BRIGHTER WAY

Introduction

The development of retail parks and convenience centres in Poland has been a significant phenomenon in the commercial landscape in recent years. In response to the enduring interest in these formats, it is our pleasure to present you with the fourth edition of the report on retail parks and convenience centres. The report aims to provide a comprehensive analysis of the growth and trends in those sectors, highlighting the importance of ESG aspects in today's real estate world. With in-depth research and analysis, we hope the report will serve as valuable resource for market professionals, investors, decision-makers aiming to capitalize on the vast array of opportunities, as well as anyone with an interest in the subject matter.

Mateusz Polkowski
JLL

Jacek Wesołowski
Trei Real Estate Poland

Contents

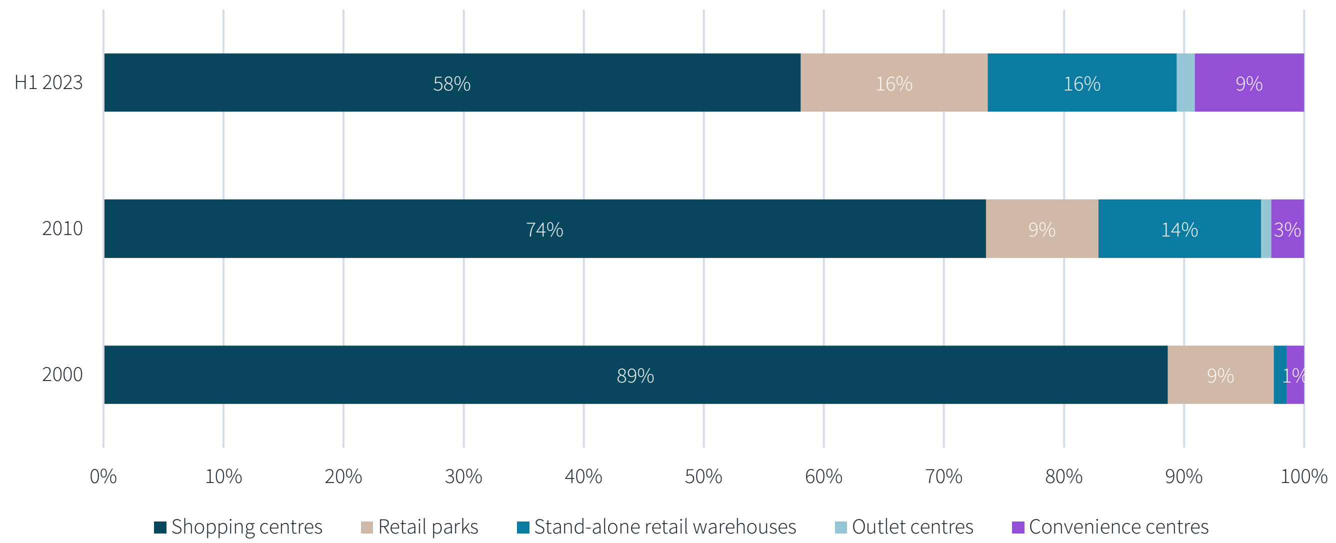
Vendo Park, Kędzierzyn Koźle

The retail market in Poland

Although the first half of 2023 may see a continuation of 2022's challenging market conditions, short and mid-term economic headwinds are anticipated to ease in the coming months. Whereas the Eurozone and Poland are likely to face minimal GDP growth in 2023, Poland is anticipated to rebound with an aggregated 11.2% increase between 2023 and 2027, compared to 6.8% for the Eurozone in the same period*.

Inflationary pressure is easing, but not disappearing. A challenging trading environment is still mitigating the revival of the market, although this trend does seem to have bottomed out. Short and mid-term perspectives provide reasons for cautious optimism. The average annual inflation rate is anticipated to be 12% in 2023 and 6% in 2024*, down from a peak of 14.4% in 2022. A rebound is anticipated regarding retail sales as well*, the retail sales are expected to grow 3.5% per year on average until 2027 in Poland, compared to 1.4% in the Eurozone.

Retail stock structure (m² GLA)



Source: JLL, H1 2023

At the end of H1 2023, total modern retail space in Poland reached 17.1 million m² of GLA. Shopping centres continue to be the most popular retail format, however, in line with evolving customer shopping patterns, the market share of shopping centres is further decreasing; from 89% in 2000 to 58% in H1 2023.

Macro trends have remained untouched in the last 12 months with new supply dominated by retail parks (GLA ≥ 5,000 m²). This format now claims more than 2.7 million m² of existing stock, accounting for some 16% of total retail space in Poland.

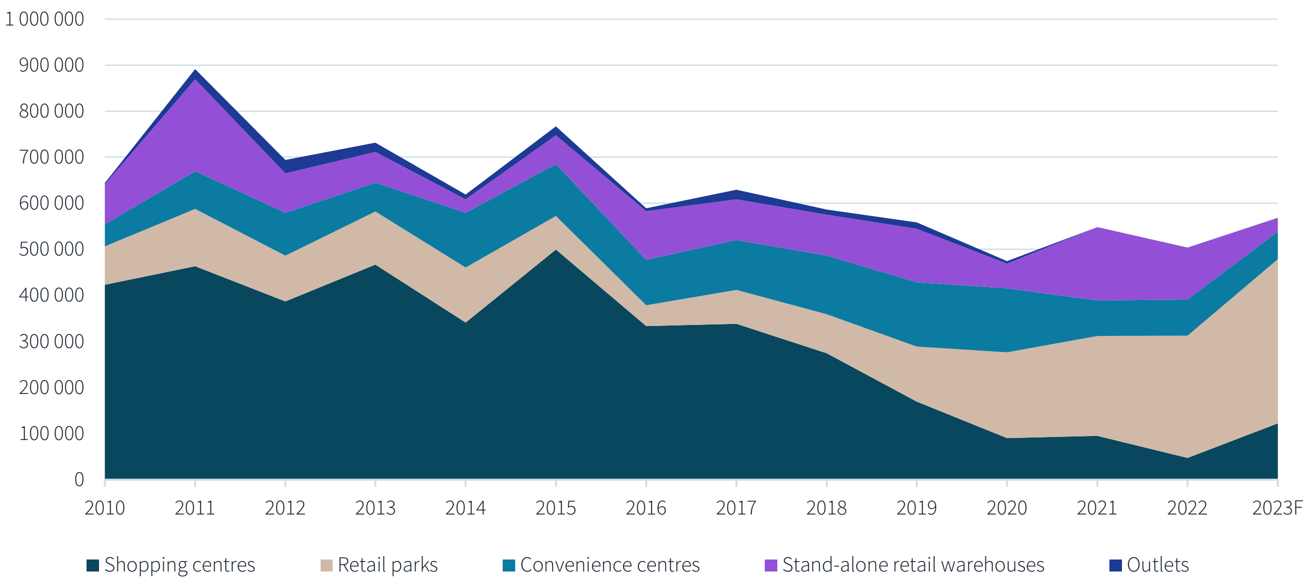
In the first half of the year developers in Poland completed over 219,000 m² of GLA of new retail space, 40% more than in corresponding period of previous year. The lion's share of newly completed retail space (56%) was allocated to the format of retail parks. 26% of new space was delivered in shopping centres, followed by convenience centres (13%) and stand-alone retail warehouses (5%).

