



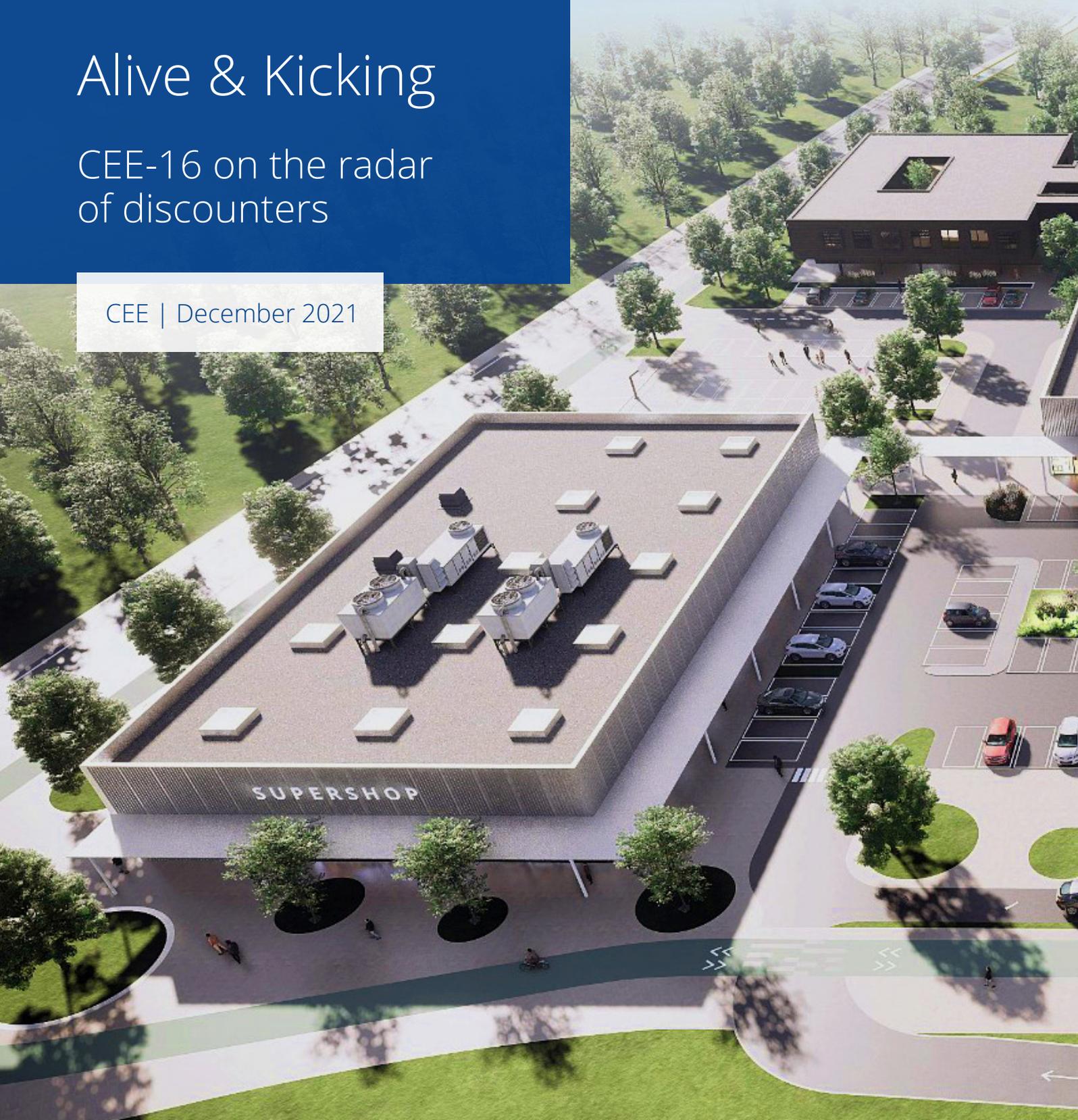
Accelerating success.

ExCEEding Borders

Alive & Kicking

CEE-16 on the radar
of discounters

CEE | December 2021





ALDI

Photo: EDS Park visualisation

PO URBA

Contents

04 Introduction

In this latest edition of our ExCEEDing Borders series of reports, we take a look at the retail real estate market and sector across the CEE-16 countries, with a focus not only on shopping centres, but more specifically on retail parks and discount retail chains.

06 CEE Macroeconomic & Demographic Overview H2 2021

General macroeconomic indicators for the CEE-16.

08 The CEE consumer, is looking for value

Savings rates are smaller in the CEE region than in Western Europe and the smaller average incomes in the CEE region do not correspond to proportionally less expenditure on goods.

10 Discount stores are still growing strong

Retail market in CEE-16

Due to the fact that the long-term impacts of the pandemic are still unknown, the growth of importance of small shopping centre formats and retail parks has strengthened.

34 Contacts

Contact details of participating Colliers offices and experts across CEE.



Introduction

Depending on your personal view, you could argue that 2021 has been somewhat more optimistic than 2020, with the roll out of the various vaccines reducing numbers and things slowly getting back to some level of normality... well, then came the Autumn and onset of winter, which was unfortunately accompanied but a new variant and a sharp spread of cases in many countries in CEE and across the globe.

Therefore, it unfortunately looks like we are still very much in battle with this pandemic, and this may well continue to cause further disruption to many parts of our lives. But we have been here before, a few times already in a relatively short space of time and hopefully, many of us are learning by our mistakes, by our complacency, or getting better at adapting. One part of that is clearly the way we shop for the essential items we need, but also the other less essential, but perhaps more enjoyable things we buy. The already heavily disrupted retail sector, and certainly some parts of it to a greater extent, has continued to fight to survive amid significant restrictions, in addition to other factors such as manufacturing and issues in supply chains for a wide variety of products, the adoption and adaptation of e-commerce or omni-channel operations, the lack of availability of labour and rising costs across the board, to name just a few.

In this latest edition of our ExCEEDing Borders series of reports, we take a look at the retail real estate market and sector across the region, looking at all retail formats, but more specifically on retail parks and discount retail chains that have not escaped disruption but, have perhaps recorded some positivity out of all this mess. Therefore, we take a closer look at a few of the trends impacting consumers and the retail sector overall, both economically and physically, and hope to demonstrate that the retail sector is still alive and kicking!

Although times continue to be very testing, we are regularly astounded by the resilience, the fight and innovation that has materialised from many of the players in the industry, new and old, retailers, developers, asset managers and investors alike.

We hope you find this an interesting read!

Authors



Kevin Turpin

Regional Director, Research & Consultancy Services | CEE
+420 606 725 032
kevin.turpin@colliers.com



Dominika Jędrak

Director, Research & Consultancy Services | Poland
+48 666 819 242
dominika.jedrak@colliers.com



Katarzyna Michnikowska

Associate Director, Research & Consultancy Services | Poland
+48 607 559 587
katarzyna.michnikowska@colliers.com



Wojciech Wojtowicz

Analyst, Research & Consultancy Services | Poland
+48 532 855 058
wojciech.wojtowicz@colliers.com



Silviu Pop

Head of Research | Romania
+40 21 319 77 77
silviu.pop@colliers.com



Photo: EDS Retail Park visualisation

CEE Macroeconomic & Demographic Overview H2 2021

Country

- 1 No. of cities over 100,000 inhabitants
- 2 Annual purchasing power EUR per capita
- 3 GDP growth forecast 2021 (%)
- 4 Unemployment rate forecast 2021 (%)
- 5 CPI forecast 2021 (%)
- 6 Actual individual consumption (% of EU average)

 Population

Source: Colliers based on Eurostat and local statistical offices



16
Countries



159 m
People



153
Cities over
100,000 inhabitants

 **Czech Republic** **10.7 m**

1	6	4	3.86
2	€10,131	5	3.17
3	3.18	6	87%

 **Slovenia** **2.1 m**

1	1	4	7.79
2	€11,882	5	1.28
3	6.97	6	80%

 **Croatia** **4.04 m**

1	4	4	7.13
2	€7,278	5	2.03
3	9.18	6	67%

Bosnia and Herzegovina

1	6	4	31.75
2	€3,664	5	1.41
3	7.77	6	43%

 **Montenegro** **0.63 m**

1	1	4	21.12
2	€5,547	5	2.06
3	8.33	6	61%

Latvia 1.9 m

1	1	4	7.26
2	€8,429	5	1.49
3	2.89	6	72%

Estonia 1.33 m

1	1	4	6.19
2	€10,238	5	4.08
3	10.3	6	79%

Lithuania 2.8 m

1	4	4	6.95
2	€9,277	5	3.48
3	4.5	6	96%

Belarus 9.35 m

1	14	4	4.30
2	€2,720	5	9.32
3	3.86	6	n/a

Poland 37.9 m

1	37	4	5.97
2	€7,082	5	4.82
3	5	6	83%

Ukraine 41.3 m

1	38	4	10.09
2	€1,734	5	9.22
3	4.15	6	n/a

Slovakia 5.46 m

1	2	4	6.87
2	€9,381	5	3.11
3	4.45	6	73%

Hungary 9.75 m

1	9	4	4.11
2	€6,596	5	4.38
3	7.41	6	69%

Romania 19.2 m

1	18	4	3.15
2	€5,690	5	4.52
3	7.39	6	79%

Croatia 3.28 m

Albania 2.8 m

1	5	4	7.67
2	€3,347	5	1.96
3	9.5	6	40%

The CEE consumer is looking for value

To say that the average consumers in most countries are looking for the best value for money would be an understatement. People do not want to feel cheated and calculate their money. That's why discount chains are gaining more importance across Europe.

In addition, due to some differences between CEE and Western European consumers, discount retailers may find Central and Eastern Europe markets very attractive. CEE shoppers tend to favour the 'value for money' approach which drives the pressure for lower prices and the potential success of discount chains.

