



Polish Market Insights:

The Strong Impact of E-commerce on the Real Estate Market



Introduction

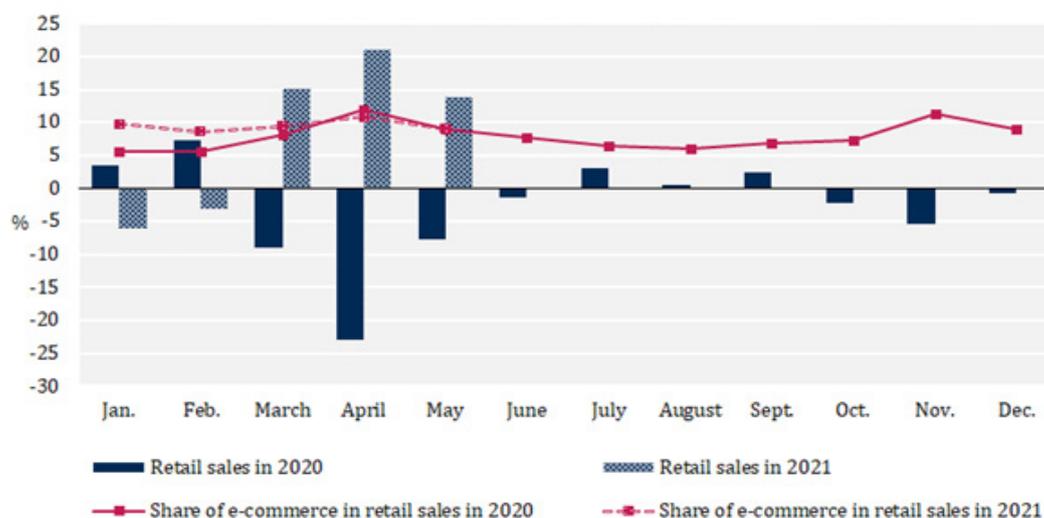
Global Rise in E-Commerce

China will be the first country in which the majority of retail sales will come from e-commerce. The forecast from global market research company eMarketer is that e-commerce in China will reach 52% of total retail sales this year, an impressive increase from 44.8% in 2020 and 1% in 2008. In second place is South Korea at 28.9%.

In Europe, the United Kingdom will lead the way this year at 28.3% compared to the expected average for Western Europe of 12.8%. In Poland, internet sales are likely to exceed 10% this year up from 5.6% in the pre-pandemic months. Already internet sales in Poland increased during the hard lockdowns in April and November last year, and January and April this year have exceeded 10%.

At the same time, total retail sales in Poland are falling, having shrunk by 3.1% in 2020. Last year, all retail categories recorded decreased except for sales of furniture and electronics which perhaps unsurprisingly increased by 4.7% year on year. The largest drop of 15.9% was recorded by fashion, and footwear sectors and food, beverages and cigarettes dropped by 1.9%.

Retail sales growth and share of e-commerce in retail sales in Poland



Polish Properties (based on figures from the Central Statistical Office).



Further increases in e-commerce are expected not only because of the pandemic which forced consumers to shop online but because of Poland's high percentage of household access to the internet. In 2020 it stood at 90.4%, an increase from 84.2% in 2018. Also, since 2020 there has been a large increase in the number of internet card transactions. In the 1st quarter of 2021, forty million card transactions were recorded, 22% and 62% more than in the corresponding periods of 2020 and 2019 respectively.

Impacts on the Real Estate Market

The rise of e-commerce at the expense of shopping centres has led to an increasing demand for warehousing space. We are observing an unprecedented increase in the volume of investment transactions in respect of warehouse properties with yields now on a par with those in respect of prime offices in Warsaw.

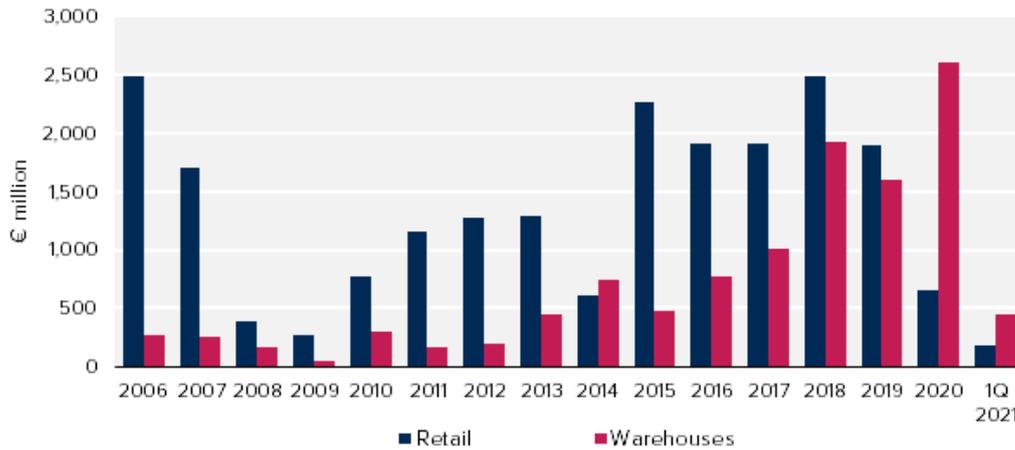
Thus in 2020, warehouse transactions amounted to 50% of all real estate investment sales, up from 21% recorded in 2019. On the other hand, the percentage share of retail property transactions with respect to total investment volume decreased from 54% in 2015 to 12% in 2020. The value of warehouse investment transactions in 2020 was over € 2.6 billion, 39% more than 2019 and the highest on record in the retail sector.

Warehouse properties are likely to be the most sought after investment products in Poland in the near future. In the first quarter of 2021, warehouse property transactions constituted 34% of the total investment volumes compared to retail property sales at only 15%.





Volume of warehouse and retail property investment in Poland (million €)



Polish Properties.

Moreover, since the outbreak of the pandemic, most retail property sales were of small retail parks and convenience shopping centres in tertiary towns, or properties least vulnerable to competition from online sales. There has been a noticeable lack of transactions on large shopping centres in the major cities, with falling rental income and yields perceived at 25 to 50 basis points above pre-pandemic levels.

On the other hand, yields in respect of prime big box warehouse and logistic properties are now at below 6% and falling. Furthermore, “built to suit” warehouse properties with long-term lease agreements are being transacted at yields of below 5% as demonstrated by a transaction from the beginning of the year of a 101 000 m² Castorama warehouse in central Poland which was sold at a reported € 65.5 million, representing an initial yield of 4.95%.

Conclusion

The pandemic continues to significantly alter demand in the real estate market, especially for warehouses and retail properties, at both the local and international level.

Services:

- Valuation
- Market research
- Development feasibility studies
- Expert witness

Contact:

ul. Nowogrodzka 50
00-695 Warsaw, Poland
+48 22 501 96 95