*Oxford Economics

The retail market in Poland powers ahead with a significant pipeline. A total of over 349,000 m² of retail space across all formats was under construction mid-year with delivery scheduled still in 2023. Assuming all projects are completed on time, a mere 568,000 m² of GLA will be delivered to the market throughout 2023.

Retail parks are expected to account for 63% (356,000 m² of GLA) of that volume, meaning 2023 could potentially be another record-breaking year for retail parks in terms of space delivered to the market.

New stock delivered to the market in all retail formats (m² of GLA)



Source: JLL, H1 2023, F-forecast

Definitions (ICSC, JLL)

Shopping centre: defined as a group of retail and other commercial establishments that is planned, developed, owned and managed as a single property, typically with on-site parking provided. The GLA of such a scheme is ≥ 5,000 m² and the number of tenants is > 10.

Retail park: a consistently designed, planned and managed open-air scheme that comprises mainly medium- and large-scale specialist retailers ("big boxes" or "power stores") that are mostly freestanding (i.e. unconnected). As with other open-air centres, ample on-site paved parking is located in front of the stores and around the site on ground level. The GLA of such a scheme is ≥ 5,000 m² and the number of tenants is at least two.

Stand-alone retail warehouse: a purpose-built, stand-alone retail warehouse offering household goods, electronics or DIY products, or a hypermarket store. The GLA of such a scheme is ≥ 5,000 m².

Outlet centre: an open-air and/or enclosed centre that comprises manufacturers' and retailers' outlet stores selling brand name goods at a discount; usually selling surplus stock, prior-season or slow-selling merchandise and especially designed merchandise. The GLA of such a scheme is ≥ 5,000 m².

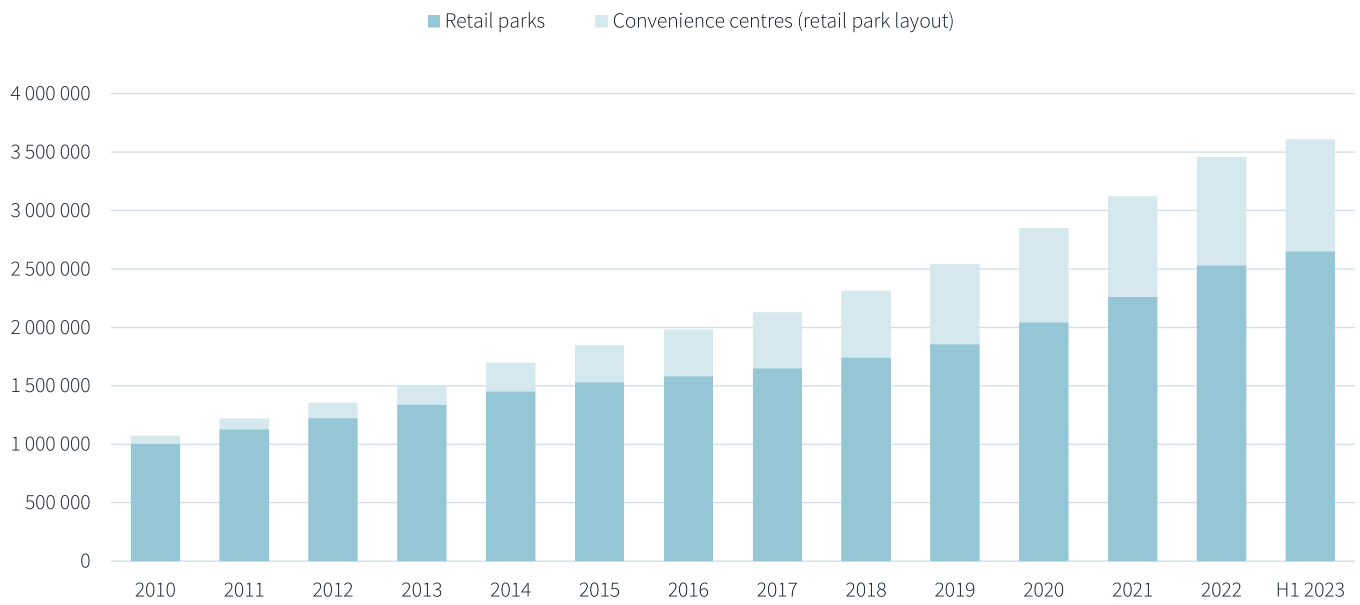
Convenience centre: a facility dedicated to everyday, quick shopping on the way home, located mainly on roads with high traffic levels or in housing estates. This is the smallest commercial format (areas of between 2,000 m² and 4,999 m²). Due to the small sales area, the range offered is limited to one or two products in each category, most often it is a food operator, value retailers, a drugstore, a pharmacy, an electronics / household appliances store and small services units.

Characteristics of retail parks

Currently, there are 600 retail parks in Poland with leasable space of minimum 2,000 m², out of which 85 are regional retail parks, 136 traditional retail parks and 379 convenience centres of retail park layout. Total supply of retail parks in Poland amounted to over 3.6 million m² of GLA as of mid-year; more than 2.6 million m² of GLA was available in regional and traditional retail parks and approximately 958,000 m² of GLA in convenience centres of retail park layout. Recently, the distinction between retail parks and convenience centres has been somewhat blurred as quite many retail parks are being developed at the 5,000 m² threshold. The trend of constructing large regional retail parks has declined. Instead, smaller and local schemes are gaining in popularity.

