



GROCERY SECTOR IN POLAND

CBRE

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Introduction

In this publication, we take a closer look at the grocery industry: we supplemented the analysis of the demand volume with a current study of consumer preferences,

Food and non-alcoholic beverages constitute the largest category of household expenditure in Poland (approx. 25%), and consequently the food sector is an important segment of the retail market.

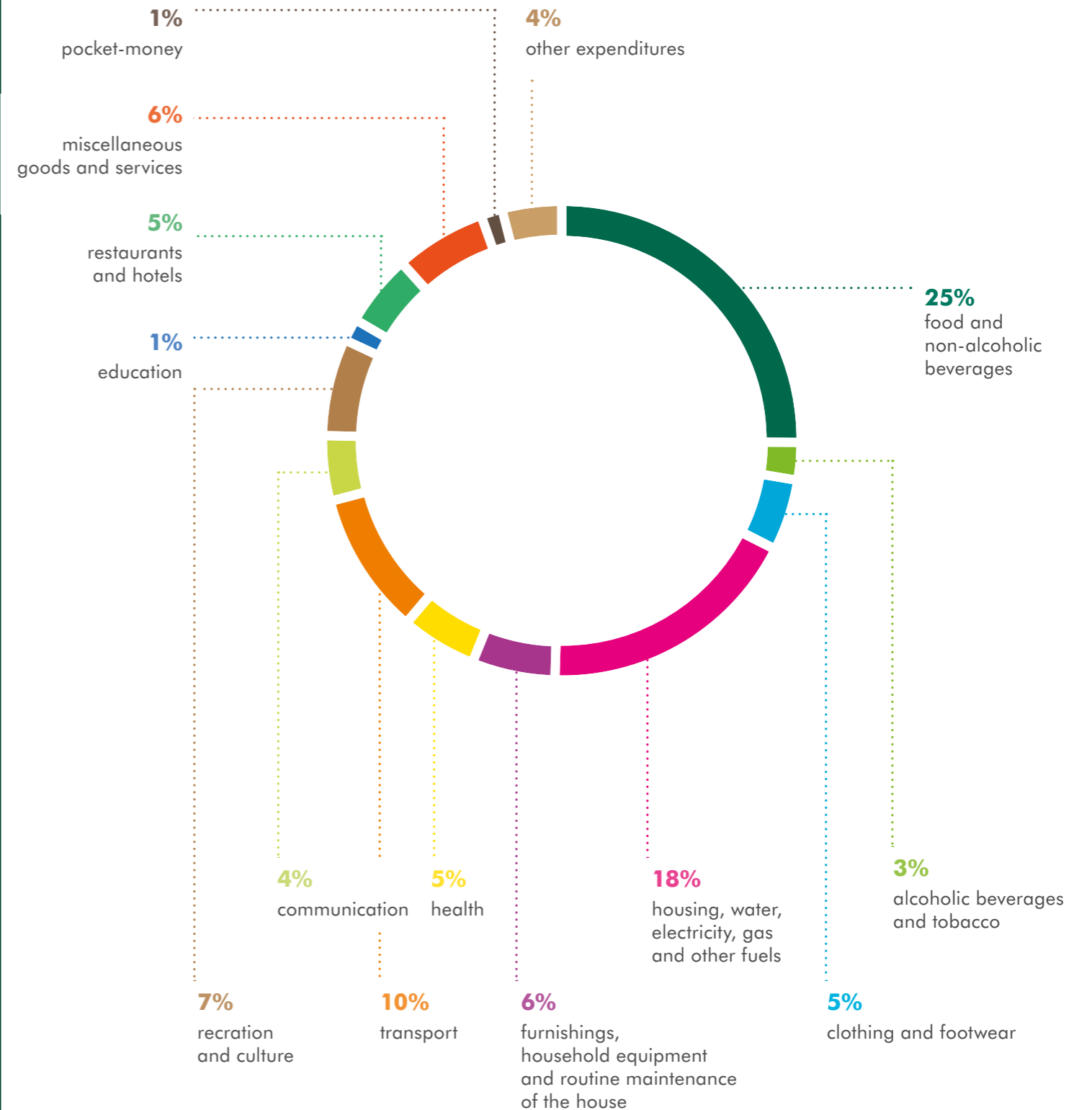
trends in the grocery industry taking into account the impact of the Covid-19 pandemic.

we looked at retail chains present on the Polish market and the formats of retail facilities. We have examined investment volumes in the retail real estate sector in recent years and have identified strong grocery chain based assets. We have summarized current

We invite you to read!

Household expenditure structure

Source: Central Statistical Office, 2019



Demand



Over the last ten or so (2007-2019), traditional grocery sales have been systematically growing at an average rate of 2.7% y-o-y.

The unusual circumstances triggered by the Covid-19 pandemic resulted in a slight decline in sales in this segment in 2020. Nevertheless, the grocery sector proved to be immune to economic uncertainty when compared to other retail industries. Sales in the food sector in 2020 decreased by only 0.9% y-o-y, while total retail sales in brick-and-mortar stores decreased by 6.7% y-o-y. The sales forecasts for food products for the coming years are positive: sales will increase on average by 2.5% per year (2021-2025).

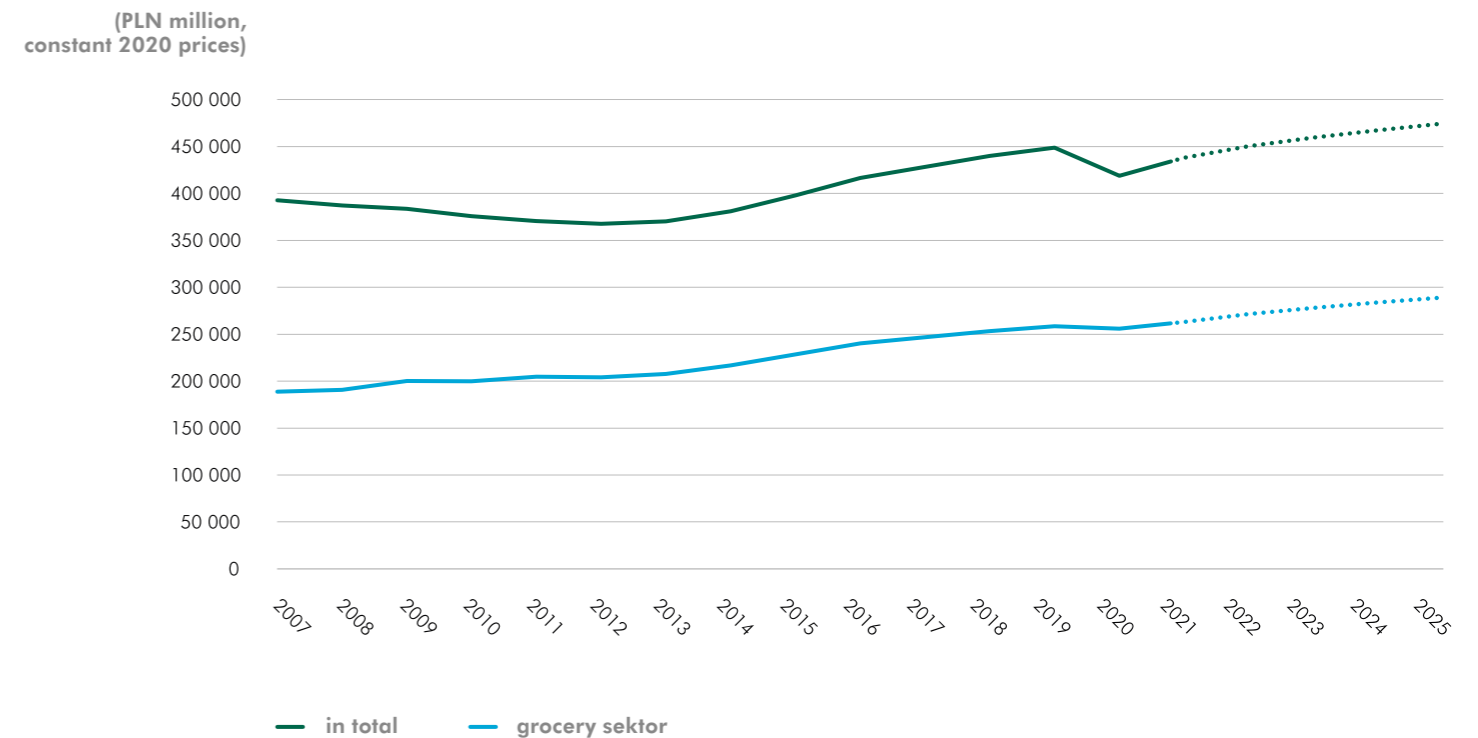
ANNUAL CHANGE
IN TRADITIONAL RETAIL SALES
IN 2020

