



Multi's Forum Gdansk is a very ambitious project

Tri-City: Baltic Boomtown

Ben Jones

Twenty years after the pioneers of Tri-City retail first opened their doors, the Baltic coast agglomeration of Gdansk, Gdynia and Sopot is on the verge of market maturity. But while the area approaches saturation, it is also enjoying steady tourism money and is preparing for a boom thanks to an upsurge in business process offshoring.

In line with the Polish retail real estate market as a whole, the Tri-City conurbation has developed to a point where the population enjoys a diverse retail offer across a wide range of schemes. The bulk of modern retail is accounted for by shopping centres (79 percent according to Colliers) with 19 percent in retail parks and remaining 2 percent in outlet centres. But in a unique retail landscape, a wave of first-generation centres, concentrated around the ring road, has been superseded by a newer breed of malls running through the three city centres, forcing the older stock to embark on bold remodelling and modernisation projects.

Much of the Tri-City's stock was built in the 1990's with more than half of it over 10 years old and only around 20 percent developed in the last five years, giving

Gdansk and its environs much older retail stock than average. But with sales strong through buoyant domestic demand and steadily increasing retail tourism, many first-generation schemes have launched modernisation projects and some have extended in order to compete with the attractions of newer centres.

A prime example is ETC Gdansk, built in 1994, which is being fully refurbished, while the Galeria Morena, also in Gdansk, is being rebuilt entirely and will grow to 33,000 sqm (from 24,000 sqm) by the end of 2015. In addition to such extensions and upgrades, two major new centres are already under construction: the 34,000 sqm Galeria Metropolia and the 64,000 sqm Forum Gdansk, formerly named Forum Radunia, as well as a smaller local scheme of 7,000 sqm, Verus retail park. All told, the market is expecting over 110,000 sqm of new stock to be delivered in the next 12-18 months following a drought of new openings since 2012.

Spread across six hectares adjacent to the city's main railway station, Forum Gdansk represents a major collaboration between developer Multi Development, the City of Gdansk, which donated 3.1 hectares of land to the project, and Polish State Railways (PKP). The plans incorporate major infrastructural and transport

improvements for the city in addition to 64,000 sqm of retail and leisure in addition to residential blocks.

Rejuvenating the site of the hay and crayfish markets, the project envisions the creation of a transport hub with the rail, road and new SKM (Rapid Urban Rail) systems intersecting. As much as 2.5 hectares of the site will cover existing railway tracks as well as a major new SKM stop. A modernised road layout will complete the transport hub, breathing life into a part of the city that has hitherto struggled. Until recently the area played host to a bazaar run by local traders with little to attract other shoppers or visitors. The hope now is that the new transport will connect Forum Gdansk and the Main Station with the Old Town and other tourist areas close by.

"The infrastructure and configuration of the city will be improved," Patrycja Dzikowska, Cushman and Wakefield's associate director of consulting and research said. "It's almost a kilometre from the main train station to old-town Gdansk, so transportation will be greatly improved. The connection will be very convenient so this may also attract people from Nowy Targ and the Old Town to that part of the city."

Forum Gdansk will bring some 220 stores to the market along with a Gdansk Heritage Centre to draw in more visitors.

With the new thoroughfare created by the scheme, the hope is that high-street retail will grow.

"In the downtown area of Gdansk there is only one small scheme: Madison, which is less than 20,000 sqm," commented Patrycja Dzikowska. "So there is a shortage of good quality retail space in the city centre of Gdansk. We should see more local businesses moving in along that route. And we hope that high-street retail in Gdansk will improve, accelerated somehow by Forum Gdansk."

The other major delivery, scheduled for 2016, is the 34,000 sqm Galeria Metropolia centre in Gdansk's Wrzeszcze district, known as the second city centre, and close to the city's dominant scheme, Galeria Bałtycka. Despite the two centres' proximity, however, Cushman and Wakefield's Patrycja Dzikowska does not see a potential clash.

"It is a different scheme in terms of profile and positioning," she said. "At Bałtycka, there is no space to introduce new retailers of larger size or leisure amenities. Metropolia is a big, mixed-use revitalisation project composed of a hotel, conference centre, spa, high-class residential and retail including – leisure, cinema and children's entertainment."

Galeria Metropolia will also have its own dedicated SKM station and will consist of several elements including a 125-room hotel, leisure and entertainment incorporating a seven-screen Helios cinema. Like Forum Gdansk, the project also has a revitalisation component in the form of rejuvenating a landmark old brewery building which will feature 740 high-end residential units. The Metropolia investment foresees a rich entertainment and leisure offer including a concert hall for 1,200 people, micro-brewery, restaurants, cafes and public



Forum Gdansk

meeting spaces. Developed by BP Gorski, Galeria Metropolia is due to open in the first half of 2016.

In terms of density, Tri-City has over 500 sqm GLA per 1,000 inhabitants, well above the national average. And with around 660,000 sqm of modern retail space in the three cities, a short-term pipeline of around 110,000 sqm is sure to have an impact. But despite the total stock increasing by more than 15 percent over the next two years, the game is not over for new retail says Beata Kokeli, head of retail department at CBRE.

"There is still a lot of potential because Tri-City itself is entering a phase of its development when a lot of BPOs opening up," Beata Kokeli said. "There is huge interest from foreign companies interested in setting up their BPOs. Lots of young people are studying at Tri-City universities. They have stopped leaving and now people are moving into the area. A lot of office space is being built and Tri-City is expecting a boom."

The area is also becoming a local transport hub for the north. Gdansk airport now serves destinations all across Europe, bringing foreign money to the cities. Many residential developments are being built in Gdansk while Sopot is an increasingly attractive location for second homes. The industrial market is also growing, particularly regarding IT companies, so young people have stopped leaving and others are starting moving in.

"Internal demand is building huge spending power," said Beata Kokeli. "Tri-City universities are attracting more students from all around the country. So retailers are keen to have units here. The other source of customers is tourists."

Tourism has long been a mainstay for Tri-City retail and regular high volumes of foreign consumer-tourists bolster the market considerably. People come for shopping weekends from Scandinavia, Russia, Germany and beyond.

"About 1.5 million foreign visitors a year don't limit themselves to the usual sightseer's tourist shopping but come for fashion, household goods, cosmetics, perfumes, groceries, everything," Beata Kokeli said. "Property managers give us feedback that Russians and Scandinavians come, and they buy. Internal demand is booming and Tri-City is a region with a lot of potential."

But for now, analysts agree, there is no more room for big shopping centres. The next few years will see development limited to in-filling through mixed-use and high-street space and some smaller retail-park-type schemes for local residents. But with its port growing, BPO booming and ambitious long-term regeneration plans, for Gdansk and the Tri-City their best years are still ahead. ■

Galeria Metropolia

