

S-INVEST

Global perspective - Local knowledge
Retail market snapshot

sloveniainvest.com

February 2024





MORE THAN 1000

Valuations carried out

MORE THAN 500

Offices rented

MORE THAN 40

Tenant rep mandates
successfully
concluded

19

Hotels sold

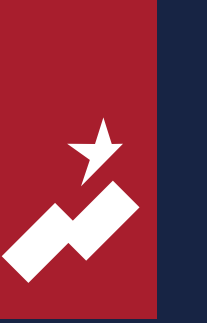
MORE THAN 50

Commercial real
estate assets sold

2008

Market presence since
2008

GLOBAL
client base



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SLOVENIA - COUNTRY SNAPSHOT

Slovenia is known as the last green jewel of Europe. It has spectacular mountains, lush thick forests, crystal clear lakes and rivers, a short Adriatic coastline, and Tuscan style vineyards. It is only 20,273 km², and measures approximately 240 km east to west, and 130 km north to south. The population is a little over two million, of whom 350,000 live in the capital city of Ljubljana.

It is situated to the north of the Adriatic sea, bordered by Italy, Austria, Hungary and Croatia.

The country became part of the Federal People's Republic of Yugoslavia in 1946, before declaring independence in 1991 and moving to market capitalism.

Slovenia is the most affluent of the accession states with estimated GDP per capita at 27,040 EUR in 2022, according to UMAR.

2020 saw a 4.2% drop in GDP, due to COVID-19 restriction measures adopted by the government. In 2021 GDP increased due to the elimination of restrictions and government help targeting different sectors. 2022 saw 9.1% GDP growth. Slower growth is predicted for 2024 and 2025.

Slovenia was the first of the 10 EU accession countries to join the Euro zone, having adopted the currency on 1st January 2007. Slovenia joined the Schengen zone on 21st December 2007, and there are now no borders with Italy, Austria and Hungary.

Tourism is the third largest sector of the economy. In 2020 due to COVID-19 tourism experienced a sharp decline (42% less overnight stays). During the high season of 2021, foreign tourist generated 58% more overnight stays than in the high season of 2020, showing signs of recovery, which continued in 2022. In 2023 the data for high season shows there was an increase of foreign tourists and decrease in domestic tourist overnight stays compared to 2022.

Post-pandemic recovery has been hit by strong headwinds from the war in Ukraine, higher energy prices, and supply chain bottlenecks. The strong labour market has led to historically low unemployment and widespread labour shortages. Inflation is predicted to remain high as growth slows.

Slovenia is a member of NATO and the OECD.

	MACROECONOMIC DATA AND FORECASTS				
	2021	2022	2023F	2024F	2025F
GDP (EUR bn)	52.0	57	63	67.3	71.1
Population (mn)	2.1	2.1	2.1	2.11	2.11
GDP per capita (EUR)	24,803	27,04	29,672	31,588	33,254
Real economy change					
GDP (%)	8.2	9.1	10.4	6.9	5.6
Private consumption (%)	9.5	3.6	0.9	2.3	1.8
Exports (%)	14.5	7.2	0.1	3.3	3.8
Imports (%)	17.6	9	-3.9	5.3	3.9
Unemployment rate (%)	7.6	5.8	5	4.7	4.5

Source: UMAR SURS

	Tourism indicator - number of overnight stays				
	2019	2020	2021	2022	2023
Total	15,775,331	9,204,374	11,251,158	15,581,856	/
Domestic tourists	4,404,565	5,850,018	6,456,686	5,506,772	/
Foreign visitors	11,370,766	3,354,356	4,794,472	10,075,084	/
High season* Domestic	1,613,922	3,496,146	3,372,575	2,245,919	1,637,946
High season* Foreign	5,510,558	1,689,753	2,895,896	5,427,414	5,841,467

*high season includes June, July and August.

Number of overnight stays from 2019 to 2023. Source: SURS

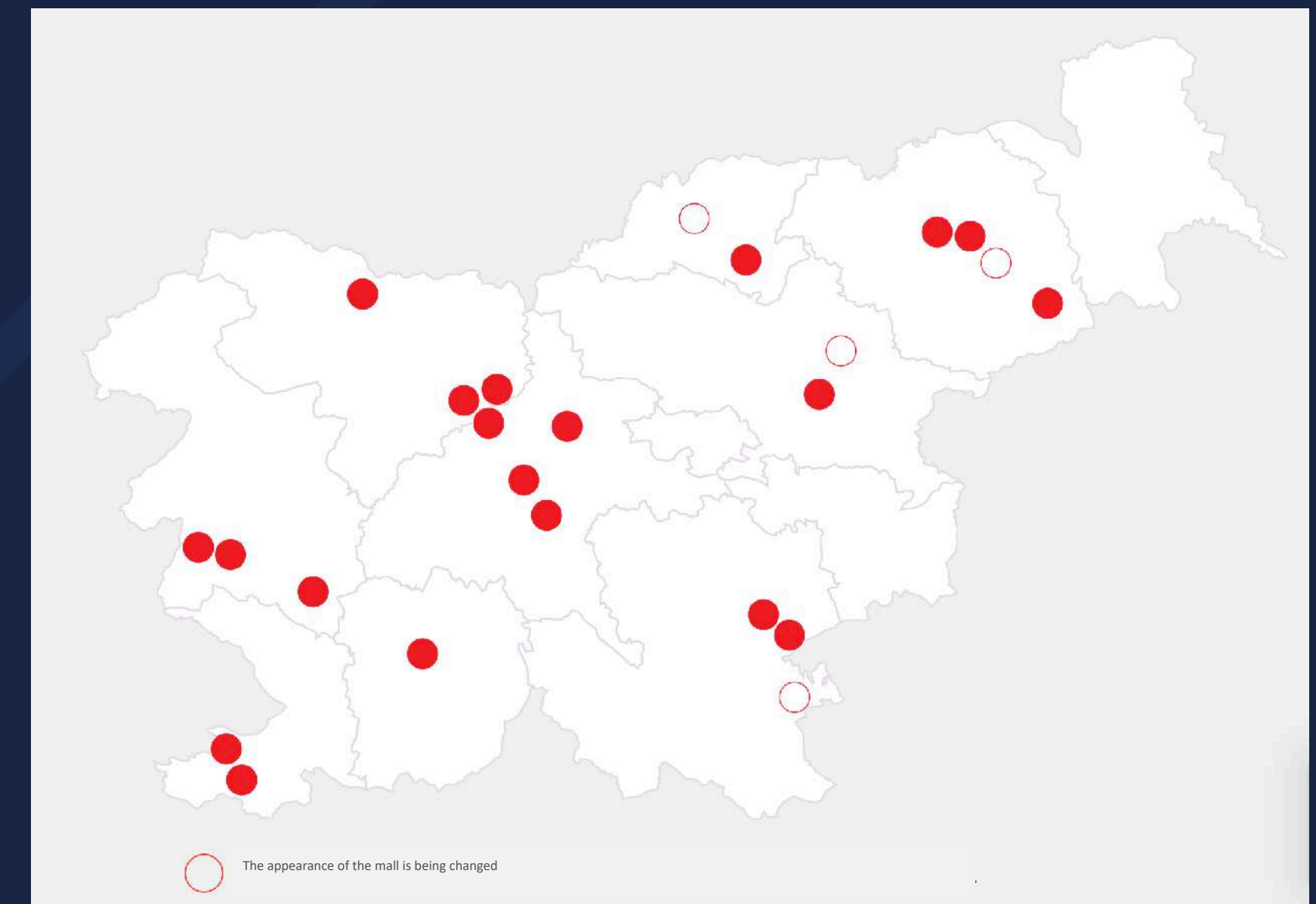
INTRODUCTION

- 2018 to 2021 saw unprecedented investment retail transactions in Slovenia. Virtually every important shopping centre in Slovenia has changed hands in the past 5 years, some more than once. The fallout following the global financial crisis is finally drawing to a close after years of slow and ineffective loan restructuring activity.
- Major grocers saddled with huge debts have offloaded portfolios of real estate, including Mercator and Tuš. The Q-landia portfolio of shopping centres has changed hands twice, first as part of the Centrice portfolio sold by bad bank Heta to Lone Star, subsequently offloaded mainly to Supernova. The Merkur portfolio of DIY stores has also changed hands twice, first sold by bad bank Heta to US based investment fund HPS, subsequently offloaded to LCN Capital. Supernova has greatly increased its presence in Slovenia, having acquired not only most of the Q-landia portfolio, but also a portfolio of 10 Mercator shopping centres. In some towns such as Nova Gorica and Novo Mesto, Supernova owns all the main shopping centres. Currently it owns 24 shopping centres across Slovenia, with more than 700 retail units.
- Investment transactions took place in 2020 and 2021 in spite of Covid, mainly secondary Tuš and Mercator assets. In November 2023, Mercator took over 100% share of the Energotuš retail chain.
- It is unlikely that we will see such frenetic activity in future, as the new owners have good reason to keep the assets for now. Currently Park Centers retail developments in Koper and Ljubljana are for sale.
- In Slovenia, eCommerce is experiencing steady growth. The Slovenian eCommerce market contributed to the worldwide growth rate of 8.7% in 2023, with an increase of 2.7% in 2023 alone. Grocery eCommerce makes up 5.2% of the market, highlighting the growing trend of online grocery shopping, though it remains a small segment compared to others.