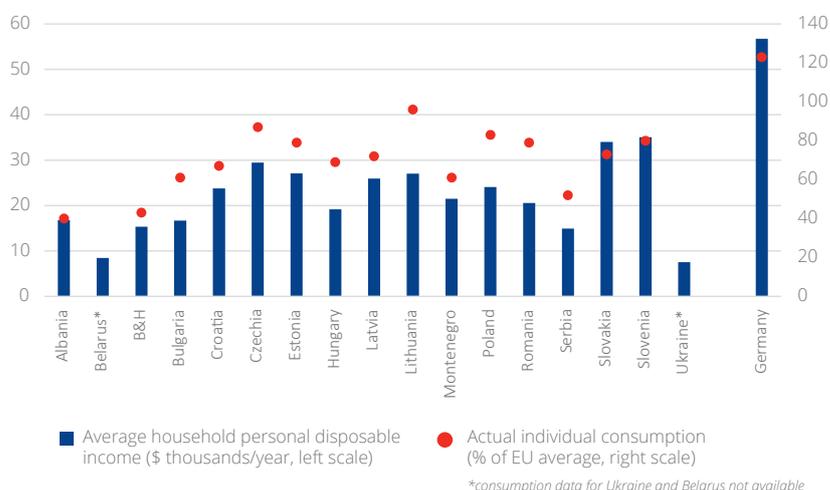
There are multiple reasons for such a situation. The first are socio-economic and cultural differences. After decades of communism, until the fall of the Iron Curtain, most CEE markets saw the transition to a market economy. This also influenced the transformation of consumer goods trade but, the retail sector did not meet the rapidly growing needs of consumers.

Savings rates are smaller in the CEE region than in Western Europe and the smaller average incomes in the CEE region do not correspond to proportionally less expenditure on goods. Volume-based consumption indices for various categories of goods and services (denoting actual quantity purchased, not spending) show smaller differences than the income gap compared to Western Europe would suggest.

For instance, while the average German citizen earns around double compared to his or her Czech peer, the latter consumes around 90% of the actual quantity of food and beverages of the former. This conclusion is derived from Eurostat's real expenditures per capita, adjusted to purchasing power standards of EU member states. Similarly, the average income of a Bulgarian citizen is nearly four times less per year compared to an average German citizen, yet the average consumption of clothing and footwear of Bulgarian citizens is only two times fewer per year. The data tends to confirm that people are less frugal when it comes to the essentials, meaning that the gap between disposable income and actual consumption is a lot smaller for food and beverage items than for most of the other categories.

The far lower earnings of CEE citizens is another reason behind a more price-conscious approach. Household income brackets, adjusted for purchasing power parity (i.e. equalising prices and underscoring the purchasing power of money) shows some differences between most CEE countries and Western Europe.

Average disposable income and actual individual consumption in CEE-16 countries



But these differences are not night and day. Furthermore, looking at per capita data and overlapping these numbers with what is considered “middle class” yielded quite interesting results: the share of such people was not too far from Germany’s. As a sidenote, “middle class” is not clearly defined by the economic literature, though the consensus seems to be that the PPP-adjusted per capita income should start from earning around 10 dollars a day (so around 10,000 dollars a year per household, as per Oxford Economics data). Where the data shows discrepancies is at the extremes: in Germany, the share of people considered poor (living on below 10 dollars/day) is virtually not visible on the chart, while Germany also has a much bigger share of high-income residents. Meanwhile, in the CEE, you have much lower shares of such high-income earners and a fair few households at the lower spectrum of the income scale.

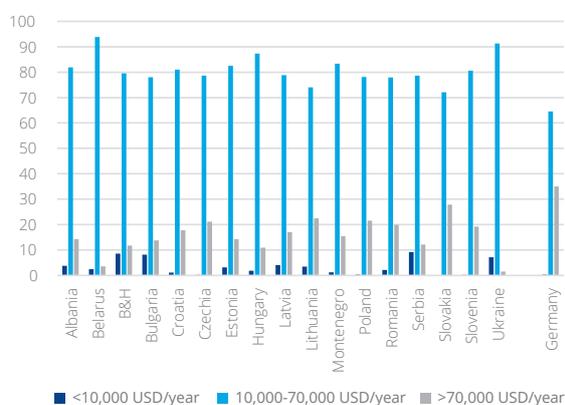
The rapid rise in consumer prices is clearly noted in the CEE region, and it is currently uncertain when the growth of prices will end. Historically speaking, if we look at commodity prices, we are quite far from previous peaks on an aggregate basis (mostly on account of energy prices). This would suggest that there may still be quite some room for prices to grow if current supply chain and logistics issues remain in place. Furthermore, energy prices, which continue to soar, tend to have a cost-push effect on consumer prices.

Still, what matters most for the scope of this report is that most of the CEE countries are fairly small and quite open economies, so they cannot do much but hope that this storm does not last too long. For the average consumer, when prices gallop ahead of wage growth, this can only mean two things: cut back consumption or spend less money for the same type of goods and services. A combination of these two factors are likely to be in store, but for the average CEE consumers, who may be less resistant to the ongoing economic situation, they will most likely favour discounters as they cannot cut back too much of what is already somewhat relatively low consumption.

Beyond consumer prices, there is also another major trend affecting discount chains. Various surveys have highlighted that the average consumer overall has become a little less willing to spend in the context of the pandemic.

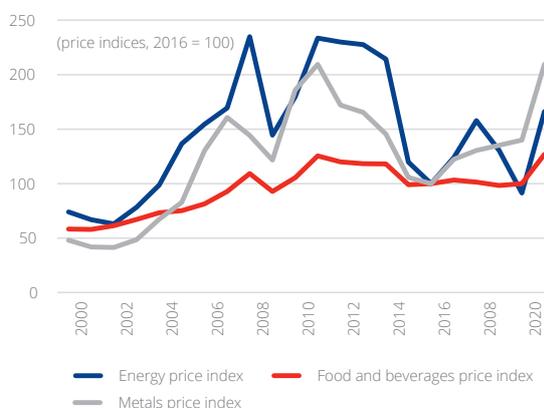
This quite likely means that this is even more true for the CEE region, where people were more frugal to begin with due to the socio-economic reasons and income constraints we have mentioned earlier. Consequently, even though the predicted percentage increases in salaries are much higher in Central and Eastern Europe than in the West for subsequent years, we still believe that the bargain hunters will remain a driving force behind the retail business in CEE.

Distribution of households (% of total) by income bracket (PPP adjusted) shows some, but not a lot of differences to Western Europe



Source: Eurostat, Oxford Economics, Colliers

Energy prices could pull other commodity prices much higher; some prices still well off record highs, but food prices are ahead there



Source: IMF

Discount stores are still growing strong

In 2021, traditional shopping centres in the CEE-16 exceeded 1,200 schemes, representing a stock of ca. 28.5 million m². In addition, there are ca. 1,350 retail parks, of over 1,500 m² of gross leasable area, resulting in a total stock of ca. 9 million m² and a healthy development pipeline for the next few years.

Like the majority of the countries and regions around the world, the retail market in the CEE-16 is adjusting further than ever before, to the new realities brought about by the pandemic. The restrictions imposed during the peaks, touched the whole sector: shops, service outlets, gastronomy, entertainment and leisure. The aftermath of lockdowns and subsequent recovery, will all influence the market.

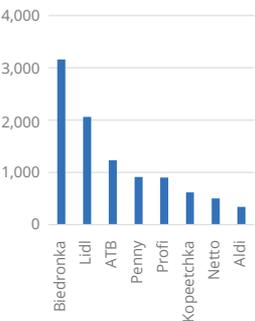
Many retailers and brands have needed to develop new sales channels. A strong growth in e-commerce was of course noted during the pandemic, as well as the rapid emergence of new quick commerce formats. For several months we have been observing the dynamic development of dark stores, in the largest CEE cities.

Despite the ongoing pandemic, the positive bounce in GDP can be seen in all CEE countries. On the other hand, the growth of inflation has also risen rapidly in most European countries,

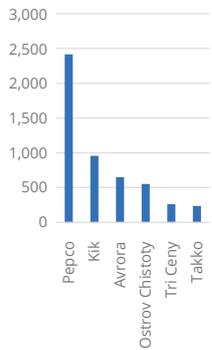
as problems relating to the global supply chain, growing cost of products and resources also add to the challenges faced by producers, retailers and ultimately, the consumer. For this and several other reasons, is why all retail industry players need to become adaptable to the changeable new reality.

Due to the fact that the long-term impacts of the pandemic are still unknown, the growth in importance of small shopping centre formats and retail parks has strengthened. The multiple number of schemes under construction or in advanced stages of planning confirm this trend. There are several developers investing in this market segment, such as Immofinanz, Saller, EDS RP, Fidurock and Trei Real Estate. One of the characteristics of the CEE market is also the activity of local developers in the development of such schemes. The appetite from developers, investors and retailers for these

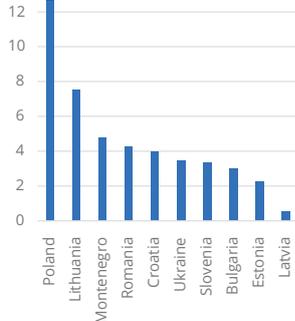
Largest CEE-16 food discount chains (no. of stores, estimations)



Largest CEE-16 non-food discount chains (no. of stores, estimations)



Food discount store openings in 2020/2021 per 1m inhabitants in selected CEE countries



Source: Colliers



Photo: Fidurock

Expert opinion

"As we look forward, we see a cautiously more optimistic future for the retail sector. However, it will look different and follow alternative timelines for various players, sub-sectors and segments in the industry. For the discount retail segment, and in particular the grocery sector, we are already seeing a great deal of adaptability and forward-looking strategies.

One such example, from key players in the region, will be bringing their offer, both online and physically, into more locations to provide added convenience to their customer base. In addition, they will look to evaluate both existing and future 'in-fill' locations for a wider range of uses or services to the local communities in which they belong and service.

Not only does this demonstrate a strong vision for future growth, but it should also help players in this segment to look at diversification, and also to assess and deliver upon ESG targets that will also shape and impact all sectors of real estate over the years and decades ahead."

Kevin Turpin

Regional Director,
Research & Consultancy Services | CEE, Colliers



types of assets can be considered as strong. Even if the stage of development of this market segment is different across CEE countries, the segment of retail parks shows great potential for development. In the more mature markets, we are even recording increased activity in smaller towns of below 50,000 inhabitants.