Retail parks are experiencing a distinct phase of prosperity, setting next records in terms of newly released supply. Investors and developers are actively responding to the growing demand by constantly delivering a remarkable amount of new retail park projects. This impressive level of new supply highlights the attractiveness of retail parks for retail business. Such a trend positively contributes to the diversification of the retail landscape, offering ample opportunities for retailers to establish their presence and cater to a broad customer base.

Supply of retail park space in Poland (m² of GLA)

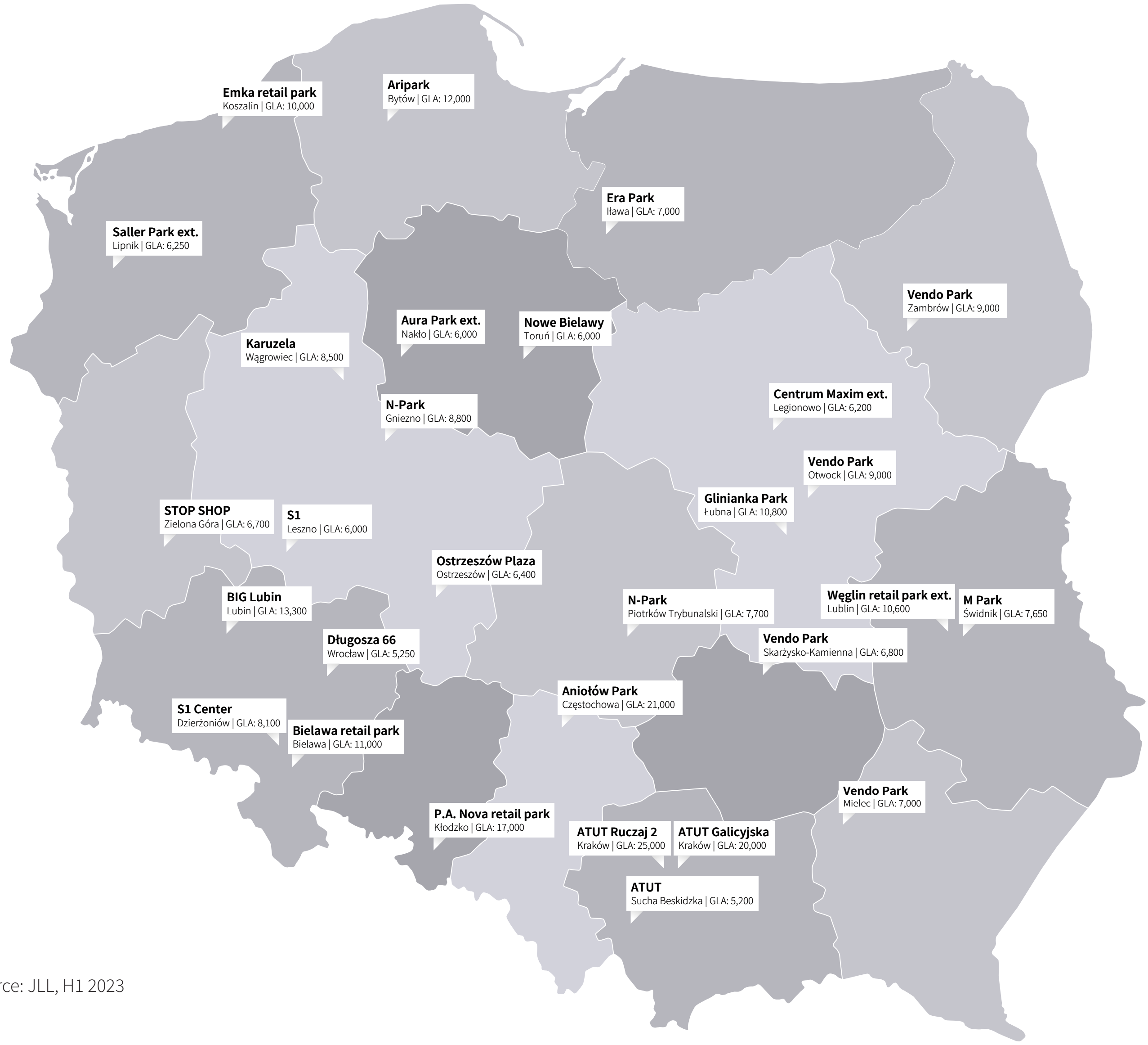


Source: JLL, H1 2023

As there are not only advantages and growth opportunities associated with retail parks and convenience centres, but also weaknesses and risks, we have undertaken a SWOT analysis of these formats from the perspective of customers, retail chains and investors, as presented on the next page.

	Client	Retailer	Investor
S	Convenience and accessibility: retail parks are often located outside city centres, offering easy access from major roads and ample car parking Compact offering: retail parks are well-suited for satisfying basic needs of customers One-stop shopping: retail parks offer various products and services, making them attractive for customers who want to fulfil their daily needs Integration of online and offline shopping: as e-commerce continues to grow, retail parks are adapting to the changing landscape. Many retail parks now offer click-and-collect services, allowing customers to order online and pick up their purchases in traditional way	Cost savings: retail parks typically have lower rents and service charges compared to prime city centre locations Good visibility: all tenants present in retail parks are highly visible due to large storefronts and direct access from parking lot Limited competition: there is typically one store from each category within smaller retail assets, thus competition between retailers is limited Availability of large and regular units: it provides better opportunities for retailers to match the size and retail units to their business needs	Poland in general as a natural direction for expansion of investors active in CEE region Enhanced accessibility with lower capital requirements compared to large retail facilities Rents and thus financing predominantly in Euro, taking out the exchange rate risk for foreign investors Fast development process: retail parks often follow a standardized architectural design, that allows for a streamlined construction process, reducing time and costs Relatively high resilience to economic downturn due to basic offering High demand for well-performing assets Investment product suitable for foreign investors as major active companies took part in shaping the retail market in Poland
W	Offer limited to satisfy basic needs of customers, often one tenant from each retailers' category Limited or lack of common areas - less convenient during bad weather days	Lack of synergy with other stores of the same category Difficulties in footfall tracking and comparison of stores performance Difficulties in staff recruitment (especially in more distant locations)	Limited number of tenants available to choose from (which is why developers should be careful building the very large, regional retail parks: they need all tenants available in the market and cannot replace them if one moves out) Long administrative procedures
O	Further possibility to improve tenant-mix to satisfy needs of target customers Improvement of offer displayed by retailers (more attractive offer, new omnichannel solutions)	Possibility to effectively scale and grow the business through different channels Better negotiating position given the presence in wider portfolio of retail parks Opportunity to enter smaller markets Relatively easy implementation of click-and-collect / omnichannel solutions (large units, even pick-up on the parking)	Alternative source of capital that is more present on the market Large number of small cities in Poland (979 cities as of January 2023) Retail park extension possibility Possibility to introduce ESG solutions
T	Changing customers preferences with regards to shopping channels	Retail park density exceeding its limits of profitability Strong position of small local shops in towns and villages	Growing popularity of other retail channels, especially e-commerce Market saturation and higher competition between retail parks Increasing prices of land Competition generated by other real estate classes (e.g. industrial and logistics)