The eCommerce sector is expected to grow at a compound annual rate of 5.5% from 2023 to 2027.

- A study by Ceneje.si in collaboration with a comparison shopping platform found that the share of Slovenian consumers making online purchases at least once a month increased by 58% from 2013. Moreover, 85% of all internet users purchase online at least occasionally. This reflects a growing comfort with online shopping among Slovenians, though it's noted that the country still lags behind the EU average. This gap indicates potential for further growth in online retail, especially groceries.

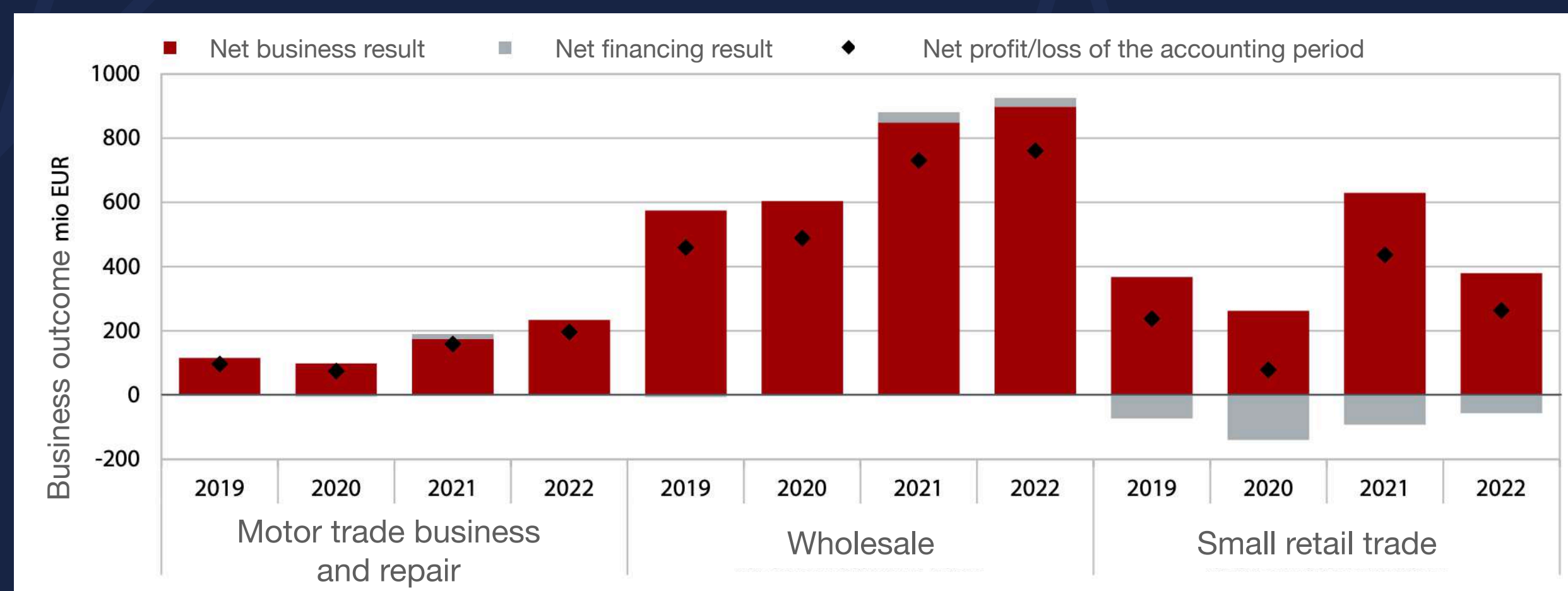
Supernova locations in Slovenia



Source: supernova.si

ECONOMIC OUTLOOK

•UMAR reports that business improved for most industries in 2021, compared to 2020. Growth of added value, productivity and profit continued in 2022, but only in the wholesale and motor trade businesses. The sales in small retail trade companies, which in 2021 improved under the influence of higher consumer consumption, worsened in 2022. Household spending shifted to services in 2022, yet the net profit of small retail trade companies and non-specialized stores, which are dominated by hypermarkets, convenience stores and discounters, comprised half of the 2021 value.



Source: AJPES calculation

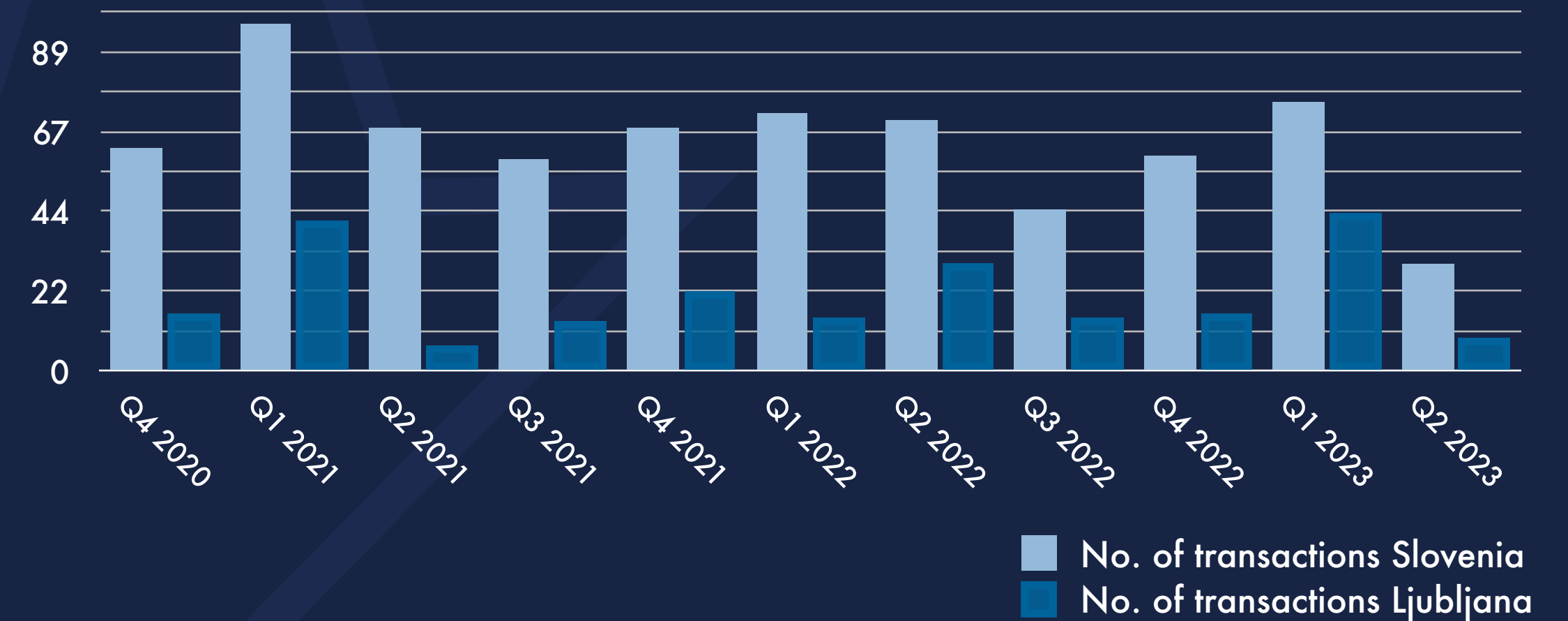
- As the number of employed increased, labour productivity increased only slightly (1.5%). Productivity in small retail trade companies decreased by 6.6%.
- At the end of 2021 the share of actively working citizens reached the highest level ever. The employment rate increased again from 66.7 in 2021 to 68.6 in 2022. The increase in the number of persons working, was the most significant in manufacturing and construction. On average there were around 0.3% more persons in employment monthly and 1.8% more annually. Employment growth and unemployment decline is predicted to continue. The labour shortage will make a large employment increase difficult in the coming years. Demographic changes compound the obstacles to added value growth.



