

Future Cities

E-Commerce in the Post-Pandemic Era

REPORT

CEE Response

What effect did the pandemic have on e-commerce growth in Central and Eastern Europe?

CBRE RESEARCH
NOVEMBER 2023



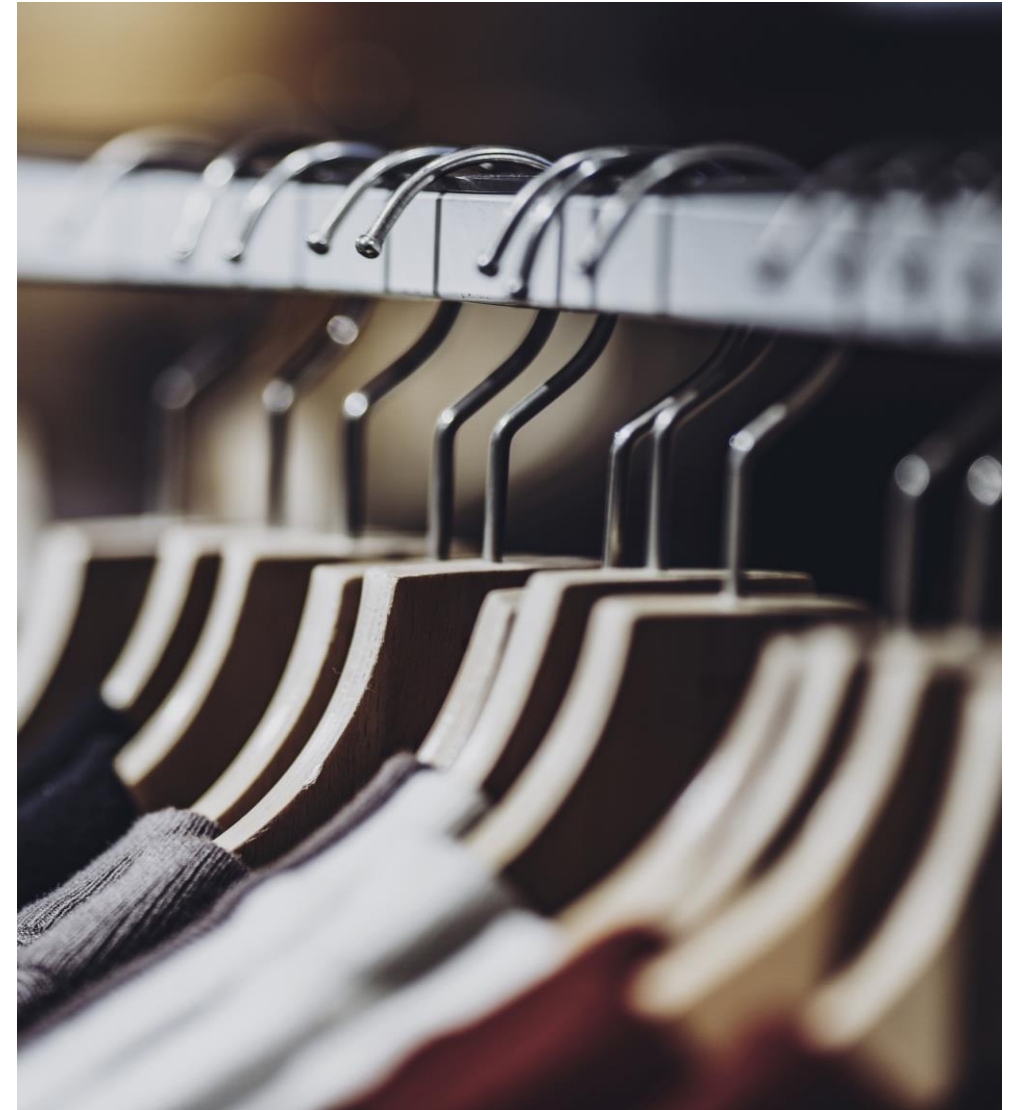
Introduction

What effect did the pandemic have on e-commerce growth in Europe, in particular Central and Eastern Europe?

