

Adaptive Spaces

# Key Trends Driving CEE Retail

REPORT

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CEE

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# Introduction

Despite unprecedented turbulence and challenges, the CEE retail market continued to show resilience.

Current margins are affected due to high inflation and service charges, while a lack of staff and high interest rates are also challenges for the retail market.

In May 2023, we did the first survey of its kind among retailers in the CEE region. The aim was to identify their plans and expectations and their possible impacts on the retail sector. On the following pages, this report introduces six key trends that emerged from the survey.

Omnichannel is no longer just an option but a necessity, and retailers are highlighting the need to invest in software and diversify the source of merchandise, emphasising ESG.

Despite the challenges, including e-commerce and recent covid restrictions, retailers continue to expand, focusing on regional shopping centres, high streets and retail parks. However, the current sentiment among retail occupiers and KPIs for major retail indicators vary significantly across CEE countries.





# Six key trends driving CEE Retail:

## #01 Total sales are mostly at or above 2019 levels

63% of the respondents of CBRE's CEE Retailers' survey reported their total sales at or above the pre-pandemic level. However, the main driver of growth was inflation. 62% of the retailers increased their overall prices by at least 10%.

## #02 Footfall remains low on average

More than half the retailers in CBRE's CEE Retailers' survey reported that current footfall is below pre-pandemic levels; only 22% of the respondents quoted footfall to be above pre-pandemic levels.

## #03 Inflation and reduced purchasing power as the main concern

Rapidly rising wage costs, rents and reduced purchasing power are the biggest concerns amongst retailers. At the same time, retailers are targeting higher process efficiency and supply stabilisation- 45% of the retailers plan to invest in software solutions.

Source: CEE Retailers' survey, 2023





## #04 Retailers believe in brick and mortar stores

Retailers participating in CBRE's CEE Retailers' survey see brick and mortar stores as more effective than online. Half the retailers in CEE want to expand further, but more than 60% of the respondents want to reflect market adjustments in their leases.

## #05 Regional shopping centres remain the focus for occupiers

More than half the retailers within CBRE CEE Retailers' survey would like to locate new physical stores in regional shopping centres, followed by city centre high streets and retail parks.

## #06 Focus on sustainability

According to CBRE's CEE Retailers' survey, 22% of the retailers confirmed they would like to focus more on sustainability. Reducing the amount of non-recyclable packaging materials and reducing water consumption were the most common steps taken so far by retailers.