-6.7%
TOTAL

-0.9%
GROCERY SECTOR

The volume of traditional retail sales in total and in the grocery sector

Source: Euromonitor International, July 2021



The good performance of the food industry is reflected in the breakdown of the share of the grocery and non-grocery sectors in total traditional retail sales. In recent years (2016-2019), the share of the grocery industry has been stable at 58%.

In 2020, it increased to 61% as a result of two factors simultaneously: the good condition of the grocery sector despite the general uncertainty on the retail market and a temporary drop in sales in other industries. The decrease in turnover in the non-food industries resulted, among others, from the verification of needs in changed circumstances. Limiting social contacts, working from home and the lack of special events negatively impacted on sales in the fashion industry, while restrictions in the operation

of restaurants and cafes, hotels and cinemas significantly reduced the turnover of the catering and entertainment sector. However, the same factors meant that Poles more often prepared their own meals at home, having previously shopped for food products. Additionally, the results of grocery sales in March 2020 show a clear effect of making purchases in advance.

In 2021, a gradual stabilization of market shares is expected as a result of the increase in sales within other retail industries.

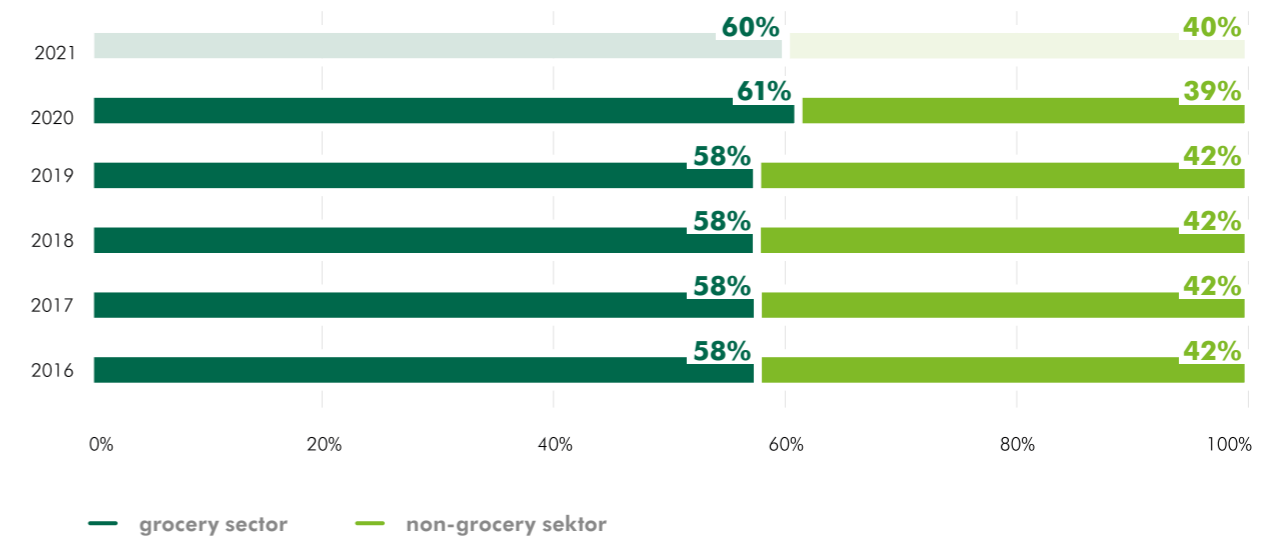
The need for isolation/ quarantine, limiting visits to traditional stores for fear of contamination or the evolution of consumer habits accelerated by the pandemic resulted in increased online sales in 2020. The share of e-commerce increased during the restrictions on the functioning of traditional retail and decreased after the re-openings of retail facilities.

In the food sector, similar short-term trends were observed as in other industries, however, it should be noted that the sale of food products via the Internet grew relatively less than total sales, which indicates a greater attachment of consumers to traditional sales in this market segment.