The pandemic had the potential to fundamentally alter the way we shop, by significantly accelerating the growth of e-commerce penetration, defined as the percentage of total retail sales in a market happening via online channels as opposed to in-store. In this report, we review whether CEE markets have experienced a lasting e-commerce growth effect as a result of COVID, and the associated implications for retail real estate.

Aside from the surge observed during pandemic lockdown periods, most European e-commerce markets have not seen a notable acceleration of their pre-pandemic trend rate of growth. The majority of markets are either at or behind their pre-pandemic trend. Poland is a notable exception, having grown almost 3 year ahead of trend, although other CEE markets are a bit more behind. Moreover, e-commerce penetration growth has flatlined since the ending of lockdown restrictions and re-opening of physical retail.

Across Europe, consumers generally express a preference for store-based shopping. Given an increasingly digital world, however, retail occupiers should take steps to create a strong omnichannel experience, with the online and offline retail channels integrated as seamlessly as possible.



01 CEE & SEE markets account for almost 10% of European e-commerce spend

A concentrated market

Central and Eastern and South Eastern Europe’s e-commerce markets account for almost 10% of total European e-commerce spend*. Poland, the Czech Republic and Romania take up the vast majority of spending in the region, with all remaining countries accounting for less than 30% of e-commerce spending in CEE & SEE.

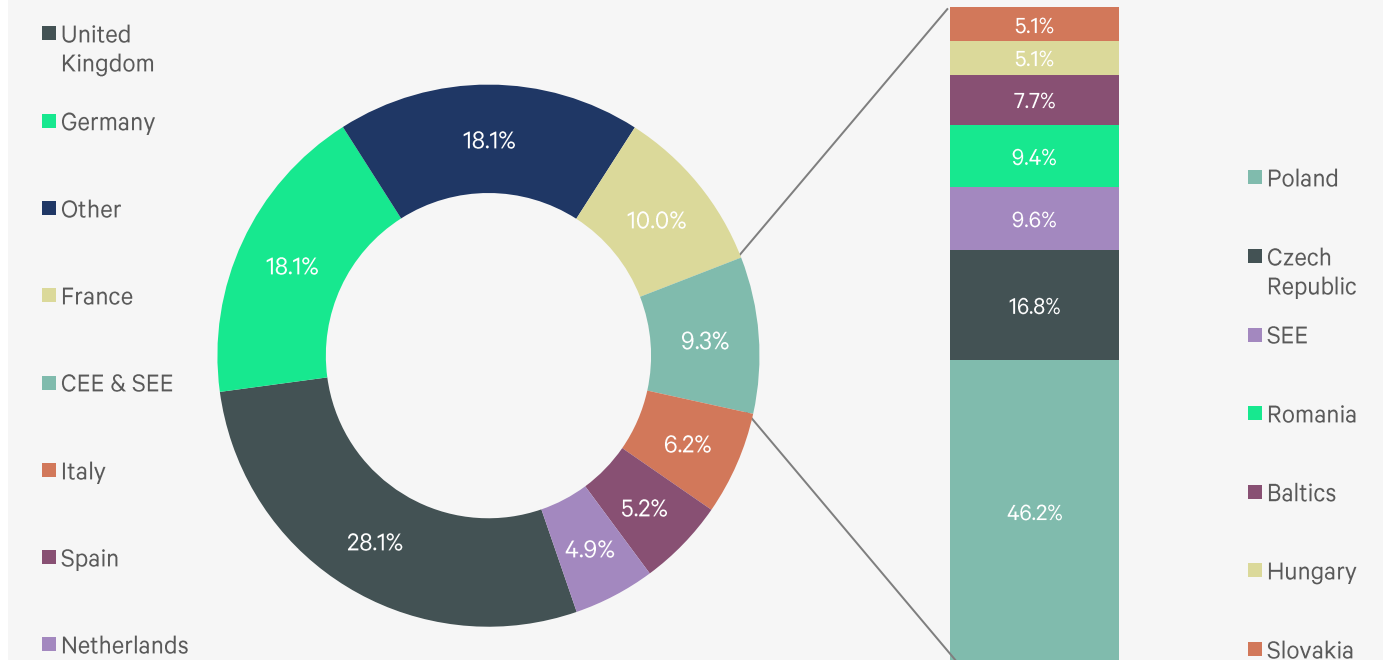
However, among the CEE & SEE markets, there are vast differences in the share of total e-commerce spending. Poland is by far the largest market, and account for almost half (46.2%) of total spend in the region. Any change in the e-commerce share of total retail spending in this market will therefore have an outsized effect on total CEE & SEE spend.