Source: CEE Retailers' survey, 2023



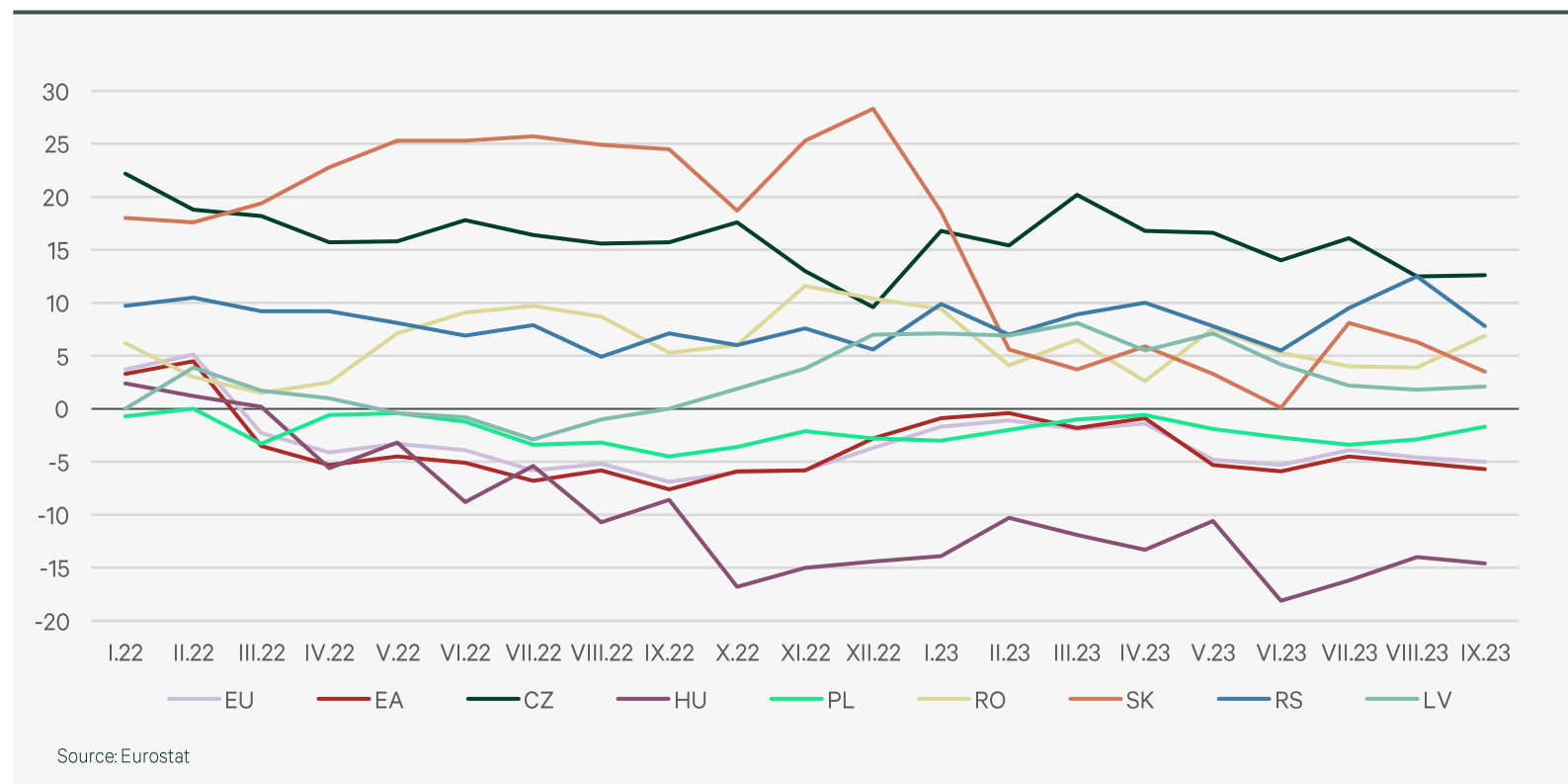
# Current retail occupiers' sentiment varies

The current retail occupiers' sentiment varies significantly across CEE countries and we see huge discrepancies amongst countries.

The confidence indicator is a statistical indicator released by Eurostat based on the results from business surveys questioning enterprises on their current economic situation and their expectations about future developments. The confidence indicator is calculated as the simple arithmetic average of the (seasonally adjusted) balances of positive and negative answers to specific questions.

According to the September Retail confidence indicator, those most positive about the future outlook were retail businesses in the Czech Republic, Republic of Serbia, Romania and Latvia, while Hungary was on the other side of the spectrum.

Graph: Retail confidence indicator



# CEE Retail in figures:

## Retail KPIs

As of H1 2023, the consumer confidence index stood close to 100 in all countries. A view below 100 indicates a pessimistic attitude towards future developments in the economy, possibly resulting in a tendency to save more and consume less. On the other hand, a view above 100 shows optimism amongs customers, possibly resulting in higher retail spending.

E-commerce, still an important component of retail, which accelerated intensely during the pandemic, is expected to slow its pace. Tenants will still focus on omnichannel and the synergy of the channels - there is a need for new, technically advanced solutions in shops to enhance a positive customer experience and attract both younger and older generations.

Table: CEE Retail KPIs

	Baltics	Czech Rep.	Hungary	Poland	Romania	SEE/Serbia	Slovakia
Consumer confidence indicator	97	98	99	101	n/a	n/a	100
Purchasing power per inhabitant (EUR)	13,270	12,970	8,750	9,250	8,017	4,750	9,310
Volume of total sales (EUR M)	36,860	44,280	37,020	164,040	43,210	14,614	20,270
Volume of online sales (EUR M)	4,180	7,760	2,960	24,860	4,209	928	2,310
E-commerce penetration 2023	13.5%	17.5%	8.0%	15.2%	9.6%	6.7%	11.4%
E-commerce penetration forecast in 2026	15.1%	19.4%	10.6%	17.8%	12.2%	9.9%	13.6%
Retail density (GLA/'000 inhabitant)	471	384	230	298	214	162	417
3 new entries in 2020-2022	Domino's Pizza, Burger King, Under Armor	Chanel, Versace, Primark	RealMe, TEDi, JD Sports	Primark, JD Sports, DM Drogerie	Primark, TEDi, JD Sports	Colin's, Peek & Cloppenburg, Pepco	Primark, Oysho, ZARA Home