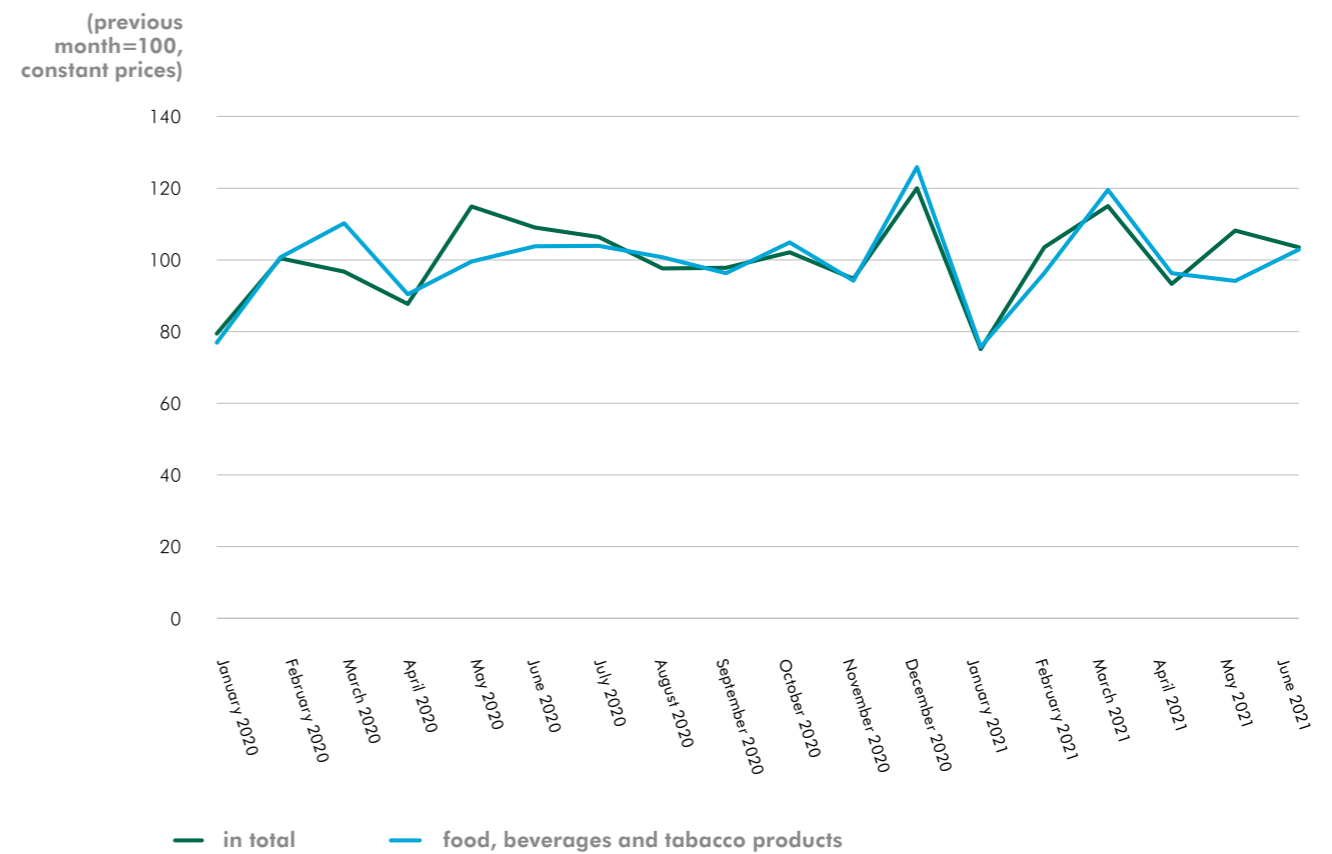
Share of the grocery and non-grocery sectors in total traditional retail sales

Source: Euromonitor International, July 2021



Retail sales dynamics in January 2020 – June 2021

Source: Central Statistical Office, July 2021

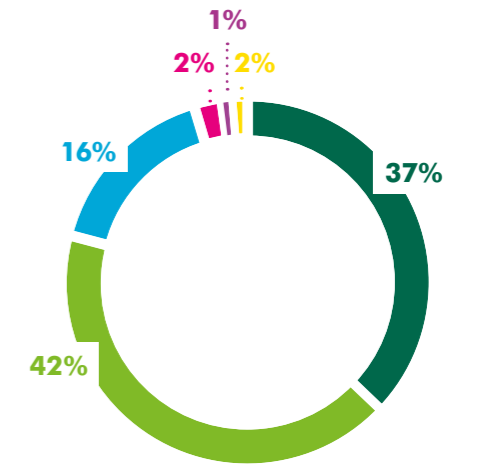




Customer survey

How often do you shop for groceries?

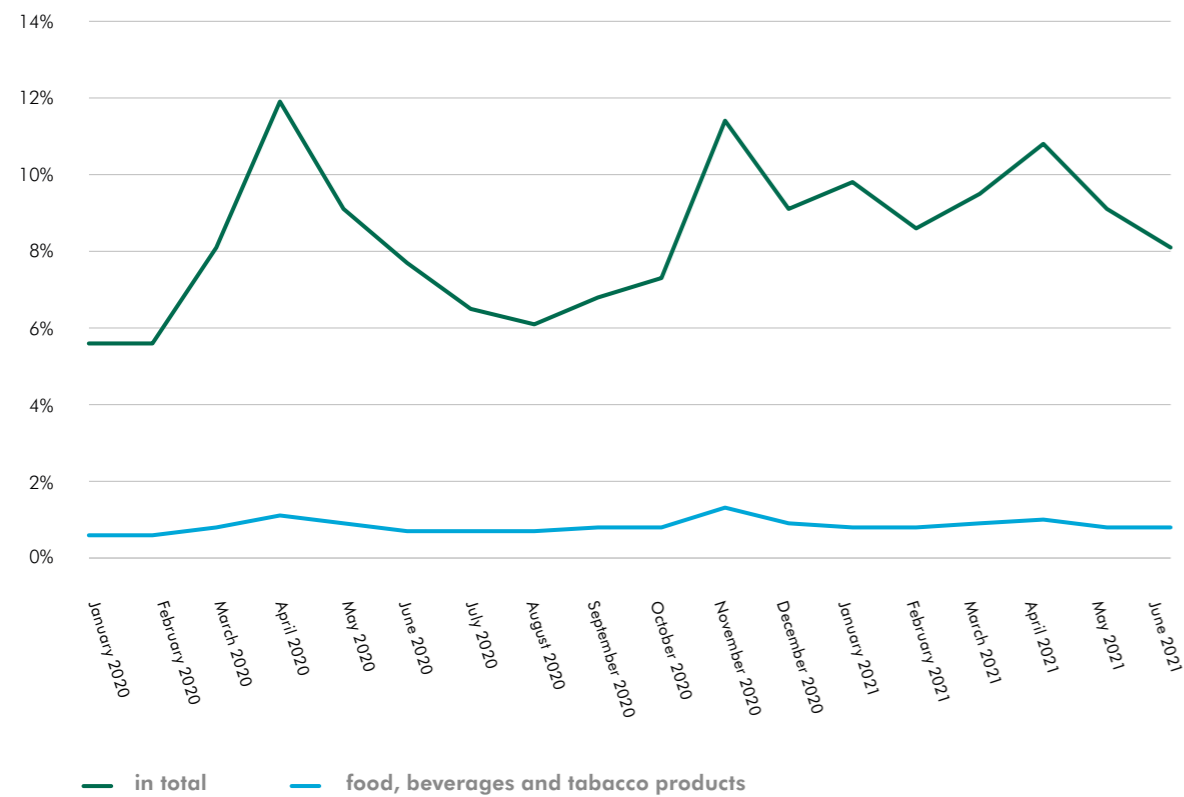
Source: CBRE, June 2021



- every day or nearly every day
- 2-3 times in a week
- once in a week
- 2-3 times in a month
- once in a month
- less than once in a month

Share of Internet sales in retail sales (current prices) in January 2020 – June 2021

Source: Central Statistical Office, July 2021



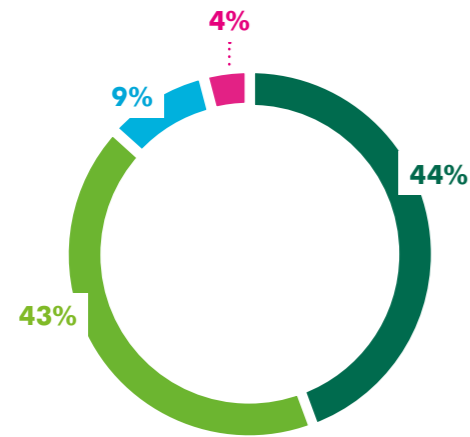
The survey was conducted on June 25-28, 2021 on a nationwide sample of 1,082 people.