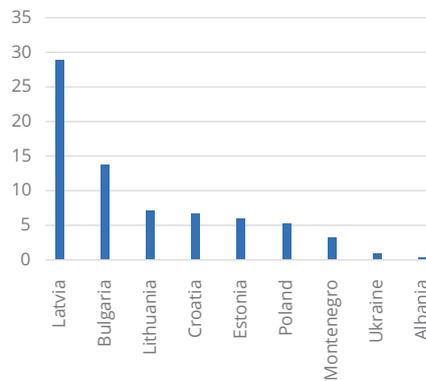
It is also worth mentioning that discount retailers, both food and non-food, often play a crucial role in retail parks. Smaller retail parks are focused on the everyday shopper who visits them regularly, which is why food or non-food discount stores are typically the anchor tenants in the majority of such complexes. This trend applies to both the retail parks in main cities as well as schemes in smaller towns. It is the result of the changing purchasing behaviour of CEE inhabitants. However, the growing interest in the location of stores within traditional shopping centres can be seen as well.

It is also noteworthy, that most food discounters who operate in the CEE-16 offer in-store sales only, and even the main players prefer to cooperate with external marketplaces or delivery platforms rather than organise own deliveries.

There are over 30 food discount chains in CEE-16. However, the distinction between discount grocery stores and supermarkets is becoming blurred. After the initial hard discount concept, selected grocery discounters started to shift their offering to compete with traditional supermarkets. At the same time selected supermarkets are focusing on 'lowest-price' marketing and have also introduced their own-branded products. For example, Kaufland, in addition to the factors mentioned above, has opened "beverage discounters" next to several supermarkets in the CEE region. From the range of offer and the way products are presented in stores the distinction between discount stores and supermarkets has been disappearing over the years. As a result, many more discount chains now offer both their own-branded products, as well as other popular brands.

In terms of the number of stores in CEE-16, the leading retailer in this category is Biedronka, owned by Portuguese Jeronimo Martins, with over 3,100 stores in Poland. Germany's Schwarz Group-owned Lidl is second with over 2,000 stores.

Non-food discount stores openings in 2020/2021 per 1m inhabitants in selected CEE countries



Source: Colliers

The Schwarz Group's second brand, Kaufland, is active in several countries as well, and also operates a "discounted beverage" concept next to several stores. The largest grocery discount chain in the Ukraine, ATB, holds the third place. Other than Lidl and Kaufland, other German chains active across the CEE region include Aldi, present in Poland as Aldi Nord and in Hungary as Aldi Süd, and Penny, present in the Czech Republic, Hungary and Romania. Danish chain Netto is developing its activity in Poland, where its takeover of 300 former Tesco supermarkets is underway. There is also growing competition from selected supermarkets, which do not position themselves as discount chains, but offer price policy similar to discounters. The examples are above-mentioned chain Kaufland or rapidly developing Poland-based Dino.

Over the last few years, more new concepts have joined the existing discount grocery players. These discount chains appear to be trying to play the role which other more established discounters tried when they were entered these market and started to gain market share. One such example is Russian brand Mere, which entered several markets across the region. The brand is a part of the Russian Svetofor Group, which operates stores in Belarus, Russia and Central Asian countries as well. Similar stores have also been launched by Supeco (part of Carrefour Group) and Poland-based Vollmart.



Photo: Fidurock

Between the beginning of 2020 and end of H1 2021 over 1,350 food discount stores were opened across the CEE. It confirms that the region is still on the path of development and is able to absorb many new facilities.

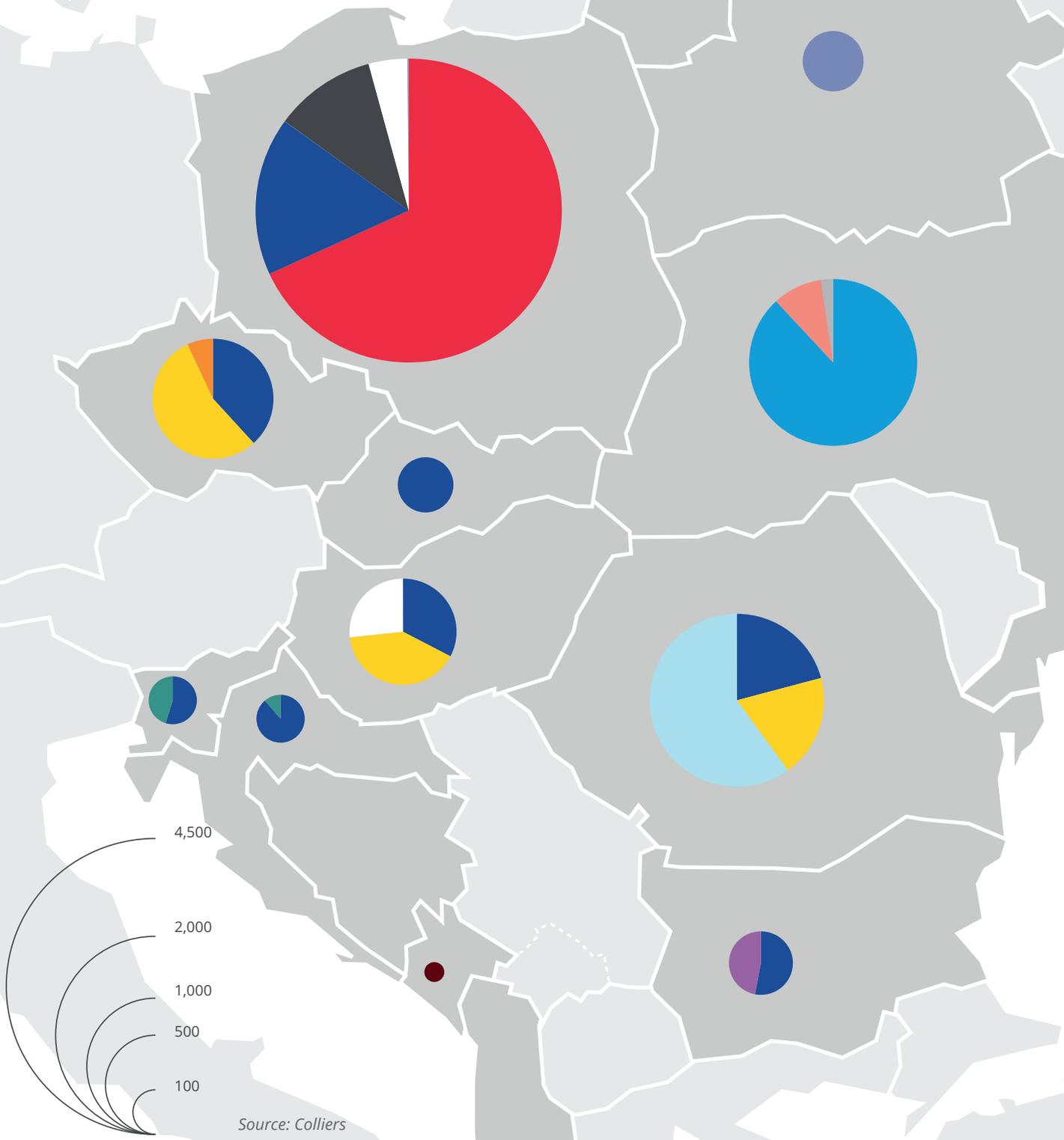
There are over 45 non-food discount chains in the CEE region. The largest in terms of store numbers is Pepco, followed by KiK, Avrora and Ostrov Chistoty. Pepco with almost 2,500 stores is present in 11 countries. Pepco Group is also the owner of the brand Dealz with ca. 100 stores in Poland. The second largest chain in CEE, KiK, has almost 1,000 stores in 8 countries. These, in addition to Dutch brand Action, German brand TEDi, have decided to enter CEE markets through opening stores in retail parks. However, during their rapid growth, these chains are also looking for opportunities in traditional shopping centres. Other brands also worth mentioning are large

local chains focused only on the one country, such as Avrora with ca. 650 stores in Ukraine, and Ostrov Chistoty with ca. 550 stores in Belarus.

There still remains a huge potential for discount stores. As described in the economic section of this report, a good proportion of CEE consumers are often buying goods in different shops, depending on which one they can buy them for at the most favourable conditions. This “smart-shopping” trend is of course preferable for discounters. In addition, discounters appear to have suffered less in comparison to multiple traditional retailers. Often located in smaller schemes, with outdoor parking and individual access from outside to their units, discounters faced, in many cases, slightly less disruption brought about by the different regulations or customer concerns.

Selected food discounters in CEE-16

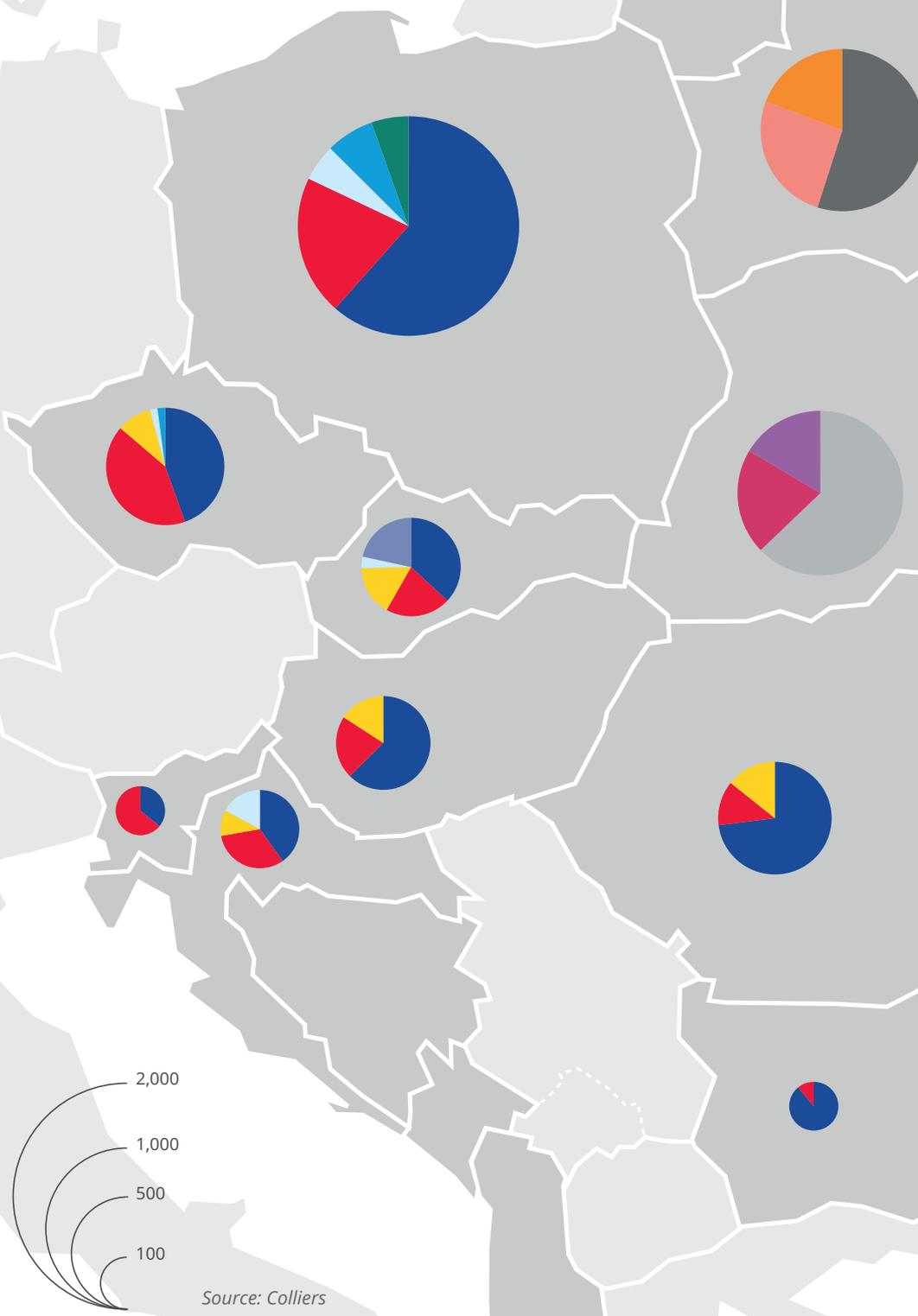
- Biedronka
- Lidl
- ATB
- Penny
- Profi
- Netto
- Aldi
- Norma
- T-Market
- Eurospin
- Mere / Svetofor
- EKO Market
- Velmart
- HDL



