Research

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Retail parks and convenience centres in Poland

5th edition

TREI

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Introduction

The retail park and convenience centre sector in Poland is experiencing significant momentum in its development. These types of properties have become the primary format for new retail real estate expansion across the country, with the annual new supply of retail parks now at levels close to those of shopping centres some ten years before.

We are pleased to present the fifth edition of the 'Retail parks and convenience centres in Poland' publication. Our report provides a detailed analysis of the evolution and trends within the retail market, focusing on the customers, changes in development approach, and shifts in tenant mix structures within these retail properties.

This report is the result of thorough research and meticulous analysis, which ensures its credibility and allows it to be a valuable resource for industry professionals, investors, and decision-makers looking to leverage the abundant opportunities within this sector, as well as for parties still considering expansion within this format.

Mateusz Polkowski
JLL

Jacek Wesołowski
Trei Real Estate Poland

Paweł Gołuchowski
Trei Real Estate Poland

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Vendo Park, Konin

An improving economic outlook is elevating the market sentiment of occupiers, landlords and investors

The Polish economic landscape continues to improve, and forecasts for the upcoming years state that Poland will sustain notably higher growth in GDP and retail sales, which will, in turn, help the country close the gap with euro-area countries.

Poland's economy: A beacon in Central Eastern Europe (CEE)

Poland's economy has shown remarkable resilience in the face of recent downturns and has solidified its position as one of the most buoyant markets in the region.

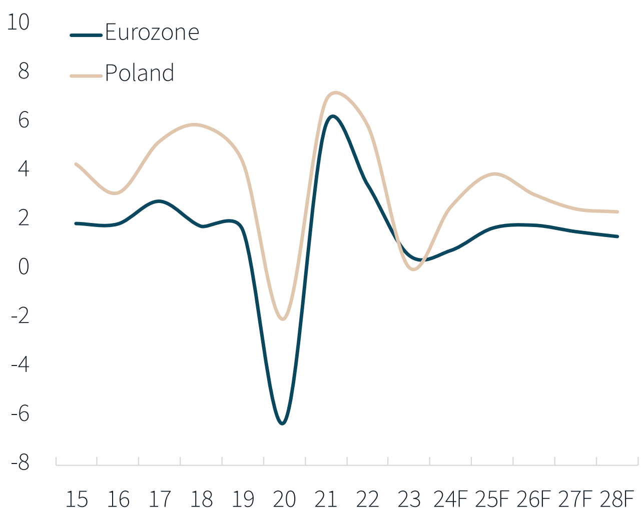
In 2021, after years of continuous development, the country experienced its first and only period of negative growth in its modern history, underlining its stability and resilience. Despite the challenging environment, the market is displaying signs of recovery, with decreasing inflation trends, albeit with some lingering upside risks. Oxford Economics estimates that the average consumer price index in Poland will be 3.9% in 2024 and is projected to decrease to 3.3% in 2026.

The gradual improvement in economic growth rates is expected to bolster overall market sentiment. Although 2024 forecasts are slightly positive for most European markets, with annual growth not expected to exceed 1%, predictions for 2025 are much stronger. Poland is anticipated to outpace other European economies, with a GDP growth rate of 2.5% in 2024 and 3.9% in 2025, based on an Oxford Economics forecast.

This upturn in market sentiment is mirrored in the rebound in retail sales volume. While the Eurozone is projected to exhibit a cumulative three-year growth of 6%, Poland is expected to surpass established European economies with an impressive 9.5% growth during the same period, which highlights its potential in the retail sector.

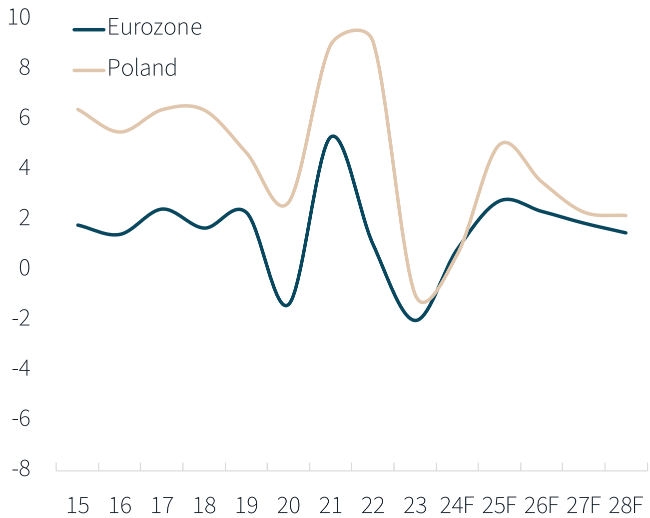
GDP growth, (year-on-year, %)

The forecast for 3-year cumulative GDP growth in Poland is expected to outperform the Eurozone



Retail sales volume, (year-on-year, %)

The forecast for 3-year cumulative retail sales volume growth in Poland to outperform the Eurozone



Source: JLL Research; Oxford Economics - June 2024

Large potential of the Polish market

Population
37.8 million

Unemployment rate
5.0%

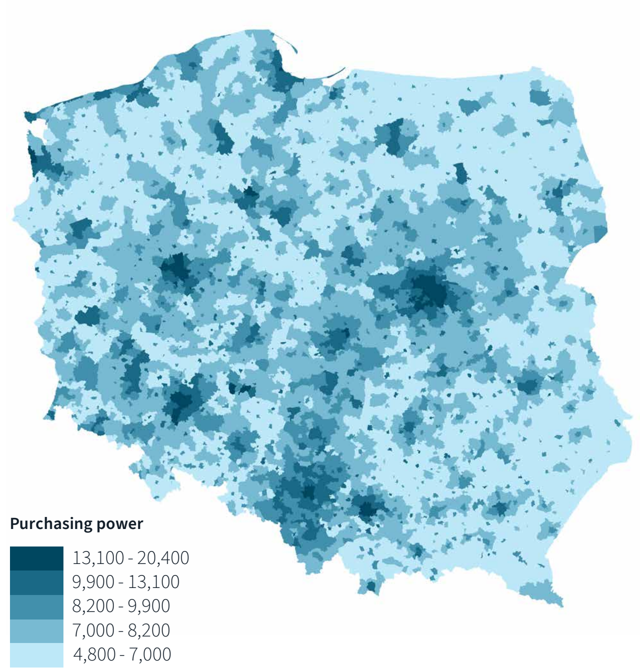
Purchasing power (per annum/ per capita)
€9,808

Average monthly salary
€1,900

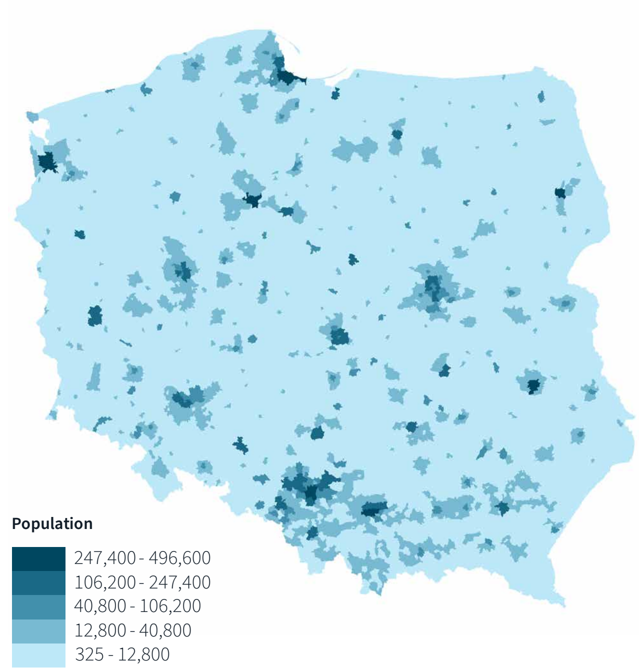
Poland is recognised as the fifth largest country in the European Union in terms of population. With over 10 million out of 37.8 million inhabitants residing within the eight largest agglomerations, namely Warsaw, Silesia, Kraków, Tri-city, Łódź, Poznań, Wrocław, and Szczecin, the country showcases a concentration of urban centres. However, Poland's geography is distinguished by the presence of numerous medium-sized and small municipalities spread throughout the country, with approx. 15.5 million Polish citizens residing in cities of 20,000 - 200,000 inhabitants.

While major agglomerations, as a rule, demonstrate above-average purchasing power, Poland encompasses numerous smaller and equally prosperous regions.

Purchasing power by local government units (gminy) in Poland:



Population density by local government units (gminy) in Poland:



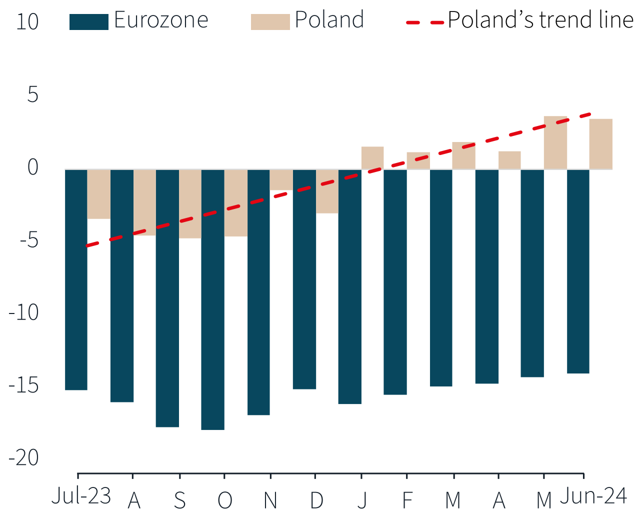
Source: JLL Research; MBR 2023; Statistics Poland - June 2024

Trends and forecasts for retail sector

Consumer market sentiment

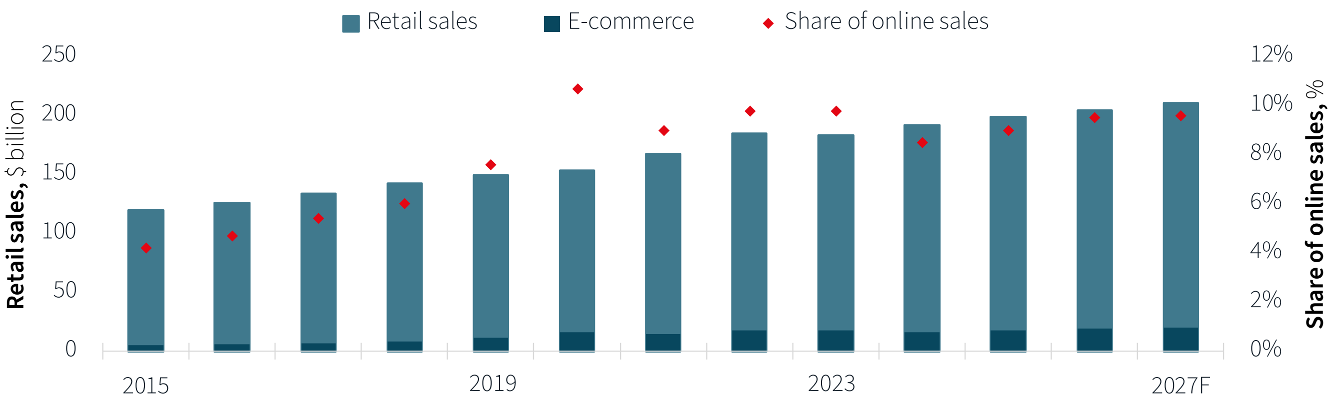
The Consumer Confidence Index for Poland shows positive momentum, with a score of 3.5, compared to minus 14 for the Eurozone (values above 0 reflect positive sentiment). This indicates a high level of positive sentiment among Polish consumers, signifying a strong and rapid recovery of Poland's retail sector.

Consumer Confidence Index



Source: JLL Research; Eurostat

Retail sales and share of e-commerce (billion US dollars)



Source: JLL Research; Oxford Economics; Statistics Poland

Retail sales

The retail market in Poland has experienced steady growth, with total sales amounting to 183 billion dollars in 2023. Over the past decade, the sales has shown a cumulative increase of around 70%, with an average annual growth rate of approx. 4.5% in the last five years.

In recent years, the retail segment has faced challenges due to elevated inflation and the consequences of the COVID-19 pandemic, causing a significant slowdown in 2020. However, this period was followed by a strong rebound in 2022 and minimal market compression in 2023.