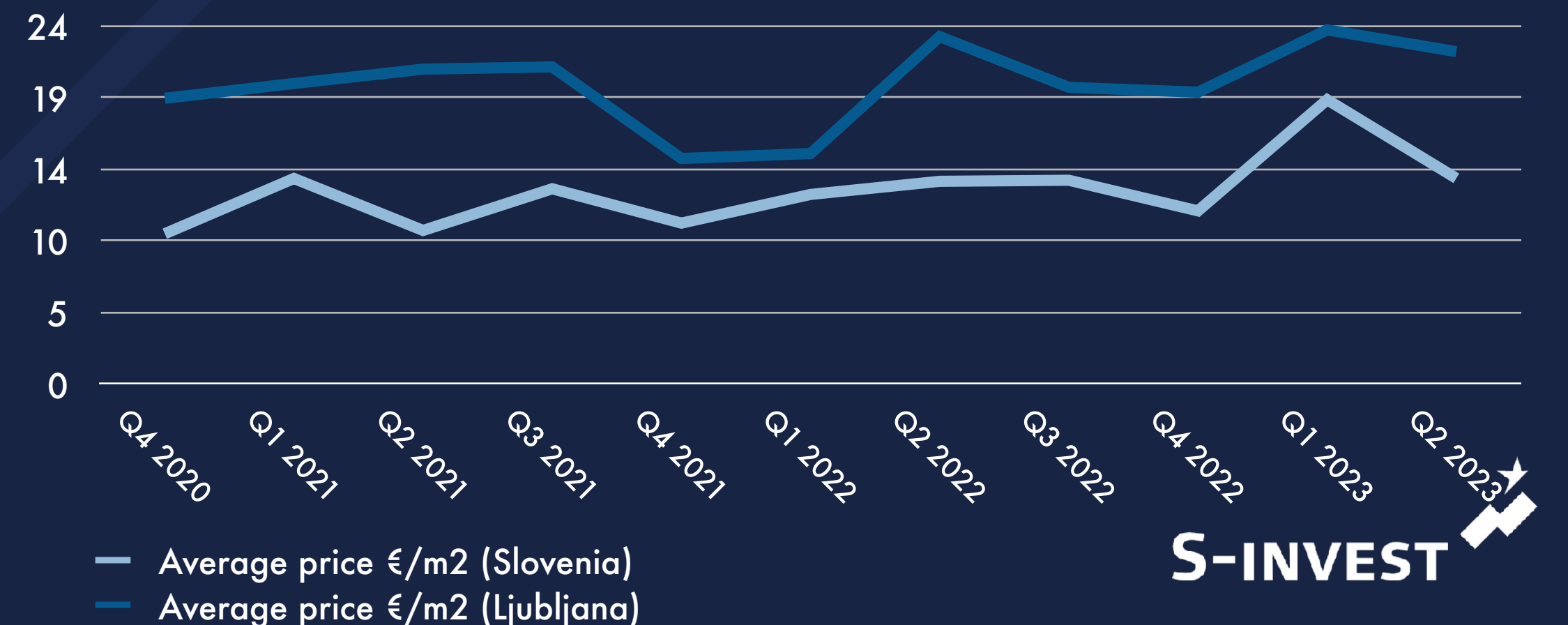
RETAIL REAL ESTATE MARKET

- Tenants in shopping centres are relatively stable. Lease contracts are being concluded for 5 to 10 years, main tenants up to 20 years. There are few vacant spaces.
- The differences in rents between shopping centres and high street are large: in the center of Ljubljana on the main shopping streets rents for smaller areas can reach up to 200€/m², while rents in rural areas and less frequented locations amount to only a few €/m². In 2023 the average rent of retail or service space transactions in Slovenia was 13.65€/m²/month and the average rented area was 139.80 m². In Ljubljana the average rent in 2023 was 26.53 EUR/m²/month and the average rented space measured 61.42 m². The average selling price in 2023 for retail space in Slovenia was 1,307.11€/m² and in Ljubljana 2,035.34€/m².
- The offer of retail real estate for rent is limited to small spaces of up to 200m². Larger spaces are available only in shopping centres or retail parks, but these are rarely free. There is also a lack of modern retail space outside shopping centres.
- The number of retail transactions, as in all segments of commercial real estate, decreased as the market cooled off, after the peak in 2022. Inflation, geopolitical events and high interest rates have all had an impact.
- The sentiment indicator bottomed out in July 2023 (-6.5 p.p.) and is currently increasing slightly. It was negatively influenced by the confidence indicators in construction, by manufacturing that continues to decrease in 2023 and by retail trade that is unstable, with the last peak in August, after a fall in July 2023. On the other hand, the confidence indicator in services had a positive impact, while the confidence indicator among consumers was not impacted.