Source: Colliers

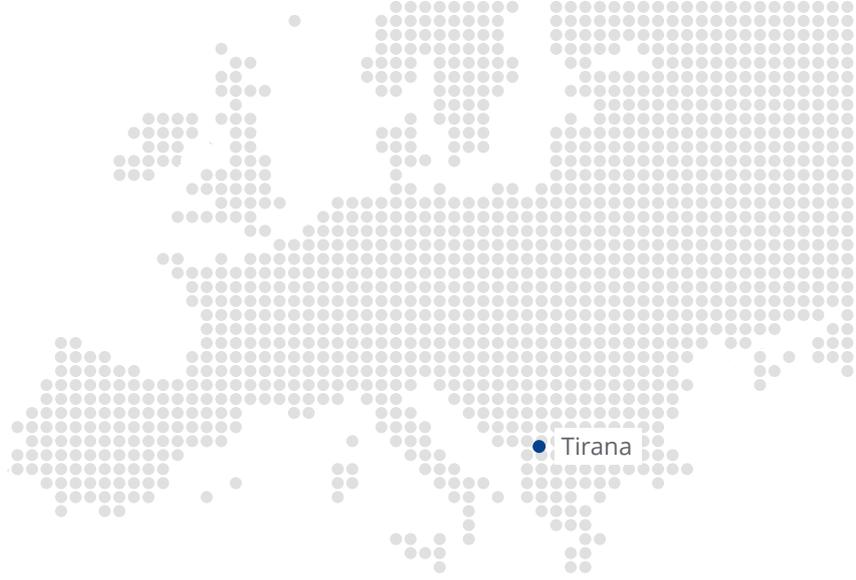
Selected non-food discounters in CEE-16

- Pepco
- KiK
- Avrora
- Takko
- Tedi
- Action
- Ostrov Chistoty
- Tri Ceny
- Dealz
- FixPrice
- Kopyochka
- Red Market
- 1st Day



Source: Colliers

Albania Overview



Retail Property Market

Number of traditional shopping centres	17
Total traditional shopping centre stock (GLA millions m ²)	0.29
Number of convenience centres/retail parks*	-
Total convenience centres/retail parks stock (GLA millions m ²)	-

*all convenience centres & retail parks over 1,500 m² GLA



Food / Grocery Retailers

Total number of Food/Grocery chains on the market*	7
Discount Food/Grocery chains on the market*	-
Discount Food/Grocery stores opened in 2020 & H1 2021	-

* average size over 700-1,000 m² GLA only



Non-Food Retailers

Number of Non-Food Discount chains on the market	4
Number of Non-Food Discount stores opened in 2020 & H1 2021	1

The retail market in Albania is booming, backed-up by the number of food and non-food chains and stores across the country. The market is forecast to have high demand due to the growing population and the desire from consumers to find everything they need in convenient locations. Taking into consideration the brands operating on the market, the food market is quite mature, whereas the non-food market still has potential to improve, despite the current challenges. The strategy that most retail chains follow is to firstly establish themselves in the capital and the largest cities, and follow with expansion to smaller less populated cities.

Before Covid-19, the Albanian market was mostly focused on in-store shopping and has now been forced to shift towards online shopping. This has changed the perspective of the businesses in terms of advertising their products online, providing home delivery services, but also the perspective of customers to navigate the retail market, to find the desired stores and products online. Physical expansion was low or non-existent in some cases, despite the fact that revenues of some chains had grown as a result of the panic shopping syndrome during the lockdown, which also continued afterwards.

During the ongoing pandemic, e-commerce has become an important component in the fight against the virus. The need to reach their customers at home effected in businesses investing in e-commerce to keep themselves on the market. Online shopping was previously less popular due to the high cost of shipping and border taxes. It was also considered as a trend for the younger population, or people who had daily interaction with the Internet. As the local market started to thrive in this new environment, there was a general acceptance of this new way of shopping. What made it more convenient was that in most cases the payment process was done at the time a customer received its order.

Belarus Overview



Retail Property Market

Number of traditional shopping centres	219
Total traditional shopping centre stock (GLA million m ²)	2.39
Number of convenience centres/retail parks*	221
Total convenience centres/retail parks stock (GLA million m ²)	2.40

*all convenience centres & retail parks over 1,500 m² GLA



Food / Grocery Retailers

Total Number of Food/Grocery chains on the market*	9
Discount Food/Grocery chains on the market*	2
Discount Food/Grocery stores opened in 2020 & H1 2021	125

* average size over 700-1,000 m² GLA only



Non-Food Retailers

Number of Non-Food Discount chains on the market	11
Number of Non-Food Discount stores opened in 2020 & H1 2021	651**

** including local operators

The retail market is characterised by a decrease in turnovers. According to the results of H1 2021, retail turnovers in Minsk decreased by 1.2% compared to the same period of last year. Nevertheless, in H1 2021, there was activity among retailers, for example, large online marketplace player Ozon announced its entry to the Belarus market. In general, the retail market is gradually entering the post-pandemic state. There was an actual recovery of customer traffic, in a similar or even higher volumes compared to pre-pandemic levels. However, due to the situation in the economy, a growth of real disposable personal income is not expected.

The market of food and non-food discounters is in a growth phase. Discounters are clearly anchor tenants and strong traffic generators. By October 2021, there were more than 2,600 discount stores in the country. On average, in 2020 and in H1 2021, about 65 new discount stores have opened every month. In February 2020, in response to the active expansion of Russian food discounters Svetofor and Dobrocen on the Belarusian market, the domestic retail giant Eurotorg opened its first hard discount food chain, Groshyk. Domestic retailers own almost 90% of all low-price stores. Among the most active players, the Ostrov Chistoty (553 stores), Kopechka (618 stores), Hit! (320 stores) are the most noteworthy, however most stores have below 700 m².

There are no universal location requirements of non-food discounters. For example, Ostrov Chistoty opens its stores in locations with as low as 5,000 inhabitants. Also, it has no special requirements for a loading bay or parking spaces. Food discounters' requirements are typically as follows: over 10,000 inhabitants, ground floor, separate entrance, loading bay, convenient access roads and ceiling height of above 3 meters. Food discounters are not located in prime locations with strong pedestrian or car traffic as they are usually located deep inside residential estates or industrial suburbs.

Covid-19 pandemic accelerated the presence of e-commerce and the delivery of non-food products. Russian marketplace Ozon entered the market. Other big marketplaces (LaModa, 21Vek, Wildberries) all increased the number of their pick-up points. Eurotorg launched its service Europochta, that became a prominent logistics operator in the market and was in demand both among small online stores and among the population. In 2020, the service delivered 1.4 million postal items. At the end of 2020, Europochta included 87 post offices in 51 cities of Belarus. In the summer of 2021, the express delivery of food products from Begu and Yamigom merged into Yamigom, which belongs to the online hypermarket E-Delivery by Eurotorg. This implies some kind of revival in the e-grocery market but it is still poorly developed.

Bulgaria Overview



Retail Property Market

Number of traditional shopping centres	23
Total traditional shopping centre stock (GLA millions m ²)	0.79
Number of convenience centres/retail parks*	20
Total convenience centres/retail parks stock (GLA millions m ²)	0.203

*all convenience centres & retail parks over 1,500 m² GLA



Food / Grocery Retailers

Total number of Food/Grocery chains on the market*	8
Discount Food/Grocery chains on the market*	3
Discount Food/Grocery stores opened in 2020 & H1 2021	21

* average size over 700-1,000 m² GLA only



Non-Food Retailers

Number of Non-Food Discount chains on the market	11
Number of Non-Food Discount stores opened in 2020 & H1 2021	95

Retail parks are currently driving retail sector growth and are the focus of investors' interest in Bulgaria. This format remains the preferred choice for smaller cities and the best option for the positioning of "big box" operators. By 2023, 20 new retail parks are expected to open. E-commerce is becoming a major channel through which many companies stay in touch with their customers. Covid-19 has accelerated the digital transformation of businesses in Bulgaria, intensifying the pace of merging physical and online trade.

The Bulgarian market had not heard much about typical discounter chains until 2018. In the last few years, operators like Pepco and Kik entered Bulgaria and are currently among the fastest expanding formats. In secondary and tertiary cities, discount chains are the most popular and profitable retail formats in the country. They prefer cities with greater than 15,000 inhabitants and a retail park or standalone shop format, adjacent to a supermarket.

The pandemic has definitely accelerated changes in the sector, such as e-commerce, further expansion of discount and outlet concepts, plus "big box" operators taking over of spaces from small local and international retailers. Bulgaria is not an exception from the overall retail market situation in Europe and worldwide discount chains are taking advantage of consumers' decreased or more cautious budgets, due to the pandemic and economic turbulences.