42%
OF THE RESPONDENTS SHOP FOR FOOD 2-3 TIMES A WEEK.

AS MUCH AS
37%
OF THE RESPONDENTS MAKE SUCH PURCHASES EVERY DAY.

How much money is spent on groceries per month per person in your household?

Source: CBRE, June 2021



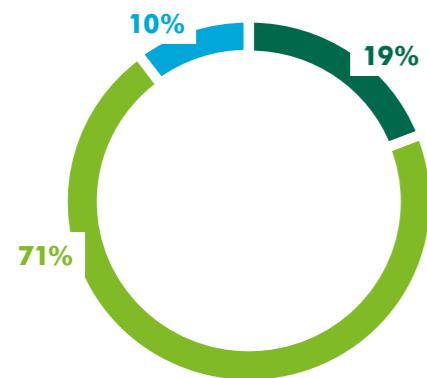
MOST OF THE INTERVIEWEES **(44%)** SPEND UP TO PLN 500 PER MONTH FOR FOOD SHOPPING IN THEIR HOUSEHOLD.

43% OF THE RESPONDENTS SPEND BETWEEN PLN 500 AND 1,000 PER PERSON PER MONTH.

- up to PLN 500 monthly per head
- from PLN 501 to PLN 1,000 monthly per head
- from PLN 1,001 to PLN 1,500 monthly per head
- above PLN 1,500 monthly per head

Which description best matches the amount of money you spent on groceries during the Covid-19 pandemic compared to the pre-pandemic period?

Source: CBRE, June 2021

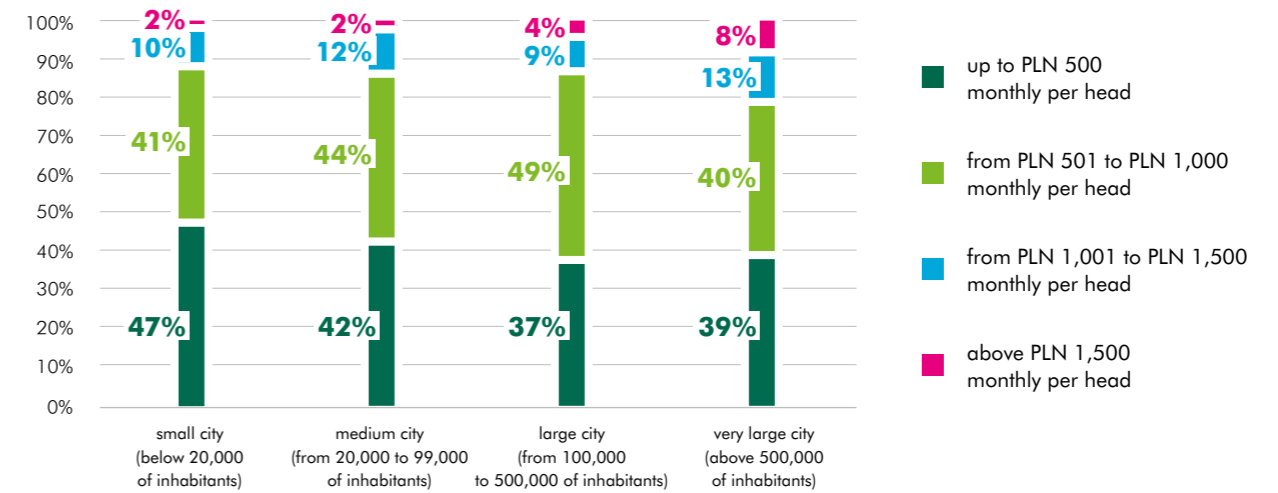


ALMOST **ONE FIFTH** RESPONDENTS BELIEVE THAT THEY SPENT MORE MONEY ON GROCERIES DURING THE PANDEMIC THAN BEFORE THE PANDEMIC.

- I was spending more money during the pandemic.
- I was spending the same amount of money during the pandemic.
- I was spending less money during the pandemic.

How much money is spent on groceries per month per person in your household?

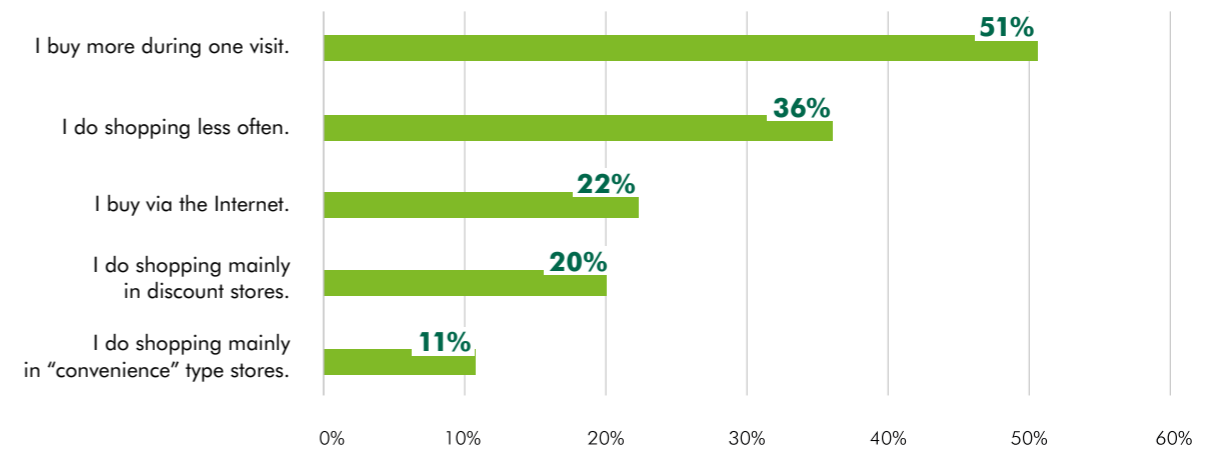
Source: CBRE, June 2021



SIGNIFICANT DIFFERENCES BETWEEN THE NUMBER OF GROUPS WITH THE LOWEST AND THE HIGHEST BUDGET DEPENDING ON THE SIZE OF THE CITY ARE VISABLE. IN SMALL TOWNS, THE GROUP SPENDING UP TO PLN 500 PER PERSON PER MONTH AMOUNTS TO **47%**, WHILE IN LARGE AND VERY LARGE CITIES THIS GROUP ACCOUNTED FOR 37% AND 39% OF THE INHABITANTS.

How has the Covid-19 pandemic affected the way you shop for groceries?