Looking ahead, the Polish retail market is poised for sustained growth. Forecasts indicate a stabilisation of the growth rate, with further incremental growth of 3-4% annually from 2024 to 2026, reflecting a cumulative growth of 9% in the next two and a half years. This positive outlook underscores the potential for continued prosperity in Poland's retail sector.

E-commerce has expanded in line with overall market dynamics, with its share in total retail sales remaining relatively stable since 2022. According to Statistics Poland (GUS), as of June 2024, online sales accounted for 8.2% of total retail sales in Poland.

Key trends shaping the retail market

01

Retail parks and convenience centres have emerged as focal points for developers and investors in Poland, dominating new supply. While the development of shopping centres has ceased, the retail park format has become a prime location for occupiers seeking opportunities for expansion.

02

Omnichannel: Polish inhabitants have returned to traditional shopping; however, e-commerce remains an extremely important tool. As a consequence, **a seamless shopping experience across multiple channels (store, online, mobile)** has become "a must". Retail parks and small convenience centres across Poland offer the advantage of easy access and pick-up, especially while retailers are limiting free home deliveries and returns.

03

Four generations of shoppers. GEN-Z is shaping the retail landscape.
The new generation is redefining the market, underlining the importance of the shopping experience, as well as authenticity and localism. Shopping centres are again destinations for **entertainment and leisure although now in a new, technological form**.

04

Sustainability: Although crucial, sustainability is not only about ESG agendas and green developments. The consumer approach has shifted towards buying locally and choosing products of the best possible quality, both in terms of food and other retail categories. Being eco-friendly is being local, a factor which also limits the carbon footprint. This approach is also in line with the "15-minute city" concept.

05

Entertainment and leisure. It is not only about shopping and buying; it is also about spending time. Retail schemes are now once again places for meetings, dining out and entertainment. Young customers now willingly visit cafes, bars, sports clubs, etc. Although the leisure offer is more extensive within larger cities and shopping centres, it is also expanding in smaller convenience centres spread across Poland.

Most common challenges for the retail sector

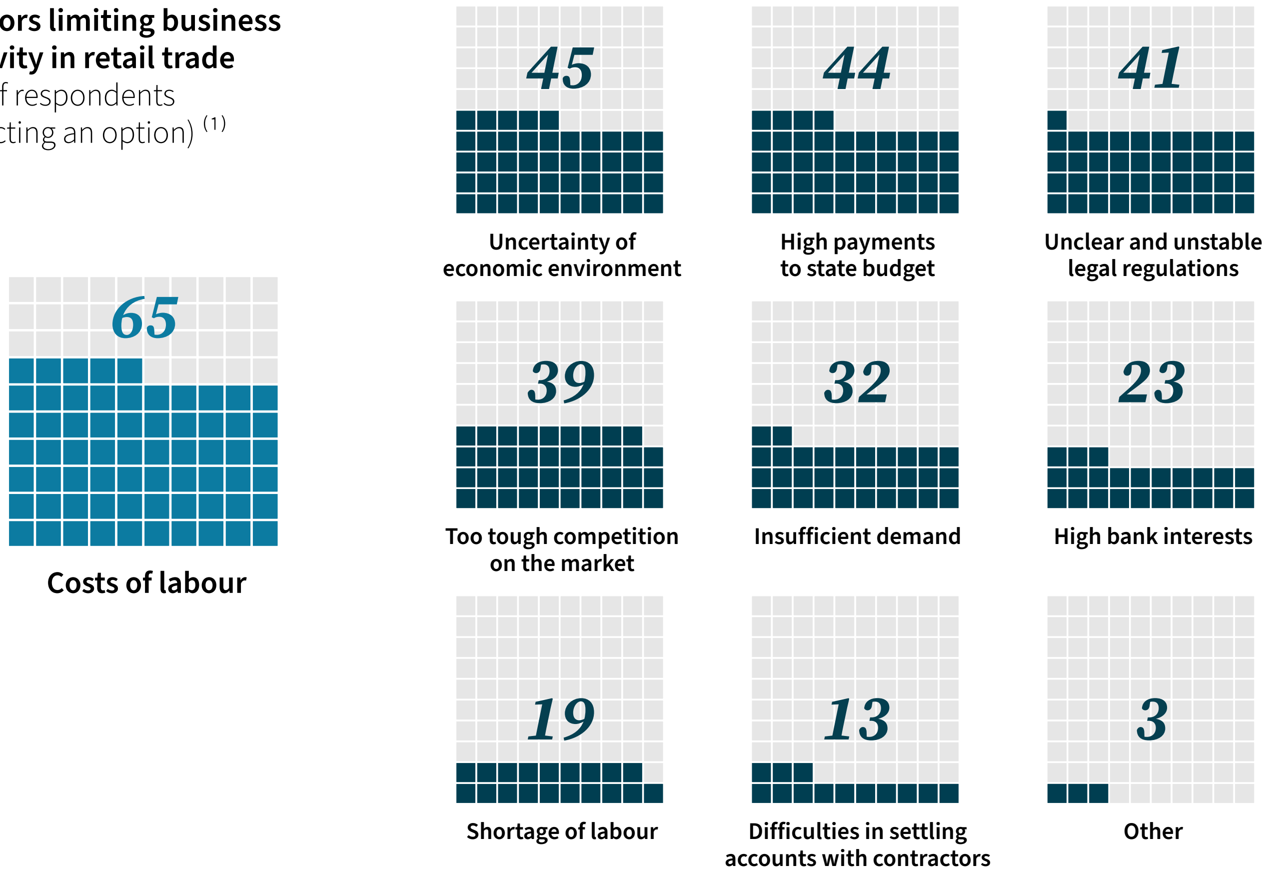
According to a recent survey conducted by Statistics Poland, labour costs have been identified as the biggest challenge to business operations in the country's retail sector. Approx. 65% of the respondents highlighted this issue as the most significant factor in June 2024.

45% to 41% of respondents cited other notable concerns, including the uncertain economic environment, substantial payments to the state budget, and unclear legal regulations.

Additionally, 39% of the participants expressed that the Polish retail market was characterised by strong competition. However, 32% stated that the market suffered from insufficient demand, while 23% identified high interest rates as a significant challenge.

Less commonly mentioned issues included a labour shortage, cited by 19% of the respondents, difficulties in settling accounts with contractors, highlighted by 13% of the participants, and others.

Factors limiting business activity in retail trade
(% of respondents selecting an option) [1]



[1] Respondents were able to select multiple options.
Source: JLL Research; Business tendency in manufacturing, construction, trade, and services 2000-2024 (June 2024) - Statistics Poland

The expansion of new retail areas in 2023 and H1 2024 confirms the good condition of the retail sector. According to the report "Retail Space Market in Poland" by the Polish Council of Shopping Centres, investments in new retail properties and expansions of existing ones in 2023 were over 30% higher compared to the previous period. This trend continues in 2024, suggesting that the Polish market still offers investment potential, particularly for smaller formats in cities with a population below 100,000 inhabitants. Although no significant changes in the structure of modern retail space in Poland are expected, and large retail properties will continue to dominate, retail parks will undoubtedly increase their presence in the coming years. The distribution of modern retail space in the country is expected to spread more evenly across Poland and will cover even smaller cities.

Moreover, PRCH closely monitors the demand for investments in "convenience centres," a distinct category of retail properties that have become important due to changing consumer behaviours and urbanisation trends. Retail parks and convenience centres respond to the increasing demand for easily accessible retail properties near residential areas, saving time and providing convenience for everyday shopping needs. Retail parks also offer a quicker investment process and flexibility regarding the delivered area, which can be expanded later. Retail networks have a growing interest in opening stores in retail parks, particularly in the fashion, footwear, and jewellery sectors. As a result, the size of such properties has increased, with some exceeding 20,000 m² (GLA) and even larger ones.

Retail parks provide easy access to modern and convenient shopping for residents of smaller cities and previously unavailable brands. They play a significant role in transforming the retail landscape in areas with populations below 100,000 inhabitants. Modern retail properties also contribute to the economic growth of smaller cities by creating job opportunities in retail and services, which helps stimulate the local economy. The smaller size of stores and lower infrastructure costs make them accessible to small business owners, promoting entrepreneurship. These retail destinations also positively impact local communities, serving as hubs for local activities and social interactions. They provide a space for organising local events and strengthening relationships between businesses and residents.

Smaller retail properties now complement larger shopping centres. These formats are becoming more interconnected and mutually inspiring. The Polish Council of Shopping Centres has actively supported and promoted retail parks for several years. A representative of this group is an active member of the PRCH Board. Together, we have formed a team dedicated to retail parks within our organisation. This team, representing member companies of this retail format, analyses its needs and challenges and develops market recommendations. We also advocate for the interests of these properties during consultations regarding new legal solutions. Retail parks are promoted in dedicated categories of the most important retail properties competition, which is the PRCH Retail Awards. In our activities, PRCH increasingly focuses on the specifics of these types of properties and entities, as exemplified by our involvement in this analysis. I encourage companies in the retail park sector to join and participate in our association's work, which will allow PRCH to better and more fully represent smaller retail properties.

PRCH
POLSKA RADA CENTRÓW HANDLOWYCH
POLISH COUNCIL OF SHOPPING CENTRES

Marcin Klammer

Managing Director of the Polish Council of Shopping Centres

Proximity and convenience: The driving forces behind today's retail property development

Achieving growth in an evolving retail market requires understanding geography, leveraging new supply trends, and meeting stronger-than-ever demand for convenience and proximity. This is reflected by a shift towards the development of retail parks and convenience centres across Poland.

Vendo Park, Lubin

A snapshot of Poland’s retail market

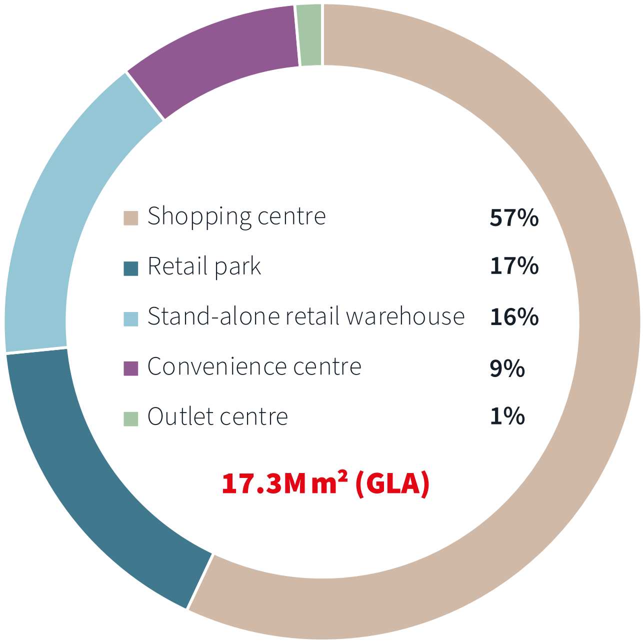
Retail market structure

The retail market in Poland is one of the largest and most progressive markets within the CEE region. As of the first half of 2024, the country’s large-scale shopping properties (GLA ≥ 5,000 m²) and convenience centres (2,000 ≤ GLA ≤ 4,999 m²) collectively cover a total of 17.3 million m² (GLA).

Large-scale shopping centres continue to hold a prominent position in the Polish retail market, accounting for 57% of the total retail market stock as of H1 2024. However, it is worth noting that the dominance of shopping centres is gradually decreasing each quarter, mainly due to the substantial increase in the construction of retail parks and convenience centres across the country.

Currently, retail parks’ and convenience centres’ market shares are 17% and 9%, respectively. Moreover, it is expected that these formats will continue to gain more market share in the upcoming years.