Restrictions against the spread of Covid-19 pandemic have immediately forced retailers to adapt to the new reality and find ways to survive. E-commerce has developed tremendously in comparison to recent years, with volumes having increased 200-400% or more for most of the retailers. In the food sector, "dark stores" are not yet a trend in Bulgaria, though there are few cases, i.e. T Market online store.



Expert opinion

Photo: Fidurock

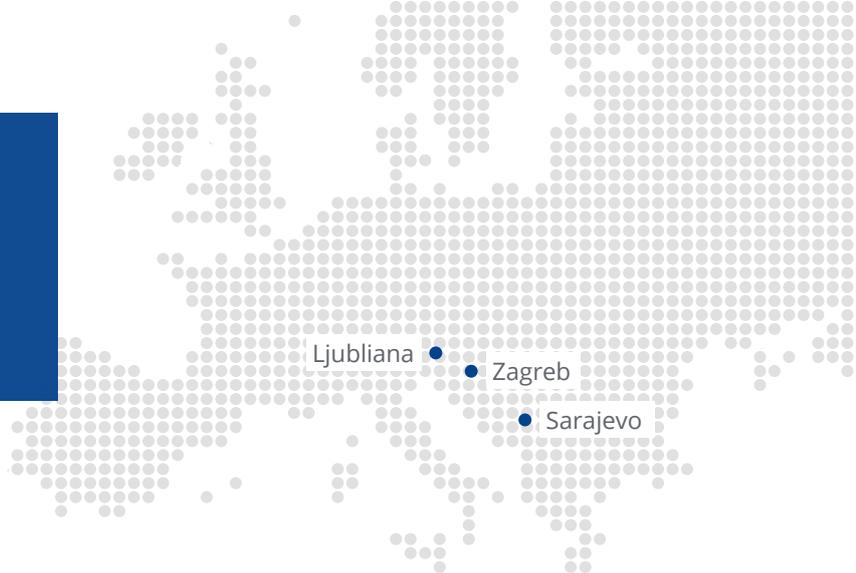
”Bulgarian market had not heard much about typical non-food discounters and off-price chains until 2018. In the last years some operators like Pepco, KiK, Sinsay entered Bulgaria and are currently among the most rapidly expanding chains. Together with other active players in the same segment we could say that the discounters have been the main trigger for the vast development of retail parks all over the country in the recent years. Currently there are 20 operational retail parks while about 20 new projects are in the pipeline and are expected to be completed in the next 2 years, or above 160,00 sqm. In comparison – until 2018 there were only not more 10 in the whole country.

The share of non-food discounters in the tenant mix of the new retail parks is more than 25% and it keeps vastly growing. It is not a surprise that discounters are also one of the few which benefit from the Covid-19 pandemic effect on mass consumption. Clients with shrank budget gladly welcome the fast development of the low-cost retail chains. This trend is deepening and predominate part of shopping centers owners opened their doors for the discounters. In the past such brands have been considered as not very suitable for the tenant mix of the “glossy” malls. But times have changed and we expect discounters to stay and live long happily at the Bulgarian market”

Dimitrinka Rakovska
Manager, Retail Services, Colliers Bulgaria



Croatia, Slovenia, Bosnia and Herzegovina



Retail Property Market	Croatia	B&H	Slovenia
Number of traditional shopping centres	42	13	30
Total traditional shopping centre stock (GLA million m ²)	1.02	-	0.6
Number of convenience centres/retail parks*	34	-	25
Total convenience centres/retail parks stock (GLA million m ²)	0.26	-	0.12

*all convenience centres & retail parks over 1,500 m² GLA
B&H - Bosnia and Herzegovina



Food / Grocery Retailers	Croatia	B&H	Slovenia
Total Number of Food/Grocery chains on the market*	10	4	8
Discount Food/Grocery chains on the market*	2	-	2
Discount Food/Grocery stores opened in 2020 & H1 2021	16	-	7

* average size over 700-1,000 m² GLA only



Non-Food Retailers	Croatia	B&H	Slovenia
Number of Non-Food Discount chains on the market	4	-	2
Number of Non-Food Discount stores opened in 2020 & H1 2021	39	-	-

After a strong drop during the hard lockdown in 2020, retail sales rebounded strongly in late 2020 and H1 2021. In the first six months of 2021, retail trade turnover increased by 12.6% compared to the same period of the previous year. Rents and occupancy are both stable. Food and non-food discount chains are strong anchors/traffic generators. The discount market is relatively saturated and there is currently more of a focus on expansion across smaller / tertiary locations. Discounters are expanding in large and smaller cities. Preferred retail schemes are retail parks or standalone "big boxes", with surfaces larger than 1,000 m².

There is a visible increase in online shopping and delivery. As a result of Covid-19 pandemic, food retailers and the more convenient, cost-conscious car-based retail park model proved to be more defensive than the shopping mall concept. It is expected that prime properties in good locations will perform well in the mid-term. Discount chains continued their expansion at the same pace. The latest newcomer to the market is food discounter Eurospin who is opening new stores as planned. Last year's lockdown has accelerated the transition to online shopping, which is anticipated to further increase in the future. There is an interest in further development of this segment in the region. In H2 2021 Glovo has opened first dark store in Croatia.



Photo: EDS Park Nowy Dwór Mazowiecki

Czech Republic Overview



Retail Property Market

Number of traditional shopping centres	106
Total traditional shopping centre stock (GLA millions m ²)	2.61
Number of convenience centres/retail parks*	164
Total convenience centres/retail parks stock (GLA millions m ²)	1.4

*all convenience centres & retail parks over 1,500 m² GLA



Food / Grocery Retailers

Total number of Food/Grocery chains on the market*	10
Discount Food/Grocery chains on the market*	3
Discount Food/Grocery stores opened in 2020 & H1 2021	40

* average size over 700-1,000 m² GLA only



Non-Food Retailers

Number of Non-Food Discount chains on the market	7
Number of Non-Food Discount stores opened in 2020 & H1 2021	30

The Czech retail market is very well saturated and virtually every city offers some amount of modern retail space. Even with the large chains still expanding and looking for new places to lease or build on, customers already have a rich selection of shops, both food and non-food, all around the regional cities. Most retail parks contain at least one discount retailer and they are performing well as they typically target lower-income customers. Discount chains usually look for locations in cities with a population of 5,000-8,000 and above and shop units with a minimum size of 800-1,000 m². Food retailers also offer some assistance with permitting processes in the case of lucrative lands with retail potential.

In general, the market has survived the harsh months and continues to recover with flying colours, especially in the regions. Tourist oriented shopping destinations like high street shops and city centre shopping centres may struggle a bit but, in general, the situation is good. The share of online shopping is increasing, especially for food delivery, but physical shopping is still used frequently and not all customers are keen to change their habits. The market was saturated with discount retailers prior to the pandemic so, Covid-19 pandemic did not really affect their expansion in any major way.

Some chains have had to switch to (or completely develop) online channels as shops were forced to close during lockdowns. Some of the customers liked this option so much they stuck with it. The e-commerce sector in the Czech Republic was however already one of the strongest in the CEE region. As mentioned, many chains had to focus on online channels. Some of them had a head start with having a good solution already, but many shops and delivery companies were overwhelmed with orders. Many traditional chains had to adapt to restrictions and new habits of customers. The market for "dark stores" is present in the country, but still in the early stages. One such brand exploring this format is Wolt, who are currently probing possibilities to set up a network of "dark stores".

Estonia Overview



Retail Property Market

Number of traditional shopping centres	57
Total traditional shopping centre stock (GLA million m ²)	0.96
Number of convenience centres/retail parks*	-
Total convenience centres/retail parks stock (GLA million m ²)	-

*all convenience centres & retail parks over 1,500 m² GLA



Food / Grocery Retailers

Total Number of Food/Grocery chains on the market*	9
Discount Food/Grocery chains on the market*	1
Discount Food/Grocery stores opened in 2020 & H1 2021	3

* average size over 700-1,000 m² GLA only



Non-Food Retailers

Number of Non-Food Discount chains on the market	12
Number of Non-Food Discount stores opened in 2020 & H1 2021	8

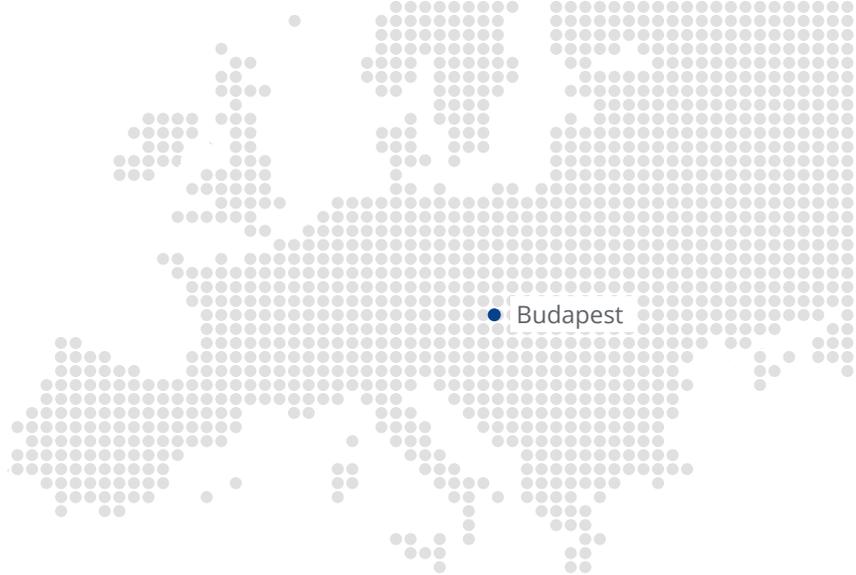
In 2021, the retail sector continued to adjust to the new reality caused by the pandemic and restrictions in Estonia. Tenants are extremely cautious because of intensified competition and pandemic-related uncertainty about household consumption. Due to the severe shock to the retail sector after the Covid-19 pandemic outbreak, tenants (apart from non-grocery and pharmacy) started to ask for rent-free periods & rent reductions. As a result, landlords considered adding multifunctionality to shopping centres to help transform them from retail properties into multifunctional social and business spaces for public and healthcare services, schools, offices, libraries, hotels and apartments.