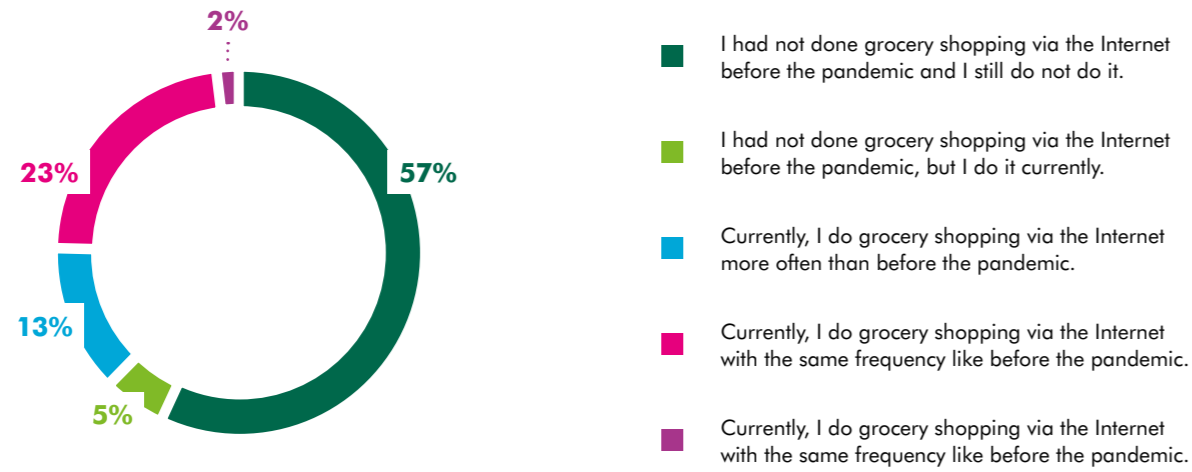
Source: CBRE, June 2021



44% OF THE RESPONDENTS ADMITTED THAT THE PANDEMIC HAS HAD AN IMPACT ON THE WAY OF SHOPPING. OVER HALF OF THEM BUY MORE DURING ONE VISIT, ONE THIRD BUY LESS, AND ONE FIFTH BUY ONLINE.

Which description of online grocery shopping suits you best?

Source: CBRE, June 2021

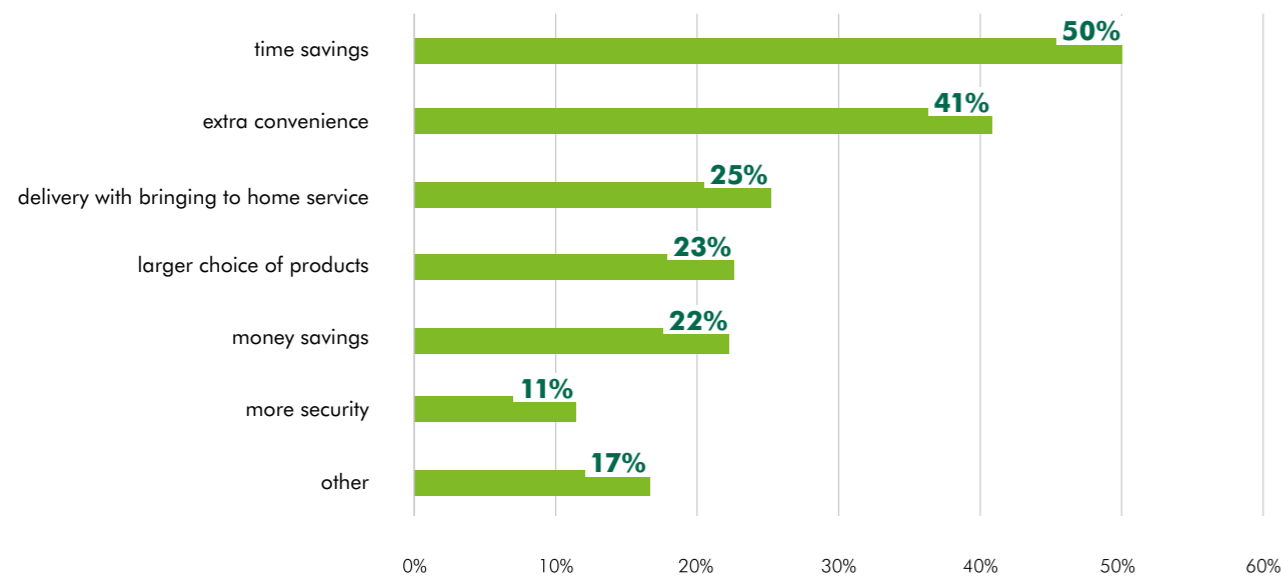


UNPRECEDENTED CIRCUMSTANCES AND EXPERIENCE OBTAINED BY CONSUMERS DURING THE PANDEMIC MEANT THAT 13% OF THE RESPONDENTS DECLARED THAT THEY CURRENTLY DO MORE GROCERY SHOPPING ONLINE THAN BEFORE THE PANDEMIC.

HOWEVER, **57%** OF RESPONDENTS HADN'T DONE THIS TYPE OF ONLINE SHOPPING PREVIOUSLY AND THE PANDEMIC HAS NOT CHANGED IT.

What encourages you to shop online for groceries?

Source: CBRE, June 2021



TIME SAVING AND EXTRA CONVENIENCE ARE WHAT PARTICIPANTS WHO BUY ONLINE VALUE MOST.



Overview of food chains



Żabka is a grocery chain that dominates the Polish market in terms of the number of stores, offering customers shopping in the “convenience” formula. The largest player among the discount stores offering groceries at low prices is Biedronka. Other sales formats available on the Polish market for retail customers include large-format and medium-sized hypermarkets and supermarkets as well as specialized grocery stores, e.g. focused on organic food.

There are both Polish food chains and operators with European capital on the Polish market.

The table on the next page summarizes information about the most common grocery chains operating within the Polish market today.

THE DIVISION
OF GROCERY STORES INTO
FORMATS DEPENDS ON:

THE SIZE OF THE STORE,
WHICH IN TURN DETERMINES
THE RANGE OF ITS IMPACT

OR

PRICING POLICY
(IN THE CASE
OF THE DISCOUNT FORMAT).

Overview of grocery chains on the Polish market

Source: websites and reports of grocery chains, trade press

BRAND	FORMAT	COUNTRY OF ORIGIN	FIRST STORE IN POLAND	NUMBER OF STORES	NUMBER OF OPENINGS IN 2020
ALDI NORD	• discount store	Germany	2008	174 (June 2021)	24
AUCHAN	• hypermarket • supermarket • “convenience”	France	1996	116 (April 2021)	n/a
BIEDRONKA	• discount store	Portugal	1995	3,130 (March 2021)	129
CARREFOUR + GLOBI + SUPECO	• hypermarket • supermarket • “convenience” • specialised store • wholesale-discount store	France	1997	940	n/a
DINO	• supermarket/“convenience”	Poland	1999	1,532 (March 2021)	255
E.LECLERC	• hypermarket • supermarket	France	1995	45	0
INTERMARCHÉ	• supermarket • “convenience”	France	1997	199 (June 2021)	n/a
KAUFLAND	• hypermarket	Germany	2001	227 (June 2020)	12
LIDL	• discount store	Germany	2002	765 (June 2021)	56
MERE	• discount store	Russia	2019	4 (June 2021)	0
NETTO	• discount store	Denmark	1995	423 (June 2021)	n/a
POLOMARKET	• supermarket/“convenience”	Poland	1997	284 (June 2021)	n/a
SPAR	• supermarket • “convenience”	The Netherlands	1996	230 (March 2021)	n/a
STOKROTKA	• supermarket • “convenience” • specialised / discount store	Poland	1994	720 (January 2021)	93
TOPAZ	• supermarket/“convenience” • cash & carry	Poland	1993	128 (January 2021)	n/a
ŻABKA	• “convenience”	Poland	1998	7,325 (June 2021)	1,000