Selected largest retail parks which opened in H2 2022 – H1 2023



Source: JLL, H1 2023

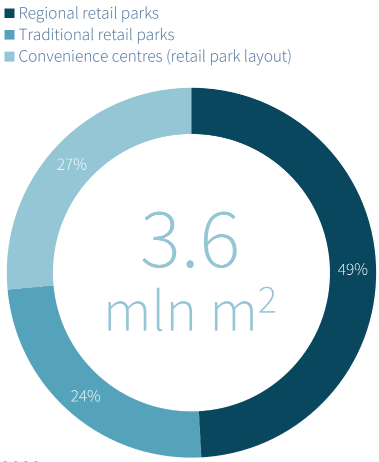
Definitions (ICSC, JLL)

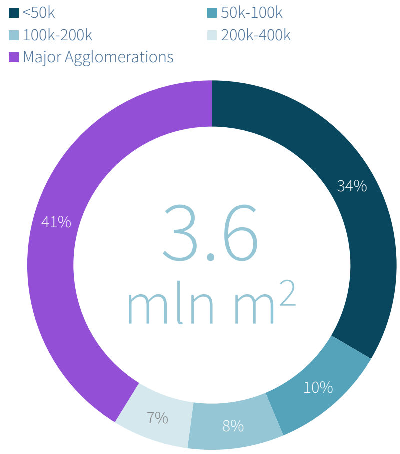
Regional retail parks (GLA ≥ 10,000 m²): retail parks which are components of the largest shopping destinations, mostly adjacent to shopping centres and retail warehouses. The vast majority are located at the edges of cities or on the outskirts, along major roads. Their regional impact power is increased by the synergy with the neighbouring retail schemes. Suitable for car-borne customers, customised for occasional, purpose shopping.

Traditional retail parks (GLA 5,000 m² – 9,999 m²): typical retail parks with large parking lots and entrances to units from the outside. Varied and wide offerings dedicated to purpose shopping. Located along main roads and convenient for car-borne customers. In small towns they are often the only large-scale modern trade facility offering chain brands.

Convenience centres (GLA 2,000 m² – 4,999 m²): the smallest retail format, which serves mainly the nearest neighbourhood. Due to the GLA, the offer is limited and fulfils basic, everyday needs. Located along main city roads or in densely populated residential areas. For the purposes of this report, only convenience centres operating in the retail park layout (external entrances to premises and a lack of common spaces) have been considered.

Retail park stock broken down by scheme type and city size





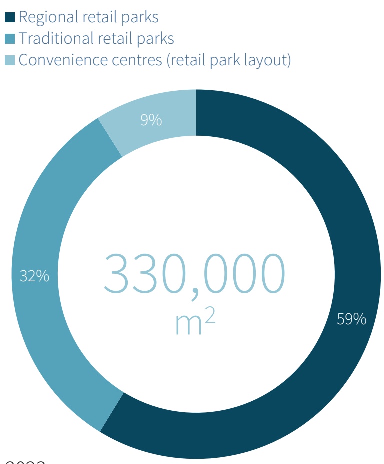
Source: JLL, H1 2023

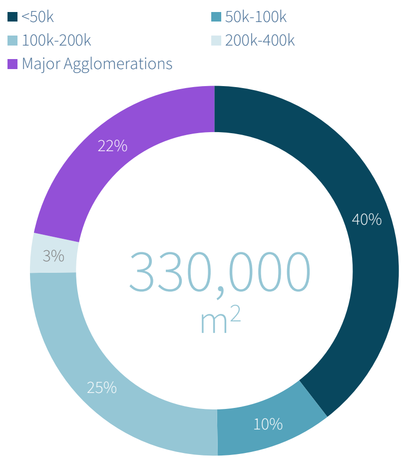
Approximately 376,000 m² of GLA was delivered to the market in regional and traditional retail parks as well as convenience centres (with the retail park layout) in the last 12 months. This was found in 57 projects: 31 retail parks and 26 convenience centres. Location-wise, most of the newly delivered space (38%) was constructed in the smallest cities of below 50,000 inhabitants, followed by the largest agglomerations (31%).

As a result, total retail space in retail parks and convenience centres with the retail park layout stood at 3.6 million m² of GLA as of the first half of 2023. Most of that space is found in regional parks, due to their size (49%). Location-wise, the analysed formats are present predominantly in major agglomerations (41%), followed by cities of below 50,000 inhabitants (34%). It demonstrates strong diversification between largest cities with the highest purchasing power pool and smallest ones, where competition is often still limited.

Construction activity remains at a high level, with more than 330,000 m² of GLA in these two formats under way, out of which 266,000 m² is expected to hit the market still by the end of 2023. The majority of new space will be delivered in the smallest cities (40%). In terms of size of the projects most retail space will be completed in retail parks of above 10,000 m². The largest ongoing projects include Koszalin Power Center (38,000 m² of GLA), Karuzela in Biała Podlaska (23,000 m² of GLA), Vendo Park in Szczecin (22,000 m² of GLA), and Ozimska Park in Opole (18,000 m² of GLA).

Retail park and convenience centre stock under construction by scheme type and city size





Source: JLL, H1 2023

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Our preferred size for retail parks, which we most frequently aim to build, is up to 10,000 m². This size allows us to create an attractive shopping location for a specific market while enabling a smooth investment process. This year, we have opened four new retail parks, and another two - in Lubin and Konin - are currently under construction. Each of these projects is below 10,000 m². However, in larger urban areas, where we see significant potential, we are also developing larger projects, exceeding 20,000 m². This is the case of the 22,000 m² Vendo Park in Szczecin, planned for completion in 2024.