The food and non-food discount market in Estonia is far away from being mature, although has been actively growing, evolving and expanding over the last couple of years. Due to the fact that the retail market in the country is relatively small, the notable international brands, as well as food and non-food discount chains remained traditionally rather cautious regarding their entry plans, resulting in a small number of international discount market players currently in Estonia. One of the latest notable market events was the entrance of Pepco with the opening of two stores in Tallinn shopping centres in June 2018. Since then, Pepco has continued to expand actively, increasing its number of stores in Estonia to 29 by the end of 2021. Currently the grocery retail segment in Estonia is split between 6 big local and foreign retail chains – Coop, Selver, Rimi, Prisma, Maxima and Grossi, followed by some other smaller local chains. Larger international food discount chains are not yet presented in Estonia. The opening of the first Lidl stores are expected in early 2022 (construction of the first 8 Lidl stores is being completed by October 2021). Typical minimum location requirements in Estonia include, based on Pepco, Lidl and other enquiries, city size of more than 10,000 inhabitants, premises in shopping centres and/or hyper- and supermarkets, with minimum units of 500 m² up to 1,000 m² of leasable space in bigger cities outside Tallinn and 1,000-2,200 m² in the capital.

Consumer patterns are changing – customers tend to visit shopping centres less often but visit more stores and make more purchases during their visit. E-commerce is growing exponentially with e-commerce linked payments in 2021 expected to grow by more than 20% y-o-y. All retailers admit that e-commerce solutions are and will remain vital for them, especially during the “stay-at-home economy”. Since March 2020, consumer demand for the home delivery of grocery goods simply skyrocketed. All major grocery chains provide drive-in and home delivery options. Food delivery services providers (Wolt, Bolt) has been growing rapidly over the last two years.

In September 2021, Bolt Food opened its first 3 dark stores in Tallinn and 1 store in Tartu, and continues looking for new locations. In the end of summer 2021, Wolt announced plans to open dark stores across the Baltics, including ca. 10 stores opened in Estonia by the end of the year.

Hungary Overview



Retail Property Market

Number of traditional shopping centres	62
Total traditional shopping centre stock (GLA millions m ²)	1.5
Number of convenience centres/retail parks*	62
Total convenience centres/retail parks stock (GLA millions m ²)	0.64

*all convenience centres & retail parks over 1,500 m² GLA



Food / Grocery Retailers

Total Number of Food/Grocery chains on the market*	6
Discount Food/Grocery chains on the market*	3
Discount Food/Grocery stores opened in 2020 & H1 2021	6

* average size over 700-1,000 m² GLA only



Non-Food Retailers

Number of Non-Food Discount chains on the market	3
Number of Non-Food Discount stores opened in 2020 & H1 2021	-

Shopping centre development activity had remained limited even before the pandemic in Budapest due to the “plaza stop law”, with one exception, the Etele Centre, which was completed by the end of September 2021. Due to the “plaza stop law”, the greatest increase in turnover was experienced in the prime high-street shopping areas in Budapest, until Covid-19 hit the market. Currently this market segment is slowly recovering due to the lack of tourism in Budapest compared to pre-pandemic times. Landlords of existing shopping centres are concentrating on modernising or refurbishing their projects. The main examples of these include Mom Park, Mammut, Shopmark and Eurocenter. However, there are also several major refurbishments or repositionings of smaller, regional shopping centres (Sopron Plaza, Debrecen Plaza, Zala Plaza and Szeged Pláza) in order to serve the current needs of the tenants and provide a better shopping experience to customers. Retail parks performed better during the crisis, because tenants benefitted from the more cost-efficient operation model, compared with shopping malls, and people rather visited open-air shopping parks instead of closed malls. However, the footfall in shopping centres seems to be gradually recovering to pre-pandemic levels.

Hungary has a mature discount market with multiple market players with extensive shop networks around the country. However, it is becoming increasingly difficult to separate the discount stores from the non-discount stores, because most of the original discount stores also offer premium products to their customers as well, hence they rather transformed in order to serve the wider needs of customers. Also, the non-food discount stores are widely represented across the country, mostly in retail parks concepts or in standalone units.

Hungarians still like to enter physical stores, despite the spread of the pandemic. On the other hand, they tend to take advantage of the wider options represented in online stores, which resulted to an increasing ratio of e-commerce sales from total retail sales. Currently in Hungary, the share of e-commerce ranges between 7-8% and it is constantly increasing. Pick-up points are expanding inside of shopping centres and also in busy hubs, which makes it easier for customers to use online platforms with delivery. More people use food delivery apps and other online store apps since Covid-19 pandemic outbreak.

The closures of non-essential stores and restaurants also forced people to shop more online, accelerating the rise of e-commerce. In the previous year, domestic online retail sales grew 45% year-on-year, jumping three years ahead in the development. Most of the traditional restaurants introduced home-delivery services which have been maintained even until today. Furthermore, the infrastructure of the e-commerce home delivery both on-line (availability of stores online) and offline (number of pick-up points with delivery service) increased a lot, which makes online options more abundant and more easily available for customers compared with the pre-pandemic period.

Latvia Overview



Retail Property Market

Number of traditional shopping centres	36
Total traditional shopping centre stock (GLA million m ²)	0.73
Number of convenience centres/retail parks*	-
Total convenience centres/retail parks stock (GLA million m ²)	-

*all convenience centres & retail parks over 1,500 m² GLA



Food / Grocery Retailers

Total Number of Food/Grocery chains on the market*	9
Discount Food/Grocery chains on the market*	2
Discount Food/Grocery stores opened in 2020 & H1 2021	1

* average size over 700-1,000 m² GLA only



Non-Food Retailers

Number of Non-Food Discount chains on the market	4
Number of Non-Food Discount stores opened in 2020 & H1 2021	55

There are no new projects launchings and construction starts after the pandemic outbreak in Latvia. However, several shopping centres are investing in concept changes and there might be more such investment in the future, especially in secondary shopping centres that were significantly affected by the pandemic. Long periods of limited operating conditions for the shopping centres have had negative effects on them. With market vacancy having increased to around 7%, tenants are asking for more flexibility. Rent rates for newly signed agreements are lower than 3 years ago. There have been only a few new market entries, mainly franchise based, since the start of the pandemic. In October 2021, new restrictions have been imposed by the government, meaning non-essential stores are available only to vaccinated persons on weekdays and closed during weekends along with other restrictions affecting entertainment, dining and sports activities.

There have been several attempts to enter the discount market. In the last few years, we saw some notable discount brands entering, such as FixPrice, Pepco, Mere and Lidl. For the last one, it is the second attempt at entering the Latvian market, and have opened the first 15 stores at the beginning of October. ICA Group brand Supernetto left the market and a few of their locations were taken over by the Rimi brand. Discount brands are one of the few that are also willing to expand outside of the capital.

The larger retail chains are strong traffic generators in Latvia, and it is expected that Lidl will have similar impact. Retailers usually focus on cities with more than 15,000 inhabitants, located in the regional centres. Non-food discounters choose locations in existing retail schemes, while grocery discounters prefer standalone units. Lidl typically constructs its own stores, while Mere looks for rental options.

Considering the regulations set by the government about the maximum number of people allowed in stores, consumers are more eager to shop in the larger stores. Considering the increased size of purchases, greater accessibility by car and other transportation means has become even more crucial. Delivery and e-commerce services gained more popularity during the pandemic. As discount retailers did not typically have online stores, it was harder for them to reach customers at the beginning of the pandemic. The discounters decided to adjust to the new reality and stated to offer online shopping options, however it is not common practice yet. Discount chains were one of the few that did not stop to open new locations, however, Lidl market entry was announced later than previously planned which might have been due to the pandemic.

During the last Covid-19 pandemic wave, there was sale prohibition of non-food items, therefore e-commerce was the only option for retailers to reach clients. As a result, the quality of e-commerce and click & collect services have increased significantly. Overall, several stores have opened own online platforms or started to use existing platforms. Bolt Food has opened their first dark store, which is the first such in Latvia. Wolt has announced similar plans.

Lithuania Overview



Retail Property Market

Number of traditional shopping centres	46
Total traditional shopping centre stock (GLA millions m ²)	0.9
Number of convenience centres/retail parks*	16
Total convenience centres/retail parks stock (GLA millions m ²)	0.1

*all convenience centres & retail parks over 1,500 m² GLA



Food / Grocery Retailers

Total Number of Food/Grocery chains on the market*	7
Discount Food/Grocery chains on the market*	3
Discount Food/Grocery stores opened in 2020 & H1 2021	21

* average size over 700-1,000 m² GLA only



Non-Food Retailers

Number of Non-Food Discount chains on the market	3
Number of Non-Food Discount stores opened in 2020 & H1 2021	20

Due to new restrictions implemented for shopping centres with more than 1,500 m², to only serve customers with a valid Covid-19 passport, footfall has been significantly reduced. On the other hand, smaller retail premises have increased turnover, but face challenges in managing the increased customer flow. The changes in consumer behaviour were observed, as customers tend to come to the shopping centres less often but visit more stores and make bigger purchases.

The food discount market in Lithuania started developing more significantly from 2016, when Lidl entered the market. 75.5% of the food retail market is split between the 5 biggest grocery retailers. Maxima is the biggest grocery chain with 1/3 of the market share, but it is shrinking every year while Lidl is taking up more and more market share. The non-food discount market in Lithuania is still immature, but with the ambitious plans of Pepco, it is expected to see development. Currently, the strongest traffic generator from discount chains is Lidl. Since the non-food discount market is underdeveloped, it is not generating strong traffic.

The lockdown periods significantly accelerated market changes in developing e-commerce and omni-channel retail. Aldi's plans to enter the Lithuanian market were postponed several times, but they are not giving up on the idea of entering the Lithuanian market. One of the possible entry plans is to acquire an existing grocery chain in the country.