Examples of the openings of new grocery stores (H1 2021)



1.	ALDI	Rzeszów, Stara Szwalnia
2.	ALDI	Sopot, Sikorskiego 8/10
3.	ALDI	Warszawa, Pl. Konesera 8
4.	BIEDRONKA	Nakło nad Notecią, Aura Park
5.	BIEDRONKA	Różaniec 83
6.	CARREFOUR EXPRESS	Kraków, Dobrego Pasterza 67
7.	CARREFOUR EXPRESS	Luboń, Jana Pawła II 10
8.	CARREFOUR EXPRESS	Wrocław, Pl. Legionów 15
9.	GLOBI	Sulistrowiczki, Świdnicka 5
10.	GLOBI	Warszawa, Lotników 16
11.	INTERMARCHÉ POWER	Milicz, Makowa 13
12.	INTERMARCHÉ POWER	Piekary Śląskie, MMG Centers
13.	INTERMARCHÉ POWER	Śrem, Szkolna 15
14.	KAUFLAND	Zielona Góra, Energetyków 2A
15.	LIDL	Katowice, Panewnicka 238
16.	LIDL	Strzelin, Wolności 7B
17.	LIDL	Ustronie Morskie, Rolna 45
18.	MERE	Ostrowiec Świętokrzyski, Sandomierska 87
19.	MERE	Radom, Młodzianowska 75
20.	MERE	Żyrardów, Reymonta 9
21.	NETTO	Kolbudy, Leśna 2
22.	NETTO	Rogoźno, Fabryczna 1C
23.	NETTO	Szczecin, Duńska 11
24.	POLOMARKET	Kisielice, Sienkiewicza 16A
25.	POLOMARKET	Pabianice, Echo Pabianice
26.	POLOMARKET	Sztutowo, Zalewowa 5
27.	EUROSPAR	Legionowo, Piłsudskiego 31
28.	SPAR EXPRESS	Chruszczobród, Powiatowa 21
29.	SPAR MINI	Pacanów, Szkolna 21
30.	SUPECO	Czechowice-Dziedzice, Pl. Targowy 2
31.	TOPAZ	Stare Opole, Warszawska 55
32.	ŻABKA	Piła, Atrium Kasztanowa

The food sector is a market segment in which dynamic changes have been observed in recent years.

In 2019, Spar took over the Piotr i Paweł chain. The first store operating under the new brand was opened in Warsaw's Blue City. Currently, the Spar chain is finalizing the process of changing the image of the former Piotr i Paweł stores.

In June 2020, Salling Group, the owner of the Netto chain, concluded an agreement with the owner of the Tesco retail chain to purchase approximately 300 stores. The transaction was finalized in March 2021, and in May 2021, the first stores were opened in former Tesco locations under the new Netto brand. The full change process may take up to a year.

Several Tesco stores located in shopping centres have been taken over by the Kaufland grocery chain, e.g. in Warsaw's Gocław, Lublin (Orkana Street), Gdańsk (Cienista Street) and Wrocław (Długa Street).

Apart from the ownership changes in the food sector, the chains present on the market are also looking for new formats.

In 2019, Carrefour launched the first self-service store. It is located in Warsaw's Białołęka district. In 2020, a second store was opened in this format, also located in Warsaw, near the Warszawa Wileńska railway station.

At the end of 2020, Auchan launched the first pilot gas station store under the Easy Auchan brand and continues to develop this format in 2021.

In turn, in January 2021, Topaz opened the first Cash & Carry type of sales hall, also available to individual customers.

In June 2021, Żabka opened the first self-service store to customers. Żabka Store is located in Poznań. The Żabka chain is also developing the format of seasonal stores located in tourist destinations.

In response to the significant interest of Poles in products at lower prices, a new offer of discount stores has appeared on the market. In November 2019, Stokrotka opened the first of its Stokrotka Optima stores, offering a reduced range of products at competitive prices. In 2020, the first store of the Mere discount chain, a brand originating in Russia, previously unavailable on the Polish market, appeared in Poland. The Mere chain started its expansion with a store in Częstochowa. Currently, the chain already has 4 operating locations.



Supply of retail space

Good accessibility and visibility of the store, convenient parking for customers, as well as the store's catchment zone, competition from other retail chains in the area and the purchasing power of its residents are important when choosing the location and format of a new retail outlet.



THE RETAIL FACILITIES (CONCEPTS) MOST OFTEN CHOSEN BY GROCERY CHAINS INCLUDE:

SHOPPING CENTRES: the grocery operator acts as one of the main tenants, generates customer traffic in the facility, which is also used by other tenants, acting in synergy;

RETAIL PARKS: a grocery operator with a multi-branch discount store is often the main tenant in a retail park, generating customer traffic in the facility, which is also beneficial for other tenants;

STAND-ALONE FACILITIES: (large/medium format/ "convenience" format): a destination closely related to grocery shopping, without synergies with other industries;

GROUND FLOORS OF RESIDENTIAL/OFFICE BUILDINGS: complementary to the leading function.

THE SALES FORMATS OF GROCERY CHAINS EVOLVE OVER TIME, ADAPTING TO THE CURRENT TRENDS ON THE CONSUMER MARKET:

- the average floor space of a grocery operator in shopping centres has decreased over the years;
- the presence of the food industry in retail parks has increased along with the dynamic development of these facilities in Poland;
- along with the growing popularity of multi-functional projects and the dynamic development of new housing estates, the number of "convenience" formats with a complementary function has increased.

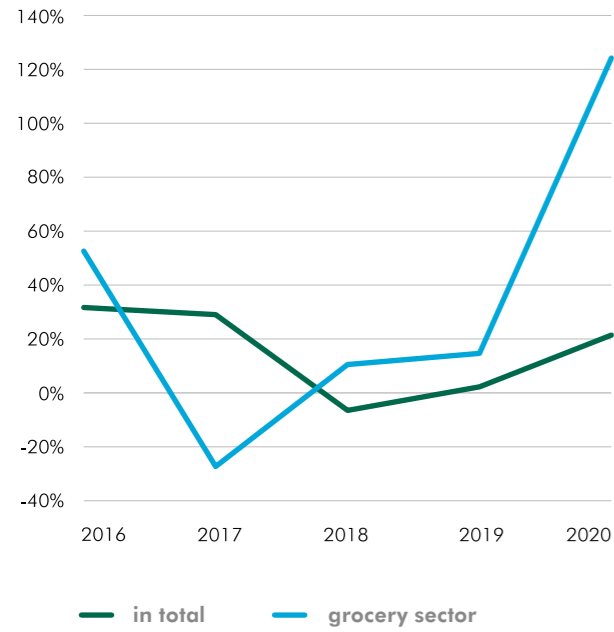
The beneficiaries of the growth in demand for food products in 2020 were not only retail stores, but also warehouse properties:

- in 2020, an increase in demand generated by food chains was observed. Moreover, growth in this sector was characterized by greater dynamics than that of total demand (+124% y-o-y for the food industry vs. +21% y-o-y for total demand);
- the share of the food industry in total demand increased from approx. 4-5% in previous years to 9% in 2020.