Retail market stock by formats in H1 2024



Source: JLL Research

Aviator, Olsztyn, RWS Investment Group

From Arkadia to Vendo Park: The emergence of retail parks as key market driver

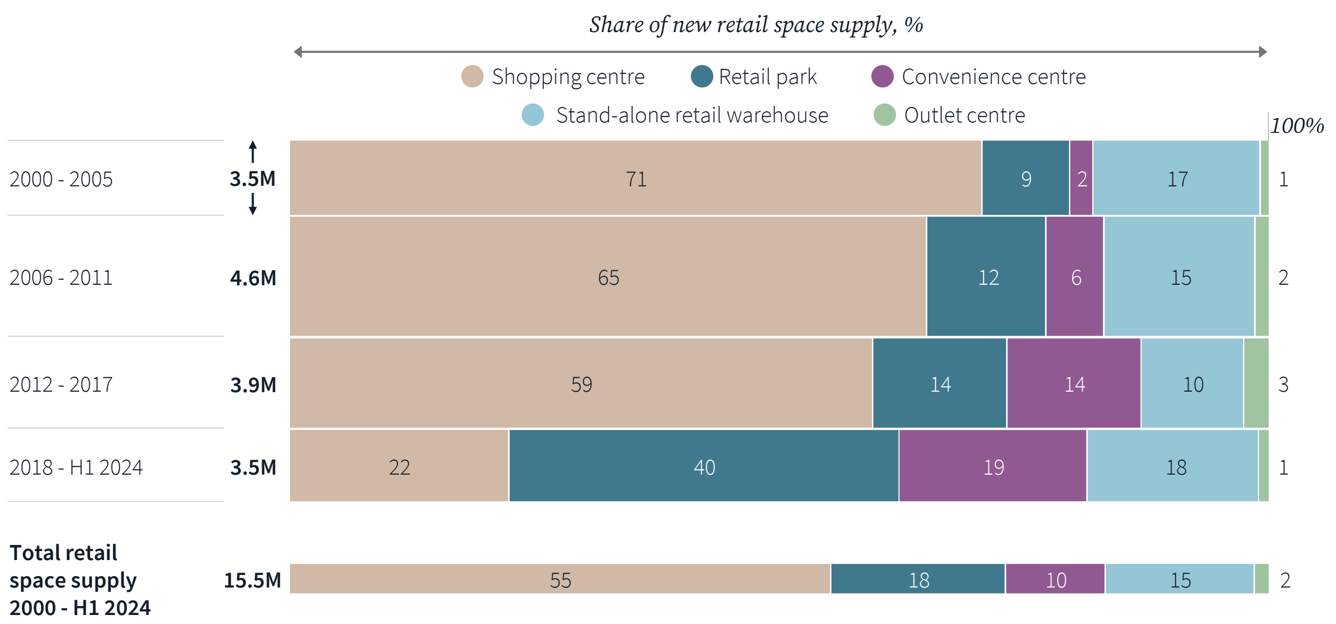
Historically, from 2000 to 2005, when new global players were entering the market, the majority of developed retail space was within large-scale shopping centres. Constituting 71% of the total new supply, these retail formats were filling the gap in modern retail offers in Poland. Notable developments during this time included today's largest shopping centres, such as Westfield Arkadia, Blue City, Wola Park, Westfield Mokotów in Warsaw, Stary Browar in Poznań and Silesia City Center in Katowice.

The rise of DIY stores such as Castorama, OBI, and Leroy Merlin, as well as local hypermarkets, drove the stand-alone retail warehouse format. Meanwhile, retail parks and convenience centres accounted for only 9% and 2% of the supply share, respectively.

However, the market has matured, and due to a wide range of factors it has evolved, displaying a discernible shift in developer, occupier and investor behaviour. Remarkably, the share of new supply of shopping centres witnessed a 49-percentage-point decrease from the 2000 - 2005 period to the 2018 - H1 2024 cycle. The combined supply of retail parks and convenience centres in the period of 2018 - H1 2024 is 5.3 times higher than compared to 2000 - 2005.

Among the largest retail parks opened in 2018 - H1 2024 are Park Kujawia in Włocławek, OTO Park in Koszalin, S1 in Stargard Szczeciński, Karuzela Park in Biała Podlaska, BIG Andrychów and Aviator in Olsztyn.

Distribution of new supply in different periods



Source: JLL Research

New opportunities: Developers and occupiers meeting consumer demand

The evolution of the retail market landscape, with a shift towards the development of retail parks and convenience centres, is fuelled not only by the quest for new retail opportunities in underserved areas but also by changing consumer expectations, particularly in the growing preference for proximity and convenience.

The evidence became even more apparent towards the end of 2023 when the annual new supply of retail parks' area surpassed the 300,000 m² (GLA) bar. This figure is comparable to the annual new supply of shopping centres in previous years.

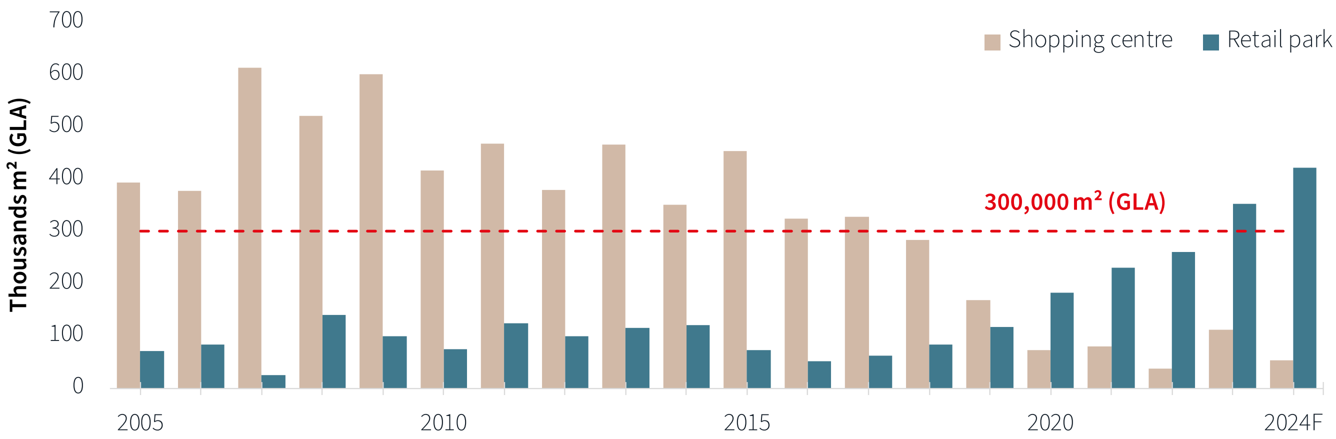
While in most cases, retail parks fulfil the need for everyday convenient shopping and enrich the limited or non-existent modern retail offer, there is an increasing number of projects with wider merchandise mix covering categories of fashion and leisure.

Nonetheless, these two categories remain the key attributes of shopping centres, and today, they are gaining even more significance due to current consumer trends. Therefore, these two potentially competitive formats could also be regarded as complementary to each other, growing and evolving in parallel. As the retail market matures and becomes sufficiently dense, the shopping centre still remains the first choice for market debuts, showrooms and entertainment destinations.

On the other hand, retail parks and convenience centres release the potential of local destinations, allowing occupiers to be close to their loyal customers. The retail market in Poland is following the current trends, with each format being adjusted and covering the different consumers' requirements, allowing occupiers to set the most accurate strategy.

Annual supply of new retail space of shopping centre and retail park formats

The year-on-year growth in new retail parks' space is now similar to the supply of shopping centres in previous years



Source: JLL Research

Retail space distribution: How urbanisation shapes the market

The allocation of retail offers varies according to the size of the local market. As a rule, new shopping centres were developed in the most prominent agglomerations and still form the most significant share of the retail market stock in large and medium -sized cities with 50,000 plus inhabitants, accounting for more than 50%.

However, with the offer being adjusted to the scale of the local market, retail parks and convenience formats have become more popular in less populated areas.

This trend is particularly pronounced in cities with less than 50,000 inhabitants, where retail parks play a significant role in the overall retail offer, with the highest concentration found in the smallest destinations.

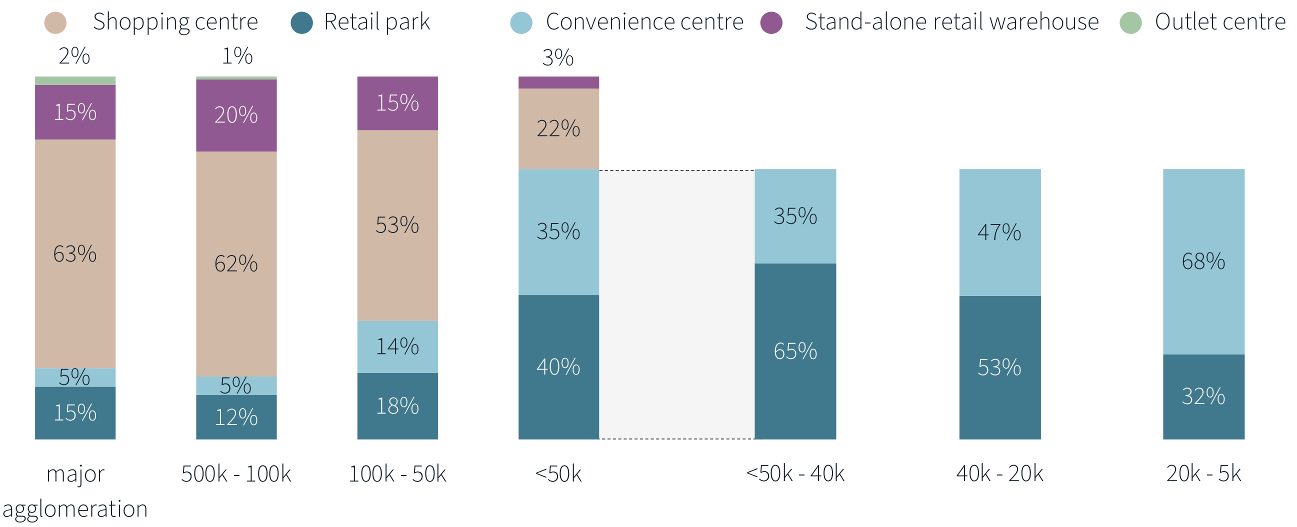
Notably, the total stock of retail parks and convenience centres located within cities of 50,000 inhabitants and below is today bigger than the total retail stock for cities of 100,000 - 500,000 inhabitants.

The distribution of retail supply in the smallest cities is in stark contrast to that of larger cities, clearly demonstrating how the developed schemes fit local scales and needs.

On the other hand, the expansion of retail parks and convenience centres is also being seen in major agglomerations. With already dense and mature shopping centres in central districts, combined with limited land and ongoing suburbanisation, a gap has emerged in retail offerings located in the satellite cities of major agglomerations.

Current retail stock distribution based on city population

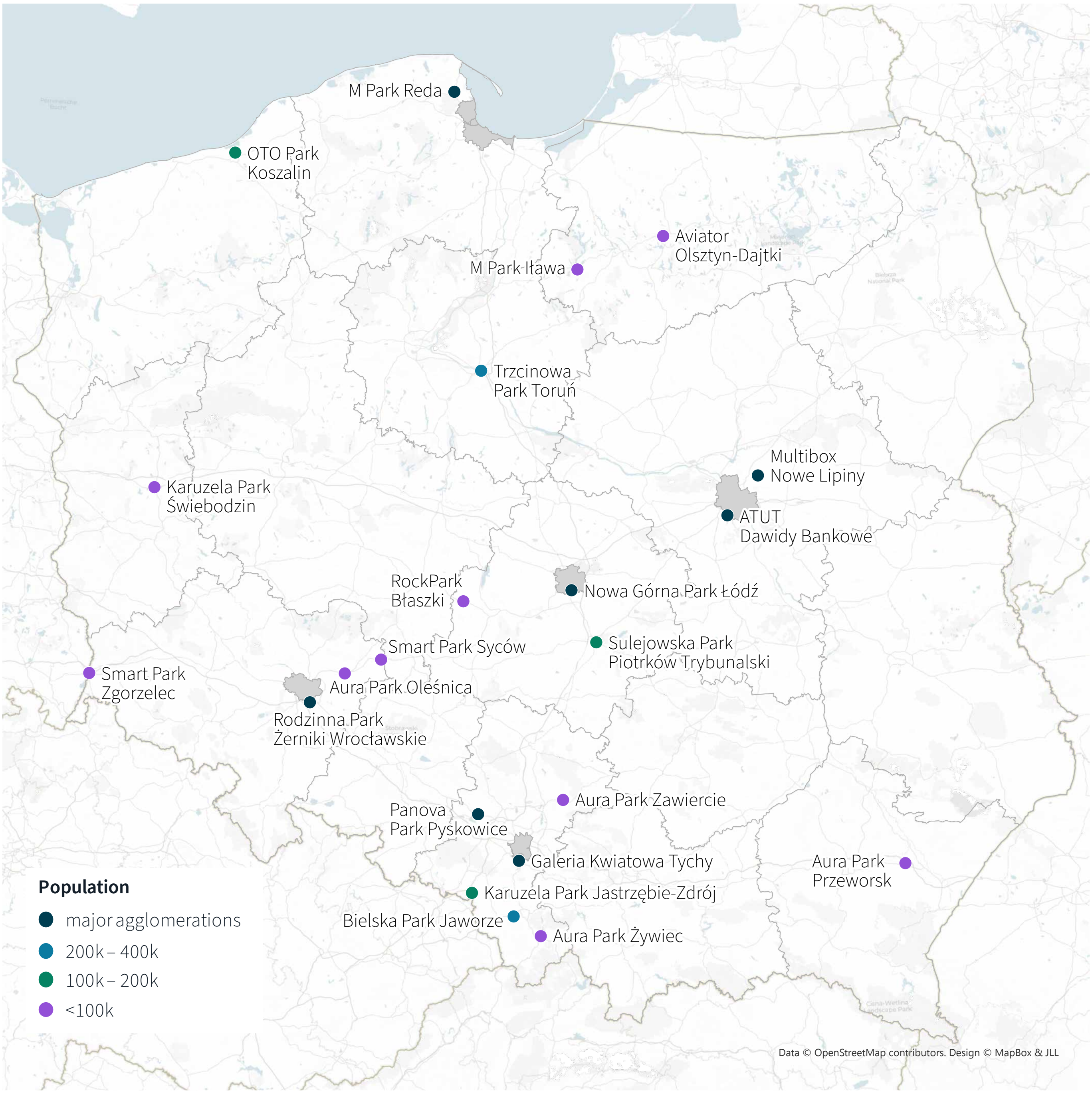
Share of retail parks and convenience centres comprises 75% in areas with fewer than 50,000 inhabitants