A number of grocery chains have launched online retail platforms and as competition in e-commerce grows, so does the quality of the services being offered. During the last Covid-19 lockdown, non-food stores had to be closed once again leaving e-commerce as the only option to sell products. As a result, e-commerce growth spiked significantly at a country level. With regards to new formats and entries, "LastMile" grocery delivery platform claims that they already have dark stores in 5 major cities of Lithuania and fashion platform Zalando has entered the market

Montenegro Overview



Retail Property Market

Number of traditional shopping centres	14
Total traditional shopping centre stock (GLA million m ²)	0.11
Number of convenience centres/retail parks*	1
Total convenience centres/retail parks stock (GLA million m ²)	0.01

*all convenience centres & retail parks over 1,500 m² GLA



Food / Grocery Retailers

Total Number of Food/Grocery chains on the market*	4
Discount Food/Grocery chains on the market*	1
Discount Food/Grocery stores opened in 2020 & H1 2021	3

* average size over 700-1,000 m² GLA only



Non-Food Retailers

Number of Non-Food Discount chains on the market	2
Number of Non-Food Discount stores opened in 2020 & H1 2021	2

The food and non-food discount markets in Montenegro are in the convenience stage of maturity. Revenue had been increasing exponentially until 2020, when the whole retail market endured a sharp blow and a strong decrease in spending. However, the second half of 2020 showed signs of recovery, with revenues returning to normal in 2021. Most larger shopping centres focus on generating footfall primarily through larger supermarket and discount chains. Discount chains usually open in densely populated urban areas, or in former industrial zones with a high amount of traffic. Since Montenegro is a relatively small market, discount chains are opened more frequently in seasonal tourist destinations, mainly located in the coastal region.

Covid-19 made a strong impact on spending and shopping in Montenegro, especially between March and November 2020. While most chains reported decreases in revenue, estimates vary from company to company, with an estimated average of around 15-20%, additional research shows that this decrease might be even higher. However, due to a successful summer tourism season in 2021, most chains reported an almost full recovery in revenue, along with a global increase in prices. While most new stores were planned before the impact of Covid-19 pandemic, several new stores across the country completed construction and were opened in 2020, as well as in 2021. While most chains show an interest in further expansion, research estimates that further expansion might be slower in 2022.

While the majority of food and non-food chains do not offer delivery services to customers, several platforms for delivery have been established in 2020. With the introduction of Glovo, an online platform focused mainly on fast-food and restaurant food delivery, some market chains have integrated website support for the purchase of goods, with the Glovo platform dedicated to delivery.

Poland Overview



Retail Property Market

Number of traditional shopping centres	420
Total traditional shopping centre stock (GLA millions m ²)	10.3
Number of convenience centres/retail parks*	744
Total convenience centres/retail parks stock (GLA millions m ²)	3.57

*all convenience centres & retail parks over 1,500 m² GLA



Food / Grocery Retailers

Total Number of Food/Grocery chains on the market*	17
Discount Food/Grocery chains on the market*	6
Discount Food/Grocery stores opened in 2020 & H1 2021	480

* average size over 700-1,000 m² GLA only



Non-Food Retailers

Number of Non-Food Discount chains on the market	5
Number of Non-Food Discount stores opened in 2020 & H1 2021	200

There are over 12 million m² GLA of shopping centres in Poland and the market is mature and competitive. Currently, the most rapidly developing facilities are small convenience retail parks and shopping centres in cities under 100,000 inhabitants. The market is still struggling with the consequences of Covid-19, however a gentle revival can be observed. The number of visitors, as well as turnovers in shopping centres, are slowly returning to the levels from 2019.

With over 4,600 stores, the food discount market in Poland is saturated and of good quality. There are 4 main operators on the market: Biedronka (Jerónimo Martins), Netto, Lidl and Aldi. The rapid growth in new food discounters in 2020 and H1 2021 is connected with the takeover of over 300 Tesco stores by Netto (Salling). On the other hand, the non-food discount market is attracting consumers and developing dynamically due to the activity of both new players (Dealz, Action, TeDi) as well as operators already present in Poland such as Pepco and , KIK. Food discounters are very strong traffic generators in Poland due to the "smart shopping" attitude of consumers. In the past, food discounters expanded on the basis of their own developments and standardised requirements. Currently, they are ready to lease space in shopping centres, retail parks, high streets and convenience centres. Non-food discounters are also looking for units for rent in various types of locations. Non-food discounters are now taking into consideration cities of over 10,000 inhabitants, while food discounters are appearing in smaller towns as well.

Since the pandemic, people act more locally when compared to previous shopping habits. As a result, Poles prefer shopping in nearby neighbourhoods as well as to buying online. The post-pandemic reality has shifted customers' preferences from large shopping centres to local stores and retail parks. In addition, the share of e-commerce shopping in the total retail sales grew. Interestingly, despite the challenges, the gastronomy sector is still frequently visited and new concepts are growing all over Poland. The pandemic did not accelerate the expansion of food discounters in Poland, which have been present in the country since the 90's. Currently, the Polish market is close to saturation. However, Covid-19 has significantly accelerated the expansion of non-food discounters in terms of volume and pace of development.

Covid-19 has also sped up e-commerce growth in Poland, who's share in total sales has risen by 3.1 p.p., from 5% before pandemic to 8.1% in H1 2021. New forms of delivery have been developed, for example retail platforms, couriers, parcel lockers etc. "Dark stores" are a new phenomenon on the Polish market. A number of retailers opened new dark stores, including Carrefour, Lisek, Jokr, Swyft, Glovo, Bolt, Wolt as well as Żabka and Gorillas, which are in the early stage of expansion.



Photo: EDS Retail Park Reda

Expert opinion

“The growing popularity of discounts stores had become a trend before the Covid-19 pandemic. But the current economic situation and rising inflation strengthen the trend and customers are even more price sensitive than before. This is an opportunity for discounters to develop their chains dynamically.

The market for food-oriented discounters shows a saturation. The supply of suitable space, especially in residential areas in big cities, currently in demand, is limited, which forces key players like Biedronka and Lidl to be flexible and to fit their schemes into available units. The acquisition of the Tesco stores by discounter Netto will provide the market with 150 stores converted to the Netto 3.0 concept by the end of the year.

The non-food oriented discounters with a wide, flexible offer, at very attractive prices, gain more and more recognition among customers. The rapid growth of chains like Tedi, Pepco, Dealz, Action and KiK is possible due to the supply of modern space in small retail schemes like retail parks and neighbourhood centres located conveniently for the customers.”

Magdalena Chruściel
Associate Director, Retail Agency, Poland, Colliers



Romania Overview



Retail Property Market

Number of traditional shopping centres	91
Total traditional shopping centre stock (GLA million m ²)	2.78
Number of convenience centres/retail parks*	73
Total convenience centres/retail parks stock (GLA million m ²)	1.28

*all convenience centres & retail parks over 1,500 m² GLA



Food / Grocery Retailers

Total Number of Food/Grocery chains on the market*	10
Discount Food/Grocery chains on the market*	4
Discount Food/Grocery stores opened in 2020 & H1 2021	82

* average size over 700-1,000 m² GLA only



Non-Food Retailers

Number of Non-Food Discount chains on the market	5
Number of Non-Food Discount stores opened in 2020 & H1 2021	-

Up until the explosion of consumer prices, the Romanian labour market had been in solid shape, with limited job losses post-pandemic and wage growth still in the black in the private sector. This has helped the retail sector as a whole to more than recover its pre-pandemic levels. In fact, retail sales are over 10% higher than pre-crisis levels, albeit with a somewhat changed consumer basket. What we noticed for Romania is that pre-pandemic trends not only held in place but were rather accelerated by the new context: aggressive retailer expansion (particularly to medium and small sized cities), exploring new formats to mix with online trade, looking for retail park developments, rather than big dominant shopping centres. As a more recent macro development, real wage growth (i.e. CPI adjusted) has moved into negative numbers, which may influence consumption expenditures.

As with much of the economy, the discounters' market is still in an emerging phase, with existing retailers expanding aggressively to capture more of the market share, particularly in areas of the country, or cities, not covered by modern retail schemes. In wide areas of the country, where a lot more of the population have much lower relative incomes, discount chains are strong anchors, seeing a lot more traffic.

Since the market is far from reaching its peak, there are still a wide array of formats sought after by discount chains, from bigger shopping centres to smaller retail parks and fairly central locations to simply targeting proximity to densely populated areas. At first, discounters, like most retailers, targeted the bigger cities, of over 250,000 inhabitants, but as the competition there heated up, they started realizing that medium and smaller cities could possibly deliver similar, if not better results given that fewer discounters were present there. Consequently, the last few years have seen a lot more appetite from discounters to seek all parts of the country, not just the big economic hubs.

Covid-19 has changed shopping patterns in Romania in two ways – on the one hand, the e-commerce scene (for both food and non-food items) has exploded, with many traditional brick-and-mortar retailers seeking to capture a piece of the action and on the other, spending patterns have shifted from items like clothing to DIY and white goods. There are also some signs that discounters have overperformed in terms of sales in 2020. There are no signs that discounters have accelerated their expansion plans due to the Covid-19 pandemic, as they were already growing quite fast to begin with. 2020 was the second-best year in terms of openings, just shy of 2019's brisk pace.

E-commerce has been expanding at some 4-5x faster than overall retail sales in recent years and this trend has only been strengthened in the last year and half, when some people preferred to limit their exposure to any Covid-19 risks. This has not particularly accelerated in 2020, as overall non-food sales grew by some 6.8%, with e-sales expanding in excess of 30%. Currently, we estimate that some 12% of non-food retail sales are done via e-commerce, while the share of food products is likely much smaller. On the other hand, there is a limited presence of dark stores present on the market, but based on media statements, there are intentions to expand this segment, as the major FMCG chains look to expand their e-sales business.



Expert opinion

“The Covid-19 pandemic kicked past trends that were already present on the Romanian retail scene, into a higher gear. For instance, we have noticed huge flexibility coming from food discount retailers to develop a range of formats that allowed them to enter any desired location, from large, medium, express or “to go” concepts and even stores open 24/7 in some specific cases. While traditionally, food discount chains were opening independent units with dedicated parking area and shopping malls were excluded from their strategy, in recent years we saw all operators looking to adapt and come closer to their customers. Even chains like Kaufland and Lidl are opening their shops in malls.

Another trend already present before 2020 was the shift towards retail parks. Such developments accelerated a lot in this period as these schemes managed to keep their customer flow and good level of sales for both food and non-food retailers. Therefore, the appetite for these types of projects is still high and there would be no surprise to see even 2 or 3 food concepts joining together in the same location.

E-commerce has accelerated during the COVID-19 period and even food discounters started to look for solutions in this difficult period to expand their online presence. We saw food discount retailers offering the “click and collect” option for specific products in their stores, or others closing different partnerships with existing online platform operators. Retailers from complementary segments have joined their efforts and resources to come up with combined offers and discount packages, using the same IT and logistic infrastructure.”

