

Feature



The ParkLake scheme in Bucharest, Romania

CEE

CEE reshapes as retailers look east

While the CEE's strongest markets continue to dominate, those that were harder hit by the economic crisis are attracting investment once again.

Ben Cooper reports

THE CEE region is particularly varied, containing some of Europe's richest cities and investment hubs, and some of its poorest. As a result, it is still the biggest cities and the dominant markets that attract the bulk of the investment and pull in the biggest new retail brands. But as the general economic conditions improve, so do the chances that the neglected second tier of the CEE will start to attract the investment it needs.

Poland still dominates the region, both in size and development activity. Eight major regional cities and a capital that has been totally regenerated over half a century make the country the perfect starting place for retailers looking to open in the CEE region — and development has followed suit.

The result is some 500,000 sq m of retail property under construction right now, both in the major cities and, increasingly, in the second-tier locations where much of the opportunity now lies.

In Poznan, regional developer TriGranit has completed the second and final phase of the major Poznan City Center project, which has transformed Poland's fifth largest city. And it is also in Poznan where another big project has got under way this year — the €290m Lacina

shopping centre. A joint venture between French developers Eiffage and Apsys, the centre will become one of the region's largest, boasting 100,000 sq m of space and 300 new retail units.

Elsewhere, the development pipelines may have been more modest, but there is still plenty of activity. In March this year, Benoy unveiled Galerie Teplice in the Czech Republic, a key 22,000 sq m retail and leisure centre over three floors, which has attracted some big

international retail names, including H&M, Lindex and Intersport.

Beatrice Mouton, head of CEE retail at JLL, says that the Czech Republic is fast becoming a key target for

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Beatrice Mouton
JLL

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The Eiffage/Apsys Lacina North Plaza scheme for Poznan in Poland

international brands. “There are lots of opportunities for retailers,” she says. “It’s become a really important destination and there are a lot of newcomers, most of which are still coming in via franchises. It’s a dynamic market.”

Some of the smaller countries in the CEE region still struggle to attract the big-name retailers and the investment needed to deliver significant pipelines. But as investors start to find the confidence to enter the secondary markets, Mouton says there are signs that this could be changing, thanks to retailer demand. “Hungary has always suffered quite a lot, but I’m hearing more positive feedback now from retailers getting established in the market,”

“Now could be the time to start looking at development opportunities in markets like Romania”

Sean Briggs
 Colliers International

Mouton adds. “It’s not to the same extent as Poland or the Czech Republic, but there are new retailers entering.” But Sean Briggs, managing director of

Colliers International’s retail agency division in Eastern Europe, believes that, outside of the region’s dominant cities, the lack of activity could be the big opportunity that developers have been waiting for.

“Now could be the time to start looking at development opportunities in markets like Romania,” Briggs says. “If you think, over the years, some of the most successful projects were started and conceived at the bottom of the market. It feels like people are starting to look at the region now, and there are opportunities.”

One of the projects that has got under way in Romania is a joint venture between Sonae Sierra and Caelum Development to deliver the ParkLake shopping centre in Bucharest. Due to be unveiled in 2016, the centre will include 200 new shops over a GLA of 70,000 sq m.

And in another regional capital city, Sofia, a new scheme is due for completion this autumn that should prove equally transformative. The Sofia Ring Mall, owned and developed by Fourlis Group and Danaos Group, will become the largest in Bulgaria, with 100,000 sq m of retail space, an IKEA store as an anchor and 500 new residential apartments.

The big question is whether or not development will ripple outside of the regional capitals, and that is harder to answer given that investors are still cautious. But with big projects such as Sofia Ring Mall and ParkLake leading the way, there’s every chance that the CEE’s secondary cities could start to see more foreign investment flowing their way.



TriGranit's Poznan City Center, Poland