In contrast, Hungary, Slovakia, Baltics and SEE markets together account for around a quarter of spending in the region, meaning that an increase in e-commerce shares in these markets will have a smaller impact on the total amount spent.

9.3%

of total European e-commerce spend is attributable to Central and Eastern and South Eastern markets*

Figure 1: Share of European and CEE & SEE e-commerce spend in 2022*



Source: CBRE Research, Euromonitor. EUR values, fixed 2022 exchange rates; *Excludes Russia and Turkey

SEE countries include: Bulgaria, Serbia, Slovenia, Croatia, North Macedonia, Bosnia and Herzegovina, Baltic countries include: Lithuania, Latvia and Estonia.

02 Most markets are at or behind trend, with Poland as an outlier

Developed markets return to trend

The pandemic had the potential to significantly alter the way we shop. E-commerce penetration surged during the pandemic, though moderated shortly after the ending of lockdown restrictions and the re-opening of physical retail stores.

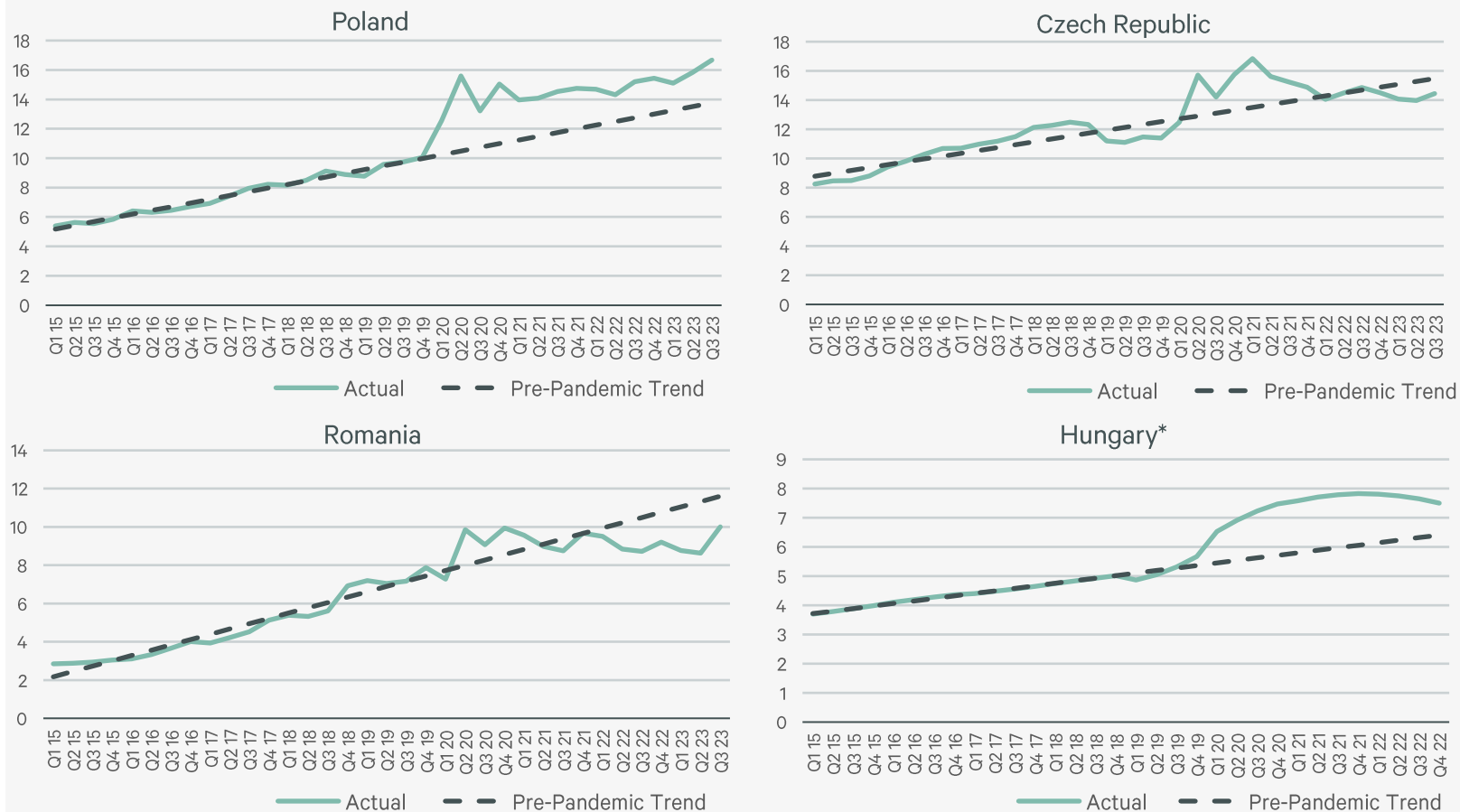
Europe’s most developed e-commerce markets, the Netherlands and the UK, have broadly returned to their pre-pandemic trend, being just 0.2 and 0.1 years ahead of its pre-COVID trend as of Q3 2023, respectively.