Source: JLL Research

New retail parks and convenience centres opened in H1 2024

During the first half of 2024, 22 new retail parks and convenience centres were opened in various locations across Poland. OTO Park in Koszalin, Galeria Kwiatowa in Tychy, and Aviator in Olsztyn are the largest additions to Poland's retail landscape during this period.



Note: The map excludes redevelopment and expansion projects pertaining to retail properties, whether ongoing or completed in the past.
Source: JLL Research

The future of retail: Major retail park and convenience centre projects underway

Efforts continue to secure suitable land and fill the blank spaces on the retail map of Poland. Retail parks and convenience centres dominate the landscape with a significant pipeline of diversified projects to welcome local consumers in the coming years.

Vendo Park, Skarżysko-Kamienna

Retail development breakdown: From major agglomerations to smaller areas

As of June 2024, Poland was seeing the construction of 365,300 m² (GLA) of retail parks and convenience centres. Notably, 44% of these retail projects are located in cities with populations of fewer than 100,000 inhabitants. It is important to note that nearly 90% of these retail projects are new developments. In comparison, 8% involve the expansion of existing retail parks, such as Smart Park in Syców and Galeria Twierdza in Kłodzko. In cities with lower populations, the average size of the new retail park under construction is 9,204 m² (GLA), while in more developed markets, it is 13,190 m² (GLA).

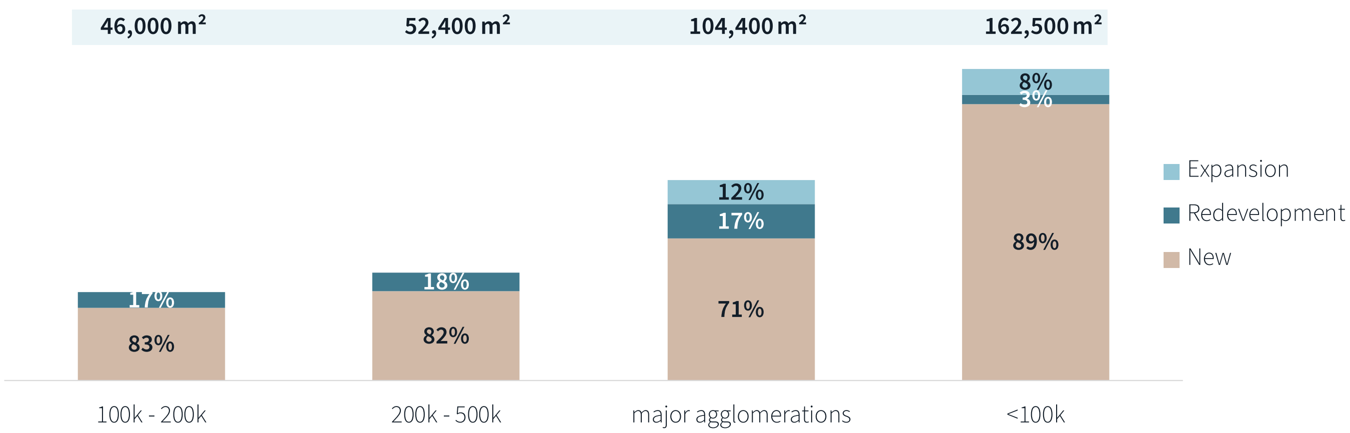
Some of the largest projects include Vendo Park Szczecin, San Park Mysiadło, and Ptak Market Łódź.

The market clearly meets the need for modern retail offerings in small urban areas.

Furthermore, another reason for this trend is the greater availability of land in cities with fewer than 100,000 inhabitants, especially when compared to major cities where attractive plots are more likely to be developed with residential projects. The total area under construction in cities with fewer than 100,000 inhabitants is 65% larger than in large cities (100,000 - 500,000). Additionally, expansion concerns the largest agglomerations, where over 100,000 m² (GLA) is being built in retail parks and convenience centres.

Construction of retail parks and convenience centres by city population size

In the smallest areas, almost 9 out of 10 retail properties under construction are new retail properties



Source: JLL Research

Selected largest retail parks and convenience centres on the horizon: Major projects under construction as of June 2024

	Name	Investor	Date	GLA m²
Major agglomerations	Vendo Park Szczecin	Trei Real Estate / Patron	Q4 2024	23,900
	San Park Mysiadło	ED San III Sancak	Q3 2024	18,500
	Ptak Market Łódź	Ptak Holding	Q4 2024	11,000
	Wojko Park Wojkowice	Wojkowice Park	Q3 2024	7,500
	Vendo Park Wrocław	Trei Real Estate	Q4 2024	5,000
200-500k inhabitants	Comfy Park Bielik	Newgate Investment	Q4 2024	17,000
	Forteczna Park Toruń	ARD Group	Q4 2024	10,000
	M Park Pionki	LCP Properties	Q4 2024	9,300
	Krakowska Park Kielce	Agroma	Q4 2024	7,000
100-200k inhabitants	BIG Gorzów Wielkopolski	Acteeum Group / BIG	Q3 2024	25,000
	S1 Park Przemyśl	Saller	Q3 2024	8,000
<100k inhabitants	Green Park Mrągowo	Green Hills Investments	Q4 2024	15,500
	Osada Park Żyrardów	Mabrok K.Kuran	Q4 2025	14,400
	BIG Ostróda	Acteeum Group / BIG	Q3 2024	14,000
	N-Park Tarnobrzeg	Napollo	Q4 2024	13,500
	Vendo Park Mogilno	Trei Real Estate	Q2 2025	8,400
	Vendo Park Kostrzyn nad Odrą	Trei Real Estate	Q1 2025	6,000
Convenience centres	Foch Park Knurów	Komart Investments	Q3 2024	4,500
	1 Maja Park Ruda Śląska	PKB Inwest	Q4 2024	3,650
	M Park Olsztyn	LCP Properties	Q3 2024	3,100
	Smart Park Krasnystaw	Smart Park	Q4 2024	4,500

Source: JLL Research

Potential markets for further retail parks and convenience centre developments in Poland

Poland's retail market has untapped potential for development, particularly in smaller cities and non-urban areas. Around 1,400 administrative units have limited or no modern retail offerings; among them are more than 600 small and medium-sized towns and cities that present opportunities for retail development.

Vendo Park, Zambrów

Right size, right time, right location: The potential for retail market expansion

Poland, with its numerous small and medium-sized towns and cities, has room for further development. Exploration and map analysis reveal a list of blank areas—there are still as many as 1,400 administrative units with limited or no modern retail offer. While non-urban areas may not display adequate potential for growing retail offerings, there are still almost 600 urban cities listed. Given the pattern of the geographic distribution of stock in Poland and the fact that blank areas in the majority cover cities of 5,000 - 15,000 inhabitants, we may anticipate the most likely format of retail developments could include retail parks and convenience centres.

The scale of the gap is stark. Over three million people residing in 350 cities of 5,000 - 15,000 inhabitants lack a modern retail offer. These cities may need retail park or convenience centre to cater their retail needs. Although the listed locations are evidently characterised by relatively lower purchasing power (78% of the Polish average), over 120 cities still feature above-average values, with annual purchasing power per capita exceeding 9,800 euros.

The current market has experienced a notable increase in the saturation of retail parks and convenience centres, leading to a higher retail market density in Poland overall. This raises the question of whether we are nearing the threshold at which the development of these formats' prime age will come to an end.

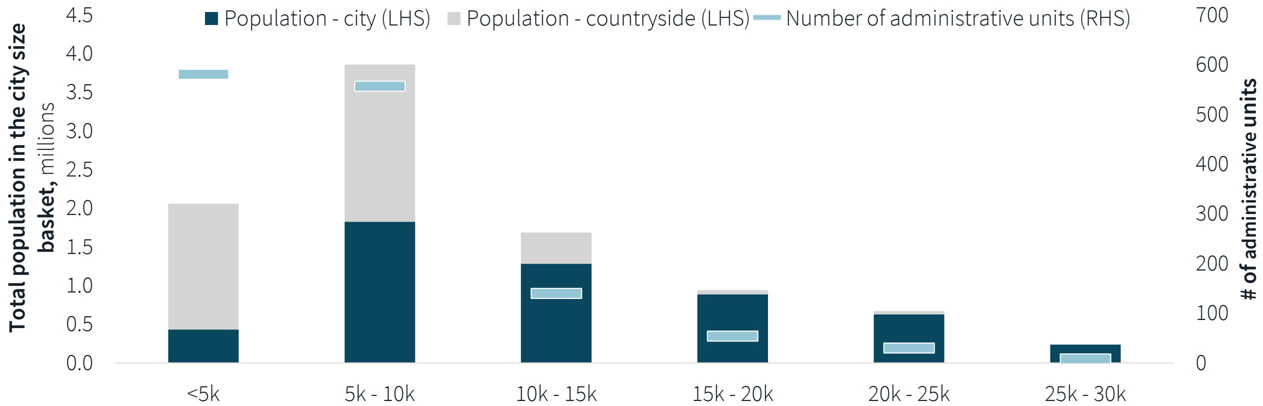
Our response to this query is definitive: the retail market in Poland has yet to reach a point of saturation. Numerous cities of various sizes across the country either lack substantial retail options or possess only limited offerings.

It doesn't mean that every city should have a retail park or convenience centre, as the characteristics of the catchment area, existing offers, and local customer profiles are more critical than the city's population size.