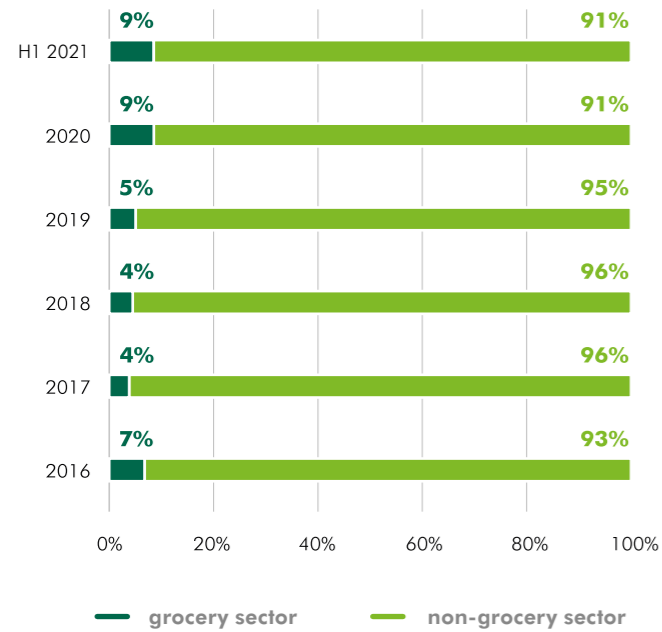
Changes in demand for warehouse space y-o-y in 2016-2020

Source: CBRE, July 2021



Share of the food and non-food sectors in total demand for warehouse space in 2016-Q1 2021.

Source: CBRE, July 2021



Investment market



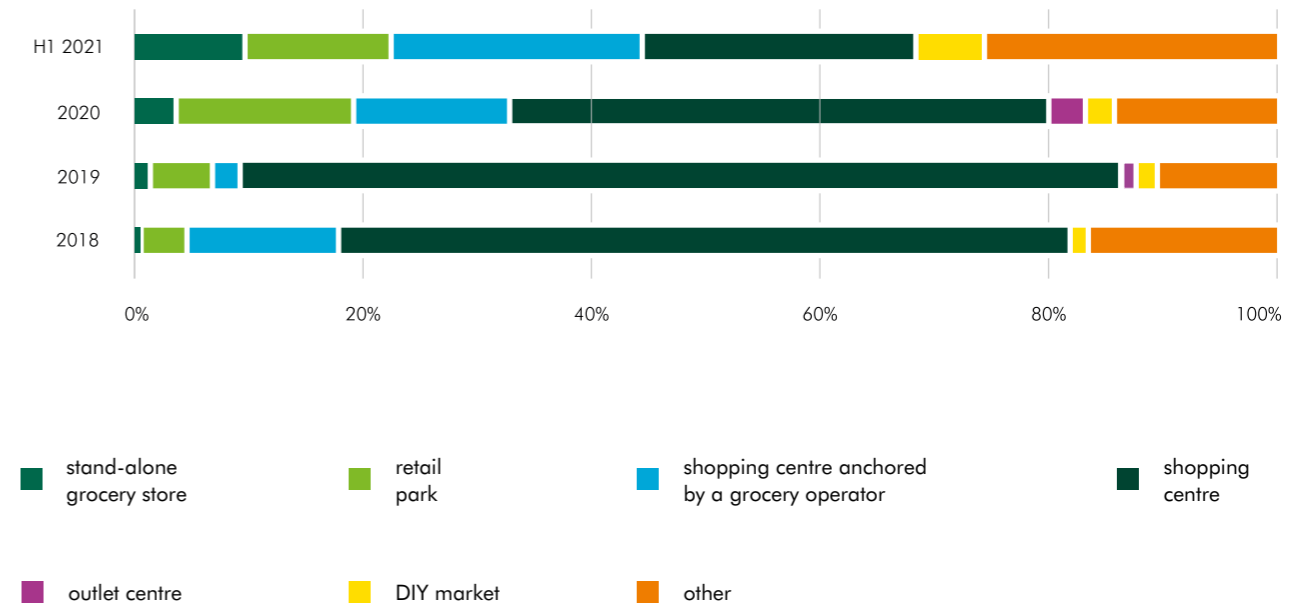
In recent years, and in particular during the Covid-19 pandemic, there has been increased investor interest in stand-alone grocery stores and other grocery tenant-anchored assets.

Out of the total investment volume for the retail sector, the share of demand for the formats below increased:

- a stand-alone grocery store;
- retail park – where the leading tenant is a grocery operator;
- shopping centre of the so-called first generation, where the main tenant is a large grocery store.

Share of individual formats in the total investment volume in the retail sector

Source: CBRE, July 2021



Trends in the food market



Grocery chains are following the changing preferences of consumers, adjusting their assortment and sales formula to meet customer expectations.

The following trends should be added to the trends mentioned earlier in the report:

- the popularity of discount stores;
- the importance of local food shopping;
- environmental friendliness;
- development of the omnichannel strategy.

The pandemic accelerated the processes of combining traditional commerce with e-commerce. In 2020, traditional stores expanded their offer with an online store with the "click & collect" service or home delivery. On the other hand, those that already conducted online sales before the pandemic extended their services to other cities or points of collection for purchases.

Grocery chains, which to date did not have self-service checkouts, introduced such solutions. Others, where this payment model was successfully operated before the pandemic, accelerated the investment in self-checkouts. The Carrefour and Żabka chains went a step further in the development of the omnichannel chains and launched self-service stores

(more in the chapter: Overview of food chains)

RETAIL CHAINS FROM THE FOOD SECTOR USE A NUMBER OF ENVIRONMENTALLY FRIENDLY SOLUTIONS IN THEIR STORES INCLUDING:

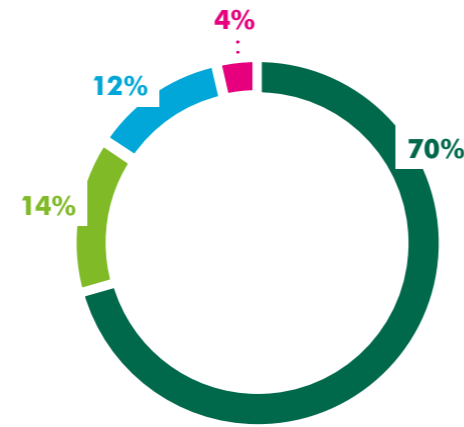
- energy-saving LED lighting;
- photovoltaic panels;
- greenery on the roof;
- environmentally friendly cooling systems;
- environmentally friendly ventilation and air-conditioning systems;
- electric vehicle charging stations.

In addition to ecological technological solutions, grocery chains promote ecological attitudes in line with the zero waste ideology. Introducing the possibility of returning recyclable bottles without showing a receipt and converting them into e-vouchers for use in the store (Carrefour), reducing food waste through partnership with "Too Good To Go", involvement in creating flower meadows and protecting bees or introducing private labels on packaging markings facilitating the segregation of rubbish (Aldi) are just some of the examples of activities undertaken by grocery chains.

Customer survey

In what type of traditional stores do you most often do grocery shopping?