CEE markets more varied

The emerging Central and Eastern European e-commerce markets of Poland, Czech Republic, Romania and Hungary vary in their trend. While the Czech Republic and Romania are over a year behind its pre-COVID trend, Poland is 2.9 years ahead. From its pre-pandemic (Q4 2019) level to its pandemic peak, penetration in Poland jumped by 55%, compared with a 48% increase for the Czech Republic and 25% for Romania.

Thanks to the high demand for out-of-home services, Poland and the Czech Republic have become leaders in the out-of-home parcel delivery market.

Figure 2: E-commerce penetration rate, 2015-19 trend and actual (%)



Source: CBRE Research, Euromonitor, Eurostat *data for Hungary in Eurostat available until 2022

03 Markets which account for greatest share of spending return to trend

Four CEE countries account for a combined 9% share of spend

The UK and Germany are by far the largest e-commerce markets in Europe by amount spent, accounting for almost half of all spending in Euro (€) terms. Both of these markets have largely returned to trend, with Germany being 0.8 and the UK just 0.1 years ahead of its pre-pandemic trend as of Q3 2023. In the UK, the added growth above trend has generated approximately €27.3 bn of additional e-commerce sales.

However, Polish market which is responsible for 4% of total European e-commerce spend is the country which is the most years ahead of pre-COVID trend (except for Portugal). Other two CEE markets - Czech Republic and Romania are both behind the trend, both being responsible for limited European e-commerce spend - 2% and 1%, respectively.

As for Hungary, data source is available for a shorter period of time than for other countries, ending with 2022 data. As for Q4 2022, Hungary was, similar to Poland, also ahead of trend (3.1 years)

2.9

years of accelerated e-commerce growth ahead of pre-COVID trend in Poland

Figure 3: Years ahead of pre-pandemic trend and share of total European e-commerce spend

Market	Years ahead of pre-COVID trend as of Q3 2023	Share of total European e-commerce spend in 2022
Poland	2.9	4%
Spain	2.3	5%
Germany	0.8	18%
Netherlands	0.2	5%
UK	0.1	28%
France	0.1	10%
Italy	-0.2	6%
Czech Republic	-1.3	2%
Romania	-1.4	1%

Source: CBRE Research, Euromonitor, Eurostat

04 E-commerce penetration growth flatlines since the pandemic

Flat-to-negative growth in most markets since mid-2021

Unsurprisingly, penetration rates have held broadly steady or declined for CEE markets since the ending of lockdown restrictions. The exception, however, is Poland, where the e-commerce share in total retail spend is currently higher than during the lockdown, and since 2021 the trend has been mostly rising.