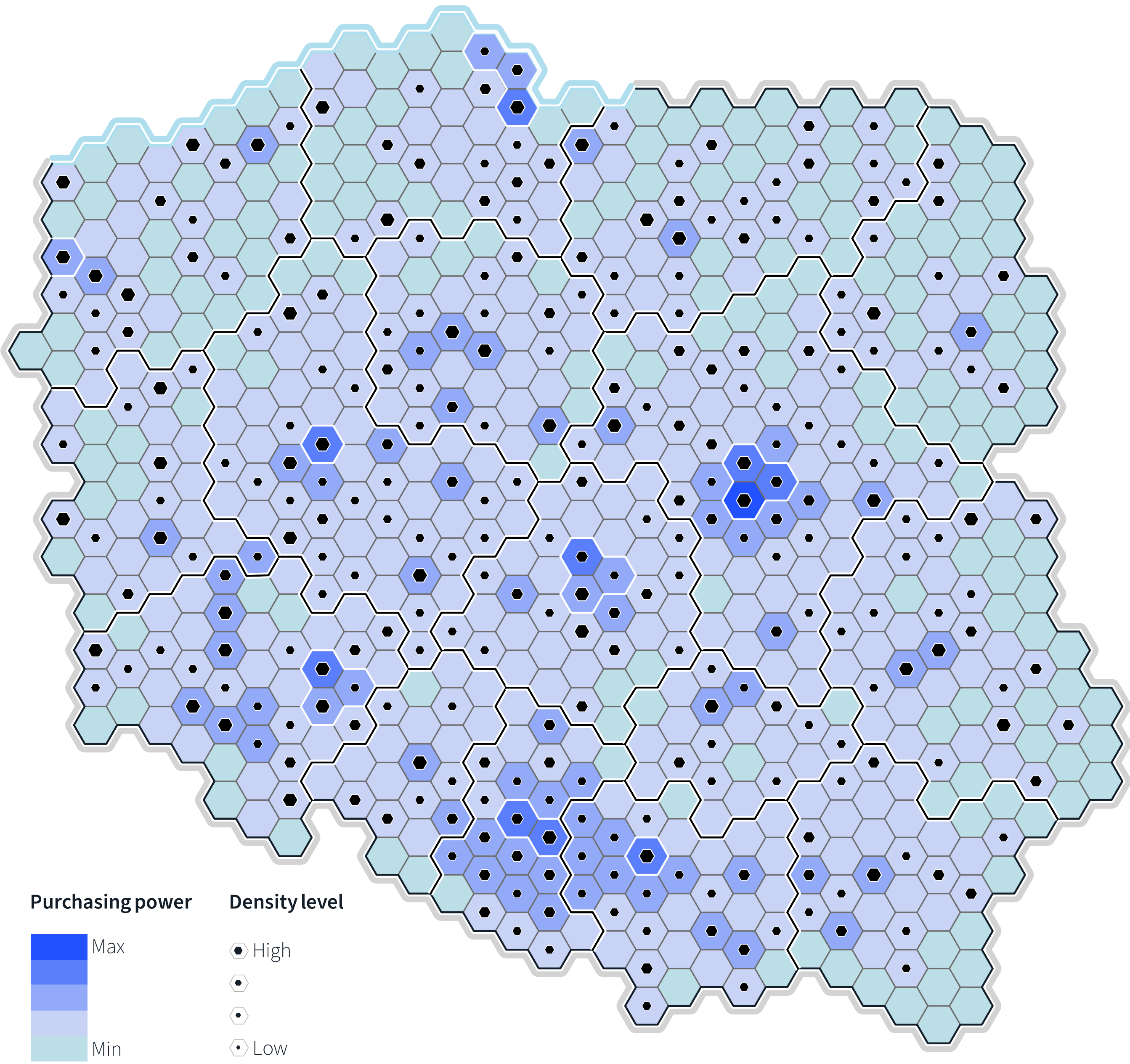
Mateusz Polkowski

Head of Research & Consultancy

Population distribution in areas with limited or no retail offerings by population size of the administrative unit



Source: JLL Research



Blue ocean markets on map of Poland

Hexagons, each representing an area of 500 square kilometres, depict blue ocean markets in Poland. These are retail markets where the offer is either non-existent or very limited. Each hexagon is enriched by purchasing power. The size of the black shapes allows us to understand the retail market density, while the gradient defines the abundance of the zone. The lack of a figure, in turn, means no or very limited retail offer. Finally, the map points out areas with potential for new retail properties in Poland.

Note: The map is the result of a large-scale analysis that examined more than 14.5 million m² (GLA) across Poland. This study encompassed shopping centres, retail parks, convenience centres, and outlet centres.
Source: JLL Research; MBR 2023

Where the transformation begins

The maturing and evolution of the retail park and convenience centre segments generate new opportunities for already active occupiers as well as those just entering this format. All are guided by the purpose of being closer to consumers and expanding their brands' presence.

Vendo Park, Lubin

Layouts and tenant mixes

The landscape of retail parks and convenience centres is evolving in many directions. Geographically, it is also being seen across the country, with new projects appearing in various towns and cities. New destinations require an adjusted approach to the size and layout of an investment which is being considered. This is also the case when it comes to the needs and plans of occupiers, who would eventually form a retail park's tenant mix.

While established and mature retail parks opened before 2010, such as the Homepark portfolio, which was predominantly located within major agglomerations and featured large-scale leasable areas of even up to 100,000 m² with a rather focused offer.

Today's developments have evolved even further. Next retail parks and convenience centres aim to offer a diverse selection of retail options, as they are often the first-choice local shopping destination, albeit in many cases limited to one store per specific category due to the compact size of the project.

Notably, there has been a growing interest from tenants who have not previously been present in the retail park format, such as fashion brands as well as food and services operators. Although new parks differ and are adjusted to local demand, most of them have similar patterns with regard to the layout and tenant mix.

Tenant mix typically found in retail parks opened between 2019 and 2023 by GLA [1]

[1] Retail parks and convenience centres in the retail park layout.
Source: JLL Research

Key tenant mix findings

We have analysed the tenant mixes of selected well-known retail parks and convenience centres in Poland. Our study's results are based on more than 1,000 retail units totalling close to 1 million m² (GLA). Imagining a typical modern retail park delivered to Poland's market in 2019 - H1 2024 – statistically, it has an average size of 8,400 m² (GLA) and ten units.

Unsurprisingly, the majority of space is typically taken up by value retailers, such as Pepco, Action, TEDi and Dealz, who are responsible for 32% of the leased area. Secondly, some 16% of leasable space is occupied by food operators (hyper/supermarkets). These are followed by categories of electronics (12%), health and beauty (7%) and, notably, fashion (10%), a category with a rapidly increasing presence and signalling evolving market trends.

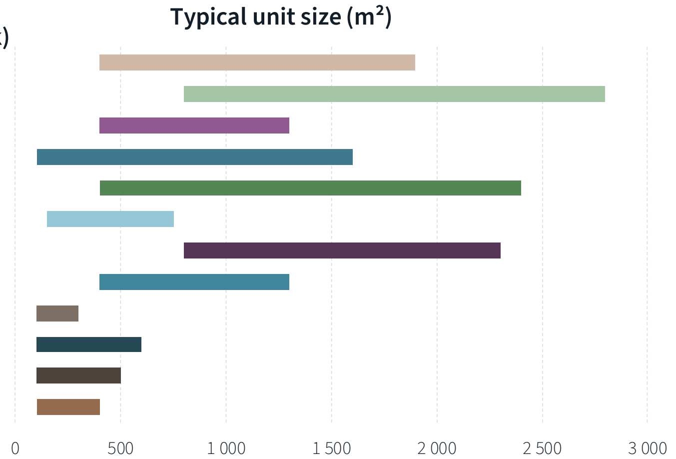
From the unit number perspective, typical modern retail parks and convenience centres have a balanced mix of at least two value retailers, one or more representatives of fashion, health and beauty, electronics, and, of course, a food operator. These categories are still the key components that contribute to a retail park's success.

However, there are some exceptions. Interestingly, our analysis shows that despite the high average share in terms of GLA, hyper/supermarkets are not present in each park. This is due to smaller schemes, where grocery offer is represented by convenience stores such as Żabka, and examples where food operator is present next door as so-called "shadow anchor".

The most popular complementary offers include services, food speciality shops (e.g., butcher, bakery), and pet shops. In the case of large, regional-scale retail parks, DIY and sports equipment operators generate marked advantages. City-centric projects are also likely to facilitate services such as medical centres, fitness clubs, post offices, and bank branches.

Presence and typical unit size for each category in an average retail park [1]

Legend	Category	Average frequency (units per retail park)
	Value retailer [2]	2.5
	Hyper | Supermarket	0.7
	Electronic equipment	0.9
	Fashion	1.1
	Home and DIY	0.3
	Health | Beauty	1.0
	Sport	0.3
	Accessories and shoes	0.3
	Services and other	0.5
	Pet shops	0.4
	Gastronomy and leisure	0.2
	Food speciality	0.4



[1] Retail parks and convenience centres in retail park layout.
[2] Please refer to page 30 for examples of value retailers.
Source: JLL Research

New commercialisation trends

The retail market follows emerging consumer needs and constantly evolves. Customers are returning to shopping on location, retail schemes are improving their pre-COVID performance, and new brands are entering the Polish market. Moreover, the significant growth of the retail park segment has undoubtedly defined the last few years in the retail market in Poland.

Still, however, the retail park offer is rather limited, with a relatively narrow group of tenants present within this format, especially compared to traditional shopping centres. But the retail market abhors a vacuum. As the segment matures, it is generating new leasing opportunities. This has also been noted by an increasing number of occupiers who previously focused only on the shopping centre format, something which has come to a temporary standstill. Therefore, in many cases, entering the new format has emerged as the only alternative for geographical expansion.

What is more, such dispersed expansion comes in line with one of the key trends in the market—the omnichannel. Being close to the consumer with a brand showroom and pick-up point could be crucial in strengthening the brand-consumer relationship. This could also be beneficial in terms of sustainability objectives, limiting direct-to-home deliveries and returns and, in turn, cutting down the carbon footprint.

Maciej Kotowski

Director, Research & Consultancy team

Although retail parks and convenience centres may seem like homogeneous products, the previously mentioned local adjustments are notable with regard to the tenant mix. Unsurprisingly, value retailers are the most common occupiers within almost every retail park. However, the remaining tenancy structure differs in various types and scales of the project.

The layout of retail parks does not take on a one-size-fits-all approach. It must be tailored to meet local needs and complement nearby retail offerings. For instance, while the share of fashion represents only a fraction in the existing retail parks within major agglomerations, where traditional shopping centres are more common, it has a much higher share in smaller locations. Major agglomerations, on the other hand, attract more tenants from the gastronomy and leisure segment and, due to their scale, are more favourable for DIY operators.

The scale of a retail park is a crucial factor in determining its tenant mix. Value retailers tend to dominate the smallest schemes of 10,000 m² (GLA) and below, while larger parks offer a more diversified range of tenants. Mid-sized projects often feature a wider fashion offering, while the largest parks tend to be regional destinations, with DIY and homeware, electronics, fashion, and accessories categories being more common.

Interestingly, the trend shows the ongoing diversification of the offer. Compared to existing shopping locations, upcoming parks feature a more extensive fashion, accessories, sports, and health and beauty offer. What is more, gastronomy and leisure operators are also increasingly interested in expanding within the retail park format.

Occupier perspective: A deep dive into changes in the formation of tenant mixes

In Poland's retail parks and convenience centres, the majority of retail space is occupied by value retailers such as Pepco, Action, and Dealz. A typical modern retail park includes two or more value retailers, fashion stores, health and beauty stores, electronics retailers, and a food operator.

OTO Park Koszalin

Factors determining layout and tenant mix diversity

The offering of retail parks should be tailored according to local needs, taking into account several key factors:

1. The size of the city where the retail park is located significantly influences its layout and offerings.

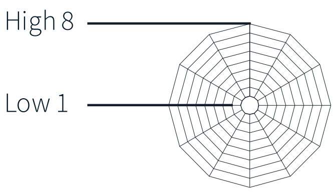
2. The local environment directly impacts the scale of the project, subsequently affecting the tenant mix.

3. Changes in the market and industry trends result in changes in the tenant mix in new developments.

When evaluating a retail park offer, it is crucial to thoroughly analyse these factors. Our analysis assessed tenant mix offers based on a research sample comprising over 1,000 retail park units totalling approx. 1 million m² (GLA). This research considers the number of units and demonstrates various approaches influenced by specific external factors.