Slovenia - Retail rental transactions - quarters

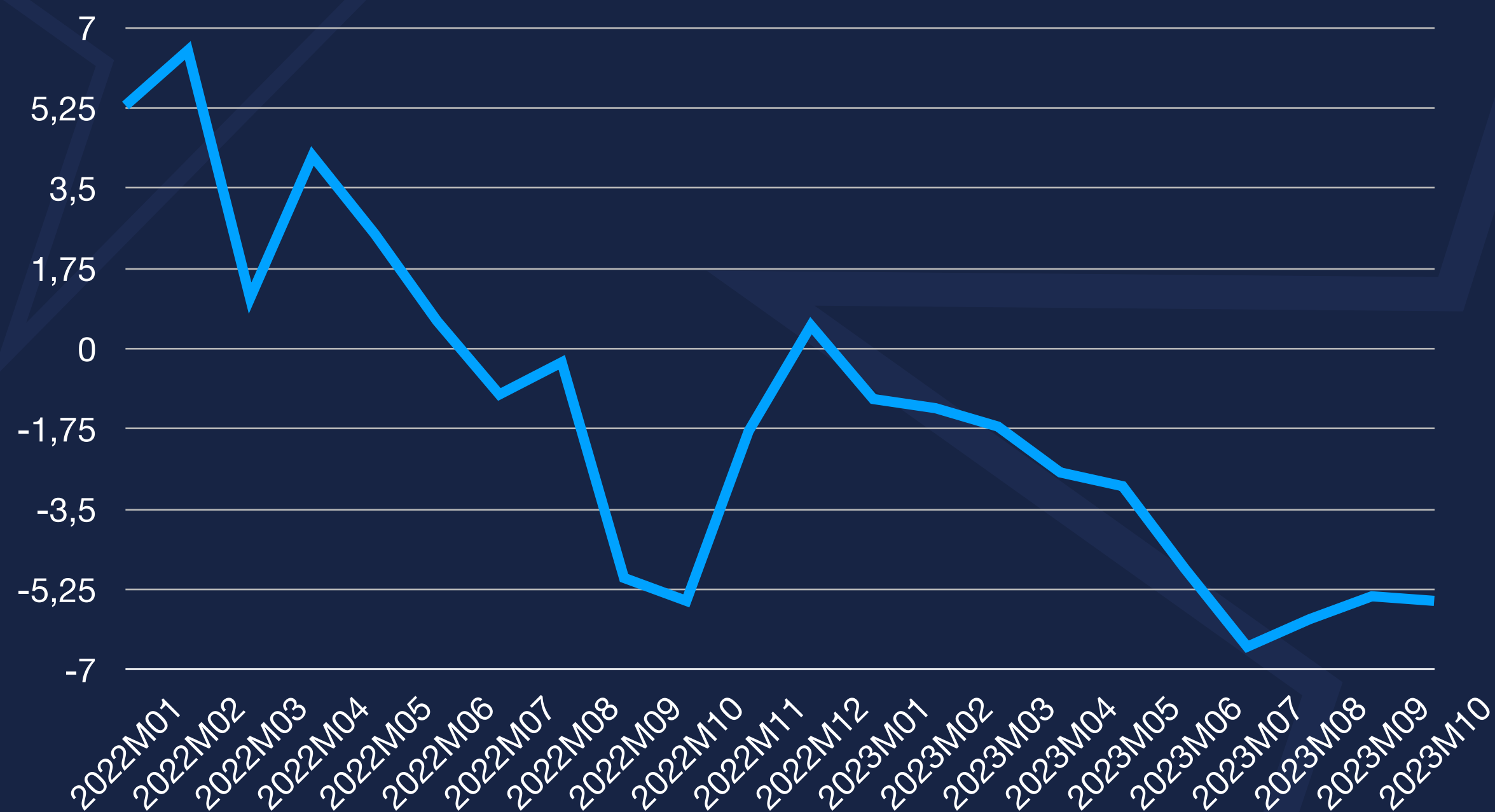


Slovenia - Retail average rent - quarters

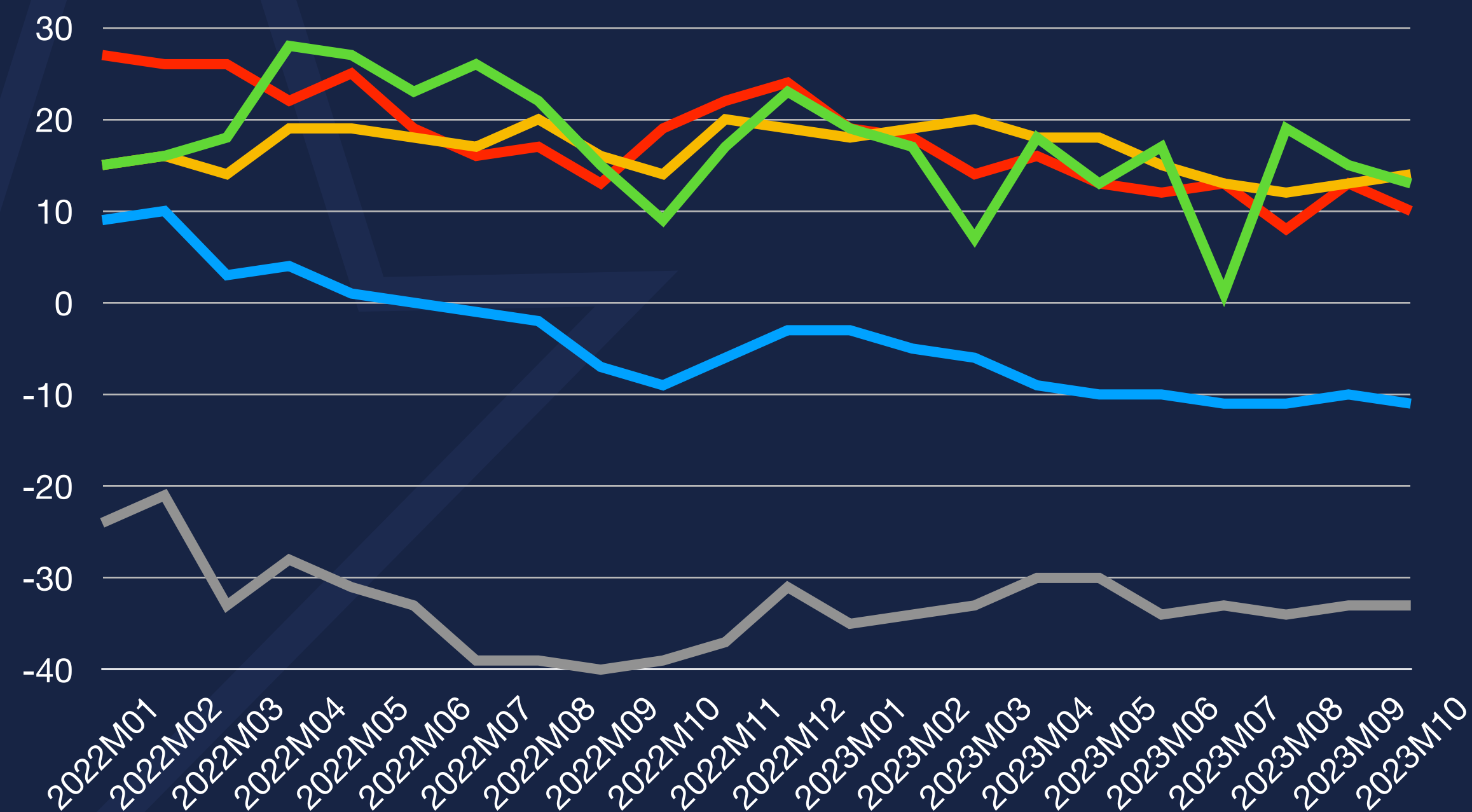


SENTIMENT AND CONFIDENCE

Sentiment indicator



Confidence indicator



Sentiment indicator is a weighted indicator of confidence in:

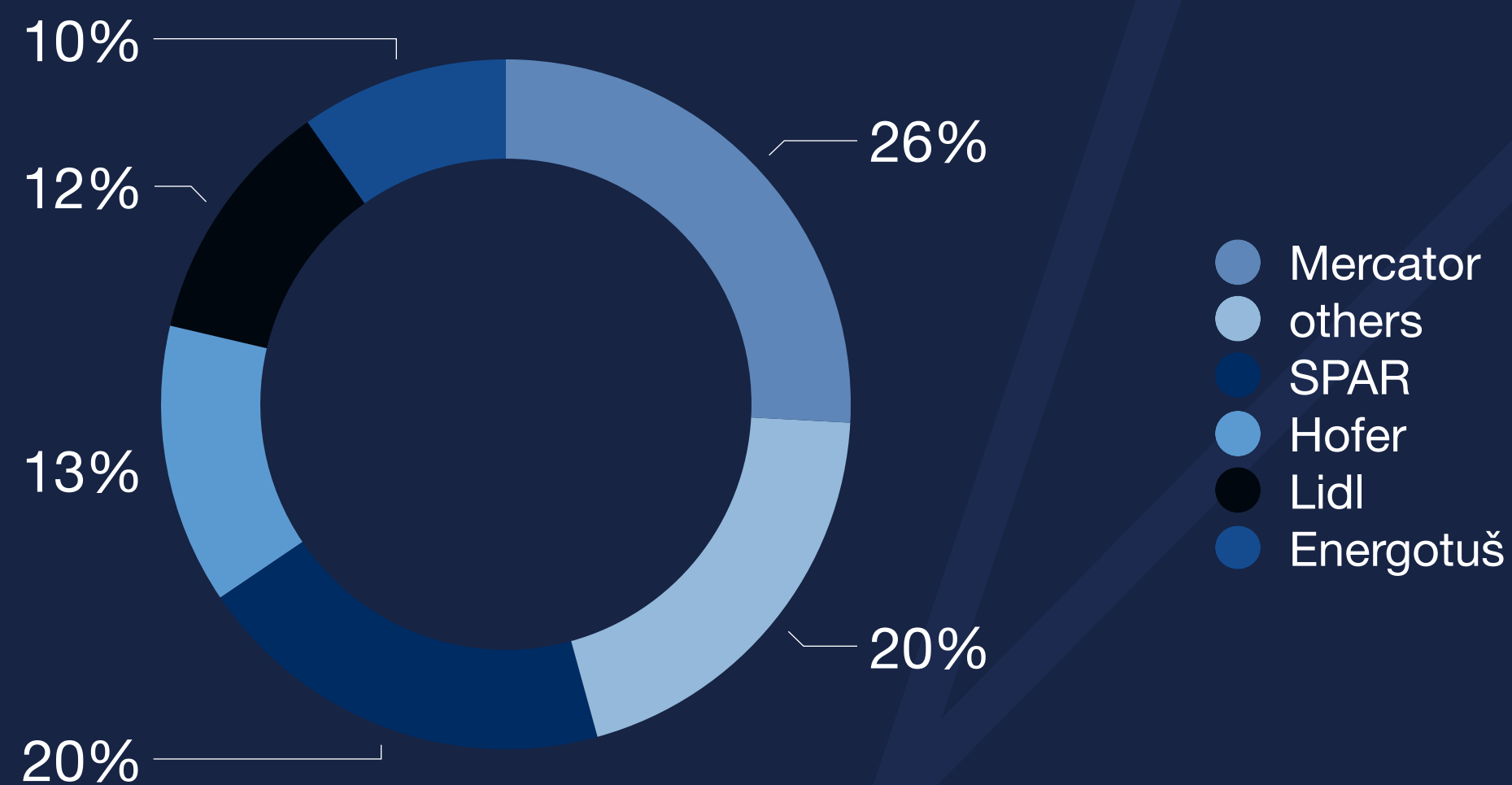
- manufacturing (40%),
- services (30%),
- consumer confidence indicator (20%),
- retail trade (5%),
- construction (5%).

- Confidence indicator in manufacturing
- Consumer confidence indicator
- Confidence indicator in construction
- Confidence indicator in retail trade
- Confidence indicator in services

RETAIL INVESTMENT

- Local fund Alfi became the 80% owner of Energotuš after purchasing receivables in 2020. The remaining 20% belonged to Mirko Tuš, the founder of the company. At the end of 2022 offers were invited for the entire Tuš trading chain or parts of the assets. Binding offers were gathered until the end of June 2023. Tuš was bought by Fortenova (Mercator) for 30m€, which is half of what was expected. The deal was signed in November 2023. The real estate remains with Alfi, or the creditors of Engrotuš. Tuš drug stores remain in the hands of the Tuš family. Mercator currently has around 25% market share. With Tuš's 10% they will regain market share lost to discounters, at least temporarily.
- In June 2023 Ivo Boscarol's company bought the Mercator Tabor II shopping centre on Ulica Eve Lovše in Maribor. It is one of the largest shopping centres in Slovenia with more that 22,000 m2 of useful area. It was sold for around 36.95m€.