Source: CBRE, June 2021



- in discount stores
- in large supermarkets or hypermarkets
- in small stores from the neighbourhood
- difficult to say

THE RECENT CONSUMER RESEARCH SHOWS THAT POLES CHOOSE DISCOUNT STORES MOSTLY FOR SHOPPING OVER TRADITIONAL STORES:

70%
OF THE RESPONDENTS.

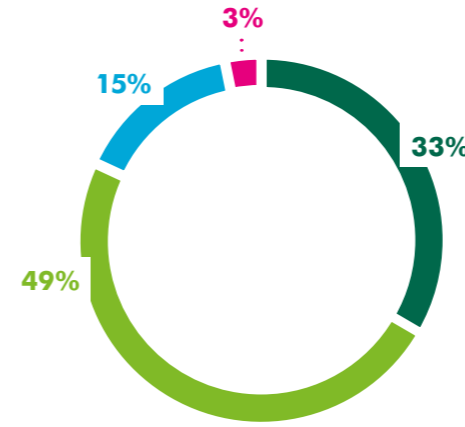
DISCOUNT STORES ENJOY THE GREATEST POPULARITY AMONG THE INHABITANTS OF SMALL CITIES (UP TO 20,000)

78%
OF THE RESPONDENTS OPTED FOR THIS OPTION.

The survey was conducted on June 25-28, 2021 on a nationwide sample of 1,082 people.

Does the distance of the grocery store from your place of residence matter to you?

Source: CBRE, June 2021

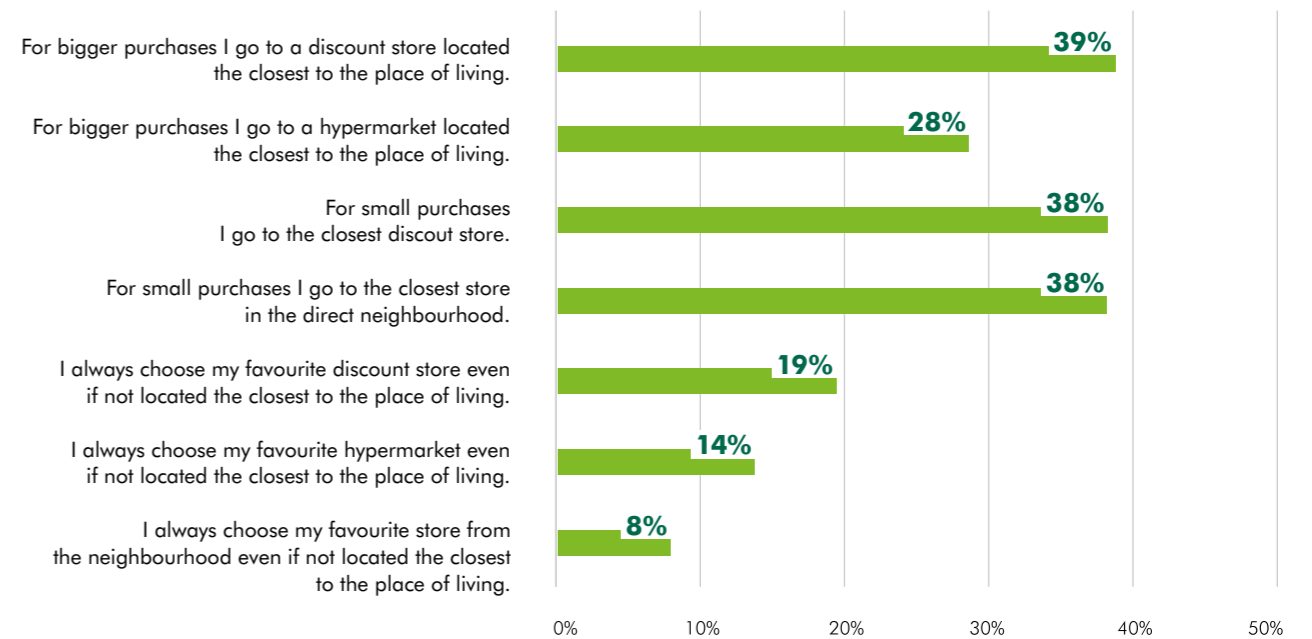


- definitely yes
- rather yes
- rather no
- definitely no

OVER **80%** OF THE RESPONDENTS ANSWERED AFFIRMATIVELY THE QUESTION WHETHER THE DISTANCE TO THE FOOD STORE IS IMPORTANT.

Which of the following statements suit you?

Source: CBRE, June 2021



FOR BIGGER PURCHASES, THE RESPONDENTS CHOOSE DISCOUNT STORES RATHER THAN HYPERMARKETS. IN THE CASE OF SMALL FOOD PURCHASES, COUNTRY STORES AND DISCOUNT STORES OBTAINED AN EQUAL NUMBER OF VOTES.

Summary

The grocery sector has developed steadily in recent years, recording systematic increases in retail sales. The economic uncertainty caused by the Covid-19 pandemic has not shaken the industry. Despite a decline in total traditional sales in the retail sector by several percent in 2020, sales in the grocery segment remained almost unchanged last year.

The consequences of the Covid-19 pandemic and restrictions on the functioning of retail at that time meant that investors temporarily reduced their interest in traditional shopping centres, while looking for alternative retail assets. Retail facilities based around grocery tenants with a stable turnover, not subject to operating restrictions, turned out to be a safe product and resistant to the economic turmoil of 2020.

Forecasts for the future development of the grocery sector are also optimistic. Expectations for retail sales in traditional stores in the coming years indicate an increase of approx. 2.5% annually. Conveniently located traditional grocery stores have a huge competitive advantage over the sale of food over the Internet. Customer preferences are also confirmed by the latest consumer research. Despite the experience of 2020, as many as 57% of the respondents did not change their habits: they did not do grocery shopping online and they still do not do it.

Grocery chains in Poland are dynamically developing, introducing new sales formats and innovative solutions favouring the comfort of customers in the stores, while caring for the environment and promoting ecological attitudes among customers.

Contact

For more information regarding this report and CBRE retail services in Poland please contact any of us.

MAGDALENA FRĄCZAK

HEAD OF RETAIL SECTOR
ADVISORY & TRANSACTIONS

+48 508 083 498
magda.fratczak@cbre.com

SEAN DOYLE

INVESTMENT PROPERTIES

+48 500 070 744
sean.doyle@cbre.com

AGATA CZARNECKA

RESEARCH & CONSULTANCY

+48 500 000 053
agata.czarnecka@cbre.com

MARIUSZ MAJKOWSKI

LEASING – SHOPPING CENTRE & HIGH STREETS

+48 692 414 591
mariusz.majkowski@cbre.com

EMILIA TROFIMIUK

RESEARCH & CONSULTANCY

+48 728 437 614
emilia.trofimiuk@cbre.com

MAGDALENA KOZIŃSKA

LEASING – TENANT REPRESENTATION

+48 606 101 545
magdalena.kozinska@cbre.com

MACIEJ WÓJCIKIEWICZ

VALUATION ADVISORY

+48 501 746 503
maciej.wojcikiewicz@cbre.com

PIOTR KARPIŃSKI

PROPERTY MANAGEMENT

+48 608 658 474
piotr.karpinski@cbre.com

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**GROCERY
SECTOR
IN POLAND**

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