The market is currently challenging for developers, and we observe several threats. One of them is undoubtedly the quality of collaboration with government authorities in issuing administrative decisions. Since the pandemic, we often encounter situations where they fail to meet the deadline set by the Administrative Procedure Code, which affects the project implementation timeline. Additionally, higher construction costs resulting from the conflict on our eastern border, inflation levels, and energy prices have a significant impact on the market.

Jacek Wesołowski
Managing Director, Trei Real Estate Poland

Selected largest retail parks and convenience centres under construction

Name	City	GLA (m²)	Opening year
Koszalin Power Center	Koszalin	38,000	2024
Karuzela	Biała Podlaska	23,000	2023
Vendo Park	Szczecin	22,000	2024
Ozimska Park	Opole	18,000	2023
Galeria Kwiatowa	Tychy	16,000	2024
Pasaż Kępiński	Kępno	12,000	2023
S1	Gorzów Wielkopolski	12,000	2023
Sfera Park	Grodzisk Mazowiecki	11,000	2023
Ptak Market	Łódź	11,000	2023
Atut Myszków	Myszków	11,000	2023
N-Park	Olkusz	11,000	2023
Fromborska retail park	Elbląg	11,000	2023
Smart Park	Syców	10,000	2023/2024
Port A-Centrum	Ostróda	10,000	2024
Fabryka Park	Katowice	9,000	2023
Retail park	Pyskowice	8,000	2023
GO! Park	Jasło	7,500	2023
Rock Park	Przeworsk	6,750	2023
Quantum Park	Łódź	6,500	2023
Pasaż Grodziski	Grodzisk Wielkopolski	6,500	2023
Retail park	Strzyżów	6,000	2023
Retail park	Iława	5,800	2023
Vendo Park	Konin	5,500	2023
Retail park	Starosielce	5,500	2023
S1	Bytom	5,400	2024
Keya	Giżycko	5,100	2023

Source: JLL, H1 2023

Market players

The range of developers active in retail parks and convenience centres is currently wide and still expanding. The table below presents TOP 5 most active developers in Poland in recent years.

TOP 5 most active developers in retail parks and convenience centres as of H1 2023

Developer	Chain name	Number of retail parks / convenience centres	Number of projects under construction
Trei Real Estate	Vendo Park	35	3
Saller	S1 Center (part of portfolio)	35	2
KG Group	Atut	10	-
JB Development	A Centrum/ Karuzela Park	17	2
RWS Investment Group	-	9	-

Source: JLL, H1 2023

The majority of developers and investors active on the Polish market focus on smallest cities and major metropolitan areas. There are significantly fewer companies doing business in medium-sized cities. Three market players, however, are present in all city-size categories. These are: Trei Real Estate, Saller, and LCP Group.

Vendo Park, Kostrzyn nad Odrą

Tenants

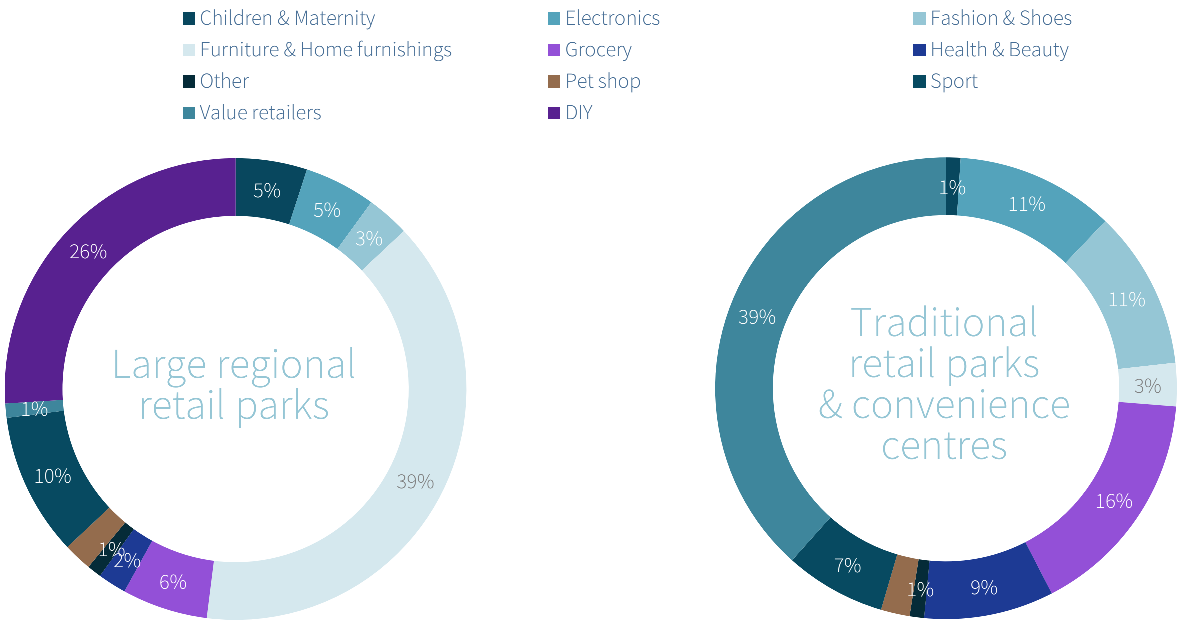
Tenant-mix within regional retail parks diverges from that of traditional parks or convenience centres. Large-scale regional retail parks often house specialized stores offering furniture and home furnishings (typically they occupy 39% of GLA), catering to customers who intermittently require such products. Conversely, smaller schemes are designed to cater to regular visits, thereby featuring anchor tenants like multi-brand discount stores, so called "value retailers" (on average 39% of GLA), such as Action, Pepco, Tedi, KiK, Dealz, and Woolworth, grocery stores, and drugstores.

Furthermore, retail parks commonly house tenants specializing in electronics, fashion and footwear, children's products, sports products, and pet shops. It is also common to find there other stores with goods that meet the every-day needs of the customers.

Traditional retail parks and convenience centres aim to offer a diverse selection of retail options, albeit often limited to one store per specific category due to the compact size of the entire scheme. Notably, there has been a growing interest from tenants who have not previously ventured into the retail park format, such as C&A, Sinsay, Deichmann, further diversifying the tenant-mix within this evolving market segment.

We have analysed the merchandise mixes of selected retail parks and convenience centres in Poland. The charts below show the results of our study based on more than 500 retail units totalling over 300,000 m^2 of GLA.

Merchandise mix in retail parks



Source: JLL, H1 2023

Retailers search for various unit sizes that fit best their operations. Set out below we present typical sizes of units leased by different retailers.