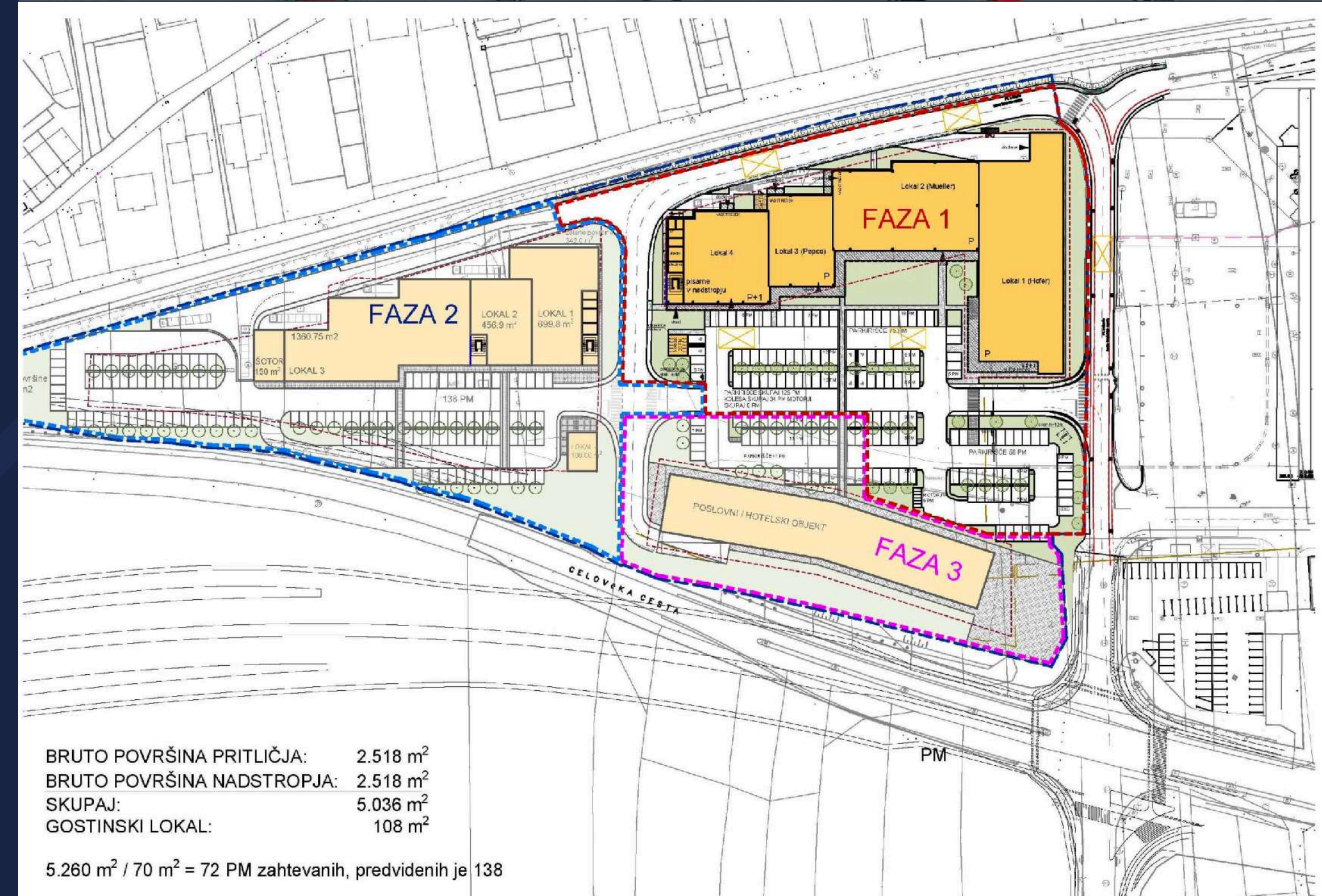
The company's market share in the activity "Retail trade in non-specialized stores, mainly foods" in 2022



SHOPPING CENTRES

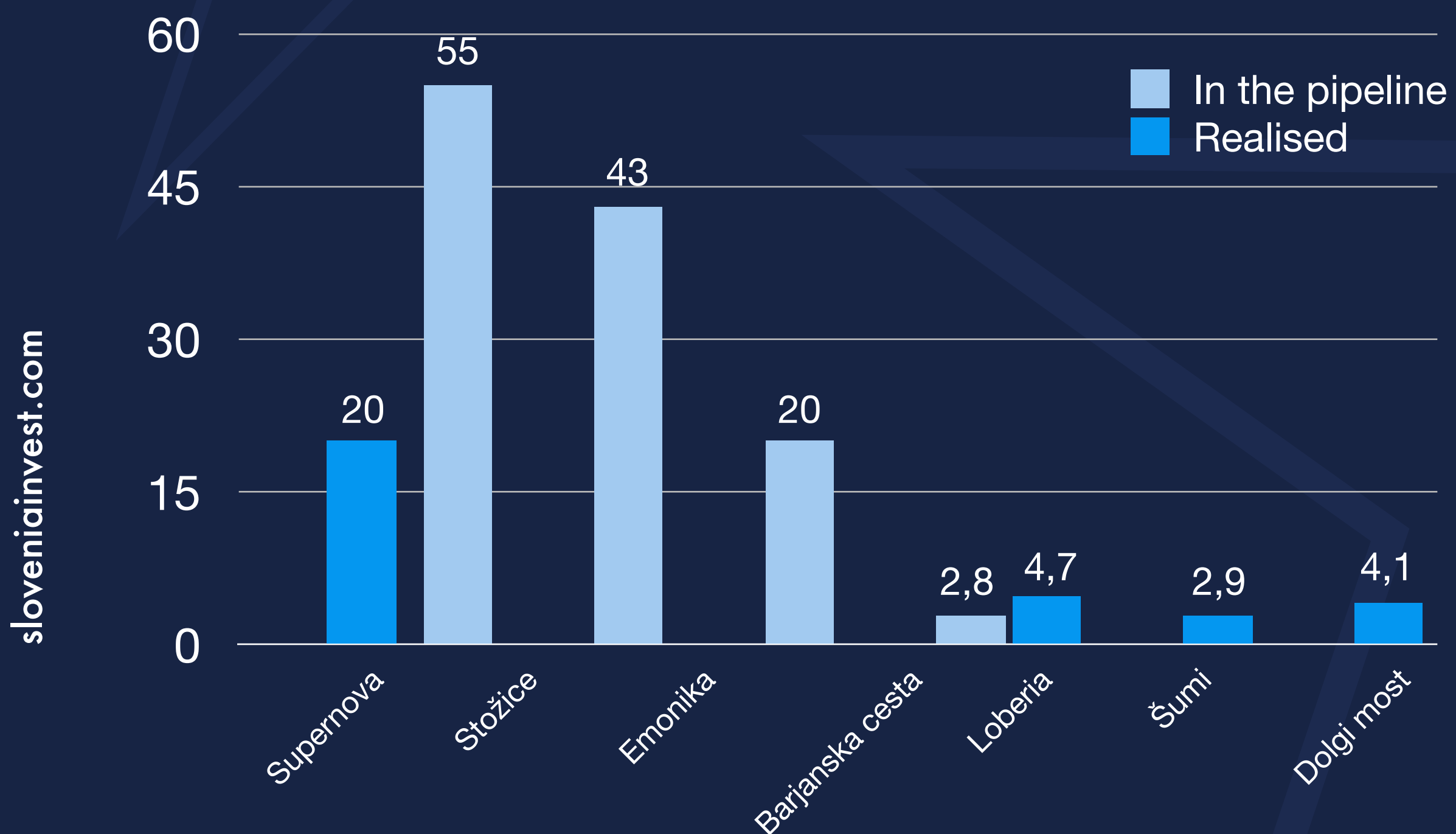
Slovenia, with only 2m inhabitants, and only one city with more than 100,000 residents, can support only small scale developments that do not provide exciting opportunities for international retail developers. The exception is the capital city of Ljubljana. Approximately half of the retail space comprises converted industrial property in the BTC retail park, compromised in terms of parking, depth and frontage. There are pipeline projects in Ljubljana that have been on hold for years.

- The Stožice scheme comprises a PPP incorporating a stadium, and 55,000m² of retail space. The stadium was completed, but the retail element remains unfinished.
- Emonika is a large mixed-use scheme in the city centre that will provide a sizeable retail scheme, office tower, residential and hospitality. The developers obtained a building permit in December 2023. The investment in the commercial part is estimated to be 350m€.
- SES shopping centres finally opened their Aleja shopping facility with 32,000m² of retail space in May 2021, after 10 years of effort.
- The city centre scheme Šumi delivered 4 additional retail units to downtown Ljubljana in 2022, including a 1,100m² Lidl located in the 1st basement that opened in December 2022. Other units are located on the ground floor but are as yet unoccupied. They measure 679.92 m², 480.70 m² and 605.89 m².
- Finally, Supernova realised plans to extend their mall in Rudnik by 20,000m², bringing 40 new units to market. The extended retail centre opened at the beginning of April 2022. It benefits from a “green” garage house facade covered in plants.
- In October of 2023, the 1st phase of the 4,665m² Ljubljana Loberia retail centre was finished. Its tenants include Hofer, Tedi, Pepco and Muller. The investment is worth about 9m€ and was financed wholly by the Loberia company. The 2nd phase includes ground floor premises with service and commercial activities, and the 3rd phase the construction of a hotel, which should be completed by 2029.
- In August 2023 a new retail development opened on Dolgi Most, accommodating Lidl and Muller and providing 4,120m² GBA.
- In the south of Ljubljana an additional retail development along Barjanska cesta is planned by Spar European Shopping Centers. The Municipality sold 9,000m² of land to the company. They plan to build a mixed-use residential and retail centre of 20,000m². Stakeholders opposing the project claim it is unsuitable due to the high risk of floods in that part of Ljubljana. However permitted use in the zone supports retail development on what is currently used as agricultural land.