Source: CBRE House View, Oxford Economics, OECD, Euromonitor, GfK, Eurostat, data as of H1 2023

# CEE Retail in figures: Shopping centres in CEE

## Shopping centres in Central and Eastern Europe

Shopping centres are still the core assets for retailers willing to expand their retail chains. Even though the shopping centre stock is stabilised in most of the countries and expansions and new developments are now limited, owners of shopping centres are constantly taking care about their properties for the purpose of their attractiveness, as brick-and-mortar is still considered as more effective compared to online according to retailers.

Total retail shopping centre stock in CEE

25 million sq m

Average retail shopping centre rent in CEE capital cities

20–45 Euro

Table: Shopping centres Figures

	Baltics	Czech Rep.	Hungary	Poland	Romania	SEE 4	Slovakia
SHOPPING CENTRES							
Total stock (sq m)	2.8 m	2.5 m	1.4 m	10.6 m	2.5 m	3.5 m	1.6 m
No. of shopping centres (#)	139	108	57	466	77	156	90
Shopping centre density (sq m/ '000 capita)	453	234	146	275	135	184	286
New supply in H1 2023 (sq m)	0	0	0	69,250	0	0	25,000
Under construction (sq m)	32,000	6,300	0	93,990	135,400	0	0
Prime rents in capital (EUR/ sq m/ m)	48-55	135	90	100	75	40-60	67
Average rents in capital (EUR/ sq m/ m)	15-25	45-60	30-50	35-50	20-45	26-29	25
Average lease terms (years)	3-10	4-5	3-5	3-10	5-10	3-10	5
Prime yields	7.50%-7.75%	6.35%	6.75%	6.50%	7.50%	7.75-8.25%	6.50%

Source: CBRE Research, data as of H1 2023; SEE 4 = combined data for Serbia, Croatia, Slovenia and Bulgaria

# CEE Retail in figures: Retail parks in CEE

## Retail parks in Central and Eastern Europe

The resilience of retail parks as an asset class was underlined during the pandemic, and its attractiveness to occupiers and investors continues. Retail parks in CEE continue to deliver a strong occupational performance. Even if inflation continues to apply pressure to consumers’ disposable income, a decline in consumer spending is not expected to impact all occupiers equally, and many product categories present in retail parks are well positioned to overcome the economic headwinds.

Total retail park stock in CEE

7.7 million sq m

Average retail park  
rent in CEE capital cities

8 – 13 Euro

Table: Retail Parks

	Baltics	Czech Rep.	Hungary	Poland	Romania	SEE 4	Slovakia
RETAIL PARKS							
Total stock (sq m)	322,4 k	1.38 m	760 k	1.50 m	1.66 m	1.493 m	553,5 k
No. of retail parks (#)	10	120	77	172	116	148	64
Retail park density (sq m/ '000 capita)	53	127	79	26	76	74	96
New supply in H1 2023 (sq m)	15 100	15 000	0	93 200	69 300	158,700	5,000
Under construction (sq m)	54 000	68 000	16000	298 100	264 500	113,000	42,705
Prime rents (EUR/ sq m/ m)	12	17	16	18	14	15	14
Average rents (EUR/ sq m/ m)	8	9-13	7-12	9-12	12	8 to 12	9
Average lease terms (years)	10	5	5+5	5+5	5+5	5+5	5
Prime yields	7,50%	6,35%	7,25%	7,50%	7,50%	8% - 8.50%	6.75%

Source: CBRE Research, data as of H1 2023; SEE 4 = combined data for Serbia, Croatia, Slovenia and Bulgaria



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