Presence of selected retail categories, (by number of units)

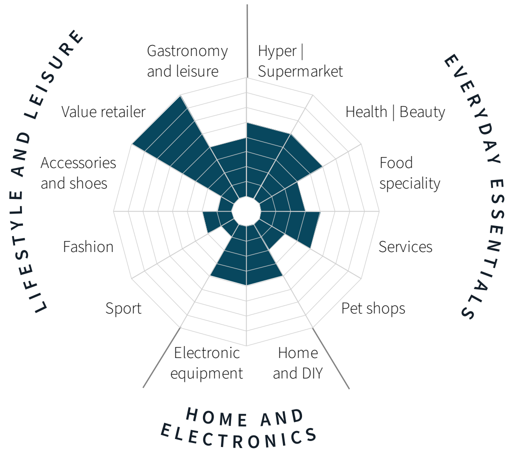
Rank:



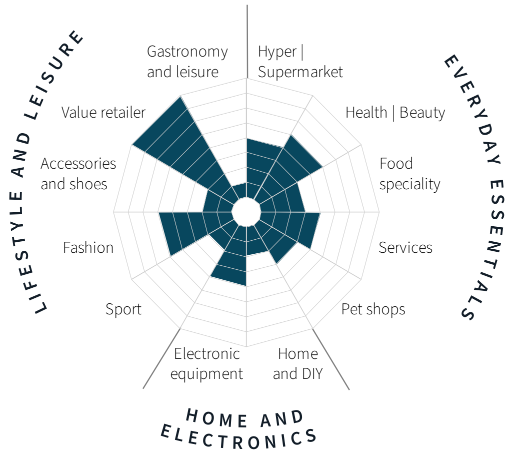
Source: JLL Research

Tenant mix by city population

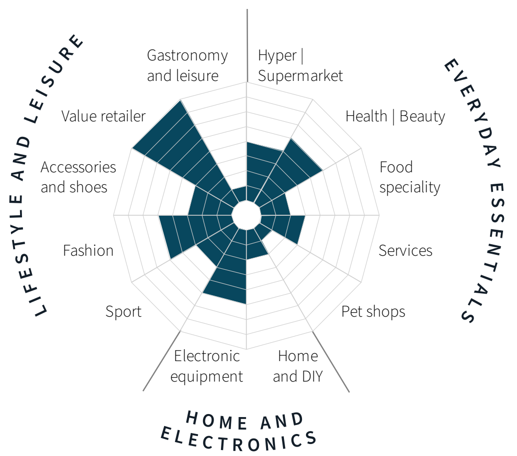
Major agglomerations



100,000 – 500,000 inhabitants

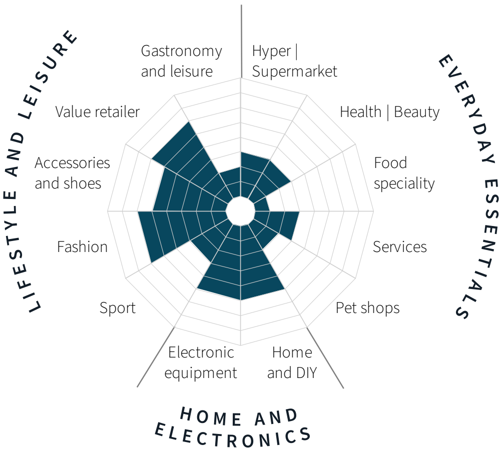


Under 100,000 inhabitants

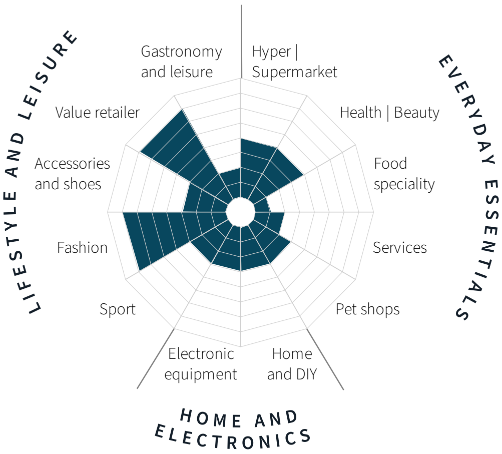


Tenant mix by size

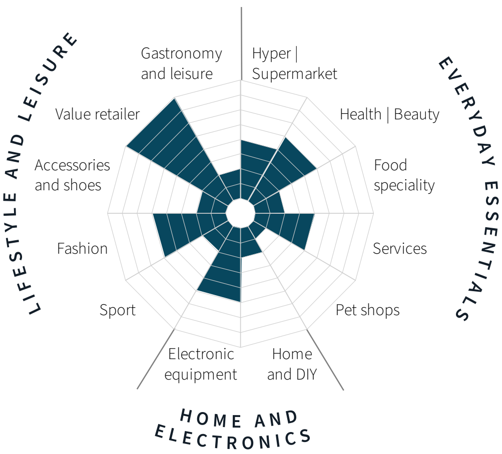
15,000 – 30,000 m² (GLA)



10,000 – 14,999 m² (GLA)

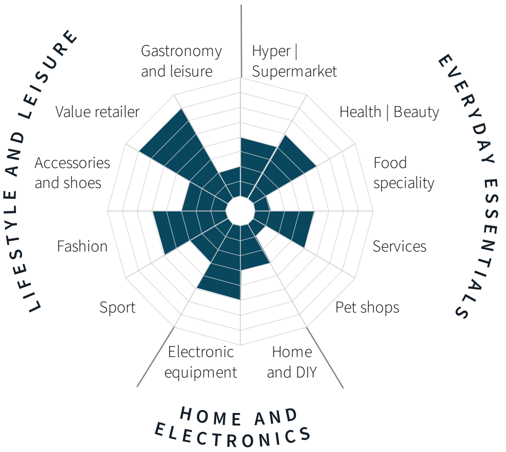


Under 10,000 m² (GLA)

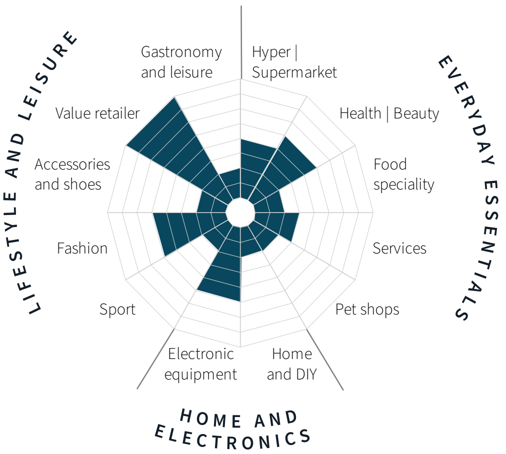


Tenant mix by opening year

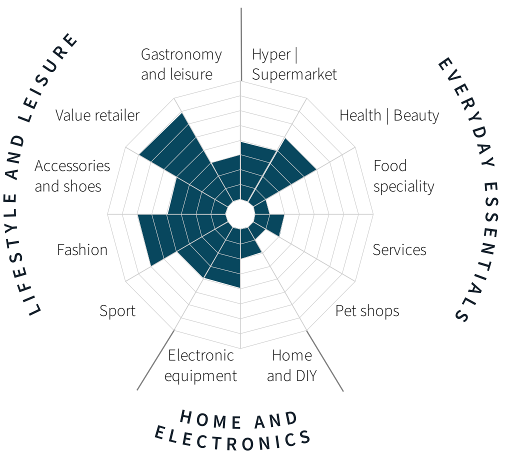
2018 and before



2019 – H1 2024



In the pipeline



Retail park developments and opportunities in 2024-2025

The retail market is constantly evolving due to new consumer needs, behaviours, and changing strategies of occupiers and landlords. Flagship stores and boutiques still prefer shopping centres, but more retail chains are expanding into new formats, such as retail parks and convenience centres. This expansion is not limited to retail chains, as it includes services, medical centres, and food and leisure offerings. Landlords and developers have also noticed this potential and are considering more advanced specification and new design technologies to attract new tenants. As a result, selected retail parks and convenience centres are transforming from just shopping destinations into unique local and neighbourhood points of gravity.

Dagmara Filipiak
Senior Director, Lead of Retail Agency

Upcoming new developments in 2024-2025 will boost the retail park and convenience centre market by some 500,000 m^2, creating new opportunities for occupiers to enhance their presence. Undoubtedly, top market players representing key categories are set to bolster their positions by establishing new stores across Poland.

On the other hand, the coming years are likely to witness the entry of new brands into the retail park segment, exemplified by recent debuts such as Sphinx, Starbucks, Fikołki, Apart, Verona, Yes and, interestingly, Rituals. Furthermore, a surge in the growth of fashion, footwear, and accessory brands within the retail park segment is anticipated, signalling a new trajectory for their expansion.

In addition, urban projects are also poised for a transformation, aiming to introduce a diverse array of amenities, including gastronomy points, medical centres, fitness clubs, and children's play areas. Inspired by the "15-minute city" concept, this trend promises a comprehensive experience that extends beyond mere shopping.

Selected representatives of most popular retail categories present in retail parks in Poland

Value retail	Food	Electronics	Fashion
Pepco	Biedronka	Media Expert	Sinsay
KiK	Lidl	RTV Euro AGD	kaes
Dealz	Netto	Neonet	Cropp
TEDi	Stokrotka		House
Action	Carrefour		HalfPrice
Woolworth	Aldi		Takko
			Vive
			New Yorker

Source: JLL Research

Key players driving Poland's retail parks and convenience centres market

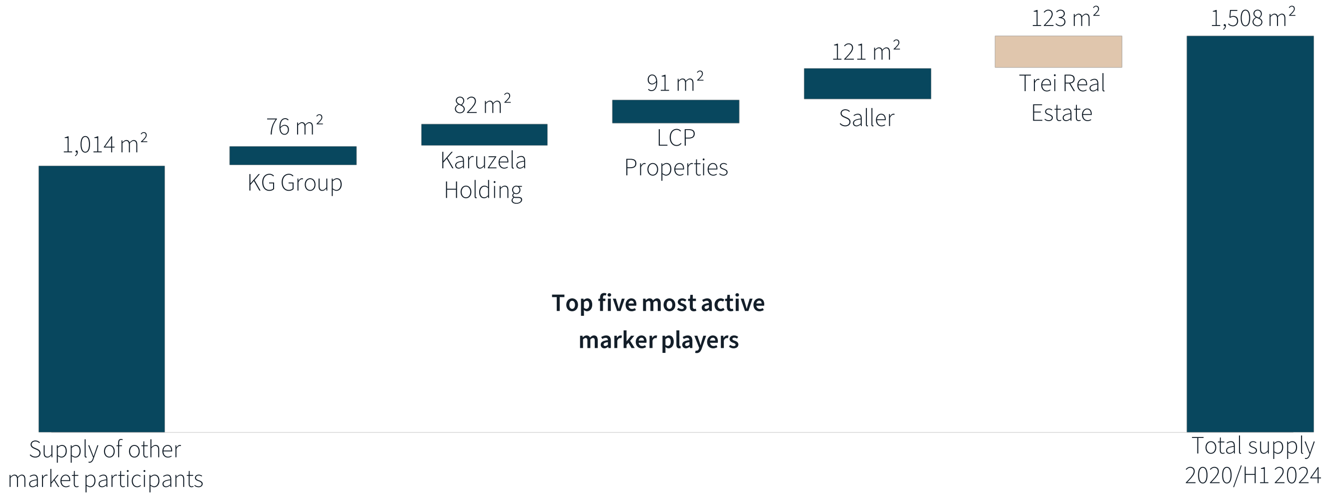
The Polish retail market features a diverse range of participants who engage in the investment and development of retail parks and convenience centres, each with their own distinct development strategies and goals.

Market players establish a variety of strategies to expand their portfolios. Some focus on acquiring existing retail parks and convenience centres, while others concentrate on constructing properties for future portfolio sales. There are also those who combine construction with the acquisition of existing properties, showcasing the market's diversity and dynamism.

Nonetheless, the most active participants in the market over the last five years include Trei Real Estate, Saller, LCP Properties, Karuzela Holding, and KG Group. These entities have claimed the largest share of the new retail parks and convenience centres supply to the market from 2020 to the first half of 2024.

Trei Real Estate, Saller, and LCP Properties have predominantly focused on establishing new retail properties in cities with a population of less than 50,000 inhabitants. In contrast, Karuzela Holding has primarily focused on cities with a population ranging from 50,000 to 75,000 inhabitants. Meanwhile, KG Group's operations have been primarily concentrated in major agglomerations.

Cumulated new supply of retail parks and convenience centres delivered in 2020 - H1 2024, thousands m^2 (GLA)



Source: JLL Research

ESG in real estate

Efforts implemented towards sustainability and social responsibility in the retail market are supported by all market players – consumers, occupiers, landlords, developers, investors and financing institutions.

Vendo Park, Kraków

From compliance to commitment: Integrating ESG for sustainable retail real estate

Amid ongoing geopolitical and economic uncertainties, the Intergovernmental Panel on Climate Change (IPCC) has stressed the need to reduce greenhouse gas emissions in its Sixth Assessment Report. As the window to meet the Paris Agreement's goal of limiting global temperature begins to narrow, immediate action is crucial to avoid severe environmental and societal consequences. Notably, 40% of global carbon emissions come from existing buildings and therefore places a collective responsibility on the real estate sector to establish and accomplish ambitious sustainability objectives.

