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- 1.** How have property management and overall business management approach changed and evolved in Sierra Balmain and its assets over the last two years? Is it influenced by covid restrictions and the war in Ukraine?

PC: Managing sustainability of commercial properties means managing risk and managing sustainability of income. Our task as managers of commercial facilities in distress is to make decisions and take actions of strategic importance that would underpin the future commercial success of the centres to everybody's benefit - the investors, the banks, the tenants and the customers.

During the pandemic we approached it in a very collaborative way with the retailers. We agreed on and signed TSAs (Tenant Support Agreements) across the portfolio, giving those retailers who needed help discounts in rent for agreed periods of time in return for longer leases. Because we have visibility of retailer sales in the majority of our shops and other traders, we could negotiate those conditions in an informed, transparent way that was acceptable to both sides.

A sudden change in operating conditions does not necessarily equals/ translates into a real change in our management approach. It is our bread and butter to set directions for future development, we have been working constantly to sustain the commercial success and safe future of every center, that is part of what we do. I think the approaches that we took during the pandemic meant that it was a very intense period of management from a different perspective. It was not just a change as such.

AM: The pandemic and the war in Ukraine intensified changes in two areas that we were doing already.

One is our focus on sustainable income, and further adapting our offer to the way people use shopping centers. That was the pandemic.

The biggest consequence of the war in Ukraine for shopping centres, except for additional flow of customers, is risk management of energy, its scarcity and further price increases. Because of our previously implemented focus on sustainability, Green Agenda and ESG, we just continue what we were doing already anyway. It just highlighted something that was a trend before and escalated it.

PC: From Sierra Balmain's point of view, highlighting food and beverage, leisure, culture, and diversified customer experience marks the directions that we started years before the pandemic as well as the green side. Over the last two years we have simply continued and intensified implementation of our previously agreed leasing strategy and transformation our shopping centres into even more attractive time spending and meeting destinations.

In terms of corporate management, the biggest change was bringing in our new COO January 2021.

- 2.** How are the needs of tenants changing? What is Sierra Balmain's response?

AS: Today, retailers who expand sales aggressively in response to customer demand are mostly value retailers, discounters, home&deco and electronics.

A number of fashion brands are still cautious to declare new expansion plans, they would rather wait for the macroeconomic situation to settle down. There is also a group of retailers who seize the moment to upsize and refresh their retail concept.

To name a couple of examples, Sinsay is proving a success story upsizing its stores. We are working closely together in a number of locations. Another recent upsize was YES jewellery reopening the store at double the size of the previous one in Galeria nad Jeziorem in Konin, it looks great, too.

AM: I have the benefit of regularly speaking to our colleagues at Sonae Sierra Group, our co-owners with businesses exposure in Portugal, Spain, Italy, Germany. The issues their tenants are facing nowadays are very similar regardless of the market.

The most effective way we can support tenants is mostly by staying in close contact with them, also having meetings at trade fairs and conferences. We are also closely working with them on site to get the local views as well. In my opinion, it is key to be able to join those local, sector and macro views together to create the full picture.

PC: The most of our portfolio is convenience-based, which first of all means that there are less mainstream mid-market fashion retailers in the diverse tenant mix and more multiple value-based, discount, electricals mini-anchors into the centers.

This group of convenience-led centres in areas with good local catchments were less affected by the pandemic and they recovered faster to pre-pandemic sales levels.

3. Sierra Balmain recently took over the management of three new commercial assets. What changes have you implemented and what is in the pipeline (Pasaż Łódzki, Galeria nad Jeziorem, Galeria Osowa)?

PC: Yes, we took over the assets over in January 2022 for leasing, and in April for management. We are responsible for project management, property management, and leasing. The changes we have implemented over the first months and those waiting to be implemented are significant in terms of further increasing the quality and range of tenant mix.

In Galeria nad Jeziorem, we started from optimizing the space for food operator, working closely with Carrefour. This remodelling allowed us to introduce two excellent new retailers to add to the existing tenant mix. In Pasaż Łódzki, Half Price have been already opened.

In Osowa, three new tenants were agreed and we are currently in negotiations with other retailers. All new deals have added 2,500 sqm GLA to those three locations.

On the management side there is significant work going on to minimize cost increases. This plays the biggest part now of the commercial strategy of every commercial asset, more so than before.

4. Can you name and describe the most significant change introduced in your assets in the last 2 years?

AS: So far, the most complex, but also the most visible change has been at Europa Centralna in Gliwice. The gallery connected to a retail park, located on a large plot of land at the junction of highways and national roads was in a short period of time successfully repositioned. Europa Centralna used to be a family-oriented shopping centre, but we have turned it into an entertainment destination that stands out in the entire region and one of the favorite places to spend time in Silesia. We even came up as one of the TOP 10 attractions in Silesia region by the renowned Trip Advisor guide.