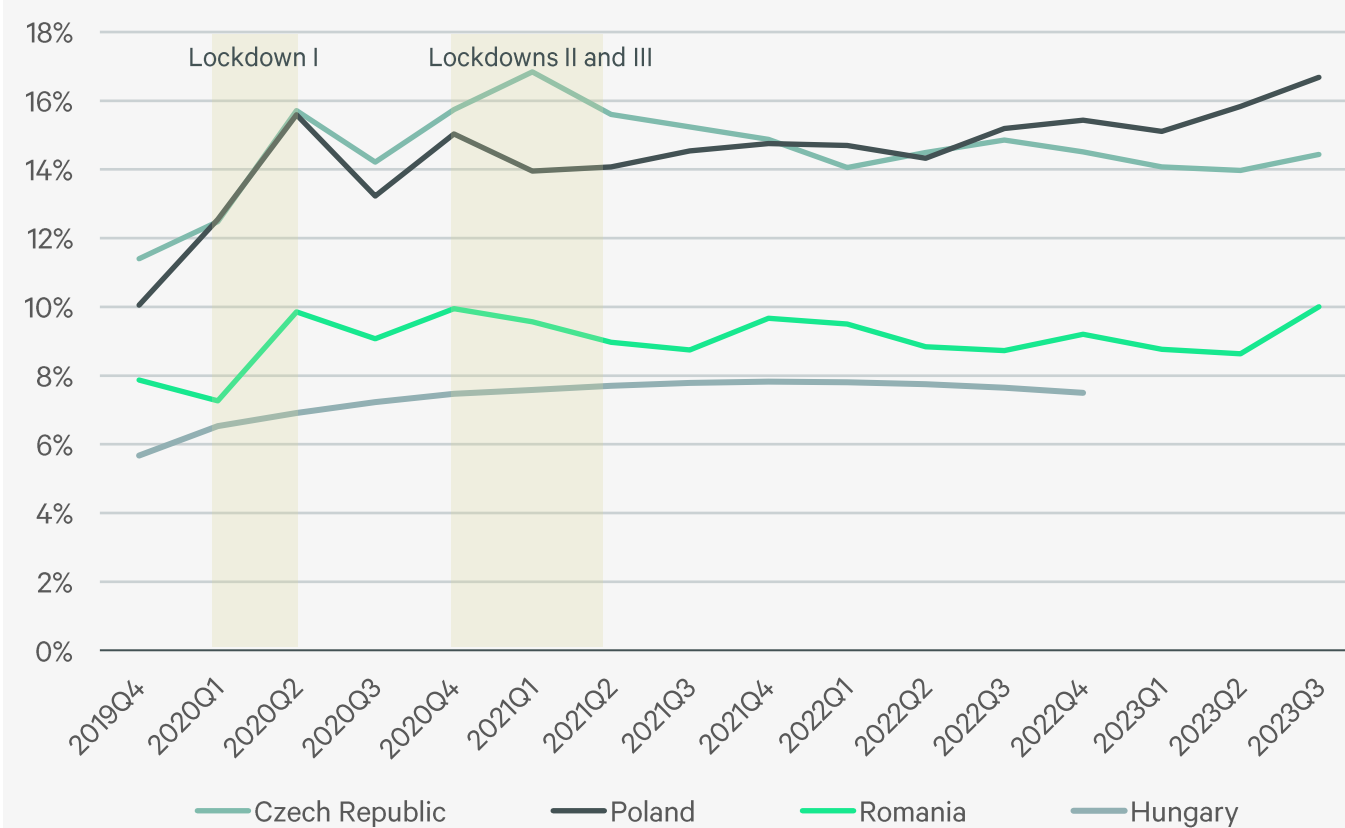
The flatlining in penetration growth could serve as an indication that consumers value physical retail and CEE e-commerce markets are close to their saturation point for e-commerce penetration rates. Further data is needed, however, before such a conclusion can be definitively reached.

