



Warsaw, 05 November 2020

Statement of the Polish Council of Shopping Centres on the closure of shopping centres and the consequences of this decision for the industry

The Polish Council of Shopping Centres, which associates more than 200 of the largest companies operating in the retail real estate sector, has requested an urgent launch of an aid shield for retail sector entities subject to lockdown in order to secure the fixed operating costs of companies that have once again lost their ability to generate revenue overnight. We call for adequate state aid for the entire sector.

The spring lockdown has severely destabilised the financial situation of both tenants and landlords, who have been struggling to make up for their losses in recent weeks, and were definitively deprived of this opportunity as a result of the decision of 4 November.

The restrictions on shopping centre operations that had been in place for 7 weeks and for some industries even longer, the cost of which was entirely borne by the owners of retail schemes, resulted in a loss of revenue for landlords worth approximately PLN 1 billion*. In addition, shopping centre owners, based on individual agreements between tenants and landlords, financed temporary aid for tenants through rent discounts in the period from May to December 2020. The estimated total value of this aid was about PLN 2 billion*.

The scale of aid already provided by owners of retail schemes, including many Polish companies, worth in total about PLN 3 billion, and their financial situation preclude the possibility of incurring the costs of another lockdown, among others due to a lack of financial possibilities, liquidity problems and high credit liabilities (banks did not redeem loan instalments for the time of the lockdown, but merely postponed their repayment). The relations between tenants and landlords are based on separate agreements defining rules of cooperation and mutual settlements for many years, and as such should not be subject to any external regulations or arrangements. Any form of interference in the agreements between tenants and landlords has not yet taken place in any other country and may give rise to potential claims for damages against the state.

The retail market consists of landlords, tenants and hundreds of companies, which employ thousands of employees who are involved in the day-to-day operations of retail schemes (cleaning, security, maintenance, accounting, real estate management, event management). State aid enabling all industry participants to fulfil their commitments will allow for avoiding the market destabilisation and bankruptcies, also among landlords, a strong reduction in activity and, consequently, the loss of workplaces on a massive scale.

At the same time, we are calling for shopping centres to relaunch as soon as the epidemic situation permits. This will be a valuable form of support for the sector that has the chance to generate revenue in the pre-Christmas period.

* Estimations based on the report "Impact of the COVID 19 pandemic on the Polish shopping centre market" prepared by Deloitte in April 2020.