It clearly shows the change of profile. Shopping Centers do not come up as top attractions on Trip Advisor.

PC: The size, quality of the display and the wealth of attractions in the entertainment zone impress all visitors. For us, as managers, we are proud of the fact that not only have we acquired such diverse and unique entertainment concepts, but most of them work with us on long-term lease agreements like Funzeum, Kolejkowo, and House of Air. Based on the transformation of the entertainment and leisure segment, we were able to build on that - take advantage of the synergy effect and also introduce significant improvements in the commercial offer, even during the pandemic slowdown. At that time, in Central Europe, we acquired strong deals, among others, Media Expert and enlarged Sinsay store. In April 2020, a stationary IKEA click & collect point was launched.

The center's strength lies in its strong marketing support and excellent cooperation with tenants. These are key areas that has helped us sustain shopping centers during and after the pandemic. An example for both of them is the successful implementation of payment with tourist vouchers in the gastronomic and entertainment zone, the only such implementation in a shopping center in Poland.

5. What are the biggest challenges ahead of Sierra Balmain?

AM: Firstly, increases in cost of energy and inflation are taking their toll on everyone and becoming the big unknown for the entire industry in planning on new projects and investments. The second challenge is finding and employing properly prepared, qualified employees at the right time. As a company we are developing quickly, which is why we face the challenge of looking for experienced employees. We provide services at the highest level, so we care about attracting talented people.

The third area to which we must devote more and more attention and effort is continuing to work with tenants to find the most appropriate fit for the store layout to the specifics of the local catchment of each shopping center, in order to maximize the potential of a given place and surprise customers with new solutions.

It is very similar for our competitors and partners is the market.

6. What are the Group development plans in the next year or two?

AM: We have a strong position in the retail market as advisors and managers. Currently, we are expanding into logistics - providing property services to warehouses - and mixed-uses as well.

We are also extending our range of services with commercial advisory. That is consistent with the strategy of Sonae Sierra Group, and in line with the global trend of advisory businesses expanding their range of services.

We have the skillset both on the analytical and reporting side as well as the commercial ability to create spaces, both external and internal, that are in line with trends, tailored to local needs and lifestyle, attractive, comfortable and safe for their users. This applies not only to shopping centers now but also for commercial advisory for multi-uses, offices and residential, and also developing TLS sector. There are our new areas of focus.

We are convinced our the skillset is applicable, as confirmed by the new projects that we have onboard.

7. What are the projects that you are the most proud of?

AS: Let me point out two projects that we started as challenges, and that at this stage we can now confidently call them successes and use them as our business card. In each case, we were faced with completely different tasks, but they share a similar view on current situation, expert diagnosis, creativity in developing satisfactory solutions and a proactive, consistent approach to their implementation by our entire team.

The first is our already mentioned flagship facility, Europa Centralna in Gliwice.

The perfectly complementary entertainment area and the food and beverage offer mutually reinforce and benefit each other. The constantly enriched cultural, educational and entertainment offer is a magnet and a perfect added value for families with children while doing shopping in this center.

The second project is Emka in Koszalin, a shopping center with a retail park under construction. We were entrusted with developing a strategy for this facility and its re-commercialization [the redeveloped part of the center was officially opened in May 2017]. The remodeling and reconstruction imposed by us and implemented by the owner of the facility included a complete change of the first floor layout, including a separate food court area and an easy and customer-friendly layout of passages.

We have introduced many tenants valued by clients, incl. H&M, Martes Sport, Deichmann, CCC, Pepco, Dealz, then the first Sinsay store in Koszalin, Smyk, 4F, Domino's Pizza, Berlin Doner Kebap, Bistro Express, Chinese Cuisine. The natural consequence of the successful redevelopment of the Center was the commencement of works on the retail park.

So far, we have signed lease agreements in the facility with a total area of approximately 10,000 sqm GLA, including with the Helios cinema, Just Gym fitness operator, Sinsay for an enlarged space, Jysk and Zoo Karina. We are currently negotiating the lease agreement for the last available space.

8. Which project will Sierra Balmain present at SCF 2022?

PC: We will be presenting our whole portfolio of current projects at SCF. We are ready and keen to step up and discuss each of them.

I have to say that since the very beginning of this event, I have been very impressed with its professional organization, as well as the excellent substantive preparation of all participants. There is a huge value to everybody in that. These two very intense days, spent in constructive conversations make a huge contribution to the further development of our projects and help further strengthen our business relationships. I can safely say that, based on our experience from previous years, time spent on meetings at the SCF shorten by an average of three months the amount of time needed to negotiate terms and close on agreements with our tenants and partners.