Typical unit sizes in traditional and convenience retail parks (m^2)

Fashion	100-3,000
Fitness club	1,000 – 2,000
Grocery	800 – 2,000
Sport equipment	800 – 1,500
Value retailer	350 – 1,500
Shoes	450 – 1,000
Electronics	400 – 900
Health & Beauty	150 – 600
Pet shop	100 – 500
Children & maternity	200 – 500
Multimedia	200 – 400
Furniture & Home furnishings	400 – 2,000

Source: JLL, H1 2023

Vendo Park, Łapy

Demand

The demand for space in retail parks in Poland has been consistently strong in recent years. Retailers are increasingly recognizing the benefits and opportunities retail parks offer. One major factor driving this demand is the changing preferences and shopping habits of Polish customers. There has been a noticeable shift towards convenience and accessibility, with consumers seeking out retail destinations that are closer to residential areas. Retail parks, strategically located on the outskirts or in suburban areas, are perfectly positioned to serve this demand.

The flexible and adaptable nature of retail parks is also appealing to retailers. Retail parks provide tenants with the opportunity to open stores on large retail spaces, the availability of which is limited in well-established shopping centres. This flexibility enables retailers to align their store size and layout according to specific needs and target market, ultimately enhancing the effectiveness of their retail strategies. This not only allows retailers to display a wider range of products and create immersive shopping environments but also provides them with greater visibility and brand exposure. Additionally, retailers are drawn to retail parks due to the lower operating costs compared to traditional shopping centres.

Overall, the demand for retail space in retail parks in Poland is driven by the evolving consumer preferences, cost-effectiveness, flexibility, and convenience that these retail destinations offer. It is expected that this demand will continue to grow as retailers recognize the advantages of being present in retail parks, in addition to traditional shopping centres, as it helps them to reach a broader customer base.

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>
> In line with the evolving trend of convenient and efficient shopping, an increasing number of well-known chain brands are actively searching for and establishing their presence in smaller cities.
>
> Driven by the objective of meeting customer needs, companies are strategically diversifying their sales formats to effectively cater to the unique dynamics of the local markets.
>
> Small towns and rural areas, situated near major urban centers, present highly favourable conditions for grocery operators such as Biedronka, Lidl, Aldi, Dino, as well as discount chains including Tedi, Dealz, Pepco, KiK, and Action. In addition, this holds true for various other retail categories such as drugstores, electronics, sports, and fashion stores, as well as smaller service-oriented points. Furthermore, the local business landscape also benefits from the presence of local entrepreneurs, including bakeries, butcher shops, and optical stores.
>
> Notably, the rapid growth of selected brands, particularly within grocery, discount, and drugstore sectors, has prompted companies to conduct in-depth analysis of even smaller cities with populations ranging from 5,000 to 8,000 residents. Market research encompasses key variables such as the catchment area, the local labour market, and the purchasing power of the residents.
>
> Forecasts and developers’ plans underline the continued expansion of retail parks and convenience centres in smaller cities, in alignment with the anticipated market-wide growth strategies pursued by numerous retailers operating on the Polish market.
>
> **Dagmara Filipiak**
> *Lead of Retail Agency, JLL*

Rents

Retail parks stand out for relatively low rents and service charges, due to their simple layout, fast construction process and lack or minimal common spaces. The average rent for most retail categories in retail parks ranges from €6 to €13 per square meter per month. Rental rates depend on factors like location, size and strength of the project, among others.

Rents in retail parks (€/ m^2/ month)

Fashion
8

Fitness club
6-10

Grocery
6-10

Sport equipment
11

Value retailer
8-11

Shoes
10-11

Electronics
9-11

Health & Beauty
15

Pet shop
13

Children
& maternity
8-10

Furniture
& Home furnishings
6-8

Multimedia
11-14

Source: JLL, H1 2023,
for medium-sized city

“The outbreak of war in Ukraine, the increase in energy and fuel prices, and the persistently high level of inflation have not only impacted the prices of construction materials but also the rates charged by contractors, thus leading to a rapid increase in the costs of commercial property developments. This situation is putting pressure on rent hikes, which are becoming inevitable in order to balance the costs of the investment process. Today, everyone in the commercial real estate market is faced with this challenge.

However, this has not deterred the tenants of Vendo Parks in any way; on the contrary, we have observed that they are even more eager than last year to choose smaller retail formats as a place to develop their brands. In the face of rising operating fees, they appreciate the significantly lower burden compared to renting space in shopping centres. Additionally, the shift in Polish consumers’ shopping preferences towards local purchases has resulted in higher turnovers.”

Jacek Wesołowski
Managing Director, Trei Real Estate Poland

Investment market

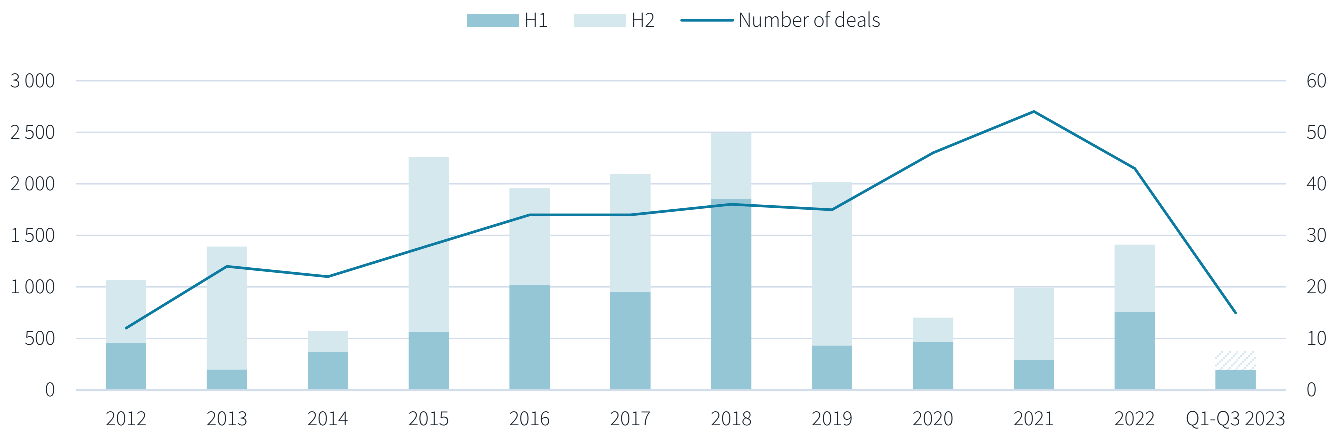
During the first half of 2023, the total value of retail property disposals amounted to just under €200 million, accounting for only 26% of the €760 million recorded in H1 2022. However, it should be noted that the high volume in H1 2022 was largely driven by two joint ventures created by EPP, involving multiple assets (20 shopping centres, two retail parks and three office properties), accounting for approximately €600 million.