Environmental, Social, and Governance (ESG) factors have become an integral focus within the commercial real estate industry, which is experiencing a significant shift towards climate neutrality. This transition encompasses eco-friendly design, energy efficiency, and the use of sustainable construction materials. While the adoption of green certifications for commercial buildings is progressing, it largely remains voluntary.

In Poland, prevalent certifications such as BREEAM and LEED cover around 200 retail buildings, representing 59% of the total modern retail space, according to PLGBC report data. Retail parks, however, are only beginning to embrace ESG solutions and have yet to gain significant traction, mainly due to cost considerations.

The importance of ESG in the real estate industry cannot be overstated for several reasons:

1. Environmental Impact: Real estate operations have a significant environmental footprint. It is crucial to implement sustainable building designs, energy-efficient systems, renewable energy sources, responsible waste management, and water management to mitigate environmental impact. For instance, green roofs can collect rainwater, purify the air, reduce ambient temperature, regulate indoor temperature, cause energy savings, and enhance urban biodiversity. These actions not only demonstrate corporate environmental responsibility but also improve cost efficiency, increase market value, and enhance the investment attractiveness of properties.

2. Consumer Expectations: Consumer awareness of the environmental and social impacts of their purchasing decisions has increased significantly. Consumers are drawn to sustainable and socially responsible businesses. Incorporating ESG principles such as sustainable sourcing, recycling initiatives, community engagement, and ethical labour practices allows for landlords to align with evolving consumer preferences, which, in turn, bolsters their brand reputation.

3. Stakeholder Engagement: ESG considerations are gaining prominence among investors, tenants, and regulatory bodies. Investors increasingly incorporate ESG metrics into their decisions, viewing sustainability performance as key to long-term value. Tenants prefer spaces that reflect their own sustainability goals. Additionally, regulatory bodies are introducing more ESG-related regulations and incentives, making compliance and reporting essential for landlords.

4. Cost Savings and Profitability: Adopting ESG practices can result in substantial long-term cost savings from optimised energy consumption, reduced maintenance expenses, and improved operational efficiencies, as well as increased profitability.

The commitment of retail investors to the sustainable goals set out in ESG strategies is evident both in the context of the design of the architectural and construction solutions used during the construction of the property, as well as in the subsequent provision of additional functions to complement the basic retail offer and respond to the needs of the residents in the area. In my opinion, as responsible developers of today's dynamically developing retail park segment, we have a particular responsibility - because we have the opportunity to integrate ESG aspects into the project already at the planning stage.

In terms of reducing the negative impact of small retail formats on nature, solutions that reduce the energy intensity of buildings, such as the use of thermal insulation-enhancing mineral wool in the building envelope, glazing with low thermal transmittance and the use of modern lighting management and cooling and heating systems, are playing an increasingly important role. What is more, retail parks are increasingly installing their own photovoltaic systems to generate green energy and thus reduce their operational carbon footprint. For example, this type of solution has been used in our Vendo Park in Skarżysko-Kamienna. The use of LED lighting and external lighting control with an astronomical clock or motion detectors in the delivery area is already standard. In several of our retail parks, we have introduced heat pumps and modern ventilation and heating equipment with a high percentage of heat recovery from used air. In the context of caring for the environment, we also equip our facilities with low-flow fixtures and fittings that limit current water consumption. Depending on the specifics of a given investment and its location, we try to make maximum use of the existing infrastructure in line with the circular economy ideology, as in the case of our Vendo Park in Mielec. We used materials left over from the demolition of the hypermarket that previously operated there, including mineral wool and sandwich panels with a mineral wool envelope. In the context of using new materials, especially wood, we choose those certified as responsibly sourced. We measure the carbon footprint of our investments, not only the operational footprint but also the embedded footprint, i.e. the footprint resulting from, among other things, the manufacture of the materials and their transport.

With the local communities in mind, we install electric vehicle charging stations within our retail parks, and we make every effort to ensure that Vendo Parks are distinguished by the highest level of accessibility for people with disabilities and provide users with a sense of comfort during their daily shopping - a significant proportion of our retail parks are built in smaller towns, where the development of e-mobility and increasing accessibility is slower than in the largest cities. We ensure good levels of acoustic insulation, introduce biodiversity-enhancing flower meadows, plant native plant species that do not require heavy watering and invest in cycle-friendly infrastructure.

It is also worth remembering the role that retail property owners have to play in streamlining the processes for tenants to collect and analyse data for their ESG reporting systems. This is an area where we are working on digitalisation and looking for the best solutions to make things easier for both us and the tenants of our properties.

In order to confirm the good direction of our actions and their positive effects on the community and the environment, we have started the BREEAM certification process for all our projects, initially at the Good level and currently at a minimum of Very Good, which is not standard practice for the retail park format in Poland. In addition to this, we started the 'barrier-free' certification of one of our retail parks in order to introduce solutions that make it easier for people with disabilities, the elderly or parents with young children to access and move around the site. Alongside the certification process, we have also introduced the verification of our design assumptions against taxonomy requirements, which are increasingly being used by banks and investors.

In addition to certification, we have taken on the task of counting the carbon footprint in each scope (1,2,3) so that, on the basis of this data, we can set a strategy for reducing the carbon footprint, which will translate into concrete measures to reduce the negative environmental impact of our investments.

Jacek Wesołowski
Managing Director, Trei Real Estate Poland

Vendo Park, Skarżysko-Kamienna

Multiple approaches to the ESG measures

Stakeholders, incl. customers and communities

expect → **Commitment of ESG principles** ← *follow stakeholders' expectations* — **Retailers** — *which depends on* → **Developers and property owners**

Commitment of ESG principles

- Carbon footprint reduction
- Initiatives that improve local environment
- Implementation of energy-saving measures in operations and supply chains
- Programs that support local economic development and job creation
- Community engagement
- Transparency and accountability

Retailers

- Preference for properties with features, natural lighting, and high-efficiency HVAC systems
- Source products locally to reduce transportation emissions and support the local economy
- Energy-efficient lighting (LEDs) and appliances throughout the store
- Partnerships with local NGOs and community organisations
- Ensure the store is accessible to people with disabilities, through ramps, wide aisles, and accessible restrooms
- Collaborate with brands and suppliers that align with ESG principles
- Share information on sustainability efforts and progress with customers

Developers and property owners

- Sustainable construction and design, that aim for certifications like LEED, BREEAM, or WELL
- Landscape architecture focusing on sustainable practices
- Conducting thorough environmental impact studies (EIA) before starting any project
- Green lease agreements that include commitments to sustainable practices and goals from both the property owner and tenants
- Energy-efficient systems to ensure optimal performance
- Involve local communities in the planning and development processes
- Consider the social impact of developments and integrate community spaces
- BMS implementation in order to track and report on energy usage, water consumption, and waste management
- Transparent communication of sustainability metrics and achievements

Legend:

- Design and engineer green and cost-effective structures
- Financing the green transition
- Deliver efficient energy and electrification updates
- Support community engagement and inclusiveness
- Enhance transparency and accountability

Source: JLL Research

Looking for the price consensus

A surge in costs was observed in each aspect of the economy, with real estate being a crucial component. With all categories of retail properties noting an increase in offered values, retail parks kept the lowest rents among the most popular modern formats.

Vendo Park, Lubin

The advantages of retail parks: Low rents and service charges

Retail parks stand out for relatively low rents and service charges. The main reasons behind this are their simple, single-storey layout, a faster construction process, limited common areas, and, in many cases, a lower cost of land.

Furthermore, the retail park was the most resilient format regarding the challenges that the retail market had to face during the COVID-19 pandemic. While rental values in all other retail formats declined, retail parks remained on the path of calm and stable growth.

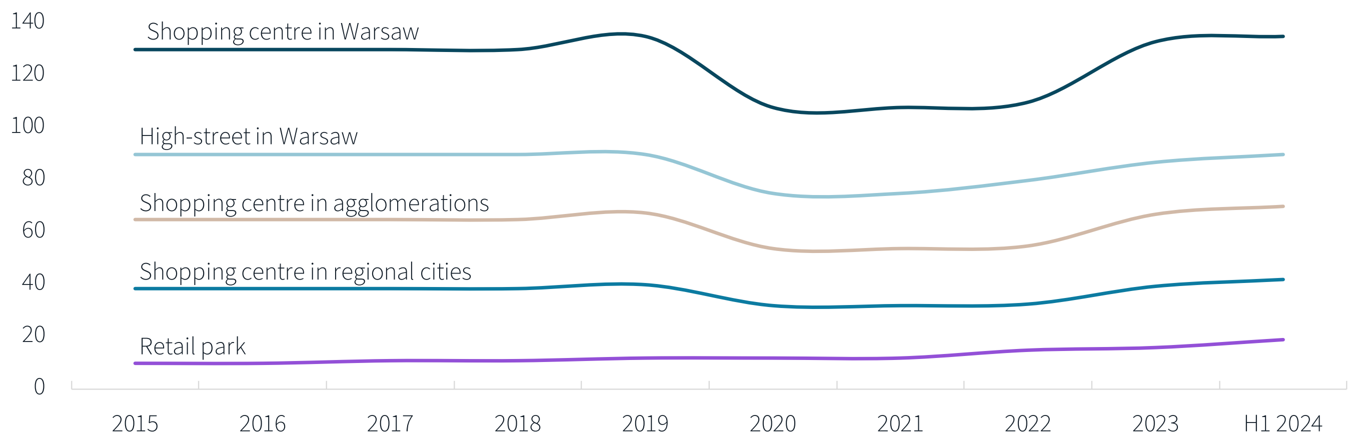
Today, the performance of the majority of retail schemes in Poland has improved, as displayed by increasing turnovers and footfall, with rental values returning to pre-COVID levels.

As of June 2024, the average rent for most retail categories in retail parks ranges from €8 to €20 per m² month. Given the format's evolution and rapid development, rates vary depending on the project's location, size, and strength, among other factors.

In comparison, values observed in the top tier Warsaw shopping centres could exceed €135 per m² month (100 m², fashion) and range from €45 to €65 per m² month in the regional cities.

Thus, retail parks and convenience centres remain the most affordable solution for geographical expansion, with prime rents less than half of mid-sized local shopping centres in cities of 100,000 - 200,000 inhabitants.

Prime rents by format (euro/ m²/ month)



Source: JLL Research

Negotiating rental values: Size matters in retail parks

Retail parks and convenience centres feature relatively simple layouts with access as convenient as possible for each unit within the scheme. As a consequence, the most meaningful variables with regard to rental values are the location and scale of the project as well as the size of the retail unit. The larger the unit, the more keen developers are to negotiate.

Secondly, the offered rental value could depend on the profile of the potential tenant. While the tenant's profile defines the required area of the unit, it also influences the tenant mix of the project in general. Therefore, some retail categories could be of higher importance from the landlord's perspective in order to secure the widest offer possible.

On top of this, during the negotiation process, both sides consider lease-term, incentives and fit-out standards. These are individual agreements based on various factors such as lease length, tenant profile, brand recognition, etc.

Unsurprisingly, the smallest units under 200 m² within prime projects are characterised by the highest per m² value, up to €20 - €30 per m²/month. However, due to the size, the total cost will remain relatively low.

In contrast, the largest units generate higher overall rent but feature the lowest per m² value. The base rent for stores above 1,000 m² could be from €8 - €12 per m²/month.

Another advantage of the retail park format is low service charges (common costs covering, among other things, property maintenance and insurance), especially compared to shopping centres. For most retail parks, the value is between €2 and €4 per m² month, while prime shopping centres display values reaching up to €25 per m²/month in the top tier assets.

General leasing standard within retail parks, by size of a unit

	100-300 m²	300-500 m²	500-1,000 m²
Base rent	€10 - €20 per m²/month	€12 - €15 per m²/month	€8 - €12 per m²/month
Service charge	€2 - €4 per m²/month	€2 - €4 per m²/month	€2 - €4 per m²/month
Lease-term	5 – 7 years	5 – 10 years	5 – 10 years +

Source: JLL Research

Retail real estate coming back on the investors' radars

Retail market sentiment is recovering and is now attracting an increasing number of investors. Against a backdrop of both improving economic performance and favourable financing, conditions are likely to result in rising retail market investment in the coming quarters.