In the case of Poland, a visible increase in e-commerce share may indicate a high integration of online and in-store purchases. Customers often search for products online, then go to a physical store to try or see the product in person before buying. Additionally, stores in shopping malls are gaining a new „display" function, where the customer can view the products and then order them online to their own address.

1.1 p.p.

growth in Poland penetration rate from pandemic peak to Q3 2023

Figure 4: E-commerce penetration Q4 2019 – Q3 2023*



Source: CBRE Research Q3 2023, Euromonitor, Eurostat *data for Hungary in Eurostat available until 2022

05 Across all markets, consumers still prefer in-store shopping

In the [Global Live-Work-Shop Report](#), CBRE surveyed over 20,000 consumers worldwide, including over 7,000 in Europe, to determine how they will live, work and shop in the future, and how this will impact the real estate they use.

The survey asked consumers about their preferences for online and in-store shopping across 10 key categories, including both essential and non-essential items. 60% of consumers in all European markets reported an overall preference for in-store shopping.

The [Global Live-Work-Shop Report](#) also explored the omnichannel experience, and the value of the physical store beyond the sales turnover it generates. Half of European respondents expressed a preference to see a product in-store before ordering online. Across Europe as a whole, half of the consumers surveyed expressed this preference, with the highest results seen in Italy and Spain, at almost 60%. As for returns, across Europe as a whole, 42% of consumers expressed their preference of returning online purchase in a store. As retailers increasingly opt to charge for returning online orders by post, returning in-store becomes a more attractive option. The benefit to retailers is the creation of an additional store visit, increasing the likelihood of the consumer purchasing another product.

The results demonstrate that for a significant proportion of consumers, the store has value beyond simply being a place to shop and has a broader relevance across the overall physical and online retail experience. Retailers often see a positive 'halo effect' of physical stores on overall performance. A strong omnichannel offering that seamlessly blends the online and offline experience should be a key consideration for retailers looking to maximise sales and consumer engagement.



60%

of European consumers prefer to shop in-store

50%

of European consumers prefer to see the product before purchase

42%

of European consumers prefer returning online orders in-store, instead of by post

Source: CBRE Research, Global Live-Work-Shop Report

06 Footfall and turnover of CEE retail assets recover

Performance of retail assets continues to improve

Retail footfall and tenant sales plunged across Europe in early 2020, as lockdowns and associated store closures restricted consumers' ability to shop in-store. Both of these metrics saw rapid recovery, however, as stores re-opened and consumers were able to return to physical retail shopping.

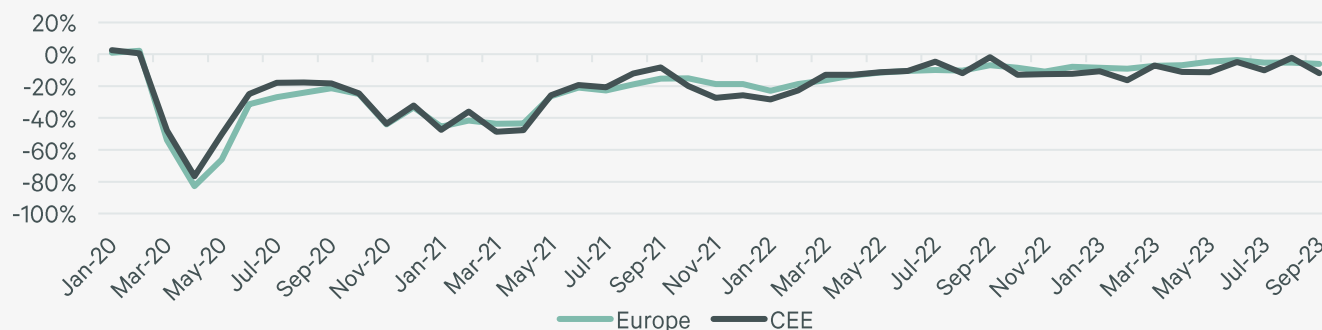
Across CBRE's managed portfolio of CEE retail assets, footfall in September 2023 stood 12% below the level seen in the same month in 2019. Tenant sales have followed a similar pattern, and as of September 2023, stand 9% above September 2019 levels.