The most significant transaction in H1 2023 was sale of the Atrium Molo shopping centre in Szczecin by G City. The shopping centre with a total floor space of 27,500 m² of GLA houses, among others, Carrefour, Media Markt, TK Maxx, New Yorker, H&M, Komfort, Reserved and Douglas. This acquisition highlights the enduring appeal of well-established, high-performing, and strongly anchored convenience shopping centres to investors. The retail transaction with the second highest value in H1 was the acquisition of the Europa Centralna complex in Gliwice by Mitiska REIM for an undisclosed sum. With a 39,700 m² of GLA retail park and a 27,300 m² shopping gallery, Europa Centralna is the largest retail scheme in the city.

The remaining part of H1 2023's investment volume focused on the retail warehousing, retail park and convenience retail segments. Notable transactions included the sale and leaseback transaction of the 3W portfolio, consisting of three assets (two in Warsaw and one in Czeladź), which was acquired by LeadCrest Capital Partners for approx. €20 million. An equally noteworthy deal was the sale of a portfolio consisting of four convenience centres totalling 15,000 m² GLA (Stara Cegielnia in Szczecin, Galeria Kosmos in Koszalin, OK Centrum Strzegom, OK Centrum Wałbrzych). These assets were disposed by Castelake and Invel Real Estate to JWG Inwest for approximately €10 million.

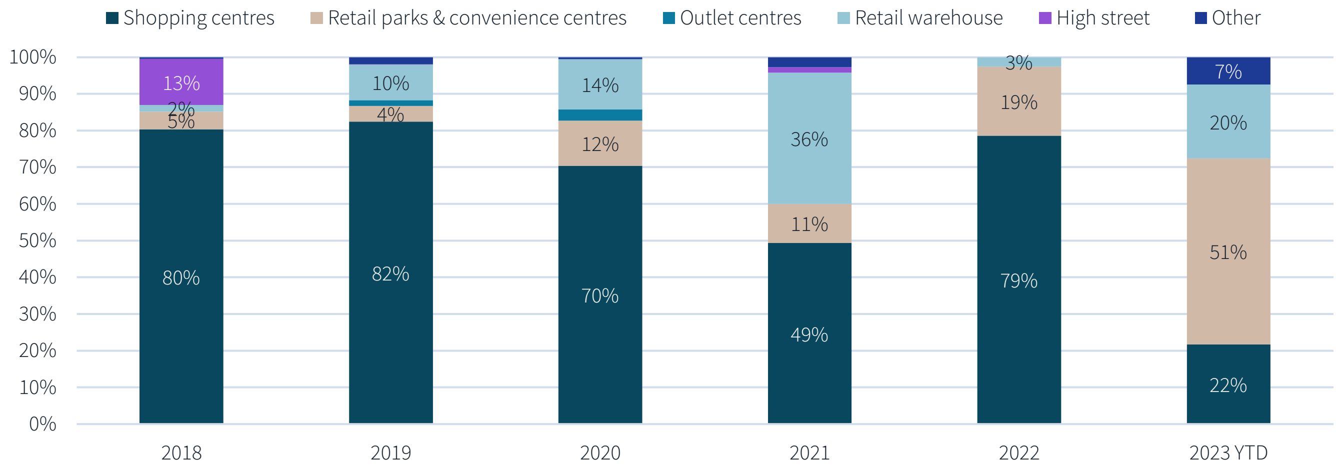
A total of 12 deals closed in H1 2023, involving 17 retail assets – this seems low compared to last years, but there are some larger deals progressing, including portfolio and single asset deals with some closings completed in July and August (Matarnia Retail Park, PKO TFI Retail Park portfolio) or planned later in the year, therefore we expect that substantially better results will be reported for H2 2023.

Retail investment volumes (€ millions)



Source: JLL, September 2023

Investment volumes split by asset type



Source: JLL, September 2023

Retail parks and convenience retail schemes maintain their stronghold in the Polish retail investment market. In contrast to the years 2018-2019, when investment volumes in this sector did not exceed 5%, the years 2020-2022 brought a notable increase, reaching a share of 19% in 2022. Furthermore, 2023 YTD saw the new height of over 51% share in total retail investment volume.

Since 2018, deal volumes over €100m have been in decline in Poland (except for the year 2022). Smaller transactions have bolstered the market with deals under €50m representing 59% of all deals in 2023 (up to September 2023). This share is very likely to decrease in the coming months as large volume deals in other retail formats are scheduled still in 2023, however, it shows general good investors' sentiment towards retail parks and convenience centres of small and medium-sized volume.

Investment volumes split by deal size

Source: JLL, September 2023

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Investor interest in the assets of convenience character remains robust and continues to grow. This is evident as new players, including Lords LB Asset Management from Lithuania and the renowned French company, Frey, have recently entered the Polish market. Alongside these international companies, there is also active participation from Polish private investors.

There is a strong demand for grocery and DIY anchored retail parks, as these sectors continue to perform well. Despite the high demand, the cap rates for the best retail parks have moved to ca. 6.90%, reflecting increasing cost of financing.

Agnieszka Kolat
Head of Retail Investment, JLL

Glinianka Park, Łubna

“

The retail landscape in Poland has changed significantly in recent years. Retail parks have gained importance due to changing consumer behavior and urbanization trends. The development of this format was a response to the growing demand for a local shopping experience that saves time and provides convenience.

Retail parks typically provide a platform for smaller, easily accessible shops offering everyday items such as groceries, pharmacies, restaurants and service providers. At the same time, the market has recently seen a growing interest in opening retail stores in such centers, also by tenants from the fashion, footwear and even jewelry sectors.