SHOPPING CENTRES

New retail areas: realised and in the pipeline in Ljubljana ('000 m2)



In Maribor on Eva Lovše Street a 10-storey office building (15,924m2) for Sava insurance company was completed, and occupied in February 2023. Next to it a retail center for smaller businesses is planned.

In Murska Sobota there are long-term plans for a Mercator shopping centre in the core of the town next to architect Novak street, Gregorčičeva, Slovenska and Slomškova streets. The land plot measures about 14,000 m2. A Mercator hypermarket that will occupy about 2,500 m2 is planned, together with spaces for other tenants. There will be around 130 parking spaces. The developer is the Iskra Impuls company. The investment is worth about 7m€ and they hope to start the project by 2025.

There are plans for a new retail center in Brežice. On more than 25,000m2, they plan to build three commercial buildings with 260 parking spaces. The largest building in the area will be central building B with 8,800m2, and a maximum height of 8 meters. Building A will comprise 805m2 of service activity, while in the southern part, independent buildings intended for food and beverage service are planned.

Smaller retail parks in 2023 opened in Ljutomer and Šentilj. There are plans for a Jager grocery store of 2,500 m2 in Šmarješke Toplice.

HIGH STREET SHOPPING

Slovenian cities typically have little high street retail space. Town centres are generally small. They were mainly developed in the Austro Hungarian times, and consist of historical buildings with small ground floor retail units. The periphery of larger towns comprises tower blocks dating from the Yugoslav days, with no quality retail space. More modern out of town residential blocks have been developed in the past 30 years to accommodate the increase in smaller family units, again with no quality retail space. There are only two high streets of note in Ljubljana, Slovenska Street, and Čopova Street. Retail space is in demand, and changes hands at high rents, up to 200€/m² for tiny units. Occupation is not stable, and high turnover is in evidence. Tenants are typically a mix of international and local brands. Several international retailers are looking for suitable space in downtown Ljubljana for flagship or concept stores, but they are invariably disappointed as there is nothing large enough available in the prime locations they require.



ČOPOVA STREET

01
MATCH
ARIBOR ZAGREB

back
WERK

Mladinska knjiga
M

MESTNA HRANILNICA
JUBLJANSKA

Gelix

a
ROMA

Gelix

West

STAVE

STEKLO
EMBALAŽA

S-INVEST



FACTORY OUTLETS

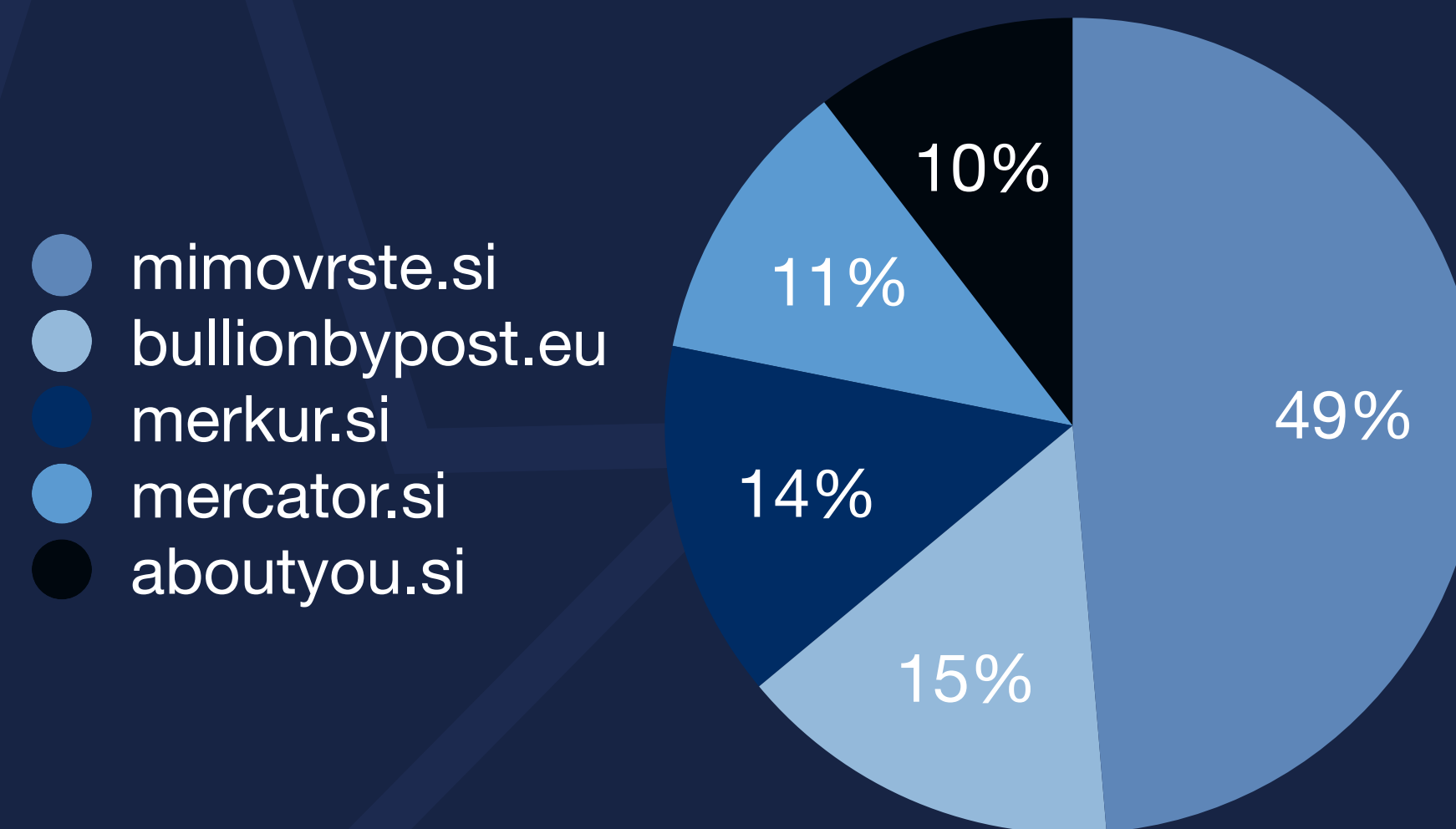
There are no factory outlets in Slovenia. The tiny country's inhabitants are well served with the Italian Palmanova outlet, 90 minutes drive from Ljubljana, and the Croatian Roses outlet in Zagorje, 45 minutes drive away from Zagreb and 107 minutes from Ljubljana. It is hard to imagine that the small Slovenian population could support any sizeable outlet, indeed two developers had schemes in planning which were aborted due to insufficient interest from international brands.



ECOMMERCE

- The pandemic brought many opportunities for eCommerce in Slovenia. Social distancing and restrictions meant that consumers had no choice but to resort to shopping from home. The main motive for online shopping nowadays is to save time and money.
- More retailers are emerging online, and existing online retailers have realised the potential for further development. The offer in eCommerce is growing. Furthermore, many companies realise the importance of marketing their products through social media, which contributes to increased sales. The degree of competition in Slovenia's eCommerce market is high due to the presence of many market players. The number of local and global brands in the eCommerce market has increased, leading to high competition.
- In the 1st quarter of 2021, 48% of the Slovenian population bought at least one product online, in the 1st quarter of 2022 the share was 50% and in the 1st quarter of 2023, 53%. This is relatively low compared to other developed countries, which means there is still great potential for growth. A growth rate of 7.45% is predicted from 2022 to 2027.
- The biggest player in the Slovenian eCommerce Market is [mimovrste.com](https://www.mimovrste.com), successful thanks to a wide range of products, low prices and heavy marketing. In 2021 the revenue growth of [mimovrste.com](https://www.mimovrste.com), amounted to 50.2m€. In 2022, the top five online stores in the Slovenian eCommerce market, were [mimovrste.com](https://www.mimovrste.com) with 110.2m€ of revenue, [bullionbypost.eu](https://www.bullionbypost.eu) with 34.6m€ revenue, [merkur.si](https://www.merkur.si) with 32.1m€ revenue, [mercator.si](https://www.mercator.si) with 25.9m€ revenue, and [aboutyou.si](https://www.aboutyou.si) with 23.6 m€ revenue.

Share of net sales by top eCommerce companies



A SURS survey from April 2022 to March 2023 showed two-thirds of the population made at least one online purchase in the previous 12 months. By age group, the share was highest among 16-24 year-olds, and lowest among 65-74 year-olds. The share among 55-64 year-olds increased the most, by 10 percentage points, to 52%. In total, eCommerce revenue amounted to around EUR 3,950m€ in 2022.

ECOMMERCE COMPARISON

	Slovenia	United Kingdom	Germany	Italy
Place in the world - size of eCommerce market	80	3	6	14
Value (billion €)	897	147.11	107.29	35.19

Slovenia was the 80th largest eCommerce market in the world in 2023, with a predicted revenue of 896.5m€. With an expected increase of 2.7% in 2023, the Slovenian eCommerce market contributed to the worldwide growth rate of 8.7%.