Recovery led by retail parks and best-in-class shopping centres

Footfall recovery was initially driven by retail parks due to their essentials-focused retail offering, but 2023 has seen shopping centre footfall recover to similar levels. As of September, footfall recovery is the strongest in retail parks, though inner-city shopping centres are close to their pre-pandemic footfall levels.

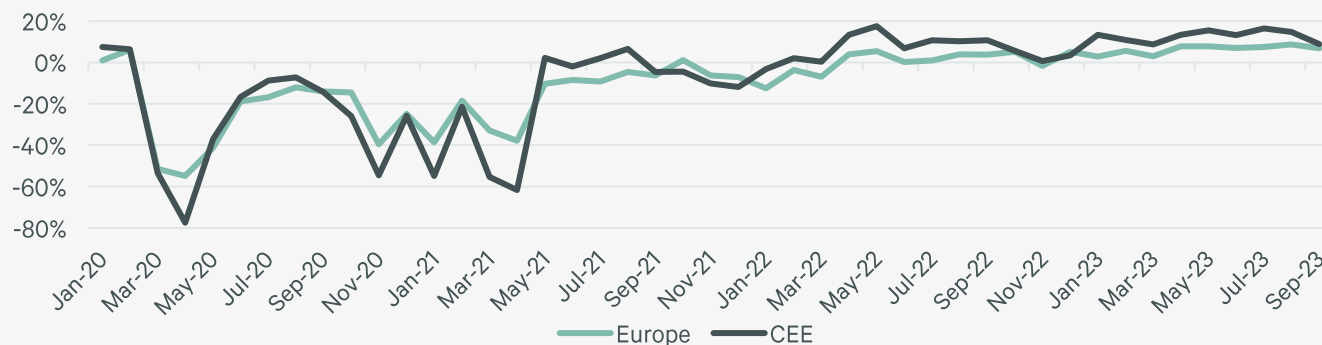
Sales recovery is led by retail parks, though is also strong in dominant regional shopping centres with a leisure component.

Figure 6: Visitor numbers at CBRE managed retail assets, European and CEE average, % of 2019 levels



Source: CBRE, KPIs Index; Note: data is an aggregate of CBRE managed retail assets across European and CEE markets

Figure 7: Tenant sales values at CBRE managed retail assets, European and CEE average, % of 2019 levels



Source: CBRE, KPIs Index; Note: data is an aggregate of CBRE managed retail assets across European and CEE markets

07 E-commerce adoption consumes logistics space

Online retail still present in industrial and logistics take-up in five CEE countries