The importance of retail parks on the Polish retail market is manifold. First of all, they respond to the needs of consumers who care about convenience, for whom quick and trouble-free shopping for everyday items is a priority. By locating these centers within or near residential areas, they minimize travel distances and shorten the time it takes to shop. Secondly, these centers play a key role in increasing the involvement of the local community. These centers often become the focal points of neighborhood activities, encouraging social interaction and creating a sense of local belonging. They provide space for small-scale events, strengthening stronger links between businesses and local residents. In addition, retail parks significantly contribute to the economic growth of smaller towns. They generate jobs both in shops and in services, thus stimulating the local economy. The smaller store sizes and lower infrastructure costs associated with these centers make them accessible to small business owners, promoting entrepreneurship.

These phenomena are reflected in the development trends of the commercial market. Large centers, but also increasingly smaller towns, are saturated with retail space located in shopping centers. Poland, with a retail space saturation index is in the European average. This means that large traditional shopping centers will be built mainly as a supplement to “blank spots” on the commercial map of Poland, while retail parks are constantly finding local areas for development. Out of almost 380,000 m² GLA of retail space under construction in the first half of 2023, as much as 70% were retail parks, mostly located in the cities with less than 100,000 inhabitants. Currently, there are about 20 significant companies implementing retail park projects on the Polish market.

The emergence of “convenience” centers causes transformational changes on the broadly understood shopping center market in Poland. Traditional, large-scale shopping centers, still dominating the market, are adapting to the changing preferences of consumers. Developers and retailers are increasingly diversifying their strategies to meet local needs and conveniences. Competition between retail parks and traditional malls has led to innovation in both formats. Many shopping centers have incorporated elements of entertainment and locality, introducing smaller, community-oriented activities and sections within their structures, and expanding opportunities for leisure with family and friends.

Retail parks are changing the Polish retail landscape by providing a local and convenient shopping experience that meets the changing needs of consumers. Their development has highlighted the importance of serving local communities, fostering economic growth and creating vibrant community hubs. Understanding the growing importance and dynamic development of retail parks on the Polish market and to reflect the expansion of our areas of interest, the Polish Council of Shopping Centers will actively participate in monitoring this segment and analyzing its growth.

I am pleased to announce that we will be preparing the next edition of this report together with JLL and Trei Real Estate, providing both analytical and substantive content. I am convinced that this cooperation will result in a better and more detailed analysis of the retail park market in Poland.

Krzysztof Poznański

Managing Director, Polish Council of Shopping Centres (PRCH)

ESG in real estate

Amid geopolitical and economic uncertainty, the urgency to reduce greenhouse gas emissions was driven home by the Sixth Assessment Report by the Intergovernmental Panel on Climate Change (IPCC). We have a narrowing window of opportunity to meet the goal of the Paris Agreement adopted by 196 Parties at the UN Climate Change Conference in 2015, to limit global temperature rises to 1.5 degrees. Without immediate action to curb greenhouse gas emissions, the climate crisis will have devastating ecological and social consequences. With 40% of global carbon emissions coming from the built environment, the real estate sector has a collective responsibility to set and achieve transformational sustainability targets. ESG (Environmental, Social, and Governance) factors have emerged as a critical focus in real estates. The entire commercial real estate industry is currently undergoing a transformation with the long-term goal of achieving climate neutrality. These encompass concerns regarding environmentally-friendly design, energy conservation, and the use of eco-friendly construction materials. The adoption of green certifications for commercial buildings is advancing swiftly, although it remains a voluntary practice. The most popular certificates on the Polish market are BREEAM and LEED. According to the data published by PLGBC, about 200 retail buildings (59% of total modern retail space) in Poland are certified. Compared to other sectors in this market, retail parks are only at the beginning of this journey, and ESG solutions have not been very popular so far, mainly due to costs. The importance of ESG in real estate industry cannot be overstated, given the following reasons:

Environmental impact: real estates, due to their scale and operations, exert a substantial environmental footprint. Implementing sustainable building design, energy-efficient systems, renewable energy utilization, responsible waste management, and water stewardship measures are key to mitigating this impact. For example, green roofs collect rainwater, purify the air, reduce ambient temperature, aid in regulating indoor temperature, promote energy savings, and increase biodiversity in cities. Not only does this demonstrate corporate environmental responsibility, but also enhances cost efficiencies and elevates the overall market value of the property.

Consumer expectations: consumer consciousness regarding the environmental and social implications of their purchasing decisions has risen significantly. Consumers increasingly gravitate towards sustainable and socially responsible businesses. Incorporating ESG principles, such as sustainable sourcing, recycling initiatives, community engagement, and ethical labor practices, enables landlords to align their operations with evolving consumer preferences, thereby bolstering their brand reputation and marketing positioning.

Climate change resilience: climate change poses a range of risks to the real estate sector, including extreme weather events. Retail assets located in vulnerable areas face potential damage, operational disruptions, and devaluation. By adapting integrating ESG practices, landlords can proactively identify and mitigate climate-related risks, minimize vulnerabilities, and bolster long-term resilience against future climate impacts.

Stakeholder engagement: ESG considerations have gained prominence among stakeholders, including investors, tenants, and regulatory bodies. Investors increasingly factor ESG metrics into their investment decisions, recognizing sustainability performance as a litmus test for long-term value. Tenants, too, are influenced by ESG factors, seeking spaces that reflect their own sustainability objectives. Moreover, regulatory bodies are progressively introducing ESG-related regulations and incentives, making compliance and reporting crucial imperatives for landlords.

Cost savings and profitability: embracing ESG practices can yield substantial cost savings over the long term by optimizing energy consumption, reducing maintenance expenses, and improving operational efficiencies. These ultimately translate into heightened profitability, fostering a financially sound trajectory for retail assets. Furthermore, green building certifications and transparent ESG reporting mechanisms can attract investors, financing opportunities, and premium tenants, thereby amplifying the overall financial viability of retail assets.

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> Currently, some of the Vendo Parks we own are in the process of BREEAM certification, and we are introducing the first eco-friendly solutions in our retail parks. The Vendo Parks in Skarżysko-Kamienna and Chorzów, in addition to utilizing traditional energy sources, use solar energy from installed photovoltaic panels. We have located electric vehicle charging stations in Vendo Parks including those in Krakow and Nysa, and we plan to introduce them in other locations as well, in order to support ecological transportation. In addition, depending on the specifics of a location, we are implementing dedicated pro-environmental solutions such as the green roof in Vendo Park Krakow.
>
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About Partners:

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Trei is also active in the German residential market, including Berlin, where it is currently developing residential districts combined with commercial premises and student housing under the Quartillion brand. The company's residential activities outside of Germany include development projects in Poland and in the United States.

Report cover photo: Vendo Park, Zambrów.

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