In Slovenia Hobby & Leisure is the largest market and accounts for 24.9% of eCommerce revenue. It is followed by Electronics with 21.9%, Fashion with 18.2%, Furniture & Homewares with 11.5%, Care Products with 9.3%, DIY with 9.0%, and Grocery with the remaining 5.2%.

The online share refers to the proportion of the retail volume that is transacted via the Internet. It includes purchases via desktop PC, tablet or smartphone, both via website or app. Only retail of physical goods is taken into account. In the Slovenian retail market, the online share is 7.8% and is predicted to increase to 10.3% by 2027.

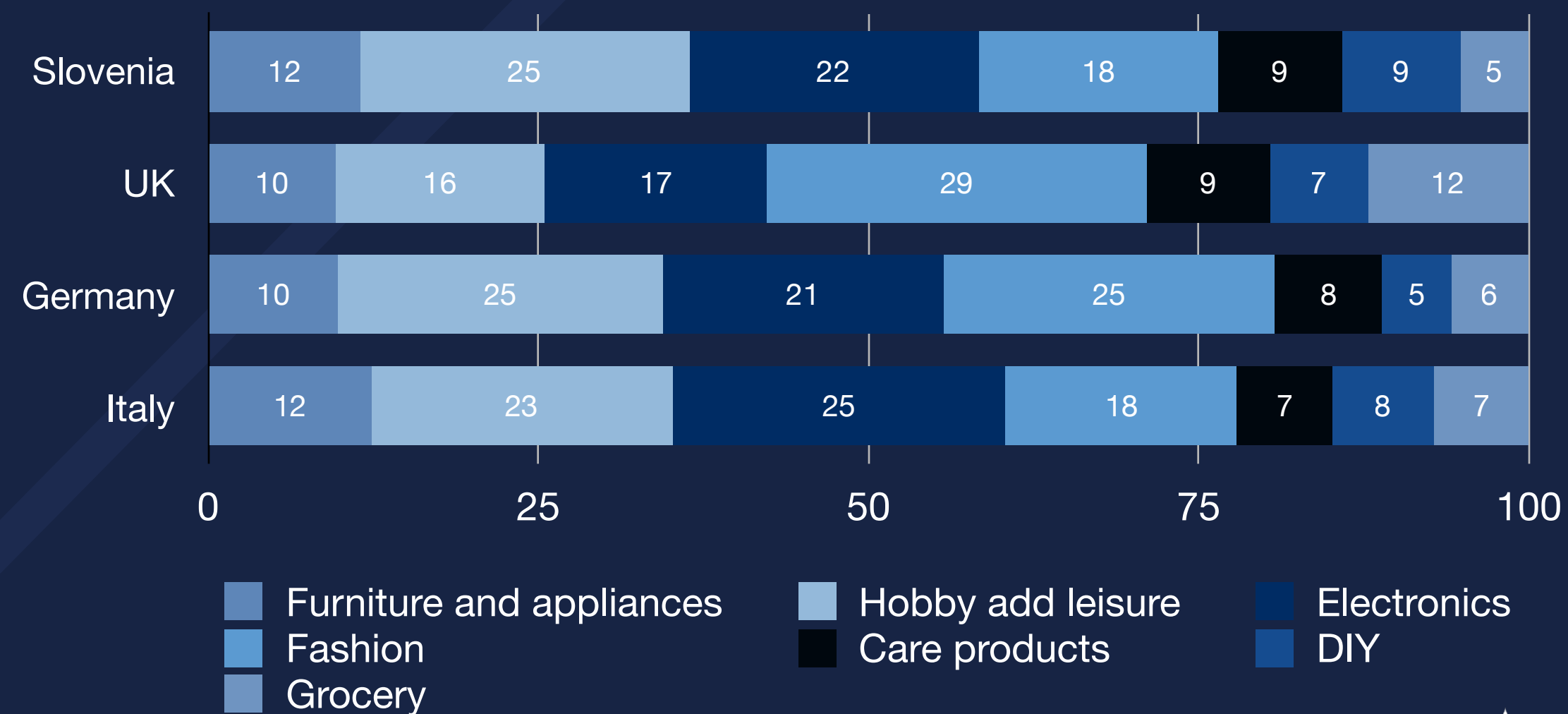
With the increase of eCommerce, transport and delivery businesses have started to expand. Despite Pošta Slovenije's dominant position with 69.8% of online stores opting for its services, the Slovenian eCommerce delivery market in 2022 remains diverse and competitive. Several other shipping service providers, including GLS, DPD, DHL, and UPS, hold smaller but significant shares, contributing to a dynamic and fragmented market.

Food delivery company Wolt has been active in Slovenia since 2019. They have expanded from Ljubljana and are currently present in 20 towns, all around Slovenia. Similarly delivery company Glovo is celebrating 2 years in Slovenia. During this time, the total number of deliveries through the platform exceeded 4.7 million, in 27 cities across the country.

	Slovenia	United Kingdom	Germany	Italy
Place in the world - size of eCommerce market	80	3	6	14
Value (billion €)	897	147.11	107.29	35.19

Source: ecommerceDB

Share of online shoppers buying products in main categories in 2023



Source: ecommerceDB

Source: ECDB

CITYPARK, BTC

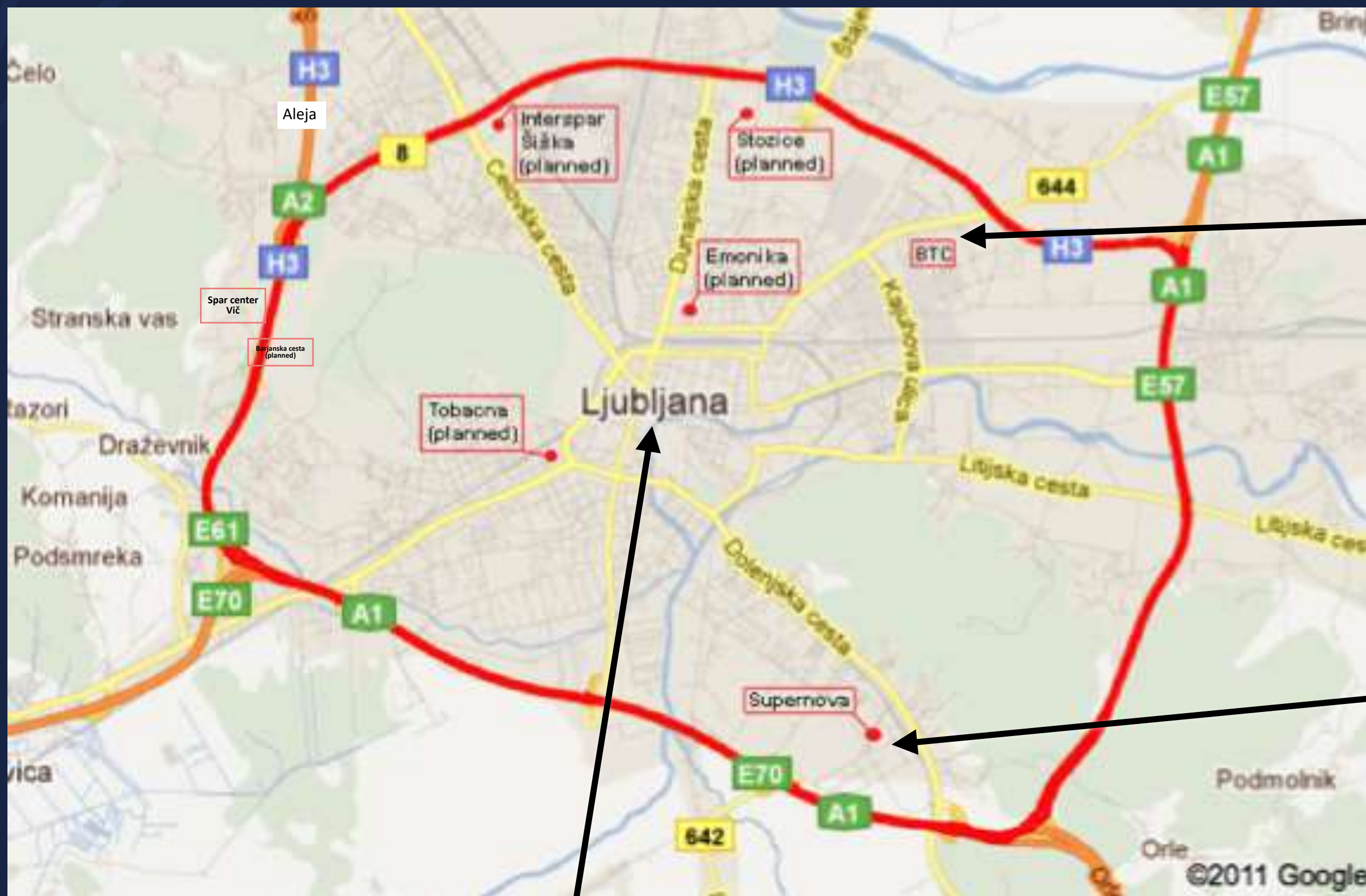


LJUBLJANA

The Ljubljana retail market is centred in 3 main areas; BTC, The town centre, and Rudnik. They are all situated within the ring road that circles the city.

