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Over €11bn to be spent on shopping centres in Central Europe until 2013

Source: report „Shopping centres in Central Europe 2011. Market analysis and development forecasts for 2011-2013"

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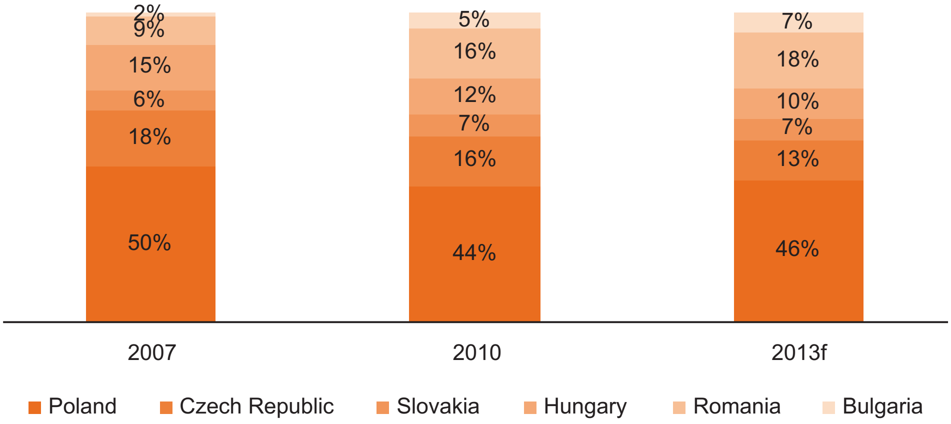
Around 6 million m^2 of new GLA is planned to be completed in Central European countries through to 2013. Most of the shopping centres openings are to occur from 2012, assuming that all projects are finalised on time. The existing investment plan could absorb over €11bn, according to PMR estimates. Bulgaria and Romania increased most dynamically in terms of GLA over the last three years and are expected to continue to develop considerably. Poland remains an attractive destination for investors, and will offer the most substantial amount of new space launched by 2013 amongst all the Central European countries analysed.

Bulgaria and Romania grow the strongest

The Central European shopping centre market, increased by 50% in terms of GLA over the last three years and totalled nearly 12 million m^2 at the end of 2010. This uplift could have been even higher if the financial crisis had not limited the ambitious plans of developers and retailers, as well as customer expectations and customer purchasing power. The Central European (CE) market size expanded by over 20% year on year in both 2007 and 2008, and by only 11% in 2010. Bulgaria and Romania, as less mature countries, have been developing much faster compared to the other CE markets. Hungary, in contrast, experienced the slowest pace of growth, whereas Poland made good use of the fact that it was the only country in Central Europe that did not record a decline during the crisis, either in GDP or in retail sales.

Since 2007, the most substantial amount of GLA in shopping centres has been supplied by Poland (1.4m m^2) and Romania (1.2m m^2); however, Bulgaria's production has accelerated most noticeably in relative terms. Its GLA increased more than four times over the last three years, due to the outstanding investment plan implemented, with over 600,000 m^2 of GLA delivered in 2010 alone. In a comparable period of time, the Romanian market nearly doubled, due chiefly however to an excellent 2008, while the next two years saw a decline in the number and space of new shopping centres completed. The market size in Slovakia grew by three-quarters, thanks to many small- and medium-sized projects in secondary cities. Concurrently, according to the PMR report, the shopping centre markets of Hungary and the Czech Republic came to a standstill in 2010, and in addition, those two countries are forecasted to rise at the slowest pace up to 2013. Nevertheless, even if it is the slowest growing, the growth still translates into around 400,000 m^2 of GLA to be supplied over a three-year period for each of them.

Share of Central European countries in total GLA (%), 2007, 2010 and 2013



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Source: report "Shopping centres in Central Europe 2011. Market analysis and development forecasts for 2011-2013", PMR Publications, 2011

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Additional six million m² of GLA to be leased by 2013

After the slowdown, which mainly spread in Central Europe in 2010, we observe a step-by-step revival on the CE shopping centre market. It is reflected in old projects been unfrozen and many new developments announced, to be completed mainly during the 2012-2013 period. The CE countries under consideration are still relatively undersaturated when taking into account shopping centre supply in comparison with Western Europe. Thus, there is still room for new investments in these CE countries; however, located more cautiously and better tailored to market needs than before the economic turbulence. The six Central European countries will see more than 6 million m² to be added over the following three years, taking into account projects at different stages of the development process, scheduled to be completed by 2013.

The share of young shopping centre markets expands at the cost of mature ones, mainly those of the Czech Republic and Hungary. Investors in Romania plans to launch 1.3m m² of new area by 2013 and the country is due to overtake the Czech Republic soon in terms of total shopping centre GLA. Developers in Bulgaria, where the effects of the crisis were postponed until 2011, have over 500,000 m² in the pipeline to be delivered in 2012 and 2013. Poland is accelerating as well, aiming to explore the potential of second-tier cities mainly. In Bulgaria and Romania, planned shopping centres are generally larger, unlike in the Czech Republic, Slovakia or Poland, where - due to rising saturation of the largest cities - investments are directed to secondary localities and designed as small and medium projects. Pallady Shopping Park in Bucharest, shopping centre of Inter IKEA Centre Group in Lublin and Topark Shopping Mall in Budapest are among the biggest developments to be completed through to 2013 in Central Europe.

Breakdown of shopping centre investment value by Central European countries (%), 2008-2010 and 2011-2013

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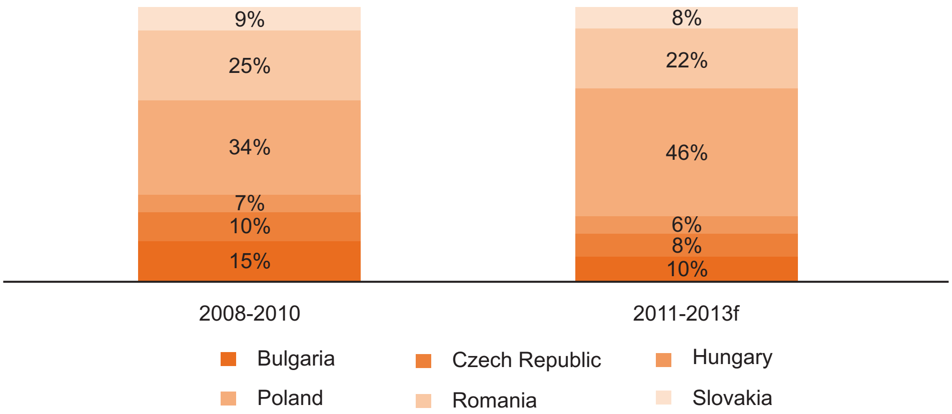

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Source: report "Shopping centres in Central Europe 2011. Market analysis and development forecasts for 2011-2013", PMR Publications, 2011

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Methodology note:
The Central European (CE) countries considered in the report are Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia. PMR takes into consideration schemes of at least 10,000 m² but excludes hypermarkets with a single gallery.

More on shopping centres in Central Europe can be found in the PMR report "Shopping centres in Central Europe 2011. Market analysis and development forecasts for 2011-2013".

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