Vendo Park, Lubin

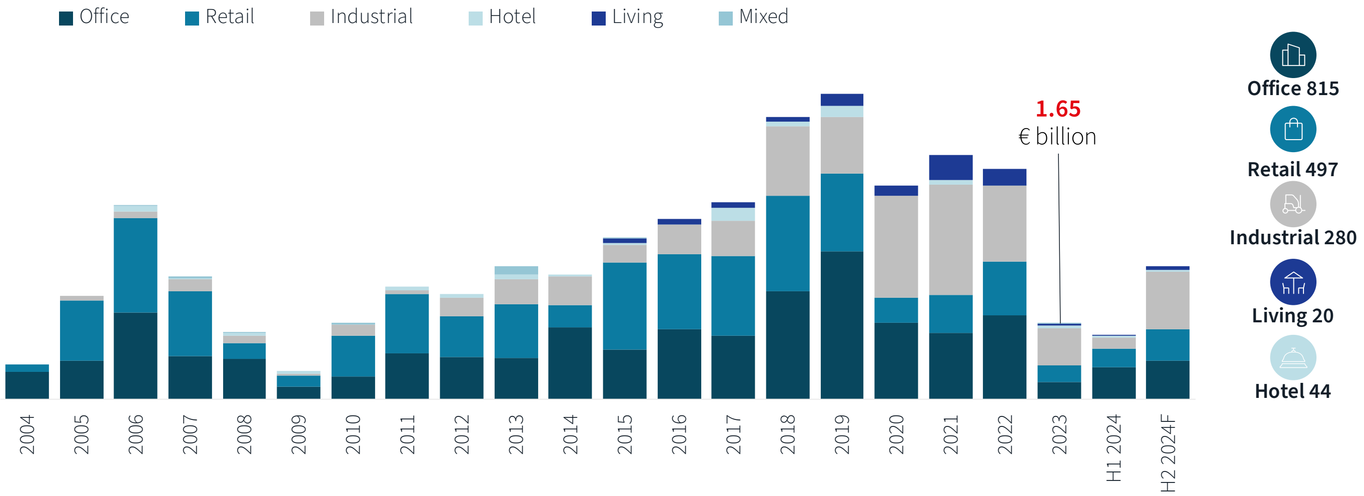
High expectations vs. market reality

In 2023, escalating financing costs, coupled with an overall economic deceleration and turbulent geopolitical environment, led to a significant downturn in investor activity in Polish and global commercial real estate markets. Consequently, sellers' price expectations, based on years of growth and favourable economic circumstances, surpassed the offers that potential buyers could feasibly make in the prevailing market conditions. This disparity in expectations substantially curtailed investment activity, resulting in diminished transaction volumes across all market segments, including retail.

However, the previous year did confirm the retail market's resurgence following the pandemic. The economic landscape continues to improve, and forecasts for the next few years suggest that Poland will sustain notably higher growth in both GDP and retail sales, thereby closing the gap with euro-area countries.

Regarding investment activity, the first half of 2024 commenced promisingly. The market saw 13 transactions until the end of June 2024, aligning with the long-term average. Significantly, the transaction volume experienced a marked resurgence. Retail investment turnover in H1 2024 totalled nearly €497 million, marking a 149% increase from H1 2023 and surpassing the five-year average by 16%. The most substantial transaction, which bolstered investments, involved the sale of six retail centres across Poland by Cromwell Polish Retail Fund to Star Capital Finance, with the total transaction value being €285 million. Undoubtedly, retail is again very much on investors' radars.

Annual investment volumes by market sector,
€ million



Source: JLL, June 2024

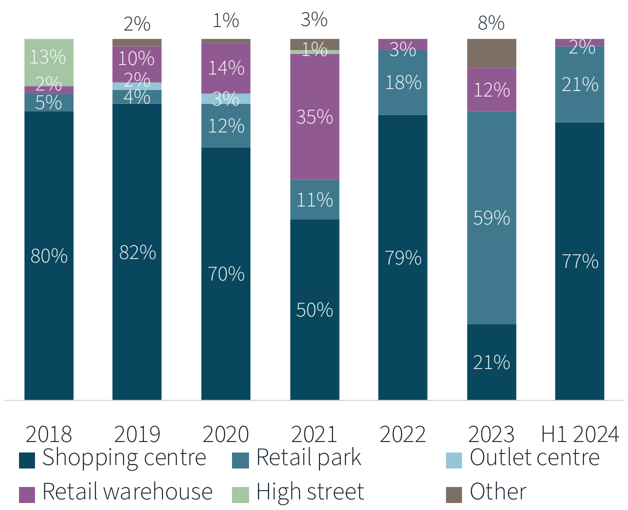
Notable deals in Poland's shopping centres and retail parks

Two more transactions in terms of lot size also involved shopping centres. Sona acquired a 49% common equity stake in a CPI portfolio, which, in addition to a significant office component, included two shopping centres – Ogrody in Elbląg (50,000 m^2) and Galeria Orkana in Lublin (7,500 m^2). In addition, Unibail-Rodamco purchased a 50% interest in the Ursynów shopping centre from its partner, the aforementioned Cromwell Polish Retail Fund.

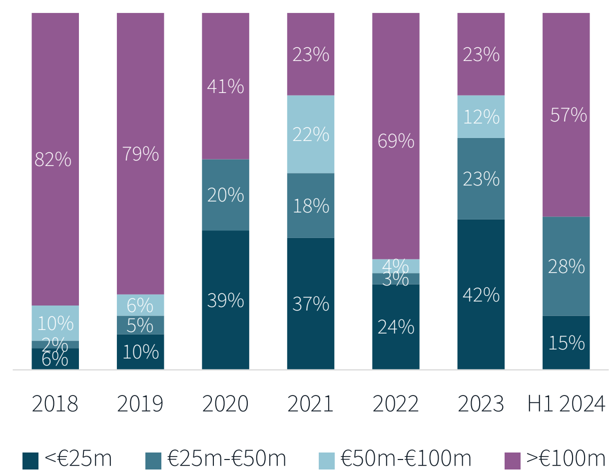
With regard to retail parks, the most substantial acquisition involved a portfolio of two schemes: Pasaż Kępiński and Pasaż Grodziski. Falcon Investment Management acquired the package from Refield, building upon the transaction of Pasaż Golubsko-Dobrzyński in 2022. The combined value of these three assets exceeded PLN 150 million. Another notable transaction included the completion of the acquisition of Aniołów Park in Częstochowa. DOR Group launched the complex in September 2022 on the site of a former Tesco. The complex, with 18,000 m^2 (GLA), is anchored by Carrefour, marking the opening of its first hypermarket in the city. Last but not least, in April, Redkom Development sold the Glinianka retail park to CEE BIG Europe. The retail property is situated in the Warsaw agglomeration and was opened in March 2023. Other retail investments primarily revolved around retail park sales, which remain the most coveted asset class among retail investors.

While there is no recent transactional evidence in Warsaw, JLL estimates that Q2 2024 prime shopping centres yield 6.50% based on the overall market sentiment. The prime cap rates for the best retail parks are currently estimated at 7.25%.

Volumes by retail format, (% of total retail investment volume)
Shopping centres took 77% of retail investment volumes in H1 2024

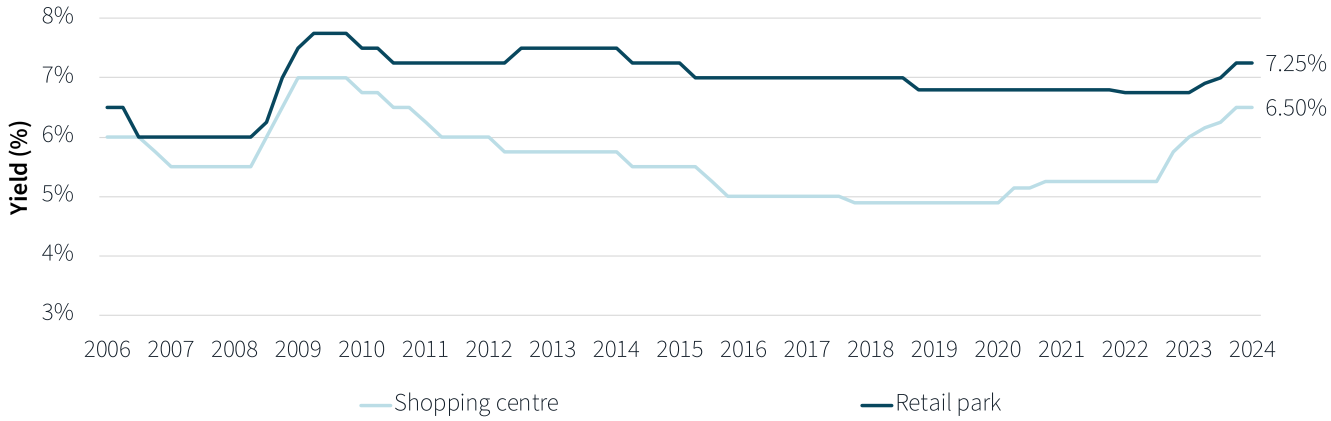


Volumes by deal size, (% of total retail investment volume)
57% of the total volume in H1 2024 came from transaction worth more than €100 million



Source: JLL, June 2024

Prime yields in Poland



Source: JLL, June 2024

Despite the impact of the summer holiday period JLL Retail Investment team had a very busy time, building on the promising first half of 2024 when already 13 retail transactions worth almost half a billion euros were recorded. The team and I successfully completed two deals in April and May, including the largest retail transaction in the Polish retail market since 2019. It was the sale of a portfolio of six retail properties by Cromwell Polish Retail Fund to Star Capital Finance, new investor in Poland from Czechia, at a price of €285 million. This deal sparked increased investor activity and a re-evaluation of strategies by key market players.

Retail parks remain of key focus for investors actively pursuing retail assets, however an exciting opportunity is emerging. It is a potential for large strategic transactions to gain momentum and attract investor interest. These transactions will provide valuable insights into market sentiment and serve as benchmarks for future trends. Despite existing risks, investor sentiment in mid-year 2024 is more positive compared to late 2023, supported by expectations of further easing of monetary policy in the Eurozone.

We are now focused on live transactions ranging from most liquid product type with handy volume of ca. € 20 - 30 million to larger state of the art shopping centres and hope to be able to announce more retail closings soon. I expect the whole transaction volume for retail segment this year to at least double, if not triple 2023 results and exceed the average of years 2019 - 2023.

Agnieszka Kołat

Head of Retail Investment, CEE

Capital Markets

Contacts

Jacek Wesołowski
Member of the Board
E: jwesolowski@treirealestate.com
T: +48 605 480 555

Paweł Gołuchowski
Member of the Board
E: pgoluchowski@treirealestate.com
T: +48 22 427 6310

Mateusz Polkowski
Head of Research & Consultancy
E: mateusz.polkowski@jll.com
T: +48 602 171 471

Agnieszka Kołat
Head of Retail Investment, CEE
Capital Markets
E: agnieszka.kolat@jll.com
T: +48 606 319 672

Dagmara Filipiak
Senior Director, Lead of Retail Agency
Leasing
E: dagmara.filipiak@jll.com
T: +48 600 303 776

Maciej Kotowski
Director
Research & Consultancy team
E: maciej.kotowski@jll.com
T: +48 600 923 115

Bohdan A. Zayka
Junior Research Analyst
Research & Consultancy team
E: bohdan.zayka@jll.com

About Partners:

JLL (NYSE: JLL) is a leading professional services firm that specializes in real estate and investment management. Our vision is to reimagine the world of real estate, creating rewarding opportunities and amazing spaces where people can achieve their ambitions. In doing so, we will build a better tomorrow for our clients, our people and our communities. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated.

Trei Real Estate GmbH, a German real estate company with registered office in Düsseldorf, acquires, develops and manages customised and sustainable residential and retail properties. As a wholly-owned subsidiary of the Tengelmann Group, it focuses on real estate investments and developments in Germany, Poland and the United States within the framework of its long-term strategy. In addition to c. 1.3 billion euros in assets under management, Trei Real Estate GmbH has another c. 1.7 billion euros worth of developments in the pipeline. In Poland the company develops, raises and lets retail parks under the Vendo Park brand.

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

Report cover photo: Vendo Park, Konin.

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