There is a shortage of quality retail space in Ljubljana and it used to be necessary to pay key money to secure a space in BTC, although things have changed. The Citypark mall in BTC was extended by 8,500m² in 2011, and was fully rented two months before completion. Aleja shopping centre added 32,000m² more retail space in the Šiška neighbourhood and Supernova Rudnik extended the shopping centre by 20,000 m² in April 2022.

Retail hubs in Ljubljana



BTC was the largest logistics centre in ex-Yugoslavia, and was converted into a retail park approximately 30 years ago. It now consists of 450 shops and 31 bars and restaurants, occupying over 130,000m². 21m visitors are attracted to the park each year.

Rental varies from 8€/m²/month in larger units and rises to 30€/m²/month for small units in key locations in the better shopping centres, with the average being 20€/m²/month for transactions between January and August 2023. The units were converted from warehouses into retail space, and are compromised in terms of parking, frontage and depth.

Rudnik can best be described as a big box retail park, and offers one new purpose built shopping centre on two levels, with multiplex cinema (Supernova). Next to Supernova a large E.Leclerc supermarket with retail units is located, an Obi big box, and a few other larger big box retailers, and strip malls that comprise the Park Center development.

The town centre is characterised by quality brands and offers approximately 21,000m² of retail space set mainly on Slovenska Street, Kongresni Square, Trubarjeva and Stari trg, pedestrian streets in the old town. Many retailers relocated to BTC due to parking problems in the centre.

BTC CITY, LJUBLJANA



MARIBOR

- Maribor, with 112,100 inhabitants, is the second largest city in Slovenia and retail is concentrated in 4 areas.
- Maribor, like Ljubljana, has a shortage of appropriate retail space, with all of the quality shopping centres being fully rented.

Retail hubs in Maribor



Europark is the only real shopping centre, the others represent smaller properties with supermarkets as anchor tenants. Some retail is also present in the city centre represented by an older inner city multi storey property but the majority has relocated to the new centres on the outskirts. Europark shopping center is the largest and most popular center in Maribor. It was first opened in 2000 and after a renovation in 2008 it now consists of 120 shops and bars, comprising over 40,000 m2. The centre also features 2,600 parking spaces and has around 500,000 visitors per month. Anchor tenants include Interspar, Zara and H&M.

Planet Tuš is located in the city center and is part of a mixed-use scheme opened in 1997. The top 4 floors are occupied by offices and the lower 4 floors represent a shopping centre with 80 shops and bars covering a total of 27,000 m2. The centre also features an underground car park. The shops and bars are individually owned. Planet Tuš is oriented towards entertainment with a Tuš supermarket and retail offer, food and beverage offering, a multiplex cinema with 2,000 seats and a bowling alley.

This shopping centre houses popular French food retailer E.Leclerc as the anchor tenant and covers 20,000 m2 with the supermarket comprising 25%.

The most recent is Supernova (ex Q-landia) with 32 shops and bars covering 17,300 m2 with 710 parking spaces. Anchor tenants include Hervis, Deichmann Shoes and Interspar. Supernova attracts around 2 million visitors per year.

Mercator Center Maribor opened in 2011 with 11,000m2 of GLA offering 50 shops (Mercator, Intersport, Punto Roma, DM Drogerie Markt, etc) and 800 parking spaces.

PLANET KOPER



KOPER

Koper is the main urban and administrative centre of the coastal region located near the main pan European transport corridor 5 (stretching from Venice to Kiev) and in the vicinity of the Italian border and the city of Trieste; and only 30 minutes drive from Croatian Istria. The main pillar of the local economy is the Port of Koper, which is the only commercial port in Slovenia. Industry and logistics is the city's most important employer, with tourism becoming increasingly important.

Retail in Koper is well developed considering the small size of the town, with approximately 3.5m² of GLA per capita. Koper attracts cross-border shoppers from Croatia and Italy. Two of the main retailers (Mercator and Supernova) opened secondary shopping centres in 2012.

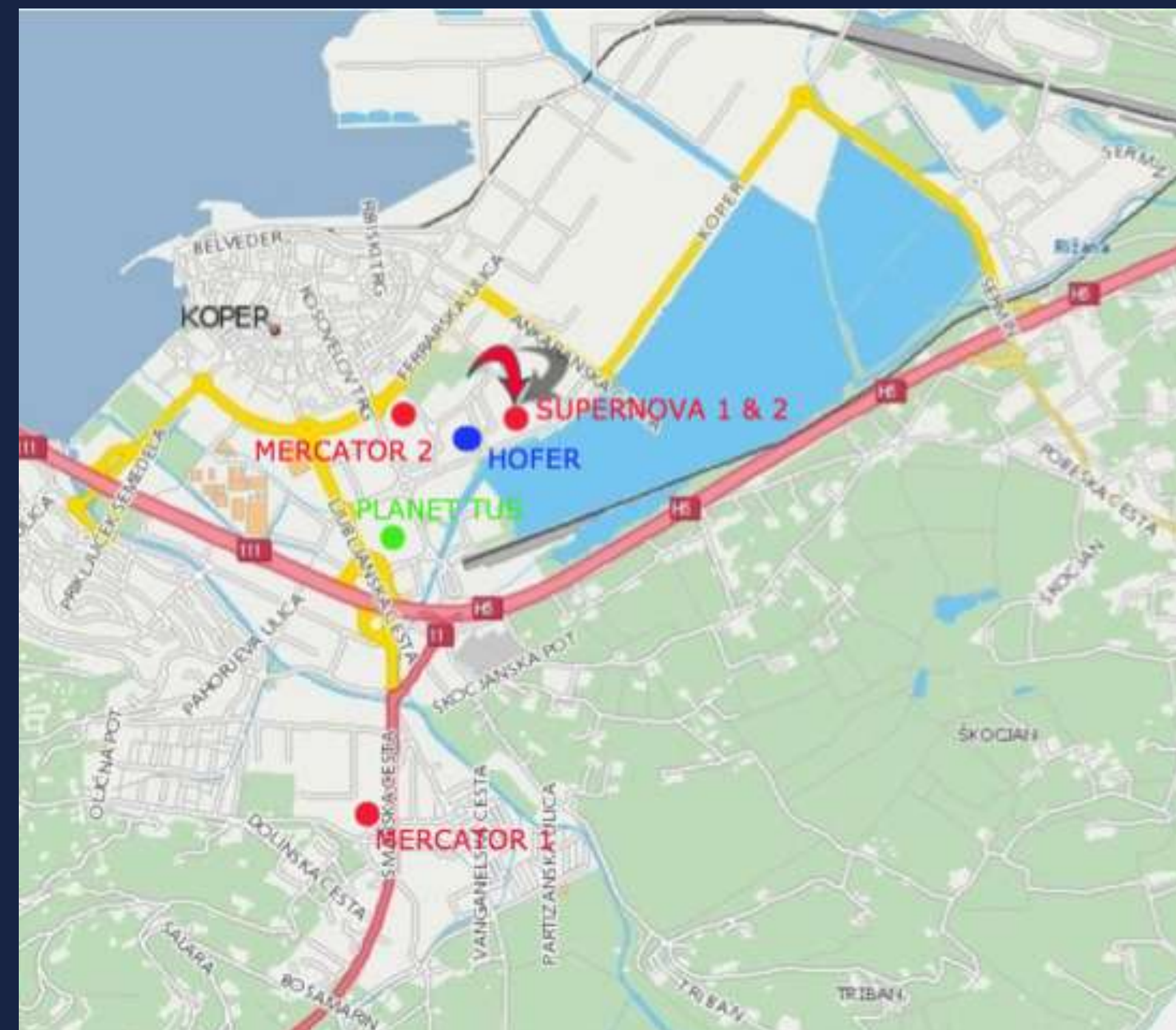
The retail market in Koper is concentrated in one main area between the highway and the city centre, next to Ljubljanska and Ferrarska street, where all of the main shopping centres are located.

Mercator has two centres in Koper, Mercator 1 with approximately 10,000 m² of GLA, 30 stores and 216 parking spaces and Mercator 2 with approximately 12,500 m² GLA, 22 stores and 600 parking spaces.

Supernova developed two centres with the largest one comprising 28,600m² GLA, 40 shops and 730 parking spaces, since sold, and rebranded as Park Center in 2020. The second centre was constructed in 2010 and has 9,700m² GLA, 11 shops and 230 parking spaces and is located close to the first one.

Tuš opened their largest shopping center Planet Tuš, now Planet Koper, in 2010, with 70,000m², 70 stores, multiplex cinema with entertainment center and 1,000 parking spaces. The retail area comprises 25,900m² GLA. It was sold to south African Greenbay in 2016 and rebranded Planet Koper.

Retail hubs in Koper



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