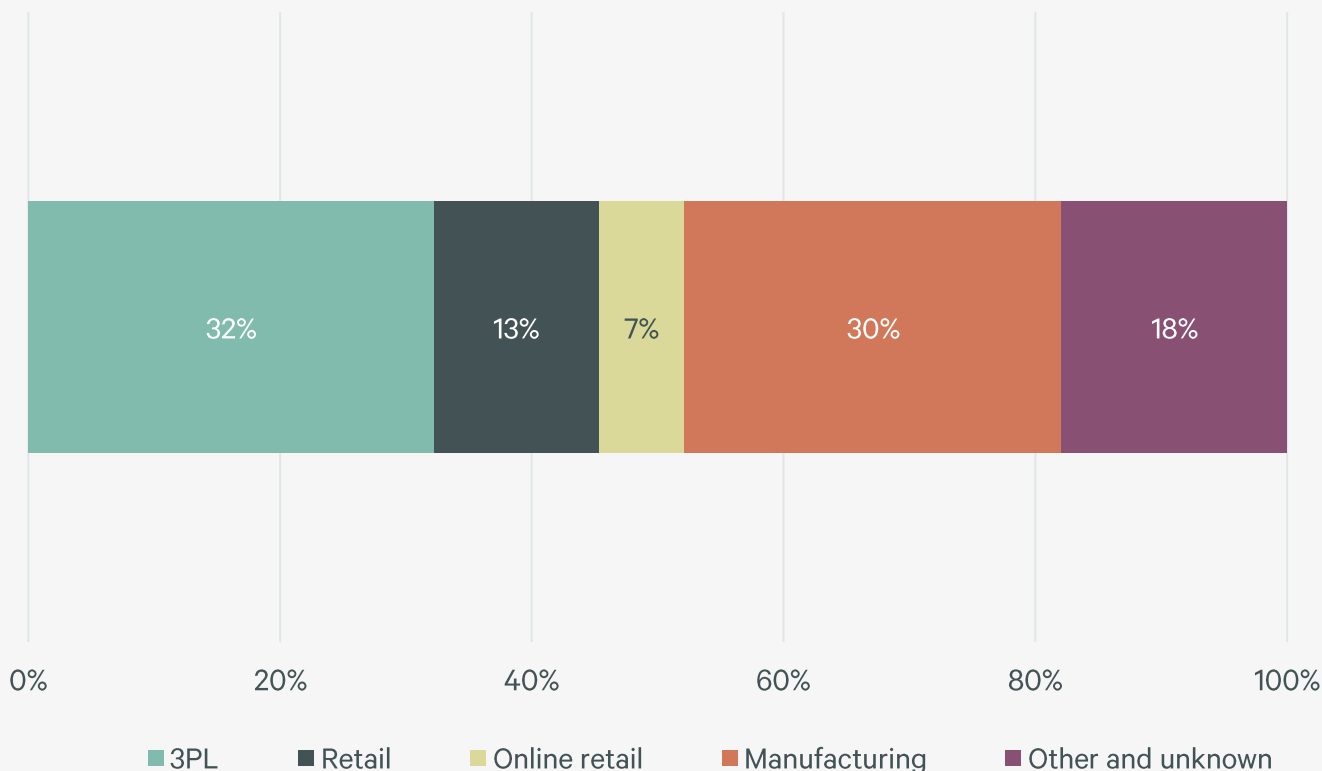
E-commerce adoption requires large amounts of logistics space. In 2023 YTD, 4.5 m sq m of industrial and logistics space was leased in the Czech Republic, Hungary, Poland, Romania and Slovakia. Out of this space, 7% was dedicated to online retail only, which stood for over 300,000 sq m. Majority of this space of online retail sector was leased in Poland, in which 11% was leased by this sector in 2023 so far. One of the tenants, who a big part of this space is a chinese fashion online retailer to distribute regionally for a couple of European markets.

Even though the recent trend is that online retail in industrial and logistics space is decreasing, numbers show that they are still active on the market. Moreover, 3PL also dedicate their services to online retailers, hence in reality the online retailers' share might be even higher.

7%

of industrial and logistics space was leased by online retailers in CEE-5

Figure 8: Online retail sector in CEE-5 logistics take-up, 2023 YTD



Source: CBRE Research Q3 2023

Key takeaways

01

Europe's **top six e-commerce markets** – the UK, Germany, France, Italy, Spain and the Netherlands – account for over **70%** of total European e-commerce spending. CEE, SEE and Baltic region account for almost **10%** of European spending.

02

Most markets **have returned to**, or are behind, their **pre-pandemic trend rate** of e-commerce growth. **Poland** is a notable outlier, having grown almost 3 years ahead of trend.

03

Markets which account for the **greatest share** of total European e-commerce spending – the UK and Germany – have broadly **returned to trend**. E-commerce growth has **flatlined** since the ending of lockdowns.

04

Across **all European markets**, a majority of consumers **prefer in-store shopping**. **Footfall** and **tenant sales** across European, including CEE markets, shopping centres have largely **recovered**.

05

Retail occupiers should make efforts to create a **strong omnichannel experience**. A significant proportion of consumers like to **see products in-store** before buying online and prefer **returning online orders in-store**.



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