Liana Dumitru
Associate Director, Retail Agency, Romania, Colliers



Slovakia Overview



Retail Property Market

Number of traditional shopping centres	60
Total traditional shopping centre stock (GLA millions m ²)	1.24
Number of convenience centres/retail parks*	74
Total convenience centres/retail parks stock (GLA millions m ²)	0.55

*all convenience centres & retail parks over 1,500 m² GLA



Food / Grocery Retailers

Total Number of Food/Grocery chains on the market*	9
Discount Food/Grocery chains on the market*	1
Discount Food/Grocery stores opened in 2020 & H1 2021	-

* average size over 700-1,000 m² GLA only



Non-Food Retailers

Number of Non-Food Discount chains on the market	5
Number of Non-Food Discount stores opened in 2020 & H1 2021	-

The retail sector in Slovakia and Bratislava continues to face challenges. Retailers are aiming to increase their turnovers, however, compared to the other CEE countries, some of the tenants are still struggling to cover the costs. Existing traditional shopping centres are yet to recover from the big hit caused by continuous lockdowns. After continuously postponed openings, a new major shopping centre, NIVY, with a GLA of 70,000 m² opened in Bratislava. Another pipeline project currently under construction and waiting to be delivered in 2022, is the extension of the Eurovea shopping centre. Retail parks, on the other hand, were hit the least during the pandemic and continue to generate major investor interest.

The food and non-food discount markets in Slovakia are pretty mature. Discount markets also seem to have been more resistant to the pandemic restrictions. In the food segment, Lidl plays a dominant role with most of the schemes being present in retail parks. A limited number of market entries, in terms of new brands, are expected. Given the fact that most operators are present in retail parks, which were mostly opened during the pandemic, the traffic has been huge. Smaller sized food discount chains like Lidl are able to expand to cities with 10,000 inhabitants and a 100,000 catchment area. Additional retail tenants are also expected in such locations. Food discounters like to see at least a pharmacy, drug store and some additional non- food tenants.

Public concerns shifted customers to modify their shopping habits and decrease their visits to the shopping areas, with an increasing proportion of buyers preferring to shop online. A high importance is being placed on safety measures, including health precautions and hygiene. The operators are more aggressive in their expansion plans and are starting to consider areas which had not previously been on their radar.

In 2020, the Slovak e-commerce market increased by 32% y-o-y. Market expansion is expected to continue with a CAGR of 6% between 2021-2024. Fashion is the largest e-commerce segment accounting for around 34%, followed by electronics & media (29%); toys, hobby & DIY (18%); food & personal care (10%); and furniture & appliances (9%).

Ukraine Overview



Retail Property Market*

Number of traditional shopping centres	101
Total traditional shopping centre stock (GLA million m ²)	2.8
Number of convenience centres/retail parks**	-
Total convenience centres/retail parks stock (GLA million m ²)	-

* Kiev, Lviv, Dnipro, Kharkov, Odessa only

** all convenience centres & retail parks over 1,500 m² GLA

The Ukrainian retail market is recovering after the pandemic outbreak, responding to improving purchasing power and public sentiment. In an increasingly competitive environment, shopping malls are introducing modern concepts and innovations, paying close attention to all facilities and entertainment in order to enable visitors to shop and spend time as conveniently and as comfortably as possible. Among the trends, omnichannel retailing is becoming one of the areas that supports the life of businesses, including in times of crisis. Shopping centres transform and develop their facilities as places of socialization, pastime, and not just shopping. More attention is paid to public areas, creating a comfortable atmosphere, in order to keep the visitor in the scheme for a longer time. The growing new competition force existing shopping centres to redevelop and modernise their facilities.



Food / Grocery Retailers

Total Number of Food/Grocery chains on the market*	18
Discount Food/Grocery chains on the market*	4
Discount Food/Grocery stores opened in 2020 & H1 2021	142**

* average size over 700-1,000 m² GLA only

** including local operators

Ukraine has a fairly mature food and non-food discount market. It is saturated mostly with local operators. The international brands operate mostly in the capital and in cities with a population of over 1 million. Considering the fact that the rest of Ukrainian cities have a lower level of income, the Ukrainian market is highly suitable for discount retailers. As a result, in July 2021, the Emerging Europe Growth Fund bought a minority stake of non-food discount chain Avrora in order to continue its development. Food and non-food discount chains open mostly in regional and smaller cities, close to the target audience is. However, the criteria depends on the format of the specific chain and the location. The largest food chain ATB, both in terms of turnover and number of stores, plans to open stores in densely populated areas in order to cover all districts.



Non-Food Retailers

Number of Non-Food Discount chains on the market	5
Number of Non-Food Discount stores opened in 2020 & H1 2021	36**

** including local operators

The pandemic has accelerated the digitalisation of all processes, as well as the extreme development of e-commerce. According to a survey made by Colliers Ukraine in May 2021, online sales cover a higher percentage of operating costs than in the Spring quarantine of 2020. Also, a number of operators expanded their product line and made a bet on impulse purchases, taking into account the growing demand for certain groups of goods during the quarantine period. Shopping centres have become even more digitalised and continue to communicate with visitors through various applications, raffles, bloggers and stylists. Moreover, malls are transforming their facilities and integrating different work models. As an example, due to the rapid growth of online sales, TSUM Kyiv has opened a click&collect station, which is a transit zone between online and offline shopping. Covid-19 pandemic did not accelerate the development of food and non-food discount chains, as each chain follows its own development plan. However, the vacant premises which appeared after Covid-19 outbreak helped some chains to move to locations which were previously inaccessible to them.

The pandemic and various restrictions have accelerated e-commerce and the delivery of food and non-food products. Food and non-food retailers continue to evolve their own delivery services since it supports the viability of businesses, including in times of crisis. Moreover, there are a number on food chains, operating only online. For the past few years, the market of delivery services grew significantly, such as Glovo and Rocket for example. There are also new players who are introducing the trend of working only online, without any physical presence i.e "dark stores". This trend continued to rise actively during the pandemic due to the unwillingness to have a physical contact with other people and the convenient and safe way of shopping.

Contacts

CEE



Monika Rajska-Wolińska, MBA, MRICS
Chief Executive Officer | CEE
EMEA Board Member
Phone +48 668 139 759
monika.ajska@colliers.com



Kevin Turpin
Regional Director, Research
& Consultancy Services | CEE
Phone +420 606 725 032
kevin.turpin@colliers.com

Albania



Stela Dhami
Managing Director
Phone +35 542 400 471
stela.dhami@colliers.com

Belarus



Denis Chetverikov
Partner | Managing Director,
Consultancy and Valuation
Phone +375 172 569 569
denis.chetverikov@colliers.com

Bulgaria



Dimitrinka Rakovska
Manager Retail Services
Phone +359 896 777 683
dimitrinka.rakovska@colliers.com

Croatia, Bosnia and Herzegovina, Slovenia



Nuccia Basanić
Senior Consultant,
Commercial Real Estate Advisory
and Agency Services
Phone +385 95 593 0136
nuccia.basanic@colliers.com

Czech Republic



Tewfik Sabongui
Managing Partner
Phone +420 777 150 669
tewfik.sabongui@colliers.com

Estonia



Avo Rõõmussaar
Partner | Managing Director
Phone +372 6160 777
avo.roomussaar@colliers.com

Hungary



Tim Hulzebos
Managing Director
Phone +36 30 986 6093
tim.hulzebos@colliers.com

Latvia



Deniss Kairans
Partner | Managing Director
Phone +371 67 783 333
deniss.kairans@colliers.com

Lithuania



Ramune Askiniene
Director | Partner
Phone +370 5 2491212
ramune.askiniene@colliers.com

Montenegro



Nikola Kostić
Manager | Commercial Agency
Phone +38 269 388 813
nikola.kostic@colliers.com

Poland



Marta Machus-Burek
Senior Partner | Director
Strategic Advisory | Retail Agency
Phone +48 691 711 235
marta.machus-burek@colliers.com

Romania



Laurentiu Lazar
Managing Partner & Head
of Investment
Phone +40 21 319 77 77
laurentiu.lazar@colliers.com

Slovakia



Richard Urvay
Managing Director
Phone +421 2 59 980 980
richard.urvay@colliers.com

Ukraine



Alexander Nosachenko
Managing Director
Phone +38 0 672 301 777
alexander.nosachenko@colliers.com

At Colliers, we are enterprising.



We maximize the potential of property to accelerate the success of our clients and our people.

Our expert advice to property occupiers, owners and investors leads the industry into the future. We invest in relationships to create enduring value. What sets us apart is not what we do, but how we do it. Our people are passionate, take personal responsibility and always do what's right for our clients, people and communities. We attract and develop industry leaders, empowering them to think and act differently to drive exceptional results. What's more, our global reach maximizes the potential of property, wherever our clients do business.



Corporate Finance



PropTech



Flex Office



Design and Build



Workplace Innovation



Building Consultancy



Investment Services



Industrial and Logistic Agency



Land Agency



Office Agency
Landlord Representation



Office Agency
Tenant Representation



Property
Marketing



Real Estate
Management Services



Retail Agency



Valuation



Research

ExCEEding Borders

Alive & Kicking

CEE-16 on the radar of discounters

CEE | December 2021

About Colliers

Colliers (NASDAQ, TSX: CIG) is a leading diversified professional services and investment management company. With operations in 65 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to real estate occupiers, owners, and investors. For more than 26 years, our experienced leadership with significant insider ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of \$3.6 billion (\$4.0 billion including affiliates) and \$46 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people. Learn more at corporate.colliers.com, Twitter @Colliers or LinkedIn.

Legal Disclaimer

This document gives information based primarily on Colliers data, which may be helpful in anticipating trends in the property sector. However, no warranty is given as to the accuracy of, and no liability for negligence is accepted in relation to, the forecasts, figures or conclusions contained in this document and they must not be relied on for investment or any other purposes. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted market activity in many sectors, creating an unprecedented set of circumstances on which to base a judgement. This document does not constitute and must not be treated as investment or valuation advice or an offer to buy or sell property. Given the unknown future impact that COVID-19 might have on real estate market supply, demand and pricing variables, we recommend that you recognise that our research and analysis is far more prone to market uncertainty, despite our endeavours to maintain our robust and objective reporting. This publication is the copyrighted property of Colliers Poland sp. z o.o. and/or its licensor(s).

©2021. All rights reserved. Colliers Poland sp. z o.o.



Pl. Piłsudskiego 3
Warsaw 00-078
Poland

colliers.com

